



Independent Pricing and Regulatory Tribunal

# Annual Report 2013/14

October 2014



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## Letter of submission

Our reference: 14/202

Your reference:

24 October 2014

The Hon Michael Baird MP  
Premier of New South Wales  
Level 40  
Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

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Dear Premier

### **Independent Pricing and Regulatory Tribunal - Annual Report 2013/2014**

As required by the *Annual Reports (Statutory Bodies) Act 1984*, I am pleased to submit the Independent Pricing and Regulatory Tribunal Annual Report for the year ending 30 June 2014.

Yours sincerely



Hugo Harmstorf  
Chief Executive Officer

## Chairman's Foreword

In 2013/14, we saw a plateauing of price increases across many of the utilities for which IPART sets regulated prices. After five years of rapid increases, largely driven by the introduction of the carbon tax and expenditure on utility infrastructure, this is a welcome change. Notwithstanding these developments, the need for reform in many of the industries we regulate and review remains.

During 2013/14, we have considered further how to add value to the NSW economy and to improve outcomes for customers. Through our own reviews and submissions to external reviews we have promoted competition to drive costs lower, and deliver 'better' products and services. Indeed, there are some key industries in our bailiwick that could deliver benefits for customers from competition-based reform, including water, public transport and taxis.

In short, we consider markets should be opened to competition, as customers are the most effective regulators. This should be the default position. However, in a limited number of cases it might not be possible, and in such cases competitive procurement can be used to drive efficiency gains.

The electricity industry provides an example of how competition has delivered better value to customers, and on 1 July 2014, retail electricity prices were deregulated, with IPART retaining a price monitoring role.

This has also been a year of change within the Tribunal. Simon Draper in December 2013 and Paul Paterson in September 2014 resigned their part-time positions to take up full-time opportunities in the Department of Premier and Cabinet (NSW) and the Department of Communications (Commonwealth), respectively. In March 2014, Catherine Jones joined the Tribunal and a process is underway to fill the third Tribunal position. I would like to thank Simon and Paul for their valuable contribution to the work of the Tribunal, and I look forward to working with the new Tribunal to continue to deliver determinations and reviews of the highest professional standard.

In late 2013, we welcomed our new CEO, Hugo Harmstorf. Hugo is responsible for the management of IPART, including leading our Secretariat. I would like to thank Hugo and all the staff at IPART for their continued enthusiasm and commitment to producing high quality analytical work.

I have enjoyed steering IPART through another busy year in 2013/14. IPART remains the centre of economic regulation and review in NSW, and we welcome the large number, and the variety, of assignments from Government, ranging from setting the rate peg for Local Government, advising on charging regimes for TAFE, Local Land Services and Telecommunication Towers on Crown land through to setting prices for water and gas. I look forward to another exciting year in 2014/15.



Peter J Boxall AO  
Chairman

## The Chief Executive Officer's Report

I had the pleasure of joining IPART in November 2013 following the resignation of Jim Cox, who had helped guide IPART to become the high quality organisation that it is today.

In my first six months I have been impressed with the professionalism and intelligence of the Tribunal and the staff. It is an honour to lead IPART, and I relish tackling the many and varied challenges that we face.

IPART had yet another busy year in 2013/14 across all areas.

### Price regulation

In our pricing areas – water, public transport, energy and local government – we set prices or recommended prices across 44 reviews in 2013/14. More generally, the rates and utility prices that we set or recommend amount to around \$16 billion, or 3.3% of the NSW economy,<sup>1</sup> to fund the provision of essential services every year across NSW. Key highlights in the pricing area were:

- ▼ Reviewing **Sydney taxi fares and licences** together for the first time and making recommendations as a package to keep fares affordable, shorten waiting times for passengers and make entry into the industry cheaper and easier for drivers and operators.
- ▼ Determining maximum **bus fares for all metropolitan and outer metropolitan bus services**.
- ▼ Negotiating agreements under a structured framework with gas retailers about increases in **gas retail prices** during a period of significant change.
- ▼ Reviewing for the first time the maximum fees that can apply to **early termination of electricity market contracts**.
- ▼ Setting maximum prices for Essential Energy's **water and wastewater services in Broken Hill**, for the period 1 July 2014 to 30 June 2018.

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<sup>1</sup> IPART has estimated NSW Gross State Product in 2013/14, based on Australian Bureau of Statistics data.



Each year we measure the weighted average change in the regulated prices for retail energy, water and public transport using our Household Charges Index to determine the cumulative impact of regulated price changes on 'typical' or representative households. It shows that after about five years of rapid increases, utility prices in 2013/14 plateaued.

In Local Government, we set the **rate peg** for 2013/14 and reviewed 32 applications from councils for a special variation above the rate peg amount and two applications from councils to increase the minimum rates above the statutory limit of \$485. We also provided advice to Government to assist with significant local government policy reform.

Two major policy reviews, which affect our price reviews that use the building block model (including water and public transport), were completed during 2013/14:

- ▼ Our final decision on our **WACC methodology** enhances our approach by adopting a clear decision-making model to set the WACC for our price reviews. We also started releasing bi-annual WACC updates on our website.
- ▼ Our final decision on the **financeability test** is based on a transparent and replicable methodology and assesses the effect of our price determinations on the actual financial position of a utility.

### Advice to government and submissions to reviews

IPART continues to work to ensure efficient use of and investment in infrastructure to support the long term interest of customers. In addition to doing this through our pricing reviews, we provide advice to Government through special reviews and in our submissions to external reviews.

We submitted our final reports to Government on:

- ▼ the structure of rents for telecommunication tower sites on public lands
- ▼ a funding framework for the new Local Land Services
- ▼ a methodology for determining the price and fee arrangements for government-funded Vocational Education and Training (VET) under *Smart and Skilled*
- ▼ benchmark costs for infrastructure provided by local government.

These reviews contributed significantly to policy development across NSW. For example, our recommendations on VET assisted government to meet its objectives in providing government-funded VET, including increasing participation in VET and addressing skills needs in certain areas of the NSW economy. Recommended fees will recover a higher proportion of base prices than at present, allowing the Government to subsidise a higher number of VET places from a finite VET budget, and thus facilitating higher participation than

would otherwise be the case. We are confident our approach strikes the right balance between the affordability and availability of VET.

We also continued our major regulation reviews into local government compliance and enforcement and the rationale and design of licences. Through these reviews, we have made recommendations that would potentially achieve \$300 million in savings to business and the community from reduced red tape.

In 2013/14, we made 13 submissions to external reviews, including the national review of competition policy. Through our submissions, we contribute to debate about appropriate public policy at both the state and federal level. This is important in ensuring that the right settings are put in place, and is an additional way that IPART adds value to the NSW economy.

### Licensing functions and ESS administration

In 2013/14, we passed our electricity and gas retail licensing functions and some network licensing functions to the Australian Energy Regulator. Despite this, our water licensing functions are set to grow under the *Water Industry Competition Act 2006* (WICA).

In 2013/14, we assessed and recommended new licences and varied other licences under WICA. We also contributed to the policy debate by making a submission to the NSW Government's review of WICA.

In our role as Scheme Administrator of the Energy Savings Scheme (ESS) we managed the continuing growth of the ESS, registering more than four million Energy Savings Certificates.

We improved our processes in managing the scheme, with the average application processing time falling from 114 days to 76 days during the 2013/14 financial year. We also engaged in policy debate about the ESS Scheme and prepared for a significant Rule change that partially commenced in June 2014.

I would like to thank the Tribunal, and particularly the Chairman, for their guidance to the Secretariat. I would also like to thank the Secretariat for their excellent advice and professionalism, and look forward to together continuing IPART's strong reputation in 2014/15.



Hugo Harmstorf  
Chief Executive Officer  
30 October 2014

## What we do

IPART is the independent regulator that determines the maximum prices that can be charged for certain retail energy, water and transport services in New South Wales. We also determine local government rates. To ensure the quality and reliability of these services, we monitor service delivery, audit suppliers and oversee licence compliance by water and retail energy suppliers and networks businesses.

IPART also serves as the NSW Government's economic advisor and policy think tank. In this role, we review the pricing of other services and investigate various aspects of industry productivity, competition, performance and planning. We administer the Energy Savings Scheme at the Government's request.

### Functions

IPART provides an integrated system of economic regulation and licence regulation in NSW that covers pricing for water, public transport, local government, electricity and gas industries and licensing of water, electricity and gas.

In addition, IPART administers the Energy Savings Scheme and undertakes reviews and investigations into a wide range of economic and policy issues. In this respect, we act as a key economic think tank and policy advisor to the NSW Government.

Our core functions are conferred by legislation, rules and access regimes established by legislation. These functions are to:

- ▼ Set or recommend maximum prices for monopoly services in NSW (including water and public transport).
- ▼ Regulate maximum gas prices that regulated energy retailers can charge to residential and small business customers.
- ▼ Administer licensing or authorisation of water, electricity and gas businesses, and monitor compliance with licence conditions.
- ▼ Advise the NSW Government or its agencies on issues such as pricing, efficiency, industry structure and competition.

- ▼ Regulate private sector access to water and wastewater to encourage competition and re-use.
- ▼ Maintain a local government cost index, determine the maximum percentage increase in local government general revenue (rate peg), determine special rate variations and review Councils' development contributions plans.
- ▼ Review the regulatory burden in priority industries to reduce red tape.
- ▼ Administer the Energy Savings Scheme and associated register of energy savings certificates.
- ▼ Undertake market monitoring of relevant sectors in the electricity market.
- ▼ Register agreements for access to public infrastructure assets and arbitrate disputes about agreements for access to public infrastructure.
- ▼ Investigate complaints about competitive neutrality referred to us by the Government.

## Principal Achievements in 2013/14

### Completed by 30 June 2014

#### Energy Pricing

- ▼ Completed review of regulated retail gas prices to apply from 1 July 2014
- ▼ Assessed compliance by standard gas retailers with voluntary pricing agreements
- ▼ Completed review of the benchmark range for solar feed in tariffs and the determination of the retailers' contribution towards the costs of the Solar Bonus Scheme from 1 July 2014
- ▼ Engaged in external policy reviews relating to the energy market.

#### Energy Licensing

- ▼ Monitored compliance of energy network businesses with their licences
- ▼ Annual compliance report to Minister for Resources and Energy.

#### Metropolitan Water Pricing

- ▼ Completed review of Essential Energy's water and wastewater prices for Broken Hill, to apply from 1 July 2014 to 30 June 2018.

#### Water Licensing (public water utilities)

- ▼ Audited the compliance of Sydney Water, Hunter Water, the Sydney Catchment Authority and State Water against their respective operating licences.

#### Water Industry Competition Act 2006 (WICA)

- ▼ Completed assessment of two WICA licence applications from privately-owned water utilities, which were subsequently granted by the Minister. Further, we assessed two licence variation applications, which were subsequently approved by the Minister

- ▼ Administered 14 audits of WICA licensees, which consisted of four operational audits, seven licence plan audits and three new infrastructure audits
- ▼ Contributed to the NSW Government's review of WICA, which included a March 2014 submission to the review's Position Paper.

### **Transport**

- ▼ Reviewed and recommended taxi fares to apply from 1 July 2014
- ▼ Reviewed and recommended the number of new annual Sydney taxi licences (other than licences for wheelchair-accessible taxis) that should be released from 1 July 2014
- ▼ Reviewed fares for Metropolitan and outer metropolitan buses from January 2014
- ▼ Reviewed and recommended fares for private ferries from December 2013 and determined the fare for the Stockton ferry from January 2014
- ▼ Reviewed compliance by train, metropolitan and outer metropolitan bus and Sydney Ferries operators with IPART's determinations
- ▼ Reviewed rail infrastructure compliance with the NSW rail access undertaking for 2011/12 and 2012/13
- ▼ Reviewed mine life and rate of return under the NSW Rail Undertaking from 1 July 2014.

### **Local Government**

- ▼ Announced rate peg for 2014/15 and Statutory Limit on Minimum Rates for 2014/15
- ▼ Assessed 32 applications for a special variation
- ▼ Assessed two applications to increase minimum rates above the statutory limit.

### **Analysis and Policy Development**

- ▼ Finalised review of WACC methodology in December 2013
- ▼ Finalised review of financeability policy in December 2013
- ▼ Released first bi-annual WACC update in February 2014.

**Section 9 and other referrals**

- ▼ Final report into rents for telecommunication tower sites on Crown Land
- ▼ Final report into Local Land Services
- ▼ Annual update of rate of return for Domestic Waterfront Tenancies
- ▼ Final report review of Vocational and Educational Training pricing under the Government policy, *Smart and Skilled*
- ▼ Submission of final report on local infrastructure benchmark costs (Section 9).

**Energy Savings Scheme (ESS)**

- ▼ Registered 4 million energy savings certificates (exceeding the total compliance obligation for the 2013 calendar year)
- ▼ Accredited 49 projects to create energy savings certificates
- ▼ Accepted and reviewed 86 audit reports prepared by independent auditors to assess the level of compliance of accredited certificate providers
- ▼ Developed a new application process to accommodate the changes to the ESS arising from the Rule amendments published on 30 May 2014
- ▼ Progressed alignment with the Victorian Energy Efficiency Target (VEET) Scheme
- ▼ Participated in the ESS Coordination Group and the ESS Review Steering Committee, NSW Government initiatives addressing ESS related matters.

**In Progress as at 30 June 2014****Energy**

- ▼ Market monitoring on the performance and competitiveness of the retail electricity market in NSW.

**Energy Compliance**

- ▼ Monitoring compliance of energy network businesses with their licences.

**Water Licensing (public water utilities)**

- ▼ End of term (five-yearly) review of Sydney Water's operating licence.

**Water Industry Compliance Act 2006 (WICA)**

- ▼ Assessment of eight new WICA licence applications (six network and two retail supplier applications) from privately owned water utilities
- ▼ Assessment of six WICA licence variations requests
- ▼ Five-yearly reviews of two WICA licences.

### **Transport**

- ▼ Review of the external benefits of public transport
- ▼ Review of taxi fares outside Sydney from 1 July 2015
- ▼ Review of taxi fares and the number of new annual taxi licences to be issued in Sydney from 1 July 2015
- ▼ Review and recommend fares for private ferries from December 2014 and determine the fare for the Stockton ferry from January 2015.

### **Local Government**

- ▼ Review of Contributions Plan for Schofields Precinct in Blacktown (CP 24).

### **Analysis and Policy Development**

- ▼ Bi-annual WACC updates.

### **Section 9 and other referrals**

- ▼ Regulation Review - *Reforming licensing in NSW* to Department of Premier and Cabinet (DPC); consultation with the agencies, public release of the Draft Report
- ▼ Regulation Review - *Local Government Compliance and Enforcement* to DPC; consultation with the agencies, public release of the Draft Report
- ▼ Review of fees of the NSW Trustee and Guardian
- ▼ Review of towing fees for light and heavy accidents.

### **Energy Savings Scheme**

- ▼ Developing new guidance material for applicants and participants, to address the amendment to the ESS Rule
- ▼ Developing a new IT system to make interacting with IPART more efficient and transparent for participants and applicants.

### **Submissions to external reviews**

- ▼ The Federal Government's 'Competition Policy Review' Issues Paper
- ▼ The Productivity Commission's review of natural disaster funding
- ▼ The State Government's review of Crown Lands legislation.






## 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

	<p><b>Chairman from 23 November 2011</b></p> <p>Dr Peter Boxall AO, B Econ(Hons), M Econ, PhD</p> <p>Appointed from 23 November 2011 for 5 years. Previously a Commissioner at ASIC for 3 years, Former Secretary of the Department of Resources, Energy and Tourism in 2008, following 6 years as Secretary of the Department of Employment and Workplace Relations and 5 years as Secretary of Finance and Administration with the Australian Government.</p>
	<p><b>Full Time Member from 1996 and CEO/ Full Time Member from 2004 to 6 September 2013</b></p> <p>Mr James Cox PSM, BSc (Econ) (Hons), MA (Econ)</p> <p>Appointed from 22 February 1996 and reappointed for sequential terms until August 2013. Former Principal Adviser, Government Pricing Tribunal/IPART, 1992-96. Consultant, NSW Cabinet Office, 1989-92. Principal Economist, Office of EPAC, 1986-89.</p>
	<p><b>Part Time Member from 1 September 2012 to 18 December 2013</b></p> <p>Mr Simon Draper, BEc (Hons), Master of Business (Finance)</p> <p>Appointed for 3 years from 1 September 2012, Simon has many years' experience managing infrastructure and utility companies. Former Managing Director of Lumo Energy Australia, former Chief Executive of Wellington Airport and Northern Territory Airports.</p>

	<p><b>Part Time Member from 1 October 2013</b> Dr Paul Paterson B AgEcon, M Econ, PhD</p> <p>Dr Paterson has worked for the Organisation for Economic Cooperation and Development and at a senior level for various Commonwealth and State Government Agencies as well as providing extensive consulting advice on regulatory and competition matters to major corporations and government agencies. He was appointed for 4 years up to 30 September 2017.</p>
	<p><b>Part Time Member from 24 March 2014</b> Ms Catherine Jones, BE(Mech)(Hons), MBA (Executive)</p> <p>Catherine Jones brings to the Tribunal extensive experience in the private sector, in particular in the areas of project management, and commercial and risk management. Appointed from 24 March 2014 for a term of 4 years.</p>

### Temporary members

There were no temporary members during 2013/14.

### Meeting frequency and attendance

Throughout the year, the Tribunal held 47 meetings and 12 delegated Tribunal meetings, and hosted a number of public hearings, forums and workshops. More detail about these meetings and each member's attendance is provided in Appendix C.

### Delegated Committees

The IPART Act allows the Tribunal to delegate its functions to a Committee comprising a Tribunal Member and other persons if required. The Tribunal has delegated certain functions to a Committee convened by a Part Time Member to enable the delegate to make decisions on more routine issues.

Similarly, the Tribunal has delegated its responsibilities regarding its administration of the Energy Savings Scheme to a separate committee. The Minister for Resources and Energy has approved this delegation. The Committee met 22 times in 2013/14.

In addition, the Tribunal has delegated its responsibilities regarding reviewing Local Government Contributions Plans under the *Environmental Planning and Assessment Act 1979* to a Committee. The Committee met three times in 2013/14.

Formal instruments of delegation were approved by the Tribunal. Throughout the year, 25 delegated Tribunal Committee meetings were held.

### **The Secretariat**


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





Many of the professional staff members are highly experienced economists and financial/accounting analysts, although IPART has increased the diversity of skills to include engineering, planning and financial modelling capabilities. Staff 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 legal issues that arise by IPART carrying out its functions.

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, IPART commissions 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.

The Secretariat is headed by Directors, who report to the Chief Executive Officer:

	<p><b>Chief Executive Officer</b>                  Mr Hugo Harmstorf, BEc (Hons), MBA (Executive)</p> <p>The position is responsible for IPART's professional output and overall operations, and ensuring that the technical quality of work being done by the Secretariat meets IPART and key stakeholder standards. The position is also accountable for the general conduct and effective, efficient and economical management of IPART's functions and activities. The position also initiates proposals affecting the Tribunal's strategy and decision-making. The Chief Executive Officer attends Tribunal meetings to provide input to the Tribunal's decision-making process and to ensure teams have the best possible information to conduct the reviews effectively.</p>
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<p><b>Director, Energy and Transport</b></p>	<p><b>Director, Water</b></p>	<p><b>General Manager Support Services</b></p>	<p><b>Director, Regulation Review</b></p>
<p><b>Fiona Towers</b></p>	<p><b>Matthew Edgerton</b></p>	<p><b>Meryl McCracken</b></p>	<p><b>Stephen Lyndon</b></p>
<p><i>BCom (Accounting and Finance), MCom (Economics and Econometrics)</i></p>	<p><i>BEc (Econ), MEnv Stud</i></p>	<p><i>BA, Dip Lib, Dip PSM</i></p>	<p><i>BA (Econ)</i></p>
<p>Responsible for managing energy and transport industry programs.</p>	<p>Responsible for managing water industry programs.</p>	<p>Responsible for providing support services including human resources, office services, finance and information technology.</p>	<p>Responsible for managing the regulation review programs.</p>



**Director Analysis and Policy Development**

**Anna Brakey**

*BEc (ANU), Grad Dip (Applied Finance and Investment)*

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



**General Counsel**

**Pamela Soon**

*LLB, B Comm, LLM Executive Master of Public Administration*

Responsible for the provision of legal advice and the management of the legal team.



**Director, Local Government**

**Alison Milne**

*B Ec (Hons)*

Responsible for managing the Local Government team and functions.



**General Manager, Energy Savings Scheme**

**Rob McKenna**

*B Sc (Hons)*

Responsible for managing the Greenhouse Gas Reduction and Energy Savings Schemes.

**Internal committees**

IPART’s Core Executive consists of the Chief Executive Officer plus the Directors. Throughout the year, this group met regularly, at approximately two week intervals. Other Managers attended meetings as required. The purpose of these meetings was to review the Secretariat’s current work program and ensure that the Chief Executive Officer was adequately briefed on all relevant issues.

**External committees**

As part of IPART’s role in managing the Energy Savings Scheme, Rob McKenna, the General Manager, and other Secretariat staff contributed to the NSW Energy Savings Scheme Coordination Group.

As part of IPART’s role in supporting the development of a cost-effective framework for the regulation of recycled water projects, Water Team representatives have participated in steering committees of the Australian Water Recycling Centre of Excellence.

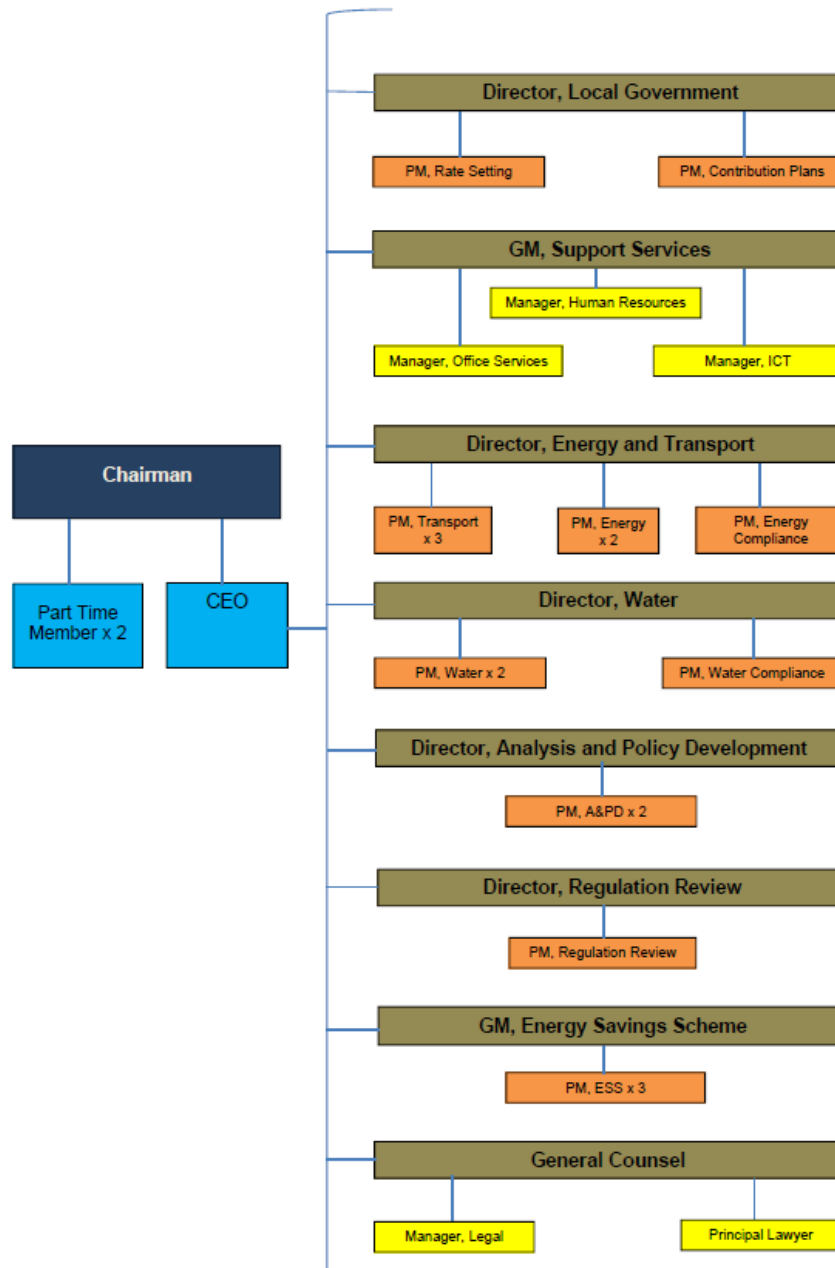
IPART also participated in regular networking and knowledge-sharing meetings with other economic regulators.

Meryl McCracken represented small agencies on the Treasury Managed Fund Advisory Council and contributed to the ServiceFirst Advisory Board.

### **Management Structure**

The resignation of the Chief Executive Officer and Full Time Tribunal member, Mr James Cox, prompted a review of IPART's governance and structure. The Chairman concluded that the complexity and diversity of IPART's work now warrants a separate full time Chief Executive Officer. The Chief Executive Officer attends Tribunal Meetings and contributes to discussions but is not part of the formal decision-making process. An additional part time Tribunal Member was appointed to bring the Tribunal back to three decision-makers.

# Organisation Chart



## Our Corporate Plan

### Purpose and objectives

IPART's purpose is to provide independent regulatory decisions and advice to enhance the economic, social and environmental wellbeing of the people and state of New South Wales.

Overall, we strive to achieve the following goals:

- ▼ Ensure consumers pay fair and reasonable prices for regulated services that reflect the efficient costs of supply.
- ▼ Be a key economic and policy think-tank and provide high quality and impartial advice to the NSW Government.
- ▼ Encourage regulated businesses to increase their economic efficiency and maintain or improve their service performance where there is customer willingness to pay.
- ▼ Promote secure and sustainable energy and water supplies and reliable public transport services.
- ▼ Encourage prudent and efficient investment in water, public transport and local government infrastructure.
- ▼ Encourage environmental sustainability.
- ▼ Deliver best-practice regulation and promote a consistent, predictable regulatory environment.



## Service philosophy

In pursuing our purpose and goals, IPART is guided by a set of principles based on best practice in regulation and the statutory constraints within which we operate:

- ▼ Thinking Independently - We maintain the independence and impartiality of our decisions from Government and all other stakeholders.
- ▼ Being Transparent - We make our processes visible and explain our decisions clearly and simply.
- ▼ Providing Consistency - We strive to provide a stable, predictable regulatory environment with no surprises.
- ▼ Consulting Widely - We consult extensively and effectively with all stakeholders and take their concerns and comments seriously.
- ▼ Delivering Fair and Balanced Outcomes - We aim for equitable outcomes by balancing the interests of the regulated entities, their customers and other stakeholders.
- ▼ Being Practical - We aim for pragmatic outcomes that can be achieved without significant costs or operational difficulties.
- ▼ Driving Excellence - We conduct ourselves with discipline according to high professional standards, and use resources effectively and efficiently.
- ▼ Fostering Innovation - We explore new and better approaches and demonstrate intellectual leadership.

## Performance against corporate objectives

### 1. Demonstrating a fair and transparent process

IPART recognises that open and effective consultation with all its stakeholders, to explain the regulatory process and encourage debate about industry outcomes and regulatory methods, is critical to its credibility and relevance.

Progress in following strategies to improve processes in 2013/14 include:

Strategy	Action	Progress to 30 June 2014
Meet regularly with key stakeholders and representative groups to canvas a wide range of views	<ul style="list-style-type: none"> <li>▼ Implement program for meeting with key stakeholder groups</li> </ul>	<ul style="list-style-type: none"> <li>▼ Regular meetings held with key agencies and stakeholders to review issues.</li> </ul>
Encourage and facilitate stakeholder involvement	<ul style="list-style-type: none"> <li>▼ Adopt technology and processes to make participation in reviews easier</li> <li>▼ Publish timetables for reviews and release discussion papers and draft determinations</li> </ul>	<ul style="list-style-type: none"> <li>▼ Issues papers encourage stakeholders to email submissions to IPART investigations.</li> <li>▼ On IPART website, stakeholders can nominate to receive electronic alerts following the release of IPART material relevant to their area of interest.</li> <li>▼ Used the NSW Government <i>Have Your Say</i> website and explored social media communication channels, including Facebook and Twitter to consult widely with the community on appropriate section 9 reviews.</li> <li>▼ A passenger survey provided useful information for the taxi review.</li> <li>▼ Timetables maintained on website clearly state due dates for submissions, public hearings and release of reports.</li> <li>▼ Notices of reviews are typically advertised in relevant newspapers.</li> </ul>

Strategy	Action	Progress to 30 June 2014
	<ul style="list-style-type: none"> <li>▼ Promote timeliness by identifying where delays occur and minimising the areas of uncertainty for stakeholders</li> <li>▼ Continue to hold public workshops, roundtables and hearings</li> <li>▼ Develop Fact Sheets to communicate key decisions in a more accessible form</li> <li>▼ Articulate the information IPART requires from businesses and agencies it regulates</li> </ul>	<ul style="list-style-type: none"> <li>▼ The <i>Water Industry Competition Act 2006</i> nominates allowed times for Tribunal actions. When these time limits are likely to be breached the Tribunal is required to inform Minister and other stakeholders of delay with explanation of causes for delay.</li> <li>▼ Public hearings/workshops/roundtables held where required under legislation, and for most investigations even where not required.</li> <li>▼ Fact sheets are available on the IPART website for all current IPART price determinations and for other IPART reviews.</li> <li>▼ Several teams provide Guides and Fact Sheets setting out information requirements for new participants.</li> <li>▼ Early written advice given to regulated agencies on the nature of information required for pricing reviews, the timetable, and the desired format in which key data should be provided.</li> <li>▼ IPART financial models provided to regulated agencies to standardise data requests and formulae used in financial analysis.</li> </ul>
Seek feedback on stakeholder perceptions of IPART's integrity, processes, and quality of work	<ul style="list-style-type: none"> <li>▼ Explain IPART's decision-making processes and its rationale for decisions</li> <li>▼ Survey stakeholder perceptions every 2 years</li> </ul>	<ul style="list-style-type: none"> <li>▼ Decision-making process was explained in issues papers and reports.</li> <li>▼ The stakeholder survey was last conducted in 2013 and it will be repeated in 2015.</li> </ul>

## 2. Applying a rigorous and credible approach to our work

IPART's focus is on enhancing the quality of its work and the rigour of its processes. The last survey improved on already satisfactory ratings, indicating that stakeholders have a high level of respect for the professionalism of IPART's staff.

These highlights from 2013/14 illustrate the strategies being followed in this area:

Strategy	Action	Progress to 30 June 2014
Continually improve internal processes	<ul style="list-style-type: none"> <li>▼ Document a 'whole-of-organisation' work program to identify peaks in resource demand to assist in planning</li> </ul>	<ul style="list-style-type: none"> <li>▼ Forward Tribunal and Committee agendas as well as report release dates provide a detailed program for the year ahead.</li> <li>▼ Scoping briefs and objectives established for all reviews.</li> </ul>
	<ul style="list-style-type: none"> <li>▼ Continue cross-sectoral research program to improve consistency and quality of analysis</li> </ul>	<ul style="list-style-type: none"> <li>▼ Cross-sectoral program has been embedded into IPART's core business. All projects are monitored by Tribunal.</li> </ul>
	<ul style="list-style-type: none"> <li>▼ Subject all major projects to post-completion review</li> </ul>	<ul style="list-style-type: none"> <li>▼ All major projects are subject to post-completion reviews by the Tribunal.</li> </ul>
Draw on appropriate external experts	<ul style="list-style-type: none"> <li>▼ Employ external resources for supplementary specialist skills (eg, engineering) and manage peaks in workload</li> </ul>	<ul style="list-style-type: none"> <li>▼ Consultants are engaged to assist with work peaks and specialist knowledge.</li> </ul>
	<ul style="list-style-type: none"> <li>▼ Make better use of consultants by encouraging knowledge transfer during the engagement</li> </ul>	<ul style="list-style-type: none"> <li>▼ Where appropriate, consultants were accommodated in IPART offices to work as part of project teams for the purpose of knowledge transfer.</li> </ul>
Apply high standards of ethical and professional work standards	<ul style="list-style-type: none"> <li>▼ Ensure protection of confidential data consistent with statutory requirements</li> </ul>	<ul style="list-style-type: none"> <li>▼ Personal contact details removed from public submissions prior to publishing. Confidential status was assigned to data where requested by stakeholders, subject to IPART Act and <i>Government Information (Public Access) Act 2009</i> (GIPA Act).</li> </ul>
	<ul style="list-style-type: none"> <li>▼ Promote professional standards and behaviour policy</li> </ul>	<ul style="list-style-type: none"> <li>▼ Policy document on required standards of behaviour is accessible to all staff via the internal Intranet.</li> <li>▼ The Tribunal conflicts of interest register was published on IPART's website.</li> </ul>
Improve internal analytical capacity through recruitment and development practices	<ul style="list-style-type: none"> <li>▼ Ensure appropriate skills base is maintained</li> </ul>	<ul style="list-style-type: none"> <li>▼ Skills development is identified through the performance management system for each staff member and further defined by an agreed development plan.</li> </ul>
	<ul style="list-style-type: none"> <li>▼ Promote staff development</li> </ul>	<ul style="list-style-type: none"> <li>▼ Employees are encouraged to build on existing skill levels for organisational and personal advancement. This includes opportunities for secondment, acting in higher duties or allocation of special projects.</li> </ul>
Apply quality assurance process to outputs	<ul style="list-style-type: none"> <li>▼ Maintain a designated QA manager</li> </ul>	<ul style="list-style-type: none"> <li>▼ QA undertaken for all reviews.</li> </ul>

### 3. Reaching a reasonable, balanced answer

In its commitment to achieving a balanced regulatory answer, IPART continues to strive to be at the forefront of regulation.

The following table provides a summary of the implementation of IPART's strategic commitments in 2013/14:

Strategy	Action	Progress to 30 June 2014
Monitor developments in other jurisdictions	<ul style="list-style-type: none"> <li>▼ Participate in Australian Regulators Forum</li> <li>▼ Research and monitor developments in other regulatory regimes</li> <li>▼ Participate in seminars/conferences</li> </ul>	<ul style="list-style-type: none"> <li>▼ Attended and presented at all Regulator Forum meetings.</li> <li>▼ Developments in Australia and overseas monitored on an ongoing basis.</li> <li>▼ Various staff members attended seminars/conferences as presenters and attendees.</li> </ul>
Monitor and report on impacts of Tribunal decisions to ensure they have no unintended consequences	<ul style="list-style-type: none"> <li>▼ Analyse and report on the cumulative impacts of the Tribunal's decisions</li> </ul>	<ul style="list-style-type: none"> <li>▼ See <i>Impacts of IPART's Determinations</i>.</li> </ul>
Hold peer reviews	<ul style="list-style-type: none"> <li>▼ Hold peer reviews regularly</li> </ul>	<ul style="list-style-type: none"> <li>▼ Increased frequency of peer reviews.</li> </ul>

### 4. Pursuing excellence and fostering innovation in our operations

IPART's commitment to excellence and fostering innovation has led to an increased diversity of subject matter in government referrals and policy work.

IPART's strategic response to some of these issues in 2013/14 follows:

Strategy	Action	Progress to 30 June 2014
Continue to research and adopt improved regulatory techniques and approaches	<ul style="list-style-type: none"> <li>▼ Conduct research including peer reviews</li> <li>▼ Conduct internal training sessions to facilitate transfer of skills between staff</li> <li>▼ Review regulatory processes</li> </ul>	<ul style="list-style-type: none"> <li>▼ Cross-sectoral research and policy program contributes to best-practice in the execution of the Tribunal's regulatory functions.</li> <li>▼ Engaged expert peer review of various discussion papers.</li> <li>▼ A number of training and skills sessions on best-practice modelling and IPART-specific use of Excel, Word and PowerPoint were held.</li> <li>▼ Administrative processes were streamlined for the Energy Savings Scheme.</li> </ul>

Strategy	Action	Progress to 30 June 2014
Do more to communicate key decisions clearly and simply	<ul style="list-style-type: none"> <li>▼ Invest resources in communication</li> <li>▼ Include a communications strategy in the scoping brief for major projects</li> </ul>	<ul style="list-style-type: none"> <li>▼ IPART engaged professional advice to clarify and improve our communications.</li> <li>▼ IPART continued to prepare “plain English” summaries of key decisions.</li> <li>▼ Communications strategies were incorporated for major reviews.</li> </ul>

## 5. Applying resources to deliver a robust, well run organisation

IPART’s program of continuous improvement is based on a commitment to best practice, on-going staff development, collaboration, sector-wide government initiatives and the use of technology.

Examples of strategies implemented in the reporting period include:

Strategy	Action	Progress to 30 June 2014
Review profile of workforce to match skill set with organisational needs	<ul style="list-style-type: none"> <li>▼ Staff mobility– integrate rotation with Performance Enhancement System (PES) reviews</li> <li>▼ Identify critical roles and critical skills for succession planning</li> </ul>	<ul style="list-style-type: none"> <li>▼ Transfers between industry teams are supported to meet project peaks and match skill requirements.</li> <li>▼ The needs and skills of the organisation are regularly reviewed to ensure-critical skills are retained, or developed.</li> </ul>
Become preferred employer by offering a safe workplace, development opportunities and family friendly work practices	<ul style="list-style-type: none"> <li>▼ Reward staff for outstanding performance and to improve staff retention</li> <li>▼ Support flexible working conditions</li> </ul>	<ul style="list-style-type: none"> <li>▼ Development opportunities, job diversity and promotion are used to enhance and motivate individual performance.</li> <li>▼ IPART offers part-time work and working from home arrangements.</li> </ul>
Provide systematic training and other skill building opportunities for staff	<ul style="list-style-type: none"> <li>▼ Provide training that meets individual and organisational needs</li> </ul>	<ul style="list-style-type: none"> <li>▼ Managers and individuals agree on training needs through the performance management system.</li> </ul>
Work with other public sector agencies to achieve economies of scale	<ul style="list-style-type: none"> <li>▼ Collaborate with other agencies in procurement and technology initiatives</li> </ul>	<ul style="list-style-type: none"> <li>▼ IPART uses the whole of government web-based e-tendering system.</li> </ul>
Continuously improve systems and services	<ul style="list-style-type: none"> <li>▼ Ensure corporate services are effective, cost efficient and meet the needs of the agency</li> </ul>	<ul style="list-style-type: none"> <li>▼ Continuous upgrades and updates of infrastructure environment with a particular focus on data and backup expansion.</li> </ul>

Strategy	Action	Progress to 30 June 2014
Embrace Government commitment to electronic service delivery	<ul style="list-style-type: none"> <li>▼ Provide all appropriate publications and transactions on the internet</li> </ul>	<ul style="list-style-type: none"> <li>▼ Two new websites portals were launched, the ELT portal and Local Government portal.</li> <li>▼ Online feedback facility for stakeholders with a disability.</li> <li>▼ Developed online forms for forum attendance.</li> <li>▼ Developed private extranets for audit purposes.</li> </ul>
Make the website easier to understand and navigate	<ul style="list-style-type: none"> <li>▼ Enhance the capacity of IPART web sites to meet stakeholder communication needs</li> </ul>	<ul style="list-style-type: none"> <li>▼ Info graphic images were added to the consumer section.</li> <li>▼ HTML and plain English pages were added for all critical documents.</li> <li>▼ Accessibility enhancements continued.</li> </ul>

## Key performance indicators

The following measures were developed as part of IPART's Results and Services Plan. The service delivery and funding plan was prepared by agencies to demonstrate the relationship between the services they deliver and the results they are working towards.

Planned Result	Result Indicators	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Estimate
Intermediate result:						
▼ Independent oversight of prices for energy, transport and water services	▼ Graph of real cost to public over time	2010/11 Annual Report	2011/12 Annual Report	2012/13 Annual Report	See "Impacts" section in 2013/14 Report	See "Impacts" section in 2014/15 Report
	▼ Graph of real cost to businesses over time	"	"	"		
	▼ Perceived quality of leadership – practical outcomes and independence (expressed as % from stakeholder survey)	No new survey	No new survey	84%	No new survey data	85%
▼ Suppliers of energy and water meet licence obligations	▼ Acceptance by Ministers of annual water and energy audit/licence compliance reports	12 reports	11 reports	10 reports	7 reports	7 reports
▼ CO2 reduction targets are monitored and enforced (GGAS)	▼ Net tonnes per capita CO2 emissions in NSW from electricity usage	7.27	7.27	(Scheme closed)	(Scheme closed)	Scheme closed)



<b>Planned Result</b>	<b>Result Indicators</b>	<b>2010/11 Actual</b>	<b>2011/12 Actual</b>	<b>2012/13 Actual</b>	<b>2013/14 Actual</b>	<b>2014/15 Estimate</b>
▼ MWh Reduction targets are monitored and enforced (ESS)	▼ Sufficient certificates surrendered to meet the target	1.5%	2.5%	3.5%	4.5%	5%

## Planned service delivery

Services delivered	Service measures	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Estimate
<b>1.Licence monitoring</b>						
Key services:						
▼ Monitoring of water licences	▼ Acceptance by Minister of annual water audit reports	5 reports	5 reports	5 reports	5 report	5 reports
▼ Monitoring of energy licences	▼ Acceptance by Minister of annual energy compliance audit reports	2 reports	2 reports	5 reports	1 report	1 report
▼ Administrator of Greenhouse Gas Reduction Scheme	▼ # of accredited abatement projects (per year)	3	0	0 (Scheme closed to new entrants)	0 (Scheme closed to new entrants)	0 (Scheme closed to new entrants)
	▼ # of abatement certificates registered (per year)	19.5m	24.5m	1.2m	0 (Certificate creation closed )	0 (Certificate creation closed)
▼ Administration of Energy Savings Scheme	▼ # of accredited energy savings projects	29	30	48	50	54
	▼ # of energy savings certificates registered (per year)	0.8m	1.2m	3.0m	4.1m	3.4m
<b>2.Pricing of water, transport, energy and other reviews</b>						
Key services:						
▼ Wide consultation on issues	▼ Perceived quality of consultation processes (expressed as % from stakeholder survey)	No new survey	No new survey	89%	No new survey	90%
▼ Rigorous process of review	▼ Perceived professionalism of staff (expressed as % from stakeholder survey)	No new survey	No new survey	93%	No new survey	95%
	▼ Perceived timeliness of decision-making processes	No new survey	No new survey	80%	No new survey	85%

Services delivered	Service measures	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Estimate
	▼ # of public hearings, forums and workshops	9	24	19	14	15
	▼ # of papers and reports (Total)	98	94	104	98	100
<b>3.Regulation of local council rates and contribution plans (commenced 1 July 2010)</b>						
	▼ # of special rate variations and minimum rate variations determined for the next year	23	32	24	34	30
	▼ # of contributions plans reviewed	0	3	2	0	7
<b>4.Referred reviews</b>						
	▼ Terms of reference are met and relevant Minister's broad acceptance of report and recommendations	2 reports	10 reports	7 reports	7 reports	7 reports

## Impacts of IPART's Determinations

IPART regulates prices in markets where competition is not sufficient to pressure businesses to deliver value for money to their customers. We aim to use the regulatory framework to replicate competitive pressures and thus lead to price and service outcomes similar to those you would expect in a competitive market. However, in our view, competition is more effective than regulation in driving productivity and efficiency improvements.

Since IPART's establishment in 1992, we have monitored the impacts of our determinations on price outcomes for customers in the markets we regulate – including water, retail energy and public transport. This analysis shows that in the first 10 years of regulation, we identified opportunities for the regulated businesses to improve efficiency. As a result, real prices fell and then remained fairly stable until around 2007/08.

From then, utility prices increased relatively rapidly for a range of reasons – including the need to replace aging assets, growing demand, and changes to standards and regulatory rules. As a result, both residential and business customers have had to spend significantly more on utility bills than they did in the previous decade.

More recently, including in 2013/14, regulated prices have plateaued again as cost pressures have eased. While there will be a reduced need for further large capital expenditure programs in some sectors, new challenges will arise.

In IPART's view, there is an opportunity for governments to make greater use of competition to drive new productivity and efficiency gains, and to deliver innovation, particularly in the water and transport markets. To the extent that this can be achieved, it will benefit both business and residential customers.

The sections below outline our analysis on price impacts in 2013/14 and the period since 1992 in more detail, including:

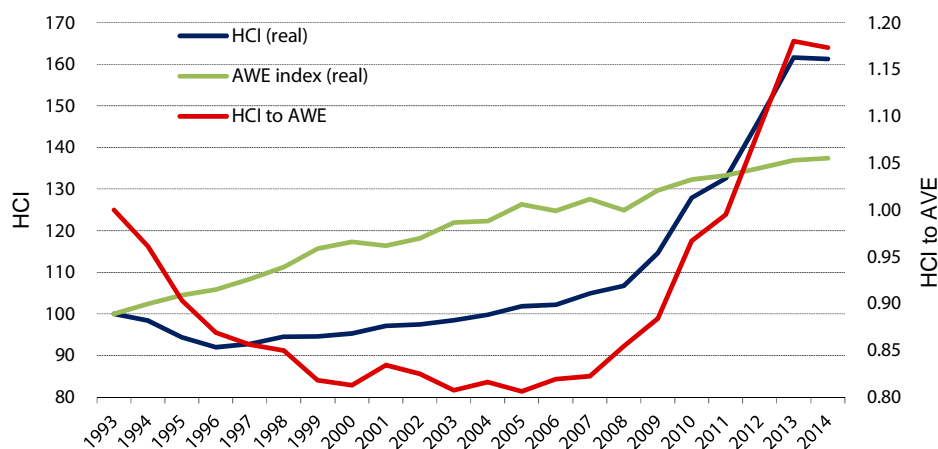
- ▼ The weighted average change in residential charges for energy, water and public transport.
- ▼ Annual spending on energy and water bills as a share of disposable household income in 2013/14.
- ▼ The weighted average change in non-residential charges for energy and water.

## Weighted average change in residential charges for energy, water and public transport

We measure the weighted average change in the regulated prices for retail energy, water and public transport using our Household Charges Index (HCI). This index measures the price change for 'typical' or representative households.<sup>2</sup> We also compare this to the change in Average Weekly Earnings (AWE).

Figure 1 shows that while AWE have increased fairly steadily from 1992/93, both the HCI and the ratio of HCI to AWE initially declined then plateaued until approximately 2007/08. Then both increased sharply until 2012/13. In 2013/14, the HCI and HCI to AWE were relatively constant.

**Figure 1** Change in the Household Charges Index and Average Weekly Earnings since 1992/93



**Note:** Expenditure on services is obtained from the ABS's Household Expenditure Surveys (Sydney values), indexed by IPART's combined index of household charges. Average weekly earnings are obtained from the ABS's Average Weekly Earnings (ordinary time earnings for NSW, all persons).

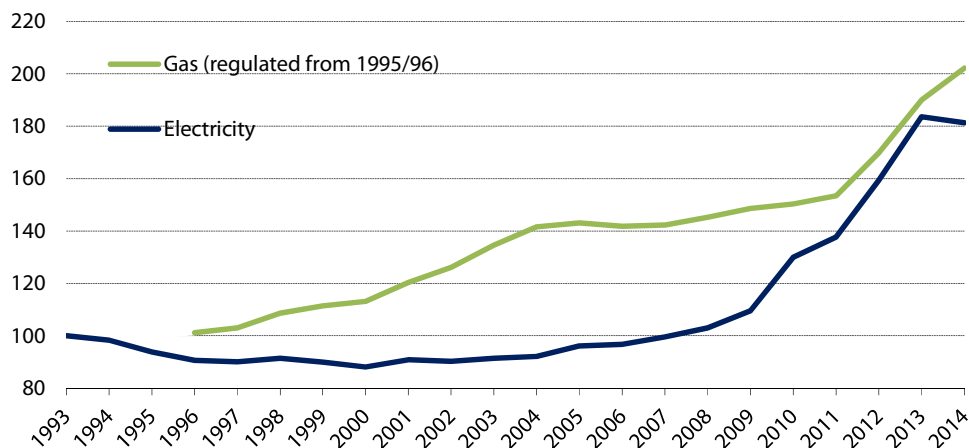
**Source:** IPART calculations, ABS 6302.0 (Table 11A, ordinary weekly earnings).

## Change in regulated retail electricity prices

The change in regulated retail electricity prices has followed a similar pattern to that in the HCI overall (Figure 2). These prices have doubled in real terms since 2002/03, with most of the increase occurring between 2007/08 and 2012/13. However, average residential electricity bills have increased by less than prices – by about 75% in real terms – because households have reduced their consumption.

<sup>2</sup> The HCI does not allow for any discounting of the regulated prices that utilities may offer. Australian Bureau of Statistics (ABS) data on household expenditure on electricity, gas, water and public rail, bus and ferry services are used to weight the services. The weightings for 2013/14 are electricity 56.6%, water and sewerage 17.8%, gas 10.6% and public transport 15%.

**Figure 2 Index of average regulated retail electricity and gas prices (real)**



**Note:** The gas price index we use is calculated for a typical regulated residential customer in the AGL supply area, using 20GJ of gas per year (a medium level of usage). The electricity price index we use is an index of average regulated electricity prices for all NSW customers.

Excludes price discounting by retail suppliers.

**Source:** IPART.

In 2013/14, average regulated electricity prices increased by 1.7% (in nominal terms) across NSW. This was substantially lower than in the previous few years due to:

- ▼ Much lower changes to network costs in 2013/14, following four years of large increases in these costs.<sup>3</sup>
- ▼ Relatively stable green scheme costs, following the one-off effect of the introduction of the carbon pricing mechanism in the previous year.

### Change in regulated retail gas prices

Since retail gas price regulation commenced in 1995/96, regulated retail prices have doubled in real terms (Figure 2). Our index uses prices for a typical customer on a regulated tariff in AGL's supply area.<sup>4</sup> It shows these prices increased sharply between 1996/97 and 2004/05, and again from 2011/12 to 2013/14. Further increases are expected in 2014/15 and beyond, as Eastern Australia becomes exposed to the international market for gas.

<sup>3</sup> Electricity distribution network costs are regulated by the Australian Energy Regulator.

<sup>4</sup> In 2013/14, around 85% of all customers on regulated gas tariffs lived in AGL's supply area, which covers Sydney, Wollongong, Newcastle, Dubbo, Orange, Parkes, and parts of the Riverina region.

In 2013/14, regulated retail gas prices increased by an average of 8.5% (nominal) across all regulated customers in NSW – or by between 5.2% and 9.2% in the Standard Retailers' individual supply areas. This was similar to the increase in 2012/13. These increases were largely due to sustained rises in gas distribution network costs<sup>5</sup> over the last two years, particularly for customers supplied by the Jemena gas distribution network.

### Change in metropolitan water prices

The change in water and sewerage prices for residential customers in the Sydney Water and Hunter Water supply areas has followed a similar pattern to those in the HCI overall (Figure 3).<sup>6</sup> In real terms:

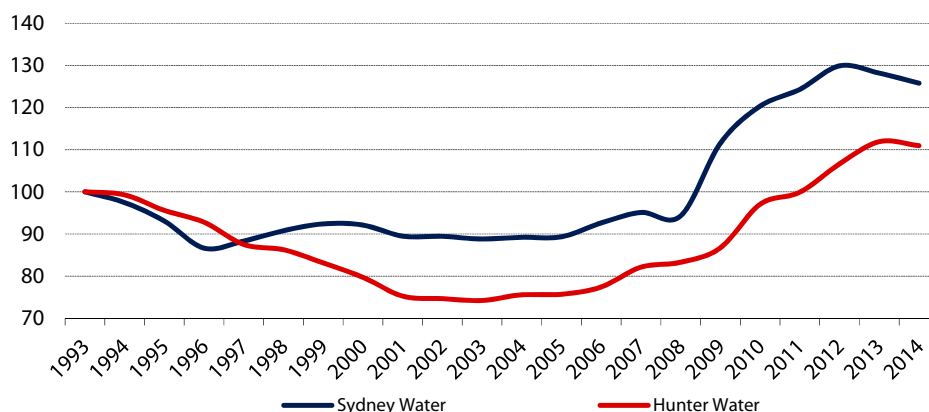
- ▼ Sydney Water's prices decreased by 13% from 1992/3 to 1995/96 then remained stable to around 2007/08. Over the next four years they increased by 38%, then fell slightly from 2011/12.
- ▼ Hunter Water's prices decreased by 26% from 1992/93 to 2002/03, remained stable to around 2007/08 and then increased by 34% to 2012/13 after which they fell slightly.

Overall, a Sydney Water customer using 200kL of water per year is likely to have paid 26% more for water and sewerage services in 2013/14 than in 1992/93 in real terms, while a Hunter Water customer is likely to have paid 11% more. This is largely due to water supply augmentations to help secure supply for Sydney, and significant investment in both water and sewerage infrastructure to meet stringent environment, health and safety standards in both Sydney and the Hunter.

<sup>5</sup> Gas distribution network costs are regulated by the Australian Energy Regulator.

<sup>6</sup> In addition to Sydney Water and Hunter Water, we also regulate water and wastewater prices for Gosford City Council, Wyong Shire Council, Essential Energy at Broken Hill, the NSW Office of Water and State Water. For simplicity, this chapter focuses on Sydney Water and Hunter Water – being the largest Metropolitan Water utilities that we regulate.

**Figure 3 Indices of residential water and sewerage charges for Sydney and Hunter Water (real)**



**Note:** The water price index we use is calculated for a typical residential customer that uses 200 kL of water per year. The residence is separately metered.

**Source:** IPART.

In 2013/14, the nominal increase in a typical household's bill for water and sewerage services was:<sup>7</sup>

- ▼ 1.2% in Sydney Water's area, which was less than the rate of inflation. This followed a similar increase of 1.0% in 2012/13.
- ▼ 2.2% in Hunter Water's area, which was considerably lower than the 7.4% in 2012/13, due the completion of a major upgrade to water and sewerage infrastructure.

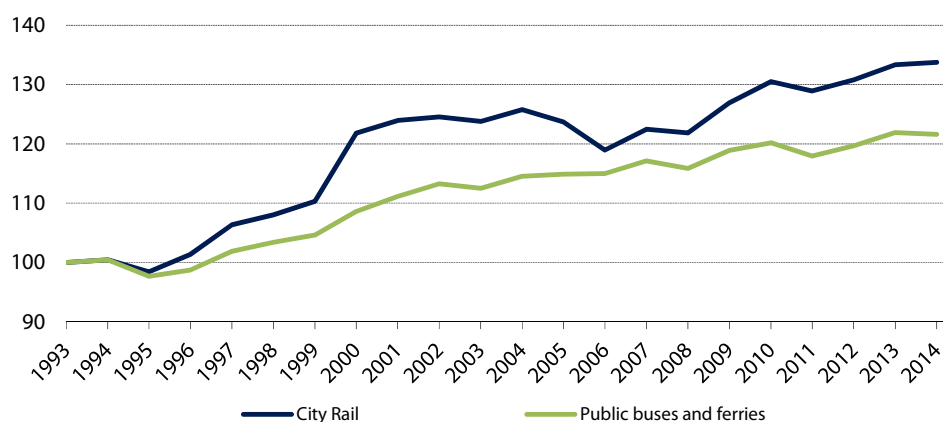
### Public transport

Since 1992/93, CityRail (now Sydney Trains) fares have increased by 33.9% in real terms and public bus and ferry fares increased by 21.7%.<sup>8</sup> As Figure 4 shows, these fares rose considerably between 1992/93 and 2000/01, and since then have increased modestly.

<sup>7</sup> IPART, *Fact Sheet – Water and sewerage charges and typical customer bills from 1 July 2013*, January 2014, p 3.

<sup>8</sup> IPART regulates maximum fares for CityRail, Sydney Ferries and metropolitan and outer metropolitan bus services using a 'weighted average price cap' approach. Under this approach, Transport for NSW can increase some fares by more and others by less than the maximum average amount provided it ensures the average increase does not exceed the maximum we determined.



**Figure 4 Indices of public transport fares (real)**

Source: IPART.

In January 2014:

- ▼ CityRail fares increased by an average of 3.5% in nominal terms.
- ▼ Sydney Ferries fares increased by an average of 3.3% in nominal terms.
- ▼ Metropolitan and outer metropolitan bus fares (except for Newcastle fares) increased by an average of 2.4%.
- ▼ Newcastle bus fares increased by an average of 1.3% in nominal terms.

These increases were lower than those allowed under our determinations, which were 3.6% for CityRail,<sup>9</sup> 2.6% for buses,<sup>10</sup> and 4.8% for ferries fares.<sup>11</sup>

### Annual spending on energy and water bills as a share of disposable household income in 2013/14

To assess the distributional impacts of our pricing decisions on residential customers, we measure annual spending on energy and water bills as a share of disposable household income (ie, income after tax). The data for lower income households reflects spending after any rebates they are eligible for have been applied, including the Low Income Household Rebate for energy and pensioner rebates for water.

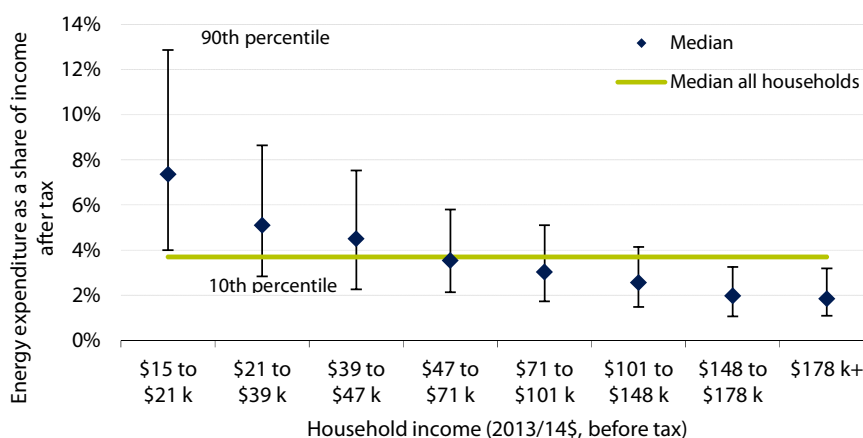
<sup>9</sup> IPART, *Fact Sheet - Changes in CityRail maximum fares from January 2013*, November 2012, p 1.

<sup>10</sup> Our bus determination allowed a real increase of 0.5% before inflation. (IPART, *Review of fares for metropolitan and outer metropolitan bus services from January 2014 - Final Report*, November 2013, p 2).

<sup>11</sup> IPART, *Fact Sheet - Changes in Sydney Ferries maximum fares from January 2013*, November 2012, p 1.

Figure 5 shows spending on energy bills in the greater Sydney region across a range of income brackets in 2013/14. It shows that the median household in the lowest income bracket spends almost four times more on energy as a proportion of their disposable income than the median households in the top two income brackets. In addition, the range around these median estimates is wider for lower income households. For example, some low income households are paying about 12% of their disposable income on energy.

**Figure 5 Annual spending on energy as a share of disposable household income – Sydney and surrounding regions, 2013/14**



**Note:** The income for the middle of each band is used to calculate income after tax. Income after tax as a share of household income before tax is derived from ABS household income distribution data for 2009/10. Income for each band is inflated to 2012/13 using the change in average weekly earnings. Income forecasts for 2013/14 use NSW Treasury's forecast increase in the average wage index of 2.75%. Distributions are presented without weighting survey responses. Customer bills are net of the Low Income Household Rebate.

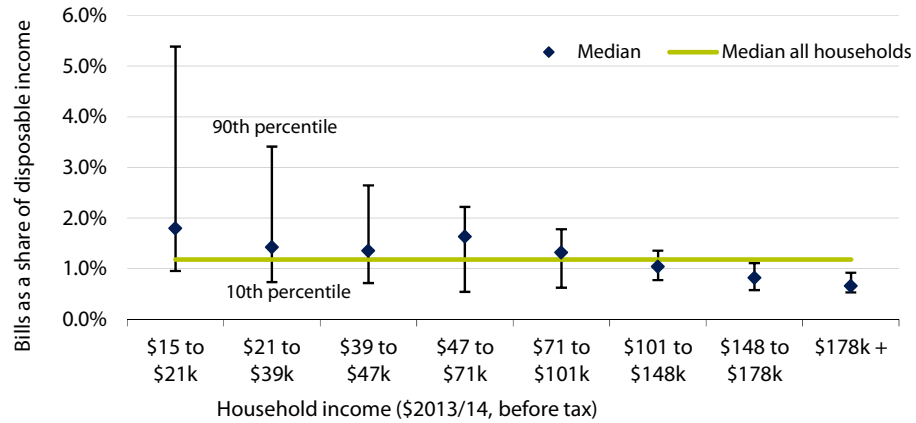
A **percentile** is the value below which a certain percentage of observations fall. For example, the 10th percentile is the value below which 10% of the observations may be found. In the above diagram, 10% of customers in each income band would fall below the bottom of the vertical line (paying less than that amount) and 10% of customers would pay more than the top of the vertical line.

**Source:** IPART analysis using data from IPART Household Surveys, 2008 and 2010.

Figure 6 shows household spending on water services as a proportion of disposable income in 2013/14 for Sydney Water customers.<sup>12</sup> As for energy, lower income households spend a higher proportion of their disposable income on this essential service. Median spending as a proportion of disposable income is higher than the median for all households except for the three highest income household groups.

<sup>12</sup> Figure 6 includes all owner households regardless of whether they receive a concession or not.

**Figure 6 Water and sewerage bills as a proportion of disposable income – Sydney Water, 2013/14**

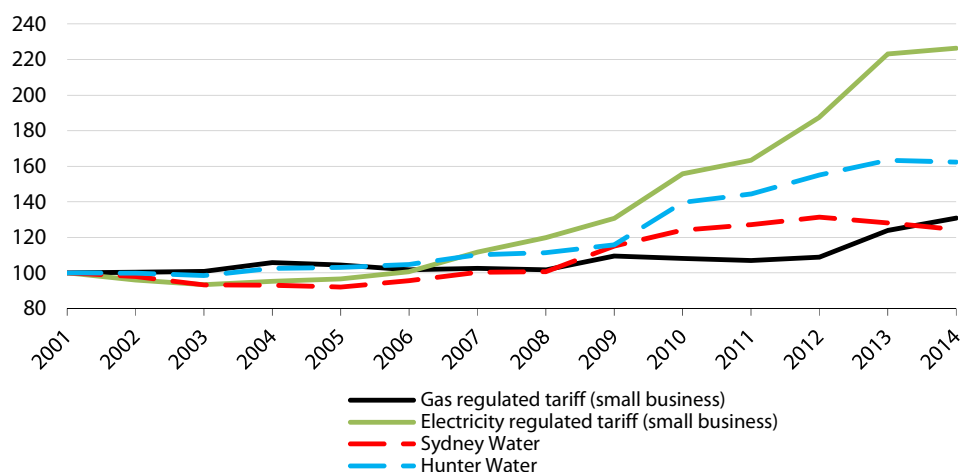


Source: IPART analysis using data from IPART Household Survey, 2010.

### Weighted average change in non-residential charges for energy and water

We also measure the weighted average change in regulated charges for non-residential customers for energy and water using an index. The change since 2001 are summarised on Figure 7.

**Figure 7 Index of regulated prices for non-residential customers (real)<sup>13</sup>**



**Note: Electricity** – prices calculated for consumption of 30 MWh per year on a general supply tariff. Prices exclude GST. **Gas** – prices calculated for consumption of 184,000 MJ per year on a default standard business supply tariff. Prices exclude GST. **Metropolitan Water** – the index measures average revenue per kL of water sold, and is therefore only a rough indicator of prices. Since 2004/05 the index has been calculated using 2003/04 sales volumes to eliminate the impact of reduced consumption.

**Data source: Electricity** – for 2000/01 – 2003/04, average prices come from Electricity Supply Association of Australia, Electricity Prices in Australia 2003/04. For 2004/05 onwards, the average prices are calculated using Energy Australia's General Supply (Non TOU) tariff. **Gas** – AGL default standard business tariff.

### Change in energy prices

Similar to those for residential customers, regulated electricity prices for non-residential customers<sup>14</sup> fell or remained stable from 2000/01 to 2007/08, then increased significantly until 2012/13. In 2013/14, these prices increased by 4.5% in nominal terms, compared to 21.8% in the previous year.

Regulated gas prices remained stable for a longer period, and increased significantly from 2012/13. In 2013/14, regulated prices for AGL's small business customers increased by 8.7% in nominal terms compared to 16.6% in 2012/13.

<sup>13</sup> Prices for non-residential customers are based on the year 2001/02 to allow for comparison across the services, which makes direct comparison with residential not strictly comparable. This base year is chosen because it is the first year prices for all services are available.

<sup>14</sup> In 2013/14, business customers with electricity consumption below 160 MWh and gas consumption below 1 terajoule could choose to remain on a regulated tariff and all large non-residential customers enter into negotiated contracts for energy. Electricity prices were deregulated as from 1 July 2014.

## Water

Changes in Sydney Water's and Hunter Water's regulated water and sewerage prices for non-residential customers followed a similar pattern to those for residential customers - remaining fairly stable from 2000/01 to around 2007/08, then increasing to 2012/13, before plateauing again. In 2013/14, a typical small non-residential customer's water and sewerage bill increased by:

- ▼ 1.9% (nominal) in Sydney Water's area,<sup>15</sup> which was less than the rate of inflation (2.5%).
- ▼ 1.8% (nominal) in Hunter Water's area,<sup>16</sup> which was also less than inflation.

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<sup>15</sup> This is based on a 20mm meter and 260 kL consumption and a sewerage discharge factor of 79%. Source: IPART, *Review of prices for Sydney Water Corporation's water, sewerage, stormwater drainage and other services - Final Report*, June 2012, p 176.

<sup>16</sup> This is based on a 25mm meter and 300 kL consumption and a sewerage discharge factor of 74%. Source: IPART, *Hunter Water Corporation's water, sewerage, stormwater drainage and other services - Final Report*, June 2013, p 161.

## Financial Report



## INDEPENDENT AUDITOR'S REPORT

### Independent Pricing and Regulatory Tribunal Division

To Members of the New South Wales Parliament

I have audited the accompanying financial statements Independent Pricing and Regulatory Tribunal Division (the Division), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Division as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

### The Members' Responsibility for the Financial Statements

The Members of the Independent Pricing and Regulatory Tribunal are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Division's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Members, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

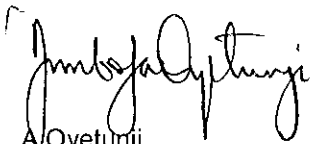
My opinion does *not* provide assurance:

- about the future viability of the Division
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.



A Oyetunji  
Director, Financial Audit Services

22 September 2014  
SYDNEY



**STATEMENT ON BEHALF  
OF THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL DIVISION**

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 report has been prepared in accordance with applicable Australian Accounting Standards, (which include Australian equivalents to International Financial Reporting Standards (AIFRS)), other authoritative pronouncements of the Australian Accounting Standards Board, (AASB), Urgent Issues Group (UIG) Interpretations, the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies and Treasurer's Directions;
- b) the financial report exhibits a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal of New South Wales as at 30 June 2014 and 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.



Hugo Harmstorf  
*Chief Executive Officer*

20 September 2014

**Independent Pricing and Regulatory Tribunal  
Staff Agency**

**Financial Statements  
for the year ended 30 June 2014**

**Independent Pricing and Regulatory Tribunal Staff Agency**  
**Statement of comprehensive income**  
**for the year ended 30 June 2014**

	<b>Notes</b>	<b>Actual 2014 \$'000</b>	Actual 2013 \$'000
<b>Expenses excluding losses</b>			
Employee related expenses	2	<u>18,261</u>	17,565
<b>Total Expenses excluding losses</b>		<u>18,261</u>	17,565
<b>Revenue</b>			
Personnel services revenue	3(a)	17,441	17,119
Acceptance by the Crown Entity of employee benefit and other liabilities	3(b)	<u>820</u>	446
<b>Total Revenue</b>		<u>18,261</u>	17,565
<b>Net result</b>		<u>-</u>	-
<b>Other comprehensive income</b>		<u>-</u>	-
<b>Total other comprehensive income</b>		<u>-</u>	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>-</u>	-

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal Staff Agency**  
**Statement of financial position**  
**as at 30 June 2014**

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	56	63
Receivables	5	<u>2,550</u>	<u>2,476</u>
<b>Total Current Assets</b>		<u>2,606</u>	<u>2,539</u>
<b>Total Assets</b>		<u>2,606</u>	<u>2,539</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	6	421	381
Provisions	7	<u>1,953</u>	<u>2,138</u>
<b>Total Current Liabilities</b>		<u>2,374</u>	<u>2,519</u>
<b>Non-Current Liabilities</b>			
Provisions	7	<u>232</u>	<u>20</u>
<b>Total Non-Current Liabilities</b>		<u>232</u>	<u>20</u>
<b>Total Liabilities</b>		<u>2,606</u>	<u>2,539</u>
<b>Net Assets</b>		<u>-</u>	<u>-</u>
<b>EQUITY</b>			
<b>Total Equity</b>		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal Staff Agency  
Statement of changes in equity  
for the year ended 30 June 2014**

	<b>Accumulated Funds \$'000</b>	<b>Total \$'000</b>
<b>Balance at 1 July 2013</b>	-	-
<b>Net result for the year</b>	-	-
<b>Total comprehensive income for the year</b>	-	-
<b>Balance at 30 June 2014</b>	-	-
<b>Balance at 1 July 2012</b>	-	-
<b>Net result for the year</b>	-	-
<b>Total comprehensive income for the year</b>	-	-
<b>Balance at 30 June 2013</b>	-	-

**Independent Pricing and Regulatory Tribunal Staff Agency**  
**Statement of cash flows**  
**for the year ended 30 June 2014**

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee related		<u>(17,374)</u>	(16,818)
<b>Total Payments</b>		<u>(17,374)</u>	(16,818)
<b>Receipts</b>			
Personnel services		<u>17,367</u>	16,790
<b>Total Receipts</b>		<u>17,367</u>	16,790
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	9	<u>(7)</u>	(28)
<b>NET INCREASE/ (DECREASE) IN CASH</b>			
Opening cash and cash equivalents		<u>63</u>	91
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	4	<u>56</u>	63

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal Staff Agency**  
**Notes to the financial statements**  
**for the year ended 30 June 2014**

**1 Summary of Significant Accounting Policies**

(a) Reporting entity

The Independent Pricing and Regulatory Tribunal Staff Agency (Staff Agency) is an Agency of the Government Service, established pursuant to Part 2 of Schedule 1 to the Public Sector Employment and Management Act 2002 and amended to Administrative Arrangements Order 2014. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at Level 8, 1 Market Street Sydney 2000.

The Staff Agency's objective is to provide personnel services to The Independent Pricing and Regulatory Tribunal.

The financial statement was authorised for issue by the Chairman of The Independent Pricing and Regulatory Tribunal Staff Agency on 22 September 2014.

(b) Basis of preparation

The Staff Agency's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and Public Finance and Audit Regulation 2010 and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

(c) Statement of compliance

The Staff Agency's financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable.

(e) *Assets*

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the surplus / (deficit) for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

## **1 Summary of Significant Accounting Policies (cont'd)**

### (e) *Assets (cont'd)*

### (f) *Liabilities*

#### (i) Payables

These amounts represent liabilities for goods and services provided to the Staff Agency and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

#### (ii) Employee benefits

##### (a) Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 *Employee Benefits*.

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.

##### (b) Long service leave and superannuation

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 14/04) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

##### (c) Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

#### (iii) Other Provisions

Other provisions exist when: the Staff Agency has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when an entity has a detailed formal plan and the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

### (g) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.



**Independent Pricing and Regulatory Tribunal Staff Agency**  
**Notes to the financial statements**  
**for the year ended 30 June 2014**

**1 Summary of Significant Accounting Policies (cont'd)**

(h) New Australian Accounting Standards issued but not effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Accounting Standards have not been applied and are not yet effective. The Treasury Circular TC14/03 mandates not to early adopt any of the new Accounting Standards and Interpretations.

- AASB 9, AASB 2010-7 and AASB 2012-6 regarding financial instruments
- AASB 1031 Materiality
- AASB 1055 and AASB 2013-1 regarding budgetary reporting
- AASB 2013-8 regarding Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities
- AASB 2013-9 regarding the Conceptual Framework, Materiality and Financial Instruments (Parts B and C).

It is considered that the impact of these new Standards and Interpretations in future periods will have no material impact on the financial statements of the Staff Agency.

**2 Expenses Excluding Losses**

	2014	2013
	\$'000	\$'000
<b>Employee related expenses</b>		
Salaries and wages (including recreation leave)	15,281	15,104
Superannuation - defined benefit plans	89	101
Superannuation - defined contribution plans	1,134	1,005
Long service leave	714	340
Workers compensation insurance	111	123
Payroll tax and fringe benefit tax	889	851
On costs (Recreation and Long Service Leave)	43	41
	<b>18,261</b>	<b>17,565</b>

**3 Revenue**

	2014	2013
	\$'000	\$'000
<b>(a) Personnel services revenue</b>		
Personnel services	17,441	17,119
	<b>17,441</b>	<b>17,119</b>
	2014	2013
	\$'000	\$'000
<b>(b) Acceptance by the Crown Entity of employee benefit</b>		
Superannuation - defined benefit	101	101
Long Service Leave	714	340
Payroll tax	5	5
	<b>820</b>	<b>446</b>

**Independent Pricing and Regulatory Tribunal Staff Agency**  
**Notes to the financial statements**  
**for the year ended 30 June 2014**

**4 Current Assets- Cash and Cash Equivalents**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	<u>56</u>	<u>63</u>
	<b>56</b>	<b>63</b>

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, short term deposits and bank overdraft.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	<u>56</u>	<u>63</u>
Closing cash and cash equivalents (per statement of cash flows)	<u>56</u>	<u>63</u>

Refer Note 10 for details regarding credit risk, liquidity risk, and market risk arising from financial instruments.

**5 Current Assets - Receivables**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Personnel services	<u>2,550</u>	<u>2,476</u>
	<b>2,550</b>	<b>2,476</b>

**6 Current Liabilities - Payable**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Accrued salaries, wages and on-costs	<b>365</b>	<b>318</b>
Creditors	<u>56</u>	<u>63</u>
	<b>421</b>	<b>381</b>

Independent Pricing and Regulatory Tribunal Staff Agency  
Notes to the financial statements  
for the year ended 30 June 2014

**7 Current / Non-Current Liabilities - Provisions**

	2014 \$'000	2013 \$'000
<b>Current</b>		
<b>Employee benefits and related on-costs</b>		
Recreation leave	1,545	1,496
Long service leave	41	229
Banked flex leave	126	180
Payroll tax	<u>241</u>	<u>233</u>
<b>Total provisions</b>	<u><b>1,953</b></u>	<u><b>2,138</b></u>
<b>Non-current</b>		
<b>Employee benefits and related on-costs</b>		
Long service leave	<u>232</u>	<u>20</u>
<b>Total provisions</b>	<u><b>232</b></u>	<u><b>20</b></u>
<b>Aggregate employee benefits and related on-costs</b>		
Provisions - current	1,953	2,138
Provisions - non-current	232	20
Accrued salaries, wages and on-costs (Note 6)	<u>365</u>	<u>318</u>
	<u><b>2,550</b></u>	<u><b>2,476</b></u>

**Employee benefits expected to be settled within 12 months from the reporting date**

Annual leave	1,236	1,186
	<u>1,236</u>	<u>1,186</u>

**Employee benefits expected to be settled in more than 12 months from the reporting date**

Annual leave	309	310
	<u>309</u>	<u>310</u>

**8 Contingent Liabilities and Contingent Assets**

The Staff Agency has no contingent liabilities and contingent assets as at 30 June 2014 (2013 Nil).

**Independent Pricing and Regulatory Tribunal Staff Agency**  
**Notes to the financial statements**  
**for the year ended 30 June 2014**

**9 Reconciliation of Cash Flows from Operating Activities to Net Result**

	2014 \$'000	2013 \$'000
Net cash used on operating activities	(7)	(28)
Decrease / (increase) in provisions	(27)	(407)
Increase / (decrease) in prepayments and other assets	74	460
Decrease / (increases) in creditors	(40)	(25)
Net result	-	-

**10 Financial Instruments**

The Independent Pricing and Regulatory Tribunal Staff Agency's principal financial instruments are short term receivables and payables. These instruments expose the Staff Agency primarily to credit risk on short term receivables. The Staff Agency does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing risk. Compliance with policies is reviewed by the internal auditors on a continuous basis.

**(a) Financial instrument categories**

<b>Financial Assets</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount</b>	<b>Carrying Amount</b>
<b>Class:</b>			<b>2014</b>	<b>2013</b>
			<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	4	N/A	56	63
Receivables <sup>1</sup>	5	Loans and receivables (at amortised cost)	2,550	2,476
<b>Financial Liabilities</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount</b>	<b>Carrying Amount</b>
<b>Class:</b>			<b>2014</b>	<b>2013</b>
			<b>\$'000</b>	<b>\$'000</b>
Payables <sup>2</sup>	6	Financial liabilities measured at amortised cost	421	381

Notes:

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7).

**(b) Credit Risk**

Credit risk arises from the financial assets of the Staff Agency, which are receivables. No collateral is held by the Staff Agency. The Staff Agency has not granted any financial guarantees.

Credit risk arises when there is the possibility of the Staff Agency's debtors defaulting on their contractual obligations, resulting in a financial loss to the Staff Agency. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

**Receivables - trade debtors**

All trade debtors are recognised as amounts receivable at balance date. The balance owing represents monies due from the Independent Pricing and Regulatory Tribunal. Sales are made to them on 14 day terms.

**10 Financial Instruments (cont'd)**

No financial assets are past due or impaired.

**(c) Liquidity risk**

Liquidity risk is the risk that the Staff Agency will be unable to meet its payment obligations when they fall due. The Staff Agency continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

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 NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, 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 a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. No interest for late payment was paid during the year (2013 nil).

The table below summarises the maturity profile of the Staff Agency's financial liabilities, together with the interest rate exposure.

	Nominal Amount	Interest Rate Exposure		Maturity Dates		
		Non-interest bearing		\$'000		
				< 1 yr	1-5 yrs	> 5 yrs
<b>2014</b>						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	365	365	365	-	-	
Creditors	56	56	56	-	-	
	<u>421</u>	<u>421</u>	<u>421</u>	<u>-</u>	<u>-</u>	
<b>2013</b>						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	318	318	318	-	-	
Creditors	63	63	63	-	-	
	<u>381</u>	<u>381</u>	<u>381</u>	<u>-</u>	<u>-</u>	

**(d) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Tribunal's exposure to market risk is primarily through interest rates on cash and cash equivalents. The Staff Agency has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2012. The analysis assumes that all other variables remain constant.

## 10 Financial Instruments (cont'd)

### Interest rate risk

Exposure to interest rate risk arises primarily through the entity's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. The entity does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Staff Agency's exposure to interest rate risk is set out below.\$'

	Carrying Amount	- 1% Profit \$'000	Equity \$'000	+ 1% Profit \$'000	Equity \$'000
<b>2014</b>					
<i>Financial assets</i>					
Cash and cash equivalents	56	-	-	-	-
Receivables	2,550	-	-	-	-
<b>Total</b>	<b>2,606</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2013</b>					
<i>Financial assets</i>					
Cash and cash equivalents	63	(1)	(1)	1	1
Receivables	2,476	-	-	-	-
<b>Total</b>	<b>2,539</b>	<b>(1)</b>	<b>(1)</b>	<b>1</b>	<b>1</b>

### (e) Fair value measurement

#### (i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value.

## 11 Events after the Reporting Period

There are no events subsequent to balance date which affect the financial statements.

**End of audited financial statements.**



## INDEPENDENT AUDITOR'S REPORT

### Independent Pricing and Regulatory Tribunal

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Independent Pricing and Regulatory Tribunal (the Tribunal), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, and a summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Tribunal and the consolidated entity. The consolidated entity comprises the Tribunal and the entities it controlled at the year's end or from time to time during the financial year.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Tribunal and the consolidated entity as at 30 June 2014, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

### The Members' Responsibility for the Financial Statements

The members of the Tribunal are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A, and for such internal control as the members determine are necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Members, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

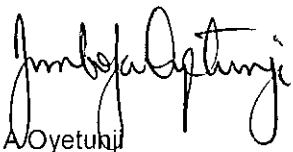
My opinion does *not* provide assurance:

- about the future viability of the Tribunal or consolidated entity
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information, that may have been hyperlinked to/from the financial statements.

## **Independence**

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



A Oyetunji  
Director, Financial Audit Services

22 September 2014  
SYDNEY



**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 report has been prepared in accordance with applicable Australian Accounting Standards, (which include Australian equivalents to International Financial Reporting Standards (AIFRS)), other authoritative pronouncements of the Australian Accounting Standards Board, (AASB), Urgent Issues Group (UIG) Interpretations, the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies and Treasurer's Directions;
- b) the financial report exhibits a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal of New South Wales as at 30 June 2014 and 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.



Hugo Harmstorf  
*Chief Executive Officer*

20 September 2014

**Independent Pricing and Regulatory Tribunal  
and its Consolidated Entity**

**Financial Statements  
for the year ended 30 June 2014**

**Independent Pricing and Regulatory Tribunal**  
**Statement of comprehensive income**  
**for the year ended 30 June 2014**

	Notes	Consolidated			Tribunal		
		Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
<b>Expenses excluding losses</b>							
Operating expenses							
Employee related	2(a)	18,261	17,412	17,565	-	-	
Other operating expenses	2(b)	8,089	8,872	8,599	8,089	8,599	
Personnel services		-	-	-	17,441	17,412	
Depreciation and amortisation	2(c)	574	607	829	574	829	
<b>TOTAL EXPENSES EXCLUDING LOSSES</b>		<b>26,924</b>	26,891	26,993	<b>26,104</b>	26,891	
<b>Revenue</b>							
Recurrent appropriation	3(a)	23,742	24,442	24,127	23,742	24,127	
Capital appropriation	3(a)	180	180	180	180	180	
Sale of goods and services	3(b)	1,795	1,311	642	1,795	642	
Investment revenue	3(c)	280	249	306	280	306	
Grants and contributions	3(d)	-	-	340	-	340	
Acceptance by the Crown Entity of employee benefits and other liabilities	3(e)	820	386	446	-	386	
Other revenue	3(f)	682	216	388	682	388	
<b>Total Revenue</b>		<b>27,499</b>	26,784	26,429	<b>26,679</b>	26,784	
<b>Gain / (loss) on disposal</b>		-	-	(6)	-	(6)	
<b>Net result</b>		<b>575</b>	(107)	(570)	<b>575</b>	(570)	
<b>Other comprehensive income</b>							
<b>Total other comprehensive income</b>		-	-	-	-	-	
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>575</b>	(107)	(570)	<b>575</b>	(570)	

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal**  
**Statement of financial position**  
as at 30 June 2014

	Notes	Consolidated		Tribunal			
		Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000	Actual 2014 \$'000	Budget 2014 \$'000	Actual 2013 \$'000
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	6	10,703	8,699	10,770	10,647	8,699	10,707
Receivables	7	813	950	970	813	950	970
<b>Total Current Assets</b>		<b>11,516</b>	<b>9,649</b>	<b>11,740</b>	<b>11,460</b>	<b>9,649</b>	<b>11,677</b>
<b>Non-Current Assets</b>							
Plant and Equipment	8	496	456	483	496	456	483
Leasehold Improvement	8	128	-	443	128	-	443
Plant and equipment	8	624	456	926	624	456	926
Intangible assets	9	19	14	30	19	14	30
<b>Total Non-Current Assets</b>		<b>643</b>	<b>470</b>	<b>956</b>	<b>643</b>	<b>470</b>	<b>956</b>
<b>Total Assets</b>		<b>12,159</b>	<b>10,119</b>	<b>12,696</b>	<b>12,103</b>	<b>10,119</b>	<b>12,633</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Payables	10	2,088	867	2,371	2,032	867	2,308
Provisions	11	2,431	1,926	2,550	2,663	1,926	2,570
Other	12	-	-	922	-	-	922
<b>Total Current liabilities</b>		<b>4,519</b>	<b>2,793</b>	<b>5,843</b>	<b>4,695</b>	<b>2,793</b>	<b>5,800</b>
<b>Non-Current Liabilities</b>							
Provisions	11	232	136	20	-	136	-
<b>Total Non-Current Liabilities</b>		<b>232</b>	<b>136</b>	<b>20</b>	<b>-</b>	<b>136</b>	<b>-</b>
<b>Total Liabilities</b>		<b>4,751</b>	<b>2,929</b>	<b>5,863</b>	<b>4,695</b>	<b>2,929</b>	<b>5,800</b>
<b>Net Assets</b>		<b>7,408</b>	<b>7,190</b>	<b>6,833</b>	<b>7,408</b>	<b>7,190</b>	<b>6,833</b>
<b>EQUITY</b>							
Accumulated funds		7,408	7,190	6,833	7,408	7,190	6,833
<b>Total Equity</b>		<b>7,408</b>	<b>7,190</b>	<b>6,833</b>	<b>7,408</b>	<b>7,190</b>	<b>6,833</b>

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal  
Statements of changes in equity  
for the year ended 30 June 2014**

<b>Consolidated / Tribunal</b>	<b>Accumulated Funds \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2013	6,833	6,833
Net result for the year	<u>575</u>	<u>575</u>
Total other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>575</u>	<u>575</u>
Balance at 30 June 2014	<u>7,408</u>	<u>7,408</u>

**Consolidated / Tribunal**

Balance at 1 July 2012	7,403	7,403
Net result for the year	<u>(570)</u>	<u>(570)</u>
Total other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>(570)</u>	<u>(570)</u>
Balance at 30 June 2013	<u>6,833</u>	<u>6,833</u>

**Independent Pricing and Regulatory Tribunal**  
**Statement of cash flows**  
**for the year ended 30 June 2014**

	Notes	Consolidated		Actual 2013 \$'000	Tribunal		Actual 2013 \$'000
		Actual 2014 \$'000	Budget 2014 \$'000		Actual 2014 \$'000	Budget 2014 \$'000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Payments</b>							
Employee related		(17,374)	(17,097)	(16,659)	-	-	-
Personnel services		-	-	-	(17,367)	(17,097)	(16,658)
Other		(9,622)	(10,113)	(8,212)	(9,622)	(10,113)	(8,246)
<b>Total Payments</b>		<b>(26,996)</b>	<b>(27,210)</b>	<b>(24,871)</b>	<b>(26,989)</b>	<b>(27,210)</b>	<b>(24,904)</b>
<b>Receipts</b>							
Recurrent appropriation		23,742	24,442	25,049	23,742	24,442	25,049
Capital appropriation (excluding equity appropriations)		180	180	180	180	180	180
Sale of goods and services		2,876	1,311	912	2,876	1,311	973
Interest received		281	249	318	281	249	318
Grants and contributions		-	-	340	-	-	340
Cash transfers to the Consolidated Fund		(922)	-	-	(922)	-	-
Other		967	1,437	685	967	1,437	685
<b>Total Receipts</b>		<b>27,124</b>	<b>27,619</b>	<b>27,484</b>	<b>27,124</b>	<b>27,619</b>	<b>27,545</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	16	<b>128</b>	<b>409</b>	<b>2,613</b>	<b>135</b>	<b>409</b>	<b>2,641</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchases of plant and equipment		(195)	(180)	(294)	(195)	(180)	(294)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(195)</b>	<b>(180)</b>	<b>(294)</b>	<b>(195)</b>	<b>(180)</b>	<b>(294)</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>(67)</b>	<b>229</b>	<b>2,319</b>	<b>(60)</b>	<b>229</b>	<b>2,347</b>
Opening cash and cash equivalents		10,770	8,470	8,451	10,707	8,470	8,360
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	6	<b>10,703</b>	<b>8,699</b>	<b>10,770</b>	<b>10,647</b>	<b>8,699</b>	<b>10,707</b>

The accompanying notes form part of these statements.

**Independent Pricing and Regulatory Tribunal  
Summary of compliance with financial directives**

Consolidated / Tribunal	2014				2013			
	RECURRENT APPROPRIATION \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	Capital Appropriation \$'000	EXPENDITURE / NET CLAIM ON CONSOLIDATED FUND \$'000	Recurrent Appropriation \$'000	EXPENDITURE / NET CLAIM ON CONSOLIDATE D FUND \$'000	Capital Appropriation \$'000	EXPENDITURE / NET CLAIM ON CONSOLIDATED FUND \$'000
	<b>ORIGINAL BUDGET APPROPRIATION / EXPENDITURE</b>							
• Appropriation Act	24,442	23,742	180	180	23,899	22,977	180	180
	24,442	23,742	180	180	23,899	22,977	180	180
<b>OTHER APPROPRIATIONS / EXPENDITURE</b>								
• Section 31 - expenditure for certain works and services	-	-	-	-	1,150	1,150	-	-
• Other ( Carry Forward to 2014-15)	(700)	-	-	-	-	-	-	-
	(700)	-	-	-	1,150	1,150	-	-
<b>Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	23,742	23,742	180	180	25,049	24,127	180	180
<b>Amount draw down against Appropriation</b>		23,742		180		25,049		180
<b>Liability to Consolidated Fund*</b>		-		-		(922)		-

The Summary of compliance is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).

\* The Liability to Consolidated Fund represents the difference between the "Amount drawn down against Appropriation" and the "Total Expenditure/Net Claim on Consolidated Fund". A number of contracts were not finished at 30 June 2013 and the final payments were therefore not paid in the financial year, resulting in the under expenditure.

## **1 Summary of Significant Accounting Policies**

### **(a) Reporting entity**

The Independent Pricing and Regulatory Tribunal (the Tribunal) is an independent statutory entity. The Tribunal is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The Tribunal as a reporting entity, comprises all the entities under its control, namely: Independent Pricing and Regulatory Tribunal Staff Agency (Staff Agency). The Staff Agency is a public service agency established under the Administrative Arrangements Order 2014 and is pursuant to Part 2 of Schedule 1 of the Government Sector Employment Act 2013 (formerly the IPART Division established under the former Public Sector Employment and Management Act 2002). All employee provisions are now held within the Staff Agency, and are shown in the consolidated section of these statements.

In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

These financial statements for the year ended 30 June 2014 have been authorised for issue by the Chief Executive Officer on 22 September 2014.

### **(b) Basis of preparation**

The Tribunal's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2010 and*
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Plant and equipment are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

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

### **(c) Statement of compliance**

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

### **(d) 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 income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as "Administered Income", "Administered Expenses", "Administered Assets" and "Administered Liabilities".

The accrual basis of accounting and all applicable accounting standards have been adopted.

### **(e) 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 claims experience.



## **1 Summary of Significant Accounting Policies (cont'd)**

### (f) Accounting for the Goods and Services Tax (GST)

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

- the amount of GST incurred by the Tribunal 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 and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flow on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

### (g) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

#### (i) Parliamentary appropriations and contributions

Except as specified below, parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the agency obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash. Appropriations are not recognised as income in the following circumstances:

- Unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund.

The liability is disclosed in Note 12 as part of 'Current liabilities - Other'. The amount will be repaid and the liability will be extinguished next financial year. Any liability in respect of transfer payments is disclosed in Note 17 "Administered assets and liabilities".

#### (ii) Sale of goods

Revenue from the sale of goods is recognised as revenue when the Tribunal transfers the significant risks and rewards of ownership of the assets.

#### (iii) Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

#### (iv) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

### (h) Assets

#### (i) Acquisitions of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Tribunal. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

**1 Summary of Significant Accounting Policies (cont'd)**

(h) Assets (cont'd)

(i) Acquisitions of assets (cont'd)

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

(ii) Capitalisation thresholds

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

(iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

(v) Impairment of financial assets

All financial assets are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

(vi) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the agency transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where the agency has not transferred substantially all the risks and rewards, if the entity has not retained control.

**1 Summary of Significant Accounting Policies (cont'd)**

(h) Assets (cont'd)

(vii) Depreciation of property, plant and equipment

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 Tribunal.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

<b>Depreciation Rates</b>	<b>2014 % Rate</b>
<b>Intangible Asset</b>	
Computer software	25
<b>Plant &amp; Equipment</b>	
Office furniture and fittings	10
Computer equipment and hardware acquired before 29 June 2012	33
Computer equipment and hardware acquired after 29 June 2012	25
General plant and equipment	14
Leasehold improvements	– depreciated over the period of the lease

(viii) Restoration costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

(ix) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or a component of an asset, in which case the costs are capitalised and depreciated.

(x) 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 commencement of the lease term. 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 statements of comprehensive income in the periods in which they are incurred.

(xi) Intangible assets

The Tribunal recognises intangible assets only if it is probable that future economic benefits will flow to the Tribunal and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Tribunal's intangible assets, the assets are carried at cost less any accumulated amortisation.

**1 Summary of Significant Accounting Policies (cont'd)**

(h) Assets (cont'd)

(xi) Intangible assets (cont'd)

The Tribunal's intangible assets are amortised using the straight line method over a period of four years.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

(xii) Other assets

Other assets are recognised on a cost basis.

(xiii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(i) Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to the Tribunal and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Employee benefits and other provisions

Employee benefits are provided to the Tribunal by the Staff Division. The Tribunal recognises personnel services expenses and provisions for these benefits.

(a) Salaries and wages, annual leave, sick leave and on-costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Tribunal has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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.

(b) Long service leave and superannuation

The Tribunal's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Tribunal 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".

**1 Summary of Significant Accounting Policies (cont'd)**

(i) Liabilities (cont'd)

(ii) Employee benefits and other provisions (cont'd)

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 14/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(c) Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

(iii) Other Provisions

Other provisions exist when: the Tribunal has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when an entity has a detailed formal plan and the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

(j) Fair value hierarchy

Fair value hierarchy disclosure under AASB 13 *Fair Value Measurement*, is not required as the Tribunal's assets are non-specialised short-lived assets and measured at depreciated historical cost as a surrogate for fair value.

(k) Equity

(i) Accumulated Funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

(l) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the PFAA where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

(m) Comparative information

Except where an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

**1 Summary of Significant Accounting Policies (cont'd)**

(n) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2013-14

The accounting policies applied in 2013-14 are consistent with those of the previous financial year except AASB 13 *Fair Value Measurement* and AASB 119 *Employee Benefits* that have been applied for the first time in 2013-14. The Tribunal anticipates that the adoption of these Standards in the period of initial application will have no material impact on the financial statements.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Australian Accounting Standards have not been applied and are not yet effective (NSW TC 14/03).

- AASB 9, AASB 2010 7 and AASB 2012 6 regarding financial instruments
- AASB 1031 Materiality
- AASB 1055 and AASB 2013 1 regarding budgetary reporting
- AASB 2013 8 regarding Australian Implementation Guidance for Not for Profit Entities – Control and Structured Entities
- AASB 2013 9 regarding the Conceptual Framework, Materiality and Financial Instruments (Parts B and C)

**2 Expenses Excluding Losses**

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>(a) Personnel services</b>				
Salaries and wages (including annual leave)	<b>15,281</b>	15,104	-	-
Superannuation - defined benefit plans	<b>89</b>	101	-	-
Superannuation - defined contribution plans	<b>1,134</b>	1,005	-	-
Long service leave	<b>714</b>	340	-	-
Workers compensation insurance	<b>111</b>	123	-	-
Payroll tax and fringe benefit tax	<b>889</b>	851	-	-
On costs - annual leave and long service leave	<b>43</b>	41	-	-
	<b>18,261</b>	17,565	-	-

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**2 Expenses Excluding Losses (cont'd)**

	Consolidated		Tribunal	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>(b) Other operating expenses include the following:</b>				
Advertising	61	76	61	76
Auditor's remuneration - audit of the financial statements	37	36	37	36
Cleaning and outgoings	204	319	204	319
Consultancies	2,330	2,445	2,330	2,445
Contractors	1,293	2,218	1,293	2,218
Insurance	14	10	14	10
Internal audit fees	61	157	61	157
Legal costs	373	278	373	278
Operating lease rental expense - minimum lease payments	1,312	1,177	1,312	1,177
Travel	73	95	73	95
Other expenses	995	670	995	670
Corporate services	469	334	469	334
EDP expenses	847	527	847	527
Maintenance expenses	20	257	20	257
	<b>8,089</b>	<b>8,599</b>	<b>8,089</b>	<b>8,599</b>
<i>* Reconciliation - Total maintenance</i>				
Maintenance expense - other (non-employee related), as above	20	257	20	257
Total maintenance expenses included in Note 2(a) + 2(b)	<b>20</b>	<b>257</b>	<b>20</b>	<b>257</b>

	Consolidated		Tribunal	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>(c) Depreciation and amortisation expense</b>				
Depreciation:				
Plant and Equipment	184	224	184	224
Leasehold Improvements	379	593	379	593
Total Depreciation	<b>563</b>	<b>817</b>	<b>563</b>	<b>817</b>
Amortisation				
Intangibles	11	12	11	12
Total Amortisation	<b>11</b>	<b>12</b>	<b>11</b>	<b>12</b>

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**3 Revenue**

<b>Consolidated</b>		<b>Tribunal</b>	
<b>2014 \$'000</b>	2013 \$'000	<b>2014 \$'000</b>	2013 \$'000

**(a) Appropriations**

**Recurrent appropriation**

Total recurrent drawdowns from NSW Treasury (per Summary of compliance)

	<b>23,742</b>	25,049	<b>23,742</b>	25,049
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Less: Liability to Consolidated Fund (per Summary of compliance)

	-	922	-	922
--	---	-----	---	-----

	<b>23,742</b>	24,127	<b>23,742</b>	24,127
--	---------------	--------	---------------	--------

Comprising:

Recurrent appropriation (per Statement of comprehensive income)

	<b>23,742</b>	24,127	<b>23,742</b>	24,127
--	---------------	--------	---------------	--------

	<b>23,742</b>	24,127	<b>23,742</b>	24,127
--	---------------	--------	---------------	--------

**Capital appropriation**

Total capital drawdowns from NSW Treasury (per Summary of compliance)

	<b>180</b>	180	<b>180</b>	180
--	------------	-----	------------	-----

	<b>180</b>	180	<b>180</b>	180
--	------------	-----	------------	-----

Comprising:

Capital appropriation (per Statement of comprehensive income)

	<b>180</b>	180	<b>180</b>	180
--	------------	-----	------------	-----

	<b>180</b>	180	<b>180</b>	180
--	------------	-----	------------	-----

<b>Consolidated</b>		<b>Tribunal</b>	
<b>2014 \$'000</b>	2013 \$'000	<b>2014 \$'000</b>	2013 \$'000

**(b) Sale of goods and services**

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

	<b>1,795</b>	642	<b>1,795</b>	642
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	<b>1,795</b>	642	<b>1,795</b>	642
--	--------------	-----	--------------	-----



**Independent Pricing and Regulatory Tribunal  
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**3 Revenue (cont'd)**

Consolidated		Tribunal	
2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000

**(c) Investment revenue**

Interest revenue from financial assets not at fair value through profit or loss

	280	306	280	306
	<b>280</b>	<b>306</b>	<b>280</b>	<b>306</b>

Consolidated		Tribunal	
2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000

**(d) Grants and contributions**

Grants and contributions

	-	340	-	340
	<b>-</b>	<b>340</b>	<b>-</b>	<b>340</b>

Consolidated		Tribunal	
2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000

**(e) Acceptance by the Crown Entity of employee benefit**

Superannuation

Long Service Leave

Payroll tax

Superannuation	101	101	-	-
Long Service Leave	714	340	-	-
Payroll tax	5	5	-	-
	<b>820</b>	<b>446</b>	<b>-</b>	<b>-</b>

Consolidated		Tribunal	
2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000

**(f) Other revenue**

Other

	682	388	682	388
	<b>682</b>	<b>388</b>	<b>682</b>	<b>388</b>

**4 Gain / (Loss) on Disposal**

Consolidated		Tribunal	
2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000

**Gain / (loss) on disposal of plant and equipment**

Proceeds from disposal

Less: Written down value of assets disposed

Net gain / (loss) on disposal of plant and equipment

Proceeds from disposal	-	-	-	-
Less: Written down value of assets disposed	-	(6)	-	(6)
Net gain / (loss) on disposal of plant and equipment	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>(6)</b>

## 5 *Service Groups of the Tribunal*

### **Service group 1- Utilities Pricing, Regulation, Analysis and Policy Work**

Purpose:

The Tribunal operates under a single service group. The service group covers the setting of prices for energy, water and public transport and for carrying out other specific reviews of government services referred at the request of the responsible Ministers. The service group also administers Local Government rate setting and contribution plans and the Water Licensing, Energy Compliance, the Greenhouse Gas Reduction and the Energy Savings Schemes.

This service group contributes to the following intermediate results:

- abuse of monopoly power is prevented, and efficiency, sustainability and community welfare is promoted
- independent advice is provided to the Government on issues of pricing, funding, competition, service, policy and governance,
- prices (or revenues) for energy, transport and water services are determined fairly and reasonably in accordance with legislation,
- energy and water licence obligations and energy savings reduction targets are enforced and
- sustainable environmental outcomes are promoted.

## 6 *Current Assets - Cash and Cash Equivalents*

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2014 \$'000</b>	2013 \$'000	<b>2014 \$'000</b>	2013 \$'000
Cash at bank and on hand	<u>10,703</u>	10,770	<u>10,647</u>	10,707
	<b>10,703</b>	10,770	<b>10,647</b>	10,707

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statements of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	<u>10,703</u>	10,770	<u>10,647</u>	10,707
Closing cash and cash equivalents (per statement of cash flows)	<u>10,703</u>	10,770	<u>10,647</u>	10,707

Refer Note 18 for details regarding credit risk, liquidity risk, and market risk arising from financial instruments.

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**7 Current Assets / Non-Current Assets - Receivables**

	Consolidated		Tribunal	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Current</b>				
Sale of goods and services	548	768	548	768
Goods and Services Tax (GST)	107	43	107	43
Interest receivable	140	141	140	141
Other	18	18	18	18
	<b>813</b>	<b>970</b>	<b>813</b>	<b>970</b>

**8 Non-Current Assets - Plant and Equipment**

**Consolidated / Tribunal**

	Plant and Equipment \$'000	Leasehold Improvement \$'000	Total \$'000
<b>At 1 July 2013 - fair value</b>			
Gross carrying amount	1,554	2,904	4,458
Accumulated depreciation	(1,071)	(2,461)	(3,532)
Net carrying amount	483	443	926
<b>At 30 June 2014 - fair value</b>			
Gross carrying amount	1,522	2,632	4,154
Accumulated depreciation	(1,026)	(2,504)	(3,530)
Net carrying amount	496	128	624

**Reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.

	Plant and Equipment \$'000	Leasehold Improvement \$'000	Total \$'000
<b>Year ended 30 June 2014</b>			
Net carrying amount at start of year	483	443	926
Additions	195	66	261
Transfer	2	(2)	-
Disposals	(229)	(334)	(563)
Depreciation expense	(184)	(379)	(563)
Write back on disposals	229	334	563
Net carrying amount at end of year	496	128	624

**Independent Pricing and Regulatory Tribunal**  
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**8 Non-Current Assets - Plant and Equipment (cont'd)**

	Plant and Equipment \$'000	Leasehold Improvement \$'000	Total \$'000
<b>At 1 July 2012 - fair value</b>			
Gross carrying amount	1,644	2,759	4,403
Accumulated depreciation	(1,110)	(1,868)	(2,978)
Net carrying amount	534	891	1,425
<b>At 30 June 2013 - fair value</b>			
Gross carrying amount	1,554	2,904	4,458
Accumulated depreciation	(1,071)	(2,461)	(3,532)
Net carrying amount	483	443	926

**Reconciliation**

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the previous reporting period is set out below.

	Plant and Equipment \$'000	Leasehold Improvement \$'000	Total \$'000
<b>Year ended 30 June 2013</b>			
Net carrying amount at start of year	534	891	1,425
Additions	179	145	324
Disposals	(270)	-	(270)
Depreciation expense	(224)	(593)	(817)
Write back on disposals	264	-	264
Net carrying amount at end of year	483	443	926

**9 Intangible Assets**

	<b>Software \$'000</b>
<b>Consolidated / Tribunal</b>	
<b>At 1 July 2013</b>	
Cost (gross carrying amount)	123
Accumulated amortisation and impairment	(93)
Net carrying amount	30
<b>At 30 June 2014</b>	
Cost (gross carrying amount)	79
Accumulated amortisation and impairment	(60)
Net carrying amount	19
<b>Year ended 30 June 2014</b>	
Net carrying amount at start of year	30
Amortisation (recognised in depreciation and amortisation)	(11)
Net carrying amount at end of year	19
	<b>Software \$'000</b>
<b>At 1 July 2012</b>	
Cost (gross carrying amount)	123
Accumulated amortisation and impairment	(81)
Net carrying amount	42
<b>At 30 June 2013</b>	
Cost (gross carrying amount)	123
Accumulated amortisation and impairment	(93)
Net carrying amount	30
<b>Year ended 30 June 2013</b>	
Net carrying amount at start of year	42
Amortisation (recognised in depreciation and amortisation)	(12)
Net carrying amount at end of year	30

**Independent Pricing and Regulatory Tribunal**  
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**10 Current Liabilities - Payables**

	Consolidated		Tribunal	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Accrued salaries, wages and on-costs	365	318	-	-
Creditors	1,138	1,753	1,082	1,690
Unearned revenue	585	300	585	300
Personnel services	-	-	365	318
	<b>2,088</b>	<b>2,371</b>	<b>2,032</b>	<b>2,308</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 18.

**11 Current /Non-Current Liabilities - Provisions**

	Consolidated		Tribunal	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave	1,545	1,496	-	-
Long service leave on-costs	41	229	-	-
Banked flex leave	126	180	-	-
Payroll tax	241	233	-	-
Personnel services	-	-	2,185	2,158
	<b>1,953</b>	<b>2,138</b>	<b>2,185</b>	<b>2,158</b>
<b>Other provisions</b>				
Restoration costs	478	412	478	412
	<b>478</b>	<b>412</b>	<b>478</b>	<b>412</b>
<b>Total current provisions</b>	<b>2,431</b>	<b>2,550</b>	<b>2,663</b>	<b>2,570</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave on-costs	232	20	-	-
<b>Total non-current provisions</b>	<b>232</b>	<b>20</b>	<b>-</b>	<b>-</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	2,163	2,138	-	-
Provisions - non-current	22	20	-	-
Accrued salaries, wages and on-costs (Note 10)	365	318	-	-
	<b>2,550</b>	<b>2,476</b>	<b>-</b>	<b>-</b>

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**11 Current /Non-Current Liabilities - Provisions (cont'd)**

**Movements in provisions (other than employee benefits)**

Movements in each class of provision during the financial year, other than employee benefits are set out below:

	Restoration Costs \$'000
<b>2014</b>	
Carrying amount at the beginning of financial year	412
Additional provisions recognised	<u>66</u>
Carrying amount at end of financial year	<u>478</u>

**Employee benefits expected to be settled within 12 months from the reporting date**

	Consolidated		Tribunal	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Annual leave	<u>1,236</u>	1,186	-	-
	<u>1,236</u>	1,186	-	-

**Employee benefits expected to be settled in more than 12 months from the reporting date**

	Consolidated		Tribunal	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Annual leave	<u>309</u>	310	-	-
	<u>309</u>	310	-	-

**12 Current / Non-Current Liabilities - Other**

	Consolidated		Tribunal	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Current</b>				
Liability owing to Consolidated Fund	<u>-</u>	922	-	922
	<u>-</u>	922	-	922

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**13 Commitments for Expenditure**

	Consolidated		Tribunal	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000

**Operating Lease Commitments**

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

Not later than one year	1,478	917	1,478	917
Later than one year and not later than five years	5,881	132	5,881	132
Later than five years	858	-	858	-
Total (including GST)	8,217	1,049	8,217	1,049

The total commitments above includes input tax credits of \$747,032 (2013 \$95,000) that are expected to be recoverable from the Australian Taxation Office.

**14 Contingent Liabilities and Contingent Assets**

The Tribunal is not aware of any contingent liabilities and contingent assets associated with its operations (nil at 30 June 2013).

**15 Budget Review**

**Net result**

The actual net result of \$575K was \$682K more than the budget. This was mainly due to the greater than the budgeted revenue receipts from rendering of services.

**Assets and liabilities**

Actual total Assets were \$2,040K more than budget, primarily due to an increase of cash held at end of financial year.

Total liabilities were more than budget by \$1,822K. This was primarily due to greater than budgeted current liabilities payables of \$1,221K and greater than budgeted provisions and other liabilities of \$601K.

**Cash flows**

Actual net cash flows from operating activities were lower than budget by \$281K. This was mainly due to carry forward of contributions from Government of \$700K.

Independent Pricing and Regulatory Tribunal  
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**16 Reconciliation of Cash Flows from Operating Activities to Net Result**

	Consolidated		Tribunal	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Net cash used on operating activities	128	2,613	135	2,641
Depreciation and amortisation	(574)	(829)	(574)	(829)
Decrease / (increase) in provisions	(27)	(407)	(27)	(408)
Increase / (decrease) in receivables and prepayments	(157)	465	(157)	404
Decrease / (increase) in creditors	283	(1,484)	276	(1,450)
Decrease / (increase) in other liabilities	922	(922)	922	(922)
Net gain / (loss) on sale of plant and equipment	-	(6)	-	(6)
Net result	<u>575</u>	<u>(570)</u>	<u>575</u>	<u>(570)</u>

**17 Administered Assets and Liabilities**

	2014 \$'000	2013 \$'000
<b>Consolidated</b>		
<b>Administered Assets</b>		
Cash	360	268
Receivables	625	2,452
<b>Total Administered Assets</b>	<u>985</u>	<u>2,720</u>
<b>Administered Liabilities</b>		
Liability to Consolidated Fund	985	2,720
<b>Total Administered Liabilities</b>	<u>985</u>	<u>2,720</u>
<b>Tribunal</b>		
<b>Administered Assets</b>		
Cash	360	268
Receivables	625	2,452
<b>Total Administered Assets</b>	<u>985</u>	<u>2,720</u>
<b>Administered Liabilities</b>		
Liability to Consolidated Fund	985	2,720
<b>Total Administered Liabilities</b>	<u>985</u>	<u>2,720</u>



## 18 *Financial Instruments*

The Tribunal's principal financial instruments are cash deposits held within the NSW Treasury Banking System, short term receivables and payables. These instruments expose the Tribunal primarily to interest rate risk on cash balances held within the NSW Treasury Banking System and credit risk on short term receivables. The Tribunal does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing risk. From time to time, compliance with policies is reviewed by the internal auditors and the Audit and Risk Management Committee.

### (a) **Financial instrument categories**

<b>Financial Assets</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount 2014 \$'000</b>	Carrying Amount 2013 \$'000
<b>Class:</b>				
<b>Consolidated</b>				
Cash and cash equivalents	6	N/A	<b>10,703</b>	10,770
Receivables <sup>1</sup>	7	Loans and receivables (at amortised cost)	<b>706</b>	927
<b>Financial Liabilities</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount 2014 \$'000</b>	Carrying Amount 2013 \$'000
<b>Class:</b>				
<b>Consolidated</b>				
Payables <sup>2</sup>	10	Financial liabilities measured at amortised cost	<b>1,503</b>	2,071
<b>Financial Assets</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount 2014 \$'000</b>	Carrying Amount 2013 \$'000
<b>Class:</b>				
<b>Tribunal</b>				
Cash and cash equivalents	6	N/A	<b>10,647</b>	10,707
Receivables <sup>1</sup>	7	Loans and receivables (at amortised cost)	<b>706</b>	927
<b>Financial Liabilities</b>	<b>Note</b>	<b>Category</b>	<b>Carrying Amount 2014 \$'000</b>	Carrying Amount 2013 \$'000
<b>Class:</b>				
<b>Tribunal</b>				
Payables <sup>2</sup>	10	Financial liabilities measured at amortised cost	<b>3,632</b>	4,166

Notes:

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

### (b) **Credit Risk**

Credit risk arises from the financial assets of the Tribunal, including cash and receivables. No collateral is held by the Tribunal. The Tribunal has not granted any financial guarantees.

Credit risk arises when there is the possibility of the Tribunal's debtors defaulting on their contractual obligations, resulting in a financial loss to the Tribunal. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

## 18 Financial Instruments (cont'd)

### Cash

Cash comprises cash on hand and bank balances within the NSW 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 NSW Treasury below.

### Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the Tribunal will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

The Tribunal is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

The only financial assets that are past due or impaired are "sales of goods and services" in the "receivables" category of the statement of financial position.

	Total <sup>1</sup>	\$'000 Past due but not impaired <sup>1</sup>	Considered impaired <sup>1</sup>
<b>Consolidated</b>			
<b>2014</b>			
< 3 months overdue	3	3	-
3 months – 6 months overdue	38	38	-
> 6 months overdue	-	-	-
<b>2013</b>			
< 3 months overdue	410	410	-
3 months – 6 months overdue	77	77	-
> 6 months overdue	-	-	-
	Total <sup>1</sup>	\$'000 Past due but not impaired <sup>1</sup>	Considered impaired <sup>1</sup>
<b>Tribunal</b>			
<b>2014</b>			
< 3 months overdue	3	3	-
3 months – 6 months overdue	38	38	-
> 6 months overdue	-	-	-
<b>2013</b>			
< 3 months overdue	410	410	-
3 months – 6 months overdue	77	77	-
> 6 months overdue	-	-	-

#### Notes:

- Each column in the table reports "gross receivables".
- The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

## 18 Financial Instruments (cont'd)

### (c) Liquidity risk

Liquidity risk is the risk that the Tribunal will be unable to meet its payment obligations when they fall due. The Tribunal continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

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 NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, 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 a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. No interest for late payment was paid during the year (2013 nil).

The Tribunal's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The table below summarises the maturity profile of the Tribunal's financial liabilities, together with the interest rate exposure.

No interest for late payment was paid during the year 2014.

#### **Maturity Analysis and interest rate exposure of financial liabilities**

	Nominal Amount <sup>1</sup>	Interest Rate Exposure		Maturity Dates		
		Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs	
<b>\$'000</b>						
<b>Consolidated 2014</b>						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	365	365	365	-	-	
Creditors	1,138	1,138	1,138	-	-	
	1,503	1,503	1,503	-	-	
<b>Consolidated 2013</b>						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	318	318	318	-	-	
Creditors	1,753	1,753	1,753	-	-	
	2,071	2,071	2,071	-	-	

**18 Financial Instruments (cont'd)**

	Nominal Amount <sup>1</sup>	Interest Rate Exposure		Maturity Dates		
		Non-interest bearing		< 1 yr	1-5 yrs	> 5 yrs
<b>Tribunal 2014</b>						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	2,550	2,550	2,550	-	-	-
Creditors	1,082	1,082	1,082	-	-	-
	<u>3,632</u>	<u>3,632</u>	<u>3,632</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Tribunal 2013</b>						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	2,476	2,476	2,476	-	-	-
Creditors	1,690	1,690	1,690	-	-	-
	<u>4,166</u>	<u>4,166</u>	<u>4,166</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the statement of financial position.

**(d) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Tribunal's exposure to market risk is primarily through interest rates on cash and cash equivalents. The Tribunal has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2013. The analysis assumes that all other variables remain constant.

## 18 Financial Instruments (cont'd)

### Interest rate risk

The Tribunal does not have any interest-bearing liabilities nor borrowings with TCorp. The Tribunal does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Tribunal's exposure to interest rate risk is set out below.

	Carrying Amount \$'000	-1% Profit \$'000	Equity \$'000	+1% Profit \$'000	Equity \$'000
<b>Consolidated 2014</b>					
<i>Financial assets</i>					
Cash and cash equivalents	10,703	(107)	(107)	107	107
Receivables	706	-	-	-	-
<b>Total</b>	<b>11,409</b>	<b>(107)</b>	<b>(107)</b>	<b>107</b>	<b>107</b>
<b>2013</b>					
<i>Financial assets</i>					
Cash and cash equivalents	10,770	(107)	(107)	107	107
Receivables	927	-	-	-	-
<b>Total</b>	<b>11,697</b>	<b>(107)</b>	<b>(107)</b>	<b>107</b>	<b>107</b>
		-1%		+1%	
	Carrying Amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Tribunal 2014</b>					
<i>Financial assets</i>					
Cash and cash equivalents	10,647	(106)	(106)	106	106
Receivables	706	-	-	-	-
<b>Total</b>	<b>11,353</b>	<b>(106)</b>	<b>(106)</b>	<b>106</b>	<b>106</b>
<b>2013</b>					
<i>Financial assets</i>					
Cash and cash equivalents	10,707	(107)	(107)	107	107
Receivables	927	-	-	-	-
<b>Total</b>	<b>11,634</b>	<b>(107)</b>	<b>(107)</b>	<b>107</b>	<b>107</b>

### (e) Fair value measurement

#### (i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the balance sheet approximates the fair value, because of the short-term nature of many of the financial instruments.

## 19 Events after the Reporting Period

There are no events subsequent to balance date which affect the financial statements.

**End of audited financial statements.**

## Our work program for 2014/15

### Energy

- ▼ Monitor performance and competitiveness of the retail electricity market in NSW
- ▼ Review the benchmark range for solar feed in tariffs and the determination of the retailers' contribution towards the costs of the Solar Bonus Scheme from 1 July 2015
- ▼ Engage in external policy reviews relating to the energy market
- ▼ Monitor compliance of energy network businesses with their licences
- ▼ Provide annual compliance report to Minister for Resources and Energy.

### Water Pricing

- ▼ Prepare for four price reviews occurring in 2015/16 (Sydney Water Corporation, Hunter Water Corporation, Sydney Catchment Authority, NSW Office of Water)
- ▼ Undertake price regulation under the Water Industry Competition Act 2006 (WICA), for example:
  - Regulate the prices of any WICA licensees declared monopoly suppliers under the Act
- ▼ Review any voluntary access undertakings submitted by water utilities (eg, Sydney Water)
- ▼ Make submissions to various water reviews, and advice to Government as requested.

### Water Licensing

- ▼ Complete end of term (five-yearly) review of Sydney Water's operating licence
- ▼ Conduct annual audits of public water utilities' compliance with their operating licences: Sydney Water, Hunter Water, Sydney Catchment Authority, State Water

- ▼ Administer audits of WICA licensees' (private water utilities) compliance with their licences
- ▼ Conduct five-yearly licence reviews of relevant WICA licences
- ▼ Transition to the new licensing regime under the WICA Amendment Bill (ie, transition existing licences and establish new guidelines, procedures, assessment processes, etc)
- ▼ Assess new WICA licence applications, and subsequently make recommendations to the Minister as to whether to grant these licenses
- ▼ Make submissions to various water reviews, and advice to Government as requested.

### Transport

- ▼ Review the external benefits of public transport
- ▼ Review taxi fares outside Sydney from 1 July 2015
- ▼ Review taxi fares and the number of new annual taxi licences to be issued in Sydney from 1 July 2015
- ▼ Review and recommend fares for private ferries from December 2014 and determine the fare for the Stockton ferry from January 2015
- ▼ Commence review of train fares to take effect from January 2016
- ▼ Review rail infrastructure compliance with the NSW rail access undertaking.

### Local Government

- ▼ Provide Annual Report of Local Government functions to Minister for Local Government and Minister for Planning
- ▼ Review Contributions plans:
  - Schofields (Blacktown Council - Completed)
  - Box Hill (The Hills - in progress)
  - Riverstone/ Alex Ave (Blacktown)<sup>17</sup>
  - Box Hill North (Hills Shire)
  - Marsden Park (Blacktown)
  - Leppington North and Austral (Liverpool)
  - Edmondson Park (Liverpool)
- ▼ Update Application forms for councils to apply for special variations and minimum rate increases
- ▼ Calculate Local Government Cost Index and determine rate peg for 2015/16

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<sup>17</sup> This is a further review of a previously-reviewed contributions plan, due to changes in Blacktown Council's costs.

- ▼ Review applications for Special Variations for 2015/16 (current estimate is 30).

### **Analysis and Policy Development**

- ▼ Continue providing best-practice advice on economic, financial and procedural issues to the different teams at IPART to ensure the consistency and transparency of our decisions.

### **Section 9 reviews**

- ▼ Complete review of towing fees for light and heavy vehicles
- ▼ Complete review of fees for NSW Trustee and Guardian
- ▼ Review of criteria for 'Fit For The Future' (Local Government)
- ▼ Review Local Government rating structure
- ▼ Review Local Government regulatory, compliance and reporting burden on councils
- ▼ Review of cruise ship fees for access to berths in Sydney Harbour.

### **Regulation Review**

- ▼ Finalise reports into Licence rationale and design as well as Local Government compliance and enforcement.

### **Energy Savings Scheme**

- ▼ Finalise guidance material for the amended ESS Rule, including the development of method guides for four new methods
- ▼ Streamline and refine our administrative processes to respond to the amended ESS Rule
- ▼ Develop and implement a new IT system to streamline Scheme administration
- ▼ Actively participate in the ESS Review
- ▼ Host and develop webinars covering different aspects of the Scheme
- ▼ Participate in the ESS Coordination Working Group
- ▼ Manage compliance of participants
- ▼ Manage the website, Audit Panel and Registry.



## Outline budget for 2014/15

<b>BUDGETED OPERATING STATEMENT</b>	<b>2014/15 \$'000</b>
Employee Related Expenses	18,928
Other Operating Expenses	11,255
Depreciation	573
<b>Total Expenses</b>	<b>30,756</b>
<b>Revenue</b>	
Recurrent appropriation	26,597
Capital appropriation	180
Sale of goods and services	3,000
Investment revenue	255
Acceptance by Crown Entity of employee benefits and other liabilities	395
Other revenue	221
<b>Total Revenue</b>	<b>30,648</b>
<b>Net Result</b>	<b>(108)</b>
<b>Total Government Funding</b>	<b>27,172</b>

## A | Legislative Provisions

### Overview

#### A.1 Principal legislation under which IPART operates

IPART was established under the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act). It performs functions under the IPART Act and also under other Acts such as the *Gas Supply Act 1996*, *Electricity Supply Act 1995*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *Sydney Water Catchment Management Act 1998*, *Central Coast Water Corporation Act 2006*, *State Water Corporation Act 2004*, *Water Industry Competition Act 2006*, *Water Management Act 2000*, *Passenger Transport Act 1990*, *Transport Administration Act 1988*, and *Local Government Act 1993* (under Ministerial delegation). Further discussion of the principal legislation under which IPART operates is set out in sections A.2 to A.8 below.

IPART also continues to exercise certain minor functions under Acts such as the *Prices Regulation Act 1948*, *Gaming Machines Act 2001*, *Crown Lands Act 1989*, *Crown Lands (Continued Tenures) Act 1989*, *Snowy Hydro Corporatisation Act 1997* and *Motor Accidents Compensation Act 1999*.

##### A.1.1 Changes in Acts and subordinate legislation

During the financial year 2013/2014, changes were made to the regulatory framework for:

- ▼ electricity – discussed in section A.4.2 below
- ▼ the Energy Savings Scheme – discussed in section A.7 below.

Some Acts relevant to IPART's functions have been amended, but have not yet commenced. Such an amendment is noted in relation to transport (discussed in section A.5 below).

Further, the *Cemeteries and Crematoria Act 2013* received assent in November 2013. Under this Act, IPART is required to conduct an investigation of interment costs and pricing of interment rights. This Act is yet to commence.

## A.2 Independent Pricing and Regulatory Tribunal Act 1992

The IPART 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 the IPART Act, IPART has a number of major roles including:

- ▼ regulating prices and reviewing pricing policies of government monopoly services
- ▼ undertaking reviews referred to it in relation to industry, pricing or competition
- ▼ providing assistance to other agencies
- ▼ 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.

### A.2.1 Regulating prices and reviewing pricing policies

Under the IPART Act, IPART conducts investigations and makes reports to the relevant Minister with respect to determining the pricing for specified government monopoly services supplied by government agencies. It 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 reference. In particular, section 11 of the IPART Act provides that IPART is to initiate investigations of government monopoly services supplied by those government agencies for which IPART has a standing reference (with such agencies being listed in Schedule 1 of the IPART Act).

The government agencies for which IPART currently has a standing reference are:

- ▼ Sydney Water Corporation
- ▼ Hunter Water Corporation (but excluding certain water and sewerage services provided in respect of the Dungog local government area)
- ▼ Water supply authorities constituted under the *Water Management Act 2000*
- ▼ County councils established for the supply of water

- ▼ Rail Corporation New South Wales
- ▼ State Transit Authority (but excluding any bus services provided by the Authority under a service contract to which section 28J of the *Passenger Transport Act 1990* applies)
- ▼ Roads and Maritime Services
- ▼ Department of Housing
- ▼ Port Corporations or other relevant port authorities within the meaning of Part 5 of the *Ports and Maritime Administration Act 1995*
- ▼ Sydney Catchment Authority
- ▼ Water Administration Ministerial Corporation
- ▼ Sydney Ferries (but excluding any services provided by Sydney Ferries under a ferry service contract to which section 16AE of the *Passenger Transport Act 1990* applies)
- ▼ State Water Corporation
- ▼ Essential Energy.

As the services of some agencies listed above have not been declared to be monopoly services, IPART may not initiate pricing investigation for those agencies under section 11 of the IPART Act.

The second way in which an investigation by IPART may be initiated is by a reference from the Premier. Under section 12 of the IPART Act, the Premier may require IPART to determine the maximum price or carry out a review of pricing policies in respect of a specified government monopoly service, including those supplied by government agencies that are the subject of a standing reference. IPART may ask the Premier to make a particular reference under these provisions.

#### Public participation and access to information

The IPART 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 pricing or access investigation. IPART may seek public participation by:

- ▼ advertising public hearings
- ▼ seeking public comments on terms of reference
- ▼ providing public access to submissions
- ▼ inviting public comment on issues and submissions
- ▼ holding public seminars and workshops
- ▼ releasing reports and determinations to the public.

IPART must make a document obtained by IPART in connection with an investigation available for inspection on request, unless the document contains information that IPART would not be required to disclose under the *Government Information (Public Access) Act 2009*. If a document contains such information, IPART has the discretion to release it following consultation, if satisfied that it will not damage commercial or other interests.

#### Matters IPART must consider

Under section 15 of the IPART Act, IPART is required to have regard to a range of matters when making determinations and recommendations under the Act, and to report on what regard it has had to each in reaching the particular determination or recommendation. These matters are (in addition to any other matters IPART considers relevant):

- ▼ the cost of providing the services concerned
- ▼ the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services
- ▼ the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales
- ▼ the effect on general price inflation over the medium term
- ▼ the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
- ▼ the need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment
- ▼ the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets
- ▼ the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body
- ▼ the need to promote competition in the supply of the services concerned
- ▼ considerations of demand management (including levels of demand) and least cost planning
- ▼ the social impact of the determinations and recommendations
- ▼ standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

The Premier may also require IPART to consider specific matters, in addition to the section 15 matters, in its investigations.

### How IPART sets maximum prices

IPART may set maximum prices in either of two ways. The first way is by determining maximum prices. Under section 14 of the IPART Act, IPART may fix the prices in any way it considers appropriate, 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 for 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. IPART may only do this if it considers that it is impractical to fix maximum prices directly. A methodology may be made in any manner that IPART considers appropriate, including by reference to maximum revenue, or maximum rate of increase or minimum rate of 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.

### Implementing maximum prices

Agencies which are subject to IPART's determinations are not permitted to levy prices which exceed the maximum prices determined by IPART. Under section 18 of the IPART Act, the approval of the Treasurer is required if an agency wishes to charge a price below the maximum price.

### Compliance

In their annual reports, all agencies subject to IPART's determinations made under the IPART Act must report on how they have implemented the maximum prices. Agencies must also provide information on whether IPART recommendations to which they are subject have been implemented, and reasons for any non-implementation.

## Release of reports and determinations

IPART submits its reports for price determinations under the IPART Act to the Premier. Any determination must be published in the NSW Government Gazette as soon as practicable. Reports must be made available for public inspection, tabled in Parliament, and placed in the Parliamentary Library.

### A.2.2 Reviewing industries, pricing or competition

Under section 12A of the IPART Act, the Premier may require IPART to conduct investigations and make reports on any matter with respect to industry, pricing or competition. In contrast to the review provisions of sections 11 and 12 of the IPART Act, these reviews are not restricted to government monopoly services and may cover both government and private industry issues. In carrying out reviews under section 12A, IPART is not specifically required to have regard to the various matters listed in section 15 of the IPART Act, unless required by the relevant terms of reference.

### A.2.3 Providing assistance to other agencies

Under section 9 of the IPART Act, the Premier may approve the provision of services by IPART to any government agency or other body or person (public or private), where those services are in areas within IPART's field of expertise and relevant to its functions. In entering into any arrangement to provide services, IPART has a duty to ensure that giving effect to the arrangement will not interfere with its ability to exercise its usual functions. Several examples are shown in the Principal Achievements and 2013/14 Work Program sections in this report.

### A.2.4 Arbitrating access disputes

Under Part 4A of the IPART Act, any dispute with respect to a public infrastructure access regime that provides for the application of Part 4A may be 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. The *Commercial Arbitration Act 2010* applies to such an arbitration, subject to the provisions of the IPART Act and any regulations made under section 29 of the IPART Act.

### A.2.5 Registering access agreements

Sections 12B and 12C of the IPART Act require a government agency to notify IPART of any access agreements into which it proposes to enter or has entered. IPART may provide advice on the proposed agreement to the agency and to the Premier. IPART is required to register all access agreements (section 12C).

### A.2.6 Investigating complaints under competitive neutrality regime

The NSW Government has assigned IPART a role in investigating and reporting on competitive neutrality complaints under the Competition Principles Agreement. If certain conditions are met, the Premier may refer to IPART, for investigation and report, a complaint about a public trading agency's failure to comply with (or misapplication of) the competitive neutrality principles. The IPART Act specifies the processes IPART is to follow in investigating such a complaint (Part 4C).

### A.3 Licensing

IPART is responsible for ensuring various regulated entities meet their licence requirements. Under the IPART Act, *Electricity Supply Act 1995*, *Gas Supply Act 1996*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *Sydney Water Catchment Management Act 1998*, *State Water Corporation Act 2004* and *Central Coast Water Corporation Act 2006*, IPART is responsible for matters such as making recommendations to the relevant Minister 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 a contravention of the conditions of a licence
- ▼ taking any remedial action as a result of a contravention of the conditions of a licence.

In recent years, IPART has adopted a risk-based approach when making recommendations to the Minister on the terms of public utility licences. Under the *Water Industry Competition Act 2006*, IPART is responsible for matters such as making recommendations to the relevant Minister with respect to granting licensing applications. Further, it may cancel or suspend licences (with the concurrence of the relevant Minister). To fulfil its roles under these Acts, IPART monitors licence compliance and reports annually to the relevant Minister regarding such compliance. IPART 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 in certain circumstances.



## A.4 Energy pricing regulation, disclosure and comparison

### A.4.1 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. To date IPART has not made a gas pricing order, preferring to use a more light-handed form of regulation. Instead, the gas retailers have voluntary pricing arrangements (VPAs) with IPART. Gas retailers are obliged to set their regulated tariffs and charges in line with these VPAs, with IPART monitoring their compliance. The current VPAs apply until 30 June 2016.

### A.4.2 Electricity Supply Act 1995

Prior to 1 July 2014, the *National Energy Retail Law (NSW)* (NERL) required energy retailers to offer to provide customers with retail electricity services at regulated offer prices set in accordance with determinations made by IPART under Division 5 of Part 4 of the *Electricity Supply Act 1995*.

Under Division 5 of Part 4 of the *Electricity Supply Act 1995*, upon receiving a referral from the relevant Minister, IPART is responsible for determining regulated retail electricity tariffs and charges. In making such determinations, IPART is required to have regard to the matters set out in any terms of reference issued by the relevant Minister and the effect of the determination on competition in the retail electricity market.

In April 2014, the Minister for Resources and Energy withdrew the terms of reference issued to IPART regarding the determination of regulated electricity prices for the period 2013-16. The effect of this is that IPART is not required to produce a draft or final electricity pricing determination for the periods 2014/15 or 2015/16.

The NERL was amended upon commencement, on 1 July 2014, of the *National Energy Retail Law (Adoption) Amendment (Retail Price Deregulation) Regulation 2014* (NERL Regulation) such that:

- ▼ the New South Wales electricity market is no longer subject to retail price regulation, and
- ▼ IPART is no longer responsible for determining retail prices for electricity. Rather, it is now responsible for monitoring and reporting annually on the performance and competitiveness of the New South Wales retail electricity market.

## A.5 Transport pricing regulation

The *Passenger Transport Act 1990* provides a framework for regulating public transport services. Under this Act, IPART is responsible for setting maximum fares for regular bus services supplied under regular bus service contracts and regular ferry services supplied under regular ferry service contracts. In making its determination, IPART is to consider the following matters:

- ▼ the cost of providing the services concerned
- ▼ the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service
- ▼ the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
- ▼ the need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all of the feasible options to protect the environment
- ▼ the social impact of the determination
- ▼ standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise) and any suggested or actual changes to those standards
- ▼ contractual arrangements prevailing in the industry
- ▼ such other matters as IPART considers relevant.

In September 2014, the NSW Government assented to the enactment of the *Passenger Transport Act 2014* (NSW). This legislation has not yet commenced.

## A.6 Greenhouse Gas Reduction Scheme

The NSW Greenhouse Gas Reduction Scheme (Scheme) closed on 30 June 2012. This followed the NSW Government's decision to close the Scheme when the Commonwealth's carbon pricing mechanism started on 1 July 2012 as part of its Clean Energy Future package.

The Scheme was introduced by amendments to the *Electricity Supply Act 1995* in December 2002 and commenced on 1 January 2003. Before its closure, the Scheme required electricity retail suppliers and certain other parties to meet mandatory targets for abating greenhouse gas emissions from electricity production and use. Although the Scheme has closed, IPART, as Scheme Administrator, will retain its powers under the *Electricity Supply Act 1995* until all Scheme-related matters are finalised.

## A.7 Energy Savings Scheme

The Energy Savings Scheme (ESS) is designed to create a financial incentive to reduce the consumption of electricity by encouraging energy saving activities. It sets out energy savings targets, and imposes an obligation on NSW electricity retailers (and certain other parties) to surrender sufficient energy savings certificates to meet their individual energy savings targets.

The ESS commenced on 1 July 2009 under the *Electricity Supply Act 1995*. IPART functions as both the ESS scheme administrator and the ESS scheme regulator, and is responsible for assessing applications, accrediting parties to undertake eligible activities and to create certificates, monitoring ESS compliance and monitoring the performance of the ESS participants. IPART also manages the registration and transfer of certificates created from recognised energy savings activities.

The detail for the ESS is set out in the *Energy Savings Scheme Rule 2009* (ESS Rule). Amendments to the ESS Rule commenced on 1 June 2014, resulting in changes to the formula used for commercial lighting activities.

Further significant amendments to the ESS Rule commenced on 1 July 2014. Among many substantial changes, these amendments include new eligibility requirements, changes to key concepts in the ESS and new data requirements.

## A.8 Local Government

In 2013/14, IPART performed functions relating to local government under:

- ▼ terms of reference under section 9 of the IPART Act, and
- ▼ a delegation by the Minister for Local Government under the *Local Government Act 1993*.

IPART's functions relating to local government include:

- ▼ developing a local government cost index and productivity factor
- ▼ reviewing council development contributions plans under the *Environmental Planning and Assessment Act 1979* and reporting to the Minister for Planning and Infrastructure and the relevant councils on IPART's assessment of the contributions plans
- ▼ determining the rate peg for general council income
- ▼ determining annual charges for domestic waste management services
- ▼ determining applications by councils for special variations and minimum rate increases under the *Local Government Act 1993*.

IPART must report annually on its local government functions.

## B Decisions under s16A of the Independent Pricing and Regulatory Act

Under section 16A of the *Independent Pricing and Regulatory Tribunal Act 1996*, the portfolio Minister for a government agency may direct IPART to include in the maximum price, or methodology for fixing the maximum prices, for a government monopoly service provided by the agency the efficient costs of complying with a requirement imposed on the agency. The requirement may only be one that is imposed by or under a licence or authorisation, by ministerial direction under an Act, or some other requirement imposed by or under an Act or statutory instrument.

The portfolio Minister may only direct IPART under section 16A after consulting with IPART and securing the Premier's approval of the direction. Once IPART is given a direction under s16A, it must comply with the direction and explain in its report the manner in which it has complied with the direction.

In 2013/14, there were no new directions given to IPART under section 16A of the Act.

## C Tribunal Meetings, Public Forums and Submissions

### Tribunal Meetings and Public Forums

Type of Meeting	Number Held	Attendees and number of Meetings attended
Tribunal	47	Peter Boxall – Chairman (47/47) Jim Cox <sup>18</sup> – CEO and Full Time Member (8/8) Simon Draper <sup>19</sup> – Part Time Member (23/23) Paul Paterson <sup>20</sup> – Tribunal Member (35/36) Catherine Jones <sup>21</sup> – Tribunal Member (13/15)
Delegated Tribunal	9	Jim Cox <sup>18</sup> – CEO and Full Time Member (3/3) Simon Draper <sup>19</sup> – Part Time Member (1/1) Paul Paterson <sup>20</sup> – Tribunal Member (6/6) Catherine Jones <sup>21</sup> – Tribunal Member (5/5) Eric Groom (2/3)
Energy Savings Scheme Committee	23	Jim Cox <sup>18</sup> – CEO and Full Time Member (3/3) Simon Draper <sup>19</sup> – Part Time Member (5/5) Paul Paterson <sup>20</sup> – Tribunal Member (15/15) Eric Groom (7/8) Fiona Towers (14/15) Brian Spalding (20/23)
Local Government	3	Catherine Jones <sup>21</sup> – Tribunal Member (3/3) Stuart McDonald (3/3) Matthew Edgerton (3/3)
Public Hearings (5) Public Forums (2) Roundtables (5)	12	Peter Boxall – Chairman (11) Jim Cox <sup>18</sup> – CEO and Full Time Member (3) Simon Draper <sup>19</sup> – Part Time Member (9) Paul Paterson <sup>20</sup> – Tribunal Member (9) Catherine Jones <sup>21</sup> – Tribunal Member (1)

<sup>18</sup> Jim Cox resigned 6 September 2013.

<sup>19</sup> Simon Draper resigned 18 December 2013.

<sup>20</sup> Paul Paterson commenced 1 October 2013.

<sup>21</sup> Catherine Jones commenced 24 March 2014.

## Public hearings and workshops 2013/14

The Tribunal also hosted five Public Hearings, two Public Forums and five Roundtables.

Date	Investigation	Venue
<b>Water</b>		
19/11/2013	Review of prices for Essential Energy's Broken Hill water and sewerage services from 1 July 2014	Broken Hill Civic Centre
<b>Energy</b>		
04/11/2013	Review of early termination fees for electricity contracts	IPART Offices
13/05/2014	Changes in regulated gas retail prices from 1 July 2014	IPART Offices
13/05/2014	Solar feed-in tariffs	IPART Offices
<b>Transport</b>		
15/10/2013	Review of fares for Private Ferries and the Stockton Ferry 2013	IPART Offices
15/10/2013	Review of Metropolitan and Outer Metropolitan Bus Services from January 2014	IPART Offices
22/10/2013	Review of maximum fares for Taxis and the release of Annual Sydney Taxi Licences	IPART Offices
<b>Other Industries</b>		
25/02/2014	Review of prices for Land Valuation services to councils from 1 July 2014	IPART Offices
28/10/2013	Review of a funding framework for Local Land Services	IPART Offices
20/08/2013	Pricing Vocational Education and Training under <i>Smart and Skilled</i>	IPART Offices
08/07/2013	Review of a funding framework for Local Land Services	Penrith
<b>Local Government</b>		
03/12/2013	Benchmark costs for local council infrastructure	Wesley Conference Centre, Sydney

## Submissions to projects during 2013/14

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2013/14, and received a total of 843 submissions.

Closure date = day submissions close

**Table C.1 Submissions received from 1 July 2013 – 30 June 2014**

Closure Date	Investigation Resource	Submissions
<b>Electricity</b>		
21/05/2014	Draft Report - Solar feed-in tariffs from 1 July 2014	9
31/01/2014	Issues Paper - Solar feed-in tariffs - The subsidy-free value of electricity from small-scale solar PV units from 1 July 2014	9
18/11/2013	Draft Report - Early Termination Fees - Regulating the fees charged to small electricity customers in NSW - October 2013	11
09/09/2013	Issues Paper - Review of requirements for early termination charges - August 2013	8
<b>Gas</b>		
21/05/2014	Draft Report - Changes in regulated retail gas prices from 1 July 2014	142
10/03/2014	Fact Sheet - Changes in gas retail prices from 1 July 2014	9
<b>Water</b>		
13/02/2014	Application Form - Lend Lease Recycled Water - Barangaroo South - WICA Licence Application – 10 December 2013	6
16/04/2014	Application form - WICA Licence Application - Aquacell Pty Ltd - Kurrajong - August 2013	5
18/10/2013	Application form - WICA Licence Application - Catherine Hill Bay Water Utility Pty Ltd - Wayne Williamson - July 2013	148
02/04/2014	Application Form - WICA Licence Application - Snowy Hydro Limited - Network Operator - 20 January 2014	2
07/03/2014	Application Form - WICA Licence Application – Solo Water Pty Ltd – Catherine Hill Bay - December 2013	5
07/03/2014	Application Form - WICA Licence Application – Solo Water Pty Ltd - Wilton Water Pty Ltd - 24 January 2014	9
02/04/2014	Application Form - WICA Licence Application - Wilton Water Pty Ltd - Network Operator - 28 January 2014	5
04/06/2014	Application Form - WICA Licence Application Network Operator - Green Square Water Pty Ltd - 4 April 2014	4
28/03/2014	Application Form - WICA Licence Application -Discovery Point Water Factory Pty Ltd	1
04/10/2013	Discussion Paper - Discharge factors for non-residential customers - August 2013	6
11/04/2014	Draft Report - Essential Energy's water and sewerage services in Broken Hill - March 2014	4
05/11/2013	Essential Energy's cost-reflective mines pricing proposal - October 2013	2

<b>Closure Date</b>	<b>Investigation Resource</b>	<b>Submissions</b>
11/10/2013	Issues Paper - Review of prices for Essential Energy's water sewerage and other services in Broken Hill - June 2013	9
23/10/2013	Application Form - WICA Licence Application Network Operator - Wyee Water Pty Ltd - 10 September 2013	5
03/07/2013	Application Form - WICA Licence Application - University of Western Sydney - April 2013	5
<b>Transport</b>		
30/06/2014	Issues Paper - Review of maximum towing fees - Light and Heavy Vehicles - May 2014	3
06/06/2014	Draft Decision - NSW Rail Access Undertaking - Review of the rate of return and remaining mine life - May 2014	5
06/06/2014	Statement of Reason - Review of compliance with NSW Rail access undertaking 2011 to 2013 - RailCorp	3
21/03/2014	RailCorp - Regulatory Asset Base Ceiling Test - 2011/12	2
21/03/2014	RailCorp - Regulatory Asset Base Ceiling Test - 2012/13	2
31/01/2014	Draft Report and Draft Recommendations - Review of maximum taxi fares and review of annual Sydney taxi licences from July 2014	14
31/01/2014	Draft Report and Draft Recommendations - Review of maximum taxi fares in country areas of NSW from July 2014	1
22/11/2013	Draft Report - Review of maximum fares for private ferry services and the Stockton ferry service for 2014 - October 2013	2
15/11/2013	Issues Paper - Review of maximum taxi fares and review of annual Sydney taxi licences from July 2014	12
25/10/2013	Draft Report - Maximum fares for metropolitan and outer metropolitan buses from January 2014	6
20/09/2013	Issues Paper - Review of Stockton and Private Ferry Fares for 2014 - August 2013	8
<b>Regulation Review</b>		
04/07/2014	Draft Report - Local government compliance and enforcement - October 2013	8
04/07/2014	Draft Report - Reforming licensing in NSW - Review of licence rationale and design - October 2013	4
<b>Local Government</b>		
28/02/2014	Draft Report - Local Infrastructure Benchmark Costs - November 2013	48
	Councils' applications for a special variation in 2014/15	629
<b>Other</b>		
16/06/2014	Issues Paper - A fair and transparent fee structure for the NSW Trustee and Guardian - May 2014	58
28/04/2014	Draft Report - Review of prices for land valuation services provided by the Valuer-General to councils - April 2014	2
14/02/2014	Issues Paper - Review of prices for land valuation services provided by the Valuer-General to councils - January 2014	23
20/12/2013	Submission - Local Land Services Board of Chairs - 2 December 2013	85



<b>Closure Date</b>	<b>Investigation Resource</b>	<b>Submissions</b>
18/10/2013	Draft Decision - Financeability tests in price regulation - September 2013	4
15/10/2013	Draft Report - Review of funding framework for Local Land Services NSW - September 2013	25
27/08/2013	Draft Report - Pricing VET under <i>Smart and Skilled</i> - July 2013	94
02/07/2013	Issues Paper - Review into the development of a funding framework for Local Land Services in NSW - May 2013	19
03/05/2013	Issues Paper – Pricing VET under <i>Smart and Skilled</i> - April 2013	1
<b>Research</b>		
01/11/2013	Draft Report - WACC methodology - September 2013	4
26/07/2013	WACC Methodology - Interim Report	5

## D Agency structure and plans

### Total staff by level and employment basis

Number of employees by category, and comparison to prior three years as at 30 June 2014				
	2014	2013	2012	2011
Chairman	1	1	1	0
Chief Executive	1	1*	1*	1*
Directors & General Managers	7	7	7	6
Program Managers	16	18	15	15
Managers	4	4	4	4
Analysts	68	72	61	55
Graduate Analysts	5	5	2	6
General Counsel	1	1	1	1
Legal Officers	3	3	2	2
Support Officers	22	22	21	17
Supernumeraries	3	0	0	0
<b>Total number of staff includes full time, part-time, temporaries and graduates</b>	<b>131</b>	<b>134</b>	<b>115</b>	<b>107</b>
Part Time Tribunal Members	2	1	1	1
Temporary Members	0	0	0	0
<b>Total number of Staff including members</b>	<b>133</b>	<b>135</b>	<b>116</b>	<b>108</b>

\* 2011-2013 combined Chief Executive Officer and full time Tribunal Member.

### Award Initiatives

There were no significant changes to IPART's Award. A number of minor changes were made pursuant to changes in the Crown Employees (Public Service Conditions of Employment) Award.

## Personnel Policies and Practices

Activities for the reporting period include:

- ▼ Reviewed and updated the Managing Unsatisfactory Performance policy
- ▼ Revised the Code of Conduct to clarify conflict of interest declaration responsibilities for Committee members
- ▼ Consulted on the revised Grievance Resolution Policy
- ▼ Revised the Job Evaluation policy
- ▼ Developed a graduate development and rotation program for new recruits.

## Public Interest Disclosures

During the reporting period no public officials made a public disclosure to the agency. The agency reports no public interest disclosures for the reporting period.

## Corporate Plan

There were no further changes to the Corporate Plan ratified by the Tribunal and published on our website in 2012/13. IPART's broad corporate strategies and progress towards meeting corporate objectives are assessed for each program element at page 21.

## Privacy Plan

There were no changes to IPART's Privacy Plan. No complaints or requests for internal reviews were received. New staff members are briefed on the Plan as it relates to their role at induction. A copy of the plan is available and accessible by all staff and a Privacy Statement is available on the IPART website for public viewing.

## Asset Management Plan

There were no significant changes to the Asset Management Plan during the year.

## Credit Card Compliance

The General Manager Support Services certifies that credit card usage in the agency has met best practice guidelines in accordance with Premier's Memoranda and Treasurer's Directions 205.1 to 205.8. Credit card usage is subject to an annual internal audit.

## Report on account payment performance

	September 2013	December 2013	March 2014	June 2014
Invoices due for payment	359	331	290	344
Invoices paid on time	356	329	288	339
Invoices due for payment received from small business	0	0	0	0
Invoices from small business paid on time	0	0	0	0
Amount due for payment (\$)	2,042,026	1,801,976	1,068,690	1,832,708
Amount paid on time (\$)	2,027,583	1,770,413	1,053,828	1,809,445
Amount due for payment received from small business (\$)	0	0	0	0
Amount from small business paid on time (\$)	0	0	0	0
Number of payments for the interest on overdue account	0	0	0	0
Interest paid on late accounts (\$)	0	0	0	0
Number of payments to small business for the interest on overdue account	0	0	0	0
Interest to small business on late account (\$)	0	0	0	0

## Accounts paid on time within each quarter

Quarter	Target %	Actual %
September Quarter	90%	99%
December Quarter	90%	99%
March Quarter	90%	99%
June Quarter	90%	99%

### Notes:

During 2013/14, there were no instances where penalty interest was paid in accordance with section 18 of the *Public Finance and Audit (General) Regulation 1995*.

There were no significant events that affected payment performance during the reporting period.

## Details of Annual Report production

There were no external costs incurred in the production of the report. An electronic copy of this report is available at IPART's website.

## Consultants

During 2013/14, IPART engaged the following consultants for a total expenditure of \$2,234,395 (work on some of these consultancies was still proceeding at 30 June):

### Consultants over \$50,000

Consultant	Cost(\$)	Title
<b>Engineering</b>		
BBTech	63,407	Operational Audit of Sydney Catchment Authority
Cardno	59,300	Operational Audit of Sydney Water Corporation
Evans and Peck	232,733	Benchmark costs for local infrastructure contributions
Risk Edge Pty Ltd	71,549	Operational Audit of Hunter Water Corporation
<b>Sub Total</b>	<b>426,989</b>	
<b>Finance and Accounting</b>		
Frontier Economics	61,500	Assist with 2014/15 solar review
Frontier Economics	94,500	Review of early termination charges
Frontier Economics	252,224	Review of regulated electricity retail prices 2014/15
Sapere Research Group	57,075	Review of Metropolitan and Outer Metropolitan Bus fares from January 2014 - External benefits
<b>Sub Total</b>	<b>465,299</b>	
<b>Information Technology</b>		
Antares International Pty Ltd	99,263	Planning and installation of Microsoft SharePoint 2013 platform
Seamless (Aust) Pty Ltd	119,000	Web Development Services
SMS Consulting Group	99,200	Discovery phase for an IT system for the Energy Savings Scheme
<b>Sub Total</b>	<b>317,463</b>	
<b>Management Services</b>		
Risk Edge Pty Ltd	87,670	Risk Assessment of IPART's functions
Sinclair Knight Merz Pty Ltd	56,818	Strategic management overview and Opex Capex for Essential Energy
The Centre for International Economics	54,965	Review of Vocational Education and Training
<b>Sub Total</b>	<b>199,453</b>	
<b>Total</b>	<b>1,409,204</b>	

**Consultants less than \$50,000**

Annual Report Category	Number of engagements	Cost (\$)
Engineering	3	19,646
Environmental	1	2,422
Finance and Accounting	30	477,185
Information Technology	19	222,782
Management Services	14	103,156
<b>Total</b>	<b>67</b>	<b>825,191</b>

**Contract executive profile**

All of IPART's executive staff are employed under contract but are not formally members of the NSW Senior Executive Service (SES). Conditions of employment are similar to SES conditions, and remuneration is subject to determinations by the Statutory and Other Offices Remuneration Tribunal.

**Salaries of statutory appointees and senior executives**

No performance-related payment (bonus) was made to Statutory Appointees or Contract Executive Staff.

Summary of transitional former senior executive staff as at 30 June 2014

Band	Female	Male
Band 4 (Secretary)	0	1
Band 3 (Deputy Secretary)	0	1
Band 2 (Executive Director)	4	2
Band 1 (Director)	15	9
Totals	19	13

Band	Range \$	Average remuneration
Band 4 (Secretary)	422,501 - 488,100	295,415
Band 3 (Deputy Secretary)	299,751 - 422,500	336,850
Band 2 (Executive Director)	238,301 - 299,750	254,912
Band 1 (Director)	167,100 - 238,300	186,569

IPART's employee-related expenditure related to senior executives in 2014 was 36%.

## E | Audit and Risk Management

### **Internal Audit and Risk Management Statement for the 2013-2014 financial year for the Independent Pricing and Regulatory Tribunal**

I, Hugo Harmstorf, Chief Executive Officer of the Independent Pricing and Regulatory Tribunal (IPART) am of the opinion that IPART has internal audit and risk management processes in operation that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy. These processes provide a level of assurance that enables the senior management of IPART to understand, manage and satisfactorily control risk exposures.

I am of the opinion that the Audit and Risk Committee for IPART is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- ▼ Independent Chair, Ian Neale, start second term 17 February 2012, finish term 30 September 2014
- ▼ Independent Member, Paul Crombie, start second term 12 August 2012, finish term 30 September 2014
- ▼ Non-independent Member, Pamela Soon IPART Legal Counsel, start term 17 August 2012, finish term 17 August 2015.

Yours sincerely



Hugo Harmstorf  
Chief Executive Officer  
10 July 2014

## Insurance and Business Continuity

IPART contributes to the Treasury Managed Fund for workers compensation, property loss, public liability and various other insurance risks. During 2013/14, there were no property claims or miscellaneous claims.

## Internal and external reviews

IPART reviewed the following areas in 2013/14 as part of the internal audit and risk management program:

- ▼ Audit of key financial and administrative controls
- ▼ ICT governance review
- ▼ Fraud and corruption risk review
- ▼ Review of IPART's Information Security and Management System
- ▼ Risk management assessments.

## Annual audit of key financial and administrative controls

IPART undertakes annually an audit of key financial and administrative processes and controls. The scope of the audit in 2013/14 included a review of:

- ▼ Procurement
- ▼ Vendor master file
- ▼ Travel
- ▼ Credit card use
- ▼ Sale of goods and services
- ▼ Petty cash
- ▼ Delegation of authority.

The audit was undertaken using a combination of audit procedures comprising observation and examination of current processes and controls, discussions with key staff, testing of related transactions, and review of relevant documentation.

The auditor made recommendations for review and improvement of a number of the audited internal controls. IPART has agreed with the recommendations, and has completed an internal work program addressing the recommendations. The auditor will be engaged to undertake a targeted review of implementation of the recommendations, prior to the next audit in 2014/15.



### ICT Governance review

IPART undertook a review of the governance controls over our ICT systems. The scope of the review included:

- ▼ Policies, procedures and standards
- ▼ ICT financial management
- ▼ ICT continuity and stability
- ▼ ICT security
- ▼ ICT change management
- ▼ ICT service management
- ▼ ICT service desk and incident management
- ▼ ICT asset management.

The review was undertaken using a combination of audit procedures comprising observation and examination of current processes and controls, discussions with key staff, and review of relevant documentation.

The auditor made recommendations for review and improvement of a number of the internal controls. IPART has agreed with the recommendations, which are being implemented in the context of development of our ICT Strategic Plan and the ICT risk register.

### Fraud and Corruption assessment

IPART engaged an auditor to conduct an assessment to assist IPART to identify and treat potential fraud and corruption risks that could impact on IPART's operations.

The assessment is being undertaken using a combination of procedures comprising observation and examination of current processes and controls, discussions with key staff, and review of relevant documentation.

The assessment was still in progress as at 30 June 2014. IPART will review the assessment findings with a view to developing a Fraud and Corruption Risk Register and work program to address any recommendations as to risk mitigation strategies.

### Development of risk registers

As part of IPART's due diligence in acquitting its functions, we take a risk-based approach to understanding our risks, the gaps in our framework, and implementing mitigation strategies.

In 2012/13, we engaged a consultant to hold workshops to identify risk in our (water and energy) licensing functions, as well as our Support Services Group. In 2013/14, we completed risk workshops for our remaining functions including:

- ▼ Energy pricing
- ▼ Transport pricing
- ▼ Water pricing
- ▼ Local Government functions.

The risk registers that were developed through these risk workshops will assist IPART establish priorities for our risk management strategy and inform our ongoing internal audit program.

### **Review of IPART's Information Security and Management System**

IPART engaged the Internal Audit Bureau to assist IPART to review and revise the information security management system (ISMS) framework and documentation. The following elements were included in the scope of the revision to comply with government policy:

- ▼ Information Security policy
- ▼ ISMS framework
- ▼ ISMS methodology
- ▼ Acceptable use procedure
- ▼ Information security procedures and guidelines
- ▼ Risk registers for ISMS management and operational risks
- ▼ Statement of Applicability.

Based on this review the Chief Executive Officer was able to sign the attestation below.

**Digital Information Security Annual Attestation Statement for the 2013-2014  
Financial Year for the Independent Pricing and Regulatory Tribunal**

I, Hugo Harmstorf, Chief Executive Officer of the Independent Pricing and Regulatory Tribunal (IPART), am of the opinion that IPART had an Information Security Management System in place during the financial year being reported on consistent with the Core Requirements set out in the Digital Information Security Policy for the NSW Public Sector.

I, Hugo Harmstorf, Chief Executive Officer of the Independent Pricing and Regulatory Tribunal (IPART), am of the opinion that the security controls in place to mitigate identified risks to the digital information and digital information systems of IPART are adequate for the foreseeable future.

I, Hugo Harmstorf, Chief Executive Officer of the Independent Pricing and Regulatory Tribunal (IPART), am of the opinion that IPART has developed an Information Security Management System in accordance with the Core Requirements of the Digital Information Security Policy for the NSW Public Sector.

I, Hugo Harmstorf, Chief Executive Officer of the Independent Pricing and Regulatory Tribunal (IPART), am of the opinion that, where necessary in accordance with the Digital Information Security Policy for the NSW Public Sector, certified compliance with AS/NZS ISO/IEC 27001 Information technology - Security techniques - Information security management systems - Requirements had been maintained by IPART.

Yours sincerely



Hugo Harmstorf  
Chief Executive Officer  
31 August 2014

## F External liaison

### Overseas visits

There were no overseas visits by IPART staff in the reporting period.

### Complaints

All complaints or enquiries are recorded and, where relevant, registered as submissions to any current review.

This financial year there was a decrease in complaints about IPART's decisions on energy pricing: 473 complaints compared with 589 last financial year. IPART explained the process and factors affecting IPART's most recent Determinations about electricity and gas prices, solar feed-in tariffs and changes to the regulatory framework.

Complaints about water pricing fell from 58 last financial year to two in 2013/14. These two complaints concerned charges for irrigation.

Complaints about public transport fares rose from zero in 2012/13 to 13 in 2013/14, mainly about the discontinuation of certain periodical tickets and associated changes in fares with the introduction of the OPAL card.

There was a fall in the number of complaints made about the processes or quality of replacement programs under the Energy Savings Scheme from 21 in 2012/13 to eight this financial year. IPART took up the issues with the relevant accredited participants.

In response to IPART's role in Local Government, 17 complaints were recorded compared with 11 last year. They were principally from ratepayers dissatisfied with IPART's decisions on requested variations to rates. IPART was able to explain the basis for the decision.

When appropriate, complaints are referred to the relevant regulated entity or to the Energy and Water Ombudsman NSW.

### **Complaints about competitive neutrality**

There were no complaints about non-compliance with competitive neutrality referred to IPART in 2013/14. There was one query about the process for registering a complaint.

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

IPART granted \$1,002 to sponsor IPART runners in the J P Morgan Chase Corporate Challenge in 2013/14.

## G Government Information (Public Access) Act

The *Government Information (Public Access) Act 2009* (the **GIPA Act**) commenced on 1 July 2010, replacing the *Freedom of Information Act 1989* (the **FOI Act**). The GIPA Act requires IPART to provide the following information on its websites:

- ▼ a publication guide – this describes IPART’s structure and functions, the various kinds of information it holds, and how people can access this information
- ▼ documents about IPART that have been tabled in parliament
- ▼ IPART’s policy documents
- ▼ IPART’s disclosure log of formal access applications
- ▼ IPART’s register of government contracts
- ▼ a record indicating the general nature of any open access information that has not been disclosed because of an overriding public interest.

### Availability of information

Copies of all documents in IPART’s public access library are available for public inspection at the IPART office, Level 8, 1 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](http://www.ipart.nsw.gov.au).

Where information is not available on IPART’s website, an informal request for this information may be made to IPART by contacting IPART’s Right to Information Officer Meryl McCracken ([meryl\\_mccracken@ipart.nsw.gov.au](mailto:meryl_mccracken@ipart.nsw.gov.au)). Unless there is an overriding public interest against disclosure of the information, IPART will try to release information without the need for a formal access application.

Over the last financial year, IPART has received a number of informal requests for information and, where appropriate, dealt with these by providing the requested information.

## Formal access application

Where information is not available on IPART's website or not able to be provided by informal request, a formal access application may be made to IPART. This involves sending a written application and an application fee of \$30 to the following address:

Ms Meryl McCracken  
Right to Information Officer, IPART  
Level 8, 1 Market Street  
Sydney NSW 2000

Further details about making a formal access application are available on IPART's website ([www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)).

## Formal requests made during this year

IPART responded to two applications under the *Government Information (Public Access) Act 2009* during the reporting year.

On 17 April 2014, IPART received a request from a member of Parliament for a copy of a final report which had not yet been publicly released. The request was granted in full.

On 17 April 2014, IPART received a request for documents relating to IPART's decision-making processes for a particular accreditation under the Energy Savings Scheme. The request involved consultation with a large number of third parties and a decision was not made by 30 June 2014.

As in the previous year, IPART received no requests for amendment or notation of personal records.

## Request carried forward from the previous year

There were no requests carried forward from the previous year.

## Review of information to be proactively released

Complying with section 7(3) of the GIPA Act, IPART has completed its review of its program for proactive release of government information held by IPART. IPART routinely publishes a significant amount of information on its website. To ensure that information that should be made available in the public interest is released, IPART's Right to Information Officer meets with the director of each section within IPART to review the information currently released and ascertain whether additional information can be released. As a result of this review, no additional documents were made publicly available. While this indicates that

IPART's program for the release of government information is ensuring the appropriate government information is being made available, IPART's Right to Information Officer continues to monitor compliance with that program.

**Total number of access applications refused on the basis of overriding public interest against disclosure**

IPART did not refuse any applications in the 2013/14 reporting year.

**Statistical information**

IPART provides the following information as required by Schedule 2 of the *Government Information (Public Access) Regulation 2009*.



**Table A** Number of GIPA applications by type of applicant and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	-	-	-	-	-	-	-	-
Members of Parliament	1	-	-	-	-	-	-	-
Private sector business	-	-	-	-	-	-	-	-
Not for profit organisations or community groups	-	-	-	-	-	-	-	-
Members of the public (application by legal representative)	-	-	-	-	-	-	-	-
Members of the public (other)	-	-	-	-	-	-	-	-

**Table B** Number of GIPA applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	-	-	-	-	-	-	-	-
Access applications (other than personal information applications)	1	-	-	-	-	-	-	-
Access applications that are partly personal information applications and partly other	-	-	-	-	-	-	-	-

\* A **personal information application** is an access application for personal information about the applicant (the applicant being an individual). **Personal information** is defined in clause 4 of Schedule 4 to the Act.

**Table C Invalid applications**

<b>Reason for invalidity</b>	<b>No of applications</b>
Application does not comply with formal requirements (section 41 of the Act)	-
Application is for excluded information of the agency (section 43 of the Act)	-
Application contravenes restraint order (section 110 of the Act)	-
Total number of invalid applications received	-
Invalid applications that subsequently became valid applications	-

**Table D Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act**

	<b>Number of times consideration used*</b>
Overriding secrecy laws	-
Cabinet information	-
Executive Council information	-
Contempt	-
Legal professional privilege	-
Excluded information	-
Documents affecting law enforcement and public safety	-
Transport safety	-
Adoption	-
Care and protection of children	-
Ministerial code of conduct	-
Aboriginal and environmental heritage	-

\* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

**Table E Other public interest considerations against disclosure: matters listed in table to section 14 of Act**

	<b>Number of occasions when application not successful</b>
Responsible and effective government	-
Law enforcement and security	-
Individual rights, judicial processes and natural justice	-
Business interests of agencies and other persons	-
Environment, culture, economy and general matters	-
Secrecy provisions	-
Exempt documents under interstate Freedom of Information legislation	-

**Table F Timeliness**

	<b>Number of applications</b>
Decided within the statutory timeframe (20 days plus any extensions)	1
Decided after 35 days (by agreement with the applicant)	-
Not decided within time (deemed refusal)	-
Total	1

**Table G Number of applications reviewed under Part 5 of the Act (by type of review and outcome)**

	Decision varied	Decision upheld	Total
Internal review	-	-	-
Review by Information Commissioner	-	-	-
Internal review following recommendation under section 93 of the Act	-	-	-
Review by ADT	-	-	-
Total	-	-	-

**Table H Applications for review under Part 5 of the Act (by type of applicant)**

	<b>Number of applications for review</b>
Applications by access applicants	-
Applications by persons to whom information the subject of access application relates	-

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