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IPART
INDEPENDENT PRICING
AND
REGULATORY TRIBUNAL
of
NEW SOUTH WALES



ANNUAL REPORT
1997/1998





INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

18 December 1998

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

Dear Premier,

INDEPENDENT PRICING AND REGULATORY TRIBUNAL
ANNUAL REPORT 1997/98

As required by the *Annual Reports (Statutory Bodies Act 1984)*, we have pleasure in submitting the annual report of the Independent Pricing and Regulatory Tribunal for the year ended 30 June 1998.

Under the *Annual Report Statutory Bodies Act 1984* the Tribunal would normally be required to submit an annual report for the year ended 30 June to the Premier by 31 October. However, the report has been delayed awaiting passage of legislation relating to certain aspect of its accounts.

The *Appropriation 1997-98 Budget Variations Act (No 2) 1998* retrospectively made valid certain expenditures of budget dependent agencies including the Independent Pricing and Regulatory Tribunal. The *Appropriation 1997-98 Budget Variations Act (No 2) 1998* further provided that an authority may within 28 days after the date of assent of that Act, submit its annual report for the financial year ended 30 June 1998 to the appropriate Minister.

Yours sincerely,

Thomas G. Parry
Chairman

James Cox
Member

Liza Carver
Member

ANNUAL REPORT FOR 1997/1998

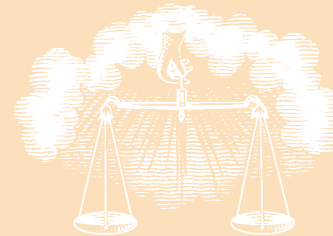
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What We Do

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

- ◆ set maximum prices and review pricing of NSW government monopoly services – especially electricity, water and public transport.
- ◆ regulate natural gas pricing and third party access to gas distribution networks.
- ◆ undertake general reviews of industry, pricing or competition.
- ◆ register agreements for access to public infrastructure assets and arbitrate disputes about such agreements.



Main Achievements in 1997/98

During the year the Tribunal:

- ◆ set a two year price path for bulk water pricing.
- ◆ reviewed the medium term price paths for Sydney Water Corporation and Hunter Water Corporation.
- ◆ completed a review of stormwater charges and expenditure by Sydney Water Corporation.
- ◆ completed a review on benchmarking local government performance.
- ◆ commenced a major review of electricity prices.
- ◆ commenced a review of local government development control fees.
- ◆ commenced reviews of tariffs and third party access arrangements for the gas distribution networks in Albury and Wagga Wagga.
- ◆ provided assistance to the Australian Capital Territory with a Medium Term Price Path for ACTEW.



INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

Our Corporate Plan

Mission ...

To provide an acceptable balance between competing claims within the NSW community, and to promote an increasingly competitive environment, through price regulation, industry reviews and ensuring access to infrastructure facilities.

Our Vision ...

To be highly respected by our key stakeholders for our independence, professionalism and competence.

Our Corporate Objectives ...

Our primary objectives are to:

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

Our supporting corporate objectives are to:

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

Our Corporate Values ...

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

Achievement of our Corporate Objectives

During 1997/98, the Tribunal met its corporate objectives through the following achievements:

Primary Corporate Objectives ...

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

- ◆ Public transport fares.
- ◆ Pricing of backlog sewage services.
- ◆ Mid term reviews of Sydney Water and Hunter Water Corporation.
- ◆ Pricing of bulk water sales by the Department of Land and Water Conservation.

Provided advice to the Government on the following industry issues:

- ◆ Benchmarking of local government performance in NSW.
- ◆ Sydney Water's stormwater charges and revenues.
- ◆ Interim report on local government development control fees.

Achieved effective access to public utility infrastructure services by:

- ◆ Approving an Access Undertaking for AGL's gas distribution network.
- ◆ Commencing consideration of proposed access arrangements for the Albury and Wagga Wagga gas network.
- ◆ Providing advice on the development of access codes in electricity, gas and rail.
- ◆ Organising a seminar on informed regulation.

Secondary Corporate Objectives ...

Consulted widely with our stakeholders by:

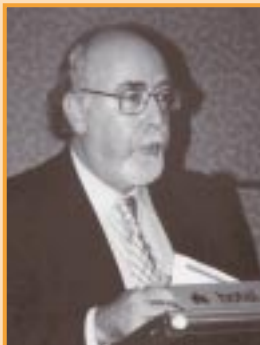
- ◆ Preparing issues papers and consulting on terms of reference for inquiries held under the IPART Act.
- ◆ Requesting submissions for inquiries.
- ◆ Holding public hearings, including in rural NSW.
- ◆ Establishing formal consultations with stakeholders in electricity, gas and for developer charges in water.
- ◆ Consulting widely with interested parties as part of the Tribunal's inquiries, including extensive consultation on bulk water issues in rural NSW.
- ◆ Publishing reports which give reasons for decisions.
- ◆ Making information about the Tribunal and its investigations readily available, including through the Internet.

Achieved excellence in both organisation and staff performance by:

- ◆ Encouraging an open work environment which recognises and rewards performance of staff members.
- ◆ Maintaining a staff development system which emphasises the identification of opportunities for staff to develop new skills.
- ◆ Commencing negotiations for a new enterprise agreement containing improved working conditions and salaries.

Chairman's Report

Thomas Parry
Chairman



*'As ever, the Tribunal depends
on the support of the key
stakeholders'*

The past year continued to see the Tribunal's work program expand. Our traditional, 'core regulatory' work continued with annual determinations for the urban passenger transport services of CityRail and STA and a mid-term review of price paths for Sydney and Hunter Water Corporations. A two-year price path for the State's bulk water business of the Department of Land and Water Conservation was brought down after extensive consultation.

The year also saw the commencement of a major inquiry in relation to the next medium term price path for electricity. This has been expanded through a Section 12A reference from the Premier for a wider inquiry into the state's electricity industry.

The Tribunal's more recent involvement in gas continued, with both access and tariff market investigations under way for the Wagga Wagga and Albury gas businesses. The next undertaking by AGL with respect to access to its network is due to be submitted to the Tribunal later in 1998 at which time the Tribunal will also review charges to tariff customers on the AGL network.

The year also saw a number of 'one-off' investigations. There were reviews under Section 12A of the IPART Act such as an investigation into Sydney Water's stormwater charges. There were also a number of activities under Section 9 of the Act where the Tribunal can give assistance to other agencies in areas within the field of its expertise. These included a major review of pressures on and opportunities for improving the efficiency and effectiveness of the state's health system (primarily the hospital sector). The Tribunal also provided assistance to the Minister for Fisheries with respect to Fisheries Management charges; the Minister for Gaming and Racing with respect to poker machine central monitoring fees; and the ACT Regulator in setting regulated charges by ACTEW Corporation.

Details about all these inquiries and investigations can be found in this Annual Report. Our Website (www.ipart.nsw.gov.au) provides current access to many of the issues covered in this report with up-to-date information on timetables, terms-of-reference, submissions, hearings' transcripts and, of course, the Tribunal's Review and Determination Reports, and issues and research papers.

Chairman's Report

State regulation of major utility infrastructure increasingly exists within a complex (arguably overly complex) set of national and industry regulatory procedures. In the case of gas, the Australian Competition and Consumer Commission (ACCC) is the regulator for inter-state gas transmission assets (the Moomba-Sydney pipeline), with IPART the jurisdictional regulator for access to distribution networks and the tariff market (smaller customers). In electricity, the Tribunal continues to regulate the distribution businesses, with responsibility for the transmission assets of Transgrid scheduled to move to the ACCC in 1999. The wholesale electricity market, within which the state's generating businesses compete within a wider 'market', is subject to oversight by industry 'regulators' as well as the ACCC.

Some have observed that electricity has, if not too much regulation, then too many regulators. It is difficult to resist that conclusion given the involvement of the national 'regulators' – ACCC; NEMCO; NECA; National Electricity Tribunal – as well as regulators in most of the states, including IPART in NSW. Gas and water seem to have resisted the excesses of electricity. It will be interesting to see in what direction convergence of the regulatory models occurs, if at all.

The Inquiry into the state's electricity industry is a significant exercise. By April 1999, the Tribunal will report to the Premier on a range of matters related to electricity transmission, distribution and retail issues. Amongst other major issues, the Tribunal will need to form a view on an appropriate return to the monopoly infrastructure assets in this industry (electricity distribution wires) as well as an appropriate sharing of benefits from efficiency improvements between owners and customers. Lessons from the gas industry, both the Tribunals' experience with Wagga Wagga and Albury networks, as well as the recent Victorian gas experience, will be of considerable relevance.

As ever, the work of the Tribunal depends on the support of the key stakeholders. We continue to be fortunate in that respect: our stakeholders continue to assist and co-operate in meeting our demanding workload.

The last year fully tested the capacity of the Tribunal and its Secretariat to complete many complex investigations within difficult deadlines. The next year promises to be at least as busy, if not busier, than the past year.

Most important in all this is ability of the Tribunal's Secretariat to continue to provide the Tribunal with high quality advice on complex issues and prepare the many reports and papers which are released for the Tribunal's many inquiries. The past year has seen enormous pressures on our staff in meeting these requirements. The clear lesson is to increase the level of resources devoted to our inquiries and investigations – both internal staff and external consultants – to be able to meet the heavy work program without sacrificing standards. I have no doubt that the benefits to the state from the Tribunal's activities will continue to far outweigh our very modest costs.



Thomas G Parry
Chairman

The Tribunal

The Tribunal consists of three permanent members plus temporary members who are appointed by the Premier.

Permanent Members

Chairman:

Professor Thomas Parry
BEc (Hons), MEc., PhD.

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



Full-time member:

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

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



Part time member:

Ms Liza Carver
BEc, LLB, LLM

Appointed 1 July 1997 to 30 June 2000. Currently a lawyer with Gilbert and Tobin, an Associate Member of the Australian Competition and Consumer Commission, Executive Member and Treasurer of the Consumers' Federation of Australia and a member of the NSW Premier's Council for Women.



Temporary Members

Ms Cristina Cifuentes BEc, LLB(Hons)

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

Professor Warren Musgrave MSc Agr, PhD

Appointed 22 February 1996 to 31 December 1999 to assist with the reviews of the pricing policies of local water authorities and the review of rural bulk water pricing. Emeritus Professor of Agricultural Economics at the University of New England, and Catchment Assessment Commissioner, 1995. Currently Special Adviser to the Premier's Department.

Mr John Ward BSc.

Appointed 3 September 1996 to 3 September 1997 to assist with the review of deregulation of intrastate air services. Former Managing Director of Qantas and currently an executive with News Ltd.

Meeting our Primary Objectives

Introduction

The Tribunal's Primary Objectives are to:

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

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

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

Water

- ◆ pricing urban water
- ◆ reviewing Sydney Water's stormwater charges and expenditures
- ◆ bulk water pricing
- ◆ monitoring developer charges for urban water authorities
- ◆ monitoring compliance

Electricity

- ◆ reviewing medium term price paths for electricity prices
- ◆ future arrangements for regulation of electricity pricing under a national electricity market
- ◆ monitoring compliance

Gas

- ◆ access regulation
- ◆ price regulation of tariff customers
- ◆ monitoring compliance

Public Transport

- ◆ setting annual fares
- ◆ monitoring compliance, service standards and efficiency

Industry Reviews

- ◆ reviewing the benchmarking of local government performance
- ◆ reviewing fees for development control services

Third-Party Access

- ◆ registration of access agreements
- ◆ arbitrating disputes over access agreements

Assistance under Section 9 of the IPART Act

- ◆ assisting NSW agencies
- ◆ assisting other states

Meeting our Primary Objectives



Pricing Urban Water

In 1996 the Tribunal determined four-year medium term price paths for Sydney and Hunter Water Corporations, and three-year price paths for the water supply activities of Gosford and Wyong Councils.

During 1997/98 the Tribunal carried out mid-term reviews of the price paths for Sydney and Hunter Water Corporations to establish if the original determinations remained appropriate. Consideration of future price paths for Gosford and Wyong will be undertaken during 1998/99.

While Sydney Water's capital expenditure was consistently lower than forecast, the Tribunal recognised that it is likely that SWC will make up the deficit in capital spending over the next two years. Capital expenditure patterns will be examined closely at the next review.

During the first two years of the price path SWC achieved considerably higher than expected revenue. This was mainly because the financial models which were used in 1996 were based on assumptions of inflation that were considerably higher than actual outcomes. The Tribunal decided that the additional revenue that SWC had earned as a result of forecast errors should be returned to customers through further reductions in property based charges totalling \$40 million over the next two years.

While a range of factors had affected the performance of Hunter Water Corporation, including capital expenditure being consistently lower than forecast, the Tribunal decided that the differences did not warrant alterations to the price path.

During the review HWC sought increases in miscellaneous charges, trade waste charges and development application fees. While the Tribunal agreed in principle to the

increases, it decided that the changes should be included in the next medium term price path.



Review of 1996 medium term price path determinations for Sydney and Hunter Water Corporations, and review of SWC's stormwater charges and expenditure – An Information Paper (January 1998).



Sydney Water Corporation – Review of medium term price path and determination from 1 July 1998 (June 1998).



Hunter Water Corporation – Review of medium term price path: 1996-2000 (June 1998)

Reviewing Sydney Water's Stormwater Charges and Expenditures

The Tribunal also undertook a review of SWC's stormwater charges and expenditures. The main issue for the review was whether adequate expenditure had been planned to achieve the community's expectations for improved stormwater management.

The review found considerable disagreement about the extent to which SWC is fulfilling its stormwater responsibilities. The Tribunal decided against determining charges until stormwater management plans had been implemented. These issues will be revisited in the context of the next medium term price determination.



Review of Sydney Water Corporation's Stormwater charges and expenditures (August 1998)

Bulk Water Pricing

The Tribunal has been reviewing bulk water pricing since November 1995. An interim report was released in October 1996 stating principles for setting bulk water pricing. Prices to apply during 1997/98 were set in September 1997.

In July 1998 the Tribunal released a two-year price path for bulk water prices to apply for the two years from July 1998 to June 2000. This price path establishes:

- ◆ a target for full cost recovery by region, based on best available information

Meeting our Primary Objectives

- ◆ a two-year price path with maximum price increases of up to 20 percent in any one year for the same water usage
- ◆ elimination of the difference between industrial and other water use prices
- ◆ for metered water, price structures based on fixed/variable cost relationships
- ◆ clear statements of any remaining cost gaps to achieve full cost recovery
- ◆ broad equivalence with prices in other states.



Bulk Water Prices for 1998/99 and 1999/00 (July 1998).

Monitoring Developer Charges for Urban Water Authorities

During 1995 and 1996, the Tribunal determined methodologies which urban water authorities are required to use in setting developer charges. Periodic meetings of a Water Industry Forum provide an opportunity for consultation with representatives of land developers, urban water agencies and relevant government agencies on the implementation of these methodologies.

The Forum issued a report for 1997 that reviewed the implementation of the net present value approach to calculating developer charges for urban water infrastructure.

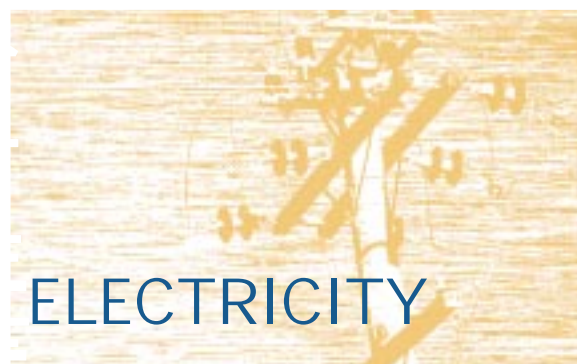


Water Industry Forum Report on Developer Charges for Water, Sewerage and Drainage Services – 1997 Report (December 1997)

Monitoring Compliance

To assist with monitoring compliance with medium term price paths, the Tribunal asks all urban water agencies to provide an information return annually. The senior management of each agency is required to certify that the information is correct.

The first annual information return was received during the reporting year and provided a major input to the review of medium term price paths. The Tribunal and the agencies will work together to make the information return more useful.



Reviewing Medium Term Price Paths for Electricity Prices

The Tribunal determined in March 1996 medium term price paths for the four-year period to June 1999 for monopoly electricity services. These price paths covered transmission services by TransGrid, and retail supply and distribution by NSW electricity distributors. Some changes, mainly to correct anomalies, were made in a July 1997 determination.

These price paths are based on revenue caps, with associated side constraints on permitted changes in tariffs and other factors affecting pricing. The Tribunal closely monitors the implementation of these price paths through provision of regulatory accounts and supporting information by the agencies concerned.

In early 1998 work commenced on a range of issues leading to the review of price paths for electricity services from July 1999 onwards. This work is being focussed through a Special Reference on Electricity under s12A of the IPART Act that is scheduled to report to the Premier by the end of April 1999. The Terms of Reference require the Tribunal to report on appropriate pricing of:

- ◆ government monopoly electricity transmission provided by TransGrid for the five year period from 1 July 1999 (including transmission assets of the Snowy Mountains Hydro-electricity Authority which are proposed to be transferred to Transgrid pursuant to section 14 of the Snowy Hydro Corporation Act 1997); and
- ◆ government monopoly electricity services provided by energy distributors (distribution and franchise services) for the five year period from 1 July 1999.

Meeting our Primary Objectives

Future Arrangements for Regulation of Electricity Pricing under a National Electricity Market

IPART's future role in the regulation of electricity pricing will be based on regulatory arrangements being implemented for the National Electricity Market.

A national electricity market, initially covering NSW, Victoria and South Australia is scheduled to commence operations before the end of 1998. The operation of the market will involve the introduction and extension of competitive arrangements into electricity generation and retailing. Those parts of the industry that are still monopoly businesses will continue to be regulated.

The operation and regulation of the National Market will be controlled through national electricity legislation, and all participating states and the Commonwealth will pass similar and complementary legislation.

For NSW, the national legislation will be implemented through the National Electricity Code, which will see the regulation of TransGrid's transmission services pass to the ACCC and the regulation of remaining electricity monopoly services be undertaken by IPART as jurisdictional regulation for NSW.

Derogations under the Code set the dates at which changes in regulatory arrangements occur. Currently the ACCC is scheduled to take over regulation of transmission services from 1 July 1999 and IPART will become jurisdictional regulator under the code for other monopoly services from 1 January 2001. These dates can be changed by amendment of the derogations.

The derogations also enable IPART to regulate NSW distribution networks under the IPART Act, rather than Chapter 6 of the Code, until as late as 31 December 2000.

Monitoring Compliance

To assist with monitoring compliance with the medium term price paths, all electricity distributors provide a range of information annually for the wires and retail supply parts of their businesses. The senior management of each agency is required to certify that the information is correct.



Access Regulation

The Gas Supply Act 1996 and the NSW Third Party Access Code established the Tribunal as the access regulator for gas distribution networks in NSW.

The owner or operator of a pipeline that is covered under the Code is required to lodge a proposed Access Arrangement with the Tribunal. The proposed Access Arrangement describes the terms and conditions under which third party access to natural gas network will be provided. Although most customers may obtain access at the reference prices, the right to negotiate prices is an important component of the regime.

The Tribunal, after conducting a public process, determines whether to approve Access Arrangements.

AGL Gas Network

In July 1997 the Tribunal approved third-party access to AGL's gas distribution networks in NSW by way of the Determination of an Access Undertaking (as varied) made by AGL. The Minister for Energy gazetted an Access Date of 1 August 1997 which officially started third party access to AGL's network.

The Determination reflected the Tribunal's careful consideration of all the information placed before it by stakeholders and is the result of extensive consultation with interested parties and AGL. The Access Undertaking is in place for period of approximately two years until 30 June 1999.

Due to the immaturity of national gas grid and the lack of competition in gas production, only one access supply contract was made during 1997/98 with a supplier that was not directly associated with AGL. Notwithstanding

Meeting our Primary Objectives

this, average gas transportation prices have been reduced with some customers receiving substantial benefits in this period leading up to increased competition.



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

Associated party contracts

Section 24 of the Gas Supply Act requires the Tribunal's approval for all associated party access agreements. During 1997/98 the Tribunal approved four associated party contracts involving AGL Gas Networks. Details of these contracts can be found on the Tribunal's website.

Access regulation – Great Southern Networks (Wagga Wagga)

A proposed Access Arrangement and Access Arrangement Information for the gas network in Wagga Wagga were submitted to the Tribunal by GSN on 4 March 1998. Six submissions have been made by interested parties. A public hearing and a customer information session were held in Wagga Wagga on 21 May and 13 July 1998 respectively to further enhance consultation.

The Code requires the Tribunal to make a draft decision that proposes to either approve or not approve the Access Arrangement submitted by GSN. The draft decision was released on 29 September 1998.

Access regulation – Albury Gas Company

A proposed Access Arrangement and Access Arrangement Information for the gas network in Albury, Jindera and Moama were submitted to the Tribunal by AGC on 22 June 1998.

Three submissions were received from interested parties. A customer information session and a public hearing have been held and the Tribunal is now preparing a draft decision as part of the public consultation process.



Review of the Delivered Price of Natural Gas in Wagga Wagga, Albury, Moama and the NSW Murray Valley Towns Issues Paper (August 1997)

Price Regulation of Tariff Customers

Section 27 of the Gas Supply Act enables the Tribunal to issue a gas pricing order for the regulation of prices to tariff market customers (residential and small industrial and commercial customers).

Gas prices to AGL's tariff customers are still subject to a Price Control Formula (CPI-X approach) that was established by the former Gas Council of NSW. Albury Gas Company and Great Southern Networks have introduced voluntary price freezes for tariff market customers while the Tribunal is investigating their prices.

Wagga Wagga, Albury, Moama and the NSW Murray Valley towns

An issues paper was released in August 1997 in which the Tribunal sought public comment on whether the gas tariff market in the above centres should be regulated and if so, how should prices be regulated.

As a result of this consultation the Tribunal has decided to:

- ◆ Postpone the Determination on the delivered price of natural gas in Albury, Moama and Wagga Wagga to allow the decision on tariffs to be considered at the same time as the access reviews being conducted in these regions. The access reviews will assess and determine efficient transportation prices for the networks serving these regions. The transportation price will then form part of the final delivered price.
- ◆ Not regulate the NSW Murray Valley towns that are supplied by the Albury Gas Company. The Tribunal considers that, as these tariffs were developed as a result of a competitive process in a market already served by other energy sources, there is sufficient impetus for Albury Gas Company to maintain prices at efficient levels.



Review of the Delivered Price of Natural Gas in Wagga Wagga, Albury, Moama and the NSW Murray Valley Towns – Issues Paper (August 1997)

Meeting our Primary Objectives

Tariff market served by AGL's network

An issues paper was released in May 1998 in which the Tribunal sought public comment on whether the gas tariff market served by this network should be regulated and if so, how should prices be regulated

Following this public consultation, the Tribunal has decided to defer a decision on tariff market regulation until the 1999 access review is completed.



Review of the delivered price of natural gas to tariff customers served from the AGL Gas Network in NSW (May 1998)

AGL tariff increases

The Tribunal agreed to increases in the fixed charge component of some industrial and commercial tariffs, effective 1 January 1998 and 1 July 1998. It also agreed to an increase in the fixed charge component of AGL's residential tariffs from 1 July 1998.

Monitoring Compliance

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



Setting Annual Fares

The Tribunal continues to set fares for CityRail and STA buses and ferries annually. The approach taken has regard to both the findings of the 1996 major review of transport pricing, and current factors affecting public transport.

CityRail

In the major review the Tribunal proposed real increases of 15 percent in CityRail fares over four years to reduce the gap between fare revenue and efficient operating costs. Two years later CityRail's cost recovery is still very low and many periodical and multi-mode tickets provide large discounts compared with equivalent cash fares.

In its 1998 determination the Tribunal continued with rationalisation of the fare structure, with constraints to prevent relatively large increases for some passengers. Overall, average CityRail fare increases in July 1998 were limited to be broadly in line with inflation.

STA buses and ferries

Because the major review concluded that there was substantial scope for increased efficiency by STA, the Tribunal, in conjunction with the NSW Department of Transport, commissioned an analysis of STA's bus costs. The analysis identified areas of potential cost savings and the Tribunal's determination was based on these savings being achieved over the next three years.

STA fare increases were allowed to increase in line with the forecast level of inflation in the 1998 determination. This included modest increases in periodical and multi-ride bus fares, with no changes in cash fares. Slightly higher fare increases were allowed for Sydney ferries where cost recovery levels are low.



Public Transport Fares from 5 July 1998 CityRail and STA Buses and Ferries (June 1998)

Monitoring Compliance, Service Standards and Efficiency

The Tribunal reviews fare schedules and requests information on service standards.

In its 1997 determination, the Tribunal expressed concern about the poor reliability of CityRail's services. CityRail now supplies the Tribunal with key performance measures from its Community Service Obligation (CSO) contract, including operational equipment levels, on-time running and customer satisfaction surveys. This information shows that CityRail's on-time running has now returned to above minimum CSO contract levels.

Meeting our Primary Objectives



Reviewing the Benchmarking of Local Government Performance

In the final report of this review, completed in April 1998, the Tribunal examined the role that benchmarking can play in improving the performance of local government. It made a range of recommendations to encourage more extensive and effective benchmarking, with a basic objective that benchmarking should be:

- ◆ implemented as part of overall management strategy
- ◆ supported by an environment which encourages good performance.

Local government provides a range of key local services to the community and it is important for these services to be delivered efficiently. Benchmarking of local government performance is a means of encouraging improved performance and providing sanctions for poor performance.

The Tribunal believes that comparative performance data should be communicated to the community in an effective manner. Councils should publish their management plans and compare their performance with similar councils.

Community surveys are important in measuring community satisfaction with councils' overall performance and assisting councils in assessing community needs and priorities.

The Tribunal also explored a range of factors affecting councils' performance and recommended consideration of:

- ◆ incentive based rate capping based on a CPI-X methodology
- ◆ regular assessment of community satisfaction and guarantees of service delivery

- ◆ exploration of service rationalisation and voluntary amalgamations to achieve efficiency improvements
- ◆ further exploration of cost savings through public tendering of operational and capital works.



Benchmarking of Local Government Performance in NSW Interim Report (December, 1997) Final Report (May, 1998)

Reviewing Fees for Development Control Services

Following the introduction of new legislation, the Premier requested the Tribunal to review the pricing principles of development control fees and establish guidelines for competitively neutral pricing for specified services which are opened up for competition.

An issues paper was released in December 1997, followed by extensive consultation with interested parties through public hearings, working parties and visits to councils. The Tribunal conducted a survey and commissioned a consultancy to examine the costs associated with development control services provided by councils.

In the interests of moving to new fee arrangements that are acceptable and workable to key stakeholders in July 1998 the Tribunal issued a comprehensive consultation paper. The paper presents the Tribunal's findings, preliminary views and proposals. The issues explored in the paper are:

- ◆ pricing principles for the development assessment system
- ◆ cost recovery definitions
- ◆ a preferred fee structure built upon a "standard fee" structure plus "allowable add-ons"
- ◆ how fees should reflect different assessment costs
- ◆ complaint handling mechanisms
- ◆ use of avoidable costs for pricing contestable services.

Feedback from the Consultation Paper will be used to assist with the preparation of a final report for this review.



Review of Fees for Development Control Services An Issues Paper (December, 1997) A Consultation Paper (July, 1998)

Meeting our Primary Objectives



The Competition Principles Agreement requires all Australian governments to implement a range of measures to promote competition. One of these measures is to provide third parties with access to major infrastructure operated by public utilities. This includes railway tracks and electricity and gas distribution networks, which cannot generally be duplicated economically.

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

The Tribunal's role as access regulator has varied from industry to industry. Whilst IPART has been closely involved in developing access regimes for electricity and gas, we have had little involvement in developing an access regime for rail. However, at the recent request of the Premier, the Tribunal will be providing a report on specific aspects of the NSW Rail Access Regime to assist in the process of this regime being deemed effective by the National Competition Council.

In all three industries, the Tribunal has a role as the arbitrator responsible for resolving access disputes.

Registration of access agreements

Under the Independent Pricing and Regulatory Tribunal Act the Tribunal keeps registers of access agreements. The access agreement register provides basic information on the parties involved, the services provided, and the dates of agreements. Up to date information from the register can be found on the Tribunal's website.

Arbitrating disputes over access agreements

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

To support this role, an Arbitration Registry within IPART provides the following services in the event of an access arbitration:

- ◆ supporting the Arbitrator with access arbitration issues
- ◆ providing advice and procedural information to parties contemplating arbitration
- ◆ assisting with the conduct of arbitrations
- ◆ providing non-confidential information regarding determinations, subject to the parties' agreement.

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

The Tribunal can decide whether to act as arbitrator or to appoint one or more persons from an approved panel. If the parties have reasonable objections to the Tribunal acting as an arbitrator the Tribunal will appoint a suitable person from the approved panel.

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

Meeting our Primary Objectives

ASSISTANCE

UNDER SECTION 9 OF THE IPART ACT

Under Section 9(1)(b) of the IPART Act the Tribunal can provide assistance to other agencies and persons in fields within the scope of the Tribunal's expertise providing that this work does not detract from its normal work programs. This work must be approved by the Premier (as Minister responsible for the administration of the IPART Act) and the Tribunal can charge for the provision of such services.

Assisting NSW Agencies

During the year the Tribunal was asked to assist other NSW agencies with a range of issues:

Olympic Coordination Authority – advice on the pricing of re-use water for the Olympic Village.

TAB TaskForce – consultation with the Minister for Gaming and Racing on recommended fees for monitoring services for gaming machines to be provided by the TAB.

NSW Fisheries – a request was made by the Minister for Fisheries for the Tribunal to recommend pricing principles for setting management charges in NSW fisheries. This involved assessment of the costs that should be attributed to each commercial fishery and recommendations for specific charges for the Rock Lobster and Abalone fisheries. The Secretariat consulted widely with industry and other stakeholders by releasing a consultation paper, taking written and oral submissions and holding meetings with key groups.

Health services project – At the request of the Minister for Health IPART is providing advice on options for more effective and efficient utilisation of public health resources. The study will have regard to Commonwealth health funding issues and the impact of the fall in private health insurance coverage.

Assisting other States

Helping the Australian Capital Territory (ACT) to investigate ACTEW's charges

The Tribunal assisted the ACT Independent Pricing and Regulatory Commission with an investigation into charges for electricity, water and sewerage services supplied by the ACT by ACTEW Corporation Limited. The investigation related to charges for 1998/99.

The Tribunal provided comprehensive support to the Commissioner, including assistance with the public hearings, briefings on submissions and issues relating to the investigation and drafting of the Commission's interim and final reports. A price direction was issued in May 1998.

The Tribunal is currently assisting the Commission in setting medium term price paths for ACTEW electricity, water and sewerage services.

Meeting our Supporting Objectives

The Tribunal's Supporting Objectives are to:

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



WIDELY WITH OUR STAKEHOLDERS

Stakeholders

IPART stakeholders are people and organisations with an interest in the Tribunal's decisions. Key stakeholders are:

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

Informed Regulation Conference

In February 1998 over 150 delegates attended this conference organised by the Tribunal. The aims of the conference were to provide:

- ◆ an understanding of what is happening in UK and North America and the implications for information requirements in Australia

- ◆ a detailed understanding of the information and reporting requirements in Australia's water, gas and electricity industries
- ◆ insights into the thinking of leading regulators and major utilities on this increasingly important aspect of regulation.

As part of the Tribunal's strategy for enhancing public consultation, further conferences/seminars on other regulatory issues will be held in the future.



Informed Regulation Conference

Dr Tom Parry, Chairman, IPART (*centre*) with keynote speakers Michael McLeod, Ontario Energy Board (*left*) and Alan Booker, Deputy Director-General, Ofwat, UK (*right*).

Stakeholder involvement in Tribunal investigations

Stakeholder involvement is an important part of the Tribunal's processes to ensure that the Tribunal is aware of the range of viewpoints on the issues being considered. To ensure that stakeholders are well informed the Tribunal:

- ◆ advertises all investigations and invites public submissions
- ◆ informs key stakeholders of investigations and seeks submissions
- ◆ holds public hearings, with transcripts available for public inspection
- ◆ arranges public seminars and workshops

Meeting our Supporting Objectives

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

Consultation with stakeholders

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

As part of the Tribunal's review of operating and regulatory procedures, McKinsey and Company surveyed stakeholder views and expectations of the Tribunal's performance. This study involved interviews with key stakeholders and Tribunal staff, and workshops with the Executive and Tribunal staff on the findings.

Overall most stakeholders were generally satisfied with the Tribunal's performance. They did, however, express a range of concerns about the regulatory process, most of which would need changes to the Tribunal's powers. The issues raised by stakeholders focused on the need for stakeholders to have a better understanding of the basis of the Tribunal's powers and the nature of the regulatory process that the Tribunal follows.

The Tribunal's stakeholder liaison program will be revised in the light of this survey. The survey will be repeated in future years.

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

- ◆ *Water Industry Forum* – representatives from the land developers, urban water agencies and relevant government agencies and IPART consult on issues affecting the implementation of the methodology for pricing of developer charges for water and sewerage services. In November 1997, the forum issued its 1997 Report which endorsed the common use of a net present value approach to calculating developer charges.
- ◆ *Electricity Industry Consultation Group* – This group was formed during the year to facilitate liaison on electricity pricing issues with distributors, retailers, customers, environmental groups, consumer, and business groups, the Department of Energy and the Electricity Reform Taskforce.
- ◆ *Wires Working Group* – Liaison with electricity distributors, TransGrid and the Electricity Reform Taskforce on network pricing, technical and related access issues.
- ◆ *Gas Industry Consultation Group* – representatives from pipeline operators, gas retailers, gas producers, gas customers, business and community groups and IPART consult on matters relating technical and other issues arising from third party access to gas distribution networks.

Reports and publications

A wide range of publications are released for Tribunal investigations covering:

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

Details of reports released during 1997/98 are shown with individual industry program reports presented above and a list of publications is shown in Appendix 3. Recent reports are also available for viewing and downloading from the Tribunal's website.

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

Meeting our Supporting Objectives

Public hearings, submissions and transcripts

Copies of all submissions to Tribunal's investigations that are not subject to confidentiality are available for public inspection immediately following registration. The Tribunal holds at least one public hearing for each investigation. Transcriptions of all public hearings are also available for public inspection.

Copies of all submissions and transcriptions are available for inspection from the Tribunal's public access library located at Level 2, 44 Market Street, Sydney. Inquiries: telephone (02) 9290 8400, facsimile (02) 9290 2061. Alternatively, all public submissions to current investigations and transcripts of public hearings are available for viewing and downloading on the Tribunal's website.

Details of public hearings held during 1997/98 and statistics of submissions received during this period are shown in Appendix 2.

IPART's Website

The IPART website – www.ipart.nsw.gov.au – provides stakeholders and interested parties with an up to date on-line coverage of the Tribunal's activities. In essence, this provides current coverage of many of the issues covered in this Annual Report.

The website is part of the NSW government's commitment to bring comprehensive electronic services to users via the Internet.

As well as providing a wide range of information about the Tribunal's role, its legislation, Corporate Plan and contacts, the site is regularly updated with information about the Tribunal's current work program, including:

- ◆ current timetables for all investigations, including public hearing schedules
- ◆ copies of all media releases and advertisements
- ◆ on-line access for browsing and downloading of public submissions, reports and other publications
- ◆ the Tribunal's Annual Report and Corporate Plan
- ◆ an up-to-date review of major areas of regulation.



IN BOTH STAFFING AND ORGANISATION

The Tribunal's Secretariat

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

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

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

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

Encouraging excellence in an open working environment

The Tribunal's professional staff work on a team basis in two industry areas – Water and Transport; and Energy and Other Industries. A Program Manager is responsible for

Meeting our Supporting Objectives

each team which is allocated a specific industry. Staff may work in more than one team and may move from team to team to gain experience in a variety of areas.

Interaction between teams is encouraged and staff members regularly make presentations on issues with which they have been involved. A regular peer review process is being developed.

Review of operating and regulatory procedures

During the reporting year a review of the Tribunal's operating and regulatory procedures was undertaken by McKinsey and Company. The review included a survey of stakeholders to assess their views and expectations of the Tribunal's performance (see Consultation section).

The review provided the Tribunal with the opportunity to examine its approach to the regulatory process, its relationships with stakeholders and the ways in which its work is organised. A number of workshops were held with Tribunal staff at all levels to discuss the consultant's recommendations.

Following the review a number of changes have been made in the way the Tribunal operates. For example, the Tribunal has created a position of Special Adviser to ensure consistency in approach between the different industry teams and to provide advice, independent of the industry teams, to the Tribunal. The study also gave an opportunity for Tribunal staff to participate in the development of the Tribunal's approach to regulatory issues and its relationship with its stakeholders.

A staff development system which encourages new skills

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

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

Staff meetings and planning conferences

Meetings of all staff are held approximately every 6 weeks to consider issues of interest to staff. All staff members are given the opportunity to chair the meetings.

A two day annual Planning Conference attended by all staff is held between June and August each year. The Conference provides an opportunity for all staff to review the main events of the last year and consider the challenges of the forthcoming year.

Implementation of an action plan from each Conference is reviewed regularly by both Executive and Staff.

An enterprise agreement for Tribunal staff

All Tribunal staff are employed under Section 8(2) of the *Independent Pricing and Regulatory Tribunal Act 1992*. Employment conditions are similar to general public sector conditions with access to all relevant State superannuation schemes. An enterprise agreement covering the employment conditions of non-executive staff runs to June 1998.

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

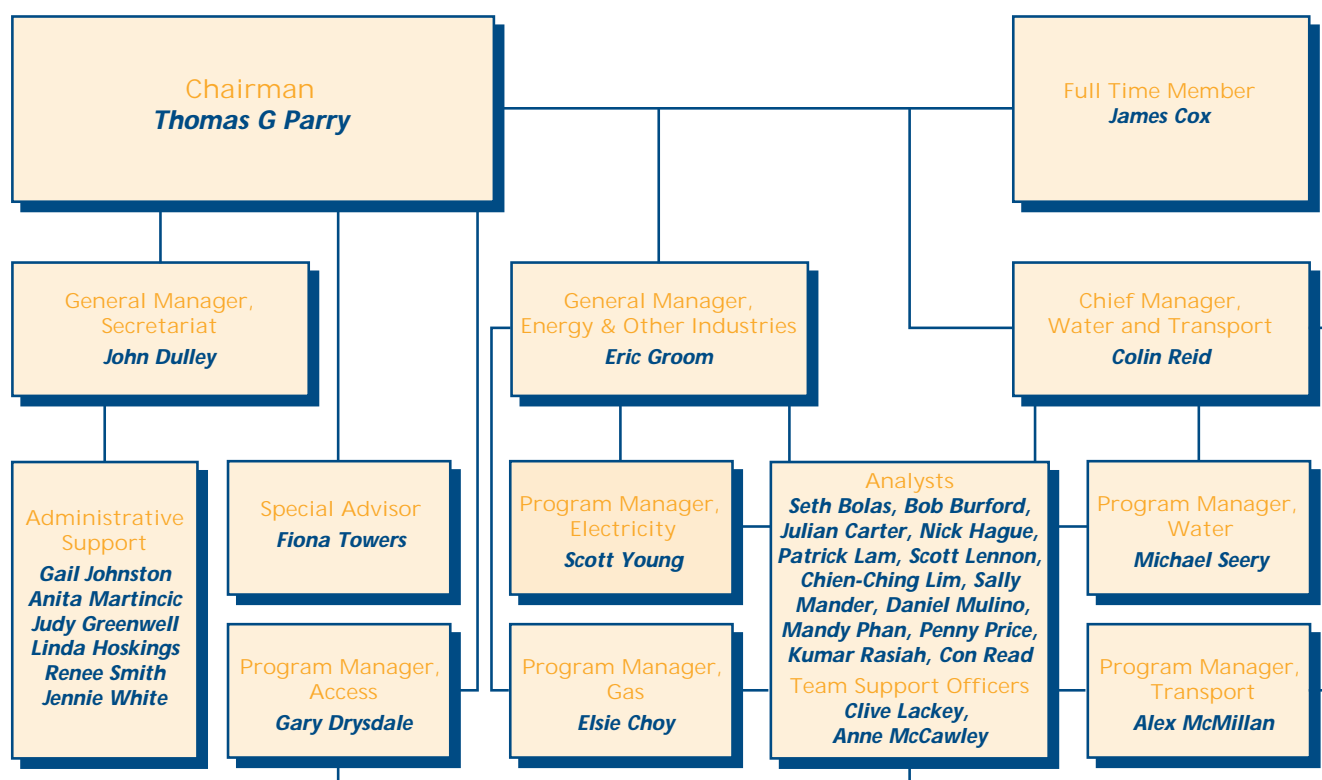
Negotiations on the next agreement commenced during the year.

Records Management

The August 1997 Planning Conference identified that priority attention needed to be given to records management to improve efficiency of identification of information and ensure that adequate records are kept of the work carried out for each investigation.

Following recommendations of a consultancy on the Tribunal's record keeping needs, comprehensive changes have been made to physical and electronic records management arrangements. This has centred on the installation of a TRIM electronic records management system and commencement of a revised physical filing system based on TRIM. Consequently, a system for tracking and filing is being implemented, with regular monitoring of performance.

IPART Organisation Chart as at June 1998



The Tribunal's Executive

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

General Manager, Secretariat

John Dulley, BA (Hons)

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



Chief Manager, Energy and Other Industries

Eric Groom, BEc (Hons), MEc

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



Chief Manager, Water and Transport

Colin Reid, BCom(Accounting), ASIA, CPA

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



Impacts of Tribunal Determinations

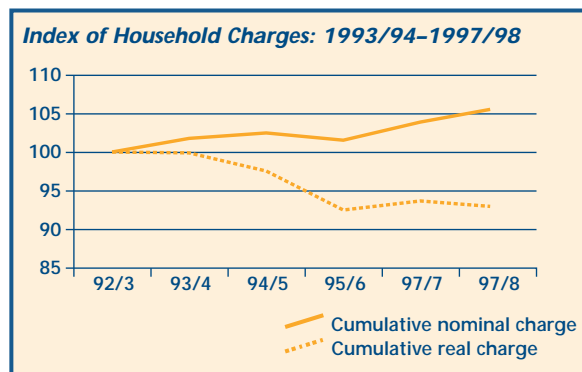
The Tribunal regulates declared monopoly services supplied by the NSW Government in electricity, water and sewerage, and public transport industries and private monopoly supply of natural gas. The Tribunal's price determinations affect both household expenditure and costs of businesses.

Households

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

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

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



¹ NSW Budget Papers, 1997/98.

Following the elimination of property-value based charges by Sydney Water and reform of charges for units and flats, water and sewerage bills fell in 1995/96. However, they rose from 1996/97 because usage charges and a number of fixed charges increased.

Nominal electricity bills were unchanged up to 1996/97.

Household gas prices are not included in the index. These increased by 2.6% in 1996/97, and are expected to increase by around 0.5% in 1997/98. Inclusion of gas in the index for these years would not have altered the changes recorded in the graph.

Non-residential customers

Electricity

Tribunal determinations from 1993 to 1996 resulted in a cumulative reduction of \$560m in bills for non-residential electricity customers in NSW. This meant that on average non-residential bills fell by 22% nominally, or about 29.2% in real terms over that period.

As a number of larger non-residential customers have become contestable since 1996, accurate comparison of prices and the extent of price reductions after that time are not possible. However, customer surveys suggest reductions of 30–40% have not been uncommon.

Table 1:
Reductions in non-residential electricity charges

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

Impacts of Tribunal Determinations

Water

Property-value based charges for business customers by the Sydney and Hunter Water Corporations have been reduced substantially by the Tribunal over the last 5 years.

Table 2:
Reductions in non-residential charges in NSW water sector

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

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

Gas

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

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

Table 3:
Average Gas Transport Price by Region (\$/GJ)

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

Financial Statements 1997/98

FOR THE YEAR ENDED 30 JUNE 1998

The following financial statements are included:

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



Box 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT
INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

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

Scope

I have audited the accounts of the Independent Pricing and Regulatory Tribunal of New South Wales for the year ended 30 June 1998. The Members of the Tribunal are responsible for the financial report consisting of the accompanying statement of financial position, operating statement, statement of cash flows, and summary of compliance with financial directives, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and the Members of the Tribunal based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983*. My responsibility does not extend here to an assessment of the assumptions used in formulating budget figures disclosed in the financial statements.

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

In addition, other legislative requirements which could have an impact on the Independent Pricing and Regulatory Tribunal of New South Wales' financial report have been reviewed on a cyclical basis. For this year, the requirements examined comprise compliance with Treasurer's Directions in respect of usage of fuel cards, credit cards and cash advances.

These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the *Public Finance and Audit Act 1983*, Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with my understanding of the Tribunal's financial position and the results of its operations and its cash flows.

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

Audit Opinion

In my opinion, the financial report of the Independent Pricing and Regulatory Tribunal of New South Wales complies with sections 41B and 41BA of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Tribunal as at 30 June 1998 and the results of its operations and its cash flows for the year then ended.

P. CARR, FCPA
DIRECTOR OF AUDIT

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

SYDNEY
7 December 1998



INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

STATEMENT BY CHAIRMAN OF THE INDEPENDENT PRICING
AND REGULATORY TRIBUNAL

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

- a) the accompanying financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Financial Reporting Code for Budget Dependent Agencies, the Public Finance and Audit (General) Regulation 1995 (as applicable) and Treasurer's Directions;
- b) the statements exhibit a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal of New South Wales as at 30 June 1998 and transactions for the year then ended;
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

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

Thomas G. Parry
Chairman

1 December 1998

Financial Statements 1997/98

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 1998

	Note	Actual 1998 \$'000	Budget 1998 \$'000	Actual 1997 \$'000
Expenses				
Operating Expenses				
Employee Related	2(a)	2,923	2,665	2,466
Other Operating Expenses	2(b)	1,762	1,840	1,580
Maintenance	2(c)	21	20	18
Depreciation and Amortisation	2(d)	125	40	124
Total Expenses		4,831	4,565	4,188
Less:				
Retained Revenue				
Sale of Goods and Services	3(a)	247	0	45
Investment Income	3(b)	22	6	28
Other Revenue	3(c)	355	0	443
Total Retained Revenue		624	6	516
Gain/(loss) on sale of non-current assets	4	(26)	0	0
NET COST OF SERVICES	21	4,233	4,559	3,672
Government Contributions:				
Recurrent Appropriation	5	3,972	3,950	3,970
Capital Appropriation	5	32	32	0
Acceptance by the Crown Transactions Entity of Employee Entitlements and Other Liabilities	6	209	195	190
Total Government Contributions		4,213	4,177	4,160
SURPLUS/(DEFICIT) FOR THE YEAR		(20)	(382)	488

The accompanying notes form part of these statements.

Financial Statements 1997/98

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 1998

	Note	Actual 1998 \$'000	Budget 1998 \$'000	Actual 1997 \$'000
ASSETS				
Current Assets				
Cash	8	630	88	462
Receivables	9	215	266	266
Total Current Assets		845	354	728
Non Current Assets				
Plant and Equipment	10	431	528	536
Total Non Current Assets		431	528	536
TOTAL ASSETS		1,276	882	1,264
LIABILITIES				
Current Liabilities				
Accounts Payable	11	189	203	203
Employee Entitlements	12	343	251	251
Other	13	46	46	46
Total Current Liabilities		578	500	500
Non-Current Liabilities				
Other	13	121	167	167
Total Non-Current Liabilities		121	167	167
TOTAL LIABILITIES		699	667	667
NET ASSETS		577	215	597
EQUITY				
Accumulated Funds	14	577	215	597
TOTAL EQUITY		577	215	597

The accompanying notes form part of these statements.

Financial Statements 1997/98

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1998

	Note	Actual 1998 \$'000	Budget 1998 \$'000	Actual 1997 \$'000
Cash flows from Operating Activities				
Payments				
Employee Related		(2,673)	(2,470)	(2,280)
Other Operating Expenses		(1,797)	(1,860)	(1,502)
Total Payments		(4,470)	(4,330)	(3,782)
Receipts				
Sale of Goods and Services		247	0	45
Investment Income		21	6	17
Other Revenue		361	0	204
Total Receipts		629	6	266
Cash flows from Government				
Recurrent Appropriation		3,972	3,950	3,970
Capital Appropriation		32	32	0
Cash reimbursement from the Crown Transactions Entity		51	0	32
Net Cash flows from Government		4,055	3,982	4,002
NET CASH FLOWS FROM OPERATING ACTIVITIES	21	214	(342)	486
Cash flow from Investing Activities				
Proceeds from sales of Plant and Equipment		2	0	0
Purchases of Plant and Equipment		(48)	(32)	(95)
NET CASH FLOWS USED ON INVESTING ACTIVITIES		(46)	(32)	(95)
NET INCREASE/(DECREASE) IN CASH		168	(374)	391
Opening Cash and Cash Equivalents		462	462	71
CLOSING CASH AND CASH EQUIVALENTS	8,20	630	88	462

The accompanying notes form part of these statements.

Financial Statements 1997/98

SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES FOR THE YEAR ENDED 30 JUNE 1998

	Actual Appropriations		Estimated	Actual Appropriations		Estimated
	Original	Revised	Expenditure	Original	Revised	Expenditure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent Appropriations	3,950	3,972	3,972	3,962	3,970	3,970
	3,950	3,972	3,972	3,962	3,970	3,970
Capital Appropriations	32	32	32	0	0	0
	32	32	32	0	0	0
Total Appropriations	3,982	4,004	4,004	3,962	3,970	3,970

Notes to the Summary of Compliance with Financial Directions

- The name and purpose of the program is summarised in Note 7.
- In New South Wales, agencies are not required to separately record expenditure which is financed by the Consolidated Fund as distinct from expenditures financed by their own user charges. As a result, the department is not able to determine accurately the exact amount of the expenditures that are related to the Consolidated Fund. However, the amount of revised appropriations should approximate the actual expenditure of the Consolidated Fund.
- Comments on material variation by program: No material variation occurred during 1997/98.
- Recurrent appropriations on the Summary of Compliance with Financial Directives are reconciled to the Operating Statement at Note 5.
- The Tribunal did not receive any additional funding under Section 24 or Section 26 of the Public Finance and Audit Act, 1983. The Tribunal received additional funding of \$22,000 from the Advance to the Treasurer Vote under the *Appropriation (1997-98 Budget Variations) Act (No 2) 1998* which was assented to on 30 November 1998.

Financial Statements 1997/98

NOTES ACCOMPANYING AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

(a) Reporting Entity

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

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

(b) Basis of Accounting

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

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

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

(c) Administered Activities

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

(d) Parliamentary Appropriations

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

(e) Employee Entitlements

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

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

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the entitlements accrued in the future.

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

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(ii) Long Service Leave and Superannuation

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

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

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

(f) Insurance

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

(g) Acquisition of assets

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

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

(h) Plant and Equipment

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

(i) Revaluation of Physical Non-Current Assets

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

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

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(j) Depreciation of Non-Current Physical Assets

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

Depreciation Rates	% Rate
Computer equipment and software	25.000%
General Plant and Equipment	14.286%
Fixtures and Fittings	10.000%
Leasehold improvements over the lesser of the period of lease or the useful life of the improvements	

(k) Leases

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

(l) Financial Instruments

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

The 1997/98 financial year is the first year that Australian Accounting Standard AAS 33, "Presentation and Disclosure of Financial Instruments" is being applied. Comparative amounts have not been provided as it is considered impractical to do so.

The terms, conditions and accounting policies applied by the Tribunal in relation to Financial Instruments are set out in Note: 22.

(m) Year 2000 Date Change

The Tribunal is investigating if and to what extent the date change from 1999 to 2000 may affect its activities. The Tribunal has established a program to help ensure that the impact of the transition to the year 2000 on the Tribunal and its customers is minimised by seeking to ensure that its significant/core computer hardware, software and/or systems are 2000 compliant. The Tribunal does not expect its activities to be significantly impacted by the change.

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2. EXPENSES

2(a) EMPLOYEE RELATED EXPENSES

Employee Related Expenses comprise the following specific items:	1998 \$'000	1997 \$'000
– Salary and Wages (including Recreation Leave)	2,510	2,109
– Superannuation entitlements	124	109
– Long service leave	77	74
– Workers Compensation Insurance	12	12
– Payroll tax and fringe benefits tax	200	160
– Other	0	2
	2,923	2,466

Employee related expenses includes \$26,859 in payments to temporary members of the Tribunal.

2(b) OTHER OPERATING EXPENSES

Other Operating Expenses include:	1998 \$'000	1997 \$'000
– Auditor's Remuneration	12	8
– Rental expense relating to operating leases	243	225
– Insurance	5	5
– Corporate services	32	34
– Consultancies	756	542
– Travel expenses	150	105
– Legal fees	18	5
– Other Operating Expenses	546	656
	1,762	1,580

A substantial proportion of the Consultancy charges were recovered under Other Revenue.

2(c) MAINTENANCE

Maintenance Charges comprise:	1998 \$'000	1997 \$'000
– Repairs and Routine Maintenance	21	18
	21	18

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2(d) DEPRECIATION & AMORTISATION

Depreciation and Amortisation Expenses:	1998 \$'000	1997 \$'000
– Leasehold improvements	42	46
– Computer Equipment	56	44
– General Plant and Equipment	9	9
– Furniture and Fittings	18	25
	125	124

3. REVENUES

(a) Sale of Goods and Services:	1998 \$'000	1997 \$'000
– Seminars	84	28
– Other	163	17
	247	45

(b) Investment Income comprises:	1998 \$'000	1997 \$'000
– Interest	22	28
	22	28

(c) Other Revenue comprises:	1998 \$'000	1997 \$'000
– Lease Incentive Amortisation	46	46
– Other Income	309	276
– Arbitration	0	121
	355	443

Other Income represents recoveries from other agencies for Consultancy charges. Costs incurred in providing these services are included within Other Operating Expenses.

Financial Statements 1997/98

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

	1998	1997
	\$'000	\$'000
– Proceeds from sale	2	0
– Written down value of assets sold	28	0
Gain/(loss) on sale of Non-Current Assets	(26)	0

5. APPROPRIATIONS

	1998	1997
	\$'000	\$'000
Total appropriations comprise:		
Recurrent		
– Total recurrent appropriations (per Summary of Compliance)	3,972	3,970
– Less: Transfer payments	0	0
Recurrent appropriations (per Operating Statement)	3,972	3,970
Capital		
– Total capital appropriations (per Summary of Compliance)	32	0
– Less: Transfer payments	0	0
Capital appropriations (per Operating Statement)	32	0

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

	1998	1997
	\$'000	\$'000
The following liabilities and/or expenses have been assumed by the Crown Transactions Entity.		
– Superannuation	72	77
– Payroll Tax on Superannuation	9	7
– Long Service Leave	77	74
– FSS Reimbursement	51	32
	209	190

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7. PROGRAMS/ACTIVITIES OF THE TRIBUNAL

Program 1 – Pricing Regulation

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

8. CURRENT ASSETS – Cash

Cash comprises:	1998 \$'000	1997 \$'000
– Cash at Bank	629	461
– Cash on Hand	1	1
	630	462

9. CURRENT ASSETS – Receivable

Receivable comprise:	1998 \$'000	1997 \$'000
– Sundry Debtors	201	253
– Interest Receivable	14	13
	215	266

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

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10. NON CURRENT ASSETS – PLANT AND EQUIPMENT

Movement	Office Fitout \$'000	Computer Equipment \$'000	Gen. Plant & Equipment \$'000	Leased Fitouts \$'000	Total 1998 \$'000	Total 1997 \$'000
(i) At cost						
– Balance at 1 July	193	305	55	274	827	732
– Additions	0	48	0	0	48	95
– Disposals	(46)	(48)	(7)	0	(101)	0
Balance at 30 June	147	305	48	274	774	827
(ii) Accumulated Depreciation						
– Balance at 1 July	35	175	20	61	291	167
– Depreciation for the Year	18	56	9	42	125	124
– Writeback on Disposal	(16)	(51)	(6)		(73)	0
Balance at 30 June	37	180	23	103	343	291
(iii) Written Down Value						
As At Beginning of year	158	130	35	213	536	565
As At End of Year	110	125	25	171	431	536

11. CURRENT LIABILITIES – ACCOUNTS PAYABLE

Current Liabilities – Creditors	1998 \$'000	1997 \$'000
– Creditors	189	203
	189	203

12. CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS

Employee Entitlements comprises:	1998 \$'000	1997 \$'000
– Provision for Recreation Leave	248	201
– Accrued Salaries and Wages	19	10
– Accrued Employee Related Payments	76	40
	343	251

Amount of Recreation Leave paid during the year has been charged directly to the Operating Statement.
The amount provided in the current year for recreation leave was \$46,972 (\$164,000 in the previous year.)

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13. CURRENT AND NON CURRENT LIABILITIES – OTHER

Current and Non Current Liabilities – Other comprises:	1998	1997
	\$'000	\$'000
Lease Incentive – Current	46	46
Lease Incentive – Non Current		
– Balance at 1 July	167	213
– Less Transfer to Current Liability – Other	(46)	(46)
Non Current Liabilities – Other	121	167

14. CHANGES IN EQUITY

Changes in Equity – movement	1998	1997
	\$'000	\$'000
– Balance at the beginning of the financial year	597	109
– Surplus/(deficit) for the year	(20)	488
Balance at the end of the financial year	577	597

15. COMMITMENTS

(a) Capital Commitments

There were no capital commitments at balance date

(b) Other Expenditure Commitments

There were no other expenditure commitments at balance date

(c) Lease Commitments

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

Operating Lease Commitments	1998	1997
	\$'000	\$'000
– Non Cancelable Operating Leases	979	1,206

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	Non-cancelable operating leases	
Operating Lease Commitments Repayment Schedule	1998 \$'000	1997 \$'000
– Less than 1 year	261	249
– Between 1 and 2 years	261	261
– Between 2 and 5 years	457	696
Total	979	1,206

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

16. CONTINGENT LIABILITY

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

17. AMOUNTS WRITTEN OFF

No amounts due to the Tribunal were written off during 1998 (1997 nil).

18. MONEYS HELD IN EXCESS OF 2 YEARS

No unclaimed amounts have been held in the accounts of the Tribunal in excess of two years. All amounts unclaimed are forwarded to the Treasury as Unclaimed Moneys where they remain available for refund for a period of twenty years. No Unclaimed Moneys were held by the Tribunal at 30 June 1998 (30 June 1997 nil).

19. BUDGET REVIEW

Net Cost of Services

Actual Net Cost was lower than Budget by \$326,000. This was mainly due to Retained Revenues being \$618,000 higher than budget because of increased income from consultancy services.

Assets and Liabilities

Net assets were \$362,000 greater than budget because the increased revenue noted above provided a higher than expected cash balance.

Cash Flows

The increase in Cash of \$168,000 as compared to Budget of a \$374,000 reduction was primarily due to the favourable net Revenue performance.

20. CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, the Tribunal considers cash to include Cash on Hand and Cash at Bank. Total Cash at 30 June, 1998 as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position (Refer Note: 8).

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21. RECONCILIATION OF NET COST OF SERVICES TO NET CASH FLOW USED ON OPERATING ACTIVITIES

Reconciliation of Net Cost of Services to Net Cash Flows Used on Operating Activities	1998 \$'000	1997 \$'000
Net Cash flows from operating activities	214	486
– Cash flow from Government	(4,055)	(3,970)
– Acceptance by Crown Transactions Entity of employee liabilities	(158)	(190)
– Depreciation and Amortisation	(125)	(124)
– Net (loss)/gain on disposal of sale of plant and equipment	(26)	0
– Decrease/(increase) in provisions	(92)	(58)
– Increase/(decrease) In receivable	(51)	204
– Decrease/(increase) in creditors	14	(66)
– Decrease/(increase) in other liabilities	46	46
Net Cost of Services	(4,233)	(3,672)

22. PRESENTATION AND DISCLOSURE OF FINANCIAL INSTRUMENTS

Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate adjusted for a management fee to Treasury. The average rate over the year was 4.03% and at year end the rate was 4.01%.

Receivables

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

Bank Overdraft

The Tribunal does not have any bank overdraft facility.

Trade Creditors and Accruals

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

END OF AUDITED FINANCIAL STATEMENTS

Appendices

APPENDIX 1

LEGISLATIVE PROVISIONS

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

Independent Pricing and Regulatory Tribunal Act 1992

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

The Tribunal has three major roles under this legislation:

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

Price regulation and pricing policy reviews of government monopoly services

Government monopoly services

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

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

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

The criteria for declaring a monopoly service are:

- ◆ there are no other suppliers of the service to provide competition in that part of the market

- ◆ there is no potential competition in the short term in that part of the market.

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

- ◆ Government Pricing Tribunal (Valuer-General's Services) Order 1993 (Gazette No. 89, 13 August 1993, page 4571).
- ◆ Government Pricing Tribunal (Electricity Services) Order 1993 (Gazette No. 124, 12 November 1993, page 6795).
- ◆ Government Pricing Tribunal (Local Water Authorities) Order 1994 (Gazette No. 99, 27 July 1994, page 3965).
- ◆ Government Pricing Tribunal (Waste Disposal Service) Order 1995 (Gazette No. 60, 19 May 1995, page 2466).
- ◆ Government Pricing Tribunal (Water Supply Schemes) Order 1995 (Gazette No. 60, 19 May 1995, page 2467).
- ◆ Certain services supplied by the Water Administration Ministerial Council 1995 (Gazette No. 122, 6 October 1995, page 7115).
- ◆ Independent Pricing and Regulatory Tribunal (Water, Sewerage and Drainage Services) Order 1997 (Gazette No 18, 14 February 1997, page 558).
- ◆ Independent Pricing and Regulatory Tribunal (Passenger Transport Services) Order 1998 (Gazette No. 38, 27 February 1998, page 1015).

What the Tribunal can do

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

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

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

(a) Standing references

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

Appendices

(b) References by the Premier

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

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

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

Standing reference agencies

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

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

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

Public participation and access to information

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

- ◆ advertising public hearings (Section 21(3))
- ◆ seeking public comments on terms of reference (Section 13(2))
- ◆ providing public access to submissions (Section 22A(1))
- ◆ inviting public comment on issues and submissions
- ◆ holding public seminars and workshops (Section 21(2))
- ◆ releasing reports and determinations to the public (Section 19(1))
- ◆ public reporting of compliance by agencies (Section 18(4)).

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

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

Matters to be considered by the Tribunal

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

- ◆ Consumer protection
 - prices, pricing policies and standards of service
 - general price inflation
 - social impact of decisions*
- ◆ Economic efficiency
 - greater efficiency in the supply of services
 - impact of exercise of functions by some other body
 - the need to promote competition*
- ◆ Financial stability
 - rate of return on public sector assets
 - impact of borrowing, capital and dividend requirements

Appendices

- ◆ Environmental and other standards
 - protection of environment by appropriate pricing policies
 - considerations of demand management*
 - standards of quality, reliability and safety*

* added January 1996

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

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

How the Tribunal sets maximum prices

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

(a) Determining maximum prices

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

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

(b) Establishing a methodology for determining maximum prices

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

Implementation of maximum prices

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

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

Compliance

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

Release of reports and determinations

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

Reviews of industry, pricing or competition

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

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

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

Registration of access agreements

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

Arbitration of access disputes

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

Appendices

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

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

Provision of assistance to other agencies

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

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

In 1997/98 the Tribunal assisted a number of NSW Government Agencies and provided assistance to the ACT Independent Pricing and Regulatory Commission (see "Meeting our Primary Objectives" section of the report).

Gas Supply Act 1996

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

The Gas Supply Act picked up Part 4 of the IPART Act to conduct pricing and access investigations. Part 4 provides a range of public processes, including the advertisement of investigations, conducting public hearings, receiving public submissions and information gathering and the release powers.

Essentially, the Tribunal's functions under the Gas Supply Act can be described as the:

- ◆ regulation of gas pricing

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

- ◆ approval of undertaking for third-party access to gas networks
- ◆ approval of related party agreements
- ◆ registration of access agreements
- ◆ arbitration of access disputes.

Gas pricing orders

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

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

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

If gas suppliers are aggrieved with the Tribunal's determination, they may request a review of pricing orders by a Review Panel appointed by the Minister for Energy. Notwithstanding the above, gas suppliers may apply for review of a pricing order by the Tribunal after 12 months from the date of the order.

Gas Access Undertakings

Under Section 31 the Minister for Energy may establish an Access Code relating to procedures for third-party access to gas distribution systems (this was done in August 1996 and the Code was subsequently revised in April 1997). The Minister may then, under Section 19, declare any natural gas distribution system open for access by third parties; (with some minor exceptions, the distribution systems operated by AGL Networks, Great Southern Energy and Albury Gas Company have been declared). Gas reticulators must, within 3 months of declaration, establish an undertaking (an access undertaking) providing information on how the system can be used by third parties (at this stage AGL Networks established it in August 1997, Great Southern Energy and Albury Gas

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

Approval of Related Party Agreements

Section 24 of the Gas Supply Act requires the Tribunal to approve all access agreements between a reticulator and an associated party subject to them complying with the Access Code and the relevant Access Undertaking. The Code requires that a related party agreement must not have the effect, or likely have the effect, of substantially lessening, preventing or hindering competition in a market.

Registration of access arrangements

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

Arbitration of access disputes

The Gas Supply Act picks up a number of provisions from the IPART Act dealing with arbitration of access disputes. In addition, an arbitrator must determine a dispute with the Access Code and the relevant access undertaking.

The Access Code

Third Party Access Code for Natural Gas Distribution Networks in NSW was developed to provide NSW with an Interim Code for third party access.

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

The NSW Code will be superseded by a National Access Code upon the adoption of the National Gas Access Regime by the NSW Government (the National Regime was adopted in August 1998).

APPENDIX 2

TRIBUNAL MEETINGS

During 1997/98, the Tribunal held 30 meetings and 14 public hearings comprising 15 sitting days. The Chairman was present for all meetings, and Mr Cox for 29 meetings.

Other members attended Tribunal meetings according to their expertise and availability. Ms Carver attended 8 meetings (not gas, public transport and bulk water issues), Ms Cifuentes attended 10 meetings on gas issues and Professor Musgrave attended 5 meetings on bulk water issues. Following the completion of the Air Services Review, Mr Ward did not attend any meetings during the reporting year up to the expiry of his appointment.

Hearings	Date & Venue	Submissions
Determinations		
Passenger transport fares	26 March 1998 – Sydney	17
Medium term price path for Sydney and Hunter Water Corporations	2 April 1998 – Sydney	23
Section 12 Reviews		
Bulk water pricing	30 March 1998 – Grafton	
	6 April 1998 – Sydney	
	15 April 1998 – Bega	191
Section 12a Reviews		
Review of Benchmarking in Local Government	23 July 1997 – Sydney	
	13 August 1997 – Queanbeyan	
	18 August 1997 – Sydney	
	20 August 1997 – Armidale	
	3 March 1998 – Sydney	114
Review of Local Government development fees	9–10 March 1998 – Sydney	54
Section 12 (1)(a)		
Review of Sydney Water Corporation's Stormwater Charges and Expenditure	2 April 1998 – Sydney	16

Appendices

Gas

Review of gas tariffs – Wagga Wagga	5 November 1997 – Wagga Wagga	12
Gas Access – Wagga Wagga	21 May 1998 – Wagga Wagga	11

APPENDIX 3

PUBLICATIONS

During 1997/98 the Tribunal released the following publications. While printed copies of all publications were distributed to interested parties and are available for purchase at the Government Information Office, all of these publications were also available (in PDF format) from the Tribunal's website (www.ipart.nsw.gov.au) for browsing and downloading.

Release Date	Publication No.	Title
Determinations		
July 97	Det97-4	Determination of Pricing of Backlog Sewerage Services for Sydney Water Corporation and Gosford City Council
Aug 97	Det97-5	Determination of Electricity Prices for July 1997
Sep 97	Det97-6	Bulk Water Prices from 1 July 1997
June 98	Det98-1 2	Public Transport Fares from 5 July 1998 CityRail and STA Buses and Ferries
June 98	Det98-3	SWC Prices of Water Supply, Sewerage and Drainage Services from 1 July 1998
June 98	Det98-4	HWC Prices of Water, Sewerage and Drainage Services 1996–2000
July 98	Det98-5	Bulk Water prices for 1998/99 and 1999/00
Review Reports		
July 97	Rev97-3	Review of Regulation and Licensing of Air Service Operations in NSW – Final Report
Dec 97	Rev97-4	Benchmarking Local Government Performance in NSW
May 98	Rev98-1	Benchmarking Local Government Performance in NSW – Final Report

Gas Reports

July 97	Gas97-2	Final Determination on the Access Undertaking (as varied) of AGL Gas Networks Limited
Aug 97	Gas97-3	Review of the Delivered Price of Natural Gas in Wagga Wagga, Albury, Moama and NSW Murray Valley Towns
Mar 98	Gas98-1	Review of the Delivered Price of Natural Gas in Albury and Moama: A Consultation Paper
May 98	Gas98-2	Review of the delivered price of Natural Gas to tariff customers served from the AGL Gas Network in NSW – Issues Paper

Discussion Papers

July 97	DP22	Draft Determination of bulk water prices from 1 July 1997
Dec 97	DP23	Review of Fees for Development Control Services – Issues Paper
Jan 98	DP24	Review of 1996 Medium Term Price Path Determinations for Sydney Water Corporation and Hunter Water Corporation
		Review of Sydney Water Corporation's Stormwater Charges and Expenditures – An Information Paper
April 98		Streetlighting Review 1998/99

Other Publications

Nov 97		Annual Report 1996/97
Dec 97	WFR2	Water Industry Forum Report on Developer Charges for Water, Sewerage and Drainage Services 1997 Report
Jan 98	OP-4	Principles for calculating connection charges for embedded generation

APPENDIX 4

STAFFING AND CONSULTANTS

Staffing and equal opportunity statistics

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

Appendices

EEO Statistics – Total Staff by Level and Employment Basis at 30 June 1998(a)

	Total Staff	Aboriginal & Torres Strait Islander People	People from Racial, Ethnic, Ethno-Religious Minority Groups	People Whose Language First Spoken as a Child was not English	Men	Response % Women	Total
<\$23,339	1	–	50	50	100	–	100
\$23,339–\$34,269	2	–	–	–	100	–	100
\$34,269–\$43,366	3	–	–	–	33	67	100
\$43,366–\$56,080	9	–	25	25	33	67	44
>\$56,080 (non executive)	14	–	43	43	71	29	64
Contract Executive and Statutory Appointments	5	–	–	–	100		80
Permanent (b)	34	–	26	26	56	44	68
Full Time	27	–	29	29	52	48	63
Part Time	2	–	50	50		100	100
Contract Executive and Statutory Appointments	5	–	–	–	100		80
TOTAL (c)	34	–	26	26	56	44	68

- (a) The table only covers items with information relevant to Tribunal staff.
- (b) There are no temporary, casual or other staff.
- (c) Total staff numbers at 30 June 1996 – 23
Total staff numbers at 30 June 1997 – 32

Senior Executive Profile

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

Three executive positions were filled at the end of the current financial year, none of which was at the level which requires an individual performance report to be shown in annual reports. No woman executives are currently employed.

Code of Conduct

The Tribunal's staff operate under a Code of Conduct designed to cover their role in a utility regulatory environment. A copy of the full Code of Conduct can be found on the Tribunal's website (www.ipart.nsw.gov.au).

Corporate Plan

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

Consultants

Total expenditure from Tribunal funds on consultants during 1997/98 was \$756,000. Where possible the Tribunal arranges for the costs of some consultants to be shared with other agencies with a direct interest in the project. During 1997/98 contributions of \$309,000 were received from other agencies bringing the net cost of consultancies to the Tribunal to \$447,000.

In total the Tribunal engaged 12 consultants during 1997/98 for values less than \$30,000. Two consultancies had a value exceeding \$30,000.

Appendices

Analysis of State Transit's bus costs

Consultant: Sinclair Knight Mertz

Contract cost: \$175,000

Contributions towards cost from State Transit and Department of Transport – \$145,000

Analysis of costs of streetlighting services

Consultant: Coopers and Lybrand in conjunction with Worley International

Contract cost: \$150,000

Contributions towards cost from electricity distributors – \$150,000

APPENDIX 5

OTHER ISSUES

Tribunal Executive Meetings

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

External Liaison

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

Overseas Visits

Mr Scott Young, Program Manager, Gas, met with various regulatory bodies and representatives in the gas industry in Canada and the United Kingdom, July 1997.

The Chairman, Dr Parry, gave a plenary session address to the 1998 annual conference of the Canadian Regulators' National body – CAMPUT (Canadian Association of Members of Public Utility Tribunals) in Banff, Canada, April 1998. He also visited a number of Agencies in the United Kingdom and held discussions on Electricity and Gas Regulation.

Mr Eric Groom, Chief Manager, Energy and Other Industries, visited a number of Agencies in the United States and the United Kingdom and held discussions on Electricity and Gas Regulation in April, 1998.

Mr Jim Cox, Member, visited and gave addresses to the World Bank in Washington and the OECD in Paris. He also visited a number of Regulatory Agencies in the United States, Canada and the United Kingdom.

External presentations

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

Dr Thomas G Parry

NSW Electricity Regulation, ESAA Electricity Industry Privatisation Conference, November 1997, Sydney

Efficiency in Government Enterprises, Centre for Applied Economic Research, November 1998, Sydney

Gas Industry Restructuring in SE Australia, AIC Conference, Adelaide, December 1997

Privatisation and Deregulation, Macquarie Equities Forum, Sydney, February 1998

Regulatory Information Requirements, IPART Conference, Sydney, February 1998

How will the Process be Regulated: Opportunities within the NSW Liberalised Power Market, IBC Conferences, Sydney, March 1998

Utility Regulation in Australia, Canadian Association of Public Utility Tribunals, Annual Conference, Banff, Canada, April 1998

NSW Gas Regulation, Australian Gas Association Conference, Sydney, June 1998

NSW Electricity Regulation, Institute of Public Affairs, Melbourne, June 1998

Mr James Cox

Regulation in NSW, Committee for economic development of Australia, March 1998, and Ontario Energy Board and staff, Toronto June 1998

Water Regulation, Group of senior World Bank advisers on water regulation, April 1998

Appendices

Mr Eric Groom

Regulation and Customer Choice in Electricity, MTIA Seminar on Competition and Customer Choice in Electricity, July 1997

Issues for the NECA Review, NECA Seminar on the NECA Review of Transmission Pricing for Electricity, September 1997

Electricity and Gas Regulation: Implications for Cogeneration, Australian Cogeneration Conference on Opportunities for Cogeneration, October 1997

Electricity Regulation and Structural Reform in NSW, Government Pricing Oversight Commission (GPOC) Seminar on Electricity Reform and Pricing in Tasmania, November 1997

Regulation and DSM in the Competitive Market, AIC Conference on DSM in the Competitive Market Place, December 1997

The NSW Electricity Price Review, EUG Conference on Network Regulation, June 1998

Mr Colin Reid

Information Requirements of Price Regulation, Department of Land & Water Conservation, July 1997

Price Regulation in the Water Industry, World Bank – Maghreb Water Utilities Study Tour, August 1997

Price Regulation: The Decision Process, Local Government & Shires Association, August 1997

Future Direction of Bulk Water Pricing, Department of Land & Water Conservation, October 1997

Regulatory Business, National Public Sector Accountants Conference, October 1997

Key Issues in Price Regulation, NSW Treasury, Budget Branch, November 1997

Developer Charges, World Bank Advisors, April 1998

Price Regulation, Water & Wastewater Association, May 1998

Pricing & Cost Recovery Issues, AIC Australian Water Conference, June 1998

Mr Alex McMillan

Bulk Water Pricing: The Way Forward, Australian National Committee on Irrigation and Drainage conference, September 1997

Mr Scott Young

Gas Pricing and Incumbent Advantages, Gas industry conference, February 1998, and Australian Chamber of Manufacturers, March 1998

Ms Fiona Towers

Benchmarking and Local Government, Institute of Municipal Managers, Annual Conference, July 1997.

Ms Elsie Choy

Benchmarking Local Government Performance in NSW, Metropolitan Public Libraries Association, June 1998

Ms Sally Mander

Deregulation of Air Routes in NSW, Kendell Airlines Regional Aviation Seminar, September 1997

Computing facilities and Year 2000 issues

The computing needs of the Tribunal's Secretariat are provided by a Novell 4.1.1 network, with Pentium PCs for all Secretariat staff members. These computing facilities are used extensively by the Secretariat's specialist staff for financial analysis and modelling and for the preparation of reports.

A Lotus Domino server is used for email and Notes databases and the main user software is Windows 95 and Office 97. During the year a permanent connection was established for email and limited browsing using a Novell Border Manager firewall. An Internet Service provider hosts the Tribunal's website.

An integrated database (ASSIST) manages the Tribunal's mailing lists and submissions registers.

The Tribunal prepared a Year 2000 risk analysis for submission to the Office of Information Technology (OIT). The analysis involved assessment and testing of the Year 2000 compatibility of all IT associated equipment and software used by the Tribunal and the effect on Tribunal activities by third parties. Testing indicated only minor issues that can be resolved at relatively small cost prior to January 2000.

Arrangements are being made for external certification of the risk assessment and rectification plan to meet OIT's requirements.

Appendices

Complaints

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

Other representations are made to the Tribunal from time to time concerning pricing practices or activities of the utilities that it regulates. As appropriate, these representations are referred to the relevant agencies and the recently created Electricity Ombudsman.

Risk management and Insurance

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

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

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

Report on account payment performance

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

Ethnic Affairs Priorities Statement

An Ethnic Affairs Priorities Statement is still being prepared detailing the steps which the Tribunal will take to implement the principles of cultural diversity.

The Tribunal recognises that a major element of its operations is transparency of its processes and participation

of special interest groups. These groups include environmental, welfare, industry and consumer interests.

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

The Tribunal's main initiative in ethnic involvement was in the recent Gaming Inquiry to ensure that communities concerned with the impact of increased gambling were aware of the inquiry. Advertisements were placed in appropriate languages in the Arabic, Chinese, Croatian and Vietnamese press seeking submissions to the inquiry.

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

The Tribunal plans to implement a strategy to enhance general information about the Tribunal to appropriate ethnic organisations so that they are in a better position to choose to participate in the Tribunal's processes.

Details of Annual Report production

One thousand copies of this report have been printed at an average cost of \$9.48 per copy. Extra copies may be purchased at the NSW Government Information Service Bookshop. A copy of this report is available in PDF format on the Tribunal's website.

APPENDIX 6

FREEDOM OF INFORMATION ACT – STATEMENT OF AFFAIRS

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

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

Appendices

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

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

The Tribunal also conducts investigations which are referred to it by the Premier under Sections 12 and 12A of the Independent Pricing and Regulatory Tribunal Act. Full details of all the investigations undertaken in 1997/98 are outlined in this report.

Arrangements for public participation in policy formulation

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

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

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

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

The Tribunal's website (www.ipart.nsw.gov.au) provides a wide range of information about the Tribunal and its current timetables. The website also provides access to all recent adverts, media releases, publications and submissions to Tribunal investigations. Provisions of the Independent Pricing and Regulatory Tribunal Act affecting FOI requests.

Section 22A of the Independent Pricing and Regulatory Tribunal Act 1992 contains provisions for the Tribunal to review the release of information that would otherwise be

exempt from release under the Freedom of Information Act. After having regard to the views of the information supplier the Tribunal may agree to the release of information, in full or in part, on a general or restricted basis.

Descriptions of the kinds of documents held by the Tribunal

Submissions to Tribunal inquiries

The Tribunal has established a public access library, which contains copies of the vast majority of submissions to its investigations and reviews. Submissions are not placed in the public access library where the authors claim that public release might expose them to commercial disadvantage, or where, in the opinion of the Tribunal, the confidential affairs of another person are disclosed. The Tribunal can also give directions prohibiting release under Section 21(5)(b) of Independent Pricing and Regulatory Tribunal Act 1992. The library contains transcripts of public hearings, and reports and determinations. Minutes of meetings of the Tribunal are included.

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

Publications issued

The Tribunal publishes discussion and research papers, background papers on price determinations and reports of pricing reviews. Copies of recent publications can now also be viewed and downloaded from the Tribunal's website.

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

Hard copy files

The Tribunal maintains a general filing system for internal management purposes. During the year, the Tribunal electronic and physical records' systems were enhanced. This was centred on the introduction of a TRIM electronic records management system and commencement of physical filing system based on TRIM.

Appendices

Tribunal papers

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

Access Arrangements

Copies of all documents in the Tribunal's public access library are available for public inspection and/or purchase (at 30 cents per A4 sheet) at the Tribunal's offices, Level 2, 44 Market Street, Sydney 2000, from 9.00am to 5.00pm Monday to Friday (inquiries (02) 9290 8400). Some documents (notably transcripts of public hearings) may also be purchased on disk.

FOI Procedures

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

Since many documents are readily accessible through the Tribunal's public access arrangements and the Tribunal's website, it is advisable to check the general availability of the document before making an application under the Freedom of Information Act. FOI applications must be accompanied by a \$30 application fee and directed to:

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

Arrangements to inspect or obtain copies of documents can be made by contacting the FOI Co-ordinator. Telephone inquiries: (02) 9290 8484

FOI requests in 1997/98

There were no FOI requests for information during the year.

In this case, the Tribunal determined that the information being sought was of commercial value and its release would be reasonably expected to diminish its commercial value. This puts the documents into a category of 'exempt document' within the meaning of the FOI Act. Further, it was determined that the request did not pass the required tests within the IPART Act and the Gas Supply Act for the release of 'exempt documents'. The request for access to these documents was therefore denied.

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