



# Annual Report

2005 / 2006

Independent Pricing and Regulatory Tribunal



PO Box Q290, QVB Post Office NSW 1230  
Level 2, 44 Market Street Sydney NSW 2000  
T (02) 9290 8400 F (02) 9290 2061  
ABN 49 202 260 878

18 October 2006

[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)

The Hon. Morris Iemma MP  
Premier of NSW  
Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

Dear Premier

***INDEPENDENT PRICING AND REGULATORY TRIBUNAL  
ANNUAL REPORT 2005/2006***

As required by the Annual Reports (Statutory Bodies Act) 1984, I am pleased to submit the annual report of the Independent Pricing and Regulatory Tribunal for the year ended 30 June 2006.

Yours sincerely,

A handwritten signature in black ink that reads 'Michael Keating'. The signature is fluid and cursive.

**Michael Keating**  
Chairman

# Contents

<b>The Chairman's and Chief Executive Officer's Report</b>	<b>2</b>
What we do	7
Our corporate plan	9
Principal achievements in 2005/06	10
Performance against corporate objectives	12
Key performance indicators	24
Planned service delivery	25
Management and structure	27
Organisational structure	30
<b>IPART Division Financial Report 2005/2006</b>	<b>31</b>
Independent audit report	31
Statement on behalf of the Division	33
Operating Statement	34
Statement of Changes in Equity	35
Balance Sheet	36
Cash Flow Statement	37
<b>Notes to the financial statements</b>	<b>38</b>
<b>IPART Financial Report 2005/2006</b>	<b>41</b>
Independent audit report	41
Statement on behalf of the Tribunal	43
Operating Statement	44
Statement of Changes in Equity	45
Balance Sheet	46
Cash Flow Statement	47
Program statement – expenses and revenues	48
Summary of compliance with financial directives	49
<b>Notes to the financial statements</b>	<b>50</b>
<b>Our work program for 2006/07</b>	<b>68</b>
<b>Outline budget for 2006/07</b>	<b>69</b>
<b>Impacts of IPART's determination</b>	<b>70</b>
<b>Appendices</b>	<b>78</b>
Appendix 1 – Legislative provisions	78
Appendix 2 – Public hearings and submissions	84
Appendix 3 – Publications	86
Appendix 4 – Staffing and consultants	89
Appendix 5 – External liaison	96
Appendix 6 – Freedom of information act – Statement of affairs	101
<b>Index</b>	<b>102</b>

# The Chairman's and Chief Executive Officer's Report

## *The last year has again been challenging for IPART.*

Of particular note are the major reviews into the pricing of water for both urban and rural use, which have had to explore new issues. Thus the price determination for Sydney Water has sought to encourage the better use of water by aligning usage charges with the estimated long run marginal cost of the planned measures to balance Sydney's water demand and supply. The pricing structure for the supply of bulk water to irrigators has sought to encourage better use of water by making greater use of volumetric charges and less use of fixed charges. By the end of the present decade it is estimated that both urban and rural water authorities will generally be achieving full cost recovery. In addition, IPART has determined a new price structure for recycled water, which it expects will encourage the development of a recycled water industry, while not lifting the price of potable water above its presently projected level.

The pricing of transport services has also raised some difficult issues. After a period of three years IPART has adjusted rail fares, and for the first time IPART has sought to incorporate into its price determinations for transport services, an allowance for the increase in productivity that each service might be expected to achieve. It is fair to say, however, that more work needs to be done to ensure that the costs that are being passed on in price increases for transport services are only the minimum costs of an efficient service. For that reason IPART is still not sufficiently confident that it could determine a multi-year price path for the different transport services, although that continues to be an objective.

Of particular significance, is the number of references IPART received from the NSW Government in the last year to undertake reviews of a variety of difficult policy issues and make recommendations. The most important of these reviews were:

- ▶ *The Investigation into Water and Wastewater Service Provision in the Greater Sydney area, which provided advice – which the Government has now accepted – on the future structure of the water and wastewater industry, and how greater competition might be introduced.*
- ▶ *The Review of the Skills Base in NSW and the Future Challenges for Vocational Education and Training, which has involved a quantitative assessment of the future training needs and their costs, and how the VET system will need to change in the future to achieve the projected improvement in skills and employment participation.*
- ▶ *An Investigation into the Burden of Regulation in NSW and Improving Regulatory Efficiency, which has reviewed a wide range of regulatory activities and is also considering how the processes for the development and implementation of regulation can be tightened to achieve better regulation.*

In addition, other policy reviews have included the financial aspects of the Ambulance Service of NSW and Rental Arrangements for Crown Land Communication Tower Sites, and Infrastructure Pricing at Perisher Ski Resort. We believe that the number and breadth of these reviews is indicative of the Government's confidence in IPART as a source of independent advice, especially where policy development can be assisted by an open process of public consultation.

In addition, IPART continued to do important work during 2005/06 in successfully administering licensing regimes in electricity and water, and the New South Wales Greenhouse Gas Abatement Scheme.

IPART conducts periodic stakeholder surveys to measure perceptions of the quality of its regulatory processes and decisions and the extent to which it possesses the required capabilities. Following surveys undertaken in 2001 and 2004, the most recent survey was undertaken in early 2006. ARTD, a management and research consultancy, was engaged to undertake the survey.

A self completion questionnaire was sent to 129 stakeholders and a further 40 stakeholders were contacted for face to face interviews. These stakeholders comprised regulated enterprises; participants in Section 9 inquiries; government agencies and other regulators; interest groups and participants in the Greenhouse Gas Abatement Scheme. Eighty three respondents returned surveys and a further 28 agreed to be interviewed.

Overall the results of the 2006 survey were very favourable. For example:

- ▶ *86% of respondents either agree or tend to agree that Tribunal members demonstrate leadership in implementing their legislative responsibilities*
- ▶ *95% of respondents either agree or tend to agree that IPART's staff demonstrate a high level of professionalism*
- ▶ *91% of respondents either agree or tend to agree that IPART's consultation processes are of high quality*
- ▶ *83% of respondents either agree or tend to agree that IPART's decision-making processes are of high quality*
- ▶ *90% of respondents either agree or tend to agree that IPART's reports are of high quality.*

The results in 2006 were much better than in either of the two earlier surveys. There was a particularly large improvement in stakeholder assessment of IPART's consultative and decision-making processes. Areas in which particular improvement were noted included the independence of Tribunal members from government and regulated industries; the competence of staff to analyse industry economic, financial and legal regulatory issues; the adequacy of IPART's resourcing; the accessibility and impartiality of IPART's consultative processes; the independence of decision-making processes; and the extent to which IPART's decision-making processes comply with its legislative framework. No areas deteriorated in performance between 2004 and 2006.

According to survey participants, IPART's greatest strengths include the following:

- ▶ *Honesty and probity of staff (100% of respondents either agree or tend to agree).*
- ▶ *Courtesy of staff (100% favourable response).*
- ▶ *Overall professionalism of staff (95% favourable response).*
- ▶ *Diligence and efficiency of staff (95% favourable response).*
- ▶ *Reports easy to read and understand (94% favourable response).*
- ▶ *Decision-making processes comply with legislative framework (93% favourable response).*
- ▶ *Consultation processes are transparent (92% favourable response).*
- ▶ *Consultation processes are of high quality (91% favourable response).*

IPART is committed to improving processes in the following areas where we received lower ratings. Even here, however, the percentage of favourable responses far exceeds the percentage of negative responses.

- ▶ *Light handed approach to regulation (69% favourable response).*
- ▶ *Adequate resourcing (73% favourable response).*
- ▶ *Fair decision-making process (73% favourable response).*
- ▶ *Understanding of significant issues (74% favourable response).*
- ▶ *Tribunal members maintain independence (74% favourable response).*
- ▶ *Decision-making processes are timely (75% favourable response).*
- ▶ *Credibility of reports (78% favourable response).*

When asked to comment, stakeholders raised concerns about the following areas:

- ▶ *Use of consultants – some respondents argued that consultants are not adequately managed by IPART or may sometimes produce reports that are misleading or incorrect.*
- ▶ *Timeliness of decisions – decisions took longer than expected and this impacts adversely on stakeholders.*
- ▶ *Reports need to better document reasons for decisions, explain to stakeholders why their submissions have not been accepted and include a non-technical Executive Summary or statement of findings.*

IPART and its senior staff are working to address these issues. The nature of some media comment over the last year suggests that it would also be helpful if IPART raised its public profile by making a greater effort to explain its work and purposes.

As noted in last year's annual report, IPART's decision-making and analytical processes must meet a number of requirements if IPART is to complete successfully the wide range of tasks which it is now asked to undertake. These requirements include the following:

- ▶ *Demonstrated independence of IPART's decision makers from Government and other stakeholders.*
- ▶ *A fair process that provides all stakeholders with the opportunity to have their views heard and taken into account.*
- ▶ *Equitable and pragmatic outcomes that are acceptable to government, stakeholders and the NSW community.*
- ▶ *Predictable and consistent outcomes.*
- ▶ *Reasons for decisions that are written in a way that is comprehensive and easy for readers to understand.*
- ▶ *Efficient and effective use of resources.*

IPART needs a range of capabilities if it is to meet the above requirements. These capabilities include the following:

- ▶ *Experienced and impartial decision-makers.*
- ▶ *Adherence to administration law principles regarding natural justice, fairness and avoidance of bias.*
- ▶ *The ability and willingness to undertake extensive consultation.*
- ▶ *The ability and willingness to maintain a professional and mutually respectful relationship with stakeholders especially where there are areas of disagreement.*
- ▶ *An expert secretariat that, supplemented by the use of consultants where necessary, can draw on a wide range of skills.*
- ▶ *Administration systems that can store and retrieve large amounts of data and provide Tribunal Members with the information required for decision-making.*
- ▶ *High quality human resources, information technology and office accommodation.*
- ▶ *A corporate culture that is open, co-operative, mutually respectful and which rewards effort and achievement.*
- ▶ *An emphasis on identifying and managing risks to IPART's continuing success.*

During the year IPART made a number of changes to enhance its capacity. The more important ones include the following:

- ▶ *Agreement with the PSA on a new award for IPART that enables more equitable pay scales that better relate pay to work value.*
- ▶ *Development of a new website that enables IPART to communicate better with its stakeholders.*
- ▶ *Development of a risk management framework which identifies the major categories of risk facing IPART, and reviews the adequacy of available controls to guard against these risks. This framework is reviewed periodically by IPART's management to determine whether further action is needed.*
- ▶ *Development of a statement on corporate governance that defines and clarifies the responsibilities of IPART's Chairman and Chief Executive Officer.*

Looking ahead, we think the experience of the last year suggests that IPART is facing a number of difficult challenges, especially with respect to utility pricing. First, as last year's Annual Report observed, the scope for further efficiency gains and price reductions is now probably less than a decade or so ago when the present regulatory arrangements were largely introduced. Indeed, in some areas, such as water supplies, there is considerable pressure to introduce more competition by allowing private suppliers to compete, but these same private suppliers argue that at present prices are not high enough to provide them with an adequate rate of return. On the other hand, critics of price determinations will sometimes allege that prices have been set too high so that State governments can achieve increased returns to their Budgets through taxes and dividends.

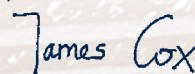
Second, as prices rise and the full costs of different services are being recovered from users, understandably these users are demanding more information regarding the exact quantum and quality of these services and their cost of provision. In a number of cases, IPART has also found it difficult to obtain all the information that it would like to underpin a robust price determination. Accordingly our intention is to work with various stakeholders to achieve an improvement in the quality of information provided, so that it is possible to identify the volume and unit costs for each of the various services for which a price is set. At the same time it will be necessary to avoid regulatory overload, where asking more than is reasonable can only further add to the utility's costs. Indeed where there is a multitude of regulatory demands for information, the aim will be to achieve some rationalization.

Third, there is a proper concern about the costs of regulation. One response is that these costs would be less if there were a national system of regulation, sometimes because that would undoubtedly make it easier for businesses that operate across state boundaries, but sometimes also because of an unproven assumption that the national government always does these things better than the states. In fact it can readily be shown that in areas such as water pricing and its management of the greenhouse abatement scheme IPART is ahead of the Commonwealth. More generally, the argument for national takeover of regulation often ignores the diversity of Australian conditions and why we are a federation in the first place. Where there is a genuine national market, as is the case for electricity and gas, then a single national regulator can make good sense, but where there is not a national market, and never will be, as is the case for urban transport and urban water supply, then it is better if regulation responds to local conditions and concerns. Furthermore, arguments for a single system ignore the dynamic efficiency gains that can be possible where different regulatory regimes are encouraged to try new approaches. And the different independent state regulators have established arrangements so that they can learn from each other, and there is scope to standardize any matters, such as definitions, that would benefit from a common approach.

In conclusion we would like to take this opportunity to thank our fellow Tribunal Member and the Secretariat for their support throughout the past year. After nearly a decade as a member of the Tribunal Cristina Cifuentes has decided that it is time to move on. We would like to thank her for her probing questioning, persistence and wise counsel. We wish her well in her new endeavors where we are sure that she will make a considerable contribution.



**Michael Keating** AC  
Chairman



**James Cox**  
Chief Executive Officer and Full Time Member



# What we do

*IPART is an independent body that oversees regulation in the water, gas, electricity and public transport industries in NSW. When it was established by the NSW government in 1992, its primary purpose was to regulate the maximum prices charged for monopoly services by government utilities and other monopoly businesses. Since then, its responsibilities have increased significantly.*

## Charter

IPART now has seven core functions, which are conferred by legislation, codes and access regimes established by legislation.<sup>1</sup> These functions are to:

- ▶ *set maximum prices for monopoly services provided by government agencies in NSW (including water and public transport)*
- ▶ *regulate revenues or prices of electricity networks under the National Electricity Rules and electricity legislation*
- ▶ *regulate natural gas pricing and third party access to gas networks*
- ▶ *administer licensing or authorisation of water, electricity and gas businesses, and monitor compliance with licence conditions*
- ▶ *register agreements for access to public infrastructure assets and arbitrate disputes about these agreements*
- ▶ *investigate complaints about competitive neutrality referred by the Government*
- ▶ *administer the Greenhouse Gas Abatement Scheme and its Register of abatement certificates.*

In addition, IPART can be asked to:

- ▶ *advise the NSW Government or its agencies on issues such as pricing, efficiency, industry structure and competition*
- ▶ *assist other Australian regulators and government bodies on a fee for service basis.*

IPART provides an integrated system of economic regulation and licence regulation in NSW that covers both pricing for water, electricity network and gas industries and monitoring licence compliance for water, electricity and gas.

<sup>1</sup> These include the Independent Pricing and Regulatory Tribunal Act 1992, the Gas Supply Act 1996, the Electricity Supply Act 1995, the National Electricity (NSW) Law 1997 and the Transport Administration Act 1996.

## Purpose and objectives

IPART's specific purpose varies according to the different regulatory arrangements in the industries it regulates. However, in general, its goals are to:

- ▶ *regulate monopoly utility prices*
- ▶ *promote competition (or simulate its effects) in regulated industries*
- ▶ *protect consumers by ensuring the quality and reliability of regulated services and by considering the social impacts of its decisions*
- ▶ *monitor the way utilities comply with their license obligations*
- ▶ *encourage economic efficiency and reinvestment in infrastructure*
- ▶ *encourage environmental sustainability*
- ▶ *promote a stable regulatory environment*
- ▶ *investigate complaints about competitive neutrality referred by the Government.*

In addition, IPART regulates access prices for electricity and gas networks under the National Electricity Rules and the National Gas Code.

The legislation under which IPART is constituted (The *Independent Pricing and Regulatory Tribunal Act 1992*) stipulates that in relation to the content of its determinations and recommendations, it is not subject to the control or direction of any government minister. This provision ensures that IPART is able to pursue these goals through rational, objective processes and that its decisions are not influenced by political interests.



# Our Corporate Plan

## Mission

Based on the purpose and objectives outlined above, and its appreciation of the economic value it impacts, IPART sees its mission as:

**To deliver economic, social and environmental benefits to the NSW community through regulation that:**

- ▶ *is fair and rational*
- ▶ *is open and transparent*
- ▶ *balances the competing interests of stakeholders*
- ▶ *promotes an increasingly competitive environment, and*
- ▶ *promotes access to infrastructure facilities.*

## Vision

In pursuing this mission, IPART's vision is:

*To be at the forefront of regulation globally, and be respected by key stakeholders for the quality and impartiality of its decisions and the independence, efficiency and effectiveness of its decision-making and advisory processes and practices.*

## Service Philosophy

In pursuing its mission and vision, IPART is guided by a set of principles based on its philosophy of regulation and understanding of best practice in regulation:

- ▶ *Maintain strict **independence** of decisions from Government and all other stakeholders.*
- ▶ *Ensure the entire regulatory and licensing processes are **transparent**.*
- ▶ ***Encourage competition** and minimise the need for regulation wherever possible.*
- ▶ ***Consult widely** and effectively with all stakeholders.*
- ▶ *Use **incentive-based** regulation to encourage better services, innovation and efficiency.*
- ▶ *Seek **equitable outcomes** by balancing the interests of the regulated entity, its customers and other stakeholders.*
- ▶ *Aim for **pragmatic outcomes**, that can be achieved without significant operational difficulties.*
- ▶ *Ensure processes are **predictable** and **consistent**.*
- ▶ *Adhere to the highest **professional standards**.*
- ▶ *Use resources as **effectively** and **efficiently** as possible.*

## Principal Achievements in 2005/06

### Metropolitan water

#### Completed

- ▶ Determine maximum prices for 2005/06 to 2008/09 for water, sewerage and stormwater services supplied by:
  - ▷ Sydney Catchment Authority
  - ▷ Sydney Water Corporation
  - ▷ Hunter Water Corporation
- ▶ Determine maximum prices for backlog sewerage services supplied by Gosford City Council
- ▶ Determine maximum prices for 2006/07 to 2008/09 for water, sewerage and stormwater services supplied by Gosford City Council and Wyong Shire Council
- ▶ Investigation into water and wastewater service provision in the Greater Sydney Region

#### In Progress

- ▶ Review of recycled water prices and sewer mining services supplied by:
  - ▷ Sydney Water Corporation
  - ▷ Hunter Water Corporation
  - ▷ Gosford City Council
  - ▷ Wyong Shire Council

### Bulk water

#### Completed

- ▶ Determine maximum prices for 2005/06 for bulk water services provided by Department of Natural Resources and State Water Corporation

#### In Progress

- ▶ Determine maximum prices for 2006/07 to 2009/10 for bulk water services provided by Department of Natural Resources and State Water Corporation

### Water licensing

#### Completed

- ▶ Audit compliance with operating licences in 2004/05:
  - ▷ Sydney Catchment Authority
  - ▷ Sydney Water Corporation
  - ▷ Hunter Water Corporation
- ▶ Review of Operating Licence:
  - ▷ Sydney Catchment Authority

#### In Progress

- ▶ Review of system performance standards:
  - ▷ Sydney Water Corporation
  - ▷ Hunter Water Corporation

### Rail access

#### In Progress

- ▶ Audit aspects of rail access undertaking
  - ▷ 2003/04
  - ▷ 2004/05
- ▶ Register rail access agreements

### Transport fares

#### Completed

- ▶ Review of Fares for Taxis in NSW Proposed from July 2005
- ▶ Report on the Determination of Fares for Sydney Ferries
- ▶ Review of Fares for Private Ferries in NSW from December 2005
- ▶ Report on the determination of Fares for:
  - ▷ Sydney Metropolitan Bus Services from 3 January 06
  - ▷ Newcastle Services
- ▶ Review of non-metropolitan fares for private Buses in NSW from 3 January
- ▶ Review of Fares for City Rail in NSW 2006 – from 2 July 2006

#### In Progress

- ▶ Recommend taxi fares 2006/07

## Energy

### Completed

- ▶ Application to pass through regulatory costs under the NSW electricity network distribution pricing:
  - ▷ *Country Energy*
  - ▷ *EnergyAustralia*
  - ▷ *Integral Energy*
- ▶ County Energy Public Lighting Price Change Application
- ▶ Application by Country Energy for Waiver of Clauses 5-2-1 & 5-4-1 of the Distribution Ring Fencing Guidelines
- ▶ Application by EnergyAustralia for a waiver of the Distribution Ring Fencing Guidelines (Final Decision)
- ▶ Statement of Reasons for Decision – EnergyAustralia Public Lighting Price proposal
- ▶ Six monthly reporting for those license holders supplying consumers in the ‘small customer’ market (annual bill less than \$16,000)
- ▶ Application to pass through regulatory costs under the NSW electricity network distribution pricing 2004/05 to 2008/09
- ▶ Revised Access Arrangement for Country Energy Gas Network:
  - ▷ *Draft Decision*
  - ▷ *Final Decision*
- ▶ Access arrangement for Pipeline Gas Network:
  - ▷ *Central Ranges – Draft Decision*
  - ▷ *Central Ranges – Final Decision*
- ▶ AGL Gas Networks – Approval of Associate Contract

### In Progress

- ▶ Monitor Compliance with current electricity determinations – On-going
- ▶ Monitor Compliance with current gas determinations – On-going

## Section 9 Referrals

### In Progress

- ▶ Investigation into the burden of regulation in NSW and improving regulatory efficiency
- ▶ Review of the skills base in NSW and future challenges for vocational education and training

## Analysis and Policy Development

### Completed

- ▶ Review of Perisher Infrastructure Services
- ▶ Ambulance Service of NSW – Development of Cost Index (Phase 2)

## Greenhouse Gas Scheme Administrator

### Completed

- ▶ Prepare report on operation and compliance of Scheme for 2005 calendar year
- ▶ Incorporating ACT into the Scheme
- ▶ Accreditation of abatement certificate providers
- ▶ Registry enhancement and contract renewal
- ▶ Creation of Abatement certificates by accredited abatement certificate providers
- ▶ Communication activities – identification of need for and development of communication strategies
- ▶ Development of GGAS Administration Workflow system (GAWS)
- ▶ Redesign of GGAS website
- ▶ Review and development of methodologies for Scheme

### In Progress

- ▶ Development of revised framework for Generation Rule Method 2 accreditations
- ▶ Accreditation framework for carbon sequestration in forests
- ▶ Review application of the default abatement factors approach in the Demand Side Abatement rule to ensure integrity of abatement

# Performance against Corporate Objectives

Throughout this financial year, IPART particularly focussed on meeting five core objectives:

1. *To reach a reasonable, balanced answer.*
2. *To demonstrate a fair and open process.*
3. *To apply a rigorous and credible approach to our work.*
4. *To manage resources efficiently and effectively.*
5. *To administer the Greenhouse Gas Abatement Scheme.*

A summary of its key actions and progress towards meeting these objectives is provided below.

## 1. Reach a reasonable, balanced answer

In its commitment to achieving a balanced regulatory answer in the face of the increased breadth and complexity of its role, IPART is continuing to strive to be at the forefront of regulation.

In 2001 and 2003 IPART conducted stakeholder surveys to gauge perceptions of the quality of its processes. In 2006, a follow-up survey has reassured the agency that strategies implemented in response to the earlier surveys have resulted in improved perceptions in targeted areas. At the same time, specific comments from stakeholders have identified fresh areas of focus for the future.

Overall, the regard for the quality of decision-making processes improved in 2006, with 83% of stakeholders agreeing the process to be of high quality (compared to 68% in 2003 and 58% in 2001). There was a particularly large improvement in satisfaction with independence, compliance with legislative framework and fairness.

Pleasingly, the fall in perception of IPART's compliance with its legislative requirements (76% in 2003 compared with 85% in 2001) was recovered in 2006 with a rating of 93%.

One of the key issues in interviews this year and in previous reports is the perception of the independence of the Tribunal. The overall view in 2006 is that the Tribunal is independent, and has become more so with the new Chair ("Tribunal members maintain their independence" 74% compared with 59% in 2003; "decisions are impartial" 88% compared with 69% in 2003; and "decision-making processes are independent" 81% compared with 59% in 2003).

In response to feedback from stakeholder concerns in 2001 that the basis for judgement was not always adequately communicated, IPART dedicated considerable effort in the last few years to improving the structure and clarity of its reports. The 2003 survey indicated recognition of that effort, with 86% of respondents agreeing that IPART's reports are easy to read and understand, compared with 70% in 2001. The ratings of the credibility and transparency of reports also improved by similar margins. In 2006, the continuing efforts in this area resulted in 90% of stakeholders agreeing that IPART's regulatory reports are of high quality.

The positive comments were generally consistent – the reports are clear, present transparent arguments and are good source documents for a range of purposes.

Stakeholders recognised that the reports are written to meet a particular need and to construct an economic argument, but were nevertheless concerned that they were still too technical for general readers. This was a particular concern for community groups, who indicated that the complexity of the issues is a barrier to conveying the issues to the people who would be affected by the pricing outcomes. IPART is committed to developing "fact sheets" for key decisions to summarise the outcome in a more accessible form.

The following table provides a summary of the implementation of IPART's strategic commitments in 2005/06:

STRATEGY	ACTION	PROGRESS to 30 June 2006
<p><b>Continue to monitor developments in other jurisdictions</b></p>	<ul style="list-style-type: none"> <li>▶ Participate in Australian Regulators Forum</li> <li>▶ Collaborate with other regulators in research activity, including developing joint research programs</li> <li>▶ Participate in seminars/conferences</li> </ul>	<ul style="list-style-type: none"> <li>▶ Active participation in the Regulators' Forum which comprises both Federal and state regulators.</li> <li>▶ Active member of numerous working groups with other state based regulators covering water, energy and transport regulation.</li> <li>▶ IPART subscribes to public releases on local and overseas regulatory developments (eg, from Australian Water Association, UK Office of Water, the American Water Works Association and the UK Office of Gas and Electricity Marketing).</li> <li>▶ Staff contributed to inter-jurisdictional Working Groups on the National Electricity Rules and Retail Electricity.</li> <li>▶ IPART continued to support the Australian Centre of Regulatory Economics (ACORE) at the Australian National University.</li> <li>▶ Staff participated in the annual Australian Competition and Consumer Commission conference.</li> <li>▶ Staff presented to a number of local and overseas conferences and workshops – see Appendix 3 for details.</li> </ul>
<p><b>Continue to monitor and report on impacts of decisions to ensure they have no unintended consequences</b></p>	<ul style="list-style-type: none"> <li>▶ Prepare a table of outcomes where recommendations have been taken up by government</li> <li>▶ Analyse and report on the cumulative impacts of the Tribunal's decisions</li> </ul>	<ul style="list-style-type: none"> <li>▶ The Government accepted the majority of IPART's recommendations on a range of issues.</li> <li>▶ See the section on "Impact's of IPART's Determinations" in this report.</li> <li>▶ Annual compliance reviews of changes in regulated electricity, gas, transport and water prices are undertaken.</li> <li>▶ The industry teams also liaised with the Energy and Water Ombudsman of NSW to monitor complaints and their investigation.</li> </ul>

STRATEGY	ACTION	PROGRESS to 30 June 2006
<p><b>Continue to research and adopt improved regulatory techniques and approaches</b></p>	<ul style="list-style-type: none"> <li>▶ Interpret statutory requirements and ensure compliance</li> <li>▶ Liaise carefully on any terms of reference before they are accepted</li>   <li>▶ Avoid matters returning to the Tribunal by establishing issues and principles early</li> <li>▶ Allocate sufficient time for the Tribunal to thoroughly review any issue</li> <li>▶ Make better use of the Tribunal's time by planning the time between reviews and reference to delegated Tribunal meetings</li> <li>▶ Use informal Tribunal meetings when exploring new ground and not making a decision</li> <li>▶ Prepare training sessions on basic regulatory topics (Analysis and Policy Development team)</li> <li>▶ Extend Total Factor Productivity to all the industries</li>   <li>▶ Continue to develop in-house knowledge and peer review</li> </ul>	<ul style="list-style-type: none"> <li>▶ All reviews have been scoped with the Tribunal, with detailed work programs developed. Timetables have generally been published and explanations provided for any delays in investigations.</li> <li>▶ Delegated Tribunal has considered most compliance matters and other minor regulatory issues.</li> <li>▶ Tribunal time has been planned through use of a forward agenda.</li> <li>▶ Additional Tribunal meetings have been held where necessary.</li>   <li>▶ Industry teams have met regularly with the CEO, outside of normal Tribunal meetings, to advance key issues for major investigations.</li> <li>▶ Sessions were held on Quality Assurance methodology management of consultants</li> <li>▶ Total Factor Productivity analysis was undertaken as part of the review of fares for metropolitan bus services and to develop further the approach to regulation of the water industry.</li> <li>▶ Peer review sessions have been held on key issues for major investigations.</li> </ul>
<p><b>Provide more reasoned explanations of decisions</b></p>	<ul style="list-style-type: none"> <li>▶ Continue to develop report writing skills</li> </ul>	<ul style="list-style-type: none"> <li>▶ Reports have aimed at providing more explicit explanations of decisions and this has been recognised in the recent stakeholder survey.</li> </ul>



## 2. Demonstrate a fair and open process

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

Overall, in 2006 a very high proportion (91%) of stakeholders agreed or tended to agree that IPART's consultation processes are of high quality. Compared with 2003, the proportion of stakeholders who agreed or tended to agree has increased from 79%–91%. There has been a particularly large improvement in satisfaction with impartiality and accessibility.

Nevertheless, stakeholders indicated that the consultation processes could be improved by being more appropriately tailored to the needs of the issue. However there was not a consistent view about what appropriate tailoring would involve. Some stakeholders supported an approach to consultation where a 'full IPART process' was not required if the issue was not controversial or where there was good information available.

The 2001 and 2003 surveys identified stakeholder concerns about the adequacy of time frames for responding to IPART requests for information and the need for clearer mapping of the regulatory timetable and stricter adherence to it. IPART accepts the importance of setting fair target times and it was pleasing to note the improved perception of timeliness in response to better adherence to target dates (75% in 2006 compared to 71% in 2003 and 52% in 2001).

Despite this improvement stakeholders indicated concerns about the timeliness of determinations and that review processes tended to slip beyond the anticipated time frame. The perception of these stakeholders was that decisions took longer than anticipated and this impacted negatively on the final results. The delays were perceived as a symptom of other more fundamental causes, which were potentially: insufficient resources within IPART; insufficient capacity within IPART to deal with the range of issues currently under consideration; changes in context and increasing complexity of issues.

Stakeholders also recognised that IPART in some instances is limited in its role by the quality of the information presented by the regulated entities.

Progress in following strategies to improve processes in 2005/06 include:

STRATEGY	ACTION	PROGRESS to 30 June 2006
<b>Hold regular meetings with key stakeholders</b>	<ul style="list-style-type: none"> <li>▶ Establish and implement program for meeting with key stakeholder groups</li> </ul>	<ul style="list-style-type: none"> <li>▶ Regular meetings have been held with representatives of key regulated utilities to monitor developments in the respective industries and compliance with Tribunal determinations. Meetings have been held with other stakeholders to discuss specific issues of interest and the outcomes of Tribunal investigations.</li> </ul>

STRATEGY	ACTION	PROGRESS to 30 June 2006
<p><b>Encourage and facilitate stakeholder involvement</b></p>	<ul style="list-style-type: none"> <li>▶ Adopt technology and processes to make participation in reviews easier</li> <li>▶ Publish timetables for reviews and release discussion papers and draft determinations</li>   <li>▶ Promote timeliness by identifying where the delays occur and minimising the areas of uncertainty for stakeholders</li> <li>▶ Measure timeliness by adopting the Council Of Australian Government’s proposal of a six month time frame for regulatory decisions</li> <li>▶ Continue to hold public seminars and hearings</li> <li>▶ Review ways of taking our message to rural areas</li> <li>▶ Develop ‘fact sheets’ to communicate key decisions in a more accessible form</li> <li>▶ Articulate the information IPART requires from businesses and agencies it regulates</li>   <li>▶ Seek the views of the ‘average’ customer</li> </ul>	<ul style="list-style-type: none"> <li>▶ IPART continued to provide up-to-date information about its role and activities on its website. All its reports were available from this site (as well as in hard copy). It also continued to improve the site by providing email notification of new publications.</li> <li>▶ Discussion papers and draft determinations and reports have been released for all major reviews.</li> <li>▶ Timetables have been published and updated where necessary for all reviews.</li> <li>▶ IPART has commenced measuring the timeliness of its decisions but the timeframes for most work exceeds six months. New KPIs for timeliness have been reported.</li> <li>▶ Public hearings and where appropriate, workshops, are held for all reviews (see Appendix 2 for more detail).</li> <li>▶ IPART published its first fact sheet for the CityRail determination.</li> <li>▶ The format and content of information returns required from regulated agencies is formalised. A review of water industry returns is planned to avoid duplication and requests for information not used.</li> <li>▶ Regular household surveys are conducted to assist in price and quality regulation.</li> </ul>
<p><b>Explain IPART’s decision-making processes and its rationale for decisions</b></p>	<ul style="list-style-type: none"> <li>▶ Explain decision-making processes through issues papers and reports</li> </ul>	<ul style="list-style-type: none"> <li>▶ Decision-making process clearly explained in all reports. Improvement in this area was acknowledged in the stakeholder survey.</li> </ul>

STRATEGY	ACTION	PROGRESS to 30 June 2006
<b>Seek feedback on stakeholder perceptions of IPART's integrity, processes, and quality of work</b>	<ul style="list-style-type: none"> <li>▶ Survey stakeholder perceptions every two years – repeat in 2006 and 2008</li> </ul>	<ul style="list-style-type: none"> <li>▶ IPART surveyed stakeholders in 2005/06 to seek feedback on perceptions of processes and credibility and the results are covered in some detail in this report.</li> </ul>

### 3. Apply a rigorous and credible process

IPART's focus on enhancing the quality of its work and the rigour of its processes was reinforced by the latest survey which improved on already satisfactory ratings. The 2006 survey indicated that stakeholders have a high level of respect for the professionalism of IPART's staff.

Overall 96% of respondents agreed that IPART's staff demonstrate a high level of professionalism (compared to 92% in 2003 and 78% in 2001), with uniform levels of respect from all categories of stakeholder. Perceptions of staff courtesy and probity also remained high at 100% and 100% respectively.

There have been particularly large improvements in perceptions of adequacy of IPART's resources and the competency of staff to fully analyse industry, financial and legal regulatory issues. Interviewees overall were positive about their dealings with IPART – staff were professional, helpful and responsive (including returning phone calls, or finding out information and responding to enquiries). Several interviewees indicated without being prompted that they particularly appreciated IPART's willingness to visit and have open and often 'robust' discussions about issues.

In response to IPART's efforts in the last two years to diversify and develop its in-house expertise and to complement this area with the use of consultants, the 2006 survey showed significant improvement in perceptions of technical competencies (81% in 2006 compared with 68% in 2003 and 63% in 2001).

Similarly, there was an improvement in the majority of stakeholders' perception of the adequacy of IPART's resources to carry out its roles (73% in 2006 compared with 46% in 2003 and 43% in 2001).

Nevertheless, some stakeholders expressed concern about how IPART uses consultants to review submissions from regulated agencies. Stakeholders believed it was appropriate to use specialists to undertake this work, but were concerned about how they were managed by IPART. The nature of the concerns was broad, but included: consultants considering issues outside of their brief; use of inappropriate benchmarks for comparison, and subsequent recommendations for across the board savings which were not justifiable; and engaging consultants who did not have adequate understanding of the industry or business, leading to poor independent reports. IPART will be addressing these concerns.

These highlights from 2005/06 illustrate the strategies being followed in this area:

STRATEGY	ACTION	PROGRESS to 30 June 2006
<p><b>Continually improve internal analytical tools and processes</b></p>	<ul style="list-style-type: none"> <li>▶ Implement information management strategy</li> <li>▶ Document a 'whole-of-organisation' work program to identify peaks in resource demand to assist in planning</li> <li>▶ Appoint a designated QA manager and rotate staff through role</li> <li>▶ Consider Quality Assurance controls early in the review process</li> <li>▶ Rotate staff between Analysis and Policy Development team and industry teams</li> <li>▶ Document a manual for staff carrying out QA processes</li> <li>▶ Hold peer reviews regularly with an agenda and discussion paper</li> <li>▶ Develop library/information supply service</li> </ul>	<ul style="list-style-type: none"> <li>▶ An information management strategy was integral to a number of policies documented under AS7799.</li> <li>▶ A comprehensive work program was documented and monitored to identify work peaks and track timeliness.</li> <li>▶ A QA manager was appointed and staff have been trained in QA and rotated through the QA process.</li> <li>▶ The QA manager has responsibility for planning and monitoring the QA process.</li> <li>▶ Staff have been rotated between APD and the industry teams.</li> <li>▶ Substantial progress was made in documenting QA processes.</li> <li>▶ Peer review sessions have been held on some key issues for major investigations.</li> <li>▶ This year IPART subscribed to new on-line databases and improved web-based access to research sources.</li> </ul>
<p><b>Make better use of consultants</b></p>	<ul style="list-style-type: none"> <li>▶ Make better use of consultants by encouraging knowledge transfer during the engagement</li> </ul>	<ul style="list-style-type: none"> <li>▶ Licence auditing, project planning and project management have been identified as key areas for knowledge transfer.</li> </ul>
<p><b>Apply high standards of ethical and professional work standards</b></p>	<ul style="list-style-type: none"> <li>▶ Ensure protection of confidential data consistent with statutory requirements</li> <li>▶ Promote professional standards and behaviour policy</li> </ul>	<ul style="list-style-type: none"> <li>▶ The upgrade of the records management software allows more sophisticated options for protecting confidential data.</li> <li>▶ Management encouraged to model appropriate behaviours and facilitate an environment in which valued work practices and behaviours are consistently applied.</li> </ul>

## 4. Manage resources efficiently and effectively

IPART's commitment to excellence, continuous improvement and value for money is demonstrated through innovation, collaboration, sector-wide government initiatives and the use of technology.

Overall, stakeholders perceive that IPART staff conduct their dealings with diligence and efficiency, and this perception has improved since the 2001 survey (95% in 2006 compared with 88% in 2003 and 75% in 2001). However, there was useful feedback on issues associated with timetables, planning and the level of staff to which it is appropriate to delegate stakeholder liaison.

The majority of those who commented on changes since the last survey felt that IPART had improved and become more engaging, more pragmatic, more relaxed and less formidable. The informal processes are now much better than before, with more frequent and better structured meetings and consultations as well as a more relaxed, less formal approach.

Examples of how these strategies were implemented in the reporting period include:

STRATEGY	ACTION	PROGRESS to 30 June 2006
<b>Review profile of workforce to match skill set with organisational needs</b>	▶ Increase graduate intake	▶ Positions successfully filled for this year's intake. Graduate recruitment continues to be a key area for attracting and retaining staff wishing to build a career with IPART.
	▶ Broaden the skills base (recruit engineering skills)	▶ Position descriptions were updated to reflect new capability requirements to meet IPART's needs.
	▶ Staff/Job rotation – integrate rotation with Performance Management System	▶ Job rotation is encouraged by managers and welcomed by staff to increase personal skills and meet operational requirements.
	▶ Revise the capabilities map – to make it easier to use as part of Performance Enhancement System	▶ Revision of capabilities maps to be addressed with the creation of position descriptions as a result of award negotiations.
	▶ Implement a new award structure and associated job evaluation and position descriptions	▶ The consent Award was ratified. New salary schedule developed and implemented providing a more flexible and manageable structure. New position descriptions to reflect the updated structure have been scheduled for development. Planning for the implementation of job evaluation commenced.
	▶ Identify critical roles and critical skills for succession planning	▶ Key roles and functions identified. Managers provided with individual training activities to support coaching and succession planning.

STRATEGY	ACTION	PROGRESS to 30 June 2006
<p><b>Become preferred employer by offering development opportunities and family friendly work practices</b></p>	<ul style="list-style-type: none"> <li>▶ Employ external resources for supplementary specialist skills (eg, engineering) and manage peaks in workload</li> <li>▶ Reward staff for outstanding performance</li> <li>▶ Support flexible working conditions</li> </ul>	<ul style="list-style-type: none"> <li>▶ External support utilised throughout the year to meet operational requirements.</li> <li>▶ Strategies to recognise top performers include development and training opportunities, accelerated salary progression, and formal acknowledgement by Executive team.</li> <li>▶ Flexible working conditions continue to be a key factor in attracting staff to the organisation. Working from home options for staff returning from maternity leave has proved invaluable in meeting the needs of individuals and the organisation.</li> </ul>
<p><b>Provide systematic training and other skill building opportunities for staff</b></p>	<ul style="list-style-type: none"> <li>▶ Provide training that meets individual and organisational needs</li> <li>▶ Refine the report writing course to focus on key issues of structure</li> <li>▶ Provide leadership training for senior managers to support succession planning</li> <li>▶ Develop coaching training to promote transfer of skills</li> </ul>	<ul style="list-style-type: none"> <li>▶ IPART is committed to the development of its key resource 'our people'. Training and development occurs as a result of needs identified through agency planning, evaluation at a strategic level, and assessing individual needs. Highlights include:               <ul style="list-style-type: none"> <li>▶ Questioning Techniques and skills for managing stakeholder forums</li> <li>▶ Training on regulatory issues.</li> </ul> </li> <li>▶ Existing program is under review to ensure training is targeted to meet organisational requirements.</li> <li>▶ Training solutions involved Executive coaching to expand leadership capabilities.</li> <li>▶ Managers participated in face to face and individual coaching sessions to understand and apply coaching methodology.</li> </ul>
<p><b>Work with other public sector agencies to achieve economies of scale</b></p>	<ul style="list-style-type: none"> <li>▶ Collaborate with other agencies in procurement and technology initiatives</li> </ul>	<ul style="list-style-type: none"> <li>▶ Increased use of government contracts delivered savings in procurement.</li> </ul>

STRATEGY	ACTION	PROGRESS to 30 June 2006
<p><b>Continuously improve systems and services</b></p>	<ul style="list-style-type: none"> <li>▶ Ensure corporate services are effective, cost efficient and meet the needs of the agency</li>   <li>▶ Develop templates and electronic business processes</li>   <li>▶ Review the risk management plan annually</li>   <li>▶ Ensure a high standard of IT security and maintain AS7799 accreditation</li>   <li>▶ Ensure the Business Continuity Plan meets business needs</li>   <li>▶ Develop ICT Strategic Plan to ensure software and hardware meet current business needs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Plans are underway to implement a new online flex sheet application that enables employees and their managers to maintain attendance records. The new flextime management system will link existing electronic leave and reporting applications. Corporate Services continues to work closely with the industry teams to ensure systems and processes meet business needs. Key achievements in 2005/06 are as follows: <ul style="list-style-type: none"> <li>▷ Efficiencies and cost savings gained via the reduction in printing costs, and a move towards e-distribution.</li> <li>▷ Consolidation of information systems infrastructure to take advantage of interoperability and enhanced features.</li> <li>▷ Consistency in organisational branding, ranging from internal documentation to external Web interface.</li> </ul> </li>   <li>▶ The first phase of the Microsoft Word templates has been successfully rolled out. Key outcomes include automated documents. The project has a number of other phases, which will contribute to efficiencies and cost savings via streamlining business processes.</li>   <li>▶ A new IT Risk Management Plan was developed in 2005/06. The plan is continuously monitored via regular IT Security Audits, as well as internal audits.</li>   <li>▶ IPART has successfully meet AS7799b re-certification requirements and will continue to work towards the new ISO27001 security standard.</li>   <li>▶ Business Continuity Plans are assessed on an annual basis and are regularly updated. Business continuity also a critical component of IT projects, therefore rebuilds of new systems are completed as part of project scopes.</li>   <li>▶ The organisation's ICT strategic plan is focused on ensuring the existing environment provides functionality and is maintained appropriately to ensure reliability and availability of systems. This is reflective in the IT KPI of 99.9% systems uptime during 2005/06.</li> </ul>

STRATEGY	ACTION	PROGRESS to 30 June 2006
<b>Embrace Government commitment to electronic service delivery</b>	▶ Provide all appropriate publications and transactions on the internet	▶ Phase 2 of IPART's and GGAS's websites has been completed. This project was highly consultative with both internal and external stakeholders, to ensure user focussed content architectures. The results have delivered enhanced navigation, useability and access to current data.
	▶ Enhance the capacity of the website to meet stakeholder communication needs	▶ The email subscription feature ensures users are proactively notified of current documents. The next web phase will look at enhancing the web communication channel via live streaming and reverse stakeholder communication, including lodgement of submissions on line.
<b>Make effective use of equipment and systems</b>	▶ Develop asset management plan and procurement processes	▶ The newly installed Altiris software manages hardware and software licences, as well as managing the asset lifecycles.

## 5. Administer the Greenhouse Gas Abatement Scheme

In general, in the 2006 survey the participants in the Greenhouse Gas Abatement Scheme were among the most positive about IPART's activities, reflecting the effort over the last two years to provide detailed participant information on through the website and workshops, and to make the Register easy to use. Some highlights in 2005/06 include:

STRATEGY	ACTION	PROGRESS to 30 June 2006
<b>Administer the Greenhouse Gas Abatement Scheme</b>	▶ Develop and refine systems, assessment frameworks, documentation and information for participants	▶ Revised framework for accreditation of Generation Rule Method 2 projects completed in consultation with key stakeholders.
	▶ Prepare Annual Report for government	▶ Completed.
<b>Maintain a registry of abatement certificates</b>	▶ Operate an on-line Registry	▶ The Registry has continued to operate very effectively, with virtually nil downtime, nil unsuccessful transactions and a very high level of security.



STRATEGY	ACTION	PROGRESS to 30 June 2006
<b>Accredit abatement certificate providers and monitor Scheme</b>	<ul style="list-style-type: none"> <li>▶ Assess and accredit abatement certificate providers in accordance with Scheme Act, Regulation and Rules</li> <li>▶ Ensure integrity of Scheme through robust accreditation assessment</li> <li>▶ Monitor and audit ongoing compliance by accredited abatement certificate providers</li> </ul>	<ul style="list-style-type: none"> <li>▶ During the 2005/06 year the number of accredited projects increased from 145 to 165. Importantly this growth was spread across all the Scheme Rules.</li> <li>▶ The Accreditation process has continued to be refined and developed. In particular a review of the approach to accrediting certain generation projects has been undertaken.</li> <li>▶ The Tribunal has continued to develop and refine its accreditation assessment processes to reflect changing business models of parties seeking accreditation for innovative projects. In the financial year a total of 44 audits were conducted of Abatement Certificate Provider activity.</li> </ul>

### Achievement of Objectives

There were no factors affecting the achievement of IPART's operational objectives in 2005/06.

## Key performance indicators

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

		2002/03	2003/04	2004/05	2005/06	2006/07
PLANNED RESULT	RESULT INDICATORS	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ESTIMATE
<b>Competitive business environment in NSW</b>						
Intermediate result:						
<ul style="list-style-type: none"> <li>▶ Independent oversight of prices for energy, transport and water services</li> </ul>	<ul style="list-style-type: none"> <li>▶ Graph of real cost to public over time</li> </ul>	2002/03 Annual Report	2003/04 Annual Report	2004/05 Annual Report	Impacts statement in this report	*
	<ul style="list-style-type: none"> <li>▶ Graph of real cost to businesses over time</li> </ul>	2002/03 Annual Report	2003/04 Annual Report	2004/05 Annual Report		*
	<ul style="list-style-type: none"> <li>▶ Perceived quality of leadership – practical outcomes and independence (expressed as % from stakeholder survey)</li> </ul>	77%	76%	no new survey data	86%	*
<b>Healthy and sustainable energy and water supplies in NSW</b>						
Intermediate result:						
<ul style="list-style-type: none"> <li>▶ Suppliers of energy and water meet licence obligations</li> <li>▶ CO<sub>2</sub> reduction targets are monitored and enforced</li> </ul>	<ul style="list-style-type: none"> <li>▶ Acceptance by Ministers of annual water and energy audit reports</li> </ul>	4 reports	4 reports	5 reports	5 reports	6 reports
	<ul style="list-style-type: none"> <li>▶ Net tonnes per capita CO<sub>2</sub> emissions in NSW from electricity usage (allowing for offset credits)</li> </ul>	8.65	8.65	7.96	7.62	7.27

\* Since the factors need to be assessed each year with current data, no forward estimate is possible.

# Planned service delivery

SERVICES DELIVERED	SERVICE MEASURE	2003/04 ACTUAL	2004/05 ACTUAL	2005/06 ACTUAL	2006/07 ESTIMATE
<b>1. Licence monitoring and enforcement</b>					
Key services:					
▶ Monitoring of water licences	▶ Acceptance by Minister of annual water audit reports	3 reports	3 reports	3 reports	3 reports
▶ Monitoring of energy licences	▶ Acceptance by Minister of annual energy compliance reports	1 report	2 reports	2 reports	2 reports
▶ Administration of Greenhouse Gas Abatement Scheme targets	▶ Number of accredited abatement projects (per year)	113	73	38	20
	▶ Number of abatement certificates registered (per year)	7.6M	7.7M	10.1M	12M
<b>2. Pricing of water, transport and energy</b>					
Key services:					
▶ Wide consultation on issues	▶ Perceived quality of consultation processes (expressed as % from stakeholder survey)	83%	79%	91%	*
▶ Rigorous process of review	▶ Perceived professionalism of staff (expressed as % from stakeholder survey)	78%	92%	95%	*
▶ Fair and balanced decisions	▶ Perceived clarity of reports (expressed as % from stakeholder survey)	70%	86%	90%	*
	▶ Perceived timeliness of decision-making processes	52%	71%	72%	*
	▶ Number of projects completed				
	▶ within 6 months			24	
	▶ within 12 months			10	
	▶ over 12 months			10	
	▶ # of public hearings, forums and workshops	21	14	15	15
	▶ # of papers and reports	40	42	57	45
	▶ major			42	
	▶ minor			13	

SERVICES DELIVERED	SERVICE MEASURE	2003/04 ACTUAL	2004/05 ACTUAL	2005/06 ACTUAL	2006/07 ESTIMATE
<b>3. Referred reviews</b>					
Key services:					
<ul style="list-style-type: none"> <li>▶ Terms of reference are met</li> </ul>	<ul style="list-style-type: none"> <li>▶ Relevant Minister's broad acceptance of report and recommendations</li> </ul>	9 reports	9 reports	6 reports	3 reports <sup>+</sup>

<sup>+</sup> IPART is not able to anticipate the number of referrals in any year.

<sup>\*</sup> Perceptions are necessarily subjective and in IPART's position are frequently coloured by the outcome, rather than the process.

## Management and structure

*IPART is headed by a Tribunal that comprises three permanent members, plus temporary members, who are appointed by the Premier. The Tribunal is supported by a Secretariat that provides research and advisory services.*

### The Tribunal – Permanent members



#### *Chairman*

**Dr Michael Keating** *AC, FASSA, FIPA, BCom (Hons), PhD, D.Univ (Honorary)*

Appointed for five years from 17 December 2004. Visiting Fellow in the Economics Program in the Research School of Social Sciences at the Australian National University. Formerly Head of the Australian Public Service and Secretary to the Department of Prime Minister and Cabinet (1991 to 1996). Head of the Department of Employment and Industrial Relations (1983 to 1986), and Head of the Department of Finance (1986 to 1991).



#### *Chief Executive Officer and Full Time Member*

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

Appointed for five years from 22 February 1996. Reappointed for an additional five-year term from 22 February 2001. Reappointed for an additional five-year term from 22 February 2006. Former Principal Adviser, Government Pricing Tribunal/IPART, 1992–96. Consultant, NSW Cabinet Office, 1989–92. Principal Economist, Office of EPAC, 1986–89.



#### *Part-time Member*

**Ms Cristina Cifuentes** *BEC, LLB(Hons)*

Appointed 9 September 1996 to 8 September 2000 to assist with gas regulation issues. Reappointed 1 July 2000 to 30 June 2003 and 1 July 2004 to 30 June 2006 as part-time member. Currently also a Board member of NSW Treasury Corporation and First State Super. Previously Investment Strategist/Group Economist with BNP Investment Management, Senior Economist with NSW Treasury and with Rothschild Australia, and Head of Legal Policy, Australian Securities Commission. Formerly a member of the Premier's Council for Women.

### The Tribunal – Temporary members

**Warren Musgrave** *MSc Agr, PhD*

Appointed 22 February 1996 to 31 December 2000 to assist with reviews of the pricing policies of local water authorities and of rural bulk water pricing. Re-appointed 27 February 2001 to 31 January 2002. Re-appointed 1 February 2003 to 30 June 2004. Re-appointed 1 July 2004 to 31 December 2005. Emeritus Professor of Agricultural Economics at the University of New England. Catchment Assessment Commissioner, 1995. Special Adviser, Natural Resources to the Premier's Department, 1995–2000.

**David Brett** *MBA, BEc, BA*

Appointed 1 November 2004 for three years. Economics adviser to the NSW Premier's Department 1986, a Director of PricewaterhouseCoopers 1999–2003 and later an independent economics adviser.

## Meeting frequency and attendance

Throughout the year, the Tribunal held 43 meetings and 42 delegated meetings, and hosted a number of public hearings, forums and workshops. More detail about these meetings and each member's attendance is provided in Appendix 2.

The IPART Act allows the Tribunal to delegate its functions to a Committee comprising a Tribunal Member and other persons if required. The Tribunal has delegated certain functions to the Full Time Tribunal Member/Chief Executive Officer to enable the delegate to make decisions on more routine issues.

There is a weekly meeting of delegated matters convened by the Full Time Tribunal Member/Chief Executive Officer. A formal instrument of delegation was approved by the Tribunal.

Similarly, the Tribunal has delegated its responsibilities regarding its administration of the Greenhouse Gas Abatement Scheme by written instrument. The Minister for Energy has approved this delegation.

## The Secretariat

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

Most of the professional staff members are highly experienced economists and financial/accounting analysts. They work in industry-based teams, undertaking research, investigation and analysis to provide professional advice to the Tribunal. General Counsel and legal staff provide legal advice on the increasingly complex regulations governing utility operations.

The Secretariat also includes a support services team that provides information technology, general administrative, and personnel support to the operational areas. This team also manages IPART's processes, including the public registry, submissions, and the preparation and publication of reports and the website.

With most investigations, the Secretariat also needs to commission consultants to undertake additional research and provide the Tribunal with the highest quality advice on often complex topics. If necessary, it can also second staff from other government agencies to assist with particular investigations.

## Senior officers

The Secretariat is headed by four Directors, who report to the Chairman. These Directors are:



### *Director Energy and Transport*

**Fiona Towers** *BCom (Accounting and Finance), MCom (Economics and Econometrics)*  
Responsible for managing energy and transport industry programs.



### *Director Water*

**Colin Reid** *BCom (Accounting), F Fin, CPA*  
Responsible for managing water industry programs.



### *General Manager Support Services*

**Meryl McCracken** BA, Dip Lib, Dip PSM

Responsible for providing support services including human resources, office services, finance and information technology. Meryl represents small agencies on the Treasury Managed Fund Advisory Board.



### *Acting Director, Analysis and Policy Development*

**Ruth Lavery**

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



### *Legal Counsel*

**Ray Steinwall** LLB, LLM

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



### *General Manager Greenhouse Gas Abatement Scheme*

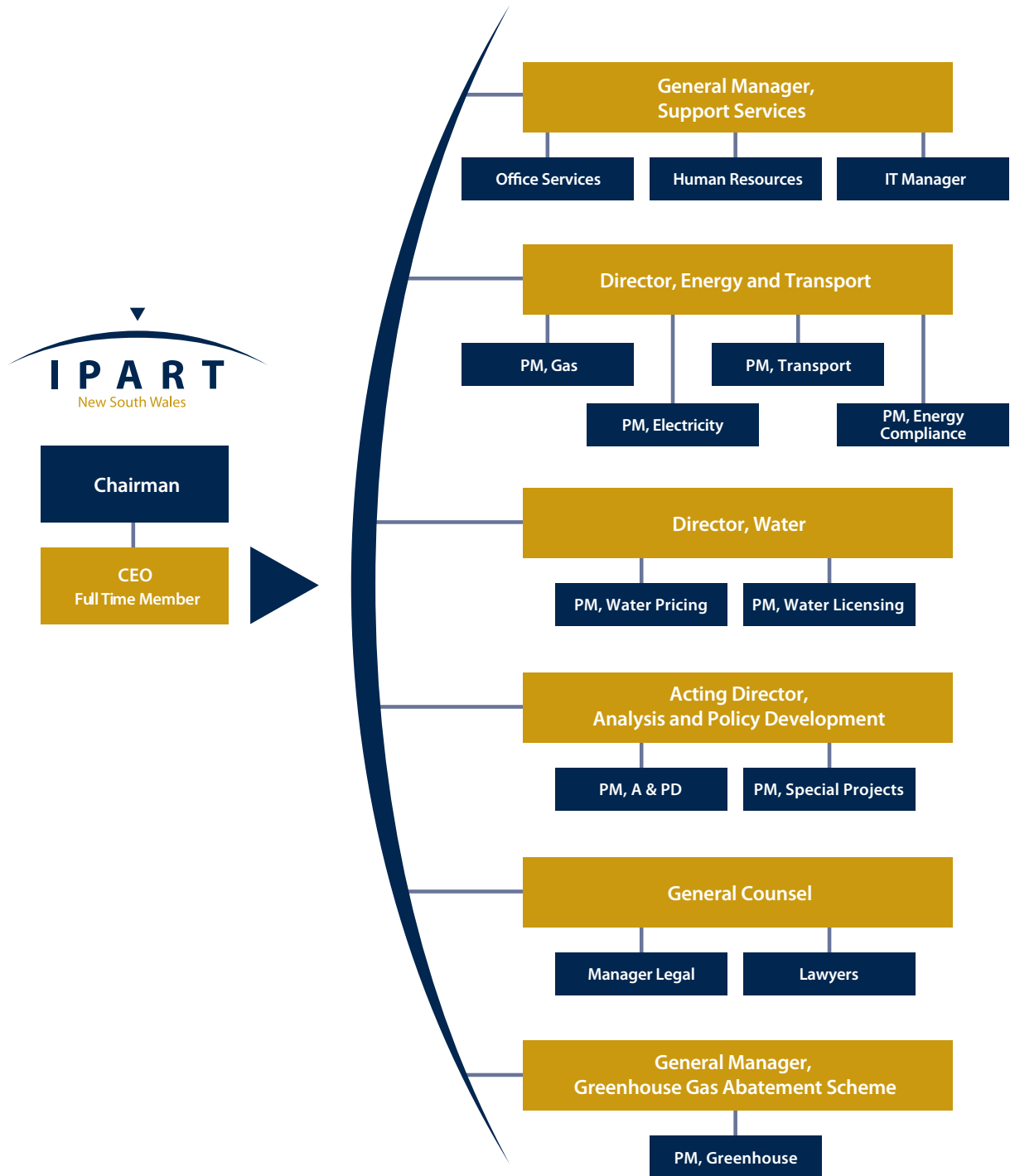
**Christopher Spangaro**

Responsible for the administration of the Greenhouse Gas Abatement Scheme.

## **Internal committees**

IPART's Core Executive consists of the Tribunal's Chief Executive Officer and Full Time Member plus the Directors of Energy and Transport, Water, and Analysis and Policy Development, the General Manager Support Services, the General Manager Greenhouse Gas Abatement Scheme and the Legal Counsel. Throughout the year, this group met regularly, at approximately two week intervals. Other Managers and auditors attended meetings as required. The purpose of these meetings was to review the Secretariat's current work program and ensure that the Chief Executive was adequately briefed on all relevant issues.

# Organisational Structure



PM – Program Manager





GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDIT REPORT INDEPENDENT PRICING AND REGULATORY TRIBUNAL DIVISION

To Members of the New South Wales Parliament

### **Audit Opinion**

In my opinion, the financial report of the Independent Pricing and Regulatory Tribunal Division (the Division):

- presents fairly the Division's financial position as at 30 June 2006 and its performance for the period ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41 B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

### **Scope**

#### *The Financial Report and Chairman's Responsibility*

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Division, for the period ended 30 June 2006.

The Chairman of the Independent Pricing and Regulatory Tribunal is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit Approach*

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Chairman in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Chairman had not fulfilled his reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Division
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### **Audit Independence**

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



**A Oyetunji**

*Director, Financial Audit Services*

SYDNEY 18 October 2006

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

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

- a) the accompanying financial report has been prepared in accordance with applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standards (AIFRS)), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Interpretations, the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2005*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies and Treasurer's Directions;
- b) the financial report exhibits a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal Division of New South Wales as at 30 June 2006 and the operations for the year then ended;
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



**Michael Keating** AC  
Chairman

12 October 2006

# Operating Statement

for the year ended 30 June 2006

	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
<b>Expenses excluding losses</b>				
Employee related expenses	2(a)	2,699	–	–
<b>Total Expenses excluding losses</b>		<b>2,699</b>	–	–
Less:				
<b>Revenue</b>				
Other revenue	3(a)	2,699	–	–
<b>Total Revenue</b>		<b>2,699</b>	–	–
Gain/(loss) on disposal		–	–	–
<b>Net Cost of Services</b>		–	–	–
<b>Government Contributions</b>				
Acceptance by the Crown Entity of employee benefits and other liabilities		–	–	–
<b>Total Government Contributions</b>		–	–	–
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		–	–	–

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

for the year ended 30 June 2006

	Actual 2006	Budget 2006	Actual 2005
Notes	\$'000	\$'000	\$'000
<b>TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>	-	-	-
Surplus/(Deficit) for the year	-	-	-
<b>TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR</b>	-	-	-

*The accompanying notes form part of these financial statements.*

# Balance Sheet

as at 30 June 2006

	Notes	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Receivables	4	1,406	–	–
<b>Total Current Assets</b>		<b>1,406</b>	–	–
<b>Total Assets</b>		<b>1,406</b>	–	–
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	5	544	–	–
Provisions	6	816	–	–
<b>Total Current Liabilities</b>		<b>1,360</b>	–	–
<b>Non Current Liabilities</b>				
Provisions	6	46	–	–
<b>Total Non Current Liabilities</b>		<b>46</b>	–	–
<b>Total Liabilities</b>		<b>1,406</b>	–	–
<b>Net Assets</b>		<b>–</b>	–	–
<b>EQUITY</b>				
Accumulated funds		–	–	–
<b>Total Equity</b>		<b>–</b>	–	–

The accompanying notes form part of these financial statements.

# Cash Flow Statement

for the year ended 30 June 2006

	Actual 2006	Budget 2006	Actual 2005
Notes	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total Payments	-	-	-
Total Receipts	-	-	-
Net Cash Flows From Government	-	-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
NET INCREASE (DECREASE) IN CASH	-	-	-
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	-	-	-

*The accompanying notes form part of these financial statements.*

# Notes to the financial statements

for the year ended 30 June 2006

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Reporting entity

The Independent Pricing and Regulatory Tribunal Division is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the Public Sector Employment and Management Act 2002. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at Level 2, 44 Market Street Sydney 2000.

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

The Independent Pricing and Regulatory Tribunal Division commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of the Independent Pricing and Regulatory Tribunal. The assumed liabilities were recognised on 17 March 2006 together with an offsetting receivable representing the related funding due from the former employer.

The financial report was authorised for issue by the Chairman of The Independent Pricing and Regulatory Tribunal Division on 12 October 2006.

### (b) Basis of Preparation

The Division's financial statements are a general purpose financial report which has been prepared in accordance with:

- ▶ applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standard (AIFRS));
- ▶ the requirements of the Public Finance and Audit Act and Regulation; and
- ▶ the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

### (c) Income Recognition

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

### (d) Employee Benefits and other provisions

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

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

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

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



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

*(ii) Long Service Leave and Superannuation*

The Division's liabilities for long service leave and superannuation are assumed by the Crown Entity. The agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities". Prior to 2005/06 the Crown Entity also assumed the defined contribution superannuation liability.

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSWTC 06/09) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

## 2. EXPENSES EXCLUDING LOSSES

	Actual 2006	Actual 2005
	\$'000	\$'000
<b>(a) Employee related expenses</b>		
Salaries and wages (including recreation leave)	2,299	–
Superannuation – defined benefit plans	63	–
Superannuation – defined contribution plans	122	–
Long service leave	82	–
Workers compensation insurance	2	–
Payroll tax and fringe benefit tax	131	–
	<b>2,699</b>	–

## 3. REVENUES

<b>(a) Other revenue</b>		
Personnel services	2,699	–
	<b>2,699</b>	–

#### 4. CURRENT ASSETS – RECEIVABLES

	Actual 2006	Actual 2005
	\$'000	\$'000
<b>Current Receivables</b>		
Personnel services	1,406	–
	<b>1,406</b>	<b>–</b>

#### 5. CURRENT LIABILITIES – PAYABLE

<b>Current Liabilities – Payable</b>		
Accrued salaries, wages and on-costs	544	–
	<b>544</b>	<b>–</b>

#### 6. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

<b>Current</b>		
<b>Employee benefits and related on-costs</b>		
Recreation leave	681	–
Long service leave	19	–
Payroll tax	116	–
	<b>816</b>	<b>–</b>
<b>Non-current</b>		
<b>Employee benefits and related on-costs</b>		
Long service leave	46	–
	<b>46</b>	<b>–</b>

*End of audited financial report.*



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDIT REPORT INDEPENDENT PRICING AND REGULATORY TRIBUNAL

To Members of the New South Wales Parliament

### **Audit Opinion**

In my opinion, the financial report of the Independent Pricing and Regulatory Tribunal (the Tribunal):

- presents fairly the Tribunal's financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41 B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

### **Scope**

#### ***The Financial Report and Tribunal's Responsibility***

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Tribunal, for the year ended 30 June 2006.

The members of the Tribunal are responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### ***Audit Approach***

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Tribunal in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does **not** guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the members of the Tribunal had not fulfilled their reporting obligations.

My opinion does **not** provide assurance:

- about the future viability of the Tribunal,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### **Audit Independence**

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



**A Oyetunji**

*Director, Financial Audit Services*

SYDNEY 18 October 2006

## STATEMENT ON BEHALF OF THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL

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

- a) the accompanying financial report has been prepared in accordance with applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standards (AIFRS)), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Interpretations, the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2005*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies and Treasurer's Directions;
- b) the financial report exhibits a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal of New South Wales as at 30 June 2006 and the operations for the year then ended;
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



**Michael Keating AC**  
Chairman



**James Cox**  
Chief Executive Officer  
and Full Time Member

12 October 2006

# Operating Statement

for the year ended 30 June 2006

	Notes	CONSOLIDATED			IPART		
		Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
<b>Expenses excluding losses</b>							
Operating expenses							
Employee related	2(a)	<b>8,557</b>	8,065	8,102	<b>8,557</b>	8,065	8,102
Other operating expenses	2(b)	<b>7,490</b>	7,695	7,609	<b>7,490</b>	7,695	7,609
Depreciation and amortisation	2(c)	<b>393</b>	317	370	<b>393</b>	317	370
<b>Total Expenses excluding losses</b>		<b>16,440</b>	16,077	16,081	<b>16,440</b>	16,077	16,081
Less:							
<b>Revenue</b>							
Sale of goods and services	3(a)	<b>965</b>	500	1,444	<b>965</b>	500	1,444
Investment revenue	3(b)	<b>216</b>	200	218	<b>216</b>	200	218
Other revenue	3(c)	<b>9</b>	–	18	<b>9</b>	–	18
<b>Total Revenue</b>		<b>1,190</b>	700	1,680	<b>1,190</b>	700	1,680
Gain/(loss) on disposal	4	<b>5</b>	–	5	<b>5</b>	–	5
<b>Net Cost of Services</b>	<b>19</b>	<b>15,245</b>	15,377	14,396	<b>15,245</b>	15,377	14,396
<b>Government Contributions</b>							
Recurrent appropriations	5	<b>14,752</b>	14,752	14,061	<b>14,752</b>	14,752	14,061
Capital appropriations	5	<b>157</b>	180	180	<b>157</b>	180	180
Acceptance by the Crown Entity of employee benefits and other liabilities	6	<b>386</b>	298	832	<b>386</b>	298	832
<b>Total Government Contributions</b>		<b>15,295</b>	15,230	15,073	<b>15,295</b>	15,230	15,073
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>50</b>	(147)	677	<b>50</b>	(147)	677

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

for the year ended 30 June 2006

	Notes	CONSOLIDATED			IPART		
		Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
<b>TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>		-	-	-	-	-	-
Surplus/(Deficit) for the year		<b>50</b>	(147)	677	<b>50</b>	(147)	677
<b>TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR</b>	15	<b>50</b>	(147)	677	<b>50</b>	(147)	677

The accompanying notes form part of these financial statements.

# Balance Sheet

as at 30 June 2006

	Notes	CONSOLIDATED			IPART		
		Actual 2006	Budget 2006	Actual 2005	Actual 2006	Budget 2006	Actual 2005
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	8	<b>4,856</b>	4,242	4,252	<b>4,856</b>	4,242	4,252
Receivables	9	<b>410</b>	769	769	<b>410</b>	769	769
<b>Total Current Assets</b>		<b>5,266</b>	5,011	5,021	<b>5,266</b>	5,011	5,021
<b>Non Current Assets</b>							
Plant and Equipment	10	<b>741</b>	856	993	<b>741</b>	856	993
Intangible assets	11	<b>45</b>	36	36	<b>45</b>	36	36
<b>Total Non Current Assets</b>		<b>786</b>	892	1,029	<b>786</b>	892	1,029
<b>Total Assets</b>		<b>6,052</b>	5,903	6,050	<b>6,052</b>	5,903	6,050
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Payables	12	<b>1,049</b>	1,002	1,002	<b>1,911</b>	1,002	1,002
Provisions	13	<b>923</b>	963	963	<b>107</b>	963	963
Other	14	<b>23</b>	9	9	<b>23</b>	9	9
<b>Total Current Liabilities</b>		<b>1,995</b>	1,974	1,974	<b>2,041</b>	1,974	1,974
<b>Non Current Liabilities</b>							
Provisions	13	<b>46</b>	115	115	<b>-</b>	115	115
<b>Total Non Current Liabilities</b>		<b>46</b>	115	115	<b>-</b>	115	115
<b>Total Liabilities</b>		<b>2,041</b>	2,089	2,089	<b>2,041</b>	2,089	2,089
<b>Net Assets</b>		<b>4,011</b>	3,814	3,961	<b>4,011</b>	3,814	3,961
<b>EQUITY</b>							
Accumulated funds	15	<b>4,011</b>	3,814	3,961	<b>4,011</b>	3,814	3,961
<b>Total Equity</b>		<b>4,011</b>	3,814	3,961	<b>4,011</b>	3,814	3,961

The accompanying notes form part of these financial statements.



# Cash Flow Statement

for the year ended 30 June 2006

	Notes	CONSOLIDATED			IPART		
		Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Payments</b>							
Employee related		(7,803)	(7,637)	(7,566)	(7,803)	(7,637)	(7,566)
Other		(8,843)	(7,825)	(8,632)	(8,843)	(7,825)	(8,632)
<b>Total Payments</b>		<b>(16,646)</b>	(15,462)	(16,198)	<b>(16,646)</b>	(15,462)	(16,198)
<b>Receipts</b>							
Sale of goods and services		1,331	500	1,204	1,331	500	1,204
Interest received		208	200	223	208	200	223
Other		928	–	958	928	–	958
<b>Total Receipts</b>		<b>2,467</b>	700	2,385	<b>2,467</b>	700	2,385
<b>Cash Flows From Government</b>							
Recurrent appropriation	5	14,752	14,752	14,061	14,752	14,752	14,061
Capital appropriation	5	180	180	180	180	180	180
Cash reimbursements from the Crown Entity		–	–	419	–	–	419
<b>Net Cash Flows From Government</b>		<b>14,932</b>	14,932	14,660	<b>14,932</b>	14,932	14,660
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	19	<b>753</b>	170	847	<b>753</b>	170	847
<b>Cash Flows From Investing Activities</b>							
Proceeds from sale of Plant and Equipment		8	–	20	8	–	20
Purchases of Plant and Equipment		(157)	(180)	(434)	(157)	(180)	(434)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(149)</b>	(180)	(414)	<b>(149)</b>	(180)	(414)
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>604</b>	(10)	433	<b>604</b>	(10)	433
Opening cash and cash equivalents		4,252	4,252	3,819	4,252	4,252	3,819
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	8	<b>4,856</b>	4,242	4,252	<b>4,856</b>	4,242	4,252

The accompanying notes form part of these financial statements.

# Program Statement – Expenses and Revenues

for the year ended 30 June 2006

CONSOLIDATED	PROGRAM 1 PRICING REGULATION*		NOT ATTRIBUTABLE		TOTAL	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>AGENCY'S EXPENSES AND REVENUES</b>						
<b>Expenses excluding losses</b>						
<b>Operating expenses</b>						
▶ Employee related expenses	8,557	8,102	–	–	8,557	8,102
▶ Other operating expenses	7,373	7,531	–	–	7,373	7,531
Operating expenses	15,930	15,633	–	–	15,930	15,633
Maintenance expenses	117	78	–	–	117	78
Depreciation and amortisation expenses	393	370	–	–	393	370
<b>Total expenses excluding losses</b>	<b>16,440</b>	<b>16,081</b>	<b>–</b>	<b>–</b>	<b>16,440</b>	<b>16,081</b>
<b>Revenue</b>						
Sale of goods and services	965	1,444	–	–	965	1,444
Investment income	216	218	–	–	216	218
Other revenue	9	18	–	–	9	18
<b>Total Revenue</b>	<b>1,190</b>	<b>1,680</b>	<b>–</b>	<b>–</b>	<b>1,190</b>	<b>1,680</b>
Gain / (loss) on disposal	5	5	–	–	5	5
<b>Net Cost of Services</b>	<b>15,245</b>	<b>14,396</b>	<b>–</b>	<b>–</b>	<b>15,245</b>	<b>14,396</b>
Government contributions **	15,295	15,073	15,295	15,073		
<b>NET EXPENDITURE/(REVENUE) FOR THE YEAR</b>	<b>15,245</b>	<b>14,396</b>	<b>(15,295)</b>	<b>(15,073)</b>	<b>(50)</b>	<b>(677)</b>
<b>ADMINISTERED EXPENSES AND REVENUES</b>						
<b>Administered Revenues</b>						
Consolidated Fund	–	–	–	–	–	–
Taxes, fees and fines	5,354	6,626	–	–	5,354	6,626
<b>Total Administered Revenues</b>	<b>5,354</b>	<b>6,626</b>	<b>–</b>	<b>–</b>	<b>5,354</b>	<b>6,626</b>
<b>Administered Revenues less Expenses</b>	<b>5,354</b>	<b>6,626</b>	<b>–</b>	<b>–</b>	<b>5,354</b>	<b>6,626</b>

\* The name and purpose of each program is summarised in Note 7.

\*\* Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions must be included in the 'Not Attributable' column.

# Summary of Compliance with Financial Directives

for the year ended 30 June 2006

CONSOLIDATED	2006				2005			
	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ORIGINAL BUDGET APPROPRIATION/EXPENDITURE</b>								
▶ Appropriation Act	14,752	14,752	180	157	13,990	13,990	180	180
	14,752	14,752	180	157	13,990	13,990	180	180
<b>OTHER APPROPRIATIONS/EXPENDITURE</b>								
▶ Treasurer's Advance	-	-	-	-	-	-	-	-
▶ Transfers to/from another agency (s28 of the Appropriation Act)	-	-	-	-	71	71	-	-
	-	-	-	-	71	71	-	-
<b>Total Appropriations/ Expenditure/Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>14,752</b>	<b>14,752</b>	<b>180</b>	<b>157</b>	<b>14,061</b>	<b>14,061</b>	<b>180</b>	<b>180</b>
<b>Amount draw down against Appropriation</b>		<b>14,752</b>		<b>180</b>		<b>14,061</b>		<b>180</b>
<b>Liability to Consolidated Fund *</b>		-		<b>23</b>		-		-

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

The Liability to Consolidated Fund represents the difference between the "Amount drawn down against Appropriation" and the "Total Expenditure/Net Claim on Consolidated Fund".

# Notes to the financial statements

for the year ended 30 June 2006

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Reporting entity

The Independent Pricing and Regulatory Tribunal of New South Wales (hereafter referred to as the Tribunal) is a separate reporting entity.

The Independent Pricing and Regulatory Tribunal Division was established under the Public Sector Employment Legislation Amendment Act 2006, to provide personnel services to the Independent Pricing & Regulatory Tribunal from 17 March 2006. The division has no functions other than employment functions.

In the process of preparing the consolidated financial report for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated. As stated above, the Independent Pricing and Regulatory Tribunal division was established on 17 March 2006, however 2005 consolidated figures have been disclosed for comparative purposes.

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

The consolidated financial report for the year ended 30 June 2006 has been authorised for issue by the Chairman of the Tribunal and Chief Executive Officer and Full Time Member of the Tribunal on 12 October 2006.

### (b) Basis of Preparation

The Tribunal's financial report is a general purpose financial report which has been prepared in accordance with:

- ▶ applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standard (AIFRS));
- ▶ the requirements of the *Public Finance and Audit Act* and Regulation; and
- ▶ the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

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

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

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

### (c) Statement of Compliance

The consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include AIFRS.

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly, except as stated below.

In accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and Treasury Mandates, the date of transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* was deferred to 1 July 2005. As a result, comparative information for these two Standards is presented under the previous Australian Accounting Standards which applied to the year ended 30 June 2005.

The basis used to prepare the 2004/05 comparative information for financial instruments under previous Australian Accounting Standards is discussed in Note 1 below. The financial instrument accounting policies for 2005/06 are specified 1-(q) and (s), below.

Reconciliations of AIFRS equity and surplus or deficit for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 23. This note also includes separate disclosure of the 1 July 2005 equity adjustments arising from the adoption of AASB 132 and AASB 139.

#### **(d) Administered Activities**

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

Transactions and balances relating to the administered activities are not recognised as the Tribunal's revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as "Administered Revenues", "Administered Expenses", "Administered Assets" and "Administered Liabilities".

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

#### **(e) Income Recognition**

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

(i) *Parliamentary Appropriations and Contributions*

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

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 14 as part of 'Current liabilities – Other'. The amount will be repaid and the liability will be extinguished next financial year.

(ii) *Sale of Goods*

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

(iii) *Rendering of Services*

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

(iv) *Investment revenue*

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*. Rental revenue is recognised in accordance with AASB 117

Leases on a straight-line basis over the lease term. Royalty revenue is recognised in accordance with AASB 118 Revenue on an accrual basis in accordance with the substance of the relevant agreement. Dividend revenue is recognised in accordance with AASB 118 when the agency's right to receive payment is established.

## **(f) Employee Benefits and other provisions**

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

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

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

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.

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

### *(ii) Long Service Leave and Superannuation*

The Tribunal's liabilities for long service leave and 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". Prior to 2005/06 the Crown Entity also assumed the defined contribution superannuation liability.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 06/09) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

### *(iii) Other Provisions*

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

## **(g) Insurance**

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

## **(h) Accounting for the Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- ▶ the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- ▶ receivables and payables are stated with the amount of GST included.

## **(i) Acquisitions of Assets**

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

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

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

## **(j) Capitalisation Thresholds**

Property, plant and equipment and intangible assets costing \$5,000 [or the amount determined by the Tribunal] and above individually (or forming part of a network costing more than \$5,000) are capitalised.

## **(k) Revaluation of Property, Plant and Equipment**

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 05-3). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment and AASB 140 Investment Property. Information on investment property is separately discussed at Note 1.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

## **(l) Impairment of Property, Plant and Equipment**

As a not-for-profit entity with no cash generating units, the Agency is effectively exempted from AASB 136 Impairment of Assets and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

**(m) Depreciation of Property, Plant and Equipment**

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

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

DEPRECIATION RATES	% RATE
<b>Intangible Asset</b>	
Computer software	25.00
<b>Plant &amp; Equipment</b>	
Office furniture and fittings	10.00
Computer equipment and softwares	33.33
General plant and equipment	14.28

**(n) Maintenance**

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

**(o) Leased Assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred.

**(p) Intangible Assets**

The Tribunal recognises intangible assets only if it is probable that future economic benefits will flow to the agency 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.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

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

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

In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, the Tribunal is effectively exempted from impairment testing (refer para (l)).



### **(q) Loans and Receivables – Year ended 30 June 2006**

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

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

### **(r) Other Assets**

Other assets are recognised on cost basis.

### **(s) Payables – Year ended 30 June 2006**

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

### **(t) Budgeted Amounts**

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and/or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Operating Statement and the Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts; i.e. per the audited financial statements (rather than carried forward estimates).

### **(u) Comparative Information**

Comparative figures have been restated based on AEIFRS with the exception of financial instruments information, which has been prepared under the previous AGAAP Standard (AAS 33) as permitted by AASB 136A. The transition to AEIFRS for financial instruments information was 1 July 2005. The impact of adopting AASB 132/139 is further discussed at Note 23.

## 2. EXPENSES EXCLUDING LOSSES

	CONSOLIDATED		IPART	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>(a) Employee related expenses</b>				
Salaries and wages (including recreation leave)	<b>7,292</b>	6,831	<b>4,993</b>	6,831
Superannuation – defined benefit plans	<b>128</b>	101	<b>65</b>	101
Superannuation – defined contribution plans	<b>435</b>	419	<b>313</b>	419
Long service leave	<b>224</b>	282	<b>142</b>	282
Workers compensation insurance	<b>34</b>	29	<b>32</b>	29
Payroll tax and fringe benefit tax	<b>410</b>	409	<b>290</b>	409
Payroll tax on superannuation	<b>34</b>	31	<b>23</b>	31
Personnel services	–	–	<b>2,699</b>	–
	<b>8,557</b>	8,102	<b>8,557</b>	8,102
<b>(b) Other operating expenses</b>				
Auditor's remuneration – audit or review of the financial report	<b>15</b>	37	<b>15</b>	37
Consultancies	<b>3,836</b>	3,456	<b>3,836</b>	3,456
Contractors	<b>399</b>	327	<b>399</b>	327
Insurance	<b>10</b>	12	<b>10</b>	12
Legal costs	<b>199</b>	454	<b>199</b>	454
Operating lease rental expense – minimum lease payments	<b>563</b>	518	<b>563</b>	518
Travel	<b>131</b>	110	<b>131</b>	110
Other expenses	<b>1,062</b>	1,034	<b>1,062</b>	1,034
Corporate services	<b>250</b>	234	<b>250</b>	234
EDP expenses	<b>908</b>	1,349	<b>908</b>	1,349
Maintenance	<b>117</b>	78	<b>117</b>	78
	<b>7,490</b>	7,609	<b>7,490</b>	7,609
<b>* Reconciliation – Total maintenance</b>				
Maintenance included in 2(b) above	<b>117</b>	78	<b>117</b>	78
Maintenance related employee expenses included in Note 2(a) above	–	–	–	–
	<b>117</b>	78	<b>117</b>	78

	CONSOLIDATED		IPART	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>(c) Depreciation and amortisation expenses</b>				
<b>Depreciation:</b>				
Plant and Equipment	243	232	243	232
	243	232	243	232
<b>Amortisation:</b>				
Leasehold improvements	132	119	132	119
Intangible Asset	18	19	18	19
	393	370	393	370

### 3. REVENUE

<b>(a) Sale of goods and services</b>				
Rendering of services (reimbursement of both external consultancies and in-house costs)	965	1,444	965	1,444
	965	1,444	965	1,444
<b>(b) Investment revenue</b>				
Interest	216	218	216	218
	216	218	216	218
<b>(c) Other revenue</b>				
Lease incentive amortisation	9	16	9	16
Other	-	2	-	2
	9	18	9	18

### 4. GAIN/(LOSS) ON DISPOSAL

<b>Gain/(loss) on disposal of plant and equipment</b>				
Proceeds from disposal	7	20	7	20
Less: Written down value of assets disposed	(2)	(15)	(2)	(15)
<b>Net gain/(loss) on disposal of plant and equipment</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

## 5. APPROPRIATIONS

	CONSOLIDATED		IPART	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>Recurrent appropriations</b>				
Total recurrent drawdowns from Treasury (per Summary of Compliance)	<b>14,752</b>	14,061	<b>14,752</b>	14,061
Less: Liability to Consolidated Fund (per Summary of Compliance)	-	-	-	-
	<b>14,752</b>	14,061	<b>14,752</b>	14,061
Comprising:				
Recurrent appropriations (per Operating Statement)	<b>14,752</b>	14,061	<b>14,752</b>	14,061
Transfer payments	-	-	-	-
	<b>14,752</b>	14,061	<b>14,752</b>	14,061
<b>Capital appropriations</b>				
Total capital drawdowns from Treasury (per Summary of Compliance)	<b>180</b>	180	<b>180</b>	180
Less: Liability to Consolidated Fund (per Summary of Compliance)	<b>23</b>	-	<b>23</b>	-
	<b>157</b>	180	<b>157</b>	180
Comprising:				
Capital appropriations (per Operating Statement)	<b>157</b>	180	<b>157</b>	180
Transfer payments	-	-	-	-
	<b>157</b>	180	<b>157</b>	180

## 6. 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 agencies:

Superannuation	<b>128</b>	519	<b>128</b>	519
Long Service Leave	<b>224</b>	282	<b>224</b>	282
Payroll tax	<b>34</b>	31	<b>34</b>	31
	<b>386</b>	832	<b>386</b>	832

## 7. PROGRAMS/ACTIVITIES OF THE AGENCY

### (a) Program 1 – Pricing Regulation

Objectives: To provide independent assessments of pricing and associated activities including setting maximum prices and undertaking pricing reviews of monopoly services supplied by government agencies. To regulate natural gas pricing and third party access to gas networks, undertake general reviews of industry, pricing or competition and to register agreements for access to infrastructure assets and to arbitrate in disputes arising from such agreements. To investigate complaints about competitive neutrality referred by the Government. To administer licensing or authorisation of water, electricity and gas businesses and monitor compliance with licence conditions, including full retail competitive requirements. To administer the NSW Greenhouse Gas Abatement Scheme.

## 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED		IPART	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	4,856	4,252	4,856	4,252
	<b>4,856</b>	<b>4,252</b>	<b>4,856</b>	<b>4,252</b>

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

Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:

Cash and cash equivalents (per Balance Sheet)	<b>4,856</b>	4,252	<b>4,856</b>	4,252
<b>Closing cash and cash equivalents (per Cash Flow Statement)</b>	<b>4,856</b>	4,252	<b>4,856</b>	4,252

## 9. CURRENT ASSETS – RECEIVABLES

Sale of goods and services	<b>174</b>	523	<b>174</b>	523
Goods and Services Tax recoverable from ATO	<b>121</b>	119	<b>121</b>	119
Interest receivable	<b>107</b>	99	<b>107</b>	99
Other	<b>8</b>	28	<b>8</b>	28
	<b>410</b>	769	<b>410</b>	769

## 10. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	<b>CONSOLIDATED</b>	<b>IPART</b>
	Plant and Equipment	Plant and Equipment
	\$'000	\$'000
<b>At 1 July 2005</b>		
Gross Carrying Amount	2,168	2,168
Accumulated Depreciation	(1,175)	(1,175)
<b>Net carrying amount – at Fair Value</b>	<b>993</b>	<b>993</b>
<b>At 30 June 2006</b>		
Gross Carrying Amount	2,165	2,165
Accumulated Depreciation	(1,424)	(1,424)
<b>Net carrying amount – at Fair Value</b>	<b>741</b>	<b>741</b>
<b>Reconciliation</b>		
A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.		
<b>Year ended 30 June 2006</b>		
Net Carrying Amount at start of year	993	993
Additions	125	125
Assets held for sale	–	–
Disposals	(128)	(128)
Depreciation expense	(375)	(375)
Writeback on Disposals	126	126
<b>Net carrying amount at end of year</b>	<b>741</b>	<b>741</b>

## 11. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	CONSOLIDATED		IPART	
	Software		Software	
	\$'000		\$'000	
<b>At 1 July 2005</b>				
Cost (gross carrying amount)		75		75
Accumulated amortisation and impairment		(39)		(39)
<b>Net carrying amount - at fair value</b>		<b>36</b>		<b>36</b>
<b>At 30 June 2006</b>				
Cost (gross carrying amount)		102		102
Accumulated amortisation and impairment		(57)		(57)
<b>Net carrying amount - at fair value</b>		<b>45</b>		<b>45</b>
<b>Year ended 30 June 2006</b>				
Net carrying amount at start of year		36		36
Additions		27		27
Amortisation (recognised in depreciation and amortisation)		(18)		(18)
<b>Net carrying amount at end of year – at fair value</b>		<b>45</b>		<b>45</b>

## 12. CURRENT LIABILITIES – PAYABLES

	CONSOLIDATED		IPART	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Accrued salaries, wages and on-costs	<b>545</b>	68	<b>1</b>	68
Creditors	<b>504</b>	934	<b>504</b>	934
Personnel services	–	–	<b>1,406</b>	–
	<b>1,049</b>	1,002	<b>1,911</b>	1,002

### 13. CURRENT/NON CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED		IPART	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>Current Employee benefits and related on costs</b>				
Recreation leave	681	757	–	757
Long service leave	19	98	–	98
Payroll tax	116	1	–	1
	<b>816</b>	856	–	856
<b>Other provisions</b>				
Restoration Cost	107	107	107	107
	<b>107</b>	107	<b>107</b>	107
	<b>923</b>	963	<b>107</b>	963
<b>Non current Employee benefits and related on costs</b>				
Long service leave	46	115	–	115
	<b>46</b>	115	–	115
<b>Aggregate employee benefits and related on costs</b>				
Provisions – current	816	856	–	856
Provisions – non current	46	115	–	115
Accrued salaries, wages and on costs (refer Note 12)	590	68	–	68
	<b>1,452</b>	1,039	–	1,039

### 14. CURRENT LIABILITIES – OTHER

Liability owing to consolidated fund	23	–	23	–
Lease incentive	–	9	–	9
	<b>23</b>	9	<b>23</b>	9



## 15. CHANGES IN EQUITY

	ACCUMULATED FUNDS	
	2006	2005
	\$'000	\$'000
<b>CONSOLIDATED</b>		
Balance at the beginning of the year	3,961	3,284
<b>Changes in equity – other than transactions with owners as owners</b>		
Surplus/(deficit) for the year	50	677
Total	50	677
<b>Balance at the end of the financial year</b>	<b>4,011</b>	<b>3,961</b>
<b>IPART</b>		
Balance at the beginning of the year	3,961	3,284
<b>Changes in equity – other than transactions with owners as owners</b>		
Surplus/(deficit) for the year	50	677
Total	50	677
<b>Balance at the end of the financial year</b>	<b>4,011</b>	<b>3,961</b>

## 16. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED		IPART	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>(a) Capital Commitments</b>				
Aggregate capital expenditure for the acquisition of office equipment contracted for at balance date and not provided for:				
Not later than one year	-	12	-	12
<b>Total (including GST)</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>12</b>
<b>(b) Other Expenditure Commitments</b>				
Aggregate other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:				
Not later than one year	3	14	3	14
<b>Total (including GST)</b>	<b>3</b>	<b>14</b>	<b>3</b>	<b>14</b>

## 16. COMMITMENTS FOR EXPENDITURE **continued**

	CONSOLIDATED		IPART	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>(c) Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals not provided for and payable:				
Not later than one year	<b>524</b>	650	<b>524</b>	650
Later than one year and not later than five years	<b>326</b>	1,679	<b>326</b>	1,679
<b>Total (including GST)</b>	<b>850</b>	2,329	<b>850</b>	2,329

The total commitments above includes input tax credits of \$77,000 that are expected to be recoverable from the ATO.

## 17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Tribunal is not aware of any contingent liabilities associated with its operations.

## 18. BUDGET REVIEW

### Net cost of services

The net cost of services of \$15.245 million was \$132,000 less than budget. This was mainly due to higher than budgeted sale of goods and services revenue (\$465,000 above budget) which related to rendering of services. This was offset by higher than budgeted expenditure of \$363,000.

### Assets and liabilities

#### *Current Assets:*

Total current assets were \$255,000 above budget due to cash of \$4.856 million being \$614,000 above budget and receivables of \$410,000 being below budget by \$359,000.

#### *Non Current assets:*

Plant and Equipment was \$115,000 under budget mainly due to higher than budgeted accumulated depreciation.

#### *Current and Non Current Liabilities:*

Total liabilities were \$48,000 below budget due to reduction in employee benefits provisions.

### Cash flows

Cash flows from operating activities were over budget by \$583,000 due to higher than anticipated revenue for sale of goods and services(\$831,000) offset by an above budget total payments(\$1.184 million). Computer and office equipment purchases for \$157,000 caused the lower than budgeted cash flow from investing activities.

## 19. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

	CONSOLIDATED		IPART	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Net cash used on operating activities	753	847	753	847
Net Cash flows from Government	(14,932)	(14,660)	(14,932)	(14,660)
Acceptance by the Crown Entity of employee benefits and other liabilities	(386)	(413)	(386)	(413)
Depreciation and amortisation	(393)	(370)	(393)	(370)
Decrease/(increase) in other liabilities	9	16	54	16
Decrease/(increase) in provisions	109	(112)	109	(112)
Increase/(decrease) in receivables and other assets	(359)	184	(359)	184
Decrease/(increase) in creditors	(51)	107	(96)	107
Net gain/(loss) on sale of plant and equipment	5	5	5	5
<b>Net cost of services</b>	<b>(15,245)</b>	<b>(14,396)</b>	<b>(15,245)</b>	<b>(14,396)</b>

## 20. ADMINISTERED ASSETS AND LIABILITIES

<b>Administered Assets</b>				
Cash	441	401	441	401
Receivables	6,316	5,078	6,316	5,078
<b>Total Administered Assets</b>	<b>6,757</b>	<b>5,479</b>	<b>6,757</b>	<b>5,479</b>
<b>Administered Liabilities</b>				
Liability to Consolidated Fund	6,757	5,479	6,757	5,479
<b>Total Administered Liabilities</b>	<b>6,757</b>	<b>5,479</b>	<b>6,757</b>	<b>5,479</b>

## 21. ADMINISTERED REVENUE – SCHEDULE OF UNCOLLECTED AMOUNTS

<b>Electricity/Gas Supplier Licences and Authorisations</b>				
Not later than one year	6,316	5,078	6,316	5,078
	<b>6,316</b>	<b>5,078</b>	<b>6,316</b>	<b>5,078</b>

## 22. FINANCIAL INSTRUMENTS

The Tribunal's principal financial instruments are outlined below. These financial instruments arise directly from the Tribunal's operations or are required to finance Tribunal's operations. The Tribunal does not enter into or trade financial instruments for speculative purposes. The Tribunal does not use financial derivatives.

### Cash

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

### Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. The credit risk is the carrying amount (net of any allowance for impairment). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 day terms.

### Bank Overdraft

The Tribunal does not have any bank overdraft facility.

### Trade Creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest was paid during the year (\$ Nil 2005).

## 23. IMPACT OF ADOPTION OF AIFRS

The Tribunal has applied the AIFRS for the first time in 2005/06 financial report. The key areas where changes in accounting policies have impacted the financial report are disclosed below. Some of these impacts arise because AIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts arise from options in AIFRS that were not available or not applied under previous AGAAP. The Tribunal has adopted the options mandated by NSW Treasury for all NSW public sector agencies. The impacts below reflect Treasury's mandates and policy decisions.

The impacts of adopting AIFRS on total equity and surplus/(deficit) as reported under previous AGAAP are shown below: There are no material impacts on independent pricing and regulatory tribunal's cash flows.

(a) Reconciliation – 1 July 2004 and 30 June 2005

	Notes	CONSOLIDATED		IPART	
		Actual 2006**	1 July 2005*	Actual 2006**	1 July 2005*
		\$'000	\$'000	\$'000	\$'000
<b>Reconciliation of equity under previous Accounting standards (AGAAP) to equity under AIFRS</b>					
Total Equity under AGAAP		–	4,018	–	4,018
Recognition of restoration costs	ii	–	(57)	–	(57)
<b>Total equity under AIFRS</b>		<b>–</b>	<b>3,961</b>	<b>–</b>	<b>3,961</b>

\* adjustments as at the date of transition    \*\* cumulative adjustments as at date of transition plus the year ended 30 June, 2006

	Notes	CONSOLIDATED	IPART
		2005	2005
		\$'000	\$'000
<b>Reconciliation of surplus/(deficit) under previous AGAAP to surplus/(deficit) under AIFRS:</b>			
<b>Year ended 30 June 2005</b>			
Surplus/(deficit) under AGAAP		698	698
Recognition of depreciation and finance costs for the provision for restoration costs	ii	(21)	(21)
<b>Surplus/(deficit) under AIFRS</b>		<b>677</b>	<b>677</b>

Based on the above, application of AIFRS in 2004/05 has increased the Net Cost of Services from \$14,375K to \$14,396K.

**Notes to tables above**

i AASB 116 Property Plant and Equipment requires for profit entities to offset revaluation increments and decrements on an individual asset basis, rather than on a class basis. This change decreased accumulated funds and increased the asset revaluation reserve.

ii AASB 116 requires major inspection cost to be recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Under previous AGAAP, these costs were expensed as incurred. The fair value and depreciation component associated with the major inspection costs were re-allocated as a portion of the recognised value of the related asset. This increased the net carrying amount of property, plant and equipment and increased the depreciation expense. In addition, the repairs and maintenance expense decreased.

**24. AFTER BALANCE DATE EVENTS**

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

End of audited financial report.

## Our work program for 2006/2007

### Water

- ▶ Determine maximum prices for 2006/07 to 2009/10 for bulk water services provided by Department of Natural Resources and State Water Corporation
- ▶ Review of recycled water prices and sewer mining services supplied by:
  - ▷ Sydney Water Corporation
  - ▷ Hunter Water Corporation
  - ▷ Gosford City Council
  - ▷ Wyong Shire Council

### Water Licence audits

- ▶ Sydney Water Corporation
- ▶ Sydney Catchment Authority
- ▶ Hunter Water Corporation
- ▶ State Water Corporation

### Water Licence Reviews

- ▶ Review of system performance standards:
  - ▷ Sydney Water Corporation
  - ▷ Hunter Water Corporation

### Energy

- ▶ Monitor Compliance with current electricity determinations
- ▶ Monitor Compliance with current gas determinations

### Transport

#### Rail access

- ▶ Audit aspects of rail access undertaking:
  - ▷ 2003/04
  - ▷ 2004/05
- ▶ Register rail access agreements

#### Transport fares

- ▶ Recommend taxi fares 2006/07
- ▶ Determination of Fares for Sydney Ferries
- ▶ Review of Fares for Private Ferries in NSW
- ▶ Determination of Fares for Metropolitan Bus Services
- ▶ Review of non-metropolitan fares for private Buses in NSW
- ▶ Review of Fares for CityRail

### Section 9 Referrals

- ▶ Investigation into the burden of regulation in NSW and improving regulatory efficiency
- ▶ Review of the skills base in NSW and future challenges for vocational education and training

### Greenhouse Gas Abatement Scheme

- ▶ Development of revised framework for Generation Rule Method 2 accreditations
- ▶ Accreditation framework for carbon sequestration in forests
- ▶ Review application of the default abatement factors approach in the Demand Side Abatement rule to ensure integrity of abatement.

# Outline budget for 2006/07

## Budgeted Operating Statement

	2006/07
	\$
Employee Related Expenses	8,817,000
Other Operating Expenses	7,447,000
Depreciation	317,000
<b>TOTAL EXPENSES</b>	<b>16,581,000</b>
TOTAL REVENUE	724,000
GAIN/(LOSS) ON DISPOSALS	0
<b>NET COST OF SERVICES</b>	<b>15,857,000</b>
<b>Government Funding</b>	
Recurrent Allocation	15,109,000
Capital Allocation	180,000
Crown Acceptance of Dept Liabilities	310,000
<b>Total Government Funding</b>	<b>15,599,000</b>
<b>OPERATING RESULT</b>	<b>(258,000)</b>

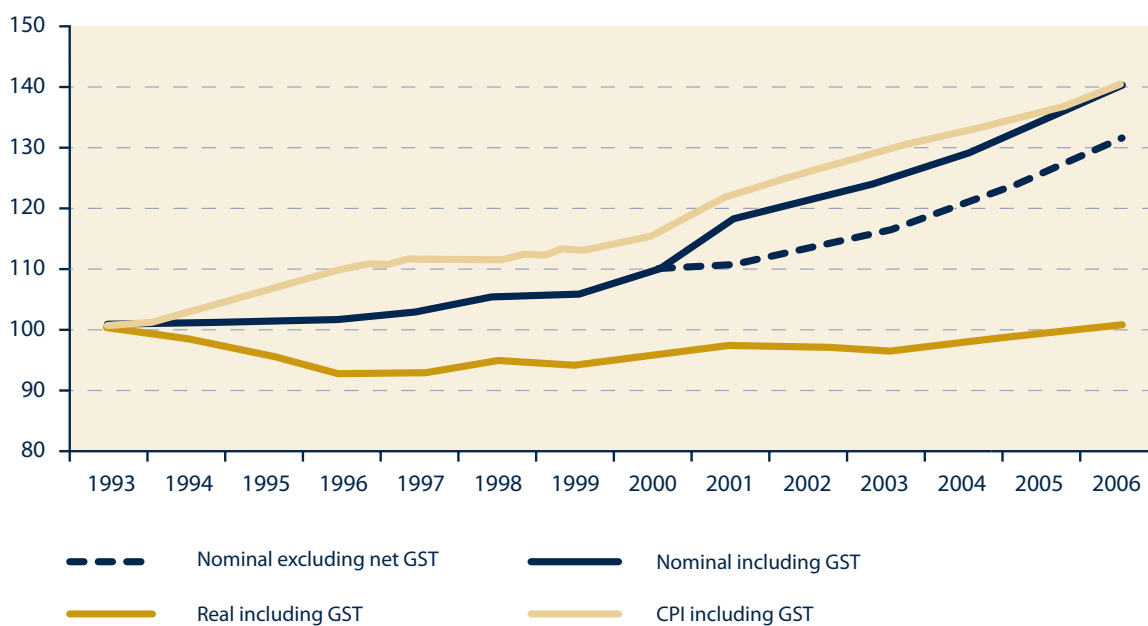
## Impacts of IPART's determinations

Average expenditure by households on IPART regulated services comprise just under 4% of total weekly expenditure. Though this looks like a small component of household spending, they are essential basic services which the general population consumes regularly. To monitor the impact of its price determinations on households, IPART introduced an index of household charges in 1993. This index measures the impact of charges that IPART regulates on an average household, using Australian Bureau of Statistics (ABS) data on household expenditure to calculate the relative expenditure (weightings) for electricity, gas, water and public transport (rail, bus and ferry)<sup>4</sup>.

During the 1990s, average household charges for IPART regulated services generally trended downwards. Since 2000, charges have begun to rise gradually.

**Average household charges in 2005/06 were at the same levels as in 1992/93 in real terms, including GST. If the net impact of GST and the new tax system are excluded, household charges were 3% lower in real terms than in 1992/93.**

**Figure 1 Composite index of household charges from 1992/93 to 2005/06**



<sup>4</sup> For the period 1993 to 2004, the weightings are from the 1998/99 Households Expenditure survey (all NSW households) and are as follows: electricity 51%, water 23%, gas 8% and public transport 18%. The 2003/04 Households Expenditure survey (Sydney households) is used for 2005 and 2006, and the weightings are as follows: electricity 47%, water 20.5%, gas 11.5% and public transport 21%.



## PRICE IMPACTS ON RESIDENTIAL CUSTOMERS

In 2005/06, households paid on average 4% more for electricity, gas, water, sewerage and public transport in nominal terms than they did in 2004/05. This increase is somewhat higher than the increase in the Consumer Price Index (CPI) so that average household charges rose by roughly 1.5% in real terms. The reasons for the real price increases lie in the emergence of various cost pressures, notably in the electricity and water businesses. The factors affecting each service are discussed below.

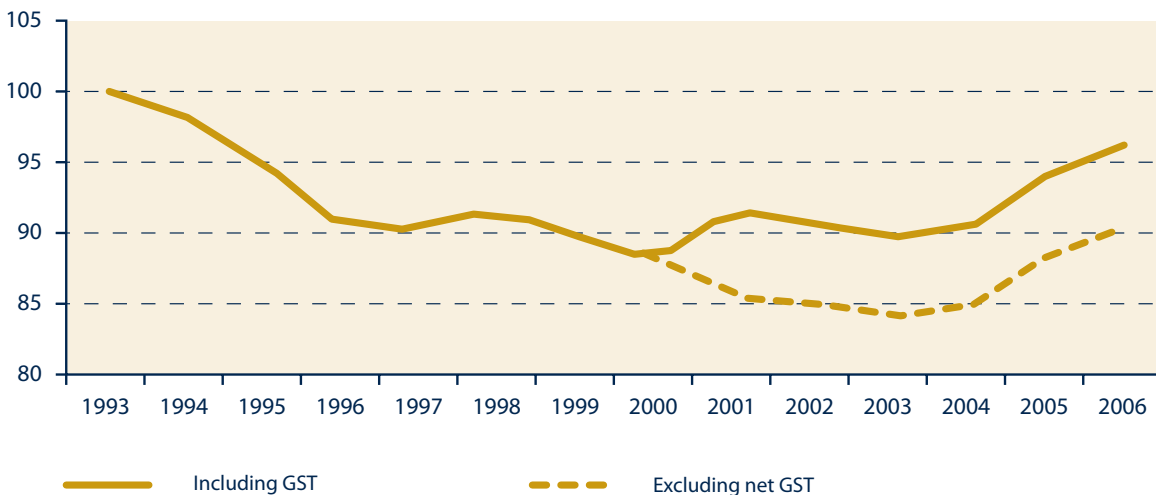
### Electricity

Full retail contestability was introduced into the residential retail market on 1 January 2002. However, small customers who have not switched to a contestable tariff remain on a regulated default tariff.

The average price paid by residential customers on the regulated default tariff increased by about 5.6% between 2004/05 and 2005/06 in nominal terms, which means they increased by roughly 2.3% in real terms. These increases are a consequence of cost pressures that have emerged, including the growing need for capital investment to expand generation capacity and replace ageing network infrastructure and cope with new patterns of demand, in particular, peak load demand due to the growing use of air conditioners.

Despite the recent increases, electricity prices are lower in real terms than they were in 1992/93. The index of household electricity charges (Figure 2) shows that average regulated electricity prices in NSW fell by 4% (including GST) over the period 1992/93 to 2004/05.

**Figure 2. Index of residential electricity prices 1992/93 – 2005/06 (real)**



*Note the above charges excludes the Energy Savings Fund component. Some electricity retail tariffs include a component which goes towards the NSW Government's Energy Savings Fund. This fund aims to: reduce overall electricity consumption in NSW and related greenhouse gas emissions, reduce peak electricity demand, stimulate investment in innovative measures, and increase public awareness in energy savings.*

### Metropolitan Water

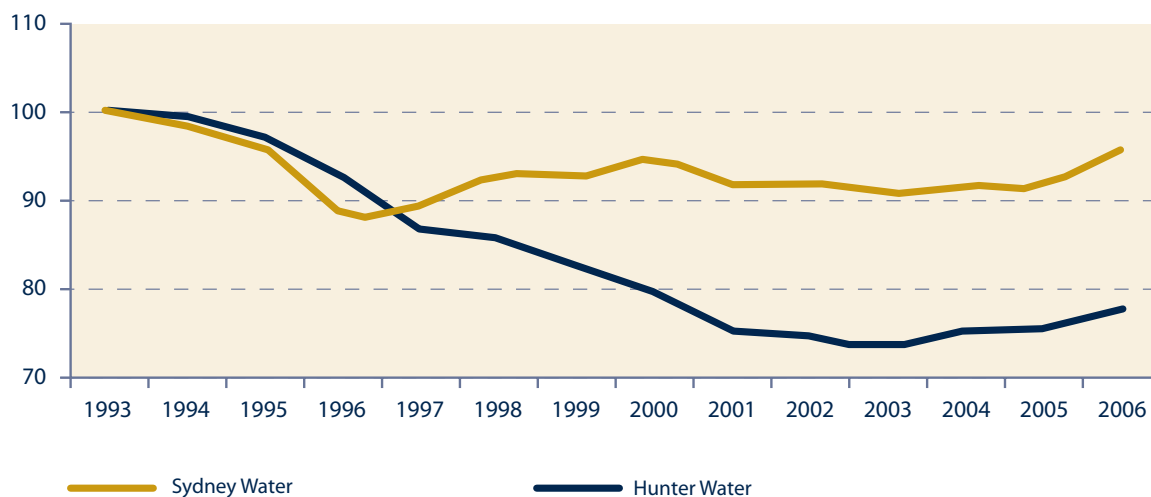
The 2005 determinations introduced a two tiered usage charge for Sydney Water Corporation and removed the declining block tariff for Hunter Water Corporation. This change in tariff structure allowed a reduction in fixed charges while usage charges were increased. The higher usage charge serves to send improved price signals about the cost of consuming water and the need to conserve it, particularly in the present drought environment. Effectively, the more water one consumes, the more expensive it becomes.

Residential customers of both Sydney Water Corporation and Hunter Water Corporation using 220kL of water per year experienced real increases of 4.7% and 3.0%, respectively in their water and sewerage bill between 2004/05 and 2005/06.<sup>5</sup> These increases are the largest on a per annum basis since the mid 1990s.

The reasons for the increase in charges relate to the scarcity of water, especially in this drought environment, and increasing cost pressures. Increased cost pressures are coming from operating, capital and environmental drivers. The growing complexity of water supply arrangements; the need to improve water conservation and manage demand; and the maintenance and expansion of the network of water, waste water and storm water drainage services as the population grows is placing upward pressure on costs.

Although the past year has seen an increase in water charges for households, bills are still lower than they were in 1992/93. A Sydney Water Corporation customer paid 4% less for water and sewerage services in 2005/06 than in 1992/93 in real terms. A Hunter Water Corporation customer paid a full 22% less.

**Figure 3. Index of residential water and sewerage charges 1992/93 – 2005/06 (real)**



<sup>5</sup> Due to the staging of determinations for the various metropolitan water companies, the impact of IPART's decision have only come into effect for three quarters of the year for Sydney Water Corporation customers and two thirds of the year for Hunter Water Corporation customers.

## Public transport

Since the beginning of 2005, the single ticket prices charged on public and private buses in metropolitan Sydney have been aligned. IPART accepts that in general, buses of the same quality, travelling the same distance should charge the same full fare. Single fares for all metropolitan bus services remain aligned despite divergences in costs and apparent levels of efficiency between Sydney Buses and private operators.

Sydney bus fares rose by an average of 4.5% (nominal) and single ticket fares were allowed to rise by 10 and 20 cents per ticket. Fares for Newcastle buses rose by 3.3% (nominal) and single ticket fares were allowed to rise from 10 to 30 cents per ticket on 3 January 2006. IPART allowed the fare increases due to increased costs in the bus industry, however it considers the small increases should not have significant adverse effects on passengers or the environment.

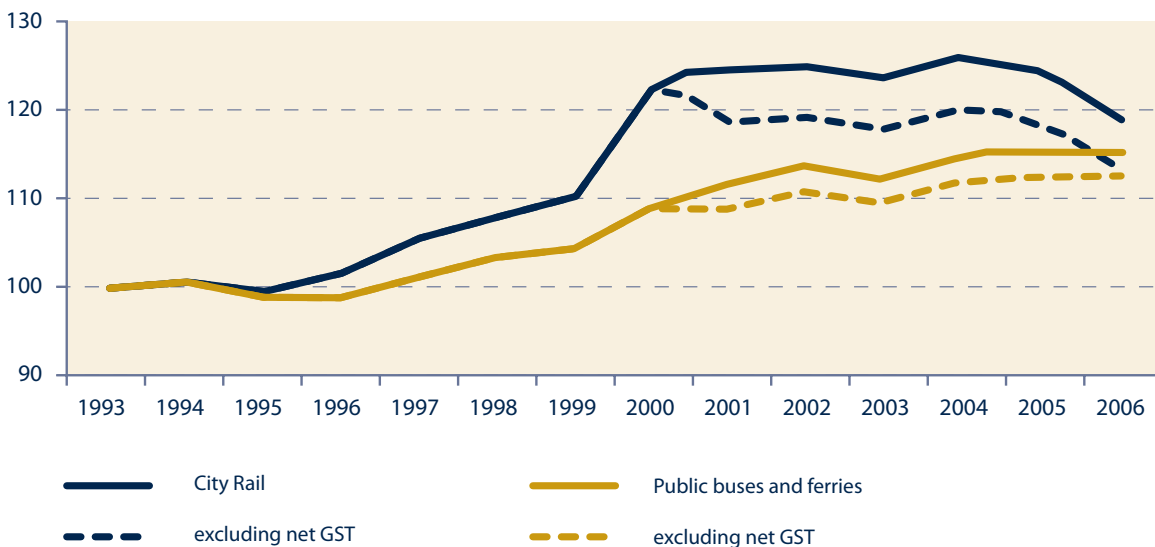
Sydney Ferries' maximum ferry fares rose by an average of 3.2% (nominal) on 18 December 2005. These increases allowed fares to rise in line with inflation and also reflects rounding of all adult single trip and FerryTen tickets to the nearest 10 cents and all adult TravelPass weekly tickets to the nearest dollar.

CityRail fares for 2005/06 remained at their 2004 levels, following a request from the Premier to defer a fare review until further notice.

In contrast to water and electricity prices, public transport prices have risen substantially since 1992/93. Train passengers pay on average 19% more now than in 1992/93, while bus and ferry commuters pay on average 15% more in real terms (including GST).

Transport fares recover only part of the costs of service, particularly train and ferry services, with the remaining revenue requirements coming from consolidated state revenue. All transport services have experienced significant cost increases over the period, which have affected cost recovery levels. The reasons for cost increases have varied from changes in government requirements (for example improved access for the disabled, greater security for passengers and staff) to increased capital outlays to replace ageing infrastructure. Over the past year, the impact of rising fuel costs has also been a contributor to higher operating costs. IPART's pricing recommendations now include productivity adjustments to ensure that costs are as efficient as possible.

**Figure 4. Index of public transport prices 1992/93 – 2005/06 (real)**

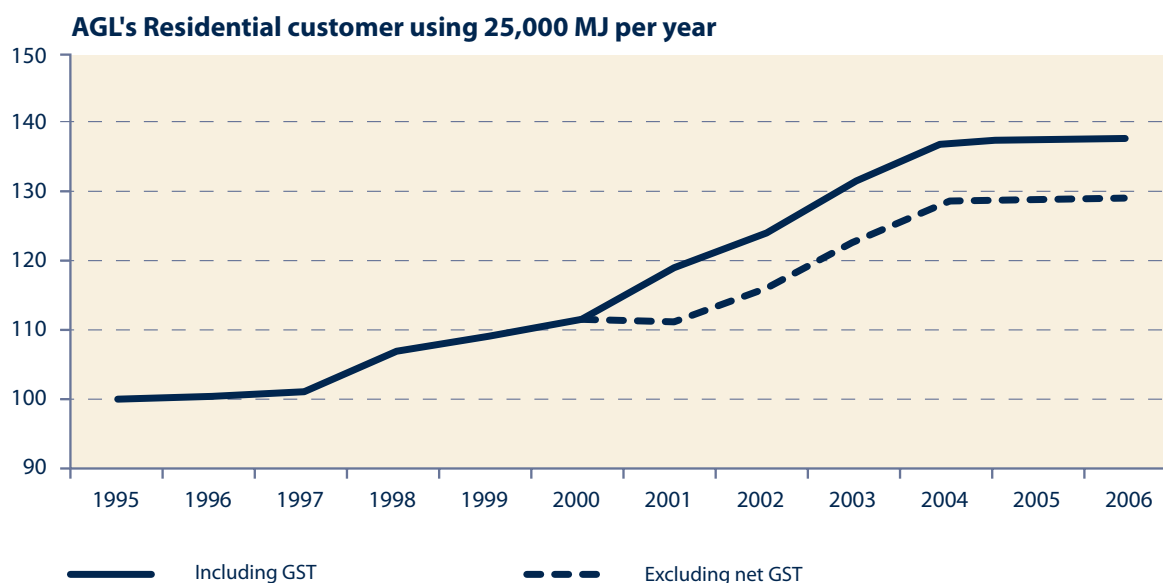


## Gas

IPART took over the regulation of gas prices in 1995/96. Retail contestability has been progressively introduced into the gas market since 1997, and all gas retail services have been contestable since 1 January 2002. Small retail customers have the option to remain on, or return to, a regulated tariff.

The gas index shown in Figure 5 is calculated for a medium consumption AGL gas customer using 25,000MJ of gas per year. This customer will pay 38% more for gas in 2005/06 compared to the amount paid in 1994/95 (including GST) – an average increase of around 3.5% per year in real terms.

**Figure 5. Index of residential gas prices for AGL customers 1994/95 – 2005/06 (real)**



The increases for residential customers to 2002/03 are primarily due to the elimination of the previous cross-subsidy of residential customers by non-residential users. The 6.8% nominal increase, or 4.4% real increase, in 2003/04 was due to various increases in the cost of supply. AGL's average regulated retail tariff increase in 2005/06 was equal to the change in the consumer price index, and the small increase for this customer was due to a change in the tariff structure.

## PRICE IMPACTS ON NON-RESIDENTIAL CUSTOMERS

The Tribunal's decisions also have an impact on the bill faced by non-residential customers in water, gas and electricity industries.

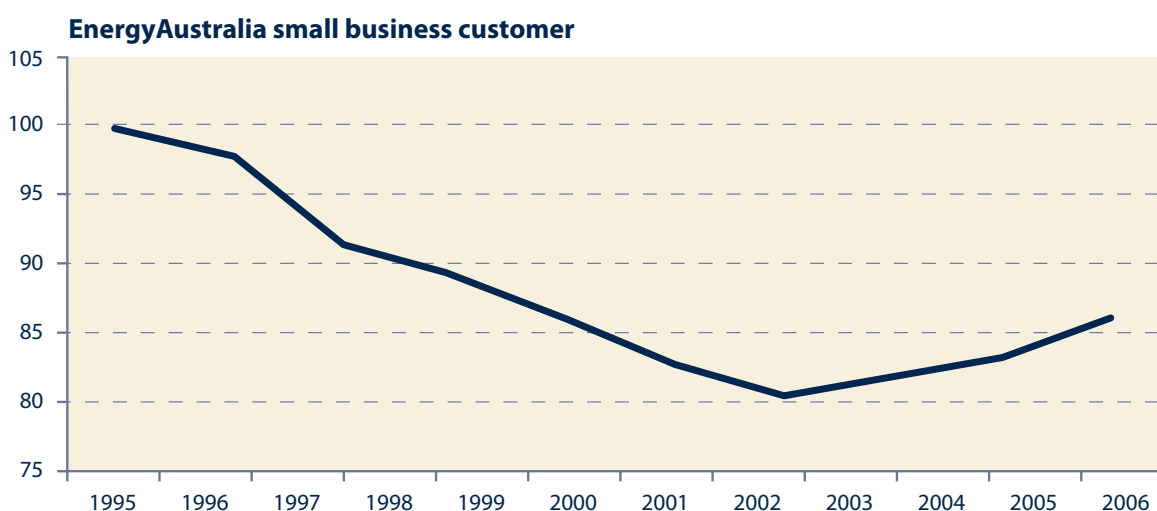
### Electricity

Retail contestability has progressively been introduced in the NSW electricity market since 1996, and IPART no longer regulates most non-residential tariffs. Business customers with consumption of less than 160MWh per year can however still choose to remain on the default tariff, which is regulated.

The electricity index shown in Figure 6 is calculated for an EnergyAustralia business customer on a general supply tariff using 30MWh of electricity per year. This customer paid 7% more for electricity in 2005/06 compared to the previous year in nominal terms, or about 3.7% in real terms. Although this past year has seen a relatively large increase, prices for this customer were 14% lower in 2005/06 than they were in 1996/97 (excluding GST).

The initial price decreases were facilitated by operating efficiencies and excess capacity in the generation sector. The emergence of cost pressures that in recent years have led to rising residential tariffs have equally resulted in a need to increase business tariffs.

**Figure 6. Index of regulated business electricity prices (small customers) 1996/97 – 2005/06 (real, excluding GST)**



**Note:** Prices calculated for consumption of 30MWh per year on a general supply tariff. Prices exclude GST.

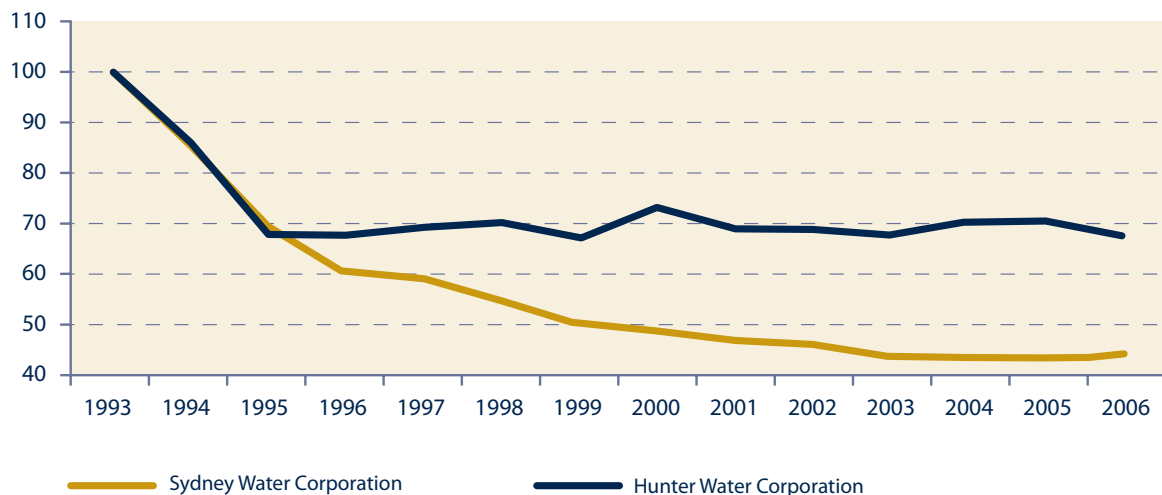
**Sources:** For 1996/97 – 2003/04, data comes from Electricity Supply Association of Australia, *Electricity Prices in Australia 2003/04*. For 2004/05 onwards the data is calculated, using EnergyAustralia's General Supply (Non TOU) tariff.

### Metropolitan Water

For the year 2005/06, IPART's determination for Sydney Water Corporation and Hunter Water Corporation only came into effect for part of the year due to timing of the decisions. Tariffs for both water agencies were amended to allow significant reductions in fixed charges while usage charges were increased. This shift in pricing structure aims to increase the signals regarding the cost of consuming water. As a result, Sydney Water Corporation's non-residential customers experienced a real price increase of about 1% between 2004/05 and 2005/06. Even though prices have increased over the past year, the bill for Sydney Water's non-residential customers of water and wastewater services have fallen substantially since 1992/93 by over 55% in real terms. This change is largely due to the progressive elimination of property value based charges, which were finally eliminated on 1 July 2004.

Historically, Hunter Water's usage charges and fixed charges have been higher than Sydney Water's charges. Thus under the current determination, the changes to reduce fixed charges while allowing higher usage charges have on balance allowed Hunter Water's customers to enjoy a reduction in total charges over the past year of just under 4% in real terms.<sup>6</sup>

**Figure 7. Index of real water and wastewater charges for non-residential customers 1992/3 – 2005/06**



<sup>6</sup> Hunter Water Corporation's water and wastewater property value based charges were eliminated in 1994/95. Average bills fell about 30% between 1992/93 and 1994/95, and have been relatively stable since then in real terms.

## Gas

Retail contestability has been progressively introduced since 1997. IPART regulates default retail tariffs for small business customers who use less than 1 Terajoule of gas per year and who have not moved to a contestable tariff. IPART also approves network charges as part of the access arrangements submitted to it under the National Gas Code.<sup>7</sup> Network charges comprise 30-50% of default retail tariffs.

While AGL Gas Networks' network charges have fallen in real terms for all customers, very large, or "contract" customers<sup>8</sup> have experienced the greatest fall in prices since 1996 when IPART became responsible for approving access arrangements. A new access arrangement came into effect on 1 July 2005, which has introduced further price reductions for these customers. The access arrangement will lead to an average real reduction in revenue per GJ from contract customers of 7% over the proposed access arrangement period.

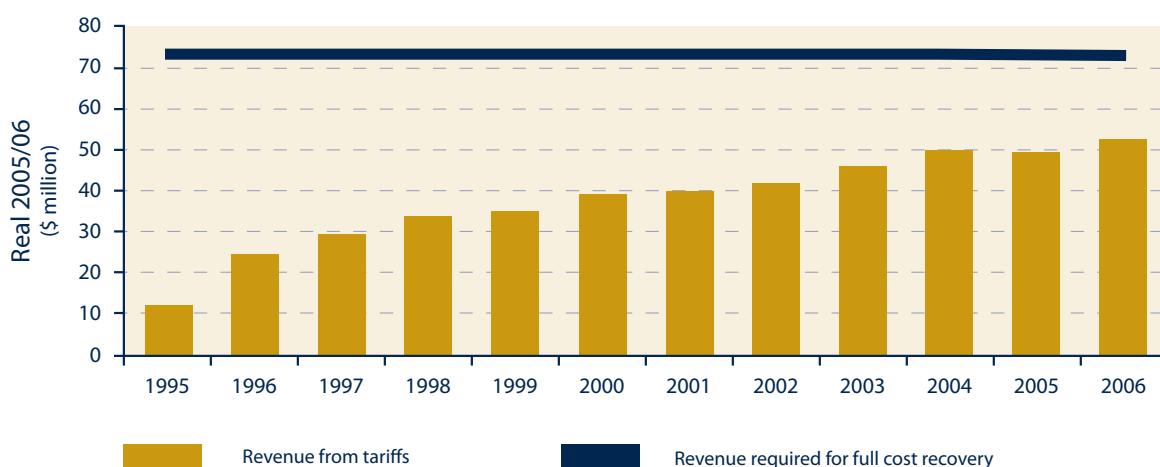
## Bulk water

When it began its review of prices to apply from mid 2005, IPART intended to set a medium-term price path. However, it found that the information provided by the agencies was not an adequate basis for setting prices for the next 3-4 years. Thus, it set a shorter determination as a holding measure and immediately followed this decision with a new review to look into a medium term price path for bulk water services to apply from September 2006.

Given the information available to it during the 2005 review, IPART decided to increase those charges that were considered to be well below full cost recovery level by 10% above inflation. This allowed those charges to continue to move towards full cost recovery level, while protecting the customers affected from significant financial shocks. All other charges were maintained at their current level in real terms, by only allowing for the change in CPI.

A target level of revenue for full cost recovery of \$67 million (in 2005/06 prices) was determined during the 2001 determination. Revenue calculated on the basis of long-term average sales volumes will recover 78% of this target revenue in 2005/06, reflecting a 5% improvement in cost recovery from the previous year.

**Figure 9. Actual and target revenue from bulk water tariffs 1994/95 – 2005/06 (real)**



<sup>7</sup> IPART currently approves access arrangements for AGL Gas Networks, Country Energy Gas and Central Ranges Pipeline under the National Gas Code.

<sup>8</sup> Contract customers are those whose gas consumption is at least 10 TJ a year.

# Appendix 1

## Legislative provisions

IPART was established under the *Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act)*. It performs functions under this Act, and also under the *Gas Supply Act 1996*, *Gas Pipelines Access (New South Wales) Act 1998*, *Electricity Supply Act 1995*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *Sydney Water Catchment Management Act 1998*, *Water Management Act 2000*, *Passenger Transport Act 1990* and *State Water Corporation Act 2004*.

IPART also has significant functions under the *National Electricity Rules* and the *National Third Party Access Code for Natural Gas Pipeline Systems*, and has minor functions under the *Prices Regulation Act 1948*, the *Gaming Machines Act 2001* and the *Motor Accidents Compensation Act 1999*.

### Independent Pricing and Regulatory Tribunal Act 1992

The IPART Act commenced in July 1992 as the *Government Pricing Tribunal Act 1992* and was substantially amended and renamed in January 1996 as the *Independent Pricing and Regulatory Tribunal Act 1992*. Under the IPART Act, IPART has six major roles:

- ▶ Regulating prices and reviewing pricing policies of government monopoly services.
- ▶ Undertaking reviews referred to it in relation to industry, pricing or competition.
- ▶ 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.

### Regulating prices and reviewing pricing policies

IPART conducts investigations and makes reports to the Minister on the determination of the pricing for a specified government monopoly service supplied by a government agency and 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 references. Schedule 1 of the IPART Act lists a number of government agencies for which IPART has a standing reference. Under Section 11, IPART may initiate investigations of declared monopoly services supplied by these standing reference agencies.

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

- ▶ Sydney Water Corporation
- ▶ Hunter Water Corporation
- ▶ Water supply authorities constituted under the Water Management Act 2000
- ▶ County councils established for the supply of water
- ▶ Rail Corporation New South Wales
- ▶ State Transit Authority



- ▶ Roads and Traffic Authority
- ▶ Department of Housing
- ▶ Port Corporations or other relevant port authorities within the meaning of Part 5 of the Ports Corporatisation and Waterways Management Act 1995
- ▶ Sydney Catchment Authority
- ▶ Water Administration Ministerial Corporation
- ▶ Sydney Ferries
- ▶ State Water Corporation.

The second is by references by the Premier. Under Section 12A of the IPART Act, the Premier may require IPART to determine the maximum price or carry out a review of any declared service, including those supplied by standing reference agencies. The terms of any reference by the Premier must be advertised, and the final terms of reference must be settled with the Premier following consideration of public comments. IPART may ask the Premier to make a particular reference under these provisions.

### Public participation and access to information

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

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

IPART must make a document available for inspection on request unless the document is an exempt document under the *Freedom of Information Act 1989* (Section 25). If a document is exempt, IPART has discretion to release it following consultation, and 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 consider a range of issues when making determinations and recommendations, and to report on what regard it has had to each. These issues can be summarised as:

- ▶ the cost of providing the services concerned
- ▶ protection of consumers from abuses of monopoly power
- ▶ an appropriate rate of return
- ▶ the effect on general price inflation
- ▶ the need for greater efficiency
- ▶ the need to maintain ecologically sustainable development
- ▶ the impact on pricing of borrowing, capital and dividend requirements
- ▶ the impact on pricing policies of any arrangements that the agency concerned has entered into for the exercise its functions by some other person or body

## Appendix 1 **continued**

- ▶ the need to promote competition
- ▶ considerations of demand management
- ▶ the social impact of the determinations and recommendations
- ▶ standards of quality, reliability and safety.

The Premier may also require IPART to consider specific matters in its investigations (Section 13(1)(c)).

### **How IPART sets maximum prices**

IPART may set maximum prices in either of two ways.

The first way is by determining maximum prices. IPART may fix the prices in any way it considers appropriate (Section 14), 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. If IPART considers that it is impractical to make a determination for fixing the maximum prices, under Section 14A it may determine a methodology to be used by the agency to fix the maximum price. Setting a methodology may include reference to maximum revenue, or maximum rate of increase or minimum rate of decrease in maximum revenue, for a number of categories of the service concerned.

In determining the maximum price for a government monopoly service, IPART may be directed by a Portfolio Minister to include an amount representing the efficient cost of complying with a Ministerial directive or a requirement imposed under a licence, authorisation or under a statutory instrument on the agency (Section 16A).

### **Implementation of maximum prices**

The agencies concerned are required to levy prices which do not exceed the maximum prices determined by the Tribunal (Section 18(1A)). The approval of the Treasurer is needed if an agency wishes to charge a price below the maximum price (Section 18(2)).

### **Compliance**

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

### **Release of reports and determinations**

IPART submits its reports to the Premier. Any determination must be published in the NSW Government Gazette as soon as practicable (Section 17). Reports must be made available for public inspection *and sale*, tabled in Parliament, and placed in the Parliamentary Library (Section 19).

## Reviewing industries, pricing or competition

Section 12A of the IPART Act allows the Premier to require IPART to undertake reviews of matters covering industry, pricing or competition. In contrast to the review provisions of Sections 11 and 12, these reviews are not restricted to the operation of government monopoly services and may cover both government and private industry issues. In carrying out reviews under Section 12A, IPART is not required to specifically have regard to the various issues listed in Section 15 of the IPART Act.

## Providing assistance to other agencies

Subject to the Premier's approval, IPART may provide services to any government agency, body or person in areas that are within its field of expertise and relevant to its functions (Section 9). In entering into any arrangement to provide services, IPART has a duty of care to ensure that giving effect to the arrangement will not interfere with its ability to exercise its usual functions.

## Arbitrating access disputes

Under Part 4A of the IPART Act, any disputes that exist with respect to a public infrastructure access regime are subject to arbitration by IPART. In carrying out these arbitration functions, IPART may appoint an arbitrator from a panel approved by the Premier or may undertake the arbitration itself (Section 24B). IPART's arbitration activities follow the provisions of the Commercial Arbitration Act, supplemented by provisions of the IPART Act and any regulations made under Section 29 of the IPART Act.

## Registering access agreements

Section 12B of the IPART Act requires that IPART be notified of proposed access agreements. IPART may provide advice on the proposed agreement to the agency and to the Premier. It is required to register all access agreements (Section 12C).

## Regulating licences

IPART is responsible for ensuring regulated entities are meeting their licence requirements for quality of product, environmental impact and consumer protection.

Under its powers contained in the ancillary Acts such as the *Electricity Supply Act 1995*, *Gas Supply Act 1996*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *Sydney Water Catchment Management Act 1998* and *State Water Corporation Act 2004*, IPART is responsible for matters such as making recommendations to the Minister for or 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 contravention of the conditions of a licence
- ▶ taking any remedial action as a result of a contravention of the conditions of a licence.

To fulfil this role, IPART monitors licence compliance and reports annually to the Minister regarding such compliance. It 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 if the utility knowingly contravened the conditions of a licence.

### **Investigating complaints under competitive neutrality regime**

The Government has assigned IPART part responsibility for investigating and reporting on competitive neutrality complaints, under the Competition Principles Agreement. Under certain conditions, the Minister may refer to IPART a complaint about a public trading agency's failure to comply with competitive neutrality principles, or about how an agency is applying competitive neutrality principles in relation to any or all of its trading activities. IPART is required to investigate and report on any such complaint referred by the Minister, and make its report publicly available. The IPART Act specifies the processes IPART is to follow in investigating such a complaint.

### **Gas Supply Act 1996**

The *Gas Supply Act 1996* enables IPART to establish pricing mechanisms known as gas pricing orders that regulate the tariffs, fees, charges and other payments that a standard supplier may impose for the supply of natural gas to small retail customers under standard form customer supply contracts. Section 27A of this Act enables IPART to:

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

Any gas pricing order applicable to the delivered price of gas in a particular area applies to all retailers serving that area. If gas suppliers are aggrieved with IPART's determination, they may request a review of pricing orders by a Review Panel appointed by the Minister for Energy.

The access regulation functions IPART previously undertook under the Gas Supply Act are now undertaken under the National Gas Code (see below).

### **National Gas Code**

Under the *National Third Party Access Code for Natural Gas Pipeline System* (the **Gas Code**) IPART is the relevant regulator in relation to distribution pipelines that are within NSW. Under the Gas Code, the key functions of IPART are to:

- ▶ approve access arrangements which set out the basic terms and conditions under which access will be made available by an owner or operator of a covered pipeline
- ▶ approve associate contracts entered into by owners or operators of a gas pipeline
- ▶ arbitrate access disputes.

### **Electricity Supply Act**

The *Electricity Supply Act 1995* provides the framework for introducing full retail competition in the NSW electricity industry. Under this Act, IPART is responsible for setting regulated retail tariffs for electricity and regulated retail charges. IPART also has a standing reference to determine the proportion of connection costs that a distribution network service provider may pass on to new customers and related matters.

The scheme for determining tariffs and charges is as follows:

- ▶ the Minister may give a reference as to the matter of a determination to IPART, or IPART may request a referral
- ▶ IPART is to investigate and report in accordance with the reference.

IPART may determine, in its report, the regulated retail tariffs and regulated retail charges but must have regard to matters set out in the reference and the effect of the determination on competition in the retail electricity market.

## Greenhouse Gas Abatement Scheme

The NSW Greenhouse Gas Abatement Scheme was introduced by amendments to the *Electricity Supply Act 1995* in December 2002. From 1 January 2003 electricity retail suppliers and certain other parties are required to meet mandatory targets for abating the emission of greenhouse gases from electricity production and use. Under new powers contained in the amendments to the *Electricity Supply Act 1995*, IPART is responsible for:

- ▶ determining and publishing key factors that are used to determine greenhouse gas benchmarks for the year
- ▶ determining the greenhouse gas benchmark for each benchmark participant
- ▶ determining the greenhouse shortfall and any liability for greenhouse penalty payable by a benchmark participant.

IPART must monitor compliance with greenhouse gas benchmarks and must report annually to the Minister for Energy regarding such compliance. It may also conduct or require the conduct of audits.

IPART has also been appointed as the Scheme Administrator by the Minister for Energy. As Scheme Administrator, it is responsible for:

- ▶ accreditation of abatement certificate providers
- ▶ verification of greenhouse gas abatement activity
- ▶ administration of a registry of abatement certificates.

As Scheme Administrator, IPART must monitor and report annually to the Minister for Energy on the compliance of accredited abatement certificate providers with the Act, the regulations, the greenhouse gas benchmark rules and any conditions of accreditation. It may also conduct or require the conduct of audits.

## National Electricity Rules

Under the National Electricity Rules, IPART as jurisdictional regulator is responsible for determining the general level of distribution service prices and/or aggregate annual revenue requirement for electricity distribution network services in accordance with pricing methods and regulatory principles set out in Part D, Chapter 6 of the National Electricity Rules.

## Appendix 2

# Public Hearings and Submissions

### Public hearings and workshops, 2005/2006

During 2005/2006 the Tribunal held 43 meetings during the year and 42 Delegated Tribunal meetings. They also hosted 10 public hearings, 1 information session, 1 stakeholder forum, 3 workshops, 1 auditor training session, 1 auditor feedback session and 1 Generation Rule workshop (18 in total).

Dr Michael Keating, Chairman attended 39 Tribunal meetings and 14 other meetings.

Mr James Cox, CEO and Full Time Member attended 42 Tribunal meetings and 42 Delegated Tribunal meetings and 15 other forums.

Ms Cristina Cifuentes, Part Time Member attended 40 Tribunal meetings and 12 other sessions.

Mr David Brett, Temporary member attended 3 Tribunal meetings.

Dr Warren Musgrave, Temporary member attended 1 Tribunal meeting.

### Delegated Tribunal Meetings

The Tribunal held 42 Delegated meetings.

### Public hearings and workshops

DATE	INVESTIGATION	VENUE
8-Jul-05	End of term Review of Operating Licence for Sydney Catchment Authority – Workshop	Sydney
4-Aug-05	Review of Financial Aspects of the Ambulance Service of NSW – Closed Workshop	Sydney
14-Oct-05	Review of Backlog Sewerage Services for Gosford City Council – Public Hearing	Gosford
28-Oct-05	Review of Private and Public Ferry Fares – Public Hearing	Sydney
	Review of Private and Public Bus Fares	Sydney
25-Nov-05	Review of Bulk Water Prices 2006–2007 – Public Hearing	Sydney
24-Jan-06	Review of Bulk Water prices 2006–2007 – Public Hearing	Griffith
25-Jan-06	Review of Bulk Water prices 2006–2007 – Public Hearing	Dubbo
1-Feb-06	Review of Bulk Water prices 2006–2007 – Public Hearing	Moree
10-Feb-06	Metropolitan Water Prices Review – Gosford & Wyong Councils – Public Hearing	Gosford
31-Mar-06	Review of recycled water prices and sewer mining for Sydney Water, Hunter Water, Gosford Council, Wyong Council – Public Hearing	Sydney
5-May-06	Review of Fares for CityRail in NSW 2006 – Public Hearing	Sydney
10-May-06	Review of the Skills Base in NSW and the Future Challenges for Vocational Education and Training – Stakeholder Forum	Sydney
19-May-06	Review into the Burden of Regulation in NSW and Improving Regulatory Efficiency – Public Workshop	Sydney
30-Jun-06	Review of Bulk Water Prices 2006–2007 – Public Hearing	Sydney

## Submissions to projects during 2005/06

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2005/06, and received a total of 783 submissions.

Closure date = day submissions close

CLOSURE DATE	INVESTIGATION	SUBMISSIONS
8-Jul-05	EnergyAustralia's Public Lighting Pricing Proposals	34
15-Jul-05	Review of Metropolitan Water Agency Prices from 1 July 2005	19
29-Jul-05	Utility Regulators Forum Pricing Principles	4
15-Aug-05	Review of Private and Public Bus Fares in NSW 2005	23
15-Aug-05	Review of Private and Public Ferry Fares in NSW 2005	13
19-Aug-05	Review of Rental for Crown Land Communication Tower Sites in NSW	15
19-Sep-05	Distribution Ring Fencing Guidelines – Waiver Application – Country Energy	3
30-Sep-05	Charges for Backlog Sewerage Services 2006 – Gosford City Council	6
	Country Energys Public Lighting Proposal	5
24-Feb-06	Investigation into the Burden of Regulation in NSW and Improving Regulatory Efficiency	88
28-Feb-06	Review of the Skills Base in NSW and the Future Challenges for Vocational Education and Training	50
24-Mar-06	Review of Recycled water prices and sewer mining for Sydney Water, Hunter Water, Gosford Council, Wyong Council.	21
29-Mar-06	Review of fares for CityRail in NSW 2006	253
28-Apr-06	Review of Metropolitan Water Agency Prices from 1 July 2006 – Gosford City Council and Wyong Shire Council	13
31-May-06	Industry Structure for Water and Wastewater Services in the Greater Sydney Metropolitan Area	15
	NSW Electricity Distribution Network Service Providers – Applications for a cost pass through	2
Various	Review of Bulk Water Prices from 2006/2007	200
Various	Review of Gas Access Arrangement submitted by Country Energy Gas	2
	Review of Hunter Valley Coal Network infrastructure owners' compliance with the NSW Rail Undertaking 2004/2005	2
30-Jun-06	Review of Taxi Fares in NSW 2006	15

## Appendix 3 Publications

ELECTRICITY	
DATE	PUBLICATION
6/05/2006	NSW Distribution Network Cost Pass Through Review – Statement of Reasons for decision – 5 May 2006
24/01/2006	Statement of Reasons for Decision – Country Energy Public Lighting Price Change Proposal 2005
7/12/2005	Country Energy Pass Through Application – December 2005
7/12/2005	EnergyAustralia’s Pass Through Application – December 2005
7/12/2005	Integral Energy’s Pass Through Application – December 2005
21/11/2005	Application by Country Energy for a waiver of Clauses 5–2–1 and 5–4–1 of the Distribution Ring fencing Guidelines
23/09/2005	Application by EnergyAustralia for a waiver of clause 5–4–1 of the Distribution Ring Fencing Guidelines – Final Decision
26/08/2005	Statement of Reasons for Decision – EnergyAustralia Public Lighting Price proposal
23/08/2005	Application by Country Energy for a waiver of Clause 5–2–1 and 5–4–1 of the Distribution Ring Fencing Guidelines – Draft Decision

WATER	
DATE	PUBLICATION
31/05/2006	Draft Determination and Draft Report – Bulk Water Prices for State Water Corporation and Water Administration Ministerial Corporation – From 1 August 2006 to 30 June 2010
18/05/2006	Prices of Water Supply, Wastewater and Stormwater Services – From 1 July 2006 to 30 June 2009 – Gosford City Council and Wyong Shire Council
18/04/2006	Sydney Water Corporation Operational Audit 2004/2005
12/04/2006	Prices of Water Supply, Wastewater and Stormwater Services – From 1 July 2006 to 30 June 2009 – Gosford City Council and Wyong Shire Council – Draft Report and Draft Determinations
30/03/2006	Sydney Catchment Authority Operational Audit 2004/2005
10/02/2006	Recycled Water Prices for Sydney Water Corporation, Hunter Water Corporation, Gosford City Council and Wyong Shire Council – Issues Paper
9/02/2006	Pricing of backlog sewerage services for Gosford City Council – Determination and Report – February 2006
18/01/2006	Hunter Water Corporation Operational Audit 2004/2005
29/11/2005	Investigation into Water and Wastewater Service Provision in the Greater Sydney Region – Final Report
2/09/2005	Errata to Determination No 5, 2005



<b>WATER Continued</b>	
<b>DATE</b>	<b>PUBLICATION</b>
2/09/2005	Investigation into Water and Wastewater Service Provision in the Greater Sydney Region – Draft Report
2/09/2005	Sydney Water Corporation, Hunter Water Corporation, Sydney Catchment Authority Prices of Water Supply, Wastewater and Stormwater Services – Final Determination and Report
22/08/2005	Review of Water, Wastewater and Stormwater Prices for Gosford City Council and Wyong Shire Council – Issues Paper
5/08/2005	Pricing of backlog sewerage services for Gosford Council – Issues Paper
5/08/2005	State Water Corporation and Water Administration Ministerial Corporation – Bulk Water Prices for 2005/06 – Determination

<b>GAS</b>	
<b>DATE</b>	<b>PUBLICATION</b>
26/04/2006	Statement of Reasons – Approval of AGL Gas Networks reference tariff variation at 1 July 2006
26/04/2006	Statement of Reasons – Approval of Central Ranges Pipeline reference tariff variation at 1 July 2006
26/04/2006	Statement of Reasons – Approval of Country Energy Gas reference tariff variation at 1 July 2006
22/12/2005	Country Energy Gas – Amended access arrangement for the Wagga Wagga gas distribution network – December 2005
22/12/2005	Revised access arrangement for Country Energy Gas – Further Final Decision – December 2005
21/12/2005	AGL Gas Networks – approval of associate contract – Statement of Reasons for Decision – December 2005
8/12/2005	Final Decision on Revised Access Arrangement for Central ranges Pipeline
22/11/2005	Central Ranges Pipeline – revised access arrangement for the CRP Gas Network – November 2005
11/11/2005	Revised Access Arrangement for Country Energy Gas Network – November 2005 – Final Decision
27/10/2005	Access Arrangement for Central Ranges Pipeline Gas Network – October 2005 – Draft Decision
26/08/2005	Access Arrangement for the Central Ranges Pipeline Gas Network – August 2005
26/08/2005	Access Arrangement information for the Central Ranges Pipeline Gas Network – August 2005
19/08/2005	Revised Access Arrangement for Country Energy Gas Network – August 2005 – Draft Decision

## Appendix 3 continued

TRANSPORT	
DATE	PUBLICATION
16/06/2006	Fact Sheet – Transport – Review of Fares for CityRail 2006
16/06/2006	Review of Fares for CityRail in NSW 2006 – From 2 July 2006 – Determinations and Report
8/06/2006	Review of Taxi Fares 2006 – Issues Paper
22/05/2006	NSW Rail Access Undertaking – Pursuant to Schedule 6AA of the Transport Administration Act 1988 (NSW)
21/12/2005	Review of non-metropolitan fares for private buses in NSW – From 3 January 2006 – Report to Minister for Transport
19/12/2005	Report on the Determination of Fares for Newcastle Services – From 3 January 2006
19/12/2005	Report on the Determination of Fares for Sydney Metropolitan Bus Services – From 3 January 2006
15/12/2005	Review of Fares for private ferries in NSW – From 18 December 2005 – Released by the Ministry of Transport
7/12/2005	Report on the Determination of Fares for Sydney Ferries – From 18 December 2005
10/07/2005	Review of Fares for Taxis in New South Wales in 2005 – Proposed from July 2005 – Report to the Minister for Transport

OTHER PUBLICATIONS	
DATE	PUBLICATION
31/05/2006	Review of Financial Aspects of the Ambulance Service of NSW – Report to the Minister for Health on Revenue Charging Structures – November 2005
29/05/2006	Review of Rental Arrangements for Crown Land Communication Tower Sites
15/05/2006	Discussion Paper for Stakeholder Roundtable – Review of the Skills Base in NSW
16/01/2006	Investigation into the Burden of Regulation in NSW and Improving Regulatory Efficiency – Issues Paper
16/12/2005	Review of the Skills Base in NSW and the Future Challenges for Vocational Education and Training – Issues Paper – December 2005
29/11/2005	Investigation into Water and Wastewater Service Provision in the Greater Sydney Region – Final Report
5/11/2005	Review of Infrastructure Pricing at Perisher – Final Report
2/09/2005	Investigation into Water and Wastewater Service Provision in the Greater Sydney Region – Draft Report
22/07/2005	Review of Rental Arrangements for Crown Land Communication Tower Sites – Draft Report

ANNUAL REPORT	
DATE	PUBLICATION
1/12/2005	IPART Annual Report 2004/05

# Appendix 4

## Staffing and Consultants

### Staffing and equal opportunity policies

IPART submits all policies and the Induction Manual to regular revision and updates. In 2005/06 the agency also documented a Human Resources procedures manual developed to capture current practice and provide a 'how to guide' for support staff and new starters.

### Equal Employment Opportunity outcomes for the year

IPART has continued support the Spokeswomen's program and the Lucy Mentoring Program co-ordinated by the Department for Women.

The agency has also undertaken advertising through specialist networks to attract candidates from minority groups. To encourage return to work from maternity leave IPART provides work from home opportunities and part time working arrangements.

### Planned EEO outcomes for the coming year:

- ▶ Conduct a second staff climate survey.
- ▶ Conduct refresher training for managers and staff on EEO and anti-harassment.

### Ethnic Affairs Priority Statement

Outcomes in implementing IPART's program in 2005/06 include:

- ▶ Providing information on EAPS to prospective job applicants.
- ▶ Ensuring that knowledge, understanding and implementation of the principles of cultural diversity as they relate to the job are part of the selection process, evaluation and promotional opportunities.
- ▶ Supporting flexible work practices to enable individuals to meet personal, cultural or religious needs.
- ▶ Providing access to information and publications including tender advertisements via the internet.
- ▶ Advertising in the Ethnic Media or utilising multilingual materials where appropriate.

### NSW Government Action Plan for Women

IPART's action plan for 2006 to 2008 includes:

- ▶ Encouraging participation in International Women's day events.
- ▶ Encouraging the participation of women on committees including Occupational Health and Safety, Joint Consultative Committee and special projects committees.
- ▶ Ensuring that career development and promotional opportunities are available to full time and part-time female staff.
- ▶ Supporting flexible working arrangements to help women balance their work and family commitments.
- ▶ Supporting women's participation on internal or external committees and boards for personal and professional development.

## Appendix 4 continued

Number of employees by category, and comparison to prior three years, as at 30 June 2006				
	2006	2005	2004	2003
Chairman and Chief Executive	2	2	1	2
Directors & General Managers	7	5	7	5
Program Managers	8	9	9	9
Managers	3	4	3	3
Analysts	37	39	36	36
General Counsel	1	1	1	1
Legal Officers	2	2	2	2
Support Officers	11	11	10	11
<b>Total number of staff includes full time, part-time, temporaries and graduates</b>	<b>71</b>	<b>73</b>	<b>69</b>	<b>69</b>
Part-time Tribunal Members	1	1	1	1
Temporary Members	2	2	1	1
<b>Total number of Staff including members</b>	<b>73</b>	<b>76</b>	<b>71</b>	<b>71</b>

Trends in the Representation of EEO Groups		% OF TOTAL STAFF			
EEO GROUP	BENCHMARK/TARGET	2006	2005	2004	2003
Women	50	47	49	51	47
Aboriginal people and Torres Strait Islanders	2	0	0	0	0
People whose first language was not English	20	13	12	15	16
People with a disability	12	1	4	3	3
People with a disability requiring work-related adjustment	7	0	0	0	0

Trends in the Distribution of EEO Groups		DISTRIBUTION INDEX			
EEO GROUP	BENCHMARK/TARGET	2006	2005	2004	2003
Women	100	101	101	98	97
Aboriginal people and Torres Strait Islanders	100	0	0	0	0
People whose first language was not English	100	n/a	n/a	n/a	n/a
People with a disability	100	n/a	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100	0	0	0	0

Notes:

1 Staff numbers are as at 30 June 2006.

2 Excludes casual staff

3 A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by ODEOPE.

4 The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

## Industrial Relations Policies and Practices

PART successfully negotiated a new Award known as the 'Crown Employees (Independent Pricing and Regulatory Tribunal 2006) Award'. The Award was finalised in June 2006 as a consent Award between IPART and the Public Service Association and Professional Officer's Association Amalgamated Union of NSW (PSA). Key milestones achieved through the making of this award include:

- ▶ Removal of the former salary structure with outdated and very long incremental progression points.
- ▶ Implementation of a new salary structure with the ability to recognise different classifications.
- ▶ Commitment to introducing job evaluation methodology and related policies.

## Code of Conduct

There were no changes to the Professional Standards and Behaviour Policy.

## Flexible work practices

IPART's provision of flexible work practices in the form of flexi-time and permanent part-time arrangements is one facet which attracts new applicants to IPART as a preferred employer. These arrangements continue to prove beneficial for both the employee and the organisation providing staff with flexibility to balance their work and family responsibilities.

## Occupational health and safety

There were no prosecutions under the Occupational Health and Safety Act for IPART during this year. Highlights for 2005/06 include:

- ▶ A review of the role of the OH&S Committee resulted in the revision of the OH&S Committee Constitution and the election of new members.
- ▶ Workplace assessments for individuals requiring workstation adjustments conducted as necessary.
- ▶ Encouraging staff participation in health and fitness activities through support of team sports.
- ▶ Continuing support for the annual vaccination against influenza.
- ▶ Preparation of an agency response in the event of an avian flu pandemic.

## Corporate Plan

The Corporate Plan was revised in 2005/06 and published on the website. IPART's strategic direction are outlined in chapter 6 of the corporate plan, and progress towards meeting corporate objectives is assessed for each program element in chapter 7.

## Appendix 4 continued

### Consultants

During 2005/06, IPART engaged the following consultants for a total expenditure of \$3,867,125 (work on some of these consultancies was still proceeding at 30 June):

Consultants equal to or more than \$30,000		
CONSULTANT	COST (\$)	TITLE
<b>Engineering</b>		
Centre for International Economics	\$74,588	Review of Gas Access Arrangements
Energetics Pty Ltd	\$58,266	Engagement of Staff to Greenhouse Gas Scheme to Assist in Assessing Accreditations
Energy Consulting Group Pty Ltd	\$136,522	Review – Capital & Non Expenditure (total cost) of the NSW Gas Network Companies
GHD Pty Ltd	\$195,856	2004/05 Operational Audit of the Sydney Water Corporation
GHD Pty Ltd	\$107,364	2004/05 Operational Audit of the Sydney Catchment Authority
Grant Thornton	\$36,208	Review of Operating & Capital Expenditure of Sydney Ferries
Halcrow Pacific Pty Ltd	\$109,780	Review of Expenditure, Asset Management & Operating Expenditure for Gosford City Council & Wyong Shire Council
Halcrow Pacific Pty Ltd	\$72,727	Review of Capital and Operating Expenditure for State Water Corporation and the Department of Natural Resources
HRL Technologies Pty Ltd	\$55,363	Technical Review of Near-Real-Time Calculation of Greenhouse Intensity
HRL Technologies Pty Ltd	\$55,841	Technical Review of Power Station Performance and Greenhouse Intensity Calculations under Method 2 of the Generation Rule, NSW Greenhouse Gas Abatement Scheme Phase 1
HRL Technologies Pty Ltd	\$45,000	Technical Review of Power Station Performance and Greenhouse Intensity Calculations under Method 2 of the Generation Rule Phase 2
Parsons Brinckerhoff Associates	\$95,265	2004/2005 Operational Audit of Hunter Water Corporation
Parsons Brinckerhoff Associates	\$130,336	Review of Capital Expenditure, Asset Management & Operating Expenditure for State Water Corporation
Parsons Brinckerhoff Associates	\$130,099	National Code of Practice for Embedded Generation
Phacelift Consulting Services Pty Ltd	\$33,032	Development of Methodology for Calculation of Total Electricity Sold

<b>Consultants equal to or more than \$30,000 (continued)</b>		
<b>CONSULTANT</b>	<b>COST (\$)</b>	<b>TITLE</b>
SMEC Australia Pty Ltd	\$50,412	Bulk Water Quality Provisions in the Sydney Catchment Authority Operating Licence
URS Australia Pty Ltd	\$112,967	Engagement of Staff to Greenhouse Gas Scheme to Assist in Assessing Accreditations
Wilson Cook	\$41,869	EnergyAustralia Public Lighting Total Cost Review
Wilson Cook	\$148,884	Electricity Cost Pass Through Review
WS Atkins International Ltd	\$112,236	Metropolitan Water Price Determinations
<b>Sub Total</b>	<b>\$1,802,614</b>	
<b>Finance and Accounting</b>		
Access Economics Education and Training in NSW	\$55,944	Advice on Future Demand for Vocational
Australian Bureau of Agricultural and Resource Economics	\$220,157	Bulk Water 2006 – Farm Impact Analysis Study
Booz Allen Hamilton Australasia Ltd	\$61,240	Sydney Ferries: Patronage Trends & Projections
Centre for International Economics	\$84,150	Review of City Rail Fares and Travel Passes 2006
Centre for International Economics	\$101,250	Review of Bulk Water Prices in NSW from 2005/2006
Centre for International Economics	\$70,752	Review for State Water Corporation and Department of Natural Resources
Centre for International Economics	\$136,364	Review Into the Burden of Regulation in NSW & Improving Regulatory Efficiency
Centre for International Economics	\$35,640	Review of Price Discount for Wholesale Irrigation for Bulk Water Prices Determination
Centre for International Economics	\$43,560	Review of Cost Sharing Ratios for the Bulk Water Prices Determination
Deloitte Touche Tohmatsu	\$163,482	Electricity Tariff Equalisation Fund Audit 2004/2005
Farrier Swier Consulting Pty Ltd	\$27,066	Review of Metropolitan Water Agency Prices 2005
Farrier Swier Consulting Pty Ltd	\$103,325	Review of Pricing & Industry Structure for Water and Wastewater Service in Greater Sydney Metropolitan Area
Farrier Swier Consulting Pty Ltd	\$165,323	Review of Bulk Water Prices from 2006/2007
Farrier Swier Consulting Pty Ltd	\$127,273	Review Into the Burden of Regulation in NSW & Improving Regulatory Efficiency
Frontier Economics	\$101,126	Assistance With the Review of Pricing Arrangements for Recycled Water & Sewer Mining for NSW Metropolitan Water Agencies

Appendix 4 **continued**

<b>Consultants equal to or more than \$30,000 (continued)</b>		
<b>CONSULTANT</b>	<b>COST (\$)</b>	<b>TITLE</b>
TRC Economics	\$33,000	Introduction of Competitive Arrangements to the Sydney Water Industry - Potential Productivity Improvements
<b>Sub Total</b>	<b>\$1,529,651</b>	
<b>Management Services</b>		
Phacelift Consulting Services Pty Ltd	\$34,507	Assistance to the Tribunal on Greenhouse and Energy Matters
<b>Sub Total</b>	<b>\$34,507</b>	
<b>Information Technology</b>		
Logica CMG	\$110,000	Greenhouse Gas Registry
<b>Sub Total</b>	<b>\$110,000</b>	
<b>Total consultancies equal to or more than \$30,000</b>	<b>\$3,476,772</b>	
<b>Consultants less than \$30,000.00</b>		
Engineering	\$115,230	
Finance and Accounting/tax	\$189,112	
Information technology	\$26,580	
Management Services	\$53,191	
Environmental	\$6,240	
Total consultancies less than \$30,000	\$390,353	
<b>Total consultancies</b>	<b>\$3,867,125</b>	



## Contract executive profile

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

Six contract positions equivalent to SES 1 (\$132,500 or higher), including two held by women, were filled at the end of the financial year, while two positions are vacant (one incumbent on leave without pay and one on secondment).

## Salaries of statutory appointees and contract executives

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

In accordance with Treasury Circular TC00/20, the names of officers, position held, and total salary packages (including superannuation) must be disclosed if salary packages exceed the minimum level of SES Level 5 (\$206,000 at 30 June). At IPART, this applies to:

NAME	POSITION	TOTAL SALARY PACKAGE
Michael Keating	Chairman (part-time three days per week)	\$241,405
James Cox	Chief Executive Officer and Full Time Member	\$320,000

## Michael Keating

Appointed 17 December 2004.

The Premier has indicated that during 2005/06 Dr Michael Keating met the performance criteria established for the position of Chairman. The key achievements for 2005/06 were:

- ▶ Accountable for the Tribunal's decision-making process and outcomes about pricing determinations, industry inquiries, arbitration of access and competitive neutrality disputes.
- ▶ Manages key external relationships and periodically communicates IPART's vision, values, plans and achievements in partnership with the CEO/Full Time Member.
- ▶ Collaborates closely with the CEO/Full Time Member to ensure teams have the best possible information to conduct the review effectively, and that the technical quality of work being done by the Secretariat meets IPART and key stakeholder standards.

## James Cox

Appointed on 17 December 2004.

The Chairman has indicated that during 2005/06 James Cox met the performance criteria established for the position of Chief Executive Officer and Full Time Member. The key achievements for 2005/06 were:

- ▶ As the Chief Executive Officer, the Tribunal's professional output and overall operations, including the general conduct and effective, efficient and economical management of the functions and activities of IPART.
- ▶ As the Full Time Member, the Tribunal's decision-making process and ensuring teams have the best possible information to conduct the reviews effectively, and that the technical quality of work being done by the Secretariat meets IPART and key stakeholder standards.

## Appendix 5

### External Liaison

Senior Tribunal staff met with two international delegations to provide briefings on IPART's regulatory approach and share information. In 2005/06 staff met with delegations from the Korea Power Exchange and the Petronas Gas Business Unit.

OVERSEAS VISITS				
NAME	DESTINATION	DATES	REASON FOR TRAVEL	TOTAL COST
James Cox	Singapore	10–15 Jul.	Speaking at the First International Water Association – Asia Pacific Group Conference and Exhibition	\$5,957.46
Christopher Spangaro	Madrid	19–21 Oct.	Speaking at International Emissions Trading Association Annual Conference. The costs of attendance were paid by the conference organiser.	\$2,631.32

#### External presentations

During the year the following Tribunal Members and Secretariat staff made external presentations on the role and work of IPART:

JAMES COX, CHIEF EXECUTIVE OFFICER AND FULL TIME MEMBER		
The First International Water Association – Asia Pacific Group Conference and Exhibition		10–15 July 2005
Panel discussion at the 8th International Transmission and Distribution Conference and Exhibition		22 August 2005
Water Conference AWA venue		26 August 2005
Annual Water Conference Melbourne		22 February 2006
Water 06 Conference – Brisbane		1 March 2006
Public Sector Leadership Conference		17 May 2006
RICHARD WARNER, PROGRAM MANAGER METROPOLITAN WATER		
NSW Metropolitan Water Pricing Review	Australian Water Summit, Langham Hotel, Melbourne	23 February 2006
The Price of Water – A Policy Focus	Australian Water Association Master Class on the Price of Water, Sydney	2 March 2006
MICHAEL SEERY, PROGRAM MANAGER BULK WATER AND LICENSING		
NSW: Outcomes of recent reviews	(Chair) Water Pricing 2005 Conference, Melbourne	26–27 October 2005

## Asset management plan

There were no significant changes to IPART's asset management plan.

## Complaints

IPART occasionally receives complaints about its determinations and public procedures. These complaints are acknowledged and, where appropriate, registered as submissions to the relevant investigation.

It also sometimes receives representations concerning the pricing practices or activities of the utilities it regulates. When appropriate, these representations are referred to the relevant agency and to the Electricity and Water Ombudsman.

## Complaints about competitive neutrality

There were no complaints about non-compliance with competitive neutrality referred to IPART in 2005/06.

## Funds granted to non-government community organisations

No funds were granted to non-Government community organisations.

## Privacy plan

There were no changes to IPART's privacy plan in 2005/06, nor any complaints or requests for internal reviews.

## Risk management and insurance

IPART has comprehensive coverage for workers' compensation, motor vehicle, property and public liability insurance, provided through the NSW Treasury Managed Fund. During 2005/06, it had 1 motor vehicle claim with a net incurred loss of \$1,555.46 and no property claims.

IPART's premises are controlled by a building security system with access restricted to authorised personnel and visitors. A Visitors Log is maintained for OH&S and security purposes. Building security staff also patrol the office building after hours. This reduces IPART's exposure to property theft due to restricted access to work areas during the day and provides security outside office hours.

IPART maintained certification under AS7799 for IT security. The IT support contract provides for a Rapid Recovery Service to replace critical equipment in the event of failure.

Reviews of the Business Continuity Plan undertaken in 2005/06 assisted in identifying gaps in critical information which resulted in relevant updates. The plan includes disaster recovery strategies and a number of schedules of key information and contacts. Copies of the plan are stored in a number of off-site locations.

A full review of business continuity capability is proposed for 2006/07 as part of IPART's internal audit program. The review will have regard to the *'Guidelines for Business'* released in June 2006 by Emergency NSW as part of the Sydney CBD Emergency Sub Plan.

## Internal and external reviews

IPART reviewed the following areas in 2005/06, as part of the internal audit review program. These were:

### Code of Conduct Awareness

The objective of the review was to assess the levels of understanding and awareness of Tribunal staff in relation to the key professional and ethical issues contained in the Policy. Measurement of staff awareness and understanding was achieved by conducting a random survey, using a set of open-ended questions that had been developed from the Policy.

For each of staff member, the staff response to each specific question was recorded and then an assessment was made as to the appropriateness of each staff member response. Generally, the auditor found that all eleven questions were appropriately answered. The majority of staff could provide a reasonable response that was considered to be appropriate.

The results of the survey provided a useful indicator to the level of risk in regard to staff compliance to the Tribunal's Professional Standards and Behaviour Policy and related policies and legislation relevant to the Tribunal itself and its employees. However, IPART agreed to conduct further training to improve staff awareness and understanding of the elements and components of its Policy to clarify grey areas and reinforce key issues of the professional policy and thus organisational values and expectations.

### Review of physical security

The objective of this internal audit was to assess the adequacy of the physical and environmental security over assets at IPART. The scope of the review included IPART's premises, the adequacy of security provisions within third party service agreements and follow-up of any audit issues previously identified with respect to security.

The audit identified only three high, one medium and ten low priority internal control matters that required management action. The three high priority actions included an improved template to maintain evidence of approval of an individual's level of access to the premises and systems, improved systems to restrict employees and non payroll staff access to the premises and systems on termination, and the introduction of a periodic review of who has been granted access to IPART premises/systems. All of the recommended action items have been completed.

### Records management review

The objective of this review was to assess staff's understanding of the record management policy and system, their obligations under this policy, and whether there was consistent compliance to this policy by all staff members.

The auditors reviewed IPART's records management policy and procedures; the completeness of the recording of, and information content present on the file system to ensure that the electronic file system was reflective of the contents of paper (hard copy) files (if a key document was not on file, it was checked to ensure that it was stored on the shared drive or email system); and adherence to this policy by staff.

The auditors concluded that all IPART staff are aware of the record management policy, that IPART staff have a satisfactory understanding of the policy, that title descriptions used on records satisfactorily related to the context of the document; but that compliance with the policy was not consistent. It was found that most key documents were filed, but that there may be delays in the filing of documents.

IPART accepted the audit recommendations to incorporate the quality of maintaining records as part of performance reviews of staff. IPART will also conduct additional staff training to improve current filing practices and ensure that there is an increase in staff awareness and understanding of the importance of maintaining completeness of records.

## Fraud and Corruption Control

The objectives of this review were to assess whether IPART has implemented appropriate fraud control arrangements consistent with NSW government policy and central agency directives, whether these arrangements operate effectively and are fully complied with, and whether there are any gaps in the Tribunal's fraud control policies and procedures that necessitate revision or updating.

The audit reviewed the following key elements of IPART's fraud control environment: fraud control arrangements as part of the corporate governance framework; fraud policy, fraud risk assessment, fraud control plans and strategies; operational procedures and guidelines in place to implement fraud policy-including the performance of fraud control activities such as monitoring, reporting and the investigation of any fraud.

The audit found that IPART has an appropriate system for submitting reports on fraud matters to the Executive and fulfilling its external reporting obligations. IPART also has a good record in controlling fraud and promoting awareness of its fraud control and preventative measures.

There are sound arrangements for monitoring progress in implementing fraud control strategies and for following up recommendations made in internal audit reports. The auditors found that operational procedures and guidelines which support the fraud control framework were in place and were generally satisfactory.

The audit did identify a number of areas of low risk where the current fraud control environment could be improved through fraud awareness raising and suitable training activities. IPART agreed to implement the recommendations.

## Report on accounts payment performance

	CURRENT (IE, WITHIN DUE DATE)	LESS THAN 30 DAYS OVERDUE	BETWEEN 30 AND 60 DAYS OVERDUE	BETWEEN 60 AND 90 DAYS OVERDUE
QUARTER	\$	\$	\$	\$
September Quarter	51,889	0	0	0
December Quarter	76,552	0	0	0
March Quarter	187,694	0	0	0
June Quarter	1,560	0	0	0

TOTAL ACCOUNTS PAID ON TIME				
QUARTER	TARGET	ACTUAL	\$	TOTAL PAID (\$)
September Quarter	90%	96%	2,618,505	2,733,704
December Quarter	90%	98%	4,573,415	4,575,124
March Quarter	90%	95%	2,297,419	2,434,065
June Quarter	90%	96%	3,109,235	3,227,431

*During 2005/2006 there were no instances where penalty interest was paid in accordance with section 18 of the Public Finance and Audit (General) Regulation 1995.*

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

*To improve future performance greater emphasis will be placed on enhancing electronic processing of accounts together with increased use of Purchase Orders for recurring purchases.*

### **Waste avoidance and resource recovery**

IPART management and staff have an ongoing commitment in the area of waste reduction and regularly review administrative processes to look for further opportunities in this regard.

Strategies employed by IPART to avoid waste and recover resources are as follows:

- ▶ **Reducing the generation of waste paper.** IPART continues to promote its website for access to the many reports published each year, and gives consideration to electronic release of reports wherever possible. Multi-function office machines which enable double-sided copying and printing are also provided and their use encouraged to reduce paper usage.
- ▶ **Recovering resources.** IPART is reusing paper printed on one side for scribble pads and in personal laser printers for draft documents. A paper and cardboard recycling system is followed by IPART staff and managed through an organised building system. Empty toner cartridges are collected by outside organisations for recycling.
- ▶ **Using recycled material.** The majority of paper IPART uses on a daily basis is Green Wrap. This paper contains 50% recycled pulp, 10% waste products from the cotton industry and 40% from sustainable managed plantations. IPART purchases other recycled paper products such as note books and pads wherever possible. Remanufactured toner cartridges are procured for use in all black and white printers.

### **Energy management**

Timed lighting is operational in all areas of the tenancy to ensure that lighting is managed after hours. Energy ratings are also a consideration in the purchase of new office machines and equipment.

### **Details of Annual Report production**

The total external cost incurred in the production of the report, including editing, design, photography and all printing processes was \$15,380.66. Extra copies may be purchased at the NSW Government Information Service Bookshop. An electronic copy of this report is available at IPART's website.

This report has been printed on environmentally friendly stock produced from oxygen bleached wood and chlorine-free pulp.

# Appendix 6

## Freedom of Information Act – Statement of Affairs

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

### Availability of information

Copies of all documents in IPART's public access library are available for public inspection at the IPART office, Level 2, 44 Market Street, Sydney 2000, from 9.00am to 5.00pm Monday to Friday (inquiries (02) 9290 8400). Copies of all IPART publications are also available from our website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

### FOI procedures

To obtain IPART documents other than those identified in the public access library, application must be made in writing under the Freedom of Information Act.

Since many documents are readily accessible through IPART's public access arrangements and website, it is advisable to check the general availability of the document before making an application under the Freedom of Information Act.

FOI applications must be accompanied by a \$30 application fee and directed to:

#### **Independent Pricing and Regulatory Tribunal**

PO Box Q290  
QVB Post Office  
SYDNEY NSW 1230

Arrangements to inspect or obtain copies of documents can be made by contacting the FOI Co-ordinator on (02) 9290 8400.

### FOI requests in 2005/06

IPART received one request for documents under the Freedom of Information Act in this financial year. Services Sydney requested IPART to provide information concerning the building block operating and capital expenditures and the cost data used by the Tribunal in its May 2003 Determination on Metropolitan Water Prices for Sydney Water Corporation. The request had not been finalised by 30 June 2006.

# Index

## A

Access arrangements .....	81
Achievements .....	10
Account payment .....	99
Annual report cost .....	100
Asset management plan .....	97
Audit reports .....	31, 41
Award initiatives .....	91

## B

Budget 2006/07 .....	69
----------------------	----

## C-D

Chairman's and Chief Executive Officer's report ...	2
Code of conduct .....	91
Coming year work program .....	68
Committees .....	29
Competitive neutrality .....	97
Complaints .....	97
Contents .....	1
Consultants fees .....	92
Consultation with stakeholders .....	15
Corporate objectives .....	8
Corporate plan .....	9

## E

Equal employment opportunity .....	89-90
External presentations .....	96
Executive .....	28

## F-G

Financial statements	
Auditor- General's opinion .....	31, 41
Statement on behalf of IPART .....	33, 43
Operating statement .....	34, 44
Financial position .....	36, 46
Statement of cash flows .....	37, 47
Summary of compliance .....	49
Notes to the accounts .....	38, 50
Freedom of information .....	101

## H

Hearings .....	84
Human resource policies and practices .....	91

## I-J

Impacts of determinations .....	70
IPART Act 1992 .....	78
Industry reviews .....	84
Information technology .....	21
Insurance .....	97

## K

Key performance indicators .....	24
----------------------------------	----

## L

Legislative provisions .....	78
------------------------------	----



## M-N

Matters to be considered by IPART .....	78
Members .....	27
Mission, vision, corporate values .....	7

## O

Organisation .....	30
Overseas visits .....	96
Occupational health and safety .....	91

## P-Q

Part time work .....	91
Principal achievements .....	10
Privacy plan .....	97
Process improvement .....	12-23
Provision of assistance to other agencies .....	81
Public access .....	79
Public hearings .....	84
Public participation .....	79
Publications .....	86-88

## R

Role of IPART .....	7
Risk management .....	97

## S

Salaries .....	95
Staff profile .....	90
Stakeholders' involvement/consultation .....	15
Standing reference agencies .....	78
Submissions .....	85

## T-V

Training .....	20
Tribunal meetings .....	84
Tribunal membership .....	27

## W-Z

Website .....	22, 101
Work program .....	68
Workers' compensation .....	97

This page has been left blank  
intentionally





PO Box Q290, QVB Post Office NSW 1230  
Level 2, 44 Market St Sydney NSW 2000  
T (02) 9290 8400 F (02) 9290 2061  
ABN 49 202 260 878

[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)