

Our ref:

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197 St Georges Terrace  
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Dear Lyndon

**ALLOWABLE REVENUE SUBMISSION 2010/11 – 2012/13**

In accordance with the Wholesale Electricity Market Rules, please find attached the Independent Market Operator's submission for its Allowable Revenue for the period 1 July 2010 to 30 June 2013.

Wholesale Electricity Market Rule 2.22.3 outlines the process your Authority must follow in arriving at a determination, due by 31 March 2010.

In addition to the attached submission, the IMO has prepared detailed working papers which will be made available (by the end of this week) for your Authority to review, to assist in arriving at its determination.

Please note that the working papers contain confidential information (in particular salary related advice), making them inappropriate for wider distribution.

We would be happy to assist your office in their assessment of the submission. If there is anything we can do to assist, please do not hesitate to contact either myself on 9254 4333 or the IMO's Manager Finance and Administration, Murray Cribb on 9254 4306.

Yours sincerely

ALLAN DAWSON  
CHIEF EXECUTIVE OFFICER

30 November 2009

The background of the lower half of the page is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several white wind turbines are visible, with their blades extending outwards. On the right, a series of high-voltage power line towers (pylons) stretch into the distance. The overall scene is set in a hilly, open landscape.

**ERA Submission  
Proposal for Allowable Revenue  
1 July 2010 to 30 June 2013**

**November 2009**

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## Executive Summary

In accordance with the Wholesale Electricity Market Rules, the Independent Market Operator (IMO) seeks approval from the Economic Regulation Authority (ERA) for the Allowable Revenue for the three-year Review Period commencing 1 July 2010.

This submission constitutes the IMO's second Allowable Revenue submission.

The IMO is seeking Allowable Revenue across the three-year Review Period totalling \$33.97 million. This represents an increase of \$3.01 million on the expected out-turn for the current Review Period.

The IMO costs detailed in this submission includes the impact of issues which emerged after the ERA approved the IMO's inaugural Allowable Revenue submission (section 5) which are:

- \$3.03 million for maintenance and support of the Wholesale Electricity Market Systems; and
- \$1.31 million for establishing a network infrastructure independent from the Department of Treasury and Finance.

The IMO Market Fee rate estimates for the Review Period, taking into account current electricity demand forecasts, are:

	2010/11	2011/12	2012/13
Allowable Revenue (\$'000)	\$10,897	\$11,344	\$11,729
IMO Market Fee Estimate (\$/MWh)	0.300	0.304	0.287

## 1. Introduction

In accordance with Rule 2.22.3 of the Wholesale Electricity Market Rules (Market Rules), the Independent Market Operator (IMO) must seek approval of its Allowable Revenue from the Economic Regulation Authority (ERA) for the Review Period, for each of the services listed in Rule 2.22.1.

These services are defined as:

- Market Operations;
- System Planning (Capacity Planning); and
- Market Administration.

The IMO budget is based on the costs that would be incurred by a prudent provider of the defined services, acting efficiently, while effectively promoting the Wholesale Electricity Market Objectives.

The purpose of this submission is to provide relevant information to the ERA for it to assess and approve the IMO's Allowable Revenue for the Review Period 1 July 2010 to 30 June 2013.

The ERA must determine the Allowable Revenue of the IMO for the Review Period by 31 March 2010.

### 1.1 Legislative Framework

The IMO is a body corporate that was established on 1 December 2004 to administer and operate the Wholesale Electricity Market of Western Australia.

The key roles and functions of the IMO are set out in the following instruments:

- Wholesale Electricity Market Rules;
- *Electricity Industry (Wholesale Electricity Market) Regulations 2004*; and
- *Electricity Industry (Independent Market Operator) Regulations 2004*.

### 1.2 Wholesale Electricity Market Objectives

The *Electricity Industry Act 2004* sets out the objectives of the Wholesale Electricity Market:

- to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- to avoid discrimination in the market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;



- to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- to encourage the taking of measures to manage the amount of electricity used and when it is used.

### 1.3 Allowable Revenue Mechanism

After the Allowable Revenue for the Review Period is determined by the ERA, the IMO is required to prepare budgets annually that are consistent with the ERA determination.

The annual budgets are submitted to the Minister for Energy for approval and provide the basis for the establishment of the annual Market Fees. The fee calculation takes account of the current projected generation and consumption of electricity.

If an IMO budget proposal is likely to result in a revenue recovery (over the Review Period) of more than 15% of the ERA determination, the IMO is required to apply to the ERA for a reassessment of its Allowable Revenue.

This reassessment excludes Declared Market Projects that involve major changes to the IMO's function or a major change to market systems.

Any Declared Market Projects require ERA approval before commencement.

### 1.4 Basis for this Submission

The IMO makes this submission on the basis of business as usual. However, it is acknowledged that the business requirements of Market Participants have a heavy influence on the IMO's workload and subsequent expenditure.

Consequently, while the Allowable Revenue submission makes allowance for the operating and capital expenditure to support Market Development (Market Administration), it is likely that during the Review Period Market Participants will request the IMO to undertake activity that was not budgeted in this submission and is too large to be accommodated within the IMO budget.

Examples of these additional projects may include the implementation of the Oates Review or the Renewable Energy Working Group recommendations.

Once the costs of projects such as these can be determined they will be incorporated into the annual IMO budget approval process and the Market Fees.

## 2. Budget by Service Type

Rule 2.22.3 of the Market Rules requires the IMO to seek approval of its Allowable Revenue for each of the services it provides.



The proposed Allowable Revenue associated with each of these services is:

	2010/11 (\$'000)	2011/12 (\$'000)	2012/13 (\$'000)
Market Operations	7,042	7,464	7,683
System Planning	1,844	1,853	1,936
Market Administration	2,011	2,027	2,110
<b>ALLOWABLE REVENUE</b>	<b>10,897</b>	<b>11,344</b>	<b>11,729</b>

Costs that can be directly attributed to one of these service areas have been allocated directly. Where costs are not directly attributable to service type (e.g. corporate support costs) they are allocated on the basis of relative employee numbers.

### 3. Budget Comparisons

#### 3.1 IMO Projected Performance 2007/08 to 2009/10

The projected performance of the IMO against the ERA Approved Allowable Revenue for the Review Period 2007/08 to 2009/10 is shown below:

	2007/08 – 2009/10 ERA Approved	2007/08 – 2009/10 Actual/Projected <sup>1</sup>
Description	Total (\$'000)	Total (\$'000)
Employees Benefit Expense	\$10,008	\$9,984
Accommodation Costs	\$820	\$829
Supplies and Services	\$10,720	\$11,300
Borrowing Costs	\$996	\$807
Depreciation	\$7,173	\$8,731
Total Expenditure	\$29,717	\$31,651
<b>Less Interest Income</b>	<b>-\$49</b>	<b>-\$693</b>
<b>Nett Expenditure</b>	<b>\$29,668</b>	<b>\$30,958</b>

**Note:**

1. Actual/projected includes \$2.398 million expenditure on new items (see section 5) not included in the ERA Approved total.

Further detail in respect of the comparison is provided at Appendix 1.





### 3.2 Comparison: 2007/08 – 2009/10 (Actual/Projected) to 2010/11 – 2012/13 Submission

A simple comparison of the IMO performance between the first Review Period (2007/08 to 2009/10) and the submission for the second Review Period (2010/11 to 2012/13) reflects an increase in costs of \$3.01 million.

However, this comparison is impacted by the inclusion of the new budget requirements (see section 5). The cost of system maintenance and in-sourcing IT infrastructure alone add an additional \$4.34 million to the costs previously submitted to the ERA.

Actual costs of \$2.39 million were incurred in the 2007/08 to 2009/10 Review Period for these new budget requirements, the overall impact on the comparison below is \$1.94 million.

After adjusting for this impact the increase in IMO costs from the first Review Period (2007/08 to 2009/10) and the submission for the second Review Period (2010/11 to 2012/13) is \$1.07 million, or 3.8%.

This effective 3.8% increase should be compared with the 2009/10 Western Australian State Budget CPI estimate of an 8.9% increase for the period 2007/08 to 2012/13.

The total of the Allowable Revenue submission for 2010/11 to 2012/13 compared to the actual/projected performance for 2007/08 to 2009/10 is shown below:

	2007/08 – 2009/10 Actual/Projected	2010/11 – 2012/13 Allowable Revenue Submission
Description	Total (\$'000)	Total (\$'000)
Employees Benefit Expense	\$9,984	\$12,827
Accommodation Costs	\$829	\$1,166
Supplies and Services <sup>1</sup>	\$11,300	\$13,513
Borrowing Costs	\$807	\$692
Depreciation	\$8,731	\$5,847
Total Expenditure	\$31,651	\$34,045
<b>Less Interest Income</b>	<b>-\$693</b>	<b>-\$75</b>
<b>Nett Expenditure</b>	<b>\$30,958</b>	<b>\$33,970</b>

Further detail in respect of the comparison is provided at Appendix 2.





### 3.3 Market Fee Rate – Movement 2007/08 to 2012/13

The IMO is required to calculate Market Fees each year based on its approved Operational Plan.

In accordance with Market Rule 2.22.7, where actual Market Fees are greater than (or less than) the IMO expenditure in any one year, then the surplus (or shortfall) needs to be applied as an adjustment to the Allowable Revenue budget two years hence.

This surplus or shortfall can arise as a result of either an over recovery of Market Fees due to a higher volume of energy traded in the market or as a result of a cost variation from the budget in the Operational Plan.

These adjustments are identified when the operational plan (inclusive of budget arrangements) is submitted to the Minister for Energy for approval each year.

The published Market Fees for the Inaugural Triennium (2007/08 – 2009/10) were materially impacted by a surplus of \$2.49 million from 2006/07 and \$2.232 million from 2007/08. The impact of this is detailed in the table below.

In order to appropriately compare annual Market Fees we have ignored the application of these prior year surpluses in the Unadjusted Allowable Revenue below.

The movement in the unadjusted Market Fee rate (i.e. ignoring inter-period budget adjustments), taking into account current electricity demand forecasts, over the two Review Periods is set out below:

	Inaugural Triennium			New Triennium		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Unadjusted Allowable Revenue <sup>1, 2</sup> (\$'000)	\$10,351	\$11,861	\$11,401	\$10,897	\$11,344	\$11,729
Unadjusted Market Fee Rate (\$/MWh)	0.322	0.343	0.327	0.300	0.304	0.287

Note:

1. Unadjusted Allowable Revenue is the net cost of services (i.e. budgeted expenditure less interest revenue). It is the amount that would normally be recovered from Market Participants through Market Fees. It ignores inter-period budget adjustments required under Market Rule 2.22.7.
2. Further detail in respect of annual movements is provided at Appendix 2.



The IMO is required to publish the annual Market Fee rate based on its approved Operational Plan. Reconciliation from the unadjusted Market Fee rates (above) to the published Market Fee rates is set out below.

	Inaugural Triennium		
	2007/08	2008/09	2009/10
Unadjusted Allowable Revenue (\$'000)	\$10,351	\$11,861	\$11,401
Less inter-period budget adjustments:			
- surplus from 2006/07		-\$2,493	
- surplus from 2007/08			-\$2,232
Published Allowable Revenue (\$'000)	\$10,351	\$9,368	\$9,169
Published Market Fee Rate (\$/MWh)	0.322	0.271	0.266

## 4. Budget 2010/11 – 2012/13

### 4.1 Budget Categories

Budgeted expenditure in this submission has been broken into the cost categories required by the Auditor General for the IMO's Financial Statements.

These cost categories are:

- *Employee Benefits Expense* – salaries, superannuation, payroll tax and fringe benefits tax.
- *Supplies and Services* – includes IT expenditure, accounting, auditing, human resources, administrative costs, insurance, travel and training. In addition, consultant expenditure in support of service delivery.
- *Accommodation* – office rental, cleaning, electricity, maintenance and car parking.
- *Depreciation* – depreciation of fixed assets.
- *Borrowing* – interest expense.



## 4.2 Cost Comparisons

The budgeted expenditure for the Review Period is set out in the categories below:

	2010/11 (\$'000)	2011/12 (\$'000)	2012/13 (\$'000)	Total (\$'000)
Employee Benefits Expense	4,013	4,269	4,545	12,827
Supplies and Services	4,684	4,373	4,456	13,513
Accommodation	325	396	445	1,166
Depreciation	1,712	2,089	2,046	5,847
Borrowing Costs	188	242	262	692
Total Expenditure	10,922	11,369	11,754	34,045
Interest Revenue	(25)	(25)	(25)	(75)
<b>ALLOWABLE REVENUE</b>	<b>10,897</b>	<b>11,344</b>	<b>11,729</b>	<b>33,970</b>

## 4.3 Annual Indexation

The Allowable Revenue submission incorporates annual indexation of costs, which has been based on Department of Treasury and Finance (DTF) advice of 2.25% in 2010/11 and 2.75% for each of 2011/12 and 2012/13.

Excluded from this indexation are costs that are covered by fixed priced contracts, where the IMO has received specific advice for a cost category on market price movement (e.g. annual remuneration increases) and borrowing costs.

## 4.4 Employee Benefits Expense

### 4.4.1 Approved positions

The IMO currently has 27 approved positions, corresponding to 26.3 FTE's after adjusting for part-time positions.

The IMO has determined that an additional two positions (1.4 FTE's) are required to meet business needs in the Review Period.

The two additional positions are:

- Communications Manager (0.4 FTE) – to manage a more effective engagement with stakeholders); and
- Corporate Support Officer (1.0 FTE) – to support a higher administrative workload.

#### **4.4.2 Market salary levels**

The quality of the IMO service delivery is heavily dependant on the quality of staff and the retention of institutional knowledge.

The IMO operates in the competitive Western Australian job market which presents challenges for both recruiting and retaining quality staff. This is particularly true of the buoyant Western Australian energy sector.

In September 2009, the IMO engaged an independent remuneration consultant, Gerard Daniels, to conduct a remuneration review for all IMO positions.

This review was commissioned to ensure that staff costs incorporated into the Allowable Revenue submission reflects an appropriate market level. The review included a comprehensive assessment of the responsibilities, accountabilities and core competencies for each approved IMO position.

The remuneration review then recommended a base salary range for each position. This recommendation was based on remuneration comparisons with:

- organisations of similar size;
- organisations from a similar industry sector; and
- comparative organisations that compete with the IMO for staff in the same job market (e.g. electricity market operators and Western Australian electricity Market Participants).

The recommended base salary ranges have been incorporated into the Allowable Revenue submission adopting a glide path approach. This approach incorporates uniform annual increments that start from an individual's current salary and arrives at the mid-point of the salary range by the end of the Review Period in 2012/13.

This methodology effectively spreads the budgetary impact of increasing the IMO remuneration levels commensurate with market levels over three years.

#### **4.4.3 Annual remuneration increase**

The Gerard Daniels remuneration review also provided advice on the annual remuneration market increases.

It was noted in the report that the market movements in remuneration hinge on the pace of the Australian, and in particular Western Australian, economic recovery. The report makes specific mention of the major energy projects (e.g. Gorgon project) that have been approved in Western Australia.

The recommended annual remuneration increases included in this submission are:

- 2011 – 5%;
- 2012 – 5%; and
- 2013 – 7%.

The IMO reviews staff performance and recommends salary increases commensurate with performance with effect from 1 April of each year.

#### **4.4.4 Incentive scheme**

Gerard Daniels noted that all comparative organisations sampled (e.g. electricity market operators and Western Australian electricity Market Participants) provided incentive schemes, usually a short term incentive (STI) for superior annual performance.

Given the adverse impact of the Global Financial Crisis on the West Australian economy, the IMO has decided that it would not be prudent to include the cost of an STI in the Allowable Revenue submission for the Review Period.

#### **4.4.5 Budgetary impact**

After taking into account the two additional positions (1.4 FTE's), increasing the IMO remuneration levels to market levels, and the recommended annual fixed remuneration increases, Employee Benefits Expenses increase in 2010/11 by 8.5%, in 2011/12 by 6.4% and in 2012/13 by 6.5%.



## 4.5 Supplies and Services

The IMO is a small, professionally-staffed organisation which is strongly reliant on the outsourcing of specialist services to ensure highest quality input at an efficient cost.

Supplies and Services	2010/11 (\$'000)	2011/12 (\$'000)	2012/13 (\$'000)
IT Support	2,091	2,140	2,160
Corporate Support	1,745	1,433	1,518
Market Operations	88	39	40
Market Administration	463	469	460
System Planning	297	292	278
<b>Total</b>	<b>4,684</b>	<b>4,373</b>	<b>4,456</b>

IT Support incorporates the following costs:

- Wholesale Electricity Market System (WEMS) maintenance and support.
- Specialist database support – on contract.
- Project management – ensuring the WEMS roadmap delivery.
- In-sourcing IMO's IT infrastructure environment.
- The impact of smart meters on the settlement system.

Corporate Support costs are impacted by an additional one-off provision in 2010/11 of \$277,000 to conduct an internal operational audit (designed to supplement the annual market compliance audit). An audit of this magnitude was last undertaken by the IMO prior to market commencement.

Market Administration costs include:

- The external costs of supporting the Market Advisory Committee (MAC). The MAC has been consulted on the proposed level; and
- Cyclical reviews required under the Market Rules (e.g. outage planning review, margin peak and off-peak review, etc.).

System Planning costs are budgeted to fluctuate over the Review Period in line with planned cyclical reviews required by the Market Rules. These include:

- A review of the Maximum Reserve Capacity Price (MRCP) methodology.
- A review of the weighted average cost of capital calculation of the MRCP.
- A review of load planning and forecasting criterion.



- A recalibration of the intermittent generation calculation model developed under the Renewable Energy Generation Working Group.

#### 4.6 Accommodation

Accommodation costs are based on an existing lease agreement for the IMO offices at Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth. This lease agreement requires the IMO to vacate the premises on 1 July 2012.

The accommodation costs incorporated into the Allowable Revenue submission are based on advice from the Department of Housing and Works. This advice included the cost of rental, and one-off costs limited to the Allowable Revenue period relating to relocating to alternative premises (relocation expenses, the projected fit-out of new premises and duplicate accommodation costs incurred while the new office is being fitted out).

#### 4.7 Depreciation

The IMO has recently completed a review of its capital requirements as part of submitting its Strategic Asset Plan (SAP) to Government. The SAP is required to be considered in the State's capital budget process.

The SAP principally reflects the IMO's Market Systems Development Roadmap that sets out a three-year work plan for the market systems and information technology infrastructure within the IMO, covering the Review Period.

While the core market systems are generally functional and work in "normal" situations, they have proven to be difficult to maintain, prone to spurious input data and inflexible to evolve.

The core market systems delivered prior to market start consisted of a myriad of technologies which lacked inherent functionality. These systems are now past their useful life and no longer meet the Market needs. These technologies have added unnecessary risk and complexity to the systems, making them inflexible to change and difficult to maintain.

The Market Systems Development Roadmap reflected an evolutionary delivery process for rectifying the identified system deficiencies. This roadmap allows for incremental enhancements to the existing market systems while ensuring the Wholesale Electricity Market continues to operate effectively.





The capital resourcing requirements identified in the SAP are set out below:

	2010/11 (\$'000)	2011/12 (\$'000)	2012/13 (\$'000)
Market System (WEMS) Upgrades	1,785	1,620	1,645
Corporate Applications (non-WEMS)	320	75	170
Office Refurbishment	-	825	-
<b>Total</b>	<b>2,105</b>	<b>2,520</b>	<b>1,815</b>

#### 4.8 Borrowing Costs

All capital requirements over the Review Period are funded by way of loan funding provided by the Western Australian Treasury Corporation (WATC).

Projected borrowing costs across the Review Period have been calculated on existing funding facilities and projected capital expenditure and are based on funding rates provided by the WATC.

### 5. New Budget Requirements

Two cost items emerged subsequent to the ERA approving the IMO's inaugural Allowable Revenue submission which has a significant budget impact.

#### 5.1 Market System Maintenance and Support Costs

The IMO submitted its proposal for Allowable Revenue for its inaugural three-year Review Period (2007/08 to 2009/10) to the ERA in November 2006.

Initial maintenance and support of the Wholesale Electricity Market system was incorporated into the systems development contract with the systems vendor. This support contract expired in June 2008.

No maintenance and support costs were incorporated in the IMO's Allowable Revenue submission for either 2008/09 or 2009/10.

The IMO incurred \$1.19 million of maintenance and support costs in 2008/09 and has budgeted a further \$947,000 for 2009/10, totalling \$2.137 million in the inaugural Review Period.

This Allowable Revenue submission includes \$3.03 million of WEMS maintenance and support costs across the three-year Review Period. These costs have been included under the category Supplies and Services – IT Support.



## 5.2 In-Sourcing IT Infrastructure

As a result of a number of market system disruptions, the IMO Board recently approved the disengagement of the IMO's network infrastructure from DTF. DTF has provided the IMO with network infrastructure since market start.

The decision to establish a network infrastructure independent from DTF was based on:

- an unacceptable level of historic service disruptions;
- DTF arrangements not aligned with IMO business needs (e.g. seven day a week operation);
- an aging DTF infrastructure; and
- uncertainty regarding future investment in facilities by DTF.

These factors exposed the WEMS to an increasingly unacceptable level of risk.

The IMO has budgeted \$261,000 in 2009/10 as a part-year cost of establishing a network infrastructure independent from DTF.

This Allowable Revenue submission includes \$1.31 million for establishing and operating an independent network infrastructure across the three-year Review Period.

## Appendix 1

### Comparison: IMO Performance against ERA Approved Allowable Revenue 2007/08 – 2009/10

Description	ERA Approved				Actual/Projected <sup>2</sup>			
	2007/08 (\$'000)	2008/09 (\$'000)	2009/10 (\$'000)	Total (\$'000)	Actual 2007/08 <sup>1</sup> (\$'000)	Actual 2008/09 <sup>1</sup> (\$'000)	Budget 2009/10 (\$'000)	Total (\$'000)
Employees Benefit Expense	\$3,133	\$3,370	\$3,505	\$10,008	\$2,772	\$3,516	\$3,696	\$9,984
Accommodation Costs	\$265	\$273	\$282	\$820	\$268	\$290	\$271	\$829
Supplies and Services	\$3,589	\$3,470	\$3,661	\$10,720	\$2,339	\$4,014	\$4,947	\$11,300
Borrowing Costs	\$455	\$321	\$220	\$996	\$388	\$331	\$88	\$807
Depreciation	\$2,924	\$3,124	\$1,125	\$7,173	\$2,960	\$3,305	\$2,466	\$8,731
<b>Total Expenditure</b>	<b>\$10,366</b>	<b>\$10,558</b>	<b>\$8,793</b>	<b>\$29,717</b>	<b>\$8,727</b>	<b>\$11,456</b>	<b>\$11,468</b>	<b>\$31,651</b>
Less Interest Income	-\$15	-\$16	-\$18	-\$49	-\$295	-\$331	-\$67	-\$693
<b>Nett Expenditure</b>	<b>\$10,351</b>	<b>\$10,542</b>	<b>\$8,775</b>	<b>\$29,668</b>	<b>\$8,432</b>	<b>\$11,125</b>	<b>\$11,401</b>	<b>\$30,958</b>

**Note:**

1. Per audited results.
2. Actual/projected includes a total of \$2.398 million expenditure on new items (see section 5), not included in the ERA Approved total.

## Appendix 2

### Comparison: Allowable Revenue 2007/08 – 2009/10 (Actual/Projected) with Allowable Revenue Submission 2010/11 – 2012/13

Description	Inaugural Triennium				New Triennium			
	Actual/Projected				Budget 2010/11 (\$'000)	Budget 2011/12 (\$'000)	Budget 2012/13 (\$'000)	Total (\$'000)
	Actual 2007/08 <sup>1</sup> (\$'000)	Actual 2008/09 <sup>1</sup> (\$'000)	Budget 2009/10 <sup>2</sup> (\$'000)	Total (\$'000)				
Employees Benefit Expense	\$2,772	\$3,516	\$3,696	\$9,984	\$4,013	\$4,269	\$4,545	\$12,827
Accommodation Costs	\$268	\$290	\$271	\$829	\$325	\$396	\$445	\$1,166
Supplies and Services	\$2,339	\$4,014	<sup>2</sup> \$4,947	\$11,300	\$4,684	\$4,373	\$4,456	\$13,513
Borrowing Costs	\$388	\$331	\$88	\$807	\$188	\$242	\$262	\$692
Depreciation	\$2,960	\$3,305	\$2,466	\$8,731	\$1,712	\$2,089	\$2,046	\$5,847
<b>Total Expenditure</b>	<b>\$8,727</b>	<b>\$11,456</b>	<b>\$11,468</b>	<b>\$31,651</b>	<b>\$10,922</b>	<b>\$11,369</b>	<b>\$11,754</b>	<b>\$34,045</b>
<b>Less Interest Income</b>	<b>-\$295</b>	<b>-\$331</b>	<b>-\$67</b>	<b>-\$693</b>	<b>-\$25</b>	<b>-\$25</b>	<b>-\$25</b>	<b>-\$75</b>
<b>Nett Expenditure</b>	<b>\$8,432</b>	<b>\$11,125</b>	<b>\$11,401</b>	<b>\$30,958</b>	<b>\$10,897</b>	<b>\$11,344</b>	<b>\$11,729</b>	<b>\$33,970</b>

**Note:**

1. Per audited results.
2. Per approved 2009/10 Operational Plan approved by Minister for Energy.
3. Actual/projected for the inaugural triennium includes \$2.398 million, and the Allowable Revenue submission for the new triennium includes \$4.34 million, on new items (see section 5) not included in the original ERA approval for the inaugural triennium.
4. After adjusting for the above, the increase between the two trienniums reduces to \$1.07 million (3.8%).
5. The Western Australian State Budget 2009/10 Overview paper provides annual CPI figures for Perth for the period 2007/08 – 2012/13. This identifies an effective indexation factor between the trienniums of 8.9%.

