



Independent Pricing and Regulatory Tribunal

Annual Report 2014-15

October 2015

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Letter of submission

Our reference: 15/400

30 October 2015

The Hon Michael Baird MP
Premier of New South Wales
52 Martin Place
Sydney NSW 2000

Dear Premier

Independent Pricing and Regulatory Tribunal - Annual Report 2014-15

As required by the *Annual Reports (Statutory Bodies) Act 1984*, I am pleased to submit the Independent Pricing and Regulatory Tribunal Annual Report for the year ending 30 June 2015.

Yours Sincerely



Hugo Harmstorf
Chief Executive Officer

Chairman foreword

IPART continues to make decisions and provide policy advice that directly affects both the cost and the quality of services essential to living and doing business in NSW. These have included reviews relating to water, energy and transport pricing, and local government charges, as well as the administration of water and energy licensing schemes and the NSW Energy Savings Scheme.

In the past year, we have broadened our approach in a number of important sectors, including local government, public transport and taxis. In local government, for instance, the Government asked us in April 2015 to assess proposals put forward by NSW Local Councils as to whether each Council is Fit for the Future. We provided a report to the Minister on 16 October 2015.

During 2014-15, we undertook a major review of the external benefits of the public transport network in metropolitan Sydney, and the Government has requested we review the level and structure of fares across all modes (trains, buses, ferries and light rail) for the Opal network. This is the first time we have reviewed all transport modes at the same time, and it opens up exciting opportunities to recommend a fare structure which can improve the integration and cohesion across the transport network.

Our review of taxi fares in Sydney, outer Metropolitan and Country areas was much broader in 2014-15 than in past years. The Government adopted our recommendation to review point-to-point transport in view of the increased competition for taxis from hire cars, ride sharing and other services, such as community and courtesy transport. Last year was the first year we held public forums in the outer metropolitan and country areas for our review of taxi fares. Similarly, for our annual review of fares for private ferries, we recommended fares for each route based on estimates of the cost of providing the service, rather than applying an index across the board as in the past.

We conducted a number of other reviews. Our review of the tow truck industry recommended new pricing and a number of changes to the regulatory framework. For the NSW Trustee and Guardian we made a number of recommendations aimed at improving the value of the services that it provides to its customers, including for the most vulnerable members of the community. Together with other special reviews we have provided the Government with a range of suggested reforms designed to benefit the NSW community well beyond 2014-15.

In December 2014, Ed Willett was appointed to the Tribunal for a 5-year term, replacing Paul Paterson who had resigned to take up a senior position with the Australian Government. Ed has experience as an economic regulator at the Australian Competition and Consumer Commission and the Australian Energy Regulator.

I would like to thank my fellow Tribunal members, Catherine Jones and Ed Willett, for their contribution to a very successful year for IPART. The Secretariat led by CEO Hugo Harmstorf has provided immense support to the Tribunal. Notwithstanding the very heavy workload, the Secretariat continued to provide work to the Tribunal which is analytically rigorous and of a very high standard; a testament to their commitment to good public policy in general and to IPART's work in particular. This high level of commitment of the Tribunal and Secretariat is an integral underpinning of IPART's capacity to continue to produce determinations, recommendations and reports of the highest quality.

I have very much enjoyed steering IPART through a busy year in 2014-15, and I look forward to what is shaping up to be a challenging and rewarding year ahead.

A handwritten signature in blue ink, appearing to read 'Peter J. Boxall'.

Peter J Boxall AO
Chairman

The Chief Executive Officer's report

We provided a valuable and substantial contribution to NSW in 2014-15. I am honoured to lead the Secretariat in delivering to our high standards and expanding workload, as highlighted by our Chairman in his foreword.

In 2014-15, we transitioned our senior executive services to the new *Government Sector Employment Act 2013*. I am pleased that we were one of the first agencies in NSW to complete the transition. While a number of valuable and long-serving members of the executive chose to depart as part of the transition, it also created the opportunity to reinvigorate the executive and set us up for a bright future.

As part of this transition, we reviewed and adjusted our structure. We have developed a fit-for-purpose structure that is agile, lean and responsive. The new structure and roles will ensure that we effectively and efficiently deliver our demanding work program.

We have some further organisational work to do. In transitioning our non-executive roles to new descriptions and reinvigorating our performance evaluation system we aim to have best practice systems and processes. We are also reviewing our internal support services functions, ensuring we continue to efficiently and effectively deliver high quality work. Collectively this work will ensure that we remain a high-performing organisation and that our staff have good career satisfaction and opportunities.

I remain impressed by the ability of both the Tribunal and Secretariat to consistently deliver our work to an exceptionally high standard. Our recent survey of stakeholders indicates that both the Tribunal and Secretariat are highly regarded. With respect to the Secretariat:

- ▼ 97% of respondents consider that our staff demonstrate a high level of professionalism
- ▼ 99% of respondents consider that our staff are courteous
- ▼ 100% of respondents consider that our staff conduct dealings with honesty and probity.

I would like to thank the Secretariat for their excellence and professionalism. I would also like to thank the Tribunal, and particularly the Chairman, for their guidance and leadership. I look forward to working together to meet our peak workload in 2015-16.



Hugo Harmstorf
Chief Executive Officer

Our organisation

Purpose and objectives

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

Strategic direction

To fulfil this purpose, over the next three years we will pursue four strategic directions:

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

Values

We have three key values:

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

Guiding principles

We have eight guiding principles:

- ▼ **Independence** – we are independent and impartial in our advice and decision making.
- ▼ **Transparency** – we make our processes visible and explain our decisions clearly and simply.
- ▼ **Professionalism** – we conduct ourselves with discipline according to high professional standards, and use resources effectively and efficiently.
- ▼ **Consistency** – we strive to provide a consistent regulatory environment.
- ▼ **Consultation** – we consult extensively and effectively with all stakeholders and consider their concerns and comments.
- ▼ **Balance** – we aim to deliver equitable outcomes by balancing the ongoing interests of the regulated entities, their customers and other stakeholders.
- ▼ **Innovation** – we explore new and better approaches and demonstrate intellectual leadership and innovation.
- ▼ **Practicality** – we aim to deliver pragmatic outcomes that can be achieved efficiently within the statutory framework.

Major stakeholders

Our major stakeholders are:

- ▼ **The consumers, taxpayers and citizens of NSW and their advocates** – our work directly affects consumers' cost of living and influences the quality of services they receive from the publicly owned utilities we regulate. It also influences the value taxpayers receive from the funds invested in these utilities and the provision of public transport services.
- ▼ **The businesses and industries we regulate and their advocates** – our work affects the financial viability and operating environment of the businesses and industries we regulate.
- ▼ **The NSW Government** – our work affects the ability of publicly owned utilities to pay dividends to the Government, and the revenue it receives from public transport fares. Our advice on economic and policy issues influences the productivity, effectiveness and efficiency of Government agencies and State Owned Corporations.

Who we are

We are the independent pricing regulator for water, public transport, local government, electricity and gas industries, as well as the licence administrator of water, electricity and gas and the scheme administrator and regulator for the Energy Savings Scheme. We also undertake reviews and investigations into a wide range of economic and policy issues and perform a number of other roles at the NSW Government's request.

What we do

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

- ▼ determine or recommend prices that can be charged for specific services, including certain water, retail gas, public transport and taxi services in NSW
- ▼ administer licensing or authorisation of water, electricity and gas businesses, and monitor compliance with licence conditions
- ▼ regulate private sector access to water and wastewater to encourage competition and re-use
- ▼ maintain a local government cost index, determine the maximum percentage increase in councils' general revenue (rate peg) and special rate variations, and review councils' development contributions plans
- ▼ conduct special reviews at the Government's request under Section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act) on issues such as pricing, efficiency, industry structure and competition
- ▼ register agreements for access to public infrastructure assets and arbitrate disputes about agreements for access to public infrastructure
- ▼ investigate complaints about competitive neutrality referred to us by the Government
- ▼ perform specific roles, including:
 - Scheme Administrator and Scheme Regulator for the Energy Savings Scheme and maintain the associated register of energy savings certificates
 - Market Monitor to review and report annually on the performance and competitiveness of the retail electricity market in NSW.

Resources

As at 30 June 2015 we have:


- ▼ 114 full-time equivalent employees
- ▼ \$26.8 million in grants from NSW Treasury and \$1.6 million in grants from Government Property NSW
- ▼ \$0.7 million revenue from special reviews.

2014-15 highlights

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

PRICE REGULATION

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



- 4.9m+** water users across NSW
- 3.3m** energy customers prices monitored or regulated
- 550m+** NSW public transport journeys
- 3m+** ratepayers across 152 councils

LICENSING AND COMPLIANCE

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

- 26** water licences covering 4.9m water users
- 3,404,774** electricity customers receiving energy via the three networks IPART regulates for safety and reliability
- 1.6m MWh** energy saved under the Energy Savings Scheme during 2014

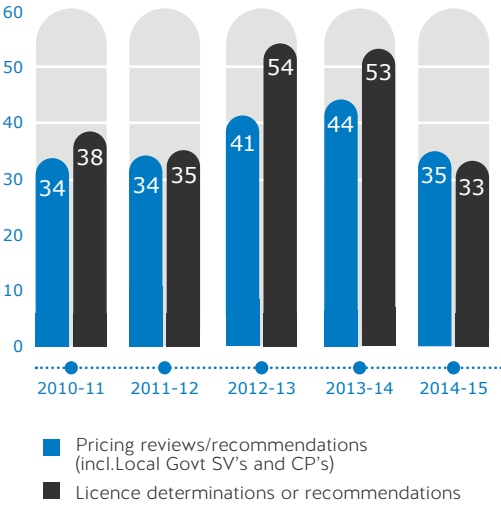
SPECIAL REVIEWS

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

- TAXIS
- RURAL ISSUES
- Regulation
- Health
- Infrastructure
- EDUCATION

REVIEWS AND LICENCES

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



2014-15 HIGHLIGHTS

ENHANCING NSW ECONOMY THROUGH HIGH-QUALITY DECISIONS

- 76** reports including 25 determinations and 14 final reports
- 6** special reviews undertaken at Government request
- 87%** stakeholders who agree Tribunal demonstrates leadership
- 8** submissions made by IPART to external reviews
- 0** legal challenges to IPART decisions

KEEPING REGULATED BUSINESS ACCOUNTABLE

- 63** licence and ACP application determinations
- 108** audits conducted
- 9** compliance reports
- 6** reporting manuals completed or updated
- 20** workshops held/guidelines published to facilitate compliance

MEETING STAKEHOLDER EXPECTATIONS

- 573** submissions received
- 13** consultations held (hearings and workshops)
- 58** price consultation papers released (44 fact sheets, 6 issues papers, 8 draft reports)
- 89%** stakeholders who agree or mostly agree IPART's reports are of high quality
- 14** final reports published

PROMOTING A THRIVING ORGANISATIONAL CULTURE

- 114** full-time equivalent employees
- 97%** who agree or mostly agree IPART staff demonstrate a high level of professionalism
- 54%** of senior executives are female
- Staff turnover trend over the past five years: 6% (2010-11), 10% (2011-12), 5% (2012-13), 8% (2013-14), 16% (2014-15)

Our performance against strategic directions

We are currently pursuing four strategic directions to ensure we effectively fulfil our purpose, which is to provide independent regulatory decisions and advice to protect and promote the ongoing interests of the consumers, taxpayers and citizens of NSW. These strategic directions are to:

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

Delivering regulatory leadership and high-quality decisions and advice

We continued to deliver regulatory leadership and high-quality decision making and advice. We did this across the areas that we regulate and, increasingly, we are being engaged by Government to provide advice on special reviews. Our stakeholder survey confirms that stakeholders across all our areas continue to hold IPART's leadership and decision making in high regard.

- ▼ 87% of respondents consider that Tribunal members demonstrate leadership in implementing their legislative responsibilities.¹
- ▼ 80% of respondents consider that IPART's decision-making processes are of high quality.²

¹ See Ipsos, *2015 Stakeholder Research - IPART - Final Report*, July 2015, p 9.

² See Ipsos, *2015 Stakeholder Research - IPART - Final Report*, July 2015, p 15.

Water prices

In 2014-15, we:

- ▼ Contributed to external reviews, such as to the Harper review of competition policy – particularly on matters related to potential reforms to urban water markets to enhance the potential for competition and efficiency gains.
- ▼ Conducted research and analysis and released position papers and fact sheets in preparation for upcoming water price reviews (including, for example, on our approach to finance leases and the regulation of discharge factors in water price determinations).
- ▼ Conducted a cost benefit analysis of proposed changes to Sydney Water Corporation's Operating Licence, as part of our five-year review of this licence.
- ▼ Commenced our review of the Water Administration Ministerial Corporation's (or the NSW Office of Water's)³ water management charges, for new charges to apply from 1 July 2016, with the release of our Issues Paper in June 2015.
- ▼ Commenced our reviews of water and (where applicable) wastewater charges for the following entities, for new prices to apply from 1 July 2016, with the receipt of their pricing proposals in June 2015:
 - Sydney Water Corporation (Sydney Water)
 - Hunter Water Corporation (Hunter Water)
 - WaterNSW Greater Sydney (formerly the Sydney Catchment Authority)
 - DPI Water (formerly the NSW Office of Water).

In early 2014-15, we were due to commence our reviews of the Water Administration Ministerial Corporation's water management charges and State Water's bulk water charges in its coastal (non Murray-Darling Basin) valleys, for new prices to take effect from 1 July 2015. However, at the request of each agency, we deferred these reviews by one year and two years, respectively.

We deferred these reviews to allow us to be better informed of the impact of planned bulk water reforms on each agency when setting prices, and to ensure that the next review of State Water's charges for the coastal valleys will be aligned with the review of its charges in the Murray-Darling Basin valleys.

³ The NSW Office of Water (which is now known as DPI Water) undertakes water management activities on behalf of the Water Administration Ministerial Corporation.

Energy pricing

In 2014-15, we reviewed regulated gas prices and solar feed-in tariffs, and became the market monitor for electricity prices. Specifically we:

- ▼ Made a draft finding that competition for residential and small business customers in the NSW retail electricity market is working effectively, and that a detailed review of retail prices and profit margins is not necessary. However, there are still opportunities to make the market work better for customers.
- ▼ Announced that regulated retail gas prices will decrease by an average 3.9% (including inflation) on 1 July 2015. The average change in regulated prices will vary – ranging from a decrease of 6.6% for AGL’s regulated customers to an increase of 4.2% for Origin Energy’s Albury/Murray Valley regulated customers. The main reason AGL’s average regulated price will decrease is that Jemena’s network prices in its supply area will decrease substantially in 2015-16.
- ▼ Commenced a review of the subsidy-free value to retailers of the electricity householders and small businesses with solar photovoltaic units (PV customers) that export to the grid. We are due to finalise this review in October 2015.

Transport pricing

In 2014-15, we undertook five pricing reviews covering a range of transport areas - taxi fares and licence numbers for Sydney and rural and regional areas, tow truck industry, seven private ferry operators, valuing the external benefits for all modes of public transport (rail, bus, ferry and light rail) and we also commenced a review of public transport fares. Specifically we:

- ▼ Recommended that for the 2015-16 year Sydney taxi fares be frozen (in nominal terms) combined with maintaining the stock of taxi licences. We also recommended a review of the regulations for all point-to-point transport. We welcome the Government decision to commission such a review.
- ▼ Recommended that maximum taxi fares be frozen in nominal terms in all areas outside Sydney during 2015-16.
- ▼ Recommended that Government reform taxi licensing arrangements outside Sydney to reduce barriers to entry to the taxi market and allow the market to better match the supply of taxis with the demand for their services.
- ▼ Identified a range of improvements to the current design of the tow truck licence scheme that are likely to reduce the burden on the industry while also improving outcomes.
- ▼ Identified a range of changes to the current administration of the tow truck licence scheme likely to improve the efficiency of the administration of the scheme, as well as improve the level of compliance in the industry.

- ▼ Reviewed our approach to estimating the external benefits of public transport. The purpose of that review was to develop new estimates that would feed into our next public transport fare review. In December 2014, we released a draft report on the external benefits of public transport. The draft report included a wider set of external benefits and costs associated with using public transport than we have previously included.
- ▼ Commenced our review of fares for all modes of public transport in Sydney and surrounds including issues relating to the structure of fares, such as whether:
 - there should be more integration of fares across the different modes of transport
 - fare structures should be used to encourage more efficient delivery and use of the public transport network
 - fare structures should be used to spread demand across different time periods.

Local government rates, developer contributions and reviews

We set the annual rate peg for 2015-16 at 2.4%. This reflects the price changes over the 2014-15 year for goods, materials and labour used by an average council.

In May 2015 we made 22 determinations on council applications for special variations to the rate peg, and two minimum rate determinations. These determinations came into effect for the 2015-16 financial year.

The approved increases ranged from 2.44% for one year to a cumulative 50.72% over four years. We approved three increases that occur over five years but these were for lower total amounts.

All councils that received approvals for their special variations demonstrated that:

- ▼ there is a need for the special variation
- ▼ there is evidence that the community is aware of the need for and extent of a rate increase
- ▼ the increase on rate payers is reasonable, having regard to both the current rate levels, existing rate payer base and the purpose of the proposed special variation
- ▼ the relevant Integrated Planning and Reporting documents have been exhibited
- ▼ the council had realised productivity improvements and cost containment strategies over the past few years.

We also completed reviews of three council developer contribution plans. Our recommendations included reductions in plan costs of over \$100 million for the three plans and ranged between 6% and 12% reductions in total costs. Our work in this area seeks to support the NSW Government's policy to improve the supply of new housing in Sydney.

In relation to the local government sector we also undertook several reviews under section 9 of the IPART Act. Specifically, we completed a review of the Fit for the Future criteria to be developed by the Office of Local Government and started work in relation to section 9 references to undertake:

- ▼ review of local councils' Fit for the Future proposals
- ▼ the review of reporting and compliance burdens on local government.

These additional reviews are key to the NSW Government's local government reform priorities to strengthen local communities and deliver more sustainable local government.

Other special reviews at the request of government

During 2014-15, we worked on several special reviews at the request of Government. These reviews included:

- ▼ Review of fees for the NSW Trustee and Guardian (March to November 2014)
- ▼ Review of Maximum Towing Fees - Light and Heavy Vehicles (March to December 2014)
- ▼ Annual update to net rates of return for domestic waterfront tenancies (March to April 2015)
- ▼ Landholder compensation for gas exploration and production (February to November 2015)
- ▼ Local Government Compliance and Enforcement (June 2012 to October 2014)
- ▼ Licence Rationale and Design (June 2012 to August 2015).

Submissions to external regulatory reviews

We make submissions to external reviews where the issues are within our bailiwick and we have a substantial contribution to make. In 2014-15, we made eight submissions to external reviews:

- ▼ Productivity Commission's Review into Natural Disaster Funding Arrangements – Draft Report – October 2014
- ▼ Australian Energy Market Commission Draft Rule Determination – Electricity Distribution Network Pricing Arrangements – October 2014
- ▼ Australian Government's Green Paper for an Energy White Paper – November 2014
- ▼ Competition Policy Review Panel (Harper Review) Draft Decision – November 2014
- ▼ Australian Energy Market Commission 2015 Retail Competition Review Consultation Paper – November 2014
- ▼ Environment Protection Authority Review of Sydney Water Corporation's Environmental Protection Licences – May 2015
- ▼ NSW Trade & Investment Review of the NSW Energy Savings Scheme – May 2015
- ▼ Australian Competition and Consumer Commission Review of the Water Charge Infrastructure Rules – June 2015.

Stakeholder feedback

Our most recent stakeholder survey asked key stakeholders for their views on the quality of the Tribunal member's leadership, and the quality and impartiality of our decisions.

Overall, nearly nine in 10 of the respondents considered that Tribunal members demonstrate leadership in implementing their legislative responsibilities.⁴ In addition, 95% considered that Tribunal members maintain their independence from government and regulated industries, and can be trusted in performing their roles and responsibilities.⁵ 72% considered that the Tribunal's decisions are practical and can be achieved without major operational difficulties.⁶

These results are consistent with the findings of previous stakeholder surveys.

⁴ See Ipsos, *2015 Stakeholder Research – IPART – Final Report*, July 2015, p 9.

⁵ See Ipsos, *2015 Stakeholder Research – IPART – Final Report*, July 2015, p 10.

⁶ See Ipsos, *2015 Stakeholder Research – IPART – Final Report*, July 2015, p 10.

Delivering regulatory leadership and high-quality decisions and advice – The year ahead

IPART has a challenging year ahead, with major reviews occurring across our water, energy transport and local government areas.

In water, we are reviewing the prices for Sydney Water, Hunter Water, WaterNSW (Sydney Catchment Authority) and DPI Water (NSW Office of Water). We will complete these reviews in the first half of 2016, with prices to take effect from 1 July 2016. We will also prepare for reviews that will be undertaken in 2016-17 for Sydney Desalination Plant, Gosford and Wyong Councils and WaterNSW rural areas (formerly State Water).

For the first time we are considering integrated public transport fares across the Opal system. This means that we will set prices for trains, buses, ferries and light rail (and combinations) for Opal journeys. We will continue to recommend fares and licence numbers for taxis, both within the metro areas and in rural and regional areas.

We are assessing the competitiveness of the retail electricity market in NSW for the first time since prices were deregulated on 1 July 2014. We are also setting the retailer contribution to the costs of the NSW Solar Bonus Scheme for the last time before the scheme ends in December 2016. However, we will continue to publish a benchmark rate for solar feed in tariffs.

In the local government area, we are assessing whether councils in NSW are Fit for the Future, as part of the Government's local government reforms. We will provide our assessments in October 2015. We will also continue our rate pegging, special variation and development contribution functions.

We are undertaking several special reviews for Government, including benchmark compensation rates for coal seam gas development and a review of the reporting and compliance burden on local government. Additionally, we expect to undertake further special reviews at the request of the Premier.

Keeping regulated businesses accountable

To keep regulated businesses accountable in accordance with their regulatory requirements, we undertake monitoring and risk-based auditing of their compliance with their licence conditions or regulatory requirements.

Energy licencing

We have a role in the licensing and compliance of electricity distribution supplier networks and gas reticulators. We make recommendations to the Minister for Resources and Energy on the granting, variation, cancellation and conditions of licences, and we monitor and enforce licence compliance.

During 2014-15, we monitored the compliance of energy network businesses operating in NSW with their licences, and provided our annual compliance report to the Minister for Resources and Energy. Specifically we:

- ▼ Administered six operating licences for government electricity utilities and seven licences for gas reticulators (one of which was cancelled in February 2015).
- ▼ Audited the compliance of the three licensed distribution network services providers in NSW, Ausgrid, Endeavour Energy, and Essential Energy, against their operating licences.
- ▼ Provided our annual report on compliance performance to the Minister for Resources and Energy.
- ▼ Updated our Auditing Guidelines.

In June 2015, we became NSW's independent electricity network safety and technical regulator. In this role we strives to ensure safe and reliable supply of electricity for the benefit of the NSW community (including employees of the network operators) and the environment.

Water licencing

In 2014-15, we administered operating licences for government and private water utilities, we conducted an end of term review of the Sydney Water Corporation operating licence and undertook assessments of licence applications under the *Water Industry Competition Act 2006* (WIC Act). Specifically we:

- ▼ Administered four operating licences for government water utilities, two for WaterNSW,⁷ one for Sydney Water Corporation and one for Hunter Water Corporation. These licences protect consumers, ensure service quality and reliability of supply, and assess the impact of the utility on the environment.
- ▼ Audited the compliance of Sydney Water Corporation, Hunter Water Corporation, State Water Corporation and the Sydney Catchment Authority against their operating licences.
- ▼ Completed an end of term review of Sydney Water Corporation's operating licence. We consulted interested stakeholders extensively and undertook a cost benefit analysis of our recommended changes. We made our recommendations to the Minister in May 2015.
- ▼ Provided our Annual Compliance report to the Minister on licence compliance under the WIC Act. Overall, we found licences operated satisfactorily with a high level of compliance.

⁷ WaterNSW was formed on 1 January 2015 with the merger of State Water Corporation and the Sydney Catchment Authority.

- ▼ Recommended that the Minister cancel one WIC Act retail supplier's licence at the request of the Licensee (Pitt Town Water Factory Pty Ltd, licence no. 10_015R). The Minister subsequently cancelled the licence on 15 December 2014.
- ▼ Administered 15 network operator's licences under the WIC Act, of which 12 are in commercial operation. Three network operator's licences commenced commercial operation in 2014-15.
- ▼ Completed nine compliance audits of network operator's licences.
- ▼ Administered eight retail supplier's licences under the WIC Act, of which seven deliver retail services.
- ▼ Completed the assessment of two licence applications, and two variation applications, from private water utilities for licences under the WIC Act, which were subsequently granted by the Minister.
- ▼ Continued and commenced assessment of WIC Act licence and variation applications. As at 30 June 2015, we were assessing 18 applications.
- ▼ Commenced the five-yearly reviews of two network operator's licences and three retail supplier's licences.
- ▼ Contributed to the ongoing development of the framework to support the *Water Industry Competition Amendment (Review) Act 2014* (Amendment Act) which we understand will come into force in mid-2016. We met regularly with the Metropolitan Water Directorate (the agency responsible for the development of the Act).
- ▼ Commenced the development of our approach and processes for assessment and compliance under the Amendment Act. Until the Amendment Act comes into force, the current licensing arrangements will continue.

Energy Savings Scheme administration and regulation

In our roles as Scheme Regulator and Scheme Administrator for the Energy Savings Scheme (ESS), we aim to protect the integrity of the scheme and the interests of electricity consumers by:

- ▼ ensuring that the energy savings target is met each calendar year
- ▼ monitoring and managing participants' compliance with legislative requirements and conditions of accreditation
- ▼ ensuring that the Energy Saving Certificates created represent genuine energy savings
- ▼ monitoring, and where possible reducing, the costs of participation in the scheme (as some costs are ultimately borne by consumers through the retail price of electricity).

We conducted a number of activities during 2014-15 to improve our administration of the scheme. Our key compliance guidance document, the Compliance Performance and Monitoring Strategy (CPMS), was reviewed to incorporate the lessons learned over recent years. We updated documentation to assist participants to comply with the amended ESS Rule. We launched the ESS Portal to better manage our processes and improve how stakeholders interact with us. We also contributed to the review of the administration being conducted by Trade and Investment.

Key points for the Scheme Administration for 2014-15 include:

- ▼ we approved 69 amendments to accreditations
- ▼ we cancelled 20 accreditations due to the Accredited Certificate Providers (ACPs) withdrawing, and one accreditation because they were unable to provide sufficient evidence to support the energy savings claimed
- ▼ our audit services panel undertook 47 audits, covering 39 accreditations
- ▼ we accepted 1,869 emerging lighting technologies for use in the scheme, including accepting 707 products approved under the Victorian Energy Efficiency Target (VEET) scheme
- ▼ we held 14 online workshops, including two in-person consultation forums (held quarterly) with 174 external participants across all sessions
- ▼ the certificate surplus remains high at over 3.5 million certificates as at 30 June 2015.

Overall, the ESS's performance continues to be good. Key points from our Annual Report for the 2014 calendar year include:

- ▼ the energy savings target was met and compliance by Scheme Participants was very high
- ▼ ACPs created 3.2 million energy savings certificates during 2014 and, although non-compliance events increased, largely due to our improved systems, compliance performance was high
- ▼ just 1.5% of the certificates created during the year were invalidly created, and of these, only 0.19% were not surrendered by the ACP involved and we subsequently cancelled its accreditation
- ▼ when forward creation of certificates and deeming of energy savings is taken into account, we estimate that the actual energy savings realised was 1.6 million MWh during 2014
- ▼ average application processing times reduced to 72 days, down from 103 in 2013 and 125 in 2012
- ▼ the certificate spot price was increasing from the historic low level in mid-2014
- ▼ amendments to the ESS Rule during 2014 expand the scope of the scheme and made the ESS more complex and resource intensive to administer.

Keeping regulated businesses accountable – The year ahead

In our energy licensing and compliance we plan to:

- ▼ continue to undertake reliability audits of electricity distribution network service providers.

As NSW's independent electricity network safety and technical regulator, we plan to:

- ▼ develop our compliance processes to enable us to undertake our new function to ensure an effective and efficient compliance culture within NSW electricity network operators by monitoring the safe and reliable supply of electricity within NSW.

In our water licensing and compliance role we plan to:

- ▼ develop our approach and processes for assessment and compliance under the Amendment Act
- ▼ commence our end of term review of the Hunter Water Corporation Operating Licence
- ▼ commence our review of the WaterNSW Operating Licence (currently WaterNSW operates under two licences, the Sydney Catchment Authority Operating Licence and the State Water Corporation Operating Licence)
- ▼ continue to assess licence and variation applications, and to monitor compliance of Licensees, under the WIC Act.

For our administration of the ESS we plan to:

- ▼ review our CPMS again in 2016 to ensure that the way we monitor and manage compliance is effective and efficient
 - ▼ review the costs of participation in the ESS.
-

Meeting stakeholder expectations

Public consultation is an important part of our process for conducting reviews and making decisions. We aim to engage with stakeholders effectively so they can choose to be involved in our reviews. We ensure our communications provide stakeholders with easy access to the information they need in a form they can understand. We consider all stakeholder submissions and comments impartially and thoroughly to ensure that we made well considered, balanced and reasoned decisions.

We aim to meet stakeholder expectations through extensive consultations and the delivery of impartial, transparent and balanced determinations. Key outputs for 2014-15 include:

- ▼ 58 consultation papers released:
 - 44 Fact Sheets
 - 6 Issues Papers / Discussion Papers
 - 8 Draft Reports

- ▼ 12 consultation hearings and workshops
- ▼ 573 submissions received
- ▼ 14 Final Reports
- ▼ 84% of respondents in our stakeholder survey consider that our consultation processes are of high quality⁸
- ▼ 89% of respondents in our stakeholder survey consider that our reports are of high quality.⁹

Extensive consultation

Our most recent stakeholder survey found that 84% of respondents considered that our consultation processes are of a high quality. In addition, at least nine in 10 respondents considered that our processes are appropriately promoted, accessible and transparent. And, more than eight in 10 considered that our consultation processes are impartial – that is, we consider the full range of stakeholder views and all competing claims.¹⁰

Delivery of impartial, transparent and balanced determinations

We published 58 consultation papers to explain our decisions to stakeholders, and make our approach and rationale for making these decisions transparent.

In most recent stakeholder survey, 80% of respondents considered that overall, our decision-making processes were of high quality. Almost 90% agreed that these processes were independent – that is that we analyse competing claims without undue influence from vested interests. Almost 80% considered that our processes were fair – that we give due weight to competing claims to reach a balanced outcome.¹¹

In addition, 89% considered that overall, our reports were of a high quality and that our reports are, transparent (92%), credible (91%) and easy to read and understand (92%).¹²

⁸ See Ipsos, *2015 Stakeholder Research – IPART – Final Report*, July 2015, p 12.

⁹ See Ipsos, *2015 Stakeholder Research – IPART – Final Report*, July 2015, p 18.

¹⁰ See Ipsos, *2015 Stakeholder Research – IPART – Final Report*, July 2015, pp 12-13.

¹¹ See Ipsos, *2015 Stakeholder Research – IPART – Final Report*, July 2015, p 15.

¹² See Ipsos, *2015 Stakeholder Research – IPART – Final Report*, July 2015, p 18.

In qualitative comments and follow-up interviews, some respondents expressed mixed views about the transparency of our decision-making processes. While some felt these processes were well-communicated, others were concerned that the rationale for our decisions and recommendations was not always sufficiently clear.¹³ Mixed feelings were also expressed on the simplicity of our reports. Some respondents felt that our reports were too dense or technical and therefore not accessible to all stakeholders (especially those representing the broader community). However, others put the view that the subject matter we deal with is intrinsically 'heavy', and that our greater use of fact sheets and infographics is helping to improve accessibility for the broader community.¹⁴

Promoting a thriving culture

As we continue to grow beyond 130 staff, a clear and strong culture becomes even more important to ensure the successful habits that create our high quality work continue. This will include our staff continuing to live our values and guiding principles, ensuring we have clear expectations for our staff that support mobility (through role descriptions), and enhancing our performance management system to include an even greater focus on staff development.

We aim to promote a thriving culture, be an employer of choice, and deliver a well-run organisation where highly professional and capable staff can perform, learn and enjoy.

Employer of choice

We have enjoyed high staff retention rates for many years. The offer of voluntary redundancies during the senior executive restructure this year did contribute to the departure of some senior executives, however, the overall staff retention rate for the year was still high at 85%.

Greater staff mobility was one of the key principles behind our new organisation structure, and throughout the year we saw 16% of our staff have internal transfers and a further 5% were on secondments with other government agencies.

We have long been known for our flexible working practices, which has been very successful in retaining many high performing female employees. We employ 137 staff – 74 (54%) are female, and of those 17 are senior executives

¹³ See Ipsos, *2015 Stakeholder Research – IPART – Final Report*, July 2015, p 16.

¹⁴ See Ipsos, *2015 Stakeholder Research – IPART – Final Report*, July 2015, p 19.

Well-run organisation where highly professional staff can perform, learn and enjoy

Our most recent stakeholder survey found that 97% of respondents consider that our staff demonstrates a high level of professionalism. All or almost all consider that in dealing with their organisation, our staff conduct themselves with honesty and probity (100%) and are courteous (99%). More than nine in 10 consider that our staff conduct themselves with diligence and efficiency (91%) and are competent to fully analyse industry, economic, financial and legal regulatory issues (91%).¹⁵

In supporting the continual growth and development of our employees, we make many investments in staff training and support the ongoing education of our employees. On average, we invested approximately \$1,600 per employee in training and development courses.

¹⁵ See Ipsos, *2015 Stakeholder Research – IPART – Final Report*, July 2015, p 20.

Our leadership structure and people

Our organisation is led by a Tribunal whose members are appointed by the Premier, and supported by a Secretariat providing analysis, research, advisory and administrative services.

In 2014-15, we restructured the Secretariat to create a fit-for-purpose, lean and responsive executive structure, and more flexible staff structure. We consider the new structure will ensure we are able to effectively and efficiently deliver our demanding work program over the next five years and beyond, as well meet our strategic and corporate objectives.

The Tribunal

The Tribunal comprises three permanent members: a Part Time Chairman and two Part Time Tribunal Members. The Premier may appoint any number of additional temporary members, and appointed Mr John Comrie in April 2015.

The Chairman and Tribunal Members are appointed for terms of up to five years on the basis of their knowledge and understanding of economics, the interests of consumers, and the interests of suppliers of services (including the Government).



Dr Peter J Boxall AO

Chairman

B Econ (Hons), M Econ, PhD

Peter Boxall joined the Tribunal after a distinguished career in the Australian public sector, where he made a recognised contribution to economic and financial policy development and reform in the areas of accrual budgeting, taxation, and workplace relations. Previously, Peter was a Commissioner at the Australian Securities and Investments Commission for three years. He also held senior executive positions in the Australian Government, including Secretary of the Department of Resources, Energy and Tourism, Secretary of the Department of Employment and Workplace Relations, and Secretary of Finance and Administration. Peter was appointed to the Tribunal from 23 November 2011 for a term of five years.



Ms Catherine Jones

Part Time Member

BE (Mech)(Hons), MBA (Executive)

Catherine Jones brings extensive experience in the private sector, particularly in the areas of project management, and commercial and risk management. Catherine was appointed to the Tribunal from 24 March 2014 for a term of four years.



Mr Ed Willett

Part Time Member

BEc, LLB, Dip. Int. Law

Ed Willett has 25 years' experience in competition policy and economic regulation, with a particular focus on the economic regulation of utility services. He was a commissioner at the Australian Competition and Consumer Commission until 2013 and an inaugural member of the Australian Energy Regulator in 2005. Ed was appointed to the Tribunal from 8 December 2014 for a term of five years.

Temporary members

There was one temporary member for 2014-15, Mr John Comrie (*B.Ec, Grad Dip Bus Admin, FCPA*). John has had 32 years' involvement in local government. He is a former head of the South Australian Government's Office for State/Local Government Relations and prior to that the Local Government Association of South Australia. John was appointed to the Tribunal in April 2015 for the Fit for the Future review.

Delegated powers

As is allowed under the IPART Act, the Tribunal delegates some of its functions to support its efficient and timely operation, and allow its members to focus on the more important or complex issues at its meetings.

During 2014-15, the Tribunal delegated certain administrative functions to the CEO to enable him to make decisions on more routine matters. The terms of this delegation were wide ranging and allowed the delegate, for example, to exercise the pricing and industry functions of the Tribunal except for the function of making a determination or issuing a report to the Minister.

Similarly, the Tribunal delegated its responsibilities regarding the administration of the Energy Savings Scheme to a separate committee under the *Electricity Supply Act 1995*. The Minister for Resources and Energy approved this delegation. Formal instruments of delegation were approved by the Tribunal. The committee met 11 times in 2014-15.

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 comprised Ms Catherine Jones (Chair), Mr Matthew Edgerton and Mr Stuart McDonald, and met 11 times in 2014-15. Formal instruments of delegation were approved by the Tribunal.

The Secretariat

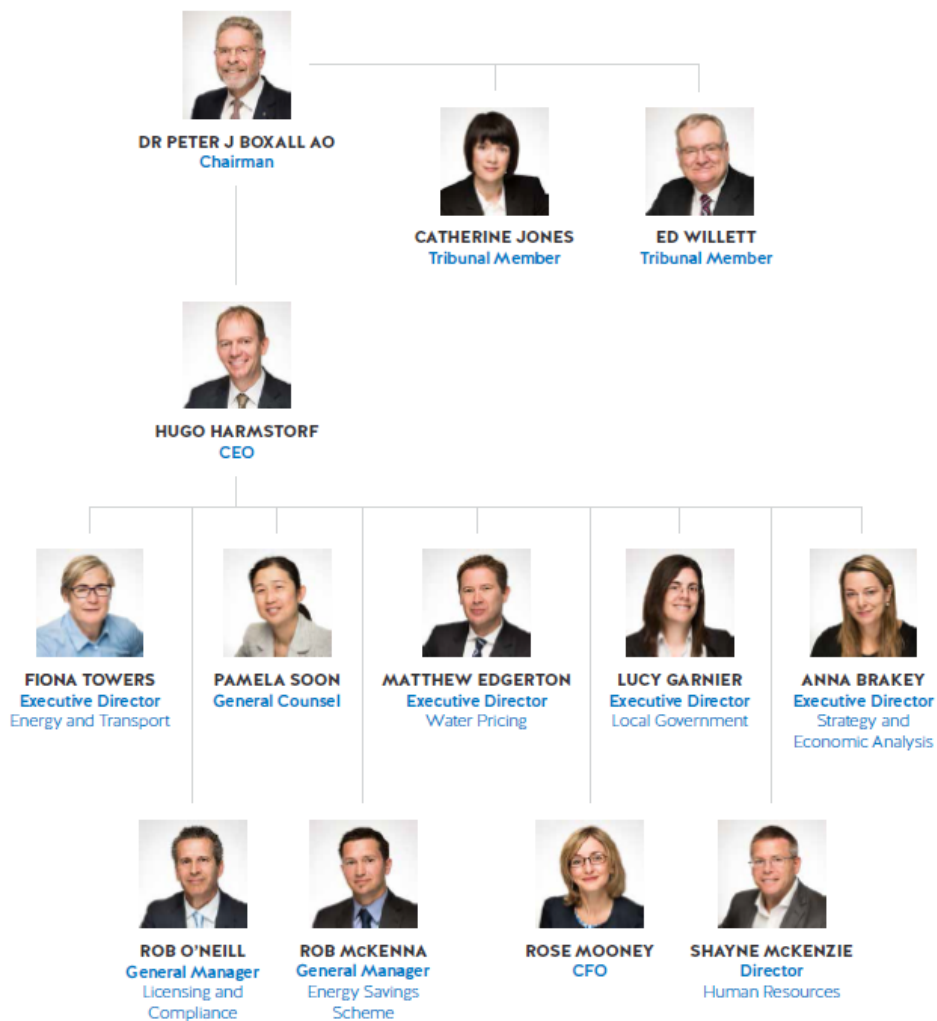
The Secretariat assists the Tribunal and its delegated committees by providing research and advisory services, and supporting investigations and public processes. The Secretariat includes:

- ▼ **The Chief Executive Officer** who manages nine executive staff, and is responsible for the Tribunal's professional output and overall operations. The CEO is accountable for the quality of this professional output, and for the general conduct and effective, efficient and economical management of our functions and activities. The CEO attends Tribunal meetings to provide input to the Tribunal's decision-making process and to ensure teams have the best possible information to conduct reviews effectively.
- ▼ **A team of nine senior executives** who form the Core Executive, responsible for delivering high-quality, accurate, timely and clear advice that the Tribunal relies on in decision making. These executives lead our teams of professional, legal and support services staff, or provide specialised technical advice aimed at maintaining our high standards and ensuring we are at the frontier of economic regulation and scheme administration.
- ▼ **Professional/Analytical staff** who work in industry-based teams, undertaking research, investigation and analysis to provide professional advice to the Tribunal members. Many are economists and financial/accounting analysts, while some have engineering, planning and financial modelling capabilities.
- ▼ **Legal staff** who provide advice on the legal issues that arise in carrying out our functions.

- ▼ **Support services staff** who provide information technology, general administrative, and personnel support to the operational areas, and manage our processes, including the public registry, submissions, and the preparation and publication of reports and our website.

In addition, for many of our reviews, we commission consultants to undertake additional research and provide the Tribunal with the highest quality advice on complex topics.

IPART Organisation chart



Financial reports



INDEPENDENT AUDITOR'S REPORT

Independent Pricing and Regulatory Tribunal Staff Agency

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Independent Pricing and Regulatory Tribunal Staff Agency (the Agency), which comprise the statement of financial position as at 30 June 2015, 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 Agency as at 30 June 2015, 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* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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 preparing 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 is necessary to enable the preparation of financial statements that give a true and fair view and 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 an 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 Agency
- that it carried out its activities effectively, efficiently and economically
- about the effectiveness of the 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

22 September 2015
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 2015*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies and Treasurer's Directions;
- b) the financial report exhibits a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal Division of New South Wales as at 30 June 2015 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.



Hugo Harmstorf
Chief Executive Officer

21 September 2015

**Independent Pricing and Regulatory Tribunal
Staff Agency**

**Financial Statements
for the year ended 30 June 2015**

Independent Pricing and Regulatory Tribunal Staff Agency
Statement of comprehensive income
for the year ended 30 June 2015

	Notes	Actual 2015 \$'000	Actual 2014 \$'000
Expenses excluding losses			
Employee related expenses	2	<u>19,496</u>	<u>18,261</u>
Total Expenses excluding losses		<u>19,496</u>	<u>18,261</u>
Revenue			
Personnel services revenue	3(a)	18,545	17,441
Acceptance by the Crown Entity of employee benefit and other liabilities	3(b)	<u>951</u>	<u>820</u>
Total Revenue		<u>19,496</u>	<u>18,261</u>
Net result		<u>-</u>	<u>-</u>
Other comprehensive income			
Total other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

Independent Pricing and Regulatory Tribunal Staff Agency
Statement of financial position
as at 30 June 2015

	Notes	Actual 2015 \$'000	Actual 2014 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	100	56
Receivables	5	<u>2,744</u>	<u>2,550</u>
Total Current Assets		<u>2,844</u>	<u>2,606</u>
Total Assets		<u>2,844</u>	<u>2,606</u>
LIABILITIES			
Current Liabilities			
Payables	6	678	421
Provisions	7	<u>1,904</u>	<u>1,953</u>
Total Current Liabilities		<u>2,582</u>	<u>2,374</u>
Non-Current Liabilities			
Provisions	7	<u>262</u>	<u>232</u>
Total Non-Current Liabilities		<u>262</u>	<u>232</u>
Total Liabilities		<u>2,844</u>	<u>2,606</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 Staff Agency
Statement of changes in equity
for the year ended 30 June 2015**

	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2014	-	-
Net result for the year	-	-
Total comprehensive income for the year	-	-
Balance at 30 June 2015	-	-
Balance at 1 July 2013	-	-
Net result for the year	-	-
Total comprehensive income for the year	-	-
Balance at 30 June 2014	-	-

Independent Pricing and Regulatory Tribunal Staff Agency
Statement of cash flows
for the year ended 30 June 2015

	Actual	Actual
	2015	2014
Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Employee related	<u>(18,307)</u>	<u>(17,374)</u>
Total Payments	<u>(18,307)</u>	<u>(17,374)</u>
Receipts		
Personnel services	<u>18,351</u>	<u>17,367</u>
Total Receipts	<u>18,351</u>	<u>17,367</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	<u>44</u>
NET INCREASE/ (DECREASE) IN CASH	44	(7)
Opening cash and cash equivalents	<u>56</u>	<u>63</u>
CLOSING CASH AND CASH EQUIVALENTS	4	<u>100</u>

The accompanying notes form part of these financial statements.

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2015

1 Summary of Significant Accounting Policies

(a) Reporting entity

The Independent Pricing and Regulatory Tribunal Staff Agency (Staff Agency) is public service agency established under the Administrative Arrangements Order 2014 and is pursuant to Part 2 of Schedule 1 of the Government Sector Employment Act 2013 (formerly the IPART Division established under the former 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 15, 2-24 Rawson Place, Sydney 2000.

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

These financial statements for the year ended 30 June 2015 have been authorised for issue by the Chief Executive Officer on 18 September 2015.

(b) Basis of preparation

The Staff Agency'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 Public Finance and Audit Regulation 2015 and*
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities 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 Staff Agency'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

(i) 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.

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2015

1 Summary of Significant Accounting Policies (cont'd)

(f) *Liabilities*

(i) Payables

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

(ii) Employee benefits

(a) Salaries and wages, annual leave, sick leave and on-costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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.

(b) Long service leave and superannuation

The Staff Agency's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The entity 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 14/04) 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) Consequential on-costs

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

(iii) Other Provisions

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

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2015

1 Summary of Significant Accounting Policies (cont'd)

(f) Liabilities (cont'd)

(iii) Other Provisions (cont'd)

Any provisions for restructuring are recognised only when an entity has a detailed formal plan and the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

(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.

(h) Changes in accounting policy, including new or revised Australian Accounting Standards

i) Effective for the first time in 2014-15

The accounting policies applied in 2014 15 are consistent with those of the previous financial year except for the following standards adopted for the first time in 2014 15. The impact of these Standards in the period of initial application is not material.

- AASB 10 (NFP) Consolidated Financial Statements
- AASB 1031 Materiality
- AASB 1055 Budgetary Reporting
- AASB 2013-1 Amendments to AASB 1049 Relocation of Budgetary Reporting Requirements
- AASB 2013-8 Amendments to Australian Accounting Standards Australian Implementation Guidance for Not for Profit Entities Control and Structured Entities
- AASB 2013-9 Regarding the Conceptual Framework, Materiality and Financial Instruments (Part B)

i) Issued but not yet effective

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

The following new Australian Accounting Standards have not been applied and are not yet effective. The Treasury Circular TC15/03 mandates not to early adopt any of the new Accounting Standards and Interpretations.

- AASB 9, AASB 2013 9 (Part C), AASB 2014 1 (Part E), AASB 2014 7 and AASB 2014 8 Financial Instruments
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (operative 1 Jan 2018)
- AASB 2013-9 regarding the Conceptual Framework, Materiality and Financial Instruments (Part C operative 1 Jan 2015).
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation (operative 1 Jan 2016)
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012 2014 cycle (operative 1 Jan 2016)
- AASB 2015-2 regarding amendments to AASB 101 disclosure initiatives (operative 1 Jan 2016)
- AASB 2015-3 regarding materiality (operative 1 July 2016)

Management cannot assess and determine the impact of these new Standards and Interpretations to the Staff Agency's financial statements.

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2015

2 Expenses Excluding Losses

	2015	2014
	\$'000	\$'000
Employee related expenses		
Salaries and wages (including annual leave)	15,311	15,281
Superannuation - defined benefit plans	68	89
Superannuation - defined contribution plans	1,164	1,134
Long service leave	872	714
Workers compensation insurance	101	111
Payroll tax and fringe benefit tax	933	889
Redundancy Payments	1,028	-
On costs (annual leave and long service leave)	19	43
	19,496	18,261

3 Revenue

	2015	2014
	\$'000	\$'000
(a) Personnel services revenue		
Personnel services	18,545	17,441
	18,545	17,441

	2015	2014
	\$'000	\$'000
(b) Acceptance by the Crown Entity of employee benefit		
Superannuation - defined benefit	75	101
Long Service Leave	872	714
Payroll tax	4	5
	951	820

4 Current Assets - Cash and Cash Equivalents

	2015	2014
	\$'000	\$'000
Cash at bank and on hand	100	56
	100	56

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)	100	56
Closing cash and cash equivalents (per statement of cash flows)	100	56

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

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2015

5 Current Assets - Receivables

	2015 \$'000	2014 \$'000
Personnel services	<u>2,744</u>	<u>2,550</u>
	<u>2,744</u>	<u>2,550</u>

6 Current Liabilities - Payable

	2015 \$'000	2014 \$'000
Accrued salaries, wages and on-costs	578	365
Creditors	<u>100</u>	<u>56</u>
	<u>678</u>	<u>421</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 10.

7 Current / Non-Current Liabilities - Provisions

	2015 \$'000	2014 \$'000
Current		
Employee benefits and related on-costs		
Annual leave	1,476	1,545
Long service leave	46	41
Banked flex leave	144	126
Payroll tax	<u>238</u>	<u>241</u>
Total current provisions	<u>1,904</u>	<u>1,953</u>
Non-current		
Employee benefits and related on-costs		
Long service leave	<u>262</u>	<u>232</u>
Total non- current provisions	<u>262</u>	<u>232</u>
Aggregate employee benefits and related on-costs		
Provisions - current	1,904	1,953
Provisions - non-current	262	232
Accrued salaries, wages and on-costs (Note 6)	<u>578</u>	<u>365</u>
	<u>2,744</u>	<u>2,550</u>

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2015

Employee benefits expected to be settled within 12 months from the reporting date

Annual leave	<u>1,181</u>	<u>1,236</u>
	<u>1,181</u>	<u>1,236</u>

Employee benefits expected to be settled in more than 12 months from the reporting date

Annual leave	<u>295</u>	<u>309</u>
	<u>295</u>	<u>309</u>

8 Contingent Liabilities and Contingent Assets

The Staff Agency has no contingent liabilities and contingent assets as at 30 June 2015 (2014 Nil).

9 Reconciliation of Cash Flows from Operating Activities to Net Result

	2015 \$'000	2014 \$'000
Net cash used on operating activities	44	(7)
Decrease / (increase) in provisions	19	(27)
Increase / (decrease) in prepayments and other assets	194	74
Decrease / (increases) in creditors	<u>(257)</u>	<u>(40)</u>
Net result	<u>-</u>	<u>-</u>

Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2015

10 Financial Instruments

The Independent Pricing and Regulatory Tribunal Staff Agency's principal financial instruments are short term receivables and payables. These instruments expose the Staff Agency primarily to credit risk on short term receivables. The Staff Agency 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 2015 \$'000	Carrying Amount 2014 \$'000
Class:				
Cash and cash equivalents	4	N/A	100	56
Receivables ¹	5	Loans and receivables (at amortised cost)	2,744	2,550
Financial Liabilities	Note	Category	Carrying Amount 2015 \$'000	Carrying Amount 2014 \$'000
Class:				
Payables ²	6	Financial liabilities measured at amortised cost	678	421

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 Staff Agency, which are receivables. No collateral is held by the Staff Agency. The Staff Agency has not granted any financial guarantees.

Credit risk arises when there is the possibility of the Staff Agency's debtors defaulting on their contractual obligations, resulting in a financial loss to the Staff Agency. 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.

(c) Liquidity risk

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

**Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2015**

10 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 (2014 nil).

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

Maturity Analysis and interest rate exposure of financial liabilities

	Nominal Amount ¹	\$'000		Maturity Dates		
		Interest Rate Exposure		< 1 yr	1-5 yrs	> 5 yrs
		Non-interest bearing				
2015						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	578	578	578	-	-	-
Creditors	100	100	100	-	-	-
	<u>678</u>	<u>678</u>	<u>678</u>	<u>-</u>	<u>-</u>	<u>-</u>
2014						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	365	365	365	-	-	-
Creditors	56	56	56	-	-	-
	<u>421</u>	<u>421</u>	<u>421</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes:

- 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.

(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 Staff Agency 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 2014. The analysis assumes that all other variables remain constant.

**Independent Pricing and Regulatory Tribunal Staff Agency
Notes to the financial statements
for the year ended 30 June 2015**

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 Staff Agency's exposure to interest rate risk is set out below.

	Carrying Amount	Profit \$'000	- 1% Equity \$'000	Profit \$'000	+ 1% Equity \$'000
2015					
<i>Financial assets</i>					
Cash and cash equivalents	100	-	-	-	-
Receivables	2,744	-	-	-	-
Total	2,844	-	-	-	-
2014					
<i>Financial assets</i>					
Cash and cash equivalents	56	-	-	-	-
Receivables	2,550	-	-	-	-
Total	2,606	-	-	-	-

(d) Fair value measurement

Fair value compared to carrying amount

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

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 Independent Pricing and Regulatory Tribunal (the Tribunal), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the 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 entity 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 2015, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

The Members' Responsibility for the Financial Statements

The members of the Tribunal are responsible for preparing 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 of the Tribunal determine is necessary to enable the preparation of financial statements that give a true and fair view and 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 an 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 entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Members, 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 they have carried out their activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information, that 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 role by the possibility of losing clients or income.



A Oyetunji
Director, Financial Audit Services

22 September 2015
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 2015*, 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 2015 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.



Hugo Harmstorf
Chief Executive Officer

18 September 2015

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

**Financial Statements
for the year ended 30 June 2015**

**Independent Pricing and Regulatory Tribunal
Statement of comprehensive income
for the year ended 30 June 2015**

	Notes	Consolidated			Tribunal		
		Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
Expenses excluding losses							
Operating expenses							
Employee related	2(a)	19,496	18,928	18,261	-	-	-
Other operating expenses	2(b)	7,768	11,255	8,089	7,768	11,255	8,089
Personnel services		-	-	-	18,545	18,533	17,441
Depreciation and amortisation	2(c)	666	573	574	666	573	574
TOTAL EXPENSES EXCLUDING LOSSES		27,930	30,756	26,924	26,979	30,361	26,104
Revenue							
Recurrent appropriation	3(a)	26,594	26,597	23,742	26,594	26,597	23,742
Capital appropriation	3(a)	180	180	180	180	180	180
Sale of goods and services	3(b)	724	3,000	1,795	724	3,000	1,795
Investment revenue	3(c)	255	255	280	255	255	280
Grants and contributions	3(d)	1,582	-	-	1,582	-	-
Acceptance by the Crown							
Entity of employee benefits and other liabilities	3(e)	951	395	820	-	-	-
Other revenue	3(f)	455	221	682	455	221	682
Total Revenue		30,741	30,648	27,499	29,790	30,253	26,679
Gain / (loss) on disposal	4	(61)	-	-	(61)	-	-
Other gains/ (losses)	5	193	-	-	193	-	-
Net result		2,943	(108)	575	2,943	(108)	575
Other comprehensive income							
Total other comprehensive income		-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,943	(108)	575	2,943	(108)	575

The accompanying notes form part of these financial statements.

Independent Pricing and Regulatory Tribunal
Statement of financial position
as at 30 June 2015

	Notes	Consolidated		Tribunal			
		Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
ASSETS							
Current Assets							
Cash and cash equivalents	7	10,097	9,578	10,703	9,997	9,578	10,647
Receivables	8	180	996	813	180	996	813
Total Current Assets		10,277	10,574	11,516	10,177	10,574	11,460
Non-Current Assets							
Plant and Equipment	9	540	125	496	540	125	496
Leasehold Improvements	9	3,681	-	128	3,681	-	128
Total plant and equipment	9	4,221	125	624	4,221	125	624
Intangible assets	10	12	11	19	12	11	19
Total Non-Current Assets		4,233	136	643	4,233	136	643
Total Assets		14,510	10,710	12,159	14,410	10,710	12,103
LIABILITIES							
Current Liabilities							
Payables	11	1,424	2,077	2,088	1,324	2,077	2,032
Provisions	12	1,904	1,817	2,431	2,166	1,817	2,663
Other		-	300	-	-	300	-
Total Current liabilities		3,328	4,194	4,519	3,490	4,194	4,695
Non-Current Liabilities							
Provisions	12	831	432	232	569	432	-
Total Non-Current Liabilities		831	432	232	569	432	-
Total Liabilities		4,159	4,626	4,751	4,059	4,626	4,695
Net Assets		10,351	6,084	7,408	10,351	6,084	7,408
EQUITY							
Accumulated funds		10,351	6,084	7,408	10,351	6,084	7,408
Total Equity		10,351	6,084	7,408	10,351	6,084	7,408

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 2015**

Consolidated / Tribunal	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2014	7,408	7,408
Net result for the year	2,943	2,943
Total other comprehensive income	-	-
Total comprehensive income for the period	2,943	2,943
Balance at 30 June 2015	10,351	10,351

Consolidated / Tribunal	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2013	6,833	6,833
Net result for the year	575	575
Total other comprehensive income	-	-
Total comprehensive income for the year	575	575
Balance at 30 June 2014	7,408	7,408

Independent Pricing and Regulatory Tribunal
Statement of cash flows
for the year ended 30 June 2015

	Consolidated			Tribunal		
	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related	(18,307)	(18,603)	(17,374)	-	-	-
Personnel services	-	-	-	(18,351)	(18,603)	(17,367)
Other	(9,616)	(12,476)	(9,622)	(9,616)	(12,476)	(9,622)
Total Payments	(27,923)	(31,079)	(26,996)	(27,967)	(31,079)	(26,989)
Receipts						
Recurrent appropriation	26,594	26,597	23,742	26,594	26,597	23,742
Capital appropriation (excluding equity appropriations)	180	180	180	180	180	180
Sale of goods and services	1,956	3,000	2,876	1,956	3,000	2,876
Interest received	281	255	281	281	255	281
Grants and contributions	1,582	-	-	1,582	-	-
Cash transfers to the Consolidated Fund	-	-	(922)	-	-	(922)
Other	472	1,442	967	472	1,442	967
Total Receipts	31,065	31,474	27,124	31,065	31,474	27,124
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,142	395	128	3,098	395	135
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of plant and equipment	(3,748)	(180)	(195)	(3,748)	(180)	(195)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(3,748)	(180)	(195)	(3,748)	(180)	(195)
NET INCREASE / (DECREASE) IN CASH	(606)	215	(67)	(650)	215	(60)
Opening cash and cash equivalents	10,703	9,363	10,770	10,647	9,363	10,707
CLOSING CASH AND CASH EQUIVALENTS	10,097	9,578	10,703	9,997	9,578	10,647

The accompanying notes form part of these statements.

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

Consolidated / Tribunal	2015				2014			
	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	26,597	26,594	180	180	24,442	23,742	180	180
	26,597	26,594	180	180	24,442	23,742	180	180
OTHER APPROPRIATIONS / EXPENDITURE								
• Other (Carry Forward to 2014-15)	-	-	-	-	(700)	-	-	-
	-	-	-	-	(700)	-	-	-
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	26,597	26,594	180	180	23,742	23,742	180	180
Amount draw down against Appropriation		26,594		180		23,742		180
Liability to Consolidated Fund*				-		-		-

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".

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 Staff Agency (Staff Agency). The Staff Agency is a public service agency established under the Administrative Arrangements Order 2014 and is pursuant to Part 2 of Schedule 1 of the Government Sector Employment Act 2013 (formerly the IPART Division established under the former Public Sector Employment and Management Act 2002). All employee provisions are now held within the Staff Agency, and are shown in the consolidated section of these statements.

In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

These financial statements for the year ended 30 June 2015 have been authorised for issue by the Chief Executive Officer on 18 September 2015.

(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 Public Finance and Audit Regulation 2015 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.

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)

(i) Acquisitions of 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 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 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement and AASB 116 Property, Plant and Equipment.

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. The entity has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(iv) Impairment of plant and equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

(v) Impairment of financial assets

All financial assets are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

(vi) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the agency transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where the entity has not transferred substantially all the risks and rewards, if the entity has not retained control.

1 Summary of Significant Accounting Policies (cont'd)

(h) Assets (cont'd)

(vii) Depreciation of 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	2015 % Rate
Intangible Asset	
Computer software	25
Registry software	20
Plant & Equipment	
Office furniture and fittings	10
Computer equipment and hardware acquired before 29 June 2012	33
Computer equipment and hardware acquired after 29 June 2012	25
General plant and equipment	14
Leasehold improvements – depreciated over the period of the lease	

(viii) 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.

(ix) 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.

(x) 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.

(xi) 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.

1 Summary of Significant Accounting Policies (cont'd)

(h) Assets (cont'd)

(xi) Intangible assets (cont'd)

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.

(xii) Other assets

Other assets are recognised on a historic cost basis.

(xiii) 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 Staff Agency. The Tribunal recognises personnel services expenses and provisions for these benefits.

(a) Salaries and wages, annual leave, sick leave and on-costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Tribunal has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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.

(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".

1 Summary of Significant Accounting Policies (cont'd)

(i) Liabilities (cont'd)

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

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 14/04) 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) Consequential on-costs

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

(iii) 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.

Any provisions for restructuring are recognised only when an entity has a detailed formal plan and the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

(j) Fair value hierarchy

Fair value hierarchy disclosure under AASB 13 Fair Value Measurement, is not required as the Tribunal's assets are non-specialised assets with short useful lives and measured at depreciated historical cost as an approximation of fair value.

(k) Equity

Accumulated Funds

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

(l) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements is explained in Note 15.

(m) 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)

(n) Changes in accounting policy, including new or revised Australian Accounting Standards

i) Effective for the first time in 2014-15

The accounting policies applied in 2014-15 are consistent with those of the previous financial year. The impact of these Standards in the period of initial application is not material.

- AASB 10 (NFP) Consolidated Financial Statements
- AASB 1031 Materiality
- AASB 1055 Budgetary Reporting
- AASB 2013-1 Amendments to AASB 1049 Relocation of Budgetary Reporting Requirements
- AASB 2013-8 Amendments to Australian Accounting Standards Australian Implementation Guidance for Not for Profit Entities Control and Structured Entities
- AASB 2013-9 Regarding the Conceptual Framework, Materiality and Financial Instruments (Part B)

i) Issued but not yet effective

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

The following new Australian Accounting Standards have not been applied and are not yet effective. The Treasury Circular TC15/03 mandates not to early adopt any of the new Accounting Standards and Interpretations.

- AASB 9, AASB 2013 9 (Part C), AASB 2014 1 (Part E), AASB 2014 7 and AASB 2014 8 Financial Instruments
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (operative 1 Jan 2018)
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation (operative 1 Jan 2016)
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012 2014 cycle (operative 1 Jan 2016)
- AASB 2015-2 regarding amendments to AASB 101 disclosure initiatives (operative 1 Jan 2016)
- AASB 2015-3 regarding materiality (operative 1 July 2016)

Management have undertaken an initial assessment to determine the impact of these new Standards and Interpretations to the Tribunal's financial statements.

2 Expenses Excluding Losses

	Consolidated		Tribunal	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(a) Personnel services				
Salaries and wages (including annual leave)	15,311	15,281	-	-
Superannuation - defined benefit plans	68	89	-	-
Superannuation - defined contribution plans	1,164	1,134	-	-
Long service leave	872	714	-	-
Workers compensation insurance	101	111	-	-
Payroll tax and fringe benefit tax	933	889	-	-
Redundancy Payments	1,028	-	-	-
On costs - annual leave and long service leave	19	43	-	-
	19,496	18,261	-	-

The redundancy costs of \$1,028K in 2015 were incurred as a direct result of implementing the Government Sector Employment Act 2013.

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2015**

2 Expenses Excluding Losses (cont'd)

	Consolidated		Tribunal	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(b) Other operating expenses include the following:				
Advertising	83	61	83	61
Auditor's remuneration - audit of the financial statements	38	37	38	37
Cleaning and outgoings	270	204	270	204
Consultancies	1,547	2,330	1,547	2,330
Contractors	2,048	1,293	2,048	1,293
Insurance	24	14	24	14
Internal audit fees	119	61	119	61
Legal costs	467	373	467	373
Operating lease rental expense - minimum lease payments	1,101	1,312	1,101	1,312
Travel	85	73	85	73
Other expenses	783	995	783	995
Corporate services	481	469	481	469
Electronic Data Processing expenses	704	847	704	847
Maintenance expenses	18	20	18	20
	<u>7,768</u>	<u>8,089</u>	<u>7,768</u>	<u>8,089</u>
<i>* Reconciliation - Total maintenance</i>				
Maintenance expense - other (non-employee related), as above	18	20	18	20
Total maintenance expenses included in Note 2(a) + 2(b)	<u>18</u>	<u>20</u>	<u>18</u>	<u>20</u>

	Consolidated		Tribunal	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(c) Depreciation and amortisation expense				
Depreciation:				
Plant and Equipment	209	184	209	184
Leasehold Improvements	447	379	447	379
Total Depreciation	<u>656</u>	<u>563</u>	<u>656</u>	<u>563</u>
Amortisation				
Intangibles	10	11	10	11
Total Amortisation	<u>666</u>	<u>574</u>	<u>666</u>	<u>574</u>

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2015

3 Revenue

	Consolidated		Tribunal	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
(a) Appropriations				
Recurrent appropriation				
Total recurrent drawdowns from NSW Treasury (per Summary of compliance)	<u>26,594</u>	<u>23,742</u>	<u>26,594</u>	<u>23,742</u>
	26,594	23,742	26,594	23,742
Comprising:				
Recurrent appropriation (per Statement of comprehensive income)	<u>26,594</u>	<u>23,742</u>	<u>26,594</u>	<u>23,742</u>
	26,594	23,742	26,594	23,742
Capital appropriation				
Total capital drawdowns from NSW Treasury (per Summary of compliance)	<u>180</u>	<u>180</u>	<u>180</u>	<u>180</u>
	180	180	180	180
Comprising:				
Capital appropriation (per Statement of comprehensive income)	<u>180</u>	<u>180</u>	<u>180</u>	<u>180</u>
	180	180	180	180
	Consolidated		Tribunal	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
(b) Sale of goods and services				
Rendering of services (reimbursement of both external consultancies and in - house costs)	<u>724</u>	<u>1,795</u>	<u>724</u>	<u>1,795</u>
	724	1,795	724	1,795

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
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3 Revenue (cont'd)

	Consolidated		Tribunal	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
(c) Investment revenue				
Interest revenue from financial assets not at fair value through profit or loss	255	280	255	280
	255	280	255	280

	Consolidated		Tribunal	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
(d) Grants and contributions				
Grants and contributions	1,582	-	1,582	-
	1,582	-	1,582	-

	Consolidated		Tribunal	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
(e) Acceptance by the Crown Entity of employee benefits				
Superannuation	75	101	-	-
Long Service Leave	872	714	-	-
Payroll tax	4	5	-	-
	951	820	-	-

	Consolidated		Tribunal	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
(f) Other revenue				
Other	455	682	455	682
	455	682	455	682

4 Gain / (Loss) on Disposal

	Consolidated		Tribunal	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Gain / (loss) on disposal of plant and equipment				
Proceeds from disposal	-	-	-	-
Less: Written down value of assets disposed	(61)	-	(61)	-
Net gain / (loss) on disposal of plant and equipment	(61)	-	(61)	-

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
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5 Other Gains / (Losses)

	Consolidated		IPART	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Gain from reduction in make good provision	193	-	193	-
	<u>193</u>	<u>-</u>	<u>193</u>	<u>-</u>

6 Service Groups of the Tribunal

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

Purpose:

The Tribunal operates under 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 energy savings reduction targets are enforced and
- sustainable environmental outcomes are promoted.

7 Current Assets - Cash and Cash Equivalents

	Consolidated		Tribunal	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	10,097	10,703	9,997	10,647
	<u>10,097</u>	<u>10,703</u>	<u>9,997</u>	<u>10,647</u>

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 statements of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	<u>10,097</u>	10,703	<u>9,997</u>	10,647
Closing cash and cash equivalents (per statement of cash flows)	<u>10,097</u>	10,703	<u>9,997</u>	10,647

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 2015**

8 Current Assets / Non-Current Assets - Receivables

	Consolidated		Tribunal	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current				
Sale of goods and services	25	548	25	548
Goods and Services Tax (GST)	40	107	40	107
Interest receivable	114	140	114	140
Other	1	18	1	18
	180	813	180	813

9 Non-Current Assets - Plant and Equipment

Consolidated / Tribunal

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
At 1 July 2014 - fair value			
Gross carrying amount	1,522	2,632	4,154
Accumulated depreciation	(1,026)	(2,504)	(3,530)
Net carrying amount	496	128	624

At 30 June 2015 - fair value

Gross carrying amount	1,391	4,009	5,400
Accumulated depreciation	(851)	(328)	(1,179)
Net carrying amount	540	3,681	4,221

Reconciliation

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the current reporting period is set out below.

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Year ended 30 June 2015			
Net carrying amount at start of year	496	128	624
Additions	305	4,009	4,314
Disposals	(436)	(2,633)	(3,069)
Depreciation expense	(209)	(447)	(656)
Write back of depreciation on disposals	384	2,624	3,008
Net carrying amount at end of year	540	3,681	4,221

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2015

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

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
At 1 July 2013 - fair value			
Gross carrying amount	1,554	2,904	4,458
Accumulated depreciation	(1,071)	(2,461)	(3,532)
Net carrying amount	<u>483</u>	<u>443</u>	<u>926</u>

At 30 June 2014 - fair value

Gross carrying amount	1,522	2,632	4,154
Accumulated depreciation	(1,026)	(2,504)	(3,530)
Net carrying amount	<u>496</u>	<u>128</u>	<u>624</u>

Reconciliation

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the previous reporting period is set out below.

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Year ended 30 June 2014			
Net carrying amount at start of year	483	443	926
Additions	195	66	261
Transfer	2	(2)	-
Disposals	(229)	(334)	(563)
Depreciation expense	(184)	(379)	(563)
Write back of depreciation on disposals	229	334	563
Net carrying amount at end of year	<u>496</u>	<u>128</u>	<u>624</u>

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2015**

10 Intangible Assets

	Software \$'000
Consolidated / Tribunal	
At 1 July 2014	
Cost (gross carrying amount)	79
Accumulated amortisation and impairment	<u>(60)</u>
Net carrying amount	<u>19</u>
At 30 June 2015	
Cost (gross carrying amount)	82
Accumulated amortisation and impairment	<u>(70)</u>
Net carrying amount	<u>12</u>
Year ended 30 June 2015	
Net carrying amount at start of year	19
Additions	3
Amortisation (recognised in depreciation and amortisation)	<u>(10)</u>
Net carrying amount at end of year	<u>12</u>
	Software \$'000
At 1 July 2013	
Cost (gross carrying amount)	123
Accumulated amortisation and impairment	<u>(93)</u>
Net carrying amount	<u>30</u>
At 30 June 2014	
Cost (gross carrying amount)	79
Accumulated amortisation and impairment	<u>(60)</u>
Net carrying amount	<u>19</u>
Year ended 30 June 2014	
Net carrying amount at start of year	30
Amortisation (recognised in depreciation and amortisation)	<u>(11)</u>
Net carrying amount at end of year	<u>19</u>

11 Current Liabilities - Payables

	Consolidated		Tribunal	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Accrued salaries, wages and on-costs	578	365	-	-
Creditors	785	1,138	685	1,082
Unearned revenue	61	585	61	585
Personnel services	-	-	578	365
	<u>1,424</u>	<u>2,088</u>	<u>1,324</u>	<u>2,032</u>

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

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
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12 *Current /Non-Current Liabilities - Provisions*

	Consolidated		Tribunal	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current				
Employee benefits and related on-costs				
Annual leave	1,476	1,545	-	-
Long service leave on-costs	46	41	-	-
Banked flex leave	144	126	-	-
Payroll tax	238	241	-	-
Personnel services	-	-	2,166	2,185
	1,904	1,953	2,166	2,185
Restoration costs	-	478	-	478
	-	478	-	478
Total current provisions	1,904	2,431	2,166	2,663
Non-current				
Employee benefits and related on-costs				
Long service leave on-costs	262	232	-	-
	262	232	-	-
Other provisions				
Restoration costs	569	-	569	-
	569	-	569	-
Total non-current provisions	831	232	569	-
Aggregate employee benefits and related on-costs				
Provisions - current	1,904	1,953	-	-
Provisions - non-current	262	232	-	-
Accrued salaries, wages and on-costs (Note 11)	578	365	-	-
	2,744	2,550	-	-

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
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12 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
2015	
Carrying amount at the beginning of financial year	478
Additional provisions recognised	569
Amounts used	(285)
Unused amounts reversed	(193)
Carrying amount at end of financial year	<u>569</u>

Employee benefits expected to be settled within 12 months from the reporting date

	Consolidated		Tribunal	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Annual leave	<u>1,181</u>	<u>1,236</u>	-	-
	1,181	1,236	-	-

Employee benefits expected to be settled in more than 12 months from the reporting date

Annual leave	<u>295</u>	<u>309</u>	-	-
	295	309	-	-

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
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13 Commitments for Expenditure

	Consolidated		Tribunal	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000

Operating Lease Commitments

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

Not later than one year	1,549	1,478	1,549	1,478
Later than one year and not later than five years	5,550	5,881	5,550	5,881
Later than five years	-	858	-	858
Total (including GST)	7,099	8,217	7,099	8,217

The total commitments above includes input tax credits of \$645,388 (2014 \$747,032) that are expected to be recoverable from the Australian Taxation Office. The Tribunal has entered into a new lease agreement for office accommodation from 1 February 2015 for 5 years.

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 2014).

15 Budget Review

Net result

The actual net result of \$2.9 million was favourable to the original budget by \$3 million. This was mainly due to the reduction in total expenses of \$2.8 million offset by a reduction in the Sale of goods and services of \$2.3 million.

Grants and Contributions were \$1.6 million favourable which included funds received from Government Property NSW to assist in the office relocation to the McKell Building in response to the whole of Government CBD backfill strategy.

Assets and liabilities

The increase in equity is primarily due to the \$4 million capitalisation of assets in the year due to the office relocation to the McKell Building.

Cash flows

Actual net cash flows from operating activities were more than budget by \$2.7 million, mainly due to a favourable reduction in total expenditure.

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
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16 Reconciliation of Cash Flows from Operating Activities to Net Result

	Consolidated		Tribunal	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Net cash used on operating activities	3,142	128	3,098	135
Depreciation and amortisation	(666)	(574)	(666)	(574)
Decrease / (increase) in provisions	497	(27)	497	(27)
Increase / (decrease) in receivables and prepayments	(633)	(157)	(633)	(157)
Decrease / (increase) in creditors	664	283	708	276
Decrease / (increase) in other liabilities	-	922	-	922
Net gain / (loss) on sale of plant and equipment	(61)	-	(61)	-
Net result	<u>2,943</u>	<u>575</u>	<u>2,943</u>	<u>575</u>

17 Administered Assets and Liabilities

	2015 \$'000	2014 \$'000
Consolidated		
Administered Assets		
Cash	372	360
Receivables	<u>3</u>	<u>625</u>
Total Administered Assets	<u>375</u>	<u>985</u>
Administered Liabilities		
Liability to Consolidated Fund	<u>375</u>	<u>985</u>
Total Administered Liabilities	<u>375</u>	<u>985</u>
Tribunal		
Administered Assets		
Cash	372	360
Receivables	<u>3</u>	<u>625</u>
Total Administered Assets	<u>375</u>	<u>985</u>
Administered Liabilities		
Liability to Consolidated Fund	<u>375</u>	<u>985</u>
Total Administered Liabilities	<u>375</u>	<u>985</u>

The represents amounts collected on behalf of Crown and due to be transferred.

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
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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.

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount	Carrying Amount
Consolidated Class:			2015	2014
			\$'000	\$'000
Cash and cash equivalents	7	N/A	10,097	10,703
Receivables ¹	8	Loans and receivables (at amortised cost)	180	706

Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
Class:			2015	2014
			\$'000	\$'000
Payables ²	11	Financial liabilities measured at amortised cost	1,424	1,503

Financial Assets	Note	Category	Carrying Amount	Carrying Amount
Tribunal Class:			2015	2014
			\$'000	\$'000
Cash and cash equivalents	7	N/A	9,997	10,647
Receivables ¹	8	Loans and receivables (at amortised cost)	180	706

Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
Class:			2015	2014
			\$'000	\$'000
Payables ²	11	Financial liabilities measured at amortised cost	3,429	3,632

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.

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
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18 Financial Instruments (cont'd)

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.

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.

	Total ¹	\$'000 Past due but not impaired ¹	Considered impaired ¹
Consolidated			
2015			
< 3 months overdue	-	-	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	-	-	-
2014			
< 3 months overdue	3	3	-
3 months – 6 months overdue	38	38	-
> 6 months overdue	-	-	-
	Total¹	\$'000 Past due but not impaired¹	Considered impaired¹
Tribunal			
2015			
< 3 months overdue	-	-	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	-	-	-
2014			
< 3 months overdue	3	3	-
3 months – 6 months overdue	38	38	-
> 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 statement of financial position.

18 Financial Instruments (cont'd)

(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.

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 (2014 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 2015.

Maturity Analysis and interest rate exposure of financial liabilities

	Nominal Amount ¹	Interest Rate Exposure Non-interest bearing	\$'000		
			Maturity Dates		
			< 1 yr	1-5 yrs	> 5 yrs
Consolidated 2015					
<i>Payables:</i>					
Accrued salaries, wages and on-costs	578	578	578	-	-
Creditors	785	785	785	-	-
	<u>1,363</u>	<u>1,363</u>	<u>1,363</u>	<u>-</u>	<u>-</u>
Consolidated 2014					
<i>Payables:</i>					
Accrued salaries, wages and on-costs	365	365	365	-	-
Creditors	1,138	1,138	1,138	-	-
	<u>1,503</u>	<u>1,503</u>	<u>1,503</u>	<u>-</u>	<u>-</u>

Notes:

- 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.

Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2015

18 Financial Instruments (cont'd)

	Nominal Amount ¹	Interest Rate Exposure Non-interest bearing	\$'000		
			Maturity Dates		
			< 1 yr	1-5 yrs	> 5 yrs
Tribunal 2015					
<i>Payables:</i>					
Accrued salaries, wages and on-costs	2,744	2,744	2,744	-	-
Creditors	685	685	685	-	-
	<u>3,429</u>	<u>3,429</u>	<u>3,429</u>	<u>-</u>	<u>-</u>
Tribunal 2014					
<i>Payables:</i>					
Accrued salaries, wages and on-costs	2,550	2,550	2,550	-	-
Creditors	1,082	1,082	1,082	-	-
	<u>3,632</u>	<u>3,632</u>	<u>3,632</u>	<u>-</u>	<u>-</u>

Notes:

- 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.

(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 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 2014. The analysis assumes that all other variables remain constant.

**Independent Pricing and Regulatory Tribunal
Notes to the financial statements
for the year ended 30 June 2015**

18 Financial Instruments (cont'd)

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.

	Carrying Amount	Profit \$'000	-1% Equity \$'000	Profit \$'000	+1% Equity \$'000
Consolidated 2015					
<i>Financial assets</i>					
Cash and cash equivalents	10,097	(101)	(101)	101	101
Receivables	140	-	-	-	-
Total	10,237	(101)	(101)	101	101
2014					
<i>Financial assets</i>					
Cash and cash equivalents	10,703	(107)	(107)	107	107
Receivables	706	-	-	-	-
Total	11,409	(107)	(107)	107	107
	Carrying Amount	Profit \$'000	-1% Equity \$'000	Profit \$'000	+1% Equity \$'000
Tribunal 2015					
<i>Financial assets</i>					
Cash and cash equivalents	9,997	(100)	(100)	100	100
Receivables	140	-	-	-	-
Total	10,137	(100)	(100)	100	100
2014					
<i>Financial assets</i>					
Cash and cash equivalents	10,647	(106)	(106)	106	106
Receivables	706	-	-	-	-
Total	11,353	(106)	(106)	106	106

(e) Fair value measurement

Fair value compared to carrying amount

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the balance sheet approximates the fair value, because of the short-term nature of many of the financial instruments.

19 Events after the Reporting Period

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

End of audited financial statements.

Outline budget for 2015-16

In 2015-16, IPART anticipates it will spend \$29 million (\$28.5 million recurrent and \$0.6 million capital) on price setting for retail gas, water and public transport, undertaking specific reviews of government services referred at the request of responsible Ministers, and administering the water licencing, energy compliance and energy savings schemes.

IPART's key initiatives include:

- ▼ independently regulating utility services
- ▼ licencing key water and gas businesses
- ▼ administering the Energy Saving Scheme
- ▼ setting local council rates
- ▼ providing policy advice to the Government to deliver a balanced outcome for consumers, utilities and the Government
- ▼ undertaking the Fit for the Future review.

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 other Acts such as the *Gas Supply Act 1996*, *Electricity Supply Act 1995*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *Water NSW Act 2014*, *Central Coast Water Corporation Act 2006* (when relevantly commenced), *Water Industry Competition Act 2006*, *Water Management Act 2000*, *Passenger Transport Act 2014*, *Transport Administration Act 1988* and *Local Government Act 1993* (under Ministerial delegation). Further discussion of the principal legislation under which IPART operates is set out in sections A.2 to A.10 below.

IPART also has certain minor functions under Acts such as the *Prices Regulation Act 1948*, *Gaming Machines Act 2001*, *Crown Lands Act 1989*, *Crown Lands (Continued Tenures) Act 1989*, *Snowy Hydro Corporatisation Act 1997*, *Cemeteries and Crematoria Act 2013*, *Forestry Act 2012* and *Motor Accidents Compensation Act 1999*.

A.1.1 Changes in Acts and subordinate legislation

During the financial year 2014-15, changes were made to the regulatory framework for:

- ▼ public transport fares – discussed in section A.5 below
- ▼ water infrastructure charging in the Murray-Darling Basin – discussed in section A.9 below
- ▼ electricity infrastructure regulation – discussed in section A.10 below.

A.2 IPART Act

Under the IPART Act, IPART has a number of major roles including:

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

A.2.1 Regulating prices and reviewing pricing policies

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

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

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

There are 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
- ▼ 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*
- ▼ 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)
- ▼ Essential Energy
- ▼ Water NSW (but excluding any services provided by Water NSW in respect of which fees and charges may be approved or determined in accordance with Part 6 or 7 of the *Water Charge (Infrastructure) Rules 2010* (Cth) or the applied provisions, within the meaning of Part 3B).

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

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

IPART may fix such a price by reference to:

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

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

In determining the maximum price for a government monopoly service, IPART may be directed by a portfolio Minister to include an amount representing the efficient cost of complying with a Ministerial directive or a requirement imposed 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 section 18 of the IPART Act, the approval of the Treasurer is required if an agency wishes to charge a price below the maximum price.

Compliance

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

Release of reports and determinations

IPART submits its reports for price determinations under the IPART Act to the 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 *Our performance against strategic directions* section in this report.

A.2.4 Arbitrating access disputes

Under Part 4A of the IPART Act, any dispute with respect to a public infrastructure access regime that provides for the application of Part 4A may be subject to arbitration by IPART. In carrying out these arbitration functions, IPART may appoint an arbitrator from a panel approved by the 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 into which it proposes to enter or has entered. 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

IPART has a role in investigating and reporting on competitive neutrality complaints under the Competition Principles Agreement,¹⁶ so far as they are applicable to public authorities. 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*, *Water NSW Act 2014* and *Central Coast Water Corporation Act 2006* (when relevantly commenced), 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.

¹⁶ The Competition Principles Agreement was made on 11 April 1995 by the Commonwealth, the Territories and the States.

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 (VPAs) with IPART. Gas retailers are obliged to set their regulated tariffs and charges in line with these VPAs, with IPART monitoring their compliance. The current VPAs apply until 30 June 2016.

A.4.2 Electricity Supply Act 1995

Prior to 1 July 2014, the *National Energy Retail Law (NSW)* (NERL) required energy retailers to offer to provide customers with retail electricity services at regulated offer prices set in accordance with determinations made by IPART under Division 5 of Part 4 of the *Electricity Supply Act 1995*. IPART is no longer responsible for determining retail prices for electricity, but is now responsible for monitoring and reporting annually on the performance and competitiveness of the New South Wales retail electricity market.

IPART remains responsible for determinations relating to the solar bonus scheme (until 31 December 2016).

A.5 Transport pricing regulation

The *Passenger Transport Act 2014* (which, when fully commenced, will replace the *Passenger Transport Act 1990*) provides a framework for regulating public transport services. Under this Act, IPART is responsible for setting maximum fares for public passenger services. In making its determinations or recommendations, IPART is to consider the following matters:

- ▼ the cost of providing the services
- ▼ the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
- ▼ the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service

- ▼ the social impact of the determination or recommendation
- ▼ the impact of the determination or recommendation on the use of the public passenger transport network and the need to increase the proportion of travel undertaken by sustainable modes such as public transport
- ▼ standards of quality, reliability and safety of the services (whether those standards are specified by legislation, agreement or otherwise)
- ▼ the effect of the determination or recommendation on the level of Government funding
- ▼ any matters specified in the referral to IPART
- ▼ any other matter IPART considers relevant.

IPART also has functions under the NSW Rail Access Undertaking and the Transport Administration Act 1988.

A.6 Greenhouse Gas Reduction Scheme

The NSW Greenhouse Gas Reduction Scheme (Scheme) closed on 1 July 2012. Although the Scheme has closed, there are some remaining accreditations for carbon sequestration activities. IPART, as Scheme Administrator, has retained most of 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.

The detail for the ESS is set out in the *Energy Savings Scheme Rule 2009* (ESS Rule). Significant further amendments to the ESS Rule commenced on 1 July 2014. These amendments include new eligibility requirements, changes to key concepts in the ESS and new data requirements.

A.8 Local Government

IPART performs functions relating to local government under:

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

IPART's functions relating to local government include:

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

IPART must report annually on its local government functions.

A.9 Water Infrastructure Pricing

Changes to the IPART Act enabled IPART to apply to the Australian Competition and Consumer Commission (ACCC) for accreditation under the *Water Charge (Infrastructure) Rules 2010* (Cth) (WCIR) in June 2015. If accredited (as expected), IPART will have the functions of a "Regulator" under the WCIR in relation to prices for bulk water services provided by WaterNSW (formerly the State Water Corporation) to customers in the Murray-Darling Basin.

A.10 Electricity Infrastructure & Licensing

As part of the NSW Government's leasing of electricity network assets, relevant licensing, technical and safety functions were transferred to IPART under the *Electricity Supply Act 1995* and the *Electricity Supply (Safety and Network Management) Regulation 2014*. These functions include:

- ▼ administering the reporting and performance auditing of electricity network operators
- ▼ compliance auditing of electricity network operators
- ▼ appointing inspectors to inspect electrical installations and electrical delivery equipment and the investigation of serious electricity works accidents
- ▼ advising on the exercise of emergency or step-in powers by the Minister, or exercising such powers.

IPART also has functions in relation to the enforcement of employment guarantees under the *Electricity Network Assets (Authorised Transactions) Act 2015*.

B | Decisions under s16A of IPART Act

Under section 16A of the IPART Act, the portfolio Minister for a government agency may direct IPART to include in a price determination the efficient costs of complying with a requirement imposed on the agency by the portfolio Minister. 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 after consulting IPART and obtaining the Premier's approval of the direction. Once IPART is given a direction under section 16A, it must comply with the direction and explain in its report for the relevant price review the manner in which it has complied with the direction.

In 2014-15, IPART did not make any price determinations subject to a section 16A direction and there were no directions given to IPART under section 16A of the IPART Act.

C Tribunal meetings, public forums and submissions

Tribunal Meetings and Public Forums

Table C.1 Tribunal Meetings and Public Forums held in 2014-15

Type of Meeting	Number Held	Attendees and number of Meetings attended
Tribunal	46	Peter Boxall – Chairman (46/46) Catherine Jones – Tribunal Member (46/46) Paul Paterson ^a – Tribunal Member (12/12) 2014 Ed Willett ^b – Tribunal Member (23/23) 2015 John Comrie ^c – Tribunal Member (4/4) 2015
Delegated Tribunal	10	Catherine Jones – Tribunal Member (10/10) Paul Paterson (2/2) 2014 Ed Willett (5/5) 2015
Energy Savings Scheme Committee	11	Fiona Towers (11/11) Brian Spalding (11/11) Paul Paterson (5/5) 2014 Ed Willett – Chairman (6/6) 2015
Local Government	11	Catherine Jones – Chairperson (11/11) Stuart McDonald (11/11) Matthew Edgerton (11/11)
Public Forums	12	Peter Boxall – Chairman (9) Catherine Jones (12) Paul Paterson (1) Ed Willett (7) John Comrie (2)

^a Paul Paterson resigned 26 September 2014.

^b Ed Willett commenced 8 December 2014.

^c John Comrie commenced 24 April 2015.

Public forums 2014-15

Table C.2 Public forums held in 2014-15

Date	Investigation	Venue
Water		
30 March 2015	End of term review of Sydney Water's operating licence 2010-2015	Sydney Masonic Centre
Transport		
28 October 2014	Review of Maximum Towing Fees (Light and Heavy Vehicles)	IPART Offices
4 November 2014	Review of fares for private ferries and the Stockton ferry for 2015	IPART Offices
27 January 2015	Review of taxi fares to apply and number of new annual taxi licences to be issued in Sydney from 1 July 2015	Sydney Masonic Centre
28 April 2015	Review of taxi fares to apply from July 2015 in areas of NSW outside of Sydney	Novotel, Newcastle Beach
5 May 2015	Review of taxi fares to apply from July 2015 in areas of NSW outside of Sydney	Rydges, Port Macquarie
12 May 2015	Review of taxi fares to apply from July 2015 in areas of NSW outside of Sydney	Mercure, Wagga Wagga
Other Industries		
23 September 2014	Review of fees of the NSW Trustee & Guardian	IPART Offices
Local Government		
11 May 2015	Fit for the Future -- Sydney	Sydney Masonic Centre
15 May 2015	Fit for the Future – Dubbo	Dubbo RSL
18 May 2015	Fit for the Future – Coffs Harbour	Novotel Functions Centre
21 May 2015	Fit for the Future – Wagga Wagga	Commercial Club

Submissions to projects during 2014-15

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2014-15 and received a total of 573 submissions.

Table C.3 Submissions received in 2014-15

Closure Date	Investigation Resource	Submissions
Energy		
13 July 2015	Issues Paper – Solar feed in tariffs – The subsidy-free value of electricity from small-scale solar PV units from 1 July 2015 – June 2015	7
29 May 2015	Issues Paper – Landholder benchmark compensation rates – Gas exploration and production in NSW – April 2015	28
13 February 2015	Fact Sheet - Monitoring competition in the NSW retail electricity market – December 2014	4
Water		
24 June 2015	Application Form – WICA Licence Variation – Veolia Water Solutions and Technologies – Bingara Gorg – June 2014	2
22 April 2015	Application Form – WICA Licence Application – Cooranbong Water Pty Ltd – March 2015	69
22 April 2015	Application Form – WICA Licence Application – Aquacell Pty Ltd – Narara Eco Village – March 2015	5
7 April 2015	Draft Operating Licence – Sydney Water Corporation Operating Licence 2015-2020	38
13 March 2015	Review of Environmental Factors – Catherine Hill Bay Water Utility Pty Ltd – Network Operator WICA application – October 2014	7
7 November 2014	Draft Report – Discharge Factors for non-residential customers – September 2014	3
20 August 2014	Issues Paper – Review of the Operating Licence for Sydney Water Corporation – June 2014	15
1 August 2014	Application Form – WICA Licence Application – Network Operator Huntlee Water Pty Ltd – May 2014	5
1 August 2014	Advertisement – 2013-14 Public Water Utilities Operating Licence Audits - Invitation for public submissions - July 2014	1
Transport		
15 May 2015	Draft Report and Draft Recommendations – Review of taxi fares outside Sydney to apply from July 2015 – April 2015	21
23 March 2015	Review of external benefits of public transport – December 2014	8
30 January 2015	Draft Report – Sydney taxi fares to apply and new licences to be released from 1 July 2015 – December 2014	13
21 November 2014	Draft Report – Review of maximum fares for private ferry services and the Stockton ferry service for 2015 – October 2014	6

Closure Date	Investigation Resource	Submissions
18 November 2014	Issues Paper – Review of taxi fares outside Sydney to apply from 2015 – October 2014	10
11 November 2014	Draft Report - Review of tow truck fees and licensing in NSW - October 2014	13
7 November 2014	Issues Paper - Review of Sydney taxi fares to apply and new annual taxi licences to be issued in Sydney - October 2014	6
30 September 2014	Issues Paper - Estimating the external benefits of public transport - August 2014	12
20 September 2014	Information Paper - Review of fares for Private Ferries and the Stockton Ferry for 2015 - August 2014	0
30 June 2014	Issues Paper - Review of maximum towing fees - light and heavy vehicles - May 2014	9
Regulation Review		
4 July 2014	Draft Report - Reforming licensing in NSW - Review of licence rationale and design - October 2013	26
4 July 2014	Draft Report - Local government compliance and enforcement - October 2013	58
Local Government		
25 May 2015	Consultation Paper - Methodology for Assessment of Council Fit for the Future Proposals - April 2015	177
8 May 2015	Consultation Paper - Modelling local development contributions in a present value framework - March 2015	7
Other		
10 October 2014	Draft Report - Review of fees of the NSW Trustee and Guardian - September 2014	17
16 June 2014	Issues Paper - A fair and transparent fee structure for the NSW Trustee and Guardian - May 2014	2
Research		
13 February 2015	Fact Sheet - IPART financeability test - ratio calculations - December 2014	2
20 February 2015	Fact Sheet - New approach to forecasting the WACC inflation adjustment - December 2014	2

Note: Closure date is the date submissions close.

The number of submissions listed are only those received in 2014-15. The total number of submissions to a paper can be found on our website.

D Agency structure and plans

Total staff by level and employment basis

Table D.1 Number of employees by category, and comparison to prior three years as at 30 June 2015

	2015	2014	2013	2012
Chairman	1	1	1	1
Chief Executive	1	1	1*	1*
Executive Directors & General Managers	6	7	7	7
Chief Financial Officer & Director, HR	2	0	0	0
Directors (formerly Program Managers)	16	16	18	15
Managers	3	4	4	4
Analysts	72	68	72	61
Graduate Analysts	3	5	5	2
General Counsel	1	1	1	1
Director, Legal & Principal Lawyer	2	0	0	0
Legal Officers	4	3	3	2
Support Officers	21	22	22	21
Supernumeraries	2	3	0	0
Total number of staff includes full time, part-time, temporaries and graduates	134	131	134	115
Part Time Tribunal Members	2	2	1	1
Temporary Members	1	0	0	0
Total number of Staff including members	137	133	135	116

* 2011-2013 combined Chief Executive Officer and full time Tribunal Member.

Award Initiatives

There were no significant changes to IPART's Award. A number of changes were made that were in alignment with the implementation of the GSE Act. This included the removal of IPART Officer H and I.

Personnel Policies and Practices

Activities for the reporting period included:

- ▼ Updating the senior executive role descriptions
- ▼ Agreeing to participate in the public sector graduate program
- ▼ Establishing a fraud and corruption charter
- ▼ Developing a gift policy.

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.

Corporate Plan

IPART's broad corporate strategies are set out in this document and progress towards meeting corporate objectives are assessed for each program element in *Our organisation* section of this Annual Report.

Privacy Plan

There were no changes to IPART's Privacy Plan. 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. The Asset Management plan is currently under review, with an aim to be completed by February 2016.

Credit Card Compliance

The Chief Financial Officer 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

Table D.2 Report on account payment performance 2014-15

	September 2014	December 2014	March 2015	June 2015
Invoices due for payment	369	373	314	370
Invoices paid on time	337	356	249	328
Invoices due for payment received from small business	0	0	0	0
Invoices from small business paid on time	0	0	0	0
Amount due for payment (\$)	2,396,681	7,324,080	3,231,453	3,579,407
Amount paid on time (\$)	2,294,969	7,186,025	2,459,043	2,926,070
Amount due for payment received from small business (\$)	0	0	0	0
Amount from small business paid on time (\$)	0	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

Table D.3 Accounts paid on time within each quarter in 2014-15

Quarter	Target %	Actual %
September Quarter	90%	91%
December Quarter	90%	95%
March Quarter	90%	79%
June Quarter	90%	89%

Notes: During 2014-15, there were no instances where penalty interest was paid in accordance with section 18 of the *Public Finance and Audit (General) Regulation 1995*.

Payment performance in the March quarter was affected by the disruption caused by the move to the McKell Building.

Details of Annual Report production

There were no external production costs such as copy writing, design and printing incurred in the production of the report. An electronic copy of this report is available on IPART's website.

Consultants

During 2014-15, IPART engaged the following consultants for a total expenditure of \$1,546,767 (work on some of these consultancies was still proceeding at 30 June):

Table D.4 Consultants over \$50,000 in 2014-15

Consultant	Cost(\$)	Title
Finance and Accounting		
Indec Consulting	\$54,000	Review of fares for Private Ferries and the Stockton Ferry for 2015 - Estimate efficient costs of providing ferry services
The CIE	\$50,529	Review of approach to external benefits for Public Transport - Develop model
The CIE	\$90,500	Review of Sydney Taxi Fares and Taxi Licences from July 2015 – Operator and Driver Survey
Sub Total	\$195,029	
Information Technology		
SMS Consulting Group Pty Ltd	\$584,013	Development Phase for an IT System for the Energy Savings Scheme
Sub Total	\$584,013	
Management Services		
Folk Pty Ltd	\$87,814	Expand, update and refresh IPART's print and digital communication collateral
Sub Total	\$87,814	
Total	\$866,856	

Table D.5 Consultants up to \$50,000 in 2014-15

Annual Report Category	Number of engagements	Cost (\$)
Engineering	3	\$48,575
Environmental	3	\$40,518
Finance and Accounting	21	\$209,451
Information Technology	11	\$269,416
Management Services	10	\$90,858
Training	1	\$21,094
Total	49	\$679,912

Contract executive profile

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

Salaries of statutory appointees and senior executives

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

Table D.6 Summary of Public Service Senior Executive staff as at 30 June 2015

Band	Female	Male
Band 4 (Secretary)	0	1
Band 3 (Deputy Secretary)	0	1
Band 2 (Executive Director)	5	1
Band 1 (Director)	12	10
Totals	17	13

Table D.7 Summary of Public Service Senior Executive TRP's as at 30 June 2015

Band	Range (\$)	Average remuneration (\$)
Band 4 (Secretary)	430,451 – 497,300	300,969
Band 3 (Deputy Secretary)	305,401 – 430,450	343,183
Band 2 (Executive Director)	242,801 – 305,400	262,965
Band 1 (Director)	170,250 – 242,800	203,835

IPART's employee-related expenditure related to senior executives in 2014-15 was 21%, compared to 36% the previous year.

E | Audit and risk management

Independent Pricing and Regulatory Tribunal



Our reference: 15/617

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Level 8, 1 Market Street Sydney NSW 2000
T (02) 9290 8400 F (02) 9290 2061
ABN 49 202 260 878

21 July 2015

www.ipart.nsw.gov.au

Ms Cate Trivers
Director
Financial Reporting and Systems Branch
NSW Treasury
Level 24, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Contact Fiona Towers
T (02) 9290 8420
E fiona_towers@ipart.nsw.gov.au

Dear ^{Cate}Ms Trivers

I, Hugo Harmstorf, am of the opinion that the Independent Pricing and Regulatory Tribunal (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, Ken Barker, Start term 14 October 2014, finish term 14 October 2018;
- ▼ Independent Member, Tim Holden, Start term 31 October 2014, finish term 31 October 2017; and
- ▼ Non-independent Member, Pamela Soon IPART legal Counsel, Start term 17 August 2012, finish term 31 October 2016.

If you have any questions, please contact Fiona Towers, Chief Audit Executive, on (02) 9290 8420, or email fiona_towers@ipart.nsw.gov.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Hugo Harmstorf', written over a light blue horizontal line.

Hugo Harmstorf
Chief Executive Officer

ELECTRICITY GAS WATER TRANSPORT OTHER INDUSTRIES

Internal audit reviews

Our internal audit programme is aligned with IPART's key priorities and risk areas. For 2014-15, our internal audit program included:

- ▼ Audit of key financial and administrative controls
- ▼ Audit of information and record management
- ▼ Review of the effectiveness of processes and controls relating to our functions under the Energy savings Scheme
- ▼ Review of the effectiveness of processes and controls relating to our functions under the Water Industry Competition Act.

Annual audit of key financial and administrative controls

IPART undertakes annually an audit of key financial and administrative processes and controls. The scope of the audit in 2014-15 included a review of:

- ▼ Procurement
- ▼ General office expenditure
- ▼ Travel
- ▼ Credit card use
- ▼ Petty cash
- ▼ Section 9 administration and controls
- ▼ Mobile devices.

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

The auditor made recommendations for review and improvement of a number of the audited internal controls. IPART has agreed with the recommendations and a timetable to address the recommendations. The auditor will be engaged to undertake a further review in 2015-16.

Audit of Information and record management

IPART undertook a review of our record management systems to ensure they are operating satisfactorily and provide an accurate record of files and correspondence received and held. The scope of the review included:

- ▼ Review of our records management policy, processes and systems
- ▼ Audit of IPART's records management systems, processes and controls against the requirements of the State Records Act and, in particular, Standard 12
- ▼ Investigate and identify whether the current records management system and its use efficiently supports IPART's function.

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

The auditor made recommendations for review and improvement of a number of the internal controls. IPART has agreed with the recommendations and a timetable for implementing the recommendations.

Review of processes for administration of IPART's functions under the Energy Savings System (ESS)

IPART undertook a review of our systems, processes and controls associated with our functions under ESS. The audit scope included:

- ▼ Audit related systems, processes and controls
- ▼ Communicating with applicants
- ▼ Managing risks and incidents.

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

The auditor made recommendations for review and improvement of a number of the internal controls. IPART has agreed with the recommendations, which are being implemented.

Review of processes for administrating IPART's functions under the Water Industry Competition Act (WICA)

IPART undertook a review of our systems, processes and controls associated with our functions under WICA. The audit scope included;

- ▼ Management of IPART's Audit panel
- ▼ Annual compliance reporting
- ▼ Our risk based audit regime of licence holders.

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

The auditor made minor recommendations for review and improvement of a number of the internal controls. IPART has agreed with the recommendations, which are being implemented.

Risk management

Our Chief Risk Officer overviews our risk management framework and processes. Our Chief Risk Officer is also responsible for overseeing our quality assurance programme. Our risk management processes included:

- ▼ Annual review of risk management processes
- ▼ Quality assurance programme
- ▼ Updating our risk registers for changes in risks and controls and incident reporting
- ▼ Fraud and corruption assessment.

Annual review of risk management

We review our approach to risk management annually and this is reported to our Tribunal and Audit and Risk committee.

Quality Assurance programme

The purpose of Quality Assurance is to assure the Tribunal and the Chief Executive Officer that all public IPART documents are of the highest quality before they are released. Our external documents are subject to a rigorous quality assurance review.

Risk registers

As part of IPART's due diligence in acquitting its functions, we take a risk-based approach to understanding our risks, the gaps in our framework, and implementing mitigation strategies. We have both team based risk registers and an enterprise wide register. They registers are updated regularly for new risks, and changes in risks. Our Chief Risk Officer is responsible for reporting on our risk management and ensuring that our registers are updated to reflect new functions. We have an incident management system.

Fraud and Corruption assessment

IPART engaged an auditor to conduct an assessment to assist IPART to identify and treat potential fraud and corruption risks that could impact on IPART's operations.

The assessment was undertaken using a combination of procedures comprising observation and examination of current processes and controls, discussions with key staff, and review of relevant documentation. The assessment found one high risk associated with IT procurement and recommended that we assess our fraud control strategy against the NSW Audit Office's 10-point Fraud Prevention Guidelines. We will update our procurement policy to address the IT procurement risks and we will undertake the review of our fraud control strategy in 2015-16.

Digital Information Security Annual Attestation Statement for the 2014-15 Financial Year for the Independent Pricing and Regulatory Tribunal

I, Hugo Harmstorf, Chief Executive Officer of the Independent Pricing and Regulatory Tribunal (IPART), am of the opinion that the Independent Pricing and Regulatory Tribunal (IPART) had an Information Security Management System in place during the 2014-2015 financial year that is consistent with the Core Requirements set out in the *NSW Government Digital Information Security Policy*.

I, Hugo Harmstorf, Chief Executive Officer of the Independent Pricing and Regulatory Tribunal (IPART), am of the opinion that the security controls in place to mitigate identified risks to the digital information and digital information systems of IPART are adequate for the foreseeable future.

There is no agency under the control of the Independent Pricing and Regulatory Tribunal (IPART) which is required to develop an independent ISMS in accordance with the *NSW Government Digital Information Security Policy*.

Yours sincerely



Hugo Harmstorf
Chief Executive Officer

F External liaison

Overseas visits

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

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 energy pricing: 123 complaints were recorded compared with 473 last financial year. Although IPART no longer regulates electricity pricing, we still have a steady flow of complaints which we refer to the Australian Energy Regulator.

Complaints about water pricing increased from two last financial year to 13 in 2014-15. These complaints concerned charges for water and sewerage.

Under the *Water Industry Competition Act 2006* there were two complaints about processing times for licence applications. IPART undertakes a thorough assessment of licence applications and is currently looking into options to reduce processing times.

There was a fall in the number of complaints made under the Energy Savings Scheme from eight in 2013-14 to zero this financial year.

In response to IPART's role in Local Government, 7 complaints were recorded compared with 17 last year. They were primarily from ratepayers dissatisfied with IPART's decisions on requested variations to rates. IPART was able to explain the basis for the decision.

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 2014-15.

G 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 15, 2-24 Rawson Place, 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 Rose Mooney (rose_mooney@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 Rose Mooney
Right to Information Officer, IPART
Level 15, 2-24 Rawson Place
Sydney NSW 2000

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

Formal requests made during this year

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

On 21 May 2015, IPART received a request from a private sector business for copies of documents, draft reports and market evidence used in IPART published reports. A decision was not made by 30 June 2015.

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. On 17 April 2014, IPART received a request for documents relating to IPART's decision-making processes for a particular accreditation under the Energy Savings Scheme. The request was granted in part.

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 Executive 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 did not refuse any applications in the 2014-15 reporting year.

Statistical information

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

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	-	-	-	-	-	-	-	-
Members of Parliament	-	-	-	-	-	-	-	-
Private sector business	-	1	-	-	-	-	-	-
Not for profit organisations or community groups	-	-	-	-	-	-	-	-
Members of the public (application by legal representative)	-	-	-	-	-	-	-	-
Members of the public (other)	-	-	-	-	-	-	-	-

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

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

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	-	-	-	-	-	-	-	-
Access applications (other than personal information applications)	-	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 G.3 Invalid applications

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

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

	Number of times consideration used*
Overriding secrecy laws	-
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 G.5.

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

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

Table G.6 Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	-
Decided after 35 days (by agreement with the applicant)	1
Not decided within time (deemed refusal)	-
Total	1

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

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

*The Information Commissioner does not have the authority to vary decisions, but can make a recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

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

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

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

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

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