

Independent Pricing and Regulatory Tribunal  
New South Wales

October 2020



IPART makes the people of NSW better off through independent decisions and advice.

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Enquiries regarding this document should be directed to:

Michelle James (02) 9113 7740

**Office Address**

Level 15, 2-24 Rawson Place  
SYDNEY NSW 2000  
Business Hours: 9am to 5pm

**Postal Address**

PO Box K35  
Haymarket Post Shop NSW 1240

### The Independent Pricing and Regulatory Tribunal (IPART)

We make the people of NSW better off through independent decisions and advice. IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#):

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## Letter of Submission

Our reference: 20/153

30 October 2020

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 2019-20**

As required by the *Annual Reports (Statutory Bodies) Act 1984*, we are pleased to submit to you, for presentation to Parliament, the Independent Pricing and Regulatory Tribunal Annual Report for the year ending 30 June 2020.

Yours Sincerely



Dr Paul Paterson  
*Chair*



Deborah Cope  
*Tribunal Member*



Sandra Gamble  
*Tribunal Member*



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## The Chair's Foreword

2019-20 has been a challenging year for so many in NSW who have experienced the ravages of bushfires, the welcome relief of rain and the damaging effects of flood, and a pandemic unlike any in our lifetimes.

It is a privilege to lead an organisation that makes the people of NSW better off through the wide variety of work we do, especially in times like these.

This year has put resilience in focus and reinforced the importance of providing sustainable and affordable essential services for people and business especially in a tough economic climate.



We were mindful of this when we made our water pricing determinations for Sydney Water, Hunter Water and Water NSW (Greater Sydney). Customers now have more control over their bills with stronger incentives to save water, especially during drought. We have also enabled historically high levels of capital expenditure so that quality services can be provided sustainably into the future without having a big impact on customers' bills over the next four years.

We have made recommendations about how to introduce more competition to the eConveyancing market to provide better value and more choice for customers which are being progressed in NSW and nationally. We have several other reviews underway focussed on getting better outcomes for customers including of NSW's Home Building Compensation Fund and interment right pricing.

We continued to monitor gas and electricity markets as well as the performance of electricity and water utilities against the standards they are required to meet. It was particularly pleasing to see the increased maturity in the electricity utilities' management of vegetation to reduce bushfire hazards.

We set the maximum Opal fares for public transport which gave the NSW government the flexibility to tailor fares to better meet the needs of customers. The NSW Government also accepted our recommendation to extend off-peak fares to buses and light rail.

We again set the annual rate peg for local governments and surveyed them about their costs so we could update our local government cost index. This means that future rate pegs will align more closely with their costs. We also reviewed a number of local government contributions plans that provide for the infrastructure such as local roads, open space and stormwater drainage needed to support development.

The NSW Government decided to extend the Energy Savings Scheme to 2050 and expand it to become the Energy Security Safeguard. As the regulator for the scheme, we are working closely with government to implement an expanded scheme with objectives to reduce electricity costs and continue to make greenhouse gas savings.

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The extraordinary events of this year have provided the backdrop for the way we are thinking about the future and where our focus should be as a leading and innovative economic regulator. We have developed our high level aspirations. These are to:

- ▼ empower and protect consumers
- ▼ engage meaningfully with a broader range of stakeholders
- ▼ help NSW to tackle climate change
- ▼ trust and support our people to perform at their best.

I am looking forward to finalising our strategic plan in 2020-21. It will include these aspirations with the measures we will use to assess our progress, and the capabilities and management systems we will need to deliver it.

In late 2019, we farewelled Ed Willett as a Tribunal member. I thank Ed for his valuable contributions over his five years at IPART. I was delighted to welcome Sandra Gamble to the Tribunal and thank her and Deborah Cope for their insight, the energy they bring to our deliberations and their focus on achieving better outcomes for the people of NSW.

I was pleased that Liz Livingstone joined us as IPART's CEO this year and I have enjoyed working closely with her. The experience and expertise she brings to IPART has been invaluable and I'm looking forward to continuing our work together.

I also thank our Secretariat who consistently demonstrate their professionalism, regulatory expertise and commitment. Their efforts this year were exceptional, as they continued to deliver in the face of the disruption we have all experienced.



Dr Paul Paterson  
*Chair*

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## The Chief Executive Officer's Report

This year was my first as IPART's CEO and it has been a time of setting the foundations for change for us as an organisation.

I especially enjoyed working with our people as we embarked on developing our strategic plan. We agreed that our purpose put simply is "to make the people of NSW better off through independent decisions and advice". We had many opportunities to do that over the course of the year as our Chair outlines in his foreword.



We are intent on improving how we work and made progress on:

- ▼ Meaningful engagement with our stakeholders. This includes more flexible approaches to public forums and making submissions, re-activating our social media presence, simplifying application forms and trialling different approaches to make our published material more reader friendly. There is much more to do and we have plans to continue to make it easier for people to interact with us and for consumers to have their voice in our processes.
- ▼ Expanding our regulatory toolkit including identifying opportunities to use behavioural insights to get better outcomes for consumers and the entities we regulate.
- ▼ Building the capability of our people through regular in-house training in some of our tools and approaches as well as training in data visualisation, auditing, risk based regulation and participating in a coordinated regulatory training program with our peer organisations nationally.

Our teams were quick to identify opportunities and respond to requests of the entities we regulate to accommodate the impacts of COVID-19. For example, we accepted alternative approaches to audits that do not involve site visits, increased consultation periods and agreed new timeframes for some requirements. We also decided not to apply an efficiency dividend in the first year of the price determination period for some water utilities. We adapted and simplified some of our processes including rapidly increasing our use of digital authentication of documents.

This extra impetus for innovation has not only allowed us to navigate the COVID-19 pandemic but some of the practices we adopted will have benefits beyond the current circumstances including increased flexibility and cost savings. These are small steps but we want innovation to become a core part of how we work and deliver for the people of NSW.

We are conscious that our environment is constantly changing. Effective and relevant regulation requires us to be responsive and adapt to changes in the world around us including consumer preferences, changes in technology and government policy.

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Our small Corporate Services team rose to the challenge of supporting us through remote working, helping us all to see we have greater capability to adapt quickly than we may have thought.

Mental health was a priority for our Workplace Health and Safety Committee this year and we offered mental health training for all of our staff and managers while we were working remotely. We have also trained and appointed staff to be mental health first aid officers.

Our priorities for change are clear as we get closer to finalising our strategic plan. Our aspirations to empower and protect consumers, have more meaningful engagement with our stakeholders, tackle climate change and support our people are expressed simply. But achieving them will require us to do many things differently.

Both our Tribunal and our talented Secretariat are a pleasure to work alongside and I am looking forward to our next steps as we start implementing our strategic plan in 2020-21.



Liz Livingstone  
*Chief Executive Officer*



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# Our Organisation

## Purpose

IPART makes the people of NSW better off through independent decisions and advice.

## Strategic Directions

We will complete work on our new strategic plan in 2020-21 including adopting new aspirations. However, over 2019-20 our four strategic directions remained to:

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

## Values

We have three key values:

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

## Guiding Principles

We have eight guiding principles:

- ▼ **Independence** – we are independent and impartial in our advice and decision making
- ▼ **Transparency** – we make our processes visible and explain our decisions clearly and simply
- ▼ **Professionalism** – we conduct ourselves with discipline according to high professional standards, and use resources effectively and efficiently
- ▼ **Consistency** – we strive to provide a consistent regulatory environment
- ▼ **Consultation** – we consult extensively and effectively with all stakeholders and consider their concerns and comments
- ▼ **Balance** – we aim to deliver equitable outcomes by balancing the ongoing interests of the regulated entities, their customers and other stakeholders

- ▼ **Innovation** – we explore new and better approaches and demonstrate intellectual leadership and innovation
- ▼ **Practicality** – we aim to deliver pragmatic outcomes that can be achieved efficiently within the statutory framework.

## Major Stakeholders

Our major stakeholders are:

- ▼ **The people 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.

## What we do

We are the independent pricing regulator for water, public transport, local government, as well as the licence administrator of water, electricity and gas and the scheme administrator and regulator for the Energy Savings Scheme. 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.



### PRICE REGULATION

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



### LICENSING AND COMPLIANCE

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



### SPECIAL REVIEWS

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

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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 (ESS)
  - Review and report annually on the performance and competitiveness of the retail electricity and gas market in NSW.

## **Strategic plan – setting our future direction**

In 2019-20 IPART commenced developing a new strategic plan to better meet current and future challenges. We engaged key stakeholders from government, regulated entities and other regulators to get their input on where IPART is now, emerging challenges for us and where we should focus in the future. A staff working-group also did a scan of our external environment.

We simplified the statement of our purpose, using language that was more meaningful to our staff, and developed our high level aspirations of:

- ▼ Empowering and protecting consumers
- ▼ Engaging meaningfully with a broader range of stakeholders
- ▼ Helping NSW to tackle climate change (including mitigation and adaptation)
- ▼ Trusting and supporting our people to perform at their best.

We will complete our strategic plan in the first half of 2020-21 including identifying the capabilities we will build and the management systems we need in place to implement our strategy. It will include metrics that enable us to assess and report on our progress.

Implementation will also include scoping for each of our functions and reviews how we best address climate change (including mitigation of and adaptation to its impacts) and how consumers will have a voice in our processes. These areas of focus will also be increasingly reflected in the expectations we have of the entities we regulate.

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## Our Performance

### Delivering regulatory leadership and high-quality decisions and advice



**We continued to solve a wide range of economic and policy issues through price regulation**

63

Reports including 11 determinations and 27 final reports

3 

special reviews undertaken at Government request

3 

submissions made by IPART to external reviews

2

internal reviews requested resulting in one modified and one new decision

### Water Pricing

In 2019-20, we reviewed and set maximum prices for the next four years for:

- ▼ Sydney Water's water, wastewater and stormwater services
- ▼ Hunter Water's water, wastewater and stormwater services
- ▼ WaterNSW's bulk water services for its supply to Greater Sydney.

The backdrop for these reviews included a period of extreme drought, a significant rainfall event in Sydney that quickly filled dams and the COVID-19 pandemic. These events underlined the importance of resilience of these services, the uncertainty water utilities need to be equipped to navigate and the need to balance these challenges with affordability of these essential services for customers.

Our pricing decisions reduced customers' bills for water and wastewater services in the Greater Sydney and Hunter regions. They also give customers greater control over their bills and promote water conservation, by increasing water usage charges and reducing fixed service charges. Further, they include flexible pricing, where water usage prices are higher in times of drought to allow Sydney Water and Hunter Water to recover the additional costs they face in drought, and to provide stronger water conservation signals to customers when water is scarce.

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At the same time, our price determinations allow for significant increases in the utilities' capital investment over the next four years to accommodate growth, build drought resilience and maintain or improve service standards and environmental performance. Our pricing framework will also support any additional investment that is required to bolster Sydney and the Hunter's water supply, provided it is efficient.

- ▼ We also completed:
- ▼ An annual review of WaterNSW's bulk water charges in Murray Darling Basin valleys, under accreditation from the Australian Competition and Consumer Commission
- ▼ An assessment of Sydney Water's Cost Allocation Manual, to support potential third-party access to some of Sydney Water's infrastructure services, and hence promote competition in the provision of water and wastewater services
- ▼ Our 2020 annual update to the net rates of return that are used by the Department of Planning, Industry and Environment and Roads and Maritime Services to calculate their rents for domestic waterfront tenancies.
- ▼ We identified during these reviews that it was timely to embark on a review of our regulatory framework for water so it is fit for purpose for an evolving sector. This will be a major focus in 2020-21 and we are looking forward to working closely with water utilities, government and consumer representatives to develop an improved and contemporary approach.

## Energy

Our work this year has been delivered in the context of the unprecedented health and economic crisis caused by the COVID-19 pandemic from March 2020. The pandemic has shifted the focus of energy regulators to protecting consumers and ensuring the financial stability of retail markets.

COVID-19 has caused many energy consumers to experience financial stress due to a combination of loss of income, increased energy use at home, and business closures. As a result, many consumers are having difficulty paying for their energy bills. The Australian Energy Regulator (AER) is collecting weekly data from energy retailers on the effect of COVID-19. While it is too early to draw conclusions from this data, the AER has observed rising levels of residential debt.<sup>1</sup>

Retailers are competing to provide more targeted retail offers to account for consumer preferences (e.g. offers linked to consumers owning a battery or electric vehicle). Third party service providers are emerging, for example, offering software for household batteries to forecast consumption and generation patterns to minimise electricity bills. However, the regulatory framework and consumer protections also need to evolve to ensure these benefits can be realised.

There are numerous reviews being undertaken by the Energy Security Board, AER, Australian Energy Market Commission and Australian Energy Market Operator yet changes to market design and functioning are slow to be implemented. Current reviews are mostly focusing beyond 2025. It is important that regulatory arrangements are flexible and adaptive to allow the energy market to innovate without unnecessary regulatory delays

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<sup>1</sup> The AER's reporting is available at: [Weekly retail market dashboards - COVID-19](#).



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In 2019-20, in addition to our role as energy market monitor we reviewed solar feed-in tariffs, and monitored retail electricity and gas retail prices. Specifically we:

- ▼ Updated our subsidy-free benchmark range in April 2020 for the value of solar feed-in tariffs that some electricity retailers voluntarily offer to customers.
- ▼ Commenced a review of reliability standards for the NSW electricity distributors - Ausgrid, Endeavour Energy and Essential Energy. The reliability of the distribution network is important and outages can have wide-spread effects. However, customers may be willing to accept a slightly lower level of reliability if it results in lower electricity bills. New technologies offer opportunities for the distributors to evolve and offer more cost-effective solutions than traditional network investment and for customers to provide further generation and reliability themselves. For future investment, it is important to strike a balance between the costs that distributors incur in providing a reliable and secure network and the value that customers place on experiencing fewer and shorter outages.

## Transport pricing

Public transport fares contribute a portion of the costs of providing public transport helping to share the cost between the people who use it and the community more generally, who pay for the balance through their taxes. To determine this share, IPART's reviews take into account the benefits created by public transport for people who don't use it, including avoided road congestion, and environmental benefits. To determine this share, IPART's reviews take into account:

- ▼ The benefits created by public transport for people who don't use it, including avoided road congestion, and environmental benefits
- ▼ Considered how to provide protection for affordability for frequent users taking into account expenditure on public transport, which has recently been substantial
- ▼ The cost recovery from fares, which sits at around 25%, and
- ▼ The impacts of fare changes on different types of transport users.

In February this year, IPART finished its review of Opal fares for public transport in Sydney and surrounds. The NSW Government has released its decision on our recommendations. We decided at that time that the Government should be permitted to increase fares by an average of 5% per year over the next four years. We suggested these increases be offset by expanding off-peak discounts and broadening the availability of concession fares to Commonwealth health care card holders. This determination was made in the context of strong growth in the use of public transport and substantial costs of new investment in transport services.

The COVID-19 pandemic significantly changed the situation. People were encouraged to work from home and the community to limit travel on public transport to essential journeys. The public is also being encouraged to consider alternatives including walking and cycling. This requires a different approach not contemplated by us or the people we consulted with through the review. The NSW Government appropriately took these circumstances into account when it decided what fares to set.

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Our recommendations on expanding off-peak fares to bus and light rail (which the NSW Government has implemented) and broadening the availability of concessions (which has not been implemented to date) are two ways in which fares could support the need to reduce crowding and continue to ensure that public transport remains accessible for people who have lost their jobs.

We are currently reviewing bus fares in rural and regional areas. Local bus services in rural and regional areas provide transport service options to enable people to engage with their community, educational opportunities, the local labour market and essential services such as health care. These services have a substantially higher proportion of fare paying passengers travelling on concession and pensioner fares compared with the Opal network in Sydney and surrounds. Recognising that the role of public transport in rural and regional areas and the community benefits it creates are different, our review of fares for these services aims to ensure that fares are not a barrier to using bus services for the people who rely on them. The review will be finalised in December 2020.

In 2019-20, in addition to our public transport fare reviews we:

- ▼ Completed a survey of point to point transport use (February 2020)
- ▼ Assessed ARTC's compliance with the NSW Rail Access Undertaking for its non-Hunter Valley Coal Network sectors for 2018-19
- ▼ Assessed RailCorp's compliance with the NSW Rail Undertaking for the period 2015-16 to 2017-18
- ▼ Assessed compliance with the NSW rail access undertaking for the non-Hunter Valley parts of the rail network (not leased by ARTC) including the metropolitan freight corridors and the country rail network
- ▼ Determined the wholesale price of ethanol
- ▼ Completed our monitoring of the wholesale and retail markets for fuel ethanol.

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

We have been tasked under s 145 of the *Cemeteries and Crematoria Act 2013* to investigate and report on:

- ▼ 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.

Our aim is to recommend changes to the interment industry that deliver interment prices that:

- ▼ Are affordable and equitable for all
- ▼ Allow for the financially sustainable operation of cemeteries into the future
- ▼ Are simple and transparent so that people can make informed decisions about interment choices at a difficult time.

In December 2019 we released an interim report. We looked at the market structure of the interment industry to help us to understand what factors give incentives to cemetery operators to:

- 
- ▼ Seek the most efficient costs
  - ▼ Take account of all the costs they should be recovering
  - ▼ Set efficient and affordable prices.

The factors that provide incentives for cemetery operators could include:

- ▼ Competition with other operators
- ▼ Availability of alternative options for consumers
- ▼ Who (they or consumers) bears the risks of costs or revenue.

Once we understand these, we can make recommendations about the types of additional measures that might be required to achieve the outcomes of cemetery financial sustainability and customer affordability and access.

At one end of the spectrum, a workably competitive market with many participants, plenty of choice for consumers and appropriately allocated risks is unlikely to need prescriptive price regulation.

At the other end of the spectrum, a monopoly provider of a service that consumers have no choice but to use is likely to need prescriptive price regulation, where a regulator assesses the business's efficient costs and sets prices based on those efficient costs.

In between these two extremes lies a range of market structures where there is some regulatory intervention, whether direct or indirect, over costs or prices, or a subset of costs or prices (for example, where affordability is a concern, a provider may be required to deliver a basic service for a regulated price, but can offer other services as well without regulated prices).

Following the release of the interim report, we undertook additional work on the efficiency of the Sydney Crown cemetery operators, the extent of legacy costs in cemeteries across NSW, and options for perpetual maintenance governance. We considered the results of that work, as well as feedback on our Interim Report, before making draft findings and recommendations in 2020-21.

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

The development and implementation of eConveyancing has been a success story of digitisation. A paper-based system of real property title lodgement and financial settlement has been transformed to one that operates electronically, saving time and reducing the potential for errors and fraud, and continuing to protect the integrity of land registries and financial transactions. New entities – electronic lodgement network operators (ELNOs) – have been created, and the roles of solicitors, conveyancers and settlement agents have changed.

As NSW approached a fully mandated electronic system, but only one ELNO existed to make those transactions with, the NSW Government asked IPART to assess the state of the market, and then recommend an appropriate pricing regulatory framework.

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We found that, although competition is emerging, the lack of interoperability between ELNOs' systems is constraining its development.

Interoperability between ELNOs has significant potential to promote competition, as it allows each party in the settlement process to use the ELNO of their choice. We consider that building direct connections between the two existing ELNOs is the preferred approach to achieve the benefits of competition in a cost-efficient way, given the current state of the market. We recommended regulators require the two existing ELNOs to build direct connections.

We found that PEXA's current prices are reasonable, and so we recommended that maximum prices for any ELNO be set at PEXA's current prices with an annual CPI cap from 1 July 2020 for two years.

Many of our recommendations are being pursued at both a state and national level.

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

IPART has completed its review of the rental arrangements for communication towers on Crown land that is managed by three NSW land management agencies:

- ▼ The Department of Planning, Industry and Environment (DPIE) – Property and Housing (Crown Lands)
- ▼ NSW National Parks and Wildlife Service (NPWS), which is part of the Environment, Energy and Science Group in DPIE
- ▼ Forestry Corporation of NSW (Forestry Corporation) – a state-owned corporation.

We were asked us to provide advice on a fee schedule that reflects “fair, market-based commercial returns”. In forming this advice, we had regard to:

- ▼ Recent market rentals agreed for similar purposes and sites
- ▼ Recent land valuations
- ▼ The framework we established in the 2013 review and used to set the current rental arrangements for communication tower sites
- ▼ The land management agencies' legislative requirements.

We also considered a range of other matters, including the Government's preference for a fee schedule that is as simple, transparent, and cost-reflective as practicable, and clause 44 of Schedule 3 of the *Telecommunications Act 1997* (Cth) (Telecommunications Act) which prohibits discrimination against telecommunication carriers by State law.

### **Review of Home Building Compensation Scheme**

Each year, more than 20,000 new homes are built in NSW, and a similar number of renovations and alterations are in progress. A small proportion of homeowners encounter problems – some projects are not finished by builders, and some are found to have defects. The builder is responsible for rectifying any major defects within a six-year warranty period after the building has been completed, and for two years for minor defects.

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However, in some cases, homeowners will not be able to seek recourse from their builder because they no longer exist – often because they have become insolvent. In other cases the builder will have disappeared, died, or had their licence suspended for failing to comply with a money order. In these circumstances, homeowners can make a claim for home building compensation (HBC) as a last resort.

Currently there is only one home building compensation provider, the NSW government insurer, icare – the NSW government insurer. icare manages its exposure to claims by assessing the financial position of builders undertaking work covered by the scheme, and places limits on their construction activity and charges premiums that reflect their risk. The NSW Government has asked Independent Pricing and Regulatory Tribunal of NSW (IPART) to review the efficiency and effectiveness of these arrangements.

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

### **The rate peg**

The rate peg is the maximum percentage amount by which a council may increase its general income for the year. A council's general income is comprised mainly of rates revenue. We set the rate peg each year to assist ratepayers in getting good value for the rates they are paying, while ensuring councils have sufficient income to provide the services needed and wanted by ratepayers.

We set the rate peg for 2020-21 at 2.6% to reflect changes in the prices for goods, materials and labour used by an average council. To better align the rate peg with cost increases faced by councils, we modified our approach to including Emergency Services Levy costs. We also invited councils to complete a cost survey to update expenditure weightings in the cost index we use to set the rate peg, to ensure they remain reflective of the costs incurred by councils. The updated expenditure weights will apply from the 2021-22 rate peg onwards.

### **Domestic waste management charges**

We commenced a review of local council domestic waste management charges. We have observed that there is a wide variation in these charges, and we are concerned that in some cases they may not be delivering good value for ratepayers. There may also be challenges for local councils in purchasing and pricing waste management services. In the past we have decided not to regulate councils' domestic waste management charges, but we need to consider whether this approach remains appropriate.

At this stage, we consider that caution is needed and prescriptive regulation may not be appropriate. But, there may be other ways to improve transparency and share best practice guidance to help local councils and to ensure that ratepayers get good quality domestic waste management services at cost-reflective prices. Our review will:

- ▼ Seek feedback from ratepayers, councils and other stakeholders
- ▼ Consider what pricing principles should be used to guide councils in setting charges for domestic waste management services; and
- ▼ Look at potential regulatory or oversight options.



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## Local infrastructure contributions plans

We completed assessments of five local infrastructure contributions plans:

- ▼ Blacktown City Council's Contributions Plan No 24 – Schofields Precinct
- ▼ Hawkesbury City Council's Vineyard Precinct Section 7.11 Draft Contributions Plan
- ▼ The Hills Shire Council's Contributions Plan No 12 – Balmoral Road Release Area
- ▼ The Hills Shire Council's Contributions Plan No 17 – Castle Hill North
- ▼ Wollongong City Council's West Dapto Urban Release Area Contributions Plan.

We also commenced our assessment of a further contribution plan<sup>2</sup> and continued our assessment of a plan that was placed on hold last year.<sup>3</sup>

Our assessments influence how much developers contribute towards the cost of local infrastructure in the areas to which the plans apply. It is important that developer contributions, and hence the costs in a contributions plan, reflect the reasonable cost to the council of providing the local infrastructure required for the new development. If developer contributions are too high, developers would pay too much for local infrastructure and development could be unduly impeded.<sup>4</sup> If developer contributions are too low, ratepayers would need to fund the shortfall between the cost of the infrastructure and the revenue received from contributions, or councils may not be able to provide the infrastructure needed to support the new development. Cost-reflective developer contributions are also important to ensure that development only occurs where the benefits of development exceeds its costs.

## Review of local council election costs

At the request of the NSW Premier, under section 9 of the IPART Act, we also completed a review of local government election costs. We submitted our Final Report on this review to the Minister for Local Government in August 2019. Our Final Report recommended a costing methodology to be applied in determining the amount the NSW Electoral Commissioner (NSWEC) charges councils for local government election services. We also made a number of recommendations to promote competition in the supply of election services and hence greater choice for councils – including that the Government provide a subsidy direct to councils rather than the NSWEC.

## 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 2019-20, we made three submissions to the following external reviews:

- ▼ NSW Productivity Commissioner's Discussion Paper, *Kickstarting the productivity conversation*, November 2019

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<sup>2</sup> The Hills Shire Council's *Revised Contributions Plan No. 15 – Box Hill*.

<sup>3</sup> The Hills Shire Council's *Contributions Plan No. 13 – North Kellyville Precinct*.

<sup>4</sup> With the conclusion of LIGS funding and caps on local infrastructure contributions, developers in most areas will pay the full costs of local infrastructure to service their developments.

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- ▼ Essential Services Commission of South Australia, *SA Water Regulatory Determination 2020*, April 2020
  - ▼ Department of Planning, Industry and Environment, *Improving the infrastructure contributions system*, June 2020.

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

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

- ▼ WaterNSW's prices for its rural bulk water services
- ▼ WAMC's prices for its water management services
- ▼ Our regulatory framework for the water utilities that we price-regulate to ensure our framework continues to promote the long-term interests of customers.

In **energy**, we will be:

- ▼ Assessing the competitiveness of the retail electricity and gas markets in NSW.
- ▼ Complete our 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 using an import parity price (IPP) methodology.

In **transport**, we will be:

- ▼ Completing our review of rural and regional bus fares for the period January 2021 to June 2025.

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

- ▼ Setting the rate peg
- ▼ Assessing applications from councils for special variations above the rate peg and minimum rate increases
- ▼ Continuing our review of domestic waste management service charges
- ▼ Reviewing councils' local infrastructure contributions plans.

We will also complete 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.

We will also complete a special review of the efficiency and effectiveness of the NSW home building compensation scheme

## 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.



**We continued to monitor regulated entities performance against their licence requirements**



**174**

audits conducted

**5**



compliance reports

**10**



guidelines published to facilitate compliance

**12**



reporting manuals completed or updated

## 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)* (WIC Act) to make recommendations to the Minister for Water, Property and Housing on whether to grant or refuse licences and the administration of those licences.

In 2019-2020, we:

- ▼ Audited the compliance of Sydney Water Corporation, Hunter Water Corporation and Water NSW against their operating licences
- ▼ Developed and implemented a database for collating, managing and reporting licensing and compliance data (WILMA – *Water Industry Licence Management Application*)
- ▼ Redesigned the WICA application processes and procedures to improve workflow and application processing times
- ▼ Completed a review of current water quality plans for four current licences as part of a strategic program to improve risk management
- ▼ Streamlined insurance reporting obligations, as part of an overhaul of insurance requirements

- 
- ▼ Continued working with DPIE on the new draft WIC Bill, with the finalised Bill to progress to Cabinet in time for the Spring session, pending delays that may be caused by the COVID-19 pandemic
  - ▼ Monitored the compliance of 21 network operator's licensees and 11 retail supplier's licensees under the WIC Act, including the completion of 11 operational audits<sup>5</sup>
  - ▼ Completed assessment and recommended the Minister grant approval for nine WIC Act licences
  - ▼ Completed two 5-year WIC Act licence reviews, with the Minister approving one and currently reviewing the other.

The recycled water industry continues to expand with a 28% increase in the number of customers receiving recycled water for non-drinking purposes and a volumetric increase of 24% for recycled water.

We also note a trend toward licensees seeking to balance the treatment of sewage with the demand for recycled water at WIC Act schemes. Licensees have sought authorisation for additional end uses and to supply new customers with recycled water produced by WIC Act schemes during periods of oversupply of recycled water and indicated that they intend to source additional sewage for recycling during seasonal peak periods of demand. We expect this trend to continue into 2020-21.

## 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. Until June 2020, we also assessed compliance with employment guarantees obligations. We administer the licences and authorisations and undertake compliance for gas reticulators and distributors in NSW.

During 2019-20, 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 2020. Specifically, we:

- ▼ Monitored compliance of the four licensed electricity network service providers in NSW, TransGrid, Ausgrid, Endeavour Energy, and Essential Energy, by overseeing audits required under 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.

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<sup>5</sup> Fewer audits were undertaken in 2019-2020 due to the protracted sale of one the largest licensees, and the impacts of the COVID-19 pandemic on the auditing process.

- 
- ▼ Monitored compliance with relevant provisions of the *Electricity Supply Act 1995* and regulations for electricity network operators for safe operation of their networks, including:
    - Directed audits of the bushfire management components of TransGrid, Ausgrid, Endeavour Energy and Essential Energy's Electricity Network Safety Management Systems.
    - Directed audits of the public and worker safety components of TransGrid, Ausgrid, Endeavour Energy and Essential Energy's Electricity Network Safety Management Systems. Ausgrid was also required to undertake an audit of its management of risks of working on or near its network in respect of energised assets. We note that some audits were delayed due to the COVID-19 pandemic, and final audit reports for Ausgrid and TransGrid will be submitted in 2020-21.
    - Requested information related to bush fire preparedness from interstate network operators with assets in NSW (Energy Queensland, Evoenergy, Powercor and Ausnet Services).
  - ▼ 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>6</sup>
  - ▼ Monitored compliance of Ausgrid, Endeavour Energy and Essential Energy against the NSW Public Lighting Code, and worked with the Department of Planning Industry and Environment (DPIE) to clarify the requirements of the Code.
  - ▼ Administered nine licences/authorisations for gas distributors/reticulators.
  - ▼ Worked with DPIE on the *Gas Supply Act (1996)* reform in relation to hydrogen and hydrogen blends.

### **Energy Savings Scheme administration and regulation**

In 2019-20 the ESS continued to achieve the objectives of the *Electricity Supply Act 1995* (Act) by:

- ▼ Creating financial incentives to reduce energy consumption
- ▼ Helping households and businesses reduce energy consumption and costs
- ▼ Reducing greenhouse gas emissions
- ▼ Reducing electricity demand.

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<sup>6</sup> Department of Planning and Environment, *NSW Code of Practice for Authorised Network Operators*, September 2015.



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As Scheme Regulator and Scheme Administrator, 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 report annually to the Minister for Energy and Environment on the compliance and operation of the ESS.

### COVID-19 pandemic impacts

The COVID-19 pandemic presented a unique challenge for compliance in 2019, with key compliance and certificate creation deadlines falling within a period of heightened COVID-19 restrictions.

In responding to the challenges presented by the pandemic, we considered the operation, administrative and certificate market impacts of the situation. We assisted regulated entities by:

- ▼ Extending the deadline for audits, surrender of certificates and payments of shortfall penalties for certain Scheme Participants (small electricity retailers)
- ▼ Allowing flexibility in some aspects of audits, particularly for site visits where access was limited due to social distancing and restrictions on travel to regional sites

We continue to monitor and respond to the impacts of COVID-19 on our stakeholders.

### Future Scheme Risks and Opportunities

We observed clear shifts in the nature and activities of both Scheme Participants and Accredited Certificate Providers, which present challenges for assuring compliance with ESS requirements. The business models of Accredited Certificate Providers continue to evolve, with an increasing reliance on sub-contracted labour and agents. The number of electricity retailers has increased significantly, with a number of small, standalone retailers facing an individual energy savings target for the first time. Monitoring emerging trends in our stakeholders' operations is essential to ensure a robust compliance framework and identify areas in which the scheme must evolve to remain relevant and fit for purpose.

As the complexity of the energy market increases, we also need to consider emerging trends in the broader market – including the impact of changes in the way energy is delivered – on how the scheme operates. For example, we have already seen that an increase in the amount of unregistered generation not recorded by the Australian Energy Market Operator (e.g. rooftop solar panels) has increased the complexity of the compliance assessment. The ESS was designed for traditional energy systems, but with the increasing uptake of distributed energy resources (i.e. rooftop photovoltaics, batteries) it is likely the scheme will need to adapt to accommodate these changes.

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The 2020 ESS statutory review<sup>7</sup> and release of the NSW Electricity Strategy<sup>8</sup> (including the Energy Security Target and Safeguard) by the Department of Planning, Industry and Environment reinforces the need for the ESS to respond to market changes, and foreshadows a period of major reform for the scheme. They also provide an opportunity for us to work closely with policy makers and other agencies to ensure the scheme continues to achieve its objectives and incentivise additional energy savings.

## Stakeholder Engagement

Empowering stakeholders by developing engagement strategies, information products and tools is important to ensure understanding of ESS requirements and improve compliance outcomes. In 2019 stakeholder communication and engagement was a priority for the ESS. In consultation with stakeholders, we developed the Project Impact Assessment with Measurement and Verification method requirements. We also commenced an update of our public facing guidance material to clarify existing requirements and improve accessibility, readability and user-friendliness. In 2020 stakeholders will begin to see the benefits of these updates with increased clarity, certainty and efficiency of requirements and processes.

In 2019 the ESS Committee attended our annual stakeholder forum for the first time, recognising the importance of face-to-face stakeholder engagement, and in response to stakeholder requests for access to decision makers. The Chair of the ESS Committee provided some insights into our efforts to build a compliance culture and the ESS Committee's decision making process. We also updated stakeholders on scheme administration and compliance issues, and sought feedback on our performance as Scheme Administrator and Scheme Regulator.

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

During 2019-20, compliance with the ESS was generally high for both Scheme Participants and Accredited Certificate Providers. The number of Scheme Participants (principally electricity retailers) increased from 74 in 2018 to 90 in 2019. This continues an upward trend in the number of Scheme Participants in the ESS.

In 2019 there were 91 Accredited Certificate Providers of which 56 registered Energy Saving Certificates in 2019. The number of applications for accreditation decreased slightly, however certificate registration volumes and audit activity continues to grow, year on year.

We took a range of administrative and enforcement actions, as outlined below. We:

- ▼ Took two enforcement actions and resolved several instances of non-compliance by Accredited Certificate Providers.
- ▼ Granted 13 new accreditations, taking the total number of accreditations to 177<sup>9</sup>
- ▼ Approved 53 amendments to accreditations

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<sup>7</sup> Department of Planning, Industry & Environment, NSW Energy Savings Scheme – Draft Statutory Review Report, 2020.

<sup>8</sup> Department of Planning Industry & Environment, NSW Electricity Strategy, 2019.

<sup>9</sup> Accredited Certificate Providers may hold more than one accreditation.

- ▼ Cancelled 8 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 145 audits using our audit services panel
- ▼ Accepted 1,401 emerging lighting technology products for use in the scheme, including 113 products approved under the Victorian Energy Efficiency Target (VEET) scheme
- ▼ Assessed the compliance of 90 Scheme Participants against the Energy Savings Target

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

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

- ▼ Develop new frameworks and processes for our assessment and compliance functions under the new WIC Act, including transitioning of existing licences
- ▼ Audit the compliance of Sydney Water Corporation, Hunter Water Corporation and Water NSW against their operating licences
- ▼ Commence reviews of the statutory operating licences held by Hunter Water Corporation and Water NSW
- ▼ 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, and
- ▼ Continue to investigate ways of improving compliance by all licensees.

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 of the three major distribution network operators scheduled for 2020-21
- ▼ Continue to assess compliance of electricity networks against their licences, including reliability and critical infrastructure requirements
- ▼ Assess compliance of electricity networks against the requirements of the ES Act, including aspects of their safety management systems
- ▼ Monitor compliance of Ausgrid, Endeavour Energy and Essential Energy with the NSW Public Lighting Code
- ▼ Monitor compliance of gas distributors and reticulators against their licence and authorisation requirements, and
- ▼ Continue working with DPIE on the Gas Supply Act (1996) reform in relation to hydrogen and hydrogen blends.

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

- ▼ Continue to improve our systems and processes so that they are streamlined
- ▼ Continue to improve our engagement with stakeholders through improved communications, clearer guidance and ongoing dialogue with peak industry bodies.
- ▼ Work with the policy makers to improve scheme design to minimise the potential for non-compliance, and
- ▼ Contribute to the development and implementation of the Energy Security Safeguard.

## Meeting stakeholder expectations



**Engaging with stakeholders helps us make better decisions**

701

submissions received from stakeholders

8

public hearings and increased access to decision makers

58

Consultation papers released

27

final reports published

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

### Engagement

Engagement with our stakeholders is an important part of our process for conducting reviews and making decisions. We aim to engage effectively with our stakeholders through:

- ▼ Regular meetings, workshops and consultation with government and non-government agency representatives, and peak bodies
- ▼ Providing information about our work through presentations at conferences or events
- ▼ Hosting public hearings, conducting online workshops, preparing periodic newsletters
- ▼ Providing opportunity for input through our submissions process including allowing for short, web based submissions
- ▼ Making it easier to interact with us e.g. through simpler application forms.

In response to COVID-19, and consistent with many organisations, we moved to online meetings and public hearings. We have found this has made it easier for a broader range of stakeholders, particularly in regional areas, to participate. This year, we also proactively increased the interaction our Tribunal members had with key stakeholders and the boards of the entities we regulate. This recognises the importance of the Tribunal hearing directly from stakeholders to understand their perspectives as well as for the Tribunal to share its expectations.

Stakeholder involvement is an important part of our processes to ensure that we are aware of the range of viewpoints on the issues being considered. We are continuing to evolve our engagement strategies to capture a broader range of views including through surveys as well as increasing expectations of regulated entities to reflect consumer preferences in their proposals to us. For example, we allowed additional revenue to be collected by Hunter Water and Sydney Water in the 2020 price determinations for initiatives above and beyond regulatory requirements based on evidence they collected and provided about consumers willing to pay.

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We aim to ensure that our communication provides stakeholders with easy access to the information that they need and in a form that is easily accessible. We have focussed on writing in plain English, increasing the use of infographics to communicate technical concepts in a simple way and a more consistent visual identity to make our materials easier to navigate. In 2020-21 we will continue to focus on:

- ▼ Improving our digital interfaces so that is easier to interact with us
- ▼ Simplifying the format of our public facing documents to improve readability and user-friendliness
- ▼ Increasing our online presence through social media to reach broader audiences
- ▼ Setting stronger expectations of the entities to engage with their customers and respond to their preferences.

### **Delivery of impartial, transparent and balanced decisions**

We continue to strive to be at the forefront of regulation to deliver balanced regulatory decisions. While the factors that we consider vary according to our powers, they typically include:

- ▼ Protecting consumers of regulated services from unreasonable price hikes and price gouging
- ▼ Ensuring that regulated service providers remain financially viable
- ▼ Encouraging regulated service providers to improve their economic efficiency and maintain or improve their service quality
- ▼ Encouraging competition where possible
- ▼ Having regard to the protection of the environment and the impact on customers.

The aspirations emerging from our new strategic plan include a greater focus on tackling climate change, not only through mitigating emissions but through more resilient services adapted to changes in our climate.

Transparency is important so that stakeholders can participate as fully as possible in the Tribunal's processes and the reasons for its decisions and recommendations are clear. We publish information about how we make decisions and explain the decisions we have made. We make our methodology, models and consultant reports publicly available, subject to any confidentiality requirements. We also conduct hearings to encourage public understanding and debate, and publish transcripts or summaries of these events as well as any agendas and presentation materials.



## Promoting a thriving culture



**We are invested in the wellbeing and development of our people**

**111**

Full-time  
equivalent  
employees



**54%**

senior executives  
are female



As at 30 June 2020, we had 127 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 high quality independent service to the people of NSW, through our people.

### Employer of choice

In 2019-20 we focussed on promoting flexible work opportunities and enhancing mental health and wellbeing with the aim of promoting a healthy culture, and empowering our employees. This coincided with the COVID-19 pandemic and we were able to adapt quickly to remote working with helpful tools to support staff in place.

A staff led working group developed a flexible working policy and supporting documentation to provide guidance and knowledge on why working flexibly can be important. The policy outlines flexible work options available to employees to ensure they are aware of the range of working arrangements they can access and how to tailor their working arrangements to their individual needs. We undertook a staff pulse survey in December 2019 and 87% of staff were satisfied with their ability to access flexible working arrangements, an increase from 72% in June 2019. In another survey in May 2020, this increased again to 90% after an extended period of staff working from home from March 2020 when COVID-19 restrictions were introduced.

We are committed to providing a safe and healthy work environment for all staff, contractors, and visitors. During 2019-20 we supported enhanced health and wellbeing by:

- ▼ Promoting health initiatives through the corporate fitness program, weekly yoga classes (now online), influenza vaccinations and participating in September
- ▼ Promoting our 'employee assist' program, which offers counselling, career and skill development services
- ▼ Providing staff with access to virtual yoga and meditation seminars during Mindful May
- ▼ Auditing first aid kits and providing first aid training
- ▼ Workshops for all staff and managers on creating a mentally health workplace.

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## Developing our people

We are committed to supporting our employees' development to increase job satisfaction, promote motivation and retention, prepare us for future challenges and deliver high quality work.

In response to the 2019 People Matter Employee Survey results we focussed on increasing development opportunities and job satisfaction through:

- ▼ The introduction of a mobility policy aimed at encouraging staff to register interest to work in a different team or on a particular organisational project or working group during the annual performance planning process
- ▼ Attendance at relevant conferences and seminars and external networking opportunities
- ▼ Site visits to keep in touch with what is happening on the ground
- ▼ Professional development support through coaching for some of our executives and tertiary study assistance for staff
- ▼ Three of our executive directors commencing programmes in the NSW Government's Leadership Academy.

We had a staff-led program of regular internal training seminars in core regulatory issues and skills as well as peer reviews in the scoping stages of some projects. We engaged the Behavioural Insights Team who worked with each of our teams to increase awareness of relevant tools and approaches to improve the way we work and get better regulatory outcomes. Our people also participated in training in data visualisation, auditing and difficult conversations and had access to thousands of online courses with individuals able to tailor selections to their needs. Some of our staff also participated in a new training program developed collectively by utility regulators across Australia to give participants strong foundations in utility regulation.

We also redeveloped our staff intranet, launched in September 2019 to improve communication, understanding and collaboration across the organisation. The site has a fresh new design, improved usability and updated content.

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## Our leadership structure and people

Our Tribunal is our statutory decision making body. The 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 2019-20.

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).

In December 2019, Ed Willett completed his five year term as a Tribunal member and Sandra Gamble commenced as a new member.

The Tribunal met 43 times in 2019-20.



### **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.



### **Ms Deborah Cope**

#### **Tribunal Member**

B Econ (Hons)

Ms Cope brings to the Tribunal more than 35 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 20 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.



### **Ms Sandra Gamble**

#### **Tribunal Member**

B Econ (Hons)

Ms Gamble has many years' experience in regulatory economics, with a particular focus on water, energy and transport infrastructure and regulation. She has extensive experience sitting on boards and decision making bodies, currently holding a position as a Board Member on the New Zealand Electricity Authority.

Sandra was appointed as a Tribunal member from 9 December 2019 for a term of five years to 8 December 2024.

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## **Delegated powers**

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 2019-20, the Tribunal delegated:

- ▼ Certain functions to a Delegated Tribunal, which comprises Tribunal members Deborah Cope, Ed Willett (until 6 December 2019) and Sandra Gamble (from 26 February 2020). The terms of this delegation were wide ranging and allowed it, 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 3 times in 2019-20.
- ▼ Its responsibilities for 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 (until 21 February 2020) and Pamela Soon (from 8 April 2020). It met 18 times in 2019-20.

- ▼ Its responsibilities for 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, until 6 December 2019), Sandra Gamble (Chair, from 6 February 2020), Deborah Cope and Brian Spalding and met 10 times in 2019-20.
- ▼ Its responsibilities for the administration of the Energy Savings Scheme to a separate committee under the *Electricity Supply Act 1995*. The Minister for Energy and Environment approved this delegation. The Tribunal delegated scheme administrator and scheme regulator functions to a committee comprising Ed Willett (Chair, until 6 December 2019), Sandra Gamble (Chair, from 8 April 2020), Brian Spalding, Pamela Soon (until 7 April 2020) and Fiona Towers (from 8 April 2020). The committee met 11 times in 2019-20.
- ▼ Certain functions to the CEO and other senior employees to enable them to make decisions on more routine matters.

## The Secretariat

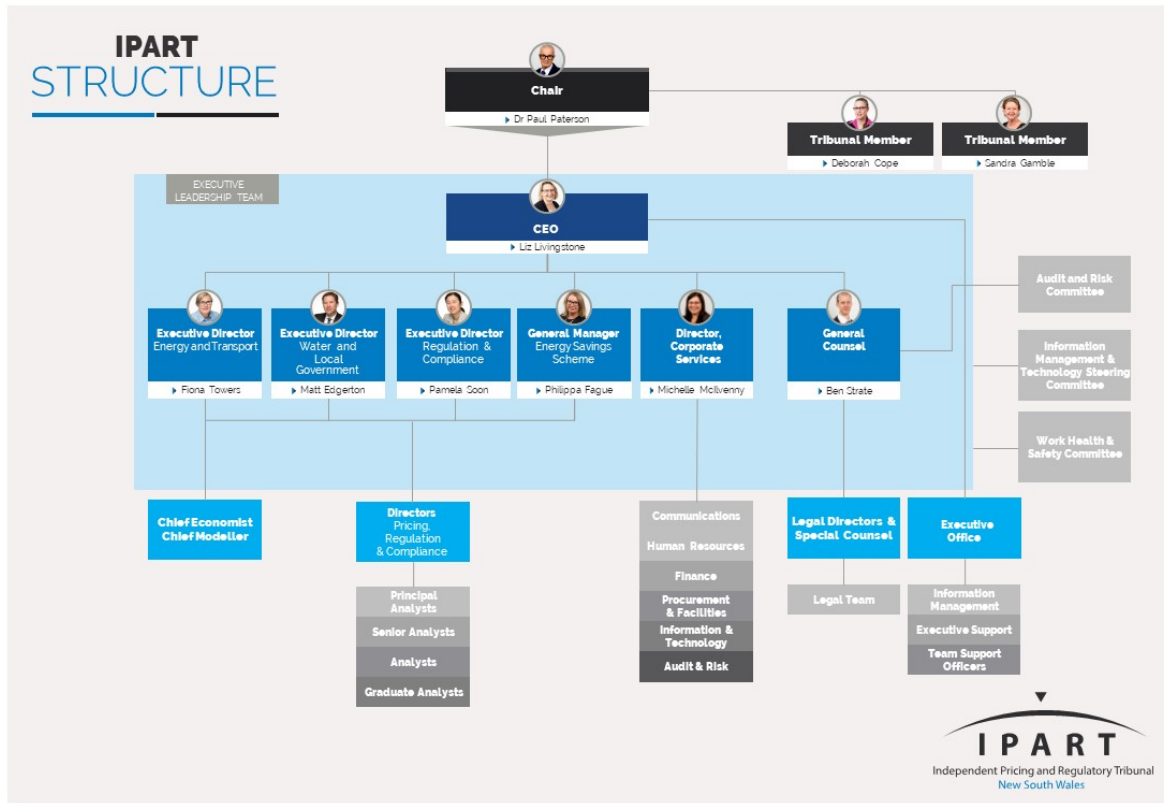
The Secretariat assists the Tribunal and its delegated committees by providing research and advisory services, and supporting investigations and public processes. The Secretariat includes:

- ▼ **The Chief Executive Officer** who manages six executive employees and the executive office, and is responsible for the Tribunal's professional output and leading the operation of the organisation. The CEO is accountable for the quality of our 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 six executives** who together with the CEO form the Executive Leadership Team. This team is responsible for leadership of the organisation including its strategy, culture and business systems. Members of the team also lead their 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. These staff have a mix of skills in economics, finance, engineering, science, planning and 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, communications and people support to the teams, and manage our processes, including the public registry, submissions, and the preparation and publication of reports and our website.

In addition, for some 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 at 30 June 2020.





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## Financial Overview 2019-20

### Budget structure 2019-20

IPART is a NSW Public Service Separate Agency under the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act), comprising all the entities under its control, namely the Independent Pricing and Regulatory Tribunal Staff Agency which provides personnel services to IPART.

The financial statements (pages 70-112) provide an overview of our financial activities during 2019-20. The Audit Office has reviewed these statements together with our systems and processes and have provided an unqualified audit report. This summary represents the consolidated financial performance for the year ended 30 June 2020.

### Net Result

Most of our revenue comes from the NSW government in the form of a consolidated fund appropriation. This is used to meet both recurrent and capital expenditure. Total revenue was higher than budget by \$0.39 million, mainly due to cost recoveries on account of employees seconded to other government agencies.

Total expenses were lower than budget by \$0.85 million. Included in this was an underspend in depreciation and amortisation. Expenditure on employees and operating expenses was also rebalanced during the year to better reflect our operations.

The actual net result for the year was a \$1.10 million surplus, favourable to budget by \$1.24 million.

### Assets and Liabilities

Total assets were \$7.39 million and were lower than budget by \$2.21 million mainly due to the \$5.34 million non-recognition of right-of-use assets for a lease that was transferred to the Department of Customer Service. This was offset by a \$2.89 million increase in cash and receivables.

Total liabilities were \$6.40 million and were lower than budget by \$4.3 million due to no borrowings as a result of the transfer of our accommodation lease to the Department of Customer Service.

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## Cash Flows

Net cash flows from operating activities were \$2.85 million and were higher than budget by \$0.86 million, mainly due to a reduction in employee related expenses. Cash flow from investing activities was \$0.91 million and was only marginally higher than budget by \$0.02 million due to investment in Water Industry Licence Management Applications system.

## Budget for 2020-21

The 2020-21 NSW Budget was delayed and is being handed down in mid-November 2020 due to the impact of drought, bushfires and the COVID-19 pandemic. IPART was provided an appropriation of \$16,921,000 until the end of the calendar year. IPART has adopted a budget for 2020-21 which is mindful of current and future efficiency dividends requested by government. IPART will reassess its 2020-21 budget once the NSW budget is handed down.

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## Appendices

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## A Legislative Functions

### Overview

IPART has a wide range of legislative functions, including some functions 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 *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.

The *Statute Law (Miscellaneous Provisions) Act (No 2)* made minor amendments to the IPART Act with effect from 5 December 2019. Where IPART was previously required to publish notice in a newspaper of its public hearings and investigations, it is now required to publish notice in a manner that the Tribunal is satisfied is likely to bring to the attention of members of the public generally.

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## 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>10</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>11</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.

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<sup>10</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>11</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.

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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.

### **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



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- ▼ The need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment
  - ▼ The impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets
  - ▼ The impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body
  - ▼ The need to promote competition in the supply of the services concerned
  - ▼ Considerations of demand management (including levels of demand) and least cost planning
  - ▼ The social impact of the determinations and recommendations
  - ▼ Standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

The 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.

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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* section in this report.

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#### **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 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>12</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.

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<sup>12</sup> The Competition Principles Agreement was made on 11 April 1995 by the Commonwealth, the Territories and the States.

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## 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.

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.

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## 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 received a referral to determine appropriate maximum fares for Opal public transport services from 1 July 2020 until 30 June 2024. IPART provided the final report to the Minister in February 2020.

In April 2020, IPART received a referral to determine appropriate maximum fares for rural and regional bus services from 1 January 2021 to 31 December 2025, and will provide a final report to the Minister by December 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.

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## 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 of all Scheme related matters.

## A.7 Energy Savings Scheme

In May 2020, the *Electricity Supply Act 1995* was amended to introduce the Energy Security Safeguard. The object of the safeguard is to improve the affordability, reliability and sustainability of energy through the creation of financial incentives that encourage the consumption, contracting or supply of energy in particular ways. The safeguard is constituted by a variety of 'schemes', and the NSW Energy Savings Scheme (ESS) is the first such scheme (although the ESS originally commenced on 1 July 2009).

The 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.

IPART functions as both the ESS scheme administrator and the ESS scheme regulator, and is responsible for assessing applications, accrediting parties to undertake eligible activities and to create certificates, monitoring ESS compliance and monitoring the performance of the ESS participants. IPART also manages the registration and transfer of certificates created from recognised energy savings activities.

## A.8 Local Government

IPART performs functions relating to local government under:

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



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In August 2019, IPART concluded its first section 9 review into the cost of conducting local government elections, and the NSW Government released the report in September 2019.

In November 2019, IPART commenced a review of domestic waste management charges levied by NSW local councils.

## **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 2020, IPART concluded its annual review of the determination and decided it should remain unchanged for FY2020-21.

## **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*. The five year employment guarantees period ended on 30 June 2020. However, the guaranteed apprenticeship intake requirement continues to apply, so IPART continues to have monitoring and enforcement functions under that Act.

## **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.

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## **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 under s9 of the IPART Act

During the financial year 2019-20, IPART completed three notable special reviews on:

- ▼ A pricing regulation framework for the provision of electronic conveyancing services in NSW
- ▼ The rental arrangements of communication towers on Crown Lands, and
- ▼ A costing methodology for local government election services

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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 activities

### Tribunal meetings

**Table C.1 Tribunal meetings held in 2019-20**

Type of Meeting	Number Held	Attendees and number of Meetings attended
Tribunal	43	Paul Paterson, Chair <sup>a</sup> (35/43)
		Ed Willett, Tribunal Member (18/19)
		Deborah Cope, Tribunal Member (43/43)
		Sandra Gamble, Tribunal Member (23/24)
		Anna Brakey, Deputy Tribunal Member for Paul Paterson (8/8)
Delegated Tribunal	3	Ed Willett, Chair (3/3)
		Deborah Cope, Tribunal Member (3/3)
Local Government Committee	18	Deborah Cope, Chair (18/18)
		Nicola Gibson, Committee Member (18/18)
		Fiona Towers, Committee Member <sup>b</sup> (13/13)
		Pamela Soon, Committee Member <sup>c</sup> (5/5)
Energy Network Regulation Committee	10	Ed Willett, Chair <sup>d</sup> (7/7)
		Sandra Gamble, Chair <sup>e</sup> (3/3)
		Deborah Cope, Tribunal Member (10/10)
		Brian Spalding, Committee Member (10/10)
Energy Savings Scheme Committee	11	Ed Willett, Chair <sup>f</sup> (5/5)
		Sandra Gamble, Chair <sup>g</sup> (6/6)
		Brian Spalding, Committee Member (11/11)
		Pamela Soon, Committee Member <sup>f</sup> (5/5)
		Fiona Towers, Committee Member <sup>g</sup> (6/6)

<sup>a</sup> Deborah Cope was the Acting Chair for the 8 meetings for which the Chair was absent

<sup>b</sup> Fiona Towers last Local Government meeting 21 February 2020. Brett Everett attended meetings as acting Local Government Tribunal member on 4 July and 5 and 12 September

<sup>c</sup> Pamela Soon first Local Government meeting 26 March 2020

<sup>d</sup> Ed Willett last Energy Network Regulation meeting 5 December 2019

<sup>e</sup> Sandra Gamble first Energy Network Regulation meeting 9 April 2020

<sup>f</sup> Ed Willett and Pamela Soon last Energy Savings Scheme meeting 5 December 2019

<sup>g</sup> Sandra Gamble and Fiona Towers first Energy Savings Scheme meeting 23 April 2020

## Public hearings and forums

**Table C.2 Public Hearings and forums held in 2019-20**

Date	Investigation	Location
<b>Water</b>		
19 November 2019	Prices for Hunter Water Corporation from 1 July 2020	Harbourview Function Centre, Newcastle
26 November 2019	Prices for Sydney Water Corporation from 1 July 2020	SMC Conference and Function Centre, Sydney
26 November 2019	Prices for WaterNSW Greater Sydney from 1 July 2020	SMC Conference and Function Centre, Sydney
<b>Local Government</b>		
2 July 2019	Review of costs of conducting local government elections	SMC Conference and Function Centre, Sydney
<b>Energy</b>		
11 November 2019	ESS Stakeholder Update	SMC Conference and Function Centre, Sydney
<b>Transport</b>		
11 February 2020	Opal fares from 1 July 2020	IPART Offices
<b>Other Industries</b>		
22 July 2019	Rental arrangements of communication towers on Crown Lands 2018	SMC Conference and Function Centre, Sydney
3 September 2019	Pricing regulation of electronic conveyancing services in NSW	SMC Conference and Function Centre, Sydney

## Submissions to projects during 2019-20

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2019-20 and received a total of 701 submissions.

**Table C.3 Submissions received in 2019-20**

Projects	Submissions
<b>Water</b>	
Box Hill North – Network variation 2019	5
Box Hill North – Retail variation 2019	6
Catherine Hill Bay – Network variation 2019	3
Central Park – Retail variation 2019	4
Cooranbong – Retail variation 2019	3
Green Square – Network variation 2019	5
Green Square – Retail variation 2019	5
Gundaroo – Network Operator's and Retail Supplier's Licence application	10
Prices for Hunter Water Corporation from 1 July 2020	72
Prices for Sydney Water Corporation from 1 July 2020	54
Prices for WaterNSW Greater Sydney from 1 July 2020	16
Shepherds Bay – Network variation 2019	5



<b>Projects</b>	<b>Submissions</b>
Shepherds Bay – Retail variation 2019	5
Sydney Desalination Plant Expansion	3
WaterNSW Annual Review of rural bulk water charges for 2020-21	1
Wollondilly Water - Bingara Gorge - Network Operator and Retail Supplier	5
<b>Transport</b>	
Review of compliance with NSW rail access undertaking 2015/16 to 2017/18 - Hunter Valley Coal Network - RailCorp	1
Opal fares from 1 July 2020	31
<b>Energy</b>	
Electricity Distribution Reliability Standards - Issues Paper	10
Monitoring the retail energy markets during 2018-19	6
ESS PIAM&V requirements - Consultation Paper - October 2019	4
<b>Local Government</b>	
Review of Blacktown City Council's Contributions Plan no 24 - Schofields Precinct	3
Review of costs of conducting local government elections	46
Review of Hawkesbury City Council's Contributions Plan - Vineyard	9
Review of The Hills Shire Council's draft Contributions Plan no 17 - Castle Hill North	4
Review of The Hills Shire Council's Contributions Plan no 13 - North Kellyville Precinct	3
Review of Wollongong City Council's Contributions Plan - West Dapto	20
LG Application - Special Variations & Minimum Rates 2020-21 – Lismore City Council	274
<b>Other</b>	
Home building compensation in NSW	33
Interment costs and pricing in NSW	19
Pricing regulation of electronic conveyancing services in NSW	7
Rental arrangements of communication towers on Crown Lands - 2018	22
WACC Methodology 2017	7

The number of submissions listed are only those received in 2019-20. The total number of submissions to a paper can be found on our [website](#).

## E Human Resources

### Senior Executives

IPART's executive employees are employed under contract as Public Service Senior Executives. 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). No performance-related payment (bonus) was made to Statutory Appointees or Contract Executive employees.

Executive remuneration represents 33% of the overall salaries-related expenses for 2019-20, compared to 34% in 2018-19.

**Table E.1 Headcount and gender breakdown at 30 June 2020**

Band	2017-18		2018-19		2019-20	
	Female	Male	Female	Male	Female	Male
Band 4 (Secretary)	0	1	0	1	0	1
Band 3 (Deputy Secretary)	0	1	1	0	1	0
Band 2 (Executive Director)	4	1	3	2	2	2
Band 1 (General Manager/Director)	10	11	11	7	10	8
Total	14	14	15	10	13	11

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

**Table E.2 Average remuneration at 30 June 2020**

Role	Range 2019-20	2017-18		2018-19		2019-20	
		Female	Male	Female	Male	Female	Male
Band 4 <sup>a</sup>	\$487,051-\$562,650	NA	\$324,110	NA	\$316,000	NA	\$316,000
Band 3	\$345,551-\$487,050	NA	\$369,571	\$345,506	NA	\$382,325	NA
Band 2	\$274,701-\$345,550	\$293,093	\$291,036	\$307,697	\$293,348	\$315,398	\$306,453
Band 1	\$192,600-\$274,700	\$214,879	\$219,255	\$218,365	\$221,305	\$231,177	\$224,714

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

### Tribunal Members

**Table E.3 Average remuneration**

Role	2017-18	2018-19	2019-20
Tribunal Member <sup>a</sup>	\$141,750	\$167,946	\$151,559

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

## Staff

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 2019* and the *Crown Employees (Public Service Conditions of Employment) Award 2009* set the working conditions and entitlement for employees.

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 2019.

**Table E.4 Employee profile at 30 June 2020**

	2017	2018	2019	2020
Chair	1	1	1	1
Chief Executive	1	1	1	1
Executive Directors & General Managers	6	5	5	4
Director Corporate Services & CFO	1	1	2	1
Directors	16	16	15	16
Managers	5	4	3	6
Analysts	77	68	76	73
Graduate Analysts	3	1	1	1
General Counsel	1	1	1	1
Director, Legal & Special Counsel	3	3	3	4
Legal Officers	3	5	6	3
Support Officers	22	23	22	15
Supernumeraries	1	0	0	0
Casual Employees	1	4	2	0
<b>Total number of employees includes full time, part-time, temporaries and graduates</b>	<b>141</b>	<b>133</b>	<b>138</b>	<b>127</b>
Tribunal Members	2	2	2	2
Temporary Members	0	0	0	0
<b>Total number of Employees including members</b>	<b>153</b>	<b>135</b>	<b>140</b>	<b>129</b>

**Note:** only employees occupying a role – excludes secondments out

## 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 2020**

Workforce Diversity Group	Benchmark	2018	2019	2020
Women	50%	53.4%	60.2%	60.6%
Aboriginal and/or Torres Strait Islander People	3.3%	0.0%	0.0%	0.8%
People whose First Language Spoken as a Child was not English	23.2%	15.3%	13.5%	15.7%
People with Disability	5.6%	0.0%	0.0%	0.0%
People with Disability Requiring Work-Related Adjustment	N/A	0.0%	0.0%	0.0%

**Source:** NSW IPART 2019-20 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	2018	2019	2020
Women	100	99	100	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	N/A	97
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 2019-20 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.

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## F Corporate Governance

### Privacy Management

We are committed to protecting the personal information provided to us. Personal information provided to IPART is not disclosed or re-used for another purpose, unless consent is given to such disclosure or use, or we are required or permitted to do so by law. We commenced a review of our Privacy Management Plan in 2019-20 which will be finalised in 2020-21. No complaints or requests for internal reviews were received during the reporting year. New employees are briefed on the Plan as it relates to their role during on boarding.

### Policies and Programs

IPART provided advice and support to staff members on working conditions, policies, processes and performance. IPART continued to review policies and procedures so that staff are provided with current information that is easy to use and understand, and is aligned to the public sector provisions and best practice.

A number of IPART's policies and procedures were reviewed and updated during 2019-20 including:

- ▼ Employee Development Policy
- ▼ Mobility Procedure
- ▼ Flexible Working Policy
- ▼ Executive Remuneration Policy

IPART applies a consultative process with all staff when reviewing and updating policies and procedures. Feedback is consolidated and if appropriate, incorporated into published policies and procedures. Where appropriate working groups are established or internal reference groups, such the Work Health and Safety Committee, are engaged to lead the development and implementation.

### 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 was developed in accordance with the requirements of the *Public Interest Disclosures Act 1994* and approved effective May 2018. Our policy commits IPART and senior employees to handle these disclosures effectively and provide support to the employees making them. Staff are reminded of the policy annually and have access to the Public Interest Disclosures policy from the staff intranet.

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

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## Consumer Enquiries Response

IPART is committed to handling feedback and complaints courteously, equitably, and respecting the privacy of the person making the complaint. All complaints or enquiries are recorded and, where relevant, registered as submissions to any current review.

We received 21 complaints in the last year about IPART's role in Local Government. These were primarily from ratepayers concerned about the size of individual rate increases. IPART's role for rates is limited to determining the rate peg, and applications by councils for special variations to general income above the rate peg. Councils have discretion to set increases in individual rates, provided their overall general income is within the rate peg hence we do not determine individual rate increases which can exceed the rate peg.

Complaints about water pricing increased from two to four in 2019-20. These complaints concerned charges for council water prices which we do not regulate. The complaints were referred to the relevant organisation.

In the Energy Savings Scheme there were two complaints relating to the application process and dissatisfaction with a decision. Timeframes to assess applications are dependent on the quality of the application and in dealing with this complaint the business unit ensured requests for additional information to assess the application were clearly explained and supported with guidance material available on our website. More generally, the application process was streamlined and clearer guidance material developed to better assist applicants with understanding the end to end process and indicative timeframes to expect. Where applicants are dissatisfied with a decision they are advised of their rights under the Scheme and provided further clarity on where the application requirements were not met.

We also received a complaint from a peak industry body on behalf of their members primarily concerned with inefficiencies in the administration of the Scheme, approach to compliance activities and inadequate stakeholder engagement. In response to this complaint we increased our consultation practices, commenced an update of our public facing guidance material and provided increased access to decision makers and decision making processes.

## Overseas Visits

There was one overseas visits by an IPART employees in the reporting period.

**Table F.1 Overseas Visits in 2019-20**

Date	Officer	Destination	Purpose
21 November 2019	Liz Livingstone	Wellington, New Zealand	Attend the Utility Regulators Forum hosted by The Electricity Authority NZ

## Competitive neutrality

There were no complaints about non-compliance with competitive neutrality referred to IPART in 2019-20.



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## 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) oversees 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 a number of internal audits planned for the coming year. In 2019-20, we operated our internal audit function using a combination of outsourced and insourced models to review the following areas of the organisation:

- ▼ Internal Audit & Risk Management follow-up (Institute of Internal Auditors)
- ▼ Regulation & Compliance - Public Water Utilities.
- ▼ Local Government
- ▼ Energy Savings Scheme.

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

- ▼ Finance and budget management
- ▼ Culture and People
- ▼ Procurement, Facilities and Contract Management
- ▼ Cyber Security.

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.

## Internal Audit and Risk Management Attestation Statement for the 2019-20 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:

### TPP 15-03 Core requirement compliance 2019-20

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

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## Membership

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

### ARC attendance 2019-20

Position	Members	Committee member since	Attendance at full meetings during 2019-20
Independent Chair	Ms Elizabeth Crouch	1 December 2016	4/4
Independent Member	Mr Tim Holden	31 October 2014	4/4
Independent Member	Mr Ken Barker	14 October 2014	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*

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## NSW Cyber Security Policy

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

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

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.

A current cyber incident response plan exists and is incorporated into the overarching Business Continuity Plan for the Independent Pricing and Regulatory Tribunal but this has not been tested during the reporting period.

The Independent Pricing and Regulatory Tribunal is working toward implementing an Information Security Management System (ISMS) and continually monitors ISO27000 certification of IT service providers.

The Independent Pricing and Regulatory Tribunal is doing the following to continue to improve the management of cyber security governance and resilience:

- ▼ Reviewing and updating IT policies and procedures
- ▼ Obtaining Security Information and Event Management (SIEM) services
- ▼ Developing approaches to application whitelisting and macro security.

Yours sincerely



Liz Livingstone  
*Chief Executive Officer*

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## G Public access to our information

The *Government Information (Public Access) Act 2009* (GIPA Act) requires agencies to provide access to government information and encourages proactive release of such information. As required by the GIPA Act, the Commission provided the following information on its website:

- ▼ A publication guide describing 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.

We endeavour to make as much additional information about the work we do quickly and easily available through our website consistent with the government's commitment to proactive release of information. All of IPART's publications are available on our website at <https://www.ipart.nsw.gov.au>.

Where information is not available on the website, an informal request may be made to IPART's Right to Information Officer. Where information is not available on the website or not provided by informal request, a formal access application can be made by contacting us at [ipart@ipart.nsw.gov.au](mailto:ipart@ipart.nsw.gov.au).

In the reporting period, IPART:

- ▼ reviewed its program for proactive release of information to identify the kind of information that can be made publicly available, and made relevant information available on its website
- ▼ received one informal request for information
- ▼ did not receive or refuse any formal access applications
- ▼ did not carry forward any requests from the previous year

## Statistical information

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

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	0	0	0	0	0	0	0	0

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

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

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

**Table G.3 Invalid applications**

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

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

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

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

	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0



**Table G.6 Timeliness**

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	0
Decided after 35 days (by agreement with the applicant)	0
Not decided within time (deemed refusal)	0
<b>Total</b>	<b>0</b>

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

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of the Act	0	0	0
Review by NCAT	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</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 G.8 Applications for review under Part 5 of the Act (by type of applicant)**

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

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

	Number of applications transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0

## H Financial Management

### Payment of Accounts

Table H.1 Report on account payment performance 2019-20

	September 2019	December 2019	March 2020	June 2020
Invoices due for payment	177	221	288	306
Invoices paid on time	128	130	171	211
Invoices due for payment received from small business	0	5	9	11
Invoices from small business paid on time	0	1	0	0
Amount due for payment (\$)	3,048,145	6,228,311	3,060,008	5,418,455
Amount paid on time (\$)	2,771,179	5,435,010	2,360,541	3,404,062
Amount due for payment received from small business (\$)	0	28,384	59,426	89,259
Amount from small business paid on time (\$)	0	4,406	0	0
Number of payments for the interest on overdue account	0	0	0	0
Interest paid on late accounts (\$)	0	0	0	0
Number of payments to small business for the interest on overdue account	0	0	0	0
Interest to small business on late account (\$)	0	0	0	0

**Table H.2 Accounts paid on time within each quarter in 2019-20**

Quarter	Target %	Actual %
September Quarter	90%	72%
December Quarter	90%	59%
March Quarter	90%	59%
June Quarter	90%	69%

**Note:** During 2019-20, there were no instances where penalty interest was paid in accordance with section 18 of the *Public Finance and Audit (General) Regulation 1995*.

Delays in invoice processing are primarily related to the delayed receipt of invoices from businesses and delays in verification of goods received. We also introduced a new operational model in December as a result of Machinery of Government changes. After further embedding the new model and reviewing our processes we expect performance will meet payment performance targets moving forward.

## Consultants

During 2019-20, IPART engaged the following consultants for a total expenditure of \$2,606,843 inclusive of GST (work on some of these consultancies was still progressing at 30 June 2020).

IPART has used the NSW Procurement Board's definition of 'consultant' for annual reporting purposes as described in the Procurement Board Direction *PBD-2019-01-Engagement of professional services suppliers*<sup>13</sup>.

**Table H.3 Consultancies over \$50,000 in 2019-20**

Consultant	Cost (\$)	Title
<b>Corporate Services</b>		
Mercer, Robert Graham	\$50,600	Advice on IPART report publications
<b>Sub Total</b>	<b>\$50,600</b>	
<b>Finance and Accounting</b>		
WS Atkins International Limited	\$696,907	Expenditure Review - Sydney Water
Deloitte Touche Tohmatsu	\$419,364	Efficient costs of interment services
Aither Pty Ltd	\$360,691	Hunter Water pricing review
Houston Kemp Pty Ltd	\$146,850	Incentives supporting distributed energy resources
Taylor Fry Pty Ltd	\$123,500	Key costs and costs drivers for the NSW Home Building Compensation Scheme
AECOM Australia Pty Limited	\$87,397	E-Conveyancing efficient costs
Advisian Pty Ltd	\$85,206	Hunter Water's proposed asset lives
Ernst & Young	\$61,188	Local government election costs expenditure review
Houston Kemp Pty Ltd	\$55,000	Reliability incentives in NSW licences
<b>Sub Total</b>	<b>\$2,036,102</b>	

<sup>13</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.

Consultant	Cost (\$)	Title
<b>Organisational review</b>		
Behavioural Insight (Australia) Pty Ltd	\$98,340	Behavioural insights and regulatory approach
<b>Sub Total</b>	<b>\$98,340</b>	
<b>Research</b>		
Cambridge Economic Policy	\$78,100	Regulatory research in water regulation
<b>Sub Total</b>	<b>\$78,100</b>	
<b>Total</b>	<b>\$2,263,142</b>	

**Table H.4 Consultancies up to \$50,000 in 2019-20**

Annual Report Category	Number of engagements	Cost (\$)
Corporate Services	2	\$57,200
Engineering	-	-
Environmental	9	\$196,533
Finance and Accounting	7	\$89,968
Information Technology	-	-
Legal	-	-
Organisational review	-	-
Research	-	-
Training	-	-
<b>Total</b>	<b>18</b>	<b>\$343,701</b>

## 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 at [Annual Reports page](#) on IPART's website.

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## Financial Statements



## INDEPENDENT AUDITOR'S REPORT

### Independent Pricing and Regulatory Tribunal

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the Independent Pricing and Regulatory Tribunal (the Tribunal), which comprise the Statements of Comprehensive Income for the year ended 30 June 2020, the Statements of Financial Position as at 30 June 2020, the Statements of Changes in Equity and the Statements of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information, of the Tribunal and the consolidated entity. The consolidated entity comprises the Tribunal and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Tribunal and the consolidated entity as at 30 June 2020, 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 (including Independence Standards)' (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 2020 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 comprise the Statement by the Chief Executive.

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

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

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

I have nothing to report in this regard.

## **The Chief Executive'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.

## **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:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar6.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar6.pdf). The description forms part of my auditor's report.



The scope of my audit does not include, nor 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 blue ink, appearing to be 'W. Liao', with a vertical line extending downwards from the end of the signature.

Weini Liao  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 September 2020  
SYDNEY

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

**Financial Statements  
for the year ended 30 June 2020**

28 September 2020

**STATEMENT ON BEHALF OF THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL AND ITS CONSOLIDATED ENTITY**

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, I state that to the best of our knowledge and belief:

- a) The accompanying financial report for the year ended 30 June 2020 has been prepared in accordance with applicable Australian Accounting Standards, (which include Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015* and Treasurer's Directions issued under the Act.
- b) The financial report exhibits a true and fair view of the financial position and the financial performance of the Independent Pricing and Regulatory Tribunal and its Consolidated Entity.
- c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

28/09/2020

X



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Elizabeth Livingstone  
Chief Executive Officer  
Signed by: Liz Livingstone

**Independent Pricing and Regulatory Tribunal**  
**Statement of Comprehensive Income**  
**for the year ended 30 June 2020**

	Notes	Consolidated			Tribunal		
		Budget 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000	Budget 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000
<b>Continuing operations</b>							
<b>Expenses excluding losses</b>							
Employee-related expenses	2(a)	25,685	<b>21,518</b>	23,032	-	-	-
Personnel services		-	-	-	25,282	<b>21,172</b>	21,673
Operating expenses	2(b)	5,006	<b>9,818</b>	10,116	5,006	<b>9,818</b>	10,116
Depreciation and amortisation	2(c)	2,167	<b>730</b>	1,112	2,167	<b>730</b>	1,112
Finance costs		62	-	-	62	-	-
<b>Total expenses excluding losses</b>		<b>32,920</b>	<b>32,066</b>	34,260	32,517	<b>31,720</b>	32,901
<b>Revenue</b>							
Appropriations	3(a)	30,996	<b>30,996</b>	26,780	30,996	<b>30,996</b>	26,780
Sale of goods and services	3(b)	1,352	<b>1,563</b>	1,107	1,352	<b>1,563</b>	1,107
Grants and other contributions	3(c)	-	-	2,500	-	-	2,500
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	403	<b>346</b>	1,359	-	-	-
Other income	3(e)	-	<b>233</b>	579	-	<b>233</b>	579
<b>Total Revenue</b>		<b>32,751</b>	<b>33,138</b>	32,325	32,348	<b>32,792</b>	30,966
<b>Operating result</b>		<b>(169)</b>	<b>1,072</b>	(1,935)	(169)	<b>1,072</b>	(1,935)
Gains / (losses) on disposal	4	-	-	(15)	-	-	(15)
<b>Net result</b>		<b>(169)</b>	<b>1,072</b>	(1,950)	(169)	<b>1,072</b>	(1,950)
<b>Other comprehensive income</b>		-	-	-	-	-	-
<b>Total other comprehensive income</b>		-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>		<b>(169)</b>	<b>1,072</b>	(1,950)	(169)	<b>1,072</b>	(1,950)

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal**  
**Statement of Financial Position**  
**as at 30 June 2020**

	Notes	Consolidated			Tribunal		
		Budget	Actual	Actual	Budget	Actual	Actual
		2020	2020	2019	2020	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	6	1,011	<b>5,286</b>	3,346	1,011	<b>4,846</b>	2,882
Receivables	7	2,016	<b>622</b>	595	2,016	<b>622</b>	580
<b>Total Current Assets</b>		<b>3,027</b>	<b>5,908</b>	3,941	3,027	<b>5,468</b>	3,462
<b>Non Current Assets</b>							
Plant and equipment							
- Buildings	8	5,342	-	-	5,342	-	-
- Plant and equipment	8	663	<b>455</b>	732	663	<b>455</b>	732
- Leasehold improvement	8	-	<b>5</b>	551	-	<b>5</b>	551
Total plant and equipment		6,005	<b>460</b>	1,283	6,005	<b>460</b>	1,283
Intangible assets	10	561	<b>1,017</b>	11	561	<b>1,017</b>	11
<b>Total Non Current Assets</b>		<b>6,566</b>	<b>1,477</b>	1,294	6,566	<b>1,477</b>	1,294
<b>Total Assets</b>		<b>9,593</b>	<b>7,385</b>	5,235	9,593	<b>6,945</b>	4,756
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Payables	11	2,029	<b>3,631</b>	2,217	2,029	<b>3,191</b>	1,738
Borrowings	12	1,156	-	-	1,156	-	-
Provisions	13	2,396	<b>2,718</b>	2,409	2,396	<b>2,771</b>	2,463
<b>Total Current liabilities</b>		<b>5,581</b>	<b>6,349</b>	4,626	5,581	<b>5,962</b>	4,201
<b>Non Current Liabilities</b>							
Borrowings	12	4,218	-	-	4,218	-	-
Provisions	13	875	<b>53</b>	698	875	-	644
<b>Total Non Current Liabilities</b>		<b>5,093</b>	<b>53</b>	698	5,093	-	644
<b>Total Liabilities</b>		<b>10,674</b>	<b>6,402</b>	5,324	10,674	<b>5,962</b>	4,845
<b>Net Assets</b>		<b>(1,081)</b>	<b>983</b>	(89)	<b>(1,081)</b>	<b>983</b>	(89)
<b>EQUITY</b>							
Accumulated funds	14	(1,081)	<b>983</b>	(89)	(1,081)	<b>983</b>	(89)
<b>Total Equity</b>		<b>(1,081)</b>	<b>983</b>	(89)	<b>(1,081)</b>	<b>983</b>	(89)

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 2020**

<b>Consolidated / Tribunal</b>	<b>Accumulated Funds \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2019	(89)	(89)
Net result for the year	1,072	1,072
Total other comprehensive income	-	-
Total comprehensive income for the year	1,072	1,072
Balance at 30 June 2020	983	983

<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)

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal**  
**Statement of Cash Flows**  
for the year ended 30 June 2020

	Notes	Consolidated			Tribunal		
		Budget	Actual	Actual	Budget	Actual	Actual
		2020	2020	2019	2020	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Payments</b>							
Employee related		(25,282)	<b>(20,751)</b>	(21,854)	-	-	
Personnel services		-	-	-	(25,282)	<b>(20,751)</b>	
Finance costs		(62)	-	-	(62)	-	
Other		(6,227)	<b>(9,980)</b>	(11,474)	(6,227)	<b>(9,941)</b>	
<b>Total Payments</b>		<b>(31,571)</b>	<b>(30,731)</b>	(33,328)	(31,571)	<b>(30,692)</b>	
<b>Receipts</b>							
Appropriations (excluding equity appropriations)		30,996	<b>30,996</b>	26,661	30,996	<b>30,996</b>	
Sale of goods and services		1,352	<b>2,355</b>	2,261	1,352	<b>2,340</b>	
Grants and other contributions		-	-	2,500	-	-	
Other		1,221	<b>233</b>	579	1,221	<b>233</b>	
<b>Total Receipts</b>		<b>33,569</b>	<b>33,584</b>	32,001	33,569	<b>33,569</b>	
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	18	<b>1,998</b>	<b>2,853</b>	(1,327)	1,998	<b>2,877</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchases of plant and equipment		(180)	<b>(29)</b>	(119)	(180)	<b>(29)</b>	
Purchases of intangible assets		(712)	<b>(884)</b>	-	(712)	<b>(884)</b>	
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(892)</b>	<b>(913)</b>	(119)	(892)	<b>(913)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Payment of principal portion of lease liabilities		(1,106)	-	-	(1,106)	-	
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(1,106)</b>	-	-	(1,106)	-	
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>-</b>	<b>1,940</b>	(1,446)	-	<b>1,964</b>	
Opening cash and cash equivalents		1,011	<b>3,346</b>	4,792	1,011	<b>2,882</b>	
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	6	<b>1,011</b>	<b>5,286</b>	3,346	1,011	<b>4,846</b>	

The accompanying notes form part of these statements.



## **1. Statement of Significant Accounting Policies**

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

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

The Tribunal makes the people of NSW better off through independent decisions and advice. The Tribunal is the independent pricing regulator for water, public transport, local government, as well as the licence administrator of water, electricity and gas and the scheme administrator and regulator for the Energy Savings Scheme. The Tribunal reviews and investigates a wide range of economic and policy issues and although a government agency, makes decisions independently of Government.

The Tribunal is domiciled in Australia and its principle 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 3 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 2020 have been authorised for issue by the Chief Executive Officer on 28 September 2020.

### **(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.

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.

**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 19 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) Comparative information**

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

**(g) Changes in accounting policies, including new or revised Australian Accounting Standards**

(i) Effective for the first time in 2019-20

The Tribunal applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities*, and AASB 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in FY2019-20, but do not have an impact on the financial statements of the Tribunal.

**AASB 15 Revenue from Contracts with Customers**

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the Tribunal expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

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

In accordance with the transition provisions in AASB 15, the Tribunal has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The Tribunal has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 by:

- identifying the satisfied and unsatisfied performance obligations;
- determining the transaction price; and
- allocating the transaction price to the satisfied and unsatisfied performance obligations.

There were no impacts on the Tribunal as a result adopting the changes required by AASB 15.

### **AASB 1058 *Income of Not-for-Profit Entities***

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the Tribunal.
- immediately, for all other income within the scope of AASB 1058.

There were no impacts on the Tribunal as a result of adopting the changes required by AASB 1058.

### **AASB 16 *Leases***

AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

#### *Lessor accounting*

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

#### *Lessee accounting*

AASB 16 requires the entity to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under AASB 117. As the lessee, the entity recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The Tribunal has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

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

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.41%.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. The exception is right-of-use assets that are subject to accelerated depreciation. These assets are measured at their fair value at 1 July 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The Tribunal elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, the Tribunal has used the following practical expedients permitted by the standard:

- not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4.
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review
- not recognise a lease liability and right-of-use asset for short-term leases that end within 12 months of the date of initial application
- excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The Tribunal's leases were transferred to the Department of Customer Service from January 2020. The lease liability as at 1 July 2019 will be considered as a short-term lease.

**Independent Pricing and Regulatory Tribunal  
Notes to the financial statements  
for the year ended 30 June 2020**

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

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	<b>\$'000</b>
Operating lease commitments as at 30 June 2019 (GST included)	987
(Less): GST included in operating lease commitments	90
Operating lease commitments as at 30 June 2019 (GST excluded)	897
(Less): commitments relating to short-term leases	897
Lease liabilities as at 1 July 2019	—

(ii) Issued but not yet effective

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

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

- AASB 17 *Insurance Contracts*
- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-5 *Amendments to Australian Accounting Standards - Deferral of AASB 1059*
- AASB 2019-2 *Amendments to Australian Accounting Standards – Implementation of AASB 1059*

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

**Natural disasters and financial impact on IPART**

The natural disasters in the financial year, primarily coronavirus (“COVID-19”), have had a major impact on individuals, businesses and the government sector. After completion of a number of risk assessment and response team activities the following items were identified and acted on to mitigate.

The primary area of heightened risk from COVID-19 is to IPART workforce, in addition the public’s and regulated entities ability to respond to inquiries and regulatory frameworks has been reduced. With respect to staffing, a significant focus has been placed on managing work health and safety (WHS) risks, physical, mental and social. Most office-based staff have moved to working from home arrangements, and IPART has acted to reduce any adverse impact on staff arising from these work arrangements. IPART continues to support the health and safety of its staff.

With respect to the public and regulated entities participation, we continue to work on innovative ways to support participation and compliance.

IPART has identified and quantified, where possible, the impact and reported this in the financial statements for the financial year ended 30 June 2020.

The currently known impacts of COVID-19 are as follows:

- Defined Benefits Super - the impact on changes to assumptions and estimates have been quantified and have resulted in an immaterial movement to the base amount. Refer to Note 2(a).

There is no uncertainty about IPART’ ability to continue as a going concern at 30 June 2020 as liquidity and credit risk are not significant areas of risk for IPART. There has been no impact on IPART’s liquidity or credit risk profiles as a result of COVID-19.

On account of COVID-19, a further assessment on the fair value of the following accounts, taking into account relevant assumptions and estimates, has been performed resulting in either no impact or insignificant impact being

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

identified:

- Receivables – Note 7
- Property, plant and equipment – Note 8
- Intangibles – Note 10
- Financial instruments – Note 20

Other than the above, it has not come to IPART attention that there would be any other significant impact on the financial statements for the financial year ended 30 June 2020.

**Independent Pricing and Regulatory Tribunal**  
**Notes to the financial statements**  
**for the year ended 30 June 2020**

**2. Expenses Excluding Losses**

**(a) Employee related expenses**

	Consolidated		Tribunal	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Salaries and wages (including annual leave)	18,580	19,038	-	-
Superannuation - defined benefit plans	21	20	-	-
Superannuation - defined contribution plans	1,211	1,175	-	-
Long service leave	322	1,338	-	-
Workers compensation insurance	49	46	-	-
Payroll tax and fringe benefit tax	1,043	1,058	-	-
Redundancy payments	274	288	-	-
On costs - annual leave and long service leave	18	69	-	-
	<b>21,518</b>	<b>23,032</b>	<b>-</b>	<b>-</b>

Employee related costs that have been capitalised and therefore excluded from the above; \$780,450 (2019 Nil).

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

	Consolidated		Tribunal	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Advertising	38	67	38	67
Auditor's remuneration - audit of the financial statements	45	47	45	47
Board and Committee Fees	428	403	428	403
Cleaning and outgoings	72	484	72	484
Corporate services fees	602	646	602	646
Consultants	2,367	1,978	2,367	1,978
Contractors	33	251	33	251
Information Technology	2,239	1,339	2,239	1,339
Information resources and media	101	245	101	245
Internal audit fees	-	96	-	96
Insurance	10	9	10	9
Legal Fees	286	528	286	528
Operating lease rental expense - minimum lease payments	897	1,163	897	1,163
Professional fees	1,106	2,100	1,106	2,100
Rental payments	1,126	-	1,126	-
Training (staff development)	219	277	219	277
Travel	20	118	20	118
Other operating expenses	212	338	212	338
Maintenance expenses	17	27	17	27
	<b>9,818</b>	<b>10,116</b>	<b>9,818</b>	<b>10,116</b>

A review of expenses classified as Consultants has been completed for FY2018/19 and FY2019/20, this has resulted in the reclassification of a number of expenses. As reflected in the table above.

*Reconciliation – Total Maintenance*

Maintenance expense - other (non-employee related), as above	17	27	17	27
Total maintenance expenses included in Note 2(a) + 2(b)	<b>17</b>	<b>27</b>	<b>17</b>	<b>27</b>



## 2. Expenses Excluding Losses (cont'd)

### 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.

#### *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.

#### *Lease expense (up to 30 June 2019)*

##### *Operating leases*

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

#### *Lease expense (from 1 July 2019)*

From 1 July 2019, the Tribunal recognises the lease payments associated with the following types leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. I.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

### (c) Depreciation and amortisation expense

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Depreciation				
Plant and Equipment	<b>175</b>	255	<b>175</b>	255
Leasehold Improvements	<b>546</b>	848	<b>546</b>	848
Total Depreciation	<b>721</b>	1,103	<b>721</b>	1,103
Amortisation				
Intangibles	<b>9</b>	9	<b>9</b>	9
Total Amortisation	<b>9</b>	9	<b>9</b>	9
 Total Depreciation and Amortisation	<b>730</b>	1,112	<b>730</b>	1,112

Refer to Note 8 and 10 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 2020

### 3. Revenue (cont'd)

#### (a) Appropriations and Transfers to the Crown Entity

##### Summary of Compliance

	Consolidated / Tribunal					
	2020			2019		
	Appro -	Expen-	Vari-	Appro -	Expen-	Vari-
	\$'000	diture	ance	\$'000	diture	ance
Original Budget per Appropriation Act	30,996	30,996	-	27,850	26,780	1,070
Other Appropriations / Expenditure						
- Other adjustments :	-	-	-	(283)	-	(283)
- Other under expenditure / Carry Forward	-	-	-	(712)	-	(712)
<b>Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>30,996</b>	<b>30,996</b>	<b>-</b>	<b>26,855</b>	<b>26,780</b>	<b>75</b>
Appropriation drawn down*	<b>30,996</b>	<b>30,996</b>	<b>-</b>	<b>26,855</b>	<b>26,780</b>	<b>75</b>
Liability for unspent appropriations drawn down	-	-	-	-	-	-
*Comprising: Appropriations (per Statement of Comprehensive Income)**	<b>30,996</b>	<b>30,996</b>	<b>-</b>	<b>26,855</b>	<b>26,780</b>	<b>75</b>
	<b>30,996</b>	<b>30,996</b>	<b>-</b>	<b>26,855</b>	<b>26,780</b>	<b>75</b>
**Appropriations:	<b>30,104</b>	<b>30,104</b>	<b>-</b>	<b>26,675</b>	<b>26,675</b>	<b>-</b>
Recurrent	<b>892</b>	<b>892</b>	<b>-</b>	<b>180</b>	<b>105</b>	<b>75</b>
Capital	<b>30,996</b>	<b>30,996</b>	<b>-</b>	<b>26,855</b>	<b>26,780</b>	<b>75</b>

##### Movement of Section 4.7 GSF Act - deemed appropriations:

	2020	2019
	\$'000	\$'000
Opening balance	-	-
Adjustment for appropriations deemed on commencement of section 4.7	<b>3,346</b>	-
Adjusted opening balance	<b>3,346</b>	-
Add: additions of deemed appropriations	<b>2,588</b>	6,667
Less: expenditure charged against deemed appropriations	<b>(648)</b>	<b>(6,667)</b>
Closing balance	<b>5,286</b>	-

The Tribunal receives its funding under appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Bill that is prepared and tabled for that year. Due to COVID-19, the State Budget and related 2020-21 Appropriation Bill has been delayed until November/December 2020. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2020 until the release of the 2020-21 Budget or Appropriation Bill.

Under the GSF Act 2018, the Tribunal's own source revenue (which includes but is not limited to receipts from operating activities and proceeds from the sale of property, plant and equipment) meets the definition of deemed appropriation money under the GSF Act.

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

Deemed appropriation money is money received directly by the Tribunal which forms part of the consolidated fund and is not appropriated to the Tribunal by an Act.

**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. 'Expenditure' refers to cash payments. The term 'expenditure' has been used for payments for consistency with AASB 1058 *Income of Not-for-Profit Entities*.
3. If the Tribunal receives an equity appropriation this must also be disclosed in the summary of compliance as part of the appropriation.
4. If there is a Liability for lapsed 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'.

#### Recognition and Measurement

##### Until 30 June 2019

Income is recognised in accordance with AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions.

##### From 1 July 2019

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers. Comments regarding the accounting policies for the recognition of income are discussed below.

##### **Parliamentary appropriations and contributions**

Until 30 June 2019, except as specified below, appropriations are recognised as income when the Tribunal obtains control over the assets comprising the appropriations. Control over appropriations 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.
- Lapsed appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount not controlled by the Department.

After AASB 15 and AASB 1058 became effective on 1 July 2019, the treatment of appropriations remains the same, because appropriations do not contain an enforceable sufficiently specific performance obligation as defined by AASB 15.

#### **(b) Sale of goods and services from contracts with customers / Sale of goods and services**

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Rendering of services	<b>1,563</b>	1,107	<b>1,563</b>	1,107
	<b>1,563</b>	1,107	<b>1,563</b>	1,107

### 3. Revenue (cont'd)

#### Recognition and Measurement

##### Until 30 June 2019

###### **Sale of goods**

Revenue from sale of goods is recognised as revenue when the entity transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods.

###### **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).

##### From 1 July 2019

###### **Sale of goods**

Revenue from sale of goods is recognised as when the Tribunal satisfies a performance obligation by transferring the promised goods.

Revenue from these sales is recognised based on the price specified in the contract and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

###### **Rendering of services**

Revenue from rendering of services is recognised when the Tribunal satisfies the performance obligation by transferring the promised services.

The Tribunal typically satisfies its performance obligation when a review is completed and final report issued. The final report or the proportion of work required is completed prior to invoicing relevant agencies. This ensures IPART has met its performance obligations under any contracts/agreements prior to income/revenue being recognised.

The revenue is measured at the transaction price agreed under the Terms of Reference. No element of financing is deemed present as payments are due when service is provided.

#### (c) Grants and contributions

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Grants	-	2,500	-	2,500
	-	2,500	-	2,500

### 3. Revenue (cont'd)

#### Recognition and Measurement

##### Until 30 June 2019

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.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

##### From 1 July 2019

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by the Tribunal is recognised when the Tribunal satisfies its obligations under the transfer. The Tribunal satisfies the performance obligations under the transfer to construct assets over time as the non-financial assets are being constructed. The percentage of cost incurred is used to recognise income, because this most closely reflects the progress to completion.

Revenue from grants with sufficiently specific performance obligations is recognised when the Tribunal satisfies a performance obligation by transferring the promised goods. The payments are typically due when service is provided.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Income from grants without sufficiently specific performance obligations is recognised when the Tribunal obtains control over the granted assets (e.g. cash).

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services measured at fair value.

The Tribunal does not receive volunteer services.

#### **(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:

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Superannuation – defined benefit	<b>23</b>	20	-	-
Long service leave provision	<b>322</b>	1,338	-	-
Payroll tax	<b>1</b>	1	-	-
	<b>346</b>	1,359	-	-

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

**(e) Other income**

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Recoupment of salaries and on-costs from staff secondments	<b>233</b>	568	<b>233</b>	568
Other	-	11	-	11
	<b>233</b>	579	<b>233</b>	579

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

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Proceeds from disposal	-	-	-	-
Less: Written down value of assets disposed	-	<b>(15)</b>	-	<b>(15)</b>
Gain / (losses) on disposal	-	<b>(15)</b>	-	<b>(15)</b>

**5. Program group statements for the year ended 30 June 2020**

The Tribunal operates under a single service group.

**Program Group Descriptions**

**Program group - Utilities Pricing, Regulation, Analysis and Policy Work**

Purpose:

The Tribunal makes the people of NSW better off through independent decisions and advice. The Tribunal is the independent pricing regulator for water, public transport, local government, as well as the licence administrator of water, electricity and gas and the scheme administrator and regulator for the Energy Savings Scheme. The Tribunal reviews and investigate a wide range of economic and policy issues and although a government agency, makes decisions independently of the Government.

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

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Cash at bank and on hand	<b>5,286</b>	3,346	<b>4,846</b>	2,882
	<b>5,286</b>	3,346	<b>4,846</b>	2,882

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)	<b>5,286</b>	3,346	<b>4,846</b>	2,882
Closing cash and cash equivalents (per Statements of Cash Flows)	<b>5,286</b>	3,346	<b>4,846</b>	2,882

Refer Note 20 for details regarding credit risk and market risk arising from financial instruments.

**7. Current Assets - Receivables**

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Current</b>				
Sale of goods and services	<b>454</b>	436	<b>454</b>	421
Goods and Services Tax (GST)	<b>168</b>	159	<b>168</b>	159
	<b>622</b>	595	<b>622</b>	580

Details regarding credit risk of trade debtors that are neither past due nor impaired, are disclosed in Note 20.

**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**

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.



**Independent Pricing and Regulatory Tribunal  
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**7. Current Assets - Receivables (cont'd)**

**Impairment**

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.

No provision for doubtful debts is required.

**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 2019 fair value</b>			
Gross carrying amount	1,605	4,208	5,813
Accumulated depreciation	(873)	(3,657)	(4,530)
Net carrying amount	<b>732</b>	<b>551</b>	<b>1,283</b>
<b>At 30 June 2020 fair value</b>			
Gross carrying amount	1,333	4,208	5,541
Accumulated depreciation	(878)	(4,203)	(5,081)
Net carrying amount	<b>455</b>	<b>5</b>	<b>460</b>

Plant and Equipment does not include right-of-use assets under AASB 16 *Leases*, or concessionary lease assets.

During the financial year, the Tribunal's leases were transferred to the Department of Customer Service. The Tribunal has not recognised any right-of-use assets under AASB 16 *Leases*.

**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 2020</b>			
Net carrying amount at beginning of year	732	551	1,283
Additions	30	-	30
Transfer to intangible assets	(132)	-	(132)
Depreciation expense	(175)	(546)	(721)
Net carrying amount at end of year	<b>455</b>	<b>5</b>	<b>460</b>

**Independent Pricing and Regulatory Tribunal  
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**8. Plant and Equipment (cont'd)**

<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	<b>884</b>	<b>1,399</b>	<b>2,283</b>
<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	<b>732</b>	<b>551</b>	<b>1,283</b>

**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	<b>732</b>	<b>551</b>	<b>1,283</b>

**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 Australian Accounting Standard.

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 is satisfied.

## 8. Plant and Equipment (cont'd)

### **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 is 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>2020</b>	<b>2019</b>
<b>Plant and 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

### **Right-of-Use Assets acquired by lessees (under AASB 16 from 1 July 2019)**

From 1 July 2019, AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The right-of-use asset and corresponding liability are initially measured at the present value of the future lease payments.

Therefore, at that date property, plant and equipment includes amounts for right-of-use assets in respect of leases previously treated as operating leases under AASB 117, as well as any arrangements that are assessed as leases under AASB 16 that were not leases under AASB 117.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where the entity obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

Further information on leases is contained at Note 9.

### **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.

**9. Leases (cont'd)**

***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 surplus for the class of asset.

**9. Leases**

**a. Entity as a lessee**

The Tribunal has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of \$10,000 or less when new and comprise mainly plant and equipment.

The following amounts were recognised in the statement of comprehensive income for the year ending 30 June 2020 in respect of leases where the entity is the lessee:

Depreciation expense of right-of-use assets	-
Interest expense on lease liabilities	-
Expense relating to short-term leases	897
Expense relating to leases of low-value assets	-
Variable lease payments, not included in the measurement of lease liabilities	-
Income from subleasing right-of-use assets	-
gains or losses arising from sale and leaseback transactions	-
Total amount recognised in the statement of comprehensive income	897

The Tribunal had total cash outflows for leases of \$256,287 in FY2019-20.

Future minimum lease payments under non-cancellable leases as at **30 June 2019** are, as follows:

	<b>Operating leases</b>
	<b>\$,000</b>
Within one year	987
Later than one year and not later than five years	-
Later than five years	-
Total (including GST)	987
Less: GST recoverable from the Australian Tax Office	90
Total (excluding GST)	897

The reconciliation between the total future minimum lease payments for finance leases and their present value as at 30 June 2019 are, as follows:

	<b>2019</b>
Total minimum finance lease payments	-
Less: future finance charges	-
Present value of minimum lease payments	-

**9. Leases (cont'd)**

**Recognition and measurement (under AASB 16 from 1 July 2019)**

The entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

During the financial year, the Tribunal's leases were transferred to the Department of Customer Service, the Tribunal has no lease liabilities and not recognised any right-of-use assets under AASB 16 Leases.

**Independent Pricing and Regulatory Tribunal**  
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**10. Intangible Assets**

<b>Consolidated / Tribunal</b>	<b>Software \$'000</b>	<b>Work in Progress \$'000</b>	<b>Total \$'000</b>
<b>At 1 July 2019</b>			
Cost (gross carrying amount)	71	-	71
Accumulated amortisation and impairment	(60)	-	(60)
Net carrying amount	<b>11</b>	<b>-</b>	<b>11</b>
<b>At 30 June 2020</b>			
Cost (gross carrying amount)	71	1,015	1,086
Accumulated amortisation and impairment	(69)	-	(69)
Net carrying amount	<b>2</b>	<b>1,015</b>	<b>1,017</b>
<b>Year ended 30 June 2020</b>			
Net carrying amount at beginning of year	11	-	11
Addition	-	883	883
Transfer from plant and equipment	-	132	132
Amortisation (recognised in 'depreciation and amortisation')	(9)	-	(9)
Net carrying amount at end of year	<b>2</b>	<b>1,015</b>	<b>1,017</b>
<b>Consolidated / Tribunal</b>			
	<b>Software \$'000</b>	<b>Work in Progress \$'000</b>	<b>Total \$'000</b>
<b>At 1 July 2018</b>			
Cost (gross carrying amount)	76	-	76
Accumulated amortisation and impairment	(51)	-	(51)
Net carrying amount	<b>25</b>	<b>-</b>	<b>25</b>
<b>At 30 June 2019</b>			
Cost (gross carrying amount)	71	-	71
Accumulated amortisation and impairment	(60)	-	(60)
Net carrying amount	<b>11</b>	<b>-</b>	<b>11</b>
<b>Year ended 30 June 2019</b>			
Net carrying amount at beginning of year	25	-	25
Amortisation (recognised in 'depreciation and amortisation')	(9)	-	(9)
Other movements – transfer to expenses	(5)	-	(5)
Net carrying amount at end of year	<b>11</b>	<b>-</b>	<b>11</b>

**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.

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.

## 10. 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.

## 11. Current Liabilities - Payables

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Accrued salaries, wages and on-costs	<b>190</b>	68	-	-
Creditors	<b>3,441</b>	2,149	<b>3,001</b>	1,670
Personnel services	-	-	<b>190</b>	68
	<b>3,631</b>	2,217	<b>3,191</b>	1,738

Details regarding liquidity risk including a maturity analysis of the above payables, are disclosed in Note 20.

### 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 in the net result when the liabilities are derecognised as well as through the amortisation process.

## 12. Current / Non-Current Liabilities – Borrowings

The Tribunal has no borrowings.

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

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Current</b>				
<b>Employee benefits and related on-costs</b>				
Annual leave	1,869	1,597	-	-
Long service leave	387	399	-	-
Banked flex leave	155	113	-	-
Payroll tax	307	300	-	-
Personnel services	-	-	2,771	2,463
<b>Total current provisions</b>	<b>2,718</b>	2,409	<b>2,771</b>	2,463
<b>Non-current</b>				
<b>Employee benefits and related on-costs</b>				
Long service leave	53	54	-	-
<b>Other provisions</b>				
Restoration costs	-	644	-	644
<b>Total non-current provisions</b>	<b>53</b>	698	<b>-</b>	644
Employee benefits and related on costs	2,718	2,463	2,771	2,463
Other provisions	53	644	-	644
<b>Total Provisions</b>	<b>2,771</b>	3,107	<b>2,771</b>	3,107
<b>Aggregate employee benefits and related on-costs</b>				
Provisions - current	2,718	2,409	-	-
Provisions - non-current	53	54	-	-
Accrued salaries, wages and on-costs (Note 11)	190	68	-	-
	<b>2,961</b>	2,531	<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:

	<b>Restoration</b>
	<b>Costs</b>
	<b>\$'000</b>
Carrying amount at 1 July 2019	644
Additional provisions recognised	-
Amounts transferred	(644)
Carrying amount at 30 June 2020	-

During the financial year, the Tribunal's leases and restoration provision were transferred to the Department of Customer Service.



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

Current provisions are expected to be settled as follows:

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Employee benefits expected to be settled within 12 months from the reporting date				
Annual leave	<b>1,494</b>	1,278	-	-
Employee benefits expected to be settled in more than 12 months from the reporting date				
Annual leave	<b>375</b>	319	-	-

**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.

### **13. 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.

### **14. Equity**

#### **Recognition and Measurement**

#### ***Accumulated Funds***

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

### **15. Commitments**

The Tribunal has no capital commitment.

### **16. 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 2019).

## **17. 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 \$1.10 million and favourable to budget by \$1.24 million.

Total expenses were lower than budget by \$0.85 million. Included in this was \$4.16 million underspend in employee related expenses and \$1.44 million underspend in depreciation and amortisation offset by \$4.82 million increase in operating expenses. The underspend in employee expenses was mainly due to a conservative approach being taken on filling vacancies, whilst confirmation was being received from the Department of Customer Service on the lease arrangements.

Total revenue was higher than budget by \$0.39 million, mainly due to cost recoveries on account of employees seconded to other government agencies.

### ***Assets and liabilities***

Total assets were \$7.39 million and were lower than budget by \$2.21 million mainly due to \$5.34 million non-recognition of right-of-use assets for lease that were transferred to the Department of Customer Service offset by \$2.89 million increase in cash and receivables.

Total liabilities were \$6.40 million and were lower than budget by \$4.3 million due to no borrowings as a result of transfer of accommodation lease to the Department of Customer Service.

### ***Cash flows***

Net cash flows from operating activities were \$2.85 million and were higher than budget by \$0.86 million, mainly due to reduction in employee related expenses.

Cash flow from investing activities were \$0.91 million and were higher than budget by \$0.02 million due to investment in Water Industry Licence Management Applications System.

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**18. 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:

	<b>Consolidated</b>		<b>Tribunal</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net cash used on operating activities	<b>2,853</b>	(1,327)	<b>2,877</b>	(1,760)
Depreciation and amortisation expense	<b>(730)</b>	(1,112)	<b>(730)</b>	(1,112)
Decrease / (increase) in provisions	<b>336</b>	(15)	<b>336</b>	(15)
Increase / (decrease) in receivables and prepayments	<b>27</b>	(85)	<b>42</b>	(57)
Decrease / (increase) in creditors	<b>(1,414)</b>	610	<b>(1,453)</b>	1,015
Net gain / (loss) on sale of plant and equipment	-	(15)	-	(15)
Other movement - asset transfer to expenses	-	(6)	-	(6)
<b>Net result</b>	<b>1,072</b>	<b>(1,950)</b>	<b>1,072</b>	<b>(1,950)</b>

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**19. Administered Assets and Liabilities**

Consolidated / Tribunal	2020 \$'000	2019 \$'000
<b>Administered Assets</b>		
Cash	857	933
Receivables	474	568
<b>Total Administered Assets</b>	<b>1,331</b>	<b>1,501</b>
<b>Administered Liabilities</b>		
Energy and Water Licence fees payable to Crown Entity	1,331	1,501
<b>Total Administered Liabilities</b>	<b>1,331</b>	<b>1,501</b>

Cash and Receivables balances relating to the transactions of Energy Savings Scheme and operating licence for public water utilities and compliance for alternative water utilities in NSW under the Water Industry Competition Act (WICA).

**20. 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**

<b>Consolidated</b>			<b>Carrying Amount</b>	
<b>Class</b>	<b>Notes</b>	<b>Category</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Financial Assets</b>				
Cash and cash equivalents	6	N/A	5,286	3,346
Receivables <sup>1</sup>	7	Amortised cost	454	436
<b>Financial Liabilities</b>				
Payables <sup>2</sup>	11	Financial liabilities measured at amortised cost	3,631	2,217

**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).

**Independent Pricing and Regulatory Tribunal**  
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**20. Financial Instruments (cont'd)**

**Tribunal**

<b>Class</b>	<b>Notes</b>	<b>Category</b>	<b>Carrying Amount</b>	
			<b>2020</b>	<b>2019</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>				
Cash and cash equivalents	6	N/A	<b>4,846</b>	<b>2,882</b>
Receivables <sup>1</sup>	7	Loans and receivables (at amortised cost)	<b>454</b>	<b>421</b>
<b>Financial Liabilities</b>				
Payables <sup>2</sup>	11	Financial liabilities measured at amortised cost	<b>3,191</b>	<b>1,738</b>

**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 pass through 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.

## **20. 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 2020 and 2019 was nil

**Independent Pricing and Regulatory Tribunal  
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**20. Financial Instruments (cont'd)**

	1 July 2019					Total
	\$'000					
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.

**ii. Liquidity risk**

Liquidity risk is the risk that the Tribunal will be unable to meet its payment obligations when they fall due. The Tribunal continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The 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 (2019 – 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.



20. Financial Instruments (cont'd)

*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>2020</b>					
<b>Payables</b>					
Accrued salaries, wages and on-costs	190	190	190	-	-
Creditors	3,441	3,441	3,441	-	-
	<b>3,636</b>	<b>3,636</b>	<b>3,636</b>	-	-
<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>	-	-
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>2020</b>					
<b>Payables</b>					
Personnel services and on-costs	190	190	190	-	-
Creditors	3,001	3,001	3,001	-	-
	<b>3,191</b>	<b>3,191</b>	<b>3,191</b>	-	-
<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>	-	-

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.

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

**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 2019. 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:

<b>Consolidated</b>	<b>2020</b>		<b>2019</b>	
	<b>\$'000</b>		<b>\$'000</b>	
	-1%	1%	-1%	1%
<b>Net Result</b>	<b>(53)</b>	<b>53</b>	<b>(33)</b>	<b>33</b>
<b>Equity</b>	<b>(53)</b>	<b>53</b>	<b>(33)</b>	<b>33</b>

<b>Tribunal</b>	<b>2020</b>		<b>2019</b>	
	<b>\$'000</b>		<b>\$'000</b>	
	-1%	1%	-1%	1%
<b>Net Result</b>	<b>(48)</b>	<b>48</b>	<b>(29)</b>	<b>29</b>
<b>Equity</b>	<b>(48)</b>	<b>48</b>	<b>(29)</b>	<b>29</b>

*Other price risk*

The Tribunal has no exposure to other price risk.

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

**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.

**21. 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>2020 \$'000</b>	<b>2019 \$'000</b>
Salaries	846	772
Total compensation	<u>846</u>	<u>772</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 2020 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
- Payments to Department of Customer Services for accommodation (\$1,699K) and corporate services fees (\$374K)

**22. Events after the Reporting Period**

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

**End of audited financial statements.**

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