



WESTERN AUSTRALIAN ENERGY DISPUTES ARBITRATOR

# **2017-2018 Annual Report**

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Hon Ben Wyatt MLA  
Minister for Energy

**Energy Disputes Arbitrator 2017/18 Annual Report**

In accordance with section 61 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Western Australian Energy Disputes Arbitrator for the financial year ended 30 June 2018.

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

Yours sincerely

Laurie James  
**Energy Disputes Arbitrator**

13 September 2018

The Western Australian Energy Disputes Arbitrator  
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This report will be made available in alternative formats on request.

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# OVERVIEW

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## Year in review



During the year I was advised by the Minister for Energy, the Hon Ben Wyatt MLA, that I had been reappointed by Her Excellency the Governor to the position of Western Australian Energy Disputes Arbitrator under the *Energy Arbitration and Review Act 1998*, for a term of three years commencing 5 December 2017. In that capacity, I am to be available to conduct arbitration

hearings and, once a hearing has commenced, to be continuously available to conduct it until it is concluded. No arbitration hearings were conducted in 2017/18.

In addition, I have a number of other functions, which include raising the standing charges under the *Electricity Industry Act 2004*, the National Gas Law, the *Gas Supply (Gas Quality Specifications) Act 2009* and the *Gas Services Information Act 2012*. These charges are paid by participants in the sections of the Western Australian energy industry covered by those Acts. This provides financial recovery for the cost of my core functions.

The Australian Energy Market Commission has been reviewing the scope of regulation applied to covered gas pipelines. I was requested to provide a submission in relation to dispute resolution processes which I did on 22 March 2018.

Another of my functions is to provide administrative support to the Western Australian Electricity Review Board established under the *Energy Arbitration and Review Act 1998*. There were two Review Boards active during the year, one Review Board finalised its proceedings and the other, established at the end of the year, commenced its proceedings.

The Electricity Review Board consists of a legal practitioner appointed by the Attorney-General, the Hon John Quigley MLA, as Presiding Member. The Presiding Member then appoints two Expert Members. The Members are chosen from a panel of five legal practitioners and five experts appointed by the Governor, with advice from myself. The Attorney General appointed Mr Scott Ellis as the Presiding Member by letter dated 3 May 2018 to the second Review Board.

I have had the valuable assistance of a Registrar, Mr Adrian Malkovic, who unfortunately has been unable to continue in this role. As no replacement Registrar has been appointed, I am now carrying out the functions of providing administrative support to the Review Board, with the assistance of Pam Herbener of the Economic Regulation Authority (ERA), my Chief Finance Officer.

During the year under review, I have received great support and assistance from Ms Herbener, and other helpful staff of the ERA. I thank them for their services during 2017/18, upon which I continue to rely.

Laurie James LLB Hons  
**Energy Disputes Arbitrator**

# EXECUTIVE SUMMARY

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## Highlights

The Electricity Review Board finalised its consideration of whether Vinalco Energy Pty Ltd had offered prices above its reasonable expectation of the short run marginal cost of generating the relevant electricity and whether that behaviour related to market power (Application 1/2016).

An additional Review Board was established at the end of the financial year to consider six applications for review of decisions made in 2015 and 2016 by the ERA in relation to Western Power's Technical Rules. They will also consider an additional application relating to the conduct of the original six applications (Applications 1 to 7 of 2017).

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## Role of the Arbitrator

The Energy Disputes Arbitrator provides a disputes resolution service:

- In relation to the negotiation of contracts and contractual disputes in relation to access to regulated electricity networks.
- Between users, or prospective users, and providers of gas pipeline services and other parties seeking access to regulated gas pipelines.
- Between a gas producer and the operator of a pipeline that is subject to a pipeline impact agreement.
- Between parties associated with the use, storage or transportation of broad specification gas.

The services provided by the Arbitrator relate to infrastructure located in Western Australia:

- Western Power's electricity network in the South West
- Dampier to Bunbury Natural Gas Pipeline

- Goldfields Gas Pipeline
- Kalgoorlie to Kambalda Pipeline
- Mid-West and South-West Gas Distribution Systems
- Macedon Gas Field.

The Arbitrator also has responsibility for the financial management and provision of administrative support to the Review Board.

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 about administration and financial administration.

## 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

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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.

## Legislation

### *Enabling Legislation*

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

The Western Australian Review Board is established under section 50 of the *Energy Arbitration and Review Act 1998*.

### *Functional Legislation*

- *National Gas Access (WA) Act 2009* including arbitration functions under the National Gas Law
- Gas Supply (Gas Quality Specifications) Regulations 2010
- *Gas Services Information Act 2012*
- *Electricity Industry Act 2004*
- Electricity Networks Access Code 2004
- Electricity Industry (Metering) Code 2012

## Responsible Minister

The Hon Ben Wyatt MLA, Minister for Energy.

## Funding

The Arbitrator is funded through provisions in the:

- National Gas Access (WA) (Local Provisions) Regulations 2009
- Electricity Industry (Arbitrator and Board) Funding Regulations 2009
- Gas Supply (Gas Quality Specifications) Regulations 2010

- Gas Services Information Regulations 2012.

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## Role of the Electricity Review Board

The Review Board is an appeals body formed when required to make determinations and review decisions.

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

The Review Board can be constituted to review decisions of:

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

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.

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## Organisational Structure

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

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 is not made available to ERA staff outside of the corporate services division.

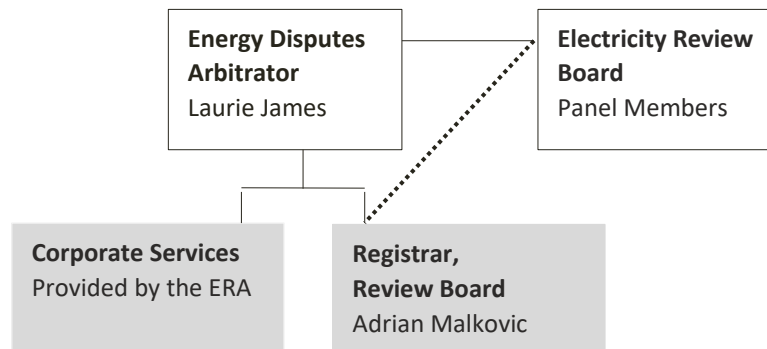
When required, a consultant is appointed to perform the services of Registrar to facilitate hearings of the Review Board.

Mr Adrian Malkovic, a Manager in the Litigation support team at the State Solicitor's Office, was appointed as Registrar in 2017/18 to assist with Application 1 of 2016.

## Organisational Chart

The following chart represents the organisational structure of the Arbitrator as at 30 June 2018.

Figure 1: Organisational structure of the Arbitrator



## About the Arbitrator

Laurie James was reappointed to the role of Arbitrator in 2017 for a further three years, having held the position since his first appointment in 1999.

Laurie is a Supreme Court barrister and solicitor and is a Senior Partner at the Western Australian law firm Kott Gunning. His areas of practice include administrative law, construction law and alternative dispute resolution.

Laurie has extensive background experience in arbitration, having held the position of Chairman of the Western Australian Chapter of the Institute of Arbitrators and Mediators Australia. Laurie is a graded Arbitrator with the Institute of Arbitrators and Mediators Australia (now the Resolution Institute) and a registered Adjudicator, Conciliator and Mediator with that Institute.

## Electricity Review Board Panels

The current Electricity Review Board panels were appointed on 1 January 2018 for a term of two years.

Table 1: Members of the Electricity Review Board

Legal Panel	Expert Panel
<ul style="list-style-type: none"><li>Ms Donna Charlesworth</li><li>Ms Eva Lin</li><li>Mr Michael Sweeney</li><li>Mr Scott Ellis</li><li>Mr Simon Adams</li></ul>	<ul style="list-style-type: none"><li>Ms Jenny Davis</li><li>Mr Mark Johnston</li><li>Ms Sally McMahon</li><li>Mr Simon Orme</li><li>Mr Warren Harding</li></ul>

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## Agency Performance 2017/18

### Energy Disputes Arbitrator

No applications for arbitration of disputes were received in 2017/18.

### Electricity Review Board

One application for review by the Review Board, lodged in 2015/16, was completed in 2017/18.

Seven applications for review lodged in May and June 2017 progressed in 2017/18.

### Summary of Key Performance Indicators

The desired outcome for the Arbitrator is the effective and efficient delivery of a dispute resolution service and provision of administrative services to the Review Board.

Table 2: Provision of a dispute resolution service

Key Performance Indicator	Target	Actual
<b>Key effectiveness indicator:</b> The number of disputes resolved as a proportion of total disputes registered	100%	0 (no disputes)
<b>Key efficiency indicator:</b> Average cost per dispute	\$0 (no disputes)	\$0

Table 3: Provision of administrative services to the Review Board

Key Performance Indicator	Target	Actual
<b>Key effectiveness indicator:</b> Percentage of Review Board members satisfied or very satisfied with the services provided by the arbitrator in support of review processes	75%	100%
<b>Key efficiency indicator:</b> Average cost per review application	\$0	\$15,512

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.

### Maintaining a state of readiness

To enable 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 recognises and allows 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 is defined as one having a capital base value of \$500 million.



# AGENCY PERFORMANCE

## Number of units of regulated infrastructure oversighted

During 2017/18, the Arbitrator had oversight of 22.63 equivalent standard units of regulated infrastructure, which met the target of 22.63.

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.

## Average cost of oversighting

The Arbitrator's costs for 2017/18 were \$50,494 against a budget of \$50,000. The actual number of units of regulated infrastructure overseen in 2017/18 did not increase over the previous year. The actual cost per unit was \$2,231 against a target of \$2,209.

## Provision of administrative services to the Review Board

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

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

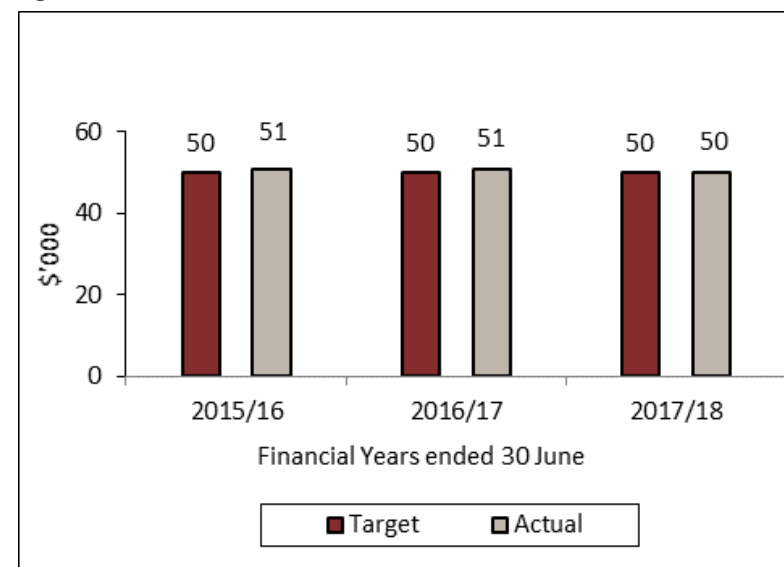
A survey of Review Board Members was undertaken in May 2018. All three members were very satisfied with the services provided by the Arbitrator.

## Financial performance

The Arbitrator does not include costs associated with arbitration, review or appeal in the annual estimates. The 2017/18 expenditure in Figure 2 does not include any expenditure relating to reviews or arbitration which is consistent with the previous year.

The cost of the Arbitrator being available to address matters arising from the regulation of infrastructure for 2017/18 was \$50,494 compared to \$51,118 in 2016/17 and \$51,429 in 2015/16. There was a decrease in expenditure of 1 per cent in 2017/18 over the previous year for the Arbitrator's oversight function.

Figure 2: Arbitrator Costs



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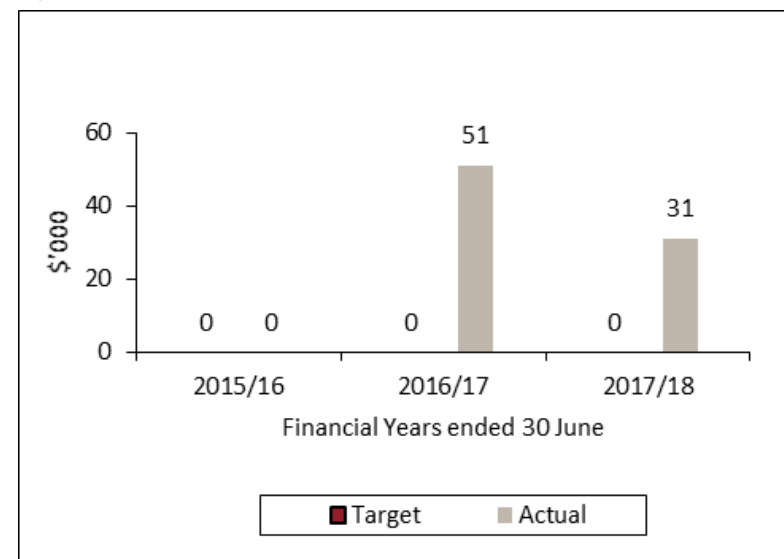
The Review Board constituted to hear Application 1/2016 finalised its review during the year. An additional Review Board was constituted at the end of the financial year to hear Application 1 to 7/2017.

In its consideration of Application 1/2016, the cost of the Review Board was \$26,696 in 2017/18. This was a decrease from \$50,515 in the previous year.

A Treasurer's Advance of \$100,000 was received in 2015/16 to fund the cost of Application 1/2016. The Department of Treasury approved a continuation of that Treasurer's Advance into 2017/18 to allow the hearing to be finalised. The cost of the review in 2017/18 was \$26,696, which brought the total cost of that review to \$77,211.

Application 1 to 7 of 2017, lodged in May and June 2017, were progressed at the end of the year, with costs of \$4,329. If necessary, an additional Treasurer's Advance will be sought in 2018/19 to fund the costs of Application 1 to 7/2017.

Figure 3: Review Board costs



## Changes to Outcome Based Management Framework

The Arbitrator's Outcome Based Management Framework did not change during 2017/18.

## Shared responsibilities with other Agencies

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

# SIGNIFICANT ISSUES

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There are no significant issues that will impact the Arbitrator in 2018/19.

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## Auditor's Opinion



### Auditor General

#### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

#### WESTERN AUSTRALIAN ENERGY DISPUTES ARBITRATOR

##### Report on the Financial Statements

###### Opinion

I have audited the financial statements of the Western Australian Energy Disputes Arbitrator which comprise the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

###### Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Arbitrator in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

###### Responsibility of the Arbitrator 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, the *Financial Management Act 2006* 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.

In preparing the financial statements, the Arbitrator is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Arbitrator.

###### Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Arbitrator.
- Conclude on the appropriateness of the Arbitrator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Arbitrator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

##### Report on Controls

###### Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Western Australian Energy Disputes Arbitrator. The controls exercised by the 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 (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Western Australian Energy Disputes Arbitrator are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2018.

###### The Arbitrator's Responsibilities

The Arbitrator is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.



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## **Auditor General's Responsibilities**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

## **Limitations of Controls**

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

## **Report on the Key Performance Indicators**

### **Opinion**

I have undertaken a reasonable assurance engagement on the key performance indicators of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2018. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Western Australian Energy Disputes Arbitrator are relevant and appropriate to assist users to assess the Arbitrator's performance and fairly represent indicated performance for the year ended 30 June 2018.

### **The 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 internal control as the Arbitrator determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Arbitrator is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

## **Auditor General's Responsibility**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of*

*Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

## **My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators**

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory 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 2018 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.

SANDRA LABUSCHAGNE  
ACTING DEPUTY AUDITOR GENERAL  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
1 August 2018

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## **Certification of Financial Statements**

### **For the year ended 30 June 2018**

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 reporting period ended 30 June 2018.

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**  
1 August 2018

Laurie James LLB Hons.  
**Energy Disputes Arbitrator**  
1 August 2018

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## Statement of Comprehensive Income For the year ended 30 June 2018

	Note	2018 \$	2017 \$
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	3.1	30,018	30,604
Supplies and services	3.2	45,701	67,430
Other expenses	3.2	5,800	5,800
<b>Total cost of services</b>		<b>81,519</b>	<b>103,834</b>
<b>Income</b>			
Revenue			
Regulatory fees	4.1	50,507	51,119
Interest revenue	4.3	1,096	1,759
Other revenue	4.3	-	2,200
<b>Total revenue</b>		<b>51,603</b>	<b>55,078</b>
<b>Total income other than income from State Government</b>		<b>51,603</b>	<b>55,078</b>
<b>NET COST OF SERVICES</b>		<b>(29,916)</b>	<b>(48,756)</b>
<b>Income from State Government</b>			
Services received free of charge	4.2	12,583	12,482
<b>Total income from State Government</b>		<b>12,583</b>	<b>12,482</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(17,333)</b>	<b>(36,274)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(17,333)</b>	<b>(36,274)</b>

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

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## Statement of Financial Position

As at 30 June 2018

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6.1	74,249	125,233
Receivables	5.1	27,674	26,349
Other current assets	5.2	24	121
<b>Total current assets</b>		<b>101,947</b>	<b>151,703</b>
<b>TOTAL ASSETS</b>		<b>101,947</b>	<b>151,703</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	5.3	5,839	38,262
Amount due to the Treasurer	5.4	100,000	100,000
<b>Total current liabilities</b>		<b>105,839</b>	<b>138,262</b>
<b>TOTAL LIABILITIES</b>		<b>105,839</b>	<b>138,262</b>
<b>NET ASSETS</b>		<b>(3,892)</b>	<b>13,441</b>
<b>EQUITY</b>			
Contributed equity	8.7	880,000	880,000
Accumulated surplus/(deficit)		(883,892)	(866,559)
<b>TOTAL EQUITY</b>		<b>(3,892)</b>	<b>13,441</b>

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



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## Statement of Changes in Equity For the year ended 30 June 2018

	Note	Contributed equity	Reserves	Accumulated surplus/(deficit)	Total equity
		\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	8.7	880,000	-	(830,285)	49,715
Total comprehensive income for the period		-	-	(36,274)	(36,274)
Distribution to Owner – Return of unspent capital funds		-	-	-	-
<b>Balance at 30 June 2017</b>		<b>880,000</b>	<b>-</b>	<b>(866,559)</b>	<b>13,441</b>
 <b>Balance at 1 July 2017</b>	8.7	880,000	-	(866,559)	13,441
Total comprehensive income for the period		-	-	(17,333)	(17,333)
Distribution to Owner – Return of unspent capital funds		-	-	-	-
<b>Balance at 30 June 2018</b>		<b>880,000</b>	<b>-</b>	<b>(883,892)</b>	<b>(3,892)</b>

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

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## Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		-	-
<b>Net cash provided by State Government</b>		-	-
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(29,728)	(30,487)
Supplies and services		(65,735)	(17,595)
GST payments on purchases		(3,117)	(5,858)
Other payments		(5,800)	(5,800)
<b>Receipts</b>			
Regulatory fees		45,827	49,451
Interest received		1,096	1,759
GST receipts from taxation authority		6,473	1,997
Other receipts		-	2,200
<b>Net cash provided by/(used in) operating activities</b>	6.1	<b>(50,985)</b>	<b>(4,333)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Treasurer's Advance		-	-
<b>Net cash provided by/(used in) investing activities</b>		-	-
Net increase/(decrease) in cash and cash equivalents		(50,985)	(4,333)
Cash and cash equivalents at the beginning of period		125,233	129,566
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	6.1	<b>74,249</b>	<b>125,233</b>

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

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## Notes to the Financial Statements

### 1. Basis of preparation

The Western Australian Energy Disputes Arbitrator is independent of industry, government, or other interests and is not subject to State or Ministerial direction in carrying out his functions. However, under section 75 of the *Energy Arbitration and Review Act 1998*, the relevant Minister may give directions in writing to the Arbitrator on administration and financial administration matters. It is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the 'Overview' which does not form part of these financial statements.

These financial statements were authorised for issue by the Accountable Authority of the Arbitrator on 1 August 2018.

### *Statement of compliance*

These general purpose financial statements have been prepared in accordance with:

1. The *Financial Management Act 2006* (FMA);
2. The Treasurer's Instructions (TI);
3. Australian Accounting Standards (AAS) including applicable interpretations; and
4. Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer's Instructions take precedence over the AAS. Several AAS are modified by the instructions to vary application, disclosure format and wording. 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.

### *Basis of preparation*

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case, the different measurement basis is disclosed in the associated note. All values are rounded to the nearest dollar.

### *Judgements and estimates*

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

### *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 TI955

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*Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

The transfers 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.

## 2. Agency outputs

### How the Western Australian Energy Disputes Arbitrator operates

#### *Mission*

The Arbitrator's mission is 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.

The Arbitrator is funded by regulated industries, except for expenditure directly associated with the hearing of disputes by the Arbitrator and reviews by the Review Board. Disputes and reviews are funded by a Treasurer's Advance.

## 3. Use of our funding

### *Expenses incurred in the delivery of services*

This section provides additional information about how the Arbitrator's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Arbitrator in achieving its objectives and the relevant notes are:

	Notes	2018 \$	2017 \$
Employee benefits expenses	3.1	30,018	30,604
Other expenses	3.2	51,501	73,230
<b>3.1 Employee benefits expenses</b>			
Wages and salaries		27,414	27,949
Superannuation		2,604	2,655
Total employee benefit expenses		<b>30,018</b>	<b>30,604</b>
<b>Wages and salaries:</b> The Arbitrator only receives a salary as he is not entitled to annual or long service leave.			
<b>Superannuation:</b> 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 of the Arbitrator.			
<b>3.2 Other expenditure</b>			
<b>Supplies and services</b>			
Professional services		14,085	13,469
Communications		182	674
Legal costs		1,632	8,631
Electricity Review Board Fees		29,182	44,084
Other		620	572
<b>Total supplies and services expenses</b>		<b>45,701</b>	<b>67,430</b>
<b>Other</b>			
Audit fee		5,800	5,800
<b>Total other expenses</b>		<b>5,800</b>	<b>5,800</b>
<b>Total other expenditure</b>		<b>51,501</b>	<b>73,230</b>



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	Notes	2018	2017
		\$	\$

## Supplies and services:

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

## Other expenditure:

Other expenditure generally represents the day-to-day running costs incurred in normal operations.

## 4. Our funding sources

### Funding

This section provides additional information about how the Arbitrator obtains his funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Arbitrator and the relevant notes are:

Regulatory fees	4.1	50,507	51,119
Income from State Government	4.2	12,583	12,482
Other revenue	4.3	1,096	3,959

### 4.1 Regulatory fees

Regulatory fees	50,507	51,119
	<b>50,507</b>	<b>51,119</b>

	Notes	2018	2017
		\$	\$

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

Standing Charges (regulatory fees) are recognised at the time the charge is raised on a client. Revenue is raised in accordance with the: *National Gas Access (WA) (Local Provisions) Regulations 2009*; *Gas Supply (Gas Quality Specifications) Regulations 2010*; *Gas Services Information Regulations 2012*; and *Electricity Industry (Arbitrator and Board Funding) Regulations 2009*

### 4.2 Income from State Government

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

Economic Regulation Authority	12,583	12,482
<b>Total income from State Government</b>	<b>12,583</b>	<b>12,482</b>

### 4.3 Other revenue

Interest - bank	1,096	1,759
Miscellaneous revenue	-	2,200
	<b>1,096</b>	<b>3,959</b>

The Arbitrator's bank account does not form part of the consolidated fund. Revenue is recognised as the interest accrues.

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	Notes	2018	2017
		\$	\$

## 5 Other assets and liabilities

This section sets out those assets and liabilities that arose from the Arbitrator's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations.

Receivables	5.1	27,674	26,349
Other assets	5.2	24	121
Payables	5.3	5,839	38,262
Amount due to the Treasurer	5.4	100,000	100,000

### 5.1 Receivables

#### Current

Receivables	5,038	337
Accrued revenue	22,055	22,075
GST receivable	581	3,937
<b>Total receivables</b>	<b>27,674</b>	<b>26,349</b>

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

Receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

#### 5.1.1 Movement of the allowance for impairment of receivables

The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off. The Arbitrator does not have an allowance for impairment of receivables as historically it is not required.

	Notes	2018	2017
		\$	\$

## 5.2 Other assets

### Current

Prepayments	24	121
<b>Total current</b>	<b>24</b>	<b>121</b>

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## 5.3 Payables

### Current

Trade payables	670	36,102
Accrued expenses	4,762	2,043
Accrued salaries	407	117
<b>Total current</b>	<b>5,839</b>	<b>38,262</b>
<b>Balance at end of period</b>	<b>5,839</b>	<b>38,262</b>

Payables are recognised at the amounts payable 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.

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

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	Notes	2018	2017
		\$	\$
<b>5.4 Amount due to the Treasurer</b>			
Amount due to the Treasurer		100,000	100,000
		<b>100,000</b>	<b>100,000</b>

The amount due to the Treasurer is in respect of a Treasurer's Advance. This amount is payable within 12 months after the reporting period. Although no interest is charged on the outstanding amount, the carrying amount is equivalent to fair value.

## 6 Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the Arbitrator.

Cash and cash equivalents	6.1	74,249	125,233
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### 6.1 Cash and cash equivalents

#### 6.1.1 Reconciliation of cash

Cash and cash equivalents	74,249	125,233
<b>Balance at end of period</b>	<b>74,249</b>	<b>125,233</b>

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.

	Notes	2018	2017
		\$	\$
<b>6.1.2 Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities</b>			
Net cost of services		(29,916)	(48,756)
<b>Non-cash items</b>			
Services received free of charge	4.2	12,583	12,482
<b>(Increase)/decrease in assets</b>			
Current receivables <sup>(a)</sup>		(4,681)	(1,668)
Other current assets		97	(97)
<b>(Increase)/decrease in liabilities</b>			
Current payables <sup>(a)</sup>		(32,423)	37,567
Net GST receipts/(payments) <sup>(b)</sup>		3,356	3,861
Change in GST in receivables/payables <sup>(c)</sup>		-	(7,722)
<b>Net cash provided by/(used in) operating activities</b>		<b>(50,985)</b>	<b>(4,333)</b>

<sup>(a)</sup> 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.

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

<sup>(c)</sup> This reverses out the GST in receivables and payables.

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	Notes	2018	2017
		\$	\$
<b>7</b>	<b>Risks and contingencies</b>		
	This note sets out the key risk management policies and measurement techniques of the Arbitrator.		
	Financial risk management	7.1	
	Contingent assets and liabilities	7.2	

## 7.1 Financial risk management

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

### (a) Summary of risks and risk management

#### *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 asset is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 7.1 (c) 'Financial instrument disclosures' and Note 5.1 'Receivables'.

Credit risk associated with the Arbitrator's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than Government, 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

	Notes	2018	2017
		\$	\$
	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 drawdown 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 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. The Arbitrator's exposure to market risk for changes in interest rates is minimal and is limited to the holdings in cash and cash equivalents.



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## (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:

	2018	2017
	\$	\$
<i>Financial assets</i>		
Cash and cash equivalents	74,249	125,233
Receivables <sup>(a)</sup>	27,092	22,412
<b>Total financial assets</b>	<b>101,342</b>	<b>147,645</b>
<i>Financial liabilities</i>		
Financial liabilities measured at amortised cost	105,839	138,262
<b>Total financial liability</b>	<b>105,839</b>	<b>138,262</b>

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

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## (c) Ageing analysis of financial assets

### Credit risk

The following table discloses the Arbitrator's maximum exposure to credit risk and the 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 Arbitrator does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

### Ageing analysis of financial assets

			Past due but not impaired					Impaired financial assets \$
	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 \$	
<b>2018</b>								
Cash and cash equivalents	74,249	74,249	-	-	-	-	-	-
Receivables <sup>(a)</sup>	27,092	22,055	5,038	-	-	-	-	-
	<b>101,342</b>	<b>96,304</b>	<b>5,038</b>	-	-	-	-	-
<b>2017</b>								
Cash and cash equivalents	125,233	125,233	-	-	-	-	-	-
Receivables <sup>(a)</sup>	22,412	22,075	337	-	-	-	-	-
	<b>147,645</b>	<b>147,308</b>	<b>337</b>	-	-	-	-	-

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

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## (d) 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

	Interest rate exposure					Nominal Amount \$	Maturity dates				
	Weighted Average Effective Interest Rate	Carrying Amount	Fixed interest rate	Variable interest rate	Non-interest bearing		Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years
	%	\$	\$	\$	\$		\$	\$	\$	\$	\$
<b>2018</b>											
<u>Financial Assets</u>											
Cash and cash equivalents	2.08	74,249	-	74,249	-	74,249	74,249	-	-	-	-
Receivables <sup>(a)</sup>		27,092	-	-	27,092	2,674	2,674	-	-	-	-
		<b>101,342</b>	-	<b>74,249</b>	<b>27,092</b>	<b>76,923</b>	<b>76,923</b>	-	-	-	-
<u>Financial Liabilities</u>											
Financial liabilities measured at amortised cost		5,839	-	-	5,839	5,839	5,839	-	-	-	-
Amount due to the Treasurer		100,000	-	-	100,000	100,000	-	100,000	-	-	-
		<b>105,839</b>	-	-	<b>105,839</b>	<b>105,839</b>	<b>5,839</b>	<b>100,000</b>	-	-	-

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

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

	Interest rate exposure					Nominal Amount	Maturity dates				
	Weighted Average Effective Interest Rate	Carrying Amount	Fixed interest rate	Variable interest rate	Non-interest bearing		Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>2017</b>											
<u>Financial Assets</u>											
Cash and cash equivalents	1.98	125,233	-	125,233	-	125,233	125,233	-	-	-	-
Receivables <sup>(a)</sup>		22,412	-	-	22,412	22,412	22,412	-	-	-	-
		<b>147,645</b>	-	<b>125,233</b>	<b>22,412</b>	<b>147,645</b>	<b>147,645</b>	-	-	-	-
<u>Financial Liabilities</u>											
Financial liabilities measured at amortised cost		38,262	-	-	38,262	38,262	38,262	-	-	-	-
Amount due to the Treasurer		100,000	-	-	100,000	100,000	-	-	100,000	-	-
		<b>138,262</b>	-	-	<b>138,262</b>	<b>138,262</b>	<b>38,262</b>	-	<b>100,000</b>	-	-

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

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## (e) 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>2018</b>					
<u>Financial Assets</u>					
Cash and cash equivalents	74,249	(742)	(742)	742	742
<b>Total Increase/(Decrease)</b>		<b>(742)</b>	<b>(742)</b>	<b>742</b>	<b>742</b>
<b>2017</b>					
<u>Financial Assets</u>					
Cash and cash equivalents	125,233	(1,252)	(1,252)	1,252	1,252
<b>Total Increase/(Decrease)</b>		<b>(1,252)</b>	<b>(1,252)</b>	<b>1,252</b>	<b>1,252</b>



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## 7.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at nominal value. The Arbitrator has no contingent assets or contingent liabilities.

## 8 Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	8.1
Correction of prior period errors/changes in accounting policy	8.2
Future impact of Australian standards issued not yet operative	8.3
Key management personnel	8.4
Related party transactions	8.5
Remuneration of auditors	8.6
Equity	8.7

### 8.1 Events occurring after the end of the reporting period

There were no events occurring after the end of the reporting period.

### 8.2 Correction of prior period errors/changes in accounting policy

There were no events occurring after the end of the reporting period.

### 8.3 Future impact of Australian Accounting Standards issued not yet operative

The Arbitrator cannot early adopt an Australian Accounting Standard unless specifically permitted by TI1101 'Application of Australian Accounting Standards and Other Pronouncements' or by an exemption from TI1101. Where applicable, the Arbitrator plans to apply the following Australian Accounting Standards from their application date.

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		Operative for reporting periods beginning on/after
AASB 9	<p><i>Financial Instruments</i></p> <p>This standard supercedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments.</p> <p>The Arbitrator has assessed that recognition of expected credit losses will increase the amount of impairment losses recognised as other expenses in the Statement of Comprehensive Income by \$0 and thus have no adverse impact on the Arbitrator's Surplus/(Deficit) for the period.</p>	1 Jan 2018
AASB 15	<p><i>Revenue from Contracts with Customers</i></p> <p>This standard establishes the principles that the Arbitrator shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7.</p> <p>The Arbitrator has not yet determined the potential impact of the Standard on 'Regulatory fees' revenue. In broad terms, it is anticipated that the terms and conditions attached to this revenue will defer revenue recognition until the Arbitrator has discharged its performance obligations.</p>	1 Jan 2019
AASB 1058	<p><i>Income of Not for Profit Entities</i></p> <p>This standard clarifies and simplifies the income recognition requirements that apply to not for profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a service), or a contribution by owners, related to an asset (such as cash or another asset) received by the Arbitrator. The Arbitrator anticipates that the application will not materially impact appropriation.</p>	1 Jan 2019
AASB 2010-7	<p>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}</p>	1 Jan 2018

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This standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.

The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. Other than the exposures to AASB 9 noted above, the Arbitrator is only insignificantly impacted by the application of the Standard.

AASB 2014-1	Amendments to Australian Accounting Standards	1 Jan 2018
	Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. These changes have no impact as Appendix E has been superceded and the Arbitrator was not permitted to early adopt AASB 9.	
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	1 Jan 2018
	This Standard gives effect to the consequential amendments to Australian Accounting Standards (including interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Arbitrator has not yet determined the application or the potential impact of the Standard.	
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 Jan 2018
	This Standard gives effect to the consequential amendments to Australian Accounting Standards (including interpretations) arising from the issuance of AASB 9 (December 2014). The Arbitrator has not yet determined the application or the potential impact of the Standard.	
AASB 2015-8	Amendments to Australian Accounting Standards - Effective Date of AASB 15	1 Jan 2018
	This Standard amends the mandatory application date of AASB 15 to 1 January 2018 (instead of 1 January 2017). It also defers the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.	

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AASB 2016-7	<p>Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not for Profit Entities</p> <p>This Standard defers, for not for profit entities, the mandatory application date of AASB 15 to 1 January 2019, and the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.</p>	1 Jan 2018
AASB 2016-8	<p>Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not for Profit Entities</p> <p>This Standard inserts Australian requirements and authoritative implementation guidance for not for profit entities into AASB 9 and AASB 15. This guidance assists not for profit entities in applying those Standards to particular transactions and other events. There is no financial impact.</p>	1 Jan 2019

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## 8.4 Key management personnel

The Arbitrator has determined key management personnel to include cabinet ministers and senior officers. The Arbitrator does not incur expenditure to compensate Ministers and those disclosures may be found in the *Annual Report on State Finances*.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for the Arbitrator for the reporting period are presented within the following bands:

Compensation band (\$)	2018	2017
30,001 - 40,000	1	1
	2018	2017
	\$	\$
Short-term employee benefits	27,414	27,949
Post-employment benefits	2,604	2,655
Other long-term benefits	-	-
Termination benefits	-	-
<b>Total compensation of key management personnel</b>	<b>30,018</b>	<b>30,604</b>

Total compensation includes the superannuation expense incurred by the Arbitrator. The Arbitrator is not a member of the Pension Scheme.

## 8.5 Related party transactions

The Arbitrator is independent of direction or control by the State, or any Minister or officers of the State in performing 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.

Related parties of the Arbitrator include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- the Arbitrator and his close family members, and their controlled or jointly controlled entities; and
- other departments and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly owned public sector entities).



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## Significant transactions with Government related entities

In conducting its activities, the Arbitrator is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

- services received free of charge (Note 4.2);
- income from Standing charges (included in Note 4.1);
- legal costs (included in Note 3.2);
- amounts due to the Treasurer (Note 5.4);
- remuneration for services provided by the Auditor General (Note 8.6).

## Material transactions with other related parties

Outside of normal citizen type transactions, there were no other related party transactions that involved the Arbitrator and/or his close family members and/or their controlled or jointly controlled entities.

### 8.6 Remuneration of auditors

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

	2018	2017
	\$	\$
Auditing the accounts, financial statements, controls and key performance indicators	5,800	5,800

### 8.7 Equity

#### Contributed equity

Balance at start of period	880,000	880,000
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#### Contributions by owners

Capital appropriation	-	-
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<b>Total contributions by owners</b>	<b>880,000</b>	<b>880,000</b>
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<i>Distributions to owners</i>	-	-
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<b>Total contributions to owners</b>	<b>-</b>	<b>-</b>
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<b>Balance at end of period</b>	<b>880,000</b>	<b>880,000</b>
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## **Certification of Key Performance Indicators**

### **For the year ended 30 June 2018**

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 2018.

Pam Herbener  
**Chief Finance Officer**  
1 August 2018

Laurie James LLB Hons.  
**Energy Disputes Arbitrator**  
1 August 2018

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## Key Performance Indicators

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

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

“Better places: a quality environment with liveable and affordable communities and vibrant regions”.

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, 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.”*

## 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.

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## **2017/18 Performance – effectiveness**

### **Arbitration of Disputes**

*The number of disputes resolved as a proportion of total disputes registered*

The target for this effectiveness indicator is 100% which assumes that all disputes lodged will be resolved. There were no disputes lodged in 2017/18 compared to one dispute lodged in 2016/17.

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

*Percentage of Electricity Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes.*

The Arbitrator's effectiveness in supporting the Review Board in its review of decisions is measured by determining the percentage of Electricity Review Board members involved in reviews of decisions that are satisfied or very satisfied with the services provided by the Arbitrator in support of review processes.

The target for this effectiveness indicator is that 75% of Electricity Review Board members will be satisfied with the support provided by the Arbitrator. The Members of the Review Board constituted during 2017/18 for Application 1/2016 were surveyed and 100% were very satisfied with the venue and facilities provided and the timeliness of services provided.

The Members of the Review Board constituted during 2017/18 for Application 1 - 7/2017 were appointed but had not commenced their review so were not surveyed.

Table 4: Effectiveness Indicators – 2017/18 performance

Desired outcome	Arbitration of disputes	Provision of administrative services to the Electricity Review Board for the review of decisions
Measure	The number of disputes resolved as a proportion of total disputes registered	Percentage of Electricity Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes
Target	100%	75%
2017-18	n/a (no disputes)	100%
2016-17	100%	100%
2015-16	0% <sup>1</sup>	0% <sup>2</sup>

<sup>1</sup> One dispute was lodged but no disputes were resolved

<sup>2</sup> One review was lodged but the Electricity Review Board was not constituted

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## 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.

### *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.

### *Maintaining a State of Readiness*

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

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

The concept of a standard unit of regulated infrastructure is used to recognise and allow for the fact that the scale, value and complexity of regulated infrastructure, including gas pipelines and electricity networks, varies from one asset to another. It also recognises that the cost and complexity of regulation and arbitration work will vary accordingly. For example, the demands

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

It should be noted, however, that the Arbitrator oversees generation facilities covered by the Wholesale Electricity Market. If the value of these generation facilities were taken into account then the number of units in 2017/18 would far exceed 22.63 units. As the generation facilities overseen by the Arbitrator are owned by both private and public electricity market participants, no readily available value exists that may be ascribed to this infrastructure. Indeed, to ascribe a value to such infrastructure would not be justified, as this would involve significant cost and serve no other purpose. Accordingly, no value has been ascribed to generation facilities, which are therefore not reflected in the 22.63 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.

### *2017/18 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



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

Table 5: Efficiency Indicators – 2017/18 performance

Service	Arbitration of disputes	Review of regulatory decisions	Maintaining a state of readiness
Performance Indicator	Average cost per dispute	Average cost per review application	Average cost per standard unit of regulated infrastructure
Target	\$0	\$0	\$2,209
2017-18	\$0	\$15,513	\$2,231
2016-17	\$2,200	\$50,515	\$2,259
2015-16	\$0	\$0	\$2,272

## 1. Average cost per dispute

There were no disputes active during 2017/18 so no costs were incurred. The target for this efficiency indicator is \$0 consistent with an objective of having no disputes.

## 2. Average cost per review application

This indicator represents the average cost per review in the reporting year. An application for review, lodged in May 2016 (Application 1/2016), was completed at the end of 2017/18. An additional Electricity Review Board was constituted to consider applications for review lodged at the end of 2016/17 (Application 1-7/2017).

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 in 2017/18 was \$15,513 compared to \$50,515 in 2016/17.

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 2017/18 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 2017/18 was \$2,209 based on the Arbitrator's approved budget (\$50,000) divided by the target of 22.63 standard units of regulated infrastructure. The actual cost was \$2,231 in 2017/18 compared with \$2,259 in 2016/17.

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### 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 by regulated industries.

The Arbitrator recognises that support services from the ERA are provided free of charge. The cost that has been recognised for that service in 2017/18 is \$12,583.

### Gas industry

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

#### *National Gas Access (WA) (Local Provisions) Regulations 2009*

One-third of this funding comes from operators of regulated pipelines. The pipeline operators that are liable for quarterly standing charges, and the percentage of allocation of costs between them, are set out in schedule 1 of the Regulations.

Table 6: Standing charges – *National Gas Access (WA) (Local Provisions) Regulations 2009*

Service provider	Standing charges (\$)
WA Gas Networks Pty Limited (Atco)	2,273.07
Goldfields Gas Transmission	1,705.85
Southern Cross Pipelines Pty Limited	228.90
DBNGP (WA) Transmission Pty Limited	4,207.82
<b>Total</b>	<b>8,415.64</b>

### *Gas Supply (Gas Quality Specifications) Regulations 2010*

One-third of gas industry funding comes from producers of broad specification gas. BHP Billiton is the only producer of broad specification gas in Western Australia.

Table 7: Standing charges – *Gas Supply (Gas Quality Specifications) Regulations 2010*

Service provider	Standing charges (\$)
BHP Billiton	8,415.63

### *Gas Services Information Regulations 2012*

The remaining third of the funding comes from the Australian Energy Market Operator in relation to the Gas Statement of Opportunities and the Gas Bulletin Board.

Table 8: Standing charges – *Gas Services Information Regulations 2012*

Australian Energy Market Operator	Amount (\$)
Core function costs	8,415.63
Standing charges	8,415.63
<b>Determined costs</b>	<b>-</b>

### Electricity industry

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

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Table 9: Standing charges – *Electricity Industry (Arbitrator and Board) Funding Regulations 2009*

Service provider	Standing charges (\$)
Western Power	25,246.86

## Other funding

The *Gas Pipelines Access (Western Australia) Act 2009* and the *Electricity Industry Act 2004* allows the Arbitrator to recover costs incurred in arbitrating disputes. There were no costs in 2017/18.

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 completed Application 1/2016 but no order relating to costs was made.

## Treasurer's Advance

Section 83 of the *Energy Arbitration and Review Act 1998* allows for the Arbitrator to borrow from the Treasurer. The Arbitrator received a Treasurer's Advance of \$100,000 in 2015/16. This Treasurer's Advance was continued in 2017/18.

## Capital works

There were no major capital works undertaken during 2017/18.

## Employment and Industrial Relations

Under section 64(1) of the *Energy Arbitration and Review Act 1998*, 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 2017/18. The Arbitrator has an arrangement for the provision of corporate services from the ERA.

## Occupational Health and Safety

As the Arbitrator did not have administrative authority over any staff in 2017/18, no occupational health and safety issues existed.

# LEGAL REQUIREMENTS

## Annual Estimates

In accordance with Section 40 of the *Financial Management Act 2006*, the Arbitrator prepares and submits an annual estimate of expenditure to the Minister for approval.

The following estimates were approved by the Minister for 2017/18.

Table 10: Estimates approved by the Minister for 2017/18

Expenditure estimate	2017/18
Remuneration including on-costs	\$31,000
Supplies and services	\$13,000
Audit fees	\$6,000
Total annual estimate	\$50,000
Total expenditure for the ongoing costs of the Arbitrator for 2017/18	\$50,494

## 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. The Review Board was surveyed in May 2018 at a cost of \$452.00.

## Recordkeeping

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. The Arbitrator does have a separate Record Keeping Plan and Retention and Disposal schedule covering the Arbitrator's records (which includes records relating to reviews by the Review Board).

## Complaints handling

There are three main areas that can be the source of complaints relating to the Arbitrator:

- 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 its 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.



## Western Australian Energy Disputes Arbitrator

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