

ANNUAL REPORT 2006/2007

Independent Pricing and Regulatory Tribunal



PO Box Q290, QVB Post Office NSW 1230
Level2, 44 Market Street Sydney NSW 2000
T (02) 9290 8400 F (02) 9290 2061
ABN 49 202 260 878

www.ipart.nsw.gov.au

18 October 2007

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 2006/2007**

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 2007.

Yours sincerely,

A handwritten signature in black ink that reads 'Michael Keating'. The signature is written in a cursive style with a large, sweeping 'M' and 'K'.

Michael Keating AC
Chairman

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The Chairman's and Chief Executive Officer's Report

When IPART was originally established 15 years ago its major focus was the regulation of mostly state-owned monopolies. At the time the intention was to establish a system that was more independent from Government for determining the prices and standards of essential services, where there was insufficient competition for markets to work satisfactorily. Over time both the nature of the community's concerns and IPART's expertise have evolved.

Initially price setting focused particularly on reducing inefficiency and achieving commensurate price restraint or even price reductions. Improving efficiency is still a major concern – although in some industries efficiency gains in future are likely to be lower than those that have been achieved in the past. During 2007–08 IPART will undertake work to assess the extent to which further efficiencies can be gained in transport. We will also investigate the regulatory system for CityRail.

But in the last year there has also been considerable public concern about the adequacy of infrastructure provision and whether future supplies of essential services can be guaranteed. Clearly prices are critical to the incentive to invest in this infrastructure, and industry has tended to argue that rather than prices being too high, they might in fact be too low and are thus risking an investment short-fall. Interestingly, some community groups and environmentalists in particular, are now also tending to argue that prices should be set high enough to ensure that they fully reflect the scarcity value of natural resources and any external costs, so that consumers are encouraged to economise.

In fact at IPART we have tried for some time to set the prices for water and energy so that they will achieve an adequate market-based return of, and on, any new capital that is invested. We have also shifted the structure of pricing so that especially for water, costs are recovered through volumetric charges on the amount of water consumed, and there is much less reliance on a fixed charge. This new pricing structure provides much more incentive to economise on water use, but it increases the risks faced by the water suppliers whose costs are largely fixed.

In 2006/07 IPART's two major price reviews were for retail electricity prices and bulk water prices. Both represented major challenges in setting prices to achieve an adequate incentive for investment and to economise consumption, while maintaining pressure for improved efficiency.

A particular feature of the electricity market is that the unregulated wholesale price of electricity is very volatile, and this makes it especially difficult to set a fixed retail price for a number of years ahead. We believe that the approach that IPART has adopted to forecasting wholesale electricity prices and determining a methodology for adjusting retail prices in the event of future extreme wholesale price movements represents a considerable innovation that has attracted the interest of other regulators and the industry generally. Another important innovation in the electricity retail determination is the development of a method of estimating a cost-reflective price for the purchase of electricity in the wholesale market on behalf of retail customers which is consistent with the retail margin. Most importantly we consider that the determination will provide the necessary incentives for further investment in electricity and will over time lead to an increase in competition, to the point where it may be possible to de-regulate retail electricity prices at some time in the future.

A particular feature of the review of bulk water prices was the establishment of a new regulatory asset base, and a careful analysis of how costs should be shared between users and the Government. The cost of future investment that benefits irrigators will be recovered in full by the State Government. Irrigators will therefore know that they will have to pay for such investment through higher prices. They will require such investment to be undertaken only when the benefit to them exceeds the amount that they will be required to pay. Now that the Commonwealth Government is about to take over the supply of water in the Murray-Darling basin it is important that it clarifies that it will take a similar approach to setting bulk water prices.

The other major way that IPART has evolved since its inception is that as it has built up its expertise and its reputation, it has increasingly become a source of independent advice to the government. Where IPART involvement in policy development is most valuable is where the government wants a transparent process of public consultation and recognized expertise.

In the last year major policy reviews undertaken by IPART have included:

- ▼ *“Up-skilling NSW” which reviewed “How vocational education and training can help overcome skill shortages, improve labour market outcomes and raise economic growth”. The recommendations from this review for the numbers of training places have now been reflected in the State Plan, and the Government is following up on the recommendations for new approaches by TAFE to training.*
- ▼ *A review of the burden of regulation in NSW. The Government has now accepted the recommendations from this review that require new processes for testing the need for any new regulation and evaluating existing regulation.*
- ▼ *The development of a regulatory approach to the pricing of recycled water.*

Two other major reviews were also commenced in 2006/07:

- ▼ *A review of the land-side interface at Port Botany and how that can be made more efficient in the future, especially having regard to the expectation that the number of containers to be moved will be more than double by 2025.*
- ▼ *A review of the licensed clubs industry in NSW and how their future can be put on a firmer footing.*

Other significant achievements in the last year have been:

- ▼ *Enhancements of the Greenhouse Gas Reduction Scheme to ensure the integrity of abatement.*
- ▼ *Preparation to implement licensing and access under the Water Industry Competition Act.*
- ▼ *Continuing administration of electricity and water licensing and the Greenhouse Gas Reduction Scheme.*

IPART’s stakeholders value highly the honesty, courtesy, diligence and professionalism of IPART’s staff. In the most recent stakeholder survey, respondents agreed that IPART’s decision-making processes are of high quality (83%), reports are easy to read and understand (86%), decisions are impartial (88%), consultation processes are of high quality (91%), and staff demonstrate a high level of professionalism (96%) and probity (100%).

IPART needs a range of capabilities to undertake successfully its responsibilities. These include:

- ▼ *Experienced and impartial decision-makers.*
- ▼ *Adherence to administration law principles regarding natural justice, fairness and the 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 data required for decision-making.*

- ▼ *High quality human resources, information technology and office accommodation.*
- ▼ *A corporate culture that is open, 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 improve its capability. The more important ones include the following:

- ▼ *An increased emphasis on project management both for IPART as a whole and for individual projects.*
- ▼ *An increased emphasis on quality assurance with quality assurance now required for all IPART's reports.*
- ▼ *Preparation of a guide to assist stakeholders to contribute to IPART's work.*
- ▼ *Recruitment of staff possessing a wide range of professional skills, including engineers.*
- ▼ *Implementation of an electronic system for managing flexible working hours.*
- ▼ *Trialling a new set of report templates to enhance efficiency and maintain consistent report outputs.*
- ▼ *Preparing a new corporate plan for IPART.*
- ▼ *Enhanced business continuity management.*

Since its inception in 1992, IPART has endeavoured to be an organisation that is based on an open, transparent and mutually respectful culture, and one where achievement is recognised and rewarded. We have had some success while remaining committed to these values. Although the future will present many challenges we expect that we can continue to make a distinctive and useful contribution to the development and implementation of public policy in New South Wales.

In concluding we would like to thank our fellow Tribunal Member, Ms Sibylle Krieger for her wise counsel and participation in decision making during the year. We would also like to thank the Tribunal's Secretariat for professional advice and assistance.



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.

Functions

IPART now has seven core functions, which are conferred by legislation, codes and access regimes established by legislation¹. 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 Rule 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 Reduction 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.

The legislation under which IPART is constituted² 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.

1 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*.

2 The *Independent Pricing and Regulatory Tribunal Act 1992*.

Our Corporate Plan

Purpose and objectives

IPART's purpose is to provide independent regulatory decisions and advice to enhance the economic, social and environmental well being of the people and state of NSW.

Our specific purpose varies with different activities and functions we are asked to perform across a range of industries. However, in everything we do we strive to achieve the following goals:

- ▼ *in the areas of our expertise be recognised as a key economic think-tank and source of quality advice to the NSW Government*
- ▼ *promote competition (or simulate its effects) in regulated industries*
- ▼ *protect consumers by monitoring the quality and reliability of regulated services and by considering the social impacts of its decisions*
- ▼ *promote secure and sustainable energy and water supplies by monitoring the way utilities comply with their license obligations*
- ▼ *encourage economic prosperity and prudent and efficient investment in utility infrastructure*
- ▼ *encourage environmental sustainability*
- ▼ *promote an innovative regulatory environment.*

Service philosophy

In pursuing our purpose and goals, IPART is guided by a set of principles based on our philosophy of regulation and understanding of best practice in regulation:

Thinking Independently

We maintain independence of our decisions from Government and all other stakeholders.

Being Transparent

Our processes are visible and we explain our decisions.

Fostering Innovation

We explore new and better approaches.

Consulting Widely

We consult extensively and effectively with all stakeholders.

Delivering Fair and Balanced Outcomes

We seek equitable outcomes by balancing the interests of the regulated entity, its customers and other stakeholders in alignment with NSW State priorities.

Being Practical

We aim for pragmatic outcomes that can be achieved without significant operational difficulties.

Driving Excellence

We promote processes and decisions which are predictable, consistent and adhere to the highest professional standards, and use resources effectively and efficiently.

Principal Achievements in 2006/07

Metropolitan water

Completed

- ▼ Review of Recycled water prices and sewer mining for *Sydney Water, Hunter Water, Gosford Council, Wyong Council*

In Progress

- ▼ Investigation into Prices for Water, Sewerage and Stormwater services provided by *Sydney Water Corporation*

Bulk water

Completed

- ▼ Determine maximum prices from 2006/07 for bulk water services provided by *Department of Natural Resources and State Water Corporation*

Water licensing

Completed

- ▼ Audit compliance with operating licences:
 - ▼ *Sydney Catchment Authority*
 - ▼ *Sydney Water Corporation*
 - ▼ *Hunter Water Corporation*
 - ▼ *State Water Corporation*
- ▼ Review of Operating Licence: *Hunter Water Corporation*
- ▼ Collection and Audit of performance data for National Water Commission:
 - ▼ *Sydney Water Corporation*
 - ▼ *Hunter Water Corporation*

In Progress

- ▼ Setting of system performance targets:
 - ▼ *Sydney Water Corporation*
 - ▼ *Hunter Water Corporation*
- ▼ Review of Sydney Water's Corporation's asset management

Rail access

Completed

- ▼ Audit aspects of rail access undertaking
 - ▼ 2003/04
 - ▼ 2004/05

In Progress

- ▼ Audit aspects of rail access undertaking
 - ▼ 2005/06
- ▼ Audit aspects of rail access undertaking
 - ▼ 2003/04
 - ▼ 2004/05
- ▼ Register rail access agreements

Transport fares

Completed

- ▼ Review of Fares for Taxis in NSW from July 2006
- ▼ Report on the Determination of Fares for Sydney Ferries from January 2007
- ▼ Review of Fares for Private Ferries in NSW from January 2007
- ▼ Report on the determination of Fares for:
 - ▼ Sydney Metropolitan Bus Services from 3 January 07
 - ▼ 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
- ▼ Review of Fares for City Rail in NSW 2007

Energy

Completed

- ▼ Promoting retail competition and investment in the NSW electricity industry – regulated electricity retail tariffs and charges for small customers 2007 to 2010
- ▼ Promoting retail competition and investment in the NSW gas industry – regulated gas retail tariffs and charges for small customers 2007 to 2010
- ▼ County Energy Public Lighting Price Change Application and decision
- ▼ EnergyAustralia Public Lighting Price decision
- ▼ Integral Energy public lighting price decision from 1 October 2006
- ▼ Review of DNSPs distribution loss factors for 2007/08
- ▼ Six monthly reporting for those license holders supplying consumers in the “small customer” market (annual bill less than \$16,000)
- ▼ Energy distribution and retail licence compliance report for 2005/06
- ▼ Audit of ETEF
- ▼ Compliance audits of electricity retail suppliers

In Progress

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

Section 9 Referrals

Completed

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

In Progress

- ▼ Investigation into the burden of regulation in NSW and improving regulatory efficiency
- ▼ Review of DEUS Developer Charges Guidelines for Water Supply, Sewerage and Stormwater

Analysis and Policy Development

In Progress

- ▼ Review of the NSW registered clubs industry
- ▼ Review of the interface between the land transport industries and the stevedores at Port Botany

Greenhouse Gas Scheme Administrator

Completed

- ▼ Prepare report on operation and compliance of Scheme for 2006 calendar year
- ▼ Accreditation of abatement certificate providers
- ▼ Registry enhancement
- ▼ Creation of Abatement certificates by accredited abatement certificate providers
- ▼ Development of a revised framework for Generation Rule Method 2 accreditations
- ▼ Maintain high credibility of Scheme through implementation of audit and compliance framework
- ▼ Training of additional auditors to undertake audits with partner private sector audit firms
- ▼ Accreditation framework for carbon sequestration in forests
- ▼ Researched and reviewed the implementation of the Default Abatement Factors approach to projects under the Demand Side Abatement Rule

In Progress

- ▼ Re-development and refinement of Workflow administration system
- ▼ Review of the revised framework for Generation Rule Method 2 accreditations
- ▼ Development of an approach to enable accreditation for carbon sequestration in forests under a managed investment scheme model

Performance against Corporate Objectives

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

1. Demonstrating a fair and transparent process
2. Applying a rigorous and credible approach to our work
3. Reaching a reasonable, balanced answer
4. Pursuing excellence and fostering innovation in our operations
5. Applying resources to deliver a robust, well run organisation

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

1 Demonstrating a fair and transparent 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.

Progress in following strategies to improve processes in 2006/07 include:

STRATEGY	ACTION	PROGRESS to 30 June 2007
Hold regular meetings with key stakeholders	<ul style="list-style-type: none"> ▼ Establish and implement program for meeting with key stakeholder groups 	<ul style="list-style-type: none"> ▼ Regular meetings held with water agencies to review progress against operating licence standards and key expenditure and sales assumptions underlying current price determinations. ▼ Meet with stakeholders during the electricity and retail reviews.
Encourage and facilitate stakeholder involvement	<ul style="list-style-type: none"> ▼ Adopt technology and processes to make participation in reviews easier ▼ Publish timetables for reviews and release discussion papers and draft determinations 	<ul style="list-style-type: none"> ▼ Investigated proposal to provide facility for stakeholders to respond electronically to nominated issues as part of major investigations. Such an approach would have allowed more structured input on key issues and encouraged stakeholders to respond to those specific issues of interest to them. Rejected by Core Executive as not cost effective. ▼ Current timetables maintained on website. Issue papers (including timetables) and draft reports published for all reviews.

STRATEGY	ACTION	PROGRESS to 30 June 2007
<p>Encourage and facilitate stakeholder involvement <i>continued</i></p>	<ul style="list-style-type: none"> ▼ Promote timeliness by identifying where the delays occur and minimising the areas of uncertainty for stakeholders ▼ Measure timeliness by adopting the Council Of Australian Government's proposal of a six month timeframe for regulatory decisions ▼ Continue to hold public seminars and hearings ▼ Review ways of taking our message to rural areas ▼ Develop 'facts sheets' to communicate key decisions in a more accessible form ▼ Articulate the information IPART requires from businesses and agencies it regulates ▼ Seek the views of the 'average' customer 	<ul style="list-style-type: none"> ▼ Timetables clearly state due dates for submissions, public hearings and release of reports. ▼ Latest Sydney Water issues paper includes 'stop the clock provisions' with the requirement that the Tribunal will announce publicly when invoked, reasons for being invoked and associated length of any delay. ▼ The new operating licence for Hunter Water nominates a due date for completion of annual audit. ▼ The <i>Water Industry Competition Act 2006</i> nominates allowed times for Tribunal actions. When these time limits are likely to be breached the Tribunal is required to inform Minister and other stakeholders of delay with explanation of causes for delay. ▼ Public hearings/workshops held for all investigations. ▼ The GGAS website includes a wide range of detailed Guides to Applying to assist businesses applying for accreditation. These set out our information requirements. ▼ Published timetables for the electricity and gas retail reviews and regularly updated timetables on website. ▼ Timetables for transport reviews were published and updated. ▼ Several public forums were held for electricity and gas retail reviews. ▼ Public hearings were held for the rail, bus and ferry reviews. ▼ Fact sheets were published for : <ul style="list-style-type: none"> ▼ Electricity retail decision ▼ CityRail decision ▼ Sydney Ferries ▼ Metro buses. <p>Over 230 individual submissions were received for the CityRail review.</p>

STRATEGY	ACTION	PROGRESS to 30 June 2007
Explain IPART's decision making processes and its rationale for decisions	<ul style="list-style-type: none"> ▼ Explain decision-making processes through issues papers and reports. 	<ul style="list-style-type: none"> ▼ Issues papers and reports undergo quality assurance, legal review and editing to ensure that they are accurate, comply with the law and clearly explain the Tribunal's decisions with supporting reasons. ▼ Decision making process was explained in issues papers and reports.
Seek feedback on stakeholder perceptions of IPART's integrity, processes, and quality of work	<ul style="list-style-type: none"> ▼ Survey stakeholder perceptions every two years – repeat in 2006 and 2008. 	<ul style="list-style-type: none"> ▼ The stakeholder survey will be repeated in 2008.

2 Applying a rigorous and credible approach to our work

IPART's focus on enhancing the quality of its work and the rigour of its processes continues.

These highlights from 2006/07 illustrate the strategies being followed in this area:

STRATEGY	ACTION	PROGRESS to 30 June 2007
Continually improve internal processes	<ul style="list-style-type: none"> ▼ Implement information management strategy ▼ Document a 'whole-of-organisation' work program to identify peaks in resource demand to assist in planning ▼ Avoid matters returning to the Tribunal by establishing issues and principles early ▼ Allocate sufficient time for the Tribunal to thoroughly review any issue 	<ul style="list-style-type: none"> ▼ Developed and implementing enhanced project management processes to ensure that Tribunal has 'big picture' up front. ▼ At commencement of a review, the Tribunal is advised of proposed timetable and major issues for decision to enable the Tribunal to assign priorities and indicate information required for decision making. ▼ The details of proposed QA checks are established at commencement of a review. ▼ QA undertaken for all reviews. ▼ Post completion review undertaken for the VET review.

Performance against Corporate Objectives **continued**

STRATEGY	ACTION	PROGRESS to 30 June 2007
<p>Continually improve internal processes <i>continued</i></p>	<ul style="list-style-type: none"> ▼ Consider QA controls early in the review process ▼ Rotate staff between Analysis and Policy Development team and industry teams ▼ Appoint a designated QA manager and rotate staff through role ▼ Document a manual for staff carrying out QA processes ▼ Hold peer reviews regularly with an agenda and discussion paper ▼ Subject all major projects to post-completion review ▼ Develop library/information supply service 	<ul style="list-style-type: none"> ▼ Scoping briefs and objectives established for energy retail reviews. ▼ Staff rotations have occurred between Water & Analysis and Policy Development teams. ▼ A QA manager was appointed and the industry teams have contributed staff, whenever available to assist with QA. ▼ Post completion reviews held. ▼ Metropolitan water price determinations' post review considered by Tribunal in August 2006.
<p>Partner with appropriate external experts</p>	<ul style="list-style-type: none"> ▼ Employ external resources for supplementary specialist skills (eg, engineering) and manage peaks in workload ▼ Make better use of consultants by encouraging knowledge transfer during the engagement 	<ul style="list-style-type: none"> ▼ Engineering specialists engaged for operating licence audits. Economic consultants engaged to assist with work peaks and specialist knowledge for recycled water and access pricing reviews. ▼ Where appropriate, consultants were accommodated in IPART offices to work as part of project teams for the purpose of knowledge transfer. IPART staff participated in all meetings between consultants and agencies in the audit of performance against operating licences as part of the process of up skilling IPART staff to take a more hands-on, proactive audit role. ▼ Expert advice on energy wholesale markets was obtained.

STRATEGY	ACTION	PROGRESS to 30 June 2007
Apply high standards of ethical and professional work standards	<ul style="list-style-type: none"> ▼ Ensure protection of confidential data consistent with statutory requirements ▼ Promote professional standards and behaviour policy ▼ Continue to develop in-house knowledge and peer review 	<ul style="list-style-type: none"> ▼ Personal contact details removed from public submissions prior to publishing. Commercial in confidence status was assigned to data where requested by stakeholders, subject to IPART Act and FOI Act. ▼ Policy documents on required standards of behaviour promulgated to all staff and enforced. ▼ Developments needs of staff identified through performance enhancement system. Training and work assignments take account of these identified development needs. ▼ Frequent intra team peer reviews held in GGAS teams to develop coherent approach to frontier issues with accreditations.
Improve internal analytical capacity through recruitment and development practices	<ul style="list-style-type: none"> ▼ Recruit more graduates ▼ Broaden the skills base (recruit engineering skills) ▼ Promote staff development through a revised policy ▼ Review recruitment strategies 	<ul style="list-style-type: none"> ▼ Two additional graduates recruited in the period. The agency supports a continuous annual intake of new graduates. ▼ Graduate was recruited. ▼ Engineering skills incorporated as essential requirements for specific areas within the agency such as Water, and Greenhouse Gas functions. ▼ IPART implemented a new staff development policy which encourages the equitable allocation of training funds. ▼ Innovative strategies to attract and recruit staff include offering temporary contracts, welcoming secondments from public sector and non public sector agencies for specified projects. Promoting the agency as a supporter of flexible work practices for all levels of staff. ▼ Advertisements for new staff placed in industry journals. Successful secondment of new staff from other government agencies.

3 Reaching 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.

The following table provides a summary of the implementation of IPART's strategic commitments in 2006/07:

STRATEGY	ACTION	PROGRESS to 30 June 2007
Monitor developments in other jurisdictions	<ul style="list-style-type: none"> ▼ Participate in Australian Regulators Forum ▼ Research and monitor developments in other regulatory regimes ▼ Collaborate with other regulators in research activity, including developing joint research programs ▼ Participate in seminars/conferences 	<ul style="list-style-type: none"> ▼ Extensive research undertaken for water industry inquiries with research results incorporated in findings. In addition, one body of research to be separately published. ▼ Interchange of work on industry developments with other jurisdictional regulators. ▼ Water team members have attended seminars/conferences as presenters and attendees. ▼ Attended all Regulator forum meetings. ▼ Attended inter-jurisdictional energy regulators meetings.
Monitor and report on impacts of decisions to ensure they have no unintended consequences	<ul style="list-style-type: none"> ▼ Analyse and report on the cumulative impacts of the Tribunal's decisions 	<ul style="list-style-type: none"> ▼ See section in this Annual Report, p. 65.
Provide more reasoned explanations of decisions	<ul style="list-style-type: none"> ▼ Continue to develop report writing skills 	<ul style="list-style-type: none"> ▼ In house training to improve staff members writing skills. Extensive feedback to staff on their written reports.

4 Pursuing excellence and fostering innovation in our operations

IPART will continue to evolve and improve its operations by adopting innovation and best practice.

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

STRATEGY	ACTION	PROGRESS to 30 June 2007
Continue to research and adopt improved regulatory techniques and approaches	<ul style="list-style-type: none"> ▼ Interpret statutory requirements and ensure compliance ▼ Liaise carefully on any scope and terms of reference before work is accepted ▼ Make better use of the Tribunal's expertise by planning the time between reviews and reference to delegated Tribunal meetings ▼ Use informal Tribunal meetings when exploring new ground and not making a decision ▼ Prepare training sessions on basic regulatory topics (Analysis and Policy Development team) ▼ Extend Total Factor Productivity to all the industries 	<ul style="list-style-type: none"> ▼ Operating licence audits conducted for major water agencies. ▼ Where possible, IPART suggested changes to draft Terms of Reference have been made for greater clarity of task and associated timelines. ▼ A more structured approach to the Tribunal's forward agenda has streamlined the decision making process. ▼ A number of informal discussions were held. ▼ All new reviews are thoroughly scoped. ▼ Detailed planning is undertaken for all reviews.
Be proactive on referrals	<ul style="list-style-type: none"> ▼ Suggest possible areas to apply IPART's expertise in discussion with relevant Ministers 	<ul style="list-style-type: none"> ▼ The Chairman and CEO have met with relevant Ministers to discuss potential projects.
Continue to investigate ways to obtain the views of the average customers	<ul style="list-style-type: none"> ▼ Repeat the Household Survey ▼ Use newpoll research more often for additional customer insights 	<ul style="list-style-type: none"> ▼ Household Survey repeated.

5 Applying resources to deliver a robust, well run organisation.

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.

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

STRATEGY	ACTION	PROGRESS to 30 June 2007
Review profile of workforce to match skill set with organisational needs	<ul style="list-style-type: none"> ▼ Staff rotation – integrate rotation with Performance Enhancement System (PES) interviews ▼ Revise and upgrade the agency's competency/capability standards ▼ Implement the new award structure and associated job evaluation and position descriptions ▼ Identify critical roles and critical skills for succession planning 	<ul style="list-style-type: none"> ▼ Skills and experience of staff is constantly taken into consideration when new programs and functions are initiated. ▼ This item scheduled for the next reporting period. ▼ Award structure implemented, new position descriptions written and evaluated in accordance with government guidelines. ▼ This is an ongoing program and is reviewed regularly to ensure key skills are retained or maintained. ▼ Members of the energy retail team will rotate into the transport team.
Become preferred employer by offering development opportunities and family friendly work practices	<ul style="list-style-type: none"> ▼ Reward staff for outstanding performance ▼ Support flexible working conditions 	<ul style="list-style-type: none"> ▼ Training and Development opportunities, including secondment opportunities are utilised as a means of rewarding and enhancing staff performance. ▼ A key condition that attracts personnel to the agency. Maintaining a healthy work and life balance is encouraged. ▼ Implementation of the new electronic flexi time recording system was piloted and is being gradually implemented throughout the agency.
Provide systematic training and other skill building opportunities for staff	<ul style="list-style-type: none"> ▼ Provide training that meets individual and organisational needs 	<ul style="list-style-type: none"> ▼ Through the performance management system individual development needs are encouraged and supported. A review of the agency's training and development policy now includes a generous training cap for individuals to further promote a learning organisation and emphasise excellence in personal development.

STRATEGY	ACTION	PROGRESS to 30 June 2007
Provide systematic training and other skill building opportunities for staff <i>continued</i>	<ul style="list-style-type: none"> ▼ Refine the report writing course to focus on key issues of structure 	<ul style="list-style-type: none"> ▼ The course was reviewed to ensure organisational requirements were being met. The new report writing course is made up of two programs one addressing Structure and the other addressing the Style of report writing. Individuals elect to attend one or both according to needs.
Work with other public sector agencies to achieve economies of scale	<ul style="list-style-type: none"> ▼ Collaborate with other agencies in procurement and technology initiatives 	<ul style="list-style-type: none"> ▼ IPART joined the Department of Commerce web-based e-tendering system. ▼ IPART is taking advantage of significant savings through the whole-of-government telecommunications contract.
Continuously improve systems and services	<ul style="list-style-type: none"> ▼ Ensure corporate services are effective, cost efficient and meet the needs of the agency ▼ Develop templates and electronic business processes ▼ Review the risk management plan annually ▼ Ensure a high standard of IT security and maintain AS 7799 accreditation ▼ Ensure the Business Continuity Plan meets business needs ▼ Develop IT Strategic Plan to ensure software and hardware meet current business needs 	<ul style="list-style-type: none"> ▼ The agency piloted the new electronic Flexi recording system managed and maintained by the Central Corporate Services Unit. The new system eliminates the need for printing timesheets and increases the efficiency in approving, monitoring and evaluating inconsistencies in the recording of attendance and leave. ▼ A manual of administrative processes has been documented. ▼ A new suite of report templates have been developed to enhance efficiency and maintain consistent report outputs. ▼ The risk management framework was revised. ▼ IPART has maintained AS 7799 accreditation. ▼ The Plan was significantly updated with the development of an emergency response manual and the training of staff with key roles under the strategy. ▼ The IT Strategic Plan has a three year cycle, and addresses key projects, such as hardware/software refreshes, and a corporate intranet.

Performance against Corporate Objectives **continued**

STRATEGY	ACTION	PROGRESS to 30 June 2007
Embrace Government commitment to electronic service delivery	<ul style="list-style-type: none"> ▼ Provide all appropriate publications and transactions on the internet ▼ Enhance the capacity of the web site to meet stakeholder communication needs 	<ul style="list-style-type: none"> ▼ Both of IPART's websites are continuously refined to ensure the users experience is positive, in that they are able to find the information quickly and adequately. The more significant change of 06/07, has been an enhanced homepage, with additional quick links.
Make effective use of equipment and systems	<ul style="list-style-type: none"> ▼ Develop asset management plan and procurement processes 	<ul style="list-style-type: none"> ▼ The Office Accommodation Strategy was extensively revised to reflect the need to find new accommodation with the lease expiry.



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.

		2003/04	2004/05	2005/06	2006/07	2007/08
PLANNED RESULT	RESULT INDICATORS	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ESTIMATE
Competitive business environment in NSW						
Intermediate result:						
<ul style="list-style-type: none"> ▼ Independent oversight of prices for energy, transport and water services 	<ul style="list-style-type: none"> ▼ Graph of real cost to public over time 	2003/04 Annual Report	2004/05 Annual Report	2005/06 Annual Report	Impacts statement in this report	*
	<ul style="list-style-type: none"> ▼ Graph of real cost to businesses over time 	2003/04 Annual Report	2004/05 Annual Report	2005/06 Annual Report		*
	<ul style="list-style-type: none"> ▼ Perceived quality of leadership – practical outcomes and independence (expressed as % from stakeholder survey) 	76%	no new survey data	86%	no new survey data	*
Healthy and sustainable energy and water supplies in NSW						
Intermediate result:						
<ul style="list-style-type: none"> ▼ Suppliers of energy and water meet licence obligations ▼ CO₂ reduction targets are monitored and enforced 	<ul style="list-style-type: none"> ▼ Acceptance by Ministers of annual water and energy audit reports 	4 reports	5 reports	5 reports	6 reports	6 reports
	<ul style="list-style-type: none"> ▼ Net tonnes per capita CO₂ emissions in NSW from electricity usage (allowing for offset credits) 	8.31	7.96	7.62	7.27	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 ACTUAL	2007/08 ESTIMATE
1. Licence monitoring and enforcement						
Key services:						
▼ Monitoring of water licences	▼ Acceptance by Minister of annual water audit reports	3 reports	3 reports	3 reports	4 reports	4 reports
▼ Monitoring of energy licences	▼ Acceptance by Minister of annual energy compliance reports	1 report	2 reports	2 reports	2 reports	2 reports
▼ Administration of Greenhouse Gas Reduction Scheme targets	▼ Number of accredited abatement projects (per year)	113	73	38	44	30
	▼ Number of abatement certificates registered (per year)	7.6M	7.7M	10.1M	20.9M	22M
2. Pricing of water, transport and energy						
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%	*	*

SERVICES DELIVERED	SERVICE MEASURE	2003/04 ACTUAL	2004/05 ACTUAL	2005/06 ACTUAL	2006/07 ACTUAL	2007/08 ESTIMATE
2. Pricing of water, transport and energy <i>continued</i>						
Key services:	▼ Perceived timeliness of decision-making processes	52%	71%	72%	*	*
▼ Wide consultation on issues						
▼ Rigorous process of review	▼ Number of projects completed					
▼ Fair and balanced decisions	▼ within 6 months			24	7	
	▼ within 12 months			10	14	
	▼ over 12 months			10	4	
	▼ # of public hearings, forums and workshops	21	14	15	16	15
	▼ # of papers and reports (Total)	40	42	57	57	50
	▼ <i>major</i>			42	39	
	▼ <i>minor</i>			13	19	
3. Referred reviews						
Key services:	▼ Relevant Minister's broad acceptance of report and recommendations	9 reports	9 reports	6 reports	3 reports	4 reports
▼ Terms of reference are met						

+ IPART is not able to anticipate the number of referrals in any year.

* 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 Sibylle Krieger *BL (Hons), ML*

Appointed for three years from 25 July 2006. Partner with Clayton Utz legal firm in Sydney, with over 20 years experience in commercial advisory and dispute resolution work.

The Tribunal – Temporary members

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 47 meetings 37 and 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 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 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 Reduction 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 senior managers, who report to the Chief Executive:



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

Pamela Soon *B. Comm, 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

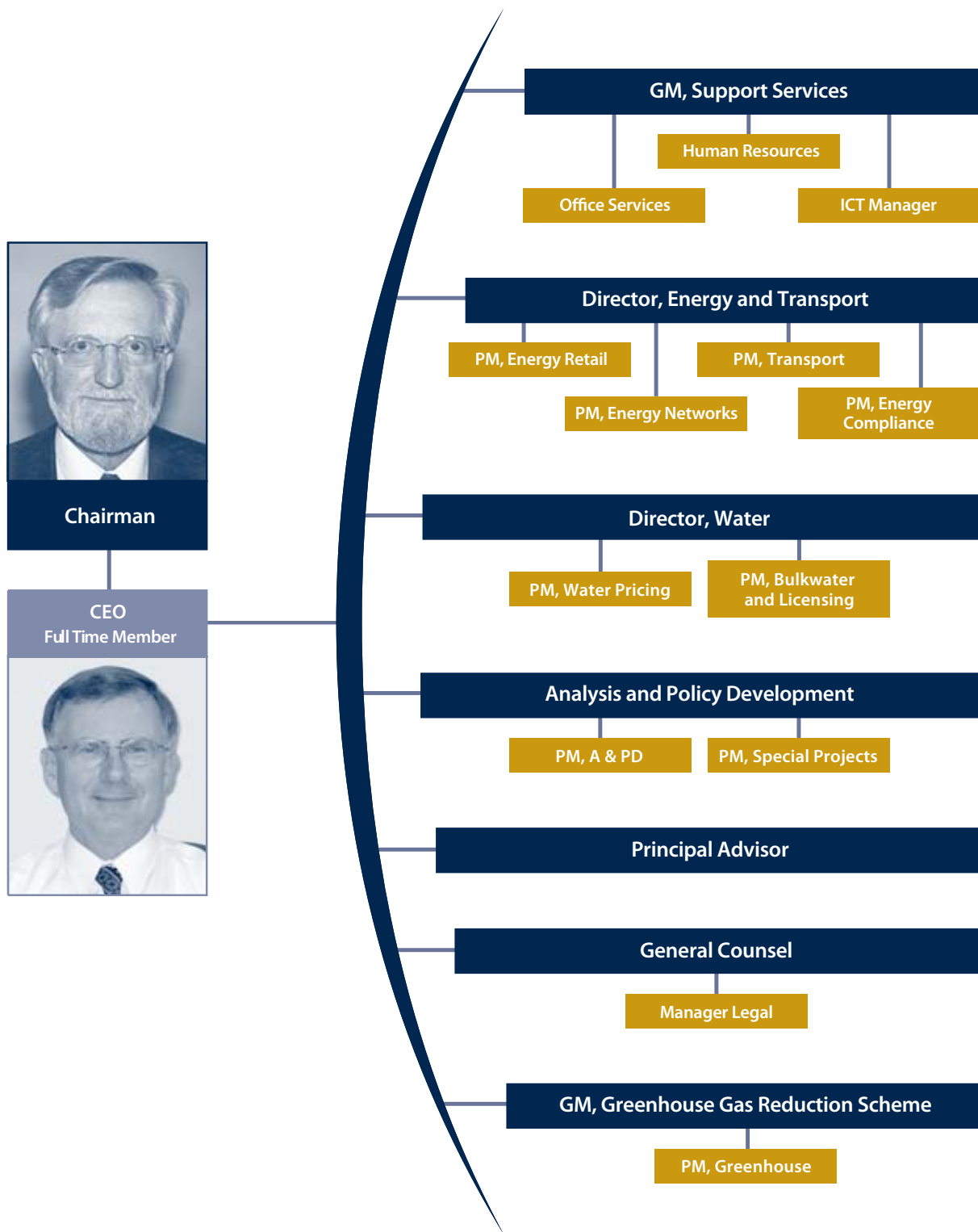
Christopher Spangaro

Responsible for the administration of the Greenhouse Gas Reduction Scheme.

Internal committees

IPART's Core Executive consists of the Tribunal's Chief Executive Officer and Full Time Member plus the senior managers listed above. 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
GM General Manager



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Independent Pricing and Regulatory Tribunal Division

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Independent Pricing and Regulatory Tribunal Division (the Division), which comprises the balance sheet as at 30 June 2007, and the operating statement, statement of recognised income and expense, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Division as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

The Chairman's Responsibility for the Financial Report

The Chairman is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chairman, as well as evaluating the overall presentation of the financial report.

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

My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A 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.



C J Giumelli
Director, Financial Audit Services

29 November 2007
SYDNEY

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

www.ipart.nsw.gov.au

**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 of New South Wales as at 30 June 2007 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

29 November 2007

Operating Statement

for the year ended 30 June 2007

		Actual 2007	Actual 2006
	Notes	\$'000	\$'000
Expenses excluding losses			
Employee related expenses	2(a)	8,531	2,699
Total Expenses excluding losses		8,531	2,699
Less:			
Revenue			
Personnel services		8,531	2,699
Total Revenue		8,531	2,699
Gain/(loss) on disposal		-	-
Net Cost of Services		-	-
Government Contributions			
Capital appropriations (Asset sale proceeds transferred to the Crown Entity)		-	-
Acceptance by the Crown Entity of employee benefits and other liabilities		-	-
Total Government Contributions		-	-

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2007

	Actual 2007	Actual 2006
	\$'000	\$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	-	-
Surplus/(Deficit) for the year	-	-
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	-	-

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2007

	Notes	Actual 2007 \$'000	Actual 2006 \$'000
ASSETS			
Current Assets			
Receivables	3	920	1,406
Total Current Assets		920	1,406
Total Assets		920	1,406
LIABILITIES			
Current Liabilities			
Payables	4	82	544
Provisions	5	831	816
Total Current Liabilities		913	1,360
Non-Current Liabilities			
Provisions	5	7	46
Total Non-Current Liabilities		7	46
Total Liabilities		920	1,406
Net Assets		-	-
EQUITY			
Accumulated funds		-	-
Total Equity		-	-

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2007

	Actual 2007	Actual 2006
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Total Payments	-	-
Total Receipts	-	-
Net Cash Flows From Government	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	-	-
CLOSING CASH AND CASH EQUIVALENTS	-	-

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2007

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 financial report was authorised for issue by the Chairman of The Independent Pricing and Regulatory Tribunal Division on 29 November 2007.

(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 2007	Actual 2006
	\$'000	\$'000
(a) Employee related expenses		
Salaries and wages (including recreation leave)	7,010	2,299
Superannuation – defined benefit plans	114	63
Superannuation – defined contribution plans	474	122
Long service leave	395	82
Workers compensation insurance	38	2
Payroll tax and fringe benefit tax	500	131
	8,531	2,699

3. CURRENT ASSETS – RECEIVABLES

Current Receivables		
Personnel services	920	1,406
	920	1,406

4. CURRENT LIABILITIES – PAYABLE

	Actual 2007	Actual 2006
	\$'000	\$'000
Current Liabilities – Payable		
Accrued salaries, wages and on-costs	82	544
	82	544

5. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

Current		
Employee benefits and related on-costs		
Recreation leave	641	681
Long service leave	66	19
Payroll tax	124	116
	831	816
Non-current		
Employee benefits and related on-costs		
Long service leave	7	46
	7	46
Aggregate employee benefits and related on costs		
Provisions – current	831	816
Provisions – non-current	7	46
Accrued salaries, wages and on-costs	82	544
	920	1,406

End of audited financial report.



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Independent Pricing and Regulatory Tribunal and controlled entities

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Independent Pricing and Regulatory Tribunal (the Tribunal) and the Tribunal and controlled entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense, statement of changes in equity and cash flow statement, program statement - expenses and revenues and a summary of compliance with financial directives for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated entity comprises the Tribunal and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Tribunal and the consolidated entity as of 30 June 2007, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

The Tribunal's Responsibility for the Financial Report

The members of the Tribunal are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Tribunal, as well as evaluating the overall presentation of the financial report.

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

My opinion does *not* provide assurance:

- about the future viability of the Tribunal or consolidated entity,
- that they has carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A 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.



Chris Giumelli
Director, Financial Audit Services

29 November 2007
SYDNEY

**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 2007 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

29 November 2007

Operating Statement

for the year ended 30 June 2007

	Notes	CONSOLIDATED			IPART		
		Actual 2007	Budget 2007	Actual 2006	Actual 2007	Budget 2007	Actual 2006
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses							
Operating expenses							
Employee related	2(a)	8,531	8,817	8,557	-	-	5,858
Other operating expenses	2(b)	7,367	7,447	7,490	7,367	7,447	7,490
Depreciation and amortisation	2(c)	342	317	393	342	317	393
Personnel services		-	-	-	8,531	8,817	2,699
Total Expenses excluding losses		16,240	16,581	16,440	16,240	16,581	16,440
Less:							
Revenue							
Sale of goods and services	3(a)	1,473	517	965	1,473	517	965
Investment revenue	3(b)	280	207	216	280	207	216
Other revenue	3(c)	3	-	9	3	-	9
Total Revenue		1,756	724	1,190	1,756	724	1,190
Gain/(loss) on disposal	4	(15)	-	5	(15)	-	5
Other gains/(losses)	5	(2)	-	-	(2)	-	-
Net Cost of Services	20	14,501	15,857	15,245	14,501	15,857	15,245
Government Contributions							
Recurrent appropriations	6	15,103	15,109	14,752	15,103	15,109	14,752
Capital appropriations	6	180	180	157	180	180	157
Acceptance by the Crown Entity of employee benefits and other liabilities	7	515	310	386	515	310	386
Total Government Contributions		15,798	15,599	15,295	15,798	15,599	15,295
SURPLUS/(DEFICIT) FOR THE YEAR		1,297	(258)	50	1,297	(258)	50

The accompanying notes form part of these financial statements.

Statement of Recognised Income and Expense

for the year ended 30 June 2007

	CONSOLIDATED			IPART		
	Actual 2007	Budget 2007	Actual 2006	Actual 2007	Budget 2007	Actual 2006
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	-	-	-	-	-	-
Surplus/(Deficit) for the year	1,297	(258)	50	1,297	(258)	50
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	15 1,297	(258)	50	1,297	(258)	50

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2007

	Notes	CONSOLIDATED			IPART		
		Actual 2007	Budget 2007	Actual 2006	Actual 2007	Budget 2007	Actual 2006
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS							
Current Assets							
Cash and cash equivalents	9	5,096	4,735	4,856	5,096	4,735	4,856
Receivables	10	971	410	410	971	410	410
Total Current Assets		6,067	5,145	5,266	6,067	5,145	5,266
Non-Current Assets							
Plant and Equipment	11	625	620	741	625	620	741
Total Property plant and equipment	11	625	620	741	625	620	741
Intangible assets	12	37	29	45	37	29	45
Total Non-Current Assets		662	649	786	662	649	786
Total Assets		6,729	5,794	6,052	6,729	5,794	6,052
LIABILITIES							
Current Liabilities							
Payables	13	424	1,049	1,049	1,262	1,049	1,911
Provisions	14	990	923	923	159	923	107
Other	15	–	23	23	–	23	23
Total Current Liabilities		1,414	1,995	1,995	1,421	1,995	2,041
Non-Current Liabilities							
Provisions	14	7	46	46	–	46	–
Total Non-Current Liabilities		7	46	46	–	46	–
Total Liabilities		1,421	2,041	2,041	1,421	2,041	2,041
Net Assets		5,308	3,753	4,011	5,308	3,753	4,011
EQUITY							
Accumulated funds	16	5,308	3,753	4,011	5,308	3,753	4,011
Total Equity		5,308	3,753	4,011	5,308	3,753	4,011

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2007

	Notes	CONSOLIDATED			IPART		
		Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee related		(8,503)	(8,507)	(7,803)	–	(8,507)	(7,803)
Other		(8,390)	(7,447)	(8,843)	(16,893)	(7,447)	(8,843)
Total Payments		(16,893)	(15,954)	(16,646)	(16,893)	(15,954)	(16,646)
Receipts							
Sale of goods and services		1,801	517	1,331	1,801	517	1,331
Interest received		250	207	208	250	207	208
Other		3	–	928	3	–	928
Total Receipts		2,054	724	2,467	2,054	724	2,467
Cash Flows From Government							
Recurrent appropriation	6	15,103	15,109	14,752	15,103	15,109	14,752
Capital appropriation	6	180	180	180	180	180	180
Cash transfers to the Consolidated Fund		(23)	–	–	(23)	–	–
Net Cash Flows From Government		15,260	15,289	14,932	15,260	15,289	14,932
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	421	59	753	421	59	753
Cash Flows From Investing Activities							
Proceeds from sale of Plant and Equipment		1	–	8	1	–	8
Purchases of Plant and Equipment		(182)	(180)	(157)	(182)	(180)	(157)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(181)	(180)	(149)	(181)	(180)	(149)
NET INCREASE (DECREASE) IN CASH		240	(121)	604	240	(121)	604
Opening cash and cash equivalents		4,856	4,856	4,252	4,856	4,856	4,252
CLOSING CASH AND CASH EQUIVALENTS	9	5,096	4,735	4,856	5,096	4,735	4,856

The accompanying notes form part of these financial statements.

Program Statement – Expenses and Revenues

for the year ended 30 June 2007

CONSOLIDATED	PROGRAM 1 PRICING REGULATION*		NOT ATTRIBUTABLE		TOTAL	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AGENCY'S EXPENSES AND REVENUES						
Expenses excluding losses						
Operating expenses						
• Employee related expenses	8,531	8,557	–	–	8,531	8,557
• Other operating expenses	7,367	7,490	–	–	7,367	7,490
Operating expenses	15,898	16,047	–	–	15,898	16,047
Depreciation and amortisation expenses	342	393	–	–	342	393
Total expenses excluding losses	16,240	16,440	–	–	16,240	16,440
Revenue						
Sale of goods and services	1,473	965	–	–	1,473	965
Investment income	280	216	–	–	280	216
Other revenue	3	9	–	–	3	9
Total Revenue	1,756	1,190	–	–	1,756	1,190
Gain/(loss) on disposal	(15)	5	–	–	(15)	5
Other gains/(losses)	(2)	–	–	–	(2)	–
Net Cost of Services	14,501	15,245	–	–	14,501	15,245
Government contributions **			15,798	15,295	15,798	15,295
NET EXPENDITURE/(REVENUE) FOR THE YEAR	14,501	15,245	(15,798)	(15,295)	(1,297)	(50)
ADMINISTERED EXPENSES AND REVENUES						
Administered Revenues						
Consolidated Fund	–	–	–	–	–	–
Taxes, fees and fines	7,098	5,354	–	–	7,098	5,354
Total Administered Revenues	7,098	5,354	–	–	7,098	5,354
Administered Revenues less Expenses	7,098	5,354	–	–	7,098	5,354

* 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 2007

CONSOLIDATED	2007				2006			
	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
ORIGINAL BUDGET APPROPRIATION/EXPENDITURE								
• Appropriation Act	15,109	15,109	180	180	14,752	14,752	180	157
	15,109	15,109	180	180	14,752	14,752	180	157
OTHER APPROPRIATIONS/EXPENDITURE								
• Treasurer's Advance	-	-	-	-	-	-	-	-
• Transfers to/from another agency (s27 of the Appropriation Act)	(6)	(6)	-	-	-	-	-	-
	(6)	(6)	-	-	-	-	-	-
Total Appropriations/ Expenditure/Net Claim on Consolidated Fund (includes transfer payments)	15,103	15,103	180	180	14,752	14,752	180	157
Amount draw down against Appropriation		15,103		180		14,752		180
Liability to Consolidated Fund *		-		-		-		(23)

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 2007

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.

The Tribunal is a budget dependent Statutory Authority. 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 2007 has been authorised for issue by the Chairman of the Tribunal and Chief Executive Officer and Full Time Member of the Tribunal on 29 November 2007.

(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.

(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 15 as part of 'Current liabilities – Other'. The amount will be repaid and the liability will be extinguished next financial year. Note 21 "Administered assets and liabilities".

(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.

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
Intangible Asset	
Computer software	25
Plant & Equipment	
Office furniture and fittings	10
Computer equipment and softwares	33
General plant and equipment	14

(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)).

(p) Other Assets

Other assets are recognised on cost basis.

(r) 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; ie, per the audited financial statements (rather than carried forward estimates).

2. EXPENSES EXCLUDING LOSSES

	CONSOLIDATED		IPART	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
(a) Employee related expenses				
Salaries and wages (including recreation leave)	7,010	7,292	–	4,993
Superannuation – defined benefit plans	114	128	–	65
Superannuation – defined contribution plans	474	435	–	313
Long service leave	395	224	–	142
Workers compensation insurance	38	34	–	32
Payroll tax and fringe benefit tax	500	444	–	290
Payroll tax on superannuation	–	–	–	23
	8,531	8,557	–	5,858
(b) Other operating expenses				
Auditor's remuneration – audit or review of the financial report	32	15	32	15
Consultancies	3,270	3,836	3,270	3,836
Contractors	518	399	518	399
Insurance	7	10	7	10
Legal costs	329	199	329	199
Operating lease rental expense – minimum lease payments	583	563	583	563
Travel	90	131	90	131
Other expenses	1,090	1,062	1,090	1,062
Corporate services	263	250	263	250
EDP expenses	1,058	908	1,058	908
Maintenance	127	117	127	117
	7,367	7,490	7,367	7,490
* Reconciliation – Total maintenance				
Maintenance included in 2(b) above	127	117	127	117
Maintenance related employee expenses included in Note 2(a) above	–	–	–	–
	127	117	127	117

	CONSOLIDATED		IPART	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
(c) Depreciation and amortisation expenses				
Depreciation:				
Plant and Equipment	202	243	202	243
	202	243	202	243
Amortisation:				
Leasehold improvements	132	132	132	132
Intangible Asset	8	18	8	18
	342	393	342	393

3. REVENUE

(a) Sale of goods and services				
Rendering of services (reimbursement of both external consultancies and in-house costs)	1,473	965	1,473	965
	1,473	965	1,473	965
(b) Investment revenue				
Interest	280	216	280	216
	280	216	280	216
(c) Other revenue				
Lease incentive amortisation	-	9	-	9
Other	3	-	3	-
	3	9	3	9

4. GAIN/(LOSS) ON DISPOSAL

Gain/(loss) on disposal of plant and equipment				
Proceeds from disposal	1	7	1	7
Less: Written down value of assets disposed	(16)	(2)	(16)	(2)
Net gain/(loss) on disposal of plant and equipment	(15)	5	(15)	5

5. OTHER GAINS/(LOSSES)

	CONSOLIDATED		IPART	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Impairment of receivables	(2)	–	(2)	–

6. APPROPRIATIONS

Recurrent appropriations				
Total recurrent drawdowns from Treasury (per Summary of Compliance)	15,103	14,752	15,103	14,752
Less: Liability to Consolidated Fund (per Summary of Compliance)	–	–	–	–
	15,103	14,752	15,103	14,752
Comprising:				
Recurrent appropriations (per Operating Statement)	15,103	14,752	15,103	14,752
Transfer payments	–	–	–	–
	15,103	14,752	15,103	14,752
Capital appropriations				
Total capital drawdowns from Treasury (per Summary of Compliance)	180	180	180	180
Less: Liability to Consolidated Fund (per Summary of Compliance)	–	23	–	23
	180	157	180	157
Comprising:				
Capital appropriations (per Operating Statement)	180	157	180	157
Transfer payments	–	–	–	–
	180	157	180	157

7. 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	114	128	114	128
Long Service Leave	395	224	395	224
Payroll tax	6	34	6	34
	515	386	515	386

8. 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.

9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED		IPART	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	5,096	4,856	5,096	4,856
	5,096	4,856	5,096	4,856

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)	5,096	4,856	5,096	4,856
Closing cash and cash equivalents (per Cash Flow Statement)	5,096	4,856	5,096	4,856

10. CURRENT ASSETS – RECEIVABLES

Sale of goods and services	718	174	718	174
Goods and Services Tax recoverable from ATO	105	121	105	121
Interest receivable	137	107	137	107
Other	11	8	11	8
	971	410	971	410

11. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	CONSOLIDATED	IPART
	Plant and Equipment	Plant and Equipment
	\$'000	\$'000
At 1 July 2006		
Gross Carrying Amount	2,165	2,165
Accumulated Depreciation	(1,424)	(1,424)
Net carrying amount – at Fair Value	741	741
At 30 June 2007		
Gross Carrying Amount	2,291	2,291
Accumulated Depreciation	(1,666)	(1,666)
Net carrying amount – at Fair Value	625	625
Reconciliation		
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.		
Year ended 30 June 2007		
Net Carrying Amount at start of year	741	741
Additions	234	234
Disposals	(109)	(109)
Depreciation expense	(334)	(334)
Writeback on Disposals	93	93
Net carrying amount at end of year	625	625
At 1 July 2005		
At Cost	2,168	2,168
Less: Accumulated Depreciation	(1,175)	(1,175)
Net carrying amount	993	993
At 30 June 2006		
At Cost	2,165	2,165
Less: Accumulated Depreciation	(1,424)	(1,424)
Net carrying amount	741	741

11. NON-CURRENT ASSETS – PLANT AND EQUIPMENT continued

	CONSOLIDATED	IPART
	Plant and Equipment	Plant and Equipment
	\$'000	\$'000
Reconciliation		
A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the previous reporting period is set out below.		
Year ended 30 June 2006		
Net carrying amount at start of year	993	993
Additions	125	125
Disposals	(128)	(128)
Depreciation expense	(375)	(375)
Other movements	126	126
Net carrying amount at end of year	741	741

12. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	CONSOLIDATED	IPART
	Software	Software
	\$'000	\$'000
At 1 July 2006		
Cost (gross carrying amount)	102	102
Accumulated amortisation and impairment	(57)	(57)
Net carrying amount – at fair value	45	45
At 30 June 2007		
Cost (gross carrying amount)	102	102
Accumulated amortisation and impairment	(65)	(65)
Net carrying amount – at fair value	37	37
Year ended 30 June 2007		
Net carrying amount at start of year	45	45
Additions	–	–
Amortisation (recognised in depreciation and amortisation)	(8)	(8)
Net carrying amount at end of year – at fair value	37	37
At 1 July 2005		
Cost (gross carrying amount)	75	75
Accumulated amortisation and impairment	(39)	(39)
Net carrying amount	36	36
At 30 June 2006		
Cost (gross carrying amount)	102	102
Accumulated amortisation and impairment	(57)	(57)
Net carrying amount	45	45
Year ended 30 June 2006		
Net carrying amount at start of year	36	36
Additions [from internal development or acquired separately]	27	27
Amortisation (recognised in depreciation and amortisation)	(18)	(18)
Net carrying amount at end of year	45	45

13. CURRENT LIABILITIES – PAYABLES

	CONSOLIDATED		IPART	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Accrued salaries, wages and on-costs	82	545	–	1
Creditors	342	504	342	504
Personnel services	–	–	920	1,406
	424	1,049	1,262	1,911

14. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED		IPART	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current				
Employee benefits and related on costs				
Recreation leave	641	681	–	–
Long service leave	66	19	–	–
Payroll tax	124	116	–	–
	831	816	–	–
Other provisions				
Restoration Cost	159	107	159	107
	159	107	159	107
	990	923	159	107
Non current				
Employee benefits and related on costs				
Long service leave	7	46	–	–
	7	46	–	–
Aggregate employee benefits and related on costs				
Provisions – current	831	816	–	–
Provisions – non current	7	46	–	–
Accrued salaries, wages and on costs (refer Note 13)	82	590	–	–
	920	1,452	–	–

15. CURRENT LIABILITIES – OTHER

	CONSOLIDATED		IPART	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Liability owing to consolidated fund	–	23	–	23
	–	23	–	23

16. CHANGES IN EQUITY

	ACCUMULATED FUNDS			
	2007	2006	2007	2006
Balance at the beginning of the year	4,011	3,961	4,011	3,961
Changes in equity – other than transactions with owners as owners				
Surplus/(deficit) for the year	1,297	50	1,297	50
Total	1,297	50	1,297	50
Balance at the end of the financial year	5,308	4,011	5,308	4,011

17. COMMITMENTS FOR EXPENDITURE

(a) Other Expenditure Commitments

Aggregate other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:

Not later than one year	5	3	5	3
Total (including GST)	5	3	5	3

(b) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year	460	524	460	524
Later than one year and not later than five years	–	326	–	326
Total (including GST)	460	850	460	850

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

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

19. BUDGET REVIEW

Net cost of services

The net cost of services of \$14,501K was \$1,356K less than budget. This was mainly due to higher than budgeted sale of goods and services revenue (\$956K above budget) relating to rendering of services. The employee related expenses were \$286K under budget also contributing to the net cost of services being less than budget.

Assets and liabilities

Current Assets:

Total current assets were \$922K above budget due to cash (\$361K above budget) and receivables (\$561K above budget) resulting from higher than anticipated revenue.

Non-Current assets:

Plant and equipment and intangible assets were slightly over budget (\$13K).

Current and Non-Current Liabilities:

Total liabilities were \$620K below budget due mainly to provisions being below budget by \$764K.

Cash flows

Cash flows from operating activities were over budget by \$362K due to higher than anticipated revenue (\$1,330) offset by an above budget total payments (\$939K).

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

	CONSOLIDATED		IPART	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Net cash used on operating activities	421	753	421	753
Net Cash flows from Government	(15,260)	(14,932)	(15,260)	(14,932)
Acceptance by the Crown Entity of employee benefits and other liabilities	(515)	(386)	(515)	(386)
Depreciation and amortisation	(342)	(393)	(342)	(393)
Decrease/(increase) in other liabilities	-	9	-	54
Decrease/(increase) in provisions	24	109	-	109
Increase/(decrease) in receivables and other assets	562	(359)	562	(359)
Decrease/(increase) in creditors	626	(51)	650	(96)
Net gain/(loss) on sale of plant and equipment	(15)	5	(15)	5
Other gain/(loss)	(2)	-	(2)	-
Net cost of services	(14,501)	(15,245)	(14,501)	(15,245)

21. ADMINISTERED ASSETS AND LIABILITIES

	CONSOLIDATED		IPART	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Administered Assets				
Cash	561	441	561	441
Receivables	3,914	6,316	3,914	6,316
Total Administered Assets	4,475	6,757	4,475	6,757
Administered Liabilities				
Liability to Consolidated Fund	4,475	6,757	4,475	6,757
Total Administered Liabilities	4,475	6,757	4,475	6,757

22. ADMINISTERED REVENUE – SCHEDULE OF UNCOLLECTED AMOUNTS

Electricity/Gas Supplier Licences and Authorisations				
Not later than one year	3,914	6,316	3,914	6,316
	3,914	6,316	3,914	6,316

23. 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 2006).

23. IMPACT OF ADOPTION OF AIFRS

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

End of audited financial report.

Our work program for 2007/2008

Metropolitan Water Pricing

- ▶ Investigation into Prices for Water, Sewerage and Stormwater services provided by Sydney Water Corporation.
- ▶ Investigation into the methodology for calculating developer charges levied 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
- ▶ Collection and Audit of performance data for National Water Commission:
 - ▷ Sydney Water Corporation
 - ▷ Hunter Water Corporation
 - ▷ State Water Corporation

Water Licence Reviews

- ▶ Review of Sydney Water's Corporation's asset management
- ▶ Review of State Water Corporations' operating licence
- ▶ Review of system performance targets:
 - ▷ Sydney Water Corporation
 - ▷ Hunter Water Corporation

Water Industry Competition Act 2006 (WICA)

- ▶ Assessment of licence applications made under WICA
- ▶ Monitoring of performance of licensees
- ▶ Determination of prices for declared monopoly services
- ▶ Maintenance of public registers
- ▶ Arbitration of access and sewer mining disputes

Rail access

- ▶ Audit aspects of rail access undertaking
 - ▷ 2005/06
 - ▷ 2006/07
- ▶ Register rail access agreements

Transport fares

- ▶ Recommend taxi fares 2007/08
- ▶ 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
- ▶ Major review of CityRail regulatory framework

Energy

- ▶ Review of the market based energy cost component of electricity regulated retail tariffs
- ▶ Integral Energy public lighting price proposal
- ▶ Review of DNSPs distribution loss factors for 2008/09
- ▶ Energy distribution and retail licence compliance report for 2006/07
- ▶ Compliance audits of electricity retail suppliers
- ▶ Audit of ETEF
- ▶ Monitor Compliance with current electricity determinations
- ▶ Monitor Compliance with current gas determinations

Greenhouse Gas Reduction Scheme

- ▶ Re-development and refinement of workflow administration system
- ▶ Reviewing the contract for provision of the GGAS Registry
- ▶ Review of the revised framework for Generation Rule Method 2 accreditations
- ▶ Development of an approach to enable accreditation for carbon sequestration in forests under a managed investment scheme model
- ▶ Initial implementation of the NSW Renewable Energy Target Scheme

Section 9 Referrals

- ▶ Inquiry into NSW state taxes and Commonwealth/State tax sharing arrangements
- ▶ Inquiry into water access pricing and industry structure
- ▶ Review of the NSW registered clubs industry
- ▶ Review of the interface between the land transport industries and the stevedores at Port Botany

Outline budget for 2007/08

Budgeted Operating Statement

	2007/08
	\$
Employee Related Expenses	10,265,000
Other Operating Expenses	7,377,000
Depreciation	350,000
TOTAL EXPENSES	17,992,000
TOTAL REVENUE	1,420,000
NET COST OF SERVICES	16,572,000
Government Funding	
Recurrent Allocation	15,923,000
Capital Allocation	180,000
Crown Acceptance of Dept Liabilities	322,000
Total Government Funding	16,425,000
OPERATING RESULT	(147,000)

Impacts of IPART's determinations

IPART regulates the prices of a number of basic infrastructural services, namely water, electricity, gas and public transport. While average expenditure on these services amounts to less than 5 per cent of total expenditure for most households, they are essential services that people cannot do without. IPART therefore believes it important to monitor the impacts of its price determinations on households.

IPART also monitors the impact of these services on the bills of non-residential customers whose prices are regulated.

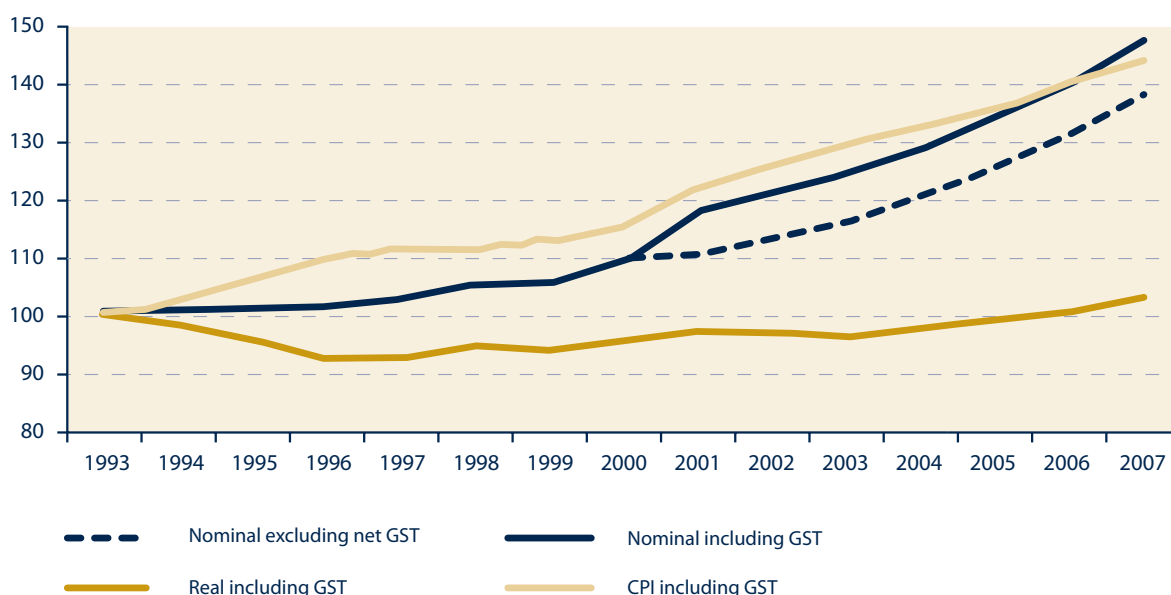
Price impacts on residential customers

To monitor the impact of its price determinations on households, IPART introduced an index of household charges in 1993. This index measures, for an average household, the cumulative changes in the prices of the services it regulates, 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).³

During the 1990s average household charges for IPART regulated services generally trended downwards in real terms. Since 2000, charges have begun to rise gradually in response to a number of cost pressures, which are discussed below in the sections on each industry.

Average household charges in 2006/07 were 2.5 per cent higher than levels in 1992/93 in real terms, including GST. If the net impact of GST and the new tax system are excluded, household charges were 1.4 per cent lower in real terms than in 1992/93.

Figure 1: Composite index of household charges from 1992/93 to 2006/07



³ 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 per cent, water 23 per cent, gas 8 per cent and public transport 18 per cent. The 2003/04 Households Expenditure survey (Sydney households) is used from 2004/2005, and the weightings are as follows: electricity 47 per cent, water 20.5 per cent, gas 11.5 per cent and public transport 21 per cent.

Impacts of IPART's determinations **continued**

In 2006/07, households paid on average 5.0 per cent more for electricity, gas, water, sewerage and public transport in nominal terms than they did in 2005/06. This increase is somewhat higher than the increase in the Consumer Price Index (CPI) so that average household charges rose by roughly 2.0 per cent in real terms. Real prices in 2006/07 continued to rise in the water and electricity businesses under IPART's current determinations, while real gas and public transport prices remained largely unchanged. The factors affecting each service are discussed below.

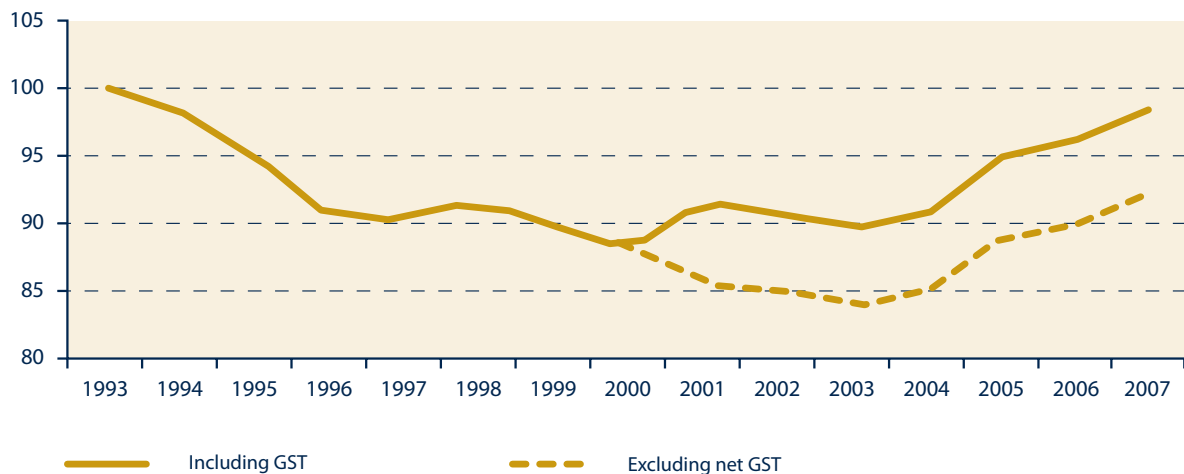
Electricity

Since 1 January 2002, all electricity customers in NSW have had the option to choose their retail electricity supplier and negotiate a retail supply contract, or to remain with their Standard Retailer on a regulated tariff. Although customers are increasingly exercising choice and negotiating retail supply contracts, around 70 per cent of small retail customers are still on regulated tariffs.

The average price paid by residential customers on the regulated tariff increased by about 5.4 per cent between 2005/06 and 2006/07 in nominal terms, which means it increased by roughly 2.4 per cent in real terms. These increases have been driven largely by the need for increased expenditure in the distribution business to replace ageing network infrastructure, ensure higher standards of reliability and performance⁴ and cope with new patterns of demand, in particular, peak load demand due to the growing use of air conditioners.

In spite of the recent increases, average electricity prices in 2006/07 were still lower in real terms than they were in 1992/93. The index of household electricity charges (Figure 2) shows that the average regulated price was 1.8 per cent lower in 2006/07 than in 1992/93 (including GST).

Figure 2: **Index of residential electricity prices 1992/93 – 2006/07 (real)**



Note: The above charges exclude the Energy Savings Fund component. Some electricity retail tariffs include a small additional amount 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.

4 A new licence condition was imposed on the distribution businesses in 2005/06 – the **Design, Reliability and Performance Licence Condition imposed on Distribution Network Service Providers by the Minister for Energy and Utilities**. Meeting this licence condition involves substantial costs.

Regulated electricity prices will continue to rise in 2007/08 and beyond, due to the need to encourage investment in generation capacity; fund higher expenditure in the distribution network; meet greenhouse gas emission targets; and compensate retailers for higher wholesale energy prices.

Metropolitan Water

The current price determinations for Sydney Water Corporation and Hunter Water Corporation came into effect on 1 October 2005 and 1 November 2005 respectively. The determinations allow real increases in average prices for both agencies, and change the balance between fixed and usage charges in favour of higher usage charges to better reflect the cost of making water services available and to encourage water conservation, particularly in the prevailing drought environment.

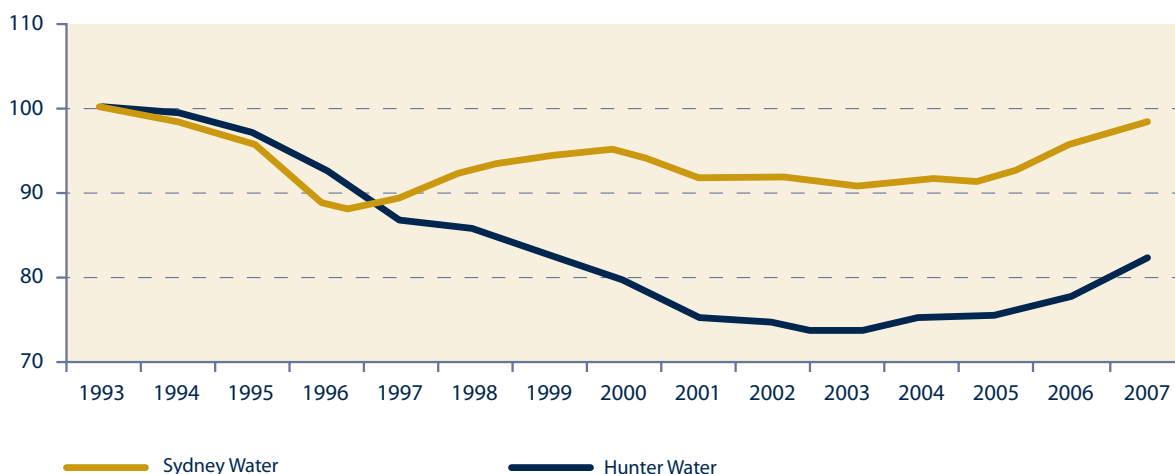
Sydney Water's determination introduced a two tiered water usage charge for individually metered residential properties, and reduced the fixed water charges. Hunter Water's determination removed the declining block water usage tariff for non-residential users.

One of the main reasons for the increase in charges relates to the increasing costs of accessing additional sources of water. In addition, 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, wastewater and stormwater drainage services as the population grows are placing upward pressure on costs.

Residential customers of Sydney Water Corporation and Hunter Water Corporation using 220 kL of water per year experienced nominal increases of 5.0 per cent and 8.2 per cent, respectively, in their water and sewerage bills between 2005/06 and 2006/07.⁵ In real terms, Sydney Water Corporation's customers paid 2.0 per cent more and Hunter Water Corporation's customers paid 5.2 per cent more.

Although the past year has seen an increase in water charges for households, bills are still lower than they were in 1992/93 in real terms: Sydney Water Corporation's customers paid 2 per cent less for water and sewerage services in 2005/06 than in 1992/93, while Hunter Water Corporation's customers paid 18 per cent less (Figure 3).

Figure 3: Index of residential water and sewerage charges 1992/93 – 2006/07 (real)



⁵ Note that the bills for the year are affected by both the extent and the timing of price increases. For example, the bill for a Hunter Water customer in 2005/06 is based on 2004/05 prices for the first four months and 2005/06 prices for the rest of the year. This bill is lower than if only end-of-year prices applied, and the increase in the bill between 2005/06 and 2006/07 is therefore greater than just the increase in prices.

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 and 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 and Newcastle maximum bus fares rose by an average of 3.8 per cent in nominal terms on 2 January 2007, which represents a 0.3 per cent real increase since January 2006. After rounding, Sydney's bus fares rose by a weighted average of 2.6 per cent in nominal terms, which is a real decrease of 0.9 per cent. Rounding did not change Newcastle's average increases.

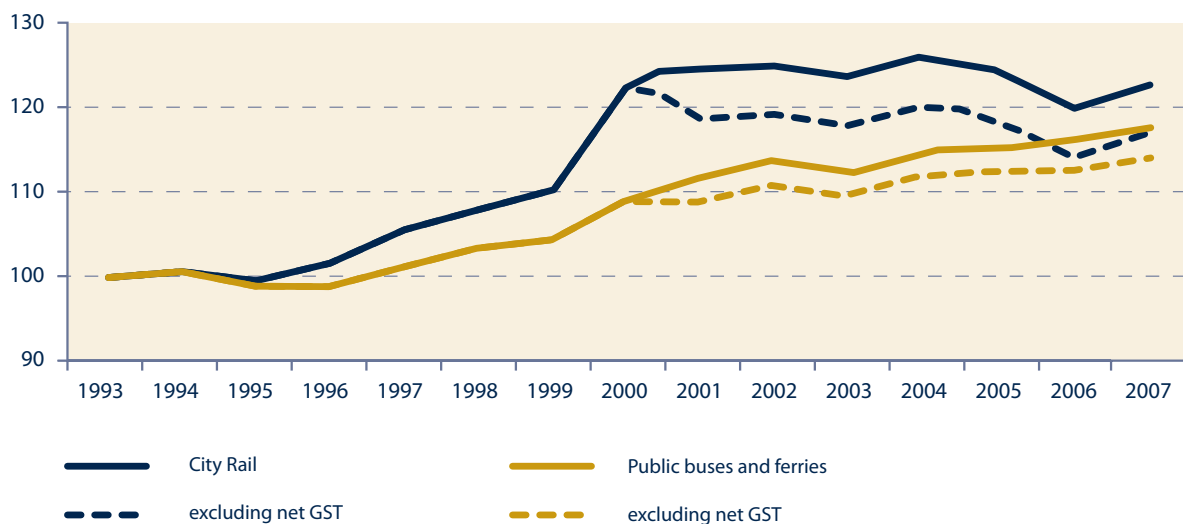
Sydney Ferries' maximum fares rose by an average of 3.2 per cent in nominal terms on 2 January 2007. The weighted actual increase in fares after rounding was 3.9 per cent, or 0.3 per cent in real terms since January 2006.

IPART allowed the fare increases due to increased costs; to ensure an appropriate proportion of costs are recovered through ticket revenue; and, in the case of buses, modest improvements in service quality. It considers the small increases should not have significant adverse effects on passengers or the environment.

CityRail fares rose by a weighted average amount of 5.1 per cent on 2 July 2006 in nominal terms, or 2.1 per cent in real terms. This (nominal) increase is made up of a 2.9 per cent increase in base fares (ie before rounding), and a reduction in the off-peak discount for adult fares from 39 per cent to 30 per cent. In allowing this increase, the Tribunal took into account that there had been no increase since August 2003 while CityRail's costs had increased by 22 per cent in nominal terms.

While public transport prices have risen since 1992/93, price increases have been modest since 2000/01. Train fares, in particular, are lower in real terms than they were in that year, and train passengers pay on average 23 per cent more now than in 1992/93, compared to 25 per cent more in 2000/01. Bus and ferry commuters currently pay an average of 17 per cent more in real terms (including GST) than in 1992/93.

Figure 4: Index of public transport prices 1992/93 – 2006/07 (real)



Transport fares still 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 improvements in service quality for buses and increased capital outlays to replace ageing infrastructure.

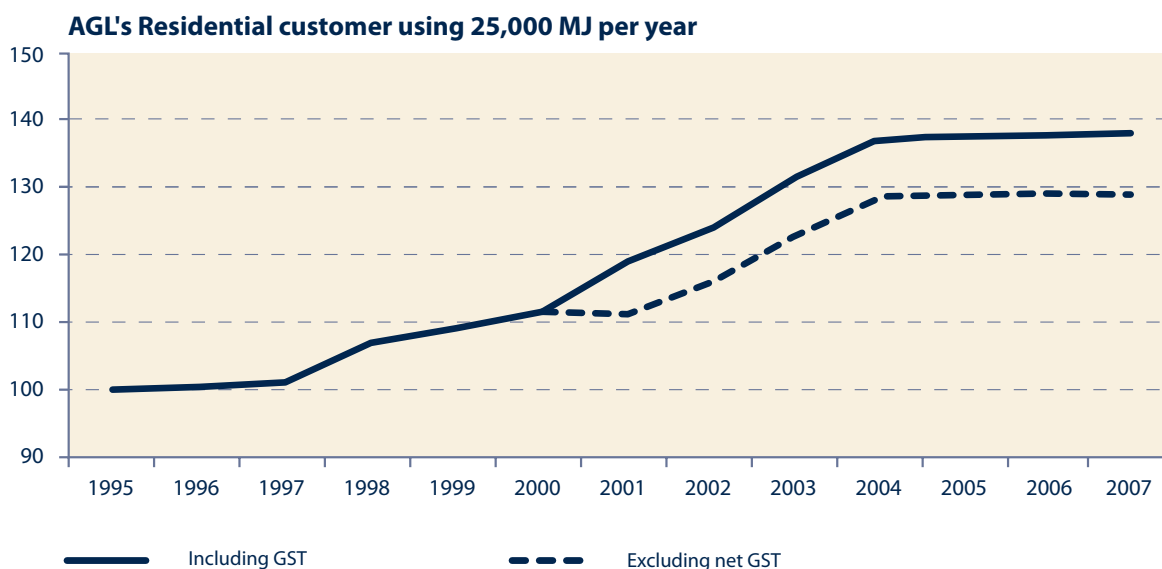
Gas

IPART began regulating 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 still have the option to remain on, or return to, a regulated tariff.

The gas price index shown in Figure 5 is calculated for an AGL gas customer using 25,000MJ of gas per year, which is a medium level of usage. AGL's tariff increased in line with inflation in 2006/07, and this customer's bill remained unchanged in real terms.

Residential gas prices rose fairly sharply between 1997/98 and 2003/04, but have since remained virtually unchanged in real terms. The AGL customer has paid 38 per cent more for gas since 2004/05 compared to the amount paid in 1994/95 (including GST).

Figure 5: Index of residential gas prices for AGL customers 1994/95 – 2006/07 (real)



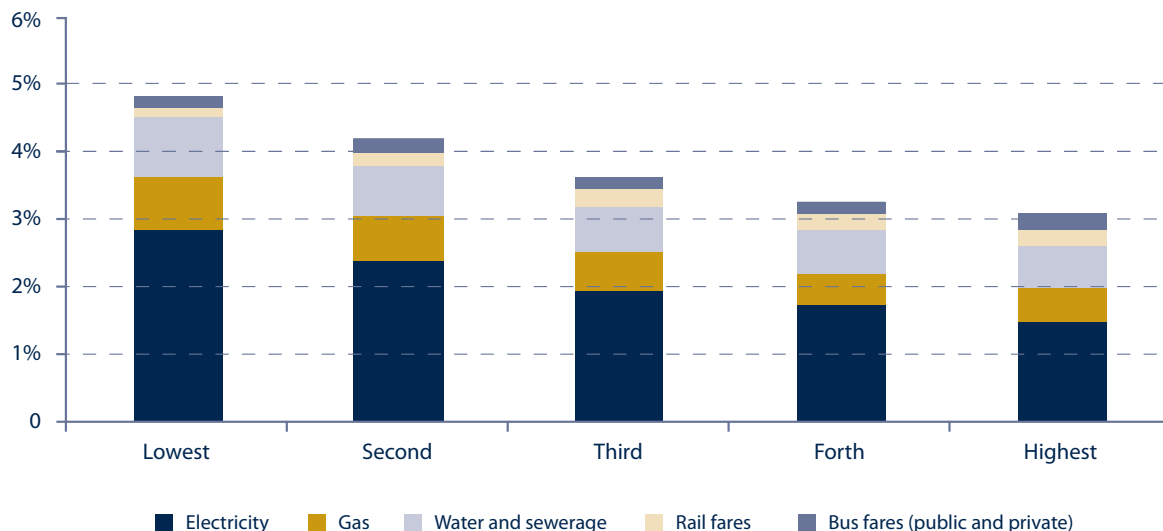
The increases for residential customers to 2002/03 are primarily due to the elimination of the previous cross-subsidy of residential customers by non-residential users. The 6.8 per cent nominal increase, or 4.4 per cent real increase, in 2003/04 was due to various increases in the cost of supply.

Price impacts by level of income

On average, households spend about 3.6 of their total expenditure on the services regulated by IPART. This proportion is higher for low income households than high income households: for example, according to the 2003/04 Household Expenditure Survey⁶ the poorest 20 per cent spend 4.9 per cent on these services compared to 3.1 per cent for the richest 20 per cent (Figure 6). This means that IPART's price determinations have a bigger impact on the household budgets of low income household than high income households.

6 The 2003–04 Household Expenditure Survey Summary of Results Australian Bureau of Statistics Cat 6530.0

Figure 6: Share of expenditure on services by income quintile



Source: 2003/04 Household Expenditure survey by income quintile (Australia wide). The Australian Bureau of Statistics does not provide expenditure by income quintile for NSW or Sydney.

We can use the expenditure patterns for the different income groups (Figure 6) to create a composite price index for each group. The resulting price indices are very similar, and are indeed slightly higher for high income households compared to low income households (Table 1). The main reason for this is that, on average, high income households spend proportionately more on public transport than low income households compared to expenditure on water, electricity and gas.⁷ Since public transport prices have increased significantly since 1992/93, the higher weighting given to public transport for high income households translates into a higher combined price index.

Table 1: Composite index of household charges by income quintile, 1992/93 to 2006/07 (real, inc. GST)

Income Quintile	1992/93	1996/97	2000/01	2003/04	2007/08
Lowest	100.0	91.2	95.0	96.7	103.2
Second	100.0	91.7	95.8	97.6	103.8
Third	100.0	92.1	96.5	98.2	104.2
Fourth	100.0	92.0	96.4	98.0	104.0
Highest	100.0	92.4	97.3	99.1	104.8

Household bills

The indices of household charges measure price changes for “average” households. The actual price changes for specific households will depend on a number of factors, the most important of which are how much of each service is consumed, who provides the services and whether the households qualify for pensioner rebates/discounts.

⁷ For example, the share of public transport is 14 per cent for the highest income quintile and 5 per cent for the lowest income quintile.

We have calculated the bills for three different households to illustrate the effects of consumption levels and pensioner rebates/discounts:

- ▼ Household 1 is an 'average' household that used public transport on a regular basis.
- ▼ Household 2 is a low consumption household that uses public transport fairly often.
- ▼ Household 3 is a household with the same level of consumption as household 2 (including public transport), but is eligible for pensioner rebates and discounts.

All households are supplied by EnergyAustralia for electricity, AGL for gas and Sydney Water for water and sewerage, and travel by STA bus. The assumed levels of consumption are shown in Table 2.

Table 2: Characteristics of "typical" households

	Household 1 Average consumption	Household 2 Low consumption	Household 3 Low consumption and Pensioner
Electricity consumption	7,500 kWh (2,000kWh off-peak)	5,000 kWh (1,500kWh off-peak)	5,000 kWh (1,500kWh off-peak)
Gas consumption	25,000 MJ	14,000 MJ	14,000 MJ
Water consumption	220 kL per year	150 kL per year	150 kL per year
STA Bus transport (6-15 sections, return trip)	225 days per year Green travel ten	90 days per year Green travel ten	90 days per year Pensioner excursion

Note: The electricity, gas and water consumption for Households 2 and 3 are typical for pensioner households in the Sydney metropolitan area, based on IPART's 2006 Household Survey.

Households that consume less will face lower bills than households that consume more, and those that qualify for pensioner rebates/discounts will pay less than non-pensioner households for the same amount of service. For example, Household 1 paid a total of \$3,838 in 2006/07, Household 2 paid \$2,331 and Household 3 (pensioner) paid \$1,402 (Figure 7). The pensioner household received rebates of \$112 for household energy⁸ and \$380 for water services⁹, and a discount of \$437 for public transport¹⁰. It therefore paid \$929, or 40 per cent, less than the equivalent non-pensioner household for the same services.

Although the pensioner household (Household 3) paid substantially less than the equivalent non-pensioner household (Household 2) in 2006/07 for the same services, its bill has increased more rapidly than the non-pensioner household's bill over the last 10 years. As shown in Figure 8, the non-pensioner household's bill increased by 12 per cent between 1996/97 and 2006/07, in real terms and including GST. The pensioner's combined energy and water bill increased by 17 per cent and the total combined bill (water, energy and transport) increased by 25 per cent.

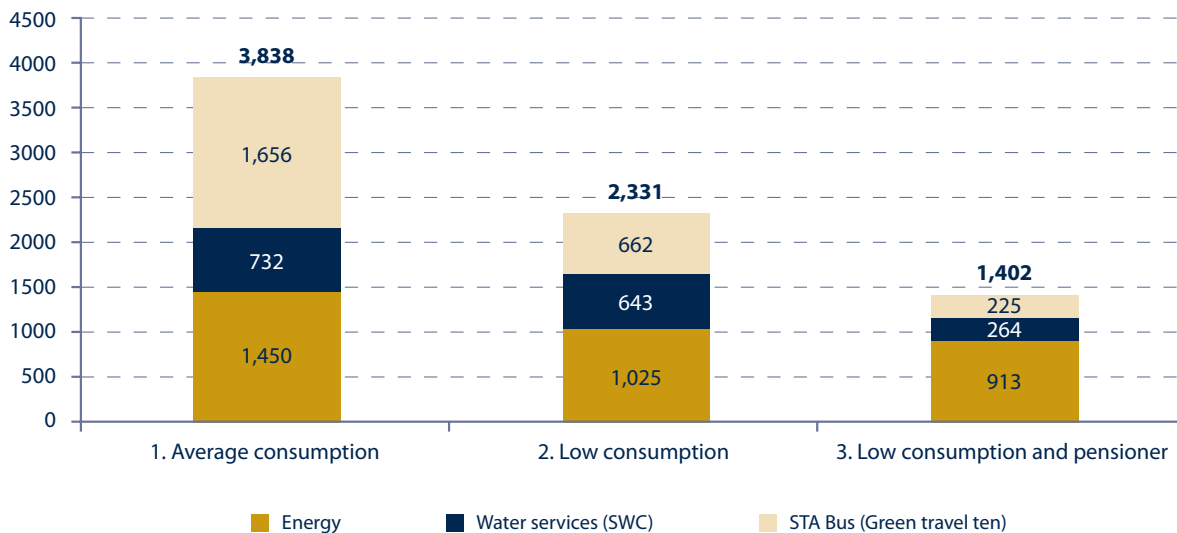
8 NSW government introduced a payment of \$112 per year for electricity and gas on 1 January 2002. This payment replaced the individual schemes run by the various retailers. The amount of \$112 represented an increase for AGL and EnergyAustralia customers of \$8 per year. Rebates are paid on electricity bills, and are available to households with (at least) one member that holds a Centrelink Pensioner concession card or Department of Veteran's Affairs concession card.

9 Sydney Water's pensioner rebates in 2006/07 were 100 per cent of the fixed charge for water and 81 per cent of the fixed charge for sewerage. Rebates are available to owner-occupiers holding Centrelink Pensioner concession cards or Department of Veteran's Affairs concession cards. (Tenants are not directly responsible for paying the fixed charges, and therefore do not qualify for rebates).

10 A new Pensioner Excursion Ticket, at a flat fare of \$2.50, was introduced in January 2005 as part of the NSW Government's Fairer Fares plan. Replacing the four existing Pensioner Excursion Tickets, the new ticket was extended to private bus operators in the Sydney metropolitan area. A \$1 ticket was previously applicable STA and Cityrail travel. The tickets cover all day travel around Sydney and Newcastle, and are available to people holding Centrelink Pensioner concession cards, NSW Seniors Cards or NSW or Victorian War Widow/er concession cards.

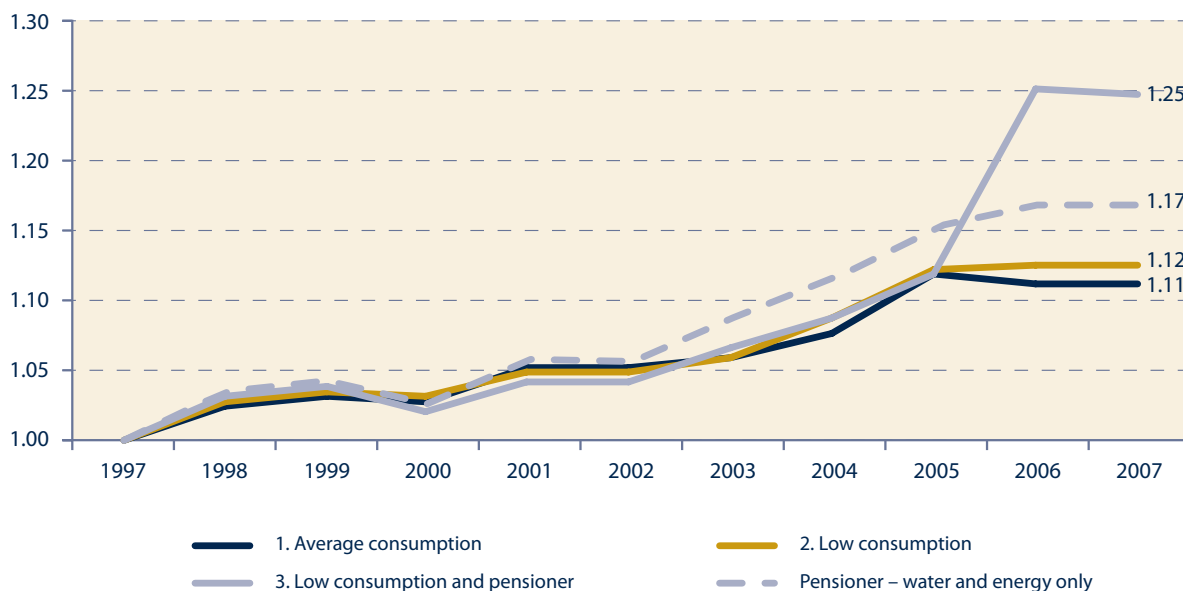
Impacts of IPART's determinations **continued**

Figure 7: Household bills (\$ per year, 2006/07)



The bill for an average level of consumption (Household 1) increased by 11 per cent, compared to 12 per cent for the low consumption level non-pensioner household (Household 2).¹¹ This discrepancy is largely due to the changes in electricity and gas tariffs, whose fixed charges increased more rapidly than usage charges.

Figure 8: Increases in household bills, 1996/97 - 2006/07 (real, including GST)



¹¹ The combined water and energy bills (ie excluding transport) increased by 10 per cent for Households 1 over the period, and by 12 per cent for Household 2.

Price impacts on non-residential customers

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

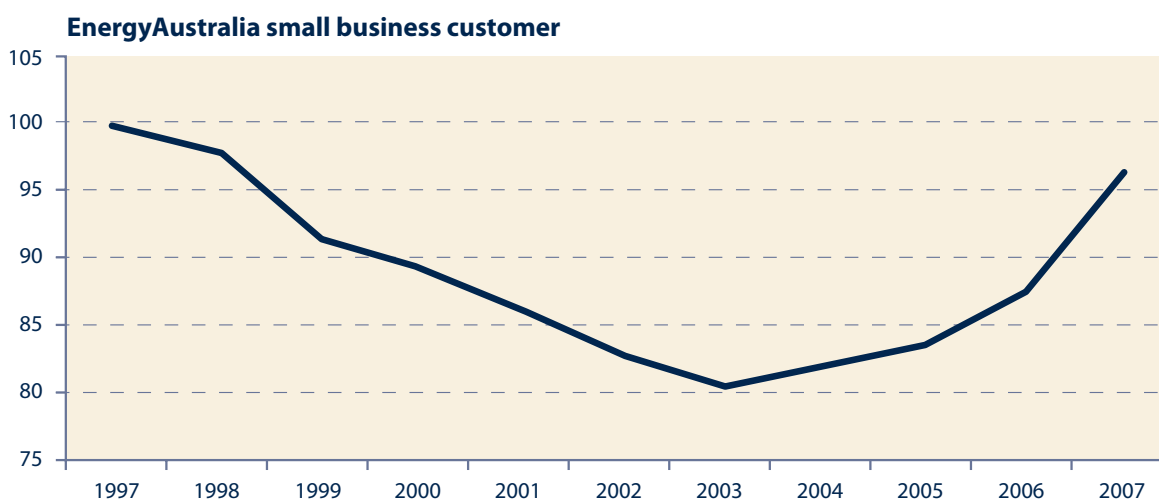
Electricity

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 160 MWh per year can however still choose to remain on a regulated tariff.

The electricity index shown in Figure 9 is calculated for an EnergyAustralia business customer on a general supply tariff using 30 MWh of electricity per year. This customer paid 13.3 per cent more for electricity in 2006/07 compared to the previous year in nominal terms, or 10.1 per cent in real terms. This increase is larger than the average increase for all non-residential customers, and is driven by a 19 per cent nominal increase in the charge for consumption in excess of 10 MWh per year.

Although this past year has seen a relatively large increase, prices for this customer were still 4 per cent lower in 2006/07 than they were in 1996/97 in real terms (excluding GST).

Figure 9: Index of regulated business electricity prices (small customers) 1996/97 – 2006/07 (real, excluding GST)



Note: Prices calculated for consumption of 30 MWh 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.

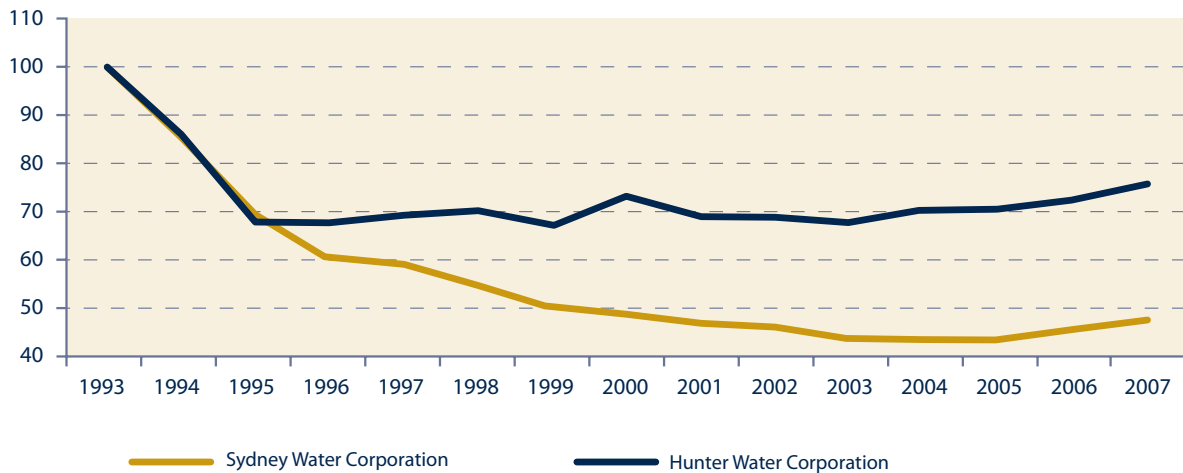
Metropolitan Water

Non-residential customers experienced real increases in their bills for the same reasons that residential customers' bills increased.

Sydney Water Corporation's non-residential customers experienced a nominal price increase of about 7.1 per cent between 2005/06 and 2006/07, which is 4.1 per cent in real terms.¹² Even though prices have increased over the past year, the bill for Sydney Water's non-residential customers of water and wastewater services are substantially lower than in 1992/93, by over 53 per cent in real terms. This reduction is largely due to the progressive elimination of property value based charges, which were finally eliminated on 1 July 2004.

Hunter Water Corporation's non-residential customers experienced a nominal price increase of about 7.4 per cent between 2005/06 and 2006/07, or 4.4 per cent in real terms. Average prices are however still 25 per cent lower than they were in 1992/93.¹³

Figure 10: Index of real water and wastewater charges for non-residential customers 1992/03 – 2006/07



Note: The index measures average revenue per kL of water sold, and is therefore only a rough indicator of prices. However, from 2003/04 the index has been calculated using 2002/03 sales volumes to eliminate the impact of reduced consumption.

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.¹⁴ Network charges comprise 30-50 per cent of default retail tariffs.

While AGL Gas Networks' network charges have fallen in real terms for all customers, very large, or "contract" customers¹⁵ 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 per cent over the proposed access arrangement period.

¹² Note that prices are measured as average prices for the year. This means that average prices in 2005/06 are lower than year-end prices, and the increase in 2006/07 is larger than the increase in average tariffs.

¹³ Hunter Water Corporation's water and wastewater property value based charges were eliminated in 1994/95. Average bills fell about 30 per cent between 1992/93 and 1994/95, and have been relatively stable since then in real terms.

¹⁴ IPART currently approves access arrangements for AGL Gas Networks, Country Energy Gas and Central Ranges Pipeline under the National Gas Code.

¹⁵ Contract customers are those whose gas consumption is at least 10 TJ a year.

Bulk water

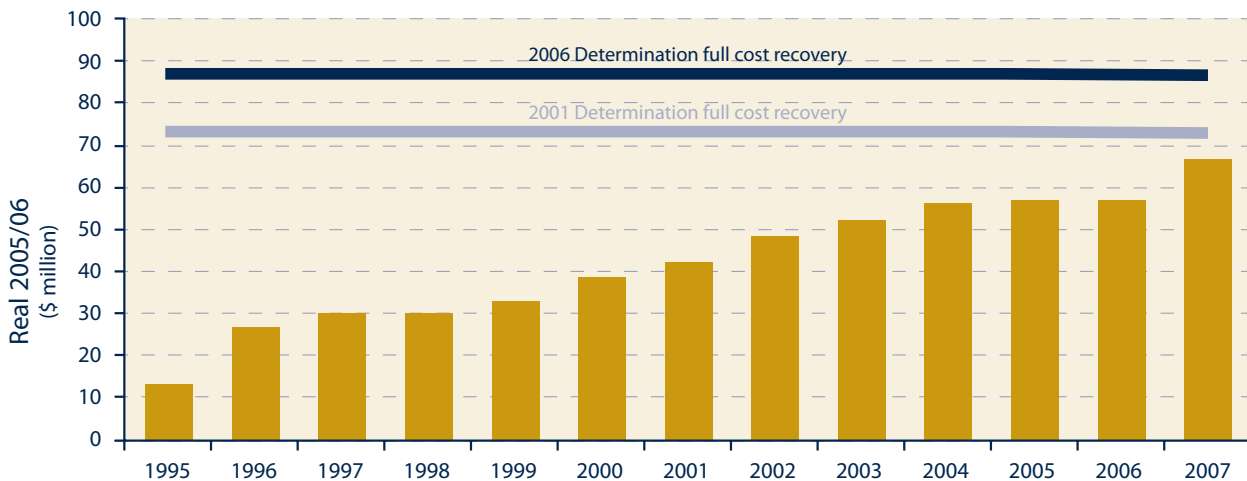
Bulk water customers on regulated rivers¹⁶ pay two sets of charges, the first to State Water Corporation which is responsible for river operations, and the second to the Department of Water and Energy¹⁷ for water resource management. Customers who extract water from unregulated rivers or groundwater only pay water resource management charges.

IPART set a new medium-term price path with effect from 1 October 2006. State Water Corporation's prices will rise annually by an average of 5.8 per cent in real terms over the 2006 determination period. Charges for water resource management will rise annually by an average of 4.1 per cent (real) over the 2006 determination period.

During the 2001 determination, a target level of revenue for full cost recovery of \$72.2 million was determined (2006/07 prices). This estimate was revised up to \$86.2 million in the 2006 determination due to changes in forecast operating and capital expenditure, partly reflecting an increase in the agencies' responsibilities.

Revenue calculated on the basis of long-term average sales volumes will recover 77 per cent of this target revenue in 2006/07. This is equivalent to 92 per cent of target revenue determined during the 2001 determination.

Figure 11: Actual and target revenue from bulk water tariffs 1994/05 – 2006/07 (real)



16 Regulated river systems are rivers that have their flow regulated by dams or weirs.

17 The Department of Water and Energy was created in April 2007, and incorporates the water-related functions of the previous Department of Natural Resources (including water resource management).

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 Reduction Scheme

The NSW Greenhouse Gas Reduction 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, 2006/2007

During 2006/2007 the Tribunal held 47 meetings during the year and 37 Delegated Tribunal meetings. They also hosted 2 Public Forums, 3 Public Hearings, 1 Public Presentation, 1 Roundtable, 3 Workshops, 3 Site Visits and 3 training sessions for auditors.

Dr Michael Keating, Chairman attended 45 Tribunal meetings and 12 other meetings.

Mr James Cox, CEO and Full Time Member attended 45 Tribunal meetings and 37 Delegated Tribunal meetings and 13 other forums.

Ms Sybille Krieger, Part Time Member attended 40 Tribunal meetings and 12 other sessions.

Delegated Tribunal Meetings

The Tribunal held 37 Delegated meetings.

Public hearings and workshops

DATE	INVESTIGATION	VENUE
11 Aug 06	Presentation from Demand Side Abatement forum concerning the rate of installations for products given away or sold under the Default Abatement Factors (DAF) method of the DSA Rule	Sydney
12 Oct 06	Greenhouse Gas Reduction Scheme – auditor training	Sydney
20 Oct 06	Private and Public Bus Fares – Transport – Public Hearing	Sydney
20 Oct 06	Ferry Fare Review – Transport – Public Hearing	Sydney
2 Nov 06	Frontier Economics Presentation on Draft Methodologies for Electricity Regulated Retail Review – Public Hearing	Sydney
05 Dec 06	Hunter Water Corporation Operating Licence 2002–2007 – End of Term Review – Workshop	Crowne Plaza Newcastle
25 Jan 07	Frontier Economics Presentation on draft report for Electricity Regulated Retail Review – Workshop	Sydney
25 Jan 07	Greenhouse Gas Reduction Scheme – auditor training	Melbourne
23 Apr 07	Roundtable Discussion on Draft Report and Draft Determination	Sydney
9 May 07	Roundtable Discussion on Gas VTPAs – Roundtable	Sydney
14 May 07	Greenhouse Gas Reduction Scheme – auditor training	Sydney
01 Jun 07	Review of DEUS Developer Charges Guidelines for Water Supply, Sewerage and Stormwater – Workshop	Bomaderry B.C. Nowra
18 Jun 07	Review of DEUS Developer Charges Guidelines for Water Supply, Sewerage and Stormwater – Workshop	Rydges Port Macquarie
25 Jun 07	Risk Based Audits of the Operating Licences for SCA and SWC 2006/2007 – Workshop	IPART offices Sydney

Submissions to projects during 2006/07

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2006/07, and received a total of 305 submissions.

Closure date = day submissions close

CLOSURE DATE	INVESTIGATION	SUBMISSIONS
	Energy	
6 Oct 06	Review of Regulated Electricity Retail Tariffs and Charges 2007–2010	17
13 Oct 06	Gas Regulated Retail Tariffs	3
02 Feb 07	Consultants Draft Reports on Retail Tariffs and charges	10
02 May 07	Review of Regulated Electricity Retail Tariffs and Charges 2007–2010	17
11 May 07	Draft Voluntary Transitional Pricing Arrangements (VTPAs)	8
23 May 07	Country Energy Public Lighting Price Proposal	15
	Transport	
29 Sept 06	Review of Ferry Fares including Travelpass in NSW	27
29 Sept 06	Review of Bus Fares Including Travelpass in NSW	33
26 Oct 06	Review of Taxi Form of Regulation	6
27 Apr 07	Review of Taxi Fares 2007	10
01 Jun 07	Review of Compliance with NSW Rail Access Undertaking	5
3 Aug 07	Review of Fares for CityRail 2007	15
	Water	
03 Nov 06	Review of the 2002-2007 operating licence for Hunter Water Corporation – Issues Paper	16
11 May 07	Review of DEUS Developer Charges Guidelines for Water Supply, Sewerage and Stormwater – Issues Paper	18
	Other	
28 Jun 07	Review of the Interface Between the Land Transport Industries and the Stevedores at Port Botany	21
27 Jul 07	Review of NSW Registered Clubs Industry	7

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Appendix 3 Publications

ELECTRICITY	
DATE	PUBLICATION
14/06/07	Final Report and Final Determination – Promoting retail competition and investment in the NSW electricity industry – Regulated electricity retail tariffs and charges for small customers 2007–2010
14/06/07	Interim Report – Residential energy use in Sydney, Blue Mountains and Illawarra – Results from the 2006 Household Survey
12/06/07	Statement of Reasons for Decisions – EnergyAustralia application for public lighting price increase June 2007
04/04/07	Draft Report and Draft Determination – Promoting retail competition and investment in the NSW electricity industry – Regulated electricity retail tariffs and charges for small customers 2007–2010
15/02/07	Tribunal 2007 Preliminary Assessment of Methodology for Apportioning Avoided Distribution Costs under the D-Factor Mechanism – 2004 Determination – February 2007
24/10/06	Distribution Loss Factors for the 2006/07 Financial Year published by NEMMCO
13/09/06	Statement of Reasons Integral Energy Public Lighting Price Increase – 14 September 2006
14/07/06	Review of Regulated Retail Tariffs and Charges in NSW – 1 July 2007 to 30 June 2010 – Issues Paper

GAS	
DATE	PUBLICATION
14/06/07	Final Report and Voluntary Transitional Pricing Arrangements – Promoting retail competition and investment in the NSW gas industry – Regulated gas retail tariffs and charges for small customers 2007 to 2010
14/06/07	Interim Report – Residential energy use in Sydney, Blue Mountains and Illawarra – Results from the 2006 Household Survey
12/06/07	Statement of Reasons for Decisions- Alinta AGN notice of variation to reference tariffs 1 July 2007 – 31 May 2007
12/06/07	Statement of Reasons for Decision – Alinta Gas Networks Limited notice of variation to reference tariffs – 1 July 2007
29/05/07	Statement of Reasons for Decision – Central Ranges Pipeline Pty Limited notice of variation to reference tariffs – 1 July 2007
29/05/07	Statement of Reasons for Decision – Country Energy Gas notice of variation to reference tariffs for Wagga Wagga – 1 July 2007
01/05/07	Explanatory Note – Draft Voluntary Transitional Pricing Agreements
11/04/07	Draft Voluntary Transitional Pricing Arrangements for Country Energy – 1 July 2007 to 30 June 2010
11/04/07	Draft Voluntary Transitional Pricing Arrangements for Origin Energy – 1 July 2007 to 30 June 2010
11/04/07	Draft Voluntary Transitional Pricing Arrangements for ActewAGL – 1 July 2007 to 30 June 2010
11/04/07	Draft Voluntary Transitional Pricing Arrangements for AGLRE – 1 July 2007 to 30 June 2010

TRANSPORT	
DATE	PUBLICATION
25/06/07	Process for Reviewing CityRail Fares
04/05/07	NSW Rail Access Undertaking – Pursuant to Schedule 6AA of the Transport Administration Act 1988 (NSW)
20/04/07	Review of Form of Regulation for Taxis in NSW – 30 March 2007
05/04/07	Notice – Review of rail infrastructure owners’ compliance with NSW Rail Access Undertaking – 2004/05 – Allocation of ‘over’ amount – Australian Rail Track Corporation (ARTC)
30/03/07	Review of Form of Regulation for Taxis in NSW – 30 March 2007
23/02/07	Decision – Review of rail infrastructure owners’ compliance with NSW Rail Access Undertaking – 2004/05 – Ceiling test – Australian Rail Track Corporation (ARTC)
22/12/06	Decision – Review of rail infrastructure owners’ compliance with NSW Rail Access Undertaking – 2004/05 – Ceiling test – Rail Corporation of NSW (Railcorp) & Rail Infrastructure Corporation (RIC)
22/12/06	Review of Non-metropolitan fares for private buses in NSW from 2 January 2007 – Report to NSW Minister for Transport
21/12/06	Review of fares for private ferries in NSW from 2 January 2007 – Report to the NSW Minister for Transport
13/12/06	Review of Fares for Sydney Ferries in NSW – From 2 January 2007
13/12/06	Review of Fares for Sydney Metropolitan Bus Services – From 2 January 2007
13/12/06	Review of Fares for Newcastle Services – from 2 January 2007
22/11/06	IPART Guidelines NSW Rail Access Undertaking Annual Review of Compliance – Version 1 – November 2006
21/08/06	Decision – Review of rail infrastructure owners compliance with the NSW Rail Access Undertaking 2004–05
01/08/06	Review of Fares for Taxis in New South Wales in 2006 – Report to the Minister of Transport

WATER	
DATE	PUBLICATION
13/06/07	Sydney Catchment Authority Operational Audit 2005–2006 – Final Report to the Minister
13/06/07	Sydney Water Corporation Operational Audit 2005–2006 – Final Report to the Minister
09/05/07	Public Workshop Details – DEUS Developer Charges Guidelines
06/05/07	Hunter Water Corporation – Review of Operating Licence – Final Report to Minister
02/04/07	Review of DEUS Developer Charges Guidelines for Water Supply, Sewerage and Stormwater – Issues Paper
22/09/06	Pricing arrangements for recycled water and sewer mining – SWC, HWC, GSC, WSC – Determinations and Report

...continued

Appendix 3 continued

WATER CONTINUED	
DATE	PUBLICATION
12/09/06	Issues Paper – Review of the operating licence for Hunter Water Corporation
12/09/06	Bulk Water Prices for State Water Corporation and Water Administration Ministerial Corporation from 1 October 2006 to 30 June 2010 – Report
12/09/06	Bulk Water Prices for State Water Corporation and Water Administration Ministerial Corporation from 1 October 2006 to 30 June 2010 – Determination
12/07/06	Pricing arrangements for recycled water and sewer mining – Sydney Water Corporation, Hunter Water Corporation, Gosford City Council and Wyong Shire Council

OTHER PUBLICATIONS	
DATE	PUBLICATION
14/06/07	Interim Report – Residential energy use in Sydney, Blue Mountains and Illawarra – Results from the 2006 Household Survey
25/05/07	Review of the Registered Clubs Industry in NSW – Issues Paper
24/05/07	Guide For Stakeholders
11/05/07	Draft Regulatory Impact Statement – Independent Pricing and Regulatory Tribunal Regulation 2007 – Issues Paper
11/05/07	Public Consultation Draft – Independent Pricing and Regulatory Tribunal Regulation 2007
09/05/07	Review of the Interface Between the Land Transport Industries and the Stevedores at Port Botany – Issues Paper
15/12/06	Up-skilling NSW – How vocational education and training can help overcome skill shortages, improve labour market outcomes and raise economic growth – Final Report
01/12/06	Gambling : Promoting A Culture Of Responsibility – Consequential Report On Governance Structures
09/11/06	Final Report – Investigation into the burden of regulation in NSW and improving regulatory efficiency
22/09/06	Review of the Skills Base in NSW and the Future Challenges for Vocational Education and Training – Draft Report – September 2006
20/07/06	Investigation into the burden of regulation and improving regulatory efficiency – Draft Report

GREENHOUSE GAS REDUCTION SCHEME	
DATE	PUBLICATION
July 07	Annual Report on Compliance and Operation of the NSW Greenhouse Gas Reduction Scheme during 2006

ANNUAL REPORT	
DATE	PUBLICATION
31/10/06	IPART Annual Report 2005/06

Appendix 4

Staffing and Consultants

Staffing and equal opportunity policies

Outcomes for the reporting year include:

Refresher training on EEO responsibilities was conducted for all managers and staff. This year the training was conducted in small groups to encourage full participation in the discussions. Training was provided by the Anti-Discrimination Board of NSW.

IPART continued to support for the Lucy Mentoring Program for young women completing tertiary studies and preparing to enter the workforce. Two women were mentored by the agency during this period. The program is co-ordinated by the Department for Women.

The agency champions flexible working arrangements including part time work and Flexi time. Flexible working arrangements enable the agency to attract talent and encourage work and life balance.

Support for return to work from maternity leave or illness was provided through work from home opportunities and part-time work arrangements. A number of staff on maternity leave have elected to return to work early by taking advantage of these arrangements.

IPART encouraged participation in the International Women's Day events and supported in-house celebrations.

Planned EEO outcomes:

A staff climate survey is scheduled for the next reporting period.

Ethnic Affairs Priority Statement

Outcomes in implementing IPART's program in 2006/07 include:

- ▼ Advertising work programs and submissions in the Ethnic Media where appropriate.
- ▼ Staff members were able to meet their cultural, personal or religious needs through use of flexi time.
- ▼ Ensuring prospective job applicants are aware of EAPS.

EEO statistics (total staff by level and employment basis)

Number of employees by category, and comparison to prior three years, as at 30 June 2007				
	2007	2006	2005	2004
Chairman and Chief Executive	2	2	2	1
Directors & General Managers	5	7	5	7
Program Managers	9	8	9	9
Managers	4	3	4	3
Analysts	41	37	39	36
General Counsel	1	1	1	1
Legal Officers	2	2	2	2
Support Officers	11	11	11	10
Total number of staff includes full time, part-time, temporaries and graduates	75	71	73	69
Part-time Tribunal Members	1	1	1	1
Temporary Members	0	2	2	1
Total number of Staff including members	76	73	76	71

Trends in the Representation of EEO Groups		% OF TOTAL STAFF			
EEO GROUP	BENCHMARK/TARGET	2007	2006	2005	2004
Women	50	45	47	49	51
Aboriginal people and Torres Strait Islanders	2	0	0	0	0
People whose first language was not English	20	11	13	12	15
People with a disability	12	3	1	4	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	2007	2006	2005	2004
Women	100	98	101	101	98
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 2007.
- 2 Excludes casual staff.

Industrial Relations Policies and Practices

Personnel Policies due for revision were reviewed and updated to meet agency requirements. The agency encourages staff involvement and feedback on any new policies to be implemented to ensure clarity and understanding of the final document.

Developments and changes to internal policies, or Award information are discussed with the Joint Consultative Committee. The new Award finalised in June 2006 was implemented without issue in this financial year

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

The agency is committed to care for the health, welfare and safety of all staff, visitors and stakeholders to the workplace. There were no prosecutions under the Occupational Health and Safety Act for IPART during this year. Highlights for 2006/07 include:

- ▼ Support for the OH&S committee and related training for new members.
- ▼ Support for the nominations of new first aid officers and related training.
- ▼ Conduct of an independent workplace inspection and action report.
- ▼ Provision of the annual vaccination against influenza.
- ▼ Launch of a health and wellness program. The program will result in a series of health and wellness forums and will include health assessments.

Corporate Plan

The Corporate Plan was revised in 2006/07 and published on the website. IPART's strategic directions are outlined in the corporate plan, and progress towards meeting corporate objectives is assessed for each program element at page 9.

Appendix 4 continued

Consultants

During 2006/07, IPART engaged the following consultants for a total expenditure of \$3,270,292 (work on some of these consultancies was still proceeding at 30 June):

Consultants equal to or more than \$30,000		
CONSULTANT	COST (\$)	TITLE
Engineering		
Burns and Roe Worley	\$118,876	Engagement of Staff to Greenhouse Gas Scheme to Assist in Assessing Accreditations
Connell Wagner PPI	\$37,835	Engagement of Staff to Greenhouse Gas Scheme to Assist in Assessing Accreditations
Charles River Associates International	\$30,631	Review of Compliance of ARTC with NSW Rail Access Undertaking ceiling test for 2004-2005
GHD Pty Ltd	\$37,105	Review of System Performance Standards in the Operating Licences for Sydney Water Corporation and Hunter Water Corporation
GHD Pty Ltd	\$108,850	2005/2006 Operational Audit of Hunter Water Corporation
GHD Pty Ltd	\$31,592	Implementation Risk Based Audits for Sydney Water and Sydney Catchment Authority
GHD Pty Ltd	\$203,736	2005/2006 Operational Audit of Sydney Water Corporation
Grant Thornton	\$116,117	Review of Operating & Capital Expenditures of Sydney Ferries
Halcrow Pacific Pty Ltd	\$120,390	2005–2006 Operational Audit of State Water Corporation
Halcrow Pacific Pty Ltd	\$81,180	2005–2006 Operational Audit of Sydney Catchment Authority
Sub Total	\$886,311	
Finance and Accounting		
Centre for International Economics	\$61,380	Section 9 – Investigation of the Economies or Diseconomies of Scale & Scope in the Sydney & Hunter Water & Wastewater Network
Centre for International Economics	\$37,620	Assistance for CityRail Review
Centre for International Economics	\$149,894	Annual Transport Price Determination
Deloitte Touche Tohmatsu	\$108,988	Electricity Tariff Equalisation Fund Audit 2004 – 2005
Deloitte Touche Tohmatsu	\$67,900	2006 Calendar Year Electricity Tariff Equalisation Fund Audit
Farrier Swier Consulting Pty Ltd	\$214,830	Section 9 – Review of Access pricing in the water and wastewater industry in Sydney & Hunter Regions

Consultants equal to or more than \$30,000 (continued)		
CONSULTANT	COST (\$)	TITLE
Frontier Economics	\$332,316	To Provide Advice on Energy Costs for 2007 Electricity Retail Review
Frontier Economics	\$119,254	To Provide Advice on Retail Costs and Margins for 2007 Electricity Retail Review
Frontier Economics	\$81,539	Energy Market Changes, Efficiencies in Retail R Model Audit
KPMG House	\$52,750	Clubs Review – Financial Viability Aspects
KPMG House	\$44,470	Review of IPART's Bulk Water Models
National Economic Research Associates	\$79,100	Investigation of Access Pricing in the Water Industry
National Economic Research Associates	\$50,000	Interim Report – Outcomes of IPART Household Survey
Neil Buck and Associates Pty Ltd	\$38,727	Audit of Jackgreen Licence Compliance
PricewaterhouseCoopers	\$41,450	Assistance on Taxi Industry Fare Review
Taverner Research Company	\$249,600	2006 Household Survey – Sydney
Sub Total	\$1,729,817	
Management Services		
Ernst and Young	\$211,033	Implementation of the Water Industry Competition ACT
Farrier Swier Consulting Pty Ltd	\$175,437	Assisting IPART with 2007 Electricity Retail Review
Phacelift Consulting Services Pty Ltd	\$28,833	Greenhouse Advice
Sub Total	\$415,303	
Total consultancies equal to or more than \$30,000	\$3,031,431	

Consultants less than \$30,000	
CONSULTANT	COST (\$)
Engineering	\$65,034
Finance and Accounting/tax	\$173,827
Information technology	\$0
Management Services	\$0
Environmental	\$0
Total consultancies less than \$30,000	\$238,861
Total consultancies	\$3,270,292

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.

Five contract positions equivalent to SES 1 (\$137,800 or higher), including three 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 (\$214,351 at 30 June). At IPART, this applies to:

NAME	POSITION	TOTAL SALARY PACKAGE
Michael Keating	Chairman (part-time three days per week)	\$251,061
James Cox	Chief Executive Officer and Full Time Member	\$332,800

Michael Keating

Appointed 17 December 2004.

The Premier has indicated that during 2006/07 Dr Michael Keating met the performance criteria established for the position of Chairman. The key achievements for 2006/07 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

Re-Appointed on 17 December 2004.

The Chairman has indicated that during 2006/07 James Cox met the performance criteria established for the position of Chief Executive Officer and Full Time Member. The key achievements for 2006/07 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 an international delegation to provide briefings on IPART's regulatory approach and share information. In 2006/07 staff met with delegations from the Petronas Gas Business Unit.

Overseas visits

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

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		
Establishing Water Pricing Structures for Urban Water Supplies	Holiday Inn, Brisbane	29 November 2006
Metropolitan Water Industry Reform: NSW Water Industry Competition Bill 2006	Canberra	29 November 2006
Efficient Regulation of Energy Infrastructure	Marriott Hotel, Sydney	7 December 2006
Pricing Structures for Urban Water Suppliers	5th Annual Water Summit, Melbourne	22 February 2007
Water Trading: Panacea or Placebo	OZ Water 2007, Parkside Auditorium, Darling Harbour, Sydney	6 March 2007
Streamlining Pricing and Access for Electricity and Gas	Victorian Power 2007 Conference, Melbourne	29 May 2007
Introducing Competition in the Water Industry	Water Management Conference, 2007	5 June 2007
MICHAEL KEATING		
Institute of Public Administration in Australia	Queensland	29 August 2006
Training and Employment Participation	Melbourne	3 November 2006
Rethinking Regulation	Monash University, Melbourne	15 November 2006
Water Pricing and its Availability	CEDA, Sydney	29 November 2006
OZ Water 2007	Parkside Auditorium, Darling Harbour, Sydney	7 March 2007
Employment Seminar	University of Western Sydney, Campbelltown	25 May 2007
COLIN REID, DIRECTOR WATER		
The price of Sydney water and its availability – who should we blame for water rationing?	OZ Water 2007, Parkside Auditorium, Darling Harbour, Sydney	7 March 2007

RICHARD WARNER, PROGRAM MANAGER METROPOLITAN WATER		
IPART's Recycled Water Pricing Review	IWA/AWA Water Recycling Conference, Melbourne	17 November 2006
Water Recycling/Reuse and Water Pricing	Water Symposium 2007, Cockle Bay Wharf, Darling Harbour, Sydney	2 March 2007
Introducing Competition into the NSW Urban Water Industry	Water 07, Crown Towers Melbourne	5 June 2007

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 2006/07.

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 2006/07, nor any complaints or requests for internal reviews. New staff members are briefed on the Plan as it relates to their role at induction. A copy of the plan is available and accessible by all staff.

Risk management and insurance

IPART contributes to the Treasury Managed Fund for workers compensation, motor vehicle accidents, property loss, public liability and various other insurance risks. During 2006/07 there was 1 motor vehicle claim with a net incurred loss of \$1,476.53 and no property, liability or miscellaneous claims.

IPART's exposure to property theft is low due to restricted access to work areas during the day and a secure building environment after hours. A Visitors Log is maintained for OH&S and security purposes. IPART maintained certification under AS 7799 for IT security.

A full review of business continuity and crisis management preparedness in responding to disasters and emergency situations that might impact upon the organisations ability to deliver business processes was conducted in 2006/07. The review had regard to the Sydney CBD Emergency Sub Plan released in 2006 by Emergency NSW. Responsibilities have now been defined and teams established to manage in the event of a range of situations should they arise. Awareness sessions are to be conducted for all staff during 2007/08.

Internal and external reviews

IPART reviewed the following areas in 2006/07, as part of the internal audit review program. These were:

Financial and Administration Health Check

Based on a recent risk assessment performed internally by IPART Management and previous work done by IAB Services and other service providers, it was deemed appropriate that maximum value could be provided to IPART by undertaking a broad Health Check of key processes and controls.

The overall objective of the review was to provide assurance to IPART Management as to the adequacy and effectiveness of the current internal control environment operating over the Tribunal's key financial and administration processes relating specifically to expenditure.

The scope of this review included:

- ▼ Financial delegations.
- ▼ Credit card expenditure and usage.
- ▼ The usage of mobile phones, including Blackberry's and desktop telephones and the review of the current development of an associated draft Communications Device Policy.
- ▼ Travel expenditure.
- ▼ Petty cash usage.
- ▼ Expenditure related to the use of external consultants.
- ▼ Review of associated policies and procedures.

The auditor concluded that in general terms the internal controls over the specific expenditure types examined are satisfactory. However, the auditor did identify some areas where internal controls should be strengthened through the new policy on usage of telephones.

Review of the Business Continuity Plan:

The objective of this internal audit was to review and provide a gap analysis of the business continuity capability, and to provide strategies and recommendations on further improvements to IPART's existing BCP. The review found that IPART has made significant investments in Business Continuity to ensure the safety of staff working in the Sydney CBD and minimising disruption to business. However, the NSW Emergency Services recently unveiled Guidelines for Businesses in being prepared to deal with an Emergency in the Sydney CBD which highlighted some key areas that need to be addressed. As a result IPART developed a Business Continuity Management Manual and trained the crisis management team in emergency response. Some further work in the areas of staff education and communications programs remains to be addressed.

Security Review of the Greenhouse Gas Reduction Scheme Registry:

The objective of this review was to identify potential technology vulnerabilities or exposures within the Registry web based application, the network platform on which it is supported, the level of password controls implemented and the level of security awareness of Registry staff. The quality of security controls was rated as good and only a small number of low priority security matters were raised for management action.

Report on accounts payment performance

Aged analysis at the end of each quarter

	CURRENT (ie, WITHIN DUE DATE)	LESS THAN 30 DAYS OVERDUE	BETWEEN 30 AND 60 DAYS OVERDUE	BETWEEN 60 AND 90 DAYS OVERDUE	MORE THAN 90 DAYS OVERDUE
QUARTER	\$	\$	\$	\$	\$
September Quarter	63,528	0	0	0	0
December Quarter	6,255	0	0	0	0
March Quarter	204,608	0	0	0	0
June Quarter	0	0	0	0	0

Accounts paid on time within each quarter

TOTAL ACCOUNTS PAID ON TIME				
QUARTER	TARGET	ACTUAL	\$	TOTAL PAID (\$)
September Quarter	88%	92%	974,414	2,071,265
December Quarter	88%	96%	2,676,987	2,901,039
March Quarter	88%	95%	5,839,844	5,930,307
June Quarter	88%	94%	7,227,344	7,397,439

During 2006/2007 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

Strategies employed by IPART to reduce waste follow the whole of government approach in this area.

The use of email and the TRIM electronic records management system to circulate internal documents has reduced the volume of hard copy documents within the office. The need for large print runs and paper copies of reports has been reduced as all public documents are produced electronically and are available on the agency's website. Staff are encouraged to utilise double-sided printers/copiers at every opportunity. The majority of paper supplies purchased by IPART include recycled content.

A paper and cardboard recycling system is undertaken within the office space. Empty printer cartridges are collected for recycling and remanufactured cartridges are purchased for use in all black and white printers.

The opportunity arose during the year for IPART to reuse secondhand furniture and building components in an office expansion project. The effect of this decision was positive from a waste perspective as well as resulting in reduced time and cost.

Energy Management

The agency continues its commitment to the Government's action plan to achieve energy usage savings. IPART's performance goals for its energy management are to reduce building emissions where possible. Timed lighting has been introduced across the tenancy to ensure lighting is managed after hours. Staff are encouraged to be mindful of energy saving habits such as turning off lights and appliances when not in use, and decisions about equipment purchases have regard to energy ratings.

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 \$14,980. 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 9.00 am to 5.00 pm Monday to Friday (inquiries (02) 9290 8400). Copies of all IPART publications are also available from our website at 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.

Request carried forward from the previous year

IPART received one request for documents under the Freedom of Information Act in the previous year carried forward into this financial year.

On 26 June 2006, Services Sydney had 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 and September 2005 Determinations on Metropolitan Water Prices for Sydney Water Corporation. Following a course of communication between the Services Sydney and the Tribunal, the application was narrowed by Services Sydney on 9 August 2006 to cover the 2003 documents only.

On 18 August 2006, IPART made its primary determination to grant full access to part of the documentation sought, access being partially or completely disallowed to some 70 documents under section 25(1)(a) (exempt) of the Freedom of Information Act. IPART estimated its costs of processing the narrowed request as \$497.25 based on 16.6 hours processing time.

Upon request by Services Sydney, IPART made an internal review decision on 11 September 2006, affirming the primary determination. That internal review decision became the subject of an application for review by the NSW Administrative Decisions Tribunal (ADT). Sydney Water Corporation was joined as a second respondent to those proceedings, and the documents sought by Services Sydney were narrowed. Following consultation with Sydney Water Corporation, IPART requested and was granted remittal of the matter by the ADT on 28 February 2007. IPART issued its re-determination on 6 March 2007, granting access to much of the material remaining in dispute, and the proceedings were discontinued by Services Sydney on 27 March 2007.

FOI requests in 2006/07

IPART received one new request for documents under the Freedom of Information Act in this financial year. On 20 March 2007, Services Sydney requested IPART to provide access to information concerning the building block operating and capital expenditures and the cost data used by the Tribunal in its September 2005 Determination on Metropolitan Water Prices for Sydney Water Corporation.

IPART made its primary decision in three parts (30 April, 7 May and 9 May 2007) to grant full access to part of the documentation sought, access being either partially or completely disallowed to some 228 documents under section 25(1)(a) (exempt) and some 50 documents under section 25(1) (b), (b1), (c), (d) (otherwise available) of the Freedom of Information Act. IPART estimated its costs of processing the request as \$3,574.51 based on 119.2 hours processing time.

Upon request by Services Sydney, an internal review was determined by IPART in two parts dated 23 and 30 May 2007. The internal review granted access to certain documents that were not released in the primary determination. On 15 June 2007 Services Sydney filed an application for review of IPART's decision with the NSW Administrative Decisions Tribunal, seeking access to some of the material to which access had been denied in the internal review. Those proceedings had not concluded as of the end of this financial year.

As in the previous year, no Ministerial certificates were issued in this financial year and IPART received no requests for amendment or notation of personal records.

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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