

Independent Pricing and Regulatory Tribunal  
New South Wales

October 2019



# ANNUAL REPORT

# 2018-19

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

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## Letter of Submission

Our reference: 19/249

31 October 2019

The Hon. Victor Michael Dominello, MP  
Minister for Customer Service  
52 Martin Place  
Sydney NSW 2000

Dear Minister

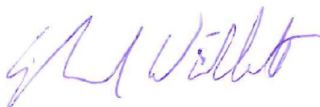
### **Independent Pricing and Regulatory Tribunal – Annual Report 2018-19**

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 2019, which has been prepared under sections 7(1)(a) and 8 of the Act.

Yours Sincerely



Dr Paul Paterson  
*Chair*



Ed Willett  
*Tribunal Member*



Deborah Cope  
*Tribunal Member*



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## The Chair's Foreword

This has been a year of significant change at IPART.

Arriving as Chair in early 2019, I was privileged to return to the Tribunal at a time when its reputation for integrity, trust and excellence was exceptionally high. Based on my past experience as a Tribunal member in 2013 and 2014, I was keen to return to a role where my experience in both industry and public service could be put to good use.

Since then, there has been no shortage of opportunities to explore issues which impact on the everyday lives of NSW consumers. There has also been unprecedented change both within IPART and Government, and more broadly across the economy and the community.

Shortly after my arrival, responsibility for IPART shifted from the Premier to the Minister for Customer Service, a move which aligns strongly with our purpose and our practice of putting the customer's interests at the centre of our decisions.

In a further change, we are fortunate to welcome Liz Livingstone as our new CEO. Liz started in July and I look forward to working with her and the Secretariat to continue its excellent work, and thank former CEO Hugo Harmstorf for his work over the past five years.

While these internal changes have been significant, it is perhaps external change driven by technological developments and innovation that is having the most impact on our work.

We need to ensure that our regulatory frameworks facilitate these advances for the ongoing benefit of customers and the community. Technological developments and innovation can reduce costs while also increasing the level of service to customers, making their experiences better and providing value for money. Our work in e-conveyancing is one example of an industry where technological development can deliver tangible benefits, and there are other current projects where we are exploring new options that simply weren't available a few years ago.

We are keen to increase the customer's voice in our decisions and advice. We are looking at ways to better engage with customers and to encourage utilities and businesses to meaningfully engage with their customers.

Throughout all of this change, I have been constantly inspired by the continued professionalism and hard work of the IPART Secretariat. The people who work for IPART are committed to independence, transparency, professionalism, consistency, consultation, balance, innovation and practicality. They are also delightful to work with, and I would like to thank them for their dedication and hard work.

I would also like to thank my fellow Tribunal members, Ed Willett and Deborah Cope. They provide invaluable input into IPART's decisions and have enabled us to continue to build on the good work of our former Chair Dr Peter Boxall and previous Tribunal members.

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Finally, I would like to thank our stakeholders who take the time and energy to input into our processes. This input strengthens our decisions.

IPART exists to provide independent regulatory decisions and advice to protect and promote the ongoing interests of the consumers, taxpayers and citizens of NSW. With a singular focus on that purpose, I look forward to tackling the challenges and opportunities that IPART faces over the coming year.

A handwritten signature in black ink, appearing to read 'Paul Paterson', with a long, sweeping horizontal stroke at the end.

Dr Paul Paterson  
*Chair*

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## The Chief Executive Officer's Report

I was delighted to return to IPART to become its CEO in July 2019 and congratulate Hugo Harmstorf, my predecessor, and the Secretariat on all of their achievements in 2018-19.

IPART delivered a large work program in 2018-19, including our administration, compliance and enforcement activity for the Energy Savings Scheme, and our water and energy network regulation and compliance functions. These functions are important in protecting the integrity of a key scheme to reduce greenhouse gas emissions in NSW and in keeping utilities accountable for the quality of services they provide to consumers across NSW.

Examples of some of our other projects include:

- ▼ Setting water prices for Broken Hill, Central Coast Council and Water NSW's rural customers. We also reviewed Sydney Water's Operating Licence
- ▼ Reviewing pricing arrangements for recycled water services which support efficient investment in recycled water and address some barriers to cost-effective recycled water
- ▼ Monitoring the retail energy and ethanol markets and the introduction of the container deposit scheme
- ▼ Commencing reviews of a wide range of issues in our special reviews into interment rights, e-conveyancing and rents for communication towers on Crown Land which continue into 2019-20
- ▼ Reviewing contributions plans, setting the rate peg and assessing special variations and reviewing election costs for Local Governments.

In the short time since I've returned to IPART, our people have shared that a key motivator for them is knowing they are contributing to getting strong outcomes for the people of NSW. Whether it's fair prices for essential services such as water or public transport, promoting compliance with standards that protect public health or that mean greenhouse gas emissions are reduced, or encouraging competition that results in better services and lower prices for consumers, we make a difference.

As we look to the future we plan to:

- ▼ Deepen our engagement with consumers and better understand their interests and preferences
- ▼ Keep abreast of potentially disruptive change in the sectors we regulate, and seek to enable rather than hinder innovation
- ▼ Challenge ourselves to be always improving our approach so our regulation is effective and proportionate.

IPART has a proud history of being a leading independent regulator and a rewarding place to work. I am looking forward to being part of its next evolution.

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I thank Paul Paterson, the other Tribunal members and the Secretariat for their very warm welcome. I am excited about working with each of IPART's talented and professional people as we continue to deliver for NSW.

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

Liz Livingstone  
*Chief Executive Officer*



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## 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, 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.

In 2019-20 we will undertake a strategic planning process to set a new Strategic Plan.

## 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 customers, 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 and the prices that small and large businesses pay for regulated services. 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 maximum 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
  - Review and report annually on the performance and competitiveness of the retail electricity and gas market in NSW.

## Resources

As at 30 June 2019 we have:

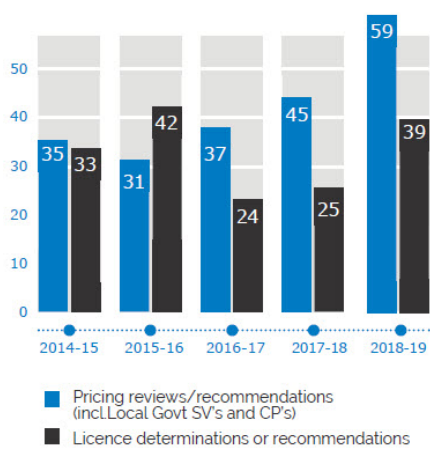
- ▼ 98.5 full-time equivalent employees
- ▼ \$26.86 million in appropriation from NSW Treasury
- ▼ \$2.5 million grant from other government agencies
- ▼ \$1.1 million revenue from special reviews.

# 2018-19 Highlights

PRICE REGULATION				LICENSING AND COMPLIANCE			SPECIAL REVIEWS
Determining maximum regulated prices for water, energy, public transport and taxi fares, and local government rates and development contributions				Issuing licences and monitoring compliance for water and energy services to encourage competition, efficient use of resources and appropriate access to public infrastructure			Recommending improved pricing, efficiency, industry structure and competition reform to support economic growth through:
 <b>6.2m</b> water users across NSW	 <b>3.5m</b> energy customers prices monitored	 <b>800m+</b> NSW public transport trips	 <b>3.1 m+</b> ratepayers across 128 councils	 <b>35</b> water licences covering 5.8m water users	 <b>8m</b> consumers receiving electricity via networks IPART regulates for safety and reliability	 <b>5.3m MWh</b> energy saved under the Energy Savings Scheme in 2017	 <b>RURAL TAXIS</b> <b>Infrastructure REGULATION</b>

## REVIEWS AND LICENCES

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



## 2018-19 HIGHLIGHTS

<h3>ENHANCING NSW ECONOMY THROUGH HIGH-QUALITY DECISIONS</h3> <ul style="list-style-type: none"> <li><b>77</b> reports including 23 determinations and 25 final reports</li> <li><b>6</b> special reviews undertaken at Government request</li> <li><b>80%</b> stakeholders who agree Tribunal demonstrates leadership</li> <li><b>1</b> submission made by IPART to external reviews</li> <li><b>0</b> successful challenges to IPART's regulatory decisions</li> </ul>	<h3>KEEPING REGULATED BUSINESS ACCOUNTABLE</h3> <ul style="list-style-type: none"> <li><b>190</b> audits conducted</li> <li><b>100</b> compliance reports</li> <li><b>32</b> compliance and enforcement actions</li> <li><b>12</b> guidelines published to facilitate compliance</li> <li><b>16</b> reporting manuals completed or updated</li> </ul>	<h3>MEETING STAKEHOLDER EXPECTATIONS</h3> <ul style="list-style-type: none"> <li><b>1740</b> submissions received</li> <li><b>62</b> consultation papers released</li> <li><b>6</b> consultations held (hearings and workshops)</li> <li><b>84%</b> stakeholders who agree or mostly agree IPART's reports are of high quality</li> <li><b>25</b> final reports published</li> </ul>	<h3>PROMOTING A THRIVING ORGANISATIONAL CULTURE</h3> <ul style="list-style-type: none"> <li><b>98.5</b> full-time equivalent employees</li> <li><b>56%</b> of senior executives are female</li> <li><b>92%</b> of stakeholders agree or mostly agree IPART staff demonstrate a high level of professionalism</li> </ul>
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## 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 2018-19, we completed the following reviews:

- ▼ Annual review of WaterNSW's bulk water charges in Murray Darling Basin valleys, under accreditation from the ACCC
- ▼ Review and determination of the Central Coast Council's water and wastewater prices
- ▼ Review and determination of Essential Water's water and wastewater prices in Broken Hill
- ▼ Review and determination of WaterNSW's Murray River to Broken Hill Pipeline services
- ▼ Review and determination of developer charges and backlog sewerage charges for metropolitan water agencies (Sydney Water, Hunter Water and the Central Coast Council)
- ▼ Review of recycled water prices, and determination of recycled water developer charges, for public water utilities (Sydney Water, Hunter Water and the Central Coast Council)
- ▼ Review of rural water cost shares
- ▼ Review of bulk water trading markets.

## Energy

In 2018-19, we reviewed solar feed-in tariffs, and monitored retail electricity and gas retail prices. Specifically we:

- ▼ In April 2019 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
- ▼ Completed our 2018 review of the performance and competitiveness of the NSW energy market. We submitted our final report to the Minister for Energy in November 2018. We also completed a review of energy retailers metering practices in NSW and provided our final report to the Minister for Energy in November 2018
- ▼ Commenced our 2019 review of the performance and competitiveness of the NSW energy market
- ▼ Completed our review to monitor the wholesale and retail prices for petrol-ethanol blend. In October, we released a draft report and invited public submissions. In addition, we made quarterly determinations of reasonable wholesale ethanol prices.

## Transport pricing

In 2018-19 we:

- ▼ Undertook a review of the rate of return and mine life for the 5 years from 1 July 2019 under the NSW rail undertaking. We consulted with stakeholders by release of a draft report in April 2019. We completed this review and published our final report in July 2019
- ▼ Assessed compliance by Transport for NSW fare proposal to change fares for Opal services from 24 June 2019
- ▼ Completed a survey of point to point transport use in December 2018
- ▼ Assessed ARTC compliance with the NSW Rail Access Undertaking for its non-Hunter Valley sectors for 2017-18
- ▼ Determined the wholesale price of ethanol for each of the four quarters during 2018-19
- ▼ Completed our monitoring of the wholesale and retail markets for fuel ethanol for 2017-18
- ▼ Commenced assessing RailCorp's compliance with the NSW Rail Undertaking for the period 2015-16 to 2017-18
- ▼ Commenced assessing compliance with the NSW rail access undertaking for the non-Hunter Valley parts of the rail network including the metropolitan freight corridors and the country rail network
- ▼ Commenced our review of Opal fares for the period 1 July 2020 to 30 June 2024 in April 2019 by releasing an issue paper for stakeholder comment. We also published our estimates of elasticity of demand for Sydney public transport in April 2019.

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## **Review of Interment cost and prices**

We have been tasked under s 145 of the Cemeteries and Crematoria Act to review:

- ▼ The relativity of costs and pricing factors for perpetual and renewable interment rights
- ▼ Full-cost pricing of perpetual interment rights, including provision for the perpetual care of interment sites and cemeteries.

We have commenced stakeholder consultation by releasing an issues paper in May 2019.

## **Review of electronic conveyancing services in NSW**

We have been tasked to assess the state of the market and to recommend an appropriate pricing regulatory framework that includes:

- ▼ A maximum price or pricing methodology for the provision of services by an Electronic Lodgement Network Operator (ELNO)
- ▼ Maximum prices or pricing methodologies for services provided to ELNOs by NSW Land Registry Services (NSW LRS) and by Revenue NSW.

In doing so, we must consider the need to protect customers from excessive prices while allowing ELNOs to recover their efficient costs, and the need to promote competition in the market. Effective competition can drive both lower prices and innovation in service delivery.

We have commenced stakeholder consultation by releasing an issues paper in March 2019.

## **Review of rental arrangements for communication towers on crown lands**

We have been tasked to review the rental arrangements for communication tower sites on Crown land managed by three government agencies – the Department of Industry’s Division of Lands and Water, the Office of Environment and Heritage, and Forestry Corporation NSW.<sup>1</sup> In particular, we are to advise on a fee schedule that reflects “fair, market-based commercial returns”.

We have commenced stakeholder consultation by releasing an issues paper in February 2019 and a draft report in July 2019.

## **Monitoring the impacts of the container deposit scheme on container beverage prices and competition**

We were tasked to monitor the effects of the container deposit scheme (CDS) on beverage prices and competition in its first year of operation. The broad aim of this monitoring was to assist the Government in managing the risk that suppliers may seek to raise the price of beverages above the costs of the scheme. Our terms of reference from the Premier asked us to:

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<sup>1</sup> Throughout this paper, we use the term Crown land to refer to land that is owned by the state and managed by the three government agencies - the Department of Industry’s Division of Lands and Water, the Office of Environment and Heritage, and Forestry Corporation NSW.

- ▼ 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 government actions required to address adverse effects or behaviours arising from the operation of the scheme
- ▼ Recommend whether price monitoring should continue beyond the initial one-year period.<sup>2</sup>

We completed our review in December 2018 and concluded that ongoing price monitoring is not necessary.

At the request of Government we also assessed applications for transitional assistance for small to medium sized independent retailers near the NSW Victorian border impacted by the NSW Container Deposit Scheme.

### **Local Government, developer contributions and reviews**

We set the annual rate peg for 2019-20 at 2.7% to reflect changes in the prices for goods, materials and labour used by an average council.

In May 2019 we made 13 determinations on council applications for special variations to the rate peg. These determinations came into effect in July 2019

We completed assessments of three local infrastructure contributions plans – *The Hills Shire Council's Contributions Plan 15 for Box Hill*, *Blacktown City Council's Contributions Plan No 22 for Rouse Hill*, and *Campbelltown City Council's Menangle Park Contributions Plan*. We commenced our assessment of another six contributions plans. We expect to finalise five of these in the second half of 2019. The remaining plan was withdrawn by the Council.<sup>3</sup> Ultimately, our assessments will influence how much developers contribute towards the cost of local infrastructure in the areas to which the plans apply.

At the request of the NSW Premier, under section 9 of the IPART Act, we also commenced a review of local government election costs. We submitted our Final Report on this review to the Minister for Local Government by 30 August 2019.

### **Other special reviews**

In addition to those listed above, during 2018-19, we:

- ▼ Reviewed the prices for Valuer General's services to councils from 1 July 2019
- ▼ Released our 2019 annual update to net rates of return for domestic waterfront tenancies
- ▼ Reviewed the working capital allowance policy.

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<sup>2</sup> See Appendix A.

<sup>3</sup> In late June 2019, officers from Queanbeyan-Palerang Regional Council advised IPART that the *South Jerrabomberra Local Infrastructure Contributions Plan 2018* should be withdrawn from IPART's assessment because it is unclear whether the cost of land and works in the plan will remain at an amount that results in contributions above \$30,000 per residential lot or dwelling (the threshold for IPART assessment).





## 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 2018-19, we made two submissions to the following external reviews:

- ▼ Bureau of Meteorology's review of the Urban National Performance Reporting Framework, February 2019
- ▼ Productivity Commission's Inquiry into National Transport Regulatory Reform, June 2019.

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

In **Water Pricing**, we will be:

- ▼ Reviewing Sydney Water's prices for its water and wastewater services
- ▼ Reviewing Hunter Water's prices for its water and wastewater services
- ▼ Reviewing WaterNSW's bulk water prices for its supply to Greater Sydney
- ▼ Conducting an annual review of WaterNSW's bulk water charges in Murray Darling Basin valleys, under accreditation from the ACCC and the WCIR
- ▼ Finalising our assessment of Sydney Water's Cost Allocation Manual, to support third-party access to some of Sydney Water's infrastructure services.

In **Energy and Transport**, we will be:

- ▼ Assessing the competitiveness of the retail electricity and gas markets in NSW
- ▼ Continuing to publish a benchmark rate for solar feed in tariffs
- ▼ Undertaking a review of reliability standards for distribution networks to recommend changes to these reliability standards that could deliver bill saving to customers
- ▼ Determining the wholesale price of ethanol periodically using an import parity price (IPP) methodology
- ▼ Monitoring the retail market (including prices) for petrol-ethanol blend
- ▼ Completing our review of Opal fares for the period 1 July 2020 to 30 June 2024.

In the **Local Government** area, we will be:

- ▼ Finalising our review of local government election costs
- ▼ Setting the rate peg
- ▼ Reviewing the local government cost index, which we use to set the rate peg
- ▼ Assessing applications from councils for special variations
- ▼ Reviewing councils' local infrastructure contributions plans.

We also commenced 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 Regulation and Compliance

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 2006 (NSW)* (WIC Act) to make recommendations to the Minister on whether to grant or refuse licences and the administration of those licences.

In 2018-19, we:

- ▼ Completed the end of term review of the Sydney Water Corporation operating licence
- ▼ Audited the compliance of Sydney Water Corporation, Hunter Water Corporation and Water NSW against their operating licences
- ▼ Completed a review of our *Audit Guideline – Public water utilities* and our *WIC Act – Audit Guideline*
- ▼ Completed a review of the *WIC Act Application Form* and developed a new *Guidance Document* to assist new licence applicants
- ▼ Monitored the compliance of 21 network operator's licensees and 11 retail supplier's licensees under the WIC Act, including the completion of 14 operational audits
- ▼ Prepared the 2017-18 Annual Compliance report to the Minister
- ▼ Completed two 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 2018-19, we monitored the compliance of electricity network operators in NSW with their licences and relevant legislative requirements, and we will provide our annual compliance report on licence compliance to the Minister for Energy and Environment by 31 October 2019. Specifically, we:

- ▼ Directed audits and monitored compliance of the four licensed electricity network service providers in NSW (TransGrid, Ausgrid, Endeavour Energy, and Essential Energy) against conditions of their operating licences, including:
  - the critical infrastructure licence conditions applicable to TransGrid, Ausgrid, and Endeavour Energy (which now also apply to Essential Energy)
  - the reliability standards for Ausgrid, Endeavour Energy and Essential Energy
- ▼ Monitored compliance with relevant provisions of the *Electricity Supply Act 1995* and regulations for eight electricity network operators for safe operation of their networks, including:
  - directed audits of the asset management component of TransGrid, Ausgrid, Endeavour Energy and Essential Energy's Electricity Network Safety Management Systems

- directed audits of the planning and preparation and bushfire risk management component of Sydney Trains' Electricity Network Safety Management Systems
  - directed Metro Trains Sydney to modify its Electricity Network Safety Management System to become compliant with the regulation, and to provide an audit report evidencing its modifications to its safety management system
  - reviewed a requested internal audit report from the Lord Howe Island Board of its Electricity Network Safety Management System
  - received requested advice from Directlink that it had completed the actions necessary to address non-compliances identified during previous audit of its Electricity Network Safety Management System
- ▼ Continued to monitor safety, reliability and third party property incidents that occurred on the networks of TransGrid, Ausgrid, Endeavour Energy, Essential Energy and Sydney Trains; and reviewed the preventative and mitigative action that the network operators' undertook in response to these incidents
  - ▼ Monitored compliance with the employment guarantees and the code of practice for environmental impact assessments<sup>4</sup>
  - ▼ Reviewed and updated our *Audit Guidelines* and *Reporting Manuals* to reflect the Minister's changes to the operating licences of Ausgrid, Endeavour Energy and Essential Energy. We also developed and published a new reporting manual detailing compliance reporting requirements against the NSW Public Lighting Code
  - ▼ 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
- ▼ Ensuring that Energy Saving Certificates (certificates) created represent genuine energy savings.

We conducted a number of activities during 2018-19 to review and improve our administration of the scheme, including:

- ▼ Making improvements to the ESS Portal and ESS website design to increase administrative efficiency and improve how ACPs and auditors interact with us
- ▼ Enhancing our compliance framework and guidance to simplify content and access to information
- ▼ Continuing interaction with stakeholders to help improve their understanding of ESS legislation and requirements.

<sup>4</sup> Department of Planning and Environment, *NSW Code of Practice for Authorised Network Operators*, September 2015.



## Risks to scheme integrity

During the year, we identified several trends that could pose risks to the integrity of the scheme. In response, we have been reviewing our systems and processes to ensure they remain robust and flexible, and we can readily identify issues. Some of the specific actions we are taking include:

- ▼ Running stakeholder sessions to improve the understanding of Accredited Certificate Providers, auditors and Measurement and Verification Professionals of ESS legislation and requirements
- ▼ Using market intelligence to better target our compliance activities
- ▼ Ensuring appropriate conditions of accreditation (eg, through changes to audit regimes or certificate creation limits) and expanding our reviews of applications for increases to certificate creation limits to manage the risks of non-compliance
- ▼ Expanding the scope of particular audits to include additional verification checks
- ▼ Conducting formal investigation activities
- ▼ Taking enforcement action, including the issuing of penalty notices
- ▼ Conducting a review of the performance of Measurement and Verification Professionals
- ▼ Working with policy agencies to improve the clarity of the rules and enhance our ability to manage compliance.

In addition to the opportunities identified in 2017 to improve the scheme design, we have identified additional aspects that should be reviewed and improved to maintain the integrity of the scheme and to strengthen our ability to manage compliance. We are working with the scheme policy makers to improve scheme design. As part of the five-yearly statutory review of the ESS, commencing in 2019, we are working with the policy agencies to address non-compliance issues and to ensure that IPART has adequate enforcement powers to maintain the integrity of the scheme. We are also focussing our activities on areas that we consider pose higher risks.

## Our administrative actions reflected the growth and complexity of the Scheme

During 2018-19, we took a range of administrative actions, as outlined below. While the number of applications for accreditation decreased compared to 2017, there was a significant increase in audit activity. We:

- ▼ Issued four penalty notices totalling \$80,000 for improper creation of ESCs.
- ▼ Granted 15 new accreditations
- ▼ Approved 45 amendments to existing accreditations
- ▼ Cancelled 18 accreditations, either because we were satisfied that the ACP had breached its accreditation conditions or was no longer eligible to be accredited, or because the ACP requested cancellation
- ▼ Administered 131 audits, covering 76 accreditations using our audit services panel

- ▼ Accepted 1,768 emerging lighting technology products for use in the scheme, including 114 products previously approved under the Victorian Energy Efficiency Target (VEET) scheme
- ▼ Held 13 online workshops and one in-person workshop, with a total of 124 external participants.

## **Box 2 Keeping regulated entities accountable – the year ahead**

In our **water regulation 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, Hunter Water Corporation and Water NSW against their operating licences
- ▼ Continue to assess licence and variation applications, and to monitor compliance of licensees, under the WIC Act
- ▼ Undertake ongoing improvements to our licence application and auditing processes to improve efficiency and effectiveness.

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 network service providers, with an audit of bushfire preparedness, and worker and public safety of the four major network operators reporting in the first half of 2020
- ▼ 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 ES Act, including aspects of their safety management systems
- ▼ 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
- ▼ Contribute to the five-yearly Statutory Review of the ESS, which the policy agencies will undertake in 2019-20.

## **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.

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## 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 83% of stakeholders rated IPART's engagement with them as effective or very effective.<sup>5</sup>

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 78% of respondents in our most recent stakeholder survey consider that our consultation processes are of high quality.<sup>6</sup> 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, 75% of respondents considered that overall, our decision-making processes were of high quality.<sup>7</sup> Similarly, 71% of stakeholders' perception of whether the decision-making processes are fair in that we give due weight to competing claims to reach a balanced outcome.<sup>8</sup>

Key outputs for 2018-19 include:

- ▼ 62 consultation papers released
- ▼ 6 consultation hearings and workshops
- ▼ 1740 submissions received
- ▼ 25 Final Reports.

In addition, we have modernised our engagement with stakeholders. For example we are providing shorter, visual overview documents and undertaking more informal and targeted engagement with our stakeholders.

## Promoting a thriving culture

As at 30 June 2019, IPART had 133 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. This diversity of skill sets enables IPART to provide the high quality independent service to the people of NSW, through our people.


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<sup>5</sup> See ARTD Consultants, *Findings from the Independent Pricing and Regulatory Tribunal 2019 Stakeholder Survey - Final Report*, September 2019, p 21

<sup>6</sup> See ARTD Consultants, *Findings from the Independent Pricing and Regulatory Tribunal 2019 Stakeholder Survey - Final Report*, September 2019, p 12

<sup>7</sup> See ARTD Consultants, *Findings from the Independent Pricing and Regulatory Tribunal 2019 Stakeholder Survey - Final Report*, September 2019, p 14

<sup>8</sup> See ARTD Consultants, *Findings from the Independent Pricing and Regulatory Tribunal 2019 Stakeholder Survey - Final Report*, September 2019, p 14



We have continued to focus on supporting all of our employees in developing high performing teams. IPART is active in supporting our employees with a flexible and agile work environment, allowing us to effectively undertake the work given to us by Government.

### **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 employees 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 to reflect the taxpayers of NSW
- ▼ Proactively develop our employees in an equitable working environment
- ▼ 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 all flexible working arrangements.

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

IPART is committed to a supportive and development-led organisation, the organisation embraces the opportunity to promote an agile, high performing workforce and provide opportunities and a working environment to develop. Our managers lead employees to challenge traditional thought models, look for opportunities to innovate and enhance technology to engage with stakeholders.

In 2018-19 we continued to deliver targeted learning and development opportunities against identified core capabilities and priority areas. Working to the 70:20:10 model of development and recognising that significant development occurs through both formal and informal learning opportunities we continue to provide internal development opportunities to work across other teams in order to gain further knowledge, skills and experience. On average we invested approximately \$1,100 per employee in formal learning activities.

We also support employees to undertake relevant study at tertiary institutions through study leave and/or financial assistance, external networking opportunities, conference attendance and presentations.





## Our leadership structure and people

Our organisation is led by a Tribunal whose members are appointed by the Minister for Customer Service, 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 Minister for Customer Service may appoint any number of additional temporary members where required. There were no temporary members appointed for 2018-19.

The Chairman 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 Paul Paterson**

#### **Chair**

B AgEcon(Hons), M Econ, PhD

Chair from 11 February 2019.

Dr Paterson was previously appointed an IPART Tribunal member in 2013, before taking up a senior role in the Commonwealth Government. He has 30 years' of experience as an industry economist and has held senior roles in the private sector and in several Commonwealth and State government policy, research and regulatory bodies. Dr Paterson has been appointed as Chair until 31 December 2023.



### **Mr Ed Willett**

#### **Tribunal Member**

B Ec, LLB, Dip. Int. Law

Mr Willett has over 30 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 8 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 2018-19, 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 eight times in 2018-19
- ▼ 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, Fiona Towers (until 5 July 2018) and Pamela Soon (from 24 July 2018). The committee met 16 times in 2018-19. Fiona Tower's last Energy Savings Scheme meeting is 5 July 2018

- ▼ Its responsibilities regarding reviewing Local Government Contributions Plans under the *Environmental Planning and Assessment Act 1979* to a committee. The committee comprised Deborah Cope (Chair), Nicola Gibson and Fiona Towers. It met 17 times in 2018-19
- ▼ 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 17 times in 2018-19
- ▼ Certain functions to the CEO and other senior employees to enable them to make decisions on more routine matters.

## The Secretariat

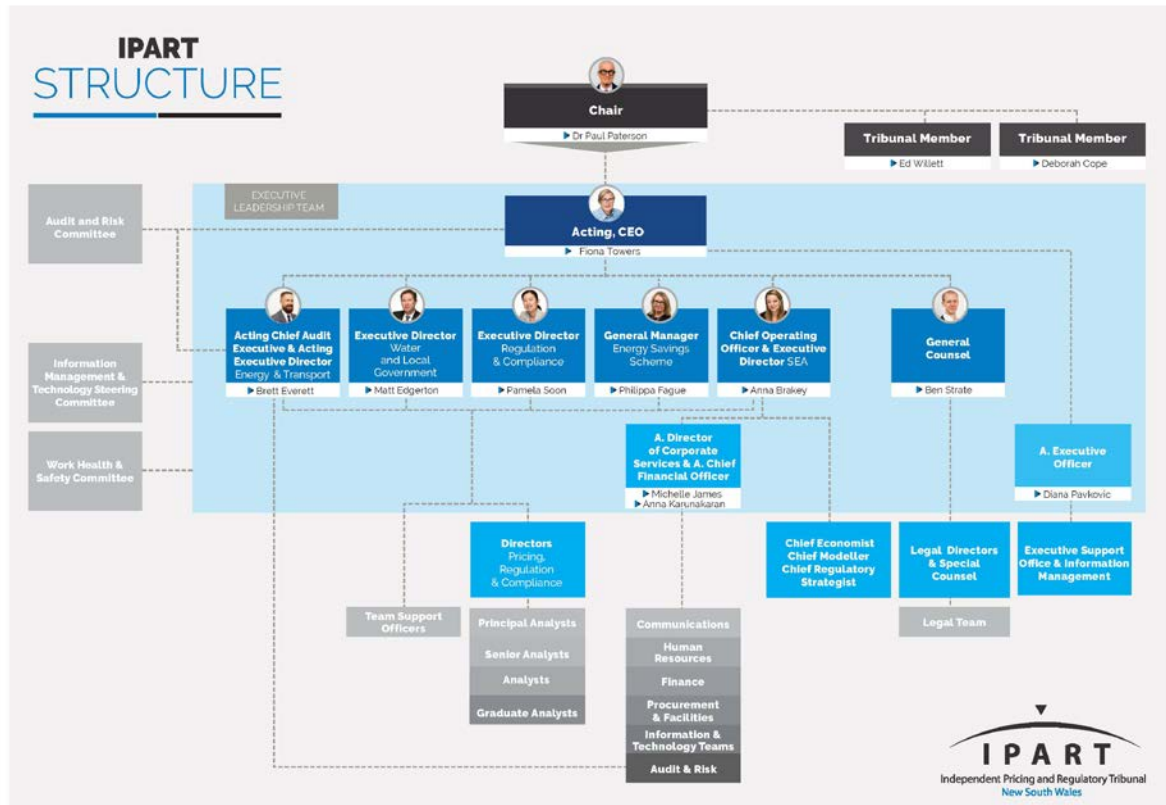
The Secretariat assists the Tribunal and its delegated committees by providing research and advisory services, and supporting investigations and public processes. The Secretariat includes:

- ▼ **The Chief Executive Officer** who managed seven executive employees, 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 corporate services employees, 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 employees** 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 employees** who provide advice on the legal issues that arise in carrying out our functions
- ▼ **Corporate services employees** 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 30 June 2019.



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## Financial reports





## 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 Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, 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, 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 2019, 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**

The Tribunal's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Chief Executive of the 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's Responsibilities for the Financial Statements**

The Chief Executive 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 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 operations will be dissolved by an Act of Parliament or otherwise cease.

## **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
- 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/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.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, appearing to read 'D Daniels'.

David Daniels  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 September 2019  
SYDNEY

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

**Financial Statements  
for the year ended 30 June 2019**

**Independent Pricing and Regulatory Tribunal  
Statement of Comprehensive Income  
for the year ended 30 June 2019**

	Notes	Consolidated			Tribunal		
		Budget 2019 \$'000	Actual 2019 \$'000	Actual 2018 \$'000	Budget 2019 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
<b>Continuing operations</b>							
<b>Expenses excluding losses</b>							
Employee-related expenses	2(a)	23,350	<b>23,032</b>	21,800	-	-	-
Personnel services		-	-	-	22,957	<b>21,673</b>	20,941
Operating expenses	2(b)	7,746	<b>10,116</b>	8,351	7,746	<b>10,116</b>	8,351
Depreciation and amortisation	2(c)	1,029	<b>1,112</b>	987	1,029	<b>1,112</b>	987
<b>Total expenses excluding losses</b>		<b>32,125</b>	<b>34,260</b>	<b>31,138</b>	<b>31,732</b>	<b>32,901</b>	<b>30,279</b>
<b>Revenue</b>							
Appropriations	3(a)	27,850	<b>26,780</b>	30,656	27,850	<b>26,780</b>	30,656
Sale of goods and services	3(b)	1,329	<b>1,107</b>	1,331	1,329	<b>1,107</b>	1,331
Grants and other contributions	3(c)	-	<b>2,500</b>	-	-	<b>2,500</b>	-
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	393	<b>1,359</b>	859	-	-	-
Other income	3(e)	-	<b>579</b>	807	-	<b>579</b>	807
<b>Total Revenue</b>		<b>29,571</b>	<b>32,325</b>	<b>33,653</b>	<b>29,178</b>	<b>30,966</b>	<b>32,794</b>
<b>Operating result</b>		<b>(2,554)</b>	<b>(1,935)</b>	<b>2,515</b>	<b>(2,554)</b>	<b>(1,935)</b>	<b>2,515</b>
Gains / (losses) on disposal	4	-	<b>(15)</b>	-	-	<b>(15)</b>	-
<b>Net result</b>		<b>(2,554)</b>	<b>(1,950)</b>	<b>2,515</b>	<b>(2,554)</b>	<b>(1,950)</b>	<b>2,515</b>
<b>Other comprehensive income</b>		-	-	-	-	-	-
<b>Total other comprehensive income</b>		-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>		<b>(2,554)</b>	<b>(1,950)</b>	<b>2,515</b>	<b>(2,554)</b>	<b>(1,950)</b>	<b>2,515</b>

The accompanying notes form part of these financial statements.



**Independent Pricing and Regulatory Tribunal  
Statement of Financial Position  
as at 30 June 2019**

	Notes	Consolidated			Tribunal		
		Budget	Actual	Actual	Budget	Actual	Actual
		2019 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2019 \$'000	2018 \$'000
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	6	933	3,346	4,792	933	2,882	4,761
Receivables	7	1,689	595	680	1,689	580	637
<b>Total Current Assets</b>		<b>2,622</b>	<b>3,941</b>	<b>5,472</b>	<b>2,622</b>	<b>3,462</b>	<b>5,398</b>
<b>Non-Current Assets</b>							
Plant and equipment							
- Plant and equipment	8	-	732	884	-	732	884
- Leasehold improvement	8	1,534	551	1,399	1,534	551	1,399
Total plant and equipment		1,534	1,283	2,283	1,534	1,283	2,283
Intangible assets	9	671	11	25	671	11	25
<b>Total Non-Current Assets</b>		<b>2,205</b>	<b>1,294</b>	<b>2,308</b>	<b>2,205</b>	<b>1,294</b>	<b>2,308</b>
<b>Total Assets</b>		<b>4,827</b>	<b>5,235</b>	<b>7,780</b>	<b>4,827</b>	<b>4,756</b>	<b>7,706</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Payables	10	1,737	2,217	2,708	1,737	1,738	2,634
Provisions	11	2,396	2,409	2,416	2,396	2,463	2,448
Other current liabilities	12	-	-	119	-	-	119
<b>Total Current liabilities</b>		<b>4,133</b>	<b>4,626</b>	<b>5,243</b>	<b>4,133</b>	<b>4,201</b>	<b>5,201</b>
<b>Non-Current Liabilities</b>							
Provisions	11	875	698	676	875	644	644
<b>Total Non-Current Liabilities</b>		<b>875</b>	<b>698</b>	<b>676</b>	<b>875</b>	<b>644</b>	<b>644</b>
<b>Total Liabilities</b>		<b>5,008</b>	<b>5,324</b>	<b>5,919</b>	<b>5,008</b>	<b>4,845</b>	<b>5,845</b>
<b>Net Assets</b>		<b>(181)</b>	<b>(89)</b>	<b>1,861</b>	<b>(181)</b>	<b>(89)</b>	<b>1,861</b>
<b>EQUITY</b>							
Accumulated funds	13	(181)	(89)	1,861	(181)	(89)	1,861
<b>Total Equity</b>		<b>(181)</b>	<b>(89)</b>	<b>1,861</b>	<b>(181)</b>	<b>(89)</b>	<b>1,861</b>

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 2019**

<b>Consolidated / Tribunal</b>	<b>Accumulated Funds \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2018	1,861	1,861
Net result for the year	(1,950)	(1,950)
Total other comprehensive income	-	-
Total comprehensive income for the year	(1,950)	(1,950)
Balance at 30 June 2019	(89)	(89)

<b>Consolidated / Tribunal</b>	<b>Accumulated Funds \$'000</b>	<b>Total \$'000</b>
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

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal  
Statement of Cash Flows  
for the year ended 30 June 2019**

	Consolidated			Tribunal		
	Budget 2019 \$'000	Actual 2019 \$'000	Actual 2018 \$'000	Budget 2019 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related	(22,957)	(21,854)	(21,455)	-	-	-
Personnel services	-	-	-	(22,957)	(21,854)	(21,069)
Other	(8,967)	(11,474)	(8,420)	(8,967)	(11,879)	(8,422)
<b>Total Payments</b>	<b>(31,924)</b>	<b>(33,328)</b>	<b>(29,875)</b>	<b>(31,924)</b>	<b>(33,733)</b>	<b>(29,491)</b>
<b>Receipts</b>						
Appropriations (excluding equity appropriations)	27,850	26,661	30,775	27,850	26,661	30,775
Sale of goods and services	1,329	2,261	2,016	1,329	2,233	1,936
Grants and other contributions	-	2,500	-	-	2,500	-
Other	1,221	579	807	1,221	579	807
<b>Total Receipts</b>	<b>30,400</b>	<b>32,001</b>	<b>33,598</b>	<b>30,400</b>	<b>31,973</b>	<b>33,518</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>17</b>	<b>(1,524)</b>	<b>(1,327)</b>	<b>3,723</b>	<b>(1,524)</b>	<b>(1,760)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchases of plant and equipment	(892)	(119)	(781)	(892)	(119)	(781)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(892)</b>	<b>(119)</b>	<b>(781)</b>	<b>(892)</b>	<b>(781)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(2,417)</b>	<b>(1,446)</b>	<b>2,942</b>	<b>(2,417)</b>	<b>(1,879)</b>
<b>Opening cash and cash equivalents</b>		<b>3,350</b>	<b>4,792</b>	<b>1,850</b>	<b>3,350</b>	<b>4,761</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>6</b>	<b>933</b>	<b>3,346</b>	<b>4,792</b>	<b>933</b>	<b>2,882</b>

The accompanying notes form part of these statements.

**Independent Pricing and Regulatory Tribunal**  
**Notes to the financial statements**  
**for the year ended 30 June 2019**

**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 2019 have been authorised for issue by the Chief Executive Officer on 17 September 2019.

**(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 (the Act)* and *Public Finance and Audit Regulation 2015* and
- Treasurer's Directions issued under the Act.

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

While the Tribunal has negative net assets at reporting date, the financial statements have been prepared on a going-concern basis after taking into account future funding from government appropriations. Cash flow forecasts demonstrate that with future appropriation funding, the Tribunal will have sufficient funds to pay its debts as and when they fall due for at least the next 12 months from the date these financial statements were authorised for issue.

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, which is the Tribunal's presentation and functional currency.

**(c) Statement of compliance**

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

**Independent Pricing and Regulatory Tribunal  
Notes to the financial statements  
for the year ended 30 June 2019**

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

**(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 18 as "Administered Assets and Liabilities".

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

**(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) Foreign currency translation**

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Differences arising on settlement or translation of monetary items are recognised in net result.

**(g) 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.

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

**(i) Effective for the first time in 2018-19**

The Tribunal has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures (AASB 7R).

The Tribunal applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 Financial Instruments: Recognition and Measurement (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

The classification and measurement requirements of AASB 9 did not have a significant impact to the Tribunal. The Tribunal continued measuring at fair value, all financial assets previously held at fair value under AASB 139.



**Independent Pricing and Regulatory Tribunal**  
**Notes to the financial statements**  
**for the year ended 30 June 2019**

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

a) Classification and measurement of financial instruments

The following are the changes in the classification of the entity's financial assets. Trade receivables classified as 'Loans and Receivables' under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principle and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.

In summary, upon the adoption of AASB 9, the entity had the following required or elected classifications as at 1 July 2018:

		Measurement category		Carrying amount		
		AASB 139	AASB 9	Original \$'000	New \$'000	Difference \$'000
<b>Consolidated</b>						
Trade receivables	L&R	Amortised cost	680	680	-	
<b>Tribunal</b>						
Trade receivable	L&R	Amortised cost	637	637	-	

b) Impairment

The adoption of AASB 9 has changed the Tribunal's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Tribunal to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. There is no material impact to the entity on adopting the new impairment model.

(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 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding *Revenue from Contracts with customers*)
- AASB 16 *Leases*
- AASB 17 *Insurance Contracts*
- AASB 1058 *Income of Not-for-profit Entities*
- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*
- AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors*
- AASB 2018-5 *Amendments to Australian Accounting Standards - Deferral of AASB 1059*
- AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit*

Based on the impact assessments The Tribunal has undertaken on currently available information, the Tribunal estimates under AASB 16, additional lease liabilities of \$0.65 million and right-of-use assets of \$0.65 million will be recognised as at 1 July 2019 for leases in which the Tribunal is a lessee. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability. The impact on the statement of comprehensive income is expected to be \$0.51 million.

The main impact of AASB 15 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 2019**

**2. Expenses Excluding Losses**

**(a) Employee related expenses**

	Consolidated		Tribunal	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Salaries and wages (including annual leave)	19,038	18,251	-	-
Superannuation - defined benefit plans	20	20	-	-
Superannuation - defined contribution plans	1,175	1,176	-	-
Long service leave	1,338	824	-	-
Workers compensation insurance	46	66	-	-
Payroll tax and fringe benefit tax	1,058	1,036	-	-
Redundancy payments	288	321	-	-
On costs - annual leave and long service leave	69	106	-	-
	<b>23,032</b>	<b>21,800</b>	<b>-</b>	<b>-</b>

Employee related costs that have been capitalised and therefore excluded from the above; Nil (2018 \$107,630).

**(b) Operating expenses include the following:**

	Consolidated		Tribunal	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Advertising	67	12	67	12
Auditor's remuneration - audit of the financial statements	47	41	47	41
Board and Committee Fees	403	336	403	336
Cleaning and outgoings	484	447	484	447
Corporate services fees	646	570	646	570
Consultants	4,517	3,176	4,517	3,176
Contractors	38	367	38	367
Information Technology	1,015	427	1,015	427
Information resources and media	245	314	245	314
Internal audit fees	96	89	96	89
Insurance	9	11	9	11
Legal Fees	528	622	528	622
Operating lease rental expense - minimum lease payments	1,163	1,162	1,163	1,162
Training (staff development)	277	324	277	324
Travel	118	160	118	160
Other operating expenses	436	258	436	258
Maintenance expenses	27	35	27	35
	<b>10,116</b>	<b>8,351</b>	<b>10,116</b>	<b>8,351</b>

*Reconciliation – Total Maintenance*

Maintenance expense - other (non-employee related), as above	27	35	27	35
Total maintenance expenses included in Note 2(a) + 2(b)	<b>27</b>	<b>35</b>	<b>27</b>	<b>35</b>

**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 2019**

**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.

**(c) Depreciation and amortisation expense**

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Depreciation				
Plant and Equipment	<b>255</b>	130	<b>255</b>	130
Leasehold Improvements	<b>848</b>	848	<b>848</b>	848
Total Depreciation	<b>1,103</b>	978	<b>1,103</b>	978
Amortisation				
Intangibles	<b>9</b>	9	<b>9</b>	9
Total Amortisation	<b>9</b>	9	<b>9</b>	9
<b>Total Depreciation and Amortisation</b>	<b>1,112</b>	987	<b>1,112</b>	987

Refer to Note 8 and 9 for recognition and measurement policies on depreciation and amortisation.

**Independent Pricing and Regulatory Tribunal**  
**Notes to the financial statements**  
**for the year ended 30 June 2019**

**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			
	2019 \$'000 Appropriation	2019 \$'000 Expenditure	2018 \$'000 Appropriation	2018 \$'000 Expenditure
Original Budget per Appropriation Act	27,850	26,780	31,987	30,775
Other Appropriations / Expenditure				
- Other adjustments :	(283)	-	(1,212)	-
Other under expenditure / Carry Forward	(712)	-	(1,212)	-
<b>Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>26,855</b>	<b>26,780</b>	<b>30,775</b>	<b>30,775</b>
Appropriation drawn down*	<u>26,855</u>	<u>26,780</u>	<u>30,775</u>	<u>30,775</u>
Liability for unspent appropriations drawn down	-	-	-	(119)
*Comprising: Appropriations (per Statement of Comprehensive Income)**	<u>26,855</u>	<u>26,780</u>	<u>30,775</u>	<u>30,656</u>
	26,855	26,780	30,775	30,656
**Appropriations:				
Recurrent	26,675	26,675	29,957	29,875
Capital	180	105	818	781
	<u>26,855</u>	<u>26,780</u>	<u>30,775</u>	<u>30,656</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 for unspent appropriations drawn down (formerly known as 'Liability to Consolidated Fund') represents the difference between the 'Amount drawn down against Appropriation' and the 'Expenditure / Net Claim on Consolidated Fund'.

**Independent Pricing and Regulatory Tribunal**  
**Notes to the financial statements**  
**for the year ended 30 June 2019**

**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 12 as part of 'Current liabilities - Other'. The amount will be repaid and the liability will be extinguished next financial year.

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

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Rendering of services	<b>1,107</b>	1,331	<b>1,107</b>	1,331
	<b>1,107</b>	1,331	<b>1,107</b>	1,331

**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) Grants and contributions**

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Grants	<b>2,500</b>	-	<b>2,500</b>	-
	<b>2,500</b>	-	<b>2,500</b>	-

**Recognition and Measurement**

Income from grants (other than contribution by owners) is recognised when the Tribunal obtains control over the contribution. The Tribunal is deemed to have assumed control when the grant is received or receivable.



**Independent Pricing and Regulatory Tribunal  
Notes to the financial statements  
for the year ended 30 June 2019**

**3. Revenue (cont'd)**

**(d) 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Superannuation – defined benefit	20	34	-	-
Long service leave provision	1,338	824	-	-
Payroll tax	1	1	-	-
	<b>1,359</b>	<b>859</b>	<b>-</b>	<b>-</b>

**(e) Other income**

	Consolidated		Tribunal	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Recoupment of salaries and on-costs from staff secondments	568	724	568	724
Other	11	83	11	83
	<b>579</b>	<b>807</b>	<b>579</b>	<b>807</b>

**4. Gain / (losses) on Disposal**

	Consolidated		Tribunal	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Proceeds from disposal	-	-	-	-
Less: Written down value of assets disposed	(15)	-	(15)	-
Gain / (losses) on disposal	<b>(15)</b>	<b>-</b>	<b>(15)</b>	<b>-</b>

**5. Program group statements for the year ended 30 June 2019**

The Tribunal operates under a single service group.

**Program Group Descriptions**

**Program 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.

**Independent Pricing and Regulatory Tribunal**  
**Notes to the financial statements**  
**for the year ended 30 June 2019**

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

	Consolidated		Tribunal	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash at bank and on hand	3,346	4,792	2,882	4,761
	<u>3,346</u>	<u>4,792</u>	<u>2,882</u>	<u>4,761</u>

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes 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)	3,346	4,792	2,882	4,761
Closing cash and cash equivalents (per Statements of Cash Flows)	<u>3,346</u>	<u>4,792</u>	<u>2,882</u>	<u>4,761</u>

Refer Note 19 for details regarding credit risk and market risk arising from financial instruments.

**7. Current Assets - Receivables**

	Consolidated		Tribunal	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Current</b>				
Sale of goods and services	436	461	421	418
Goods and Services Tax (GST)	159	219	159	219
	<u>595</u>	<u>680</u>	<u>580</u>	<u>637</u>

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in Note 19.

**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 are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

**Subsequent measurement under AASB 9 (from 1 July 2018)**

The Tribunal holds receivables with the objective to collect the contractual cash flows and therefore measures them 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.

**Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)**

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.

**7. Current Assets - Receivables (cont'd)**

***Impairment under AASB 9 (from 1 July 2018)***

The Tribunal recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade receivables, the Tribunal applies a simplified approach in calculating ECLs. The Tribunal recognises a loss allowance based on lifetime ECLs at each reporting date. The Tribunal has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

***Impairment under AASB 139 (for comparative period ended 30 June 2018)***

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 2019**

**8. Plant and Equipment**

<b>Consolidated / Tribunal</b>	<b>Plant and Equipment \$'000</b>	<b>Leasehold Improvement \$'000</b>	<b>Total \$'000</b>
<b>At 1 July 2018 - fair value</b>			
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>
<b>At 30 June 2019 - fair value</b>			
Gross carrying amount	1,605	4,208	5,813
Accumulated depreciation	(873)	(3,657)	(4,530)
Net carrying amount	<u>732</u>	<u>551</u>	<u>1,283</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.

	<b>Plant and Equipment \$'000</b>	<b>Leasehold Improvement \$'000</b>	<b>Total \$'000</b>
<b>Year ended 30 June 2019</b>			
Net carrying amount at beginning of year	884	1,399	2,283
Additions	119	-	119
Disposals	(16)	-	(16)
Depreciation expense	(255)	(848)	(1,103)
Net carrying amount at end of year	<u>732</u>	<u>551</u>	<u>1,283</u>

<b>Consolidated / Tribunal</b>	<b>Plant and Equipment \$'000</b>	<b>Leasehold Improvement \$'000</b>	<b>Total \$'000</b>
<b>At 1 July 2017 - fair value</b>			
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>
<b>At 30 June 2018 - fair value</b>			
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.

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

**8. 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***

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.

<b>Category of Assets</b>	<b>Depreciation Rates (%)</b>	
	<b>2019</b>	<b>2018</b>
<b>Plant &amp; equipment</b>		
Office furniture and fittings	<b>10</b>	10
Computer equipment and hardware	<b>25</b>	25
General plant and equipment	<b>14</b>	14
Leasehold improvements	depreciated over the period of the lease	

## 8. 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*.

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.

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.



**Independent Pricing and Regulatory Tribunal**  
**Notes to the financial statements**  
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**9. Intangible Assets**

<b>Consolidated / Tribunal</b>	<b>Software \$'000</b>
<b>At 1 July 2018</b>	
Cost (gross carrying amount)	76
Accumulated amortisation and impairment	<u>(51)</u>
Net carrying amount	<u>25</u>
<b>At 30 June 2019</b>	
Cost (gross carrying amount)	71
Accumulated amortisation and impairment	<u>(60)</u>
Net carrying amount	<u>11</u>
<b>Year ended 30 June 2019</b>	
Net carrying amount at beginning of year	25
Amortisation (recognised in 'depreciation and amortisation')	(9)
Other movements – transfer to expenses	<u>(5)</u>
Net carrying amount at end of year	<u>11</u>
<b>At 1 July 2017</b>	
Cost (gross carrying amount)	71
Accumulated amortisation and impairment	<u>(42)</u>
Net carrying amount	<u>29</u>
<b>At 30 June 2018</b>	
Cost (gross carrying amount)	76
Accumulated amortisation and impairment	<u>(51)</u>
Net carrying amount	<u>25</u>
<b>Year ended 30 June 2018</b>	
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>

**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.

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**9. 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.

**10. Current Liabilities - Payables**

	Consolidated		Tribunal	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Accrued salaries, wages and on-costs	68	264	-	-
Creditors	2,149	2,444	1,670	2,370
Personnel services	-	-	68	264
	<b>2,217</b>	<b>2,708</b>	<b>1,738</b>	<b>2,634</b>

Details regarding liquidity risk including a maturity analysis of the above payables, are disclosed in Note 19.

**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.

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11. Current /Non-Current Liabilities - Provisions

	Consolidated		Tribunal	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave	1,597	1,644	-	-
Long service leave on-costs	399	369	-	-
Banked flex leave	113	126	-	-
Payroll tax	300	277	-	-
Personnel services	-	-	2,463	2,448
<b>Total current provisions</b>	<b>2,409</b>	<b>2,416</b>	<b>2,463</b>	<b>2,448</b>
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave on-costs	54	32	-	-
<b>Other provisions</b>				
Restoration costs	644	644	644	644
<b>Total non-current provisions</b>	<b>698</b>	<b>676</b>	<b>644</b>	<b>644</b>
Employee benefits and related on costs	2,463	2,448	2,463	2,448
Other provisions	644	644	644	644
<b>Total Provisions</b>	<b>3,107</b>	<b>3,092</b>	<b>3,107</b>	<b>3,092</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	2,409	2,416	-	-
Provisions - non-current	54	32	-	-
Accrued salaries, wages and on-costs (Note 10)	68	264	-	-
	<b>2,531</b>	<b>2,712</b>	<b>-</b>	<b>-</b>

**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
Carrying amount at 1 July 2018	644
Additional provisions recognised	-
Carrying amount at 30 June 2019	<b>644</b>

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

Current provisions are expected to be settled as follows:

	Consolidated 2019 \$'000	2018 \$'000	Tribunal 2019 \$'000	2018 \$'000
Employee benefits expected to be settled within 12 months from the reporting date				
Annual leave	1,278	1,315	-	-
Employee benefits expected to be settled in more than 12 months from the reporting date				
Annual leave	319	329	-	-

**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.

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**11. 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.

**12. Current / Non-Current Liabilities – Other liabilities**

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Liability for unspent appropriations drawn down	-	119	-	119
	<u>-</u>	<u>119</u>	<u>-</u>	<u>119</u>

**13. Equity**

**Recognition and Measurement**

***Accumulated Funds***

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

**14. Commitments**

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Operating Lease Commitments</b>				
<b>Tribunal as lessee</b>				
Future minimum rentals payable under non-cancellable operating lease as at 30 June are, as follows:				
Within one year	<b>987</b>	1,669	<b>987</b>	1,669
Later than one year and not later than five years	-	973	-	973
Later than five years	-	-	-	-
Total (including GST)	<u><b>987</b></u>	<u>2,642</u>	<u><b>987</b></u>	<u>2,642</u>

The operating lease commitments relate to leasing of office space. The total commitments include input tax credits of \$89,700 (2018 \$240,182) that are expected to be recoverable from the Australian Taxation Office.

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**15. 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 2018).

**16. 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.

**Net Result**

The actual net result for the year was of \$1.95 million loss and was \$0.60 million favourable to budget.

Total expenses were higher than budget by \$2.135 million due to higher expenditure in consultancies and information communication technology.

Total revenue was higher than budget by \$2.754 million. The revenue included \$2.5 million grant from the Department of Premier and Cabinet as a lead agency to meet additional expenses.

**Assets and liabilities**

Total assets were \$5.24 million and were higher than budget by \$0.41 million mainly due to increase in cash required for high volume of invoices due for payment in early July 2019.

Total liabilities were \$5.32 million and were higher than budget by \$0.32 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 \$1.33 million and were lower than budget by \$0.20 million, mainly due to increase in other operating expenses as explained above.

Cash flow from investing activities were \$0.12 million and were lower than budget by \$0.77 million due to a timing of capital purchases programs.

**17. Reconciliation of Cash Flows from Operating Activities to Net Result**

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income is as follows:

	Consolidated		Tribunal	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Net cash used on operating activities	(1,327)	3,723	(1,760)	4,027
Depreciation and amortisation expense	(1,112)	(987)	(1,112)	(987)
Decrease / (increase) in provisions	(15)	25	(15)	25
Increase / (decrease) in receivables and prepayments	(85)	285	(57)	292
Decrease / (increase) in creditors	610	(531)	1,015	(842)
Net gain / (loss) on sale of plant and equipment	(15)	-	(15)	-
Other movement - asset transfer to expenses	(6)	-	(6)	-
<b>Net result</b>	<b>(1,950)</b>	<b>2,515</b>	<b>(1,950)</b>	<b>2,515</b>



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**18. Administered Assets and Liabilities**

Consolidated / Tribunal	2019 \$'000	2018 \$'000
<b>Administered Assets</b>		
Cash	933	779
Receivables	568	444
<b>Total Administered Assets</b>	<b>1,501</b>	<b>1,223</b>
<b>Administered Liabilities</b>		
Energy and Water Licence fees payable to Crown Entity	1,501	1,223
<b>Total Administered Liabilities</b>	<b>1,501</b>	<b>1,223</b>

**19. 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**

i. **As at 30 June 2019 under AASB 9**

Class	Notes	Category	Consolidated Carrying Amount \$'000	Tribunal Carrying Amount \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	6	N/A	3,346	2,882
Receivables <sup>1</sup>	7	Amortised cost	436	421
<b>Financial Liabilities</b>				
Payables <sup>2</sup>	10	Financial liabilities measured at amortised cost	2,217	1,738

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).

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**19. Financial Instruments (cont'd)**

ii. As at 30 June 2018 under AASB 139 (comparative period)

Class	Notes	Category	Consolidated	Tribunal
			Carrying Amount \$'000	Carrying Amount \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	6	N/A	4,792	4,761
Receivables <sup>1</sup>	7	Loans and receivables (at amortised cost)	461	418
<b>Financial Liabilities</b>				
Payables <sup>2</sup>	10	Financial liabilities measured at amortised cost	2,708	2,634

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 (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- the Tribunal has transferred substantially all the risks and rewards of the assets; or
- the Tribunal has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When the Tribunal has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. 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.

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**19. 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 credit losses or 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.

The Tribunal considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Tribunal may also consider a financial asset to be in default when internal or external information indicates that the Tribunal is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Tribunal.

*Cash and cash equivalents*

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

*Accounting policy for impairment of trade debtors and other financial assets under AASB 9*

*Receivables - trade debtors*

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.

The Tribunal applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 180 days past due.

The loss allowance for trade debtors as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

	30 June 2019					Total
	Current	<30 days	30-60 days	61-90 days	>91 days	
Expected credit loss rate	-	-	-	-	-	-
Estimated total gross carrying amount at default	-	-	-	-	-	-
Expected credit loss	-	-	-	-	-	-

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19. Financial Instruments (cont'd)

	1 July 2018					Total
	Current	<30 days	30-60 days	61-90 days	>91 days	
Expected credit loss rate	-	-	-	-	-	-
Estimated total gross carrying amount at default	-	-	-	-	-	-
Expected credit loss	-	-	-	-	-	-

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

The Tribunal is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2019. Most of the Tribunal's debtors have a AAA credit rating.

*Accounting policy for impairment of trade debtors and other financial assets under AASB 139 (comparative period only).*

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. Debtors 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.

For the comparative period 30 June 2018, the ageing analysis of trade debtors is as follows:

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

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

The Tribunal is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2018. Most of the entity's debtors have a AAA credit rating.

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**19. 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 borrowings. 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.

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 (2018 – 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	Interest Rate Exposure		Maturity Dates		
	Nominal Amount <sup>1</sup> \$'000	Non-interest bearing \$'000	< 1 yr \$'000	1-5 yrs \$'000	> 5 yrs \$'000
<b>2019</b>					
<b>Payables</b>					
Accrued salaries, wages and on-costs	68	68	68	-	-
Creditors	2,149	2,149	2,149	-	-
	<b>2,217</b>	<b>2,217</b>	<b>2,217</b>	-	-
<b>2018</b>					
<b>Payables</b>					
Accrued salaries, wages and on-costs	264	264	264	-	-
Creditors	2,444	2,444	2,444	-	-
	<b>2,708</b>	<b>2,708</b>	<b>2,708</b>	-	-

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**19. Financial Instruments (cont'd)**

Tribunal	Interest Rate Exposure		Maturity Dates		
	Nominal Amount <sup>1</sup> \$'000	Non-interest bearing \$'000	< 1 yr \$'000	1-5 yrs \$'000	> 5 yrs \$'000
<b>2019</b>					
<b>Payables</b>					
Personnel services and on-costs	68	68	68	-	-
Creditors	1,670	1,670	1,670	-	-
	<b>1,738</b>	<b>1,738</b>	<b>1,738</b>	-	-
<b>2018</b>					
<b>Payables</b>					
Personnel services and on-costs	264	264	264	-	-
Creditors	2,370	2,370	2,370	-	-
	<b>2,634</b>	<b>2,634</b>	<b>2,634</b>	-	-

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 2018. The analysis assumes that all other variables remain constant.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 at fair value through other comprehensive income or 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 following table demonstrates the sensitivity to a reasonably possible change in interest rates:

19. Financial Instruments (cont'd)

Consolidated	2019 \$'000		2018 \$'000	
	-1%	+1%	-1%	+1%
Net Result	(33)	33	(47)	47
Equity	(33)	33	(47)	47

Tribunal	2019 \$'000		2018 \$'000	
	-1%	+1%	-1%	+1%
Net Result	(29)	29	(47)	47
Equity	(29)	29	(47)	47

*Other price risk*

The Tribunal has no exposure to other price risk.

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.



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**20. 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:

<b>Consolidated / Tribunal</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Salaries	772	765
Total compensation	<u>772</u>	<u>765</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 2019 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

**21. Events after the Reporting Period**

There are no financial impact as a result of Machinery of Government (MOG) changes. We do however note that the Tribunal will transfer from the Department of Premier and Cabinet (DPC) cluster to the Department of Customer Service (DCS) cluster from 1 July 2019.

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

**End of audited financial statements.**

## Outline budget for 2019-20

### Budget review 2018-19

#### Net Result

The actual net result for the year was of \$1.95 million loss and was \$0.60 million favourable to budget.

Total expenses were higher than budget by \$2.135 million due to higher expenditure in consultancies and information communication technology.

Total revenue was higher than budget by \$2.754 million. The revenue included \$2.5 million grant from the Department of Premier and Cabinet as a lead agency to meet additional expenses.

#### Assets and Liabilities

Total assets were \$5.24 million and were higher than budget by \$0.41 million mainly due to increase in cash required for high volume of invoices due for payment in early July 2019.

Total liabilities were \$5.32 million and were higher than budget by \$0.32 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 \$1.33 million and were lower than budget by \$0.20 million, mainly due to increase in other operating expenses as explained above.

Cash flow from investing activities were \$0.12 million and were lower than budget by \$0.77 million due to a timing of capital purchases programs.

### Outline budget for 2019-20

In 2019-20 IPART anticipates it will spend \$39.6 million (\$32.9 million recurrent and \$6.7 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

IPART has a wide range of legislative provisions, including some provisions that we do not necessarily undertake each year (for example investigating competitive neutrality complaints).

#### 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*, *Point to Point Transport (Taxis and Hire Vehicles Act) 2016* 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*, *Motor Accidents Compensation Act 1999*, *Biofuels Act 2007* and *Environmental Planning and Assessment Act 1979*.

#### 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 Corporation<sup>9</sup>
- ▼ 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.<sup>10</sup>

As the services of some agencies listed above have not been declared to be monopoly services, IPART may not initiate pricing investigations for those services 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 Minister for Customer Service. Under section 12 of the IPART Act, the Minister for Customer Service may require IPART to determine the maximum price or carry out a review of pricing policies in respect of a specified government monopoly service, including those supplied by government agencies that are the subject of a standing reference. IPART may ask the Minister for Customer Service to make a particular reference under these provisions.

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<sup>9</sup> 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*.

<sup>10</sup> 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.

## 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, the IPART Act provides that 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

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- ▼ 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 Minister for Customer Service 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 on the agency under a licence, authorisation or statutory instrument.

#### 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 Minister for Customer Service. 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 Minister for Customer Service 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 Minister for Customer Service 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



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on the proposed agreement to the agency and to the Minister for Customer Service. 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,<sup>11</sup> so far as they are applicable to public authorities. If certain conditions are met, the Minister for Customer Service 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 (or authorisation in the case of the gas industry)
- ▼ Taking action or applying sanctions in response to a contravention of the conditions of a licence
- ▼ Taking any remedial action as a result of a contravention of the conditions of a licence.

IPART is also responsible under the *Water Industry Competition Act 2006* for matters such as making recommendations to the relevant Minister with respect to granting licensing applications for private providers of water and sewerage infrastructure services.

In recent years, IPART has adopted a risk-based approach when making recommendations to the Minister on the terms of licences.

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<sup>11</sup> The Competition Principles Agreement was made on 11 April 1995 by the Commonwealth, the Territories and the States.

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To fulfil its roles under these Acts, IPART also monitors licence compliance and reports annually to the relevant Minister regarding such compliance. IPART also has specific licence auditing responsibilities for the electricity and water industries.

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

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

### **A.4.1 Gas Supply Act 1996**

The 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 November 2018, IPART provided its first report on the retail gas market since retail gas prices were deregulated.

## **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, a referral may be made to IPART to set 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*.

In July 2018, IPART was referred to determine appropriate maximum fares for Opal public transport services from 1 July 2020 until 30 June 2024, and will provide a final report to the Minister by February 2020.

### **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* 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
- ▼ 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.

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In July 2018, IPART issued an \$80,000 fine to a director of an accredited certificate provider for the improper creation of energy saving certificates under the ESS.

## **A.8 Local Government**

IPART performs functions relating to local government under:

- ▼ Terms of reference under section 9 of the IPART Act
- ▼ 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.

In April 2019, IPART commenced its first section 9 review into the cost of conducting local government elections.

## **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. In June 2019, IPART concluded its annual review of the determination and decided it should remain unchanged for FY2019-20.

## **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**

Additional functions have been conferred on IPART in relation to arbitrating insurance premium disputes. 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
- ▼ 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.

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## B Special Reviews

During the financial year 2018-2019, IPART commenced two notable special reviews on:

- ▼ An appropriate pricing regulation framework for the provision of electronic conveyancing services in NSW
- ▼ The costs of and pricing for interment in NSW cemeteries.

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## C 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 Minister for Customer Service'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.

## D Tribunal - meetings, public hearings and forums and submissions

### Tribunal meetings

**Table D.1 Tribunal meetings held in 2018-19**

Type of Meeting	Number Held	Attendees and number of Meetings attended
Tribunal	49	Peter Boxall <sup>a</sup> , Chair (28/28)
		Paul Paterson <sup>b</sup> , Chair (21/21)
		Ed Willett, Tribunal Member (47/49)
		Deborah Cope, Tribunal Member (49/49)
Delegated Tribunal	8	Ed Willett, Chair (8/8)
		Deborah Cope (8/8)
Energy Savings Scheme Committee	16	Ed Willett, Chair (16/16)
		Brian Spalding (16/16)
		Pamela Soon <sup>c</sup> ( 15/15)
		Fiona Towers <sup>d</sup> (1/1)
Local Government	17	Deborah Cope, Chair (17/17)
		Nicola Gibson <sup>e</sup> (16/17)
		Fiona Towers (17/17)
Energy Network Regulation Committee	17	Ed Willett, Chair (17/17)
		Brian Spalding (16/17)
		Deborah Cope (17/17)

<sup>a</sup> Peter Boxall, Chair resigned 8 February 2019

<sup>b</sup> Paul Paterson, Chair started 11 February 2019

<sup>c</sup> Pamela Soon first Energy Savings Scheme meeting 24 July 2018

<sup>d</sup> Fiona Tower last Energy Savings Scheme meeting 5 July 2018

<sup>e</sup> Nicola Gibson first Local Government meeting 16 August 2018



## Tribunal public hearing and forums 2018-19

**Table D.2 Public hearings and forums held in 2018-19**

Date	Investigation	Location
<b>Water</b>		
20 November 2018	Essential Water's water and sewerage prices and WaterNSW's prices for the Broken Hill Pipeline	Broken Hill Civic Centre, Broken Hill
27 November 2018	Prices for Central Coast Council from 1 July 2019	Mingara Recreation Club, Tumbi Umbi
4 December 2018	Review of recycled water prices for public water utilities	SMC Conference and Function Centre, Sydney
5 February 2019	2019 Review of the Sydney Water Operating Licence	Rydges World Square, Sydney
<b>Other Industries</b>		
23 October 2018	Container Deposit Scheme Monitoring	IPART Offices, Sydney
12 February 2019	Review of prices for Valuer General's services to councils from 1 July 2019	IPART Offices, Sydney

## Submissions to projects during 2018-19

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2018-19 and received a total of 1740 submissions.

**Table D.3 Submissions received in 2018-19**

Investigation	Submissions
<b>Water</b>	
2019 Hunter Water Corporation Operational Audit	1
2019 Review of the Sydney Water Operating Licence	28
67 Kurrajong Road - Network Operator	5
67 Kurrajong Road - Retail Licence Variation	5
Central Park - Network Operator Variation	4
Developer charges and backlog sewerage charges for metropolitan water agencies 2018	5
North Cooranbong - Network Operator Variation	5
Prices for Central Coast Council from 1 July 2019	148
Prices for Essential Energy's water and sewerage services in Broken Hill from 1 July 2019	20
Prices for WaterNSW's Murray River to Broken Hill Pipeline services from 1 July 2019	14
Public Water Utility Audit Guideline Review 2019	3
Review of recycled water prices for public water utilities	16
Rural Water Cost Shares	7
WaterNSW Annual Review of rural bulk water charges 2019-20	2
WIC Act – Draft Audit Guideline – July 2018	2
WUA MidCo - Kooragang – Network Operator and Retail Supplier	5
<b>Transport</b>	
Contributions for local transport infrastructure	1

Opal fares from 1 July 2020	42
Rate of return and remaining mine life from 1 July 2019	5
<b>Energy</b>	
Electricity Distribution Reliability Standards	9
Monitoring the retail energy markets during 2017/18	17
Monitoring wholesale and retail markets for fuel ethanol in 2017-18	5
Public Lighting Code - Draft Electricity Networks Reporting manual - 2019	5
Retailers' meter installation practices in NSW	47
Review of Safety Management system reporting requirements	4
<b>Local Government</b>	
Indexation of local infrastructure contribution rates	11
Modelling local infrastructure contributions	3
Review of Campbelltown City Council's Menangle Park Contributions Plan	2
Review of costs of conducting local government elections	20
Review of Hawkesbury City Council's Contributions Plan - Vineyard	10
LG Application - Special Variations & Minimum Rates 2019-20 - Burwood Council	2
LG Application - Special Variations & Minimum Rates 2019-20 - Dungog Shire Council	120
LG Application - Special Variations & Minimum Rates 2019-20 - Hunters Hill Council	3
LG Application - Special Variations & Minimum Rates 2019-20 - Kiama Municipal Council	3
LG Application - Special Variations & Minimum Rates 2019-20 - Lithgow City Council	242
LG Application - Special Variations & Minimum Rates 2019-20 - Muswellbrook Shire Council	5
LG Application - Special Variations & Minimum Rates 2019-20 - North Sydney Council	77
LG Application - Special Variations & Minimum Rates 2019-20 - Port Stephens Council	681
LG Application - Special Variations & Minimum Rates 2019-20 - Randwick City Council	12
LG Application - Special Variations & Minimum Rates 2019-20 - Richmond Valley Council	12
LG Application - Special Variations & Minimum Rates 2019-20 - Sutherland Shire Council	4
LG Application - Special Variations & Minimum Rates 2019-20 - Tamworth Regional Council	12
<b>Other</b>	
Container Deposit Scheme Monitoring	13
Interment costs and pricing in NSW	29
Pricing regulation of electronic conveyancing services in NSW	18
Rental arrangements of communication towers on Crown Lands - 2018	27
Review of financeability test 2018	6
Review of prices for Valuer General's services to councils from 1 July 2019	19
Review of working capital allowance	4

The number of submissions listed are only those received in 2018-19. The total number of submissions to a paper can be found on our [website](#).

## E Agency structure and plans

### Senior Executives

**Table E.1** Number of roles and gender breakdown as at 30 June

Band	2016-17		2017-18		2018-19	
	Female	Male	Female	Male	Female	Male
Band 4 (Secretary)	0	1	0	1	0	1
Band 3 (Deputy Secretary)	0	1	0	1	1	0
Band 2 (Executive Director)	4	1	4	1	2	3
Band 1 (General Manager/Director)	12	10	10	11	11	7
Total	16	13	14	14	14	11

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

**Table E.2** Average remuneration as at 30 June 2019

Role	Range 2018-19	2016-17		2017-18		2018-19	
		Female	Male	Female	Male	Female	Male
Band 4 <sup>a</sup>	\$475,151-\$548,950	NA	\$316,205	NA	\$324,110	NA	\$316,000
Band 3	\$337,101-\$475,150	NA	\$360,557	NA	\$369,571	\$345,506	NA
Band 2	\$268,001-\$337,100	\$280,377	\$275,908	\$293,093	\$291,036	\$307,697	\$293,348
Band 1	\$187,900-\$268,000	\$210,487	\$215,916	\$214,879	\$219,255	\$218,365	\$221,305

<sup>a</sup> Band 4 executive is a 0.6 FTE role

Executive remuneration represents 34% of the overall salaries-related expenses for 2018-19.

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

### Tribunal Members

**Table E.3** Average remuneration as at 30 June 2019

Role	2016-17	2017-18	2018-19
Tribunal Member <sup>a</sup>	\$152,250	\$141,750	\$167,946

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

## Total employees by level and employment basis

**Table E.4 Employee profile by employment category as at 30 June**

	2016	2017	2018	2019
Chair	1	1	1	1
Chief Executive	1	1	1	1
Executive Directors & General Managers	6	6	5	5
Director Corporate Services & CFO <sup>a</sup>	2	1	1	2
Directors	16	16	16	15
Managers	4	5	4	3
Analysts	77	77	68	76
Graduate Analysts	3	3	1	1
General Counsel	1	1	1	1
Director, Legal & Special Counsel	2	3	3	3
Legal Officers	3	3	5	6
Support Officers	23	22	23	22
Supernumeraries	12	1	0	0
Casual Employees	0	1	4	2
<b>Total number of employees includes full time, part-time, temporaries and graduates</b>	<b>151</b>	<b>141</b>	<b>133</b>	<b>138</b>
Tribunal Members	2	2	2	2
Temporary Members	0	0	0	0
<b>Total number of Employees including members</b>	<b>137</b>	<b>153</b>	<b>135</b>	<b>140</b>

<sup>a</sup> 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 employees by 2.5%, effective 1 July 2018. Our statutory officers, as well as our other senior employees, are remunerated by or in accordance with determinations by the independent Statutory and Other Offices Remuneration Tribunal (SOORT).

## Diversity and Inclusiveness

IPART values diversity and inclusiveness in the 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.

**Table E.5 Trends in the representation of Workforce Diversity groups as at 30 June 2019**

Workforce Diversity Group	Benchmark	2017	2018	2019
Women	50%	52.1%	53.4%	60.2%
Aboriginal and/or Torres Strait Islander People	3.3%	0.0%	0.0%	0.0%
People whose First Language Spoken as a Child was not English	23.2%	17.1%	15.3%	13.5%
People with Disability	5.6%	1.4%	0.0%	0.0%
People with Disability Requiring Work-Related Adjustment	N/A	0.0%	0.0%	0.0%

**Source:** NSW IPART 2018-19 Workforce Profile

**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 E.6 Trends in the distribution of Workforce Diversity groups**

Workforce Diversity Group	Benchmark/Target	2017	2018	2019
Women	100	103	99	100
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	N/A
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 2018-19 Workforce Profile

**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.

## Investigations by the regulator under Part 10 of the Work Health and Safety Act 2011

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

## Personnel Policies and Practices

Our employees 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 employees.*

A number of IPART's policies, procedures and charters were reviewed and updated during 2018-19, those being:

- ▼ Administrative Delegations
- ▼ Risk Management Policy
- ▼ Statement of Business Ethics
- ▼ Conflicts of Interest Policy
- ▼ Gifts and Benefits Policy
- ▼ Public Interest Disclosure Policy
- ▼ Continuous Disclosure Policy
- ▼ Purchasing Card Policy
- ▼ Audit & Risk Committee Charter
- ▼ Internal Audit Charter
- ▼ Fraud and Corruption Control Charter.

## Public Interest Disclosures

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

During the reporting period, two public officials made a public disclosure directly to IPART and one other type of public interest disclosure was made. IPART responded to all public interest disclosures made.

Under the *Public Interest Disclosures Act 1994*, IPART has reported information about the public interest disclosures that we receive from public officials and/or about our office via the NSW Ombudsman PID reporting tool.

**Table E.7 Public Interest Disclosures 2018-19**

Category and number of public disclosures we received	Made by public official performing their day-to-day functions	Under a statutory or other legal obligation	All other PIDs
Number of public officials who made public interest disclosures to the public authority concerned (ie. IPART)	2	0	1
Number of public interest disclosures received (including referrals from other authorities)	2	0	1
<b>Of public interest disclosures received, how many were primarily about:</b>			
Corrupt Conduct	1	0	0

Maladministration	1	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 employees 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 E.8 Report on account payment performance 2018-19**

	September 2018	December 2018	March 2019	June 2019
Invoices due for payment	384	360	304	257
Invoices paid on time	341	331	238	246
Invoices due for payment received from small business	0	5	13	0
Invoices from small business paid on time	0	5	3	0
Amount due for payment (\$)	4,586,880	3,744,778	3,376,372	2,792,609
Amount paid on time (\$)	4,264,720	3,550,951	2,591,219	2,710,495
Amount due for payment received from small business (\$)	0	4,855	26,886	0
Amount from small business paid on time (\$)	0	4,855	21,794	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 E.9 Accounts paid on time within each quarter in 2018-19**

Quarter	Target %	Actual %
September Quarter	90%	89%
December Quarter	90%	92%
March Quarter	90%	78%
June Quarter	90%	96%

**Note:** During 2018-19, there were no instances where penalty interest was paid in accordance with section 18 of the *Public Finance and Audit (General) Regulation 1995*.

## 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 2018-19, IPART engaged the following consultants for a total expenditure of \$2,201,914 inclusive of GST (work on some of these consultancies was still progressing at 30 June 2019).

IPART has used the NSW Procurement Board's definition of 'consultant' for annual reporting purposes as described in Board Direction *PBD-2019-01-Engagement of professional services suppliers*<sup>12</sup>.

**Table E.9 Consultancies over \$50,000 in 2018-19**

Consultant	Cost (\$)	Title
<b>Corporate Services</b>		
Mandarin Media	\$169,100	Strategic communication and media services
Sub Total	\$169,100	
<b>Finance and Accounting</b>		
AECOM Australia Pty Limited	\$62,631	E-conveyancing efficient costs

<sup>12</sup> A consultant is defined as a person or organisation engaged under contract on a temporary basis to provide recommendations or professional advice to assist decision-making by management. Generally it is the advisory nature of the work that differentiates a consultant from other contractors.

Services provided under the NSW Government Legal Services Panel are excluded from the definition of 'consultant' for annual reporting purposes.



AECOM Australia Pty Limited	\$125,068	Calculating and benchmarking component costs for Sydney and Hunter Water
Aither Pty Ltd	\$115,831	Rural water cost shares review
Aither Pty Ltd	\$137,306	Essential Energy expenditure review
Cambridge Economic Policy	\$202,400	Public transport elasticity study
Centre for International Economics	\$78,375	Container Deposit Scheme compliance monitoring
Ernst & Young	\$82,328	Local government costs expenditure review
Frontier Economics Pty Ltd	\$58,080	Broken Hill pipeline energy costs review
Oakley Greenwood Pty Ltd	\$82,280	Gas market monitoring review
Synergies Economics Consulting Pty Ltd	\$93,828	Broken Hill pipeline expenditure review
WS Atkins International Limited	\$187,000	Central Coast Council expenditure review
<b>Sub Total</b>	<b>\$1,225,127</b>	
<b>Research</b>		
AECOM Australia Pty Limited	\$127,263	Improvement and documentation of WICA application processes
Cutler Merz Pty Ltd	\$58,795	Review of bushfire guidance
<b>Sub Total</b>	<b>\$186,058</b>	
<b>Total</b>	<b>\$1,580,285</b>	

**Table E.10 Consultancies up to \$50,000 in 2018/19**

Annual Report Category	Number of engagements	Cost (\$)
Corporate Services	-	-
Engineering	8	\$103,985
Environmental	1	\$5,500
Finance and Accounting	11	\$305,430
Information Technology	2	\$6,600
Legal	2	\$16,258
Organisational review	2	\$7,293
Research	7	\$176,563
Training	-	-
<b>Total</b>	<b>33</b>	<b>\$621,629.13</b>

### Contract executive profile

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

## F Audit and risk management

### Internal Audit and Risk Management Attestation Statement for the 2018-19 Financial Year for IPART

I, Liz Livingstone, 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*. Specifically:

**Table 1 TPP 15-03 core requirement compliance 2018-19**

Core Requirements	Specify compliant, non-compliant, or in transition
<b>Risk Management Framework</b>	
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
<b>Internal Audit Function</b>	
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
<b>Audit and Risk Committee</b>	
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:

**Table 2 ARC attendance 2018-19**

Position	Members	Committee member since	Attendance at full meetings during 2018-19
Independent Chair	Mr Ken Barker	14 October 2014	4/4
Independent Member	Mr Tim Holden	31 October 2014	3/4
Independent Member	Ms Elizabeth Crouch	1 December 2016	4/4

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

Yours sincerely



Liz Livingstone  
*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
- ▼ 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 embed risk management in policy and processes across IPART
- ▼ Increasing integration between internal audit and risk management
- ▼ 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 several internal audits planned for the coming year. In 2018-19, we operated our internal audit function using an outsourced model to review the following areas of the organisation:

- ▼ Governance
- ▼ Cyber security
- ▼ Regulation & Compliance - Water Industry Competition Act
- ▼ Energy Pricing
- ▼ Transport Pricing
- ▼ Water Pricing
- ▼ Strategic & Economic Analysis.

Over the next financial year we plan to review the following areas of the organisation using an insourced internal audit model:

- ▼ Internal Audit & Risk Management Follow-up (IIA)
- ▼ Local Government
- ▼ Regulation & Compliance - Energy Network Regulation
- ▼ Regulation & Compliance - Public Water Utilities
- ▼ Energy Savings Scheme.

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.

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## Cyber Security Annual Attestation Statement for the 2018-19 Financial Year for the Independent Pricing and Regulatory Tribunal

I, Liz Livingstone, Chief Executive Officer of the Independent Pricing and Regulatory Tribunal, am of the opinion that the Independent Pricing and Regulatory Tribunal are managing cyber security risk in a manner consistent with the Mandatory Requirements set out in the *NSW Government Cyber Security Policy*.

Risks to the information and systems of the Independent Pricing and Regulatory Tribunal have been assessed and are managed or have risk treatment plans identified.

Governance is in place to manage the cyber security maturity and initiatives of the Independent Pricing and Regulatory Tribunal.

The Independent Pricing and Regulatory Tribunal is currently in the process of developing a cyber incident response plan.

An independent audit of the Independent Pricing and Regulatory Tribunal's systems and processes for supporting and complying with the Cyber Security Policy was undertaken by KPMG with recommendations being addressed in a timely manner.

Yours sincerely



Liz Livingstone  
*Chief Executive Officer*

## G External liaison

### **Overseas Visits**

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

### **Complaints**

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

This financial year we received 55 complaints about energy mostly dealing 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 20 complaints made about transport, mainly relating to public transport timetables to opal fare charges.

Complaints about water pricing decreased from seven to two complaints in 2018-19. These complaints concerned charges for council water prices.

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 2018-19.

## H Government information (Public Access) Act

The *Government Information (Public Access) Act 2009* (the GIPA Act) commenced on 1 July 2010. 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](mailto: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](http://www.ipart.nsw.gov.au)).

### Formal access applications made during this year

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

## Access applications carried forward from the previous year

There was one 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

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

**Table H.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	1	-	1	-	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 H.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*	-	1	-	-	-	-	-	-
Access applications (other than personal information applications)	1	1	1	-	1	-	-	-
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 H.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 H.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	-
Executive Council information	-
Contempt	-
Legal professional privilege	2
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 H.5.

**Table H.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	4
Law enforcement and security	1
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	4
Environment, culture, economy and general matters	-
Secrecy provisions	-
Exempt documents under interstate Freedom of Information legislation	-

**Table H.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)	1
Not decided within time (deemed refusal)	-
<b>Total</b>	<b>-</b>

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

	Decision varied	Decision upheld	Total
Internal review	1	-	1
Review by Information Commissioner*	-	-	-
Internal review following recommendation under section 93 of the Act	-	-	-
Review by NCAT	-	1	1
<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>

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

	<b>Number of applications for review</b>
Applications by access applicants	2
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	-

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

	<b>Number of applications transferred</b>
Agency-initiated transfers	-
Applicant-initiated transfers	-

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