

Independent Pricing and Regulatory Tribunal



ANNUAL REPORT 2007/08



Independent Pricing and Regulatory Tribunal



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20 October 2008

The Hon. Nathan Rees
Premier of New South Wales
Level 40
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Premier,

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL ANNUAL REPORT
2007/208**

As required by the Annual Reports (Statutory Bodies Act) 1984, I am pleased to submit the annual report of the Independent Pricing and Regulatory Tribunal for the year ended 30 June 2008.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Keating'.

Michael Keating, AC
Chairman

ELECTRICITY

GAS

WATER

TRANSPORT

OTHER INDUSTRIES

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The Chairman's and Chief Executive Officer's Report

IPART had a busy and successful year during 2007/08. During the year, IPART continued its work as the economic regulator of monopoly services in New South Wales. We also continued to develop our role as an economic and policy think tank and adviser to government.

The work of IPART during the year is described in detail in this annual report.

In particular, during the year IPART:

- ▼ *Completed a new determination of prices for the Sydney Water Corporation for the period from 1 July 2008 to 30 June 2012.*
- ▼ *Completed a review of applications by the retail suppliers of gas for gas prices increases under special circumstances.*
- ▼ *Reported on possible improvements to the interface between the land transport industries and the stevedores at Port Botany.*
- ▼ *Completed a review of the NSW Registered Clubs Industry.*
- ▼ *Received a silver award in the environmental category in the Premier's Public Sector Awards for the administration of the Greenhouse Gas Reduction Program over the last few years.*

In early 2008 IPART surveyed many of its stakeholders. The questions asked in the survey emphasised respondents' perceptions about the quality of IPART's processes and the quality of its work.

Respondents were very positive about IPART in 2008. For example:

- ▼ *99 per cent of respondents either agree or tend to agree that IPART's staff demonstrate a high level of professionalism.*
- ▼ *95 per cent of respondents either agree or tend to agree that Tribunal Members demonstrate leadership.*
- ▼ *94 per cent of respondents either agree or tend to agree that IPART's consultative processes are of high quality.*
- ▼ *94 per cent of respondents either agree or tend to agree that IPART's decision making processes are of high quality.*
- ▼ *93 per cent of respondents either agree or tend to agree that IPART's regulatory reports are of high quality.*

The results are a distinct improvement on the very good results that were achieved in 2006. In particular, a higher proportion of respondents assess IPART's leadership and consultation processes favourably in 2008 than was the case in 2006. Respondents considered that IPART significantly improved its performance between 2006 and 2008 in the following areas:

- ▼ *Whether IPART adopts a light handed approach to regulation.*
- ▼ *IPART's independence from government.*
- ▼ *The adequacy of IPART's decision-making processes.*
- ▼ *The transparency of IPART's reports.*
- ▼ *The credibility of IPART's reports.*
- ▼ *The timeliness of IPART's decisions.*

There are no areas where performance is thought to have deteriorated between 2006 and 2008.

We asked stakeholders whether they thought IPART has the capacity to act as an economic and policy think tank and adviser to the government. Responses were favourable. For example, 89 per cent of respondents to the survey either agree or tend to agree that this is a valid role for IPART. Those who disagree tend to think that a policy role would detract from IPART's independence in undertaking its regulatory role. Although we understand these concerns about IPART's dual role, we think that the role of IPART's independence can be managed if IPART ensures that its advice is provided in a report that is subsequently made publicly available by the Government.

Comments by Respondents

Respondents to the survey raised a number of issues for IPART's consideration. These include the following:

- ▼ *Concerns about the perceived excessive influence of consultants on some of IPART's decisions.*
- ▼ *The need to attract and retain high quality staff.*
- ▼ *The need for IPART staff to have more industry experience.*
- ▼ *IPART's changing role as national regulation develops in some areas.*
- ▼ *Concern about the extent to which the increasing complexity of issues faced by IPART allows for genuine input from service users.*

IPART understands these issues and is developing strategies to address them. Details can be found later in this report. We are, for example, re-examining the way in which we use consultants to ensure that their expertise is transferred to IPART's Secretariat, examining how we can continue to attract and retain staff with a wide range of expertise, and finding ways to make IPART's consultative processes and its reports as accessible as possible to all stakeholders.

During 2008, IPART commissioned a household survey of energy and water use in the operational areas of Hunter Water Corporation, Gosford Council and Wyong Council. The survey collected data on household characteristics (including income), appliance ownership, usage, and views on contestability and marketing for gas and electricity. Similar surveys were undertaken for Sydney in 2006 and 2003. These surveys assist IPART to consider the affordability of its pricing decisions, and provide valuable information on the extent of competition in the residential energy market.

IPART has also made a more concerted effort to encourage participation in relevant reviews in non-metropolitan areas. Public hearings were held in non-metropolitan areas for the developer charges investigations as well as for IPART's review of the registered clubs industry. In addition we more carefully targeted the rural press to advertise the release of issues papers for reviews affecting non-metropolitan communities.

Policy Think Tank

During 2007/08 IPART continued to develop its expertise as a policy adviser to the NSW government. IPART's consultative and evidence based approach provides a useful mechanism to develop policy particularly in the early stages where the Government is able to consider a number of approaches.

During the year, IPART published a report on the interface between the land transport industries and the stevedores at Port Botany. IPART's report confirmed the existence of congestion at Port Botany, analysed the reasons why congestion occurs and made a number of recommendations for improvement. Possibly the most

significant recommendation was to even out the peak work loads by pricing the slots for access to the stevedore's terminals at Port Botany according to the demand for them through an auction system. In September 2008 the Minister for Ports and Waterways announced that the Government would implement most of IPART's recommendations. The price at peak times can be expected to be higher, although the government prefers an administered rather than a market price for slots in the first instance. The Government is, however, willing to give further consideration to an auction system if the administered price system proves to be inefficient in dealing with congestion.

IPART published a report on the Registered Clubs industry in NSW. This review examined the social contributions made by Clubs in NSW. After examining the adverse impacts of clubs (for example, increased problem gambling) we concluded that on balance clubs provide a net benefit to NSW. We made a number of recommendations to enhance the social contributions made by clubs, improve the financial viability of clubs and for better governance arrangements for clubs. Finally, we recommended that the Government and the Clubs Industry should take the recommendations of the report and work to develop a management plan that would, among other things, better document consultation procedures to be followed by both the Government and the industry in their dealings with each other. The Government and the clubs are now working to develop this management plan.

During the year IPART released the draft report of its review of taxation in NSW. IPART's draft report assessed the strengths and weaknesses of the taxes available to the NSW and Commonwealth Government. We made a number of recommendations to increase reliance on the broader based, simple and more transparent taxes that are available to the NSW government and to reduce reliance on narrowly based or less efficient taxes. However, we also noted that the largest benefits would come from a national approach and made a number of recommendations to the NSW government about how NSW can facilitate the development of a national approach.

In particular we noted that the methodology used by the Commonwealth Grants Commission can inhibit State government tax reform that is designed to improve the overall efficiency of the tax system.

Following the release of the draft report the Treasurer, Mr Michael Costa MLC, indicated that the Government was willing to support in principle most of IPART's recommendations.

What can be expected from an Independent Tribunal

An overseas regulator recently said that "The hardest part of my job is the politics". What he had in mind was the difficulty regulators typically face in trying to find compromises between different interests, including different views regarding the public interest. This need to find such compromises is of course the essence of politics itself. So the question is why transfer the task to an independent regulator?

Regulators are independent experts who make decisions based on the assessment of evidence and give reasons for decisions. They are most likely to be successful where the public interest objectives to be advanced as a result of regulation are clear and the relevant evidence is readily available. But realistically this is a matter of degree. Arguably therefore there should be scope for the government to direct the regulator, provided that this direction is done in an open and transparent way so that accountability for the eventual decision is clearly established.

This issue of the appropriate basis and extent of government intervention to direct the Tribunal is considered further in the next few paragraphs.

Section 16A of the 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 on price methodology the efficient costs of complying with a requirement imposed on the agency by the portfolio Minister.

Section 16A directives provide a flexible and effective means of implementing Government policies. IPART's reviews of expenditure under Section 16A directions are, however, limited to assessing whether an agency's costs of complying with a directive are efficiently incurred. It is not open to the Tribunal to review whether the expenditure is required or represents the best way of achieving a policy objective, as would occur with other proposed capital and operating expenditures. During 2007/08 the Minister for Water directed IPART to include in its determination of Sydney Water Corporation's prices from 1 July 2008 the efficient costs of complying with the Government's directions to undertake the desalination plant, the Western Sydney Replacement Flows Project and the Rosehill (Camellia) Recycled Water Project.

These projects contributed in significant part to higher prices for Sydney Water customers, reflecting the Government's intent that the primary beneficiaries of the enhanced water security brought about by these projects should meet the costs.

As IPART's reviews of expenditure incurred under Section 16A directions are more limited, it is important that the policy objectives of directions are clear and their costs and impacts are disclosed transparently. As in the case of Sydney Water, IPART will seek to clearly set out the impact of Section 16A directives in future pricing determinations.

Setting the Terms of Reference for IPART Enquiries

A related issue is the relationship between the terms of reference for an IPART enquiry or directions regarding government policies in a letter from the Premier, and the subsequent determination or recommendations that IPART makes.

Under its Act IPART is required to have regard to a number of considerations, so that IPART is sometimes faced with a situation where it is required to achieve a balance between potentially conflicting criteria. In these circumstances government directions as to where its policy priorities are, expressed transparently through the terms of reference or by an open letter from the Premier can be of considerable assistance. For example, the Tribunal was assisted by the terms of reference for its determination on retail electricity prices, which directed the Tribunal to give considerable weight to the Government's objective of achieving a competitive retail electricity market.

However, a balance needs to be struck as to how far the Terms of Reference should seek to prescribe to the Tribunal. The more the terms of reference, for example, seek to prescribe the Tribunal's methodology, the more they will dictate the answer reached. There would come a point where the decision would effectively be a Government decision, and the Tribunal would seem to serve little purpose in calculating a price increase that was already pre-determined by the Government. The rationale behind the establishment of an independent authority to determine prices is that the authority should be and remain independent, and that it alone is then fully responsible and accountable to public opinion for its decisions. Indeed, both the Government and IPART have a considerable amount at stake in maintaining the credibility and independence of the regulatory regime.

In our view the purpose of Government directions should be to ensure that the Tribunal adequately considers an issue and has regard for government policy objectives. But the direction should not determine the outcome. So far IPART has been able to reach agreement with the Government on the terms of reference for all of its enquiries without considering that its independence has been compromised. An examination of all price determinations since 2000 confirms that IPART has responded to government policies where directed. Thus

IPART has allowed for the efficient and prudent cost of implementing those policies in its price determinations, but IPART alone has been responsible for determining the actual amount to be recovered. However, as IPART enquiries relate ever more closely to significant issues of government policy it will be important to continue to ensure that the terms of reference for IPART enquiries do not compromise the independence of that enquiry.

Cumulative Impacts of IPART's Pricing Decisions

As discussed later in this annual report, the average household charges for services that are regulated by IPART were 5.4 per cent higher in 2007/08 than in 1992/93. If the impact of introducing the GST is excluded, regulatory decisions made by IPART have resulted in household charges being 1.4 per cent higher in real terms in 2007/08 than in 1992/93.

During the 1990s the agencies that are regulated by IPART were able to make significant gains in efficiency. These efficiency gains were passed on to customers in lower prices. At the same time, IPART was able to restructure prices to reduce the extent to which business customers in particular were required to subsidise residential customers. Prices have risen since around 2004 to fund investment that is required to upgrade NSW's electricity, gas, water and rail networks. In some cases (such as electricity and water) the community is increasingly using more expensive sources of supply in response to a changing economic and policy environment.

IPART's Capabilities

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

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

During the year, IPART made a number of changes in its operations to improve its capability. In January 2008, IPART's previous office lease expired and the Government Leasing Service negotiated a new lease on IPART's behalf. We decided to remain in Sydney's CBD to ensure that we continue to remain accessible to key stakeholders.

On the basis of professional advice we designed the new office space to:

- ▼ *Improve work flow and team interaction.*
- ▼ *Improve communications through upgraded technology.*
- ▼ *Provide flexibility to respond to IPART's changing regulatory and policy advisory role, new functions or temporary staff appointments.*
- ▼ *Provide flexible facilities for public consultation.*

IPART's new office accommodation was successfully completed to enable us to relocate in January 2008.

IPART made a number of improvements to its information technology during 2007/08. We virtualised our computer hardware to improve flexibility and enhance business continuity. We also introduced customised templates to make it easier to produce documents. As a consequence IPART has been able to increase its publication of reports by 23 per cent in 2007/08 over previous years by using the same level of administrative resources. We improved our website to improve access to information for stakeholders and the general public.

There was significant capital expenditure during 2007/08 to fund the new space and systems. With Treasury's agreement IPART funded the relocation from its own cash reserves at a cost of nearly \$2.5 million.

In mid 2007, IPART commenced planning to develop a new capabilities framework that will focus on the personal attributes and behaviours that are required for IPART to be successful. The new capabilities framework will focus our performance management, recruitment, and career planning and development.

In concluding we would like to thank our fellow Tribunal Members, Ms Sibylle Krieger and Dr Neil Warren for their wise counsel and participation in decision-making during the year. We would also like to thank the Tribunal's Secretariat for excellent professional advice and assistance.



Michael Keating, AC
Chairman

James Cox
Chief Executive Officer
and Full Time Member

What we do

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

Functions

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

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

In addition, IPART can be asked to:

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

IPART provides an integrated system of economic regulation and licence regulation in NSW that covers pricing for water and public transport, retail pricing for electricity and gas and monitoring licence compliance for water, electricity and gas.

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

Our Corporate plan

Purpose and objectives

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

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

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

Service philosophy

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

Thinking Independently

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

Being Transparent

Our processes are visible and we explain our decisions.

Fostering Innovation

We explore new and better approaches.

Consulting Widely

We consult extensively and effectively with all stakeholders.

Delivering Fair and Balanced Outcomes

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

Being Practical

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

Driving Excellence

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

Principal Achievements in 2007/08

Metropolitan water

Completed

- ▼ Review of Department of Water and Energy's Developer Charges Guidelines for Local Water Authorities
- ▼ Investigation into Prices for Water, Sewerage and Stormwater services provided by Sydney Water Corporation for the period 1 July 2008 to 30 June 2012

In Progress

- ▼ Investigation into the methodology for calculating developer charges levied by:
 - ▼ Sydney Water Corporation
 - ▼ Hunter Water Corporation
 - ▼ Gosford City Council
 - ▼ Wyong Shire Council

Water licensing

Completed

- ▼ Operating Water Licence audits for
 - ▼ Sydney Water Corporation
 - ▼ Sydney Catchment Authority
 - ▼ Hunter Water Corporation
- ▼ Audit of adequacy of asset management undertaken by Sydney Water Corporation

Rail access

Completed

- ▼ Review of rail infrastructure compliance with the NSW rail access undertaking for 2005/06 for Australian Rail Track Corporation and Rail Corporation of NSW

In Progress

- ▼ Review of rail infrastructure compliance with the NSW rail access undertaking for 2006/07 for Australian Rail Track Corporation and Rail Corporation of NSW

Transport fares

Completed

- ▼ Annual review of CityRail fares from November 2007
- ▼ Report to the Minister of Transport recommending taxi fares for 2007/08
- ▼ Review of fares for rural and regional buses and private ferries from 2 January 2008
- ▼ Review of bus fares for metropolitan and outer metropolitan bus services from 2 January 2008
- ▼ Review of fares for Newcastle services from 2 January 2008

In Progress

- ▼ Review of the regulatory framework for CityRail
- ▼ Review of CityRail's fares for the four years to 2011/12

Energy

Completed

- ▼ Annual review of the market based energy purchase cost allowance
- ▼ Integral Energy's public lighting price decision
- ▼ EnergyAustralia's public lighting price decision
- ▼ Review of AGL's application for a gas price increase under special circumstances
- ▼ Review of Country Energy's application for a gas price increase under special circumstances
- ▼ Review of ActewAGL's application for a gas price increase under special circumstances
- ▼ Approval of Alinta AGN's associate contract
- ▼ 2008 reference tariff variations for Alinta, Country Energy and Central Ranges
- ▼ Energy distribution and retail licence compliance report for 2006/07
- ▼ Audit of Electricity Tariff Equalisation Fund

In Progress

- ▼ Monitoring compliance with current electricity determinations
- ▼ Monitoring compliance with current gas retail pricing arrangements

Section 9 and other referrals

Completed

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

In Progress

- ▼ Review of State taxation
- ▼ Review of prices for valuation services provided by the Office of the Valuer General for local councils
- ▼ Review of WorkCover's proposed fee structure for regulating major hazard facilities
- ▼ Review of fees of the Office of the Protective Commissioner
- ▼ Review of performance and funding framework for NSW Health in light of national and international best practice
- ▼ Review of the revenue framework for local government

Analysis and Policy Development

In Progress

- ▼ 2008 Household Survey of electricity, water and gas usage in Gosford, Wyong and the Hunter

Greenhouse Gas Scheme Administrator

Completed

- ▼ Report on operation and compliance of Scheme for 2007 calendar year
- ▼ Accreditation of abatement certificate providers (24 new projects and 52 amended accreditations)
- ▼ Registry enhancement
- ▼ Creation of Abatement certificates by accredited abatement certificate providers (over 25 million)
- ▼ Maintaining high credibility of Scheme through implementation of audit and compliance framework
- ▼ Training of additional auditors to undertake audits with partner private sector audit firms
- ▼ Re-developed and refined the Workflow administration system
- ▼ Revised the framework for Generation Rule Method 2 accreditations
- ▼ Received a silver award in the environmental category in the Premier's Public Sector Awards for the administration of the Greenhouse Gas Reduction Program over the last four years

In Progress

- ▼ Review the contract for provision of the GGAS Registry
- ▼ There were 22 applications for accreditation under consideration at 30 June 2008.

Performance against Corporate Objectives

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

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

In 2001, 2003 and 2006 IPART conducted stakeholder surveys to gauge perceptions of the quality of its processes. In 2008, a follow-up survey has reassured the agency that strategies implemented in response to the earlier surveys have resulted in improved perceptions in targeted areas. At the same time, specific comments from stakeholders have identified fresh areas of focus for the future.

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

1. Demonstrating a fair and transparent process

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

Overall, in 2008 a very high proportion (94%) of stakeholders agreed or tended to agree that IPART's consultation processes are of high quality. Compared with 2006, the proportion of stakeholders who agreed or tended to agree increased from 91%. There has been a similar modest improvement in satisfaction with impartiality and accessibility.

Nevertheless, stakeholders indicated that the consultation processes could be improved by being more "targeted and focussed" to the needs of the issue. However there was not a consistent view about what this approach would involve. Several respondents identified a need to support community groups to enable them to more effectively participate in IPART processes. Participants continue to seek explanations about how inputs in submissions were considered in decisions.

Earlier surveys identified stakeholder concerns about the adequacy of time frames for responding to IPART requests for information and the need for clearer mapping of the regulatory timetable and stricter adherence to it. IPART accepts the importance of setting fair target times and it was pleasing to note the improved perception of timeliness in response to better adherence to target dates (83% in 2008 compared to 75% in 2006, 71% in 2003 and 52% in 2001).

Progress in following strategies to improve processes in 2007/08 include:

STRATEGY	ACTION	PROGRESS to 30 June 2008
<p>Hold regular meetings with key stakeholders</p>	<ul style="list-style-type: none"> ▼ Establish and implement program for meeting with key stakeholder groups 	<ul style="list-style-type: none"> ▼ Regular meetings held with water agencies to review progress against operating licence standards and key expenditure and sales assumptions underlying current price determinations. ▼ Regular meetings held with stakeholders during the various transport reviews. ▼ Regular meetings held with energy retailers. ▼ Regular meetings held with stakeholders during the reviews relating to registered clubs, Port Botany, taxation, NSW Health, the Office of Protective Commissioner and WorkCover. ▼ The current review of the performance and funding framework for NSW Health is not subject to a public consultation process due to restricted timeframes. However, IPART consulted with key groups within and external to the NSW Government.
<p>Encourage and facilitate stakeholder involvement</p>	<ul style="list-style-type: none"> ▼ Adopt technology and processes to make participation in reviews easier ▼ Publish timetables for reviews and release discussion papers and draft determinations 	<ul style="list-style-type: none"> ▼ Issues papers encourage stakeholders to email submissions to IPART investigations. ▼ On the IPART website, stakeholders can nominate to receive electronic alerts following the release of IPART material relevant to their area of interest. ▼ Issue papers, timetables, roundtable papers, final and draft reports are published for all regulatory reviews and the great majority of Section 9 referrals. ▼ Current timetables maintained on website.

STRATEGY	ACTION	PROGRESS to 30 June 2008
<p>Encourage and facilitate stakeholder involvement <i>continued</i></p>	<ul style="list-style-type: none"> ▼ Promote timeliness by identifying where the delays occur and minimising the areas of uncertainty for stakeholders ▼ Measure timeliness by adopting the Council Of Australian Government’s proposal of a six month timeframe for regulatory decisions ▼ Continue to hold public seminars and hearings ▼ Review ways of taking our message to rural areas ▼ Develop ‘fact sheets’ to communicate key decisions in a more accessible form 	<ul style="list-style-type: none"> ▼ Timetables clearly state due dates for submissions, public hearings and release of reports. ▼ Current water issues papers includes ‘stop the clock provisions’ with the requirement that the Tribunal will announce publicly when invoked, reasons for being invoked and associated length of any delay. ▼ The operating licence for Hunter Water nominates a due date for completion of annual audit. It is proposed to comply with this same timetable for all public authority operating licence audits. ▼ The Water Industry Competition Act 2006 nominates allowed times for Tribunal actions. When these time limits are likely to be breached the Tribunal is required to inform Minister and other stakeholders of delay with explanation of causes for delay. ▼ Timeliness KPI now included in the service delivery performance indicators. ▼ Public hearings/workshops held for the overwhelming majority of investigations. ▼ Public hearings held in rural areas for bulk water and water developer charges investigations, as well as for IPART’s review of the registered clubs industry. ▼ Release of issues papers for investigations affecting rural communities advertised in rural press. ▼ The current Bulk Water determination requires regulated monopoly service providers to regularly report against the determination by valley to local customer service committees. ▼ Fact sheets are available on the IPART website for all current IPART price determinations.

STRATEGY	ACTION	PROGRESS to 30 June 2008
<p>Encourage and facilitate stakeholder involvement <i>continued</i></p>	<ul style="list-style-type: none"> ▼ Articulate the information IPART requires from businesses and agencies it regulates ▼ Seek the views of the “average” customer 	<ul style="list-style-type: none"> ▼ Fact sheets developed to assist licence applicants under the Water Industry Competition Act 2006 and to summarise key recommendations arising from IPART’s review of the registered clubs industry. ▼ The GGAS website includes a wide range of detailed Guides to Applying to assist businesses applying for accreditation. These set out our information requirements. ▼ The current water issues papers list the specific information required of regulated entities. ▼ Timetables for transport reviews were published and updated. ▼ Public hearings/workshops were held for all IPART pricing investigations. ▼ A household survey of energy and water use was completed for the Sydney region. A survey has been commissioned for Gosford, Wyong and the Hunter.
<p>Explain IPART’s decision making processes and its rationale for decisions</p>	<ul style="list-style-type: none"> ▼ Explain decision-making processes through issues papers and reports 	<ul style="list-style-type: none"> ▼ Issues papers and reports undergo quality assurance, legal review and editing to ensure that they are accurate, comply with the law and clearly explain the Tribunal’s decisions with supporting reasons. ▼ Decision making process was explained in issues papers and reports.
<p>Seek feedback on stakeholder perceptions of IPART’s integrity, processes, and quality of work</p>	<ul style="list-style-type: none"> ▼ Survey stakeholder perceptions every two years – repeat in 2008 	<ul style="list-style-type: none"> ▼ The stakeholder survey was repeated in 2008.

2. Applying a rigorous and credible approach to our work

IPART's focus on enhancing the quality of its work and the rigour of its processes was reinforced by the latest survey which improved on already satisfactory ratings. The 2008 survey indicated that stakeholders have a high level of respect for the professionalism of IPART's staff.

Overall 99% of respondents agreed that IPART's staff demonstrate a high level of professionalism (compared to 95% in 2006, 92% in 2003 and 78% in 2001), with uniform levels of respect from all categories of stakeholder. Perceptions of staff courtesy and probity also remained high at 100% and 99% respectively.

There have been significant improvements in perceptions of adequacy of IPART's resources and the competency of staff to fully analyse industry, financial and legal regulatory issues. Interviewees overall were positive about their dealings with IPART staff and their success in developing and maintaining positive relationships. Many interviewees indicated that staff were generous with their time, were willing to answer questions and were flexible within the constraints of the systems they are administering.

In response to IPART's efforts in the last few years to diversify and develop its in-house expertise and to complement this area with the use of consultants, the 2008 survey showed significant improvement in perceptions of technical competence (89% in 2008 compared with 81% in 2006, 68% in 2003 and 63% in 2001).

Similarly, there was a marked improvement in the majority of stakeholders' perception of the adequacy of IPART's resources to carry out its roles (87% in 2008 compared to 73% in 2006, 46% in 2003 and 43% in 2001).

Nevertheless, some stakeholders expressed concern about use of consultants and the influence of consultants on decisions. The general concern was that consultants tended to bring a more abstract view that was not sufficiently grounded in the current market context. They also consider that staff would benefit from industry experience to have a more detailed understanding of the sectors they are regulating.

These highlights from 2007/08 illustrate the strategies being followed in this area:

STRATEGY	ACTION	PROGRESS to 30 June 2008
Continually improve internal processes	▼ Implement information management strategy	▼ Developed and implementing enhanced project management processes to ensure that Tribunal has 'big picture' up front.
	▼ Document a 'whole-of-organisation' work program to identify peaks in resource demand to assist in planning	▼ Forward Tribunal agendas and report release dates provide a detailed program for the year ahead.
	▼ Avoid matters returning to the Tribunal by establishing issues and principles early	▼ At commencement of a review, the Tribunal is advised of proposed timetable and major issues for decision to enable the Tribunal to assign priorities and indicate information required for decision making.
	▼ Allocate sufficient time for the Tribunal to thoroughly review any issue	▼ Scoping briefs and objectives established for all reviews.

STRATEGY	ACTION	PROGRESS to 30 June 2008
<p>Continually improve internal processes <i>continued</i></p>	<ul style="list-style-type: none"> ▼ Consider QA controls early in the review process ▼ Rotate staff between Analysis and Policy Development team and industry teams ▼ Appoint a designated QA manager and rotate staff through role ▼ Document a manual for staff carrying out QA processes ▼ Hold peer reviews regularly with an agenda and discussion paper ▼ Subject all major projects to post-completion review ▼ Develop library/information supply service 	<ul style="list-style-type: none"> ▼ The details of proposed QA checks are established at commencement of a review. ▼ QA undertaken for all reviews. ▼ Staff rotations have occurred between teams. ▼ A QA manager is in place and the industry teams have contributed staff, whenever available to assist with QA. External auditors engaged where no internal staff available. ▼ Peer reviews held. ▼ Post completion review undertaken for major projects. ▼ IPART committed to new on-line subscription services and invested in additional reference texts.
<p>Partner with appropriate external experts</p>	<ul style="list-style-type: none"> ▼ Employ external resources for supplementary specialist skills (eg, engineering) and manage peaks in workload ▼ Make better use of consultants by encouraging knowledge transfer during the engagement 	<ul style="list-style-type: none"> ▼ Engineering specialists engaged for operating licence audits. Economic consultants engaged to assist with work peaks and specialist knowledge. ▼ Where appropriate, consultants were accommodated in IPART offices to work as part of project teams for the purpose of knowledge transfer. IPART staff participated in meetings between consultants and agencies in the audit of performance against operating licences as part of the process of skilling IPART staff to take a more hands-on, proactive audit role. Three IPART staff completed training courses as part of the auditor accreditation process. ▼ Expert advice on energy wholesale markets was obtained.

STRATEGY	ACTION	PROGRESS to 30 June 2008
<p>Apply high standards of ethical and professional work standards</p>	<ul style="list-style-type: none"> ▼ Ensure protection of confidential data consistent with statutory requirements ▼ Promote professional standards and behaviour policy ▼ Continue to develop in-house knowledge and peer review 	<ul style="list-style-type: none"> ▼ Personal contact details removed from public submissions prior to publishing. Commercial in confidence status was assigned to data where requested by stakeholders, subject to IPART Act and FOI Act. ▼ Policy documents on required standards of behaviour are accessible to all staff via Intranet. Managers are required to model professional standards and behaviour at all times and address any inconsistencies. ▼ Frequent intra team peer reviews held in GGAS teams to develop coherent approach to frontier issues with accreditations.
<p>Improve internal analytical capacity through recruitment and development practices</p>	<ul style="list-style-type: none"> ▼ Recruit more graduates ▼ Broaden the skills base (recruit engineering skills) ▼ Promote staff development 	<ul style="list-style-type: none"> ▼ The agency supports annual intake of new graduates. IPART participated in the UNSW Career's Day for students of economics. Interest of potential graduates was registered for future employment. ▼ Skills development is identified through performance management system. Training and work assignments take account of these identified development needs. ▼ Staff are encouraged to build on their existing skill levels for organisational and personal advancement. ▼ IPART offers temporary contracts, and secondments (from public sector and non public sector agencies) for specified projects to supplement the existing skills base.

3. Reaching a reasonable, balanced answer

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

Overall, the regard for the quality of decision-making processes improved in 2008, with 94% of stakeholders agreeing the process to be of high quality (compared to 83% in 2006, 68% in 2003 and 58% in 2001). There was a particularly large improvement in satisfaction with fairness (18% improvement) and independence (9%) and compliance with the legislative framework (up 4% to 97%).

In response to feedback from stakeholder concerns in 2001 that the basis for judgement was not always adequately communicated, IPART dedicated considerable effort in the last few years to improving the structure and clarity of its reports. The 2006 survey indicated recognition of that effort, with 94% of respondents agreeing that IPART's reports are easy to read and understand, compared with 86% in 2003 and 70% in 2001. This has been sustained in the 2008 survey, but with significant increases in the ratings of the credibility and transparency of reports (13% and 11% increases respectively).

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

Stakeholders recognised that the reports are written to meet a particular need and to construct an economic argument, but were nevertheless concerned that they were still too technical for general readers. This was a particular concern for community groups, who consider that the general community affected by the pricing outcomes would struggle with digesting the reports. IPART is continuing to work on "fact sheets" for key decisions to summarise the outcome in a more accessible form and will pursue other stakeholder suggestions for improvement.

The following table provides a summary of the implementation of IPART's strategic commitments in 2007/08:

STRATEGY	ACTION	PROGRESS to 30 June 2008
Monitor developments in other jurisdictions	▼ Participate in Australian Regulators Forum	▼ Attended all Regulator Forum meetings.
	▼ Research and monitor developments in other regulatory regimes	▼ Reviewed developments in other jurisdictions for suitability for application to IPART investigations. For example, variations in the calculation of the weighted average cost of capital.
	▼ Collaborate with other regulators in research activity, including developing joint research programs	▼ There was considerable interchange of work on industry developments with other jurisdictional regulators.
	▼ Participate in seminars/conferences	▼ Various staff members have attended seminars/conferences as presenters and attendees. ▼ Attended inter-jurisdictional energy transport and water regulators' meetings.

STRATEGY	ACTION	PROGRESS to 30 June 2008
Monitor and report on impacts of decisions to ensure they have no unintended consequences	<ul style="list-style-type: none"> ▼ Analyse and report on the cumulative impacts of the Tribunal's decisions 	<ul style="list-style-type: none"> ▼ See section in this Annual Report.
Provide more reasoned explanations of decisions	<ul style="list-style-type: none"> ▼ Continue to develop report writing skills 	<ul style="list-style-type: none"> ▼ Training to improve staff writing skills is available and offered to individuals or teams on a needs basis. Training is supported by one on one feedback to staff on their written reports.

4. Pursuing excellence and fostering innovation in our operations

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

In the 2008 survey respondents recognised that IPART is effective in operating within a specific charter with a strong economic focus and within set boundaries. Stakeholders perceptions of Tribunal Members demonstrating leadership in implementing their legislative responsibilities has increased markedly to 95%, compared with 86% in 2006, 76% in 2003 and 77% in 2001.

The 2008 survey also indicated that 89% of stakeholders agree that IPART has a valid role as an economic and policy think tank and adviser to Government, while cautioning on the need to be vigilant in maintaining its independence and to resource the role appropriately. However, stakeholders consider it a good role to complement existing functions, and may even assist in attracting and retaining high calibre staff.

Some participants raised concerns in relation to IPART's changing role and the move to a national regulatory framework for energy, water and greenhouse gas emissions. For these respondents IPART is a "known entity" and the changes are creating uncertainty. They expressed a desire for a clean and orderly transition process.

In commenting on changes at IPART since the last survey, respondents reported that the Tribunal is taking a stronger position on economic issues and the range of issues being considered has grown. Coupled with the perception that the level of engagement has increased, there was some concern that the organisation "may be spreading itself too thin".

IPART's strategic response to some of these issues in 2007/08 follows:

STRATEGY	ACTION	PROGRESS to 30 June 2008
Continue to research and adopt improved regulatory techniques and approaches	<ul style="list-style-type: none"> ▼ Interpret statutory requirements and ensure compliance ▼ Liaise carefully on any scope and terms of reference before work is accepted 	<ul style="list-style-type: none"> ▼ Operating licence audits conducted for major water agencies. ▼ Checks are undertaken to ensure that regulated entities comply with IPART price determinations.

STRATEGY	ACTION	PROGRESS to 30 June 2008
<p>Continue to research and adopt improved regulatory techniques and approaches <i>continued</i></p>	<ul style="list-style-type: none"> ▼ Make better use of the Tribunal's expertise by planning the time between reviews and reference to delegated Tribunal meetings ▼ Use informal Tribunal meetings when exploring new ground and not making a decision ▼ Prepare training sessions on basic regulatory topics (Analysis and Policy Development team) ▼ Extend Total Factor Productivity to all the industries 	<ul style="list-style-type: none"> ▼ Where possible, IPART suggested changes to draft Terms of Reference for greater clarity of task and associated timelines. ▼ A more structured approach to the Tribunal's forward agenda has streamlined the decision making process. ▼ A number of informal discussions were held. ▼ All new reviews are thoroughly scoped. ▼ Detailed planning is undertaken for all reviews. ▼ Training and skills sessions on best-practice modelling, statistics and the use of the Excel program were held by the Analysis and Policy Development team. ▼ Work on Total Factor Productivity has progressed.
<p>Be proactive on referrals</p>	<ul style="list-style-type: none"> ▼ Suggest possible areas to apply IPART's expertise in discussion with relevant Ministers 	<ul style="list-style-type: none"> ▼ The Chairman and CEO have met with relevant Ministers to discuss potential projects.
<p>Continue to investigate ways to obtain the views of the average customers</p>	<ul style="list-style-type: none"> ▼ Repeat the Household Survey 	<ul style="list-style-type: none"> ▼ Sydney Household Survey repeated with an additional survey commissioned for Gosford, Wyong and the Hunter.

5. Applying resources to deliver a robust well run organisation

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

Overall, stakeholders perceive that IPART staff conduct their dealings with diligence and efficiency, and this perception has continued to improve since the 2001 survey (97% in 2008 compared with 95% in 2006, 88% in 2003 and 75% in 2001). However, there was useful feedback on issues associated with reliance on key senior staff, the value of industry knowledge and experience and issues of organisational capacity as IPART expands into new policy areas.

Examples of strategies implemented in the reporting period include:

STRATEGY	ACTION	PROGRESS to 30 June 2008
Review profile of workforce to match skill set with organisational needs	▼ Staff rotation – integrate rotation with Performance Enhancement System (PES) interviews	<ul style="list-style-type: none"> ▼ Consideration is given to staff member’s skills and experience when new programs and functions are initiated. This also provides for personal enhancement of skills and encourages staff to ‘stretch’ and challenge their abilities. ▼ Members of the energy retail team will rotate into the transport team.
	▼ Revise and upgrade the agency’s competency/capability standards	<ul style="list-style-type: none"> ▼ A new capability framework has been developed which clearly articulates the core qualities and skills required for classifications within the agency. IPART will be focussing on integrating the framework into existing HR processes and procedures.
	▼ Identify critical roles and critical skills for succession planning	<ul style="list-style-type: none"> ▼ Staffing needs and skills are regularly reviewed to ensure key skills are retained, maintained or developed.
Become preferred employer by offering development opportunities and family friendly work practices	▼ Reward staff for outstanding performance and to improve staff retention	<ul style="list-style-type: none"> ▼ Development opportunities, including secondment opportunities are encouraged to reward and enhance performance. Personal and market retention allowances are another option to reward consistent and high level performance.
	▼ Support flexible working conditions	<ul style="list-style-type: none"> ▼ Full Implementation of a new electronic flexi time recording system allows for greater ease in monitoring and reporting team and agency leave with associated costs.

STRATEGY	ACTION	PROGRESS to 30 June 2008
Provide systematic training and other skill building opportunities for staff	<ul style="list-style-type: none"> ▼ Provide training that meets individual and organisational needs 	<ul style="list-style-type: none"> ▼ The performance management system identifies individual development needs. In addition the agency's training and development policy includes a generous training cap for each staff member to further promote a learning organisation and encourage continuous personal development.
Work with other public sector agencies to achieve economies of scale	<ul style="list-style-type: none"> ▼ Collaborate with other agencies in procurement and technology initiatives 	<ul style="list-style-type: none"> ▼ IPART joined the Department of Commerce web-based e-tendering system. ▼ The organisation entered into the GTA telecommunications contract and has since achieved considerable savings.
Continuously improve systems and services	<ul style="list-style-type: none"> ▼ Ensure corporate services are effective, cost efficient and meet the needs of the agency ▼ Develop templates and electronic business processes 	<ul style="list-style-type: none"> ▼ IPART upgraded its computer hardware and software environment to a virtual infrastructure. This project significantly reduces capital outlay for hardware and provides a stable environment for business continuity. ▼ The first round of report templates were further refined and new templates were introduced into the suite to facilitate consistency and efficiency of document publication. In addition a customised database was developed for GGAS to automate internal processes.
Embrace Government commitment to electronic service delivery	<ul style="list-style-type: none"> ▼ Provide all appropriate publications and transactions on the internet ▼ Enhance the capacity of the web site to meet stakeholder communication needs 	<ul style="list-style-type: none"> ▼ Due to IPART's increasing workload the amount of information published on IPART's website has increased significantly in the 2007/08 year. ▼ To facilitate web navigation, new features such as industry image icons have been added to the site.

STRATEGY	ACTION	PROGRESS to 30 June 2008
<p>Make effective use of equipment and systems</p>	<ul style="list-style-type: none"> ▼ Develop project management plan and procurement processes for 2008 Office move ▼ Identify new office accommodation that will assist the organisation in delivering efficient outcomes ▼ Undertake planning in relation to allocation of equipment and resources at the new location 	<ul style="list-style-type: none"> ▼ Existing ICT equipment and systems were migrated as part of IPART's 2008 office relocation. This transition proved seamless to staff. ▼ Organisation relocated to new office space in January 2008. Broad consultation was held with staff to improve team communication, efficiency and work flows through the design. ▼ Thorough analysis was conducted in relation to relocation and procurement of resources.



Key performance indicators

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

		2004/05	2005/06	2006/07	2007/08	2008/09
PLANNED RESULT	RESULT INDICATORS	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ESTIMATE
Competitive business environment in NSW						
Intermediate result:						
<ul style="list-style-type: none"> ▼ Independent oversight of prices for energy, transport and water services 	<ul style="list-style-type: none"> ▼ Graph of real cost to public over time 	2004/05 Annual Report	2005/06 Annual Report	2006/07 Annual Report	Impacts statement in this report	*
	<ul style="list-style-type: none"> ▼ Graph of real cost to businesses over time 	"	"			
	<ul style="list-style-type: none"> ▼ Perceived quality of leadership – practical outcomes and independence (expressed as % from stakeholder survey)* 	76%	86%	no new survey data	95%	*
					*	*
Healthy and sustainable energy and water supplies in NSW						
Intermediate result:						
<ul style="list-style-type: none"> ▼ Suppliers of energy and water meet licence obligations ▼ CO2 reduction targets are monitored and enforced 	<ul style="list-style-type: none"> ▼ Acceptance by Ministers of annual water and energy audit reports 	5 reports	5 reports	6 reports	6 reports	6 reports
	<ul style="list-style-type: none"> ▼ Net tonnes per capita CO2 emissions in NSW from electricity usage (allowing for offset credits) 	7.96	7.96	7.27	7.27	7.27

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

Planned service delivery

SERVICES DELIVERED	SERVICE MEASURE	2004/05 ACTUAL	2005/06 ACTUAL	2006/07 ACTUAL	2007/08 ACTUAL	2008/09 ESTIMATE
1. Licence monitoring and enforcement						
Key services:						
▼ Monitoring of water licences	▼ Acceptance by Minister of annual water audit reports	3 reports	3 reports	4 reports	4 reports	4 reports
▼ Monitoring of energy licences	▼ Acceptance by Minister of annual energy compliance reports	2 report	2 reports	2 reports	2 reports	2 reports
▼ Administration of Greenhouse Gas Reduction Scheme targets	▼ # of accredited abatement projects (per year)	73	38	44	51	35
	▼ # of abatement certificates registered (per year)	7.7M	10.1M	20.9M	24.8M	22M
2. Pricing of water, transport and energy						
Key services:						
▼ Wide consultation on issues	▼ Perceived quality of consultation processes (expressed as % from stakeholder survey)	79%	91%	No new survey	94%	*
▼ Rigorous process of review	▼ Perceived professionalism of staff (expressed as % from stakeholder survey)	92%	95%	"	99%	*
▼ Fair and balanced decisions	▼ Perceived clarity of reports (expressed as % from stakeholder survey)	79%	90%	"	93%	*
	▼ Perceived timeliness of decision-making processes	71%	75%	"	83%	*

SERVICES DELIVERED	SERVICE MEASURE	2004/05 ACTUAL	2005/06 ACTUAL	2006/07 ACTUAL	2007/08 ACTUAL	2008/09 ESTIMATE
2. Pricing of water, transport and energy <i>continued</i>						
	▼ Number of projects completed					
	▼ within 6 months		24	7	12	
	▼ within 12 months		10	14	0	
	▼ over 12 months	21	10	4	13	15
	▼ # of public hearings, forums and workshops	42	14	15	18	60
	▼ # of papers and reports(Total)		57	57	70	
	▼ major		42	39	56	
	▼ minor		13	19	14	
3. Referred reviews						
Key services:						
▼ Terms of reference are met	▼ Relevant Minister's broad acceptance of report and recommendations	9 reports	6 reports	3 reports	8 reports	6 reports
	▼ in progress				3	2

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

Management and structure

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

The Tribunal – Permanent members



Chairman

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

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



Chief Executive Officer and Full Time Member

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

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



Part-time Member

Ms Sibylle Krieger *LLB (Hons), LLM, GAICD*

Appointed for three years from 25 July 2006. For 29 years a commercial lawyer in private practice with wide-ranging experience including commercial advisory and administrative law. Partner in two major commercial law firms for 22 years. Non-executive director of Sydney Ports Corporation 2002–2005. Currently undertaking and MBA at Melbourne Business School.

The Tribunal – Temporary members

Dr Neil Warren *BCom (Hons), PhD (Econ)*

Appointed 11 September 2007 until 30 June 2008 to assist with the review of NSW taxes. Professor of Taxation and Head of School, Australian School of Taxation at the University of NSW since 2006.

Meeting frequency and attendance

Throughout the year, the Tribunal held 52 meetings and 34 Delegated meetings, and hosted a number of public hearings, forums and workshops. More detail about these meetings and each member's attendance is provided in Appendix 2.

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

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

Similarly, the Tribunal has delegated its responsibilities regarding its administration of the Greenhouse Gas Reduction Scheme to a Committee by written instrument. The Minister for Energy has approved this delegation. The Full Time Member/Chief Executive Officer chaired 16 Greenhouse Gas Reduction Scheme Tribunal Meetings.

The Secretariat

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

Most of the professional staff members are highly experienced economists and financial/accounting analysts, although IPART has increased the diversity of skills to include engineering and financial modelling capabilities. Staff work in industry-based teams, undertaking research, investigation and analysis to provide professional advice to the Tribunal. General Counsel and legal staff provide legal advice on the increasingly complex regulations governing utility operations.

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

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

Senior officers

The Secretariat is headed by senior managers, who report to the Chief Executive:



Director Energy and Transport

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



Director Water

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



General Manager Support Services

Meryl McCracken *BA, Dip Lib, Dip PSM*
Responsible for providing support services including human resources, office services, finance and information technology.



Director, Analysis and Policy Development

Steve Lyndon BA (Econ)

Responsible for managing the analysis and policy development programs.



Principal Adviser

Eric Groom BEc (Hons), MEd

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



Legal Counsel

Pamela Soon LLB, B Comm, LLM

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



General Manager Greenhouse Gas Abatement Scheme

Christopher Spangaro

Responsible for the administration of the Greenhouse Gas Reduction Scheme.

Internal committees

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

External committees

As part of IPART's role in managing the Greenhouse Gas Reduction Scheme, the General Manager, Chris Spangaro, contributed to the National Emissions Trading Scheme Transition Working Group, the NSW Energy Efficiency Strategy Working Group and the Demand Side Abatement (DSA) Transition Working Group.

Colin Reid sits on the Department of Water and Energy Budget Review Steering Committee, the NSW Government inter agency Committee for the development and implementation of the Commonwealth Water Act and the Department of Water and Energy Water Industry Competition Act General Regulation Steering Committee.

Bob Burford sits on the National Water Commission inter government committee to develop and report urban water utility performance indicators and the National Water Commission inter government committee to develop and report rural water utility performance indicators.

Richard Warner sits on the COAG Inter Government Committee for Urban Water Pricing.

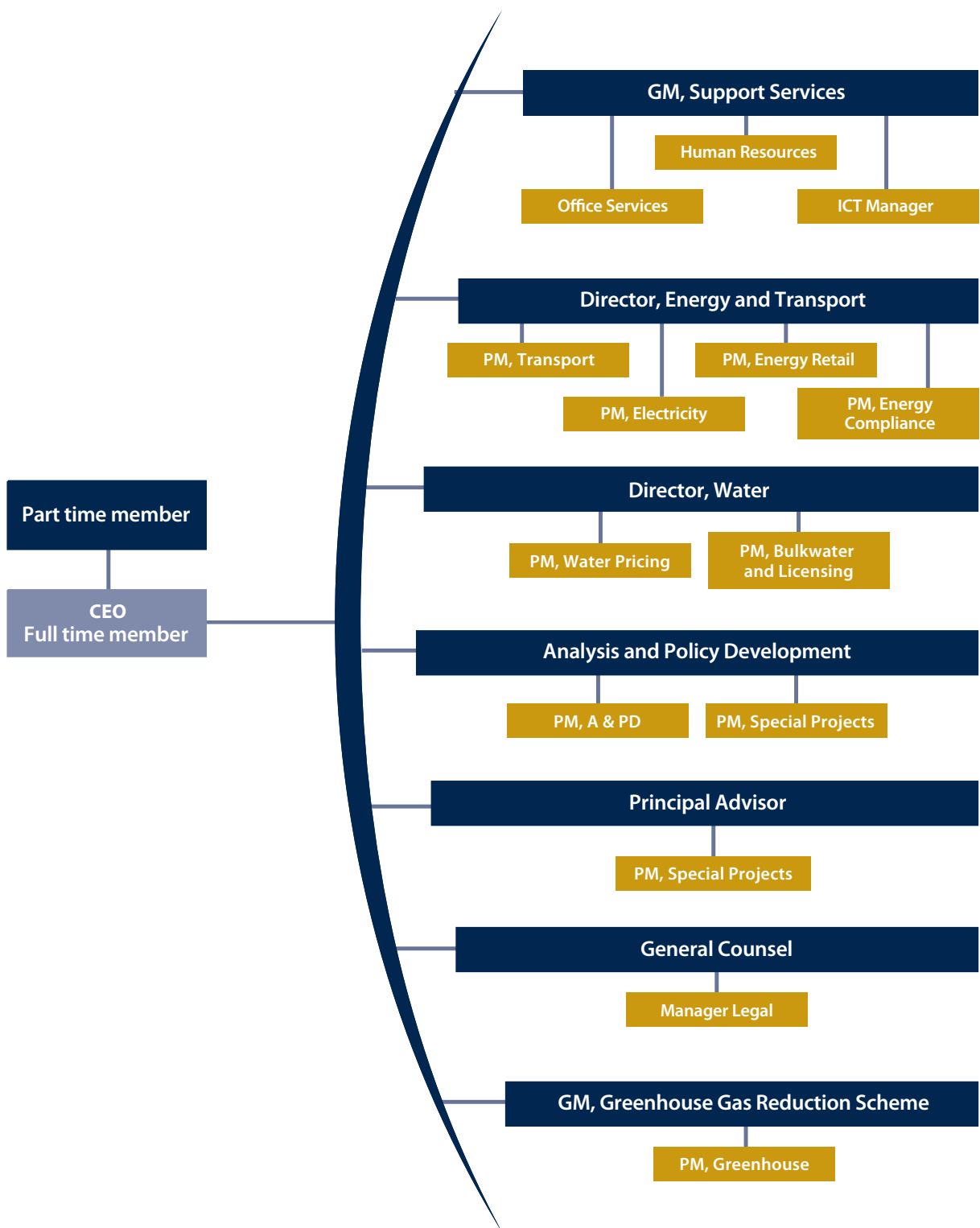
Pamela Soon sits on the Water Industry Competition Act Access Interagency Committee and the Water Industry Competition Act General Regulation Working Group.

Steve Lyndon sat as an observer on the Health Efficiency Improvement Taskforce.

Meryl McCracken represents small agencies on the Treasury Managed Fund Advisory Board and contributes to the University of Sydney's Faculty of Economics and Business Employer Advisory Board.

The Human Resources Manager, Marianne Guy, filled the role of Executive Member on the Employment Equity Specialists Association.

Organisational Structure



PM Program Manager
GM General Manager



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Independent Pricing and Regulatory Tribunal Division

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Independent Pricing and Regulatory Tribunal Division (the Division), which comprises the balance sheet as at 30 June 2008, the operating statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Division as at 30 June 2008, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

The Chairman's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

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



C J Giunelli
Director, Financial Audit Services

23 October 2008
SYDNEY

Independent Pricing and Regulatory Tribunal



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

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

- a) the accompanying financial report has been prepared in accordance with applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standards (AIFRS)), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Interpretations, the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2005*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies and Treasurer's Directions;
- b) the financial report exhibits a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal of New South Wales as at 30 June 2008 and the operations for the year then ended;
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Michael Keating AC
Chairman

17 October 2008

Operating Statement

for the year ended 30 June 2008

	Notes	Actual 2008 \$'000	Actual 2007 \$'000
Expenses excluding losses			
Employee related expenses	2(a)	9,562	8,531
Total Expenses excluding losses		9,562	8,531
Less:			
Revenue			
Personnel services	3(a)	9,228	8,016
Total Revenue		9,228	8,016
Gain/(loss) on disposal		-	-
Net Cost of Services		334	515
Government Contributions			
Capital appropriations (Asset sale proceeds transferred to the Crown Entity)		-	-
Acceptance by the Crown Entity of employee benefits and other liabilities	4	334	515
Total Government Contributions		334	515
SURPLUS / (DEFECIT) FOR THE YEAR		-	-

The accompanying notes form part of these financial statements.

Statement of Recognised Income & Expense

for the year ended 30 June 2008

	Actual 2008 \$'000	Actual 2007 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	-	-
Surplus/(Deficit) for the year	-	-
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	-	-

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2008

	Notes	Actual 2008 \$'000	Actual 2007 \$'000
ASSETS			
Current Assets			
Receivables	5	1,155	920
Total Current Assets		1,155	920
Total Assets		1,155	920
LIABILITIES			
Current Liabilities			
Payables	6	221	82
Provisions	7	926	831
Total Current Liabilities		1,147	913
Non-Current Liabilities			
Provisions	7	8	7
Total Non-Current Liabilities		8	7
Total Liabilities		1,155	920
Net Assets		-	-
EQUITY			
Accumulated funds		-	-
Total Equity		-	-

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2008

	Actual 2008	Actual 2007
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Total Payments	-	-
Total Receipts	-	-
Net Cash Flows From Government	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	-	-
CLOSING CASH AND CASH EQUIVALENTS	-	-

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

The Independent Pricing and Regulatory Tribunal Division is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the *Public Sector Employment and Management Act 2002*. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at Level 8, 1 Market Street Sydney 2000.

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

The financial report was authorised for issue by the Chairman of The Independent Pricing and Regulatory Tribunal Division on 17 October 2008.

(b) Basis of preparation

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

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

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

(c) Statement of compliance

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

(d) Income recognition

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

(e) Loans and receivables

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

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

(f) Payables

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

(g) Employee benefits and other provisions

Salaries and wages, annual leave, sick leave and on-costs

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

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

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

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

Long service leave and superannuation

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSWTC 07/04) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the NSW Treasury Circular 08/03. 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.

(h) 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.

(i) New Australian Accounting Standards issued but not effective

At reporting date, the following Standards and Interpretations were in issue but not yet effective. NSW Treasury mandate (TC08/04) precludes early adoption of these accounting standards.

Australian Accounting Standard/Interpretations	Effective for annual reporting periods beginning on or after
▼ AASB 101 (September 2007) and AASB 2007-8 regarding presentation of financial statements	1 January 2009
▼ AASB 1004 (December 2007) regarding contributions	1 July 2008
▼ ASB 1049 (October 2007) regarding the whole of government and general government sector financial reporting	1 July 2008
▼ AASB 2007-9 regarding amendments arising from review of AASs 27, 29 and 31	1 July 2008
▼ Interpretation 4 (February 2007) regarding determining whether an arrangement contains a lease	1 January 2008
▼ Interpretation 12 and AASB 2007-2 regarding service concession arrangements	1 January 2009
▼ Interruption 129 (February 2007) regarding service concession disclosures	1 January 2008
▼ Interpretation 1038 (December 2007) regarding contributions by owners	1 July 2008

The Division anticipates that the adoption of these Standards and Interpretations in future periods will not have a material financial impact on the financial statements.

These Standards and Interpretations will be first applied in the financial report of the Division that relates to the annual reporting period beginning after the effective date of each pronouncement.

2. EXPENSES EXCLUDING LOSSES

	Actual 2008	Actual 2007
	\$'000	\$'000
(a) Employee related expenses		
Salaries and wages (including recreation leave)	8,153	7,010
Superannuation – defined benefit plans	144	114
Superannuation – defined contribution plans	499	474
Long service leave	183	395
Workers compensation insurance	36	38
Payroll tax and fringe benefit tax	543	500
Other	4	–
	9,562	8,531

3. REVENUES

	Actual 2008	Actual 2007
	\$'000	\$'000
(a) Current Receivables		
Personnel services	9,228	8,016
	9,228	8,016

4. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES

Superannuation	114	114
Long Service Leave	183	395
Payroll Tax	7	6
	334	515

5. CURRENT ASSETS – RECEIVABLES

Current Receivables		
Personnel services	1,155	920
	1,155	920

6. CURRENT LIABILITIES – PAYABLES

Current Liabilities – Payables		
Accrued salaries, wages and on-costs	221	82
	221	82

7. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

	Actual 2008	Actual 2007
	\$'000	\$'000
Current		
Employee benefits and related on-costs		
Recreation leave	740	658
Long service leave	53	49
Payroll tax	133	124
	926	831
Non-current		
Employee benefits and related on-costs		
Long service leave	8	7
	8	7
Aggregate employee benefits and related on-costs		
Provisions – current	926	831
Provisions – non-current	8	7
Accrued salaries, wages and on-costs (Note 6)	221	82
	1,155	920

8. FINANCIAL INSTRUMENTS

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

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

(a) Financial instrument categories

	Note	Category	Carrying Amount 2008	Carrying Amount 2007
			\$'000	\$'000
Financial Assets				
Class:				
Receivables	(Note 1)	Loans and receivables (at amortised cost)	1,155	920
Financial Liabilities				
Class:				
Payables	(Note 2)	Financial liabilities measured at amortised cost	221	82

Notes

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

(b) Credit Risk

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

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

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. The balance owing represents monies due from the Independent Pricing and Regulatory Tribunal. Sales are made to them on 14 day terms. No financial assets are past due or impaired.

(c) Liquidity risk

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

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest for late payment was paid during the year (2007 – \$Nil).

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

	Interest Rate Exposure (\$'000)					Maturity Dates		
	Weighted Average Effective Int. Rate	Nominal Amount	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
2008								
Payables:								
Accrued salaries, wages and on-costs	–	221	–	–	221	221	–	–
	–	221	–	–	221	221	–	–
2007								
Payables:								
Accrued salaries, wages and on-costs	–	82	–	–	82	82	–	–
	–	82	–	–	82	82	–	–

(d) Market risk

The Division has no cash and cash equivalents. The Division has no exposure to foreign currency risk and does not enter into commodity

(e) Fair Value

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

9. AFTER BALANCE DATE EVENTS

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

End of audited financial report.



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Independent Pricing and Regulatory Tribunal and controlled entities

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Independent Pricing and Regulatory Tribunal (the Tribunal) which comprises the balance sheets as at 30 June 2008, the operating statements, statement of recognised income and expense and cash flow statement, program statement - expenses and revenues and a summary of compliance with financial directives for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Tribunal and the consolidated entity. The consolidated entity comprises the Tribunal and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Tribunal and the consolidated entity as at 30 June 2008, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the *Public Finance and Audit Regulation 2005*

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

The Tribunal's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

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



C J Giumelli
Director, Financial Audit Services

23 October 2008
SYDNEY

Independent Pricing and Regulatory Tribunal



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

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

- a) the accompanying financial report has been prepared in accordance with applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standards (AIFRS)), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Interpretations, the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2005*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies and Treasurer's Directions;
- b) the financial report exhibits a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal of New South Wales as at 30 June 2008 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.

A handwritten signature in black ink that reads 'Michael Keating'.

Michael Keating AC
Chairman

A handwritten signature in black ink that reads 'James Cox'.

James Cox
Chief Executive Officer
And full Time Member

17 October 2008

Operating Statement

for the year ended 30 June 2008

	Notes	CONSOLIDATED			IPART		
		Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
Expenses excluding losses							
Operating expenses							
– Employee related	2(a)	9,562	10,265	8,531	–	–	–
– Other operating expenses	2(b)	7,936	7,377	7,367	7,936	7,377	7,367
Depreciation and amortisation	2(c)	522	350	342	522	350	342
Personnel services		–	–	–	9,562	10,265	8,531
Total Expenses excluding losses		18,020	17,992	16,240	18,020	17,992	16,240
Less:							
Revenue							
Sale of goods and services	3(a)	1,690	1,200	1,473	1,690	1,200	1,473
Investment revenue	3(b)	344	214	280	344	214	280
Other revenue	3(c)	13	6	3	347	6	517
Total Revenue		2,047	1,420	1,756	2,381	1,420	2,270
Gain/(loss) on disposal	4	(105)	–	(15)	(105)	–	(15)
Other gains/(losses)	5	–	–	(2)	–	–	(2)
Net Cost of Services	20	16,078	16,572	14,501	15,744	16,572	13,987
Government Contributions							
Recurrent appropriations	6	15,712	15,923	15,103	15,712	15,923	15,103
Capital appropriations	6	180	180	180	180	180	180
Acceptance by the Crown Entity of employee benefits and other liabilities	7	334	322	515	–	322	–
Total Government Contributions		16,226	16,425	15,798	15,892	16,425	15,283
SURPLUS/(DEFICIT) FOR THE YEAR		148	(147)	1,297	148	(147)	1,296

The accompanying notes form part of these financial statements.

Statement of Recognised Income and Expense

for the year ended 30 June 2008

	CONSOLIDATED			IPART			
		Actual 2008	Budget 2008	Actual 2007	Actual 2008	Budget 2008	Actual 2007
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-	-	-	-	-	
Surplus/(Deficit) for the year		148	(147)	1,297	148	(147)	1,296
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	16	148	(147)	1,297	148	(147)	1,296

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2008

	Notes	CONSOLIDATED			IPART		
		Actual 2008	Budget 2008	Actual 2007	Actual 2008	Budget 2008	Actual 2007
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS							
Current Assets							
Cash and cash equivalents	9	4,360	5,119	5,096	4,360	5,119	5,096
Receivables	10	1,055	971	971	1,055	971	971
Total Current Assets		5,415	6,090	6,067	5,415	6,090	6,067
Non-Current Assets							
– Plant and Equipment	11	2,695	459	625	2,695	459	625
Total Property plant and equipment	11	2,695	459	625	2,695	459	625
Intangible assets	12	72	33	37	72	33	37
Total Non-Current Assets		2,767	492	662	2,767	492	662
Total Assets		8,182	6,582	6,729	8,182	6,582	6,729
LIABILITIES							
Current Liabilities							
Payables	13	1,315	424	424	2,249	424	1,262
Provisions	14	926	990	990	–	990	159
Other	15	211	–	–	211	–	–
Total Current Liabilities		2,452	1,414	1,414	2,460	1,414	1,421
Non-Current Liabilities							
Provisions	14	274	7	7	266	7	–
Total Non-Current Liabilities		274	7	7	266	7	–
Total Liabilities		2,726	1,421	1,421	2,726	1,421	1,421
Net Assets		5,456	5,161	5,308	5,456	5,161	5,308
EQUITY							
Accumulated funds	16	5,456	5,161	5,308	5,456	5,161	5,307
Total Equity		5,456	5,161	5,308	5,456	5,161	5,307

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2008

	Notes	CONSOLIDATED			IPART		
		Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000	Actual 2008 \$'000	Budget 2008 \$'000	Actual 2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee related		(8,993)	(9,875)	(8,503)	(8,993)	(9,875)	(8,503)
Other		(8,406)	(7,445)	(8,390)	(8,406)	(7,445)	(8,390)
Total Payments		(17,399)	(17,320)	(16,893)	(17,399)	(17,320)	(16,893)
Receipts							
Sale of goods and services		1,628	1,026	1,801	1,628	1,026	1,801
Interest received		328	214	250	328	214	250
Other		1,231	180	3	1,231	180	3
Total Receipts		3,187	1,420	2,054	3,187	1,420	2,054
Cash Flows From Government							
Recurrent appropriation	6	15,923	15,923	15,103	15,923	15,923	15,103
Capital appropriation (excluding equity appropriations)	6	180	180	180	180	180	180
Cash transfers to the Consolidated Fund		–	–	(23)	–	–	(23)
Net Cash Flows From Government		16,103	16,103	15,260	16,103	16,103	15,260
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	1,891	203	421	1,891	203	421
Cash Flows From Investing Activities							
Proceeds from sale of Plant and Equipment		17	–	1	17	–	1
Purchases of Plant and Equipment		(2,644)	(180)	(182)	(2,644)	(180)	(182)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(2,627)	(180)	(181)	(2,627)	(180)	(181)
NET INCREASE (DECREASE) IN CASH		(736)	23	240	(736)	23	240
Opening cash and cash equivalents		5,096	5,096	4,856	5,096	5,096	4,856
CLOSING CASH AND CASH EQUIVALENTS	9	4,360	5,119	5,096	4,360	5,119	5,096

The accompanying notes form part of these financial statements.

Program Statement – Expenses and Revenues

for the year ended 30 June 2008

CONSOLIDATED	PROGRAM 1 PRICING REGULATION*		NOT ATTRIBUTABLE		TOTAL	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AGENCY'S EXPENSES AND REVENUES						
Expenses excluding losses						
Operating expenses						
– Employee related expenses	9,562	8,531	–	–	9,562	8,531
– Other operating expenses	7,936	7,367	–	–	7,936	7,367
Operating expenses	17,498	15,898	–	–	17,498	15,898
Depreciation and amortisation expenses	522	342	–	–	522	342
Total expenses excluding losses	18,020	16,240	–	–	18,020	16,240
Revenue						
Sale of goods and services	1,690	1,473	–	–	1,690	1,473
Investment income	344	280	–	–	344	280
Other revenue	13	3	–	–	13	3
Total Revenue	2,047	1,756	–	–	2,047	1,756
Gain/(loss) on disposal	(105)	(15)	–	–	(105)	(15)
Other gains/(losses)	–	(2)	–	–	–	(2)
Net Cost of Services	16,078	14,501	–	–	16,078	14,501
Government contributions **			16,226	15,798	16,226	15,798
NET EXPENDITURE/(REVENUE) FOR THE YEAR	16,078	14,501	(16,226)	(15,798)	(148)	(1,297)
ADMINISTERED EXPENSES AND REVENUES						
Administered Revenues						
Consolidated Fund	–	–	–	–	–	–
Taxes, fees and fines	5,349	7,098	–	–	5,349	7,098
Total Administered Revenues	5,349	7,098	–	–	5,349	7,098
Administered Revenues less Expenses	5,349	7,098	–	–	5,349	7,098

* The name and purpose of each program is summarised in Note 8.

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

Summary of Compliance with Financial Directives

for the year ended 30 June 2008

CONSOLIDATED	2008				2007			
	Recurrent Appropriation	Expenditure/Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/Net Claim on Consolidated Fund	Recurrent Appropriation	Expenditure/Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/Net Claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ORIGINAL BUDGET APPROPRIATION/EXPENDITURE								
- Appropriation Act	15,923	15,712	180	180	15,109	15,109	180	180
	15,923	15,712	180	180	15,109	15,109	180	180
OTHER APPROPRIATIONS/EXPENDITURE								
- Treasurer's Advance	-	-	-	-	-	-	-	-
- Transfers to/from another agency (s27 of the Appropriation Act)	-	-	-	-	(6)	(6)	-	-
	-	-	-	-	(6)	(6)	-	-
Total Appropriations/Expenditure/Net Claim on Consolidated Fund (includes transfer payments)	15,923	15,712	180	180	15,103	15,103	180	180
Amount draw down against Appropriation		15,923		180		15,103		180
Liability to Consolidated Fund*		(211)		-		-		-

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

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

Notes to the financial statements

for the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

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

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

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

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

The consolidated financial report for the year ended 30 June 2008 has been authorised for issue by the Chairman of the Tribunal and Chief Executive Officer and Full Time Member of the Tribunal on 17 October 2008.

(b) Basis of preparation

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

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

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

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

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

(c) Statement of compliance

The consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include 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 revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as "Administered Revenues", "Administered Expenses", "Administered Assets" and "Administered Liabilities".

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

(e) Income recognition

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

(i) Parliamentary Appropriations and Contributions

Except as specified below, parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenue 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 revenue in the following circumstances:

- Unspent appropriations are recognised as liabilities rather than revenue, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund.

The liability is disclosed in Note 15 as part of "Current liabilities – Other". The amount will be repaid and the liability will be extinguished next financial year. Any liability in respect of transfer payments is disclosed in Note 21 "Administered assets and liabilities".

(ii) Sale of Goods

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

(iii) Rendering of services

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

(iv) Investment revenue

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

(f) Employee benefits and other provisions

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

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

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

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

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

(b) Long service leave and superannuation

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

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 07/04) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the NSW Treasury Circular 08/03. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(c) Other provisions

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

(g) Insurance

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

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

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

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

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

(i) Acquisitions of assets

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

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

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

(j) 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.

(k) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the “Valuation of Physical Non-Current Assets at Fair Value” Policy and Guidelines Paper (TPP 07-1). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment.

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

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

(l) Impairment of property, plant and equipment

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

(m) Depreciation of property, plant and equipment

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

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

DEPRECIATION RATES	% RATE
Intangible Asset	
Computer software	25
Plant & Equipment	
Office furniture and fittings	10
Computer equipment and hardware	33
General plant and equipment	14

(n) 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.

(o) Maintenance

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

(p) Leased assets

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

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

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

(q) Intangible assets

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

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

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

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

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.

(r) Other assets

Other assets are recognised on cost basis.

(s) 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.

(t) Budgeted amounts

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

The budgeted amounts in the operating statement and the cash flow statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the balance sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts; i.e. per the audited financial statements (rather than carried forward estimates).

(u) Comparative information

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.

(v) New Australian Accounting Standards issued but not effective

At reporting date, the following Standards and Interpretations were in issue but not yet effective. NSW Treasury mandate (TC08/04) precludes early adoption of these accounting standards.

AASB 101 and AASB 2007-8 regarding presentation of financial statements (1 January 2009)

AASB 1004 regarding contributions (1 July 2008)

ASB 1049 regarding the whole of government and general government sector financial reporting (1 July 2008)

AASB 2007-9 regarding amendments arising from review of AASs 27, 29 and 31 (1 January 2008)

Interpretation 4 regarding determining whether an arrangement contains a lease (1 January 2009)

Interpretation 12 and AASB 2007-2 regarding service concession arrangements (1 January 2008)

Interpretation 129 regarding service concession disclosures (1 July 2008)

Interpretation 1038 (December 2007) regarding contributions by owners (1 July 2008)

The Tribunal anticipates that the adoption of these Standards and Interpretations in future periods will not have a material financial impact on the financial statements.

These Standards and Interpretations will be first applied in the financial report of the Tribunal that relates to the annual reporting period beginning after the effective date of each pronouncement.

2. EXPENSES EXCLUDING LOSSES

	CONSOLIDATED		IPART	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(a) Employee related expenses				
Salaries and wages (including recreation leave)	8,153	7,010	–	–
Superannuation – defined benefit plans	144	114	–	–
Superannuation – defined contribution plans	499	474	–	–
Long service leave	183	395	–	–
Workers compensation insurance	36	38	–	–
Payroll tax and fringe benefit tax	543	500	–	–
Other	4	–	–	–
	9,562	8,531	–	–
(b) Other operating expenses include the following				
Auditor's remuneration				
– audit or review of the financial report	33	32	33	32
Consultancies	3,392	3,270	3,392	3,270
Contractors	650	518	650	518
Insurance	10	7	10	7
Legal costs	239	329	239	329
Operating lease rental expense				
– minimum lease payments	745	583	745	583
Travel	125	90	125	90
Other expenses	1,240	1,090	1,240	1,090
Corporate services	272	263	272	263
EDP expenses	1,152	1,058	1,152	1,058
Maintenance	78	127	78	127
	7,936	7,367	7,936	7,367
* Reconciliation – Total maintenance				
Maintenance included in 2(b) above	78	127	78	127
Maintenance related employee expenses included in Note 2(a) above Note 2(a)	–	–	–	–
Note 2(a) + 2(b)	78	127	78	127

	CONSOLIDATED		IPART	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(c) Depreciation and amortisation expense				
Depreciation:				
Plant and Equipment	215	202	215	202
	215	202	215	202
Amortisation:				
Leasehold improvements	298	132	298	132
Intangible Asset	9	8	9	8
	522	342	522	342

3. REVENUE

(a) Sale of goods and services				
Rendering of services (reimbursement of both external consultancies and in-house costs)	1,690	1,473	1,690	1,473
	1,690	1,473	1,690	1,473
(b) Investment revenue				
Interest	344	280	344	280
	344	280	344	280
(c) Other revenue				
Revenue as resources received free of charge	–	–	334	514
Other	13	3	13	3
	13	3	347	517

4. GAIN/(LOSS) ON DISPOSAL

Gain/(loss) on disposal of plant and equipment				
Proceeds from disposal	17	1	17	1
Less: Written down value of assets disposed	(122)	(16)	(122)	(16)
Net gain/(loss) on disposal of plant and equipment	(105)	(15)	(105)	(15)

5. OTHER GAINS/(LOSSES)

	CONSOLIDATED		IPART	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Impairment of receivables	-	(2)	-	(2)
Other gains/(losses) total	-	(2)	-	(2)

6. APPROPRIATIONS

Recurrent appropriations				
Total recurrent drawdowns from NSW Treasury (per Summary of Compliance)	15,923	15,103	15,923	15,103
Less: Liability to Consolidated Fund (per Summary of Compliance)	211	-	211	-
	15,712	15,103	15,712	15,103
Comprising:				
Recurrent appropriations (per Operating Statement)	15,712	15,103	15,712	15,103
Transfer payments	-	-	-	-
	15,712	15,103	15,712	15,103
Capital appropriations				
Total capital drawdowns from NSW Treasury (per Summary of Compliance)	180	180	180	180
Less: Liability to Consolidated Fund (per Summary of Compliance)	-	-	-	-
	180	180	180	180
Comprising:				
Capital appropriations (per Operating Statement)	180	180	180	180
Transfer payments	-	-	-	-
Capital appropriations – equity appropriations (recognised as a 'contribution by owners' in equity)	-	-	-	-
	180	180	180	180

7. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES

The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies:

Superannuation – defined benefit	144	114	-	-
Long Service Leave	183	395	-	-
Payroll tax	7	6	-	-
	334	515	-	-

8. PROGRAMS/ACTIVITIES OF THE AGENCY

(a) Program 1 – Pricing Regulation

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

9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED		IPART	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	4,360	5,096	4,360	5,096
	4,360	5,096	4,360	5,096

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

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

Cash and cash equivalents (per Balance Sheet)	4,360	5,096	4,360	5,096
Closing cash and cash equivalents (per Cash Flow Statement)	4,360	5,096	4,360	5,096

10. CURRENT ASSETS – RECEIVABLES

Sale of goods and services	763	718	763	718
Goods and Services Tax recoverable from ATO	107	105	107	105
Interest receivable	153	137	153	137
Other	32	11	32	11
	1,055	971	1,055	971

11. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	CONSOLIDATED	IPART
	Plant and Equipment	Plant and Equipment
	\$'000	\$'000
At 1 July 2007		
Gross Carrying Amount	2,291	2,291
Accumulated Depreciation	(1,666)	(1,666)
Net carrying amount – at Fair Value	625	625
At 30 June 2008		
Gross Carrying Amount	3,419	3,419
Accumulated Depreciation	(724)	(724)
Net carrying amount – at Fair Value	2,695	2,695
Reconciliation		
A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.		
Year ended 30 June 2008		
Net Carrying Amount at start of year	625	625
Additions	2,708	2,708
Disposals	(1,580)	(1,580)
Depreciation expense	(513)	(513)
Writeback on Disposals	1,455	1,455
Net carrying amount at end of year	2,695	2,695
At 1 July 2006		
At Cost	2,165	2,165
Less: Accumulated Depreciation	(1,424)	(1,424)
Net carrying amount	741	741
At 30 June 2007		
At Cost	2,291	2,291
Less: Accumulated Depreciation	(1,666)	(1,666)
Net carrying amount	625	625

11. NON-CURRENT ASSETS – PLANT AND EQUIPMENT continued

	CONSOLIDATED	IPART
	Plant and Equipment	Plant and Equipment
	\$'000	\$'000
Reconciliation		
A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the previous reporting period is set out below.		
Year ended 30 June 2007		
Net carrying amount at start of year	741	741
Additions	234	234
Disposals	(109)	(109)
Depreciation expense	(334)	(334)
Writeback on Disposals	93	93
Net carrying amount at end of year	625	625

12. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	CONSOLIDATED		IPART
	Software		Software
	\$'000		\$'000
At 1 July 2007			
Cost (gross carrying amount)	102		102
Accumulated amortisation and impairment	(65)		(65)
Net carrying amount	37		37
At 30 June 2008			
Cost (gross carrying amount)	146		146
Accumulated amortisation and impairment	(74)		(74)
Net carrying amount	72		72
Year ended 30 June 2008			
Net carrying amount at start of year	37		37
Additions	44		44
Amortisation (recognised in depreciation and amortisation)	(9)		(9)
Net carrying amount at end of year	72		72
At 1 July 2006			
Cost (gross carrying amount)	102		102
Accumulated amortisation and impairment	(57)		(57)
Net carrying amount	45		45
At 30 June 2007			
Cost (gross carrying amount)	102		102
Accumulated amortisation and impairment	(65)		(65)
Net carrying amount	37		37
Year ended 30 June 2007			
Net carrying amount at start of year	45		45
Additions	–		–
Amortisation (recognised in 'depreciation and amortisation')	(8)		(8)
Net carrying amount at end of year	37		37

13. CURRENT LIABILITIES – PAYABLES

	CONSOLIDATED		IPART	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Accrued salaries, wages and on-costs	221	82	–	–
Creditors	1,094	342	1,094	342
Personnel services	–	–	1,155	920
	1,315	424	2,249	1,262

14. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS

Current				
Employee benefits and related on-costs				
Recreation leave	731	641	–	–
Long service leave	62	66	–	–
Payroll tax	133	124	–	–
	926	831	–	–
Other provisions				
Restoration costs	–	159	–	159
	–	159	–	159
	926	990	–	159
Non-current				
Employee benefits and related on-costs				
Long service leave	8	7	–	–
Non-current				
Other provisions				
Restoration costs	266	–	266	–
	266	–	266	–
	274	7	266	–
Aggregate employee benefits and related on-costs				
Provisions – current	926	831	–	–
Provisions – non-current	8	7	–	–
Accrued salaries, wages and on-costs (Note 13)	221	82	–	–
	1,155	920	–	–

14. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS continued

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	Total
	\$'000	\$'000
Current liabilities		
Consolidated 2008		
Carrying amount at the beginning of financial year	159	159
Amounts used	(159)	(159)
Carrying amount at end of financial year	-	-
IPART 2008		
Carrying amount at the beginning of financial year	159	159
Amounts used	(159)	(159)
Carrying amount at the end of financial year	-	-
Non-current liabilities		
Consolidated 2008		
Carrying amount at the beginning of financial year	-	-
Additional provisions recognised	266	266
Carrying amount at end of financial year	266	266
IPART 2008		
Carrying amount at the beginning of financial year	-	-
Additional provisions recognised	266	266
Carrying amount at the end of financial year	266	266

15. CURRENT LIABILITIES – OTHER

	CONSOLIDATED		IPART	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Liability owing to Consolidated Fund	211	–	211	–
	211	–	211	–

16. CHANGES IN EQUITY

	ACCUMULATED FUNDS			
	2008	2007	2008	2007
Balance at the beginning of the year	5,308	4,011	5,308	4,011
Changes in equity – other than transactions with owners as owners				
Surplus/(deficit) for the year	148	1,297	148	1,296
Total	148	1,297	148	1,296
Balance at the end of the financial year	5,456	5,308	5,456	5,307

17. COMMITMENTS FOR EXPENDITURE**(a) Other Expenditure Commitments**

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

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

(b) Operating Lease Commitments

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

Not later than one year	1,082	460	1,082	460
Later than one year and not later than five years	4,742	–	4,742	–
Later than five years	749	–	749	–
Lease incentive on non-cancellable operating leases included in lease commitments	(1,023)	–	(1,023)	–
Total (including GST)	5,550	460	5,550	460

The total commitments above includes input tax credits of \$505,000 (2007 \$42,000) that are expected to be recoverable from the ATO.

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

19. BUDGET REVIEW

Net cost of services

The net cost of services of \$16,078K was \$494K less than budget. This was mainly due to higher than anticipated sales revenue (\$490K above budget) relating to rendering of services. The employee related expenses were \$703K under budget and also contributed to the net cost of services being less than budget.

Assets and liabilities

Current Assets:

Total current assets were \$675K less than budget due to cash (\$759K under budget) and receivables (\$84K above budget) being impacted by higher than anticipated capital expenditure more than offsetting the larger than expected revenue.

Non-Current Assets:

Plant and equipment and intangible assets were substantially more than budget (\$2,236K) as a result of capital expenditure associated with the new fit-out.

Current and Non-Current Liabilities:

Total liabilities were \$1,305K above budget due mainly to creditors being above budget by \$891K.

Cash flows

Cash flows from operating activities were \$1,688K greater than budget due to higher than anticipated revenue (\$1,767K) being well in excess of the above budget total payments (\$79K).

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

	CONSOLIDATED		IPART	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Net cash used on operating activities	1,891	421	1,891	421
Net Cash flows from Government	(15,892)	(15,260)	(15,892)	(15,260)
Acceptance by the Crown Entity of employee benefits and other liabilities	(334)	(515)	-	(515)
Depreciation and amortisation	(522)	(342)	(522)	(342)
Decrease/(increase) in provisions	(98)	24	(2)	24
Increase/(decrease) in receivables and other assets	84	562	84	562
Decrease/(increase) in creditors	(891)	626	(987)	626
Decrease/(increase) in other liabilities	(211)	-	(211)	-
Net gain/(loss) on sale of plant and equipment	(105)	(15)	(105)	(15)
Other gain/(loss)	-	(2)	-	(2)
Net cost of services	(16,078)	(14,501)	(15,744)	(14,501)

21. ADMINISTERED ASSETS AND LIABILITIES

	CONSOLIDATED		IPART	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Administered Assets				
Cash	501	561	501	561
Receivables	4,611	3,914	4,611	3,914
Total Administered Assets	5,112	4,475	5,112	4,475
Administered Liabilities				
Liability to Consolidated Fund	5,112	4,475	5,112	4,475
Total Administered Liabilities	5,112	4,475	5,112	4,475

22. ADMINISTERED REVENUE – SCHEDULE OF UNCOLLECTED AMOUNTS

Electricity/Gas Supplier Licences and Authorisations				
Not later than one year	4,611	3,914	4,611	3,914
	4,611	3,914	4,611	3,914

23. 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. Compliance with policies is reviewed by the Internal auditors on a continuous basis.

23. FINANCIAL INSTRUMENTS continued

(a) Financial instrument categories

	Note	Category	Carrying Amount 2008 \$'000	Carrying Amount 2007 \$'000
Financial Assets				
Consolidated Class:				
Cash and cash equivalents	9	N/A	4,360	5,096
Receivables (Note 1)	10	Loans and receivables (at amortised cost)	948	866
Financial Liabilities				
Consolidated Class:				
Payables (Note 2)	13	Financial liabilities measured at amortised cost	1,315	424
Other	15	Financial liabilities measured at amortised cost	211	–
Financial Assets				
IPART Class:				
Cash and cash equivalents	9	N/A	4,360	5,096
Receivables (Note 1)	10	Loans and receivables (at amortised cost)	948	866
Financial Liabilities				
IPART Class:				
Payables (Note 2)	13	Financial liabilities measured at amortised cost	2,249	1,262
Other	15	Financial liabilities measured at amortised cost	211	–

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).

23. FINANCIAL INSTRUMENTS continued**(b) Credit Risk**

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

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

Cash

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

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 balance sheet.

	\$'000		
	Total	Past due but not impaired	Considered impaired
	(Notes 1&2)	(Notes 1&2)	(Notes 1&2)
Consolidated 2008			
< 3 months overdue	32	32	–
3 months – 6 months overdue	–	–	–
> 6 months overdue	–	–	–
Consolidated 2007			
< 3 months overdue	–	–	–
3 months – 6 months overdue	–	–	–
> 6 months overdue	28	28	–

23. FINANCIAL INSTRUMENTS continued

	\$'000		
	Total	Past due but not impaired	Considered impaired
	(Notes 1&2)	(Notes 1&2)	(Notes 1&2)
IPART 2008			
< 3 months overdue	32	32	–
3 months – 6 months overdue	–	–	–
> 6 months overdue	–	–	–
IPART 2007			
< 3 months overdue	–	–	–
3 months – 6 months overdue	–	–	–
> 6 months overdue	28	28	–

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 balance sheet.

(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 Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest for late payment was paid during the year [2007: \$Nil].

23. FINANCIAL INSTRUMENTS continued

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

	Interest Rate Exposure (\$'000)				Maturity Dates		
	Weighted Average Effective Int. Rate	Nominal Amount	Fixed Interest Rate	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
Consolidated 2008							
<i>Payables:</i>							
Accrued salaries, wages and on-costs	–	–	–	221	221	–	–
Creditors	–	–	–	1,094	1,094	–	–
Liability to Consolidated Fund	–	–	–	211	211	–	–
				1,526	1,526	–	–
Consolidated 2007							
<i>Payables:</i>							
Accrued salaries, wages and on-costs	–	–	–	82	82	–	–
Creditors	–	–	–	342	342	–	–
				424	424	–	–

	Interest Rate Exposure (\$'000)					Maturity Dates		
	Weighted Average Effective Int. Rate	Nominal Amount	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
IPART 2008								
<i>Payables:</i>								
Accrued salaries, wages and on-costs	–	–	–	–	–	–	–	–
Creditors	–	–	–	–	2,249	2,249	–	–
Liability to Consolidated Fund	–	–	–	–	211	211	–	–
					2,460	2,460	–	–
IPART 2007								
<i>Payables:</i>								
Creditors	–	–	–	–	1,262	1,262	–	–
					1,262	1,262	–	–

23. FINANCIAL INSTRUMENTS continued

(d) Market risk

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

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

	\$'000				
	Carrying Amount	-1% Profit	-1% Equity	+1% Profit	+1% Equity
Consolidated 2008					
<i>Financial assets</i>					
Cash and cash equivalents	4,360	(44)	(44)	44	44
Receivables	948	-	-	-	-
<i>Financial liabilities</i>					
Payables	1,315	-	-	-	-
Liability to Consolidated Fund	211	-	-	-	-
	6,834	(44)	(44)	44	44
Consolidated 2007					
<i>Financial assets</i>					
Cash and cash equivalents	5,096	(51)	(51)	51	51
Receivables	866	-	-	-	-
<i>Financial liabilities</i>					
Payables	424	-	-	-	-
	6,386	(51)	(51)	51	51

23. FINANCIAL INSTRUMENTS continued

	\$'000				
	Carrying Amount	-1% Profit	Equity	+1% Profit	Equity
IPART 2008					
<i>Financial assets</i>					
Cash and cash equivalents	4,360	(44)	(44)	44	44
Receivables	948	-	-	-	-
<i>Financial liabilities</i>					
Payables	2,249	-	-	-	-
Liability to Consolidated Fund	211	-	-	-	-
	7,768	(44)	(44)	44	44
IPART 2007					
<i>Financial assets</i>					
Cash and cash equivalents	5,096	(51)	(51)	51	51
Receivables	866	-	-	-	-
<i>Financial liabilities</i>					
Payables	1,262	-	-	-	-
	7,224	(51)	(51)	(51)	51

(e) Fair Value

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

24. AFTER BALANCE DATE EVENTS

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

End of audited financial report.

Our work program for 2008/2009

Metropolitan Water Pricing

- ▶ Investigation into Prices for Water, Sewerage and Stormwater services provided by :
 - ▷ Sydney Catchment Authority
 - ▷ Hunter Water Corporation
 - ▷ Gosford City Council
 - ▷ Wyong Shire Council
 - ▷ Country Energy- Broken Hill Water
- ▶ Investigation into the methodology for calculating developer charges levied by:
 - ▷ Sydney Water Corporation
 - ▷ Hunter Water Corporation
 - ▷ Gosford City Council
 - ▷ Wyong Shire Council

Water Licensing

- ▶ Conducting operating Water Licence audits for
 - ▷ Sydney Water Corporation
 - ▷ Sydney Catchment Authority
 - ▷ Hunter Water Corporation
 - ▷ State Water Corporation
- ▶ Auditing of adequacy of asset management undertaken by Sydney Catchment Authority
- ▶ Reviewing system performance standards for:
 - ▷ Sydney Water Corporation
 - ▷ Hunter Water Corporation
- ▶ Collecting and auditing of performance indicators of regulated water agencies on behalf of the National Water Commission

Water Industry Competition Act 2006 (WICA)

- ▶ Making recommendations to Minister for Water Utilities on:
 - ▷ Licence applications
 - ▷ Declaration of infrastructure for coverage under access arrangements
- ▶ Establishing and maintaining registers
- ▶ Approving cost allocation manuals prepared by service providers for declared services
- ▶ Determining prices for declared monopoly services
- ▶ Monitoring and reporting of licence compliance
- ▶ Imposition of penalties for non compliance with licence conditions
- ▶ Arbitrating sewer mining and access disputes

Rail access

Review of rail infrastructure compliance with the NSW rail access undertaking for 2006/07 for Australian Rail Track Corporation and Rail Corporation of NSW

Transport fares

- ▶ Review of the regulatory framework for CityRail
- ▶ Review of CityRail's fares for the four years to 2011/12
- ▶ Review of taxi fares for 2008/09
- ▶ Review of fares for rural and regional buses and private ferries
- ▶ Review of bus fares for metropolitan and outer metropolitan bus services
- ▶ Review of fares for Newcastle services

Energy

- ▶ Annual review of the market based energy purchase cost allowance
- ▶ Energy distribution and retail licence compliance report

Section 9 and other referrals

- ▶ Review of the revenue framework for local government
- ▶ Review of State taxation
- ▶ Review of fees of the Office of the Protective Commissioner
- ▶ Review of WorkCover's proposed fees for regulating major hazard facilities
- ▶ Review of performance and funding framework for NSW Health in light of national and international best practice
- ▶ Review of NSW complementary climate change measures
- ▶ Review of NSW user charges

Analysis and Policy Development

- ▶ 2008 Household Survey of electricity, water and gas usage in Gosford, Wyong and the Hunter
- ▶ Cross-sectoral economic research projects to assist IPART in its analysis and consideration of issues

Greenhouse Gas Reduction Scheme

- ▶ Renew the contract for support of the GGAS registry
- ▶ Implement the NSW Energy Efficiency Target Scheme by 1 January 2009
- ▶ Assist in clarifying the transitional arrangements from GGAS to the new Commonwealth Government's Carbon Pollution Reduction Scheme

Outline budget for 2008/09

Budgeted Operating Statement

	2008/09	
	\$	\$'000?
Employee Related Expenses	11,224	
Other Operating Expenses	8,669	
Depreciation	550	
TOTAL EXPENSES	20,443	
TOTAL REVENUE	2,636	
NET COST OF SERVICES	17,807	
Government Funding		
Recurrent Allocation	17,151	
Capital Allocation	180	
Crown Acceptance of Dept Liabilities	431	
Total Government Funding	17,762	
OPERATING RESULT	(45)	

Impacts of IPART's determinations

IPART regulates the prices of a number of basic infrastructure services, namely water, electricity, gas and public transport services. The majority of households spend less than 4 per cent of total expenditure on these services. As they are essential services, IPART believes it important to monitor the impacts of its price determinations on households.

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

Price impacts on residential customers

To monitor the impact of its price determinations on households, IPART introduced an index of household charges in 1993. This index measures, for an average household, the cumulative changes in the prices of the services it regulates, using Australian Bureau of Statistics (ABS) data on household expenditure to calculate the relative expenditure (weightings) for electricity, gas, water and public transport (rail, bus and ferry)¹.

During the 1990s, average household charges for IPART-regulated services generally reduced in real terms. Since 2000, charges have begun to rise in response to a number of cost pressures, which are discussed below in the sections on each industry. It is noted that gas was not regulated by IPART until 1995/96.

Average household charges in 2007/08 were 5.4 per cent higher than levels in 1992/93 in real terms, including GST. If the net impact of GST and the new tax system are excluded, household charges were 1.4 per cent higher in real terms than in 1992/93.

Figure 1.1: Composite index of household charges from 1992/93 to 2007/08

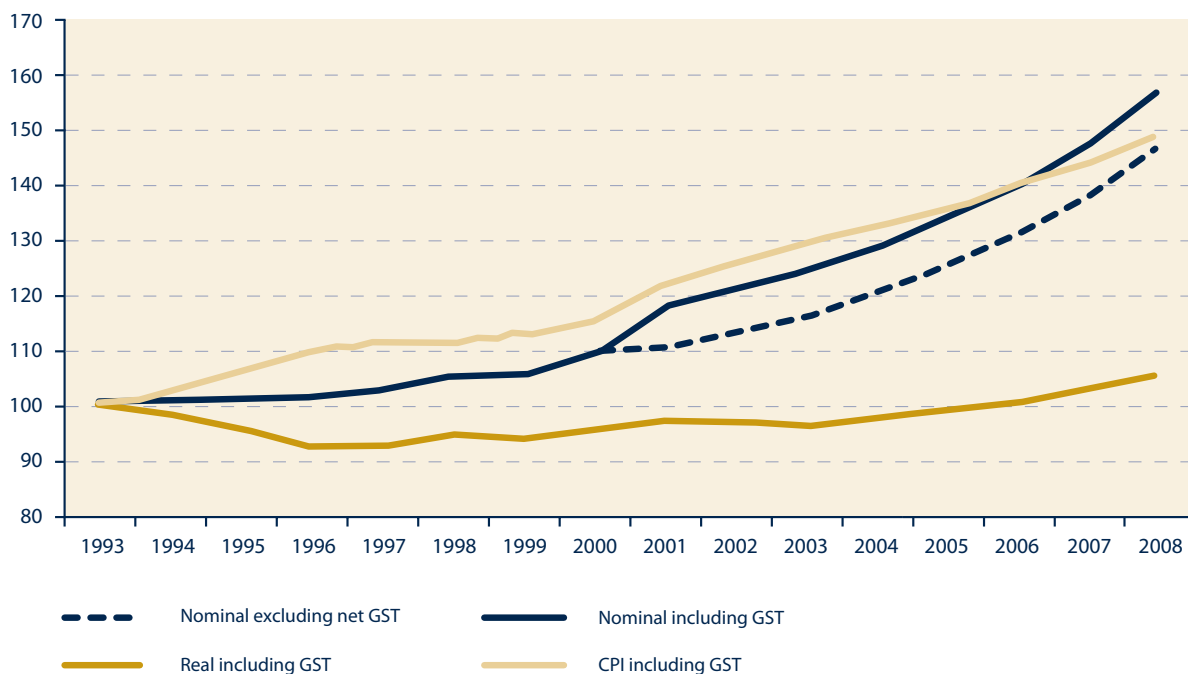
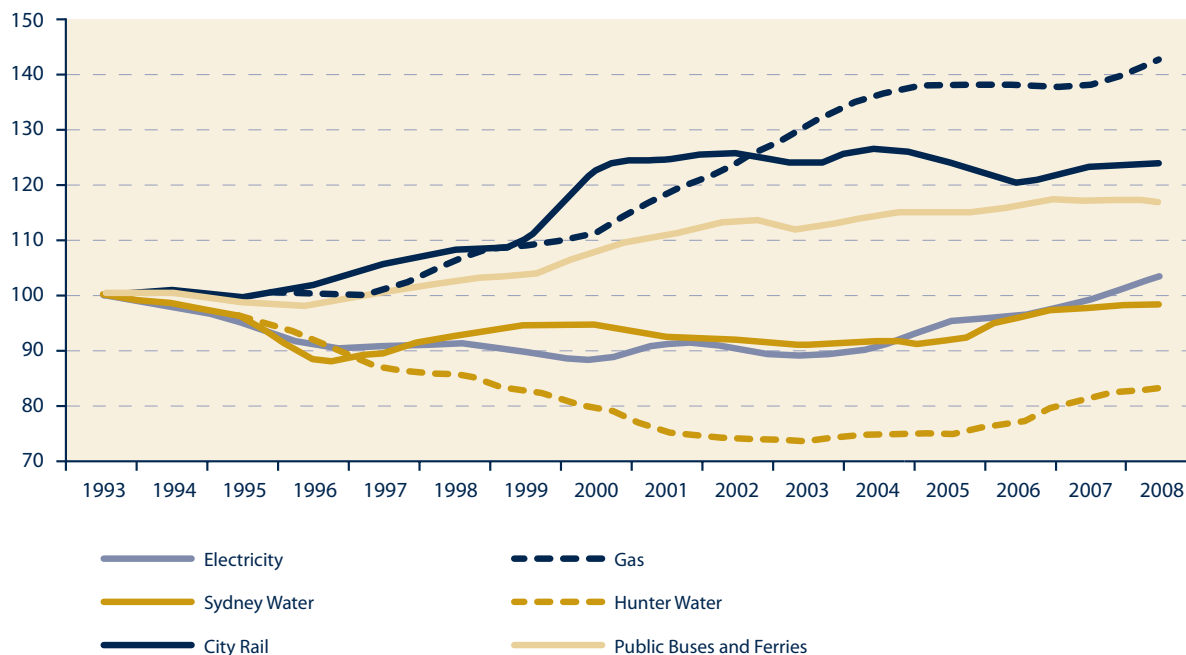


Figure 1.2 shows movements in household charges in real terms, inclusive of GST, by the type of service.

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

Figure 1.2: Indices of household charges by service (real, including GST)



In 2007/08, households paid on average 6.3 per cent more for electricity, gas, water, sewerage and public transport in nominal terms than they did in 2006/07. In real terms, average householder charges rose by around 2.8 per cent in 2006/07. The main drivers of this increase were rises in real prices for electricity and gas services, whilst smaller increases were seen in water and rail services. The factors affecting each service are discussed below.

Electricity

Since 1 January 2002, all electricity customers in NSW have had the option to choose their retail electricity supplier and negotiate a retail supply contract, or to remain with their Standard Retailer - Country Energy, EnergyAustralia and Integral Energy – on a regulated tariff. Although small customers have made some moves towards exercising choice and negotiating the terms of their supply contracts, around 70 per cent of small customers remained on regulated tariffs in late 2006².

In June 2007 IPART made a determination for regulated retail tariffs for the period 1 July 2007 to 30 June 2010 ("the 2007 determination). A major consideration in setting regulated prices was the facilitation of stronger competition in the NSW retail electricity market, as IPART believes that effective competition is the best means of ensuring efficiently-priced and designed electricity services for small retail consumers on an ongoing basis.

Under the 2007 determination, EnergyAustralia is permitted to increase its total average regulated retail electricity price by 4.1 per cent in each year of the determination, while Integral Energy can increase its total average price by 4.9 per cent per year, and Country Energy by 3.7 per cent per year (plus inflation). Overall, the average price paid by residential customers on regulated tariffs increased by about 4.6 per cent in real terms between 2006/07 and 2007/08, or around 8.1 per cent in nominal terms.

2. Based on latest available data as at 1 July 2007.

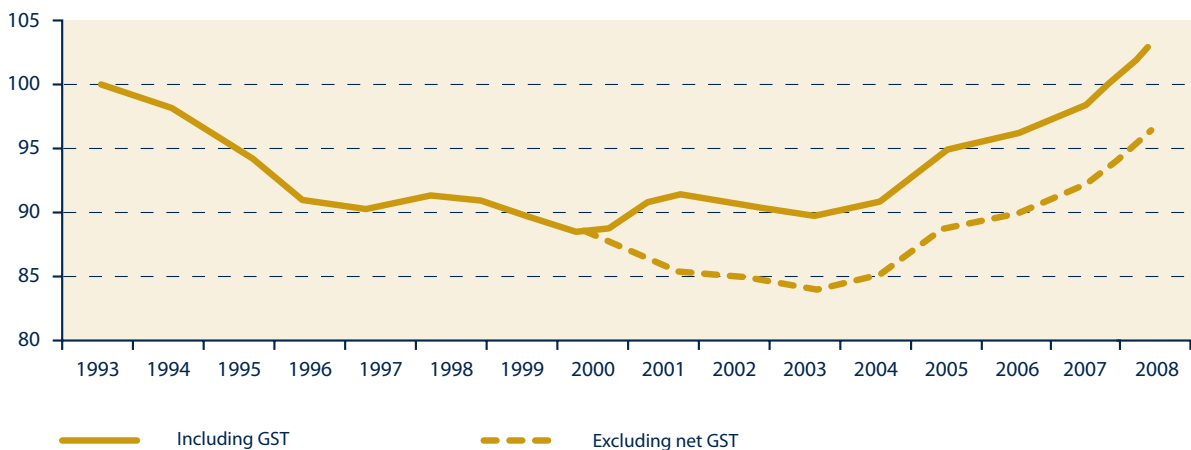
These increases in total average prices largely reflect:

- ▼ higher wholesale electricity costs (except for Country Energy)
- ▼ increases in the retail cost allowance and margin to recover efficiently-incurred costs
- ▼ the costs of attracting and keeping new customers (having regard to what a new entrant into the market would hypothetically face) and
- ▼ increased expenditure to replace ageing network infrastructure and to ensure that higher standards of reliability and higher peak demand are met.

The 2007 determination incorporated a move to more light-handed regulation, whereby Standard Retailers are able to set the level and structure of individual regulated tariffs, subject to a maximum increase in the level of average prices³. IPART considers that the quantum and form of regulated tariffs under the 2007 determination will facilitate the development of competition for small retail customers and encourage investment in new generation, where it is efficient and economic.

The index of household electricity charges (Figure 1.3) shows that the average regulated price was 2.8 per cent higher in 2007/08 than in 1992/93 in real terms (including GST). Excluding GST, the index shows a decline of 3.6 per cent in real terms since 1992/93.

Figure 1.3: Index of residential electricity prices 1992/93 – 2007/08 (real)



3. Additional pricing constraints are in place for Country Energy only.

Note: The above charges exclude the Climate Change Fund component. Some electricity retail tariffs include a small additional amount which goes towards the NSW Government's Climate Change Fund (formerly the Energy Savings Fund). In respect of electricity, the fund aims to reduce overall electricity consumption in NSW and related greenhouse gas emissions, reduce peak electricity demand, stimulate investment in innovative measures, and increase public awareness in energy savings.

Metropolitan Water

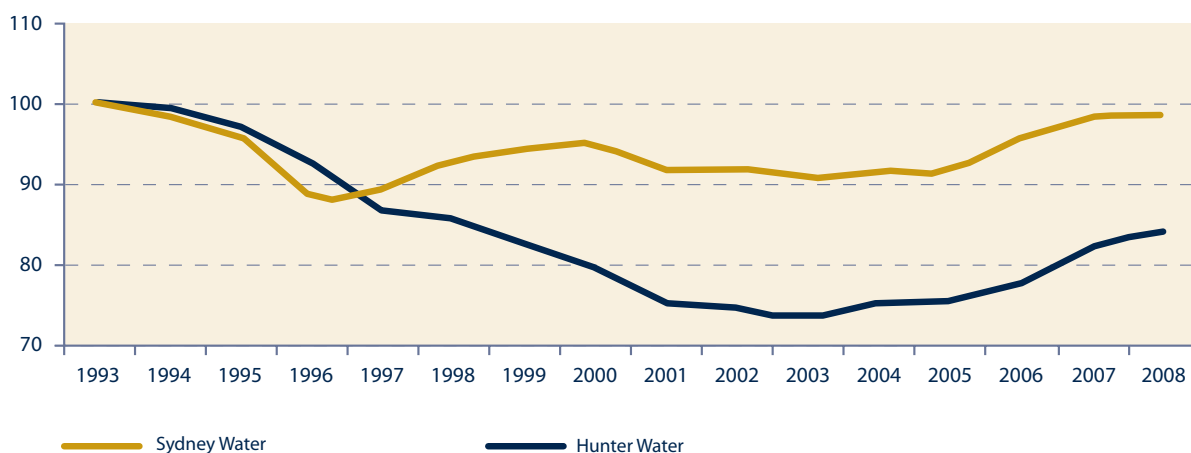
The price determinations applicable to Sydney Water Corporation and Hunter Water Corporation in 2007-08 came into effect on 1 October 2005 and 1 November 2005, respectively (“the 2005 determinations”). The 2005 determinations allowed real increases in average prices for both agencies, and changed the balance between fixed and usage charges in favour of higher usage charges to better reflect the cost of making water services available and to encourage water conservation.

Sydney Water’s 2005 determination introduced a two tiered water usage charge for individually metered residential properties, and reduced the fixed water charges. Hunter Water’s determination removed the declining block water usage tariff for non-residential users.

Residential customers of Sydney Water Corporation and Hunter Water Corporation using 220 kL of water per year experienced nominal increases of 3.6 per cent and 5.9 per cent, respectively, in their water and sewerage bills between 2006/07 and 2007/08. In real terms, Sydney Water Corporation’s customers paid 0.2 per cent more and Hunter Water Corporation’s customers paid 2.4 per cent more.

Although the past year saw an increase in water charges for households, bills were still lower than they were in 1992/93 in real terms: Sydney Water Corporation’s customers paid 1.9 per cent less for water and sewerage services in 2007/08 than in 1992/93, while Hunter Water Corporation’s customers paid 16.3 per cent less (Figure 1.4).

Figure 1.4: Index of residential water and sewerage charges 1992/93 – 2007/08 (real)



Whilst the 2005 determinations were originally to apply until 1 July 2009, a new determination was instituted for Sydney Water for the period 1 July 2008 to 30 June 2012 to reflect significant changes to Sydney Water’s forecast expenditure. These include costs associated with the construction of a desalination plant and introduction of a number of major recycled water schemes. The new determination incorporates a new water pricing structure for Sydney Water reflecting that concerns regarding water scarcity have reduced due to the construction of the desalination plant and recent rains.

Public transport

The current price determination for CityRail commenced on 11 November 2007. Fares rose at this date by a weighted average amount⁴ of 5.9 per cent in nominal terms or 3.5 per cent in real terms. In allowing this increase, IPART took into account continuing increases in CityRail's operating expenditure, significant increases in capital expenditure (including on new carriages, the Clearways program, track maintenance and station upgrades), which should deliver improved levels of service, and CityRail's low and declining levels of cost recovery. It also noted that, in real terms, average fares had decreased by 1.4 per cent in the six years between 2001/02 and 2006/07.

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

In January 2008, fares for services in outer metropolitan areas (except Newcastle) were also harmonised with bus fares across metropolitan Sydney. As a result, passengers in Wollongong, Central Coast, Hunter Valley, Port Stephens and the Blue Mountains now pay the same fare for the same distance trip as passengers in the Sydney region.

Sydney and Newcastle maximum bus fares rose by an average of 3.0 per cent in nominal terms on 2 January 2008, which represents a 0.7 per cent real increase since January 2007. After rounding, Sydney's bus fares rose by a weighted average of 3.6 per cent in nominal terms, which is a real increase of 1.2 per cent. After rounding, Newcastle's bus fares rose by a weighted average of 4.8 per cent in nominal terms, which is a real increase of 2.4 per cent.

IPART allowed the fare increases due to higher contract payments to bus operators and to ensure an appropriate proportion of those payments are recovered through ticket revenue. It considers the increases should not have significant adverse effects on passengers or the environment.

Harmonisation of fares for outer metropolitan services resulted in fare reductions for most passengers in outer metropolitan regions, but fares for some tickets increased. In weighted average terms, fares across these regions decreased by 6.2 per cent, which is a real decrease of 8.4 per cent.

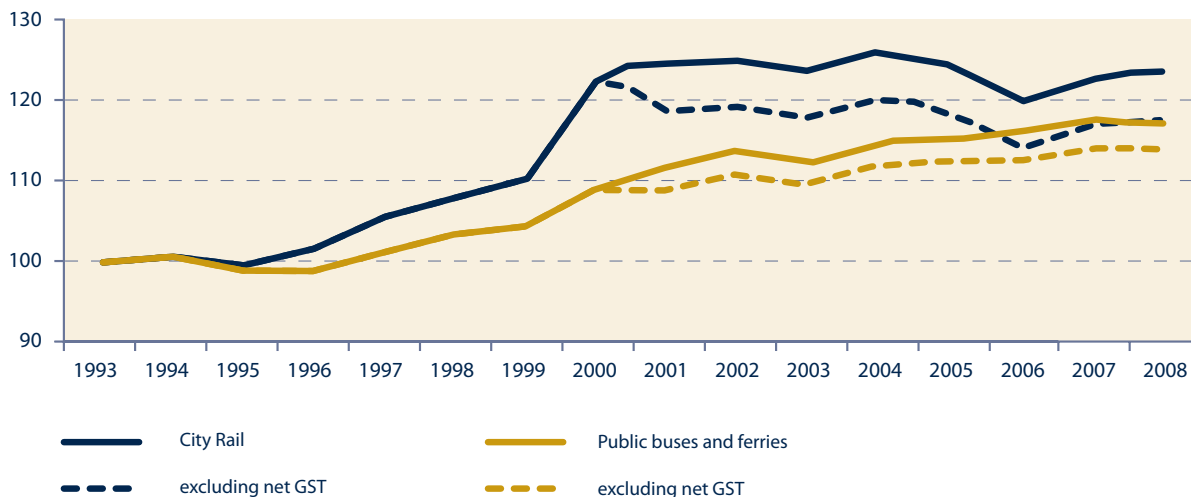
Sydney Ferries' maximum fares have not changed in nominal terms since 2 January 2007, and the real price therefore fell by 2.3 per cent over the year to January 2008. The single fare for the Newcastle Stockton ferry did not change in January 2008.

Public transport prices rose considerably between 1992/93 and 2000/01, but rail fares have decreased in real terms by 1.3 per cent since 2000/01 and bus and ferry fares have increased by less than an average of one per cent a year (Figure 1.5). Over the whole period, rail fares increased by 23.3 per cent and fares for public buses and ferries increased by 17 per cent⁵.

4. Fare increases weighted by the number of tickets sold.

5. The index for public buses and ferries is for STA buses and Sydney Ferries only. Most private bus fares fell when STA and private bus fares in the Sydney metropolitan area were aligned in 2005.

Figure 1.5: Index of public transport prices 1992/93 – 2007/08 (real)



Transport fares still recover only part of the costs of providing services, and the remaining revenue requirements are met from consolidated state revenue. CityRail's costs, in particular, far exceed its fare revenue. All transport services have continued to experience cost increases over the period, which have affected cost recovery levels.

IPART is developing a new economic regulatory approach for determining rail fares that will create better incentives for CityRail to provide passenger rail services at efficient cost levels. The new regulatory framework and fares are anticipated to apply from the start of 2009.

Gas

IPART began regulating gas prices in 1995/96. Retail contestability has been progressively introduced into the gas market since 1997, and all gas retail services have been contestable since 1 January 2002. Small retail customers still have the option to remain on, or return to, a regulated tariff. Standard Gas Retailers in NSW include AGL, ActewAGL, Country Energy and Origin Energy, depending on the area.

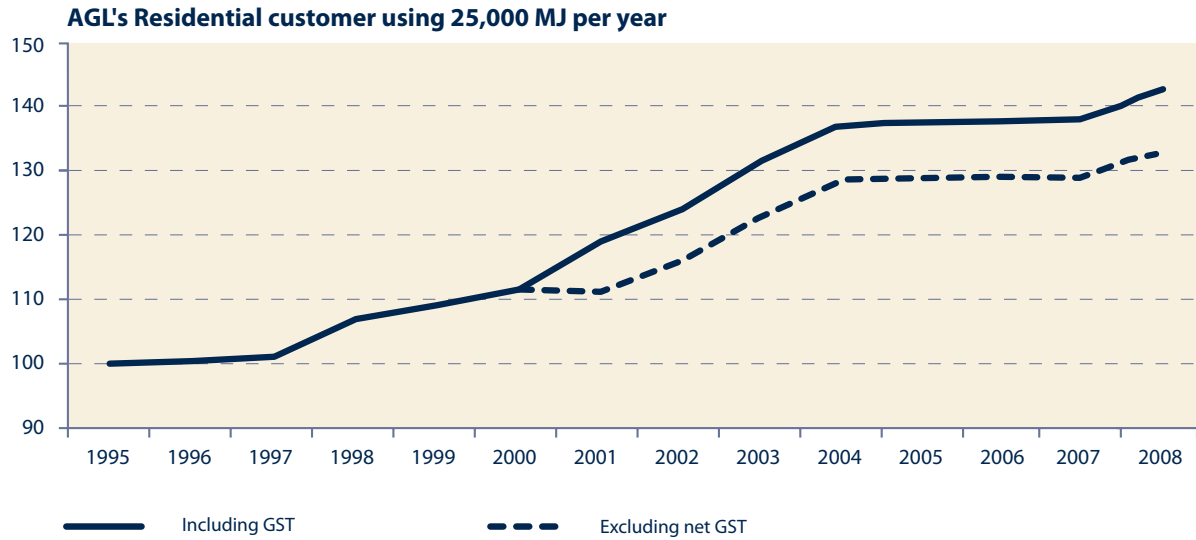
In June 2007 the Tribunal and the Standard Retailers entered into voluntary transitional pricing arrangements (VTPAs), which included a weighted average price cap for regulated tariffs. These caps limit the increase in average prices to the change in CPI for the previous calendar years for all areas except the Murray Valley district supplied by Origin Energy. The limit in the Murray Valley District is CPI+2% per annum. Suppliers have discretion regarding the structure and level of individual tariffs as long as they meet the average price constraint.

The VTPAs included provisions for price increases in special circumstances. In early 2008, following increased gas transportation and commodity costs, the Tribunal allowed special increases in average prices for residential customers of AGL and ActewAGL (from 1 April 2008) and Country Energy (from 1 June 2008) in lieu of the 1 July 2008 CPI price increase. These price increases translate to:

- ▼ a 5.2 per cent increase in the annual bill of a typical residential customer of AGL consuming 23,000MJ per year
- ▼ an approximate 6 per cent increase in the annual bill of a typical residential customer of ActewAGL consuming between 38,000 and 46,000 MJ per year and
- ▼ a 12.2 per cent increase in the annual bill of a typical residential customer of Country Energy consuming 35,000 MJ per year.

The gas price index shown in Figure 1.6 is calculated for an AGL gas customer using 25,000MJ of gas per year, which is a medium level of usage.

Figure 1.6: Index of residential gas prices for AGL customers 1994/95 – 2007/08 (real)



Note: The residential customer is on the "Everytime Plus" (residential economy) tariff to 2003, then switches to "Everytime value" as recommended by AGL. On 1 July 2007 the regulated residential tariffs were consolidated into a single regulated tariff.

Residential gas prices rose fairly sharply between 1997/98 and 2003/04, but have increased modestly in real terms since that time. AGL customers paid 42.3 per cent more for gas in 2007/08 compared to the amount paid in 1994/95 (including GST).

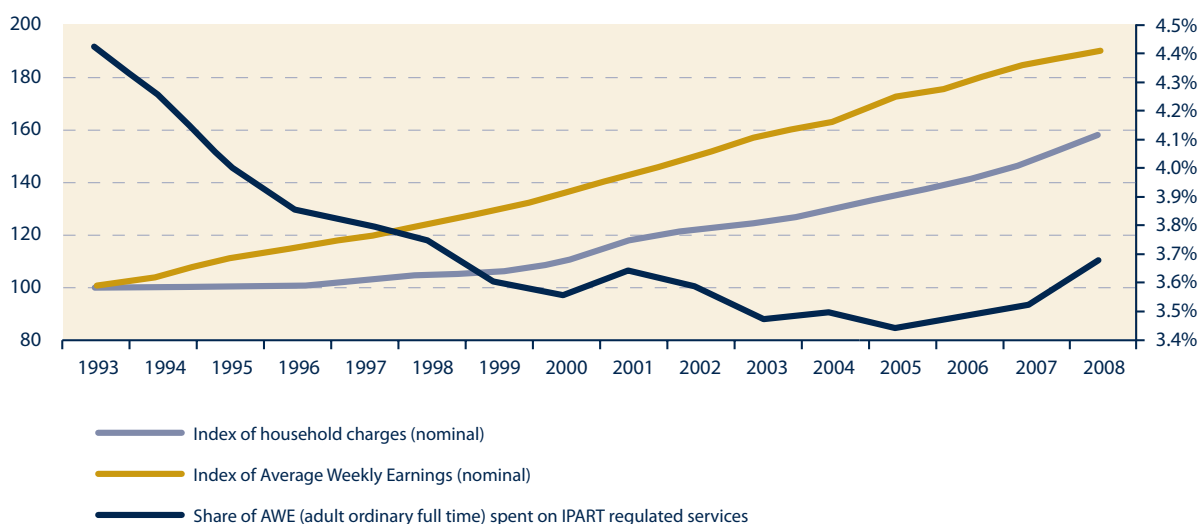
The increases for residential customers to 2002/03 were primarily due to the elimination of the previous cross-subsidy of residential customers by non-residential users. The 6.8 per cent nominal increase, or 4.4 per cent real increase, in 2003/04 was due to various increases in the cost of supply.

Price impacts by level of income

The share of average weekly earnings (AWE) spent on IPART-regulated services was 3.7 per cent in 2007/08, compared to 4.4 per cent in 1992/93 (Figure 1.7). It should be noted that gas was not regulated by IPART until 1995/96 and is the service that has incurred the highest increase of those measured in this analysis.

Whilst there has been an overall decrease in the proportion of income spent on IPART-regulated services, this figure has been trending upwards since 2005/06. There was a proportionately large increase in the amount of income spent on services between 2006/07 and 2007/08 (around 0.2 percentage points) due to the combined effect of price rises and a relatively sharp fall in real average earnings.

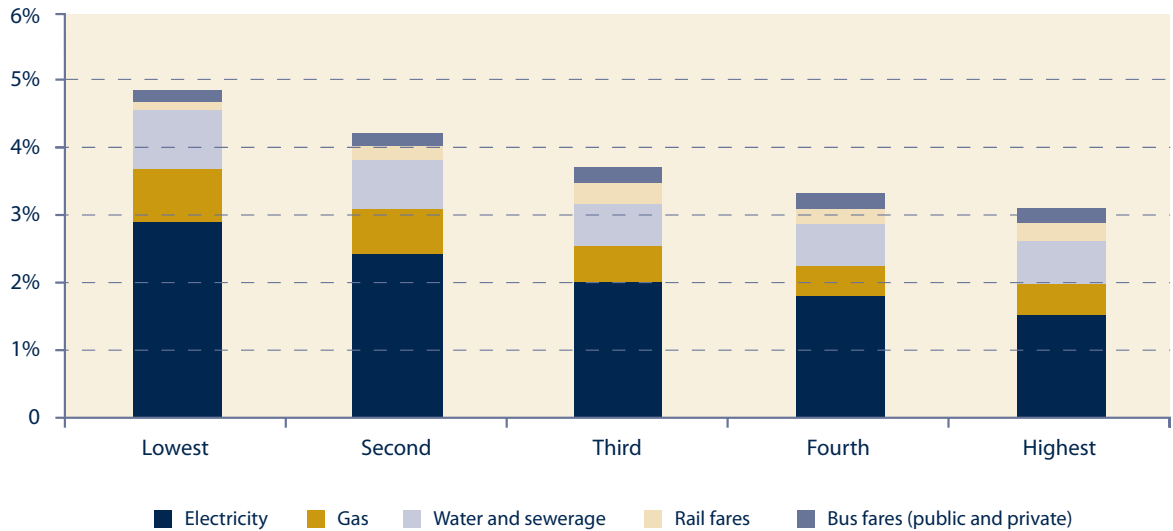
Figure 1.7: Share of Average Weekly Earnings spent on IPART services



Note: Expenditure on services is obtained from the ABS's 2003/04 Household Expenditure Survey (Sydney values), indexed by IPART's combined index of household charges. Average weekly earnings are obtained from the ABS' Average Weekly Earnings (NSW adult full time, ordinary time earnings).

On average, households spend about 3.6 of their total expenditure (as opposed to income) on the services regulated by IPART. This proportion is higher for low income households than high income households: for example, according to the 2003/04 Household Expenditure Survey the poorest 20 per cent spend 4.9 per cent on these services compared to 3.1 per cent for the richest 20 per cent (Figure 1.8). This means that IPART's price determinations have a bigger impact on the household budgets of low income household than high income households.

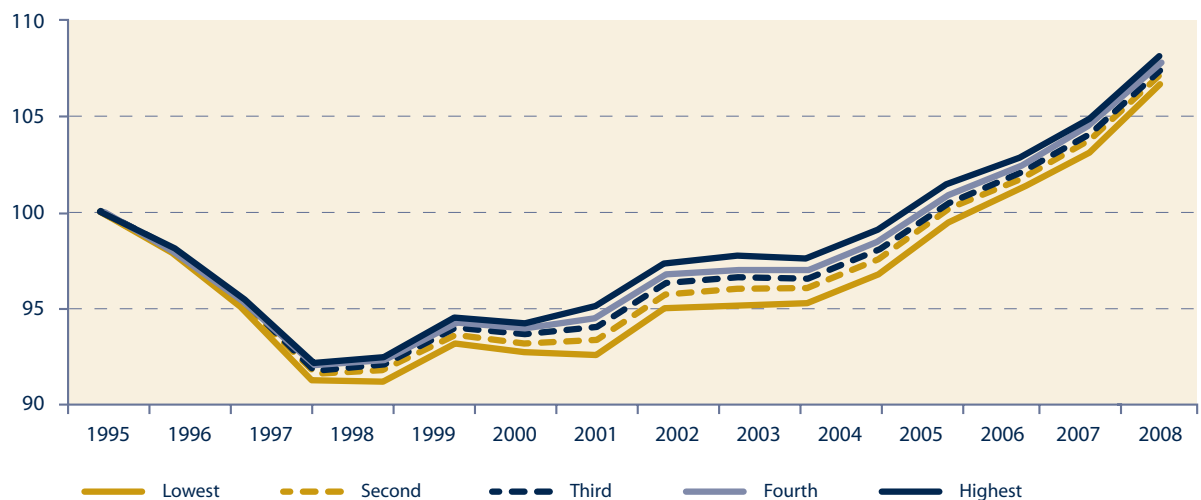
Figure 1.8: Share of expenditure on services by income quintile



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

We can use the expenditure patterns for the different income groups to create a composite price index for each group. The resulting price indices are very similar, and are indeed slightly higher for high income households compared to low income households (Figure 1.9). The main reason for this is that, on average, high income households spend proportionately more on public transport than low income households compared to expenditure on water, electricity and gas⁶. Since public transport prices have increased significantly since 1992/93, the higher weighting given to public transport for high income households translates into a higher combined price index.

Figure 1.9: Composite index of household charges by income quintile, 1992/93 to 2007/08 (real, including GST)



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

Household bills

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

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

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

All households are supplied by EnergyAustralia for electricity, AGL for gas and Sydney Water for water and sewerage, and travel by rail or STA bus. The assumed levels of consumption are shown in Table 1.1.

Table 1.1: Characteristics of “typical” households^a

	Household 1 Average consumption	Household 2 Low consumption	Household 3 Low consumption and Pensioner
Electricity consumption	7,500 kWh (2,000kWh off-peak)	5,000 kWh (1,500kWh off-peak)	5,000 kWh (1,500kWh off-peak)
Gas consumption	25,000 MJ	14,000 MJ	14,000 MJ
Water consumption	220 kL per year	150 kL per year	150 kL per year
STA Bus, train and ferry transport (return trip)	225 days per year Red TravelPass (valid for bus, train and ferry) ^b	70 days per year Adult return train ticket (10km) and Blue Travel Ten (1-2 section bus trip) ^b	70 days per year Pensioner excursion

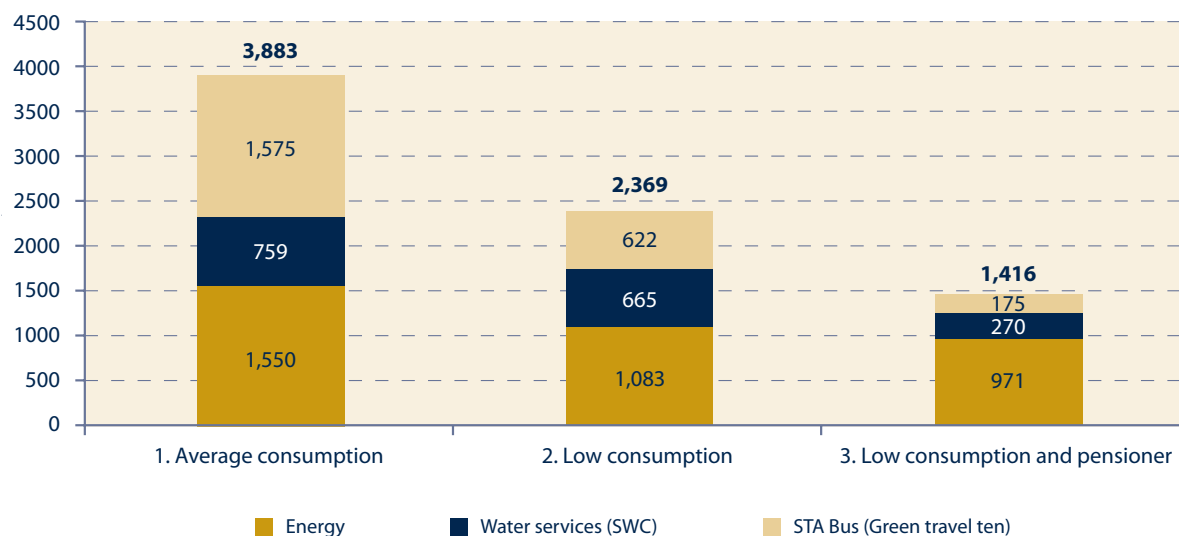
Notes:

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

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

Households that consume less will face lower bills than households that consume more and those that qualify for pensioner rebates/discounts will pay less than non-pensioner households for the same amount of service. For example, Household 1 paid a total of \$3,883 in 2007/08, Household 2 paid \$2,369 and Household 3 (pensioner) paid \$1,416 (Figure 1.10). The pensioner household received rebates of \$112 for household energy⁷ and \$395 for water services⁸, and a discount of \$447 for public transport⁹. It therefore paid \$953, or 40 per cent, less than the equivalent non-pensioner household for the same services.

Figure 1.10: Household bills (\$ per year, 2007/08)



Although the pensioner household (Household 3) paid substantially less than the low consumption non-pensioner household (Household 2) in 2007/08 for the same services, the bill for this household type has increased more rapidly than the non-pensioner household's bill over the last 11 years. As shown in Figure 1.11, the low consumption non-pensioner household's bill increased by 17 per cent between 1996/97 and 2007/08, in real terms and including GST. The pensioner's combined bill (water, energy and transport) increased by 25 per cent due to the increase in the pensioner excursion ticket from \$1 to \$2.50 in 2005, and an unchanged energy rebate of \$112 per annum. It should be noted that the increase in the pensioner excursion ticket applies only to pensioners using STA buses and/or trains. A pensioner using a private bus is likely to have experienced a decrease in transport costs due to the extension of this ticket type to private buses in January 2005.

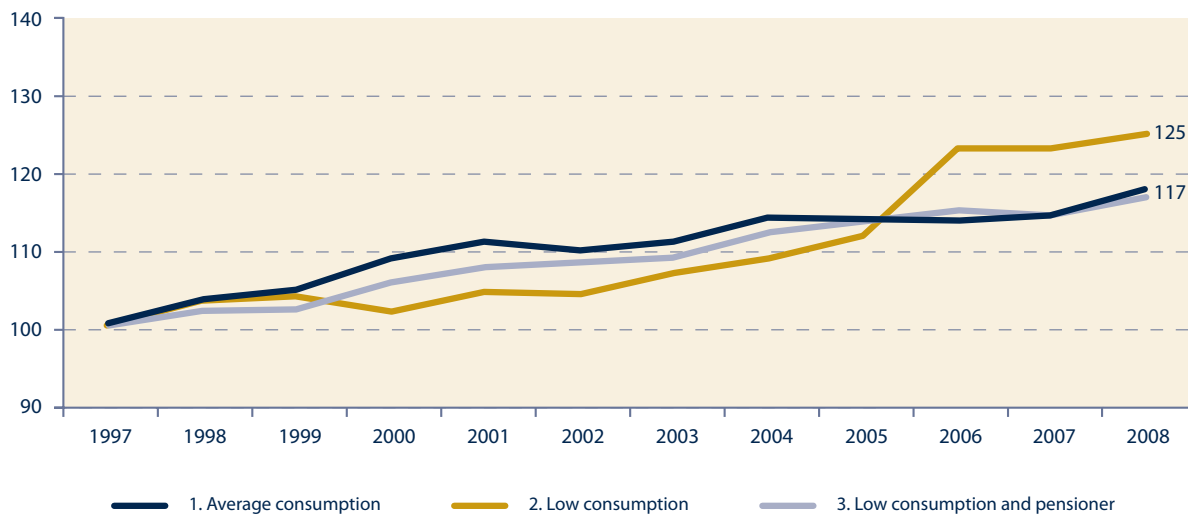
The bill for an average level of consumption (Household 1) increased by 17 per cent.

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

8. Sydney Water's pensioner rebates in 2007/08 were 100 per cent of the fixed charge for water and 83 per cent of the fixed charge for sewerage. Rebates are available to owner-occupiers holding Centrelink Pensioner concession cards or Department of Veteran's Affairs concession cards. (Tenants are not directly responsible for paying the fixed charges, and therefore do not qualify for rebates).

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

Figure 1.11: Increases in household bills, 1996/97–2007/08 (real, including GST)



Price impacts on non-residential customers

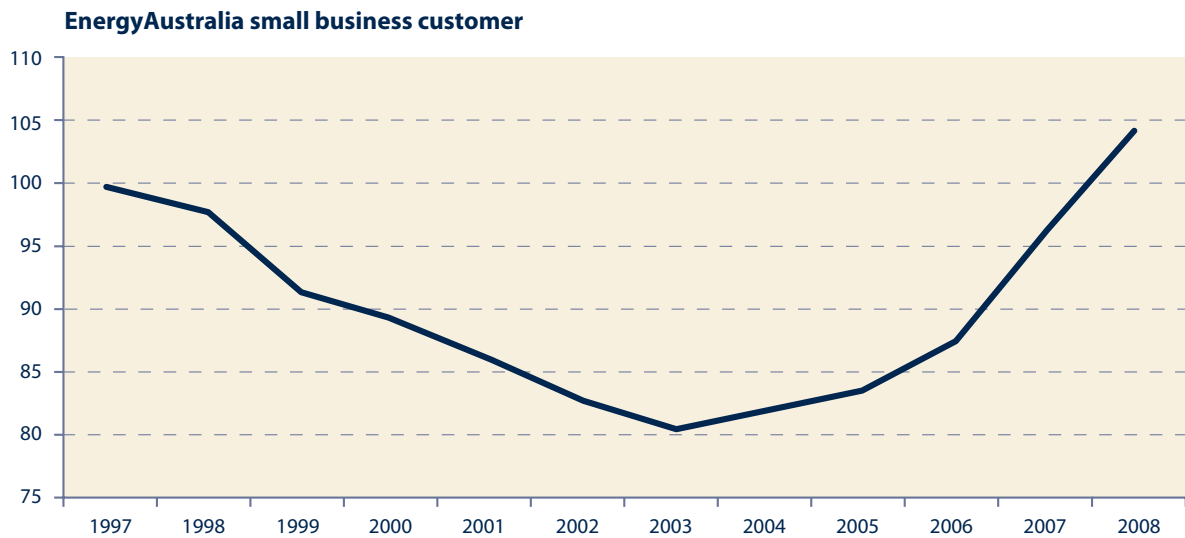
The Tribunal's decisions also have an impact on the bills faced by non-residential customers for water, gas and electricity.

Electricity

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

The electricity index shown in Figure 1.12 is calculated for an EnergyAustralia business customer on a general supply tariff using 30 MWh of electricity per year. This customer paid 12.1 per cent more for electricity in 2007/08 compared to the previous year in nominal terms, or 8.4 per cent in real terms. This increase is larger than the average increase for all non-residential customers, and is driven by a 10 per cent nominal increase in the charge for consumption up to 10MWh and a 14 per cent nominal increase in the charge for consumption in excess of 10 MWh per year.

Figure 1.12: Index of regulated business electricity prices (small customers) 1996/97–2007/08 (real, excluding GST)



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

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

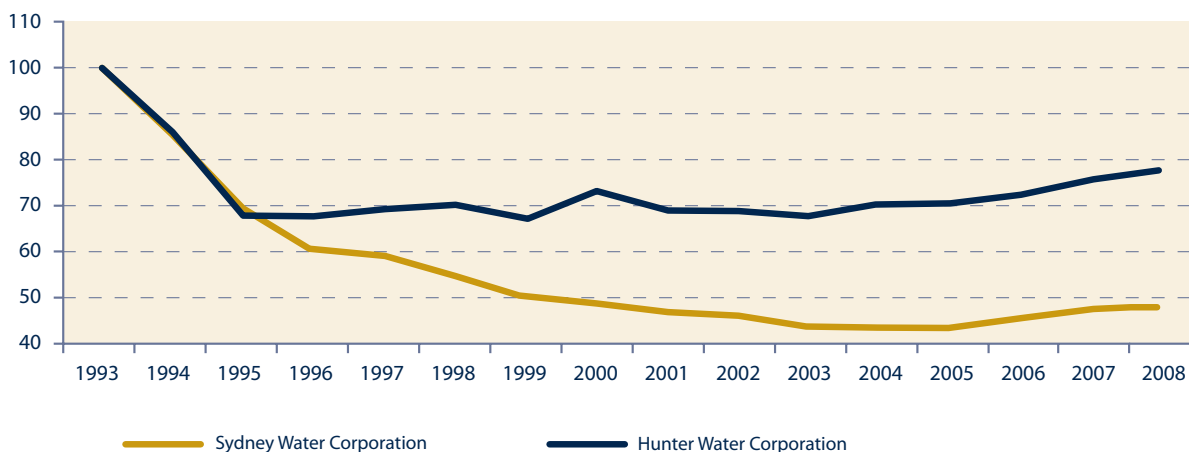
Metropolitan Water

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

Sydney Water Corporation's non-residential customers experienced a nominal price increase of about 4.8 per cent between 2006/07 and 2007/08, which is 1.4 per cent in real terms. Even though prices have increased over the past few years, the bill for Sydney Water's non-residential customers of water and wastewater services are substantially lower than in 1992/93 – by over 52 per cent in real terms. This reduction is largely due to the progressive elimination of property value-based charges, which were finally eliminated on 1 July 2004.

Hunter Water Corporation's non-residential customers experienced a nominal price increase of about 5.5 per cent between 2006/07 and 2007/08, or 2.0 per cent in real terms. Average prices are, however, still 23 per cent lower than they were in 1992/93¹⁰.

Figure 1.13: Index of real water and wastewater charges for non-residential customers 1992/03–2007/08



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

Gas

Up until 1 July 2008, IPART approved network charges as part of the access arrangements submitted to it under the National Gas Code. As from 1 July 2008 IPART is no longer responsible for regulating access to gas networks in NSW. Gas network regulatory functions other than licence compliance have been transferred to the Australian Energy Regulator (regulator) and the Australian Energy Markets Commission (rule maker) under national energy market reforms.

IPART continues to regulate "default" retail prices for small gas customers (those consuming less than 1 terajoule per year, or around \$15,000 worth), where they have not chosen to enter into a negotiated customer supply contract. Each region of New South Wales has a nominated standard retail gas supplier – AGL Retail Energy, Country Energy, Origin Energy, ActewAGL or Sun Gas.

10. Hunter Water Corporation's water and wastewater property value based charges were eliminated in 1994/95. Average bills fell about 30 per cent between 1992/93 and 1994/95.

Bulk water

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

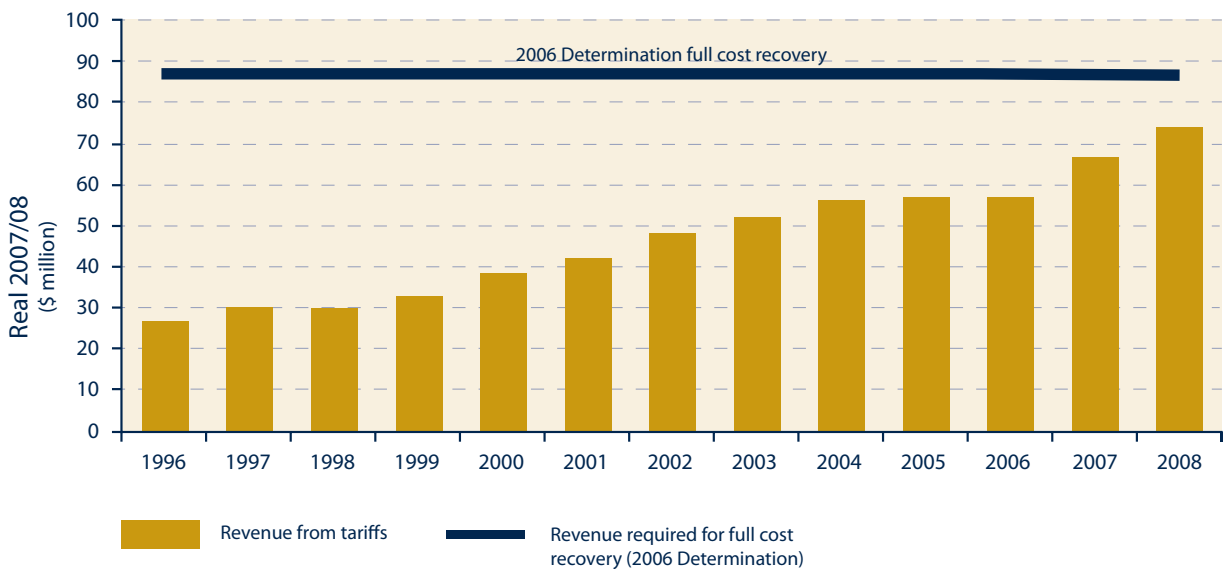
IPART set a medium-term price path with effect from 1 October 2006. Under the determination, State Water Corporation's prices will rise annually by an average of 5.8 per cent in real terms over the determination period (to 2009/10). Charges for water resource management will rise annually by an average of 4.1 per cent (real) over the period.

In making its determination for State Water and the Department, IPART was strongly influenced by:

- ▼ the continuing focus on moving prices towards cost reflective levels, as a result of the NSW Government's commitments under the National Water Initiative (NWI)
- ▼ significant increases in some State Water and DWE costs, partly reflecting an increase in the agencies' responsibilities
- ▼ the corporatisation of State Water and its subsequent shift to a commercial business model and
- ▼ licence changes requiring State Water to generate a greater proportion of its revenue from usage charges.

The 2006 determination targeted recovery of 83 per cent of users' share of estimated efficient costs in 2007/08 (\$72.7 million out of \$87.2 million; 2007/08 dollars). This represented a real increase of 5.6 per cent in users' contributions to that sought in 2006/07.

Figure 1.14: Actual and target revenue from bulk water tariffs 1994/05–2007/08 (real)



Appendix 1

Legislative provisions

IPART was established under the *Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act)*. It performs functions under the IPART Act, and also under the *Gas Supply Act 1996, Electricity Supply Act 1995, the Hunter Water Act 1991, Sydney Water Act 1994, Sydney Water Catchment Management Act 1998, Water Management Act 2000, the Water Industry Competition Act 2006, Passenger Transport Act 1990, the Transport Administration Act 1988* and the *State Water Corporation Act 2004*.

During 2007/08, IPART also had significant functions under the *Gas Pipelines Access (New South Wales) Act 1998*, the *National Third Party Access Code for Natural Gas Pipeline Systems (Gas Code)* and the *National Electricity Rules*.

IPART continues to exercise certain minor functions under the *Prices Regulation Act 1948, the Gaming Machines Act 2001* and the *Motor Accidents Compensation Act 1999*.

Independent Pricing and Regulatory Tribunal Act 1992

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

- ▼ Regulating prices and reviewing pricing policies of government monopoly services.
- ▼ Undertaking reviews referred to it in relation to industry, pricing or competition.
- ▼ Arbitrating access disputes in relation to public infrastructure access regimes.
- ▼ Registering access agreements.
- ▼ Regulating water, electricity and gas licences.
- ▼ Investigating complaints under the competitive neutrality regime.

Regulating prices and reviewing pricing policies

IPART conducts investigations and makes reports to the Minister on the determination of the pricing for a specified government monopoly service supplied by a government agency and also conducts periodic reviews of the pricing policies of specified government monopoly services.

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

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

There are two main ways in which IPART's investigations may be initiated. The first is by standing references. Schedule 1 of the IPART Act lists a number of government agencies for which IPART has a standing reference. Under Section 11, IPART may initiate investigations of declared monopoly services supplied by these standing reference agencies.

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

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

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

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

Public participation and access to information

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

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

IPART must make a document relating to an investigation available for inspection on request, unless the document is an exempt document under the *Freedom of Information Act 1989* (Section 25). If a document is exempt, IPART has discretion to release it following consultation, and if satisfied that it will not damage commercial or other interests.

Matters IPART must consider

Under Section 15 of the IPART Act, IPART is required to consider a range of issues when making determinations and recommendations, and to report on what regard it has had to each. These issues can be summarised as:

- ▼ the cost of providing the services concerned
- ▼ protection of consumers from abuses of monopoly power
- ▼ an appropriate rate of return
- ▼ the effect on general price inflation
- ▼ the need for greater efficiency
- ▼ the need to maintain ecologically sustainable development
- ▼ the impact on pricing of borrowing, capital and dividend requirements

- ▼ the impact on pricing policies of any arrangements that the agency concerned has entered into for the exercise its functions by some other person or body
- ▼ the need to promote competition
- ▼ considerations of demand management
- ▼ the social impact of the determinations and recommendations
- ▼ standards of quality, reliability and safety.

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

How IPART sets maximum prices

IPART may set maximum prices in either of two ways.

The first way is by determining maximum prices. IPART may fix the prices in any way it considers appropriate (Section 14), including fixing:

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

IPART may fix such a price by reference to:

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

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

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

Implementation of maximum prices

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

Compliance

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

Release of reports and determinations

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

Reviewing industries, pricing or competition

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

Providing assistance to other agencies

Under Section 9 of the IPART Act, the Premier may approve IPART's providing services to any government agency, body or person in areas that are within its field of expertise and relevant to its functions. In entering into any arrangement to provide services, IPART has a duty of care to ensure that giving effect to the arrangement will not interfere with its ability to exercise its usual functions. Several examples are shown in the Principal Achievements and 2008/09 Work Program sections in this report.

Arbitrating access disputes

Under Part 4A of the IPART Act, any disputes that exist with respect to a public infrastructure access regime are subject to arbitration by IPART. In carrying out these arbitration functions, IPART may appoint an arbitrator from a panel approved by the Premier or may undertake the arbitration itself (Section 24B). IPART's arbitration activities follow the provisions of the Commercial Arbitration Act 1984, supplemented by provisions of the IPART Act and any regulations made under Section 29 of the IPART Act.

Registering access agreements

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

Regulating licences

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

Under its powers contained in the ancillary Acts such as the *Electricity Supply Act 1995*, *Gas Supply Act 1996*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *Sydney Water Catchment Management Act 1998* and *State Water Corporation Act 2004*, IPART is responsible for matters such as making recommendations to the Minister for or with respect to:

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

To fulfil this role, IPART monitors licence compliance and reports annually to the Minister regarding such compliance. It also has specific licence auditing responsibilities for the electricity and water industries.

In addition to making recommendations to the Minister, IPART has limited powers to impose monetary penalties or require a utility to take remedial action if the utility knowingly contravened the conditions of a licence.

Investigating complaints under competitive neutrality regime

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

IPART is required to investigate and report on any such complaint referred by the Minister, and make its report publicly available. The IPART Act specifies the processes IPART is to follow in investigating such a complaint.

Gas Supply Act 1996

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

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

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

Gas Code

During 2007/08, IPART was the relevant regulator under the Gas Code in relation to natural gas distribution pipelines within NSW. The key functions of IPART were to:

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

On 1 July 2008, the Tribunal's role as the relevant regulator was transferred to the Australian Energy Regulator (AER).

Electricity Supply Act

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

The scheme for determining tariffs and charges is as follows:

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

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

Greenhouse Gas Reduction Scheme

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

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

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

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

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

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

National Electricity Rules

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

On 1 January 2008, the AER assumed the function of determining electricity network distribution prices, although IPART currently retains a compliance role with regard to network pricing under IPART's determination *NSW Electricity Pricing 2004/05 to 2008/09* until that determination expires on 30 June 2009.

Appendix 2

Decisions under s16A of the Independent Pricing and Regulatory Act

Under section 16A of the Independent Pricing and Regulatory Tribunal Act, the portfolio Minister for a government agency may direct the Tribunal to include in a price determination or price methodology 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. Once the Tribunal is given a direction under s16A, it must comply with the direction and explain in its report the manner in which it has complied with the direction.

In 2007/08, the Minister for Water (formerly the Minister for Water Utilities) issued four s16A directions. All directions were applicable to the review of Sydney Water Corporation's prices for water, sewerage and stormwater services from 1 July 2008, and concerned projects to secure Sydney's long term water supply. These are:

- ▼ construction and operation of the desalination plant and distribution infrastructure associated with the desalination plant
- ▼ the Western Sydney Recycled Water Initiative Replacement Water Flows Project
- ▼ the Rosehill (Camellia) Recycled Water Project.

The final determination for Sydney Water resulted in higher prices for customers from 1 July 2008. The higher prices reflected in large part costs associated with capital projects, including the desalination plant and the Western Sydney Replacement Water Flows Project.

The table below sets out s16A directions received by the Tribunal and their impact. No s16A directions were received prior to 2007/08.

Table 2 Section 16A directions**Table 3**

Date of direction	Agency	Price determination	Requirement placed on Agency	Increase in notional revenue requirement (NPV terms)^a (\$2007/08)	Cost increase per residential property (NPV terms)^b (\$2007/08)
2 July 2007	Sydney Water Corporation	Review of Prices for Sydney Water Corporation's water, sewerage and stormwater services – from 1 July 2008 to 30 June 2012	<ul style="list-style-type: none"> ▼ Construction of a desalination plant on the Kurnell Peninsula and associated infrastructure for the supply of an annual daily average of up to 250 mega-litres of drinking water per day (scaleable to 500 mega-litres a day) ▼ Construction of distribution pipelines capable of delivering 500 mega-litres per day across Botany Bay, which are to connect to Sydney Water Corporation's existing distribution network. 	\$530 million (construction and operation of plant)	\$305 (construction and operation of plant)
4 March 2008	Sydney Water Corporation	Review of Prices for Sydney Water Corporation's water, sewerage and stormwater services – from 1 July 2008 to 30 June 2012	Operation of the desalination plant.		
17 August 2007	Sydney Water Corporation	Review of Prices for Sydney Water Corporation's water, sewerage and stormwater services – from 1 July 2008 to 30 June 2012	<ul style="list-style-type: none"> Construction, operation and undertaking of the Western Sydney Recycled Water Initiative Replacement Flows Project, consisting of: <ul style="list-style-type: none"> ▼ an advanced water treatment plant with interconnecting systems from the Penrith, St Marys and Quakers Hill Sewage Treatment Plants ▼ associated infrastructure and a pipeline from the treatment plant ▼ a pilot plant at St Mary's Sewage Treatment Plant and associated infrastructure. 	\$70 million	\$38

Date of direction	Agency	Price determination	Requirement placed on Agency	Increase in notional revenue requirement (NPV terms)^a (\$2007/08)	Cost increase per residential property (NPV terms)^b (\$2007/08)
12 March 2008	Sydney Water Corporation	Review of Prices for Sydney Water Corporation's water, sewerage and stormwater services – from 1 July 2008 to 30 June 2012	<p>Undertaking of the Rosehill (Camellia) Recycled Water Project, including:</p> <ul style="list-style-type: none"> ▶ entering into agreements for the supply of recycled water to foundation customers ▶ purchasing recycled water from a private recycled water supplier for supply to customers ▶ arranging for the private recycled water supplier to finance, construct, operate and maintain recycled water infrastructure, which will be initially capable of supplying around 4.3 billion litres of recycled water per year, as well as the necessary distribution pipelines. <p>The costs to be included in Sydney Water's prices for potable water are to be the difference between the charges paid by Sydney Water to the owner of the Rosehill (Camellia) Recycled Water infrastructure and distribution pipelines and revenue from the sale of recycled water to customers.</p>	\$10 million	\$6 ^c

a The columns showing the increase in notional revenue requirement and cost per residential property show the stand-alone impact of each project over the period of the determination (2008/09 to 2011/12).

b This report denotes houses with a 20mm water meter as 'residential properties'.

c Expenditure on the Rosehill (Camellia) Recycled Water Project commences in 2010/11.

Appendix 3

Tribunal Meetings, Public Forums and Submissions

Tribunal meetings

During 2007/08 the Tribunal held 52 meetings during the year, 34 Delegated Tribunal meetings and 16 Greenhouse Gas Reduction Scheme Tribunal meetings.

Delegated Tribunal Meetings

The Tribunal held 34 Delegated meetings and 16 Greenhouse Gas Reduction Scheme Tribunal meetings.

Public hearings and workshops, 2007/2008

The Tribunal also hosted 2 Public Hearings, 4 Public Forums, 5 Roundtables, 4 Workshops, 2 auditor training sessions and 1 information session.

Dr Michael Keating, Chairman attended 48 Tribunal meetings and 13 other meetings.

Mr James Cox, CEO and Full Time Member attended 47 Tribunal meetings, 34 Delegated Tribunal meetings, 16 Greenhouse Gas Reduction Scheme Tribunal meetings and 13 other forums.

Ms Sybille Krieger, Part Time Member attended 42 Tribunal meetings and 10 other sessions.

Professor Neil Warren, Temporary Member assisting the review of NSW taxation attended 10 Tribunal meetings and 1 public forum.

DATE	INVESTIGATION	VENUE
	Transport	
5 Sept 2007	Public Hearing for CityRail fares 2007	Sydney
9 Nov 2007	Public Forum on bus fares	Sydney
9 Nov 2007	Public Forum on private ferries and Newcastle services	Sydney
11 Mar 2008	Public Forum on taxis	Sydney
	Energy	
17 Mar 2008	Market based electricity purchase cost allowance	Sydney
	Water	
7 Dec 2007	Sydney Water Corporation Price Review from 01 July 2008 – Public Hearing	Sydney
17 Dec 2007	Implementing WICA Licensing Scheme – Public Workshop	Sydney
10 Mar 2008	Review of Developer Charges for Metro Water Agencies – Public Workshop	Sydney

DATE	INVESTIGATION	VENUE
	Greenhouse Gas Reduction Scheme	
16 Oct 2007	Auditor training	Sydney
14 Mar 2008	Auditor training	Sydney
	Other Industries	
27 Aug 2007	Review of the NSW Registered Clubs Industry – Roundtable	Sydney
14 Sep 2007	Review of the NSW Registered Clubs Industry – Roundtable	Wagga Wagga
18 Sep 2007	Review of the NSW Registered Clubs Industry – Roundtable	Armidale
12 Oct 2007	Review of the NSW Registered Clubs Industry – Roundtable	Dubbo
1 Nov 2007	Review of the Interface between the Land Transport Industries and the Stevedores at Port Botany – Draft Report – Information Session	Sydney
14 Dec 2007	Review of State Taxation – Public Workshop	Sydney
7 May 2008	Review of the NSW Registered Clubs Industry – Roundtable	Sydney
4 Jun 2008	Review of Valuer General valuation services to Local Government – Public Workshop	Sydney

Submissions to projects during 2007/2008

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2007/08, and received a total of 601 submissions.

Closure date = day submissions close

CLOSURE DATE	INVESTIGATION	SUBMISSIONS
	Energy	
15 Apr 2008	Market-based electricity purchase cost allowance – Draft Report	6
26 Sept 2008	Review of Retailer of Last Resort – Issues Paper	8
29 Nov 2008	Review of Retailer of Last Resort	6
	Transport	
21 Mar 2008	Review of CityRail Regulatory Framework – Issues Paper	7
18 July 2008	Review of CityRail Regulatory Framework – Discussion Papers	40
3 Aug 2008	Review of CityRail fares	206
28 Sept 2008	Review of Cost Indices for non metropolitan buses and private ferries – Issues Paper	34
	Water	
12 Oct 2007	Sydney Water Corporation Price Review from 1 July 2008 – Issues Paper	30
14 Dec 2007	End of Term Review of State Water - Issues Paper	9
1 Feb 2008	Review of Developer Charges for Metro Water Agencies – Issues Paper	39
18 Apr 2008	Sydney Water Corporation Price Review from 1 July 2008 – Draft Report	13
	Other	
27 Jul 07	Review of the NSW Registered Clubs Industry	39
30 Oct 2007	Review of the Interface between the Land Transport Industries and the Stevedores at Port Botany – Draft Report	26
23 Nov 2007	Review of State Taxation – Issues Paper	41
29 Feb 2008	Review of the NSW Registered Clubs Industry – Draft Report	18
28 Mar 2008	Review of Valuer General valuation services to Local Government – Issues Paper	13
13 Jun 2008	Review of Valuer General valuation services to Local Government – Draft Report	5
18 Jun 2008	Review of the Office of the Protective Commissioner – Issues Paper	61

Appendix 4 Publications

GAS	
DATE	PUBLICATION
25/06/2008	Statement of Reasons – Central Ranges Pipeline Tariff Variation 2008 NOT APPROVED
26/05/2008	Final Report and Statement of Reasons for Country Energy price increase for regulated gas prices – 26 May 2008
20/05/2008	Statement Of Reasons – Alinta AGN Reference Tariff Variation – 20 May 2008
20/05/2008	Statement of Reasons – Country Energy Gas Reference Tariff Variation – 20 May 2008
19/03/2008	Decision and Statement of Reasons – ActewAGL application for price increase under special circumstances provision
19/03/2008	Decision and Statement of Reasons – AGL application for price increase under special circumstances provision
19/03/2008	Statement of reasons – Alinta AGN Associate Contract application
06/12/2007	Statement of Reasons for Decision – Country Energy Gas Pty Ltd proposed associate contract with Country Energy – November 2007
23/11/2007	Natural Gas Retail Supplier Reporting Manual – November 2007
22/11/2007	Natural Gas Standard Supplier Reporting Manual – November 2007
28/09/2007	Statement of Reasons for Decision – Alinta AGN revised notice of variation to reference tariffs – 1 July 2007

ELECTRICITY	
DATE	PUBLICATION
20/05/2008	Final Decision – 2008 Review of Market Based electricity purchase cost allowance – 20 May 2008
20/05/2008	Final report – Frontier Economics response to submissions – 20 May 2008
12/03/2008	Draft Report – Market-based electricity purchase cost allowance – 2008 Review
07/03/2008	Statement of Reasons – Integral Energy Revised Public Lighting Price Proposal
05/12/2007	Electricity Distribution Network Service Provider Reporting Manual – December 2007
28/11/2007	Guideline Assessment and Process for distribution loss factors – November 2007
23/11/2007	Electricity Retail Supplier Reporting Manual – November 2007
23/11/2007	Electricity Standard Supplier Reporting Manual – November 2007
01/11/2007	Draft Report – Review of retailer of last resort supply fee for small customers – November 2007
23/08/2007	Issues Paper – Review of retailer of last resort supply fee for small retail customers
02/07/2007	Statement of Reasons for Decision – Country Energy Public Lighting Price Increase – 26 June 2007

WATER	
DATE	PUBLICATION
16/06/2008	Final Determination and Report – Review of prices for Sydney Water Corporation’s water, sewerage, stormwater and other services – 16 June 2008
27/03/2008	Review of prices for Sydney Water Corporation’s, water, sewerage stormwater and other services from 1 July 2008 – Draft Determination and Draft Report
12/02/2008	State Water – 2006 Bulk Water Determination – Compliance Report
31/01/2008	Water scarcity: Does it exist and can price help solve the problem?
30/01/2008	Sydney Catchment Authority Operational Audit 2006/07 – Report to the Minister
24/01/2008	Sydney Water Corporation Operational Audit 2006/07 – Report to Minister
19/12/2007	Hunter Water Corporation Operational Audit 2006/07 – Report to Minister
09/11/2007	Review of Developer Charges for Metropolitan Water Agencies – Issues Paper
10/10/2007	Review of the 2005–2008 Operating Licence for State Water Corporation – Issues Paper
14/09/2007	A Literature Review of underlying costs and industry structures of metropolitan water industries
10/08/2007	Review of prices for Sydney Water Corporation’s water, sewerage, stormwater and recycled water services from 01 July 2008 – Issues Paper
17/07/2007	State Water Corporation Operational Audit 2005/06 – Report to the Minister
03/07/2007	Hunter Water Corporation Operational Audit 2005/06 – Report to the Minister

TRANSPORT	
DATE	PUBLICATION
18/06/2008	2008 Review of Taxi Fares in NSW – Final Report and Recommendations – June 2008
06/06/2008	Deciding on the structure and level of CityRail fares – Discussion Paper – 6 June 2008
06/06/2008	Determining CityRail’s revenue requirement and how it should be funded – Discussion Paper – 6 June 2008
23/04/2008	2008 Review of Taxi Fares in NSW – Draft Report and Draft Recommendations – April 2008
05/02/2008	Issues Paper – 2008 Review of Taxi Fares in NSW – February 2008
20/12/2007	RailCorp Unders and Overs Account Policy – approved by Tribunal on 5 December 2007
18/12/2007	Review of fares for rural and regional buses and private ferries from 2 January 2008
17/12/2007	Report and Determination – Review of Fares for metropolitan and outer metropolitan bus services from 2 January 2008
17/12/2007	Report and Determination – Review of fares for Newcastle Services from 2 January 2008
02/11/2007	Discussion Paper for Public Hearing – Review of bus and private ferry fares – November 2007
25/10/2007	CityRail Fares from 11 November 2007 – Final Report and Determinations
25/10/2007	Review of CityRail regulatory framework – Issues paper – Report Summary
25/10/2007	Review of the CityRail regulatory framework – Issues paper

TRANSPORT CONTINUED	
DATE	PUBLICATION
06/09/2007	Decision – Review of rail infrastructure owner’s compliance with the NSW Rail Access Undertaking 2005/06 – Australian Rail track Corporation (ARTC) and Rail Corporation New South Wales (RailCorp) – Ceiling Test
27/08/2007	Review of CityRail fares for 2007/08 – Discussion Paper for 5 September 2007 Public Hearing
17/08/2007	IPART Guidelines – NSW Rail Access Undertaking Annual Review of Compliance – Version 2 – August 2007
17/08/2007	IPART policy statement – Approach to major periodic maintenance (MPM) in assessing compliance with the ceiling test
17/08/2007	Issues Paper – review of cost indices for non–metropolitan buses and private ferries – August 2007
10/08/2007	Report to Minister – Maximum fares for Taxis in NSW – Final Report – July 2007
07/08/2007	Decision – Review of rail infrastructure owners compliance with NSW Rail Access Undertaking 2005/2006 – Australian Rail Track Corporation (ARTC) and Rail Corporation NSW (RailCorp) – Asset Valuation

OTHER INDUSTRIES	
DATE	PUBLICATION
27/06/2008	Final Report – Review of the Registered Clubs Industry in NSW
18/06/2008	Review of fees of the Office of the Protective Commissioner – Issues paper
12/06/2008	Draft Report – Review of State Taxation – Report to Treasurer
04/06/2008	Office of the Protective Commissioner Fees Review – Final Report by IPART – May 2003
12/05/2008	Draft Report and Determination – Review of prices for valuation services provided by the Office of the Valuer General for local councils
18/03/2008	Reforming Port Botany’s links with inland transport – Final Report
29/02/2008	Draft Report – Review of Registered Clubs Industry in NSW
29/02/2008	Issues Paper – Review of prices for valuation services provided by the office of the Valuer General for local councils
03/12/2007	Residential Energy and Water Use in Sydney, the Blue Mountains and Illawarra – Results from the 2006 household survey
30/10/2007	Reforming Port Botany’s links with inland transport – Draft Report
23/10/2007	Review of State Taxation – Issues Paper

OTHER DOCUMENTS (NOT RELATED TO SPECIFIC INDUSTRIES OR PROJECTS)	
DATE	PUBLICATION
10/03/2008	IPART Annual Report 2006–2007
02/10/2007	IPART’s Corporate Plan 2007–2009
31/07/07	Annual Report on Compliance and Operation of the NSW Greenhouse Gas Reduction Scheme during 2007

Appendix 5 Staffing and Consultants

EEO statistics (total staff by level and employment basis)

Number of employees by category, and comparison to prior three years, as at 30 June 2008				
	2008	2007	2006	2005
Chairman and Chief Executive	2	2	2	2
Directors & General Managers	6	5	7	5
Program Managers	12	9	8	9
Managers	4	4	3	4
Analysts	44	41	37	39
General Counsel	1	1	1	1
Legal Officers	1	2	2	2
Support Officers	13	11	11	11
Total number of staff includes full time, part-time, temporaries and graduates	83	75	71	73
Part-time Tribunal Members	1	1	1	1
Temporary Members	1	0	2	2
Total number of Staff including members	85	76	73	76

Trends in the Representation of EEO Groups		% OF TOTAL STAFF			
EEO GROUP	BENCHMARK/TARGET	2008	2007	2006	2005
Women	50	52	45	47	49
Aboriginal people and Torres Strait Islanders	2	0	0	0	0
People whose first language was not English	20	16	11	13	12
People with a disability	12	4	3	1	4
People with a disability requiring work-related adjustment	7	0	0	0	0

Trends in the Distribution of EEO Groups		DISTRIBUTION INDEX			
EEO GROUP	BENCHMARK/TARGET	2008	2007	2006	2005
Women	100	96	98	101	101
Aboriginal people and Torres Strait Islanders	100	0	0	0	0
People whose first language was not English	100	n/a	n/a	n/a	n/a
People with a disability	100	n/a	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100	0	0	0	0

Notes:

1 Staff numbers are as at 30 June 2008.

2 Excludes casual staff.

Industrial Relations Policies and Practices

A 'Salary Trade Off for Additional Leave' policy was agreed with the Joint Consultative Committee.

IPART launched its new intranet facility which greatly increases the ease of access for staff to policy and procedures, forms and the on-line flex and leave systems.

IPART completed the process of revising all position descriptions and subjecting them to independent job evaluation.

Considerable progress was made towards completely revising IPART's capability maps, used to clarify staff development needs and to provide constructive performance feedback.

IPART's current Award was due to expire at the end of June 2008, but IPART agreed to hold over discussions on a new Award pending the outcome of the Public Service Association's public sector pay case to be arbitrated in the NSW Industrial Relations Commission later in 2008.

Code of Conduct

There were no changes to the Professional Standards and Behaviour Policy. The policy is to be reviewed in the next reporting period.

Flexible work practices

IPART's flexible work practices include flexi-time and permanent part-time arrangements continue to prove beneficial for both the employee and the organisation providing staff with flexibility to balance work and family responsibilities.

Occupational health and safety

The agency is committed to care for the health, welfare and safety of all staff, visitors and stakeholders in the workplace. There were no prosecutions under the Occupational Health and Safety Act for IPART during this year. Highlights for 2007/08 include:

- ▼ Support for the OH&S committee and training for new members.
- ▼ Conduct office inspection by the OH&S committee to identify areas of improvement in the new office premises.
- ▼ Implementing ergonomic reviews to coincide with the move to new office premises. The reviews cover individual needs, ensuring the workstation is ergonomically sound.
- ▼ Training in emergency evacuation and preparation of personal emergency plans.
- ▼ Provision of the annual vaccination against influenza.
- ▼ Celebration of International Women's day with a women's only health seminar. This was followed by a men's only health seminar. The health and wellness program will continue as a positive health initiative.
- ▼ Continuation of free in-house yoga classes.
- ▼ Continuation of support for corporate sports.

Members of the OH&S Committee were trained in the use of the OH&S Self-Assessment Tool, an audit tool developed by the Treasury Managed Fund's Risk Management Unit to test an agency's performance against best practice. IPART will repeat the audit annually and use the results to benchmark performance against other public sector participants and to refresh the OH&S strategic plan.

Corporate Plan

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

Consultants

During 2007/08, IPART engaged the following consultants for a total expenditure of \$ (work on some of these consultancies was still proceeding at 30 June):

Consultants equal to or more than \$30,000		
CONSULTANT	COST (\$)	TITLE
Engineering		
Charles River Associates International	\$136,481	CityRail Passenger Services: Assessing the Allocation of Costs Between Government and Users
Charles River Associates International	\$148,382	Strategic Advice on Rail Transport of Containers to and from Port Botany
Ernst and Young	\$75,000	Assistance with Review of Office of Protective Commissioner
GHD Pty Ltd	\$147,639	Audit of Sydney Water Corporation Operating Licence and NWI Indicators
GHD Pty Ltd	\$136,521	Audit of Hunter Water Operating Licence and NWI Indicators
GHD Pty Ltd	\$59,091	Technical Capacity for a Network Operator's Licence and Establishing an Audit Panel Under the Water Industry Competition Act 2006
Halcrow Pacific Pty Ltd	\$99,705	2006-2007 Operational Audit of the Sydney Catchment Authority
Halcrow Pacific Pty Ltd	\$77,786	Review of Sydney Water Corporation's Asset Lives and Asset Value Estimates
Halcrow Pacific Pty Ltd	\$170,482	Review of Sydney Water Corporation's Capital & Operating Expenditure & Asset Management Plan
KPMG House	\$173,617	Clubs Review - Financial Viability Aspects
LEK Consulting	\$354,136	Total Cost Review of CityRail's Regular Passenger Services
National Economic Research Associates	\$98,250	Final Report - Results of IPART 2006 Household Survey for Energy and Water
Sub Total	\$1,677,090	

Consultants equal to or more than \$30,000 (continued)		
CONSULTANT	COST (\$)	TITLE
Finance and Accounting		
Booz Allen Hamilton	\$152,922	CityRail Fare Elasticities
Centre for International Economics	\$88,229	Assistance for CityRail Review
Centre for International Economics	\$162,478	Review of Bus and Private Ferry Fares 2007
Danu Consulting	\$43,500	Review of Accounting Practices & Asset Valuation Methodologies for Sydney Water Corporation
Deloitte Touche Tohmatsu	\$67,900	2006 Calender Year Electricity Tariff Equalisation Fund Audit
Deloitte Touche Tohmatsu	\$81,108	2007 Electricity Tariff Equalisation Fund Audit
Frontier Economics Pty Ltd	\$32,250	Assistance with AGL Application for Retail Gas Price Increases Under Special Circumstances
Indec Consulting	\$45,000	Advice on Relative Weightings of Costs in the Bus Industry Cost Index
McLennan Magasanik Associates Pty Ltd	\$254,093	2008 Household Survey of Water, Electricity and Gas Use in Gosford Council, Wyong Shire Council and Hunter Water Corporation's Area of Operation
McLennan Magasanik Associates Pty Ltd	\$156,109	Review of Consumption Forecasts for Sydney Water Corporation
Wilson Cook and Co Limited	\$63,216	Review of Integral Energy Public Lighting Capital and Operating Expenditure
Wilson Cook and Co Limited	\$47,500	Development of Model and Guide for the Financial and Technical Assessment of Islanded Networks
Sub Total	\$1,194,305	
Management Services		
Farrier Swier Consulting	\$90,423	Assistance on CityRail Major Review
Walter Turnbull Pty Ltd	\$87,100	Quality Assurance
Sub Total	\$177,523	
Total consultancies equal to or more than \$30,000	\$3,048,918	
Consultants less than \$30,000.00		
Engineering (4 engagements)	\$51,137	
Finance and Accounting/tax (16 engagements)	\$263,664	
Information technology (1 engagement)	\$12,875	
Environmental (1 engagement)	\$26,783	
Total consultancies less than \$30,000	\$354,459	
Total consultancies	\$3,403,377	

Contract executive profile

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

Seven contract positions equivalent to SES 1 (\$141,250 or higher), including three held by women, were filled at the end of the financial year. This compares with five contracts in the previous year (three held by women) when executive staff were on secondment and leave without pay.

Salaries of statutory appointees and contract executives

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

In accordance with Treasury Circular TC00/20, the names of officers, position held, and total salary packages (including superannuation) must be disclosed if salary packages exceed the minimum level of SES Level 5 (\$219,701 at 30 June). At IPART, this applies to:

Name	Position	Total Salary Package
Michael Keating	Chairman (part-time three days per week)	\$257,338
James Cox	Chief Executive Officer and Full Time Member	\$341,120

Michael Keating

Appointed 17 December 2004.

The Premier has indicated that during 2007/08 Dr Michael Keating met the performance criteria established for the position of Chairman. The key achievements for 2007/08 were:

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

James Cox

Appointed on 17 December 2004.

The Chairman has indicated that during 2007/08 James Cox met the performance criteria established for the position of Chief Executive Officer and Full Time Member. The key achievements for 2007/08 were:

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

Appendix 6

External Liaison

In 2007/08 senior Tribunal staff met with an international delegation from the Republic of Singapore's Ministry of Transport to provide briefings on IPART's regulatory approach to public transport fares.

Overseas visits

There were two overseas visits by IPART staff in the reporting period:

STAFF MEMBER	TRAVEL TO	DATE	REASON FOR TRAVEL	COST
Eric Groom <i>Principal Adviser</i>	Singapore	16–18 March 2008	To participate in a forum on Sustainable Energy, Good Governance & Electricity Regulation at the Lee Kuan Yew School of Public Policy, National University, Singapore	All costs were met by the Forum organisers.
Jim Cox <i>CEO & Full Time Member</i>	Singapore	23–27 June 2008	To attend (by invitation from the Public Utilities Board of Singapore) the Singapore International Water Week 2008 – Water Leaders Summit.	\$7,840

External presentations

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

TITLE	VENUE	DATE
James Cox, Chief Executive Officer and Full Time Member		
Tiered Pricing System for Heavy Users –	<i>National Water 2007 Conference, Langham Hotel – Melbourne</i>	14 August 2007
Energy Prices in NSW	<i>NSW State Energy Outlook Conference, L'Aqua, Cockle Bay Wharf – Sydney</i>	27 February 2008
Pricing and Investment in Water	<i>3rd Annual Water Symposium, L'Aqua, Cockle Bay Wharf – Darling Harbour, Sydney</i>	29 February 2008
An update on issues in regulation – An IPART perspective	<i>6th Annual Australian Water Summit, RACV Club, Melbourne</i>	7 March 2008
Pricing and Investment in Water	<i>Financing & Constructing Major Water Projects 2008, Radisson Plaza Hotel, Sydney</i>	9 May 2008
Energy Prices in New South Wales	<i>Institute of Public Affairs Energy Group, Melbourne</i>	16 May 2008

TITLE	VENUE	DATE
Michael Keating, Chairman		
Up-Skilling our Workforce and the future Role of TAFE	<i>TAFE Executive Forum, Turner Hall, at Sydney Institute Ultimo Campus</i>	1 August 2007
Evaluating Energy Prices in NSW	<i>NSW Energy Summit, Grace Hotel, Sydney</i>	20 November 2007
Addressing Buybacks and Over-Allocation of Water Entitlements	<i>CEDA Water Seminar, Shangri-La Hotel, Sydney</i>	21 February 2001
Enhancing landside efficiency at Port Botany	<i>Synergising Inter-modal transport for Competitiveness Presentation to CEDA on 2008 Transport Infrastructure Series, Hilton Hotel Sydney</i>	15 May 2008
Chris Spangaro, General Manager, Greenhouse Gas Reduction Scheme		
Greenhouse Gas Reduction Scheme	Australian Compliance Institute, Blue Mountains	16 March 2008

Asset management plan

In 2007/08 there were significant changes to the Asset Management plan to respond to the need to relocate IPART's offices at the termination of the previous lease. The State Property Authority assisted IPART to lease new accommodation and the Asset Management plan was amended to cover the fit-out of the new premises. Treasury approved a revised capital authorisation limit on the understanding that IPART would cover the additional expenditure from its own cash reserves. The project was delivered on budget and achieved improved work flow and space efficiencies because of the opportunity to completely re-design the layout.

Complaints

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

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

Complaints about competitive neutrality

There were no complaints about non-compliance with competitive neutrality referred to IPART in 2007/08.

Funds granted to non-government community organisations

IPART contributed \$2,500 to the Institute of Public Administration in Australia to sponsor the 2008 National Conference and to assist attendance for participants from remote and regional NSW.

Privacy plan

There were no changes to IPART's Privacy Plan in 2007/08, nor any complaints or requests for internal reviews. New staff members are briefed on the Plan as it relates to their role at induction. A copy of the plan is available and accessible by all staff and a Privacy Statement is available on the IPART website for public viewing.

Credit Card Compliance

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

Risk management and insurance

IPART contributes to the Treasury Managed Fund for workers compensation, motor vehicle accidents, property loss, public liability and various other insurance risks. During 2007/08, there were 2 motor vehicle claims with a net incurred loss of \$4,346.76 and no property, liability or miscellaneous claims.

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

In continuing to upgrade its business continuity and crisis management preparedness, IPART conducted awareness sessions for all staff on the Sydney CBD Emergency Sub Plan released in 2006 by Emergency NSW. Responsibilities have now been defined and teams established to manage in the event of a range of situations should they arise.

Internal and external reviews

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

Financial and Administration Health Check

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

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

The scope of this review included:

- ▼ Financial delegations
- ▼ General office expenditure
- ▼ Credit card expenditure and usage
- ▼ The Communications Device Policy
- ▼ Payroll processing
- ▼ Expenditure related to the use of external consultants
- ▼ Review of associated policies and procedures.

The auditor concluded that in general terms the internal controls over the specific expenditure types examined are satisfactory. However, the auditor did identify some areas where internal controls should be strengthened in the area of office supplies and deliveries.

Greenhouse Gas Reduction Scheme Registry support contract

IPART engaged an auditor to examine the business and information technology risks associated with any transition from the current Registry support contract to a new provider, given the short timeframe before the transition to a new federal Scheme in 2010. The audit concluded that the key risk was to service levels in the medium term while a new provider developed an understanding of the system design, maintenance and operations.

Report on account payment performance**Aged analysis at the end of each quarter**

	CURRENT (ie, WITHIN DUE DATE)	LESS THAN 30 DAYS OVERDUE	BETWEEN 30 AND 60 DAYS OVERDUE	BETWEEN 60 AND 90 DAYS OVERDUE	MORE THAN 90 DAYS OVERDUE
QUARTER	\$	\$	\$	\$	\$
September Quarter	86,274	0	0	0	0
December Quarter	326,745	0	0	0	0
March Quarter	107,902	0	0	0	0
June Quarter	0	0	0	0	0

Accounts paid on time within each quarter

QUARTER	TOTAL ACCOUNTS PAID ON TIME			
	TARGET	ACTUAL	\$	TOTAL PAID (\$)
September Quarter	88%	97%	1,921,556	1,973,223
December Quarter	88%	96%	4,713,00	4,753,475
March Quarter	88%	92%	4,319,485	4,763,746
June Quarter	88%	92%	4,214,500	4,710,233

During 2007/2008 there were no instances where penalty interest was paid in accordance with section 18 of the Public Finance and Audit (General) Regulation 1995.

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

Waste Avoidance and Resource Recovery

During the year IPART continued to follow waste reduction strategies that have been implemented previously. Such strategies include:

- ▼ The use of email and electronic records management to circulate internal documents, thus reducing the volume of hard copy documents within the office.
- ▼ Availability of IPART reports on the agency website which reduces the need for large print runs and paper copies of reports.
- ▼ Utilisation of multi-function printing devices to enable staff to print documents double-sided.
- ▼ Purchase of paper supplies which include recycled content.
- ▼ Standardisation of office machines to reduce overall consumable requirements.
- ▼ Paper and cardboard recycling system within the office space.
- ▼ Additional recycling for bottles, plastics and cans in kitchens.
- ▼ Empty printer cartridges are collected for recycling and remanufactured cartridges are purchased for use in all black and white printers.

Energy Management

The agency continues its commitment to the Government's action plan to achieve energy usage savings. IPART's performance goals for its energy management are to reduce building emissions where possible.

During 2007/08 IPART moved to new premises. An important consideration in the selection of the new site was the commitment by the new landlord to energy efficient practices. A combination of timed lighting, sensor lights in office areas and isolation of power switches for meeting rooms has been implemented in IPART's new office accommodation as an energy saving strategy.

Staff are encouraged to be mindful of energy saving habits such as turning off lights and appliances when not in use, and decisions in regard to equipment purchasing have regard to energy ratings.

Details of Annual Report production

The total external cost incurred in the production of the report, including editing, design, photography and all printing processes was \$15,574.06 + GST. Extra copies may be purchased at the NSW Government Information Service Bookshop. An electronic copy of this report is available at IPART's website.

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

Appendix 7

Freedom of Information Act – Statement of Affairs

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

Availability of information

Copies of all documents in IPART's public access library are available for public inspection at the IPART office, Level 8, 1 Market Street, Sydney 2000, from 9.00 am to 5.00 pm Monday to Friday (inquiries (02) 9290 8400). Copies of all IPART publications are also available from our website at www.ipart.nsw.gov.au.

FOI procedures

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

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

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

Independent Pricing and Regulatory Tribunal

PO Box Q290
QVB Post Office
SYDNEY NSW 1230

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

Request made during this year

IPART received one new request for documents under the FOI Act in this financial year.

On 16 May 2008, IPART received a request for documents from Auburn RSL Club Co-Operative Ltd. The request (which was subsequently amended) sought access to the full text of all submissions made by Mr Ron McLennan and Mr Ken Triggs to IPART's Review of the Registered Clubs Industry in NSW.

On 29 May 2008, IPART made its primary decision to grant access in part to three documents, all of which contained some material that was exempt for release under s25(1) and Clause 6 of Schedule 1 of the FOI Act.

The \$30 application fee was paid by the applicant and no processing charges were sought by IPART. The applicant did not seek a review of IPART's decision.

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

Request carried forward from the previous year

IPART received one request for documents under the FOI Act in the previous year which carried forward into this financial year.

On 20 March 2007, Services Sydney Pty Ltd (Services Sydney) requested IPART to provide access to information concerning the building block operating and capital expenditures and the cost data used by the Tribunal in its September 2005 Determination on Metropolitan Water Prices for Sydney Water Corporation.

IPART made its primary decision in three parts, dated 30 April 2007, 7 May 2007 and 9 May 2007. In addition to the \$30 application fee, the applicant paid IPART's costs of processing this request in the sum of \$3,574.51, based upon an estimated 119.2 hours of processing time.

The applicant sought internal review and paid the internal review fee of \$40. IPART made its internal review decision in two parts, dated 23 and 30 May 2007. The internal review granted access to certain documents that were not released in the primary determination.

After completion of the internal review, IPART had granted full access to 169 of the documents sought, with access refused in whole or part for:

- ▼ 246 documents on the basis that they were exempt under section 25 (1) (a) of the FOI Act, and
- ▼ 44 documents under sections 25 (1) (b), (b1) or (c) of the FOI Act on the basis that they were otherwise available for public access.

On 15 June 2007 Services Sydney filed an application for review of IPART's decision with the NSW Administrative Decisions Tribunal (ADT) seeking access to 67 documents for which access had been refused by IPART in whole or part in the internal review decision. The ADT agreed to Sydney Water Corporation's request to be joined as the second respondent to the proceedings.

During the course of the ADT proceedings, the number of documents sought by the applicant and remaining in dispute was reduced, by agreement of the parties, to 27 documents by the time the matter reached a hearing.

The ADT heard the review on 27 and 28 November 2007. During the course of that hearing, some 17 documents were ordered by the ADT to be released, released in part, or not to be released, by consent of the parties.

On 3 April 2008 the ADT issued a written determination. Of the 10 documents remaining in dispute, the ADT:

- ▼ affirmed IPART's decision to refuse access with respect to one document
- ▼ set aside IPART's decision and determined that a further 4 documents should be released, and
- ▼ reserved its decision on, and ordered the production to the ADT of, a further 5 documents that were subject to "cabinet in confidence" claims.

On 1 May 2008 IPART lodged an appeal to the ADT Appeals Panel (Appeals Panel) against the ADT's decision with respect to three of the four documents that the ADT had determined for release (the fourth document was subsequently released to Services Sydney) and against the ADT's orders with respect to the 5 documents that were subject to "cabinet in confidence" claims. Pursuant to section 57 of the FOI Act, the Premier was joined as a party to this appeal in relation to those documents that were subject to "cabinet in confidence" claims.

The appeal was heard by the Appeals Panel on 18 July 2008. The Appeals Panel reserved its decision. At the time of preparation of this statement of affairs, the outcome of the appeal was not known.

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