



annual report
2013/14



Economic Regulation Authority

WESTERN AUSTRALIA

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Previous years' annual reports can also be found on the website.

This document is available in alternative formats upon request.

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About Us

What we do

The Economic Regulation Authority (ERA) regulates third party access to electricity, gas and rail infrastructure and administers licences for electricity, gas and water service providers.

We also carry out surveillance of Western Australia's wholesale electricity market and undertake economic inquiries on a wide range of economic issues.

Purpose: *to benefit the WA community by promoting an efficient and customer focused economy.*

Values

- **Excellence** – we strive to achieve excellence in everything we do
- **Respect** – we treat everyone fairly and show consideration and regard for others and their views
- **Impartiality** – we make independent decisions that are free from bias
- **Integrity** – we are honest, trustworthy and not inappropriately influenced

We are recognised as a quality provider of economic analysis and advice on a broad range of issues	Strategic Goals	Independent regulation and advice is understood and valued
We effectively engage with our stakeholders	We are a great place to work	Regulatory compliance is at a high standard



About this annual report

This annual report provides a review of the ERA's operations for the financial year ended 30 June 2014.

This report comprises:

[Overview](#) – an overview of our role, responsibilities and organisational structure.

[Performance](#) – a report on our operational performance from 1 July 2013 to 30 June 2014.

[Significant issues](#) – a discussion on significant current and emerging issues that impact or may impact upon the ERA's workload.

[Disclosures and legal compliance](#) – audited financial statements, detailed key performance indicator information and other financial disclosures.

[Other legal requirements](#) – a report on the ERA's compliance with various legislative requirements.

[Government policy requirements](#) – a report on the ERA's compliance with Government policy requirements.

To make our annual report as accessible as possible, we have provided it in the following formats:

- An [interactive PDF](#) version, which has links to other sections of the annual report, as well as external links to content on our website.
- An [online version](#), which allows for quick and easy viewing of annual report sections. This version also features easy to use download and print functions.
- A [text version](#), which is suitable for use with screen reader software applications.

This annual report can also be made available in alternative formats upon request, including audio, large print and Braille.

Structure of this report

In previous year's reports the operational performance section was presented according to the nature of the work activity based on time periods (whether a one-off project, cyclical activity or ongoing activity).

This year's report presents the performance section differently. Work activities are categorised based on the work function. However, the nature of the work activity, can still be identified and are indicated by the following icons:



One-off activity/Ad-hoc or as required



Cyclical activity



Ongoing activity



New activity



Letter of transmission



Hon. Dr Mike Nahan MLA
Treasurer
13th Floor, Dumas House
2 Havelock Street
WEST PERTH WA 6005

Dear Treasurer

ECONOMIC REGULATION AUTHORITY 2013/14 ANNUAL REPORT

In accordance with section 61 of the *Financial Management Act 2006*, we submit for your information and presentation to Parliament, the Annual Report of the Economic Regulation Authority for the financial year ended 30 June 2014.

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

STEVE EDWELL
MEMBER

19 September 2014



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Overview



From the Governing Body

The year 2013/14 has once again been a busy and productive one for the ERA with the completion of major projects such as the inquiry into microeconomic reform priorities for WA, rate of return guidelines for gas pipelines, two legislative Code reviews, and two rail access determinations. We also commenced a gas access review.

This is in addition to the ongoing regulatory work we undertake in licensing, monitoring and customer protection in the gas, electricity and water industries, and monitoring and reporting on the activities of the wholesale electricity market.

This year the ERA celebrated its 10th anniversary - an appropriate time for us to reflect on the growth and achievements of the organisation over the past decade and to contemplate the future.

Our functions started in 2004 with the regulation of access to gas and rail infrastructure, licensing of the water services industry, and an advisory role - to conduct economic inquiries at the request of the State Treasurer.

Over the past ten years our role has expanded to include licensing of the electricity and gas services industry, regulation of access to electricity infrastructure, administration of the Gas Retail Market scheme, monitoring of the Western Australian Wholesale Electricity Market and functions related to the Gas Bulletin Board. We have also recently acquired functions that increase our role in monitoring Synergy, the newly merged electricity utility.

We believe that through the breadth and depth of our various roles, the

ERA has grown to establish itself as a respected organisation working in the best long-term interests of all Western Australians.

During the year we reviewed our three year forward strategy. Our revised strategic plan for 2014-2017 includes a new purpose statement: *“to benefit the WA community by promoting an efficient and customer focussed economy”*.

The next few years mark significant change driven by technology, policy and the WA economy in general. The new strategic plan acknowledges this changing environment as it positions the ERA to effectively undertake its regulatory, advisory and monitoring roles.

Please refer to the Executive Summary of the report for a quick overview of this year’s performance.

Acknowledgements and Appreciation

Outgoing Chairman

We wish to gratefully acknowledge Lyndon Rowe's contribution in his ten years as full-time Chair of the ERA.

Lyndon resigned as Chairman of the ERA on 11 August 2014 to take-up an appointment as the full-time Chairman of Synergy.

It has been a pleasure and privilege working with Lyndon and the ERA has greatly benefitted from his wisdom, experience, expertise, and professionalism.

The culture of the organisation has been in no small way shaped by Lyndon's fair, objective and pragmatic approach to his work and his firm belief that the regulatory determinations and policy recommendations should serve the long term interests of all Western Australians.

Secretariat

The ERA would not be where it is today without the commitment and efforts of the Secretariat both past

and present. The Governing Body continues to be impressed by the productivity, professionalism, enthusiasm and dedication of the Secretariat, ably led by CEO, Greg Watkinson.

The Governing Body thanks and congratulates the Secretariat for its many achievements over the year.

Stakeholders

We would like to acknowledge the very important contribution made to our work by our many stakeholders. The time and effort put into consultation with, and submissions to, the ERA are a very valuable input to our processes.

It is important that we have a high degree of contact with, and feedback from, all our stakeholders. Feedback is valuable in helping us to improve our processes and decision making.

The Future

The coming year is set to be very busy for the ERA (refer to section on "significant issues impacting the agency"). Our work on third party

access continues with the review of access arrangements for the Goldfields Gas Pipeline and the ATCO Mid-West and South-West Gas Distribution System due for completion during the coming financial year. We will also commence a review of the access arrangement for the Dampier to Bunbury Natural Gas Pipeline at the start of the 2015 calendar year.

Expected changes in the electricity industry, coming out of the wider review of the WA electricity market being undertaken by the Public Utilities Office is likely to impact on our role in monitoring and reporting on the wholesale electricity market. We also expect to undertake at least two economic inquiries.

While the challenges in the coming year are significant, the Governing Body is confident the ERA will meet these challenges, and in doing so, will continue to benefit the WA community by promoting an efficient and customer focussed economy.

Steve Edwell and Stephen King
ERA Governing Body



Executive summary – year at a glance

Our role

The Economic Regulation Authority is the **economic regulator** for Western Australia; and an **independent advisor** to the State Government.

We aim to promote a competitive, efficient and fair commercial environment for consumers and businesses in the *gas*, *electricity*, *water* and *rail* industries for the long term benefit of Western Australians.

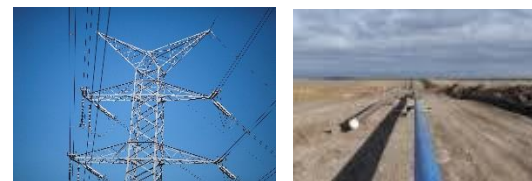
We also make recommendations to government through the *inquiries* we conduct on economic issues affecting the State.

We are independent of industry and other interests, and are not subject to government direction in our regulatory decision making or in making recommendations to government in our inquiry functions.

Regulation is required when society cannot rely on businesses to do the 'right' thing. In the case of economic regulation, the focus is on ensuring that regulated businesses operate efficiently and behave in a manner consistent with the long term interest of consumers.

Usually, businesses have this discipline enforced upon them through active competition. However, when active competition does not exist, economic regulators are generally called upon to enforce this discipline.

Independence is important to reduce the risk of regulatory decisions being inappropriately influenced by vested interests. Having a clear separation between government policy setting and the roles we perform helps to ensure that decision-making is in the long-term interests of all Western Australians.



Our functions

Licensing, Monitoring & Customer Protection

- **Issue and administrate electricity, gas and water licences.** These licences permit companies to provide electricity generation, transmission, distribution or retail services, gas distribution or retail (to small use customers) services; or provide potable water, non-potable water, irrigation, sewerage or drainage services.
- **Monitor compliance** with the conditions of these licences and associated legislation, taking enforcement action when required.
- Monitor and publicly **report on industry performance.**
- **Review industry codes** governing service standards for customers
- **Approve contracts and service standards** that protect residential

and small business electricity, gas and water customers

- **Assess performance** of utilities in relation to the treatment of customers, for example those experiencing financial hardship.

Electricity & Gas Access Regulation

- **Approve terms and conditions** (including prices) that owners of electricity networks and gas pipelines are obliged to offer companies wanting to use the infrastructure to transport electricity or gas.

Rail Access Regulation

- **Approve guidelines and policy documents**, and costing information that owners of railways are obliged to provide companies wanting to use trains on particular railways.

Energy Markets Regulation

- **Monitor** the Western Australian **Wholesale Electricity Market** (where electricity generators and retailers can buy and sell electricity) to ensure that the

market is meeting its objectives and investigate any behaviour which has resulted in the market not functioning effectively. We provide a report on the state of the market to the Minister for Energy annually.

- **Approve and monitor arrangements** that enable customers to choose their gas retailer.

Independent Inquiries

- **Conduct inquiries** and provide reports to the State Government on economic issues.

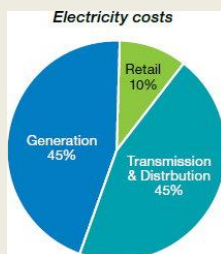


Who Sets Energy & Water Prices in WA?

The WA State Government sets the retail electricity, gas and water tariffs for households and businesses. However, the ERA can be requested by Government to undertake economic inquiries and provide independent advice on efficient costs and tariffs of utilities. For example, we previously undertook an inquiry into Synergy's pricing titled "Efficiency of Synergy's Costs and Electricity Tariffs".

The retail price of electricity is made up of four costs:

- generation
- transmission
- distribution
- retail



Generation, transmission and distribution costs account for about 90 per cent of average retail electricity prices in the South West Interconnected System area. Retail costs account for the remaining 10 per cent.

The State Government determines the maximum retail tariffs Synergy, Horizon Power and most gas retailers may charge their small use customers.

When determining retail tariffs, the Minister for Energy will take into account the amount that retailers must pay to

purchase and transport the energy to their customers.

We regulate the transmission and distribution pipeline/network cost component of some gas and electricity transmission and distribution pipelines/networks.

This regulation occurs through access arrangements, which we use to determine the amount of revenue (or prices) that owners of gas and electricity transmission and distribution pipelines/networks may earn (charge) from those who use their networks (i.e. the amount a retailer, or large customers must pay to the transmission and distribution companies in order to transport energy to customers through their networks).

We are responsible for the surveillance and monitoring of the Wholesale Electricity Market in which electricity generators and retailers trade electricity. We monitor inappropriate and anomalous market behaviour, market design and structural problems, and the effectiveness of procurement processes related to ancillary and balancing support services.

We also undertake reviews that are required under the Market Rules, including the annual review of the effectiveness of the Wholesale Electricity Market for the Minister for Energy, and provides approvals or makes

determinations related to the operation of the market that are requested by the Independent Market Operator or System Management.

Our work comprises activities which can be categorised as *one-off*, *cyclical* and *ongoing* in nature. The activities carried out in 2013/14 are listed below.

One-off activities

1

Our most significant one-off projects are generally the economic inquiries issued to us by the State Treasurer.

These inquiries are often on complex economic matters and involve public consultation prior to a final report being delivered to Government. The recommendations we provide help to inform Government in its decision making.

Other one-off projects include the assessment of regulatory tests and new facilities investment tests that may be submitted to the ERA by Western Power.

One-off projects

Amendments to the Retail Market Scheme (Rule Changes)

+ Approval of Energy and Water Ombudsman Scheme

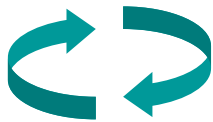
Determination - expansion of the Goldfields Gas Pipeline to be not regulated

Review of Water Licences

Economic Inquiry

+ Microeconomic Reform Inquiry

Cyclical regulatory activities



The largest part of our work is cyclical, with reviews of gas and electricity

access arrangements required approximately every five years.

Reviews of the revenue requirements for the Independent Market Operator and System Management take place every three years.

Reviews of legislative frameworks and the effectiveness of regulatory

instruments are other activities conducted periodically as required by law. These reviews provide an opportunity to re-examine the effectiveness of regulation.

Other cyclical activities include the annual publication of reports on the performance of utility licensees and on the effectiveness of the wholesale electricity market.

Code reviews

Code of Conduct for the Supply of Electricity to Small Use Customers 2014

Gas Marketing Code of Conduct 2014

Access arrangement/ proposal reviews

Gas	Mid-West & South-West Gas Distribution System – Review of proposed revised access arrangement
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Rail	CBH / Brookfield Rail access determination
------	--

	TPI Floor and Ceiling Costs determination
Electricity	Western Power Access Arrangement Variations
	Western Power's Technical Rules – Exemption (October 2013)
	Western Power's Technical Rules – Exemption (July 2013)

Cyclical determinations

Rail	Panel of Arbitrators for the Railways (Access) Code 2000
	2013 Weighted Average Cost of Capital - PTA, TPI, Brookfield Rail
	Draft Determination on 2014 Review of Method for Estimating of Weighted Average Cost of Capital for Railway Networks
Energy Markets	2013 Wholesale Electricity Market Report to Minister for Energy
	2013 Energy Price Limits
	Determination of Values for Ancillary Service Margin_Peak and Margin_Off-Peak Parameters



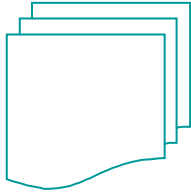
	<p>Review of the methodology for setting the Maximum Reserve Capacity Price and the Energy Price Limits in the Wholesale Electricity Market</p> <p>Maximum Reserve Capacity Price Determination for 2016/17</p> <p>Gas Services Information - Determination of Allowable Revenue and Forecast Capital Expenditure for the Independent Market Operator 2013/14 – 2015/16</p>
Electricity	<p>CPI Adjustments – Electricity Network Access Code 2004</p> <p>Western Power Electricity Network 2014/15 Price List Determination</p>
Gas	<p>Mid-West & South-West Gas Distribution System tariff variation for cost pass-through events</p> <p>Goldfields Gas Pipeline Quarterly Reference Tariff Adjustments</p> <p>Dampier to Bunbury Natural Gas Pipeline – Annual Reference Tariff Variation</p>

Regulatory Guidelines /Manuals	
Gas Access	Rate of Return Guidelines for Gas Transmission Pipelines and Distribution Networks
	Gas Access Arrangements Guidelines
Customer Protection	Financial Hardship Policy Guidelines
Utility Licensing	Audit and Review Guidelines: Water Licences
	2014 Water Compliance Reporting Manual
	2013 Water, Sewerage and Irrigation Performance Report
	Audit and Review Guidelines: Electricity and Gas Licences
	2014 Electricity Compliance Reporting Manual
	2014 Energy Performance Reporting Documents
	2014 Water Performance Reporting Documents

	2013 Annual Performance Report – Energy Distributors
	2013 Annual Performance Report – Energy Retailers



Ongoing regulatory activities



The ERA undertakes a wide range of ongoing regulatory activities requiring decision-making.

These activities relate to the ERA's roles in relation to utility licensing and rail access regulation.

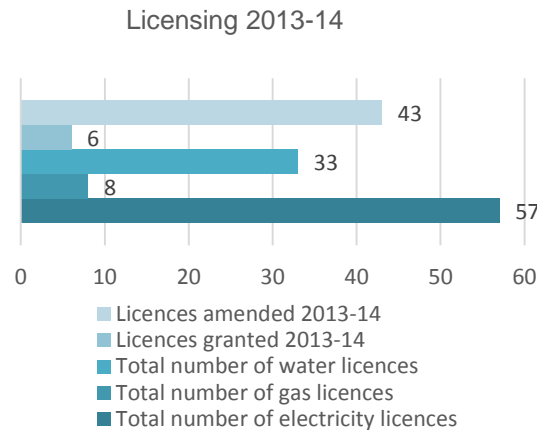
The ERA also continued to monitor the wholesale electricity market to identify whether the market is operating effectively.

During 2013-14 the ERA granted:

- **6 new licences**
- **43 licence amendments**
- **1 licence transfer**

The licence amendments were mostly made due to changes in water legislation. The ERA also approved:

- **4 Standard Form Contracts**
- **23 Financial Hardship Policies**



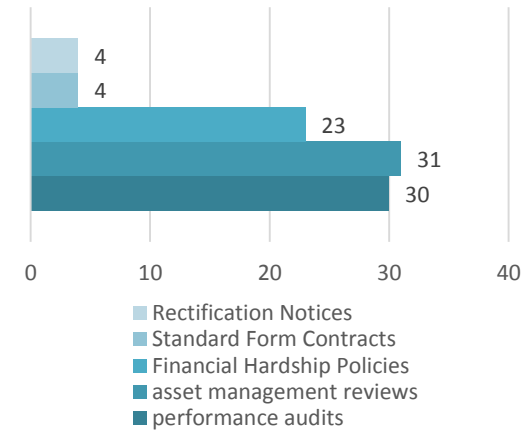
The total number of utility licences reached 98 in 2013-14. The breakdown of the ERA licences was:

- **33 water licences**
- **57 electricity licences**
- **8 gas licences**

The majority of water licences were held by local government authorities to provide sewerage services. The majority of the electricity licences were held by retailers and generators.

To monitor licensee's compliance with their licence conditions, the ERA oversaw 30 performance audits; and

Monitoring and Customer Protection 2013-14



31 asset management system reviews.

The ERA can serve rectification notices on licensees for non-compliance with their licence. Rectification notices require licensees to fix the issues within a timeframe set by the ERA

- **2 rectification notices served**
- **2 rectification notices served last year remained in force**

Output indicators

In undertaking the preceding activities the following outputs were achieved.

Decisions and publications

During 2013-14, the ERA's staff (the Secretariat) prepared

236 internal submissions for the Governing Body's decision making and published:

178	Notices
122	Reports, decisions and determinations

Public consultation

We are committed to consultation with all stakeholders and to making transparent decisions. During 2013-14, the extent of our stakeholder engagement is summarised as follows:

37	Invitations for public submissions
134	Weeks of public consultation
374	Public submissions received
3	Stakeholder workshops
2	Public presentations by the Chairman
1	Water Utilities Regulator Forum
1	Media briefing

Corporate communications

The ERA released the following:

- "On Tap" guide for water service customers, available on our website from 2 January 2014.
- E-news sent to 689 stakeholders and interested parties in October and December 2013
- Reconciliation Action Plan 2014-16
- Disability Access and Inclusion Plan 2013-18

Activities that reduced compliance burden

The ERA's licensees are obliged to undergo a (non-financial) performance audit and an asset management efficiency system at least every 24 months.

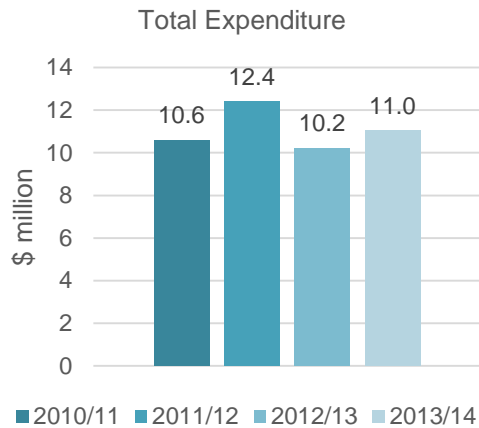
Depending on the results of an audit or review, the ERA can lengthen or shorten the time interval between audits/reviews. A good result can be rewarded by increasing the interval until the next audit or review, which spreads the costs over a longer period of time. This year's figures are as follows:

92	Licensees in total
38	Licensees audited or reviewed in 2013-14
19	Licensees' audit or review period increased: <ul style="list-style-type: none"> • 11 electricity licensees • 6 water licensees • 2 gas licensees
19	Licensees' audit or review period unchanged



Financial Performance 2013-14

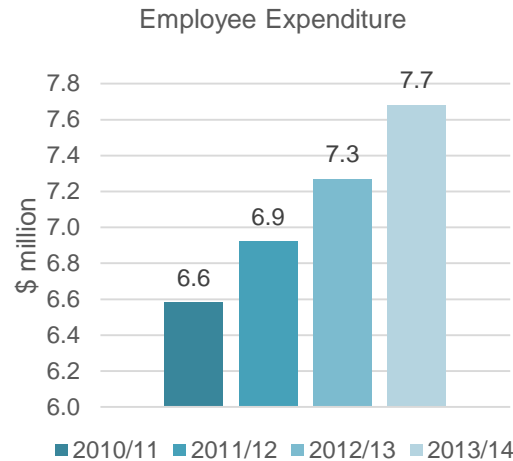
Total expenditure in 2013/14 was \$11.04 million, which was slightly under the expenditure limit of \$11.18 million and 8% higher than the total expenditure of \$10.22 million in 2012/13.



The ERA's expenditure varies from year to year due to work associated with the regulatory work cycle.

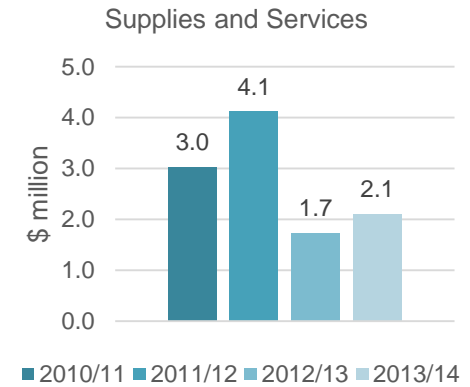
In 2013/14 the ERA commenced work associated with a gas access review, finalised its first rate of return guidelines for gas pipelines and

incurred expenditure on litigation in Rail Access.



The level of expenditure in 2012/13 reflected a year when there were no major gas or electricity access reviews.

The ERA's major expenditure areas are in employee expenses and supplies and services. Employee expenditure was \$7.68 million in 2013/14 with salaries increasing in accordance with the Public Service and General Officers General Agreement.



Supplies and services expenditure varies annually in accordance with the regulatory work cycle.

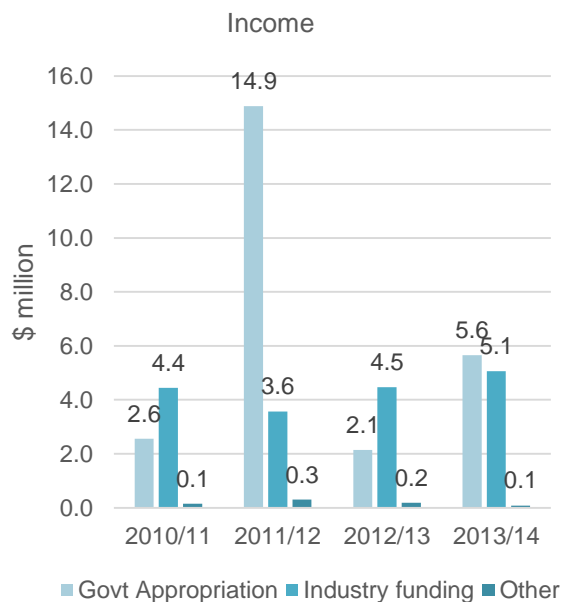
The chart on supplies and services expenditure above shows higher expenditure in 2010/11 and 2011/12 when the ERA was undertaking reviews of gas and electricity access arrangements; and also required legal representation to assist with appeals against decisions of the ERA in regard to the Dampier to Bunbury Natural Gas Pipeline and the Mid-West South-West Gas Distribution System. Expenditure decreased in 2012/13 as there were no major access arrangement reviews.



Expenditure was higher in 2013/14 due to the commencement of a new cycle of access arrangement reviews for gas pipelines, starting with the Mid-West South-West Gas Distribution System and also due to expenditure in Rail Access on the Brookfield Rail floor and ceiling cost determination and the access proposal by Brockman Iron to The Pilbara Infrastructure rail system.

In 2013/14, total income was \$10.79 million which resulted in a deficit of \$0.25 million for the year. Income in 2013/14 was 59% higher than the total of \$6.8 million received in 2012/13 due to a change in the level of Government Appropriation.

As shown in the income chart, the Government appropriation has varied significantly over the past four years due to Government approving the introduction of industry funding for the ERA's licensing function. This decision has had an impact on the level of funding from Government as the regulations to introduce this additional industry funding have been delayed.



Income from industry increased by 13% in 2013/14 due to funding for the ERA's electricity access function being in place for a full year. This funding commenced in October 2012.



Operational structure

Our responsible minister

The ERA is independent of direction or control by the State, or a minister or officer of the State, in performing its functions. Under the *Economic Regulation Authority Act 2003*, a relevant minister may give written directions to the ERA only on financial and administration matters.

In this context, the relevant Ministers during the reporting year were:

- the Hon Troy Buswell MEd, MLA until 10 March 2014
- the Hon Colin Barnett MEd, MLA from 10 March to 17 March 2014
- the Hon Mike Nahan BEd, MS, PhD, MLA from 17 March onward.

The ERA also has legislative reporting responsibilities to the following Ministers:

- The Minister for Energy on matters related to the wholesale electricity market and electricity and gas licensing.
- The Treasurer on economic inquiries.
- The Minister for Transport for matters in relation to railways.
- The Minister for Water in relation to water licensing.

Enabling legislation

The ERA was established on 1 January 2004 as a body corporate with perpetual succession under section 4 of the [Economic Regulation Authority Act 2003](#).

Subsidiary legislation consists of the *Economic Regulation Authority (National Gas Access Funding) Regulations 2009* and *Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012*.

Administered legislation

The ERA performs its functions under the *Economic Regulation Authority Act 2003* and other Acts of Parliament, Regulations and subsidiary legislation relevant to its regulatory role. These are listed in [Appendix 1](#).

Other impacting legislation

The ERA also performs its functions in compliance with other legislation. These are listed in [Appendix 2](#).

Our people

The Economic Regulation Authority comprises a **Governing Body** and a **Secretariat**.

While the Secretariat may provide assistance, it is the Governing Body that has the ultimate responsibility for the ERA's regulatory and inquiry functions.

As at 30 June 2014 the ERA Secretariat staff comprised:

- **40 permanent**
- **12 on contract**

The Governing Body determines the policies, controls the affairs and performs the functions of the ERA. It is assisted by the Secretariat, the initial point of contact.

As at 30 June 2014, the ERA Secretariat was comprised of 52 employees



Governing Body

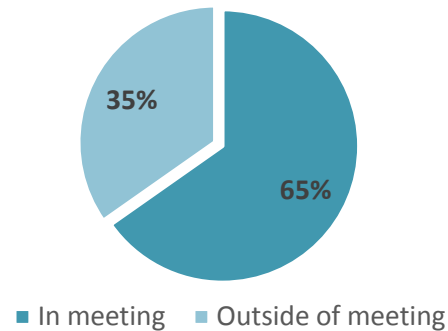
For the 2013/14 reporting year the ERA was overseen by a Governing Body that comprised a full-time Chairman, Mr Lyndon Rowe, and two part-time Members Mr Steve Edwell and Dr Stephen King.

The Governing Body usually meets face-to-face every month. In addition, the Governing Body conducts weekly teleconference meetings. Additional meetings may be organised as required.

The Governing Body met 39 times during the year to consider 155 submissions by the Secretariat.

The Governing Body also makes decisions on matters out-of-session as resolutions without meeting (in the form of submissions circulated via email): 81 submissions were considered out of session in 2013/14.

Submissions 2013/14



The total number of submissions the Governing Body considered during the year:

• **236**

The average number of submissions considered in a week:

• **4.5**

or

~ **one per business day**

throughout the year.

Mr Lyndon Rowe, Chairman

Lyndon Rowe was appointed as Chairman in 2004. He has a strong interest in labour economics, microeconomics, education and training. He has published a number of papers dealing with Australia's industrial relations system.

In addition to his role at the ERA, Lyndon is a Director of Perth Airport. Immediately prior to his appointment as Chairman of the ERA, he was Chief Executive of the Chamber of Commerce and Industry of Western Australia, a position he had held from 1990. He was also a member of the UWA Senate from 2000-2012.

Lyndon received the 1999 Austin Holmes Award from the Economic Society of Australia (WA), and was awarded the Centenary Medal for service to Australian society and to commerce and industry in 2003.



Mr Steve Edwell, Member

Steve Edwell is an economist specialising in the reform and regulation of utility services and major project implementation. He has been a Member of the ERA Governing Body since 2005.

From 2005-2010 Steve was also the inaugural full time Chair of the Australian Energy Regulator and an Associate Commissioner of the Australian Competition and Consumer Commission. In addition, Steve was a member of the Commission's Regulation and Price Monitoring Committee.

Prior to that appointment, Steve undertook assignments for various State Governments leading the implementation of reform in energy and water. These projects included restructure of the Queensland electricity sector (State joining the National Electricity Market); implementation of COAG water reform to the Queensland water sector; and a restructure of State owned electricity businesses in Western Australia and the

establishment of a wholesale electricity market in that State.

Dr Stephen King, Member

Stephen King brings a wealth of experience and knowledge to the ERA, particularly in the areas of competition economics, applied microeconomic theory, regulation and industrial organisation.

Stephen has extensive experience as an educator and as a consultant for various private companies and government bodies.

His research in industrial economics has been widely published in major international economics journals such as the Journal of Political Economy and the Journal of Industrial Economics. His research also includes papers on telecommunications, electricity markets and regulatory reform.

He was a Member of the Australian Competition and Consumer Commission (**ACCC**) from 2004-2009. Stephen is a Professor of Economics at Monash University,

Melbourne. For 2009-2011, he was Dean of the Faculty of Business and Economics at Monash.

Stephen has been a Member of the ERA Governing Body since December 2010.

Secretariat

The Secretariat provides support to the Governing Body and is headed by the Chief Executive Officer (**CEO**).

Mr Greg Watkinson, Chief Executive Officer

Greg Watkinson is an economist with experience in the fields of utility regulation, competition policy, education policy, social policy and macroeconomic forecasting. Greg was appointed as CEO in 2010.

Prior to his appointment as CEO, Greg headed the division of the ERA responsible for undertaking independent inquiries for the Western Australian Government. His prior employment was with the Western Australian Department of Treasury and Finance.

Corporate Executive

The Corporate Executive is our senior management team and its role is to be a decision making body on matters that relate to improving the effectiveness of the Secretariat.

The Corporate Executive meets monthly to make decisions to improve the effectiveness of the organisation and monitor progress against strategic goals and key performance targets.

Mr Robert Pullella, Executive Director Access

Robert Pullella has been employed in access regulation in Western Australia since 1999 when he joined the Office of Gas Access Regulation.

Robert was appointed as Executive Director Industry Access for the ERA in 2004. He subsequently became head of the Competition, Markets and Electricity division in February 2006 and assumed the role of Executive Director Access in 2010.

Robert was part of the executive management team that contributed to the initial strategic direction, planning and development of the ERA, when it was established in 2004.

Mr Paul Kelly, Executive Director Licensing, Monitoring and Customer Protection

Paul Kelly has over 28 years of experience at Senior and Senior Executive levels in the public sector.

His previous roles include a seven year term as Executive Director of the Office of Water Regulation in Western Australia, responsible for establishing a State wide licensing regime for water service providers and reporting to Government on the operations and performance of the water industry.

Paul is also Chairman of the Electricity Code Consultative Committee and the Gas Marketing Code Consultative Committee. Both are statutory positions respectively under the *Electricity Industry Act*

2004 and the Energy Coordination Act 1994.

Prior to his current role, Paul was the Director Water Division of the ERA, responsible for all regulatory matters relating to the water industry.

Mr Rajat Sarawat, Executive Director Economics

Rajat Sarawat joined the ERA in January of 2012 as Executive Director Economics. Rajat has over 15 years of experience in the field of economic regulation.

Prior to joining the ERA, Rajat has held various senior positions with the Essential Services Commission of South Australia (**ESCOSA**) and The Australian Energy Market Commission (**AEMC**), including as Acting CEO at ESCOSA and Senior Director at AEMC.

In these roles, Rajat has led various price reviews, access arrangements, inquiries and competition reviews. Prior to joining ESCOSA Rajat worked in water and gas utilities where his primary responsibilities



related to financial and economic analysis and developing access arrangements.

*Ms Pam Herbener, Manager
Corporate Services*

Pam Herbener has been employed in access regulation since joining the Western Australian Office of Gas Access Regulation in 1998.

Prior to her current role, Pam had 20 years previous management experience working in the not for profit sector in Western Australia and in Commonwealth and local government.

*Ms Kieu Pham, A/Manager
Corporate Strategy and Performance*

Kieu Pham joined the ERA in 2009 and has been acting as a Manager of the Corporate Strategy and Performance division since 2013.

Kieu has a Bachelor of Science degree in Anthropology and has over 10 years of experience working in both private and public sector organisations in a variety of positions involving communications, relationship management and customer service.

Assistant Directors Group

The Assistant Directors Group was established in June 2011. The group acts as a sub-committee of the Corporate Executive and is comprised of Assistant Directors and the Senior Finance Officer.

The Assistant Directors Group meets on an ad-hoc basis when particular reports or recommendations are required.

The aim of the group is to promote an organisational culture that is consistent with our corporate values

and purpose. The group provides advice and recommendations on:

- management policies, procedures and processes to improve the ERA's operational/administrative efficiency and effectiveness
- staff development processes and policies
- matters referred to it by the Corporate Executive, and
- other matters that the group considers having impact on the health of the organisational culture.

Over the past year the Assistant Directors Group has worked on initiatives including a review of the internal project plan template and associated business processes.

Organisational chart

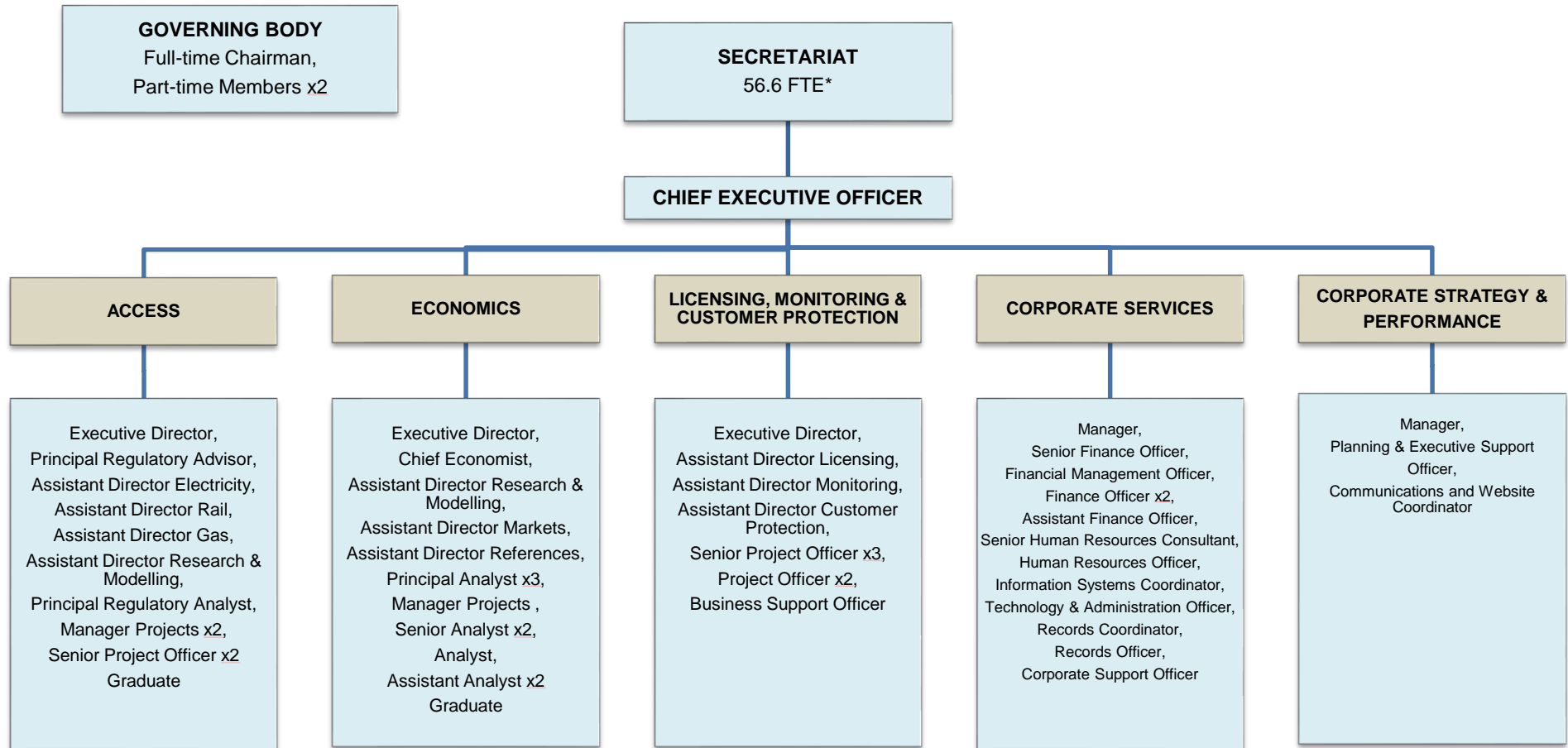


Chart 1 - Organisational chart of the ERA over 2013-14

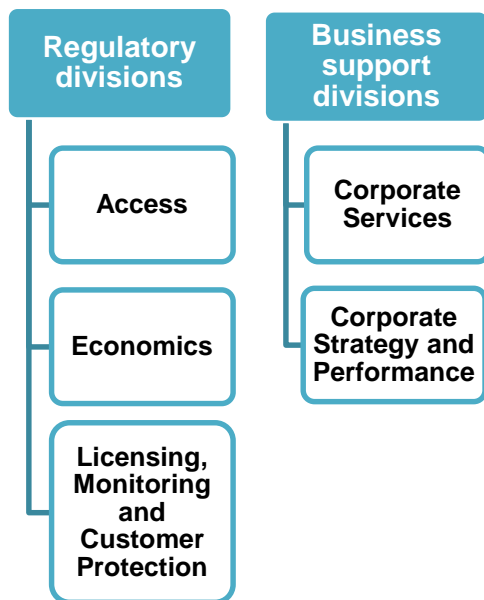
*2013-2014 approved budget: 56.6 FTE

Total number of employees as at 30 June 2014: 51.5 FTE



Our structure

The ERA's Secretariat comprised of five divisions in 2013-14.



Our responsibilities

The responsibilities of the ERA's divisions are outlined as follows.

Regulatory Divisions

Access

- Approve the terms and conditions (including prices) that owners of electricity networks and gas pipelines are obliged to offer companies wanting to use the infrastructure to transport, electricity or gas.
- Approve the terms and conditions, and costing information that owners of railways are obliged to offer companies wanting to use trains on particular railways.

Economics

- Conduct inquiries and provide reports to the State Government on economic matters referred to the ERA.
- Monitor the wholesale electricity market and provide an annual report to the Minister for Energy on the state of the market.
- Approve and monitor arrangements enabling customers to choose their gas retailer.

- Undertake research on regulatory finance and economic matters, including on the regulatory rate of return.

Licensing, Monitoring and Customer Protection

- Administer electricity, gas and water licenses, monitor compliance with the ERA licence conditions and take enforcement action when required.
- Approve the contracts and service standards that protect residential and small business water, gas and electricity customers.
- Assess licensee performance audits and asset management review reports.
- Report on the operational performance of gas, water and electricity industries in Western Australia.



Business Support Divisions

Corporate Services

- Undertake statutory management responsibilities in relation to human resource management, financial management and information management.
- Provide administration, records management and information technology support to the Secretariat.

Corporate Strategy and Performance

- Provide strategic, business planning, performance monitoring, and audit and risk management services for the ERA.
- Manage and carry out the corporate communication services of the ERA.
- Provide executive support to the Governing Body, CEO and the Corporate Executive.

Our culture

Internal Communications



An essential part of our day to day work and social activities is the ERA intranet.

The intranet provides quick links to internal policies, procedures, document templates, payroll and leave bookings. It also displays a calendar for events of interest; and the charity donations made up to date.

The staff have adopted the intranet for internal communication to post comments, images and share articles and other links. This has improved staff interaction across the divisions.

The ERA arranged quarterly divisional information sessions. These are presentations given by staff members to provide updates on topical projects and activities regarding the divisions and the stakeholders.

The ERA held monthly staff meetings, where the CEO briefed the staff on the status of the work program (activities that are being undertaken at the time and in the near future), HR matters and any other topical matters that are beneficial for all staff to know.

Staff Surveys



Since February 2010 the ERA has undertaken quarterly staff surveys.

In each survey, staff are asked to provide a rating (on a scale of 1-10 with 10 being the highest) on whether “work at the ERA is enjoyable”. Other questions targeting specific matters can also be included in the surveys.

The surveys are a tool to measure staff satisfaction with working at the ERA. They are also an avenue for staff to raise issues or concerns they have; or make general comments and suggestions regarding the work at the ERA.

All survey responses are anonymous and confidential, but staff can opt to have their comments made available on the ERA Intranet.

The Corporate Executive provides a formal response to issues raised in the surveys. Staff survey results and comments are also discussed at our monthly staff meetings.

The Corporate Executive uses the results of the surveys to identify ways to improve the organisation.

There were three staff surveys conducted over this reporting year, in August and December 2013 and March 2014.

Professional development



The ERA encourages staff to undertake training identified during their annual performance development management process.

The annual agency survey conducted by the Public Sector Commission

helped in identifying areas where staff require training.

Training programs in Risk Management, Equal Opportunity Law, Grievance Management for Managers and Injury Management for Line Managers were conducted within the ERA.

Staff attended conferences such as:

- 2013 Energy in WA conference
- 2013 ACCC conference
- 2014 WA Power & Gas conference
- Shaping the views at the Top – public sector in the future
- 2014 World Business forum
- Collections and Hardship Programs in Utilities, Banks and Telecommunications.

Staff also individually attended training programs conducted by various training providers which helped them add value to their work.

Some of the programs they attended were 'Think on your Feet', 'Building a

positive team culture', 'Having difficult conversations'.

A ten week writing course was organised within the ERA. A tailor made program for staff in presentation and influencing skills was also conducted.

A total of **\$152,518** was spent on conferences, wellness programs and professional development over the financial year.

Workforce Planning and Diversity

The ERA's Workforce and Diversity Action Plan was first created in 2009. The current version of the plan for the period 2012-14 was endorsed in 2012.

The plan was developed and reviewed in accordance with Part IX of the *Equal Opportunity Act 1984*, and Strategic Directions for the Public Sector Workforce 2009-2014.

The plan is a tool to:

- attract and retain skilled employees, and

- improve flexibility and efficiency of the public sector.

The ERA continued working on the initiatives in the Workforce Plan (2012-14) and this year:

- Transitioned to a new payroll system and leave module
- Continued a graduate program
- Introduced a two week staggered induction program for new employees
- Provided more secondment opportunities
- Moved towards a full online recruitment system

The Corporate Executive continuously review the progress made against our Workforce and Diversity Action Plan.

One of the initiatives outlined in the Workforce and Diversity Action Plan was to implement a better Human Resources Management Information System (HRMIS). In the first phase, we transitioned to using the payroll module of Fusion 5's Empower

system. Empower provides better reporting capabilities than our previous system and enables better workforce decision making.

We have made progress with implementing the second phase, which is to implement a time keeping module. We have finished the project scope and are planning an implementation in the first half of 2014/15.

The final phase of the HRMIS which will be implemented in 2014/15 is to implement the learning and development and performance management module.

We enhanced the flexible recruitment process introduced in 2013, including the e-recruitment process. Recruitment is now exclusively undertaken using the Government on-line RAMS system.

We also used a broader range of social media such as LinkedIn to advertise our positions which resulted in attracting a wider field of candidates.

Some of our recruitment processes during the year were carried out using targeted advertising. We also recognised that we have areas where specialised skills are necessary.

Consequently, we have determined that we have two “specialist positions” as allowed for by the Public Sector Commissioners instruction “Filling a Public Sector Vacancy”.

We increased participation in various forums and events organised by central agencies which has helped strengthen our relationships with workforce planning officers in other public sector agencies.

Equity and Diversity

The ERA continued championing Equity and Diversity in its workplace. A one day workshop was conducted by the Equal Opportunity Commission for line managers on how to handle grievance. A generic introduction session on Equal Opportunity Law was also conducted for all staff.



This year the ERA can claim 100% achievement of staff having completed the mandatory Accountable and Ethical Decision Making program.

An Aboriginal Cultural Awareness training was also conducted this financial year.

Employee Assistance

The ERA's employee assistance program has been promoted within the Secretariat. Staff are encouraged to use the professional support services in case they encounter any problems in their personal and professional lives.

Public Sector Standards

Information about the Public Sector Commissioner's Standards in Human Resource Management is made available to all staff through the intranet and is part of our new staff induction program. There were no claims of breach lodged in the last financial year.

Awards



The ERA was identified by the Office of the Auditor General as a "better practice agency", for the fifth consecutive year, for producing quality and timely financial statements and exercising sound financial controls, demonstrating efficient and effective financial control and reporting.

The ERA was presented with the Bronze Lonnie Award (for agencies with less than 100 full-time equivalent employees) for excellence in reporting for our 2012/13 annual report at the annual Institute of Public Administration Australia's WS Lonnie Awards.

Celebrating 10 Years

The ERA held a celebratory sundowner with some of its key stakeholders early in the year to mark its 10 year anniversary.

The event was a good opportunity for the ERA Governing Body and the Secretariat to celebrate and network with its stakeholders.

Work/Life Balance

The ERA continued to run a wellness program as part of its commitment to work/life balance. We ran a series on how to 'Train your mind to be focussed, calm and clear'.

Staff participated in a total of 10 lunchtime corporate challenge activities this year which included Pentanque, Soccer, Croquet, Volleyball.

Our social club was active during the year and staff enjoyed a number of morning teas to raise money for charity.

This year we focussed on annual leave balances. Taking leave is an important element of work/life balance and we are making sure our people take a break when major projects are completed.

Social Activities - promoting shared culture

Social Club

In 2012 the ERA decided to streamline the responsibility of organising workplace social activities and set up a formal Social Club Committee.

The Social Club includes a representative from each business unit and is responsible for organising social activities including the staff Christmas Party and other fun activities.

Culinary events



The most popular social events in terms of attendee numbers continued to be the Christmas lunch and the Melbourne Cup lunch.

Other activities we enjoyed together included Movember, Halloween drinks and nibbles, staff lunches, morning teas for charities and a pool competition.



Team building

All staff are encouraged to participate in team building social activities.

During the year, we actively participated in the Bank of Queensland (**BOQ**) Corporate Challenge competitions, including volleyball, soccer, touch rugby, petanque and croquet games (*pictured*).

The ERA's victorious croquet team.



This year we beat our previous years' achievements and won the 1st prize in the small organisation category in the Corporate Challenge competition. In addition, an ERA staff member won the "best player of the series" award in croquet.

The ERA also organised a team building day; and a morning tea to celebrate the ERA's tenth anniversary.

Charity events

Each year we nominate at least one charity to donate the money raised from our weekly free dress Friday.

For 2013-14, the staff nominated three charities: *Swags for Homeless, Assistant Dogs Australia* and the *Autism Association of Western Australia*.

In addition, throughout the year we organised workplace events such as morning teas, cupcake days and an auction to raise money for other not-for-profit organisations. These included *RSPCA, Cancer Council,*

Animal Protection Society and the **Centre for Cerebral Palsy**.

Our annual staff tradition is to donate food and gifts to the **Salvation Army's Christmas Appeal**. The collection took place again in December 2013.

The ERA also donated used IT equipment, such as laptops, laptop batteries and LCD screens to the **Technology Assisting Disability WA**.

As another tradition, the ERA coordinated group blood donations: staff members had a regular opportunity to donate blood to the **Australian Red Cross Blood Service** as part of the Club Red Program.

Many staff members were very active participating in sport and other fun activities outside of work hours to raise money for good causes during the year.

Employees raised funds to various charities by participating in:

- Oxfam Trail Walker
- Rotary Ramble
- Movember (*pictured*)
- PwC Cool Night Classic
- City to Surf
- Convicts for a Cause.



Money raised	Charity the ERA supported
\$403	
\$90	
\$889	
\$107	
\$128	
\$372	
\$206	
\$2396	TOTAL



Performance

Performance Management Framework

Relationship to Government Goals

Broad government goals are supported at agency level by specific outcomes. Agencies deliver services to achieve these outcomes.

The following table illustrates the relationship between the agency's services and desired outcomes, and the government goal it contributes to.

The key effectiveness indicators measure the extent of impact of the delivery of services on the achievement of desired outcomes.

The key efficiency indicators monitor the relationship between the service delivered and the resources used to produce the service.

Government Goal *Results-Based Service Delivery:* Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.

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

Service Submissions to the ERA Governing Body.

Key performance indicators

For the reasons set out in the [Disclosures and legal compliance](#) section of this report, the Economic Regulation Authority is only required to report on the administrative performance of its Secretariat.

The key performance indicators are the quantity, quality, timeliness and average cost per submission prepared for the Governing Body. The submissions help the Governing Body carry out its functions, including reaching decisions on regulatory matters.

Key effectiveness indicators

The Economic Regulation Authority's key effectiveness indicators are:

- **Quantity:** number of submissions made to the ERA Governing Body.
- **Quality:** rating by the ERA Governing Body as to the content, accuracy and presentation of these submissions.
- **Timeliness:** number and % of submissions provided to the ERA Governing Body within the required deadline.

Key efficiency indicators

The Authority's key efficiency indicator is *cost (efficiency) - \$ per submission made to the ERA Governing Body.*

The cost is calculated to include the costs of all staff and other resources involved in preparing submissions to the Governing Body.

Comparison between indicators, actual results and budget targets

Indicator	2013/14 target	2013/14 actual	2012/13 actual	2011/12 actual	2010/11 actual	2009/10 actual	2008/09 actual	2007/08 actual	2006/07 actual
Number of submissions made to the ERA Governing Body	280	236	264	251	296	328	291	248	198
Rating by the ERA Governing Body as to the content, accuracy and presentation of these submissions ¹	4.0	4.2	4.1	4.1	4.1	3.8	4.0	4.2	4.2
Number and % of submissions provided to the ERA Governing Body that met a legislative deadline.	90%	96%	100%	87%	90%	87%	81%	92%	76.5%
Governing Body rating on the perceived timeliness of submissions	4.0	4.0	4.1	4.2	4.1	4.0	4.1	4.2	3.9
Average cost per submission	\$39,393	\$46,784	\$38,433	\$49,466	\$35,770	\$30,055	\$32,304	\$30,782	\$38,200

The total cost of the Authority's operations for the 12 months under review was \$11.041 million compared to an expenditure limit of \$11.183 million. There were 236 submissions compared to the target of 280. The average cost per submission was \$46,784 against the target \$39,939.

¹ On a monthly basis the Governing Body reviews the submissions that have been prepared by the Secretariat using the rating scale of one - five, with one being "very poor", three being "satisfactory" and five being "excellent".

Report on Performance

The following information outlines the key outputs of the Economic Regulation Authority for 2013/14.

The work outputs are categorised as follows:

- ⇒ **Third party access to regulated monopoly infrastructure**
 - Gas Access
 - Electricity Access
 - Rail Access
- ⇒ **Energy Markets**
 - Wholesale Electricity Market
 - Gas Retail Market
- ⇒ **Energy & Water Utility Licence Administration**
 - Licensing
 - Monitoring
 - Customer Protection
- ⇒ **Independent Economic Inquiries**
- ⇒ **Corporate Activities**

Third party access to regulated monopoly infrastructure

The ERA is responsible for reviewing and making decisions on access arrangement proposals submitted by electricity and gas network operators.

In making its decisions the ERA seeks to ensure that the terms, conditions and charges proposed by a service provider are consistent with the long term interest of consumers and that users of the regulated infrastructure have fair access to services.

For railway infrastructure, we review and make decisions on a railway owner's regulatory instruments, the components of which together may be used to negotiate an access agreement.

Gas Access

The ERA regulates three gas transmission pipeline systems and one gas distribution system in Western Australia:

Gas transmission

[Dampier to Bunbury Natural Gas Pipeline](#)

[Goldfields Gas Pipeline](#)

[Kalgoorlie to Kambalda Pipeline](#)

Gas distribution

[Mid-West and South-West Gas Distribution System](#)

Of the four regulated gas pipeline networks, the service providers for the following are required to submit full access arrangements:

Dampier to Bunbury Natural Gas Pipeline (DBNGP)

Goldfields Gas Pipeline (GGP)

Mid-West and South-West Gas Distribution System (GDS).

Under the National Gas Rules (NGR) the service providers are required to submit an access arrangement revision proposal on or before the review submission dates of an applicable access arrangement, which is approximately once every five years.

The owners of the gas pipeline systems (except for the Kalgoorlie to Kambalda) are required under their respective access arrangements (approved by the Authority under the National Gas Rules) to submit an access arrangement revision proposal on or before the review date specified in the applicable access arrangement, which is approximately once every five years.

The Kalgoorlie to Kambalda Pipeline is subject to light regulation by the ERA under the NGR.

No access arrangement is required to be submitted or approved for this pipeline.

An access arrangement sets out the prices, terms and conditions which apply to third parties seeking the use of regulated electricity networks and gas infrastructure to transport and receive electricity or gas.

Companies generally negotiate with each other on terms and conditions of access, but if they can't, the access arrangement provides mandatory or default terms and conditions of access.

Dampier to Bunbury Natural Gas Pipeline

Access Arrangement

The Dampier to Bunbury Natural Gas Pipeline ([DBNGP](#)) is Western Australia's longest gas transmission pipeline stretching almost 1600 kilometres and linking the gas fields located in the Carnarvon Basin off the Pilbara coast with population centres and industry in the south-west of WA.



The next review of the proposed access arrangement for the DBNGP is scheduled to commence in 2015, with DBP required to submit its proposed revisions to the access arrangement by 1 January 2015 for the period 2016 - 2020.

Reference Tariff Variation



DBP can vary the reference tariff annually in accordance with the reference tariff variation mechanism set out in the DBNGP access arrangement.

The variation allows for the effects of actual inflation, an adjustment for the expenditure incurred because of tax changes, as well as pass-through of new costs due to specific events.

On 10 January 2014, the ERA published an annual [tariff variation for the DBNGP](#) to apply from 1 January 2014 to 31 December 2014.

Goldfields Gas Pipeline

Access Arrangement

Goldfields Gas Transmission Pty Ltd (GGT) provides gas transportation services to third party users via the Goldfields Gas Pipeline (GGP). The GGP is Western Australia's second longest gas transmission pipeline (over 1,380 kilometres) and delivers natural gas to the mineral resource regions of the north-east Pilbara and the Goldfields.



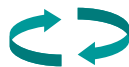
There have been two approved Access Arrangements since the gas regulatory regime commenced in 1999.

The current access arrangement for the GGP, which sets default terms and conditions, including the tariffs that parties pay to access and transport gas via the pipeline, was published by the ERA on 13 April 2012.

The ERA approved a request from GGT to extend the date for submission of proposed revisions to the GGP access arrangement from 16 June 2014 to 15 August 2014.

GGT requested an extension as it had to defer work on aspects of the proposal, pending a determination from the ERA in relation to an election by GGT not to treat the capacity from the expansion of the GGP as part of the covered pipeline for any purpose under the National Third Party Access Code for Natural Gas Pipeline Systems (the Code).

Reference Tariff Variation



GGT can vary the reference tariff quarterly and annually in accordance with the provisions of the Goldfields Gas Pipeline access arrangement.

The quarterly tariff variation allows adjustment for the effects of actual inflation. The annual tariff variation also allows adjustment for the effects of actual inflation, and an adjustment for certain regulatory costs.

The annual tariff variation is conducted in lieu of the quarterly CPI adjustment, and is effective from 1 January each year. The variations are subject to ERA approval that the proposed tariff variations are in accordance with the respective access arrangements of the service providers.

The ERA published the following quarterly reference tariff variations for GGT during 2013/14:

- 1 October 2013 to 31 December 2013
- 1 January 2014 to 31 March 2014
- 1 April 2014 to 30 June 2014

In addition, the ERA also published on 28 January 2014 an [annual tariff variation](#), which included the

quarterly CPI adjustment for the period from 1 January 2014 to 31 March 2014.

Expansion of Goldfields Gas Pipeline

1 GGT notified the ERA on 4 November 2013 that the Goldfields Gas Pipeline was being expanded through the installation of additional compressors and offtake infrastructure in the Pilbara region.

GGT sought approval from the ERA for the expansion not to be regulated (was electing not to treat the expansion of the pipeline as part of the regulated pipeline for any purpose).

A detailed [application](#) was provided by GGT on 7 January 2014 and on 26 February 2014, the ERA invited stakeholders and other interested parties to make submissions on GGT's proposed expansion election.

The ERA published an [issues paper](#) on 27 March 2014, identifying relevant issues and to guide

interested parties on the framework for assessing GGT's application.

The ERA published its [consent](#) to GGT's application on 30 May 2014.


Mid-West and South-West Gas Distribution System

The Mid-West and South-West Gas Distribution System (GDS), owned and operated by ATCO Gas Australia Pty Ltd (ATCO), makes up most of the reticulated natural gas infrastructure in Western Australia, including areas from Geraldton in the north to Busselton in the south.

These reticulated gas mains and associated infrastructure distribute gas sourced from the Dampier to Bunbury Natural Gas Pipeline and the Parmelia Pipeline (running from Dongara in the mid-west of the state) to industrial, commercial, small business and residential customers in the mid and south western coastal areas of Western Australia.

There have been three approved access arrangements since the gas

regulatory regime commenced in 1999.

 The ERA is currently reviewing [proposed revisions to the access arrangement](#) for the GDS as submitted by ATCO Gas on 17 March 2014, to apply for the five and a half year period 1 July 2014 to 31 December 2019.

ATCO's [current access arrangement](#) was published by the ERA on 25 June 2012 and applies until a revised access arrangement is approved by the ERA.

The ERA published an [issues paper](#) on 2 May 2014 to assist interested parties in preparing submissions in respect of the ATCO proposal.

Two submissions were received and will inform the ERA when making a draft decision on whether to approve or not approve the revised access arrangement. The ERA's draft decision is expected to be released in 2014-15.

Reference Tariff Variation



ATCO Gas can vary the [reference tariff](#) annually in accordance with the reference tariff variation mechanism in the Mid-West and South-West Gas Distribution System access arrangement.

The variation allows for the effects of actual inflation, an adjustment for the differences between actual and forecast regulatory operating expenditure, as well as pass-through of new costs due to specific events.

On 6 December 2014, the ERA published a [decision](#) to not approve the tariff variation proposed by ATCO as it considered that the proposed tariff variation was inconsistent with the approved reference tariff variation mechanism in the access arrangement.

The ERA invited ATCO Gas to either submit a tariff variation in line with the ERA's decision or provide further information in support of its initial proposal. Following receipt of a tariff variation proposal in line with the ERA's decision, the ERA approved

the revised proposal on 9 December 2014, with the [tariff variation applicable from 1 January 2014](#).

Gas Access Arrangement Guidelines



The ERA published a [Gas Access Arrangement Guideline](#) on 10 March 2014.

The Guideline provides an overview of the access arrangement submission process and details the required content of an access arrangement for gas transmission pipelines and distribution networks.

The Guideline assists service providers in understanding the rules, requirements and processes, including matters of confidentiality, applying to the regulation of regulated gas transmission pipelines and distribution networks in Western Australia as stipulated in the *National Gas Access (WA) Act 2009* and the National Gas Rules.

The Guideline replaces the ERA's previous Guidelines on Gas Access Arrangement Revision Processes, which was published in 2008, prior to

the enactment of the *National Gas Access (WA) Act 2009*.

Rate of Return Guidelines for Gas Transmission and Distribution Networks



The Australian Energy Market Commission ([AEMC](#)) completed its rule changes to economic regulation under the National Electricity Rules and the National Gas Rules in December 2012.

The changes made by the AEMC include a new rate of return framework for gas networks.

The framework shares many similarities with the existing framework embodied in the National Gas Rules. A key change for gas is a mandated nominal post tax rate of return.

For covered gas networks in Western Australia, the proposed changes affect the way the rate of return is set by the ERA when it periodically assesses access arrangement revisions proposed by owners of gas pipeline infrastructure.



The Rate of Return Guidelines sets out the ERA's approach under the National Gas Rules for determining the rate of return for gas transmission pipelines and distribution networks.

The ERA will be required to undertake a consultative process at least every three years to develop guidelines on how it will calculate the rate of return for its gas access arrangement decisions.

The ERA undertook a thorough process to develop its first Rate of Return Guidelines setting out the ERA's approach for determining the rate of return for gas transmission pipelines and distribution networks.

The ERA published its final [Guidelines for the Rate of Return](#) to apply to covered gas networks in Western Australia on 16 December 2013.

Development of ERA Rate of Return Guidelines	
December 2012	ERA Consultation Paper released – 11 submissions received
17 June 2013	Secretariat Working Paper on cost of debt
3 July 2013	Stakeholder workshop to discuss approaches to estimating the cost of debt – 4 submissions received
6 August 2013	Draft Rate of Return Guidelines released - 9 submissions received
7 November 2013	Stakeholder workshop to discuss return on debt and return on equity
16 December 2013	Final Rate of Return Guidelines

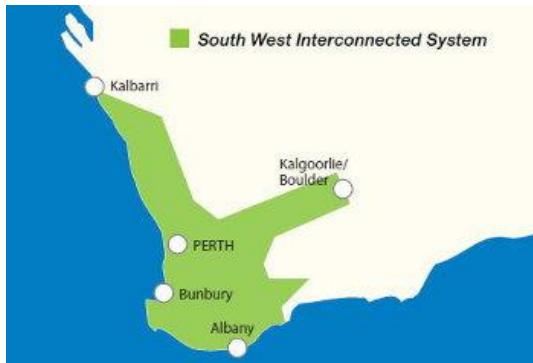


Electricity Access

The ERA is responsible for regulating access to electricity transmission and distribution networks in Western Australia. The network operated by Western Power is the only regulated network in WA (the SWIS).

There are three major electricity networks in WA:

- South West Interconnected System (SWIS)
- North West Interconnected System (NWIS)
- Esperance System.



Each network usually only has one distributor. The distributor may transport electricity on behalf of several retailers.

In the SWIS area, where the majority of the State's population resides Western Power is the main licensed distributor and Synergy is the largest licensed retailer.

Horizon Power is the main licensed distributor and retailer for the area outside of the SWIS. Horizon Power is also a generator, transmitter, distributor and retailer.

The Western Power Network

Access Arrangement Reviews

Under the *Electricity Networks Access Code 2004*, Western Power must have an access arrangement that is approved by the ERA. The access arrangement details the terms and conditions, including prices, that apply to third parties seeking use of the electricity network.

Western Power's current access arrangement covers a five year period from 2013 to 2017.

During the period of the access arrangement Western Power can request amendments to its access arrangement (mid-period variations).

[Western Power's current access arrangement](#) incorporates:

- The ERA's further final decision published 29 November 2012
- An amendment approved by the ERA on 4 June 2013
- An amendment approved by the ERA on 3 April 2014



The next review of Western Power's access arrangement is due to take place in 2016 with Western Power required to submit revisions to the current access arrangement by 1 March 2016 for the period commencing from 1 July 2017 to 30 June 2022.

Variations to Western Power Access Arrangement

1 The ERA published a notice on 3 April 2014 of its decision to approve minor variations to Western Power's access arrangement for its South West Interconnected Network.

The variations were approved pursuant to section 4.41A of the *Electricity Networks Access Code 2004* and detailed in a schedule to the notice.

The ERA received a proposal from Western Power on 5 March 2014 to amend its approved access arrangement during the current access arrangement period (2012/13 to 2016/17).

The mid-period amendment sought by Western Power involved a minor change to section 6.5.3 of the access arrangement to allow for reference tariffs in the price list to be set so that the forecast revenue can be less than or equal to the calculated revenue cap for the year.

Prior to this mid-period amendment, the access arrangement wording required that forecast revenue was equal to the calculated revenue cap.

In years when sales are lower than expected and Western Power has under-recovered revenue, this requirement would have meant Western Power had to automatically add the revenue shortfall to the amount to be recovered in the following financial year.

If the revenue shortfall was substantial, network tariffs could spike in the following year.

The mid-period variation proposed by Western Power would enable it to manage annual price movements, reducing the risk of sudden material tariff adjustments, by managing the timing of the collection of the revenue cap over the access arrangement period.

The present value of total revenue to be recovered over the current access arrangement period will remain unchanged, regardless of the timing of recovery.

The ERA determined that the advantages of varying the access arrangement during the current access arrangement period outweigh the disadvantages, as the changes provide the flexibility to manage annual price movements to reduce sudden upward tariff adjustments.

The ERA considered the variations to be minor in nature and determined that they did not require public consultation.

The ERA published a copy of [Western Power's access arrangement](#) which incorporates the approved variations on its website on 3 April 2014.

The varied access arrangement took effect from Friday, 4 April 2014.

Western Power Technical Rules

Western Power publishes Technical Rules which all users of the network are required to comply with to ensure that parties seeking to use an electricity network do so without affecting the proper, reliable and safe operation of the electricity networks within the SWIS.

[Technical Rules](#) are the standards, procedures and planning criteria governing the construction and operation of an electricity network and are required under the Access Code for all covered networks.

They also set out performance and technical specifications for user equipment connected to the network.

Applications for Exemption from certain requirements of the Technical Rules

1 In certain situations users may be granted an exemption providing there is no adverse impact on other users of the network.

A user, applicant or controller may apply to Western Power for an exemption from one of more requirements of its Technical Rules

Western Power is required to notify the ERA of any grant, revocation or variation of an exemption to its technical rules and the ERA is responsible for publishing the notice

under the *Electricity Networks Access Code 2000*.

Western Power notified the ERA of exemptions it had granted in July 2013 and October 2013. These notices have been published on the ERA's website.

Under section 12.40 of the Access Code, Western Power may apply to the ERA for an exemption from one or more requirements of its technical rules which apply to it, as the service provider, and all applicants, users and controllers of the covered network.

The ERA is required to make a determination on an application as soon as practicable and have regard to the effect the proposed exemption will have on the service provider and users of the network and any interconnected network.

The ERA must grant the exemption if it determines that in all the circumstances, the disadvantages of requiring compliance with the Technical Rules are likely to exceed the advantages.

Model Technical Rules

Under the *Electricity Networks Access Code 2004*, service providers of non-covered networks that are part of the South West Interconnected System (SWIS) are also required to have [technical rules](#).

As an alternative to developing their own technical rules, these non-covered network service providers can adopt model technical rules.

The ERA is required to draft, approve, publish and advertise model technical rules for the South West Interconnected System (SWIS).

It is anticipated that these model technical rules will be used by those service providers of non-covered networks that are part of the SWIS and are required to have technical rules.

The commencement of the development of model technical rules was initiated in 2012 but has been delayed because it is yet to be determined whether technical rules for non-covered networks are necessary or whether the technical

rules of the covered network (Western Power's Network) are sufficient to ensure the security of the supply for the SWIS.

The Public Utilities Office has proposed amendments to the *Electricity Networks Access Code 2004* to remove this requirement.

On 30 May 2014 the ERA published a notice to extend the time to publish model technical rules to 1 June 2015.

Western Power Price List Determination



Under the *Electricity Networks Access Code 2004*, Western Power is required to submit its price list to the ERA each year for approval 45 business days prior to the charges coming into effect. The ERA must make its determination within 15 days of receiving the proposed price list.

A price list is a schedule of standard network tariffs, known as “reference tariffs”, published under an access arrangement for a covered electricity network.

Western Power's access arrangement requires it to submit to the ERA a proposed price list and supporting information for the next pricing year. The ERA assesses the proposed price list to ensure that it complies with the price control and pricing methods in Western Power's access arrangement.

The ERA approved the 2014/15 Price List as submitted by Western Power on 28 April 2014 and published its [Determination](#) on [Western Power's 2014/15 Price List](#) and [Price List Information](#) on 19 May 2014.

In approving the proposed prices, the ERA found the prices complied with the price control and pricing methods set out in the amended access arrangement applying for Western Power's current access arrangement period (2012/13 to 2016/17).

The approved network prices commenced on 1 July 2014.

The average change in tariffs compared with the previous price list including CPI is 4.8 per cent (comprising an increase of 6.9 per

cent for distribution network tariffs and a reduction of 0.8 per cent for transmission network tariffs).

What does the Price List Determine?

The Price List sets out the network charges payable by users of Western Power's network. Such charges are an integral component of the retail prices that are set by State Government and paid by residential and small business customers for the electricity they consume.

Charges for individual customers vary depending on the type of tariff they are on and their usage and the extent to which these increases in network tariffs will affect retail electricity prices for residential and small business customers is determined by the Western Australian Government.

Western Power Service Standard Performance Report



Service Standards set the minimum level of service required to be delivered to customers. A service standard can refer to either the technical standard and/or reliability, of delivered electricity.

Under the *Electricity Networks Access Code 2004* Western Power must include, as part of its access arrangement, service standard benchmarks for each of its reference services.

Western Power must supply its network services (“reference

services”) to a standard that at least meets the benchmarks in its access arrangement and the ERA must publish the actual service standard performance against its benchmarks each year.

The ERA published [Western Power’s service standard performance report](#) for the first year of the current access arrangement period (the year ended 30 June 2013) on 11 December 2013.

See the case study on page 39 for more information on Western Power’s actual performance against its benchmark targets.

Consumer Price Index Adjustments

On 20 May 2014, the ERA published [2014 consumer price index \(CPI\) adjustments](#) as required under section 14.26 of the *Electricity Networks Access Code 2004*.

CASE STUDY - Western Power's Service Standard Performance 2012/13

In December 2013 the ERA published Western Power's service standard performance report for the first year of the current access arrangement period (1 July 2012 to 30 June 2017).

Western Power reported that it met or exceeded all benchmark targets for the year ended 30 June 2013. The only exception was an indicator called SAIFI – Rural Long, which is a measure of the level of interruptions to rural customers connected to distribution network feeder lines that are longer than 200 kilometres.

Failure to meet this target was attributed to poor weather conditions due to a significant increase in widespread lightning activity recorded across rural areas of the state during 2012/13 compared to the previous three years. Western Power stated that the lightning strikes have had a significant impact on the reliability performance levels in long rural distribution network. Other reasons why the target was not met included overhead asset failures and vegetation or animals contacting the equipment.

In its report, Western Power noted it expects to improve the Rural Long indicator performance in the future because of its now completed and continuing work programs and its focus on the worst performing areas. Western Power stated it anticipates meeting the prescribed service standard benchmarks during the AA3 period.

In addition, Western Power's access arrangement includes a service standard adjustment mechanism (**SSAM**). It will be applied at the next access arrangement review to calculate a

financial reward or penalty based on Western Power's actual performance compared with service standard targets over the current access arrangement period. The service standard targets are based on Western Power's current performance.

If Western Power's performance worsens a penalty will apply and if it improves a reward will apply. These financial rewards and penalties provide an incentive for Western Power to maintain and improve its performance where the cost of doing so is less than the reward available under the SSAM. The rewards and penalties take account of the value customers place on reliability.

Western Power has calculated the SSAM for the 2012/13 period to be a reward of \$31 million. Distribution measures accounted for \$29 million of the total, with Transmission accounting for \$2 million.

Of the 14 distribution and transmission measures, a penalty was calculated for four measures (two in distribution and two in transmission), nine of the measures resulted in a reward for Western Power, and one measure resulted in no reward nor penalty.

The two largest penalties were in Distribution Rural Long for both SAIDI and SAIFI being \$7 million and \$4.6 million respectively. The two largest rewards were in Distribution Urban for both SAIDI and SAIFI being \$18 million and \$11 million respectively.

The total reward or penalty will be determined at the next access arrangement review and will be included in the revenue Western Power will be able to recover from customers over the fourth access arrangement period starting 1 July 2017.

Rail Access

The ERA regulates the following rail networks:

- **Brookfield Rail** non-urban freight network
- **TPI Railway** (The Pilbara Infrastructure PL)
- **Transperth** urban network (predominantly passenger)

The ERA oversees compliance of regulated railway owners in Western Australia with the *Railways (Access) Act 1998* and the *Railways (Access) Code 2000*. Under the Act and the Code, the ERA is required to approve the costing principles and rules that underpin third party access charges that should apply to routes where rail access is likely to be sought.

The ERA is also responsible for approving the Part Five Instruments defined in the Code. These determine the rules for the safe running of trains on a railway network, ensure that rail capacity is allocated fairly to all users, and

establish a basis for the railway owner to set upper and lower cost recovery bounds (known as incremental and total costs) for each route section.

The Part Five Instruments are: the Train Path Policy, the Train Management Guidelines, the Costing Principles and the Over-payment Rules.

The ERA is also required to approve/determine the segregation arrangements. Segregation arrangements set out the controls and procedures to ensure that where a company operates both the rolling stock and the railway, third parties seeking access to the rail network are not disadvantaged.

Determinations made by the ERA during the reporting year on regulatory instruments for each regulated rail infrastructure within Western Australia are detailed as follows.

Brookfield Rail

Incremental & Total Cost Determination for CBH Access Proposal

[Brookfield Rail](#) has a long term lease over the State's south-west rail freight network and is the provider of "below rail" freight infrastructure in the south-west of Western Australia.

1 Schedule 4 of the *Railways (Access) Code 2000* requires the ERA to approve or determine incremental and total costs for any railway routes subject to third party access requests.

[Co-operative Bulk Handling Ltd](#) made a proposal to Brookfield Rail Pty Ltd for access to certain routes of its freight network on 10 December 2013.

Brookfield Rail provided the ERA with its determination of costs relating to the access proposal for the ERA's assessment and approval or for the ERA to determine the relevant costs.

Following a period of public consultation on Brookfield Rail's costs the ERA made a determination on the costs on 30 June 2014 and released a [notice](#) informing of this.

The ERA was not able to publish the material provided by Brookfield as it was advised that some material in the determination is confidential. The ERA is working with Brookfield Rail and Co-operative Bulk Handling to enable an appropriately redacted version of the determination to be published.

The agreement by CBH to an extension of the deadline was provided by CBH on 11 April 2014 and was notified by the ERA on its website on 16 April 2014.

Brookfield Rail

- Owned by Brookfield Infrastructure Partners
- Controls over 5,100 km of rail freight infrastructure throughout the southern half of Western Australia – from Geraldton in the north, to Leonora and Kalgoorlie in the east, and south to Esperance, Albany and Bunbury

- Transports a wide range of commodities including grain, alumina, bauxite, iron ore and interstate freight, as well as passengers on the Perth to Kalgoorlie and the Perth to Bunbury lines

The Pilbara Infrastructure Railway

Incremental & Total Cost Determination for Brockman Iron Access Proposal

A railway owner must prepare total (maximum) and incremental (minimum) costs applicable to those sections of their network on which an access proposal is likely to be made or is actually made.

1 The Pilbara Infrastructure (TPI), a wholly-owned subsidiary of Fortescue Metals Group ([FMG](#)), is only required to submit proposed costs if it receives an application for access for the ERA to either approve or make its own determination.

Brockman Iron PL lodged a proposal for access to the railway network owned by The Pilbara Infrastructure PL on 15 May 2013.

On 27 May 2013, the ERA issued a notice calling for public submissions on the matter of a determination of incremental and total costs for the route sections relevant to Brockman Iron's proposal. Incremental and total costs establish upper and lower bounds for cost recovery by railway owners. Three submissions were received by the ERA, and these were published on the ERA's [website](#) on 27 June 2013.

On 4 June 2013, the ERA published a notice calling for public submissions on the matter of Brockman Iron's proposal. This notice was in accordance with Section 10 of the Code, and in response to a request from TPI for the ERA to provide its approval for negotiations to commence between TPI and Brockman Iron. The closing date for public submissions on this matter was 4 July 2013.

On 12 September 2013, the ERA issued a [Determination](#) on The Pilbara Infrastructure Pty Ltd (TPI) incremental and total cost proposal for a section of the TPI railway between Christmas Creek mine and Port Headland.

Pursuant to clause 10(3) of Schedule 4 of the Railway (*Access*) Code 2000 (WA), the ERA did not approve TPI's determination of its incremental and total costs provided on 23 May 2013.

Accordingly, the ERA made a determination on the floor and ceiling costs to apply to the relevant route sections.

In making the determination the ERA considered relevant submissions on TPI's proposed floor and ceiling costs made by interested parties in response to public consultation.

The ERA also engaged technical consultants, AECOM Australia, to review and provide advice on some elements of TPI's proposed floor and ceiling costs and public submissions received.

The ERA largely accepted both the direct capital costs and operating costs provided by TPI in its floor and ceiling cost proposal. However, some elements of the indirect costs proposed by TPI were not accepted by the ERA.

At the beginning of the process TPI requested that its proposed floor and ceiling costs remain confidential under Section 50(3) of the Code. The ERA agreed to this request. Accordingly, the ERA's determination was significantly redacted when released publicly to protect this confidentiality.

The Pilbara Infrastructure Railway

- Hauls iron ore deposits from FMG's Cloudbreak mine in the eastern Pilbara to Herb Elliot Port in Port Hedland
- Is the world's heaviest haul railway with each train journey on the Cloudbreak to Port Hedland rail line carrying up to 32,950 tonnes of iron ore
- Construction completed in nine months

Public Transport Authority Passenger Railway

Perth Urban Passenger Rail System

- Transperth train network consisting of the Joondalup, Fremantle, Mandurah, Midland, and Armadale/Thornlie Lines
- fully electrified suburban train system servicing the greater metropolitan area of Perth
- Owned and operated by the Public Transport Authority

The Public Transport Authority ([PTA](#)) is a government owned enterprise with vertical integration of the above and below rail parts of the business and provides management and delivery of metropolitan and regional passenger rail services in Western Australia.


[Transperth](#) is the metropolitan passenger train operating division and uses the PTA urban network for the provision of urban rail passenger services in the greater metropolitan area of Perth.

In 2008 the ERA determined that PTA’s regulatory compliance regime should be modified to reduce regulatory compliance requirements for the PTA in order to reduce regulatory burden and costs.

The decision to change the compliance arrangements reflect the nature of the PTA’s urban rail network and was made in light of the limited potential for third parties to want to seek access to the PTA rail network.

The ERA will monitor PTA’s regulatory actions at such time that a third party access proposal is made on the PTA network.

Rail Networks - Annual Weighted Average Cost of Capital (WACC) Determination

 The ERA is required by the *Railways (Access) Code 2000* to calculate the weighted average cost of capital (WACC) for Brookfield Rail, the Public Transport Authority (PTA) and The Pilbara Infrastructure (TPI) rail networks as at 30 June each year.

A [draft determination](#) relating to the ERA’s five yearly review of the weighted average cost of capital (WACC) for the three regulated railway networks (Public Transport Authority, Brookfield Rail, The Pilbara Infrastructure) was released for public consultation on 4 June 2014.

A [corrigendum](#) to the draft determination was released on 5 June 2014.

The Act requires the final determination on the WACC outcome applicable at 30 June (each year) to be published as soon as is practicable after it is made.

The ERA received five submissions on the draft determination. The final determination relating to the five yearly review, and the associated WACC outcome for 2014-15, are expected to be released in October 2014.

The ERA’s calculation of the [2013 weighted average cost of capital](#) (WACC) for the Public Transport Authority, Brookfield Rail and

The Pilbara Infrastructure rail networks as at 30 June 2013 was published on 9 July 2013. The determined real pre-tax WACC values applied from 1 July 2013 to 30 June 2014.

Panel of Arbitrators for the Railways (Access) Code 2000

On 16 June 2014, the ERA published a notice advising of updates to the [Panel of Arbitrators](#) in accordance with Part 3 Division 3 of the Railways (Access) Code 2000.

1 The ERA is required to establish a panel of people that are able to act as arbitrators in the event of a dispute between an access seeker and a railway owner in negotiating access to the railway owner’s network.

On the recommendation of the Chairman of the WA Chapter of the Institute of Arbitrators & Mediators Australia ([IAMA](#)), the ERA has included additional arbitrators onto a panel of arbitrators to be appointed under Section 26(2) of the Code should the need arise.



CASE STUDY – Amendment of The Pilbara Infrastructure Segregation Arrangements

In 2013 the ERA made a determination of costs applicable to The Pilbara Infrastructure (TPI) railway in relation to Brockman Iron’s access proposal.

After making the determination, the ERA’s obligations under part 2 of the Railway (*Access*) Code 2000 Code were met, leaving the way clear for the parties to commence negotiations as outlined in Part 3 of the Code.

During an amendment process in May 2013, where the ERA approved updates to position titles and office addresses in TPI’s segregation arrangements, Brockman Iron provided a submission to the ERA outlining its concerns regarding certain provisions in TPI’s segregation arrangements: namely protecting the confidentiality of Brockman Iron’s information received by TPI.

The ERA had previously approved staged arrangements for TPI. These enable TPI to postpone full segregation of some functions, such as train control and other operations functions, until the third party operations commence on the TPI railway. This allows TPI to delay the segregation of those functions until required to protect the interests of third party operators.

The staged arrangements were proposed by TPI so that limited segregation – adequate to protect the interests of access seekers who were not yet operating on the network

– would apply from the outset.

The ERA sought assurance from TPI that segregation arrangements were in place to protect Brockman Iron’s information as required by the Act. TPI responded that no segregation arrangements were in place, as TPI considered itself to be in ‘stage zero’ (pre-commencement stage) of its segregation arrangements.

TPI’s view was that negotiations with an access seeker had not yet commenced, notwithstanding that a proposal had been made and that all obligations in Part 2 of the Code had been discharged.

As the *Railways (Access) Act 1998* requires that a railway owner has segregation arrangements in place at all times, the ERA moved to clarify the meanings of some terms in the TPI segregation arrangements. Although the Act requires that segregation arrangements protect the interests of “persons seeking access”, this term is not defined in the Act or the Code.

As a result, the ERA’s amendments include the definition of “interested entities and proponents” which includes access seekers who have made a proposal (proponents) and those who have not yet made a proposal (interested entities).

In this way, the confidentiality of information provided by any access seeker to TPI is now protected, including information already provided by Brockman.

Energy Markets

Wholesale Electricity Market

The ERA is responsible for monitoring the effectiveness of the wholesale electricity market (WEM) in meeting the Wholesale Market Objectives and must investigate any market behaviour if it considers that the behaviour has resulted in the market not functioning effectively.

We also determine a number of parameters that influence the operation of the WEM. These include approval of values for the energy price limits and the maximum reserve capacity price, and the determination of the ancillary service parameters.

Energy Price Limits

The Independent Market Operator ([IMO](#)) is required to annually review the value of the energy price limits and may propose revised values for the maximum STEM price and the alternative maximum STEM Price.



Proposed changes in the value of the energy price limits are reviewed by the ERA. In determining whether to approve the revised energy price limits, the ERA is required to consider whether the revised values proposed by the IMO reasonably reflects the application of the method and guiding principles described in the Market Rules and whether the IMO has carried out an adequate public consultation process.

IMO's Final Report was submitted to the ERA on 23 May 2014, accompanied by a report prepared by Sinclair Knight Merz (Jacobs SKM).

The ERA published its [final decision](#) on 26 June 2014 approving the Energy Price Limits for the Wholesale Electricity Market in the SWIS as proposed by the IMO.

What are Energy Price Limits?

Energy price limits are a set of price caps within which participants in the wholesale electricity market (WEM) are allowed to bid for or offer energy in the short term energy market (STEM).

The energy price limits are comprised of the maximum STEM Price, the alternative maximum STEM Price and the minimum STEM Price.

The energy price limits are part of the market power mitigation mechanisms in the WEM, and setting these price caps to an appropriate level is an important step to minimise the long-term cost of electricity supply to customers.



Maximum Reserve Capacity Price

The Reserve Capacity Mechanism (RCM), is designed to ensure there is sufficient generation capacity to meet system requirements.

Retailers can contract directly with generators to purchase capacity. Alternatively retailers can purchase capacity from the Independent Market Operator (IMO). In the event that insufficient capacity is available, the IMO may call an auction.

If a capacity auction was required, the [maximum reserve capacity price](#) (MRCP) sets the price cap for offers into the auction. The MRCP is set for each capacity year. The methodology for setting the MRCP is currently based on the expected cost of new entrant peaking generation plant, and the associated costs required to establish such plant, that is capable of supplying electricity to the South West Interconnected System.

To date, it has not been necessary to hold such an auction as sufficient capacity has been made available.



The ERA published its [decision](#) on 30 January 2014 approving the MRCP effective from 1 October 2016 to 1 October 2017 (the 2016/17 Capacity Year) of \$176,800 per MW per year, as recommended by the Independent Market Operator (IMO).

Ancillary Service Parameters

Ancillary services are those services that are necessary to maintain security and reliability of the electricity system, and ensure appropriate quality of electricity supply.

These services are required to match total system generation to total system load, to correct any frequency variations and provide reserve electricity generation capacity able to respond rapidly in the event of a

failure of one or more generators in the system.

Ancillary services include:

- Load Rejection
- System Restart
- Spinning Reserve
- Dispatch Support
- Load Following

Apart from Load Following Ancillary Service (LFAS), ancillary services are contracted by System Management. LFAS is bought and sold in the market specifically designed for it, which commenced on 1 July 2012. Synergy is the default provider of ancillary services.




The ERA is required to determine regulated prices for load rejection, system restart and spinning reserve services. In addition, System Management must obtain the approval of the ERA before entering into a contract for dispatch support services.

When approving a contract for Dispatch Support Services the ERA must determine whether the contract would achieve the lowest cost to market.

The IMO submitted its proposal, assuming the carbon price would be in effect for the 2014/15 financial year, to the ERA on 28 November 2013.

The ERA's [Determination](#) on the Ancillary Service Margin_Peak and Margin_Off-Peak parameters, explaining the reasons for the decision was published on 27 March 2014 and is available on our website.

Review of Methodology for Setting Prices in the Wholesale Electricity Market

 The Wholesale Electricity Market Rules require that the ERA review the methodology for setting the Maximum Reserve Capacity Price (MRCP) and the Energy Price Limits (EPLs) on each fifth anniversary of the first Reserve Capacity Cycle and provide its report to the Minister for

Energy. The first review was due to be conducted by 1 October 2013.


The ERA completed its review and provided its report to the Minister for Energy on 1 October 2013.

The MRCP sets the maximum price for capacity offered into the Reserve Capacity Auction for a Reserve Capacity Cycle. The EPLs set the maximum and minimum prices for bids and offers submitted to the Short Term Energy Market and the Balancing Market.

The ERA published a [Consultation Paper](#) to assist interested parties in making submissions to the ERA on matters relating to the methodology for setting the MRCP and EPLs. The public consultation period closed on 22 July 2013 and the ERA received four submissions from interested parties.

The ERA delivered its [report](#) to the Minister on 1 October 2013 and the report was published on our website on 15 January 2014.

Annual Report to the Minister for Energy - WA Wholesale Electricity Market

 The ERA provides an annual report to the Minister for Energy on the effectiveness of the Wholesale Electricity Market. The report includes an assessment of any specific events, behaviours or matters that have impacted on the effectiveness of the WEM and also any recommended measures to increase the effectiveness of the WEM in meeting the Wholesale Market Objectives.

The ERA released a [discussion paper](#) seeking public submissions on issues impacting the effectiveness of the WEM on 2 September 2013. Interested parties were invited to make submissions to the ERA by 14 October 2013.

Five stakeholder submissions were received in response and the comments raised in the submissions were considered by the ERA in its preparation of the report to the Energy Minister.

In addition to the matters the Market Rules required the ERA to report on, the report focused primarily on the operation of the new Balancing and Load Following Ancillary Services (LFAS) market arrangements which commenced on 1 July 2012.

The ERA gave preliminary consideration to issues arising out of the Verve Energy and Synergy merger in relation to the impact on the effectiveness of the WEM in meeting the Wholesale Market Objectives and noted some significant outstanding issues identified in previous reports which it considered need addressing as soon as possible.

These included:

- a review of the market design in relation to ensuring capacity is available;
- governance arrangements for the WEM; and
- whether the current network access policy of providing unconstrained access should be modified.



The [2013 WEM report](#) was submitted to the Minister for Energy on 23 December 2013. Following a period of consultation with the Minister for Energy, the report was published on our website on 19 March 2014.

The ERA anticipates that the matters it raised in the annual report will be considered as part of the wider State Government [Electricity Market Review](#) which was announced by the Energy Minister on 6 March 2014.

Annual Reports to the Energy Minister on WEM Effectiveness

- Established in 2006 as part of the State Government's reform to deregulate the electricity industry in WA, the main objective of the market was to facilitate greater competition and encourage efficient investment in the generation and retail sectors to minimise the cost of supplying electricity to consumers.
- The WEM allows for competition between generators and retailers to deliver electricity at prices less than would otherwise be possible. The market mechanisms aim to ensure the most efficient and least cost generators are used to supply electricity to keep prices as low as practicable.
- Customers benefit from having a mechanism that ensures they can use electricity when they need it and the electricity is delivered at the minimum practicable cost.
- The annual review of the market's effectiveness is important as it identifies any problems with the market design and required improvements to make the market more effective.

Gas Market

REMCo Gas Retail Market Scheme

1 The gas retail market scheme began operation on 31 May 2004 when gas full retail contestability reforms commenced in Western Australia.

The aim of the scheme was to ensure that the retail gas market supplied through a distribution system was regulated and operated in a manner that was open and competitive, efficient and fair to gas market participants and their customers.

The scheme allows a retail market administrator, the Retail Energy Market Company Limited ([REMCo](#)), to manage the gas retail market, which covers the process for customer transfers, as well as balancing, allocation, and reconciliation of the gas retail market.

A gas retailer must be a member of the scheme if it wishes to sell gas to

customers through the gas distribution covered under the scheme.

Companies seeking to sell gas to retail customers in the Western Australian market are now able to enter and operate in the Western Australian market without undue barriers to entry, thereby promoting a more competitive gas market and delivering fair and efficient outcomes to customers.

During 2013, the ERA was pleased to see Kleenheat Gas enter the WA gas retail market, resulting in some noticeable customer churn and adding further competition in the gas retail market.

The ERA's role with respect to the REMCo Scheme includes:

- approving amendments to the Retail Market Rules; and
- investigating any non-compliance referred to it.

REMCo submitted an application on 3 July 2013 seeking the ERA's

approval of a number of amendments to the Scheme. These amendments were included in four rule change proposals:

- C01/13S – Notification Period for New Gas Business Operator identifiers and Hub identifiers.
- C02/13R – Verification of Shipper on Sub-Network.
- C03/13C – Amendments to the FRC Hub Operational Terms and Conditions.
- C04/13S – Clarification to the REMCo Constitution.

The ERA approved all four rule changes on the basis that the rule changes met the prerequisites of approval of amendments as required under the *Energy Coordination Act 1994*. Details of the rule changes and the ERA's [decision paper](#), published on 8 November 2013 are available on the ERA's [website](#).

Gas Services Information

+ The first Gas Statement of Opportunities was published on 26 July 2013 and the Gas Bulletin Board became operational on 1 August 2013.

The Independent Market Operator (IMO) was appointed to establish and operate the [Gas Bulletin Board](#) and to prepare and publish the [Gas Statement of Opportunities](#).

The ERA's role under the Gas Services Information Rules is to assess and determine the Allowable Revenue and Forecast Capital Expenditure every three years for the IMO to carry out this role.

The ERA published its [determination](#) on the Gas Services Information Allowable Revenue and Forecast Capital Expenditure for the IMO, for the Initial Review Period (1 July 2013 to 30 June 2016) on 31 October 2013.

In determining the Allowable Revenue and Forecast Capital Expenditure for the IMO, the ERA undertook a public consultation process, which included publishing an Issues Paper. No public submissions were received.



Gas Services Information

Gas Services Information comprises the Gas Bulletin Board and the Gas Statement of Opportunities.

Gas Bulletin Board: provides a website for publishing information about short or near term natural gas supply, transmission, storage and demand. It also includes an emergency management page to assist in the management of supply disruptions.

Gas Statement of Opportunities is an annual planning document that provides a comprehensive medium to long term outlook of natural gas supply, demand, transmission and storage capacity.

Energy & Water Utility Licence Administration

Industry Code Reviews

The ERA is required by legislation to periodically review certain industry codes. We are also empowered to make amendments and can initiate a review if deemed necessary.

Code of Conduct for the Supply of Electricity to Small Use Customers

The *Code of Conduct for the Supply of Electricity to Small Use Customers* regulates and controls the conduct of retailers, distributors and electricity marketing agents who supply electricity to residential and other small business customers. It sets service standards that customers can expect and it also provides for compensation to customer when these standards are not met.

The code was developed to protect the interests of customers who consume no more than 160 MWh of electricity per annum (which equates

to an annual electricity bill of approximately \$41,000).

A statutory review of the code is conducted biennially by the Electricity Code Consultative Committee (ECCC).



Regular reviews of the Code occur in an open and publicly accountable way that ensures the Code remains relevant and effective, and gives representatives of industry and consumers a direct role in the process.

The latest review of the Electricity Code was completed in June 2014, with the new [2014 Code of Conduct for the Supply of Electricity to Small Use Customers](#) in operation since 1 July 2014.

This was the fourth review of the Electricity Code carried out by the ECCC. The [ECCC's Final Review Report](#) was provided to the ERA on 24 January 2014. Following consideration of the ECCC's Final Review Report, the ERA released its Draft Decision to propose

amendments to the Electricity Code on 7 February 2014.

In the ERA's Draft Decision the ERA accepted all 68 recommendations from the ECCC, and made one additional recommendation in relation to Part 13 (Reporting).

As required under the *Electricity Industry Act 2004*, the ECCC called for public submissions on the ERA's Draft Decision on 11 February 2014.

The consultation period closed on 5 March 2014, and the ECCC met to discuss the submissions and whether any further amendments were required to the Electricity Code following this process.

The ECCC provided its final advice to the ERA on 19 May 2014. The ERA carefully considered the ECCC's advice and made its final decision regarding amendments to the Electricity Code on 4 June 2014.

A copy of the [ECCC's advice](#) and the [ERA's Decision](#), including a marked-up version of the Electricity Code



showing the changes made, are available on the ERA website.

The changes to the code include:

- The rationalisation of the requirements for standard and non-standard customer contracts (these amendments are in line with those made to the *Gas Marketing Code of Conduct*)
- Amendments to the requirements for financial hardship policies, for example to allow policies to only contain information that is of relevance to a customer.
- The removal of reporting indicators from Part 13 and amendment of the remaining clauses to clarify the annual performance reporting process.
- The removal of the requirement to show the average daily consumption on bills for collective customers.
- Allowance for the transfer of credit from a customer's old account to their new account.

- The grandfathering of all pre-payment meters installed up until 1 July 2014.

Gas Marketing Code of Conduct

The [Gas Marketing Code of Conduct](#) regulates the conduct of retailers and marketing agents, and sets service standards that customers can expect.

The purpose of the review is to re-assess the suitability of the provisions of the code of conduct.



Regular reviews of the Code occur in an open and publicly accountable way that ensures the provisions remain relevant and effective, and give representatives of industry and consumers a direct role in the process.

The *Energy Coordination Act 1994* requires that the GMCCC undertake a review of the Gas Marketing Code of Conduct every two years and provide a report to the ERA.

The ERA approved the Gas Marketing Code of Conduct 2014 on 26 November 2013 following the Gas Marketing Code Consultative Committee's (GMCCC) third biennial statutory code review.

This approval was the culmination of a nine-month review process by the Gas Marketing Code Consultative Committee (GMCCC) and submissions from interested persons.

In early November, the GMCCC presented its [Final Advice](#) to the ERA, which included 21 recommendations for amendments to the Code, one recommendation for a change to the ERA website and one recommendation that the ERA write to all gas retailers encouraging them to develop standardised pricing information.

The ERA's Governing Body [approved](#) all the recommendations made by the GMCCC.

The new Code has numerous features that clarify the obligations on retailers and improve protection for customers. For example, the Code


clarifies the rights of customers when entering into contracts for gas with retailers or their marketing agents.

A new provision requires gas retailers and their marketing agents to comply with any no-canvassing signs at a customer's premises.

The new Code came into effect on 1 January 2014.

Performance Reports

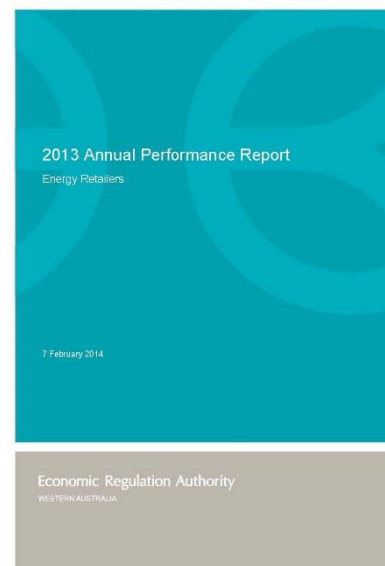
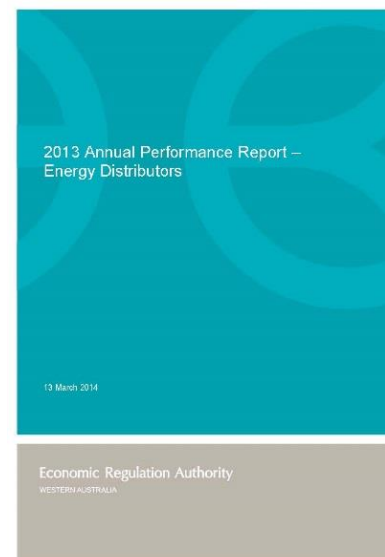
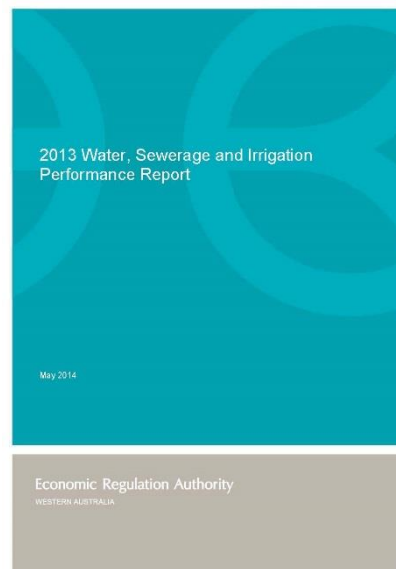
Annual Service Provider Performance Reports

 The ERA publishes reports on the performance of electricity, gas and water service licensees in Western Australia annually.

These reports inform customers, government and the community about the level of service that is being delivered to small use customers, some of whom do not have a choice of utility retailer.

The reports cover the performance of:

- Energy distributors
- Energy retailers
- Water service providers



PERFORMANCE



How does the ERA's licensing framework work?

The ERA's regulatory framework for licensed electricity, gas and water utilities is built on the twin pillars: educating licensees about their compliance obligations, and providing incentives for the licensees to develop necessary systems to monitor and report on their compliance.

Educating for compliance

The ERA provides through its website a suite of guidelines and other material that assist licensees to understand their licence obligations and provide a framework for licensees to monitor and report on their compliance to the ERA.

The guidelines reduce the licensees' cost of compliance by collating legislative and regulatory information that would otherwise have to be researched by the licensee.

The ERA also holds Regulatory Managers Forums at regular intervals. The forums provide an opportunity for the ERA and licensees to discuss a range of regulatory topics. Usually we seek to link the Forum to a recent change in the regulatory framework.

Compliance incentives

The licensing legislation requires licensees to engage independent auditors to regularly assess their compliance with the licence and, for licensees with infrastructure, review the effectiveness of their asset management systems. For most licensees, these audits and reviews represent the largest

single cost of regulation in monetary terms.

The statutory period between audits and reviews is 24 months, which the ERA has discretion to vary.

The ERA has implemented an incentive scheme to reward compliant licensees - who achieve favourable audit and review results – by rewarding them with an extended period between audits and reviews. This significantly reduces the direct cost of compliance over time.

Conversely, licensees that achieve unfavourable audit and review results may have the period reduced, with a consequent increase in compliance costs. The ERA's experience is that reducing the audit and review period provides an effective incentive for licensees to promptly rectify their compliance problems.

The ERA also has scope to serve a regulatory notice on a licensee that seriously contravenes its licence. The notice requires the licensee to rectify the contraventions in a fixed time. Licensees who do not comply with the notice may be liable for a monetary penalty. Past experience shows that licensees in receipt of notices have rectified the contraventions without the need to resort to any further penalties.

Compliance incentives in action

More information on increased and reduced audit and review periods and regulatory notices served in 2013/14 available on page 57.



Licensing, Monitoring and Customer Protection

Licensing

New and Amended Licences

1

The ERA grants the following types of licences:

- **EGL:** electricity generation
- **EDL:** electricity distribution
- **ERL:** electricity retail licence
- **ETL:** electricity transmission
- **EIRL:** electricity integrated regional (combination of four electricity licence types for regional areas)
- **GDL:** gas distribution
- **GTL:** gas trading
- **WL:** water services.

Water services are further divided into potable (drinking) water, non-potable water, sewerage, irrigation and drainage services.

As of 30 June 2014, there were a total of 98 electricity, gas and water licences (57 electricity, 8 gas, and

33 water). Copies of all licences currently in force can be found on our [website](#).

During the reporting year, the ERA granted the following six new licences:

Electricity

- Alinta Energy Transmission (Roy Hill) Pty Ltd EIRL6
- Alinta DEWAP Pty Ltd EIRL7
- Blair Fox Energy Pty Ltd ERL17
- Amanda Energy ERL20
- Blue Star Energy Pty Ltd ERL22

Water

- WA Sewage Pty Ltd WL44

The ERA also approved 43 licence amendments (5 electricity licences and 38 water licences).

The bulk (32) of the water licence amendments were associated with the Water Licence Review. The ERA seeks to review the licenses in each of the utility sectors every three years

to ensure their currency and that best practice licensing is being applied.

The new *Water Services Act 2012* provided an opportunity to review the structure and content of water licences in addition to aligning the licences with the new statutory requirements. The amended water licences were published on 18 November 2013.

In addition, one licence (GTL11) was transferred to a new licence holder and renewed.

We publish a [guideline](#) to assist potential licence applicants with licence applications. The Licence Application Guideline provides advice on the statutory obligations, as well as information required by the ERA for licence applications, amendments, renewals, transfers, surrenders or cancellations.

In 2014, we undertook a major review and update of the guideline, which can be found on our [website](#).

Monitoring

Licence audits and asset management reviews



Utility licences include conditions setting minimum standards in respect of service quality, reliability of supply, public safety and customer service. It is important that licensees comply with these conditions.

The ERA monitors licensees' compliance through regular performance audits. We also monitor how efficiently the licensees are managing the assets used to deliver services covered by a licence through asset management system reviews.

Both the audits and reviews are undertaken by independent experts at standard intervals of two years, but the ERA has the discretion to vary the interval based on the licensee's compliance with the licence.

The ERA has the discretion to vary the interval between audits and reviews. The ERA's policy is to vary

the interval based on the outcome of an audit or review; in an audit, a high level of compliance is rewarded with an increased interval, while poor compliance leads to a shorter interval. The same principle applies to a review, with the effectiveness of the asset management system as the performance measure.

The licence audits and asset management review reports are public documents and they are available on the ERA [website](#).

The *table on the next page* lists all the licence audits and reviews we undertook in 2013-14. Our decision for maintaining, increasing or decreasing the period until the next audit/review is included.

The licensees who received a notice of non-compliance following their audit/review are highlighted in yellow. The licensees who had their earlier notice of non-compliance extended are highlighted in blue. The licensees who had their notice of non-compliance closed are highlighted in grey.

Audit and Asset Management Review results

30 audits and **31** reviews were assessed during 2013-14.

The interval between audits/reviews was unchanged for 15 audits and 17 reviews following a satisfactory result.

The interval between audits/reviews of 15 audits and 13 reviews was increased as a result of good compliance and high asset management effectiveness ratings.

None of the audit/review intervals were reduced.

The ERA issued a notice of non-compliance to two licensees: the notices require the licensee to rectify the identified licence contraventions by a prescribed date. A monetary penalty, or other compliance action may apply if the licensee does not comply with the notice.

Company	Licence type	Audit	Review	Months until next audit / review	Increase + Decrease - Same =
NewGen Neerabup	EGL	✓	✓	36	=
Verve Energy	EGL	✓	✓	36	=
RATCH Australia Kemerton	EGL	✓	✓	36	=
Regional Power Corporation t/a Horizon Power	EIRL	-	✓	39	+
Collgar Wind Farm	EGL	✓	✓	36	=
BHP Billiton Nickel West	EDL, ERL	✓	✓	36	=
Perth Power Partnership	EGL	✓	✓	48	+
Karara Power	ETL	✓	✓	36	+
Rottnest Island Authority	EIRL	✓	✓	24	=
Alinta Cogeneration (Pinjarra)	EGL	✓	✓	48	+
Alinta Cogeneration (Wagerup)	EGL	✓	✓	48	+
South West Cogeneration	EGL	✓	✓	48	+
BHP Billiton Worsley Alumina	EGL	✓	✓	48	+
Alcoa of Australia	EGL	✓	✓	48	+
EDL Pilbara	ERL	✓	-	36	+
Synergy	ERL	✓	-	24	+
Perth Energy	ERL	✓	-	36	=
Premier Power Sales	ERL	✓	-	48	+
City of Kalgoorlie-Boulder	WL	✓	✓	24	=

Company	Licence type	Audit	Review	Months until next audit / review	Increase + Decrease - Same =
Gascoyne Water Cooperative Ltd	WL	✓	✓	Audit 24 Review 24	Audit = Review +
Shire of Moora	WL	-	✓	18	=
Busselton Water	WL	✓	✓	Audit 36 Review 24	Audit + Review =
Shire of Ravensthorpe	WL	✓	✓	24	+
Hamersley Iron	WL	✓	✓	36	=
Rottnest Island Authority	WL	✓	✓	24	=
Aqwest-Bunbury Water Board	WL	✓	✓	48	+
Shire of Kent	WL	-	✓	18	=
Moama Lifestyle Villages Pty Ltd	WL	-	✓	12	=
Shire of Coolgardie	WL	-	✓	12	=
Shire of Brookton	WL	-	✓	12	=
Shire of Gnowangerup	WL	-	✓	36	+
Shire of Denmark	WL	✓	✓	24	=
Shire of Yilgarn	WL	-	✓	21	+
ATCO Gas Australia	GDL	✓	-	36	=
Esperance Power Station	GDL	✓	✓	36	=
Wesfarmers Kleenheat Gas	GDL	✓	✓	36	+
Alinta Sales	GTL	✓	-	36	+
WorleyParsons	GTL	✓	-	36	=

Table 1: Licence audits and asset management reviews in 2013-14. See previous page for more information.



Notices served for licence non-compliance

The electricity, gas and water legislation include powers for the ERA to serve a notice of non-compliance on licensees, the notice requires them to rectify identified licence contraventions. Generally, contraventions are identified in audits and reviews.

1 If the licensee does not comply with a notice then the ERA has a range of sanctions it can apply, including imposing a monetary penalty or rectifying the contraventions at the expense of the licensee.

The ERA decided to serve a notice of non-compliance on two licensees in 2013-14, and extend an earlier notice for two licensees. The notices are available on the ERA [website](#).

The applicable legislation for water licences changed on 18 November 2013 when the *Water Services Act 2012* replaced the earlier *Water Services Licensing Act 1995*. Consequently, the name of the notice

changed from “Section 39 Notice” (1995 Act) to “Section 31 Notice” (2012 Act).

Notices served

The ERA served a Section 39 Notice **1** on the Shire of Moora on 10 September 2013, and a Section 31 Notice on Moama Lifestyle Villages Pty Ltd on 1 April 2014

The ERA decided to serve these notices after considering the asset management review reports of both licensees. Our view was that these licensees did not have an effective asset management system in place, in contravention of the licence.

The Shire of Moora is required to comply with their Section 39 Notice by 30 November 2014, while Moama Lifestyle Village is required to comply with their Section 31 Notice by 30 September 2014.

Notices extended

The ERA decided to extend two Section 39 Notices:

- Shire of Brookton, served on 23 April 2013
- Shire of Coolgardie, served on 14 March 2013

Our view was that, while both Shires had made some progress, more work was required to fully comply with the notice. The next audit and review of each licence will determine if the notice can be closed.

Notices closed

In July 2013, the ERA decided to close the Section 39 Notice it had previously served on the Shire of Yilgarn and the Shire of Denmark. Both notices were served because of deficiencies with the Shires’ asset management systems. After assessing the reports on the 2013 review of each licence, our view was that the deficiencies had been satisfactorily addressed.

Reporting Handbooks, Datasheets and Manuals



Utility licences include a condition requiring licensees to have to provide annual (non-financial) performance data to the ERA. This helps us to monitor not only the licensees' individual performance, but also examine performance trends across each utility sector.

We publish the consolidated performance data for each utility sector annually in the performance reports on energy retailers, energy distributors and water service providers.

We publish reporting handbooks, manuals and template reporting datasheets to assist licensees with preparing and submitting their performance data each year.

The handbooks specify the performance indicators that are to be reported by licensees, the definitions of performance indicators, and how to calculate performance data (where applicable).

During the year, we published the following manuals, handbooks and datasheets listed in the table on the right:

Electricity	Gas	Water
Electricity Compliance Reporting Manual – May 2014	Gas Compliance Reporting Manual – May 2014	Water Compliance Reporting Manual – April 2014
2013/14 Electricity Reporting Datasheets – Code of Conduct - Distribution	2013/14 Gas Distribution Licence - Reporting Datasheets	2013/14 Water, Sewerage and Irrigation Licence Performance Reporting Datasheets
2013/14 Electricity Reporting Datasheets - NQR Code - Distribution	2014 Gas Distribution Licence Performance Reporting Handbook	2013/14 Water, Sewerage and Irrigation Licence Performance Reporting Handbook
2013/14 Electricity Reporting Datasheets - Retail	2013/14 Gas Trading Licence - Reporting Datasheets	
2013/14 Electricity Retail Licence Performance Reporting Handbook	2014 Gas Trading Licence Performance Reporting Handbook	
2014 Electricity Distribution Licence Performance Reporting Handbook	2013/14 Gas Reporting Datasheets - Guaranteed Service Level Payments - ATCO Gas	

CASE STUDY – Customer Protection - New Water Legislation

Regulation of water industry underwent major changes in late 2013, when the *Water Services Act 2012 (Water Act)* replaced the *Water Services Licensing Act 1995* on 18 November 2013. The Water Act was enacted along with new water regulations² and, for the first time, a Customer Code³.

All ERA water licences were amended to reflect the new legislation in November 2013.

Customer protections

The Customer Code provides similar protections for water customers that already exist for the electricity and gas customers. Water service providers have to provide service at least in line with minimum standards for a broad range of issues such as connections, bills and the provision of information. These protections apply to customers of water supply, sewerage, irrigation and drainage services.

One of the Customer Code's requirements for water licensees is to have in place a written policy, approved by the ERA, for how to deal with a customer's financial hardship. Financial hardship affects a significant number of customers and the requirement recognises the important

² *Water Services Regulations 2013 and Water Services (Water corporations Charges) Regulations 2014.*

³ *Water Services Code of Conduct (Customer Service Standards) 2013*

role that service providers have in assisting customers who experience financial hardship or payment difficulties. This requirement applies to 23 water licensees; all of which had their financial hardship policies approved by the ERA this year.

Licensees are able to refer to the ERA's *Financial Hardship Policy Guidelines for Water Services*, published in December 2013, to assist in preparing their financial hardship policy. These Guidelines include a template policy which can be adapted to the licensee's situation.

The Water Act enabled the establishment of a Water Services Ombudsman, operating as the combined 'Energy and Water Ombudsman scheme' (EWO), to review and resolve customer complaints related to water. This water complaints function had previously been undertaken by the Department of Water. WA residents and small businesses can now direct unresolved complaints regarding utility service providers – gas, electricity and water – to the EWO.

Service level standards for licensees

Water service licences used to include a number of the customer service standards. These standards have now been replaced by equivalent standards in the Customer Code. Service delivery targets have been removed from the licences altogether. The ERA continues to monitor the levels of service of water licensees through the collection of annual performance data.

Ensuring compliance with legislation

There has been an important change in the way the ERA monitors licensee's compliance with their licences. Under the Water Act, the ERA now appoints the auditors who perform the regular audits of licensee's compliance with their licence, including having effective systems to manage the assets used to deliver services. This further strengthens the independence of the audit process.

To explain the changes in the audit process and to inform licensees of their compliance and reporting obligations under the Water Act, the ERA has published a new guideline⁴ and an updated reporting manual⁵.

Stakeholder liaison

As required under the Water Act, the Customer Code will be reviewed every five years. The ERA will form a consultative committee to assist in the review, and will call for expressions of interest from interested stakeholders at the time.

The ERA held a Water Regulatory Managers forum in May 2014, at which industry, government and community representatives heard about and discussed the changes in water regulation and related topics.



PERFORMANCE

⁴ *Audit and Review Guidelines: Water Licences*

⁵ *Water Compliance Reporting Manual*



Customer Protection

Energy Standard Form Contract Assessments

1 Every electricity retailer and gas trader that supplies energy to small use customers must have a standard form contract approved by the ERA.

Small use customers are typically residential and small business customers who consume less than 1 Tj of gas per year (approximately \$34,000)

Any amendments to a standard form contract must also be approved by the ERA.

The standard form contract specifies the minimum terms and conditions on which the retailer will supply the electricity or gas, providing a “safety net” for these customers.

A retailer and small use customer may also negotiate terms and conditions different from the retailer’s standard form contract, referred to as a “non-standard contract”. Even

though a non-standard contract does not require the ERA’s approval, it must still comply with relevant legislation.

The standard form contract is required for electricity licensees under the *Electricity Industry Act 2004* and for gas licensees under the *Energy Coordination Act 1994*.

During the reporting year, the ERA approved the following standard form contracts to supply electricity and gas to small use customers:

Electricity

- [Synergy](#)
- [Alinta Sales](#)

Gas

- [Synergy](#)
- [Esperance Gas Distribution Company](#)

Financial Hardship Policies

Energy Licensees

Electricity and gas retailers who supply gas to residential customers must have a financial hardship policy

to assist their customers in meeting their financial obligations and responsibilities to the retailer.

1 The ERA is not required to approve financial hardship policies but the retailer must carry out a review of their policy if requested by the ERA and submit a copy of the results of their review, along with a copy of their policy, to the ERA.

The ERA has published [Financial Hardship Policy Guidelines](#) which provide guidance to retailers regarding the content of, and good practice in, the development and implementation of financial hardship policies.

The ERA published Esperance Gas Distribution Company’s Financial Hardship Policy on 28 March 2014.

Water Licensees

+ Under the new legislation for water, which came into effect in November 2013, each licensee must have a financial hardship policy that is approved by the ERA.



This requirement did not exist under the previous water legislation and provides a new level of protection for customers who are experiencing payment difficulties.

The new legislation does however remove the need for water licensees to have a customer service charter.

Licensees had until 18 May 2014 (six months from the legislation's start-up date) to have their policies in place, duly approved by the ERA.

The obligation to have a financial hardship policy is contained in the new *Water Services Code of Conduct (Customer Service Standards) 2013*.

This Code is also a new feature of the legislation and its purpose is "... to deal with the conduct of licensees in relation to customers and potential customers ...".

There are 23 licensees currently captured by the requirement to have a duly approved financial hardship policy in place.

The ERA received 18 financial hardship policies in final form for consideration in time for approval by 18 May 2014.

The ERA approved 17 of the 18 financial hardship policies received as it considered that these policies comply with the Code and the ERA's [Financial Hardship Policy Guidelines for Water Services](#).

The following 17 licensees had their policies approved:

- Aquasol Pty Ltd
- Bunbury Water Corporation (t/a Aqwest)
- Busselton Water Corporation
- City of Kalgoorlie-Boulder
- Hamersley Iron Pty Ltd (Rio Tinto)
- Shire of Dalwallinu
- Shire of Dowerin
- Shire of Gnowangerup
- Shire of Goomalling
- Shire of Jerramungup
- Shire of Koorda

- Shire of Lake Grace
- Shire of Moora
- Shire of Ravensthorpe
- Shire of Victoria Plains
- Shire of Yilgarn
- Water Corporation

The ERA did not approve one policy, from the Shire of Wickopin, which required further amendment and further information to be provided to the ERA. As the Shire of Wickopin did not have an approved financial hardship policy in place as at 18 May 2014, the Shire was in breach of the Code.

The ERA also noted that five licensees had not submitted financial hardship policies in approvable form to the ERA, and therefore were also in breach of the Code:

- Shire of Brookton
- Shire of Coolgardie
- Shire of Dumbleyung
- Shire of Kent
- Shire of Morawa

The ERA gave these licensees until 18 June 2014 to submit compliant financial hardship policies and necessary supporting information for the ERA to consider.

The ERA advised the licensees that should they fail to do so by 18 June 2014, the ERA would issue a rectification notice requiring the licensee to rectify the failure within a specified period.

Failure to comply with such a notice can lead to regulatory action, including monetary penalties and amendments to a licence.

The ERA received compliant policies from all 6 remaining licensees by 18 June 2014.

A copy of the ERA's [Decision](#) on these remaining policies, and the approved financial hardship policies themselves, are available on the ERA website.

The ERA published [Financial Hardship Policy Guidelines for Water Services](#) and a [Financial Hardship Policy Guidelines Template - Water](#)

[Licences](#) on 2 December 2013 to provide guidance to water providers regarding the content of and good practice in the development and implementation of financial hardship policies.

The final guideline and template was finalised following a round of public consultation which commenced on 13 September 2013.

Energy and Water Ombudsman Scheme



The new Energy and Water Ombudsman (EWO) scheme came into existence on 1 January 2014, following the introduction of a new legislative regime for water in November.

The Energy and Water Ombudsman provides a central complaint investigation and resolution mechanism for electricity, gas and water customers who are unable to resolve their complaints directly with their service provider.

Whilst previously the review and resolution of customer complaints

relating to water were handled by the Department of Water, the new scheme means that Western Australian residents and small business customers can now direct complaints about water services to the EWO.

The EWO's Charter and Constitution must be approved by the ERA.

Following the annual general meeting of the Energy Ombudsman (Western Australia) on 20 November 2013, members accepted amendments to the Charter and Constitution and these documents were subsequently submitted to the ERA for its consideration.

The ERA approved the Charter and Constitution, releasing its [decision](#) on 16 December 2013.

The ERA will continue to liaise with the Energy and Water Ombudsman (EWO) regarding systemic issues in the gas, electricity and water industries.



Independent economic inquiries

1 The ERA undertakes inquiries referred to it by the State Treasurer. An inquiry is initiated when a 'terms of reference' is issued by the Treasurer to the ERA. The terms of reference details the scope, process and duration of an inquiry.

Soon after receiving the terms of reference the ERA publishes an issues paper and invites public consultation. A draft report is released for further consultation before the final report is completed.

The ERA draws on the information it receives in submissions and information, research and expertise assembled from other sources to formulate its findings. Any member of the public can participate in the consultation process.

Once complete, the final report is forwarded to the Treasurer who then has 28 days to table the report in Parliament and release it to the public.

Inquiry into Microeconomic Reform in Western Australia

+ The ERA completed one major inquiry in 2013/14: the Inquiry into Microeconomic Reform in Western Australia.

The State Treasurer referred this inquiry to the ERA in August 2013.

The [terms of reference](#) for the Inquiry required the ERA to develop the most advantageous package of microeconomic reform measures that the Government could implement to improve the efficiency and performance of the Western Australian economy.

The Inquiry was tasked with identifying areas of reform that have the potential to achieve:

- improved productivity and flexibility of the Western Australian economy
- increased choice for consumers and business that leads to net economic benefits to Western Australia

- increased opportunities for Western Australian businesses to effectively compete for national/international market share, and
- the removal or streamlining of unnecessary regulation.

The ERA published an [Issues Paper](#) on 9 August 2013 to provide background information on the Inquiry and posing questions to elicit submissions to the Inquiry. The ERA received 57 submissions in response to the Issues Paper, which are available on the [ERA's website](#).

The ERA released a [Discussion Paper](#) on 8 November 2013 to outline the potential reform areas to be considered in the Inquiry. The ERA received 27 submissions in response to the Discussion Paper. These submissions are also available on the ERA's website.

The ERA held a launch event to coincide with the public release of the Draft Report on 11 April 2014.

Around 100 stakeholders attended the event to find out about the ERA's draft findings and recommendations.

The draft findings and recommendations, which were developed with input from many stakeholders, covered a wide range of subject areas. Topics included:

- Decisions on public infrastructure
- Government ownership of assets and businesses
- Red tape
- State taxes
- Retail trading hours
- Taxi industry
- Potato marketing

The [Final Report](#) for the Inquiry was delivered to the Treasurer on 30 June 2014, and was tabled in Parliament on 28 July 2014.

[YouTube videos](#) outlining the recommendations in the draft report and the final report were produced.



What is the significance of independent economic inquiries?

The purpose of independent inquiries is to advise the Western Australian Government on reforms to improve economic outcomes for a particular industry.

These independent inquiries can be on any economic or public policy issue and need not relate to the regulation of utilities.

The final outcome of an inquiry is the delivery of a report to the State Treasurer, which will include recommendations for reform. The decision to accept or reject any of the ERA's recommendations is made by the Government.

The ERA has the capacity to gather information from a wide variety of sources, conduct open and transparent consultation processes and scrutinise different policy proposals and ideas.

Independent economic inquiries help to ensure that Government decision making process is well informed.

CASE STUDY – Microeconomic Reform Inquiry

The Treasurer of Western Australia asked the ERA to undertake an inquiry into microeconomic reform in Western Australia. Microeconomic reforms are government policies or initiatives aimed at improving the productivity of specific industries or sectors in the economy.

The purpose of the Inquiry was to identify a package of reforms the Western Australian Government could implement to improve the efficiency and performance, and hence productivity, of the Western Australian economy.

The ERA examined 17 different areas [listed at the end of this case study] of the Western Australian economy, which can be broadly categorised as:

- infrastructure
- addressing disincentives for businesses (such as red tape and taxes), and
- removing barriers to competition in product markets.

Infrastructure

State funded infrastructure is a key driver of productivity and has the potential to have a significant effect on Western Australia's future prosperity. However, the State only has limited resources to fund infrastructure.

The ERA examined how Western Australia can maximise the productivity of this important enabler of growth through better decision making, potentially divesting some public assets to the private sector, and providing incentives to use

infrastructure efficiently through user charges.

Disincentives

Regulatory burden and State taxes can act as disincentives to businesses and industries and can have a negative effect on the productivity of the economy. Reducing unnecessary regulation will assist existing and new firms and industries to react to changes in demand and technology, allowing them to capitalise on these changes to become more productive.

Ensuring taxes comply with the core principles of good tax design, which stipulate that taxes should be efficient, simple and equitable, will reduce behavioural distortions and lower the efficiency costs associated with State taxes.

Removing barriers

Removal of barriers to competition will provide the incentives for new businesses to enter the market.

Over the years, successive state governments have put in place regulations that stop competition in various markets. These regulations result in situations whereby some groups are subsidising the incomes of other groups, and are ultimately costing society overall.

An increase in suppliers is beneficial as it encourages innovation, efficiency and can drive growth in employment. The ERA examined options for removing barriers to competition in the regulation of retail trading hours, the taxi industry, marketing of potatoes, the domestic gas market, and the public housing sector.

ERA Recommendations

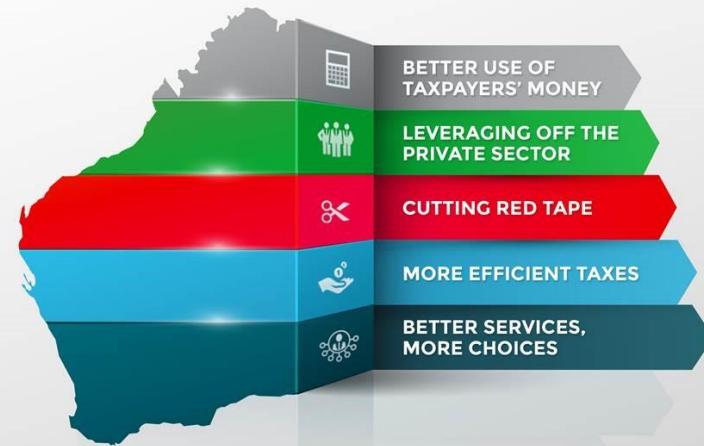
The ERA made 38 recommendations for reform across the 17 areas examined. Quantifying the benefits of reform can be challenging: in many situations the ERA has not been able to source sufficient data or information to undertake a robust quantification.

The ERA estimates that the benefits from implementing the recommendations on State taxes, the taxi industry and potato marketing alone would be in the order of \$622 million per annum, or \$245 per year for every Western Australian resident.

The benefits from remaining reforms identified in the Final Report were not quantified. These benefits would be derived from better provision of infrastructure, more efficient use of existing infrastructure, reducing regulatory burden, deregulating retail trading hours, and rescinding the domestic gas reservation policy.

The 17 areas examined: *Infrastructure* (Royalties for Regions; Government project evaluation; electricity time-of-use/cost-reflective charging; public/private partnerships; unsolicited proposals; divestment of Government assets; fit for purpose investment; innovative funding sources; State infrastructure strategy and congestion charges), *Addressing Disincentives* (State taxes and reducing regulatory burden) and *Removing Barriers* (the taxi industry; the potato market; retail trading hours; domestic gas policy and Government involvement in the housing sector (developments and Keystart)).

REFORMS TO STATE TAXES AND PRODUCT MARKETS
COULD DELIVER BENEFITS OF \$622 MILLION PER YEAR
OR \$245 PER YEAR FOR EVERY WESTERN AUSTRALIAN.



Committees

The Economic Regulation Authority Consumer Consultative Committee (ERACCC)

The Economic Regulation Authority Consumer Consultative Committee (ERACCC) was established in March 2005 to ensure that the ERA’s communication and compliance strategies meet the needs of consumers.

The Committee meets quarterly and includes representatives from a range of consumer and industry organisations.

ERACCC members inform the ERA about issues that affect both the groups they represent and consumers more generally. In addition the Committee is able to inform consumers about the work of the ERA.

The ERACCC continued to hold quarterly meetings throughout 2013/14.

The highlights from meetings conducted over the year included:

- regular briefings by ERA staff on issues of relevance to ERACCC members and to the community, and the current work conducted by the ERA (for example, ERA inquiries);
- a focus on conveying technical information relating to the ERA’s work in a manner that is clear and accessible to all members;
- high quality presentations from ERACCC members regarding issues specific to their constituencies; and
- an informal feedback process whereby ERACCC members individually provided direct feedback on the ERACCC meetings and areas of particular interest to them.

Membership of the ERACCC over 2013/14 included:

- Irina Cattalini (WA Council of Social Service)
- Christine Coyne (individual member)
- Chris Wyhoon (WA Farmers Federation)
- Tony Seabrook, then Leon Bradley (Pastoralists and Graziers Association of WA)
- Drew Pearman, then Lisa Kazalac (Chamber of Commerce and Industry of WA)
- Charles Brown (Financial Counsellors Association of WA)
- Andrew Winter (Chamber of Minerals and Energy of WA)
- Paul Schollum (WA Local Government Association)



- Lino Iacomella, then Rebecca Douthwaite (Property Council of Australia - WA).
- Leslie O'Neill (individual member)

Observers who participated in the ERACCC in 2013/14 were:

- Mr Chris Field, then Mary White (Energy and Water Ombudsman WA); and
- Mr Gary Newcombe (Department of Commerce).

The ERA appreciates the contribution that members make through their involvement in the ERACCC.

Electricity Code Consultative Committee (ECCC)

The Electricity Code Consultative Committee ([ECCC](#)) is a statutory committee that reviews and provides advice to the ERA on the *Code of Conduct for the Supply of Electricity to Small Use Customers*. The ECCC undertakes reviews of and advises on matters relating to the Code.

The ECCC undertakes regular reviews of the Code with the fourth and most recent review completed in 2014. The revised Code came into effect on 1 July 2014.

The ECCC consists of four industry representatives, four consumer representative organisations, two government agency representatives and a non-voting chairperson and executive officer. Current members include:

Consumer representatives:

- Mr Charles Brown (Financial Counsellors Association of WA);
- Mr Chris Twomey (WACOSS); and
- Mr Matthew Sargeant (Chamber of Commerce & Industry);
- Mr David Kernohan (Consumer Credit Legal Service (WA) Inc.).

Industry representatives:

- Ms Catherine Rousch (Alinta Energy)
- Mr Gino Giudice (Western Power)
- Mr Simon Thackray (Synergy)
- Mr Greg Will (Horizon Power)

Government representatives:

- Mr Alex Kroon (Public Utilities Office); and
- Mr Gerry Milford (Department of Commerce).

Mr Paul Kelly (ERA) chairs the ECCC and Ms Cathryn Greville, Assistant Director Customer Protection at the ERA, is the executive officer.

Gas Marketing Code Consultative Committee (GMCCC)

The Gas Marketing Code Consultative Committee ([GMCCC](#)) is an independent statutory committee established to review and provide advice to the ERA on matters relating to the *Gas Marketing Code of Conduct 2004*.

The committee undertakes regular reviews of the Code and makes recommendations on amendments to the Code.

The most recent review of the Gas Marketing Code of Conduct was undertaken in 2013 with the revised code becoming operational on 1 January 2014.

The GMCCC consists of three consumer representatives, three industry representatives, two government representatives a non-voting chairperson and executive officer. The GMCCC membership for the 2013-14 year was as follows:

Industry representatives:

- Ms Catherine Rousch (Alinta Energy)
- Mr Simon Thackray (Synergy)
- Ms Melanie Gordon (Wesfarmers Kleenheat).

Consumer representatives:

- Mr Andrew Canion (Small Enterprise Network, Chamber of Commerce & Industry)
- Mr Charles Brown (Financial Counsellors Association of WA)
- Mr Chris Twomey (WACOSS)

Government representatives:

- Mr Gerry Milford (Department of Commerce)
- Mr Alex Kroon (Public Utilities Office).

Mr Paul Kelly (ERA) chairs the ECCC and Ms Cathryn Greville is the executive officer.

Corporate activities

Strategic Planning

The ERA undertook a review of its Strategic Plan for the 2014-17 financial years.

The plan was developed following an extensive internal review and consultation process that took place over the second half of the 2013/14 financial year.

The review process involved:

- a review of the 2011-14 Strategic Plan.
- an assessment of the expected economic, social, technological, and political environment.
- planning sessions with the Governing Body, Corporate Executive, Assistant Directors Group and with all staff.
- an assessment of the resources and processes required to deliver the desired outcomes.
- A review of our purpose
- A review of our organisational values and development of new

values consistent with our purpose.

- Consideration of actions required in order for us to meet our revised strategic goals.

Our revised statement of purpose is:

“To benefit the WA community by promoting an efficient and customer focused economy”



The revised statement of purpose was expanded to emphasise that the ERA's focus is promote economic efficiencies for the long-term benefit of Western Australians in undertaking our work.

The five revised strategic goals are:

- 1. Independent regulation and advice is understood and valued***
- 2. We are recognised as a quality provider of economic analysis and advice on a broad range of issues***
- 3. We effectively engage with our stakeholders***
- 4. Regulatory compliance is at a high standard***
- 5. We are a great place to work***

The [Strategic Plan 2014-17](#) is available on our website.

Engaging with stakeholders

In undertaking our regulatory and inquiry functions, the ERA welcomes submissions from, and engagement with our stakeholders, and various advisory committees, to inform our decision making.

2014 Stakeholder Survey: what our stakeholders think

As an organisation that extensively deals with external stakeholders, particularly in the electricity, gas, rail and water industries, it is important for us to gather feedback and respond to any issues raised by stakeholders.

The ERA's stakeholders include:

- non-governmental organisations such as industry and consumer associations;
- government, government departments, government agencies; and
- owners, users and licensees of regulated infrastructure.

Methodology, design and outcomes

In line with our commitment to good corporate governance, accountability and transparency, the ERA surveys stakeholders every three years. In June, we engaged an independent consultant to assess stakeholders' satisfaction with our performance in relation to our strategic goals.

195 potential survey respondents were invited to participate in an online survey. A total of 141 stakeholders completed the survey, giving a response rate of 72%.

The survey questions were similar to the stakeholder survey conducted previously to enable benchmarking.

The outcomes of the survey will be used to streamline our processes. They will also improve our effectiveness and efficiency in performing our functions.

Overview of survey results

Overall satisfaction with the Authority

Stakeholders were asked to indicate how satisfied they were with our overall performance. The majority (72 per cent) of respondents were either very satisfied or satisfied with our overall performance.

Satisfaction with the performance of the ERA in achieving its goals

Survey respondents were asked to indicate their level of satisfaction with the ERA's performance in achieving each of its strategic goals.

For overall satisfaction, responses given for "very satisfied" or "satisfied" ratings ranged from 56% to 78%.

The goals receiving the highest proportion of net satisfied (very satisfied/satisfied) ratings were - "improvement of regulatory compliance" (78%) and "the ERA is a respected and recognised provider of high quality advice to government"

(74%) closely followed by “providing accessible, understandable and compelling communications” (71%).

The lowest net satisfaction ratings were given for the performance of the ERA in “minimising regulatory compliance costs” (56%), “promotion of certainty to minimise regulatory risks” (62%) and “improving efficiency and effectiveness in regards to regulatory decision making” (65%).

Importance of the ERA’s goals

Survey responses indicated a high degree of importance associated with all eight of ERA’s goals, with most respondents rating each goal as either important or very important.

Importance/Satisfaction Gap Comparison

The largest gaps in importance/satisfaction exist for the goals of “minimising regulatory compliance costs”, “achievement of a high degree of confidence in regulatory decisions”, “promotion of certainty to minimise regulatory risks” and

“improving efficiency and effectiveness in regards to regulatory decision making, while the smallest gap is “improvement of regulatory compliance”.

Performance of the ERA in Demonstrating Core Values

Respondents were asked to indicate to what extent they agreed that the ERA demonstrates its core values.

Most respondents felt that the ERA demonstrates its values, with levels of net agreement of between 73% and 92%.

In particular, 92% agreed to some extent (either strongly agreed or agreed) that the ERA demonstrates “commitment”. The majority also felt that the ERA demonstrates “professionalism” (90%), “consults widely” (88%) and shows “integrity” (87%).

Net agreement scores against its core values of “teamwork” and “continuous improvement” were rated at 80% and 73% respectively.

Performance of the ERA in Effectively Promoting Itself

56% of respondents agreed to some extent that the ERA effectively promotes itself to the wider community (6% “strongly agreed” and 50% “agreed”). 44% disagreed that the ERA effectively promotes itself (6% “strongly disagreed” and 38% “disagreed”).

Summary

The results and findings in the report provide the ERA with a valuable tool in analysing and comparing its performance over time, and comments provided by stakeholders are useful in helping the ERA to identify and address any gaps and making efforts to improve its performance and service provision.

In conducting the survey, it was evident that most participants welcomed the opportunity to participate in the survey and appreciated the opportunity to provide feedback to the ERA.

A report on the results of the 2014 stakeholder survey will be available on our website.



Liaison Meetings

Throughout the year the Secretariat held numerous stakeholder liaison meetings with the following organisations:

- [Horizon Power](#)
- [Synergy](#)
- [Western Power](#)
- [System Management](#)
- [Independent Market Operator](#)
- [Water Corporation](#)
- [Department of Water](#)
- [Energy Ombudsman](#)
- [Energy Safety](#)
- [Public Utilities Office](#) (formerly the Office of Energy)
- [WA Council of Social Services](#) (WACOSS)

In addition, the Secretariat represented on the following groups and committees:

- the South West Water Industry Group (SWWIG)
- Economic Regulation Authority Consumer Consultative Committee ([ERACCC](#))
- Regulatory Managers Forums covering licensing, monitoring and customer protection matters.

The ERA also meets with the Treasurer and the Ministers for Energy, Transport and Water.

Communications

On Tap – Water Consumers Guide

The ERA has produced a [guide](#) to help consumers understand more about the water supplied to their residence. The guide covers financial hardship and assistance, contracts and connections, and complaints. The guide is available on the ERA website.

Switched on – a guide for electricity and gas customers

The ERA continued to make available a series of information sheets about the electricity and gas regulatory framework to take into account changes made to the *Code of Conduct for the Supply of Electricity to Small Use Customers 2012* and the amended *Compendium of Gas Customer Licence Obligations* upon which the guide is based.

The publication, [Switched On – A Guide for Electricity & Gas Customers](#), details customers' rights and supplier requirements in relation to areas such as:

- choosing retailers;
- household meters;
- bills;
- interruptions and entry to a customer's property; and
- complaints and service standards.

The information sheets are available from the ERA website.

ERACCC

We continued to conduct our quarterly ERA Consumer Consultative Committee meetings, and encouraged Committee members to communicate our work to their respective organisations.

ERA E-News

We distributed our agency 'e-news' newsletter on our website and via email to 689 stakeholders and interested parties twice during the financial year.

Marketing Material

The ERA continued to make available our fact sheets that were developed to provide the general public and our stakeholders with a general overview of [who the ERA is](#) and [what we do](#) and provide a summary of the following functions of the ERA:

- Our [energy](#) related work.
- Our [rail](#) related work.
- Our [water](#) related work.

- Our [licensing](#) function.
- Our [customer protection](#) function
- Our [independent economic advice](#) function.
- [Outcomes of our recent inquiries](#).

Social Media

Recognising the importance of communicating effectively with our stakeholders, we started to use social media in our communication method. We started with a LinkedIn profile for the agency, as well as creation of a [YouTube channel](#) and production of videos to communicate the work we undertook on the inquiry into microeconomic reform.

We will continue to increase our use of social media to expand on stakeholder communications and community engagement as part of our communications strategy.

Corporate Plans

Reconciliation Action Plans 2012 – 2013 and 2014-16



The ERA reviewed its 2012-13 Reconciliation Action Plan and published the new plan for 2014-16 on 9 January 2014. The plan is available on our [website](#).

The plan outlines the existing and planned initiatives to raise staff awareness to strengthen meaningful relationships with Aboriginal Australians and Torres Strait Islanders.

The plan was reviewed by the ERA's Reconciliation Action Group, which is comprised of interested ERA staff members.



The objectives of the plan are to raise ERA staff awareness and understanding of Aboriginal issues and to contribute to 'closing the gap' for Aboriginal Australians.

Specifically, this plan seeks to:

- Promote the ERA as a culturally sensitive organisation and an employer of choice for Aboriginal Australians.
- Promote an active dialogue within the ERA on issues faced by Aboriginal Australians, thereby raising staff awareness and sensitivity, and
- Improve the ability of ERA staff to engage with Aboriginal Australians in their daily work.

During the year, the ERA staff undertook cultural awareness training, which included a Welcome to Country ceremony. In stakeholder meetings during the year we also conducted an Acknowledgement of Country ceremony.

We celebrated Reconciliation Week in May 2014 by enjoying a staff social lunch at Kuditj café.



Significant issues impacting the agency

Throughout the course of 2014-15 the Authority will:

- undertake assessments under the National Gas Law, with the assessment of the ATCO Gas Networks Distribution System due for completion before mid-April 2015, the assessment of the Goldfields Gas Pipeline due for completion before July 2015 and the assessment of the Dampier to Bunbury Natural Gas Pipeline due to commence no later than 1 January 2015;
- prepare the triennial report on the effectiveness of the wholesale electricity market at meeting the market objectives, which will be provided to the Minister for Energy by the end of 2014;
- undertake new obligations under the *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013* (EGRC) following the merger of Verve and Synergy, which will include undertaking a review of the operation of the EGRC regulatory scheme for the purpose of assessing its effectiveness and providing a report to the Minister no later than 2 months after the review is completed;
- undertake 18 local government authority sewerage licence audits and reviews concurrently commencing in July 2014;
- commence its five yearly review of the *Railways (Access) Code 2000* (Rail Code), which will result in a report to the Treasurer;
- commence its biennial review of the *Gas Marketing Code of Conduct* to determine changes required to the Code, informed by advice to be provided by the Gas Marketing Code Consultative Committee;
- conduct its triennial review of all electricity licences to ensure best practice and minimise regulatory costs.

It is expected that regulations will be finalised to introduce full cost recovery from electricity, gas and water service providers licensed by the Authority.

The new regulations will increase the level of funding from regulated industries, and reduce the Authority's need for funding from the Consolidated Account.

Disclosures and legal compliance

Auditor General's independent audit opinion



Auditor General

INDEPENDENT AUDITOR'S REPORT To the Parliament of Western Australia

ECONOMIC REGULATION AUTHORITY

Report on the Financial Statements

I have audited the accounts and financial statements of the Economic Regulation Authority.

The financial statements comprise the Statement of Financial Position as at 30 June 2014, 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.

Authority's Responsibility for the Financial Statements

The Authority 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 Authority 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

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 Authority'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 Authority, 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.



Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Economic Regulation Authority at 30 June 2014 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.

Report on Controls

I have audited the controls exercised by the Economic Regulation Authority during the year ended 30 June 2014. Controls exercised by the Economic Regulation Authority are those policies and procedures established by the Authority 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.

Authority’s Responsibility for Controls

The Authority 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

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Economic Regulation Authority 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 Authority 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.

Opinion

In my opinion, the controls exercised by the Economic Regulation Authority 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 2014.



Report on the Key Performance Indicators

I have audited the key performance indicators of the Economic Regulation Authority for the year ended 30 June 2014.

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

Authority's Responsibility for the Key Performance Indicators

The Authority 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 Authority determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

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 Authority'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.

Opinion

In my opinion, the key performance indicators of the Economic Regulation Authority are relevant and appropriate to assist users to assess the Authority's performance and fairly represent indicated performance for the year ended 30 June 2014.

Independence

In conducting this audit, 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 Economic Regulation Authority for the year ended 30 June 2014 included on the Authority's website. The Authority's management is responsible for the integrity of the Authority's website. This audit does not provide assurance on the integrity of the Authority'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.



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
11 August 2014



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 Economic Regulation Authority's performance, and fairly represent the performance of the Economic Regulation Authority for the financial year ended 30 June 2014.



Ms Pam Herbener – Chief Finance Officer
4 August 2014



Mr Lyndon Rowe – Chairman
5 August 2014



Mr Steve Edwell – Member
5 August 2014



Dr Stephen King – Member
5 August 2014

Key performance indicators

Formulating the ERA's key performance indicators

Broad, high-level government strategic goals are supported at agency level by more specific desired outcomes. Agencies deliver services/programs to achieve these desired outcomes, which ultimately contribute to meeting the higher-level government strategic goals. These services/programs are the basis for performance indicators. The strategic high-level government goal relevant to the ERA 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 ERA in support of this high-level strategic goal is:

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

The ERA cannot achieve this high-level outcome directly, but instead

seeks to play its part towards the achievement of this goal. The ERA's Strategic Plan includes the purpose statement:

"to ensure consumers receive quality services for a reasonable price"

It is recognised that decisions of the ERA in support of this outcome are very difficult to measure objectively, as the ERA must balance the interests of various parties.

The requirement on the ERA to prepare performance indicators has, therefore, been modified by legislation to be limited to management functions. Section 23 of the *Economic Regulation Authority Act 2003* states that:

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

ERA and need only be complied with to the extent practicable."

More objective administrative measures of performance are the quality, quantity and cost of the submissions considered by the ERA's Governing Body that facilitate its decision making. Therefore, the essential measurable outcome for the ERA in support of this revised outcome is:

"submissions to the ERA Governing Body"

Key effectiveness indicators

The ERA's key effectiveness indicators are:

Quantity: number of submissions made to the ERA Governing Body.

Quality: rating by the ERA Governing Body as to the content, accuracy and presentation of these submissions.

Timeliness: number and % of submissions provided to the ERA Governing Body



within the required

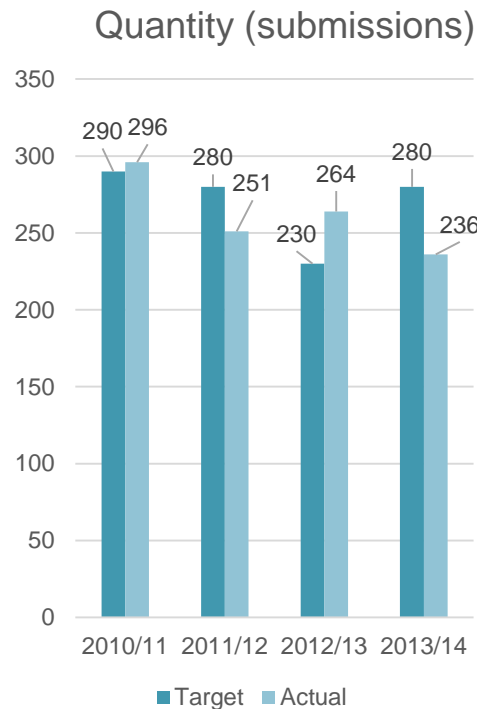
deadline.

2013/14 Performance Effectiveness

Quantity (Submissions)

A total of 236 submissions were considered by the ERA's Governing Body during the 2013/14 financial year.

The ERA's Governing Body met 39 times during the year to consider 155 of the 236 submissions in session. The remaining 81 submissions were reviewed out of session by email.



The total number of submissions did not exceed the 2013/14 target of 280. Compared to the previous financial year, there was an 11% decrease in the number of submissions to the Governing Body.

The targets are based on estimates provided by each division on the number of submissions they will need to provide the Governing Body to

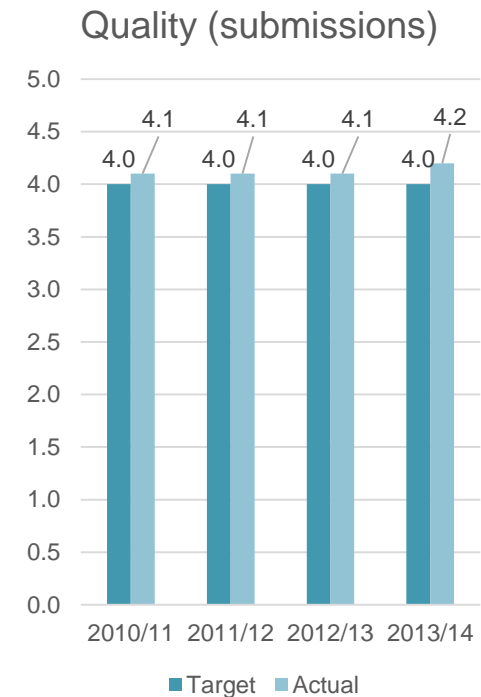
carry out their regulatory work program for the year. The actual and targeted number of submissions vary on an annual basis in accordance with the cyclical nature of regulation.

Quality (Submissions)

On a monthly basis the Governing Body reviews the submissions that have been prepared by the Secretariat. They consider their relevance, accuracy and readability, and provide an overall rating of all submissions received.

Using a rating scale of one to five (one being "very poor", two being "poor", three being "satisfactory", four being "good" and five being "excellent") the Governing Body has set a target of four, meaning that submissions rated above four are of a high standard.

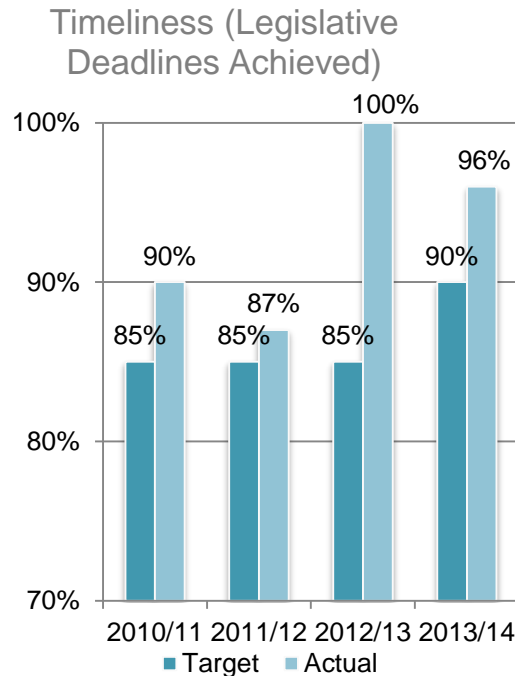
For 2013/14, the average quality of submissions as rated by the ERA's Governing Body was



4.2 out of 5, which exceeded the targeted quality level of 4.0. The Governing Body's perception of the quality of submissions considered during 2013/14 improved as compared to the three previous years.

Timeliness (Legislative Deadlines Achieved)

54 out of the 236 submissions related to functions that had legislative time limits. These time limits were either firm deadlines or timelines within which the ERA, taking all reasonable steps, was required to complete its decision making and / or publications.



There were more submissions with legislative time limits during this financial year compared to in previous years (37 in the 2012/13 and 38 in 2011/12).

Of the 54 submissions with deadlines, 52 were completed on or before expiry of the time limit; this equated to 96% of submissions meeting their respective legislative deadlines,

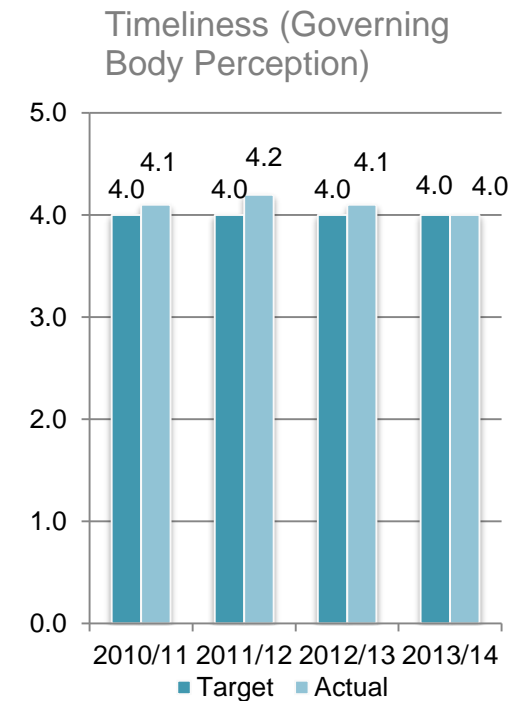
which exceeds the target of 90%. The number of submissions that met their respective legislative deadlines in this reporting year has dropped from the 100% achieved in the previous financial year.

Timeliness (Governing Body Perception)

In addition to measuring the number of submissions that meet legislative timeframes, the ERA Secretariat has internal deadlines for providing submissions to the ERA's Governing Body in a timely manner.

As with the rating of quality of submissions considered by the ERA'S Governing Body, the Governing Body Members rate on scale one to five their perceptions of the Secretariat's timeliness in preparing submissions.

The average rating for timeliness for the year was 4.0, which met the 2013/14 target. However, the average rating for timeliness has decreased compared to the previous three years.



Key efficiency indicators

2013/14 Performance – Efficiency

The ERA's key efficiency indicator is *cost (efficiency) - \$ per submission made to the ERA Governing Body*. The cost is calculated to include the costs of all staff and other resources involved in preparing submissions to the Governing Body.

	2010/11	2011/12	2012/13	2013/14 Target	2013/14 Actual
Cost of services (millions)	10.588	12.416	10.223	10.889	11.041
Number of submissions	296	251	264	280	236
Average cost of submissions (\$ thousands)	36	49	38	39	47

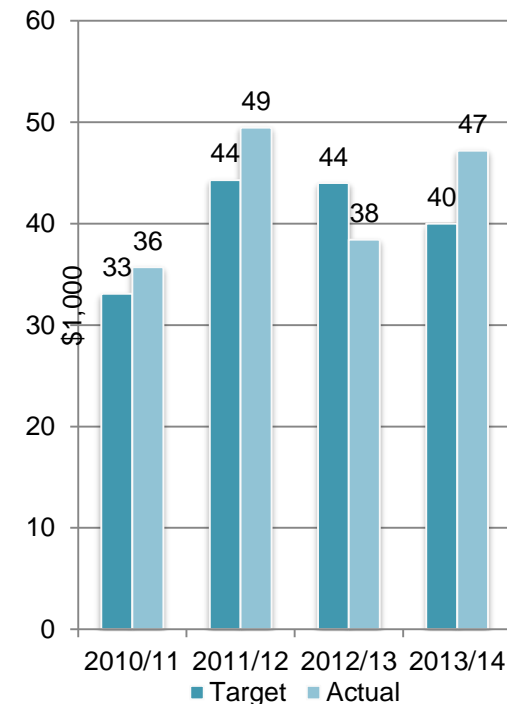
Average Cost (Per Submission)

The total cost of the ERA's operations for the 12 months under review was \$11,041,076 compared to an expenditure limit of \$10,889,000.

There were 236 submissions compared to the target of 280. The average cost per submission was \$46,784 against the target of \$38,889.

The actual average cost per submission was higher than the targeted cost per submission. This is due to a lower than expected number of submissions over the reporting period.

Average Cost (Per Submission)



DISCLOSURES & COMPLIANCE



Disclosures and Legal Compliance

Financial statements

Certification of Financial Statements


For the year ended 30 June 2014

The accompanying financial statements of the Economic Regulation Authority 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 2014 and the financial position as at 30 June 2014.

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.



Ms Pam Herbener
Chief Finance Officer
Date: 4 August 2014



Mr Steve Edwell
Member of Accountable Authority
Date: 5 August 2014



Mr Lyndon Rowe
Chairman of Accountable Authority
Date: 5 August 2014



Dr Stephen King
Member of Accountable Authority
Date: 5 August 2014

Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 \$000	2013 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	6.	7,682	7,270
Supplies and services	7.	2,106	1,730
Depreciation and amortisation expense	8.	52	59
Accommodation expenses	9.	1,171	1,135
Other expenses	10.	29	29
Total cost of services		11,040	10,223
Income			
<i>Revenue</i>			
Regulatory fees	11.	5,056	4,470
Interest revenue	12.	60	159
Other revenue	13.	25	23
Total Revenue		5,141	4,652
Total income other than income from State Government		5,141	4,652
NET COST OF SERVICES		5,899	5,571
Income from State Government	14.		
Service appropriation		5,289	1,903
Services received free of charge		360	244
Total income from State Government		5,649	2,147
SURPLUS/(DEFICIT) FOR THE PERIOD		(250)	(3,424)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(250)	(3,424)

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



Statement of Financial Position

As at 30 June 2014

	Note	2014 \$000	2013 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	25.	3,312	3,418
Restricted cash and cash equivalents	15. 25.	22	23
Receivables	16.	1,973	2,267
Amounts receivable for services	17.	301	-
Other current assets	18.	110	102
Total Current Assets		5,718	5,810
Non-Current Assets			
Restricted cash and cash equivalents	15. 25.	223	153
Amounts receivable for services	17.	287	477
Plant and equipment	19.	26	71
Intangible assets	20.	1	3
Total Non-Current Assets		537	704
TOTAL ASSETS		6,255	6,514
LIABILITIES			
Current Liabilities			
Payables	22.	520	484
Provisions	23.	1,406	1,485
Total Current Liabilities		1,926	1,969
Non-Current Liabilities			
Provisions	23.	390	356
Total Non-Current Liabilities		390	356

		2014	2013
		\$000	\$000
TOTAL LIABILITIES		2,316	2,325
NET ASSETS		3,939	4,189
EQUITY	24		
Contributed equity		773	773
Accumulated surplus/(deficit)		3,166	3,416
TOTAL EQUITY		3,939	4,189

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



Statement of Changes in Equity

For the year ended 30 June 2014

	Note	Contributed equity \$000	Reserves \$000	Accumulated surplus/(deficit) \$000	Total equity \$000
Balance at 1 July 2012	24	773	-	6,840	7,613
Total comprehensive income for the period		-	-	(3,424)	(3,424)
Balance at 30 June 2013		773	-	3,416	4,189
Balance at 1 July 2013		773	-	3,416	4,189
Total comprehensive income for the period		-	-	(250)	(250)
Balance at 30 June 2014		773	-	3,166	3,939

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

Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 \$000	2013 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		5,178	1,819
Holding account drawdowns		-	-
Net cash provided by State Government		5,178	1,819
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(7,683)	(7,214)
Supplies and services		(2,016)	(2,540)
Accommodation		(917)	(903)
GST payments on purchases		(311)	(314)
Other payments		(29)	(29)
Receipts			
Regulatory fees		5,384	3,277
Interest received		60	159
GST receipts on sales		34	14
GST receipts from taxation authority		243	476
Other receipts		25	23
Net cash provided by/(used in) operating activities	25.	(5,210)	(7,051)



		2014	2013
		\$000	\$000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(5)	(10)
Net cash provided by/(used in) investing activities		(5)	(10)
Net increase/(decrease) in cash and cash equivalents		(37)	(5,242)
Cash and cash equivalents at the beginning of period		3,594	8,836
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	25.	3,557	3,594

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 2014

Note 1. Australian Accounting Standards

General

The Authority's financial statements for the year ended 30 June 2014 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 Authority has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Authority 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 Authority for the annual reporting period ended 30 June 2014.

Note 2. Summary of significant accounting policies

(a) General statement

The Authority 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 thousand dollars (\$000).

Note 3 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the Authority's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting entity

The reporting entity comprises the Economic Regulation Authority.

(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.

Service appropriations

Service Appropriations are recognised as revenues at fair value in the period in which the Authority gains control of the appropriated funds. The Authority gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the Authority obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Regulatory fees

Revenue for Standing Charges and Specific Charges, raised in accordance with the *Economic Regulation Authority (National Gas Access Funding) Regulations 2009* and the *Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012*, is recognised at the time the charge is raised on a client.

Revenue from licence fees are, where possible, recognised at the time the fee is levied on the licensee.

Licence fees are raised in accordance with:

- *Electricity Industry (Licensing Fees) Regulations 2005*
- *Energy Coordination (Licensing Fees) Regulations 1999*
- *Water Services Regulations 2013*

Revenue for the recovery of the costs of the Authority in undertaking its Wholesale Electricity Market (WEM) functions, in accordance with the Wholesale Electricity Market Rules, is recognised on an accruals basis in the accounting period in which the services are rendered.

Gains

Realised and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

(f) Plant and equipment

Capitalisation/expensing of assets

Items of plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

Plant and equipment are initially recognised at cost.

For items of plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

Subsequent measurement

Subsequent to initial recognition as an asset, the historical cost model is used for all plant and equipment. All items of plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Derecognition

Upon disposal or derecognition of an item of plant and equipment, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.



Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

- Office Equipment 5 years
- Computer Equipment 3 to 5 years

(g) Intangible assets

Capitalisation/expensing of assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Authority have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

- Software^(a) 3 to 5 years

(a) Software that is not integral to the operation of any related hardware

Computer software

Software that is an integral part of the related hardware is recognised as plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

(h) Impairment of assets

Plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the Authority is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

(i) Leases

The Authority holds operating leases for accommodation and vehicle fleet.

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

(j) Financial instruments

In addition to cash, the Authority 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
 - Restricted cash and cash equivalents
 - Receivables
 - Amounts receivable for services.
- Financial Liabilities
 - Financial liabilities measured at amortised cost.

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.



(k) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and cash at bank.

(l) 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 Authority considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

(m) Amounts receivable for services (holding account)

The Authority receives income from the State Government partly in cash and partly as an asset (holding account receivable). The holding account receivable balance, resulting from service appropriation funding, is accessible on the emergence of the cash funding requirement to cover asset replacement.

(n) 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 Authority 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.

(o) Payables

Payables are recognised when the Authority 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.

(p) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Provisions – employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Long service leave

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Authority has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Superannuation

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The Authority makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Authority's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Authority to GESB extinguishes the agency's obligations to the related superannuation liability.

The Authority has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Authority to the GESB.

The GESB makes all benefit payments in respect of the Pension Schemes and GSS, and is recouped from the Treasurer for the employer's share.



Provisions – other

Employment on-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Authority's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

(q) Superannuation expense

The superannuation expense in the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), WSS, GESBS, and other superannuation funds.

(r) Assets and Services received free of charge or for nominal cost

Assets or services received free of charge or for nominal cost, that the Authority would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

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

(s) Comparative figures

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



Note 3. Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Authority evaluates these judgements regularly.

Operating lease commitments

The Authority has entered into a lease for office accommodation. It has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, this lease has been classified as an operating lease.

Note 4. Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Long Service Leave

Several estimations and assumptions used in calculating the Authority's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Note 5. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Authority has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2013 that impacted on the Authority.

AASB 119 *Employee Benefits*

This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements.

The Authority assessed employee leave patterns to determine whether annual leave is a short-term or other long-term employee benefit. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.

AASB 1048 *Interpretation of Standards*

This Standard supersedes AASB 1048 (June 2012), enabling references to the Interpretations in all other Standards to be updated by reissuing the service Standard. There is no financial impact.

AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1,2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]*

This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.

AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]

This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132]

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There is no financial impact.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2]

This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.

AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8]

This Standard amends the mandatory effective date of AASB 9 Financial Instruments to 1 January 2015 (instead of 1 January 2013). Further amendments are also made to numerous consequential amendments arising from AASB 9 that will now apply from 1 January 2015. There is no financial impact.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Int 12]

The Standard introduces a number of editorial alterations and amends the mandatory application date of Standards for not-for-profit entities accounting for interests in other entities. There is no financial impact.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.

Part A of this omnibus Standard makes amendments to other Standards arising from revisions to the Australian Accounting Conceptual Framework for periods ending on or after 20 December 2013. Other Parts of this Standard become operative in later periods. There is no financial impact for Part A of the Standard.



Voluntary changes in accounting policy

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

Future impact of Australian Accounting Standards not yet operative

The Authority cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Authority has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Authority. Where applicable, the Authority 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 was amended to 1 January 2017. The Authority has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2017
AASB 1031	<p><i>Materiality</i></p> <p>This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality that is not available in IFRSs and refers to other Australian pronouncements that contain guidance on materiality. There is no financial impact.</p>	1 Jan 2014

		Operative for reporting periods beginning on/after
<i>AASB 1055</i>	<p><i>Budgetary Reporting</i></p> <p>This Standard requires specific budgetary disclosures in the financial statements of not for profit entities within the General Government Sector. The Authority will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.</p>	1 Jul 2014
<i>AASB 2009-11</i>	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12]</i></p> <p>[modified by AASB 2010-7]</p>	1 Jan 2015
<i>AASB 2010-7</i>	<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. The Authority has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2015



		Operative for reporting periods beginning on/after
<i>AASB 2012-3</i>	<p><i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</i></p> <p>This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>The Authority does not routinely hold financial assets and financial liabilities that it intends to settle on a net basis, therefore, there is no financial impact.</p>	1 Jan 2014
<i>AASB 2013-9</i>	<p><i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.</i></p> <p>This omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standard for periods beginning on or after 1 January 2014 (Part B) and defers the application of AASB 9 to 1 January 2017 (Part C). The Authority has not yet determined the application or the potential impact of AASB 9, otherwise there is no financial impact for Part B.</p>	1 Jan 2014 1 Jan 2017

Changes in accounting estimates

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



Note 6. Employee benefits expense

	2014	2013
	\$000	\$000
Wages and salaries ^(a)	6,871	6,570
Superannuation - defined contribution plans ^(b)	641	581
Other related expenses	170	119
	7,682	7,270

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation component.

(b) Defined contribution plans include West State, Gold State, GESBS and other eligible funds.

Employment on-costs expenses, such as workers' compensation insurance are included at note 10 'Other expenses'. Employment on-costs liability is included at note 23 'Provisions'.

Note 7. Supplies and services

	2014	2013
	\$000	\$000
Communications	161	166
Consultants and contractors	84	127
Professional services	969	723
Consumables	74	71
Legal costs	315	185
Motor vehicle	133	136
Travel	90	81
Other	280	241
	2,106	1,730

Note 8. Depreciation and amortisation expense

	2014	2013
	\$000	\$000
<u>Depreciation</u>		
Computer equipment	44	49
Office equipment	6	7
Total depreciation	50	56
<u>Amortisation</u>		
Intangible assets	2	3
Total amortisation	2	3
Total depreciation and amortisation	52	59

Note 9. Accommodation expenses

	2014	2013
	\$000	\$000
Office accommodation rental	1,135	1,091
Other accommodation expenses	5	15
Repairs and maintenance	31	29
	1,171	1,135

Note 10. Other expenses

	2014	2013
	\$000	\$000
Employment on-costs	-	-
Miscellaneous expense	-	1
Audit fee ^(a)	29	28
	29	29

(a) See also note 33 'Remuneration of auditor'.

Note 11. Regulatory fees

	2014	2013
	\$000	\$000
Standing charges	2,593	1,672
Specific charges	263	21
Licence fees and charges	490	461
Regulatory market fees	1,696	2,316
Water Audit Costs Recovery	14	-
	5,056	4,470

Note 12. Interest revenue

	2014	2013
	\$000	\$000
Interest revenue	60	159
	60	159

Note 13. Other revenue

	2014	2013
	\$000	\$000
Miscellaneous revenue	25	23
	<u>25</u>	<u>23</u>

Note 14. Income from State Government

	2014	2013
	\$000	\$000
Appropriation received during the year:		
Service Appropriation ^(a)	5,289	1,903
	<u>5,289</u>	<u>1,903</u>
Services received free of charge from other State Government agencies during the financial period:		
State Solicitor's Office	106	12
Department of Finance	254	232
	<u>360</u>	<u>244</u>
	<u>5,649</u>	<u>2,147</u>

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the budgeted depreciation expense for the year.



Note 15. Restricted cash and cash equivalents

	2014 \$000	2013 \$000
<u>Current</u>		
Indian Ocean Territories funding	22	23
	22	23
<u>Non-current</u>		
Accrued salaries suspense account ^(a)	223	153
	223	153
Total restricted cash and cash equivalents	245	176

(a) Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

Note 16. Receivables

	2014 \$000	2013 \$000
<u>Current</u>		
Receivables	1,155	1,575
Accrued revenue	722	630
GST receivable	96	62
	1,973	2,267

The Authority does not hold any collateral as security or other credit enhancement relating to receivables.

Note 17. Amounts receivable for services (Holding Account)

	2014	2013
	\$000	\$000
Current	301	-
Non-Current	287	477
	<u>588</u>	<u>477</u>

Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement.

Note 18. Other assets

	2014	2013
	\$000	\$000
<u>Current</u>		
Prepayments	110	102
Total current	<u>110</u>	<u>102</u>

Note 19. Plant and equipment

	2014	2013
	\$000	\$000
<u>Computer hardware</u>		
At cost	158	153
Accumulated depreciation	(136)	(92)
	<u>22</u>	<u>61</u>
<u>Office equipment</u>		
At cost	33	33
Accumulated depreciation	(29)	(23)
	<u>4</u>	<u>10</u>
	<u>26</u>	<u>71</u>



Reconciliation

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the reporting period are set out below:

	Computer Hardware	Office Equipment	Total
2014	\$000	\$000	\$000
Carrying amount at start of year	61	10	71
Additions	5	-	5
Disposal	-	-	-
Depreciation	(44)	(6)	(50)
Carrying amount at end of year	22	4	26
2013	\$000	\$000	\$000
Carrying amount at start of year	100	17	117
Additions	10	-	10
Disposal	-	-	-
Depreciation	(49)	(7)	(56)
Carrying amount at end of year	61	10	71

Note 20. Intangible assets

	2014 \$000	2013 \$000
<u>Computer Software</u>		
At cost	22	22
Accumulated amortisation	(21)	(19)
	<u>1</u>	<u>3</u>
Reconciliation:		
<u>Computer Software</u>		
Carrying amount at start of period	3	6
Additions	-	-
Amortisation expense	(2)	(3)
Carrying amount at end of period	<u>1</u>	<u>3</u>

Note 21. Impairment of Assets

There were no indications of impairment to plant and equipment or intangible assets at 30 June 2014.

Note 22. Payables

	2014	2013
	\$000	\$000
<u>Current</u>		
Trade payables	69	54
Accrued expenses	250	272
Accrued salaries	179	135
Other payables	22	23
Total current	520	484

Note 23. Provisions

	2014	2013
	\$000	\$000
<u>Current</u>		
<i>Employee benefits provision</i>		
Annual leave ^(a)	651	806
Long service leave ^(b)	751	675
	<u>1,402</u>	<u>1,481</u>
 <i>Other provisions</i>		
Employment on-costs ^(c)	4	4
	<u>4</u>	<u>4</u>
	1,406	1,485

<u>Non-current</u>	2014	2013
	\$000	\$000
<i>Employee benefits provision</i>		
Long service leave ^(b)	389	355
	<u>389</u>	<u>355</u>
 <i>Other provisions</i>		
Employment on-costs ^(c)	1	1
	<u>1</u>	<u>1</u>
	<u>390</u>	<u>356</u>

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2014	2013
	\$000	\$000
Within 12 months of the end of the reporting period	441	469
More than 12 months after the end of the reporting period	212	339
	<u>653</u>	<u>808</u>

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2014	2013
	\$000	\$000
Within 12 months of the end of the reporting period	238	208
More than 12 months after the end of the reporting period	905	825
	<u>1,143</u>	<u>1,033</u>



(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in note 10 'Other expenses'.

Movement in other provisions

	2014	2013
	\$000	\$000
<u>Employment on-cost provision</u>		
Carrying amount at start of period	5	5
Additional provisions recognised	-	-
Carrying amount at end of period	5	5

Note 24. Equity

The Western Australian Government holds the equity interest in the Authority on behalf of the community. Equity represents the residual interest in the net assets of the Authority.

Contributed Equity

	2014	2013
	\$000	\$000
Balance at start of period	773	773
Balance at end of period	773	773

Accumulated surplus/(deficit)

	2014	2013
	\$000	\$000
Balance at start of period	3,416	6,840
Result for the period	(250)	(3,424)
Balance at end of period	3,166	3,416
Total Equity at end of period	3,939	4,189

Note 25. Notes to the Statement of Cash Flows

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:

	2014	2013
	\$000	\$000
Cash and cash equivalents	3,312	3,418
Restricted cash and cash equivalents (note 15 'Restricted cash and cash equivalents')		
Current	22	23
Non-Current	223	153
	<u>3,557</u>	<u>3,594</u>

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

	2014	2013
	\$000	\$000
Net cost of services	(5,899)	(5,571)
<u>Non-cash items:</u>		
Depreciation and amortisation expense	52	59
Services received free of charge	360	244
Net (gain)/loss on sale of plant and equipment	-	-
<u>(Increase)/decrease in assets:</u>		
Current receivables ^(a)	328	(1,193)
Other current assets	(8)	34

	2014	2013
	\$000	\$000
<u>Increase/(decrease) in liabilities:</u>		
Current payables ^(a)	36	(859)
Current provisions	(79)	(31)
Non-current provisions	34	90
Net GST receipts/(payments) ^(b)	(34)	176
Change in GST in receivables/payables ^(c)	-	-
Net cash provided by/(used in) operating activities	<u>(5,210)</u>	<u>(7,051)</u>

(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 26. Services provided free of charge

	2014	2013
	\$000	\$000
During the year the following services were provided to other agencies free of charge for functions outside the normal operations of the Authority:		
Energy Disputes Arbitrator - Administrative support	11	13
	<u>11</u>	<u>13</u>

Note 27. Commitments

The commitments below are inclusive of GST where relevant.



Lease commitments

Non-cancellable operating lease commitments

	2014	2013
	\$000	\$000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	756	689
Later than 1 year and not later than 5 years	82	695
	<u>838</u>	<u>1,384</u>

The Authority has entered into a property lease which is a non-cancellable lease with a three year term, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require that the minimum lease payments shall be increased by the lower of CPI or 5% per annum. An option exists to renew the lease at the end of the three year term for an additional term of three years.

Other expenditure commitments

	2014	2013
	\$000	\$000
Other expenditure commitments for operational expenditure contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:		
Within 1 year	37	96
	<u>37</u>	<u>96</u>



Note 28. Contingent liabilities and contingent assets

Contingent liabilities

The Authority had no contingent liabilities as at 30 June 2014.

Contingent assets

The Authority had no contingent assets as at 30 June 2014.

Note 29. 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 30. Explanatory statement

This statement provides details of any significant variations between estimates and actual results for 2014 and between actual results for 2013 and 2014. Significant variations are considered to be those greater than 10% and \$100,000.

Significant variances between estimated and actual result for 2014

	2014 Estimate \$000	2014 Actual \$000	Variance \$000
Supplies and services	1,667	2,106	439
Other expenses	426	29	(397)



Supplies and services and Other expenses

The other expenses estimate which comes from the budget papers includes items that are categorised as supplies and services in the Financial Statements.

	2014 Actual \$000	2013 Actual \$000	Variance \$000
<u>Income</u>			
Regulatory fees	5,056	4,470	586
Service appropriation	5,289	1,903	3,386
<u>Expenses</u>			
Supplies and services	2,106	1,730	376

Regulatory fees

Industry funding for the Authority's functions associated with gas access increased in 2014 due to the commencement of an access arrangement review.

Service appropriation

In 2010-11 the service appropriation was reduced to reflect Government policy to increase the level of industry funding for the Authority's functions in electricity access and licensing. As the introduction of regulations to implement this policy has been delayed, the 2012 actual service appropriation included the reinstatement of appropriation for 2010-11 and 2011-12. Even though full cost recovery from licensing was not in place in 2012-13, the service appropriation was not reinstated and cash reserves were used to fund the shortfall. In 2013-14 the service appropriation was re-instated.



Supplies and services

Due to the cyclical nature of the work of the Authority, expenditure on supplies and services fluctuates on an annual basis. In 2014, the amount included once-off costs associated with litigation in rail access. In addition, costs were incurred for the access arrangement review that commenced in 2014.

Note 31. Financial instruments

(a) Financial risk management objectives and policies

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

Credit risk

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

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 31(c) 'Financial instruments disclosures' and note 16 'Receivables'.

Credit risk associated with the Authority's financial assets is minimal because the Authority trades only with recognised, creditworthy third parties. The Authority 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 Authority'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 Authority is unable to meet its financial obligations as they fall due.

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

The Authority has appropriate procedures to manage cash flows including drawdowns of appropriations 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 Authority's income or the value of its holdings of financial instruments. The Authority does not trade in foreign currency and is not materially exposed to other price risks. The Authority's exposure to market risk for changes in interest rates is minimal and is limited to the holdings in cash and cash equivalents.

(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:

	2014	2013
	\$000	\$000
<u>Financial Assets</u>		
Cash and cash equivalents	3,312	3,418
Restricted cash and cash equivalents	245	176
Receivables ^(a)	1,877	2,205
Amounts receivable for services	588	477
<u>Financial Liabilities</u>		
Financial liabilities measured at amortised cost	520	484

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

(c) Financial instrument disclosures

Credit risk

The following table discloses the Authority's maximum exposure to credit risk and the ageing analysis of financial assets. The Authority'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 Authority.

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

Aged analysis of financial assets

Past due but not impaired

	Carrying Amount	Not past due and not impaired	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Impaired financial assets
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2014								
Cash and cash equivalents	3,312	3,312	-	-	-	-	-	-
Restricted cash and cash equivalents	245	245						
Receivables ^(a)	1,877	1,745	132	-	-	-	-	-
Amount receivable for services	588	588	-	-	-	-	-	-
	6,022	5,890	132	-	-	-	-	-
2013								
Cash and cash equivalents	3,418	3,418	-	-	-	-	-	-
Restricted cash and cash equivalents	176	176						
Receivables ^(a)	2,205	2,205	-	-	-	-	-	-
Amount receivable for services	477	477	-	-	-	-	-	-
	6,276	6,276	-	-	-	-	-	-

(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 Authority'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

	Weighted Average Effective Interest Rate %	Interest rate exposure				Maturity dates					
		Carrying Amount \$000	Fixed Interest Rate \$000	Variable interest rate \$000	Non- interest bearing \$000	Nominal amount \$000	Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000
2014											
<u>Financial Assets</u>											
Cash and cash equivalents	2.81%	3,312	-	3,312	-	3,312	3,312	-	-	-	-
Restricted cash and cash equivalents ^(b)	2.81%	245	-	22	223	245	22	-	-	223	-
Receivables ^(a)		1,877	-	-	1,877	1,877	1,525	352	-	-	-
Amount receivable for services		588	-	-	588	588	-	16	285	-	287
		6,022	-	3,334	2,688	6,022	4,859	368	285	223	287
<u>Financial Liabilities</u>											
Financial liabilities measured at amortised cost		520	-	-	520	520	520	-	-	-	-
		520	-	-	520	520	520	-	-	-	-

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

(b) Only the Indian Ocean Territories funding closing balance attracts interest



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

Interest rate exposure

Maturity dates

	Weighted Average Effective Interest Rate %	Carrying Amount \$000	Fixed Interest Rate \$000	Variable interest rate \$000	Non- interest bearing \$000	Nominal amount \$000	Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000
2013											
<u>Financial Assets</u>											
Cash and cash equivalents	3.40%	3,418	-	3,418	-	3,418	3,418	-	-	-	-
Restricted cash and cash equivalents ^(b)	3.40%	176	-	23	153	176	23	-	-	153	-
Receivables ^(a)		2,205	-	-	2,205	2,205	2,133	72	-	-	-
Amount receivable for services		477	-	-	477	477	-	-	-	-	477
		6,276	-	3,441	2,835	6,276	5,574	72	-	153	477
<u>Financial Liabilities</u>											
Financial liabilities measured at amortised cost		484	-	-	484	484	484	-	-	-	-
		484	-	-	484	484	484	-	-	-	-

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

(b) Only the Indian Ocean Territories funding closing balance attracts interest

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Authority'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.

	Carrying Amount \$000	-100 basis points		+100 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
2014					
<u>Financial Assets</u>					
Cash and cash equivalents	3,312	(33)	(33)	33	33
Restricted cash and cash equivalents	22	-	-	-	-
Total Increase/(Decrease)		(33)	(33)	33	33
	Carrying Amount \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
2013					
<u>Financial Assets</u>					
Cash and cash equivalents	3,418	(34)	(34)	34	34
Restricted cash and cash equivalents	23	-	-	-	-
Total Increase/(Decrease)		(34)	(34)	34	34

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.



Note 32. 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:

\$	2014	2013
150,001 - 160,000	-	2
160,001 - 170,000	2	-
570,001 - 580,000	-	1
630,001 - 640,000	1	-
	\$000	\$000
Base remuneration and superannuation	915	868
Annual leave and long service leave accruals	3	(20)
Other benefits	45	41
The total remuneration of members of the accountable authority	963	889

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

No members of the accountable authority are members of the Pension Scheme.

Remuneration of senior officers

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

\$	2014	2013
80,001 - 90,000	-	1
160,001 - 170,000	1	1
190,001 - 200,000	1	-
220,001 - 230,000	-	1
230,001 - 240,000	-	1
240,001 - 250,000	-	1
250,001 - 260,000	2	-
330,001 - 340,000	1	-
340,001 - 350,000	-	1
	\$000	\$000
Base remuneration and superannuation	1,148	1,269
Annual leave and long service leave accruals	(23)	(41)
Other benefits	79	80
The total remuneration of senior officers	1,204	1,308

The total remuneration includes the superannuation expense incurred by the Authority in respect of senior officers other than senior officers reported as members of the Accountable Authority.

No senior officers are members of the Pension Scheme.

Note 33. Remuneration of auditor

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

	2014	2013
	\$000	\$000
Auditing the accounts, financial statements and key performance indicators	32	29

Note 34. Indian Ocean Territories

An Agreement between the Treasurer and the Authority provides for the retention of moneys received by the Authority from the Commonwealth in respect of the Indian Ocean Territories. Revenue retained pursuant to this agreement is to be applied to the Authority's services. Money received by the Authority in respect of the services provided are credited to the Authority's operating account.

	2014	2013
	\$000	\$000
Balance at the start of the period	23	25
Receipts	-	-
Payments	(1)	(2)
Balance at the end of the period	22	23

Note 35. Parental leave payment

The purpose of this account is to distribute parental leave funds on behalf of the Commonwealth Government.

	2014	2013
	\$000	\$000
Balance at the start of the period	-	-
Receipts	22	-
Payments	(22)	-
Balance at the end of the period	-	-



Note 36. Supplementary financial information

	2014	2013
	\$000	\$000
Write-off		
GST sent to the ATO in error, unrecoverable and written off	-	1

Note 37. Related and affiliated bodies

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



Other financial disclosures

Pricing policies of services provided

The ERA currently receives revenue for the following regulated industries.

Gas and Electricity Industry

Fees and charges are payable for services provided by the ERA under the provisions of the *Economic Regulation Authority (National Gas Access Funding) Regulations 2009* and the *Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012*.

Payments to the ERA include:

- Standing charges that are levied on service providers for costs incurred by the ERA which are not directly attributed to activities of a particular pipeline system or covered network.
- Specific charges that are levied by the ERA for specific work carried out for a particular service provider.

The Regulations also provide for the ERA to levy fees for:

- providing documents prepared by or on behalf of the ERA;
- admission to a meeting held by the ERA for the purposes of public consultation; and
- interest on any outstanding amounts.

The Regulations require that our annual report includes details of the total amount of standing charges, specific charges and fees in respect of the financial year to which the annual report relates.

No document fees were received in 2013/14. Interest on outstanding amounts in 2013/14 amounted to \$132.

Details of charges for the year ended 30 June 2014 are listed in the following table.

Service provider	Standing charges (\$)	Specific charges (\$)
Electricity Industry		
Western Power	730,892	0
Gas Industry		
ATCO Gas Australia (formerly WA Gas Networks Pty Ltd)	502,792	268,920
DBNGP (WA) Transmission Pty Ltd	930,751	0
Goldfields Gas Transmission	377,327	19,791
Southern Cross Pipelines Pty Ltd	50,633	0
Total	2,592,395	288,711



Licensing

Fees and charges are payable for licences issued by the ERA.

These fees and charges are determined by regulations created under the *Electricity Industry Act 2004*, the *Energy Coordination Act 1994* and the *Water Services Act 2012*.

It is the responsibility of the relevant minister for each Act to determine the amount of fees charged.

Electricity Market

Regulator fees for our surveillance function are recovered from participants of the Wholesale Electricity Market (WEM) through the Independent Market Operator.

Under the WEM Rules, the fees are set to fully recover the costs of the surveillance function.

Commonwealth Service Agreement

Under an agreement with the Commonwealth, the ERA is responsible for licensing water and electricity utilities on the Christmas and Cocos Islands. Applications for licences are yet to be received.

However, any costs incurred as a result of pre-lodgement negotiations can be recovered from the Commonwealth Government based on an agreed amount.

Staffing policies

Employment and Industrial Relations

The following table provides a breakdown of the categories of staff employment as at 30 June 2014 in comparison to 30 June 2013.

Employee category	No. of staff at 30 June 2014	No. of staff at 30 June 2013
Permanent full-time	38	39
Permanent part-time	2 (1.5 FTE)	2 (1.4 FTE)
Fixed term full-time	12	13
Fixed term part-time	0	0
Total	52 (51.5 FTE)	54 (53.4 FTE)

Category	Female	Male	Total
Permanent full time	20	18	38
Permanent part time	2 (1.5 FTE)	0	2 (1.5 FTE)
Fixed term full time	2	10	12
Fixed term part time	0	0	0
Total FTEs	24 (23.5 FTE)	28	52 (51.5 FTE)



As at 30 June 2014, there were two vacant positions compared to seven in the previous year. The ERA continues to strive to have an equal employment opportunity workplace as outlined in the table above.

Attraction and Retention

We continued using a flexible recruitment process introduced in 2013, including e-recruitment replacing paper based recruitment process.

We also used a broader range of media to advertise our positions which resulted in attracting a wider field of candidates. The ERA also targeted advertising.

We have recognised that we have areas where specialised skills are necessary. Consequently, we have determined “specialist positions” as allowed for by the Public Sector Commissioners instruction about “Filling a Public Sector Vacancy” issued in February 2011.

The ERA promotes flexible work arrangements together with a series

of wellness programs organised throughout the year.

The ERA encourages its staff to increase their knowledge and widely promotes the availability of study leave.

Industrial relations

Our staff are employed under the *Public Service Award 1992* and the *Public Service and Government Officers General Agreement 2011*. No industrial disputes were recorded during 2012/13.

Workers compensation claims

The ERA complies with the requirements of the *Occupational Safety and Health Act 1984*.

There were no workers compensation claims. There were no outstanding workers compensation claims from a prior period.

Capital works

The ERA’s capital works program mainly comprises of expenditure on

multi-function devices, the computer network and other servers operated by the ERA. This year a scanner was purchased at a cost of \$5,872.



Governance disclosures

Board remuneration

The table below reports on the remuneration of the Governing Body Members.

Position	Name	Type of remuneration	Period of Membership	Gross Remuneration
Chairman	Lyndon Rowe	Annual	8/3/14 – 7/3/17	\$633,053 *
Member	Steve Edwell	Annual	17/1/14 – 16/1/17	\$164,857
Member	Stephen King	Annual	24/12/13 – 23/12/18	\$164,857
			Total	\$962,767
* The Chairman's total remuneration includes a leave accrual and fringe benefit cost.				

The remuneration and allowances paid to the Governing Body are determined by the Governor based on a recommendation by the Minister for Public Sector Management.

Shares in statutory authority

- The ERA has no shares for senior officers to hold.

Shares in subsidiary bodies

- The ERA does not have any subsidiary bodies.

Interests in contracts by senior officers

- In 2013/14, no senior officers had any interest in contracts (other than employment contracts) with the ERA.

Benefits to senior officers through contracts with the Authority

- In 2013/14, no senior officers disclosed having received any benefits through contracts held by the ERA.

Insurance premiums

- There are no senior officers of the ERA defined as directors under Part 3 of the *Statutory Corporations (Liability of Directors) Act 1996*.
- Therefore the ERA is not required to pay an insurance premium to indemnify any senior officer.

Ministerial directives

The ERA is independent of direction or control by the State, or any Minister or officer of the State, in performing its functions.

However, under section 28(2) and 28(3) of the *Economic Regulation Authority Act 2003*, the relevant Minister may give direction in writing to the ERA on administration and financial administration matters.

No ministerial directives were received during 2013/14.



Other legal requirements

Advertising

The ERA incurred the following expenditure on advertising, market research, polling, direct mail and media advertising in 2013/14.

Total expenditure for the period 1 July 2013 to 30 June 2014 was \$22,404. The breakdown is provided in the table below.

Agencies / Organisation	Total Expenditure (\$)	Agency	Class Expenditure (\$)
Advertising agencies	\$0	-	\$0
Polling organisations	\$0	-	\$0
Direct mail organisations	\$0	-	\$0
Market research organisations	\$2,422	Advantage Communications	\$2,422
Media advertising organisations	\$19,982	ABG Pages	\$818
		State Law Publisher	\$8,794
		Adcorp	\$10,370
TOTAL	\$22,404		\$22,404

Disability access and inclusion plan

The ERA is committed to ongoing improvements to be as accessible as possible. The ERA drafted its first disability access and inclusion plan in 2007 in accordance with the *Disability Services Act 1993* and the *Disability Services Regulations 2004*.

The ERA adopted and published its new [Disability Access and Inclusion Plan 2013-18](#) this year, following consultation with the Disabilities Services Commission.

The plan reflects the ERA's commitment to:

- ensuring that people with disabilities, their families and carers are able to fully access the ERA's information, services and facilities, providing all members of the community enjoy the same opportunities, rights and responsibilities; and
- consulting with people with disabilities, their families and carers, and advocacy organisations to ensure that any barriers to access and inclusion are addressed appropriately.

In implementing the plan, the ERA has addressed seven desired outcomes, as detailed below.

Outcome 1 To ensure people with disabilities have the same opportunities as other people to access the services of, and any events organised by, the ERA.

The ERA continues to maintain an accessibility checklist of contacts and preferred venues to ensure that ERA services and events are as accessible to people with disabilities.

Outcome 2 To ensure people with disabilities have the same opportunities as other people to access buildings and facilities of the ERA

The ERA staff intranet has a page that provides resources to staff with information about accessibility. It also provides information about nearby accessible parking bays, building access points, lifts, and facilities.

The ERA's occupational health and safety procedures also address the needs of people with disabilities.



Outcome 3 To ensure people with disabilities receive information in a format that will enable them to readily access information

The ERA has worked to improve the way in which information is delivered via its website.

The website is subject to ongoing review to improve its compliance with best practice accessibility standards. The ERA also undertook a number of new initiatives during the past year to ensure its findings for the recent Inquiry into Microeconomic Reform in Western Australia were delivered in a more accessible format, including:

- publication of brief fact sheets addressing the inquiry’s key findings;
- preparation of videos to accompany both the draft and final reports, and
- publication of individual chapters for download, in addition to the full report.

The ERA also ensures that information and publications are available in alternative format upon requests.

Outcome 4 To ensure people with disabilities receive quality service from ERA staff

The ERA provides an accessibility phone line and TTY service that enables customers to:

- request information in alternative formats
- make verbal submissions
- provide feedback or lodge a formal complaint verbally.

Outcome 5 & Outcome 6 To ensure people with disabilities are able to make complaints to the ERA, and to ensure people with disabilities are able to participate in any public consultation with the ERA

The ERA provides various mechanisms for customers to make complaints and provide feedback, which can be provided in person, and via hard copy, email, and fax. Customers can also contact the ERA via:

- an online form on the ERA’s website; or.
- the ERA’s accessibility telephone service, which enables the caller to leave a recording of their query, or complaint.



When conducting public consultation, the ERA issues notices calling for public submissions via its website and, where appropriate, via notices published in The West Australian and/or The Australian newspapers.

Interested parties, including peak not-for-profit organisations such as the Western Australian Council of Social Service, are also notified via email whenever a notice calling for submissions is issued.

As with complaints and feedback, submissions can be lodged via email, fax, or in hard copy. Alternatively, submissions can be lodged through the ERA's accessibility telephone service, which enables the caller to make a recording of their submission.

Outcome 7 To ensure people with disabilities are able to access and participate in employment at the ERA

The ERA is an Equal Employment Opportunity employer, and seeks to ensure that both current and prospective employees are not disadvantaged, nor subject to discrimination.

To achieve this, the ERA supports employees (including employees who are carers) through job design, flexible working arrangements, and other resources as appropriate. The ERA also maintains internal policies prohibiting discrimination and harassment.



Compliance with public sector standards and ethical codes

The ERA actively encourages all employees to demonstrate a high level of integrity, consistent with public sector standards and ethical codes.

The ERA is committed to ensuring the highest standards of transparency and accountability in our activities. Staff are encouraged to familiarise themselves with human

resource management policies and procedures which are readily available on our intranet.

These policies and procedures are regularly reviewed and updated in a manner that is easily understood by staff and reflect current minimum standards of merit, equity and probity in human resource management activities.

Western Australian Code of Ethics

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 at internal staff meetings.

Record keeping plans

The ERA is committed to developing and maintaining good record keeping practices and meeting the legislative requirements of the *State Records Act 2000* and the State Records Commission Standard 2, Principle 6.

Efficiency and effectiveness of the recordkeeping systems

This year we put in place a three year Strategic Records Audit Plan with the audits to be conducted by a records specialist. The plan requires recordkeeping systems to be audited and evaluated every two years.

The most recent audit (June 2014) found that:

“Overall the ERA’s recordkeeping practices are sound, with core business processes well refined and considered against business requirements and legislation.”

The audit tested samples of work carried out by the ERA to establish evidence of information processes, compliance and maturity. The following ERA reports were chosen as samples:

- West Australian Microeconomic Reform Inquiry
- 2012 – 2017 Western Power’s Approved Revised Access Arrangement (AA3)
- Busselton Water Corporation Licence.

The intent was to examine the maturity of the ERA’s current business processes and recordkeeping practices. The audit rated the maturity of core business processes as **“Level 3 – Effective”**.

The audit findings also identified opportunities for business process improvement in the electronic recordkeeping environment relating to process tracking and Key Performance Indicator (KPI)

monitoring. These improvement opportunities will be examined in 2014-2015 as part of the business process analysis program.

Records improvement initiatives 2013-14

During 2013-14, the ERA:

Completed an extensive **audit of the records of meetings held by all ERA committees**, since the ERA's commencement in 2004.

The audit confirmed that current recordkeeping practices by all committees are compliant.

Automated the disposal program for functional ERA records.

The ERA’s current Retention and Disposal (R&D) schedule and retention triggers were imported into TRIM. The classifications in TRIM have R&D codes applied so that new files are sentenced on creation. A



major sentencing project is being undertaken to apply the R&D codes to closed files retrospectively.

Simplified the business classification structure based on feedback from staff.

The Records section met with each division to review the business classification structure in TRIM. Staff can now navigate the classification more efficiently.

In addition to simplifying the classification, a comprehensive listing of the types of records to be saved to each type of project file has been created. The notes field of the relevant business classification in TRIM has been annotated to assist staff in saving records consistently.

Implemented a Vital Records Program for ERA personnel files to ensure all of these records are available electronically.

Detailed guidelines on what constitutes vital personnel records has been created in collaboration with the Human Resources section.

A joint HR and Records project is planned for 2014-2015 which will focus on scanning vital personnel records into the electronic environment that were created before the program was introduced.

Developed Key Performance Indicators to measure the effectiveness of the ERA’s recordkeeping systems.

The five KPI’s focus on the effectiveness of training and staff compliance. The recordkeeping KPI’s are to be introduced in 2014-2015.

The ERA regularly monitors and reviews the effectiveness and efficiency of TRIM. A functional and technical health review was carried out in May 2014 by Information Proficiency to ascertain the current health status of TRIM within the ERA.

The health review concluded that TRIM is well resourced and operating efficiently. The review recommended the introduction of additional maintenance tasks to ensure good system performance.

A “TRIM service schedule” program has been created to include the recommended tasks and will be introduced in 2014-2015 to regularly monitor and maintain system performance.

Recordkeeping training program

All new employees of the ERA are provided with a comprehensive records induction program in their



first two weeks of employment, consisting of:

- 1) ***A discussion about Records Awareness***, where the Records Coordinator provides information to the employee about their recordkeeping responsibilities within the Public Sector.
- 2) ***A desktop training session***, where the Records Coordinator provides the employee with an Introduction to TRIM.
- 3) ***An online training course***, provided by the National Archives of Australia, which comprises of 15 modules for the Introduction to Digital Records.

A follow up session is undertaken 3 months after the initial training session to review how new employees are managing their recordkeeping at the ERA.

To support the initial training, quick reference guides for commonly used TRIM functions are available, along with the “Records” section of the intranet.

Both resources cover topics such as how to recognise a corporate record, who is responsible for recordkeeping; and recordkeeping business processes.

Training Effectiveness

During the year we reviewed the effectiveness of our online record keeping training module.

A review of the return on investment for this online training course and the perceived effectiveness of online training led to it being cancelled. Feedback from staff confirmed that they preferred face to face training for mandatory compliance training.

An annual staff satisfaction survey and six monthly focus group sessions are planned for 2014-2015 to ensure that training is tailored to the needs of ERA staff.

Business Process Analysis

The overriding goal of the ERA is to improve its information culture and progressively move from compliance to best practice.

One such initiative developed to do this, is the analysis and streamlining of ERA business processes through the Business Process Analysis program.

Electronic Correspondence Cover sheet (CCS) and Approval Process

All correspondence and website publications undergo a strict quality assurance and approval process. This was previously a paper based process, which involved completing,



printing and circulating a paper record throughout the office.

Staff would sign and date the form, with the data being captured in an excel spreadsheet before being scanned and registered into TRIM.

An electronic process was developed to improve the efficiency of the approval process. The paper form was replicated electronically in TRIM with a new tab on all record types. This had the added benefit of making data searchable in TRIM as opposed to the previous spreadsheet.

The physical signatures of the paper based process have been replaced with electronic “User Stamps”. A user stamp is an electronic statement of the day, date, time and user name.

These details are automatically generated from the user’s network credentials ensuring an accurate and authentic record of the person applying the user stamp.

The documents are circulated electronically via email, replacing the previous circulation of a paper record which has significantly reduced the time it takes to approve documents.

The new process has been successfully rolled out to two of the three business divisions at the ERA. The roll out for the third division is planned for early 2014-2015.

Audit of ERA Business Processes

All of the ERA’s business processes were reviewed to determine which ones could be improved. The review also involved proposing ideas and solutions to improve these processes using available resources.

Priority will be given to further developing and researching the proposed solutions in 2014-2015.



Government policy requirements

Substantive equality

The ERA is not a department represented on the Strategic Management Council and does not currently have any obligations under the substantive equality framework.

However, the ERA is aware of the intent of the substantive equality framework and seeks to align itself to the goals of the policy by providing equal employment opportunities, eliminating discrimination in the provision of its services and promoting sensitivity to the different needs of people.

The ERA is committed to ensuring that its employment practices are open and transparent, based on the principles of merit and equity at all times.

The ERA has an equal employment opportunity and diversity policy. The intent of the policy is publicised in all

staff recruitment advertising processes and is adhered to by all staff.

Occupational safety, health and injury management

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

The ERA has an Occupational Health and Safety (OH&S) Representative who regularly conducts inspections of our office environment to undertake an assessment of risks and hazards.

The Representative reports quarterly to the Corporate Executive on the results of inspections and any incidents that have occurred.

The ERA's Occupational Health and Safety Policy on the Intranet reinforces the responsibility of all employees ensuring they conduct themselves in a safe manner at all times, and do not place themselves

or any other person at risk at any time.

The documented injury management system for the ERA is in accordance with the *Workers' Compensation and Injury Management Act 1981*, *Occupational Safety and Health Act 1984* and the *Occupational Safety and Health Regulations 1996*.

This system is available to all employees through the induction process and via the intranet.

In the event that an injury occurs, the ERA supports the early rehabilitation of injured employees through its return to work program.

The return to work program includes external providers, who work with the employee's supervisors to ensure the injured employee is given the best professional assistance to manage and aid their rehabilitation.



A report of annual performance for 2013/14 is as follows.

Indicator	Target 2013/14	Actual 2013/14
Number of fatalities	Zero (0)	Zero
Lost time injury/disease (LTI/D) incidence rate	Zero (0) or 10% improvement on the previous three (3) years	Zero
Lost time injury severity rate	Zero (0) or 10% improvement on previous three (3) years	Zero
Percentage of injured workers returned to work within (i) 13 weeks and (ii) 26 weeks	Greater than or equal to 80% return to work within 26 weeks	Zero
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	Greater than or equal to 80%	78%



Other disclosures

Complaints handling

There are three main areas that may be the source of complaints for the ERA: the administration of our Secretariat; employment-related matters; and matters concerning our regulatory functions.

Handling of complaints relating to the administration of the Secretariat and employment-related matters are dealt with under the [ERA's Code of Conduct](#), the WA Public Sector Code of Ethics, and the ERA's Conflict of Interest Policy. These documents are available in either hard copy at our reception desk or on our website and intranet.

The ERA's Code of Conduct advises that concerns in relation to the observance of the Code should preferably be raised directly with the staff member involved.

The next step is to raise it with the immediate supervisor, and then the Chief Executive Officer. Staff and

consultants working for the ERA are provided with a hard copy of our Code of Conduct during the induction process. We commenced reviewing the Code during 2014 to align with our new Strategic Plan, which was also under review.

Staff can discuss their concerns regarding any employment-related matter with our Senior Human Resource Consultant. [Our website](#) allows for any member of the public to express dissatisfaction or make a complaint. There were no complaints lodged during the year.

A variety of circumstances, such as the competing interest of infrastructure owners and other interested parties, may give rise to complaints regarding the ERA's regulatory functions.

Complaints relating to regulatory matters are handled through comprehensive public consultation involving submissions, public forums, and purpose specific conferences and meetings with the Governing Body or Secretariat.

Submissions may be made on either a public or confidential basis. Public submissions are published on the ERA website.

The ERA's decisions are subject to legal appeal on legal matters to the Supreme Court and to merit reviews by the [Australian Competition Tribunal \(ACT\)](#) and the [Electricity Review Board](#).

Public interest disclosures

The ERA's public interest disclosure (PID) internal procedures outline how the ERA complies with the *Public Interest Disclosure Act 2003*.

The ERA's public interest disclosure (PID) internal procedures outline how the ERA complies with the Public Interest Disclosure Act 2003. These procedures are available on our staff intranet and are also provided to all new employees as part of the induction process.

The ERA currently has three PID Officers.



Memorandum of understanding

A memorandum of understanding (**MOU**) is a public document that assists with consultation, information sharing, and working relationships. In the 2013-14, the ERA had a MOU with the organisations listed in the table.

With whom	Signed	Purpose of the MOU
Energy Ombudsman of Western Australia	30 October 2008	<ul style="list-style-type: none"> • Provide consultation between the two parties. • Coordinate regular activities between the signed parties in relation to the regulation of the electricity and gas industries.
Public Utilities Office (PUO)	5 February 2007	<ul style="list-style-type: none"> • Promote effective cooperation and coordination between the two agencies in performing their complementary roles in Western Australia's energy market.
Department of Water	12 December 2006	<ul style="list-style-type: none"> • Ensure efficient and effective decision making and advisory processes of both agencies in relation to water services industry. • Promote best practice regulation and monitoring of compliance under relevant legislation.
Independent Market Operator (IMO)	9 January 2007	<ul style="list-style-type: none"> • Agreed framework for mutual cooperation in relation to functions relevant to both agencies. • Agreement to mutually assist each other with the exchange of information, expert advice, appropriate referral of matters and cooperation consistent with legislation. • Protocol between the two agencies to deal with operational matters.
Director of Energy Safety (Department of Commerce)	23 May 2006	<ul style="list-style-type: none"> • Promote cooperation on the regulation of the electricity and gas industries in Western Australia. • Contribute significantly to the ability of the agencies to effectively and efficiently carry out their functions.



Audit and Risk

Risk Management

We continued to build on strengthening risk management in the organisation following the implementation of a new risk management framework in 2013 with the assistance of RiskCover.

The risk management system ensures that the management of risk is embedded in the ERA's overall planning, reporting, decision making and management practices.

We continued to add and review risks and risk treatment action plans using the RiskBase application associated with business management processes.

Risk reports are reviewed by the Corporate Executive and Audit and Risk Committee.

Audit program

In accordance with the Strategic Audit Plan and Records Management Audit Plan 2013/14 to 2014/16 approved by the Audit and Risk Committee in the previous financial year, audits conducted during 2013/14 were on:

- Information Security and Website Maintenance
- Financial Management
- Legislative Compliance
- Recordkeeping

The Recordkeeping audit was conducted by Information Proficiency. The other internal audits were conducted by Quantum Assurance.

The ERA maintains an Audit Log of issues raised by internal audit and the findings from an audit are entered into the audit log as a way of reporting outstanding matters that require action to the Audit and Risk Committee.

Once action has been taken to address audit findings and put in place controls which are agreed to by the Audit and Risk Committee, the issue is removed from the audit log.

Matters considered by the Audit and Risk Committee

During the year, the Audit and Risk Committee:

- considered the agency Business Continuity Plan Risk Assessment
- considered the 2012/13 performance report on leave liability
- approved a proposal to change the name of the committee
- approved for the development of an Audit and Risk Committee Charter; and
- approved revisions to the internal audit charter.

Appendices

Appendix 1: Administered legislation

Regulated utility	Relevant legislation
Gas	Energy Coordination Act 1994
	National Gas Access (WA) Act 2009
	National Gas Access (WA)(Part 3) Regulations 2009
	National Gas Access (WA)(Local Provisions) Regulations 2009
	Gas Marketing Code of Conduct 2014
Water	Water Services Act 2012
	Water Services Regulations 2013
	Water Services Code of Conduct (Customer Service Standards) 2013
Rail	Railways (Access) Act 1998
	Railways (Access) Code 2000
Electricity	Electricity Industry Act 2004
	Electricity Industry (Access Code Enforcement) Regulations 2005
	Electricity Industry (Code of Conduct) Regulations 2005
	Electricity Industry (Customer Contracts) Regulations 2005
	Electricity Industry (Licence Conditions) Regulations 2005
	Electricity Industry (Licensing Fees) Regulations 2005
	Electricity Industry (Obligation to Connect) Regulations 2005
	Electricity Industry (Ombudsman Scheme) Regulations 2005
	Electricity Industry (Wholesale Electricity Market) Regulations 2004
	Wholesale Electricity Market Rules
	Electricity Industry (Network Quality and Reliability of Supply) Code 2005
	Code of Conduct for the Supply of Electricity to Small Use Customers 2013
	Electricity Industry Customer Transfer Code 2004
	Electricity Networks Access Code 2004
Electricity Industry Metering Code 2005	



Appendix 2: Other legislation impacting the agency

- Commercial Arbitration Act 1985
- Competition and Consumer Act 2010
- Copyright Act 1968 (Commonwealth)
- Corruption and Crime Commission Act 2003
- Criminal Code Act Compilation Act 1913
- Disability Services Act 1993
- Electoral Act 1907
- Electronic Transactions Act 2003
- Equal Opportunity Act 1984
- Evidence Act 1906
- Financial Management Act 2006
- Freedom of Information Act 1992
- Industrial Relations Act 1979
- Interpretation Act 1984
- Limitation Act 1935
- Limitation Act 2005
- Minimum Conditions of Employment Act 1993
- Occupational Safety and Health Act 1984
- Public Interest Disclosure Act 2003
- Public Sector Management Act 1994
- Rail Freight System Act 2000
- Salaries and Allowances Act 1975
- State Records Acts 2000
- State Records (Consequential Provisions) Act 2000
- State Supply Commission Act 1991
- Statutory Corporations (Liability of Directors) Act 1996
- Workers' Compensation and Injury Management Act 1981



