



Independent Pricing and Regulatory Tribunal

Annual Report 2012/13

October 2013



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Letter of submission

Independent Pricing and Regulatory Tribunal



Our reference: 13/470

Your reference:

30 October 2013

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Premier of New South Wales
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Dear Premier

Independent Pricing and Regulatory Tribunal – Annual report 2012/2013

I enclose the Independent Pricing and Regulatory Tribunal Annual Report for the year ending 30 June 2013 in accordance with the *Annual Reports (Statutory Bodies) Act 1984*.

I also enclose a copy for tabling in Parliament. When your Office advises that the Report has been tabled I will arrange for the Annual Report to be published on IPART's website.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'F. Towers'.

Fiona Towers
Acting Chief Executive Officer

Encl:

Chairman's Foreword

IPART has had a busy year in 2012/13. We have had an increase in the number of reviews and enquiries commissioned by the government, which has consolidated our 'Productivity Commission' role and complemented the ongoing regulatory work.

I would like to thank my fellow Tribunal members, Jim Cox and Simon Draper, for their contribution to managing a heavy workload and delivering high quality decisions and reports. In particular, I would like to thank Jim Cox for his leadership within IPART over two decades. IPART is held in high regard for its analytical work, its integrity and its impartial approach to regulatory pricing, and this is a tribute to Jim's leadership. I wish him well in his new role with the Australian Energy Regulator. I welcome Paul Paterson as the third Tribunal Member and I look forward to his contribution to the work of the Tribunal.

Once again I would like to thank the staff at IPART for their continued enthusiasm and commitment to producing high quality analytical work. A process is underway to appoint a new CEO and I expect to make an appointment shortly. In the meantime, I thank Fiona Towers for acting as CEO.

IPART remains a valuable resource within the public sector. We are a regulator with a bent for economic reform, and we seek to contribute to the economic progress for the people of New South Wales.



Peter J Boxall AO
Chairman

The Chief Executive Officer's Report

I have resigned my CEO role at IPART effective August 2013. This is therefore my last annual report. I have had the pleasure of seeing IPART develop from a small organisation to one that is of critical importance to regulation and the development of policy in NSW. I am confident that under Peter Boxall's leadership, IPART will continue to be an effective organisation that will contribute to the well-being of the NSW community and to the strength of our economy.

During 2012/13 IPART commenced work on its new function of undertaking reviews of regulation on behalf of the NSW Government. The Energy Savings Scheme and pricing under the *Water Industry Competition Act 2006* (WICA) proved to be expanding areas of work. At the same time, IPART successfully closed down the Greenhouse Gas Reduction Scheme and managed the transfer of energy licensing responsibilities to the Australian Energy Regulator. We made a number of notable contributions to policy development in areas from energy policy to local government reform and the contributions developers should pay towards the cost of infrastructure in greenfields areas. For the first time we made recommendations on taxi licence numbers as well as fares.

During the year, IPART made a number of changes to its processes to make it easier for stakeholders to work with us. We undertook our sixth stakeholder survey which showed high levels of satisfaction with IPART.

Under our new regulatory review function we commenced inquiries into licence rationale and design in NSW and compliance and enforcement of regulations by local government. Both reports involved substantial data collection and a public consultation process. Draft reports were in preparation at the end of the year.

The Energy Savings Scheme was dominated by the growth of commercial lighting activities. Just under 5.4 million energy savings certificates have been created over the life of the scheme to 30 June 2013. Over 80% of the certificates have come from commercial lighting projects. During the year we made a number of changes to our administrative processes to better manage commercial lighting. We have strengthened our relationship with NSW Fair Trading who has responsibility for electrical safety, and have improved our management of safety related issues. In addition, we have progressed harmonisation of the scheme with the Victorian Energy Efficiency Target Scheme.

During the year we continued to licence water utility schemes under WICA. We now have 19 licences granted, and a further 8 schemes are being assessed. We contributed to the Department of Finance and Services' review of urban water schemes, which include WICA.

The Greenhouse Gas Reduction Scheme ceased operation on 30 June 2012. During 2012/13 we cancelled almost all remaining accreditations under GGAS and oversaw the final compliance reporting period for scheme participants. The successful closure of GGAS is, in my view, an important achievement by IPART and its staff.

Following the introduction of the National Energy Customer Framework in New South Wales, our licensing responsibility for energy retail licensing passed to the Australian Energy Regulator on 1 July 2013. At the same time a successful price comparator website, MyEnergyOffers ceased operation in July 2013.

In 2013 IPART conducted its sixth stakeholder survey. Overall, stakeholders were very positive about IPART. For example, 84% of stakeholders were satisfied with IPART's leadership; 93% with our professionalism; 89% with our consultative processes, 86% with our decision-making processes; 83% with our administrative processes; and 93% with the quality of our reports.

Between 2010 and 2013, stakeholder satisfaction has been generally maintained or improved slightly. In particular, perceptions of the quality of IPART's reports have improved. Perception of the quality of IPART's administrative processes were measured for the first time in 2013. Around 72% of respondents think that IPART's systems make it easy to do business with IPART.

The level of satisfaction was quite uniform across stakeholder groups. However, ESS and water stakeholders were slightly less positive in a few areas. IPART is analysing the feedback from these stakeholders to respond to the issues they raised.

Price Impacts of IPARTs decisions

Prices for the essential services that IPART regulates have risen in recent years. The rises in water and electricity prices have been particularly significant. Over the 5-year period 2008/09 to 2012/13, water prices and electricity prices increased by an annual average of 6.2% and 12.2% respectively in real terms, that is, excluding inflation. Over the past 12 months to June 2013, growth has slowed in water prices, with average increases largely reflecting inflation only. Electricity prices have continued to increase, partly due to the carbon pricing regime introduced in July 2012.

IPART continued to enhance its capabilities during 2012/13. We enhanced our systems to make it easier to do business with us. Two new website portals were developed. One is to enable the electronic lodgement of applications for special variations by local councils. The other is to enable accreditation certificate providers in the Energy Savings Scheme to apply for approval to use emerging lighting technologies. Stakeholder feedback has been positive to date. Applications are easier to lodge on line, and it is easier to track the progress of applications. These enhancements have improved IPART's user processes and have resulted in significant improvements to processing times.

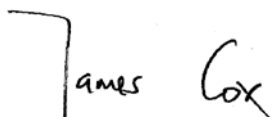
Our ICT system achieved very high reliability during 2012/13. Projects were able to be delivered on time without disruption as a result. In particular we continued to invest in our back-up and storage systems.

We reviewed our performance management system in early 2013. Improved Performance Enhancement forms were introduced as a result. These aim to encourage meaningful discussion about individual performance and development needs.

IPART's work health and safety framework was reviewed and finalised. This ensures compliance with the legislation and best practice standards.

During 2012/13 IPART made considerable progress in a comprehensive review of its risk management framework. This involves a detailed assessment of risk and more systematic monitoring and reporting to the Tribunal. The licence compliance, Energy Savings Scheme and support services areas were reviewed during the year. The process will be extended to all other functional areas in the coming year.

I would like to thank Dr Peter Boxall, IPART's Chairman, for advice and guidance during the year. I would also like to thank our fellow Tribunal member, Mr Simon Draper, for advice and assistance during the year, and Mr Peter Eggar, Mr Eric Groom, Mr Stephen Lyndon, Mr Stuart McDonald and Dr Brian Spalding who undertook valuable work in the decision making on IPART's committees. In addition, as always, I would like to thank IPART's secretariat for excellent professional advice and assistance.

A handwritten signature in black ink that reads "James Cox". The signature is written in a cursive style with a large initial 'J'.

James Cox PSM
Chief Executive Officer and Full Time Member

30 August 2013

What we do

IPART is the independent regulator that determines the maximum prices that can be charged for certain retail energy, water and transport services in New South Wales. We also determine local government rates. To ensure the quality and reliability of these services, we monitor service delivery, audit suppliers and oversee licence compliance by water and retail energy suppliers and networks businesses.

IPART also serves as the NSW Government's economic advisor and policy think tank. In this role, we review the pricing of other services and investigate various aspects of industry productivity, competition, performance and planning. We administer the Energy Savings Scheme at the Government's request.

Functions

IPART provides an integrated system of economic regulation and licence regulation in NSW that covers pricing for water, public transport, local government, electricity and gas industries and licensing of water, electricity and gas.

In addition, IPART administers the Energy Savings Scheme and undertakes reviews and investigations into a wide range of economic and policy issues. In this respect, we act as a key economic think tank and policy advisor to the NSW Government.

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

- ▼ Set maximum prices for monopoly services in NSW (including water and public transport).
- ▼ Regulate maximum electricity and gas prices that regulated energy retailers can charge to residential and small business customers.
- ▼ Administer licensing or authorisation of water, electricity and gas businesses, and monitor compliance with licence conditions. The energy retail component of this function transferred to the Australian Energy Regulator on 1 July 2013.
- ▼ Advise the NSW Government or its agencies on issues such as pricing, efficiency, industry structure and competition.

- ▼ Regulate private sector access to water and waste water to encourage competition and re-use.
- ▼ Maintain a local government cost index, determine the maximum percentage increase in local government general revenue (rate peg), determine special rate variations and review Councils development contributions plans.
- ▼ Review the regulatory burden in priority industries to reduce red tape.
- ▼ Administer the Energy Savings Scheme and associated register of energy savings certificates.
- ▼ Manage the closure of the Greenhouse Gas Reduction Scheme and manage the associated register of NSW greenhouse abatement certificates.
- ▼ Register agreements for access to public infrastructure assets and arbitrate disputes about agreements for access to public infrastructure.
- ▼ Investigate complaints about competitive neutrality referred to us by the Government.

Principal Achievements in 2012/13

Completed by 30 June 2013

Energy Pricing

- ▼ Completed reviews of regulated retail electricity and gas prices to apply from 1 July 2013 to 30 June 2016
- ▼ Completed review of the benchmark range for solar feed-in tariffs and the determination of the retailers' contribution towards the costs of the Solar Bonus Scheme from 1 July 2013
- ▼ Assessed compliance by standard electricity retailers with our electricity determination
- ▼ Assessed compliance by standard gas retailers with voluntary pricing arrangements
- ▼ Engaged in external policy reviews relating to the energy market

Energy Licensing

- ▼ Published energy distribution and retail licence compliance report
- ▼ Maintained the energy price comparison service – myenergyoffers
- ▼ Processed applications for granting of new licences and cancelling of existing licences
- ▼ Reported network operators' and energy retailers' performance
- ▼ Conducted licence compliance audits of retailers and network operators
- ▼ Transitioned energy retail licensing and compliance functions to the Australian Energy Regulator

Rural Water Pricing

- ▼ Completed a review of rural water charging arrangements under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act)
- ▼ Monitored compliance with rural water price determinations through regular meetings with State Water Corporation and the NSW Office of Water and receipt of annual information returns

Metropolitan Water Pricing

- ▼ Determined maximum prices for Hunter Water Corporation from 1 July 2013
- ▼ Determined maximum prices for Gosford City Council from 1 July 2013
- ▼ Determined maximum prices for Wyong Shire Council from 1 July 2013
- ▼ Released an issues paper for the review of Essential Energy (Broken Hill) prices from 1 July 2014
- ▼ Monitored compliance with price determinations by metropolitan water utilities through regular meetings and the receipt of annual information returns
- ▼ Liaised with key stakeholders on how regulatory processes may be improved

Water Licensing (public water utilities)

- ▼ Audited and reported on compliance with the operating licences held by:
 - State Water Corporation
 - Sydney Water Corporation
 - Sydney Catchment Authority
 - Hunter Water Corporation
- ▼ Completed the end of term review of State Water's operating licence and recommended a revised licence to the Minister
- ▼ Completed a review of the audit guideline for public water utilities' operating licences
- ▼ Published a report on the 2011/12 performance of the NSW metropolitan water utilities
- ▼ Collected and audited performance indicators on behalf of the National Water Commission

Water Industry Competition Act 2006 (WICA)

- ▼ Made recommendations to the Minister for Finance and Services on licence applications and variations and approvals to commence operations
- ▼ Maintained registers (eg, licence applications, licensees)

- ▼ Monitored licence compliance and provided an annual report on compliance of network operators and retail suppliers to the NSW Parliament
- ▼ Further revised audit guidelines for WICA licences
- ▼ Completed a review of the information needed and forms for WICA licence applications
- ▼ Prepared a major submission to the Department of Finance and Services' 5-year review of WICA and urban water regulation generally

Transport

- ▼ Reviewed and recommended taxi fares to apply from 1 July 2013
- ▼ Reviewed and recommended the number of new annual Sydney taxi licences (other than licences for wheelchair-accessible taxis) that should be released from 1 July 2013
- ▼ Reviewed fares for CityRail services from January 2013
- ▼ Reviewed fares for Sydney Ferries from January 2013
- ▼ Reviewed fares for rural and regional buses from January 2013
- ▼ Reviewed and recommended fares for private ferries from December 2012 and determined the fare for the Stockton ferry from January 2013
- ▼ Reviewed compliance by CityRail and metropolitan and outer metropolitan bus operators with IPART's determinations

Section 9 and other referrals

- ▼ Finalised a review into rental arrangements for communication towers on Crown land

Greenhouse Gas Reduction Scheme

- ▼ Continued with the orderly close down of the scheme
- ▼ Managed the transition of some accredited abatement certificate providers to the Carbon Farming Initiative
- ▼ Submitted the final report on compliance and operation of the scheme to Minister
- ▼ Prepared a Legacy Report on the scheme's 9½ of operation

Energy Savings Scheme (ESS)

- ▼ Registered 2.8 million energy savings certificates. For the first time, the supply of certificates exceeded the total compliance obligation for the 2012 calendar year.

- ▼ Accredited 48 projects to create energy savings certificates.
- ▼ Developed new administrative procedures to accommodate the growth of commercial lighting activities in the ESS that significantly reduced processing times and resulted in improved efficiency for business and IPART.
- ▼ Published a report on the cost effectiveness of the ESS which indicated the cost of participating in the scheme for liable entities and accredited certificate providers has decreased compared to costs identified for the period 2009/10.
- ▼ Commissioned a report on the administration of commercial lighting. The proposals for administrative changes in the report have been subject to stakeholder consultation.
- ▼ Strengthened our relationship with NSW Fair Trading, who has responsibility for electrical safety under the *Electricity (Consumer Safety) Act 2004* and have improved our management of safety related requirements where needed.
- ▼ Entered into a Memorandum of Understanding with the Victorian Essential Services Commission who administer the Victorian Energy Efficiency Target Scheme.
- ▼ Conducted a series of workshops for applicants seeking accreditation under the ESS.
- ▼ Participated in the ESS Coordination Group, a NSW Government working group addressing ESS related matters.
- ▼ Submitted 4th annual report on compliance and operation of the ESS to the Minister for Resources and Energy.

Local Government

- ▼ Set the rate peg percentage at 3.4% for 2013/14. The rate peg is used to regulate local government general income for most councils. In 2013/14 it includes the first withdrawal of the carbon price advance and a productivity factor.
- ▼ Reviewed and decided on 23 applications from councils for special rate variations, 1 for an increase to a minimum rate and 4 separate applications for a Crown Land adjustment in 2013/14.
- ▼ Reviewed the cost of essential infrastructure included in 2 development contributions plans on behalf of the Minister for Planning and Infrastructure.
- ▼ Made submissions to the White Paper on the NSW planning system and the Independent Local Government Review Panel.

In Progress at 30 June 2013

Energy Compliance

- ▼ Continue to monitor compliance of electricity network businesses.
- ▼ Preparation of 2012/13 annual report to the Minister for Resources and Energy on licence compliance.

Rural Water Pricing

- ▼ Assisting the Australian Competition and Consumer Commission with information for its review of bulk water prices for Murray Darling Basin valleys from 1 July 2014.
- ▼ Monitoring compliance with rural water price determinations.

Metropolitan Water Pricing

- ▼ Review of Essential Energy (Broken Hill) prices from 1 July 2014.
- ▼ Cross-agency review of discharge factors.
- ▼ Monitoring of compliance with metropolitan water price determinations.

Water Licensing (public water utilities)

- ▼ Administration of licence compliance regime.

Water Industry Competition Act 2006 (WICA)

- ▼ Review of access undertaking submitted to IPART for approval by Sydney Water Corporation.
- ▼ Preparation of recommendations to Minister for Finance and Services on various licence applications and variations and approvals to commence commercial operations.
- ▼ Administering licence compliance regime.

Rail access

- ▼ Review of rail infrastructure compliance with the NSW Rail Access Undertaking for RailCorp for 2011/12.
- ▼ Review of compliance with the NSW Rail Access Undertaking for non-Hunter Valley Network clients for ARTC, CRIA and RailCorp.

Transport

- ▼ Review of fares for metropolitan and outer metropolitan bus services from January 2014.

Section 9 and other referrals

- ▼ Review into licence rationale and design in NSW.
- ▼ Review into local government compliance and enforcement functions.
- ▼ Review into a rating framework for Local Land Services NSW.
- ▼ Review of pricing Vocational Education and Training under the Government's Smart and Skilled package.

Analysis and Policy Development

- ▼ Maintaining strong program of cross-sectoral analysis and research, including reviews on the rate of return framework and financeability.

Greenhouse Gas Reduction Scheme

- ▼ Preparing the GGAS Legacy Report – a review of lessons learned from the administration of GGAS.
- ▼ Managing legacy issues for remaining Carbon Sequestration accreditations, including transitioning to the Commonwealth Carbon Farming Initiative and identifying ongoing audit and reporting regimes for remaining accreditations.

Energy Savings Scheme

- ▼ Continuing to assess new applications for accreditation.
- ▼ Ongoing management of existing accreditations, including audit and reporting.
- ▼ Reviewing the compliance & performance monitoring system.
- ▼ Implementing administrative changes following commercial lighting consultation process, including changes to record keeping arrangements for commercial lighting Recognised Energy Savings Activities.

Management and Structure

IPART is headed by a Tribunal that comprises 3 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

	<p>Chairman from 23 November 2011 Dr Peter Boxall AO B Econ(Hons), M Econ, PhD Appointed from 23 November 2011 for 5 years. Previously a Commissioner at ASIC for 3 years, Former Secretary of the Department of Resources, Energy and Tourism in 2008, following 6 years as Secretary of the Department of Employment and Workplace Relations and 5 years as Secretary of Finance and Administration with the Australian Government.</p>
	<p>Full Time Member from 1996 and CEO/ Full Time Member from 2004 Mr James Cox BSc (Econ) (Hons), MA (Econ) Appointed for 5 years from 22 February 1996. Reappointed for an additional 5-year term from 22 February 2001. Reappointed for an additional 5-year term from 22 February 2006. Reappointed for an additional 3-year term from 2011. Former Principal Adviser, Government Pricing Tribunal/IPART, 1992-96. Consultant, NSW Cabinet Office, 1989-92. Principal Economist, Office of EPAC, 1986-89.</p>
	<p>Part Time Member Mr Simon Draper B Ec (Hons), Master of Business (Finance) Appointed for 3 years from 1 September 2012, Simon has many years experience managing infrastructure and utility companies. Former Managing Director of Lumo Energy Australia, former Chief Executive of Wellington Airport and Northern Territory Airports.</p>

Temporary members

There were no temporary members during 2012/13.

Meeting frequency and attendance

Throughout the year, the Tribunal held 49 meetings and 20 delegated Tribunal 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 C.

Delegated Committees

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 a Committee convened by the Full Time Member/Chief Executive Officer to enable the delegate to make decisions on more routine issues.

Similarly, the Tribunal has delegated its responsibilities regarding its administration of the Greenhouse Gas Reduction Scheme to a committee and the administration of the Energy Savings Scheme to a separate committee. The Minister for Resources and Energy has approved these delegations. The Chief Executive Officer/Full Time Member chaired 8 Greenhouse Gas Reduction Scheme Committee Meetings and 15 Energy Savings Scheme Committee Meetings.

In addition, the Tribunal has delegated its responsibilities regarding reviewing Local Government Contributions Plans under the *Environmental Planning and Assessment Act 1979* to a committee. The Committee met 10 times in 2012/13.

Formal instruments of delegation were approved by the Tribunal. Throughout the year, 10 delegated Tribunal meetings were held.

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, although IPART has increased the diversity of skills to include engineering, planning and financial modelling capabilities. Staff 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 legal issues that arise by IPART carrying out its functions.

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, IPART commissions 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.

Directors

The Secretariat is headed by Directors, who report to the Chief Executive Officer:



Director, Energy and Transport

Fiona Towers

BCom (Accounting and Finance), MCom (Economics and Econometrics)

Responsible for managing energy and transport industry programs.

Director, Water

Matthew Edgerton

BEd (Econ), MEnv Stud

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.

Director, Analysis and Policy Development and Regulation Review

Stephen Lyndon

BA (Econ)

Responsible for managing the analysis and policy development programs.

			
Principal Advisor	General Counsel	Director, Local Government	General Manager, Greenhouse Gas Reduction and Energy Savings Schemes
Eric Groom <i>B Ec (Hons), M Ec</i> Responsible for maintaining the intellectual rigour of the approach to regulation and ensuring the consistency of reviews.	Pamela Soon <i>LLB, B Comm, LLM</i> Responsible for the provision of legal advice to the Tribunal and the management of the legal team.	Alison Milne <i>B Ec (Hons)</i> Responsible for managing the Local Government team and functions.	Margaret Sniffin <i>BSc, MSc</i> Responsible for managing the Greenhouse Gas Reduction and Energy Savings Schemes.

Internal committees

IPART's Core Executive consists of the Tribunal's Chief Executive Officer plus the Directors. Throughout the year, this group met regularly, at approximately 2 week intervals. Other Managers attended meetings as required. The purpose of these meetings was to review the Secretariat's current work program and ensure that the Chief Executive Officer was adequately briefed on all relevant issues.

External committees

As part of IPART's role in managing the Energy Savings Scheme, Margaret Sniffin, the General Manager, and other Secretariat staff contributed to the NSW Energy Savings Scheme Coordination Group.

IPART attends the National Water Commission's inter government working groups established to report on urban and rural water utility performance.

As part of IPART's role in supporting the development of a cost-effective framework for the regulation of recycled water projects, the Director of Water has participated in steering committees of the Australian Centre of Excellence in Recycling.

IPART also participated in regular networking and knowledge sharing meetings between the water industry economic regulators.

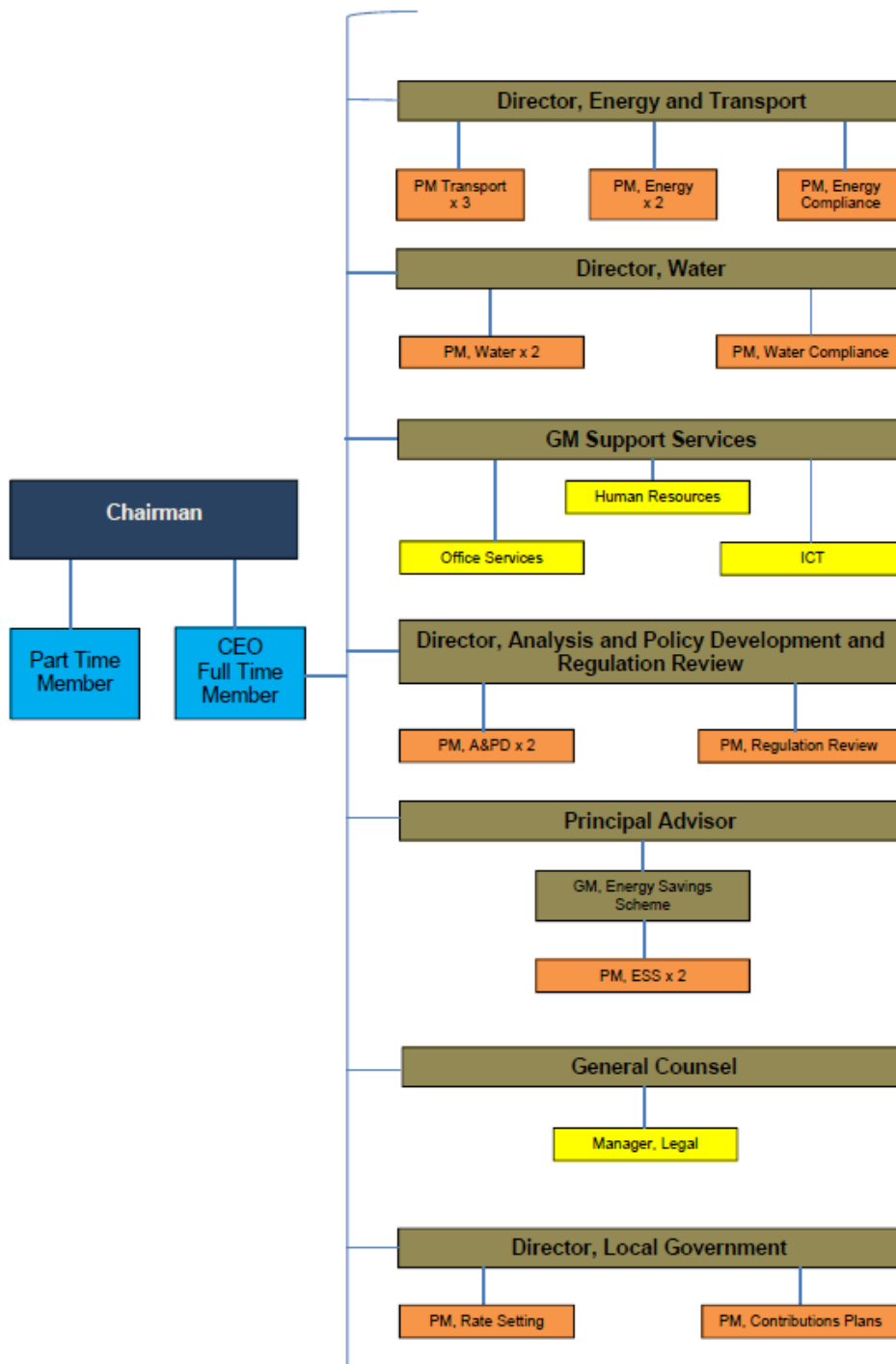
IPART is a member of the National Recycled Water Regulators' Forum. Meetings are held quarterly to discuss areas of common interest in the technical regulation of water utilities.

Meryl McCracken represented small agencies on the Treasury Managed Fund Advisory Council and contributed to the ServiceFirst Advisory Board and Management Assurance Committee.

Management Structure

The resignation of the Chief Executive Officer and Full-time Tribunal member, Mr James Cox, prompted a review of IPART's governance and structure. The Chairman concluded that the complexity and diversity of IPART's work now warrants a separate full-time Chief Executive Officer. The Chief Executive Officer will attend Tribunal Meetings and contribute to discussions but will not be part of the formal decision-making process. An additional part-time Tribunal Member has been appointed to bring the Tribunal back to 3 decision makers.

Organisation Chart



Our Corporate Plan

Purpose and objectives

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

Overall, we strive to achieve the following goals:

- ▼ Ensure consumers pay fair and reasonable prices for regulated services that reflect the efficient costs of supply.
- ▼ Be a key economic and policy think-tank and provide high quality and impartial advice to the NSW Government.
- ▼ Encourage regulated businesses to increase their economic efficiency and maintain or improve their service performance where there is customer willingness to pay.
- ▼ Promote secure and sustainable energy and water supplies and reliable public transport services.
- ▼ Encourage prudent and efficient investment in water, public transport and local government infrastructure.
- ▼ Encourage environmental sustainability.
- ▼ Deliver best-practice regulation and promote a consistent, predictable regulatory environment.

Service philosophy

In pursuing our purpose and goals, IPART is guided by a set of principles based on best practice in regulation and the statutory constraints within which we operate:

Thinking Independently	We maintain the independence and impartiality of our decisions from Government and all other stakeholders.
Being Transparent	We make our processes visible and explain our decisions clearly and simply.
Providing consistency	We strive to provide a stable, predictable regulatory environment with no surprises.
Consulting Widely	We consult extensively and effectively with all stakeholders and take their concerns and comments seriously.
Delivering Fair and Balanced Outcomes	We aim for equitable outcomes by balancing the interests of the regulated entities, their customers and other stakeholders.
Being Practical	We aim for pragmatic outcomes that can be achieved without significant costs or operational difficulties.
Driving Excellence	We conduct ourselves with discipline according to high professional standards, and use resources effectively and efficiently.
Fostering Innovation	We explore new and better approaches and demonstrate intellectual leadership.

Performance against corporate objectives

Throughout this financial year, IPART particularly focussed on meeting 5 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 key actions and progress towards meeting these objectives is provided below.

1. Demonstrating a fair and transparent process

IPART recognises that open 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 2012/13 include:

Strategy	Action	Progress to 30 June 2013
Meet regularly with key stakeholders and representative groups to canvas a wide range of views	▼ Implement program for meeting with key stakeholder groups	▼ Regular meetings held with key agencies and stakeholders to review issues. ▼ Regular meetings with councils, developers and the Division of Local Government. ▼ Quarterly meetings with public water utilities. ▼ Periodic meetings with community, business, environment and government groups on IPART's work program.

Strategy	Action	Progress to 30 June 2013
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 ▼ 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 workshops, roundtables and hearings ▼ Develop 'fact sheets' to communicate key decisions in a more accessible form 	<ul style="list-style-type: none"> ▼ Issues papers encourage stakeholders to email submissions to IPART investigations. ▼ On IPART website, stakeholders can nominate to receive electronic alerts following the release of IPART material relevant to their area of interest. ▼ Finalised review of customer engagement to establish clearer expectations for customer engagement by regulated businesses and ourselves. ▼ Used the NSW Government's Have Your Say website to consult widely with the community on appropriate section 9 reviews. ▼ Surveys of local government and NSW Government agencies for Regulation Review of licensing in NSW. ▼ Webcast electricity public hearings ▼ Current timetables maintained on website. ▼ Timetables clearly state due dates for submissions, public hearings and release of reports. ▼ Notice of reviews are typically advertised in relevant newspapers. ▼ 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. ▼ Timeliness KPI now included in the service delivery performance indicators. ▼ Public hearings/workshops/roundtables held where required under legislation, and for most investigations even where not required. ▼ Fact sheets are available on the IPART website for all current IPART price determinations and for other IPART reviews.

Strategy	Action	Progress to 30 June 2013
	<ul style="list-style-type: none"> ▼ Articulate the information IPART requires from businesses and agencies it regulates 	<ul style="list-style-type: none"> ▼ The new ESS website included Guides and Fact Sheets setting out information requirements for new participants. ▼ Published timetables for all investigations and regularly updated timetables on website. ▼ Early written advice given to regulated agencies on the nature of information required for pricing reviews, the timetable, and the desired format in which key data should be provided. ▼ IPART financial models provided to regulated agencies to standardise data requests and formulae used in financial analysis. ▼ A generic financial model was released on IPART's website to assist interested parties to understand how IPART's cost and pricing models typically work.
	<p>Explain IPART's decision making processes and its rationale for decisions</p>	<ul style="list-style-type: none"> ▼ Decision-making process was explained in issues papers and reports.
<p>Seek feedback on stakeholder perceptions of IPART's integrity, processes, and quality of work</p>	<ul style="list-style-type: none"> ▼ Survey stakeholder perceptions every 2 years 	<ul style="list-style-type: none"> ▼ The stakeholder survey was repeated in 2012/2013 and the results were posted on IPART's website

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 was reinforced by the latest survey which improved on already satisfactory ratings. The 2013 survey indicated that stakeholders have a high level of respect for the professionalism of IPART's staff.

These highlights from 2012/13 illustrate the strategies being followed in this area:

Strategy	Action	Progress to 30 June 2013
Continually improve internal processes	<ul style="list-style-type: none"> ▼ Document a 'whole-of-organisation' work program to identify peaks in resource demand to assist in planning 	<ul style="list-style-type: none"> ▼ Forward Tribunal and Committee agendas as well as report release dates provide a detailed program for the year ahead. ▼ Scoping briefs and objectives established for all reviews.
	<ul style="list-style-type: none"> ▼ Continue cross-sectoral research program to improve consistency and quality of analysis 	<ul style="list-style-type: none"> ▼ Cross-sectoral program has been embedded into IPART's core business. All projects are monitored by Tribunal.
	<ul style="list-style-type: none"> ▼ Subject all major projects to post-completion review 	<ul style="list-style-type: none"> ▼ All major projects are subject to post-completion reviews by the Tribunal.
	<ul style="list-style-type: none"> ▼ Develop library/information supply service 	<ul style="list-style-type: none"> ▼ IPART committed to new on-line subscription services and invested in additional resources.
Draw on appropriate external experts	<ul style="list-style-type: none"> ▼ Employ external resources for supplementary specialist skills (eg, engineering) and manage peaks in workload 	<ul style="list-style-type: none"> ▼ Engineering specialists engaged for operating licence audits. Economic consultants engaged to assist with work peaks and specialist knowledge.
	<ul style="list-style-type: none"> ▼ Make better use of consultants by encouraging knowledge transfer during the engagement 	<ul style="list-style-type: none"> ▼ Expert consultants engaged to review the expenditure proposals of utilities in price 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 meetings between consultants and agencies for audits of operating licences
Apply high standards of ethical and professional work standards	<ul style="list-style-type: none"> ▼ Ensure protection of confidential data consistent with statutory requirements 	<ul style="list-style-type: none"> ▼ Personal contact details removed from public submissions prior to publishing. Confidential status was assigned to data where requested by stakeholders, subject to IPART Act and <i>Government Information (Public Access) Act 2009</i> (GIPA Act).
	<ul style="list-style-type: none"> ▼ Promote professional standards and behaviour policy 	<ul style="list-style-type: none"> ▼ Policy document on required standards of behaviour is accessible to all staff via the internal Intranet. ▼ Managers are required to model professional standards and behaviour at all times ▼ A new policy for Public Interest Disclosure was introduced to staff through participative workshops. ▼ A new protocol for declaring conflicts of interest was ratified by the Tribunal

Strategy	Action	Progress to 30 June 2013
Improve internal analytical capacity through recruitment and development practices	<ul style="list-style-type: none"> ▼ Recruit suitable graduates to support IPART's work program ▼ Ensure appropriate skills base is maintained ▼ Promote staff development 	<ul style="list-style-type: none"> ▼ New graduates recruited. ▼ Skills development is identified through the performance management system for each staff member and further defined by an agreed development plan. ▼ Skill based training is conducted in-house on a regular basis. Projects are assigned with regard to identified development needs. ▼ Employees are encouraged to build on existing skill levels for organisational and personal advancement. This includes opportunities for secondment, acting in higher duties or allocation of special projects.
Apply quality assurance process to outputs	<ul style="list-style-type: none"> ▼ Maintain a designated QA manager 	<ul style="list-style-type: none"> ▼ QA undertaken for all reviews.

3. Reaching a reasonable, balanced answer

In its commitment to achieving a balanced regulatory answer IPART continues to strive to be at the forefront of regulation.

The following table provides a summary of the implementation of IPART's strategic commitments in 2012/13:

Strategy	Action	Progress to 30 June 2013
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"> ▼ Attended and presented at all Regulator Forum meetings ▼ Developments in Australia monitored on an ongoing basis. ▼ There was considerable interchange of work on industry developments with other jurisdictional regulators including a senior officer secondment to the Australian Energy Regulator 2 days a week ▼ Various staff members have attended seminars/conferences as presenters and attendees. ▼ Attended inter-jurisdictional energy, transport and water regulators' meetings.

Strategy	Action	Progress to 30 June 2013
Monitor and report on impacts of Tribunal 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 <i>Impacts of IPART's Determinations</i>
Provide more reasoned explanations of decisions	<ul style="list-style-type: none"> Continue to develop report writing skills 	<ul style="list-style-type: none"> Training to improve staff writing skills offered to individuals or teams on a needs basis. In house training for new starters and graduates is organised on a periodic basis.
Hold peer reviews	<ul style="list-style-type: none"> Hold peer reviews regularly 	<ul style="list-style-type: none"> Increased frequency of peer reviews.

4. Pursuing excellence and fostering innovation in our operations

IPART's commitment to excellence and fostering innovation has led to an increased diversity of subject matter in government referrals and policy work.

IPART's strategic response to some of these issues in 2012/13 follows:

Strategy	Action	Progress to 30 June 2013
Continue to research and adopt improved regulatory techniques and approaches	<ul style="list-style-type: none"> Conduct research including peer reviews. 	<ul style="list-style-type: none"> Cross-sectoral research and policy program instituted to ensure continuing best-practice in the execution of the Tribunal's regulatory functions. Engaged expert peer review of various discussion papers
	<ul style="list-style-type: none"> Conduct internal training sessions to facilitate transfer of skills between staff. 	<ul style="list-style-type: none"> A number of training and skills sessions on best-practice modelling and IPART-specific use of Excel, Word and Powerpoint were held.
	<ul style="list-style-type: none"> Review regulatory processes 	<ul style="list-style-type: none"> Administrative processes were streamlined for the Energy Savings Scheme.
Do more to communicate key decisions clearly and simply	<ul style="list-style-type: none"> Invest resources in communication 	<ul style="list-style-type: none"> IPART re-wrote all of the web content for the average consumer to simplify and clarify our role. The report writing guidelines were extensively revised. Staff were trained in clear writing techniques. IPART continued to prepare "plain English" summaries of key decisions.

Strategy	Action	Progress to 30 June 2013
	<ul style="list-style-type: none"> ▼ Include a communications strategy in the scoping brief for major projects 	<ul style="list-style-type: none"> ▼ Communications strategies were incorporated for major reviews.

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

IPART's program of continuous improvement is based on a commitment to best practice, on-going staff development, collaboration, sector-wide government initiatives and the use of technology.

Examples of strategies implemented in the reporting period include:

Strategy	Action	Progress to 30 June 2013
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) reviews ▼ Identify critical roles and critical skills for succession planning 	<ul style="list-style-type: none"> ▼ Individuals' skills and experience are reviewed when new programs or functions are introduced. Managers identify staff potential and encouraged to support skill development. ▼ Lateral transfers to industry teams are supported to meet project peaks and match skill requirements. ▼ The needs and skills of the organisation are regularly reviewed to ensure-critical skills are retained, or developed.
Become preferred employer by offering a safe workplace, development opportunities and family friendly work practices	<ul style="list-style-type: none"> ▼ Reward staff for outstanding performance and to improve staff retention ▼ Support flexible working conditions ▼ Actively engage staff in workplace safety 	<ul style="list-style-type: none"> ▼ Development opportunities, are encouraged to enhance and motivate individual performance . Personal and market retention allowances are used to reward consistent and high level performance. ▼ IPART offers part-time work and working from home arrangements. ▼ The SAP flexi time recording and reporting systems enable the monitoring and reporting of agency leave. ▼ Work place safety audits and site inspections were undertaken on a regular basis.
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"> ▼ Managers and individuals agree on training needs through performance management. The agency's staff development policy includes a generous training cap to promote a learning organisation and encourage continuous personal development.

Strategy	Action	Progress to 30 June 2013
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 uses the whole of government web-based e-tendering system.
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 electronic business processes 	<ul style="list-style-type: none"> ▼ Continuous upgrades and updates of infrastructure environment with a particular focus on data and backup expansion. ▼ Conducted a number of software upgrades, such as remote access and server environments. ▼ Developed customised website portals with integration to backend records management system
Embrace Government commitment to electronic service delivery	<ul style="list-style-type: none"> ▼ Provide all appropriate publications and transactions on the internet 	<ul style="list-style-type: none"> ▼ Two new websites portals were launched, the ELT portal and Local Government portal ▼ Online feedback facility for disabled stakeholders ▼ Developed online forms for forum attendance ▼ Developed private extranets for audit purposes ▼ Continued to utilise the NSW Government's Have Your Say website to consult widely with the community on the Regulation Review of licensing in NSW, and explored social media communication channels, including Facebook and Twitter.
Make the website easier to understand and navigate	<ul style="list-style-type: none"> ▼ Enhance the capacity of IPART web sites to meet stakeholder communication needs 	<ul style="list-style-type: none"> ▼ Info graphic images were added to the consumer section ▼ HTML and plain English pages were added for all critical documents ▼ Accessibility enhancements continued.
Make effective use of equipment and systems	<ul style="list-style-type: none"> ▼ Undertake planning in relation to allocation of equipment and resources 	<ul style="list-style-type: none"> ▼ Explored central government cloud initiatives

Key performance indicators

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

Planned Result	Result Indicators	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Estimate
Intermediate result:						
▼ Independent oversight of prices for energy, transport and water services	▼ Graph of real cost to public over time	2009/10 Annual Report	2010/11 Annual Report	2011/12 Annual Report	See "Impacts" section in 2012/13 Report	See "Impacts" section in 2013/14 Report
	▼ Graph of real cost to businesses over time	"	"	"	"	"
	▼ Perceived quality of leadership – practical outcomes and independence (expressed as % from stakeholder survey)*	82%	No new survey data	No new survey data	84%	85%
Intermediate result:						
▼ Suppliers of energy and water meet licence obligations	▼ Acceptance by Ministers of annual water and energy audit/licence compliance reports	6 reports	12 reports	11 reports	10 reports	9 reports
▼ CO2 reduction targets are monitored and enforced (GGAS)	▼ Net tonnes per capita CO2 emissions in NSW from electricity usage	7.27	7.27	7.27	(Scheme closed)	(Scheme closed)

Planned Result	Result Indicators	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Estimate
▼ MWh Reduction targets are monitored and enforced (ESS)	▼ Sufficient certificates surrendered to meet the target	0.5% (Half Year)	1.5%	2.5%	3.5%	4.5%

Planned service delivery

Services delivered	Service measures	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Estimate
1. Licence monitoring						
Key services:						
▼ Monitoring of water licences	▼ Acceptance by Minister of annual water audit reports	6 reports	5 reports	5 reports	5 reports	5 reports
▼ Monitoring of energy licences	▼ Acceptance by Minister of annual energy compliance audit reports	10 reports	2 reports	2 reports	5 reports	4 reports
▼ Administrator of Greenhouse Gas Reduction Scheme	▼ # of accredited abatement projects (per year)	24	3	0	0 (Scheme closed to new entrants)	0 (Scheme closed)
	▼ # of abatement certificates registered (per year)	18.3m	19.5m	24.5m	1.2m (Certificate creation closed from 31 August)	(Scheme closed)
▼ Administration of Energy Savings Scheme	▼ # of accredited energy savings projects	49	29	30	48	58
	▼ # of energy savings certificates registered (per year)	.43m	.8m	1.2m	3.0m	3.2m
2. Pricing of water, transport, energy and other reviews						
Key services:						
▼ Wide consultation on issues	▼ Perceived quality of consultation processes (expressed as % from stakeholder survey)	88%	No new survey*	No new survey*	89%	89%
▼ Rigorous process of review	▼ Perceived professionalism of staff (expressed as % from stakeholder survey)	93%	No new survey	No new survey	93%	93%

Services delivered	Service measures	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Estimate	
	▼ Perceived timeliness of decision-making processes	88%	No new survey*	No new survey*	80%	88%	
	▼ Number of projects completed						
	– within 6 months	12	13	17	22	20	
	– within 12 months	10	36	11	23	20	
	– over 12 months	3	5	3	2	3	
	▼ # of public hearings, forums and workshops	19	9	24	19	20	
	▼ # of papers and reports (Total)	59	98	94	104	100	
	– major	44	71	68	88	85	
	– minor	15	27	26	16	15	
3. Regulation of local council rates and contribution plans (commenced 1 July 2010)							
	▼ # of special rate variations and minimum rate variations determined for the next year	n/a	23	32	24	35	
	▼ # of contributions plans reviewed	n/a	0	3	2	4	
4. Referred reviews							
	▼ Terms of reference are met	▼ Relevant Minister's broad acceptance of report and recommendations	5 reports	2 reports	10 reports	7 reports	9 reports

Impacts of IPART's Determinations

Introduction

IPART regulates the prices of a number of essential infrastructure services, including water, retail electricity and gas as well as public transport services.

Prices for the essential services that IPART regulates have risen in recent years. The rises in water and electricity prices have been particularly significant. Over the 5-year period 2008/09 to 2012/13, water prices and electricity prices increased by an annual average of 6.2% and 12.2% respectively in real terms, that is, excluding inflation. Over the past 12 months to June 2013, growth has slowed in water prices, with average increases largely reflecting inflation only. Electricity prices have continued to increase, partly due to the carbon pricing regime introduced in July 2012.

Over a longer period of time, since IPART's establishment in 1992, the growth in household charges has been more in line with the growth in average weekly earnings.

Household Charges Index

IPART's Household Charges Index (HCI) measures the weighted average change in the prices of the essential infrastructure services we regulate,¹ where the weights are derived from Australian Bureau of Statistics (ABS) data on household expenditure on electricity, gas, water and public transport (rail, bus and ferry services).²

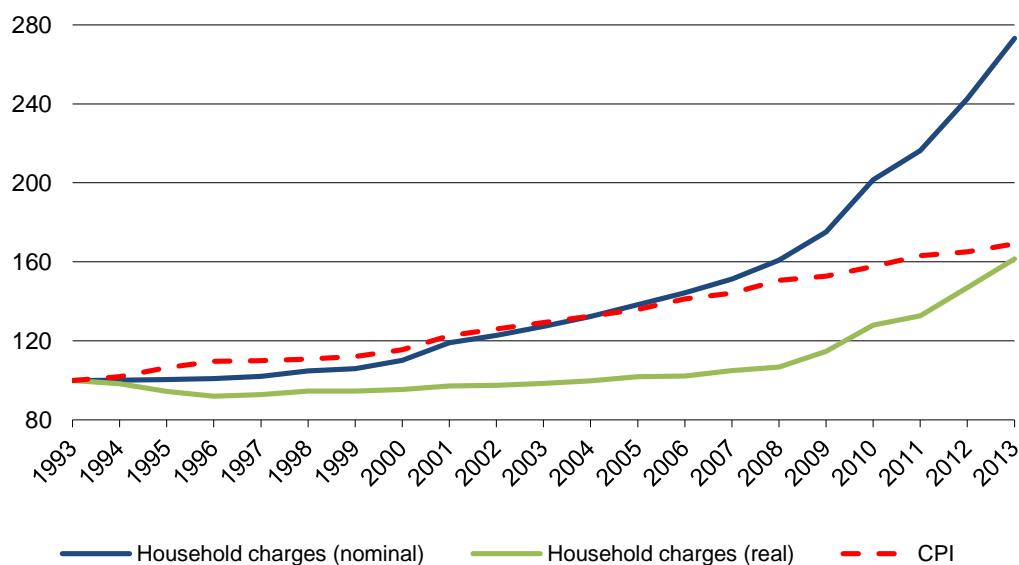
The HCI assumes fixed quantities of consumption for each essential service, and does not allow for any discounting of the regulated prices that utilities may offer.

¹ IPART also regulates local government rates, but these are excluded in the analysis of the HCI, which only considers infrastructure services.

² We are currently using weightings from the 2009/10 Household Expenditure Survey (Sydney households) adjusted for price changes: electricity 56.6%, water and sewerage 17.8%, gas 10.6% and public transport 15%.

In 2012/13, the HCI increased by 10.0% in real terms, that is, excluding inflation. Since 1992/93, the HCI has risen a cumulative 62% (see Figure 1) in real terms. The average annual rise since 1992/93 has been 2.4% in real terms, although much of the rise has been concentrated in the past 5 years.

Figure 1 Household Charges Index and the CPI, 1992/93 to 2012/13



Source: IPART.

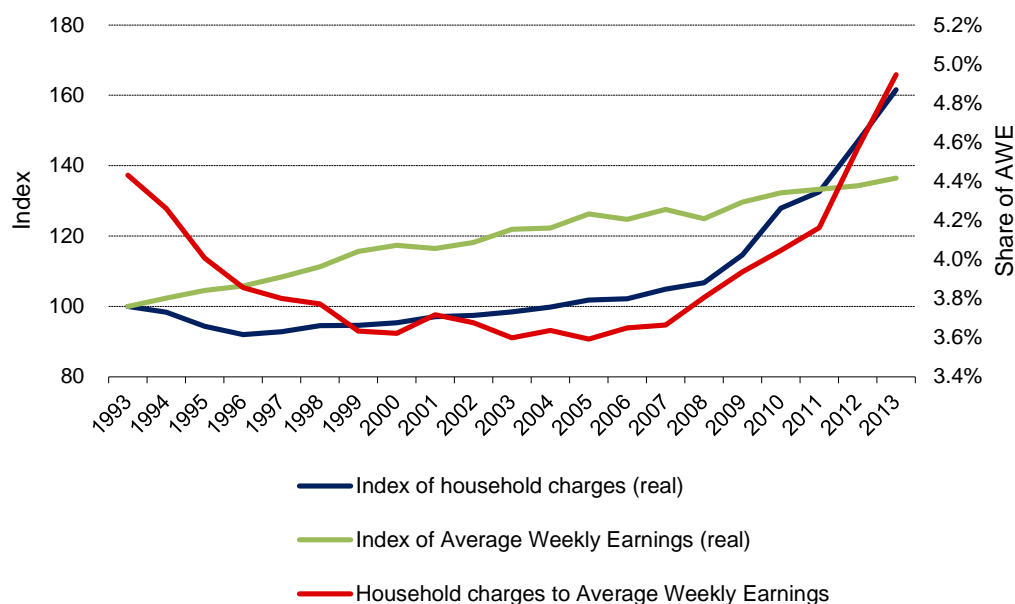
During the 1990s, the HCI generally rose more slowly than inflation. By 2003/04³, household charges in real terms were back to their 1992/93 levels before increasing due to greater cost pressures.

Figure 2 shows the growth in IPART-regulated service charges (the HCI) and Average Weekly Earnings (AWE) over the period 1992/93 to 2012/13, and the ratio of the HCI to the AWE over time.

The ratio of IPART-regulated prices to AWE is 5.0% in 2012/13, which is higher than 4.4% in 1992/93. However, the ratio declined for many years before it bottomed-out around 2004/05. Since 2007/08, the ratio has increased sharply as service price rises have been greater than the increase in AWE.

³ Our 2012 Annual Report stated that the HCI returned to 1992/93 levels only in 2005/06. The change is due to adjustments made in the way the index is calculated.

Figure 2 Household Charges Index and Average Weekly Earnings



Source: IPART calculations, ABS 6302.0 (Table 11A, ordinary weekly earnings).

Household charges for residential customers by industry

For each industry, we report nominal price changes for 2012/13 and provide a longer run analysis of price changes in real terms.⁴

Energy

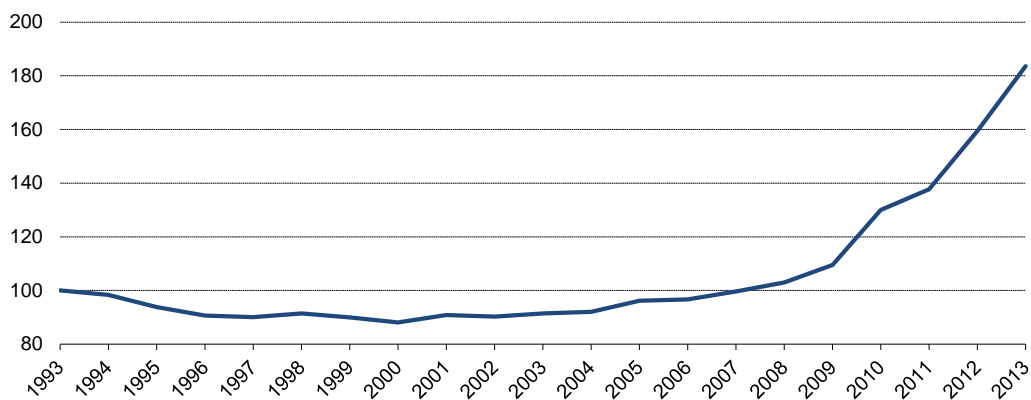
Electricity prices that retailers were able to charge from July 2012 increased by an average of 17.9% (nominal) across all regulated customers in NSW.

The increases have been primarily driven by:

- ▼ the continuing rise in network costs, which contributed to nearly half of the average price increase
- ▼ the introduction of the Commonwealth Government's carbon pricing mechanism, which contributed the other half of the average price increase.⁵

⁴ 'Nominal' means the effects of inflation are included in the price change discussed, whereas 'real' means the effects of inflation are excluded in the price change discussed.

⁵ IPART, *Fact Sheet - Changes in regulated electricity prices from 1 July 2012*, June 2012, p 3. The average increase of 17.9% is slightly lower than the average increase of 18.1% indicated in the Fact Sheet due to adjustments made in the weightings of the various networks.

Figure 3 Index of regulated residential electricity prices (real)

Note: Excludes price discounting by retail suppliers.

Source: IPART.

Regulated electricity prices in real terms were slightly higher for households in 2007/08 than they were in 1992/93 but they have risen sharply since to be 83.6% higher in 2012/13 than they were in 1992/93 (Figure 3). As we have discussed in our annual price reviews, these price increases have been primarily driven by increases in network costs due to large investments in capital and government green schemes including the introduction of the carbon pricing mechanism on 1 July 2012.

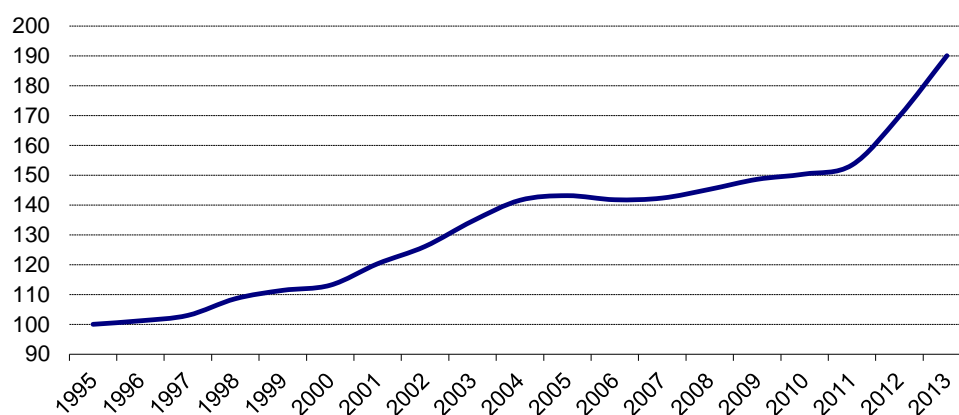
Gas prices that a typical AGL retail customer, consuming around 20GJ per year, faced from July 2012 increased by 14.6% (nominal).⁶

Around half the increase was due to the introduction of the carbon pricing mechanism and the other half was due to increases in gas distribution network prices which are regulated by the Australian Energy Regulator.⁷

⁶ IPART calculations assuming a typical customer consumes 20GJ of gas per year. The majority of NSW gas customers are in AGL's retail area. Consumption for a typical residential customer occurs in the first 2 consumption blocks.

⁷ IPART, *Media Release - Electricity and gas prices to rise in NSW, due to higher network costs and the introduction of the carbon price*, June 2012.

Figure 4 Index of residential gas prices for AGL customers (real)



Note: Figure 4 shows gas price changes for typical AGL customers only (around 20 GJ of usage). The gas price index for residential customers begins in 1994/95.

Source: IPART.

Gas price regulation commenced from 1995/96. The gas price index we use is calculated for a typical AGL gas customer using 20GJ of gas per year (a medium level of usage). This index is shown in Figure 4. Residential gas prices increased sharply between 1996/97 to 2004/05 and again in the past 2 years when the gas price index increased sharply, to be 90% higher in real terms than in 1994/95. The recent spike in the gas price index for a typical customer is due to the change in tariff structure by the network owner, increases in network costs due to large investments in capital and the introduction of the carbon pricing mechanism.

Metropolitan water businesses, residential prices

Sydney Water's bill for water and sewerage services for a typical household in Sydney, Illawarra or the Blue Mountains increased by only 1.0% in 2012/13 – less than the rate of inflation.⁸ This was the first year of Sydney Water's new 4 year price determination. Typical residential bills will decrease over the determination period, compared with inflation, because we allowed for lower capital expenditure than in the 2008 determination period, an updated cost of capital including an appropriate estimate of company tax.⁹ The 2012/13 increase compares with 5.8% in 2011/12, which was influenced by major projects to increase Sydney's water supply, including the desalination plant and a large recycling scheme in Western Sydney.¹⁰

Hunter Water's bill for water and sewerage services for a typical household increased by 7.4% in 2012/13 compared to 5.4% in 2011/12. This was the last year of Hunter Water's 2009 determination period. The price increases were necessary to upgrade infrastructure for water supply and treatment.¹¹

Gosford and Wyong Councils' typical bills for water and sewerage services increased by 5.7% and 6.8% respectively in 2012/13. The price increases were necessary to improve water security on the Central Coast.¹²

⁸ IPART calculations, assuming a typical household uses 200 kilolitres of water a year. The same approach has been used for Hunter Water and Gosford and Wyong Council. Source: IPART, *Fact Sheet - Sydney, Hunter and Central Coast Water Prices from July 2011*, and *Sydney, Hunter and Central Coast Water Prices from July 2012*.

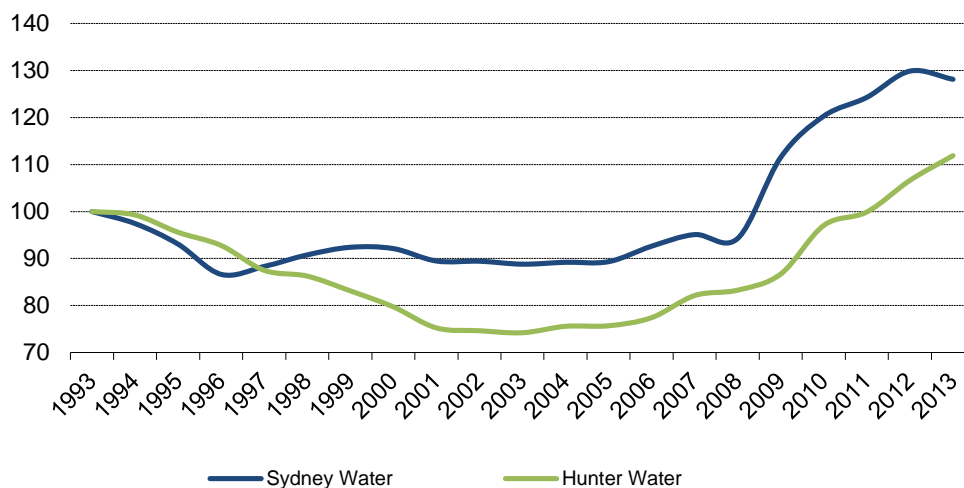
⁹ In the 2012 water price determinations, we changed from a pre-tax rate of return, which included an allowance for company tax, to a post-tax rate of return and a separate allowance for taxation. IPART, *Review of prices for Sydney Water Corporation's water, sewerage, stormwater drainage and other services from 1 July 2012 to 30 June 2016 – Final Report*, June 2012.

¹⁰ IPART, *Review of Prices for Sydney Water Corporation's Water, Sewerage, Stormwater and Other Services – Final Report*, June 2008, p 5.

¹¹ From 2011/12, Hunter Water's prices excluded the costs of Tillegra Dam. Prices were adjusted in the 2010/11 financial year to reduce the service charge and refund Tillegra Dam contributions for 2009/10 and 2010/11.

¹² IPART, *Gosford City Council and Wyong Shire Council, Prices for Water, Sewerage and Stormwater Drainage Services from 1 July 2009 to 30 June 2013 – Determinations and Final Report*, May 2009.

Figure 5 Indices of residential water and sewerage charges for Sydney and Hunter Water (real)



Source: IPART.

Residential water prices have increased significantly in real terms for Sydney Water customers since 2007/08 (Figure 5). Overall, a residential customer of Sydney Water who uses 200kL of water each year would have typically paid 28.2% more for water and sewerage services in 2012/13 than in 1992/93 in real terms.¹³

Hunter Water customers have also experienced similar price increases in recent years (Figure 5). However, in real terms, a residential customer of Hunter Water would be paying 11.9% more for water and sewerage services in 2012/13 than they were in 1992/93.

Public transport

In December 2012, the Government decided to increase public transport fares by no more than CPI. This applies to fares for CityRail, metropolitan and outer metropolitan bus¹⁴ and Sydney Ferries services.¹⁵ After rounding, average increases were slightly higher than the increase in CPI.¹⁶

¹³ Previous annual reports calculated the index for a customer using 220 kL of water each year so that the Metropolitan Water indices in this report are not strictly comparable to the indices in previous IPART annual reports.

¹⁴ Outer metropolitan regions include the Blue Mountains, Hunter, Newcastle and Wollongong.

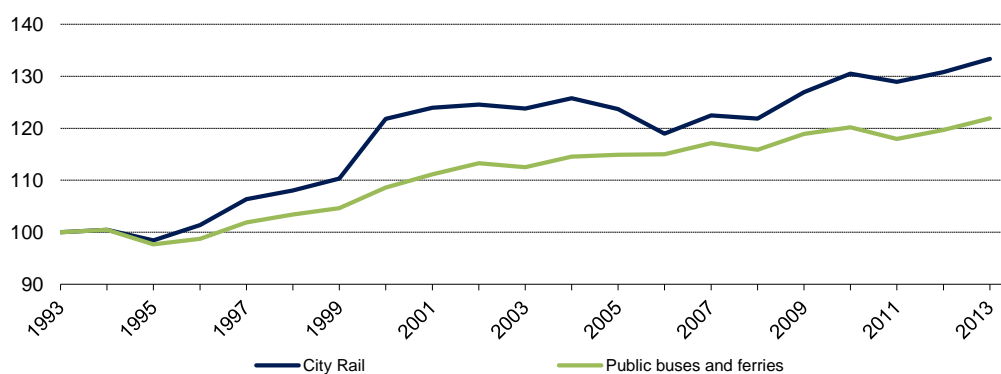
¹⁵ Transport for NSW, *Media Release - Public transport fare rises half IPART's recommendation*, 15 December 2011, p 1. Transport for NSW advised that a 5.55% increase was applied to existing ticket prices and these prices then rounded to the nearest \$0.20 for single rail tickets, \$1.00 for longer-term tickets and \$0.10 for single bus and ferry tickets. This resulted in a weighted average increase of 5.4% based on the sales volumes of different ticket types.

¹⁶ After rounding, CityRail fares increased by 3.4%, bus fares increased by 3.3% and Sydney Ferries fares increased by 3.3%. The increase in CPI was 2.3%.

These increases in fares were lower than the allowed increases of 3.6% for rail fares under our CityRail determination,¹⁷ 3.8% for buses under our bus determination¹⁸ and 4.8% for ferry fares under our Sydney Ferries determination.¹⁹

For the first time, in our new determinations for CityRail and Sydney Ferries services we set a maximum average increase across all ticket types rather than a maximum price for each individual fare. This 'price cap' approach gives Transport for NSW the flexibility to either increase all fares by the maximum average amount, or increase some fares by more and others by less than this average amount. This flexibility may be required as Sydney's public transport e-ticket, Opal, is introduced over the next few years.

Figure 6 Indices of public transport fares (real)



Source: IPART.

Since 1992/93, CityRail fares have increased by 33.3% in real terms and public bus and ferry fares increased by 21.9%. Public transport prices rose considerably between 1992/93 and 2000/01. Since then, rail fares have increased modestly in real terms by 7.6% and bus and ferry fares have increased by 9.7% (Figure 6).

¹⁷ IPART, *Fact Sheet - Changes in CityRail maximum fares from January 2013*, November 2012, p 1.

¹⁸ Our bus determination allowed a real increase of 1.5% before inflation. (IPART, *Final Report - Review of fares for metropolitan and outer metropolitan bus services from January 2010*, December 2009, p 9).

¹⁹ IPART, *Fact Sheet - Changes in Sydney Ferries maximum fares from January 2013*, November 2012, p 1.

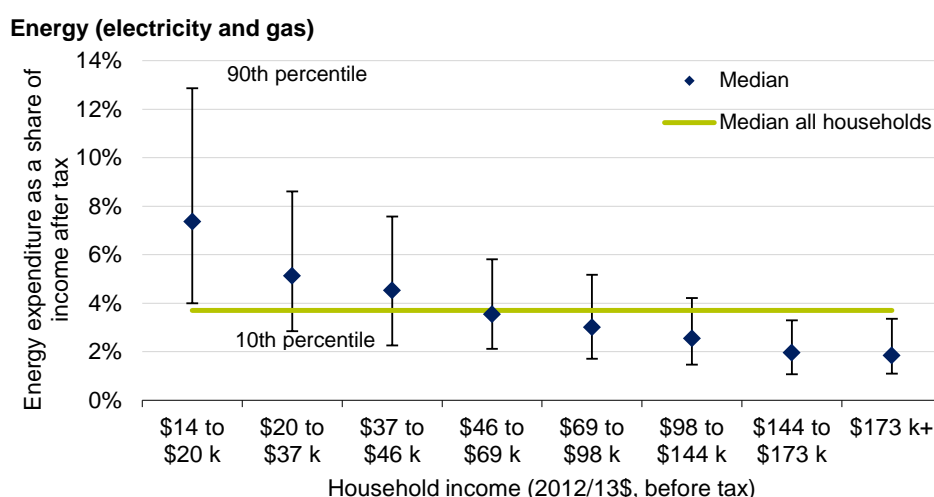
The distributional effects of IPART's pricing decisions

Household bills

The Household Charges Index measures price changes for 'typical or representative' households. The actual cost incurred by specific households depends on a number of factors, the most important of which are: how much of each service is consumed, the cost of providing the service and whether the household qualifies for pensioner rebates/discounts.

Figure 7 below shows annual spending on energy by residential customers as a share of their disposable income in 2012/13 (ie, income after tax). Lower income households tend to spend a higher proportion of their disposable income on energy compared to higher income households.

Figure 7 Annual spending on energy as a share of disposable household income – Sydney and surrounding regions, 2012/13



Note: The income for the middle of each band is used to calculate income after tax. Income after tax as a share of household income before tax is derived from ABS household income distribution data for 2009/10. Income for each band is inflated to 2011/12 using the change in average weekly earnings. Income forecasts for 2012/13 use NSW Treasury's forecast increase in the average wage index of 3.5%. Distributions are presented without weighting survey responses. Customer bills are net of the Low Income Household Rebate.

A **percentile** is the value below which a certain percentage of observations fall. For example, the 10th percentile is the value below which 10% of the observations may be found. In the above diagram, 10% of customers in each income band would fall below the bottom of the vertical line (paying less than that amount) and 10% of customers would pay more than the top of the vertical line.

Data source: IPART Household Surveys, 2008 and 2010.

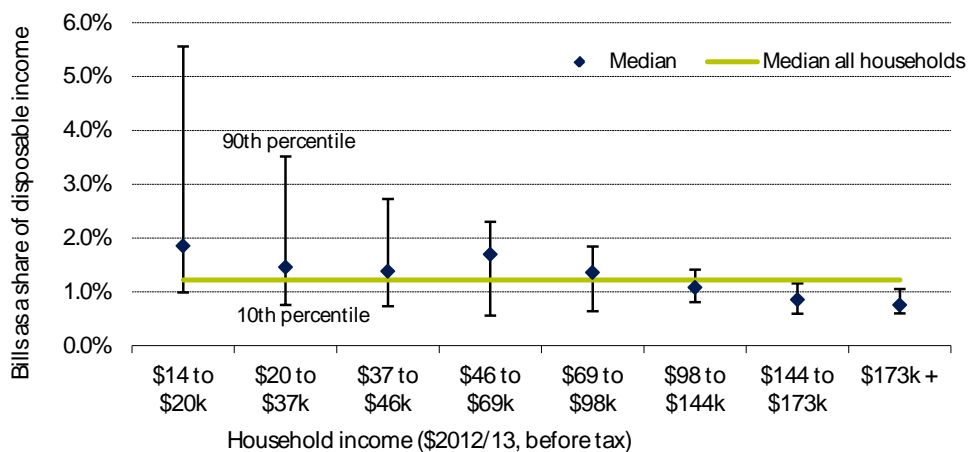
The median household in the lowest income bracket spends about 4 times more as a proportion of their disposable income than do the median households in the top two income brackets. Additionally, the range around these median estimates is wider for lower income households. For example, some low income households are paying about 12% of their disposable income on energy.

From 1 July 2012, the Low Income Household Rebate provided by the NSW Government increased to \$215 per year.²⁰ The rebate helps offset the cost of both gas and electricity, but is paid through the electricity bill.

Figure 8 shows household spending on water services as a proportion of disposable income in 2012/13.²¹ Similar to Figure 7, lower income households spend a higher proportion of their disposable income on water and sewerage. Median spending as a proportion of disposable income is higher than the median for all households except for the three highest income household groups.

However, what is noticeable from Figure 8 is that the median household in the \$46,000 to \$69,000 bracket spends a higher proportion of their disposable income on water services compared to households with income either above or below. It appears households in this income range may not have access to some of the concessions available to other income groups.

Figure 8 Water and sewerage bills as a proportion of disposable income – Sydney Water, 2012/13



Data source: IPART's household survey analysis, 2011.

²⁰ Ministerial Direction for Social Programs issued to NSW Electricity Retailers, 1 January 2013, p 4.

²¹ Figure 8 includes all owner households regardless of whether they receive a concession or not.

The State Government funds rebates for pensioner customers of Sydney Water. From 1 July 2012, the rebates were 100% of fixed water service charges up to a maximum of \$135.12 per year (being the water service charge for a 20mm meter), 83% of the sewerage service charge and 50% of the stormwater drainage service charge.²² Pensioners in the Gosford and Wyong areas can receive a rebate of up to \$175 per year on their water and sewerage bills from their Councils.²³ Pensioner customers of Hunter Water can receive a State Government rebate of \$257 in 2012/13,²⁴ and where applicable, Hunter Water also waives the Environmental Improvement Charge (EIC) for pensioners.²⁵

Household case studies

As in previous Annual Reports, we have calculated the bills for three different hypothetical households to illustrate the effects of consumption levels and pensioner rebates/discounts. The assumed household characteristics are listed in Table 1. They are:

- ▼ household 1 is an 'average' household that uses public transport on a regular basis.
- ▼ household 2 is a 'low' consumption household that also uses public transport.
- ▼ 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.

To calculate typical bills, we assumed certain levels of consumption and that all households are supplied by EnergyAustralia for electricity, AGL for gas and Sydney Water for water and sewerage, and travel by rail or STA bus.

²² Sydney Water, *Concessions and Rebates from 1 July 2012 to 30 June 2013*.

²³ IPART, *Determination and Final Report - Gosford City Council and Wyong Shire Council, Prices for Water, Sewerage and Stormwater Drainage Services from 1 July 2009 to 30 June 2013*, May 2009, Final Report p 147 and p 160.

²⁴ IPART calculations, based on a typical 200 kL bill, and rebate rate of 26%. Rebate rate advised in personal correspondence from Hunter Water, received 16 May 2013.

²⁵ See Hunter Water's website: <http://www.hunterwater.com.au/Your-Account/Managing-Your-Account/Pension-Rebates/Pension-Rebates.aspx>

Table 1 Assumed characteristics of 'typical' households^a

	Household 1 Average consumption	Household 2 Low consumption	Household 3 Low consumption and Pensioner
Electricity consumption	6,000 kWh	4,500 kWh	4,500 kWh
Gas consumption	20,000 MJ	15,500 MJ	15,500 MJ
Water consumption	200 kL per year	150 kL per year	150 kL per year
STA Bus and CityRail train transport (return trip)	225 days per year Red TravelPass then My Multi 1 (valid for bus, train and ferry) ^{b,c}	70 days per year Adult return train ticket (10km) and Blue Travel Ten then MyTrain single fare (up to 10km) and MyBus TravelTen (1-2 section bus trip) ^b	70 days per year Pensioner excursion

Notes:

a. 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 2010 Household Survey.

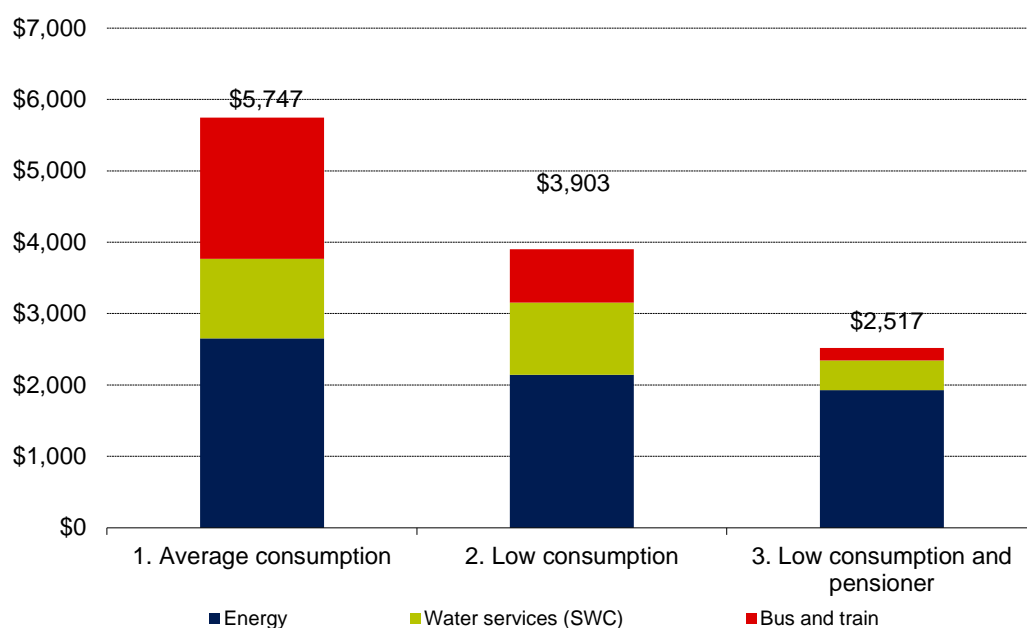
b. MyMulti, MyTrain and MyBus fares were introduced on 18 April 2010. They replaced the previous ticket types.

c. The Red TravelPass gave unlimited travel on CityRail services in the area bounded by Bondi Junction, Rockdale, Bardwell Park, Canterbury, Croydon and Chatswood stations, plus unlimited travel on Sydney Buses in the red area – zones 1, 3, 6 and 7 as well as unlimited travel on Sydney Ferries inner harbour services. MyMulti 1 gives unlimited travel on government and private buses and government ferries, as well as in the CityRail zone bounded by Bondi Junction, Chatswood, Croydon, Canterbury, Bardwell Park, and Rockdale.

In 2012/13, (Figure 9):

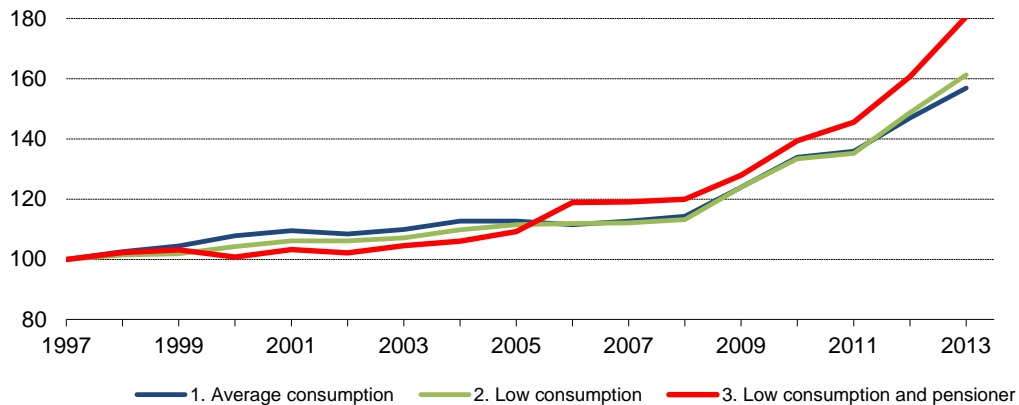
- ▼ household 1 paid a total of \$5,747 (\$5,259 in 2011/12)
- ▼ household 2 paid \$3,903 (\$3,521 in 2011/12), and
- ▼ household 3 (pensioner) paid \$2,517 (\$2,193 in 2011/12).

Figure 9 Household bills (\$ per year, 2012/13)



Source: IPART.

Figure 10 shows that, since 1996/97 the bill for an average level of consumption (household 1) has increased by 56.9% in real terms and the low-consumption non-pensioner household's (household 2) bill has increased by 61.2%. The pensioner's bill has increased by 80.6% over this period, but from a lower level (as Figure 9 shows). The pensioner's bill has risen by more than the other two households because of increases in electricity and gas prices exceeding increases in the rebate until last year when the Low Income Household Rebate increased, as discussed previously.

Figure 10 Time series of household bills (real)

Note: In 2005/06, pensioner bills increased by a higher rate than other households. The price of a pensioner excursion ticket increased from \$1.00 to \$2.50 at that time.

Source: IPART.

Price impacts on non-residential customers

Our determinations can also affect the bills of non-residential customers for electricity, gas and water.

Energy

Business customers with consumption below 160MWh and 1 terajoule per year can choose to remain on a regulated tariff and all large non-residential customers enter into negotiated contracts for energy.

Similar to household charges, electricity charges have increased significantly for business customers in recent years (Figure 11). Regulated electricity prices for non-residential customers for electricity increased in nominal terms in 2012/13 by 21.8% compared to 16.2% the previous year.

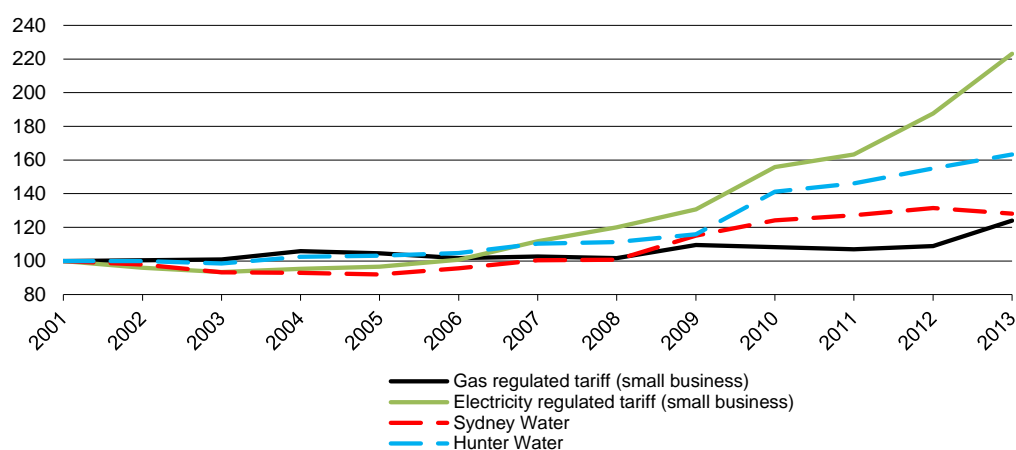
Gas customers for a typical business have seen a sharp increase in prices following stable gas prices in real terms since 2008/09 (Figure 11). For AGL small business customers, regulated prices increased in nominal terms in 2012/13 by 16.6% compared to only 2.9% in 2011/12.²⁶

²⁶ IPART calculations for the Annual Report.

Water

For Hunter Water customers, the bill of a typical small non-residential customer increased by 7.4% in 2012/13. This was the last year of Hunter Water's 2009 determination period, which included significant expenditure on capital projects. For Sydney Water customers, the bill for a typical small non-residential customer increased by 1.1%, which was less than the rate of inflation.²⁷ This was the first year of Sydney Water's new determination period and reflects a decrease in the level of efficient costs to deliver services, in accordance with our determination, compared with the 2009 determination period.

Figure 11 Index of regulated prices for non-residential customers (real)^a



^a Prices for non-residential customers are based on the year 2001/02 to allow for comparison across the services, which makes direct comparison with residential not strictly comparable. This base year is chosen because it is the first year prices for all services are available.

Note: Electricity – prices calculated for consumption of 30 MWh per year on a general supply tariff. Prices exclude GST. **Gas** – prices calculated for consumption of 184,000 MJ per year on a default standard business supply tariff. Prices exclude GST. **Metropolitan Water** – the index measures average revenue per kL of water sold, and is therefore only a rough indicator of prices. Since 2004/05 the index has been calculated using 2003/04 sales volumes to eliminate the impact of reduced consumption.

Data source: Electricity – 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. **Gas** – AGL default standard business tariff.

²⁷ These typical bills are for customers with a 20mm meter using 300 kL of water per year. Source: IPART, *Fact Sheet - Sydney, Hunter and Central Coast Water Prices from July 2011*, and *Sydney, Hunter and Central Coast Water Prices from July 2012*.

Bulk Water

Bulk water customers on regulated rivers, where downstream flows are regulated by a major storage to supply irrigation water, pay two sets of charges:

- ▼ the first to the State Water Corporation, which is responsible for river operations, and
- ▼ the second to the Water Administration Ministerial Council (WAMC)/NSW Office of Water (NOW) for water resource management.

Customers who extract water from unregulated rivers or groundwater only pay WAMC/NOW's water resource management charges.

In 2012/13, the bill for a typical general security customer of State Water decreased by 0.1% in the Hunter Valley, and increased across the other valleys from 0.1% in the Murray and Murrumbidgee valleys to 11.8% in the Peel, North Coast and South Coast valleys. Bills reflect IPART's assessment of the user share of State Water's efficient costs of delivering water to each valley and the volume of entitlements in each valley. This was the third year of State Water Corporation's 2010 determination period.

For customers on regulated rivers, typical bills for WAMC/NOW's water resource management charge increased by varying rates, from 3.9% in the Murray valley to 22% in the Namoi, North Coast, Hunter and South Coast valleys.²⁸ Bill increases for users of unregulated rivers and groundwater were similar overall to increases in regulated valleys, with differing impacts across the valleys. This was the second year of WAMC/NOW's 2011 determination period.

²⁸ These typical bills are for customers with an entitlement of 100 ML and usage of 50 ML. Source: IPART, *Fact Sheet – Prices and Bills for regulated river users from July 2011*, and *Prices and Bills for regulated river users from July 2012*.

Financial Report



INDEPENDENT AUDITOR'S REPORT

Independent Pricing and Regulatory Tribunal Division

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Independent Pricing and Regulatory Tribunal Division (the Division), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Division as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

The Members' Responsibility for the Financial Statements

The Members of the Independent Pricing and Regulatory Tribunal are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Members determine are necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

I believe 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 control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

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



A Oyetunji
Director, Financial Audit Services

19 September 2013
SYDNEY

**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 2010*, 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 2013 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.



Fiona Towers
Acting Chief Executive Officer

19 September 2013

**Independent Pricing and Regulatory Tribunal
Division**

**Financial Statements
for the year ended 30 June 2013**

Independent Pricing and Regulatory Tribunal Division
Statement of comprehensive income
for the year ended 30 June 2013

	Notes	Actual 2013 \$'000	Actual 2012 \$'000
Expenses excluding losses			
Employee related expenses	2	<u>17,565</u>	15,389
TOTAL EXPENSES EXCLUDING LOSSES		<u>17,565</u>	15,389
Revenue			
Personnel services revenue	3(a)	17,119	14,538
Acceptance by the Crown Entity of employee benefit and other liabilities	3(b)	<u>446</u>	851
Total Revenue		<u>17,565</u>	15,389
Net result		<u>-</u>	-
Other comprehensive income		<u>-</u>	-
Total other comprehensive income		<u>-</u>	-
TOTAL COMPREHENSIVE INCOME		<u>-</u>	-

The accompanying notes form part of these financial statements.

Independent Pricing and Regulatory Tribunal Division
Statement of financial position
as at 30 June 2013

	Notes	Actual 2013 \$'000	Actual 2012 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	63	91
Receivables	5	<u>2,476</u>	<u>2,016</u>
Total Current Assets		<u>2,539</u>	<u>2,107</u>
Total Assets		<u>2,539</u>	<u>2,107</u>
LIABILITIES			
Current Liabilities			
Payables	6	381	356
Provisions	7	<u>2,138</u>	<u>1,731</u>
Total Current Liabilities		<u>2,519</u>	<u>2,087</u>
Non-Current Liabilities			
Provisions	7	<u>20</u>	<u>20</u>
Total Non-Current Liabilities		<u>20</u>	<u>20</u>
Total Liabilities		<u>2,539</u>	<u>2,107</u>
Net Assets		<u>-</u>	<u>-</u>
EQUITY			
Total Equity		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal Division
Statement of changes in equity
for the year ended 30 June 2013**

	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2012	-	-
Net result for the year	-	-
Total comprehensive income for the year	-	-
Balance at 30 June 2013	-	-
Balance at 1 July 2011	-	-
Net result for the year	-	-
Total comprehensive income for the year	-	-
Balance at 30 June 2012	-	-

Independent Pricing and Regulatory Tribunal Division
Statement of cash flows
for the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related		<u>(16,818)</u>	(14,169)
Total Payments		<u>(16,818)</u>	(14,169)
Receipts			
Personnel services		<u>16,790</u>	14,256
Total Receipts		<u>16,790</u>	14,256
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	<u>(28)</u>	87
NET INCREASE/ (DECREASE) IN CASH			
Opening cash and cash equivalents		<u>91</u>	4
CLOSING CASH AND CASH EQUIVALENTS	4	<u>63</u>	91

The accompanying notes form part of these financial statements.

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 8, 1 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 statement was authorised for issue by the Chairman of The Independent Pricing and Regulatory Tribunal Division on 19 September 2013.

(b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and Regulation 2010; and
- the Financial Reporting Directions published in the Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

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

(c) Statement of compliance

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

(d) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable.

(e) Assets

Loans and receivables

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

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

1 Summary of Significant Accounting Policies (cont'd)

(f) *Liabilities*

(i) Payables

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

(ii) Employee benefits and other provisions

(a) 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 are due within 12 months after the end of the period in which the employees render the service 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.

(b) Long service leave and superannuation

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 12/06) 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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(g) Comparative information

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

Independent Pricing and Regulatory Tribunal Division
Notes to the financial statements
for the year ended 30 June 2013

1 Summary of Significant Accounting Policies (cont'd)

(h) New Australian Accounting Standards issued but not effective

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

The following new Accounting Standards have not been applied and are not yet effective. The Treasury Circular TC13/02 mandates not to early adopt any of the new Accounting Standards and Interpretations.

- AASB 9, AASB 2010-7 and AASB 2012-6 regarding financial instruments
- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13, AASB 2011-8 and AASB 2012-1 regarding fair value measurement
- AASB 119 , AASB 2011-10 and AASB 2011-11 regarding employee benefits
- AASB 127 Separate Financial Statements
- AASB 128 Investments in Associates and Joint Ventures
- AASB 1053 and AASB 2010-2 regarding differential reporting
- AASB 2010-10 regarding removal of fixed dates for first time adopters
- AASB 2011-2 regarding Trans-Tasman Convergence – RDR
- AASB 2011-4 removing individual KMP disclosure requirements
- AASB 2011-6 regarding RDR and relief from consolidation
- AASB 2011-7 regarding consolidation and joint arrangements
- AASB 2011-12 regarding Interpretation 20
- AASB 2012-1 regarding fair value measurement – RDR requirements
- AASB 2012-2 regarding disclosures – offsetting financial assets and financial liabilities
- AASB 2012-3 regarding offsetting financial assets and financial liabilities
- AASB 2012-4 regarding government loans – first time adoption
- AASB 2012-5 regarding annual improvements 2009-2-11 cycle
- AASB 2012-7 regarding RDR
- AASB 2012-9 regarding withdrawal of Interpretation 1039
- AASB 2012-10 regarding transition guidance and other amendments
- AASB 2012-11 regarding RDR requirements and other amendments

It is considered that the impact of these new Standards and Interpretations in future periods will have no material impact on the financial statements of the Division.

2 Expenses Excluding Losses

	2013	2012
	\$'000	\$'000
Employee related expenses		
Salaries and wages (including recreation leave)	15,104	12,747
Superannuation - defined benefit plans	101	79
Superannuation - defined contribution plans	1,005	847
Long service leave	340	768
Workers compensation insurance	123	79
Payroll tax and fringe benefit tax	851	692
On costs (Recreation and Long Service Leave)	41	177
	17,565	15,389

Independent Pricing and Regulatory Tribunal Division
Notes to the financial statements
for the year ended 30 June 2013

3 Revenue

	2013 \$'000	2012 \$'000
(a) Personnel services revenue		
Personnel services	17,119	14,538
	17,119	14,538
	2013 \$'000	2012 \$'000
(b) Acceptance by the Crown Entity of employee benefit		
Superannuation - defined benefit	101	79
Long Service Leave	340	768
Payroll tax	5	4
	446	851

4 Current Assets- Cash and Cash Equivalents

	2013 \$'000	2012 \$'000
Cash at bank and on hand	63	91
	63	91

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, short term deposits and bank overdraft.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	63	91
Closing cash and cash equivalents (per statement of cash flows)	63	91

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

5 Current Assets - Receivables

	2013 \$'000	2012 \$'000
Personnel services	2,476	2,016
	2,476	2,016

6 Current Liabilities - Payable

	2013 \$'000	2012 \$'000
Accrued salaries, wages and on-costs	318	265
Creditors	63	91
	381	356

Independent Pricing and Regulatory Tribunal Division
Notes to the financial statements
for the year ended 30 June 2013

7 Current / Non-Current Liabilities - Provisions

	2013 \$'000	2012 \$'000
Current		
Employee benefits and related on-costs		
Recreation leave	1,496	1,289
Long service leave	229	223
Banked flex leave	180	-
Payroll tax	233	219
Total current provisions	2,138	1,731
 Non-current		
Employee benefits and related on-costs		
Long service leave	12	12
Other on-costs	8	8
Total non-current provisions	20	20
 Aggregate employee benefits and related on-costs		
Provisions - current	2,138	1,731
Provisions - non-current	20	20
Accrued salaries, wages and on-costs (Note 6)	318	265
	2,476	2,016
 Employee benefits expected to be settled within 12 months from the reporting date		
Recreation leave	1,186	
Long service leave	36	
	1,222	
 Employee benefits expected to be settled in more than 12 months from the reporting date		
Recreation leave	310	
Long service leave	205	
	515	

8 Contingent Liabilities and Contingent Assets

The Division has no contingent liabilities and contingent assets as at 30 June 2013 (2012 Nil).

Independent Pricing and Regulatory Tribunal Division
Notes to the financial statements
for the year ended 30 June 2013

9 Reconciliation of Cash Flows from Operating Activities to Net Result

	2013	2012
	\$'000	\$'000
Net cash used on operating activities	(28)	87
Decrease / (increase) in provisions	(407)	(288)
Increase / (decrease) in prepayments and other assets	460	282
Decrease / (increases) in creditors	(25)	(81)
Net result	-	-

10 Financial Instruments

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

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

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount 2013 \$'000	Carrying Amount 2012 \$'000
Class:				
Cash and cash equivalents	4	N/A	63	91
Receivables ¹	5	Loans and receivables (at amortised cost)	2,476	2,016
Financial Liabilities				
Financial Liabilities	Note	Category	Carrying Amount 2013 \$'000	Carrying Amount 2012 \$'000
Class:				
Payables ²	6	Financial liabilities measured at amortised cost	381	356

Notes:

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7).

(b) Credit Risk

Credit risk arises from the financial assets of the Division, which are receivables. No collateral is held by the Division. The Division has not granted any financial guarantees.

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

Receivables - trade debtors

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

No financial assets are past due or impaired.

Independent Pricing and Regulatory Tribunal Division
Notes to the financial statements
for the year ended 30 June 2013

10 Financial Instruments (cont'd)

(c) Liquidity risk

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. No interest for late payment was paid during the year (2012 nil).

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

	Nominal Amount ¹	\$'000				
		Interest Rate Exposure		Maturity Dates		
		Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs	
2013						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	318	318	318	-	-	
Creditors	63	63	63	-	-	
	381	381	381	-	-	
2012						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	265	265	265	-	-	
Creditors	91	91	91	-	-	
	356	356	356	-	-	

Note:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the balance sheet.

(d) Market risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2012. The analysis assumes that all other variables remain constant.

10 Financial Instruments (cont'd)

Interest rate risk

Exposure to interest rate risk arises primarily through the entity's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. The entity does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Division's exposure to interest rate risk is set out below.

	\$'000				
	Carrying Amount	1% Profit	Equity	1% Profit	Equity
2013					
<i>Financial assets</i>					
Cash and cash equivalents	63	(1)	(1)	1	1
Receivables	2,476	-	-	-	-
<i>Financial liabilities</i>					
Payables	381	-	-	-	-
Total	2,920	(1)	(1)	1	1
2012					
<i>Financial assets</i>					
Cash and cash equivalents	91	(1)	(1)	1	1
Receivables	2,016	-	-	-	-
<i>Financial liabilities</i>					
Payables	356	-	-	-	-
Total	2,463	(1)	(1)	1	1

(e) Fair Value

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value.

11 Events after the Reporting Period

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

End of audited financial statements.



INDEPENDENT AUDITOR'S REPORT

Independent Pricing and Regulatory Tribunal

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Independent Pricing and Regulatory Tribunal (the Tribunal), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows, and a summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Tribunal and the consolidated entity. The consolidated entity comprises the Tribunal and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Tribunal and the consolidated entity as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

The Members' Responsibility for the Financial Statements

The Members of the Tribunal are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Members determine are necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

I believe 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 it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements
- about the assumptions used in formulating the budget figures disclosed in the financial statements

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

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



A Oyetunji
Director, Financial Audit Services

19 September 2013
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 2010*, 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 2013 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.



Fiona Towers
Acting Chief Executive Officer

19 September 2013

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

**Financial Statements
for the year ended 30 June 2013**

Independent Pricing and Regulatory Tribunal
Statement of comprehensive income
for the year ended 30 June 2013

	Notes	Consolidated		Actual 2012 \$'000	Tribunal		Actual 2012 \$'000
		Actual 2013 \$'000	Budget 2013 \$'000		Actual 2013 \$'000	Budget 2013 \$'000	
Expenses excluding losses							
Operating expenses							
Personnel services		-	-	-	17,119	14,203	14,538
Employee related	2(a)	17,565	14,203	15,389	-	-	-
Other operating expenses	2(b)	8,599	11,238	7,949	8,599	11,238	7,949
Depreciation and amortisation	2(c)	829	578	745	829	578	745
TOTAL EXPENSES EXCLUDING LOSSES		26,993	26,019	24,083	26,547	26,019	23,232
Revenue							
Recurrent appropriation	3(a)	24,127	23,899	21,000	24,127	23,899	21,000
Capital appropriation	3(a)	180	180	180	180	180	180
Sale of goods and services	3(b)	642	931	1,464	642	931	1,464
Investment revenue	3(c)	306	243	345	306	243	345
Grants and contributions	3(d)	340	-	-	340	-	-
Acceptance by the Crown Entity of employee benefits and other liabilities	3(e)	446	377	851	-	377	-
Other revenue	3(f)	388	211	293	388	211	293
Total Revenue		26,429	25,841	24,133	25,983	25,841	23,282
Gain / (loss) on disposal		(6)	-	(5)	(6)	-	(5)
Net result		(570)	(178)	45	(570)	(178)	45
Other comprehensive income							
Total other comprehensive income		-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(570)	(178)	45	(570)	(178)	45

The accompanying notes form part of these financial statements.

Independent Pricing and Regulatory Tribunal
Statement of financial position
as at 30 June 2013

	Notes	Consolidated		Tribunal		
		Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000	Actual 2013 \$'000	Budget 2013 \$'000
ASSETS						
Current Assets						
Cash and cash equivalents	6	10,770	8,021	8,451	10,707	8,360
Receivables	7	970	447	505	970	566
Total Current Assets		11,740	8,468	8,956	11,677	8,926
Non-Current Assets						
Plant and equipment	8	926	1,107	1,425	926	1,425
Intangible assets	9	30	51	42	30	42
Total Non-Current Assets		956	1,158	1,467	956	1,467
Total Assets		12,696	9,626	10,423	12,633	10,393
LIABILITIES						
Current Liabilities						
Payables	10	2,371	606	887	2,308	858
Provisions	11	2,138	1,849	1,731	2,158	1,750
Other	12	922	-	-	922	-
Total Current liabilities		5,431	2,455	2,618	5,388	2,608
Non-Current Liabilities						
Provisions	11	432	12	402	412	382
Total Non-Current Liabilities		432	12	402	412	382
Total Liabilities		5,863	2,467	3,020	5,800	2,990
Net Assets		6,833	7,159	7,403	6,833	7,403
EQUITY						
Accumulated funds		6,833	7,159	7,403	6,833	7,403
Total Equity		6,833	7,159	7,403	6,833	7,403

The accompanying notes form part of these financial statements.

**Independent Pricing and Regulatory Tribunal
Statements of changes in equity
for the year ended 30 June 2013**

Consolidated / Tribunal	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2012	7,403	7,403
Net result for the year	<u>(570)</u>	<u>(570)</u>
Other comprehensive income		
Total other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>(570)</u>	<u>(570)</u>
Balance at 30 June 2013	<u>6,833</u>	<u>6,833</u>

Consolidated / Tribunal

Balance at 1 July 2011	7,358	7,358
Net result for the year	<u>45</u>	<u>45</u>
Other comprehensive income		
Total other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>45</u>	<u>45</u>
Balance at 30 June 2012	<u>7,403</u>	<u>7,403</u>

Independent Pricing and Regulatory Tribunal
Statement of cash flows
for the year ended 30 June 2013

	Notes	Consolidated		Tribunal		
		Actual 2013 \$'000	Budget 2013 \$'000	Actual 2012 \$'000	Actual 2013 \$'000	Budget 2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related		(16,659)	(13,826)	(14,169)	-	-
Personnel services		-	-	-	(16,658)	(13,826)
Other		(8,212)	(12,459)	(8,856)	(8,246)	(8,882)
Total Payments		(24,871)	(26,285)	(23,025)	(24,904)	(23,051)
Receipts						
Recurrent appropriation		25,049	23,899	21,000	25,049	23,899
Capital appropriation (excluding equity appropriations)		180	180	180	180	180
Sale of goods and services		912	931	1,474	973	1,474
Interest received		318	243	437	318	437
Grants and contributions		340	-	-	340	-
Cash transfers to the Consolidated Fund		-	-	(952)	-	(952)
Other		685	1,432	1,144	685	1,083
Total Receipts		27,484	26,685	23,283	27,545	23,222
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	2,613	400	258	2,641	171
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of plant and equipment		(294)	(180)	(280)	(294)	(280)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(294)	(180)	(280)	(294)	(280)
NET INCREASE / (DECREASE) IN CASH		2,319	220	(22)	2,347	(109)
Opening cash and cash equivalents		8,451	7,801	8,473	8,360	8,469
CLOSING CASH AND CASH EQUIVALENTS	6	10,770	8,021	8,451	10,707	8,360

The accompanying notes form part of these statements.

**Independent Pricing and Regulatory Tribunal
Summary of compliance with financial directives**

Consolidated / Tribunal	2013				2012			
	RECURRENT APPROPRIATION \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	Capital Appropriation \$'000	EXPENDITURE / NET CLAIM ON CONSOLIDATED FUND \$'000	Recurrent Appropriation \$'000	EXPENDITURE / NET CLAIM ON CONSOLIDATE D FUND \$'000	Capital Appropriation \$'000	EXPENDITURE / NET CLAIM ON CONSOLIDATED FUND \$'000
ORIGINAL BUDGET APPROPRIATION / EXPENDITURE								
• Appropriation Act	23,899	22,977	180	180	20,570	20,555	180	180
	23,899	22,977	180	180	20,570	20,555	180	180
OTHER APPROPRIATIONS / EXPENDITURE								
• Additional Appropriations								
• Section 31 – New Electricity Price Determination	1,150	1,150	-	-				
• Section 33 – expenditure for certain works and services					445	445		
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	25,049	24,127	180	180	21,015	21,000	180	180
Amount draw down against Appropriation		25,049		180		21,000		180
Liability to Consolidated Fund*		(922)		-		-		-

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". A number of contracts were not finalised at 30 June 2013 and the final payments were therefore not paid in the financial year, resulting in the under expenditure.

1 Summary of Significant Accounting Policies

(a) Reporting entity

The Independent Pricing and Regulatory Tribunal (the Tribunal) is an independent statutory entity. 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 Tribunal as a reporting entity comprises all the entities under its control, namely: Independent Pricing and Regulatory Tribunal Division (the Division).

In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

These financial statements for the year ended 30 June 2013 have been authorised for issue by the Chief Executive Officer on 19 September 2013.

(b) Basis of preparation

The Tribunal's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and Regulation and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities 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 financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Administered activities

The Tribunal administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, 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 income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as "Administered Income", "Administered Expenses", "Administered Assets" and "Administered Liabilities".

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

(e) 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.

1 Summary of Significant Accounting Policies (cont'd)

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

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

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

Cash flows are included in the statement of cash flow on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(g) 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

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

Appropriations are not recognised as income in the following circumstances:

- Unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund.
- The liability is disclosed in Note 12 as part of 'Current liabilities - Other'. The amount will be repaid and the liability will be extinguished next financial year. Any liability in respect of transfer payments is disclosed in Note 17 "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*.

(h) Assets

(i) Acquisitions of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Tribunal. 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 at their fair value at the date of acquisition.

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

1 Summary of Significant Accounting Policies (cont'd)

(h) *Assets (cont'd)*

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

(ii) Capitalisation thresholds

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

(iii) 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 07-1) (as amended by NSWTC 12/05 and NSWTC 10/07). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

(iv) Impairment of property, plant and equipment

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

(v) Depreciation of property, plant and equipment

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 Tribunal.

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

Depreciation Rates	2013 % Rate
Intangible Asset	
Computer software	25
Plant & Equipment	
Office furniture and fittings	10
Computer equipment and hardware acquired before 29 June 2012	33
Computer equipment and hardware acquired after 30 June 2012	25
General plant and equipment	14
Leasehold improvements – depreciated over the period of the lease	

(vi) Restoration costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

(vii) Maintenance

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

1 Summary of Significant Accounting Policies (cont'd)

(h) Assets (cont'd)

(viii) 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 statements of comprehensive income in the periods in which they are incurred.

(ix) Intangible assets

The Tribunal recognises intangible assets only if it is probable that future economic benefits will flow to the Tribunal and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

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

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Tribunal'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.

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

(x) Other assets

Other assets are recognised on a cost basis.

(xi) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables.

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

(i) Liabilities

(i) Payables

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

(ii) Employee benefits and other provisions

Employee benefits are provided to the Tribunal by the Division. The Tribunal recognises personnel services expenses and provisions for these benefits.

1 Summary of Significant Accounting Policies (cont'd)

(i) Liabilities (cont'd)

(ii) Employee benefits and other provisions (cont'd)

(a) 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 are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employee's 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.

(b) Long service leave and superannuation

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

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 12/06) to employees with five 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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(c) Other Provisions

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

(j) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the PFAA where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

(k) Comparative information

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

1 Summary of Significant Accounting Policies (cont'd)

(l) New Australian Accounting Standards issued but not effective

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

The following new Accounting Standards have not been applied and are not yet effective. The Treasury Circular TC13/02 mandates not to early adopt any of the new Accounting Standards and Interpretations.

- AASB 9, AASB 2010-7 and AASB 2012-6 regarding financial instruments
- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13, AASB 2011-8 and AASB 2012-1 regarding fair value measurement
- AASB 119 , AASB 2011-10 and AASB 2011-11 regarding employee benefits
- AASB 127 Separate Financial Statements
- AASB 128 Investments in Associates and Joint Ventures
- AASB 1053 and AASB 2010-2 regarding differential reporting
- AASB 2010-10 regarding removal of fixed dates for first time adopters
- AASB 2011-2 regarding Trans-Tasman Convergence – RDR
- AASB 2011-4 removing individual KMP disclosure requirements
- AASB 2011-6 regarding RDR and relief from consolidation
- AASB 2011-7 regarding consolidation and joint arrangements
- AASB 2011-12 regarding Interpretation 20
- AASB 2012-1 regarding fair value measurement – RDR requirements
- AASB 2012-2 regarding disclosures – offsetting financial assets and financial liabilities
- AASB 2012-3 regarding offsetting financial assets and financial liabilities
- AASB 2012-4 regarding government loans – first time adoption
- AASB 2012-5 regarding annual improvements 2009-2-11 cycle
- AASB 2012-7 regarding RDR
- AASB 2012-9 regarding withdrawal of Interpretation 1039
- AASB 2012-10 regarding transition guidance and other amendments
- AASB 2012-11 regarding RDR requirements and other amendments

It is considered that the impact of these new Standards and Interpretations in future periods will not materially impact the financial statements of the Tribunal.

2 Expenses Excluding Losses

	Consolidated		Tribunal	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(a) Employee related expenses				
Salaries and wages (including recreation leave)	15,104	12,747	-	-
Superannuation - defined benefit plans	101	79	-	-
Superannuation - defined contribution plans	1,005	847	-	-
Long service leave	340	768	-	-
Workers compensation insurance	123	79	-	-
Payroll tax and fringe benefit tax	851	692	-	-
On costs - recreation leave and long service leave	41	177	-	-
	17,565	15,389	-	-

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2013

2 Expenses Excluding Losses (cont'd)

	Consolidated		Tribunal	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(b) Other operating expenses include the following:				
Advertising	76	67	76	67
Auditor's remuneration - audit of the financial statements	36	37	36	37
Cleaning and outgoings	319	128	319	128
Consultancies	2,445	2,717	2,445	2,717
Contractors	2,218	1,902	2,218	1,902
Insurance	10	9	10	9
Internal audit fees	157	76	157	76
Legal costs	278	274	278	274
Operating lease rental expense				
- minimum lease payments	1,177	1,051	1,177	1,051
Travel	95	74	95	74
Other expenses	956	850	956	850
Corporate services	334	332	334	332
EDP expenses	241	323	241	323
Maintenance expenses	257	109	257	109
	8,599	7,949	8,599	7,949
<i>* Reconciliation - Total maintenance</i>				
Maintenance expense - other (non-employee related), as above	257	109	257	109
Total maintenance expenses included in Note 2(a) + 2(b)	257	109	257	109

	Consolidated		Tribunal	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(c) Depreciation and amortisation expense				
Depreciation:				
Plant and Equipment	224	204	224	204
Total Depreciation	224	204	224	204
Amortisation				
Leasehold Improvements	593	527	593	527
Intangibles	12	14	12	14
Total Amortisation	829	745	829	745

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2013

3 Revenue

	Consolidated		Tribunal	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
(a) Appropriations				
Recurrent appropriation				
Total recurrent drawdowns from NSW Treasury (per Summary of compliance)	25,049	21,000	25,049	21,000
Less: Liability to Consolidated Fund (per Summary of compliance)	(922)	-	(922)	-
	24,127	21,000	24,127	21,000
Comprising:				
Recurrent appropriation (per Statements of comprehensive income)	24,127	21,000	24,127	21,000
	24,127	21,000	24,127	21,000
Capital appropriation				
Total capital drawdowns from NSW Treasury (per Summary of compliance)	180	180	180	180
	180	180	180	180
Comprising:				
Capital appropriation (per Statements of comprehensive income)	180	180	180	180
	180	180	180	180
(b) Sale of goods and services				
Rendering of services (reimbursement of both external consultancies and in - house costs)	642	1,464	642	1,464
	642	1,464	642	1,464
(c) Investment revenue				
Interest revenue from financial assets not at fair value through profit or loss	306	345	306	345
	306	345	306	345

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2013

3 Revenue (cont'd)

	Consolidated		Tribunal	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(d) Grants and contributions				
Grants and contributions	340	-	340	-
	<u>340</u>	<u>-</u>	<u>340</u>	<u>-</u>
(e) Acceptance by the Crown Entity of employee benefit				
Superannuation	101	79	-	-
Long Service Leave	340	768	-	-
Payroll tax	5	4	-	-
	<u>446</u>	<u>851</u>	<u>-</u>	<u>-</u>
(f) Other revenue				
Other	388	293	388	293
	<u>388</u>	<u>293</u>	<u>388</u>	<u>293</u>

4 Gain / (Loss) on Disposal

Gain / (loss) on disposal of plant and equipment

Proceeds from disposal	-	-	-	-
Less: Written down value of assets disposed	(6)	(5)	(6)	(5)
Net gain / (loss) on disposal of plant and equipment	<u>(6)</u>	<u>(5)</u>	<u>(6)</u>	<u>(5)</u>

5 Service Groups of the Tribunal

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

Purpose:

The Tribunal manages a single service group. The service group covers the setting of prices for energy, water and public transport and for carrying out other specific reviews of government services referred at the request of the responsible Ministers. The service group also administers Local Government rate setting and contribution plans and the Water Licensing, Energy Compliance, the Greenhouse Gas Reduction and the Energy Savings Schemes.

This service group contributes to the following intermediate results:

- abuse of monopoly power is prevented, and efficiency, sustainability and community welfare is promoted
- independent advice is provided to the Government on issues of pricing, funding, competition, service, policy and governance,
- prices (or revenues) for energy, transport and water services are determined fairly and reasonably in accordance with legislation,
- energy and water licence obligations and CO2 reduction targets are enforced and
- Sustainable environmental outcomes are promoted.

6 Current Assets - Cash and Cash Equivalents

	Consolidated		Tribunal	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	10,770	8,451	10,707	8,360
	10,770	8,451	10,707	8,360

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	10,770	8,451	10,707	8,360
Closing cash and cash equivalents (per statement of cash flows)	10,770	8,451	10,707	8,360

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

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2013**

7 Current Assets / Non-Current Assets - Receivables

	Consolidated		Tribunal	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Sale of goods and services	768	215	768	276
Goods and Services Tax (GST)	43	122	43	122
Interest receivable	141	153	141	153
Other	18	15	18	15
	970	505	970	566

8 Non-Current Assets - Plant and Equipment

Consolidated / Tribunal

	Leasehold Improvement \$'000	Plant and Equipment \$'000	Total \$'000
At 1 July 2012 - fair value			
Gross carrying amount	2,759	1,644	4,403
Accumulated depreciation	(1,868)	(1,110)	(2,978)
Net carrying amount	891	534	1,425
At 30 June 2013 - fair value			
Gross carrying amount	2,904	1,554	4,458
Accumulated depreciation	(2,461)	(1,071)	(3,532)
Net carrying amount	443	483	926

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.

	Leasehold Improvement \$'000	Plant and Equipment \$'000	Total \$'000
Year ended 30 June 2013			
Net carrying amount at start of year	891	534	1,425
Additions	145	179	324
Disposals	-	(270)	(270)
Depreciation expense	(593)	(224)	(817)
Write back on disposals	-	264	264
Net carrying amount at end of year	443	483	926

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2013**

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

	Leasehold Improvement \$'000	Plant and Equipment \$'000	Total \$'000
At 1 July 2011 - fair value			
Gross carrying amount	2,660	1,551	4,211
Accumulated depreciation	(1,341)	(1,042)	(2,383)
Net carrying amount	1,319	509	1,828
At 30 June 2012 - fair value			
Gross carrying amount	2,759	1,644	4,403
Accumulated depreciation	(1,868)	(1,110)	(2,978)
Net carrying amount	891	534	1,425

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.

	Leasehold Improvement \$'000	Plant and Equipment \$'000	Total \$'000
Year ended 30 June 2012			
Net carrying amount at start of year	1,319	509	1,828
Additions	99	229	328
Disposals	(1)	(137)	(138)
Depreciation expense	(527)	(204)	(731)
Write back on disposals	1	137	138
Net carrying amount at end of year	891	534	1,425

9 Intangible Assets

	Software \$'000
Consolidated / Tribunal	
At 1 July 2012	
Cost (gross carrying amount)	123
Accumulated amortisation and impairment	(81)
Net carrying amount	42
At 30 June 2013	
Cost (gross carrying amount)	123
Accumulated amortisation and impairment	(93)
Net carrying amount	30
Year ended 30 June 2013	
Net carrying amount at start of year	42
Amortisation (recognised in 'depreciation and amortisation')	(12)
Net carrying amount at end of year	30
Software \$'000	
At 1 July 2011	
Cost (gross carrying amount)	177
Accumulated amortisation and impairment	(116)
Net carrying amount	61
At 30 June 2012	
Cost (gross carrying amount)	123
Accumulated amortisation and impairment	(81)
Net carrying amount	42
Year ended 30 June 2012	
Net carrying amount at start of year	61
Disposal	(54)
Amortisation (recognised in 'depreciation and amortisation')	(14)
Write back on disposals	49
Net carrying amount at end of year	42

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2013**

10 Current Liabilities - Payables

	Consolidated		Tribunal	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Accrued salaries, wages and on-costs	318	265	-	-
Creditors	1,753	622	1,690	593
Unearned revenue	300	-	300	-
Personnel services	-	-	318	265
	2,371	887	2,308	858

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

11 Current /Non-Current Liabilities - Provisions

	Consolidated		Tribunal	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Employee benefits and related on-costs				
Recreation leave	1,496	1,289	-	-
Long service leave on-costs	229	223	-	-
Banked flex leave	180	-	-	-
Payroll tax	233	219	-	-
Personnel services	-	-	2,158	1,750
Total current provisions	2,138	1,731	2,158	1,750
Non-current				
Employee benefits and related on-costs				
Long service leave on-costs	20	20	-	-
Total provisions	20	20	-	-
Other provisions				
Restoration costs	412	382	412	382
	412	382	412	382
Total non-current provisions	432	402	412	382
Aggregate employee benefits and related on-costs				
Provisions - current	2,138	1,731	-	-
Provisions - non-current	20	20	-	-
Accrued salaries, wages and on-costs (Note 10)	318	265	-	-
	2,476	2,016	-	-

The Recreation Leave liability at 30 June 2013 was \$1,496,000. Of this liability, the value expected to be paid within twelve months is \$1,186,000 and \$310,000 after twelve months.

The Long service leave on-costs liability at 30 June 2013 was \$249,000. Of this liability, the value expected to be paid within twelve months is \$36,000 and \$213,000 after twelve months.

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
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11 Current /Non-Current Liabilities – Provisions (cont'd)

Movements in provisions (other than employee benefits)

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

	Restoration Costs \$'000
Consolidated / Tribunal	
2013	
Carrying amount at the beginning of financial year	382
Additional provisions recognised	<u>30</u>
Carrying amount at end of financial year	<u>412</u>

The costs of restoration represents make good of the leased premises and cash outflows expected to occur in January 2014 at the expiry of the current lease. However, timings of cash outflows are subject to any variation of the lease terms.

12 Current / Non-Current Liabilities - Other

	Consolidated		Tribunal	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Liability owing to Consolidated Fund	922	-	922	-
	<u>922</u>	<u>-</u>	<u>922</u>	<u>-</u>

13 Commitments for Expenditure

	Consolidated		Tribunal	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000

Operating Lease Commitments

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

Not later than one year	917	1,306	917	1,306
Later than one year and not later than five years	132	780	132	780
Later than five years	-	-	-	-
Total (including GST)	<u>1,049</u>	<u>2,086</u>	<u>1,049</u>	<u>2,086</u>

The total commitments above includes input tax credits of \$95,000 (2012 \$190,000) that are expected to be recoverable from the Australian Taxation Office.

14 Contingent Liabilities and Contingent Assets

The Tribunal is not aware of any contingent liabilities and contingent assets associated with its operations (nil at 30 June 2012).

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2013**

15 Budget Review

Net result

The actual net result of (\$570K) was (\$392K) more than the budget. This was mainly due to the greater than the budgeted expenditure of actual employee related payments and depreciation and amortisation expenses.

Assets and liabilities

Actual total net assets at the end of the financial year were lower than budget by \$326K. Components of the variation over the various asset and liability categories include:

Actual total Assets were \$3,070K more than budget which was primarily due to greater than budgeted cash and cash equivalent of \$2,749K because of the less than budgeted expenditure in consultancy and contractor expenses and greater than budgeted current liabilities payable at year end.

Total liabilities were greater than budget by \$3,396K. This was primarily due to greater than budgeted current liabilities payables of \$1,765K and greater than budgeted provisions and other liabilities of \$1,631K.

Cash flows

Actual net cash flows from operating activities were greater than budget by \$2,213K. This was due to greater than budgeted receipts and contributions from Government of \$1,150K and less than budgeted payments of \$1,414K.

16 Reconciliation of Cash Flows from Operating Activities to Net Result

	Consolidated		Tribunal	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Net cash used on operating activities	2,613	258	2,641	171
Depreciation and amortisation	(829)	(745)	(829)	(745)
Decrease / (increase) in provisions	(407)	(288)	(407)	(282)
Increase / (decrease) in receivables and prepayments	465	(101)	404	(40)
Decrease / (increase) in creditors	(1,484)	(26)	(1,450)	(6)
Decrease / (increase) in other liabilities	(922)	952	(922)	952
Net gain / (loss) on sale of plant and equipment	(6)	(5)	(6)	(5)
Net result	<u>(570)</u>	<u>45</u>	<u>(570)</u>	<u>45</u>

Independent Pricing and Regulatory Tribunal
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17 Administered Assets and Liabilities

	2013 \$'000	2012 \$'000
Consolidated		
Administered Assets		
Cash	268	6,322
Receivables	2,452	1,680
Allowance for impairment	-	(31)
Total Administered Assets	2,720	7,971
Administered Liabilities		
Liability to Consolidated Fund	2,720	7,971
Total Administered Liabilities	2,720	7,971
Tribunal		
Administered Assets		
Cash	268	6,322
Receivables	2,452	1,680
Allowance for impairment	-	(31)
Total Administered Assets	2,720	7,971
Administered Liabilities		
Liability to Consolidated Fund	2,720	7,971
Total Administered Liabilities	2,720	7,971

18 Financial Instruments

The Tribunal's principal financial instruments are cash deposits held within the NSW Treasury Banking System, short term receivables and payables. These instruments expose the Tribunal primarily to interest rate risk on cash balances held within the NSW Treasury Banking System and credit risk on short term receivables. The Tribunal does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing risk. From time to time, compliance with policies is reviewed by the internal auditors.

18 Financial Instruments (cont'd)

(a) Financial instrument categories

Consolidated

Financial Assets	Note	Category	Carrying Amount 2013	Carrying Amount 2012
Class:			\$'000	\$'000
Cash and cash equivalents	6	N/A	10,770	8,451
Receivables ¹	7	Loans and receivables (at amortised cost)	927	383

Financial Liabilities	Note	Category	Carrying Amount 2013	Carrying Amount 2012
Class:			\$'000	\$'000
Payables ²	10	Financial liabilities measured at amortised cost	2,071	857

Tribunal

Financial Assets	Note	Category	Carrying Amount 2013	Carrying Amount 2012
Class:			\$'000	\$'000
Cash and cash equivalents	6	N/A	10,707	8,360
Receivables ¹	7	Loans and receivables (at amortised cost)	927	444

Financial Liabilities	Note	Category	Carrying Amount 2013	Carrying Amount 2012
Class:			\$'000	\$'000
Payables ²	10	Financial liabilities measured at amortised cost	4,166	2,608

Notes:

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

(b) Credit Risk

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

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

Cash

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

18 Financial Instruments (cont'd)

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the Tribunal will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

The Tribunal is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

The only financial assets that are past due or impaired are "sales of goods and services" in the "receivables" category of the statement of financial position.

	\$'000		
	Total ¹	Past due but not impaired ¹	Considered impaired ¹
Consolidated			
2013			
< 3 months overdue	410	410	-
3 months – 6 months overdue	77	77	-
> 6 months overdue	-	-	-
2012			
< 3 months overdue	94	94	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	-	-	-

	\$'000		
	Total ¹	Past due but not impaired ¹	Considered impaired ¹
Tribunal			
2013			
< 3 months overdue	410	410	-
3 months – 6 months overdue	77	77	-
> 6 months overdue	-	-	-
2012			
< 3 months overdue	94	94	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	-	-	-

Notes:

1. Each column in the table reports "gross receivables".
2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the financial position.

(c) Liquidity risk

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

18 Financial Instruments (cont'd)

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. No interest for late payment was paid during the year (2012 nil).

The Tribunal's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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

No interest for late payment was paid during the year 2013.

Maturity Analysis and interest rate exposure of financial liabilities

	Nominal Amount ¹	Interest Rate Exposure		Maturity Dates		
		Non-interest bearing		< 1 yr	1-5 yrs	> 5 yrs
\$'000						
Consolidated						
2013						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	318	318	318	-	-	-
Creditors	1,753	1,753	1,753	-	-	-
	<u>2,071</u>	<u>2,071</u>	<u>2,071</u>	<u>-</u>	<u>-</u>	<u>-</u>
2012						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	265	265	265	-	-	-
Creditors	622	622	622	-	-	-
	<u>887</u>	<u>887</u>	<u>887</u>	<u>-</u>	<u>-</u>	<u>-</u>
Maturity Dates						
	Nominal Amount ¹	Non-interest bearing		< 1 yr	1-5 yrs	> 5 yrs
Tribunal						
2013						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	2,476	2,476	2,476	-	-	-
Creditors	1,690	1,690	1,690	-	-	-
	<u>4,166</u>	<u>4,166</u>	<u>4,166</u>	<u>-</u>	<u>-</u>	<u>-</u>
2012						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	265	265	265	-	-	-
Creditors	593	593	593	-	-	-
	<u>858</u>	<u>858</u>	<u>858</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the statement of financial position.

18 Financial Instruments (cont'd)

(d) Market risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is structural change in the level of interest rate volatility. The Tribunal's exposure to interest rate risk is set out below. The analysis is performed on the same basis as for 2012. The analysis assumes that all other variables remain constant.

Interest rate risk

The Tribunal does not have any interest-bearing liabilities nor borrowings with TCorp. The Tribunal does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Tribunal's exposure to interest rate risk is set out below.

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

	\$'000				
	Carrying Amount	-1% Profit \$'000	Equity \$'000	+1% Profit \$'000	Equity \$'000
Consolidated 2013					
<i>Financial assets</i>					
Cash and cash equivalents	10,770	(107)	(107)	107	107
Receivables	927	-	-	-	-
<i>Financial liabilities</i>					
Payables	2,071	-	-	-	-
2012					
<i>Financial assets</i>					
Cash and cash equivalents	8,451	(84)	(84)	84	84
Receivables	383	-	-	-	-
<i>Financial liabilities</i>					
Payables	857	-	-	-	-

18 Financial Instruments (cont'd)

	\$'000				
	Carrying Amount	-1% Profit \$'000	Equity \$'000	+1% Profit \$'000	Equity \$'000
Tribunal 2013					
<i>Financial assets</i>					
Cash and cash equivalents	10,707	(107)	(107)	107	107
Receivables	927	-	-	-	-
<i>Financial liabilities</i>					
Payables	4,166	-	-	-	-
2012					
<i>Financial assets</i>					
Cash and cash equivalents	8,360	(84)	(84)	84	84
Receivables	444	-	-	-	-
<i>Financial liabilities</i>					
Payables	592	-	-	-	-

(g) Fair Value

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value.

19 Events after the Reporting Period

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

End of audited financial statements.

Our work program for 2013/2014

Energy Pricing

- ▼ Annual review of regulated retail electricity and gas tariffs from 1 July 2014
- ▼ Review of the benchmark range for solar feed in tariffs and determination of the retailers' contribution towards the costs of the Solar Bonus Scheme from 1 July 2014
- ▼ Review of early termination fees for small electricity customers

Energy Licensing

- ▼ Process applications for granting new licences, variations to existing licences, and cancelling existing licences
- ▼ Report network operators' performance
- ▼ Conduct licence compliance audits of distribution network service providers (design, reliability and performance audits)

Water Pricing

- ▼ Determine maximum prices for Essential Energy (Broken Hill) from 1 July 2014
- ▼ Release issues papers for Water Administration Ministerial Corporation, and State Water Corporation (coastal valleys)
- ▼ Conduct cross-agency consultation on discharge factors
- ▼ Monitor compliance with IPART's determinations
- ▼ Release report on the price and performance of NSW water utilities 2012/13

Water Licensing (public water utilities)

- ▼ Audit and report operating licence compliance by:
 - State Water Corporation
 - Sydney Water Corporation
 - Sydney Catchment Authority

- Hunter Water Corporation

- ▼ Collect and audit performance indicators on behalf of the National Water Commission

Water Industry Competition Act 2006 (WICA)

- ▼ Make recommendations to Minister for Finance and Services on licence applications, variations and 5-year reviews
- ▼ Maintain registers (eg, licence applications, licensees)
- ▼ Administer licence compliance regime and report annually to the NSW Parliament on the compliance of water network and retail suppliers
- ▼ Facilitate discussions/seminars with industry participants to identify and resolve matters associated with implementation of WICA
- ▼ Determine maximum prices for any declared monopoly services

Rail access

- ▼ Review of RailCorp's compliance with the NSW Rail Access Undertaking for 2011/12 and 2012/13

Transport fares

- ▼ Review of taxi fares for the period from 1 July 2014
- ▼ Review of the number of new annual Sydney taxi licences that should be released from July 2014
- ▼ Review of fares for private ferry services and the Stockton ferry from January 2014
- ▼ Review of fares for metropolitan and outer metropolitan bus services from January 2014
- ▼ Review of compliance by CityRail, Sydney Ferries and metropolitan and outer-metropolitan bus operators and Rural and Regional bus operators with IPART's determination

Local Government

- ▼ Determine the rate peg for 2014/15. The rate peg is the allowable percentage increase in local government general income for most councils in NSW
- ▼ Review and determine applications from councils for special rate variations (applications to increase general income by an amount that is greater than the rate peg percentage) and for minimum rate variations by end of June 2014

- ▼ Review selected council contributions plans for councils and the Minister for Planning and Infrastructure

Section 9 and other referrals

- ▼ Regulation Review: Local Government Compliance and Enforcement
- ▼ Regulation Review: Licence Rationale and Design
- ▼ Review into the development of a funding framework for Local Land Services NSW
- ▼ Review of local government infrastructure cost benchmarks
- ▼ Regulation Review: other reviews to be advised by the Department of Premier and Cabinet
- ▼ Review of pricing Vocational Education and Training under the Government's Smart and Skilled program

Analysis and Policy Development

- ▼ Review of tests for financeability used in price regulation
- ▼ Review of key WACC parameters
- ▼ Other cross-sectoral research projects to assist IPART in its analysis and consideration of issues

Greenhouse Gas Reduction Scheme

- ▼ Managing transition of some forestry ACPs to the Commonwealth Carbon Farming Initiative

Energy Savings Scheme

- ▼ Participating with other Government agencies to harmonise the ESS with the Victorian VEET Scheme where appropriate
- ▼ Managing accreditations, amendments and audits
- ▼ Streamlining and refining our administration processes to respond to the growth of the scheme and NSW Government policy
- ▼ Participating in the ESS Coordination Working Group
- ▼ Hosting and developing webinars covering different aspects of the scheme
- ▼ Managing compliance of liable parties
- ▼ Management of the website, Audit Panel and Registry

Outline budget for 2013/2014

Budgeted Operating Statement	2013/14 \$'000
Employee Related Expenses	17,412
Other Operating Expenses	8,872
Depreciation	607
TOTAL EXPENSES	26,891
TOTAL REVENUE	26,784
NET Result	(107)
Total Government Funding	25,008

A Legislative Provisions

Overview

A.1 Principal legislation under which IPART operates

IPART was established under the Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act). It performs functions under the IPART Act and also under the *Gas Supply Act 1996*, *Electricity Supply Act 1995*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *Sydney Water Catchment Management Act 1998*, *Water Management Act 2000*, *Water Industry Competition Act 2006*, *Central Coast Water Corporation Act 2006*, *Passenger Transport Act 1990*, *Transport Administration Act 1988*, *State Water Corporation Act 2004*, and *Local Government Act 1993* (under Ministerial delegation). Further discussion of the principal legislation under which IPART operates is set out in sections A2 to A8 below.

IPART continues to exercise certain minor functions under the *Prices Regulation Act 1948*, *Gaming Machines Act 2001*, *Crown Lands Act 1989*, *Crown Lands (Continued Tenures) Act 1989*, *Snowy Hydro Corporatisation Act 1997* and *Motor Accidents Compensation Act 1999*.

A.1.1 Changes in Acts and subordinate legislation

In April 2013, the *Water Industry Competition (General) Regulation 2008* was amended to extend the transitional exemption granted to certain activities from the licensing requirements in the *Water Industry Competition Act 2006*.

A.2 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 a number of major roles including:

- ▼ regulating prices and reviewing pricing policies of government monopoly services

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

A.2.1 Regulating prices and reviewing pricing policies

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

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

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

There are 2 main ways in which IPART's investigations may be initiated. The first is by standing reference. In particular, section 11 of the IPART Act provides that IPART is to initiate investigations of government monopoly services supplied by those government agencies for which IPART has a standing reference (with such agencies being listed in Schedule 1 of the IPART Act).

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

- ▼ Sydney Water Corporation
- ▼ Hunter Water Corporation (but excluding certain water and sewerage services provided in respect of the Dungog local government area)
- ▼ 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 (but excluding any bus services provided by the Authority under a service contract to which section 28J of the *Passenger Transport Act 1990* applies)
- ▼ Roads and Maritime Services

- ▼ Department of Housing
- ▼ Port Corporations or other relevant port authorities within the meaning of Part 5 of the Ports and *Maritime Administration Act 1995*
- ▼ Sydney Catchment Authority
- ▼ Water Administration Ministerial Corporation
- ▼ Sydney Ferries (but excluding any services provided by Sydney Ferries under a ferry service contract to which section 16AE of the *Passenger Transport Act 1990* applies)
- ▼ State Water Corporation
- ▼ Essential Energy.

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

The second way in which an investigation by IPART may be initiated is by a reference from the Premier. Under section 12 of the IPART Act, the Premier may require IPART to determine the maximum price or carry out a review of pricing policies in respect of a specified government monopoly service, including those supplied by government agencies that are the subject of a standing reference. IPART may ask the Premier to make a particular reference under these provisions.

Public participation and access to information

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

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

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

Matters IPART must consider

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

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

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

How IPART sets maximum prices

IPART may set maximum prices in either of 2 ways.

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

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

IPART may fix such a price by reference to:

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

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

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

Implementing maximum prices

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

Compliance

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

Release of reports and determinations

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

A.2.2 Reviewing industries, pricing or competition

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

A.2.3 Providing assistance to other agencies

Under section 9 of the IPART Act, the Premier may approve the provision of services by IPART to any government agency or other body or person (public or private), where those services are in areas within IPART's field of expertise and relevant to its functions. In entering into any arrangement to provide services, IPART has a duty to ensure that giving effect to the arrangement will not interfere with its ability to exercise its usual functions. Several examples are shown in the Principal Achievements and 2012/13 Work Program sections in this report.

A.2.4 Arbitrating access disputes

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

A.2.5 Registering access agreements

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

A.2.6 Investigating complaints under competitive neutrality regime

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

A.3 Licensing

IPART is responsible for ensuring various regulated entities meet their licence requirements.

Under the IPART Act, *Electricity Supply Act 1995*, *Gas Supply Act 1996*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *Sydney Water Catchment Management Act 1998*, *State Water Corporation Act 2004* and *Central Coast Water Corporation Act 2006*, IPART is responsible for matters such as making recommendations to the relevant Minister with respect to:

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

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

Under the *Water Industry Competition Act 2006*, IPART is responsible for matters such as making recommendations to the relevant Minister with respect to granting licensing applications. Further, it may cancel or suspend licences (with the concurrence of the relevant Minister).

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

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

A.4 Energy pricing regulation, disclosure and comparison

A.4.1 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.

To date IPART has not made a gas pricing order, preferring to use a more light-handed form of regulation. Instead, the gas retailers have voluntary pricing arrangements with IPART. Gas retailers are obliged to set their regulated tariffs and charges in line with these arrangements, with IPART monitoring their compliance. As the existing voluntary pricing arrangements expired on 1 July 2013, IPART approved new pricing proposals from standard gas retailers and agreed to new Voluntary Pricing Arrangements (VPAs) to apply from 1 July 2013 to 30 June 2016. The current VPAs are explained in further detail in the Impacts of IPART's Determinations section in this report.

A.4.2 Electricity Supply Act 1995

The *Electricity Supply Act 1995* provides the framework for introducing full retail competition in the NSW electricity industry. Under this Act, upon receiving a referral from the relevant Minister, IPART is responsible for determining:

- ▼ regulated retail tariffs and charges
- ▼ the retailer benefit component and benchmark range for feed-in tariffs, which are payable by retailers to customers for electricity produced by solar photovoltaic units which is supplied to the grid.

In making these determinations, IPART must have regard to the matters set out in the terms of reference and the effect of the determination on competition in the retail electricity market.

IPART made determinations under these provisions in June 2013 following a referral from the Minister.

A.4.3 Energy pricing disclosure and comparison

Under the *Electricity Supply Act 1995* and the *Gas Supply Act 1996*, retail suppliers must provide IPART with pricing information relating to the supply of gas and electricity to small retail customers in NSW. Retailers must also make this pricing information available on their websites and to the public on request. IPART is required to publish this pricing information on its website in a way that enables small retail customers to meaningfully compare the tariffs and charges of retail suppliers.

From 1 July 2013, this function and obligations are managed under the National Energy Customer Framework and have been transferred to the Australian Energy Regulator.

A.5 Transport pricing regulation

The *Passenger Transport Act 1990* provides a framework for regulating public transport services. Under this Act, IPART is responsible for setting maximum fares for regular bus services supplied under regular bus service contracts and regular ferry services supplied under regular ferry service contracts. In making its determination, IPART is to consider the following matters:

- ▼ the cost of providing the services concerned
- ▼ the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service
- ▼ the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
- ▼ the need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all of the feasible options to protect the environment
- ▼ the social impact of the determination
- ▼ standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise) and any suggested or actual changes to those standards
- ▼ contractual arrangements prevailing in the industry
- ▼ such other matters as IPART considers relevant.

A.6 Greenhouse Gas Reduction Scheme

The NSW Greenhouse Gas Reduction Scheme closed on 30 June 2012. This followed the NSW Government's decision to close the Scheme when the Commonwealth's carbon pricing mechanism started on 1 July 2012 as part of its Clean Energy Future package.

The Scheme was introduced by amendments to the *Electricity Supply Act 1995* in December 2002 and commenced on 1 January 2003. Before its closure, the Scheme required Electricity retail suppliers and certain other parties to meet mandatory targets for abating greenhouse gas emissions from electricity production and use. Although the Scheme has closed, IPART, as Scheme Administrator, will retain its powers under the *Electricity Supply Act 1995* until all Scheme related matters are finalised.

A.7 Energy Savings Scheme

The Energy Savings Scheme (ESS) is designed to create a financial incentive to reduce the consumption of electricity by encouraging energy saving activities. It sets out energy savings targets, and imposes an obligation on NSW electricity retailers (and certain other parties) to surrender sufficient energy savings certificates to meet their individual energy savings targets. The ESS commenced on 1 July 2009 under the *Electricity Supply Act 1995*.

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

A.8 Local Government

In 2012/13, IPART performed functions relating to local government under:

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

IPART's functions relating to local government include:

- ▼ developing a local government cost index and productivity factor
- ▼ reviewing council development contributions plans under the *Environmental Planning and Assessment Act 1979* and reporting to the Minister for Planning and Infrastructure and the relevant councils on IPART's assessment of the contributions plans
- ▼ determining the rate peg for general council income
- ▼ determining annual charges for domestic waste management services, and
- ▼ determining applications by councils for special variations and minimum rate increases under the *Local Government Act 1993*.

IPART must report annually on our local government functions.

B Decisions under s16A of the Independent Pricing and Regulatory Act

Under section 16A of the *Independent Pricing and Regulatory Tribunal Act 1996*, the portfolio Minister for a government agency may direct IPART to include in the maximum price, or methodology for fixing the maximum prices, for a government monopoly service provided by the agency the efficient costs of complying with a requirement imposed on the agency. The requirement may only be one that is imposed by or under a licence or authorisation, by ministerial direction under an Act, or some other requirement imposed by or under an Act or statutory instrument.

The portfolio Minister may only direct IPART under section 16A after consulting with IPART and securing the Premier's approval of the direction. Once IPART is given a direction under s16A, it must comply with the direction and explain in its report the manner in which it has complied with the direction.

In 2012/13, there were no new directions given to IPART under section 16A of the Act.

C Tribunal Meetings, Public Forums and Submissions

Tribunal meetings

During 2012/13, the Tribunal held 49 meetings.

Delegated Tribunal meetings

The Tribunal held 10 delegated Tribunal meetings.

The Tribunal held 10 delegated Tribunal Local Government meetings.

Greenhouse Gas and ESS Meetings

The Greenhouse Gas Reduction Scheme Committee held 8 Committee meetings.

The Energy Savings Scheme Committee held 15 Committee meetings.

Member Attendances 2012/13

Dr Peter Boxall Chairman attended 49 Tribunal meetings and 16 other sessions.

Mr James Cox, CEO and Full Time Member attended 45 Tribunal meetings, 10 delegated Tribunal meetings, 10 delegated Tribunal (Local Government) meetings, 8 Greenhouse Gas Reduction Scheme Committee Meetings, 15 Energy Savings Scheme Committee Meetings and 17 other sessions.

Mr Simon Draper, Part Time Member (commenced September 2012) attended 40 Tribunal meetings and 16 other sessions.

Mr Stuart McDonald attended 10 delegated Tribunal meetings for Local Government.

Mr Steve Lyndon attended 9 delegated Tribunal meetings for Local Government.

Mr Eric Groom attended 9 delegated Tribunal meetings and 8 Greenhouse Gas Reduction Scheme Committee meetings and 15 Energy Savings Scheme Committee meetings.

Mr Peter Egger attended 8 Greenhouse Gas Reduction Scheme Committee meetings.

Dr Brian Spalding attended 15 Energy Savings Scheme Committee meetings.

Public hearings and workshops 2012/13

The Tribunal also hosted 19 public hearing hearings and other consultative forums.

Date	Investigation	Venue
Water		
12 November 2012	Review of Developer Charges for Gosford City and Wyong Shire Council	The Quality Inn The Willows, Wyoming
12 November 2012	Review of prices for Gosford City and Wyong Shire Council	The Quality Inn The Willows, Wyoming
13 November 2012	Review of prices for Hunter Water Corporation	The Novotel Newcastle Beach, Newcastle
5 March 2013	State Water Corporation operating licence end of term review	IPART Offices
Energy		
3 December 2012	Review of regulated electricity retail prices 2013 to 2016	IPART Offices
3 December 2012	Review of regulated gas retail prices 2013 to 2016	IPART Offices
Transport		
17 October 2012	Rural & Regional Bus Services 2012	IPART Offices
17 October 2012	CityRail Services from January 2013	IPART Offices
17 October 2012	2012 Private Ferries & Stockton Ferry	IPART Offices
24 October 2012	Review of Sydney Taxi Licences to be released from July 2013	IPART Offices
21 May 2013	Review of fares for Taxis from July 2013	IPART Offices
Regulation Review		
4 December 2012	Review of the Local Government Compliance and Enforcement	The Wesley Centre, Sydney
12 February 2013	Review of Reforming Licensing in NSW	The Wesley Centre, Sydney

Date	Investigation	Venue
Other Industries		
18 March 2013	Review of rental arrangements for communication towers on Crown Lands	IPART offices
14 June 2013	Review of a rating framework for Local Land Services NSW	Commercial Club, Wagga Wagga
17 June 2013	Review of rental arrangements for communication towers on Crown Lands	IPART Offices
18 June 2013	Review of rental arrangements for communication towers on Crown Lands	Quality Hotel Powerhouse, Tamworth
Research		
25 March 2013	Review of method for determining the WACC	IPART Offices
11 April 2013	Financeability test in price regulation	IPART Offices

Submissions to projects during 2012/13

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2012/13, and received a total of 745 submissions.

Closure date = day submissions close

Table C.1 Submissions received from 1 July 2012 – 30 June 2013

Closure Date	Investigation	Submissions
Electricity		
07/06/2013	Fact Sheet - Solar feed-in tariffs - 15 May 2013	26
20/05/2013	Draft Report - Review of regulated retail prices for electricity 2013 to 2016 - April 2013	24
20/12/2012	Issues Paper - Review of regulated retail prices and charges for electricity 2013 to 2016 - November 2012	20
Gas		
20/05/2013	Draft Report - Review of regulated retail prices and charges for gas 2013 to 2016 - April 2013	7
21/01/2013	Issues Paper - Review of regulated retail prices and charges for gas 2013 to 2016 - November 2012	10
Water		
12/04/2013	Draft Report - Hunter Water Corporation - March 2013	10
28/03/2013	Discovery Point Water Factory Pty Ltd - WICA Licence Application	5
20/03/2013	Notice - Calling for Submissions on Draft Licence Package - February 2013	12

Closure Date	Investigation	Submissions
15/03/2013	Draft Report - Gosford City Council and Wyong Shire Council - Prices for water sewerage and stormwater drainage services from 1 July 2013 to 30 June 2017 - February 2013	18
15/03/2013	Draft Report - Gosford City Council and Wyong Shire Council - Review of calculation parameters for developer charges - February 2013	2
21/12/2012	Preliminary View - Sydney Waters third party access undertaking for water network services - August 2012	2
12/10/2012	Issues Paper - Review of developer for Gosford charges for Gosford City Council and Wyong Shire Council - June 2012	3
12/10/2012	Issues Paper - Review of prices for water sewerage stormwater drainage and other services for Hunter Water Corporation - June 2012	27
25/09/2012	Issues Paper - Review of the Operating Licence for State Water Corporation - July 2012	7
19/09/2012	Advertisement - Water Factory Company Pty Ltd Retail Supplier Licence Applications - 15 August 2012	5
14/09/2012	Issues Paper - Review of prices for water sewerage and stormwater services for Gosford City Council and Wyong Shire Council - June 2012	34
29/08/2012	Advertisement - Sydney Water Corporation, Hunter Water Corporation, Sydney Catchment Authority and State Water Corporation - 15 August 2012	1
30/07/2012	Draft Recommendation - Review of Rural Water Charging Systems - July 2012	12
18/07/2012	Network Operator and Retail Supplier WICA Licence Application - Mirvac Real Estate Pty Ltd - Chifley Square - Application form - April 2012	5
10/07/2012	Discussion Paper - Review of Rural Water Charging Systems - June 2012	17
Transport		
24/06/2013	Issues Paper - Review of fares for metropolitan and outer metropolitan bus services from January 2014	11
31/05/2013	Draft Report - 2013 Review of taxi fares in NSW - Maximum fares from July 2013	16
25/03/2013	Issues Paper - Review of maximum taxi fares to apply from mid-2013 - February 2013	23
21/01/2013	Draft Report - Annual taxi licence release for Sydney 2013/14 - December 2012	67
09/11/2012	Draft Report - Rural and regional bus fares from January 2013 - October 2012	5
16/11/2012	Information Paper - Private Ferries - Review of fares for Private Ferries and the Stockton Ferry 2012	1
16/11/2012	Information Paper - Stockton and private ferry fares - 2012 fare review - October 2012	2
09/11/2012	Issues Paper - Annual taxi licence release for Sydney 2013-14 - October 2012	42

Closure Date	Investigation	Submissions
26/10/2012	Draft Report - Review of fares for CityRail's services from January 2013 - October 2012	6
12/10/2012	Draft Report - Review of fares for Sydney Ferries 2013	5
05/09/2012	Issues Paper - Rural and Regional Bus Services 2012 - August 2012	4
Local Government		
08/04/2013	Bega Valley Shire Council Application	10
08/04/2013	Gunnedah Shire Council Application	4
08/04/2013	Kogarah City Council Application	1
08/04/2013	Parkes Shire Council Application	1
08/04/2013	Randwick City Council Application	1
08/04/2013	Rockdale City Council Application	2
08/04/2013	Shellharbour City Council Application	2
08/04/2013	Shoalhaven City Council Application	3
08/04/2013	Wyong Shire Council Application	36
Regulation Review		
19/12/2012	Issues Paper - Reforming licensing in NSW - Review of licence rationale and design - October 2012	61
05/11/2012	Issues Paper - Regulation Review - Local government compliance and enforcement - 17 September 2012	93
Other Industries		
11/06/2013	Draft Report - Review of rental arrangements for communication towers on Crown land - April 2013	24
03/05/2013	Issues Paper - Pricing VET under Smart and Skilled - April 2013	42
12/02/2013	Issues Paper - Review of rental arrangements for communication towers on Crown land - December 2012	22
Research		
15/03/2013	Discussion Paper - Review of method for determining the WACC - December 2012	9
30/11/2012	Discussion Paper - Financeability test in price regulation - September 2012	5

D Publications

Publication date	Title
Electricity	
28/06/2013	Final Report - Solar feed-in tariffs - The subsidy-free value of electricity from small-scale solar PV units from 1 July 2013
28/06/2013	Determination - Solar feed-in tariffs - Retailer contribution and benchmark range for 1 July 2013 to 30 June 2014
17/06/2013	Final Report - Review of Regulated Retail Prices for Electricity - From 1 July 2013 to 30 June 2016
17/06/2013	Determination - NSW Electricity Regulated Retail Tariffs and Charges - 1 July 2013 to 30 June 2016
23/04/2013	Draft Report - Review of regulated retail prices for electricity 2013 to 2016 - April 2013
23/04/2013	Draft Determination - NSW Electricity Regulated Retail Tariffs and Charges - 1 July 2013 to 30 June 2016
14/11/2012	Issues Paper - Review of regulated retail prices and charges for electricity 2013 to 2016 - November 2012
Gas	
17/06/2013	Voluntary Pricing Arrangements for AGL for supply of Natural Gas to Small Gas Customers - June 2013
17/06/2013	Voluntary Pricing Arrangements for ActewAGL for supply of Natural Gas to Small Gas Customers - June 2013
17/06/2013	Voluntary Pricing Arrangements for Origin (Wagga) for supply of Natural Gas to Small Gas Customers - June 2013
17/06/2013	Voluntary Pricing Arrangements for Origin (Albury) for supply of Natural Gas to Small Gas Customers - June 2013
17/06/2013	Final Report - Review of regulated retail prices and charges for gas - June 2013
23/04/2013	Draft Report - Review of regulated retail prices and charges for gas 2013 to 2016 - April 2013
27/11/2012	Issues Paper - Review of regulated retail prices and charges for gas 2013 to 2016 - November 2012
Water	
18/06/2013	Issues Paper - Review of prices for Essential Energys water sewerage and other services in Broken Hill - June 2013
11/06/2013	Determination - Maximum prices for Hunter Water Corporation from 1 July 2013 to 30 June 2017
11/06/2013	Final Report - Hunter Water Corporation's water sewerage stormwater drainage and other services - 1 July 2013 to 30 June 2017

Publication date	Title
14/05/2013	Determination - Gosford City Council prices - 1 July 2013 to 30 June 2017
14/05/2013	Determination - Wyong Shire Council prices - 1 July 2013 to 30 June 2017
14/05/2013	Final Report - Gosford City Council and Wyong Shire Council - Review of calculation parameters for developer charges - May 2013
14/05/2013	Final Report - Gosford City Council and Wyong Shire Council - Prices for water sewerage and stormwater drainage services from 1 July 2013 to 30 June 2017
14/05/2013	Determination - Gosford City Council and Wyong Shire Council - Developer Charges - May 2013
03/04/2013	Draft Compliance Policy - Energy and water licence compliance policy - April 2013
12/03/2013	Draft Determination - Hunter Water Corporation - March 2013
12/03/2013	Draft Report - Hunter Water Corporation - March 2013
22/02/2013	Compliance Report - Sydney Water Operational Audit 2011-12 - December 2012
22/02/2013	Compliance Report - Hunter Water Operational Audit 2011/2 - December 2012
22/02/2013	Compliance Report - Sydney Catchment Authority Operational Audit 2011/12 - January 2013
22/02/2013	Compliance Report - State Water Corporation Operational Audit 2011/12 - January 2013
20/02/2013	Draft Report - Cost benefit analysis of proposed changes to State Water's operating licence - February 2013
19/02/2013	Draft Determination - Wyong Shire Council - February 2013
19/02/2013	Draft Determination - Gosford City Council - February 2013
19/02/2013	Draft Determination - Gosford City Council and Wyong Shire Council - Developer Charges - February 2013
19/02/2013	Draft Report - Gosford City Council and Wyong Shire Council - Review of calculation parameters for developer charges - February 2013
19/02/2013	Draft Report - Gosford City Council and Wyong Shire Council - Prices for water sewerage and stormwater drainage services from 1 July 2013 to 30 June 2017 - February 2013
24/10/2012	Final Report - Review of Rural Water Charging Systems - 24 October 2012
15/08/2012	Compliance Report - Review of Metropolitan Public Water Utilities Performance Indicators - August 2012
25/07/2012	Issues Paper - Review of the Operating Licence for State Water Corporation - July 2012
23/07/2012	Draft Recommendation - Review of Rural Water Charging Systems - July 2012
Transport	
16/05/2013	Issues Paper - Review of fares for metropolitan and outer metropolitan bus services from January 2014
15/05/2013	IPART - Draft Decision on RailCorp's compliance with NSW Rail access undertaking 2010/11

Publication date	Title
06/05/2013	Draft Report - 2013 Review of taxi fares in NSW - Maximum fares from July 2013
27/03/2013	Final Report - Annual taxi licence release for Sydney 2013/14 - February 2013
25/02/2013	Issues Paper – Review of maximum taxi fares to apply from mid-2013 – Possible changes to approach – February 2013
19/02/2013	Statement of Reasons - CRIA - February 2013
01/02/2013	Statement of Reasons - ARTC - 29 January 2013
19/12/2012	Final Report - Metropolitan and Outer Metropolitan Buses - Costs and Service Performance Report 2012
19/12/2012	Report and Recommendations - Review of fares for private ferry services and the Stockton ferry service for 2013 - December 2012
19/12/2012	Determination - Stockton Ferry Service - December 2012
18/12/2012	Final Report - Rural and regional bus fares from January 2013
18/12/2012	Determination - Rural and Regional Bus Services - December 2012
10/12/2012	Draft Report - Annual taxi licence release for Sydney 2013/14 - December 2012
28/11/2012	Final Report - Review of maximum fares for Sydney Ferries services from January 2013 - November 2012
28/11/2012	Final Report - Review of maximum fares for CityRail services from January 2013
28/11/2012	Determination - Sydney Ferries services - November 2012
28/11/2012	Determination - CityRail and Multi Modal tickets from January 2013
19/11/2012	Information Paper - Private Ferries - Review of fares for Private Ferries and the Stockton Ferry 2012
18/10/2012	Information Paper - Stockton and private ferry fares - 2012 fare review - October 2012
12/10/2012	Draft Determination - Rural and Regional Bus Services - October 2012
12/10/2012	Draft Report - Rural and regional bus fares from January 2013 - October 2012
11/10/2012	Issues Paper - Annual taxi licence release for Sydney 2013-14 - October 2012
02/10/2012	Draft Determination - City Rail and Multi Modal tickets from January 2013 - October 2012
02/10/2012	Draft Report - Review of fares for CityRail's services from January 2013 - October 2012
25/09/2012	Final Report - Review of access pricing on the NSW grain line network - April 2012
10/09/2012	Draft Determination - Sydney Ferries Services from January 2013
10/09/2012	Draft Report - Review of fares for Sydney Ferries services from January 2013
21/08/2012	Final Decision - Review of RailCorp compliance with NSW Rail Access Undertaking 2009/10 - August 2012
08/08/2012	Issues Paper - Rural and Regional Bus Services 2012 - August 2012
03/07/2012	Final Report and Recommendations - 2012 Review of Taxi Fares in NSW - Maximum fares from July 2012

Publication date	Title
Local Government	
07/09/2012	Final Technical Paper - Modelling local development contributions - September 2012
11/06/2013	LG Determination - Bega Valley Shire Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Blue Mountains City Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Camden Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Cessnock City Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Cobar Shire Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Coffs Harbour City Councils applications for a special variation for 2013/14
11/06/2013	LG Determination - Corowa Shire Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Great Lakes Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Gunnedah Shire Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Gundagai Shire Councils application to increase minimum rates in 2013/14
11/06/2013	LG Determination - Hunters Hill Council application for a special variation for 2013/14
11/06/2013	LG Determination - Junee Shire Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Kiama Municipal Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Kogarah City Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Ku-ring-gai Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Lismore City Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Parkes Shire Councils applications for a special variation for 2013/14
11/06/2013	LG Determination - Randwick City Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Rockdale City Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Shellharbour City Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Shoalhaven City Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Upper Hunter Shire Councils application for a special variation for 2013/14

Publication date	Title
11/06/2013	LG Determination - Walgett Shire Councils application for a special variation for 2013/14
11/06/2013	LG Determination - Wyong Shire Councils application for a special variation for 2013/14

Regulation Review	
30/10/2012	Issues Paper - Reforming licensing in NSW - Review of licence rationale and design - October 2012
17/09/2012	Issues Paper - Regulation Review - Local government compliance and enforcement - 17 September 2012

Other Industries	
21/05/2013	Issues Paper - Review into the development of a funding framework for Local Land Services in NSW - May 2013
30/04/2013	Draft Report - Review of rental arrangements for communication towers on Crown land - April 2013
02/04/2013	Issues Paper - Pricing VET under Smart and Skilled - April 2013
12/12/2012	Issues Paper - Review of rental arrangements for communication towers on Crown land - December 2012
24/08/2012	Report and Recommendations - Proposed Independent Pricing and Regulatory Tribunal Regulation 2012 - August 2012

Research	
17/06/2013	WACC Methodology - Interim Report
10/08/2012	Final Report - Customer engagement on prices for monopoly services - August 2012
20/07/2012	Information Paper - Comparison of financial models - IPART and Australian Energy Regulator - July 2012

E Agency structure and plans

Equal Employment Opportunity

EEO statistics (total staff by level and employment basis)

Number of employees by category, and comparison to prior 3 years as at 30 June 2013

	2013	2012	2011	2010
Chairman and Chief Executive Officer	2	2	1	1
Directors & General Managers	7	7	6	8
Program Managers	18	15	15	12
Managers	4	4	4	4
Analysts	72	61	55	45
Graduates analysts	5	2	6	5
General Counsel	1	1	1	1
Legal Officers	3	2	2	0
Support Officers	22	21	17	15
Total number of staff includes full time, part-time, temporaries and graduates	134	115	107	90
Part Time Tribunal Members	1	1	1	1
Temporary Members	0	0	0	0
Total number of Staff including members	135	116	108	91

Trends in the Representation of EEO Groups

	Target as %	2013	2012	2011	2010
Women	50	58.2	61.4	58.5	56
Aboriginal people and Torres Strait Islanders	2.6	0	0	0	0
People whose first language was not English	19	24.1	21.8	18.9	19
People with a disability	0	2.4	2	.9	0
People with a disability requiring work-related adjustment	1.5	0	0	.9	0

Trends in the Distribution of EEO Groups	Distribution Index				
	Benchmark/ Target	2013	2012	2011	2010
EEO Groups					
Women	100	100	101	101	103
Aboriginal people and Torres Strait Islanders	100	0	0	0	0
People whose first language was not English	100	91	92	90	0
People with a disability	100	0	0	0	0
People with a disability requiring work-related adjustment	100	0	0	0	0

Notes

1. Staff numbers are as at 30 June 2012.
2. Excludes casual staff.
3. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by ODEOPE.
4. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

Award Initiatives

There were no significant changes to IPART's Award. A number of minor changes were made pursuant to changes in the Crown Employees (Public Service Conditions of Employment) Award.

Personnel Policies and Practices

Activities for the reporting period include:

- ▼ Implementation of the Work Health and Safety (WHS) framework to ensure compliance with new legislation and best practice standards.
- ▼ Implementation of WHS Risk Management and Injury Management policies to support IPART's overall Work Health and Safety framework.
- ▼ Review and enhancement of Grievance Resolution Policy.
- ▼ Review and enhancement of Disability plan for 2013 to 2015.

There were no changes to IPART's Code of Conduct.

Public Interest Disclosures

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

Work Health and Safety

There were no prosecutions under the *Work Health and Safety Act 2011* in the reporting period.

The work health and safety (WHS) framework was implemented to ensure compliance with the new work health safety legislation requirements. The framework includes WHS policy, risk management, injury management and a first aid plan.

Workstation ergonomic reviews are conducted for all new starters to instruct staff on how best to set up a workstation and for early identification of individual needs.

Computer software in the form of 'bullet breaks' promoting health tips for those working in an office environment is installed on all computers. The software provides tips on stretches, regular health messages for staff sitting for prolonged periods, and promotes regular breaks and stretches to reduce potential office related strain injuries.

The agency supports vaccinations against influenza, with 55 staff participating in the reporting period. Appropriate vaccinations are also made available to staff who visit recycled water and sewerage treatment plants.

IPART continues to support sport and other activities to promote a healthy lifestyle. These include in-house yoga classes, corporate sports activities including touch football.

The Work Health and Safety Committee meets on a quarterly basis to discuss needs or areas of concerns. Work health and safety is also a standard item on every team, management and committee agenda. All staff are encouraged to contact their team representative or human resources to offer suggestions for improvement. New first aid officers were nominated and provided with training.

The Work Health and Safety Committee conducted site inspections to formally identify and report on any areas requiring attention. No major issues or concerns were identified.

Multicultural Policies and Services Program, Disability Plan and Equal Employment Opportunity

Activities for the reporting period 2010 to 2013 included the implementation of a free electricity and gas on-line price comparison website where public had the ability to compare offers from gas and electricity retailers. The website was operated by IPART and made available for use for residential and small business energy customers. Instructions on how to use the website were translated into

27community languages and included additional avenues of assistance through a translating and interpreter service.

Statistics on the use of the website were monitored throughout this period with the highest traffic recorded being 4,181 'hits' in a week. In July 2013 this service moved to the Australian Energy Regulator now known as 'Energy Made Easy'.

Disability Plan

Managers are encouraged to create an environment that supports disclosure of individual needs. The aim is to ensure that staff members are assisted with either physical or electronic aids such as adjustments to workstations so they can continue to contribute to team and organizational outcomes.

During the reporting period we supported by way of work experience an officer through a Transition to Work service provider. The work experience program aims to restore individual confidence in a supportive work environment and increase potential for future long term employment.

Disability Action plan for 2013 to 2015 will shortly be finalized pending completion of internal consultation process. Consultation encourages teams and committees to identify areas for action in their area of responsibility.

Equal Employment Opportunity

Activities for the reporting period include:

- ▼ Review and enhancement of EEO policies and procedures to strengthen measures to prevent bullying. This is followed by staff and management awareness sessions.
- ▼ Review of Grievance Resolution Policy to ensure clear guidance on how bullying or harassment grievances are managed.
- ▼ IPART participates every year in the Lucy Mentoring program. The program is essentially a mentoring relationship for a period providing motivational and educational experience in the workplace. All participants are female and from a diverse multicultural background. In this reporting period 3 university students were supported by IPART. This included first hand exposure and learning through one on one discussions; shadowing managers; attending corporate and Tribunal meetings; and personal assistance with writing a resume and interviewing techniques.

Corporate Plan

By end June 2012 IPART had revised the Corporate Plan in response to the Government's strategic direction defined in the new State Plan, *NSW 2021*. In 2012/13 the Tribunal ratified the revised plan and published it on our website. IPART's broad corporate strategies and progress towards meeting corporate objectives is assessed for each program element at page 21.

Privacy Plan

IPART's Privacy Plan was revised in 2010/11. No complaints or requests for internal reviews were received. New staff members are briefed on the Plan as it relates to their role at induction. A copy of the plan is available and accessible by all staff and a Privacy Statement is available on the IPART website for public viewing.

Asset Management Plan

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

Credit Card Compliance

The General Manager Support Services certifies that credit card usage in the agency has met best practice guidelines in accordance with Premier's Memoranda and Treasurer's Directions 205.1 to 205.8. Credit card usage is subject to an annual internal audit.

Report on account payment performance

	September 2012	December 2012	March 2013	June 2013
Invoices due for payment	355	319	318	346
Invoices paid on time	353	319	318	346
Invoices due for payment received from small business	3	0	0	0
Invoices from small business paid on time	3	0	0	0
Amount due for payment (\$)	1,898,034	1,517,392	1,532,926	2,074,921
Amount paid on time (\$)	1,896,034	1,517,392	1,532,926	2,074,921
Amount due for payment received from small business (\$)	3,300	0	0	0
Amount from small business paid on time (\$)	3,300	0	0	0
Number of payments for the interest on overdue account	0	0	0	0
Interest paid on late accounts (\$)	0	0	0	0
Number of payments to small business for the interest on overdue account	0	0	0	0
Interest to small business on late account (\$)	0	0	0	0

Accounts paid on time within each quarter

Quarter	Target %	Actual %	Total Amount Paid (\$)
September Quarter	88	99.4	1,898,128
December Quarter	88	100	1,517,392
March Quarter	88	100	1,532,926
June Quarter	88	100	2,074,921

Notes:

During 2012/13, 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.

Details of Annual Report production

There were no external costs incurred in the production of the report. An electronic copy of this report is available at IPART's website.

Consultants

During 2012/13, IPART engaged the following consultants for a total expenditure of \$2,445,207 (work on some of these consultancies was still proceeding at 30 June):

Consultant	Cost(\$)	Title
Finance and Accounting		
ACIL Tasman	134,941	Review of regulated gas retail tariffs and charges 2013 to 2016 - Wholesale gas costs
Atkins International Pty Ltd	209,381	Review of Hunter Water Corporation's Operating and Capital Expenditure
CIE	76,885	Review of Vocational and Educational Training under smart and skilled
CIE	78,750	Review of Rural and Regional Bus Services 2012
Frontier Economics	377,500	Review of regulated electricity prices 2013 - Wholesale Energy Costs
Frontier Economics	180,000	Review of regulated electricity prices 2013 - Input assumptions
Oakley Greenwood Pty Ltd	159,000	Strategic management overview and review of capital and operating expenditure for Gosford City Council and Wyong Shire Council
PricewaterhouseCoopers	129,429	A conceptual framework to apply to licence design and review in NSW

Consultant	Cost(\$)	Title
PricewaterhouseCoopers	90,000	Assist IPART in developing recommendations for licence reform and assessing the impact of licence reform recommendations
Sapere Research Group	50,000	Review of City Rail fares from 2013 - Externalities
SFG Consulting	130,874	Review of regulated electricity prices 2013 - Retail margins
SFG Consulting	54,750	Review of regulated gas retail tariffs and charges 2013 to 2016 - Retail margin for standard retail gas suppliers
Sub Total	1,671,512	
Management Services		
Risk Edge Pty Ltd	83,562	Risk Assessment of IPART's compliance and licensing roles
The CIE	91,146	Assess the impact of IPART's draft recommendations of its review of Local Government Compliance and Enforcement
Sub Total	174,708	
TOTAL	1,846,220	

Consultants less than \$50,000

Annual Report Category	Number of engagements	Cost (\$)
Information Technology	3	43,160
Environmental	2	32,643
Training	1	3,107
Finance and Accounting	18	360,207
Management Services	7	159,867
Total	31	598,986

Contract executive profile

All of 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 is subject to determinations by the Statutory and Other Offices Remuneration Tribunal.

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 (\$253,501 at 30 June). At IPART, this applies to:

Name	Position	Total Salary Package
Peter Boxall	Chairman (part-time 3 days per week)	\$288,210
James Cox	Chief Executive Officer and Full Time Member	\$398,880
Fiona Towers	Director Energy and Transport	\$255,884

Peter Boxall

Appointed 23 November 2011.

The key accountabilities for 2012/13 were:

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

James Cox

Appointed on 17 December 2004.

The key accountabilities for 2012/13 were:

- ▼ As the Chief Executive Officer, accountability for 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 Tribunal Member, participating in Tribunal decision-making.

F | Audit and Risk Management

Internal Audit and Risk Management Statement for the 2012-2013 financial year for the Independent Pricing and Regulatory Tribunal

I, James Cox, Chief Executive Officer of the Independent Pricing and Regulatory Tribunal (IPART) am of the opinion that IPART has internal audit and risk management processes in operation that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy. These processes provide a level of assurance that enables the senior management of IPART to understand, manage and satisfactorily control risk exposures.

I am of the opinion that the Audit and Risk Committee for IPART is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- ▼ Independent Chair, Ian Neale, Start second term 17 February 2012, finish term 17 February 2015
- ▼ Independent Member, Paul Crombie, Start second term 12 August 2012, finish term 12 August 2015
- ▼ Non-independent Member, Pamela Soon IPART Legal Counsel, Start term 17 August 2012, finish term 17 August 2013

As part of IPART's compliance with the Government's Internal Audit and Risk Management Policy, IPART undertook an independent audit of its internal audit function in 2013 as required by Section 1.7.2. The audit confirmed IPART's compliance with TPP 09/05 in all material respects, but suggested some improvements in more explicitly assessing compliance against the IIA International Standards for the Professional Practice of Internal Audit and a couple of other minor improvements. IPART has implemented the audit's recommendations.

The Audit and Risk Management Committee has endorsed this letter of attestation.

A handwritten signature in black ink that reads "James Cox". The signature is written in a cursive style with a large initial 'J'.

James Cox
Chief Executive Officer
16 August 2013

Insurance and Business Continuity

IPART contributes to the Treasury Managed Fund for workers compensation, motor vehicle accidents, property loss, public liability and various other insurance risks. During 2012/13, there was 1 property claim with a net incurred loss of \$607.27 and no motor vehicle, 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 WHS and security purposes.

A review of crisis management preparedness in responding to disasters and emergency situations was conducted in 2012/13. This involved updating all crisis management team documentation and a testing exercise for key team members.

Internal and external reviews

IPART reviewed the following areas in 2012/13 as part of the internal audit and risk management program. They were as follows:

Key Financial and Administrative Controls

IPART undertakes an annual broad health check of key processes and controls.

The scope of the project in 2012/13 included a review of:

- ▼ The application of financial delegations and any impact arising from the new SAP system.
- ▼ General office expenditure.
- ▼ Expenditure related to the use of consultants, including a review of the workflow process related to IPART's policy on the engagement of consultants.
- ▼ The usage of petty cash and any impact arising from the SAP system.

- ▼ Credit card usage.
- ▼ The usage of mobile phones and desktop telephone and compliance with the IPART Communications Device Policy.
- ▼ Travel expenditure and compliance with IPART's Travel Policy and any impact arising from the SAP system.
- ▼ Associated policies and procedures.

The health check was undertaken using a combination of audit procedures comprising the observation and examination of current processes and controls, discussions with key staff, the testing of related transactions, and the review of relevant documentation.

The auditor's overall conclusion is that the current internal control environments operating over the specific processes reviewed were generally operating effectively. However, some recommendations were made in relation to documentation of approvals associated with the engagement of contractors and consultants, and with the usage of communications devices. IPART has agreed to revise its communications device policy.

Audit of IPART's risk management framework and internal audit function

The primary objective of the review was to identify potential improvements and any opportunities to add value to existing governance arrangements and processes in relation to IPART's risk management framework and internal audit function, in addition to meeting compliance and attestation requirements.

The auditors' overall conclusion was that IPART's internal audit function and risk management framework are substantially effective, in the main compliant with government requirements, and have resourcing and governance arrangements that are suitable in relation to the nature of the agency. However, the audit identified opportunities for improvement in relation to both Internal Audit and Risk Management as well as the interaction between them.

IPART implemented the recommendation to carry out an annual internal assessment of IPART's compliance with IIA standards. This included a request to all service providers which IPART used to provide audit services to demonstrate their conformance with the standards.

IPART also commenced a more robust assessment of IPART's key risks with more detailed descriptions of each risk and a risk control effectiveness rating for each control. By the end of June 2013 IPART had completed new risk registers for all the compliance functions and the support services area. We anticipate completing the risk framework for the entire agency by June 2014.

Payroll audit

The overall objective of the audit was to audit the current systems, payroll processes and procedures within ServiceFirst and IPART. The audit was commenced within the financial year but was not completed by 30 June 2013.

Risk management projects

IPART also completed a number of risk mitigation projects in 2012/13. These included a new managed security services contract, the review of records management policy and procedures in response to the previous year's audit, the rebuilding of IPART's systems from off-site documentation, the biennial stakeholder survey, and a revision of the performance enhancement system with extensive staff input. IPART also maintained its program of regular ergonomic assessments.

G External liaison

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:

Peter Boxall AO – Chairman IPART

Title	Venue	Date
On a Panel Discussion on Productivity & Growth – Cities – who pays for the big picture	ACE 2012 Business Symposium – Victoria University, Flinders Street Melbourne	12 July 2012
Regulated retail energy prices and energy policy – The long term interest of energy customers	Infrastructure Partnerships Australia Energy Taskforce Elizabeth Street, Sydney	4 June 2013

James Cox, Chief Executive Officer and Full Time Member

Title	Venue	Date
The challenges of balancing electricity retail prices	IPA Energy Forum Group Collins Street, Melbourne	16 August 2012
Reviewing and determining maximum fares for public transport in New South Wales	NSW Transport Summit Sydney Harbour Marriott Sydney	8 November 2012
Exploring the Roles State Regulators will Play in Keeping Markets Competitive & Reducing Electricity Prices	Energy Forum – Pullman Sydney Hyde Park Sydney	19 March 2013
Setting the Ground Rules	LGMA NSW Local Government Finance Professionals Conference – Sydney	27 May 2013
Embracing Competition, The Sydney Experience	Enhancing Water Sector Productivity IWA/AWA Conference – Melbourne	21 June 2013

Title	Venue	Date
Challenges and Successes of Economic Regulation of Water and Energy in New South Wales	2013 Aspen Accord Water–Energy Nexus Study and Discussion Tour. Langham Hotel Sydney	28 June 2013

Simon Draper –Part Time Member

Title	Venue	Date
Energy Pricing	EWON Anti-Poverty Week Conference	16 October 2012
Regulatory and business perspectives on credit management	Energy & Water Conference Melbourne Victoria	28 May 2013
Panel Discussion on “Can energy prices be made clearer and fairer?”	Museum of Contemporary Art Sydney	13 June 2013

Water – Rebecca Bishop, Program Manager

Title	Venue	Date
Presentation to Coastal Valleys Customer Council Meeting on IPART’s review process (with Amanda Chadwick, former Director, Water and Licensing)	State Water offices	7 November 2012

Water – Lucy Garnier, Program Manager

Title	Venue	Date
Presentation to OzWater 2013 on Stakeholder Engagement in the Pricing Process (with Alex Kelty, Analyst)	Perth, Western Australia	7 May 2013

Local Government - Alison Milne, Director

Title	Venue	Date
IPART – our function in local government	Cobar Shire Council Offices	23 July 2012
IPART and Local Government (with CEO)	LGMA NSW Local Government Finance Professionals Conference, Sydney Olympic Park.	27 May 2013

Local Government - Michael Seery, Program Manager

Title	Venue	Date
IPART's Review of the Revenue Framework for Local Government	Department of Local Government Offices, 6 O'Connell Street Sydney	30 July 2012
Good practice in development contributions and local infrastructure planning	Local Infrastructure Funding Seminar, UTS	21 June, 2013

Local Government - Dennis Mahoney, Program Manager

Title	Venue	Date
IPART and Local Government	NSW Revenue Professional Conference 2013, Hunter Valley	21 March 2013

Local Government - Heather Dear, Senior Analyst

Title	Venue	Date
IPART and Local Government: 2013/14 rate peg and special rate variations	NSW Northern Rivers & Mid Coast Finance Professionals – Angourie	7 December 2012
IPART and Local Government	LGMA NSW Integrated Planners Network, Waverton	8 February 2013

Local Government - Sarah Blackwell, Senior Analyst

Title	Venue	Date
Infrastructure for new urban development	PIA COALR Planning Connections Program, Sydney City	12 March 2013

Energy – Anna Brakey, Program Manager

Title	Venue	Date
AEMC Strategic Priorities for Energy Market Development Public Forum 2012	Leighton Hall UNSW Kensington Campus	29 August 2012

Regulation Review – Lil Cullen and Felicity Hall, Senior Analysts

Title	Venue	Date
IPART's Reviews of Licensing in NSW and Local Government Compliance and Enforcement	Better Regulation Office – Regulators' Group, Sydney City	26 November 2012

Complaints

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

This financial year there was a decrease in complaints about IPART's decisions on energy pricing - 589 complaints compared with 643 last financial year. IPART explained the process and factors affecting IPART's most recent Determinations about electricity and gas prices, and solar feed-in tariffs.

Complaints about water pricing rose from 7 last financial year to 58 in 2012/13. These complaints focussed on water price structures, the majority prompted by complaints about fixed sewerage charges in the Hunter region. Again, IPART took pains to explain the basis for the decision.

A further 21 complaints were made about the behaviour of salesmen or technicians engaged in replacement programs under the Energy Savings Scheme and IPART was able to request a response from the relevant accredited certificate provider.

In response to IPART's role in Local Government, 11 complaints were recorded. This included complaints from ratepayers dissatisfied with IPART's decisions on requested variations to rates and complaints from councils regarding the rate peg. IPART also fielded 175 complaints from ratepayers about Council management, particularly financial management.

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

Complaints about competitive neutrality

There were no complaints about non-compliance with competitive neutrality referred to IPART in 2012/13.

Funds granted to non-government community organisations

IPART granted \$1,020 to sponsor IPART runners in the J P Morgan Chase Corporate Challenge in 2012/13.

H Government Information (Public Access) Act

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

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

Availability of information

Copies of all documents in IPART's public access library are available for public inspection at the IPART office, Level 8, 1 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.

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

Over the last financial year, IPART has received a number of informal requests for information and, where appropriate, dealt with these by providing the requested information.

Formal access application

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

Ms Meryl McCracken
Right to Information Officer, IPART
Level 8, 1 Market Street
Sydney NSW 2000

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

Formal requests made during this year

IPART responded to 3 applications under the *Government Information (Public Access) Act 2009* during the reporting year.

On 12 June 2012, we received an application from an industry association for access to documents containing information about the reselling of metropolitan bus and/or ferry tickets and a number of related matters. All of the information relevant to the application had been provided to IPART under a section 22 notice of the IPART Act, which we had served on Transport for NSW in 2009. When Transport for NSW responded to IPART's notice it stated that the information was confidential and that "it must not be disclosed to any third party without the consent of NSWTI and it must not be published as part of any final report in a way which would identify individual operators or disclose their commercially sensitive information". IPART gave an assurance when we served the notice that we would not "use or publish information obtained...in any way which would identify individual operators or disclose their commercially sensitive information." Both State Transit Authority and Transport for NSW, who were consulted about the release of the information, advised that the information is still confidential and objected to its release. On the basis that the release of documents would reveal confidential provisions of a government contract, on 9 July 2012 IPART decided to refuse access to the documents.

On 14 February 2013, we received an application from a community action group for access to all written professional advice received by IPART, in relation to the Discount Factor or Discount Multiplier, during the course of its 2011 review of the method for determining rents for domestic waterfront tenancies in NSW. IPART identified 22 documents within the scope of the request and, on 21 March 2013, IPART granted full access to the documents sought.

On 22 April 2013, we received an application from a legal firm for access to information about the Cardinia dam hydro-electric power station in relation to

the Greenhouse Gas Reduction Scheme. IPART identified 33 documents within the scope of the request and on 21 May 2013 IPART granted access to all the documents sought (following redaction to delete references to other accredited projects in the documents).

As in the previous year, IPART received no requests for amendment or notation of personal records.

Request carried forward from the previous year

There was one request carried forward from the previous year (included above).

Review of information to be proactively released

Complying with section 7(3) of the GIPA Act, IPART has completed its review of its program for proactive release of government information held by IPART. IPART routinely publishes a significant amount of information on its website. To ensure that information that should be made available in the public interest is released, IPART's Right to Information Officer meets with the director of each section within IPART to review the information currently released and ascertain whether additional information can be released. As a result of this review, no additional documents were made publicly available. While this indicates that IPART's program for the release of government information is ensuring the appropriate government information is being made available, IPART's Right to Information Officer continues to monitor compliance with that program.

Total number of access applications refused on the basis of overriding public interest against disclosure

IPART refused one application in the 2012/13 reporting year (the application made on 12 June 2012).

Statistical information

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

Table B Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	-	-	-	-	-	-	-	-
Access applications (other than personal information applications)	2	-	1	-	-	-	-	-
Access applications that are partly personal information applications and partly other	-	-	-	-	-	-	-	-

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

Table C Invalid applications

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

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

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

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

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

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

Table F Timelines

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

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

	Decision varied	Decision upheld	Total
Internal review	-	-	-
Review by Information Commissioner	-	-	-
Internal review following recommendation under section 93 of the Act	-	-	-
Review by ADT	-	-	-
Total	-	-	0

Table H Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates	0

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm or deny whether information is held	Application withdrawn
Media	-	-	-	-	-	-	-	1
Members of Parliament	-	-	-	-	-	-	-	-
Private sector business	-	-	-	-	-	-	-	-
Not for profit organisations or community groups	-	-	-	-	-	-	-	-
Members of the public (application by legal representative)	-	-	-	-	-	-	-	-
Members of the public (other)	-	-	-	-	-	-	-	-
Number of applications by type of application and outcome								
Personal information applications								
Access applications (other than personal information applications)								
Access applications that are partly personal information applications and partly other								

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