



WESTERN AUSTRALIAN **ENERGY DISPUTES ARBITRATOR**

ANNUAL REPORT

2015-2016

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Hon Dr Mike Nahan BEc MS PhD MLA
Minister for Energy

Energy Disputes Arbitrator 2015-16 Annual Report

In accordance with section 61 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Western Australian Energy Disputes Arbitrator for the financial year ended 30 June 2016.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*, the *Public Sector Management Act 1994* and the Treasurer's Instructions.

Yours sincerely



Laurie James
Energy Disputes Arbitrator
13 September 2016

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This report will be made available in alternative formats on request.

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From the Arbitrator



Under the *Energy Arbitration and Review Act 1998*, as the Western Australian Energy Disputes Arbitrator, I have an arbitral function of hearing and determining any disputes which may be referred to arbitration between the parties seeking access to electricity infrastructure and the owners of such infrastructure, about the terms and conditions applicable to such access. On 9 June 2016, I was advised of the existence of such a dispute and the arbitration commenced on 21 June 2016.

The State Government intends to bring the functions of the Western Australian Energy Disputes Arbitrator to an end as at 30 June 2017, subject to the passage of the necessary legislation through Parliament. The arbitration will be completed by 30 June 2017.

Quite apart from my duties in the conduct of arbitrations, I have a range of administrative duties, including responsibility for the provision of appropriate services to an Electricity Review Board. To give me the administrative support I require, it is necessary to appoint a Registrar of the Electricity Review Board and, for that purpose, I appointed Mr Adrian Malkovic, Manager Litigation Support at the State Solicitors Office, as the Registrar, by letter of engagement dated 16 November 2015, signed by Mr Malkovic and myself.

My Registrar, Adrian Malkovic, and the staff at the Economic Regulation Authority, particularly Pam Herbener, Manager Corporate Services, have rendered efficient and diligent service, upon which I have relied to continue to perform my functions as Western Australian Energy Disputes Arbitrator. I wish to thank them for those services during 2015-16 and record my appreciation.

A handwritten signature in black ink, appearing to read 'L James', written in a cursive style.

Laurie James
Energy Disputes Arbitrator

Overview of the Agency

Executive Summary

The Office of the Western Australian Energy Disputes Arbitrator (Arbitrator) is established under the *Energy Arbitration and Review Act 1998*. The Office was set up to resolve disputes between providers of gas pipeline services and other parties seeking access to a regulated gas pipeline. The Arbitrator also has functions under the *Electricity Industry Act 2004* to resolve disputes in relation to the negotiation of contracts and contractual disputes in relation to access to regulated electricity networks.

The Arbitrator also has responsibility for the financial management and provision of administrative support to the Western Australian Electricity Review Board (Review Board) which is also established under the *Energy Arbitration and Review Act 1998*.

There was one matter referred to the Review Board during the reporting year.

There was one application lodged with the Arbitrator to resolve a dispute during this reporting year.

Operational Structure

The Arbitrator has no supporting organisation, but may, by arrangement, make use of facilities and staff of other Government departments and agencies other than employees of an Electricity Corporation. The Arbitrator has an arrangement with the Economic Regulation Authority (ERA) for corporate services.

When required, a consultant is appointed to perform the services of Registrar to facilitate hearings of the Review Board. During the year Mr Adrian Malkovic was appointed as Registrar to assist the Review Board during the hearing of Application No 1 of 2016.

Enabling Legislation

The Office of the Arbitrator is established under section 62 of the *Energy Arbitration and Review Act 1998*.

Responsible Minister

The Minister responsible for administering the *Energy Arbitration and Review Act 1998* is the Hon. Dr Mike Nahan BEc MS PhD MLA, Treasurer, Minister for Energy, Citizenship and Multicultural Interests.

Organisational Structure

Vision To achieve vigorously competitive energy markets in Western Australia with minimal regulatory oversight.

Mission To promote competition in energy markets by seeking the effective and efficient resolution of disputes and facilitating reviews of regulatory decisions relating to energy infrastructure in Western Australia at the lowest practical regulatory cost.

Values

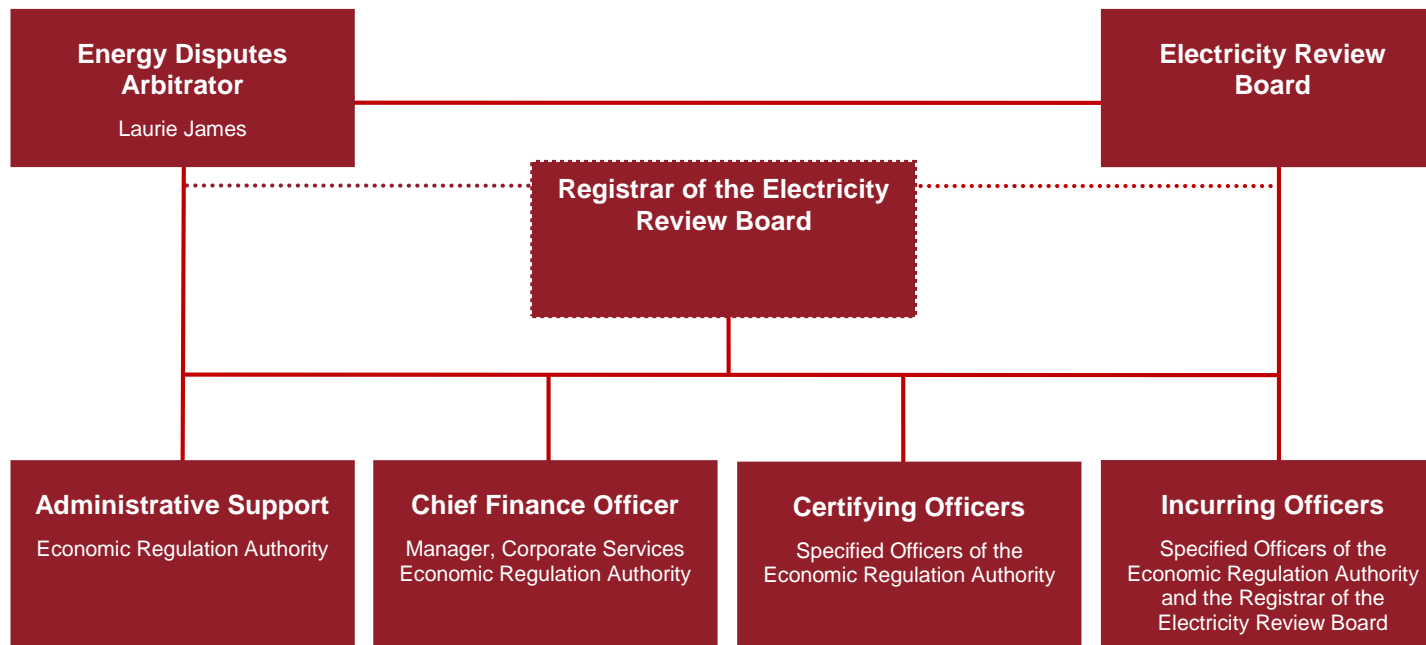
- Promote a competitive market for energy in which customers may choose suppliers, including producers, retailers and traders.
- Prevent abuse of monopoly power.

- Provide for resolution of disputes.
- Provide rights of access to regulated energy infrastructure on conditions that are fair and reasonable for the owners and operators of those assets and persons wishing to use the services provided by the assets.
- Facilitate the development and operation of a market for energy in Western Australia.

Organisational Chart

The following chart represents the organisational structure of the Arbitrator as at 30 June 2016. The ERA continues to provide corporate services support to the Arbitrator. This support is provided by staff who are not involved in regulatory decision making. Processes are in place to ensure that information about the activities of the Arbitrator and Review Board are not made available to staff of the ERA outside of the corporate services division.

Figure 1: Organisational Chart



Funding

The Arbitrator is funded through provisions in the *National Gas Access (WA) (Local Provisions) Regulations 2009*, the *Electricity Industry (Arbitrator and Board) Funding Regulations 2009*, the *Gas Supply (Gas Quality Specifications) Regulations 2010* and the *Gas Services Information Regulations 2012*.

Administered Legislation

Gas industry

The functions of the Arbitrator in relation to the gas industry include:

- those conferred under the *National Gas Access (WA) Act 2009* including the arbitration functions under the National Gas Law
- regulations under the *Gas Supply (Gas Quality Specifications) Act 2009*.

The Arbitrator may resolve a dispute between a user, or prospective user, and a service provider about one or more aspects of access to a service provided by means of a gas pipeline.

The Arbitrator may also resolve disputes between parties which arise over compensation associated with the use, storage or transportation of broad specification gas.

Electricity industry

The functions of the Arbitrator in relation to the electricity industry include those conferred under:

- Chapter 10 of the *Electricity Networks Access Code 2004*
- the *Electricity Industry (Metering) Code 2012*.

The Arbitrator may resolve disputes in relation to proposed or existing contracts for access to regulated electricity networks.

The Arbitrator may also resolve disputes in relation to the obligations of Metering Code participants associated with the measurement of electricity and the provision of metering services, metering installations and standing data and energy data.

Other legislation impacting the Arbitrator

The Arbitrator performs his functions in compliance with other legislation:

- *Corruption and Crime Commission Act 2003*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Equal Opportunity Act 1984*
- *Evidence Act 1906*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *State Records Act 2000*
- *Workers' Compensation and Injury Management Act 1981*

Independence of direction

Section 75 of the *Energy Arbitration and Review Act 1998* specifies that the Arbitrator is independent of direction or control by the Crown or any minister or officer of the Crown in the performance of his functions. The Minister for Energy can only direct the Arbitrator in respect of general policies to be followed by the Arbitrator with regard to administration and financial administration.

The *Energy Arbitration and Review Act 1998* also provides the Arbitrator with financing and immunity provisions.

Support

The Arbitrator does not appoint permanent staff, but public service employees can be assigned to assist the Arbitrator perform his functions. The Arbitrator has an administrative arrangement with the ERA for the provision of corporate services.

Clients

The Arbitrator's clients are:

- regulated gas and electricity transmission and distribution operators and users
- gas producers and operators of pipelines in respect of broad specification gas
- the Review Board.

Western Australian Electricity Review Board

The Review Board is established under section 50 of the *Energy Review and Arbitration Act 1998* as an appeals body formed from time to time to make determinations and review decisions.

Review Board panel members are nominated by the Minister for Energy and appointed by the Governor. Two panels are established, one for legal practitioners and one for experts.

When required to be constituted, the Review Board comprises a presiding member chosen by the Attorney General from the panel of legal practitioners, and two experts, chosen by the presiding member from the panel of experts. The Review Board may be separately constituted to hear and determine different appeals.

The Review Board can be constituted to conduct proceedings under:

- the *Electricity Industry Act 2004* including in relation to the Wholesale Electricity Market
- the *Gas Services Information Act 2012*.

The Review Board can be constituted to review decisions of:

- the ERA:
 - regarding access to electricity networks under the Electricity Networks Access Code 2004
 - concerning electricity licences and standard form contracts under the *Electricity Industry Act 2004*
- the Australian Energy Market Operator relating to the *Wholesale Electricity Market Rules and the Gas Services Information Act 2012*
- System Management under the Wholesale Electricity Market Rules
- the Minister for Energy on the coverage of network infrastructure under the *Electricity Industry Act 2004*.

Table 1: Review Board Panel members whose appointment ends 5 August 2016

Legal practitioners	Experts
Mr Scott Ellis	Mr Graham Mathieson
Mr Adam Bisits	Ms Jenny Davis
Mr Charles Merriam	Mr John Collins
Mr Michael Sweeney	Mr Mark Johnston
Mr Simon Adams	Mr Simon Orme

Performance Management Framework

Outcome Based Management Framework

The strategic high-level government goal relevant to the Arbitrator is “greater focus on achieving results in key service delivery areas for the benefit of all Western Australians”. The desired outcome of the activities of the Arbitrator in support of this high-level strategic goal is “the efficient, safe and equitable provision of utility services in Western Australia”.

Although the Arbitrator’s role does not directly contribute to this desired outcome, the services he provides to bodies such as the Review Board are consistent with this outcome.

The desired outcome for the Arbitrator is the effective and efficient delivery of the following programs:

- arbitration of disputes
- provision of administrative services to the Review Board for the review of decisions.

These programs are facilitated by maintaining a state of readiness for the arbitration of disputes and the review of decisions by the Review Board.

The Arbitrator’s outcome is achieved by assisting parties to resolve disputes and providing timely and efficient support to the Review Board when it is constituted.

Changes to Outcome Based Management Framework

The Arbitrator’s Outcome Based Management Framework did not change during 2015-16.

Shared responsibilities with other Agencies

The Arbitrator did not share any responsibilities with other agencies during this reporting period.

Agency Performance

Energy Disputes Arbitrator

One application to conduct an Arbitration hearing was lodged in 2015-16.

Electricity Review Board

One application for review by the Review Board was lodged in 2015-16.

Actual financial results versus approved estimates

In accordance with Section 40 of the *Financial Management Act 2006*, the Arbitrator prepares and submits an annual estimate of expenditure to the Minister for approval. Treasurer’s Instructions require that information about the approved annual estimate be included in the annual report. The approved annual estimate is not to form part of the

financial statements subject to audit by the Office of the Auditor General.

The following estimates were approved by the Minister for 2015-16.

Table 2: Estimates approved by the Minister for 2015-16

Expenditure Estimate	2015-16
Remuneration including on-costs	\$31,000
Supplies and services	\$13,000
Audit fees	\$6,000
Total Annual Estimate	\$50,000

The total expenditure for the ongoing costs of the Arbitrator in 2015-16 was \$51,429.

The Arbitrator does not allow for costs associated with arbitration, review or appeal in the annual estimates. The 2015-16 expenditure does not include any expenditure relating to reviews which is consistent with the previous year.

There has been an increase in expenditure of 2% in 2015-16 over the previous year. The Arbitrator has been called on to conduct one arbitration and the Review Board has been called on to conduct one review this year. As these applications were lodged in June and May respectively, the 2015-16 expenditure does not include any costs related to the arbitration or the review. There was however a cost associated with appointing the Registrar. All other expenditure relating to the ongoing costs of the Arbitrator was consistent with previous years.

The following charts provide a comparison of costs over the last three years for the Arbitrator and the Review Board.

Figure 2: Arbitrator Costs

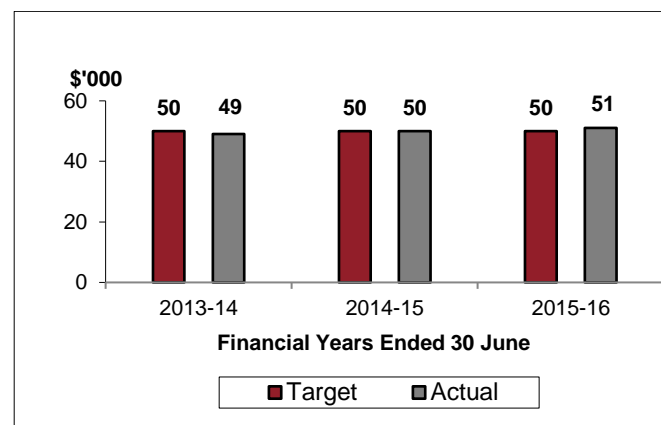
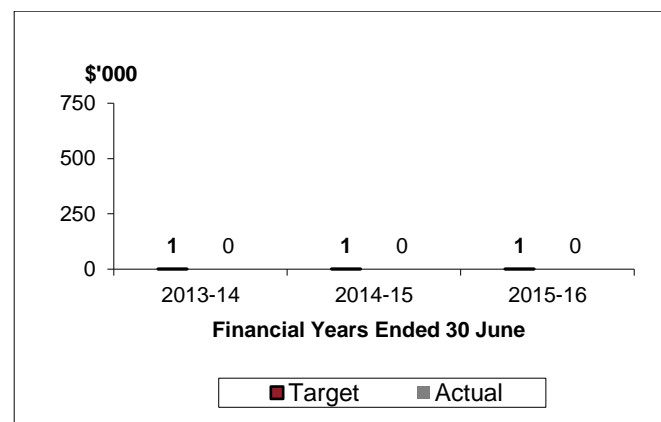


Figure 3: Electricity Review Board Costs



Towards the end of the year the Arbitrator received a Treasurer's Advance of \$100,000 for the anticipated costs of

the Review Board undertaking the review that was lodged in May 2016.

Summary of Key Performance Indicators

The desired outcome for the Arbitrator is the effective and efficient delivery of the following programs:

- resolution of disputes
- provision of administrative services to the Review Board for the review of decisions.

The Arbitrator's outcome is achieved by maintaining a state of readiness for the resolution of disputes and providing timely and efficient support to the Review Board when it is constituted.

Table 3: Key performance Outcome 1: To provide for resolution of disputes

Service: Arbitration of disputes			
Key indicator	Target	Actual	Variation +
Key Effectiveness Indicator: The number of disputes resolved as a proportion of total disputes registered	100%	0% ¹	
Key Efficiency Indicator: Average cost per dispute	\$0 (no disputes)	\$0 ²	\$0

¹ One dispute has been lodged but no disputes have been resolved.

² There have been no costs associated with the one dispute lodged in this financial year.

Table 4: Key performance Outcome 2: To provide administrative services to the Electricity Review Board for the review of decisions

Service: Provision of administrative services			
Key indicator	Target	Actual	Variation +
Key Effectiveness Indicator: Percentage of Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes ³	75%	0	75%
Key Efficiency Indicator: Average cost per review application	\$0	\$0	\$0

Maintaining a state of readiness

To facilitate the measurement of the cost efficiency associated with the Arbitrator's availability to address matters arising from the regulation of infrastructure, the concept of a standard unit of regulated infrastructure was established. This is used to recognise and allow for the fact that the size, value and complexity of regulated infrastructure varies from one asset to another. It also recognises that the size, cost and complexity of regulation and arbitration work will vary accordingly.

For example, the demands placed on the Arbitrator by several smaller regulated assets in one year may be equivalent to those of a single larger piece of regulated infrastructure in

³ The survey was not undertaken in 2015-16 as the review board was not constituted during the year

another year. To ensure that the units of measurement are reasonably consistent from one year to the next, a standard unit of regulated infrastructure has been defined as one having a capital base value of \$500 million.

Number of units of regulated infrastructure oversighted

During 2015-16, the Arbitrator had oversight of 22.63 equivalent standard units (\$500 million) of regulated infrastructure, against a target of 22.42. The asset value of gas pipeline infrastructure oversighted by the Arbitrator was reset during the year following the review of the access arrangement for the Dampier to Bunbury Natural Gas Pipeline and the Goldfields Gas Pipeline.

The calculation of units of regulated infrastructure does not include the value of generation facilities covered by the Wholesale Electricity Market oversighted by the Arbitrator. No value has been attributed to generation facilities in calculating the number of units of regulated infrastructure as no such value is available and, it is not cost effective to calculate such a value.

Arbitrator's costs

The cost of the Arbitrator being available to address matters arising from the regulation of infrastructure for 2015-16 was \$51,429 compared to \$50,437 in 2014-15 and \$49,216 in 2013-14. The Arbitrator is able to recover this cost from operators of regulated gas pipelines, electricity networks, producers of broad specification gas and the Wholesale Electricity Market in relation to the Gas Statement of Opportunities and Gas Services Bulletin Board.

Electricity Review Board costs

There was one application for review lodged in May 2016. The Review Board was not constituted by the end of this financial year.

Average cost of oversighting

While there was a slight increase in the actual number of units of regulated infrastructure oversighted in 2015-16, the increase in expenditure has caused the average cost of oversighting an equivalent standard unit of regulated infrastructure to increase slightly from the target of \$2,230 to \$2,272.

Provision of administrative services to the Electricity Review Board

To assess satisfaction with the administrative services provided by the Arbitrator to the Review Board, the members of Review Boards active during the year are invited to respond to a survey to rate their satisfaction in relation to:

- venues and facilities
- timeliness of services
- general administrative services.

As the Review Board was not constituted during the year, the survey was not undertaken.

Significant Issues impacting the Agency

The outcomes of the Electricity Market Review, launched by the Minister for Energy in March 2014, are likely to impact the role of the Arbitrator in 2016-17. The reforms being considered include providing more cost-effective and procedurally efficient dispute resolution for energy industry participants.

In June 2016, the Minister for Energy introduced legislation into Parliament that will abolish the Arbitrator and the Review Board on 30 June 2017.

Subject to passage of the Bill through Parliament, from 1 July 2017 arbitration of energy disputes in Western Australia (except for electricity and gas network access matters) will be conducted in accordance with the processes and procedures of the *Commercial Arbitration Act 2012*. Consistent with the transfer of energy network regulation functions to the national regulator, arbitration of electricity and gas network access matters will be undertaken by the Australian Energy Regulator.

The functions of the Review Board will be transferred to alternative dispute resolution bodies. Following passage of the related National Electricity (Western Australia) Bill 2016 transferring electricity network regulation to the national regime, the review of regulatory decisions will be undertaken by the Australian Competition Tribunal. The Review Board's remaining State-specific functions will be transferred to the State Administrative Tribunal from 1 July 2017.

Disclosures and Legal Compliance



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

WESTERN AUSTRALIAN ENERGY DISPUTES ARBITRATOR

Report on the Financial Statements

I have audited the accounts and financial statements of the Western Australian Energy Disputes Arbitrator.

The financial statements comprise the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Western Australian Energy Disputes Arbitrator at 30 June 2016 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Arbitrator's Responsibility for the Financial Statements

The Arbitrator is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Arbitrator determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Arbitrator's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Arbitrator, as well as evaluating the overall presentation of the financial statements.

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

Report on Controls

I have audited the controls exercised by the Western Australian Energy Disputes Arbitrator during the year ended 30 June 2016.

Controls exercised by the Western Australian Energy Disputes Arbitrator are those policies and procedures established by the Arbitrator to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Opinion

In my opinion, in all material respects, the controls exercised by the Western Australian Energy Disputes Arbitrator are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2016.

Arbitrator's Responsibility for Controls

The Arbitrator is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility for the Audit of Controls

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Western Australian Energy Disputes Arbitrator based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Arbitrator complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Report on the Key Performance Indicators

I have audited the key performance indicators of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2016.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Opinion

In my opinion, in all material respects, the key performance indicators of the Western Australian Energy Disputes Arbitrator are relevant and appropriate to assist users to assess the Arbitrator's performance and fairly represent indicated performance for the year ended 30 June 2016.

Arbitrator's Responsibility for the Key Performance Indicators

The Arbitrator is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Arbitrator determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility for the Audit of Key Performance Indicators

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Arbitrator's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.


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

Independence

In conducting the above audits, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2016 included on the Arbitrator's website. The Arbitrator's management is responsible for the integrity of the Arbitrator's website. This audit does not provide assurance on the integrity of the Arbitrator's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



GLEN CLARKE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
3 August 2016

Financial Statements

Certification of Financial Statements For the year ended 30 June 2016

The accompanying financial statements of the Western Australian Energy Disputes Arbitrator have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2016 and the financial position as at 30 June 2016.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Pam Herbener
CHIEF FINANCE OFFICER
Date: 1 August 2016



Laurie James LLB Hons.
ENERGY DISPUTES ARBITRATOR
Date: 1 August 2016

	Note	2016 \$	2015 \$
Statement of Comprehensive Income			
For the year ended 30 June 2016			
COST OF SERVICES			
Expenses			
Employee benefits expense	4.	30,722	31,987
Supplies and services	5.	15,007	12,650
Other expenses	6.	5,700	5,800
Total cost of services		51,429	50,437
Income			
<i>Revenue</i>			
Regulatory fees	7.	51,429	39,408
Interest revenue	8.	509	540
Total revenue		51,938	39,948
Total income other than income from State Government		51,938	39,948
NET COST OF SERVICES		509	(10,489)
Income from State Government			
Services received free of charge	9.	12,321	11,029
Total income from State Government		12,321	11,029
SURPLUS/(DEFICIT) FOR THE PERIOD		12,830	540
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		12,830	540

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

	Note	2016 \$	2015 \$
Statement of Financial Position			
As at 30 June 2016			
ASSETS			
Current assets			
Cash and cash equivalents	10.,16.	129,566	29,767
Receivables	11.	20,820	8,052
Other current assets	12.	24	118
Total current assets		150,410	37,937
TOTAL ASSETS		150,410	37,937
LIABILITIES			
Current liabilities			
Payables	13.	695	1,052
Amount due to the Treasurer	14.	100,000	-
Total current liabilities		100,695	1,052
TOTAL LIABILITIES		100,695	1,052
NET ASSETS		49,715	36,885
EQUITY			
Contributed equity	15.	880,000	880,000
Accumulated surplus/(deficit)	15.	(830,285)	(843,115)
TOTAL EQUITY		49,715	36,885

The Statement of Financial Position should be read in conjunction with the accompanying notes.

	Note	Contributed equity \$	Reserves \$	Accumulated surplus/(deficit) \$	Total equity \$
Statement of Changes in Equity					
For the year ended 30 June 2016					
Balance at 1 July 2014	15.	880,000	-	(843,655)	36,345
Total comprehensive income for the period		-	-	540	540
Transactions with owners in their capacity as owners:					
Capital appropriations		-	-	-	-
Balance at 30 June 2015		880,000	-	(843,115)	36,885
Balance at 1 July 2015		880,000	-	(843,115)	36,885
Total comprehensive income for the period		-	-	12,830	12,830
Transactions with owners in their capacity as owners:					
Capital appropriations		-	-	-	-
Total		-	-	-	49,715
Balance at 30 June 2016		880,000	-	(830,285)	49,715

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Note	2016 \$	2015 \$
Statement of Cash Flows			
For the year ended 30 June 2016			
CASH FLOWS FROM STATE GOVERNMENT			
Capital appropriation		-	-
Net cash provided by State Government		-	-
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits.....		(31,660)	(31,869)
Supplies and services		(2,011)	(379)
GST payments on purchases		(823)	(758)
Other payments.....		(5,700)	(5,800)
Receipts			
Regulatory fees		38,719	39,443
Interest received.....		509	540
GST receipts from taxation authority		765	891
Net cash provided by/(used in) operating activities.....	16.	(201)	2,068
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Treasurer's Advance		100,000	-
Net cash provided by/(used in) financing activities		100,000	-
Net increase/(decrease) in cash and cash equivalents		99,799	2,068
Cash and cash equivalents at the beginning of period.....		29,767	27,699
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD.....	16.	129,566	29,767

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2016

Note 1. Australian Accounting Standards

General

The Arbitrator's financial statements for the year ended 30 June 2016 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The Arbitrator has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Arbitrator cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Arbitrator for the annual reporting period ended 30 June 2016.

Note 2. Summary of significant accounting policies

(a) General statement

The Arbitrator is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar.

(c) Reporting entity

The reporting entity comprises the Western Australian Energy Disputes Arbitrator.

(d) Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to contributed equity.

The transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(e) Income

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Provision of services

Revenue is recognised by reference to the stage of completion of the transaction.

Interest

Revenue is recognised as the interest accrues.

Regulatory fees

Revenue for Standing Charges is recognised at the time the charge is raised on a client as per the *National Gas Access (WA) (Local Provisions) Regulations 2009*, the *Gas Supply (Gas Quality Specifications) Regulations 2010*, the *Gas Services Information Regulations 2012* and the *Electricity Industry (Arbitrator and Board Funding) Regulations 2009*.

(f) Financial instruments

In addition to cash, the Arbitrator has two categories of financial instrument:

- Receivables; and

- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial assets
 - Cash and cash equivalents
 - Receivables
- Financial liabilities
 - Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(g) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(h) Accrued salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Arbitrator considers the carrying amount of accrued salaries to be equivalent to its fair value.

(i) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Arbitrator will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(j) Payables

Payables are recognised when the Arbitrator becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

(k) Amounts due to the Treasurer

The amount due to the Treasurer is in respect of a Treasurer's Advance. Initial recognition and measurement, and subsequent measurement, are at the amount repayable. Although there is no interest charged, the amount repayable is equivalent to fair value as the period of the borrowing is less than 12 months with the effect of discounting not being material.

(l) Superannuation expense

The Arbitrator has an amount included as part of his remuneration, which is deducted from each payment and remitted to a complying superannuation fund.

The Government has no unfunded superannuation liability in respect to the Arbitrator.

(m) Assets and services received free of charge or for nominal cost

Services received free of charge or for nominal cost, that the Arbitrator would otherwise purchase if not donated, are recognised as income at the fair value of the services where they can be reliably measured. A corresponding expense is recognised for services received.

Services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(n) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

Note 3. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Arbitrator has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2015 that impacted on the Arbitrator.

<i>AASB 2013-9</i>	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.</i>
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Part C of this Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The Arbitrator has not yet determined the application or the potential impact of AASB 9.

AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*

This Standard makes amendments to AASB 9 *Financial Instruments* (December 2009) and AASB 9 *Financial Instruments* (December 2010), arising from the issuance of AASB 9 *Financial Instruments* in December 2014. The Arbitrator has not yet determined the application or the potential impact of AASB 9.

AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.*

This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.

Voluntary changes in accounting policy

There were no voluntary changes in accounting policy which has been adopted by the Arbitrator.

Future impact of Australian Accounting Standards not yet operative

The Arbitrator cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Arbitrator has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Arbitrator. Where applicable, the Arbitrator plans to apply these Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 9	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 1057	<p><i>Application of Australian Accounting Standards</i></p> <p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped when they are the same. There is no financial impact.</p>	1 Jan 2016
AASB 2010-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018

		Operative for reporting periods beginning on/after
<i>AASB 2014-1</i>	<p><i>Amendments to Australian Accounting Standards</i></p> <p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Arbitrator to determine the application or potential impact of the Standard.</p>	1 Jan 2018
<i>AASB 2014-5</i>	<p><i>Amendments to Australian Accounting Standards arising from AASB 15</i></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<i>AASB 2014-7</i>	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Arbitrator has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<i>AASB 2015-1</i>	<p><i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]</i></p> <p>These amendments arise from the issuance of International Financial Reporting Standard <i>Annual Improvements to IFRSs 2012-2014 Cycle</i> in September 2014, and editorial corrections. The Arbitrator has determined that the application of the Standard has no financial impact.</p>	1 Jan 2016

		Operative for reporting periods beginning on/after
AASB 2015-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]</i></p> <p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.</p>	1 Jan 2016
AASB 2016-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i></p> <p>This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.</p>	1 Jan 2017

2016 **2015**
\$ \$

Changes in accounting estimates

There were no changes in accounting estimates that will have an effect on the current reporting period.

Note 4. Employee benefits expense

Salary	28,057	27,948
Superannuation - complying superannuation fund ^(a)	2,665	2,657
Other related expenses	-	1,382
	<u>30,722</u>	<u>31,987</u>

(a) Reflects the superannuation paid to the Arbitrator in terms of his contract conditions.

	2016 \$	2015 \$
Note 5. Supplies and services		
Professional services	12,862	11,567
Communications	674	656
Legal costs	732	-
Other	739	427
	<u>15,007</u>	<u>12,650</u>
Note 6. Other expenses		
Audit fee ^(a)	5,700	5,800
	<u>5,700</u>	<u>5,800</u>
(a) See also note 21 'Remuneration of auditor'.		
Note 7. Regulatory fees		
Regulatory fees	51,429	39,408
	<u>51,429</u>	<u>39,408</u>
Note 8. Interest revenue		
Interest revenue	509	540
	<u>509</u>	<u>540</u>
Note 9. Income from State Government		
Services received free of charge from other State Government agencies during the period:		
Economic Regulation Authority	12,321	11,029
	<u>12,321</u>	<u>11,029</u>

	2016	2015
	\$	\$

Note 10. Cash and cash equivalentsCurrent

Cash at Bank.....	129,566	29,767
	<u>129,566</u>	<u>29,767</u>

Note 11. ReceivablesCurrent

Accrued revenue	20,744	8,034
GST receivable	76	18
Total current	<u>20,820</u>	<u>8,052</u>

There were no allowances made in the current year for the impairment of receivables (2014/15: nil)

The Arbitrator does not hold any collateral or other credit enhancements as security for receivables.

Note 12. Other AssetsCurrent

Prepayments	24	118
Total current	<u>24</u>	<u>118</u>

Note 13. PayablesCurrent

Trade payables	695	-
Accrued salaries.....	-	938
Accrued expenses.....	-	114
Total current	<u>695</u>	<u>1,052</u>

	2016	2015
	\$	\$

Note 14. Amounts due to the TreasurerCurrent

Amount due to the Treasurer	100,000	-
	<u>100,000</u>	<u>-</u>

Note 15. EquityContributions by owners

Capital appropriation	880,000	880,000
	<u>880,000</u>	<u>880,000</u>

Accumulated surplus/(deficit)

Balance at start of period	(843,115)	(843,655)
Result for the period	12,830	540
Balance at end of period.....	(830,285)	(843,115)

Total Equity at end of period	<u>49,715</u>	<u>36,885</u>
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Note 16. Notes to the Statement of Cash Flows**(a) Reconciliation of cash**

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents	129,566	29,767
	<u>129,566</u>	<u>29,767</u>

(b) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

Net cost of services	509	(10,489)
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	2016 \$	2015 \$
<u>Non-cash items:</u>		
Services received free of charge	12,321	11,029
<u>(Increase)/decrease in assets:</u>		
Current receivables ^(a)	(12,710)	35
Other current assets	94	1,155
<u>Increase/(decrease) in liabilities:</u>		
Current payables ^(a)	(357)	205
Net GST receipts/(payments) ^(b)	58	(133)
Change in GST in receivables/payables ^(c)	(116)	266
Net cash provided by/(used in) operating activities	(201)	2,068

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, i.e. cash transactions.

(c) This reverses out the GST in receivables and payables.

Note 17. Contingent liabilities and contingent assets

Contingent liabilities

The Arbitrator had no contingent liabilities as at 30 June 2016.

Contingent assets

The Arbitrator had no contingent assets as at 30 June 2016.

Note 18. Events occurring after the end of the reporting period

There were no events occurring after the reporting date that impact on the financial statements.

Note 19. Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the Arbitrator are cash and cash equivalents, receivables and payables. The Arbitrator has limited exposure to financial risks. The Arbitrator's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Arbitrator's receivables defaulting on their contractual obligations resulting in financial loss to the Arbitrator.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at note 19(c) 'Financial instruments disclosure' and note 11 'Receivables'.

Credit risk associated with the Arbitrator's financial assets is minimal because the Arbitrator trades only with recognised, creditworthy third parties. The Arbitrator has policies in place to ensure that services are only provided to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Arbitrator's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when the Arbitrator is unable to meet its financial obligations as they fall due.

The Arbitrator is exposed to liquidity risk through its trading in the normal course of business.

The Arbitrator has appropriate procedures to manage cash flows, including via a Treasurer's Advance, by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Arbitrator's income or the value of its holdings of financial instruments.

The Arbitrator does not trade in foreign currency and is not materially exposed to other price risks.

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2016	2015
	\$	\$
<u>Financial assets</u>		
Cash and cash equivalents	129,566	29,767
Receivables ^(a)	20,744	8,034
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	100,695	1,052

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

(c) Financial instrument disclosures**Credit risk**

The following table discloses the Arbitrator's maximum exposure to credit risk and ageing analysis of financial assets. The Arbitrator's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Arbitrator.

The Arbitrator does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

Ageing analysis of financial assets

	Carrying Amount	Not past due and not impaired	Past due but not impaired					Impaired financial assets
	\$	\$	Up to 1 month	1 – 3 months	3 months to 1 year	1-5 years	More than 5 years	\$
2016								
Cash and cash equivalents	129,566	129,566	-	-	-	-	-	-
Receivables ^(a)	20,744	20,744	-	-	-	-	-	-
	150,310	150,310	-	-	-	-	-	-
2015								
Cash and cash equivalents	29,767	29,767	-	-	-	-	-	-
Receivables ^(a)	8,034	8,034	-	-	-	-	-	-
	37,801	37,801	-	-	-	-	-	-

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable)

Liquidity risk and interest rate exposure

The following table details the Arbitrator's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities.

The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

		<u>Interest rate exposure</u>				<u>Maturity dates</u>					
	Weighted Average Effective Interest Rate %	Carrying Amount \$	Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$	Nominal Amount \$	Up to 1 month \$	1 – 3 months \$	3 months to 1 year \$	1 – 5 years \$	More than 5 years \$
2016											
<u>Financial assets</u>											
Cash and cash equivalents	2.26%	129,566	-	129,566	-	129,566	129,566	-	-	-	-
Receivables (a)		20,744	-	-	20,744	20,744	20,744	-	-	-	-
		150,310	-	129,566	20,744	150,310	150,310	-	-	-	-
<u>Financial liabilities</u>											
Payables		695	-	-	695	695	695	-	-	-	-
Amount due to the Treasurer		100,000	-	-	100,000	100,000	-	-	100,000	-	-
		100,695	-	-	100,695	100,695	695	-	100,000	-	-

(a) The amount of receivable excludes the GST recoverable from the ATO (statutory receivable).

Interest rate exposure and maturity analysis of financial assets and financial liabilities

		<u>Interest rate exposure</u>				<u>Maturity dates</u>					
	Weighted Average Effective Interest Rate %	Carrying Amount \$	Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$	Nominal Amount \$	Up to 1 month \$	1 – 3 months \$	3 months to 1 year \$	1 – 5 years \$	More than 5 years \$
2015											
<u>Financial assets</u>											
Cash and cash equivalents	2.70%	29,767	-	29,767	-	29,767	29,767	-	-	-	-
Receivables (a)		8,034	-	-	8,034	8,034	8,034	-	-	-	-
		37,801	-	29,767	8,034	37,801	37,801	-	-	-	-
<u>Financial liabilities</u>											
Payables		1,052	-	-	1,052	1,052	1,052	-	-	-	-
		1,052	-	-	1,052	1,052	1,052	-	-	-	-

(a) The amount of receivable excludes the GST recoverable from the ATO (statutory receivable).

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Arbitrator's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

		-100 basis points		+100 basis points	
	Carrying amount \$	Surplus \$	Equity \$	Surplus \$	Equity \$
2016					
<u>Financial assets</u>					
Cash and cash equivalent	129,566	(1,296)	(1,296)	1,296	1,296
Total Increase/(Decrease)		(1,296)	(1,296)	1,296	1,296

		-100 basis points		+100 basis points	
	Carrying amount \$	Surplus \$	Equity \$	Surplus \$	Equity \$
2015					
<u>Financial assets</u>					
Cash and cash equivalent	29,767	(298)	(298)	298	298
Total Increase/(Decrease)		(298)	(298)	298	298

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

	2016 \$	2015 \$
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Note 20. Remuneration of members of the accountable authority and senior officers**Remuneration of members of the accountable authority**

The number of members of the accountable authority, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

\$		
20,001 - 30,000	-	1
30,001 - 40,000	1	-
Base remuneration and superannuation	30,722	29,667
The total remuneration of members of the accountable authority	<u>30,722</u>	<u>29,667</u>

The total remuneration includes the superannuation expense incurred by the Arbitrator in respect of members of the accountable authority.

Note 21. Remuneration of auditor

Remuneration payable to the Auditor General in respect of the audit for the current financial year is as follows:

Auditing the accounts, financial statements and key performance indicators.....	<u>5,800</u>	<u>5,700</u>
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Note 22. Schedule of income and expenses by service

The Arbitrator has only one (1) service, which is 'To provide administrative support to the Electricity Review Board'. Therefore there is no need to prepare the Schedule of income and expenses by service. Please refer to the Statement of Comprehensive Income.

Note 23. Related and affiliated bodies

There were no related and/or affiliated bodies requiring disclosure for the year.

Note 24. Supplementary financial information

There were no write-offs during the financial year.

There were no losses through theft or default during the financial year.

Certification of Key Performance Indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Western Australian Energy Disputes Arbitrator's performance, and fairly represent the performance of the Western Australian Energy Disputes Arbitrator for the financial year ended 30 June 2016.



Pam Herbener
CHIEF FINANCE OFFICER
Date: 1 August 2016



Laurie James LLB Hons.
ENERGY DISPUTES ARBITRATOR
Date: 1 August 2016

Formulating the Arbitrator's Performance Indicators

The Office of the Arbitrator was established by the *Energy Arbitration and Review Act 1998* and is funded through provisions in the *National Gas Access (WA) (Local Provisions) Regulations 2009*, the *Electricity Industry (Arbitrator and Board Funding) Regulations 2009*, the *Gas Supply (Gas Quality Specifications) Regulations 2010* and the *Gas Services Information Regulations 2012*.

The strategic high-level government goal relevant to the Arbitrator is:

"Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians".

The desired outcome of the activities of the Arbitrator in support of this high-level strategic goal is:

"The efficient, safe and equitable provision of utility services in Western Australia".

Although the Arbitrator's role does not directly contribute to this desired outcome, the services provided to the Review Board are consistent with this outcome.

The desired outcome for the Arbitrator is the effective and efficient delivery of the following programs:

- arbitration of disputes
- provision of administrative services to the Review Board for the review of decisions.

These programs are facilitated by maintaining a state of readiness for the arbitration of disputes and the review of decisions by the Review Board. The outcome is achieved by

assisting parties to resolve disputes and providing timely and efficient support to the Review Board when it is constituted.

The Arbitrator is only required to report in relation to his administrative and management functions. Therefore, the performance indicators have been prepared to comply with section 84(2) of the *Energy Arbitration and Review Act 1998* which states that:

"any requirement under the Treasurer's Instructions (issued under section 78 of the Financial Management Act 2006) that the Arbitrator prepare performance indicators is to be limited to the Arbitrator's management functions (including financial management), and is not to apply to the performance of any function referred to in section 73."

The Arbitrator's key performance indicators derive from the processes and support that he provides in meeting the objectives set by the enabling legislation, including the *National Gas Access (WA) Act 2009*, the *Electricity Industry Act 2004 (section 122)*, the *Gas Supply (Gas Quality Specifications) Act 2009* and the *Gas Services Information Act 2012*.

Key Effectiveness Indicators

Resolution of Disputes

The most meaningful measure of the effectiveness of this first program is the number of disputes resolved as a proportion of total disputes registered. The number of resolved disputes includes disputes withdrawn or extended until the next year or indefinitely.

Provision of administrative services to the Electricity Review Board

The Arbitrator provides administrative support to the Review Board when it is constituted. The effectiveness of this program can be established through a survey of the respective Review Board members who have first-hand experience of the support provided and are best placed to respond as to their level of satisfaction with the services provided by the Arbitrator. As the Review Board was not active during the year, a measure of the Arbitrator's effectiveness is not available.

2015-16 Performance – Effectiveness

The two effectiveness indicators for the Arbitrator's outcome are shown below.

Arbitration of disputes

The target for this measure of effectiveness is 100 per cent. Such an outcome reflects a situation where all disputes that were registered were also resolved during the year. While a dispute was lodged in June 2016 it was not finalised.

Provision of administrative services to the Electricity Review Board

The Arbitrator's effectiveness in supporting the Review Board in its review of decisions is measured by determining the percentage of Review Board members involved in reviews of

decisions that are satisfied or very satisfied with the way the Arbitrator has provided general administrative support.

This includes sourcing accommodation and associated services for hearings and facilitating liaison with the various parties outside the formal hearings process.

While an application was made this year, the Review Board was not active and therefore the Arbitrator was not required to provide administrative services.

Table 5: Key Effectiveness Indicators

Desired outcome	Arbitration of disputes	Provision of administrative services to the Review Board for the review of decisions
Measure	The number of disputes resolved as a proportion of total disputes registered	Percentage of Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes
Target	100%	75%
2015-16	0% ¹	0% ²
2014-15	n/a (no disputes)	n/a (no reviews)
2013-14	n/a (no disputes)	n/a (no reviews)

¹ One dispute has been lodged but no disputes have been resolved.

² One review has been lodged but the Electricity Review Board was not constituted.

Key Efficiency Indicators

Resolution of Disputes

The efficiency indicator for the Arbitrator's program of arbitrating disputes is the average cost per dispute during the year. There may be costs incurred in dealing with a particular arbitration matter during any given year, even though the arbitration is not resolved during that year. This measure ensures that, to the extent that there are arbitration matters active during the year, there will be a measure of the cost associated with the arbitration process. This is a measure of the cost efficiency of providing the arbitration of disputes program.

Provision of administrative services to the Electricity Review Board

The efficiency indicator for the Arbitrator's program of providing administrative services to the Review Board is the average cost per review application before the Review Board during the year. There may be costs incurred in dealing with a particular review application during the year, even though the review is not completed by year's end. The measure ensures that, to the extent that there are review matters active during the year, there will be a measure of the cost associated with the support provided by the Arbitrator to the review process. This is a measure of the cost efficiency of providing administrative services to the Review Board program.

Maintaining a State of Readiness

The efficiency indicator for the Arbitrator's program of maintaining a state of readiness is the average cost per standard unit of regulated infrastructure. This facilitates the

measurement of the cost efficiency associated with the Arbitrator's ability to respond to matters brought before him, such as disputes and reviews.

The availability of the Arbitrator to resolve disputes and establish and support a review body when required is an important feature of an efficient regulatory regime. This is implemented by providing parties with assistance in settling disputes and providing owners of regulated infrastructure with an opportunity and means of having regulatory decisions reviewed to ensure that they are fair and reasonable.

The concept of a standard unit of regulated infrastructure is used to recognise and allow for the fact that the scale, value and complexity of regulated infrastructure, including gas pipelines and electricity networks, varies from one asset to another. It also recognises that the cost and complexity of regulation and arbitration work will vary accordingly. For example, the demands placed on the Arbitrator by several smaller regulated assets in one year may be equivalent to those of a single larger piece of regulated infrastructure in another year. To ensure that the units of measurement are reasonably consistent from one year to the next, a standard unit of regulated infrastructure has been defined as one having a capital base value of \$500 million.

It should be noted, however, that the Arbitrator oversees generation facilities covered by the Wholesale Electricity Market. If the value of these generation facilities were taken into account then the number of units in 2015-16 would far exceed 22.42 units. As the generation facilities overseen by the Arbitrator are owned by both private and public electricity market participants, no readily available value exists that may be ascribed to this infrastructure. Indeed, to ascribe a value to

such infrastructure would not be justified, as this would involve significant cost and serve no other purpose. Accordingly, no value has been ascribed to generation facilities, which are therefore not reflected in the 22.42 equivalent standard units of regulated infrastructure.

The Arbitrator's function under the *Gas Supply (Gas Quality Specifications) Act 2009* aligns with the existing key performance indicators of resolution of disputes and maintaining a state of readiness.

2015-16 Performance – Efficiency

The three efficiency indicators for the Arbitrator are:

1. average cost per dispute
2. average cost per review application
3. average cost per standard unit of infrastructure.

The efficiency indicators 1 and 2 are reported as disputes/reviews that are active during the year, regardless of whether they have been completed. This approach reflects the costs incurred, particularly where a dispute/review spans more than one year.

Table 6: Key Efficiency Indicators

Service	Performance Indicator	Target	2015-16	2014-15	2013-14
Arbitration of disputes	Average cost per dispute	\$0	\$0	\$0	\$0
Review of regulatory decisions	Average cost per review application	\$0 (no disputes)	\$0	\$0 (no disputes)	\$0
Maintaining a state of readiness	Average cost per standard unit of regulated infrastructure	\$2,230	\$2,272	\$2,249	\$2,239

1. Average cost per dispute

While an application for arbitration (dispute) was lodged in June 2016, the arbitration had not commenced therefore the average cost per dispute is zero. The average cost was zero in 2014-15 as there were no disputes. The target for this indicator is zero, consistent with an objective of having no disputes.

2. Average cost per review application

The indicator represents the average cost per review in the reporting year. While an application for review was lodged in May 2016, the review had not commenced at the end of the financial year.

The average cost of reviews varies between years related to the amount of work undertaken by the Registrar and Members of the Review Board in each

year. The average cost of reviews has been zero for the last three years.

As the costs for review applications are highly dependent on the nature of the review and the actions of the parties to it, a target of zero has been used. The target for this indicator is zero, consistent with an objective of having no applications for review lodged.

3. Average cost per standard unit of infrastructure

The average cost per standard unit of regulated infrastructure oversights in the 2015-16 financial year is the cost necessary to ensure that procedures are in place to address matters that fall within the jurisdiction of the Arbitrator.

The target for this indicator in 2015-16 was \$2,230 based on the Arbitrator's approved budget (\$50,000) divided by the target of standard units of regulated infrastructure. The actual cost was \$2,272 in 2015-16 compared with \$2,249 in 2014-15 and \$2,239 in 2013-14. The increase in the actual cost against target reflects that the asset value of gas pipeline infrastructure was reset in September 2015 following the amended final decision for the access arrangement for the Mid-West and South-West Gas Distribution System, and on 30 June 2016 for the final decisions on the Goldfields Gas Pipeline and the Dampier to Bunbury Natural Gas Pipeline. This resulted in the actual number of standard units of regulated infrastructure oversights for 2015-16 being 22.63 against a target of 22.42.

Ministerial Directives

Section 75(2) of the *Energy Arbitration and Review Act 1998* provides for the Minister for Energy to give directions in writing to the Arbitrator in relation to general policies to be followed by the Arbitrator in matters of administration, including financial administration. The text of any such direction is required to be included in the Arbitrator's annual report.

No ministerial directives under section 75(2) of the *Energy Arbitration and Review Act 1998* were given to the Arbitrator during the year.

Other Financial Disclosures

Pricing policies of services provided

Expenditure other than that directly associated with the hearing of disputes by the Arbitrator and reviews by the Review Board is funded from regulated industries.

The Arbitrator's expenditure in 2015-16 includes an amount of \$12,321 which is a recognition of services received free of charge from the ERA.

Gas industry

The Arbitrator receives 50% of his funding for his gas industry functions through 'standing charges' under the following regulations:

- *National Gas Access (WA) (Local Provisions) Regulations 2009.*

16.7% of funding comes from operators of regulated pipelines. The pipeline operators that are liable for quarterly standing

charges, and the percentage of allocation of costs between them, are set out in schedule 1 of the Regulations.

The Regulations require that the annual report includes details of the total amount of standing charges for each person in respect of the financial year to which the annual report relates. This is shown in the table below.

Table 7: Standing charges – National Gas Access (WA) (Local Provisions) Regulations 2009

Service provider	Standing charges (\$)
WA Gas Networks Pty Limited (ATCO)	2,315
Goldfields Gas Transmission	1,737
Southern Cross Pipelines Pty Limited	233
DBNGP (WA) Transmission Pty Limited	4,286
Total	8,571

- *Gas Supply (Gas Quality Specifications) Regulations 2010.*

16.7% of gas industry funding comes from producers of broad specification gas. BHP Billiton is the only producer of broad specification gas.

The Regulations require that the annual report includes details of the total amount of standing charges for each gas producer in respect of the financial year to which the annual report relates. This is shown in the following table.

Table 8: Standing charges – Gas Supply (Gas Quality Specifications) Regulations 2010

Service provider	Standing charges (\$)
BHP Billiton	8,572

- *Gas Services Information Regulations 2012*

The remaining funding of 16.7% comes from the Independent Market Operator (IMO) in relation to the Gas Statement of Opportunities and the Gas Bulletin Board. This function was transferred to the Australian Energy Market Operator (AEMO) at the end of the first quarter.

The Regulations require that the annual report includes details of the total core functions costs, the total amount of standing charges and the total determined costs in respect of the financial year to which the annual report relates. The amounts received from the IMO and the AEMO are shown in the table below.

Table 9: Standing charges – Gas Services Information Regulations 2012

Independent Market Operator	Amount (\$)
Core function costs	3,222
Standing charges	3,222
Determined costs	-
Australian Energy Market Operator	Amount (\$)
Core function costs	5,349
Standing charges	5,349
Determined costs	-

Electricity industry

Funding of the Arbitrator's electricity industry functions has also been arranged through 'standing charges' levied by the Arbitrator on operators of regulated networks. These charges are determined in line with the *Electricity Industry (Arbitrator and Board) Funding Regulations 2009*. The network operators

that are liable for quarterly standing charges, and the percentage of allocation of costs between them, are set out in Schedule 1 of the Regulations.

Included in the funding Regulations is a requirement that the Arbitrator's annual report provides details of the total amount of standing charges for each person in respect of the financial year to which the annual report relates. This information for the year ended 30 June 2016 is listed below.

Table 10: Standing charges – *Electricity Industry (Arbitrator and Board) Funding Regulations 2009*

Service provider	Standing charges (\$)
Western Power	25,715

Other funding

The *Gas Pipelines Access (Western Australia) Act 2009* and the *Electricity Industry Act 2004* allows the Arbitrator to recover costs incurred in arbitrating disputes. As there were no disputes in 2015-16, no costs were recovered.

The Arbitrator is also able to recover certain costs and expenses of the Review Board for hearings and determinations of the Review Board. The Review Board is able to fix an amount that represents the costs and expenses incurred by it for the hearing and determination of particular proceedings before it, and to assign costs to the parties of the relevant proceedings. The Review Board was not active during 2015-16 so no costs were incurred.

Capital works

There were no major capital works undertaken during 2015-16.

Treasurer's Advance

Section 83 of the *Energy Arbitration and Review Act 1998* allows for the Arbitrator to borrow from the Treasurer. As the Arbitrator does not allow for costs associated with arbitration, review or appeal in his annual estimates, application is made for a Treasurer's Advance to fund these functions on an as-needed basis. In anticipation of the costs associated with the review that was lodged in May 2016, the Arbitrator received a Treasurer's Advance of \$100,000 in 2015-16.

Employment and Industrial Relations

Under section 64(1) of the *Energy Arbitration and Review Act 1998*, the office of the Arbitrator is assumed to be a tribunal that comes within item 4 of schedule 1 of the *Public Sector Management Act 1994*.

While the *Energy Arbitration and Review Act 1998* allows the Arbitrator to make arrangements to use the services of any public sector officer or employee and to have administrative authority over the officer, no arrangement was in place during 2015-16. The Arbitrator has an arrangement for the provision of corporate services from the ERA.

Public Sector Standards

The ERA ensures that information about the Public Sector Commissioner Standards are available to all staff via the ERA's intranet and is incorporated into the ERA's induction and training processes. The ERA has not had a claim lodged against the Public Sector Standards in 2015-16.

Western Australian Code of Ethics

The ERA ensures that staff are aware of the Code of Ethics developed by the Commissioner for Public Sector Standards.

As part of the ERA's approach to continuous learning and training, the code of conduct and conflict of interest procedures and processes are available on the intranet, incorporated into the staff training program and discussed regularly at internal staff meetings.

Occupational Health and Safety

The ERA is committed to the provision of a safe work environment, ensuring the health and wellbeing of its employees, contractors and visitors.

Further information on the ERA's commitment of occupational health and safety is reported in the ERA's annual report 2015-16, which is available on the ERA's website at www.erawa.com.au.

Governance Disclosures

Shares in statutory authority

While the office of the Arbitrator is a statutory body, there are no shares for senior officers to hold.

Interests in contracts by senior officers

There were no interests in contracts by senior officers in 2015-16.

Benefits to senior officers through contracts with the office of the Arbitrator

This is not applicable, as no senior officers have received any benefits in the 2015-16 financial year.

Insurance premiums

This is not applicable, as the office of the Arbitrator does not have any directors as defined in Part 3 of the *Statutory Corporations (Liability of Directors) Act 1996*.

Other Legal Requirements

Advertising

Section 175ZE of the *Electoral Act 1907* requires public agencies to include a statement in their annual reports detailing all the expenditure incurred by or on behalf of the public agencies during the reporting period in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising agencies.

The only costs the Arbitrator incurs relates to a market research organisation carrying out an annual survey of stakeholders. In this context, the Arbitrator's stakeholders are respective Review Board members who are best placed to respond as to their level of satisfaction with the services provided by the Arbitrator. As the Review Board was not active during the year, a stakeholder survey was not conducted.

Government Policy Requirements

The Arbitrator does not appoint permanent staff so there is an administrative arrangement in place for the ERA to provide corporate services. The ERA's annual report provides detailed information on complying with Government policy. The following areas of compliance carried out by the ERA apply to compliance obligations of the Arbitrator:

Disability Access and Inclusion Plan

The ERA is committed to take action in accordance with its Disability Access and Inclusion Plan for 2013-14 to 2017-18.

Further information about the ERA's Disability Access and Inclusion Plan is available on the ERA's website at www.erawa.com.au.

Compliance with public sector standards and ethical codes

The ERA is committed to ensuring the highest standards of accountability and transparency in all activities. The ERA actively encourages all employees to demonstrate a high level of integrity, consistent with public sector standards and ethical codes, at all times.

The ERA places high priority on ensuring that staff are familiar with human resource management policies and procedures. These policies and procedures are regularly reviewed and updated to ensure they reflect current minimum standards of merit, equity and probity in human resource management activities. Policies and procedures are made available to staff on the intranet.

Compliance with the State Records Act 2000

The records of the Arbitrator are maintained by the ERA as part of the agreement for provision of corporate services. Compliance with the *State Records Act 2000* is carried out by the ERA as part of that agreement.

The Arbitrator undertakes evaluations of its recordkeeping systems in concurrence with the ERA.

A separate Retention and Disposal schedule covering the Arbitrator's records (which includes records relating to reviews by the Review Board) was approved by the State Records Commission on 2 August 2013.

Historically the records of the Arbitrator and Electricity Review Board were managed under the ERA's Recordkeeping Plan. A separate P was developed for the Arbitrator and approved by the State Records Commission in December 2014.

Risk management and audit program

During the year the ERA undertook an annual audit plan that reviewed:

- Project Management and Legislative Compliance
- Information Technology Security and Website
- Corporate Governance
- Risk Management
- Financial Management.

The audits undertaken by the ERA ensure that controls are in place for activities relating to the Arbitrator that are undertaken by the ERA's corporate services staff.

The Internal Auditor used by the ERA made the following observations during the audits undertaken in 2015-16:

The Project Management and Legislative Compliance audit identified four medium risks that required action by the ERA to improve processes.

The Information Technology Security and Website audit found three medium risks and two low risks that related to

lack of rules about the complexity and changing of passwords on the network and the website not meeting Government accessibility guidelines.

The Corporate Governance audit found seven medium risks requiring strengthened governance and suggested several opportunities for improvement. The audit concluded there is a good level of corporate governance being maintained, with general adherence to well-documented policies, procedures and processes. The ERA has also applied most of the better practices from the Australian Standard for Corporate Governance.

The Risk Management audit found one medium and two low risks relating to improvements to the risk register, process and documentation. The audit concluded that an effective risk management framework has been documented and implemented.

The Financial Management audit found two low risks that related to compliance with fleet management guidelines.

Public interest disclosures

The ERA has procedures in place to enable a public interest disclosure to be made. These procedures can be used if a person wishes to lodge a public interest disclosure in relation to the Office of the Arbitrator.

There were no complaints lodged during the reporting period.

Complaints Handling

There are three main areas that can be the source of complaints in the case of the Arbitrator. These relate to:

- administration
- matters relating to reviews carried out by the Review Board
- matters relating to the arbitration of disputes.

Complaints relating to the provision of corporate services provided to the Arbitrator by the ERA are dealt with under the ERA's Code of Conduct.

Complaints relating to the review of decisions and the arbitration of disputes are dealt with through the formal review and arbitration processes.

There were no complaints lodged during the reporting period.

Boards and Committees

The Arbitrator did not participate on any boards or committees during the reporting period.

Publications

During the reporting period, the Arbitrator published his annual report for 2014-15. This report was published on the Arbitrator's website at www.edawa.com.au.