



# **ANNUAL REPORT 2013-2014**

## **WESTERN AUSTRALIAN ENERGY DISPUTES ARBITRATOR**

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

The Western Australian Energy Disputes Arbitrator 2013/14 annual report and previous annual reports are available on the Arbitrator's website  
[www.edawa.com.au](http://www.edawa.com.au)

## Statement of Compliance

Hon Dr Mike Nahan BEc MS PhD MLA  
Minister for Energy  
12th Floor, Dumas House  
2 Havelock Street  
WEST PERTH WA 6005

Dear Minister

### **Energy Disputes Arbitrator 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 Western Australian Energy Disputes Arbitrator 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

A handwritten signature in black ink, appearing to read 'L James', with a stylized flourish at the end.

Laurie James  
**Energy Disputes Arbitrator**

16 September 2014

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## From the Arbitrator



The role of the Energy Disputes Arbitrator is to determine in an arbitral process the terms and conditions and the prices that are applicable, in the event of there being a dispute between parties seeking access to electricity infrastructure on the one hand and the owners of such infrastructure. In addition, I am responsible for ensuring that appropriate services are available to the Electricity Review Board, should such a Board be constituted.

In January 2014, I was informed that the Department of Finance's Public Utilities Office is undertaking a review of the Energy Disputes Arbitrator position and will make a recommendation to the Minister for Energy, Dr Mike Nahan MLA, on its future. In the meantime, I have notified the Public Utilities Office that I am willing to continue at the expiry of my current term in November 2014 while the review of the position is being undertaken, if I am called upon to do so.

In November 2013, I attended a Public Sector conference at which I was delighted to see the efficient and energetic way in which the Public Sector contributes to the progress of Western Australia. The Premier's Award for Excellence went to the Esperance Cleanup and Recovery Project, a worthy winner.

In the course of my duties I have received much valuable assistance from Pam Herbener, Manager Corporate Services at the Economic Regulation Authority, other staff at the Economic Regulation Authority and the staff of the Public Utilities Office. I am pleased to take this opportunity to record my thanks.

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

Laurie James  
**Energy Disputes Arbitrator**

## Overview of the Agency

### Executive Summary

The Office of the Western Australian Energy Disputes Arbitrator (Arbitrator) is established under the *Energy Review and Arbitration Act 2009*. The Office was set up to resolve disputes between providers of gas pipeline services and other parties seeking access to a regulated gas pipeline. The Arbitrator also has functions under the *Electricity Industry Act 2004* to resolve disputes in relation to the negotiation of contracts and contractual disputes in relation to access to regulated electricity networks.

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

There were no matters being considered by the Review Board during the reporting year.

There were no applications lodged with the Arbitrator to resolve disputes during this reporting year.

### Operational Structure

The Arbitrator has no supporting organisation, but may, by arrangement, make use of facilities and staff of other Government departments and agencies other than employees of an Electricity Corporation. The Arbitrator has an

arrangement with the Economic Regulation Authority for corporate services.

When required, a consultant is appointed to perform the services of Registrar to facilitate hearings of the Review Board.

### Enabling Legislation

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

### Responsible Minister

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

### Organisational Structure

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

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

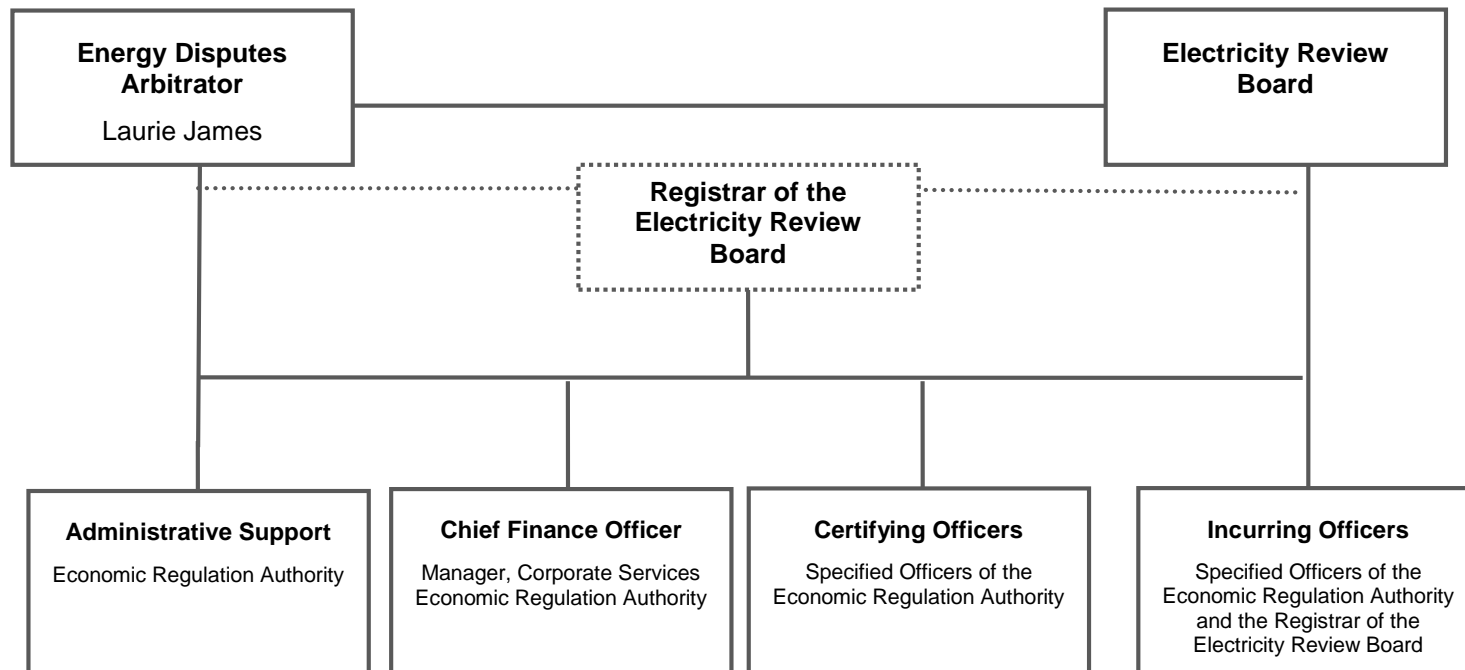
## Values

- Promote a competitive market for energy in which customers may choose suppliers, including producers, retailers and traders.
- Prevent abuse of monopoly power.
- Provide for resolution of disputes.
- Provide rights of access to regulated energy infrastructure on conditions that are fair and reasonable for the owners and operators of those assets and persons wishing to use the services provided by the assets.
- Facilitate the development and operation of a market for energy in Western Australia.

## Organisational Chart

The following chart represents the organisational structure of the Arbitrator as at 30 June 2014. The Economic Regulation Authority continues to provide corporate services support to the Arbitrator. This support is provided by staff who are not involved in regulatory decision making. Processes are in place to ensure that information about the activities of the Arbitrator and Review Board are not made available to staff of the Economic Regulation Authority outside of the corporate services division.

Figure 1: Organisational Chart





## Funding

The Arbitrator is funded through provisions in the National Gas Access (WA) (Local Provisions) Regulations 2009, the Electricity Industry (Arbitrator and Board) Funding Regulations 2009 and the Gas Supply (Gas Quality Specifications) Regulations 2010. On 16 August 2013, the Gas Services Information Regulations 2012 came into effect. These regulations allow for the costs of the Arbitrator's oversighting role for regulated infrastructure in Western Australia to be recovered from operators of regulated gas pipelines, regulated electricity networks and producers of broad specification gas in the State.

## Administered Legislation

### Gas industry

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

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

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

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

### Electricity Industry

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

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

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

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

## Other legislation impacting the Arbitrator

The Arbitrator performs his functions in compliance with other legislation. These are listed in [Appendix 1 - Other Legislation Impacting the Arbitrator](#).

## Independence of direction

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

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

## Support

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

## Clients

The Arbitrator's clients are:

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

## Western Australian Electricity Review Board

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

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

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

The Review Board can be constituted to conduct proceedings under:

- The National Gas Law in relation to the Goldfields Gas Pipeline until that pipeline operator lodges revisions to its access arrangement
- The *Electricity Industry Act 2004* including in relation to the Wholesale Electricity Market
- The *Gas Services Information Act 2012*

The Review Board can be constituted to review decisions of:

- The Economic Regulation Authority:
  - regarding access to electricity networks under the Electricity Networks Access Code 2004

- concerning electricity licences and standard form contracts under the *Electricity Industry Act 2004*
- The Independent Market Operator under the Wholesale Electricity Market Rules and the *Gas Services Information Act 2012*.
- System Management under the Wholesale Electricity Market Rules.
- the Minister for Energy on the coverage of network infrastructure under the *Electricity Industry Act 2004*.

Table 1: Review Board Panel members

Panel Members whose appointment ends 20 September 2015		Panel Members whose appointment ends 5 August 2016	
<i>Legal practitioner</i>	<i>Experts</i>	<i>Legal practitioners</i>	<i>Experts</i>
Mr Graham Castledine	Mr Michael Carr Dr Leslie Farrant Mr Brendan Gaynor Dr Frank Harman Mr Albert Koenig Mr David Lyne Mr Kevan McGill Mr Nenad Ninkov Dr John Williams Mr Ted Woodley	Mr Scott Ellis Mr Adam Bisits Mr Charles Merriam Mr Michael Sweeney Mr Simon Adams	Mr Graham Mathieson Ms Jenny Davis Mr John Collins Mr Mark Johnston Mr Simon Orme

## Performance Management Framework

### Outcome Based Management Framework

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

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

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

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

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

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

### Changes to Outcome Based Management Framework

The Arbitrator’s Outcome Based Management Framework did not change during 2013/14.

### Shared Responsibilities with Other Agencies

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

## Agency Performance

### Energy Disputes Arbitrator

No applications to conduct an Arbitration hearing were lodged in 2013/14. This is consistent with an objective of having no disputes.

### Electricity Review Board

There were no applications for review by the Electricity Review Board lodged in 2013/14.

### Actual financial results versus approved estimates

#### Financial targets

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

The following estimate was approved by the Minister for 2013/14.

**Table 2: Estimate approved by the Minister for 2013/14**

Expenditure Estimate	2013/14
<b>Staff Costs</b>	
Total remuneration including on-costs	\$31,000
<b>Administration Costs</b>	
Supplies and services	\$13,000
<b>Audit fees</b>	\$6,000
Total Annual Estimate	\$50,000

The total expenditure for the ongoing costs of the Arbitrator in 2013/14 was \$49,216.

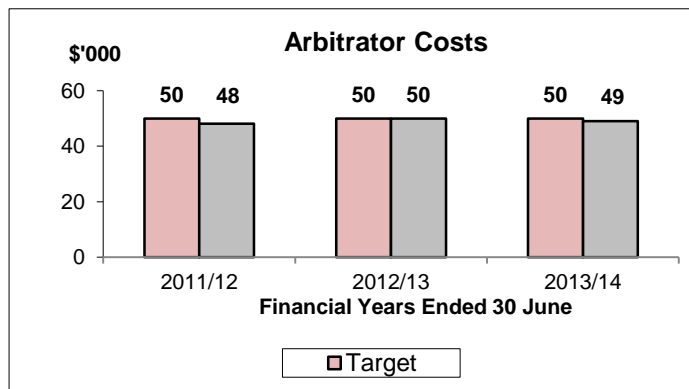
The Arbitrator does not allow for costs associated with arbitration, review or appeal in the annual estimates. The 2013/14 expenditure does not include any expenditure relating to reviews compared to an amount of \$7,685 in 2012/13.

The additional expenditure in 2012/13 on reviews has resulted in there being a decrease in supplies and services of \$8,821. There was also a slight decrease in services received free of charge due to additional work being carried out by the Economic Regulation Authority in 2012/13 relating to the Arbitrator's records management compliance (\$12,671 in 2012/13 compared to \$11,315 in 2013/14). All other

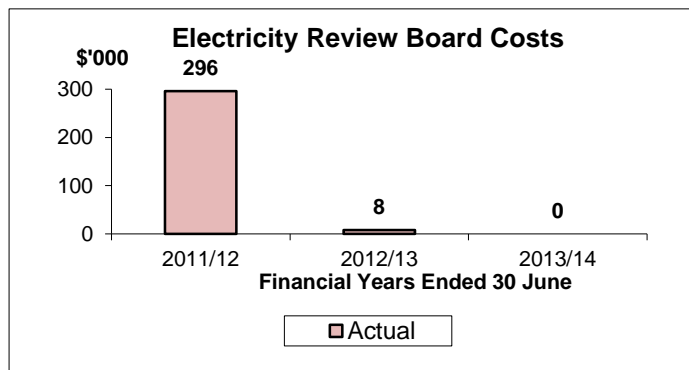
expenditure relating to the ongoing costs of the Arbitrator was consistent with previous years.

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

**Figure 2: Arbitrator Costs**



**Figure 3: Electricity Review Board Costs**



## Summary of Key Performance Indicators

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

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

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

**Table 3: Summary of Key Performance Indicators**

	2013/14 Target	2013/14 Actual	Variation
<i>Outcome 1 To provide for resolution of disputes</i>			
Key Effectiveness Indicator			
<b>The number of disputes resolved as a proportion of total disputes registered</b>			
<i>Service 1: Arbitration of disputes</i>	100%	0% (no disputes)	N/A no disputes
Key Efficiency Indicator:			
<b>Average cost per dispute</b>	\$0 (no disputes)	\$0 (no disputes)	\$0
<i>Outcome 2 To provide administrative services to the Electricity Review Board for the review of decisions</i>			
Key Effectiveness Indicator			
<b>Percentage of Electricity Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes</b>			
<i>Service 1: Provision of administrative services</i>	75%	0%	75%
<i>The survey was not undertaken in 2013/14 as no review board was active during the year</i>			
Key Efficiency Indicator:	\$0	\$0	\$0
<b>Average cost per review application</b>			

## Maintaining a state of readiness

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

For example, the demands placed on the Arbitrator by several smaller regulated assets in one year may be equivalent to those of a single larger piece of regulated infrastructure in another year. To ensure that the units of measurement are reasonably consistent from one year to the next, a standard unit of regulated infrastructure has been defined as one having a capital base value of \$500 million.

## Number of units of regulated infrastructure oversighted

During 2013/14, the Arbitrator had oversight of 21.98 equivalent standard units (\$500 million) of regulated infrastructure, against a target of 21.98.

The calculation of units of regulated infrastructure does not include the value of generation facilities covered by the wholesale electricity market oversighted by the Arbitrator. No value has been attributed to generation facilities in calculating

the number of units of regulated infrastructure as no such value is available and, it is not cost effective to calculate such a value.

## Arbitrator's costs

The cost of the Arbitrator being available to address matters arising from the regulation of infrastructure for 2013/14 was \$49,216 compared to \$50,034 in 2012/13. The Arbitrator is able to recover this cost from operators of regulated gas pipelines, electricity networks, producers of broad specification gas and the Independent Market Operator in relation to the Gas Statement of Opportunities and Gas Services Bulletin Board.

## Electricity Review Board costs

There were no applications for review underway with the Review Board during the year.

## Average cost of oversighting

The actual number of units of regulated infrastructure oversighted did not change during 2013/14. The average cost of oversighting an equivalent standard unit of regulated infrastructure decreased slightly from the target of \$2,275 to \$2,230.

## Provision of Administrative Services to the Electricity Review Board

To assess satisfaction with the administrative services provided by the Arbitrator to the Review Board, the members of Review



Boards active during the year are invited to respond to a survey to rate their satisfaction in relation to:

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

As no Review Boards were active during the year, the survey was not undertaken.

## Significant Issues Impacting the Arbitrator

The following issue may impact the role of the Arbitrator in 2014/15.

During 2013/14, the Department of Finance's Public Utilities Office is undertaking a review of the Energy Disputes Arbitrator position and will make a recommendation to the Minister for Energy, Dr Mike Nahan MLA, on its future. In the meantime, I have notified the Public Utilities Office that I am willing to continue at the expiry of my current term in November 2014 while the review of the position is being undertaken, if I am called upon to do so.

# Disclosures and Legal Compliance



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### WESTERN AUSTRALIAN ENERGY DISPUTES ARBITRATOR

#### Report on the Financial Statements

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

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

#### *Arbitrator's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Western Australian Energy Disputes Arbitrator at 30 June 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 Western Australian Energy Disputes Arbitrator during the year ended 30 June 2014.

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

#### *Arbitrator's Responsibility for Controls*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In my opinion, the controls exercised by the Western Australian Energy Disputes Arbitrator are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2014.

#### Report on the Key Performance Indicators

I have audited the key performance indicators of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2014.

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

#### *Arbitrator's Responsibility for the Key Performance Indicators*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In my opinion, the key performance indicators of the Western Australian Energy Disputes Arbitrator are relevant and appropriate to assist users to assess the Arbitrator's performance and fairly represent indicated performance for the year ended 30 June 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 Western Australian Energy Disputes Arbitrator for the year ended 30 June 2014 included on the Arbitrator's website. The Arbitrator's management is responsible for the integrity of the Arbitrator's website. This audit does not provide assurance on the integrity of the Arbitrator's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

GLEN CLARKE  
DEPUTY AUDITOR GENERAL  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
11 August 2014

## Financial Statements

### Certification of Financial Statements

#### For the year ended 30 June 2014

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



Pam Herbener  
**CHIEF FINANCE OFFICER**  
Date: 4 August 2014



Laurie James LLB Hons.  
**ENERGY DISPUTES ARBITRATOR**  
Date: 5 August 2014

	Note	2014 \$	2013 \$
<b>Statement of Comprehensive Income</b>			
For the year ended 30 June 2014			
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense .....	4.	30,605	30,487
Supplies and services .....	5.	12,911	21,732
Other expenses .....	6.	5,700	5,500
<b>Total cost of services</b> .....		<b>49,216</b>	<b>57,719</b>
<b>Income</b>			
<i>Revenue</i>			
Regulatory fees .....	7.	37,958	37,364
Interest revenue .....	8.	506	640
<b>Total Revenue</b> .....		<b>38,464</b>	<b>38,004</b>
<b>Total income other than income from State Government</b> .....		<b>38,464</b>	<b>38,004</b>
<b>NET COST OF SERVICES</b> .....		<b>10,752</b>	<b>19,715</b>
<b>Income from State Government</b>			
Services received free of charge .....	9.	11,315	12,671
<b>Total income from State Government</b> .....		<b>11,315</b>	<b>12,671</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b> .....		<b>563</b>	<b>(7,044)</b>
<b>OTHER COMPREHENSIVE INCOME</b> .....		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b> .....		<b>563</b>	<b>(7,044)</b>
The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.			

	Note	2014 \$	2013 \$
<b>Statement of Financial Position</b>			
<b>As at 30 June 2014</b>			
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents .....	10.,15.	27,699	28,584
Receivables .....	11.	8,220	7,924
Other current assets .....	12.	1,273	44
<b>Total Current Assets</b> .....		<b>37,192</b>	<b>36,552</b>
<b>TOTAL ASSETS</b> .....		<b>37,192</b>	<b>36,552</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables .....	13.	847	770
<b>Total Current Liabilities</b> .....		<b>847</b>	<b>770</b>
<b>TOTAL LIABILITIES</b> .....		<b>847</b>	<b>770</b>
<b>NET ASSETS</b> .....		<b>36,345</b>	<b>35,782</b>
<b>EQUITY</b>			
Contributed Equity .....	14.	880,000	880,000
Accumulated surplus/(deficit) .....	14.	(843,655)	(844,218)
<b>TOTAL EQUITY</b> .....		<b>36,345</b>	<b>35,782</b>

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 \$	Reserves \$	Accumulated surplus/(deficit) \$	Total Equity \$
<b>Balance at 1 July 2012 14.</b>		880,000	-	(837,174)	42,826
Total comprehensive income for the period		-	-	(7,044)	(7,044)
Transactions with owners in their capacity as owners:					
Capital appropriations		-	-	-	-
<b>Balance at 30 June 2013</b>		<b>880,000</b>	-	<b>(844,218)</b>	<b>35,782</b>
<b>Balance at 1 July 2013</b>		880,000	-	(844,218)	35,782
Total comprehensive income for the period		-	-	563	563
Transactions with owners in their capacity as owners:					
Capital appropriations		-	-	-	-
<b>Balance at 30 June 2014</b>		<b>880,000</b>	-	<b>(843,655)</b>	<b>36,345</b>

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

	Note	2014 \$	2013 \$
<b>Statement of Cash Flows</b>			
<b>For the year ended 30 June 2014</b>			
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Capital appropriation .....		-	-
<b>Net cash provided by State Government .....</b>		<b>-</b>	<b>-</b>
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits.....		(30,488)	(30,488)
Supplies and services .....		(2,865)	(10,299)
GST payments on purchases.....		(845)	(1,451)
Other payments.....		(5,700)	(5,500)
<b>Receipts</b>			
Regulatory fees .....		37,790	41,401
Interest received.....		506	640
GST receipts from taxation authority.....		717	8,238
<b>Net cash provided by/(used in) operating activities</b>	<b>15.</b>	<b>(885)</b>	<b>2,541</b>
Net increase/(decrease) in cash and cash equivalents .....		(885)	2,541
Cash and cash equivalents at the beginning of period .....		28,584	26,043
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b>15.</b>	<b>27,699</b>	<b>28,584</b>

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

#### **Early adoption of standards**

The Arbitrator cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Arbitrator for the annual reporting period ended 30 June 2014.

### **Note 2. Summary of significant accounting policies**

#### **(a) General statement**

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

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

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

### **(b) Basis of preparation**

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

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

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

### **(c) Reporting entity**

The reporting entity comprises the Western Australian Energy Disputes Arbitrator.

### **(d) Contributed equity**

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

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

### **(e) Income**

#### Revenue recognition

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

### *Provision of services*

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

### *Interest*

Revenue is recognised as the interest accrues.

### *Regulatory fees*

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

## **(f) Financial instruments**

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

- Receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
  - Cash and cash equivalents
  - Receivables
- Financial Liabilities
  - Payables

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

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

#### **(g) Cash and cash equivalents**

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

#### **(h) Accrued salaries**

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

#### **(i) Receivables**

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

#### **(j) Payables**

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

#### **(k) Superannuation expense**

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

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

#### **(l) Assets and Services received free of charge or for nominal cost**

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

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

### **(m) Comparative figures**

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

### ***Note 3. Disclosure of changes in accounting policy and estimates***

#### **Initial application of an Australian Accounting Standard**

The Arbitrator has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2013 that impacted on the Arbitrator.

##### *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 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 have been adopted by the Arbitrator.

**Future impact of Australian Accounting Standards not yet operative**

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

**Operative for  
reporting periods  
beginning on/after**

<i>AASB 9</i>	<i>Financial Instruments</i>	1 Jan 2017
	<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 Arbitrator has not yet determined the application or the potential impact of the Standard.</p>	
<i>AASB 1031</i>	<i>Materiality</i>	1 Jan 2014
	<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>	
<i>AASB 1055</i>	<i>Budgetary Reporting</i>	1 Jul 2014
	<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</p>	



variances between actual and budgeted amounts, though there is no financial impact.

<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 &amp; 1038 and Int 10 &amp; 12]</i></p> <p><i>[modified by AASB 2010-7]</i></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 &amp; 1038 and Int 2, 5, 10, 12, 19 &amp; 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 Arbitrator has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2015
<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 Arbitrator 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

AASB 2013-9	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.</i>	1 Jan 2014
	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 Arbitrator has not yet determined the application or the potential impact of AASB 9, otherwise there is no financial impact for Part B.	1 Jan 2017

### **Changes in accounting estimates**

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>

**Note 4. Employee benefits expense**

Salary .....	28,010	27,970
Superannuation - complying superannuation fund <sup>(a)</sup> .....	2,595	2,517
	<b><u>30,605</u></b>	<b><u>30,487</u></b>

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

**Note 5. Supplies and services**

Professional services .....	11,956	13,858
Communications .....	644	23
Legal costs .....	-	7,630
Other .....	311	221
	<b><u>12,911</u></b>	<b><u>21,732</u></b>

**Note 6. Other expenses**

Audit fee <sup>(a)</sup> .....	5,700	5,500
	<b><u>5,700</u></b>	<b><u>5,500</u></b>

(a) See also note 21 'Remuneration of auditor'.

**Note 7. Regulatory fees**

Regulatory fees .....	37,958	37,364
	<b><u>37,958</u></b>	<b><u>37,364</u></b>

**Note 8. Interest revenue**

Interest revenue .....	506	640
	<b><u>506</u></b>	<b><u>640</u></b>

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>

**Note 9. Income from State Government**

Services received free of charge from other State Government agencies during the period:

Economic Regulation Authority .....	11,315	12,671
	<u>11,315</u>	<u>12,671</u>

**Note 10. Cash and cash equivalents**Current

Cash at Bank.....	27,699	28,584
	<u>27,699</u>	<u>28,584</u>

**Note 11. Receivables**Current

Accrued revenue .....	8,069	7,901
GST receivable .....	151	23
<b>Total current</b> .....	<u>8,220</u>	<u>7,924</u>

There were no allowances made in the current year for the impairment of receivables (2012/13: nil)  
The Arbitrator does not hold any collateral or other credit enhancements as security for receivables.

**Note 12. Other Assets**Current

Prepayments .....	1,273	44
<b>Total current</b> .....	<u>1,273</u>	<u>44</u>

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>

**Note 13. Payables**Current

Trade payables .....	27	67
Accrued salaries .....	820	703
<b>Total current .....</b>	<b><u>847</u></b>	<b><u>770</u></b>

**Note 14. Equity**Contributions by owners

Capital appropriation .....	880,000	880,000
	880,000	880,000

Accumulated surplus/(deficit)

Balance at start of period	(844,218)	(837,174)
Result for the period .....	563	(7,044)
<b>Balance at end of period</b>	<b>(843,655)</b>	<b>(844,218)</b>
<b>Total Equity at end of period .....</b>	<b><u>36,345</u></b>	<b><u>35,782</u></b>

**Note 15. Notes to the Statement of Cash Flows****(a) Reconciliation of cash**

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

Cash and cash equivalents .....	27,699	28,584
	<b><u>27,699</u></b>	<b><u>28,584</u></b>

	2014 \$	2013 \$
<b>(b) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities</b>		
Net cost of services	(10,752)	(19,715)
<u>Non-cash items:</u>		
Services received free of charge .....	11,315	12,671
<u>(Increase)/decrease in assets:</u>		
Current receivables <sup>(a)</sup>	(168)	4,037
Other current assets	(1,229)	(44)
<u>Increase/(decrease) in liabilities:</u>		
Current payables <sup>(a)</sup> .....	77	(1,195)
Net GST receipts/(payments) <sup>(b)</sup> .....	128	(6,786)
Change in GST in receivables/payables <sup>(c)</sup>	(256)	13,573
<b>Net cash provided by/(used in) operating activities</b>	<b>(885)</b>	<b>2,541</b>

(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 16. Contingent liabilities and contingent assets**

#### **Contingent liabilities**

The Arbitrator had no contingent liabilities as at 30 June 2014.

**Contingent assets**

The Arbitrator had no contingent assets as at 30 June 2014.

**Note 17. 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 18. Explanatory Statement**

This statement provides details of any significant variations between estimates and actual results for 2014 and between the actual results for 2013 and 2014. Significant variations are considered to be those greater than 10% and \$10,000.

**Significant variances between actual results for 2013 and 2014**

	<b>2014</b>	<b>2013</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>Expenses</u>	-	-	-
<u>Revenue</u>	-	-	-

**Note 19. Financial instruments****(a) Financial risk management objectives and policies**

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

Credit risk

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

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

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

#### Liquidity risk

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

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

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

#### Market risk

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

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

#### **(b) Categories of financial instruments**

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<u>Financial Assets</u>		
Cash and cash equivalents.....	27,699	28,584
Receivables <sup>(a)</sup> .....	8,069	7,901
<u>Financial Liabilities</u>		
Financial liabilities measured at amortised cost.....	847	770

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



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

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

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

**Ageing analysis of financial assets**

	Carrying Amount	Not past due and not impaired	Past due but not impaired					Impaired financial assets
			Up to 1 month	1 – 3 months	3 months to 1 year	1-5 years	More than 5 years	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>2014</b>								
Cash and cash equivalents	27,699	27,699	-	-	-	-	-	-
Receivables <sup>(a)</sup>	8,069	8,069	-	-	-	-	-	-
	<b>35,768</b>	<b>35,768</b>	-	-	-	-	-	-
<b>2013</b>								
Cash and cash equivalents	28,584	28,584	-	-	-	-	-	-
Receivables <sup>(a)</sup>	7,901	7,901	-	-	-	-	-	-
	<b>36,485</b>	<b>36,485</b>	-	-	-	-	-	-

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

Liquidity risk and interest rate exposure

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

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

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

	Weighted Average Effective Interest Rate  %	<u>Interest rate exposure</u>				<u>Maturity dates</u>					
		Carrying Amount  \$	Fixed interest rate  \$	Variable interest rate  \$	Non- interest bearing  \$	Nominal Amount  \$	Up to 1 month  \$	1 – 3 months  \$	3 months to 1 year  \$	1 – 5 years  \$	More than 5 years  \$
<b>2014</b>											
<u>Financial Assets</u>											
Cash and cash equivalents	2.81%	27,699	-	27,699	-	27,699	27,699	-	-	-	-
Receivables (a)		8,069	-	-	8,069	8,069	8,069	-	-	-	-
		<b>35,768</b>	<b>-</b>	<b>27,699</b>	<b>8,069</b>	<b>35,768</b>	<b>35,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u>Financial Liabilities</u>											
Payables		847	-	-	847	847	847	-	-	-	-
		<b>847</b>	<b>-</b>	<b>-</b>	<b>847</b>	<b>847</b>	<b>847</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

		<u>Interest rate exposure</u>				<u>Maturity dates</u>					
	Weighted Average Effective Interest Rate %	Carrying Amount \$	Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$	Nominal Amount \$	Up to 1 month \$	1 – 3 months \$	3 months to 1 year \$	1 – 5 years \$	More than 5 years \$
<b>2013</b>											
<u>Financial Assets</u>											
Cash and cash equivalents	3.40%	28,584	-	28,584	-	28,584	28,584	-	-	-	-
Receivables (a)		7,901	-	-	7,901	7,901	7,901	-	-	-	-
		<b>36,485</b>	<b>-</b>	<b>28,584</b>	<b>7,901</b>	<b>36,485</b>	<b>36,485</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u>Financial Liabilities</u>											
Payables		770	-	-	770	770	770	-	-	-	-
		<b>770</b>	<b>-</b>	<b>-</b>	<b>770</b>	<b>770</b>	<b>770</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

Interest rate sensitivity analysis

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

	Carrying amount \$	-100 basis points		+100 basis points	
		Surplus \$	Equity \$	Surplus \$	Equity \$
<b>2014</b>					
<u>Financial Assets</u>					
Cash and cash equivalent	27,699	(277)	(277)	(277)	(277)
Total Increase/(Decrease)		<b>(277)</b>	<b>(277)</b>	<b>(277)</b>	<b>(277)</b>

	Carrying amount \$	-100 basis points		+100 basis points	
		Surplus \$	Equity \$	Surplus \$	Equity \$
<b>2013</b>					
<u>Financial Assets</u>					
Cash and cash equivalent	28,584	(286)	(286)	286	286
Total Increase/(Decrease)		<b>(286)</b>	<b>(286)</b>	<b>286</b>	<b>286</b>

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 20. Remuneration of members of the accountable authority and senior officers****Remuneration of members of the accountable authority**

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

\$	2014	2013
20,001 - 30,000	1	1
	\$	\$
Base remuneration and superannuation .....	29,784	30,487
<b>The total remuneration of members of the accountable authority .....</b>	<b><u>29,784</u></b>	<b><u>30,487</u></b>

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

Prior period has been restated for change to Treasurer's Instruction 952.

**Note 21. Remuneration of auditor**

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

	2014	2013
	\$	\$
Auditing the accounts, financial statements and key performance indicators.....	<u>5,800</u>	<u>5,700</u>

**Note 22. Schedule of income and expenses by service**

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

**Note 23. Related and affiliated bodies**

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

## Certification of Key Performance Indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Western Australian Energy Disputes Arbitrator's performance, and fairly represent the performance of the Western Australian Energy Disputes Arbitrator for the financial year ended 30 June 2014.



Pam Herbener  
**CHIEF FINANCE OFFICER**  
4 August 2014



Laurie James LLB Hons.  
**ENERGY DISPUTES ARBITRATOR**  
5 August 2014

## Key Performance Indicators

### Formulating the Arbitrator's Performance Indicators

The Office of the Arbitrator was established by the *Energy Arbitration and Review Act 1998* and funded through provisions in the *National Gas Access (WA) (Local Provisions) Regulations 2009*, the *Electricity Industry (Arbitrator and Board Funding) Regulations 2009* and the *Gas Supply (Gas Quality Specifications) Regulations 2010*. On 16 August 2013, the *Gas Services Information Regulations 2012* came into effect which provided an additional funding mechanism for the Arbitrator.

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

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

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

*“The efficient, safe and equitable provision of utility services in Western Australia”.*

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

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

- arbitration of disputes; and
- provision of administrative services to the Electricity Review Board (Review Board) for the review of decisions.

These programs are facilitated by maintaining a state of readiness for the arbitration of disputes and the review of decisions by the Review Board. The outcome is achieved by assisting parties to resolve disputes and providing timely and efficient support to the Review Board when it is constituted.

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

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

The Arbitrator's key performance indicators derive from the processes and support that he provides in meeting the

objectives set by the enabling legislation, including the *National Gas Access (WA) Act 2009*, the *Electricity Industry Act 2004* (section 122), the *Gas Supply (Gas Quality Specifications) Act 2009* and the *Gas Services Information Act 2012*.

## Key Effectiveness Indicators

### Resolution of Disputes

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

### Provision of Administrative Services to the Electricity Review Board

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

### 2013/14 Performance – Effectiveness

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

#### **1. Arbitration of disputes**

The target for this measure of effectiveness is 100 per cent. Such an outcome reflects a situation where all disputes that were registered were also resolved during the year. There were no active disputes during the year.

#### **2. Provision of administrative services to the Electricity Review Board**

The Arbitrator's effectiveness in supporting the Review Board in its review of decisions is measured by determining the percentage of Review Board members involved in reviews of decisions that are satisfied or very satisfied with the way the Arbitrator has provided general administrative support. This includes sourcing accommodation and associated services for hearings and facilitating liaison with the various parties outside the formal hearings process.

The Review Board was not active during the year and therefore the Arbitrator was not required to provide administrative services.



**Effectiveness**

Desired outcome	Measure	Target	2013/14	2012/13	2011/12
<b>Arbitration of disputes</b>	The number of disputes resolved as a proportion of total disputes registered	100%	n/a  (no disputes)	n/a  (no disputes)	n/a  (no disputes)
<b>Provision of administrative services to the Electricity Review Board for the review of decisions</b>	Percentage of Electricity Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes	75%	n/a  (no reviews)	n/a  (no reviews)	100%

**Key Efficiency Indicators****Resolution of Disputes**

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

**Provision of Administrative Services to the Electricity Review Board**

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

### **Maintaining a State of Readiness**

The efficiency indicator for the Arbitrator's program of maintaining a state of readiness is the average cost per standard unit of regulated infrastructure. This facilitates the measurement of the cost efficiency associated with the Arbitrator's ability to respond to matters brought before him, such as disputes and reviews.

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

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

It should be noted, however, that the Arbitrator overlooks generation facilities covered by the Wholesale Electricity

Market. If the value of these generation facilities were taken into account then the number of units in 2013/14 would far exceed 21.98 units. As the generation facilities overlooked by the Arbitrator are owned by both private and public electricity market participants, no readily available value exists that may be ascribed to this infrastructure. Indeed, to ascribe a value to such infrastructure would not be justified, as this would involve significant cost and serve no other purpose. Accordingly, no value has been ascribed to generation facilities, which are therefore not reflected in the 21.98 equivalent standard units of regulated infrastructure.

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

During 2013/14 the Review Board was given a function under the *Gas Services Information Act 2012*. This new function aligns with the existing key performance indicators for the Arbitrator to be able to establish and support a review body when required.

### **2013/14 Performance – Efficiency**

The three efficiency indicators for the Arbitrator are:

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

The efficiency indicators 1 and 2 are reported as disputes/reviews that are active during the year, regardless of

whether they have been completed. This approach reflects the costs incurred, particularly where a dispute/review spans more than one year.

### Efficiency

Service	Performance Indicator	Target	2013/14	2012/13	2011/12	2010/11
<b>Arbitration of disputes</b>	Average cost per dispute	\$0	\$0	\$0	\$0	\$0
<b>Review of regulatory decisions</b>	Average cost per review application	\$0 (no disputes)	\$0 (no disputes)	\$7,685	\$147,872	\$131,349
<b>Maintaining a state of readiness</b>	Average cost per standard unit of regulated infrastructure	\$2,275	\$2,239	\$2,275	\$2,530	\$3,105

#### 1. Average cost per dispute

As there were no disputes active or initiated during the 2013/14 financial year, the average cost per dispute is zero. The average cost was zero in 2012/13 as there were no disputes. The target for this indicator is zero, consistent with an objective of having no disputes.

#### 2. Average cost per review application

The indicator represents the average cost per review in the reporting year. There were no applications considered by the Review Board in 2013/14.

The cost of reviews of \$7,685 in 2012/13 related to work undertaken with hearing Appeals 1/2010 and 2/2010 which

were finalised in 2011/12. The average cost of reviews varies between years related to the amount of work undertaken by the Registrar and Members of the Review Board in each year. The average cost of reviews was zero in 2013/14 compared with \$7,685 in 2012/13, \$147,872 in 2011/12 and \$131,349 in 2010/11.

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

#### 3. Average cost per standard unit of infrastructure

The average cost per standard unit of regulated infrastructure oversighted in the 2013/14 financial year is the cost necessary to ensure that procedures are in place to address matters that fall within the jurisdiction of the Arbitrator. The target for this indicator in 2013/14 was \$2,275 which is established on the basis of the Arbitrator's approved budget (\$50,000) divided by the target of standard units of regulated infrastructure.

The actual number of standard units of regulated infrastructure was 21.98 against a target of 21.98. This resulted in an actual cost of \$2,239 in 2013/14 compared with \$2,275 in 2012/13, \$2,530 in 2011/12 and \$3,105 in 2010/11.

### Ministerial Directives

Section 75(2) of the *Energy Arbitration and Review Act 1998* provides for the Minister for Energy to give directions in writing to the Arbitrator in relation to general policies to be followed by the Arbitrator in matters of administration, including financial

administration. The text of any such direction is required to be included in the Arbitrator's annual report.

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

## Other Financial Disclosures

### Pricing policies of services provided

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

The Arbitrator's expenditure in 2013/14 includes an amount of \$11,315 which is a recognition of services received free of charge from the Economic Regulation Authority. As this is not cash expenditure, it is not subject to a charge on regulated industries.

### Gas Industry

The Arbitrator receives 50% of his funding for his gas industry functions through 'standing charges' levied on:

16.7% from operators of regulated pipelines, determined in line with the National Gas Access (WA) (Local Provisions) Regulations 2009. The pipeline operators that are liable for quarterly standing charges, and the percentage of allocation of costs between them, are set out in schedule 1 of the regulations.

16.7% from producers of broad specification gas, determined in line with the Gas Supply (Gas Quality Specifications) Regulations 2010. BHP Billiton is the only producer of broad specification gas.

On 16 August 2013, the Gas Services Information Regulations 2012 introduced funding of 16.7% from the Independent Market Operator in relation to the Gas Statement of Opportunities and the Gas Bulletin Board.

### Electricity Industry

Funding of the Arbitrator's electricity industry functions has also been arranged through 'standing charges' levied by the Arbitrator on operators of regulated networks. These charges are determined in line the Electricity Industry (Arbitrator and Board) Funding Regulations 2009. The network operators that are liable for quarterly standing charges, and the percentage of allocation of costs between them, are set out in schedule 1 of the regulations.

### Annual Reporting

Included in the funding regulations is a requirement that the Arbitrator's annual report provides details of the total amount of standing charges received by the Arbitrator in a financial year. This information for the year ended 30 June 2013 is listed in

Table 4:

**Table 4: Standing Charges Paid**

Service provider	Standing charges (\$)
WA Gas Networks Pty Limited (ATCO)	\$1,706
Goldfields Gas Transmission	\$1,280
Southern Cross Pipelines Pty Limited	\$172
DBNGP (WA) Transmission Pty Limited	\$3,158
BHP Billiton	\$6,317
Western Power	\$18,951
Independent Market Operator	\$6,317
<b>Total</b>	<b>\$37,901</b>

The *Gas Pipelines Access (Western Australia) Act 2009* and the *Electricity Industry Act 2004* allows the Arbitrator to recover costs incurred in arbitrating disputes. As there were no disputes in 2013/14, no costs were recovered.

The Arbitrator is also able to recover certain costs and expenses of the Review Board for hearings and determinations of the Review Board. The Review Board is able to fix an amount that represents the costs and expenses incurred by it for the hearing and determination of particular proceedings before it, and to assign costs to the parties of the relevant proceedings. The Review Board was not active during 2013/14 so no costs were incurred.

### Capital works

There were no major capital works undertaken during 2013/14.

### Treasurer's advances

Section 83 of the *Energy Arbitration and Review Act 1998* allows for the Arbitrator to borrow from the Treasurer. As the Arbitrator does not allow for costs associated with arbitration, review or appeal in his annual estimates, application is made for a Treasurer's Advance to fund these functions on an as-needed basis. As there were no arbitrations, reviews or appeals, the Arbitrator did not need to request a Treasurer's Advance in 2013/14.

### Employment and Industrial Relations

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

While the *Energy Arbitration and Review Act 1998* allows the Arbitrator to make arrangements to use the services of any public sector officer or employee and to have administrative authority over the officer, no arrangement was in place during 2013/14. The Arbitrator has an arrangement for the provision of corporate services from the Economic Regulation Authority (ERA).

### Public Sector Standards

The ERA ensures that information about the Public Sector Commissioner Standards are available to all staff via the ERA's intranet and is incorporated into the ERA's induction and training processes. No applications for a breach of the Public Sector Standards were lodged with the ERA this year.

### **Western Australian Code of Ethics**

The ERA ensures that staff are aware of the Code of Ethics developed by the Commissioner for Public Sector Standards. As part of the ERA's approach to continuous learning and training, the code of conduct and conflict of interest procedures and processes are available on the intranet, incorporated into the staff training program and discussed regularly at internal staff meetings.

### **Occupational Health and Safety**

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

Further information on the ERA's commitment of occupational health and safety is reported in the ERA's annual report 2013/14, which is available on the ERA's website at [www.erawa.com.au](http://www.erawa.com.au).

### **Governance Disclosures**

#### **Shares in statutory authority**

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

#### **Interests in contracts by senior officers**

There were no interests in contracts by senior officers in 2013/14.

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

This is not applicable, as no senior officers have received any benefits in the 2013/14 financial year.

### **Insurance premiums**

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

## Other Legal Requirements

### Advertising

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

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

### Government Policy Requirements

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

### Disability Access and Inclusion Plan

The ERA is committed to take action in accordance with its Disability Access and Inclusion Plan for 2012-16.

Further information about the ERA's Disability Access and Inclusion Plan is available on the ERA's website at [www.erawa.com.au](http://www.erawa.com.au).

### Compliance with public sector standards and ethical codes

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

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



### **Compliance with the State Records Act 2000**

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

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

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

A review of the ERA's Recordkeeping Plan (RKP) identified that a separate RKP is to be developed for the Arbitrator. Progress was made on the RKP during 2013/14 ready for submission to the State Records Office in October 2014.

### **Risk management and audit program**

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

- Financial Management
- Records Management
- Information Security

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

### **Public interest disclosures**

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

### **Complaints Handling**

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

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

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

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

There were no complaints lodged during the reporting period.

### **Boards and Committees**

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

## **Publications**

During the reporting period, the Arbitrator published his annual report for 2012/13. This report was published on the Arbitrator's website at [www.edawa.com.au](http://www.edawa.com.au).

## Appendix 1 - Other Legislation Impacting the Arbitrator

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