

Independent Pricing and Regulatory Tribunal
New South Wales

Annual Report 2017-18

Annual Report

October 2018

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Letter of Submission

Our reference: 18/372

31 October 2018

The Hon Gladys Berejiklian MP
Premier of New South Wales
52 Martin Place
Sydney NSW 2000

Dear Premier

Independent Pricing and Regulatory Tribunal – Annual Report 2017-18

As required by the *Annual Reports (Statutory Bodies) Act 1984*, I am pleased to submit to you, for presentation to Parliament, the Independent Pricing and Regulatory Tribunal Annual Report for the year ending 30 June 2018, which has been prepared under sections 7(1)(a) and 8 of the Act.

Yours Sincerely



Peter J. Boxall AO
Chair



Ed Willet
Tribunal Member



Deborah Cope
Tribunal Member

The Chair's Foreword

IPART celebrated 25 years of independent economic regulation in NSW in 2017. We marked the event publicly with a conference, where high quality speakers led engaging discussions. It also offered us the opportunity to reflect on our interesting, intellectually stimulating and worthwhile regulatory work.

Over our history we have employed independent price regulation to ensure prices reflect efficient costs, consumers are protected from the potential abuse of monopoly power, and utilities have an incentive to operate efficiently and effectively for the benefit of their customers.

We have developed and maintained a reputation for integrity, impartiality and evidence-based advice. This was recognised during the year by Moody's rating agency when it upgraded its assessment of IPART to an AAA rating, the highest rating available, recognising the stability and predictability of our regulation. This is the result of many years of IPART making sound, transparent and predictable decisions. It was supported by our approach on issues like the weighted average cost of capital (WACC).

Throughout our 25 years, IPART's business has evolved. Our remit now extends beyond price regulation and includes regulation and compliance work across energy and water utilities. This work is also rooted in our rigorous regulatory framework, drawing on common principles across IPART's work. Indeed, much of our focus in 2017-18 was on our regulation and compliance work, and on monitoring various markets to ensure that they are working in the interests of consumers.

We regulate the NSW Energy Savings Scheme (ESS), the electricity networks and the major publicly owned water businesses as well as private water businesses. In terms of market monitoring, we monitored the retail electricity and gas markets, the ethanol and E10 markets and the newly-introduced container deposits scheme.

During 2017-18, we spent considerable time on rural and regional issues, particularly through our reviews of rural and regional bus fares and taxi services.

I would like to thank my fellow Tribunal members, Ed Willett and Deborah Cope, for their very able contributions to IPART's work during the year. I also thank the Secretariat, led by Hugo Harmstorf. The quality of the work delivered by the Secretariat is exceptionally high. The Secretariat is highly professional and drives excellence in the Tribunal's decision making. I enjoy working with such professional and dedicated people.



Peter J. Boxall AO
Chair

The Chief Executive Officer's Report

IPART managed to deliver another comprehensive work program to a very high standard in 2017-18. The staff worked extraordinarily hard to deliver the high quality work product to the Tribunal to facilitate sound and well-justified decisions.

As mentioned by the Chair, IPART celebrated its 25th anniversary in 2017. In addition to the conference, we marked the occasion internally, reflecting on the contribution of the high-caliber people working at IPART. Our current team is exceptionally strong. This recognises the additional strength when newer staff join longer serving staff and we blend a range of skills, including engineers, lawyers, economists, accountants and other specialists. Our high quality output demonstrates the benefits of the mix of people, experience and skills that we bring collectively.

We regulate the NSW Energy Savings Scheme (ESS), energy networks and water businesses. In all these areas we aim to deliver the greatest benefit by focusing on the biggest risks. Our risk-based approach reduces the burden on businesses that meet their obligations and takes enforcement action when it is needed.

We are reducing regulatory burden where possible. In 2017-18 we reviewed all of the reporting obligations for water businesses. We removed 75% of the indicators that we require businesses to report because the information was available elsewhere or was not useful.

Across all areas, compliance was generally high in 2017-18, although we did identify and address various specific compliance issues. For example, in the ESS some accredited certificate providers failed to comply with aspects of the scheme rule (for example, a requirement for end-user co-payment for commercial lighting upgrades). In relation to energy, we reviewed the energy networks approach to identifying key safety risks across their networks and took a targeted look at the way they manage the risks associated with performing live work. We are working with the electricity network businesses to improve preparedness for bushfires. In relation to water, we identified that a private operator failed to immediately notify IPART and NSW Health when they detected a water quality incident as part of their regular testing.

In response to these issues, we increased our enforcement activities, including issuing penalties, and we explored new compliance strategies and enhanced powers that could address the risks of non-compliance. Across all these areas we worked constructively with policy makers to identify risks and to suggest improvements.

We also undertook market monitoring of the ethanol and E10 markets, the retail electricity and gas markets and the introduction of the container deposit scheme. Our market monitoring activities build confidence that the various markets are working in the interest of customers. An effective market is much more effective in providing customer protection than regulation.

In local government a key area of focus was contributions plans. With changes to the funding arrangements for new developments, IPART's work has a direct impact on what developers pay for local infrastructure. We expect that our work in this area will grow. Additionally, we continued to set the rate peg, and assessed 13 special variation applications.

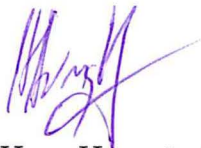
We continued with a large water pricing work program, including an annual review of WaterNSW's prices for its rural bulk water services in the Murray Darling Basin¹ and reviews of developer charges and rural cost shares.

We undertook considerable work for transport outside the metropolitan areas, by setting bus fares in rural areas and also reviewing taxi fares and licences outside Sydney. We also recommended taxi fares in Sydney. In addition we set private ferry fares in both metropolitan and regional areas.

Organisationally, we undertook a number of projects to improve the efficiency and effectiveness of our operations. For example we strived to improve our communication with stakeholders by increasing our use of infographics and visual collateral in our documents. This helps stakeholders understand our key messages in a more user-friendly format.

We also worked towards a major IT upgrade, moving to a more flexible and agile work environment through our Unwired project, rolling out laptop devices across the organisation. We are also moving to an outsourced IT environment. This will enhance the reliability and security of our IT system and provide enhanced business continuity.

I have enjoyed leading IPART for another year, finding it both challenging and rewarding and look forward to the next 12 months. I am personally grateful to each member of staff for their dedication and contribution. I would also like to thank the Tribunal, and particularly the Chair, for guidance and support during the year.



Hugo Harmstorf
Chief Executive Officer

¹ We conduct this function under accreditation from the ACCC.

Our Organisation

Purpose and Objectives

We provide independent regulatory decisions and advice to protect and promote the ongoing interests of the consumers, taxpayers and citizens of NSW.

Strategic Direction

To fulfil this purpose, over the next three years we will pursue four strategic directions:

1. Deliver regulatory leadership and high-quality decisions and advice to enhance IPART's contribution to the NSW economy.
2. Keep regulated entities accountable in accordance with their regulatory requirements.
3. Meet stakeholder expectations through extensive consultations and the delivery of impartial, transparent and balanced determinations.
4. Promote a thriving culture, be an employer of choice, and deliver a well-run organisation where highly professional and capable staff can perform, learn and enjoy.

Values

We have three key values:

- ▼ We act with integrity
- ▼ We earn trust
- ▼ We deliver excellence.

Guiding Principles

We have eight guiding principles:

- ▼ **Independence** – we are independent and impartial in our advice and decision making.
- ▼ **Transparency** – we make our processes visible and explain our decisions clearly and simply.
- ▼ **Professionalism** – we conduct ourselves with discipline according to high professional standards, and use resources effectively and efficiently.
- ▼ **Consistency** – we strive to provide a consistent regulatory environment.
- ▼ **Consultation** – we consult extensively and effectively with all stakeholders and consider their concerns and comments.
- ▼ **Balance** – we aim to deliver equitable outcomes by balancing the ongoing interests of the regulated entities, their customers and other stakeholders.
- ▼ **Innovation** – we explore new and better approaches and demonstrate intellectual leadership and innovation.
- ▼ **Practicality** – we aim to deliver pragmatic outcomes that can be achieved efficiently within the statutory framework.

Major Stakeholders

Our major stakeholders are:

- ▼ **The consumers, taxpayers and citizens of NSW and their advocates** – our work directly affects consumers' cost of living and influences the quality of services they receive from the publicly owned utilities we regulate. It also influences the value taxpayers receive from the funds invested in these utilities and the provision of public transport services.
- ▼ **The businesses and industries we regulate and their advocates** – our work affects the financial viability and operating environment of the businesses and industries we regulate.
- ▼ **The NSW Government** – our work affects the ability of publicly owned utilities to pay dividends to the Government, and the revenue it receives from public transport fares. Our advice on economic and policy issues influences the productivity, effectiveness and efficiency of Government agencies and State Owned Corporations.

Who we are

IPART provides independent regulatory decisions and advice to protect and promote the ongoing interests of the consumers, taxpayers and citizens of NSW. We act with integrity, earn trust and deliver excellence.

We are the independent regulator for the water, public transport, local government, electricity and gas industries and the Energy Savings Scheme in NSW. We also undertake reviews and investigations into a wide range of economic and policy issues and perform a number of other roles at the NSW Government's request.

What we do

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

- ▼ determine or recommend prices that can be charged for specific services, including certain water, public transport and taxi services in NSW
- ▼ administer licensing or authorisation of water, electricity and gas businesses, and monitor compliance with licence conditions
- ▼ regulate private sector access to water and wastewater to encourage competition and re-use
- ▼ maintain a local government cost index, determine the maximum percentage increase in councils' general revenue (rate peg) and special rate variations, and review councils' development contributions plans
- ▼ conduct special reviews at the Government's request under Section 9 and 12A of the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act) on issues such as pricing, efficiency, industry structure and competition
- ▼ register agreements for access to public infrastructure assets and arbitrate disputes about agreements for access to public infrastructure
- ▼ investigate complaints about competitive neutrality referred to us by the Government
- ▼ perform specific roles, including:
 - Scheme Administrator and Scheme Regulator for the Energy Savings Scheme and maintain the associated register of energy savings certificates
 - Market Monitor to review and report annually on the performance and competitiveness of the retail electricity market in NSW.

Resources

As at 30 June 2018 we have:

- ▼ 110 full-time equivalent employees
- ▼ \$30.7 million in appropriation from NSW Treasury
- ▼ \$1.3 million revenue from special reviews.

2017-18 Highlights



IPART provides independent regulatory decisions and advice to protect and promote the ongoing interests of the consumers, taxpayers and citizens of NSW.

PRICE REGULATION

Determining maximum regulated prices for water, energy, public transport and taxi fares, and local government rates and development contributions



5.9m
water users across NSW



3.4m
energy customers prices monitored



699m+
NSW public transport trips



3m+
ratepayers across 128 councils

LICENSING AND COMPLIANCE

Issuing licences and monitoring compliance for water and energy services to encourage competition, efficient use of resources and appropriate access to public infrastructure



35
water licences covering 5.5m water users



8m
consumers receiving electricity via networks IPART regulates for safety and reliability



2.3m MWh
energy saved under the Energy Savings Scheme in 2017

SPECIAL REVIEWS

Recommending improved pricing, efficiency, industry structure and competition reform to support economic growth through:



REVIEWS AND LICENCES

Historical snapshot of reviews undertaken and licence determinations by year over the past five years



2017-18 HIGHLIGHTS

ENHANCING NSW ECONOMY THROUGH HIGH-QUALITY DECISIONS



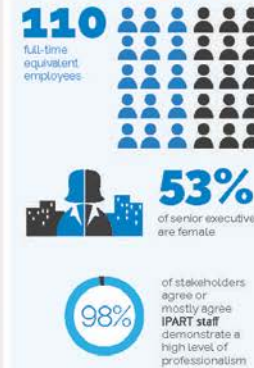
KEEPING REGULATED BUSINESS ACCOUNTABLE



MEETING STAKEHOLDER EXPECTATIONS



PROMOTING A THRIVING ORGANISATIONAL CULTURE



Our performance against strategic directions

We are currently pursuing four strategic directions to ensure we effectively fulfil our purpose, which is to provide independent regulatory decisions and advice to protect and promote the ongoing interests of the consumers, taxpayers and citizens of NSW. These strategic directions are to:

1. Deliver regulatory leadership, and high-quality decisions and advice to enhance our contribution to the NSW economy.
2. Keep regulated entities accountable in accordance with their regulatory requirements.
3. Meet stakeholder expectations through extensive consultations and the delivery of impartial, transparent and balanced determinations.
4. Promote a thriving culture, be an employer of choice and deliver a well-run organisation where highly professional and capable staff can perform, learn and enjoy.

Delivering regulatory leadership and high-quality decisions and advice

Water Pricing

In 2017-18 we completed the following reviews:

- ▼ Annual review of WaterNSW's bulk water charges in Murray Darling Basin valleys, under accreditation from the ACCC.
- ▼ Review of our asset disposals policy, amending how we adjust the regulatory asset base when a regulated business disposes of an asset.
- ▼ Review of our Cost Allocation Guide, to support public water utilities in developing cost allocation manuals to support third-party access to certain infrastructure services.

We also commenced the following reviews that will be completed in 2018-19:

- ▼ Developer charges and backlog sewerage charges for metropolitan water agencies.
- ▼ Rural water cost shares.
- ▼ Prices for Central Coast Council's water and sewerage services.
- ▼ Prices for WaterNSW's Murray River to Broken Hill Pipeline services.
- ▼ Prices for Essential Energy's water and sewerage services in Broken Hill.
- ▼ Review of bulk water trading markets.

We have a role in undertaking scheme-specific reviews of Sydney Water or Hunter Water's wholesale water and/or sewerage charges, subject to receiving a request for such a review from Sydney Water, Hunter Water or a wholesale customer. In 2017-18 we established processes and guidance material for undertaking scheme specific reviews if requested.

Energy pricing

In 2017-18, we reviewed solar feed-in tariffs, and monitored retail electricity and gas retail prices. Specifically we:

- ▼ Updated our subsidy-free benchmark range for the value of solar feed-in tariffs that some electricity retailers voluntarily offer to customers who are not part of the NSW Solar Bonus Scheme.
- ▼ We also commenced our fourth electricity retail market monitoring review of the performance and competitiveness of the retail electricity market in NSW between July 2017 and June 2018 and commenced our first annual review of the retail gas market, since retail gas prices were deregulated in July 2017. In response to an additional request from the Minister, our review assesses whether the changes in electricity and gas retail prices into 2018-19 reflect efficient costs in a competitive retail market and whether retailers are providing acceptable levels of customer communication and service in their delivery of metering services.
- ▼ We also commenced a review to monitor the wholesale and retail prices for petrol-ethanol blend. In October, we released a draft report and invite public submissions. In addition we made quarterly determinations of reasonable wholesale ethanol prices.

Transport pricing

In 2017-18 we completed our review of rural and regional bus fares, completed our review of fares for private ferry operators and reviewed taxi fares and licence numbers for outside Sydney. Specifically we:

- ▼ conducted a major review of fares for public bus services provided by private bus operators in rural and regional NSW. We have determined the maximum fares to apply for the determination period – 5 March 2018 to 31 December 2020.
- ▼ provided advice to the NSW Government on maximum fares for rank and hail taxi services across NSW to apply from 1 July 2018, and the number of new taxi licences (other than licences for wheelchair accessible taxis) to be issued in areas outside Sydney from 1 July 2018.
- ▼ assessed competition for rank and hail services and for broader point to point transport services to consider whether it is sufficient to move to a less prescriptive approach to fare regulation. We also gathered information, conducted analysis, and considered stakeholder submissions and feedback from public forums
- ▼ determined the maximum fares for seven private ferry operators that provide regular passenger ferry services under contract to Transport for NSW (TfNSW) in the Sydney, Central Coast and North Coast areas of NSW for four years from 1 January 2018 to 31 December 2021.
- ▼ assessed ARTC compliance with the NSW Rail Access Undertaking for its non-hunter valley sectors for 2016-17.

Monitoring the impacts of the Container Deposit Scheme (CDS) on container beverage prices and competition

We have been tasked to monitor the effects of the CDS in its first year of operation at the request of the Premier. The Government's concern is to manage the risk that suppliers may seek to raise the price of beverages above the costs of the scheme. Our terms of reference ask us to:

- ▼ monitor and report on the effect of the CDS on prices of container beverages and competition for container beverages, and any other market impacts on consumers
- ▼ recommend any actions required by government to address adverse effects or behaviours arising from the operation of the scheme, and
- ▼ recommend whether price monitoring should continue beyond the initial one-year period.

Local Government, developer contributions and reviews

We set the annual rate peg for 2018-19 at 2.3% to reflect changes in the prices for goods, materials and labour used by an average council.

In May 2018 we made 13 determinations on council applications for special variations to the rate peg. We made three Crown land adjustments in June 2018. These determinations came into effect in July 2018.

We completed assessments of two local infrastructure contributions plans - *Blacktown City Council's Contributions Plan 21 for Marsden Park*, and *Camden Growth Areas Contributions Plan*. We commenced our assessment of another three contributions plans, which we expect to finalise in the second half of 2018. Ultimately, our assessments will influence how much developers contribute toward s the cost of local infrastructure in the areas to which the plans apply.

Other special reviews

In addition to those listed above, during 2017-18, we:

- ▼ Released our 2018 Annual update to net rates of return for domestic waterfront tenancies
- ▼ Reviewed and released WACC Method 2017
- ▼ Reviewed the IPART Compliance and Enforcement Policy
- ▼ Reviewed Forestry Corporation of NSW's native timber harvesting and haulage costs
- ▼ Commenced a review of our financeability test.

Submissions to external regulatory reviews

We make submissions to external reviews where the issues are within our bailiwick and we have a substantial contribution to make. In 2017-18, we made two submissions to the following external reviews:

- ▼ Environmental Impact Assessment Improvement Project, August 2017
- ▼ Productivity Commission's review of National Water Reform 2017, October 2017.

Box 1 Delivering regulatory leadership and high quality decisions and advice – the year ahead

In **water pricing**, we will be:

- ▼ Finalising our review of Sydney Water, Hunter Water and the Central Coast Council's water, sewerage and stormwater developer and backlog sewerage charges determinations.
- ▼ Reviewing prices for the Central Coast Council's water and sewerage services.
- ▼ Reviewing prices for Essential Energy's water and sewerage services in Broken Hill.
- ▼ Reviewing prices for WaterNSW's Murray to Broken Hill Pipeline.
- ▼ Conducting an annual review of WaterNSW's bulk water charges in Murray Darling Basin valleys, under accreditation from the ACCC and the WCIR.
- ▼ Reviewing our approach to regulating prices for recycled water and related services provided by Sydney Water, Hunter Water, the Central Coast Council, and Essential Energy. This also includes arrangements for determining recycled water developer charges.
- ▼ Finalising our review into bulk water trading markets, which looks at identifying the major drivers of bulk water trading decisions in inter- and intra-state bulk water markets and assesses the impact of IPART's regulatory framework on trading decisions in these markets.
- ▼ Reviewing Sydney Water's Cost Allocation Manual to support third-party access to some of Sydney Water's infrastructure services.
- ▼ Undertaking a range of other research projects to prepare for future water and sewerage price reviews, including (but not limited to) investigating how:
 - we use information we collect from regulated businesses
 - benchmarking and component costing can inform our assessment of water utilities' efficient costs, and
 - we share the costs of delivering rural water services, including WaterNSW's costs and the Water Administration Ministerial Corporation's costs, between entitlement holders, other users and the NSW Government (our 'rural cost shares' review).

In the **energy and transport**, we will be:

- ▼ Assessing the competitiveness of the retail electricity and gas markets in NSW. We will continue to publish a benchmark rate for solar feed in tariffs.
- ▼ Determining the quarterly the wholesale price of ethanol using an import parity price (IPP) methodology. We will monitor the retail market (including prices) for petrol-ethanol blend.
- ▼ Commencing our review of Opal fares and also a review of taxi fares and licences.

In the **Local Government** area, we will be conducting a review of the Valuer General's maximum prices for valuation services to councils. We will also continue to set the rate peg, assess applications from councils for special variations, and review councils' local infrastructure contributions plans. Changes to the local infrastructure contributions framework announced by the Government on 1 June 2017 provide for IPART to continue to assess the costs of essential infrastructure in local infrastructure contributions plans (formerly referred to as section 94 plans).

We will also commence a **special review** under s145 of the *Cemeteries and Crematoria Act 2013* on the pricing of interment rights for perpetual and renewable sites and extent of competition, cost and pricing factors within the funeral industry more broadly.

Keeping regulated entities accountable

We regulate entities that operate in competitive markets and those that are monopolies. In some cases we have a role in safety or public health regulation, in others in protection of customers or consumers, and in others protection of the environment.

To keep regulated entities accountable in accordance with their regulatory requirements, we undertake a risk-based approach to monitoring their compliance with their licence conditions and/or regulatory requirements.

Water licensing

IPART is responsible for certain regulatory functions related to the operating licences for Hunter Water, Sydney Water and Water NSW. We also undertake functions in accordance with the *Water Industry Competition Act (2008)* to make recommendations to the Minister on whether to grant or refuse licences and the administration of those licences.

In 2017-18, we:

- ▼ completed a review of water utility performance indicators.
- ▼ commenced the end of term review of the Sydney Water Corporation operating licence.
- ▼ audited the compliance of Sydney Water Corporation and Hunter Water Corporation against their operating licences.
- ▼ audited the compliance of WaterNSW against the State Water Corporation and the Sydney Catchment Authority operating licences.
- ▼ completed a review of our *Audit Guideline – Public water utilities*.
- ▼ monitored the compliance of 21 network operator's licensees and 11 retail supplier's licensees under the WIC Act, including the completion of 12 operational audits
- ▼ prepared the 2016-17 Annual Compliance report to the Minister
- ▼ completed application assessments and made recommendations to the Minister that he grant two new network operator licence, one new retail supplier licence, three varied network operator licence, four varied retail supplier licences, and one network operator licence cancelled at licensee request
- ▼ completed six 5-year WIC Act licence reviews, including recommendations to vary the conditions of the licences.

Energy Network Regulation

We have a role in holding the electricity network operators in NSW accountable for safety and reliability and for compliance with licence conditions issued by the Minister, as well as compliance with employment guarantees. We also administer the licences and authorisations and undertake compliance for gas reticulators and distributors in NSW.

During 2017-18, we monitored the compliance of electricity network operators in NSW with their licences and their relevant legislative requirements, and we will provide our annual compliance report on licence compliance to the Minister for Resources and Energy by 31 October 2018. Specifically we:

- ▼ monitored and audited the compliance of the four licensed electricity network service providers in NSW, TransGrid, Ausgrid, Endeavour Energy, and Essential Energy, against their operating licences including critical infrastructure security for the networks operators under partial or full private operation, and reliability standards for the three licensed electricity distributors
- ▼ monitored compliance with parts of the *Electricity Supply Act 1995* and regulations for eight electricity network operators for safe operation of their networks:
 - audited amendments to the safety management systems of the four electricity major network operators required for them to properly address bushfire risks
 - audited planning and preparation undertaken by the four major network operators and Sydney Trains to manage a safe network
 - audited the planning, processes and implementation of work activities that are undertaken on a 'live' network by the three major distributors
 - audited the safety management systems of three small network operators - Lord Howe Island, Metro Trains Sydney, and Directlink
- ▼ continued to monitor network operators' improvements and activities following safety management system audits, and work with them to achieve safety improvements
- ▼ audited compliance with reliability and performance licence conditions, and the critical infrastructure licence conditions
- ▼ monitored compliance with the employment guarantees and the Code of practice for environmental impact assessments²
- ▼ reviewed and updated our Audit Guidelines and Reporting Manuals, and developed new ones for the reporting of compliance with the 'distribution districts' licence condition in the Ausgrid and Endeavour Energy licences
- ▼ administered nine licences/authorisations for gas distributors/reticulators.

Energy Savings Scheme administration and regulation

In our roles as Scheme Regulator and Scheme Administrator for the Energy Savings Scheme (ESS), we aim to protect the integrity of the scheme and the interests of electricity consumers by:

- ▼ monitoring compliance with the ESS target each year
- ▼ monitoring and managing participants' compliance with legislative requirements and conditions of accreditation, and
- ▼ ensuring that Energy Saving Certificates (certificates) created represent genuine energy savings.

We conducted a number of activities during 2017-18 to review and improve our administration of the scheme, including:

- ▼ upgrading the ESS Portal (our online administration tool) to improve how ACPs and auditors interact with us,

² Department of Planning and Environment, *NSW Code of Practice for Authorised Network Operators*, September 2015.

- ▼ revising our compliance framework to ensure that the way we monitor and manage compliance is effective and efficient.

Risks to scheme integrity

We identified several trends that could pose risks to the integrity of the scheme, including some aspects of the scheme design that may provide scope for deliberate non-compliance.

In response, we continued to implement a range of actions, including:

- ▼ using market intelligence to better target our compliance activities
- ▼ expanding the scope of particular audits to include additional verification checks
- ▼ conducting formal investigation activities
- ▼ taking enforcement action, and
- ▼ working with the scheme policy makers to improve scheme design.

In 2017-18 compliance with the ESS was high and almost 4.7 million ESCs were created

Our ESS Annual Compliance Report to the Minister for the 2017 calendar year includes a number of key points:

- ▼ the energy savings target was met by Scheme Participants and compliance was high
- ▼ ACPs created around 4.7 million energy savings certificates during 2017 and the total certificate surplus increased to 5.1 million certificates as at 30 June 2018.
- ▼ certificates were created for gas savings activities for the first time (previously all certificate creation was for electricity savings activities)
- ▼ compliance by ACPs was generally high, as improper creation by ACPs was equivalent to 1.1% of all certificates created from 2017 activities (we have recovered nearly all of these, leaving 0.1% of all certificates created from 2017 activities unrecovered)
- ▼ when forward creation of certificates and deeming of energy savings is taken into account, we estimate that during 2017, 2.3 million MWh of electricity savings and 30,000 MWh of gas savings were realised
- ▼ the indicative certificate price increased from \$14 in July 2017 to \$24 in June 2018

Our administrative actions reflected the growth and complexity of the Scheme

During 2017-18, we took a range of administrative actions, as outlined below. While the number of applications for accreditation decreased over the period, there was a significant increase in audit activity. For the first time, we issued a penalty of \$20,000 for improper creation of ESCs.

- ▼ we granted 21 new accreditations, which was down from 31 in 2016-2017 and the average application processing time in 2017 was 118 calendar days, compared to 92 in 2016
- ▼ we approved 48 amendments to accreditations, which was down from 58 in 2016-17
- ▼ we cancelled 18 accreditations (down from 27 in 2016-17) – four of these accreditations were cancelled because we were satisfied that the ACP had breached its accreditation conditions, while the remaining accreditations were cancelled because the ACP was no longer eligible to be accredited, or because it requested cancellation

- ▼ our audit services panel undertook 129 audits (up from 109 in 2016-17), covering 79 accreditations
- ▼ we accepted 1,741 emerging lighting technology products for use in the scheme (down from 2,289 in 2016-17), including 151 products approved under the Victorian Energy Efficiency Target (VEET) scheme
- ▼ we held 12 online workshops and three in-person workshops, with a total of 131 external participants

Box 2 Keeping regulated entities accountable – The year ahead

In our **water licensing and compliance** role we plan to:

- ▼ continue liaising with the Department on reforms to the WIC Act and develop our approach and processes for assessment and compliance under the Amending Act
- ▼ audit the compliance of Sydney Water Corporation and Hunter Water Corporation against their operating licences. Audit the compliance of Water NSW against the State Water Corporation and the Sydney Catchment Authority operating licences.
- ▼ commence our review of the Sydney Water Corporation Operating Licence.
- ▼ continue to assess licence and variation applications, and to monitor compliance of licensees, under the WIC Act.

In our **electricity network safety and reliability** role and our energy licensing and compliance role we plan to:

- ▼ undertake risk-based activities to monitor and enforce compliance with the safety and reliability of electricity distribution network service providers, with an audit of asset management of the four major network operators scheduled for early 2019.
- ▼ continue to assess compliance of electricity networks against their licences, including reliability and critical infrastructure requirements where applicable.
- ▼ assess compliance of electricity networks against the requirements of the Electricity Supply Act, including aspects of their safety management systems such as bushfire preparedness
- ▼ monitor compliance with the employment guarantees under the *Electricity Network Assets (Authorised Transactions) Act 2015* as applicable.
- ▼ monitor compliance of gas reticulators against their licence requirements.

In our role administering the **ESS**, we plan to:

- ▼ continue to improve our compliance systems and processes
- ▼ work with the policy makers to improve scheme design to minimise the potential for non-compliance, and
- ▼ contribute to the five-yearly Statutory Review of the ESS, which the policy agencies will undertake in 2019.

Meeting stakeholder expectations

IPART's focus is on enhancing the quality of its work and the rigour of its processes through extensive consultation and communications with stakeholders and the delivery of impartial, transparent and balanced decisions.

Extensive consultation

Public consultation is an important part of IPART's process for conducting reviews and making decisions. We encourage and facilitate stakeholder engagement through public hearings and workshops, online forums, submission processes and stakeholder meetings, and 90% of stakeholders rated IPART's engagement with them as effective or very effective.³

We aim to ensure that our communication provides stakeholders with easy access to the information that they need and in a form that they can understand with 91% of respondents in our most recent stakeholder survey consider that our consultation processes are of high quality.⁴ We are committed to continuing to improve our communication material to ensure we canvas a wide range of views.

Delivery of impartial, transparent and balanced decisions

In achieving a balanced regulatory decision, we continue to strive to be at the forefront of regulation. In the most recent stakeholder survey, 95% of respondents considered that overall, our decision-making processes were of high quality, significantly improving from our previous survey.⁵ Similarly, there was a significant increase to 91% in stakeholders' perception of whether the decision-making processes are fair in that we give due weight to competing claims to reach a balanced outcome.⁶

Key outputs for 2017-18 include:

- ▼ 49 consultation papers released
- ▼ 11 consultation hearings and workshops
- ▼ 1797 submissions received
- ▼ 19 Final Reports.

Promoting a thriving culture

As at 30 June 2018, IPART had 135 people working on either a full-time or part-time basis. Our staff have diverse skills and experience and come from a range of backgrounds – including economics, engineering, law, science and business.

We have continued to focus on supporting all of our staff in developing high performing teams that are flexible and agile, allowing us to effectively undertake the work given to us by Government.

³ See ARTD Consultants, *Findings from the Independent Pricing and Regulatory Tribunal 2017 Stakeholder Survey - Final Report*, August 2017, p 24

⁴ See ARTD Consultants, *Findings from the Independent Pricing and Regulatory Tribunal 2017 Stakeholder Survey - Final Report*, August 2017, p 12

⁵ See ARTD Consultants, *Findings from the Independent Pricing and Regulatory Tribunal 2017 Stakeholder Survey - Final Report*, August 2017, p 16

⁶ See ARTD Consultants, *Findings from the Independent Pricing and Regulatory Tribunal 2017 Stakeholder Survey - Final Report*, August 2017, p 16

Employer of choice

We continue to aim to promote a thriving culture, be an employer of choice, and deliver a well-run agency where highly professional and capable staff can perform, learn and enjoy. Specifically we:

- ▼ Continue to treat all employees fairly and with respect regardless of gender, age, race, disability, ethnicity or religious beliefs
- ▼ Further develop awareness and understanding of cultural diversity and develop a work environment that values cultural differences
- ▼ Proactively develop our employees at all levels and always ensure pay equity
- ▼ Recognise and reward performance, suitability and competence in IPART's recruitment and selection processes regardless of the diversity characteristics of any particular applicant
- ▼ Ensure all internal and external hiring decisions are underpinned by fair, rigorous and transparent and capability-based selection methods
- ▼ Continue to support flexible working arrangements such as working from home and part time work.

Developing our people through a well-run organisation where highly professional staff can perform, learn and enjoy

IPART is committed to developing an agile, high performing workforce and providing opportunities and an environment to develop and promote the knowledge, experience and skill transfer between people.

In supporting the continual growth and development of our employees, we made investments in staff training and supported the ongoing education of our employees. On average, we invested approximately \$2,401 per employee in formal learning activities, an increase from \$927 in 2016-17. In 2017, we embedded our commitment to the 70:20:107 model of development within IPART's revised performance enhancement system.

We have also continued to ensure we support the development of our staff by providing cross agency mobility and internal development opportunities to work across other teams in IPART in order to gain further knowledge, skills and experience.

7 70% from on-the-job experiences, tasks and problem solving; 20% from peer-based learning or examples; and 10% from formal courses and reading, see Public Service Commission Capability Framework (<https://www.psc.nsw.gov.au/workforce-management/capability-framework/how-to-apply-the-framework/learning-and-development>)

Our leadership structure and people

Our organisation is led by a Tribunal whose members are appointed by the Premier, and supported by a Secretariat providing analysis, research, advisory and administrative services.

The Tribunal

The Tribunal comprises three permanent members: a Chair and two Tribunal Members. The Premier may appoint any number of additional temporary members where required. There were no temporary members appointed for 2017-18.

The Chair and Tribunal Members are appointed for terms of up to five years on the basis of their knowledge and understanding of economics, the interests of consumers, and the interests of suppliers of services (including the Government).



Dr Peter J Boxall AO**Chair**

B Econ (Hons), M Econ, PhD

Peter Boxall joined the Tribunal after a distinguished career in the Australian public sector, where he made a recognised contribution to economic and financial policy development and reform in the areas of accrual budgeting, taxation, and workplace relations. Previously, Peter was a Commissioner at the Australian Securities and Investments Commission for three years. He also held senior executive positions in the Australian Government, including Secretary of the Department of Resources, Energy and Tourism, Secretary of the Department of Employment and Workplace Relations, and Secretary of Finance and Administration. Peter was initially appointed to the Tribunal from 23 November 2011 for a term of five years. This was extended for a further three years until 22 November 2019.

**Mr Ed Willett****Tribunal Member**

B Ec, LLB, Dip. Int. Law

Ed Willett has many years of experience in competition policy and economic regulation, with a particular focus on the economic regulation of utility services. He was a commissioner at the Australian Competition and Consumer Commission until 2013 and an inaugural member of the Australian Energy Regulator in 2005. Ed was appointed to the Tribunal from 8 December 2014 for a term of five years until 7 December 2019.

**Ms Deborah Cope****Tribunal Member**

B Econ (Hons)

Ms Cope brings to the Tribunal more than 30 years' experience in Australian public policy and management. She was a Commissioner with the Victorian Competition and Efficiency Commission until 2015 and has operated a consulting business for 15 years. Deborah was initially appointed to the Tribunal for a term of 6 months effective 3 February 2017. This was extended for a further four and a half years to 2 February 2022.

Delegated powers

As is allowed under the IPART Act, the Tribunal delegates some of its functions to support its efficient and timely operation, and allow its members to focus on the more important or complex issues at its meetings.

During 2017-18, the Tribunal delegated:

- ▼ certain functions to a Delegated Tribunal, which comprises Tribunal members Ed Willett and Deborah Cope. The terms of this delegation were wide ranging and allowed the delegate, for example, to exercise the pricing and industry functions of the Tribunal except for the function of making a determination or issuing a report to the Minister. The Delegated Tribunal met 10 times in 2017-18.

- ▼ its responsibilities regarding the administration of the Energy Savings Scheme to a separate committee under the *Electricity Supply Act 1995*. The Minister for Energy and Utilities approved this delegation. The Tribunal delegated scheme administrator and scheme regulator functions to a committee comprising Ed Willett (Chair), Brian Spalding and Fiona Towers. The committee met 13 times in 2017-18.
- ▼ its responsibilities regarding reviewing Local Government Contributions Plans under the *Environmental Planning and Assessment Act 1979* to a committee. The Committee comprised of Deborah Cope (Chair), Matthew Edgerton and Stuart McDonald. It met nine times in 2017-18.
- ▼ its responsibilities of the Electricity Networks assets, relevant licensing, technical and safety functions under the *Electricity Supply Act 1995*, the *Electricity Supply (Safety and Network Management) Regulation 2014*, and the *Electricity Network Assets (Authorised Transactions) Act 2015* to a committee. The committee comprised Ed Willett (Chair), Deborah Cope and Brian Spalding and met 15 times in 2017-18.
- ▼ certain administrative functions to the CEO to enable him to make decisions on more routine matters.

The Secretariat

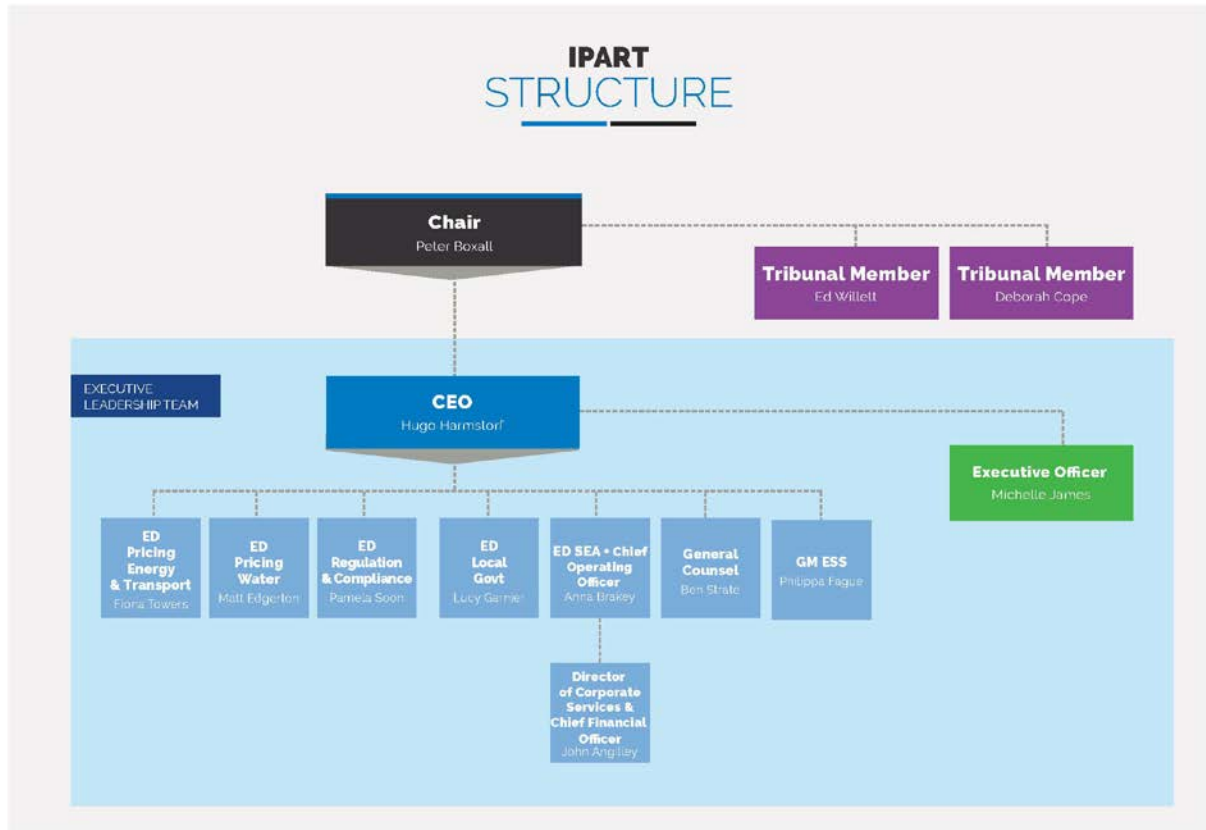
The Secretariat assists the Tribunal and its delegated committees by providing research and advisory services, and supporting investigations and public processes. The Secretariat includes:

- ▼ **The Chief Executive Officer** who manages seven executive staff, and is responsible for the Tribunal's professional output and overall operations. The CEO is accountable for the quality of this professional output, and for the general conduct and effective, efficient and economical management of our functions and activities. The CEO attends Tribunal meetings to provide input to the Tribunal's decision-making process and to ensure teams have the best possible information to conduct reviews effectively.
- ▼ **A team of seven senior executives** who together with the CEO form the Executive Leadership Team, responsible for delivering high-quality, accurate, timely and clear advice that the Tribunal relies on in decision making. These executives lead our teams of professional, legal and support services staff, or provide specialised technical advice aimed at maintaining our high standards and ensuring we are at the frontier of economic regulation and scheme administration.
- ▼ **Professional/analytical staff** who work in industry-based teams, undertaking research, investigation and analysis to provide professional advice to the Tribunal members. Many are economists and financial/accounting analysts, while some have engineering, planning and financial modelling capabilities.
- ▼ **Legal staff** who provide advice on the legal issues that arise in carrying out our functions.
- ▼ **Corporate services staff** who provide information technology, finance, procurement, general administrative, and personnel support to the operational areas, and manage our processes, including the public registry, submissions, and the preparation and publication of reports and our website.

In addition, for many of our reviews, we commission consultants to undertake additional research and provide the Tribunal with the highest quality advice on complex topics.

Organisation Chart

This organisation chart is as at June 2018.



Financial reports



INDEPENDENT AUDITOR'S REPORT

Independent Pricing and Regulatory Tribunal Staff Agency

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Independent Pricing and Regulatory Tribunal Staff Agency (the Agency), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Agency as at 30 June 2018, and of its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Agency in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

Other information comprises the information included in the annual report of the Agency for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Chief Executive Officer of the of the Independent Pricing and Regulatory Tribunal is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by the Chief Executive.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Chief Executive Officer's Responsibilities for the Financial Statements

The Chief Executive Officer of the Independent Pricing and Regulatory Tribunal is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Agency determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the ability of the Agency to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Agency will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

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

David Daniels
Director, Financial Audit Services

21 September 2018
SYDNEY

**Independent Pricing and Regulatory Tribunal
Staff Agency**

**Financial Statements
for the year ended 30 June 2018**

Independent Pricing and Regulatory Tribunal Staff Agency
Statement of Comprehensive Income
for the year ended 30 June 2018

	Notes	Actual 2018 \$'000	Actual 2017 \$'000
Expenses excluding losses			
Employee-related expenses	2	21,800	21,918
Total expenses excluding losses		21,800	21,918
Revenue			
Personnel services revenue	3(a)	20,941	21,538
Acceptance by the Crown Entity of employee benefits and other liabilities	3(b)	859	380
Total revenue		21,800	21,918
Operating result		-	-
Gain / (losses)		-	-
Net result		-	-
Other comprehensive income		-	-
Total other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		-	-

The accompanying notes form part of these financial statements.

Independent Pricing and Regulatory Tribunal Staff Agency
Statement of Financial Position
as at 30 June 2018

	Notes	Actual 2018 \$'000	Actual 2017 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	31	335
Receivables	5	2,755	2,684
Total Current Assets		<u>2,786</u>	3,019
Total Assets		<u>2,786</u>	3,019
LIABILITIES			
Current Liabilities			
Payables	6	338	546
Provisions	7	2,416	2,448
Total Current Liabilities		<u>2,754</u>	2,994
Non-Current Liabilities			
Provisions	7	32	25
Total Non-Current Liabilities		<u>32</u>	25
Total Liabilities		<u>2,786</u>	3,019
Net Assets		<u>-</u>	-
EQUITY			
Equity		<u>-</u>	-

The accompanying notes form part of these financial statements.

Independent Pricing and Regulatory Tribunal Staff Agency
Statement of Changes in Equity
for the year ended 30 June 2018

	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2017	-	-
Net result for the year	-	-
Total comprehensive income for the year	-	-
Balance at 30 June 2018	-	-

	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2016	-	-
Net result for the year	-	-
Total comprehensive income for the year	-	-
Balance at 30 June 2017	-	-

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal Staff Agency
Statement of Cash Flows
for the year ended 30 June 2018**

	Notes	Actual 2018 \$'000	Actual 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related		(21,455)	(21,315)
Total Payments		(21,455)	(21,315)
Receipts			
Personnel services		21,151	21,576
Total Receipts		21,151	21,576
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	(304)	261
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(304)	261
Opening cash and cash equivalents		335	74
CLOSING CASH AND CASH EQUIVALENTS	4	31	335

The accompanying notes form part of these financial statements.

1. Statement of Significant Accounting Policies

(a) Reporting entity

The Independent Pricing and Regulatory Tribunal Staff Agency (Staff Agency) is public service agency established under the Administrative Arrangements Order 2014 and is pursuant to Part 2 of Schedule 1 of the Government Sector Employment Act 2013. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. The Staff Agency is domiciled in Australia and its principal office is at Level 15, 2-24 Rawson Place, Sydney 2000.

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

These financial statements for the year ended 30 June 2018 have been authorised for issue by the Chief Executive Officer on 17 September 2018.

(b) Basis of preparation

The Staff Agency's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015 and*
- Financial Reporting Directions mandated by the Treasurer.

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

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

(c) Statement of compliance

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

(d) Comparative information

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

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2018

1 Statement of Significant Accounting Policies (cont'd)

(e) Changes in accounting policies, including new or revised AAS

(i) Effective for the first time in 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except as a result of the following new or revised AAS that have been applied for the first time in 2017-18.

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

(ii) Issued but not yet effective

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

The following new Australian Accounting Standards have not been applied and are not yet effective:

- AASB 9 *Financial Instruments*
- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding *Revenue from Contracts with Customers*
- AASB 16 *Leases*
- AASB 1058 *Income of Not-for-profit Entities*
- AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfer of investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

These standards are not expected to materially impact the financial statements in future periods.

2. Expenses Excluding Losses

	2018	2017
	\$'000	\$'000
Employee related expenses		
Salaries and wages (including annual leave)	18,251	18,802
Superannuation - defined benefit plans	20	19
Superannuation - defined contribution plans	1,176	1,200
Long service leave	824	353
Workers' compensation insurance	66	44
Payroll tax and fringe benefit tax	1,036	1,083
Redundancy payments	321	462
On costs (annual leave and long service leave)	106	(45)
	21,800	21,918

Employee related costs that have been capitalised and therefore excluded from the above: **\$107,630** (2017: Nil).

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2018

3. Revenue

Recognition and Measurement

Income is measured at the fair value of the consideration or contribution received or receivable. Revenue is recognised from the Tribunal for providing personnel services.

(a) Personnel services revenue

	2018	2017
	\$'000	\$'000
Personnel services	20,941	21,538
	20,941	21,538

(b) Acceptance by the Crown Entity of employee benefits and other liabilities

The following liabilities and / or expenses have been assumed by the Crown Entity or other government entities:

	2018	2017
	\$'000	\$'000
Superannuation - defined benefit	34	26
Long service leave provision	824	353
Payroll tax	1	1
	859	380

4. Current Assets - Cash and Cash Equivalents

	2018	2017
	\$'000	\$'000
Cash at bank and on hand	31	335
	31	335

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank and cash on hand.

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

Cash and cash equivalents (per Statement of Financial Position)	31	335
Cash and cash equivalents (per Statement of Cash Flows)	31	335

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

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2018

5. Current Assets - Receivables

	2018	2017
	\$'000	\$'000
Personnel services	<u>2,755</u>	<u>2,684</u>
	2,755	2,684

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in Note 10.

Recognition and Measurement

Receivables, including trade receivables, prepayments etc. are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

6. Current Liabilities - Payables

	2018	2017
	\$'000	\$'000
Accrued salaries, wages and on-costs	264	161
Creditors	<u>74</u>	<u>385</u>
	338	546

Details regarding liquidity risk including a maturity analysis of the above payables, are disclosed in Note 10.

Recognition and Measurement

Payables represent liabilities for goods and services provided to the Staff Agency and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2018

7. Current / Non-Current Liabilities - Provisions

	2018 \$'000	2017 \$'000
Current		
Employee benefits and related on-costs		
Annual leave	1,644	1,788
Long service leave on-costs	369	292
Banked flex leave	126	110
Payroll tax	277	258
Total current provisions	2,416	2,448
Non-current		
Employee benefits and related on-costs		
Long service leave on-costs	32	25
Total non-current provisions	32	25
Total Provisions	2,448	2,473
Aggregate employee benefits and related on-costs		
Provisions - current	2,416	2,448
Provisions - non-current	32	25
Accrued salaries, wages and on-costs (Note 6)	264	161
	2,712	2,634

Current provisions are expected to be settled as follows:

	2018 \$'000	2017 \$'000
Employee benefits expected to be settled within 12 months from the reporting date		
Annual leave	1,315	1,430
Employee benefits expected to be settled in more than 12 months from the reporting date		
Annual leave	329	358

Recognition and Measurement

***Employee benefits and related on-costs
Salaries and wages, annual leave and sick leave***

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

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

7. Current / Non- Current Liabilities - Provisions (cont'd)

Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Staff Agency has assessed the actuarial advice based on the Staff Agency's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the Staff Agency does not expect to settle the liability within 12 months as the Staff Agency does not have an unconditional right to defer settlement.

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

Long service leave and superannuation

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

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

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

Consequential on-costs

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

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2018

8. Contingent Liabilities and Contingent Assets

The Staff Agency has no contingent liabilities and contingent assets as at 30 June 2018 (2017 Nil).

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

	2018	2017
	\$'000	\$'000
Net cash used on operating activities	(304)	261
Decrease / (increase) in provisions	25	229
Increase / (decrease) in receivables	(135)	(38)
Decrease / (increase) in payables	414	(452)
Net result	-	-

10. Financial Instruments

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

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

a) Financial instrument categories

Class	Note	Category	2018	2017
			\$'000	\$'000
			Carrying	Carrying
			Amount	Amount
Financial Assets				
Cash and cash equivalents	4	N/A	31	335
Receivables ¹	5	Loans and receivables (at amortised cost)	2,755	2,684
Financial Liabilities				
Payables ²	6	Financial liabilities measured at amortised cost	338	546

Notes:

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

10. Financial Instruments (cont'd)

b) Financial risks

i. Credit Risk

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

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

Cash and cash equivalents

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

Receivables - trade debtors

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

ii) Liquidity risk

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to the other suppliers, the Tribunal may automatically pay the supplier simple interest. No interest for late payment was paid during the year (2017 nil).

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2018

10. Financial Instruments (cont'd)

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

Maturity analysis and interest rate exposure of financial liabilities

	\$'000				
	Interest Rate Exposure		Maturity Dates		
	Nominal Amount ¹	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
2018					
Payables					
Accrued salaries, wages and on-costs	264	264	264	-	-
Creditors	74	74	74	-	-
	338	338	338	-	-
2017					
Payables					
Accrued salaries, wages and on-costs	161	161	161	-	-
Creditors	385	385	385	-	-
	546	546	546	-	-

Notes:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Staff Agency can be required to pay. As the Staff Agency's financial instruments are all non-interest bearing, their undiscounted value is also their value in the Statement of Financial Position.

iii) Market risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Staff Agency operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis is performed on the same basis as for 2017. The analysis assumes that all other variables remain constant.

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2018

10. Financial Instruments (cont'd)

Interest rate risk

Exposure to interest rate risk arises primarily through the Staff Agency's interest bearing liabilities. The Staff Agency does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Staff Agency's exposure to interest rate risk is set out below.

	\$'000			
	- 1%		1%	
	Net Result	Equity	Net Result	Equity
2018				
Financial assets				
Cash and cash equivalents	-	-	-	-
Total	-	-	-	-
2017				
Financial assets				
Cash and cash equivalents	(3)	(3)	3	3
Total	(3)	(3)	3	3

Other price risk

The Staff Agency has no exposure to other price risk.

c) Fair value measurement

i) Fair value compared to carrying amount

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

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2018

11. Related Party Disclosures

The Staff Agency's key management personnel include the Chairman and Chief Executive Officer. They have authority and are responsible for planning, directing and controlling the activities of the Staff Agency, directly or indirectly.

The Staff Agency's key management personnel compensation are as follows:

	2018 \$'000	2017 \$'000
Salaries	765	744
Total compensation	<u>765</u>	<u>744</u>

During the year, the Staff Agency did not enter into any transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof. The aggregate value of the material transactions and related outstanding balances as at and for the year ending 30 June 2018 are nil.

The Staff Agency during the year entered into transactions with other entities that are controlled/ jointly controlled/ significantly influenced by the NSW government. These transactions include:

- Defined Benefit Superannuation and LSL assumed by the Crown
- Payments to the Treasury Managed Fund for workers compensation insurance

12. Events after the Reporting Period

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

End of audited financial statements.



INDEPENDENT AUDITOR'S REPORT

Independent Pricing and Regulatory Tribunal

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Independent Pricing and Regulatory Tribunal (the Tribunal), which comprise the Statements of Comprehensive Income for the year ended 30 June 2018, the Statements of Financial Position as at 30 June 2018, the Statements of Changes in Equity and the Statements of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information, of the Tribunal and the consolidated entity. The consolidated entity comprises the Tribunal and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Tribunal and the consolidated entity as at 30 June 2018, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Tribunal and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

Other information comprises the information included in the annual report of the Tribunal and the consolidated entity for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Chief Executive Officer of the Tribunal is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Chief Executive.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Chief Executive Officer's Responsibilities for the Financial Statements

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Tribunal determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the ability of the Tribunal and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Tribunal will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

A handwritten signature in black ink that reads "D Daniels". The signature is written in a cursive style with a large, stylized initial "D".

David Daniels
Director, Financial Audit Services

21 September 2018
SYDNEY

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

**Financial Statements
for the year ended 30 June 2018**

**Independent Pricing and Regulatory Tribunal
Statement of Comprehensive Income
for the year ended 30 June 2018**

	Notes	Consolidated			Tribunal		
		Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
Expenses excluding losses							
Employee-related expenses	2(a)	21,800	22,677	21,918	-	-	-
Other operating expenses	2(b)	8,351	9,465	8,452	8,351	9,465	8,452
Personnel services		-	-	-	20,941	22,295	21,538
Depreciation and amortisation	2(c)	987	1,058	995	987	1,058	995
Total expenses excluding losses		31,138	33,200	31,365	30,279	32,818	30,985
Revenue							
Appropriations	3(a)	30,656	31,987	25,542	30,656	31,987	25,542
Sale of goods and services	3(b)	1,331	1,303	3,022	1,331	1,303	3,022
Acceptance by the Crown Entity of employee benefits and other liabilities	3(c)	859	382	380	-	-	-
Other income	3(d)	807	-	125	807	-	125
Total Revenue		33,653	33,672	29,069	32,794	33,290	28,689
Operating result		2,515	472	(2,296)	2,515	472	(2,296)
Gains / (losses)		-	-	-	-	-	-
Net result		2,515	472	(2,296)	2,515	472	(2,296)
Other comprehensive income		-	-	-	-	-	-
Total other comprehensive income		-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME		2,515	472	(2,296)	2,515	472	(2,296)

The accompanying notes form part of these financial statements.

Independent Pricing and Regulatory Tribunal
Statement of Financial Position
as at 30 June 2018

	Notes	Consolidated			Tribunal		
		Actual	Budget	Actual	Actual	Budget	Actual
		2018 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2018 \$'000	2017 \$'000
ASSETS							
Current Assets							
Cash and cash equivalents	5	4,792	1,835	1,850	4,761	1,835	1,515
Receivables	6	680	1,504	395	637	1,504	345
Total Current Assets		5,472	3,339	2,245	5,398	3,339	1,860
Non-Current Assets							
Plant and equipment							
- Plant and equipment	7	884	-	238	884	-	238
- Leasehold improvement	7	1,399	2,221	2,247	1,399	2,221	2,247
Total plant and equipment		2,283	2,221	2,485	2,283	2,221	2,485
Intangible assets	8	25	705	29	25	705	29
Total Non-Current Assets		2,308	2,926	2,514	2,308	2,926	2,514
Total Assets		7,780	6,265	4,759	7,706	6,265	4,374
LIABILITIES							
Current Liabilities							
Payables	9	2,708	1,737	2,296	2,634	1,737	1,911
Provisions	10	2,416	2,396	2,448	2,448	2,396	2,473
Other current liabilities	11	119	-	-	119	-	-
Total Current liabilities		5,243	4,133	4,744	5,201	4,133	4,384
Non-Current Liabilities							
Provisions	10	676	875	669	644	875	644
Total Non-Current Liabilities		676	875	669	644	875	644
Total Liabilities		5,919	5,008	5,413	5,845	5,008	5,028
Net Assets		1,861	1,257	(654)	1,861	1,257	(654)
EQUITY							
Accumulated funds	12	1,861	1,257	(654)	1,861	1,257	(654)
Total Equity		1,861	1,257	(654)	1,861	1,257	(654)

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal
Statement of Changes in Equity
for the year ended 30 June 2018**

Consolidated / Tribunal	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2017	(654)	(654)
Net result for the year	2,515	2,515
Total other comprehensive income	-	-
Total comprehensive income for the year	2,515	2,515
Balance at 30 June 2018	1,861	1,861

Consolidated / Tribunal	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2016	1,642	1,642
Net result for the year	(2,296)	(2,296)
Total other comprehensive income	-	-
Total comprehensive income for the year	(2,296)	(2,296)
Balance at 30 June 2017	(654)	(654)

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal
Statement of Cash Flows
for the year ended 30 June 2018**

	Consolidated			Tribunal			
	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee related		(21,455)	(22,294)	(21,315)	-	-	-
Personnel services		-	-	-	(21,069)	(22,294)	(21,626)
Other		(8,420)	(10,686)	(9,409)	(8,422)	(10,686)	(9,409)
Total Payments		(29,875)	(32,980)	(30,724)	(29,491)	(32,980)	(31,035)
Receipts							
Appropriations (excluding equity appropriations)		30,775	31,987	25,542	30,775	31,987	25,542
Sale of goods and services		2,016	1,303	5,195	1,936	1,303	5,245
Other		807	1,220	64	807	1,220	64
Total Receipts		33,598	34,510	30,801	33,518	34,510	30,851
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	3,723	1,530	77	4,027	1,530	(184)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of plant and equipment		(781)	(1,530)	(20)	(781)	(1,530)	(20)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(781)	(1,530)	(20)	(781)	(1,530)	(20)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS							
Opening cash and cash equivalents		1,850	1,835	1,793	1,515	1,835	1,719
CLOSING CASH AND CASH EQUIVALENTS	5	4,792	1,835	1,850	4,761	1,835	1,515

The accompanying notes form part of these statements.

1. Statement of Significant Accounting Policies

(a) Reporting entity

The Independent Pricing and Regulatory Tribunal (the Tribunal) is a NSW government independent statutory entity and is controlled by the State of New South Wales, which is the ultimate parent. The Tribunal is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The Tribunal provides independent regulatory decisions and advice to protect and promote the ongoing interest of the consumers, tax payers and citizens of New South Wales. The Tribunal is domiciled in Australia and its principal office is at Level 15, 2-24 Rawson Place, Sydney 2000.

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

In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

These financial statements for the year ended 30 June 2018 have been authorised for issue by the Chief Executive Officer on 17 September 2018.

(b) Basis of preparation

The Tribunal's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015* and
- Financial Reporting Directions mandated by the Treasurer.

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

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

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

(c) Statement of compliance

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

(d) Administered activities

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

Transactions and balances relating to the administered activities are not recognised as the Tribunal's income, expenses, assets and liabilities, but are disclosed in Note 17 as "Administered Assets and Liabilities".

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

1. Statement of Significant Accounting Policies (cont'd)

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

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

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

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Comparative information

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

(g) Changes in accounting policies, including new or revised AAS

(i) Effective for the first time in 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except as a result of the following new or revised AAS that have been applied for the first time in 2017-18.

- AASB 2016 2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017 2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014 2016 Cycle

(ii) Issued but not yet effective

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

The following new Australian Accounting Standards have not been applied and are not yet effective:

- AASB 9 *Financial Instruments*
- AASB 15, AASB 2014 5, AASB 2015 8 and 2016 3 regarding *Revenue from Contracts with Customers*
- AASB 16 *Leases*
- AASB 1058 *Income of Not for profit Entities*
- AASB 2016 7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not for Profit Entities*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfer of investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

The implementation of AASB 16 Leases and AASB 1058 Income of Not for profit Entities are currently being assessed as they are expected to have an impact on the financial statements. Under AASB 16 leased assets and financial liabilities on the statement of financial position will be increased. The main impact of AASB 1058 is the timing of income recognition will depend on whether there is any performance obligation. The rest of the standards in future periods is not expected to materially impact the financial statements.

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2018**

2. Expenses Excluding Losses

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
(a) Employee related expenses				
Salaries and wages (including annual leave)	18,251	18,802	-	-
Superannuation - defined benefit plans	20	19	-	-
Superannuation - defined contribution plans	1,176	1,200	-	-
Long service leave	824	353	-	-
Workers compensation insurance	66	44	-	-
Payroll tax and fringe benefit tax	1,036	1,083	-	-
Redundancy payments	321	462	-	-
On costs - annual leave and long service leave	106	(45)	-	-
	21,800	21,918	-	-

Employee related costs that have been capitalised and therefore excluded from the above: **\$107,630** (2017: Nil).

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
(b) Other operating expenses include the following:				
Advertising	12	74	12	74
Auditor's remuneration - audit of the financial statements	41	40	41	40
Board and Committee Fees	336	384	336	384
Cleaning and outgoings	447	425	447	425
Corporate services fees	570	620	570	620
Consultants	3,176	2,696	3,176	2,696
Contractors	367	781	367	781
Information Technology	427	623	427	623
Information resources and media	314	121	314	121
Internal audit fees	89	58	89	58
Insurance	11	11	11	11
Legal Fees	622	640	622	640
Operating lease rental expense - minimum lease payments	1,162	1,200	1,162	1,200
Training (staff development)	324	296	324	296
Travel	160	138	160	138
Other operating expenses	258	307	258	307
Maintenance expenses	35	38	35	38
	8,351	8,452	8,351	8,452

Reconciliation – Total Maintenance

Maintenance expense - other (non-employee related), as above	35	38	35	38
Total maintenance expenses included in Note 2(a) + 2(b)	35	38	35	38

Recognition and Measurement

Maintenance expense

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

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2018**

2. Expenses Excluding Losses (cont'd)

Insurance

The Tribunal's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience. The TMF is managed by Insurance and Care NSW (icare), a controlled entity of the ultimate parent.

Operating leases

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
(c) Depreciation and amortisation expense				
Depreciation				
Plant and Equipment	130	152	130	152
Leasehold Improvements	848	831	848	831
Total Depreciation	978	983	978	983
Amortisation				
Intangibles	9	12	9	12
Total Amortisation	9	12	9	12
Total Depreciation and Amortisation	987	995	987	995

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2018**

3. Revenue

Recognition and Measurement

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

(a) Appropriations and Transfers to the Crown Entity

Summary of Compliance	Consolidated / Tribunal			
	2018 \$'000 Appropriation	2018 \$'000 Expenditure	2017 \$'000 Appropriation	2017 \$'000 Expenditure
Original Budget per Appropriation Act	31,987	30,775	30,297	25,542
Other Appropriations / Expenditure - Other adjustments :				
Other under expenditure / Carry Forward	(1,212)			
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	30,775	30,775	30,297	25,542
Appropriation drawn down*	<u>30,775</u>	<u>30,775</u>	<u>30,297</u>	<u>25,542</u>
Liability to Consolidated Fund		(119)	-	-
*Comprising: Appropriations (per Statement of Comprehensive Income)**	<u>30,775</u>	<u>30,656</u>	<u>30,297</u>	<u>25,542</u>
	30,775	30,656	30,297	25,542
**Appropriations:				
Recurrent	29,957	29,875	29,287	25,542
Capital	818	781	1,010	-
	<u>30,775</u>	<u>30,656</u>	<u>30,297</u>	<u>25,542</u>

Notes:

1. The summary of compliance is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).
2. The Liability to Consolidated Fund represents the difference between the 'Amount drawn down against Appropriation' and the 'Expenditure / Net Claim on Consolidated Fund'.

3. Revenue (cont'd)

Recognition and Measurement

Parliamentary appropriations and contributions

Except as specified below, parliamentary appropriations and contributions from other bodies (including grants and donations) are recognised as income when the Tribunal obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

Appropriations are not recognised as income in the following circumstances:

- 'Equity appropriations' to fund payments to adjust a for-profit entity's capital structure are recognised as equity injections (i.e. contribution by owners) on receipt and equity withdrawals on payment to a for-profit Tribunal.
- Unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund.
- The liability is disclosed in Note 11 as part of 'Current liabilities - Other'. The amount will be repaid and the liability will be extinguished next financial year.

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
(b) Sale of goods and services				
Rendering of services	1,331	3,022	1,331	3,022
	1,331	3,022	1,331	3,022

Recognition and Measurement

Rendering of services

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

(c) Acceptance by the Crown Entity of employee benefits and other liabilities

The following liabilities and / or expenses have been assumed by the Crown Entity or other government entities:

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Superannuation – defined benefit	34	26	-	-
Long service leave provision	824	353	-	-
Payroll tax	1	1	-	-
	859	380	-	-

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
(d) Other income				
Recoupment of salaries and on-costs from staff secondments	724	-	724	-
Other	83	125	83	125
	807	125	807	125

4. Service group statements for the year ended 30 June 2018

The Tribunal operates under a single service group.

Service Group Descriptions

Service group - Utilities Pricing, Regulation, Analysis and Policy Work

Purpose:

The Tribunal provides independent regulatory decisions and advice to protect and promote the ongoing interest of the consumers, tax payers and citizens of New South Wales.

The Tribunal is the independent economic regulator for water, public transport, local government, electricity and gas industries and the Energy Savings Scheme in NSW. The Tribunal also undertakes reviews and investigations into a wide range of economic and policy issues and performs a number of other roles at the NSW Government's request.

5. Current Assets - Cash and Cash Equivalents

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	4,792	1,850	4,761	1,515
	4,792	1,850	4,761	1,515

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank and cash on hand.

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

Cash and cash equivalents (per Statement of Financial Position)	4,792	1,850	4,761	1,515
Closing cash and cash equivalents (per Statements of Cash Flows)	4,792	1,850	4,761	1,515

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

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2018**

6. Current Assets Receivables

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Current				
Sale of goods and services	461	219	418	169
Goods and Services Tax (GST)	219	176	219	176
	680	395	637	345

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in Note 18.

Recognition and Measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables, including trade receivables, prepayments etc. are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

Impairment

Receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The Tribunal first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2018

7. Non-Current Assets - Plant and Equipment

Consolidated / Tribunal	Plant and Equipment \$'000	Leasehold Improvement \$'000	Total \$'000
At 1 July 2017 - fair value			
Gross carrying amount	1,198	4,208	5,406
Accumulated depreciation	(960)	(1,961)	(2,921)
Net carrying amount	<u>238</u>	<u>2,247</u>	<u>2,485</u>
At 30 June 2018 - fair value			
Gross carrying amount	1,940	4,208	6,148
Accumulated depreciation	(1,056)	(2,809)	(3,865)
Net carrying amount	<u>884</u>	<u>1,399</u>	<u>2,283</u>

Reconciliation

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

	Plant and Equipment \$'000	Leasehold Improvement \$'000	Total \$'000
Year ended 30 June 2018			
Net carrying amount at beginning of year	238	2,247	2,485
Additions	776	-	776
Disposals	(34)	-	(34)
Depreciation expense	(130)	(848)	(978)
Write back on disposals	34	-	34
Net carrying amount at end of year	<u>884</u>	<u>1,399</u>	<u>2,283</u>

Consolidated / Tribunal	Plant and Equipment \$'000	Leasehold Improvement \$'000	Total \$'000
At 1 July 2016 - fair value			
Gross carrying amount	1,277	4,122	5,399
Accumulated depreciation	(895)	(1,130)	(2,025)
Net carrying amount	<u>382</u>	<u>2,992</u>	<u>3,374</u>
At 30 June 2017 - fair value			
Gross carrying amount	1,198	4,208	5,406
Accumulated depreciation	(960)	(1,961)	(2,921)
Net carrying amount	<u>238</u>	<u>2,247</u>	<u>2,485</u>

Reconciliation

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

	Plant and Equipment \$'000	Leasehold Improvement \$'000	Total \$'000
Year ended 30 June 2017			
Net carrying amount at beginning of year	382	2,992	3,374
Additions	8	86	94
Disposals	(87)	-	(87)
Depreciation expense	(152)	(831)	(983)
Write back on disposals	87	-	87
Net carrying amount at end of year	<u>238</u>	<u>2,247</u>	<u>2,485</u>

7. Non-Current Assets Plant and Equipment (cont'd)

Recognition and Measurement

Acquisition of plant and equipment

Plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other AAS.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted over the period of credit.

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

Capitalisation thresholds

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

Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation of plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Tribunal.

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

Category of Assets	Depreciation Rates (%)	
	2018	2017
Plant & equipment		
Office furniture and fittings	10	10
Computer equipment and hardware acquired before 29 June 2012	33	33
Computer equipment and hardware acquired after 29 June 2012	25	25
General plant and equipment	14	14
Leasehold improvements	depreciated over the period of the lease	

7. Non-Current Assets Plant and Equipment (cont'd)

Revaluation of plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 *Property, Plant and Equipment*, and AASB 140 *Investment Property*.

Non-specialised assets with short useful lives are measured at depreciated historical cost, which for these assets approximates fair value. The Tribunal has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

Impairment of plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

The Tribunal assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Tribunal estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As a not-for-profit entity, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

8. Intangible Assets

Consolidated / Tribunal	Software \$'000
At 1 July 2017	
Cost (gross carrying amount)	71
Accumulated amortisation and impairment	<u>(42)</u>
Net carrying amount	<u>29</u>
At 30 June 2018	
Cost (gross carrying amount)	76
Accumulated amortisation and impairment	<u>(51)</u>
Net carrying amount	<u>25</u>
Year ended 30 June 2018	
Net carrying amount at beginning of year	29
Additions	5
Amortisation (recognised in 'depreciation and amortisation')	<u>(9)</u>
Net carrying amount at end of year	<u>25</u>
At 1 July 2016	
Cost (gross carrying amount)	71
Accumulated amortisation and impairment	<u>(31)</u>
Net carrying amount	<u>40</u>
At 30 June 2017	
Cost (gross carrying amount)	71
Accumulated amortisation and impairment	<u>(42)</u>
Net carrying amount	<u>29</u>
Year ended 30 June 2017	
Net carrying amount at beginning of year	40
Amortisation (recognised in 'depreciation and amortisation')	(12)
Other - adjustment	<u>1</u>
Net carrying amount at end of year	<u>29</u>

Recognition and Measurement

The Tribunal recognises intangible assets only if it is probable that future economic benefits will flow to the Tribunal and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for the Tribunal's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

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

The Tribunal's computer software are amortised using the straight-line method over a period of four years and registry software over a period of five years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

8. Intangible Assets (cont'd)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

9. Current Liabilities - Payables

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Accrued salaries, wages and on-costs	264	161	-	-
Creditors	2,444	2,135	2,370	1,750
Personnel services	-	-	264	161
	2,708	2,296	2,634	1,911

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

Recognition and Measurement

Payables represent liabilities for goods and services provided to the Tribunal and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

Independent Pricing and Regulatory Tribunal
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10. Current /Non-Current Liabilities - Provisions

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Current				
Employee benefits and related on-costs				
Annual leave	1,644	1,788	-	-
Long service leave on-costs	369	292	-	-
Banked flex leave	126	110	-	-
Payroll tax	277	258	-	-
Personnel services	-	-	2,448	2,473
Total current provisions	2,416	2,448	2,448	2,473
Non-current				
Employee benefits and related on-costs				
Long service leave on-costs	32	25	-	-
Other provisions				
Restoration costs	644	644	644	644
Total non-current provisions	676	669	644	644
Employee benefits and related on costs	2,448	2,473	2,448	2,473
Other provisions	644	644	644	644
Total Provisions	3,092	3,117	3,092	3,117
Aggregate employee benefits and related on-costs				
Provisions - current	2,416	2,448	-	-
Provisions - non-current	32	25	-	-
Accrued salaries, wages and on-costs (Note 9)	264	161	-	-
	2,712	2,634	-	-

Movements in provisions (other than employee benefits)

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

	Restoration Costs \$'000
2018	
Carrying amount at 1 July 2017	644
Additional provisions recognised	-
Carrying amount at 30 June 2018	644

10. Current /Non-Current Liabilities - Provisions (cont'd)

Current provisions are expected to be settled as follows:

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Employee benefits expected to be settled within 12 months from the reporting date				
Annual leave	1,315	1,430	-	-
Employee benefits expected to be settled in more than 12 months from the reporting date				
Annual leave	329	358	-	-

Recognition and Measurement

Employee benefits and related on-costs

Salaries and wages, annual leave and sick leave

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

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Tribunal has assessed the actuarial advice based on the Tribunal's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the Tribunal does not expect to settle the liability within 12 months as the Tribunal does not have an unconditional right to defer settlement.

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

Long service leave and superannuation

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

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth government bond rate at the reporting date.

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

10. Current /Non-Current Liabilities - Provisions (cont'd)

Consequential on-costs

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

Other provisions

Provisions are recognised when: the Tribunal has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Tribunal expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

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

11. Current Liabilities / Non-Current Liabilities – Other liabilities

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Liability to Consolidated Fund	119	-	119	-
	119	-	119	-

12. Equity

Recognition and Measurement

Accumulated Funds

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

13. Commitments

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Operating Lease Commitments				
Tribunal as lessee				
Future minimum rentals payable under non-cancellable operating lease as at 30 June are, as follows:				
Within one year	1,669	1,835	1,669	1,835
Later than one year and not later than five years	973	2,906	973	2,906
Later than five years	-	-	-	-
Total (including GST)	2,642	4,741	2,642	4,741

The operating lease commitments relate to leasing of office space. The total commitments include input tax credits of \$240,182 (2017 \$431,006) that are expected to be recoverable from the Australian Taxation Office.

14. Contingent Liabilities and Contingent Assets

The Tribunal is not aware of any contingent liabilities and contingent assets associated with its operations (nil at 30 June 2017).

15. Budget Review

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below. Financial statements presented to Parliament does not include the Statement of Cash Flows. The budgeted figures presented in these financials in the Statement of Cash Flows is derived from NSW Government Budget platform PRIME.

Net Result

Net result for the year was of \$2.52 million profit and was \$2.04 million higher than budget.

Total expenses were \$31.14 million and were lower than budget by \$2.06 million due to under expenditure in employee related expenses and consultancies resulting from timing differences in implementation of projects.

Assets and liabilities

Total assets were \$7.78 million and were higher than budget by \$1.52 million mainly due to increase in cash required for high volume of invoices due for payment.

Total liabilities were \$5.92 million and were higher than budget by \$0.91 million due to increase in creditors, due to timing in volumes of invoices coming through for payment.

Cash flows

Net cash flows from operating activities were \$3.72 million and were higher than budget by \$2.19 million, mainly due to reasons explained above.

Cash flow from investing activities were \$0.78 million and were lower than budget by \$0.75 million due to a timing of capital purchases programs.

16. Reconciliation of Cash Flows from Operating Activities to Net Result

	Consolidated		Tribunal	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Net cash used on operating activities	3,723	77	4,027	(184)
Depreciation and amortisation expense	(987)	(995)	(987)	(995)
Decrease / (increase) in provisions	25	229	25	229
Increase / (decrease) in receivables and prepayments	285	(1,068)	292	(1,118)
Decrease / (increase) in creditors	(531)	(539)	(842)	(228)
Net result	2,515	(2,296)	2,515	(2,296)

17. Administered Assets and Liabilities

Consolidated / Tribunal	2018 \$'000	2017 \$'000
Administered Assets		
Cash	779	608
Receivables	444	4,293
Total Administered Assets	1,223	4,901
Administered Liabilities		
Energy and Water Licence fees payable to Crown Entity	1,223	4,901
Total Administered Liabilities	1,223	4,901

18. Financial Instruments

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

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

a) Financial instrument categories

Consolidated			2018 \$'000	2017 \$'000
Class	Notes	Category	Carrying Amount	Carrying Amount
Financial Assets				
Cash and cash equivalents	5	N/A	4,792	1,850
Receivables ¹	6	Loans and receivables (at amortised cost)	461	219
Financial Liabilities				
Payables ²	9	Financial liabilities measured at amortised cost	2,708	2,296

Notes

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

18. Financial Instruments (cont'd)

Tribunal			2018 \$'000	2017 \$'000
Class	Notes	Category	Carrying Amount	Carrying Amount
Financial Assets				
Cash and cash equivalents	5	N/A	4,761	1,515
Receivables ¹	6	Loans and receivables (at amortised cost)	418	169
Financial Liabilities				
Payables ²	9	Financial liabilities measured at amortised cost	2,634	1,911

Notes

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

The Tribunal determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

b) Derecognition of financial assets and financial liabilities

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

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

Where the Tribunal has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Tribunal's continuing involvement in the asset. In that case, the Tribunal also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Tribunal has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Tribunal could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

18. Financial Instruments (cont'd)

d) Financial risks

i. Credit Risk

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

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

Cash and cash equivalents

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

Receivables - trade debtors

All trade debtors are recognised at the amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the Tribunal will not be able to collect all amounts due.

This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

The Tribunal is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

As at 30 June, the ageing analysis of trade debtors is as follows:

Consolidated / Tribunal	2018 \$'000	2017 \$'000
Neither past due nor impaired		
Past due but not impaired		
< 3 months overdue	-	-
3 months – 6 months overdue	-	77
> 6 months overdue	-	-
	<u>-</u>	<u>77</u>
Impaired		
< 3 months overdue	-	-
3 months – 6 months overdue	-	-
> 6 months overdue	-	-
	<u>-</u>	<u>-</u>
Total receivables - gross of allowance for impairment	<u>-</u>	<u>77</u>

Notes: The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in Note 6.

18. Financial Instruments (cont'd)

ii. Liquidity risk

Liquidity risk is the risk that the Tribunal will be unable to meet its payment obligations when they fall due. The entity continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through effective management of cash and investments.

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The Tribunal's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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 NSWTC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Tribunal may automatically pay the supplier simple interest. The rate of interest applied during the year was nil (2017 – nil).

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

Maturity Analysis and interest rate exposure of financial liabilities

Consolidated	\$'000				
	Interest Rate Exposure			Maturity Dates	
	Nominal Amount¹	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
2018					
Payables					
Accrued salaries, wages and on-costs	264	264	264	-	-
Creditors	2,444	2,444	2,444	-	-
	2,708	2,708	2,708	-	-
2017					
Payables					
Accrued salaries, wages and on-costs	161	161	161	-	-
Creditors	2,135	2,135	2,135	-	-
	2,296	2,296	2,296	-	-

18. Financial Instruments (cont'd)

Tribunal	\$'000				
	Interest Rate Exposure		Maturity Dates		
	Nominal Amount ¹	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
2018					
Payables					
Personnel services and on-costs	264	264	264	-	-
Creditors	2,370	2,370	2,370	-	-
	2,634	2,634	2,634	-	-
2017					
Payables					
Personnel services and on-costs	161	161	161	-	-
Creditors	1,750	1,750	1,750	-	-
	1,911	1,911	1,911	-	-

Notes:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Tribunal can be required to pay. As the Tribunal's financial instruments are all non-interest bearing, their undiscounted value is also their value in the Statement of Financial Position.

iii) **Market risk**

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Tribunal operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position reporting date. The analysis is performed on the same basis as for 2017. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the Tribunal's interest bearing liabilities. The Tribunal does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Tribunal's exposure to interest rate risk is set out below.

Other price risk

The Tribunal has no exposure to other price risk.

18. Financial Instruments (cont'd)

Consolidated	\$'000			
	- 1%		1%	
	Net Result	Equity	Net Result	Equity
2018				
Financial assets				
Cash and cash equivalents	(47)	(47)	47	47
Total	(47)	(47)	47	47
2017				
Financial assets				
Cash and cash equivalents	(19)	(19)	19	19
Total	(19)	(19)	19	19
	\$'000			
Tribunal	- 1%		1%	
	Net Result	Equity	Net Result	Equity
2018				
Financial assets				
Cash and cash equivalents	(47)	(47)	47	47
Total	(47)	(47)	47	47
2017				
Financial assets				
Cash and cash equivalents	(15)	(15)	15	15
Total	(15)	(15)	15	15

e) Fair Value Measurement

i. Fair value compared to carrying amount

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

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2018**

19. Related Party Disclosures

The Tribunal's key management personnel include the Chairman and Chief Executive Officer. They have authority and are responsible for planning, directing and controlling the activities of the Tribunal, directly or indirectly.

The Tribunal's key management personnel compensation are as follows:

Consolidated / Tribunal	2018 \$'000	2017 \$'000
Salaries	765	744
Total compensation	<u>765</u>	<u>744</u>

During the year, the Tribunal did not enter into any transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof. The aggregate value of the material transactions and related outstanding balances as at and for the year ending 30 June 2018 are nil.

The Tribunal during the year entered into transactions with other entities that are controlled/ jointly controlled / significantly influenced by the NSW government. These transactions include:

- Defined Benefit Superannuation and LSL assumed by the Crown
- Appropriations from the Crown Entity
- Payments to the Treasury Managed Fund for workers compensation insurance and other insurances
- Lease rental payments made to NSW Government Property

20. Events after the Reporting Period

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

End of audited financial statements.

Outline budget for 2018-19

Budget review 2017-18

Net Result

Net result for the year was of \$2.52 million profit and was \$2.04 million higher than budget.

Total expenses were \$31.14 million and were lower than budget by \$2.06 million due to under expenditure in employee related expenses and consultancies resulting from timing differences in implementation of projects.

Assets and Liabilities

Total assets were \$7.78 million and were higher than budget by \$1.52 million mainly due to increase in cash required for high volume of invoices due for payment.

Total liabilities were \$5.92 million and were higher than budget by \$0.91 million due to increase in creditors, due to timing in volume of invoices coming through for payment.

Cash Flows

Net cash flows from operating activities were \$3.72 million and were higher than budget by \$2.19 million, mainly due to reasons explained above.

Cash flow from investing activities were \$0.78 million and were lower than budget by \$0.75 million due to a timing of capital purchases programs

Outline budget for 2018-19

In 2018-19 IPART anticipates it will spend \$33 million (\$32.1 million recurrent and \$0.9 million capital) on price setting activities for water, public transport and local government; regulating access to water and waste water to encourage competition and re-use; conducting special reviews at the Government's request, on issues such as pricing, efficiency, industry structure and competition; and administering the Energy Savings Scheme.

Appendices

A Legislative Provisions

Overview

A.1 Principal legislation under which IPART operates

IPART was established under the *Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act)*. It has functions under the IPART Act and also under other Acts such as the *Gas Supply Act 1996*, *Electricity Supply Act 1995*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *Water NSW Act 2014*, *Central Coast Water Corporation Act 2006*, *Water Industry Competition Act 2006*, *Passenger Transport Act 2014*, *Transport Administration Act 1988* and *Local Government Act 1993* (under Ministerial delegation). Further discussion of the principal legislation under which IPART operates is set out in sections A.2 to A.13 below.

IPART also has certain relatively minor functions under Acts such as the *Prices Regulation Act 1948*, *Crown Land Management Act 2016*, *Snowy Hydro Corporatisation Act 1997*, *Cemeteries and Crematoria Act 2013*, *Forestry Act 2012*, *Electricity Network Assets (Authorised Transactions) Act 2015* and *Motor Accidents Compensation Act 1999*.

A.1.1 Changes in Acts and subordinate legislation

During the financial year 2017-18, changes were made to the regulatory framework governing:

- ▼ point-to-point transport fares – discussed in section A.5.2 below
- ▼ arbitration of insurance premiums determined by the State Insurance Regulatory Authority – discussed in section A.12.

A.2 IPART Act

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

- ▼ regulating prices and reviewing pricing policies of government monopoly services
- ▼ undertaking reviews referred to it in relation to industry, pricing or competition
- ▼ providing assistance to other agencies
- ▼ arbitrating access disputes in relation to public infrastructure access regimes
- ▼ registering access agreements
- ▼ regulating water, electricity and gas licences
- ▼ investigating complaints under the competitive neutrality regime.

A.2.1 Regulating prices and reviewing pricing policies

Under the IPART Act, IPART conducts investigations and makes reports to the relevant Minister on the determination of maximum prices for specified government monopoly services supplied by government agencies. It also conducts periodic reviews of the pricing policies of specified government monopoly services.

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

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

There are two main ways in which IPART's investigations may be initiated. The first is by standing reference. In particular, section 11 of the IPART Act provides that IPART is to initiate investigations of government monopoly services supplied by those government agencies for which IPART has a standing reference (with such agencies being listed in Schedule 1 of the IPART Act).

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

- ▼ Sydney Water Corporation
- ▼ Hunter Water Corporation⁸
- ▼ Water supply authorities constituted under the *Water Management Act 2000*
- ▼ County councils established for the supply of water
- ▼ Roads and Maritime Services
- ▼ Department of Family and Community Services
- ▼ Port Corporations or other relevant port authorities within the meaning of Part 5 of the *Ports and Maritime Administration Act 1995*
- ▼ Water Administration Ministerial Corporation
- ▼ Essential Energy
- ▼ Water NSW.⁹

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

The second way in which an investigation by IPART may be initiated is by a reference from the Premier. Under section 12 of the IPART Act, the Premier may require IPART to determine the maximum price or carry out a review of pricing policies in respect of a specified

⁸ But excluding any water or sewerage services provided by Hunter Water Corporation in respect of the Dungog local government area prior to the commencement of the Tribunal's first determination made under section 11 of the IPART Act for Hunter Water Corporation after the commencement of the *Independent Pricing and Regulatory Tribunal Amendment (Hunter Water) Regulation 2008*.

⁹ But excluding any services provided by Water NSW in respect of which fees and charges may be approved or determined in accordance with Part 6 or 7 of the *Water Charge (Infrastructure) Rules 2010* (Cth) or the applied provisions, within the meaning of Part 3B.

government monopoly service, including those supplied by government agencies that are the subject of a standing reference. IPART may ask the Premier to make a particular reference under these provisions.

Public participation and access to information

The IPART Act contains a number of provisions to ensure that IPART's activities are conducted through a public process. The main requirement is that IPART must hold at least one public hearing for each pricing or access investigation. IPART may seek public participation by:

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

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

Matters IPART must consider

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

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

- ▼ the need to promote competition in the supply of the services concerned
- ▼ considerations of demand management (including levels of demand) and least cost planning
- ▼ the social impact of the determinations and recommendations
- ▼ standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

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

How IPART sets maximum prices

IPART may set maximum prices in either of two ways. The first way is by determining maximum prices. Under section 14 of the IPART Act, IPART may fix the prices in any way it considers appropriate, including fixing:

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

IPART may fix such a price by reference to:

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

The second way is by establishing a methodology for determining maximum prices. IPART may only do this if it considers that it is impractical to fix maximum prices directly. A methodology may be made in any manner that IPART considers appropriate, including by reference to maximum revenue, or maximum rate of increase or minimum rate of decrease in maximum revenue, for a number of categories of the service concerned.

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

Implementing maximum prices

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

Compliance

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

Release of reports and determinations

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

A.2.2 Reviewing industries, pricing or competition

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

A.2.3 Providing assistance to other agencies

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

A.2.4 Arbitrating access disputes

Under Part 4A of the IPART Act, any dispute with respect to a public infrastructure access regime that provides for the application of Part 4A may be subject to arbitration by IPART. In carrying out these arbitration functions, IPART may appoint an arbitrator from a panel approved by the Premier or may undertake the arbitration itself. The *Commercial Arbitration Act 2010* applies to such an arbitration, subject to the provisions of the IPART Act and any regulations made under section 29 of the IPART Act.

A.2.5 Registering access agreements

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

A.2.6 Investigating complaints under competitive neutrality regime

IPART has a role in investigating and reporting on competitive neutrality complaints under the Competition Principles Agreement,¹⁰ so far as they are applicable to public authorities. If certain conditions are met, the Premier may refer to IPART, for investigation and report, a complaint about a public trading agency's failure to comply with (or misapplication of) the competitive neutrality principles. The IPART Act specifies the processes IPART is to follow in investigating such a complaint (Part 4C).

A.2.7 Investigating and reporting in relation to SafeWork NSW

Section 12AA of the IPART Act enables IPART to conduct investigations and make reports on such matters relating to the operational costs and expenses of SafeWork NSW as are referred to the Tribunal by the relevant Minister.

A.2.8 Approval or determination of Murray-Darling Basin water charges

Part 3B of the IPART Act enables IPART to approve or determine charges for the provision of certain water infrastructure services in the Murray-Darling Basin.

A.3 Licensing

IPART is responsible for ensuring various regulated entities meet their licence requirements. Under the IPART Act, *Electricity Supply Act 1995*, *Gas Supply Act 1996*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *Water NSW Act 2014* and *Central Coast Water Corporation Act 2006*, IPART is responsible for matters such as making recommendations to the relevant Minister with respect to:

- ▼ granting, varying, transferring or cancelling a licence
- ▼ taking action or applying sanctions in response to a contravention of the conditions of a licence
- ▼ taking any remedial action as a result of a contravention of the conditions of a licence.

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

In addition to making recommendations to the Minister, IPART has limited powers to impose monetary penalties or require a utility to take remedial action in certain circumstances.

¹⁰ The Competition Principles Agreement was made on 11 April 1995 by the Commonwealth, the Territories and the States.

A.4 Energy pricing regulation, disclosure and comparison

A.4.1 Gas Supply Act 1996

The NSW Government de-regulated retail gas prices from 1 July 2017. Therefore, IPART no longer has a role in gas price regulation, although it has been appointed as the market monitor and is now responsible for monitoring the performance and competitiveness of the retail gas market annually (see section A.4.2).

A.4.2 National Laws

IPART has functions under certain National energy laws. Most significant of these is IPART's role of Market Monitor under the *National Energy Retail Law (NSW)*. As Market Monitor, IPART monitors and reports annually on the performance and competitiveness of the New South Wales retail electricity and retail gas markets for small customers.

In July 2017 IPART commenced its first annual review of the retail gas market since retail gas prices were deregulated, and will provide a final report to the Minister by 30 November 2018.

A.5 Transport pricing regulation

A.5.1 Passenger Transport Act 2014

The *Passenger Transport Act 2014* provides a framework for regulating public transport services. Under this Act, IPART is responsible for setting maximum fares for public passenger services. In making its determinations or recommendations, IPART is to consider the following matters:

- ▼ the cost of providing the services
- ▼ the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
- ▼ the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service
- ▼ the social impact of the determination or recommendation
- ▼ the impact of the determination or recommendation on the use of the public passenger transport network and the need to increase the proportion of travel undertaken by sustainable modes such as public transport
- ▼ standards of quality, reliability and safety of the services (whether those standards are specified by legislation, agreement or otherwise)
- ▼ the effect of the determination or recommendation on the level of Government funding
- ▼ any matters specified in the referral to IPART
- ▼ any other matter IPART considers relevant.

IPART also has functions under the NSW Rail Access Undertaking and the *Transport Administration Act 1988*.

A.5.2 Point to Point Transport (Taxis and Hire Vehicles Act) 2016

Parts 4 and 5 of the *Point to Point Transport (Taxis and Hire Vehicles Act) 2016*, which commenced on 1 November 2017, authorise IPART, with Ministerial referral, to:

- ▼ investigate and report to Transport for New South Wales with a recommendation as to the number of taxi licences to be issued for a specified period; and
- ▼ make recommendations to the relevant Minister on the appropriate maximum fares for point-to-point passenger services.

A.6 Greenhouse Gas Reduction Scheme

The NSW Greenhouse Gas Reduction Scheme (Scheme) closed on 1 July 2012. The final accreditation under the Scheme was cancelled in September 2017. Although no new certificates are being issued under the Scheme, there are still over 4 million active certificates. IPART, as Scheme Administrator, has retained certain powers under the *Electricity Supply Act 1995* pending finalisation all Scheme related matters.

A.7 Energy Savings Scheme

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

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

A.8 Local Government

IPART performs functions relating to local government under:

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

IPART's functions relating to local government include:

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

- ▼ determining applications by councils for special variations and minimum rate amounts under the *Local Government Act 1993*.

IPART must report annually on its local government functions.

A.9 Water Infrastructure Pricing

In September 2015, the Australian Competition and Consumer Commission (ACCC) made a decision to accredit IPART under Part 9 of the *Water Charge (Infrastructure) Rules 2010* (Cth) (WCIR). Under its accreditation, IPART has the functions of a “Regulator” under the WCIR in relation to prices for bulk water services provided by Water NSW (formerly the State Water Corporation) to customers in the Murray-Darling Basin. IPART made its first WCIR determination in June 2017. In June 2018, IPART concluded its annual review of the determination and decided it should remain unchanged for FY2018-19.

A.10 Electricity Infrastructure & Licensing

As part of the NSW Government’s leasing of electricity network assets, relevant licensing, technical and safety functions were transferred to IPART under the *Electricity Supply Act 1995* and the *Electricity Supply (Safety and Network Management) Regulation 2014*. These functions include:

- ▼ administering the reporting and performance auditing of electricity network operators
- ▼ compliance auditing of electricity network operators
- ▼ appointing inspectors to inspect electrical installations and electrical delivery equipment and the investigation of serious electricity works accidents
- ▼ advising on the exercise of emergency or step-in powers by the relevant Minister, or exercising such powers.

IPART also has functions in relation to the enforcement of employment guarantees under the *Electricity Network Assets (Authorised Transactions) Act 2015*.

A.11 Governance of State insurance and care schemes

Under section 25 of the *State Insurance and Care Governance Act 2015*, which commenced in September 2015, IPART may, at the request of the relevant Minister, conduct an investigation and report to that Minister on such matters relating to the operational costs and expenses of the State Insurance Regulatory Authority (SIRA) as are determined by the Minister.

A.12 Arbitrating insurance premiums

These functions allow IPART to act as arbitrator to hear and determine arbitrations between insurers and SIRA where proposed insurance premium have been rejected by SIRA under the *Workers Compensation Act 1987*, the *Home Building Act 1989* (upon commencement of the relevant sections of the *Home Building Amendment (Compensation Reform) Act 2017* in December 2017); and Division 2.3 of the *Motor Accidents Injuries Act 2017* (which commenced on 1 December 2017).

A.13 Determination of a wholesale price for ethanol

Part 3A of the *Biofuels Act 2007* confers on IPART the function of:

- ▼ determining, and periodically reviewing, a reasonable wholesale price for ethanol for use in the production of petrol-ethanol blend; and
- ▼ monitoring the retail market for petrol-ethanol blend and making reports to the relevant Minister on the effect of IPART's determination on that market.

B Directions under s16A of IPART Act

Under section 16A of the IPART Act, the portfolio Minister for a government agency may direct IPART to include in a price determination, for a government monopoly service provided by the agency, an amount representing the efficient costs to an agency of complying with a specified requirement imposed on the agency. Such a requirement may only be imposed by or under a licence or authorisation, by ministerial direction under an Act, or some other requirement imposed by or under an Act or statutory instrument.

A portfolio Minister may only give a section 16A direction to IPART after consulting with IPART and obtaining the Premier's approval. Once IPART is given a direction under section 16A, it must comply with the direction. The Tribunal must also set out the terms of such a direction and explain the manner in which it has complied with the direction in the relevant price review report.

C Tribunal - meetings, public hearings and forums and submissions

Tribunal meetings

Table C.1 Tribunal meetings held in 2017-18

Type of Meeting	Number Held	Attendees and number of Meetings attended
Tribunal	45	Peter Boxall, Chair (45/45)
		Ed Willett, Tribunal Member (44/45)
		Deborah Cope, Tribunal Member (45/45)
Delegated Tribunal	10	Ed Willett, Chair (10/10)
		Deborah Cope (10/10)
Energy Savings Scheme Committee	13	Ed Willett, Chair (13/13)
		Brian Spalding (13/13)
		Fiona Towers (12/13)
Local Government	9	Deborah Cope, Chair (9/9)
		Stuart McDonald ^a (6/6)
		Matthew Edgerton (9/9)
Energy Network Regulation Committee	15	Ed Willett, Chair (15/15)
		Brian Spalding (14/15)
		Deborah Cope (15/15)

^a Stuart McDonald resigned on 6 April 2018

Tribunal public hearing and forums 2017-18 Table

Table C.2 Tribunal public hearings held in 2017-18

Date	Investigation	Location
Water		
6 March 2018	Developer charges and backlog sewerage charges for metropolitan water agencies 2017	Adina Apartment Hotel, Sydney
Energy		
15 May 2018	Solar feed in tariffs 2018-19	IPART Offices, Sydney
Transport		
23 October 2017	Review of Private Ferries fares from 1 January 2018	IPART Offices, Sydney
7 November 2017	Rural and Regional Bus services from 2018	International Hotel, Wagga Wagga
30 January 2018	Taxi fares and licences from July 2018	SMC Conference & Function Centre, Sydney
6 February 2018	Taxi fares and licences from July 2018	Dubbo RSL Club, Dubbo
Other Industries		
15 August 2017	WACC Methodology 2017	SMC Conference & Function Centre, Sydney
22 May 2018	Review of Financeability Test 2018	IPART Offices, Sydney

Table C.3 Tribunal public forums held in 2017-18

Date	Investigation	Location
Transport		
3 November 2017	Rural and Regional Bus services from 2018	Opal Cove Resort, Coffs Harbour
1 February 2018	Taxi fares and licences from July 2018	Opal Cove Resort, Coffs Harbour
Water		
20 March 2018	Water Utility Performance Indicators Review 2018	IPART Offices, Sydney

Submissions to projects during 2017-18

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2017-18 and received a total of 1797 submissions.

Table C.4 Submissions received in 2017-18

Investigation	Submissions
Water	
Application - Variation - Network Operator (Catherine Hill Bay - Network Operator Variation)	195
Licence application – Sections 4.1, 4.2 and 4.3 amendments - WICA Licence Application - Network Operator - Flow Systems - Shepherds Bay - 26 May 2017	1
Draft - Cost Allocation Guide - December 2017	3
Draft Public Water Utility (PWU) Audit Guideline – April 2018	5
Draft Report - Water Utilities Performance Indicators Review	6
Draft Report - WaterNSW Annual Review of regulated charges for 2018-19 - April 2018	1
Issues paper - Asset disposals policy consultation - September 2017	5

Issues paper - Review of developer charges and backlog sewerage charges for metropolitan water agencies - October 2017	11
Issues Paper - Review of Rural Water Cost Shares - April 2018	12
Issues Paper - Water Utilities Performance Indicators Review - 14 February 2018	9
Transport	
Draft Report - Monitoring of wholesale and retail markets for fuel ethanol - 2016-17 - October 2017	2
Draft Report - Review of fares for private ferry services - 15 September 2017	6
Draft Report - Taxi fares in NSW and taxi licences outside Sydney from 1 July 2018 - December 2017	48
Issues Paper - Private ferries fares for 2018 - June 2017	8
Issues Paper - Taxi fares and licences from July 2018 - September 2017	9
Maximum fares for rural and regional bus services - October 2017	9
Rural and Regional Bus Services 2018	1
Energy	
August 2017 - Draft Electricity Networks Audit Guideline - Safety management system audits	1
August 2017 - Draft Electricity Networks Reporting Manual - Critical infrastructure licence conditions	1
August 2017 - Draft Electricity Networks Reporting Manual - Safety management system reporting	1
Draft Report - Electricity Transmission Reliability Compliance - From 1 July 2018	2
Draft Report - Performance and competitiveness of the retail electricity market in NSW - October 2017	5
Draft Report - Solar feed-in tariffs 2018/19 - May 2018	16
Fact Sheet - Retailer metering practices - May 2018	118
Information paper - market monitoring - May 2018	2
Issues Paper - Review of safety management system performance measures - March 2018	5
Issues Paper - Solar feed-in tariffs 2018/19 - March 2018	409
Issues Paper - Transmission reliability standard compliance - June 2017	3
Local Government	
Fact Sheet - IPART starts assessment of Blacktown City Council's Contributions Plan 22 for Rouse Hill - 24 May 2018	3
LG Application - Special Variations & Minimum Rates 2018-19 - Ballina Shire Council	7
LG Application - Special Variations & Minimum Rates 2018-19 - Balranald Shire Council	5
LG Application - Special Variations & Minimum Rates 2018-19 - Bellingen Shire Council	105
LG Application - Special Variations & Minimum Rates 2018-19 - Clarence Valley Council	119
LG Application - Special Variations & Minimum Rates 2018-19 - Hawkesbury City Council	137
LG Application - Special Variations & Minimum Rates 2018-19 - Kempsey Shire Council	5
LG Application - Special Variations & Minimum Rates 2018-19 - Kiama Municipal Council	2
LG Application - Special Variations & Minimum Rates 2018-19 - Lismore City Council	62
LG Application - Special Variations & Minimum Rates 2018-19 - Muswellbrook Shire Council	7
LG Application - Special Variations & Minimum Rates 2018-19 - Randwick City Council	167
LG Application - Special Variations & Minimum Rates 2018-19 - Shoalhaven City Council	3

LG Application - Special Variations & Minimum Rates 2018-19 - Upper Hunter Shire Council	171
LG Application - Special Variations & Minimum Rates 2018-19 - Willoughby City Council	2
Other	
Draft Policy - Compliance and Enforcement – October 2017	9
Draft Report - Review of our WACC methodology - October 2017	6
Draft Terms of Reference - Container Deposit Scheme Monitoring - 1 November 2017	7
Issues Paper - NSW Container Deposit Scheme - Monitoring the impacts on container beverage prices and competition - February 2018	60
Issues Paper - Review of our financeability test - May 2018	7
Issues Paper - Review of WACC methodology - 4 July 2017	7
Progress Report - NSW Container Deposit Scheme - April 2018	12

The number of submissions listed are only those received in 2017-18. The total number of submissions to a paper can be found on our [website](#).

D Agency structure and plans

Senior Executives

Table D.1 Number of roles and gender breakdown as at 30 June 2018

Band	2015-16		2016-17		2017-18	
	Female	Male	Female	Male	Female	Male
Band 4 (Secretary)	0	1	0	1	0	1
Band 3 (Deputy Secretary)	0	1	0	1	0	1
Band 2 (Executive Director)	4	1	4	1	4	1
Band 1 (General Manager/Director)	13	13	12	10	10	11
Total	17	16	16	13	14	14

Note: only executives occupying a role – excludes secondments/LWOP/Mat leave.

Table D.2 Average remuneration as at 30 June 2018

Role	Range 2017-18	2015-16		2016-17		2017-18	
		Female	Male	Female	Male	Female	Male
Band 4 ^a	\$463,551-\$535,550	NA	\$308,493	NA	\$316,205	NA	\$324,110
Band 3	\$328,901-\$463,550	NA	\$351,763	NA	\$360,557	NA	\$369,571
Band 2	\$261,451-\$328,900	\$273,542	\$269,179	\$280,377	\$275,908	\$293,093	\$291,036
Band 1	\$183,300-\$261,450	\$220,457	\$214,228	\$210,487	\$215,916	\$214,879	\$219,255

^a Band 4 executive is a 0.6 FTE role

Executive remuneration represents 33% of the overall salaries-related expenses for 2017-18.

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

Tribunal Members

Table D.3 Average remuneration as at 30 June 2018

Role	Rate	2016-17	2017-18
Tribunal Member	\$1,000 per day ^a	\$152,250	\$141,750

^a Premier's Memorandum M2012-18 *Classification and Remuneration Framework for New South Wales Government Boards and Committees*

Total staff by level and employment basis

Table D.4 Staff profile by employment category as at 30 June 2018

	2015	2016	2017	2018
Chair	1	1	1	1
Chief Executive	1	1	1	1
Executive Directors & General Managers	6	6	6	5
Director Corporate Services & CFO ^a	2	2	1	1
Directors	16	16	16	16
Managers	3	4	5	4
Analysts	72	77	77	68
Graduate Analysts	3	3	3	1
General Counsel	1	1	1	1
Director, Legal & Special Counsel	2	2	3	3
Legal Officers	4	3	3	5
Support Officers	21	23	22	23
Supernumeraries	2	12	1	0
Casual Staff	0	0	1	4
Total number of staff includes full time, part-time, temporaries and graduates	134	151	141	133
Tribunal Members	2	2	2	2
Temporary Members	1	0	0	0
Total number of Staff including members	133	137	153	135

^a 2015-2016 Two part-time roles Chief Financial Officer and Director, HR

Industrial Relations

There were no significant changes to IPART's Award. The relevant industrial agreements were varied to increase salaries and salary based allowances for our staff by 2.5%, effective 1 July 2017. Our statutory officers, as well as our other senior staff, are remunerated by or in accordance with determinations by the independent Statutory and Other Offices Remuneration Tribunal (SOORT).

Diversity, Inclusiveness and commitment to Multiculturalism

We value diversity, inclusiveness and staff from diverse backgrounds in our workforce. IPART recognises diversity contributes to achieving sustainable long term performance improvements. IPART's commitment to diversity and inclusiveness in the workplace includes background, gender, ethnicity, age, all abilities, culture and experience and IPART is committed to embracing, engaging and empowering people to enable IPART to achieve its agency objectives without compromising any skill requirements.

We have the following initiatives currently in place:

- ▼ Flexible working such as working from home, remote location work, part time work and potential for more formal job share arrangements

- ▼ Provision of technologies on the IPART website for people with mild visual impairments, dyslexia, low literacy, and those with English as a second language
- ▼ Provision of an Auslan Interpreter for public forums where requested
- ▼ Celebration of key events such as Australia's Biggest Morning Tea, Harmony Day, NAIDOC week, International Day of People with a Disability, R U OK? Day; and
- ▼ Improved feedback to unsuccessful applicants through our hiring manager training program.

For the year ahead, we propose to focus on:

- ▼ Updating our Disability Action and Inclusion Plan
- ▼ Collaborating with our Cluster agency on diversity initiatives and participation on the Cluster Diversity Council
- ▼ Explore opportunities with Universities to offer opportunities for undergraduate internships
- ▼ Developing a more defined Multicultural Action Plan.

Table D.5 Trends in the representation of Workforce Diversity groups as at 30 June 2018

Workforce Diversity Group	Benchmark/Target	2016	2017	2018
Women	50%	51.7%	52.1%	53.4%
Aboriginal People and Torres Strait Islanders	3.3%	0.0%	0.0%	0.0%
People whose First Language Spoken as a Child was not English	23.2%	28.2%	17.1%	15.3%
People with a Disability	N/A	0.7%	1.4%	0.0%
People with a Disability Requiring Work-Related Adjustment	N/A	0.0%	0.0%	0.0%

Source: NSW IPART 2017-18 Workforce Profile – Workforce Diversity Report

Note 1: The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.

Note 2: The NSW Public Sector Aboriginal Employment Strategy 2014-17 introduced an aspirational target of 1.8% by 2021 for each of the sector's salary bands. If the aspirational target of 1.8% is achieved in salary bands not currently at or above 1.8%, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3%.

Note 3: A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language, but does provide information about country of birth. The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.

Note 4: In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027. More information can be found at: Jobs for People with Disability: A plan for the NSW public sector. The benchmark for 'People with Disability Requiring Work-Related Adjustment' was not updated.

Table D.6 Trends in the distribution of Workforce Diversity groups

Workforce Diversity Group	Benchmark/Target	2016	2017	2018
Women	100	103	103	99
Aboriginal People and Torres Strait Islanders	100	N/A	N/A	N/A

People whose First Language Spoken as a Child was not English	100	98	98	98
People with a Disability	100	N/A	N/A	N/A
People with a Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A

Source: NSW IPART 2017-18 Workforce Profile – Workforce Diversity Report

Note 1: A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

Note 2: The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

Work Health and Safety (WHS)

IPART remains focused on providing a safe and healthy workplace for all employees. We have a framework in place to meet our WHS responsibilities – including policies, strategies and procedures as well as first aid and an injury management program. IPART commitment to WHS was demonstrated through a range of initiatives carried out across IPART including, but not limited to:

- ▼ Continual review of our WHSs policy which details IPART’s commitment to promoting a healthy and safe work environment and ensuring the physical and psychological health and safety of all employees.
- ▼ WHS Committee made up of representatives from all business units who meet quarterly to discuss issues relating to the health and safety of our staff
- ▼ Participation in our building’s emergency evacuation training program and emergency evacuation drills.
- ▼ Ensuring all work stations are adjustable and new staff receive ergonomic assessments upon commencement
- ▼ Undertaking regular WHS inspections and maintenance of office work areas and facilities
- ▼ Qualified First Aid respondents to provide basic first aid to staff where necessary
- ▼ Influenza vaccinations offered to all staff annually to minimise absenteeism during the flu season
- ▼ Sponsorship of participation in staff lunch time sport competitions and corporate fun runs
- ▼ Access to an Employee Assistance Program including a free 24 hour counselling service for staff and their families.

We are part of icare TMF, a self-insurance scheme for the NSW public sector. There were no claims reported to our insurer during the reporting period. As at 30 June 2018, we had no open workers compensation claims.

No investigations were carried out under Part 10 of the Work Health and Safety Act 2011.

Personnel Policies and Practices

Our staff are employed under the provisions of the *Government Sector Employment Act 2013*, which along with associated rules and regulations, the *Crown Employees (Independent Pricing and Regulatory Tribunal) Award 2018* and the *Crown Employees (Public Service Conditions of Employment) Award 2009* set the working conditions and entitlement for staff.

A number of IPART's policies were reviewed and updated during 2017-18, those being:

- ▼ Code of Ethics and Conduct
- ▼ Managing Unsatisfactory Performance Policy
- ▼ Working from Home Policy
- ▼ Grievance Resolution Policy
- ▼ Discrimination, Harassment and Bullying Free Policy
- ▼ Performance Enhancement System Policy.

Public Interest Disclosures

We recognise the value and importance of staff raising concerns when they see something they believe is wrong, and our internal reporting policy encourages staff to do this. Our policy framework commits IPART and senior staff to handle these disclosures effectively and provide support to the staff making them.

During the reporting period, no public officials made a public disclosure directly to IPART. IPART was required to respond to a public interest disclosure made to the Public Service Commissioner about our office.

Under the *Public Interest Disclosures Act 1994*, we are required to report information about the public interest disclosures that we receive from our staff and/or about our office.

Table D.7 Public Interest Disclosures 2017-18

Category and number of public disclosures we received	Public official performing their day-to-day functions	Under a statutory or other legal obligation	Others
Number of public interest disclosures made directly to the authority concerned (ie. IPART)	0	0	0
Number of public interest disclosures received (including referrals from other authorities)	0	0	1
Number of public interest disclosures finalised	0	0	1
Primary issue in the public interest disclosures we received about our office			
Corrupt Conduct	0	0	0
Maladministration	0	0	0
Serious and substantial waste	0	0	1
Government information contravention	0	0	0
Local government pecuniary interest contravention	0	0	0

Corporate Plan

IPART's broad corporate strategies are set out in this document and progress towards meeting corporate objectives are assessed for each program element in the *Our organisation* section of this Annual Report.

Privacy Management Plan

There were no changes to IPART's Privacy Plan. No complaints or requests for internal reviews were received. New staff members are briefed on the Plan as it relates to their role at induction.

Asset Management Plan

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

Report on account payment performance

Table D.8 Report on account payment performance 2017-18

	September 2017	December 2017	March 2018	June 2018
Invoices due for payment	313	245	425	381
Invoices paid on time	214	141	118	368
Invoices due for payment received from small business	0	0	0	0
Invoices from small business paid on time	0	0	0	0
Amount due for payment (\$)	7,103,125	2,322,572	2,925,428	3,451,665
Amount paid on time (\$)	6,427,266	1,971,414	1,048,972	3,423,243
Amount due for payment received from small business (\$)	0	0	0	0
Amount from small business paid on time (\$)	0	0	0	0
Number of payments for the interest on overdue account	0	0	0	0
Interest paid on late accounts (\$)	0	0	0	0
Number of payments to small business for the interest on overdue account	0	0	0	0
Interest to small business on late account (\$)	0	0	0	0

Table D.9 Accounts paid on time within each quarter in 2017-18

Quarter	Target %	Actual %
September Quarter	90%	68%
December Quarter	90%	58%
March Quarter	90%	28%
June Quarter	90%	97%

Note: During 2017-18, there were no instances where penalty interest was paid in accordance with section 18 of the *Public Finance and Audit (General) Regulation 1995*.

In the first three quarters we did not meet our target for on-time payment due to two issues. Firstly some IPART vendors have payment terms set to less than 30 days, which is the Government's standard terms. We rectified this by March 2018. Secondly, we had an internal operational processing issue that we addressed in late 2017. We expect to meet our target from now on, as a matter of course.

Details of Annual Report production

There were no external production costs such as copy writing, design and printing incurred in the production of the report. An electronic copy of this report is available on IPART's website.

Consultants

During 2017-18, IPART engaged the following consultants for a total expenditure of \$3,202,395 incl. GST ¹¹ (work on some of these consultancies was still progressing at 30 June 2018).

Table D.10 Consultancies over \$50,000 in 2017-18

Consultant	Cost (\$)	Title
Corporate Services		
Deloitte Touche Tohmatsu	\$52,361	Content creation and publishing review
Deloitte Touche Tohmatsu	\$93,080	Analysis of website usability and customer database communication
Mandarin Media Pty Ltd	\$176,390	Strategic communication and media services
Natalie Hoy	\$121,847	Writing and editing services
Step Two Designs Pty Ltd	\$76,010	Intranet strategy and platform evaluation
Sub Total	\$519,688	
Environmental		
Ndevr Environmental Pty Ltd	\$74,542	Audit under Panel Arrangement
Sub Total	\$74,542	
Finance and Accounting		
AECOM Australia Pty Ltd	\$222,850	Review of efficient costs of NSW rural and regional bus services
Centre for International Economics	\$150,422	Economic analysis services
City Water Technology	\$61,600	WIC Act Reform Project
Cobbitty Consulting Pty Ltd	\$100,243	Operational audit 2016-17 of WaterNSW

¹¹ Consultancy expenditure does not match financial statements due to reporting variances.

Frontier Economics Pty Ltd	\$115,235	Economic analysis services
Frontier Economics Pty Ltd	\$61,710	Quality assurance services
Frontier Economics Pty Ltd	\$71,500	Cost drivers identification for retail electricity and gas prices for small retail customers
Frontier Economics Pty Ltd	\$52,140	Review and analysis of IPART's solar feed-in tariffs methodology
Paradigm Digital Pty Ltd	\$95,366	Operating audit 2016/17 of Hunter Water
Paradigm Digital Pty Ltd	\$104,608	Operating audit 2016/17 of Sydney Water
Synergies Economics Consulting Pty Ltd	\$64,944	Operating licence review of public water utility
Sub Total	\$1,100,618	
Information Technology		
Australian Centre for Advanced Computing and Communication Pty Ltd	\$127,717	Services for remote access services
Experience Matters Pty Ltd	\$71,500	Development of an information management strategy and benefits realisation framework
Project Management Partners Pty Ltd	\$253,206	IT project management services
Sense of Security Pty Ltd	\$83,215	Security testing, training and awareness services
Sub Total	\$535,638	
Organisational review		
Fyusion Asia Pacific Pty Ltd	\$55,578	Review of IPART's executive structure
Sub Total	\$55,578	
Research		
Orima Research Pty Ltd	\$60,225	Survey of point to point NSW transport use
Orima Research Pty Ltd	\$74,200	Survey of NSW rural and regional buses and on-demand transport services
Sapere Research Group Ltd	\$58,850	Cost research for the Energy Savings Scheme
Sub Total	\$193,275	
Total	\$2,479,338	

Table D.11 Consultancies up to \$50,000 in 2017-18

Annual Report Category	Number of engagements	Cost (\$)
Corporate Services	7	\$77,103
Engineering	2	\$84,000
Environmental	2	\$55,314
Finance and Accounting	19	\$455,768
Information Technology	5	\$30,104
Legal	2	\$5,368
Research	1	\$10,450
Training	1	\$4,950
Total	39	\$723,057

Contract executive profile

All of IPART's executive staff are employed under contract as Public Service Senior Executives. Remuneration is subject to determinations by the Statutory and Other Offices Remuneration Tribunal.

E Audit and risk management

Internal Audit and Risk Management Attestation Statement for the 2017-18 Financial Year for IPART

I, Hugo Harmstorf, am of the opinion that IPART has internal audit and risk management processes in operation that are compliant with the eight core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector* (TPP 15-03). Specifically:

Core Requirements	Specify compliant, non-compliant, or in transition
Risk Management Framework	
1.1 The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant
Internal Audit Function	
2.1 An internal audit function has been established and maintained	Compliant
2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
Audit and Risk Committee	
3.1 An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.	Compliant

Membership

- ▼ The membership of the Audit Committee, together with appointment dates and attendance at meetings, is set forth below:

Position	Members	Committee member since	Attendance at full meetings during 2017-18
Independent Chair	Mr Ken Barker	14 October 2014	4/4
Independent Member	Mr Tim Holden	31 October 2014	4/4
Independent Member	Ms Elizabeth Crouch	1 December 2016	3/4

This demonstrates that IPART has established and maintains frameworks, including systems, processes and procedures for appropriately managing audit and risk within IPART.

Yours sincerely



Hugo Harmstorf
Chief Executive Officer

Risk Management and Internal Audit

IPART's risk management and internal audit framework informs and supports decision making across the organisation. We have developed our risk management framework to:

- ▼ build awareness and consideration of risks across the organisation
- ▼ facilitate risk reporting
- ▼ test, review and revise our key risk management strategies, and
- ▼ comply with the NSW Treasury Internal Audit and Risk Management Policy for the NSW Public Sector.

IPART's Audit and Risk Committee (ARC) oversee risk management and senior executives and the Tribunal receive regular reports on risks. Over the past 12 months risk management, including awareness, continues to mature. Key risk management activities during the year included:

- ▼ continuing to improve risk management processes across IPART
- ▼ increasing integration between internal audit and risk management, and
- ▼ reviewing and amending controls in response to recommendations from our internal audit program.

Our risk management activities inform our internal audit program and we have a number of internal audits planned for the coming year. We operate our internal audit function using an outsourced model and during the financial year we reviewed the following areas of the organisation:

- ▼ Internal Audit
- ▼ Risk Management
- ▼ Finance
- ▼ Human Resources & Payroll
- ▼ Procurement.

Over the next financial year we plan to review the following areas of the organisation:

- ▼ Water Pricing
- ▼ Strategic & Economic Analysis
- ▼ Information Technology (including Digital Information Security Policy)
- ▼ Water Industry Competition Act
- ▼ Energy Pricing
- ▼ Transport Pricing.

The ARC considers the outcome of each audit and our senior executives develop a set of actions to address each audit recommendation. Senior executives and the ARC receive regular updates about progress towards implementing the audit recommendations.

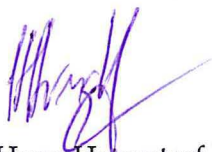
Digital Information Security Annual Attestation Statement for the 2017-18 Financial Year for the Independent Pricing and Regulatory Tribunal

I, Hugo Harmstorf, Chief Executive Officer of the Independent Pricing and Regulatory Tribunal, am of the opinion that the Independent Pricing and Regulatory Tribunal had a partially compliant Information Security Management System in place during the 2017-18 financial year consistent with the Core Requirements set out in the *NSW Government Digital Information Security Policy*. A fully compliant Information Security Management System is expected to be in place by the end of the 2018-19 financial year.

In the interim period, the security controls in place are adequate to mitigate significant identified risks to the digital information and digital information systems of the Independent Pricing and Regulatory Tribunal.

There is no agency under the control of the Independent Pricing and Regulatory Tribunal which is required to develop an Independent Information Security Management System in accordance with the *NSW Government Digital Information Security Policy*.

Yours sincerely



Hugo Harmstorf
Chief Executive Officer

F External liaison

Overseas Visits

There were three overseas visits by IPART staff in the reporting period.

Table F.1 Overseas Visits in 2017-18

Date	Officer	Destination	Purpose
19 July 2017	Sarah Blackwell	Wellington, New Zealand	Conference hosted by NZ Commerce Commission – Competition Matters
19 July 2017	Zoe Moffat	Wellington, New Zealand	Conference hosted by NZ Commerce Commission – Competition Matters
26 November 2017	Lucy Garnier	Wellington, New Zealand	ANZSOG – Executive Master of Public Administration Course

Complaints

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

This financial year there was an increase in complaints about energy: 55 complaints were recorded compared with 32 last financial year. The complaints mostly dealt with electricity prices, gas prices and solar feed-in tariff complaints. Complaints on energy prices are referred to the Australian Energy Regulator as IPART no longer regulates electricity pricing.

There were 31 complaints made about Transport, mainly relating to public transport timetables to opal fare charges.

Complaints about water pricing increased from five to eight complaints in 2017-18. These complaints concerned charges for water and sewerage.

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

Complaints about competitive neutrality

There were no complaints about non-compliance with competitive neutrality referred to IPART in 2017-18.

G Government information (Public Access) Act

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

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

Availability of information

Copies of all IPART publications are available on our website at <https://www.ipart.nsw.gov.au>.

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

Formal access application

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

Right to Information Officer, IPART
PO Box K35
Haymarket Post Shop NSW 1240

Further details about making a formal access application are available on IPART’s website (www.ipart.nsw.gov.au).

Formal requests made during this year

IPART received a total of seven formal requests under the *Government Information (Public Access) Act 2009* during the reporting year. IPART received no requests for amendment or notation of personal records.

Request carried forward from the previous year

There were no requests carried forward from the previous year.

Review of information to be proactively released

Under section 7 of the GIPA Act, agencies must review their programs for the release of government information to identify the kinds of information that can be made publicly available. This review must be undertaken at least once every 12 months.

As part of IPART's proactive release program, we review our information as it is produced and make it available online where appropriate and as soon as practicable. IPART routinely publishes a significant amount of information on its website. Over the last financial year, IPART has received a number of informal requests for information and, where appropriate, dealt with these by providing the requested information.

Statistical information for 2017-18

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

Table G.1 Number of GIPA applications by type of applicant and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	-	-	-	-	-	-	-	-
Members of Parliament	-	-	-	-	-	-	-	-
Private sector business	-	2	2	-	-	-	-	1
Not for profit organisations or community groups	-	-	-	-	-	-	-	-
Members of the public (application by legal representative)	-	-	1	-	-	-	-	-
Members of the public (other)	-	-	-	-	-	-	-	1

Note: More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision.

Table G.2 Number of GIPA applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	-	-	-	-	-	-	-	-
Access applications (other than personal information applications)	-	2	3	-	-	-	-	2
Access applications that are partly personal information applications and partly other	-	-	-	-	-	-	-	-

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

Table G.3 Invalid applications

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

Table G.4 Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act

	Number of times consideration used*
Overriding secrecy laws	-
Cabinet information	2
Executive Council information	-
Contempt	-
Legal professional privilege	1
Excluded information	-
Documents affecting law enforcement and public safety	-
Transport safety	-
Adoption	-
Care and protection of children	-
Ministerial code of conduct	-
Aboriginal and environmental heritage	-

Note: *More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table G.5.

Table G.5 Other public interest considerations against disclosure: matters listed in table to section 14 of Act

	Number of occasions when application not successful
Responsible and effective government	2
Law enforcement and security	1
Individual rights, judicial processes and natural justice	-
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	-
Secrecy provisions	-
Exempt documents under interstate Freedom of Information legislation	-

Table G.6 Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	3
Decided after 35 days (by agreement with the applicant)	2
Not decided within time (deemed refusal)	-
Total	-

Table G.7 Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

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

Note: *The Information Commissioner does not have the authority to vary decisions, but can make a recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

**Table G.8 Applications for review under Part 5 of the Act
(by type of applicant)**

	Number of applications for review
Applications by access applicants	1
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	-

Table G.9 Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

	Number of applications transferred
Agency-initiated transfers	-
Applicant-initiated transfers	-

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