



Economic Regulation Authority

WESTERN AUSTRALIA



Annual Report **2014/15**

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National Relay Service

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(To assist persons with hearing and voice impairment)

The Economic Regulation Authority's 2014-15 annual report and previous annual reports are available on our website [www.era.com.au](http://www.era.com.au)

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More information about us is available on our website or you can connect with us through Twitter @ERA\_WA or find us on [LinkedIn](#) and [Youtube](#)

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#### **Office Hours**

Office hours 9:00 am to 5:00 pm  
Monday to Friday  
(except public holidays)

#### **Street address**

Level 4, Albert Facey House  
469 Wellington Street  
PERTH WA 6000

#### **Postal address**

PO Box 8469  
PERTH WA 6849

**T:** (08) 6557 7900 **F:** (08) 6557 7999

**E** [records@era.com.au](mailto:records@era.com.au)

**W** [www.era.com.au](http://www.era.com.au)

# About Us

## What we do

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

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

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

## Values

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

## Strategic goals

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

## About this annual report

This annual report provides a review of our operations for the financial year ended 30 June 2015.

This report comprises:

Overview – an overview of our role, responsibilities and organisational structure.

Performance management framework – a report on our operational performance from 1 July 2014 to 30 June 2015.

Significant issues impacting the agency Significant issues – a discussion on significant current and emerging issues that impact or may impact upon our workload.

Disclosures and legal compliance – audited financial statements, detailed key performance indicator information and other financial disclosures.

Other legal requirements – a report on our compliance with various legislative requirements.

Government policy requirements – a report on our compliance with Government policy requirements.

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

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

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

# Letter of Transmission

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

Dear Treasurer

## **ECONOMIC REGULATION AUTHORITY 2014-15 ANNUAL REPORT**

In accordance with section 61 of the *Financial Management Act 2006*, we submit for your information and presentation to Parliament, the Annual Report of the Economic Regulation Authority for the financial year ended 30 June 2015.

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

STEPHEN KING  
**CHAIRMAN**

16 September 2015

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## Message from the Governing Body



It has been a busy year across all divisions at the ERA. Through our work in utilities, access, rail, markets, customer protection and inquiries we have endeavoured to stay true to our purpose of benefiting the Western Australian community by promoting an efficient and customer focused economy.

### Decision-making

Highlighting the sheer scale of decision-making, we met 45 times during the year to consider 198 submissions prepared by the secretariat. We reviewed a further 91 submissions by email.

In the area of licensing, monitoring and customer protection we undertook 62 performance audits and asset management reviews, of which 25 were undertaken under new legislative provisions requiring us to appoint and manage the auditors.

We also completed a major review of all electricity licences.

On the rail front, we started our five yearly review of the *Railways (Access) Code 2000* (Rail Code). An issues paper was published in February and submissions invited. Issues of concern from stakeholders included the prescriptiveness of the regime and the form of valuation method required by the Rail Code for the determination of capital costs.

We also provided reports to the Minister for Energy on the Effectiveness of the Electricity Generation and Retail Corporation Regulatory Scheme and the WA Wholesale Electricity Market.

### Benefiting the WA community

An example of our work in promoting a competitive and fair commercial environment for consumers was our rejection of the revised access arrangement proposed by ATCO Gas Australia Pty Ltd, which owns and operates the Mid-West and South-West Gas Distribution System (GDS). As a result of our decision, the average residential gas customer should see annual gas bill savings of around \$70 per annum by 2019.

Our major inquiry this year focused on the efficiency and performance of Western Australian prisons. Our work to date has highlighted the need for reform to ensure greater accountability, transparency and a stronger focus on prisoner rehabilitation.

## The year ahead

In the year ahead we will finalise the assessment of proposed access arrangement revisions for the Goldfields Gas Pipeline and the Dampier to Bunbury Natural Gas Pipeline. We will issue our own access arrangement for the GDS.

We will also finalise the five-year review of the Rail Code and undertake the annual determination of rate of return parameters to apply to the regulated railways for the financial year.

The State Government's Electricity Market Review is currently underway, and will have an impact on our work and functions. The review will examine the electricity generation, wholesale and retail sectors within the South West Interconnected System in Western Australia, and the incentives for industry participants to make efficient investments and minimise costs.

## Acknowledgement

We acknowledge and value the contribution made to our work by our many stakeholders across a wide range of industries. Our dedicated staff, led by CEO Greg Watkinson, have also undertaken an enormous workload during the year and done so with great professionalism and commitment.

**Stephen King and Steve Edwell**

# Overview of the agency

## Executive summary

### Our role

We are the economic regulator for Western Australia and an independent advisor to the State Government.

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

Figure 1: One of our functions is regulating the energy market.



Fact 1: The importance of regulation.

Regulation is required when society cannot rely on businesses to do the

right thing. In the case of economic regulation the focus is on ensuring that regulated businesses operate efficiently and behave in a manner consistent with the long term interests of consumers.

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

Independence is important to reduce the risk of regulatory decisions being inappropriately influenced by vested interests. Having a clear separation between government policy setting and the roles we perform helps to ensure that our decision-making is not influenced by political considerations and is in the long-term interests of all Western Australians.

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

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

Figure 2: We regulate about 5,500km of railway track in Western Australia.



## Our functions

- ⇒ Licensing, Monitoring and Customer Protection
  - Approve applications for, or amendments to, electricity, gas and water licences. These licences permit companies to provide electricity generation, transmission, distribution or retail services, gas distribution or retail (to small use customers) services; or provide potable water, non-potable water, irrigation, sewerage or drainage services.
  - Monitor compliance with the conditions of these licences and associated legislation, taking enforcement action when required.
  - Monitor and publicly report on industry performance.
  - Review industry codes governing service standards for customers.
  - Approve contracts and service standards that protect residential and small business electricity, gas and water customers.
  - Assess performance of utilities in relation to the treatment of customers, for example those experiencing financial hardship.

## ⇒ Energy access regulation

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

Figure 3: We approve licence applications for companies that provide electricity generation, transmission, distribution or retail services.



## ⇒ Rail access regulation

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

- ⇒ Energy markets regulation
  - Monitor the Western Australian Wholesale Electricity Market (where electricity generators and retailers can buy and sell electricity) to ensure the market is meeting its objectives and investigate any behaviour which has resulted in the market not functioning effectively. We provide an annual report on the state of the market to the Minister for Energy.
  - Approve and monitor arrangements that enable customers to choose their gas retailer.
- ⇒ Independent inquiries
  - Conduct inquiries and provide reports to the State Government on economic issues.

Figure 4: We approve licences for companies to provide potable water.

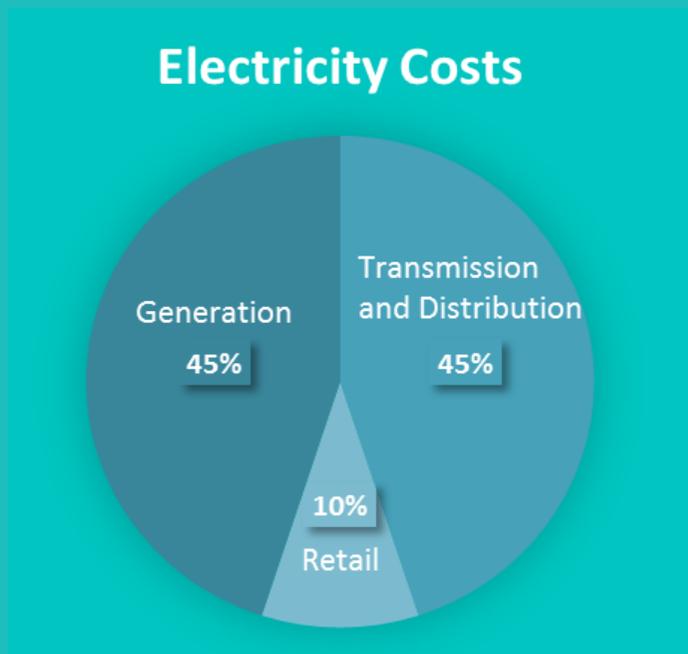


## Fact 2: Who sets energy and water prices in WA?

The WA State Government sets the retail electricity, gas and water tariffs for households and businesses. However, we can be requested by Government to undertake economic inquiries and provide independent advice on efficient costs and tariffs of utilities.

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

- generation
- transmission
- distribution
- retail



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

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

When determining retail tariffs, the Minister for Energy will take into account the amount that retailers must pay to purchase and transport the energy to their customers.

### What we do

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

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

## The nature of our work

Our work comprises activities which can be categorised as one-off, cyclical and ongoing in nature.

### *One-off activities*

These projects don't occur on a regular basis and are usually instigated at the request of a stakeholder.

Our most significant one-off projects are generally the economic inquiries issued to us by the State Treasurer. These inquiries are often on complex economic matters and involve public consultation prior to a final report being delivered to Government. The recommendations we provide help to inform Government in its decision making.

Other one-off projects occur when a regulated entity makes an application under the relevant legislation; for example, assessing an application for a utility licence or an application from Western Power for an exemption from its technical rules which relate to the operation of the electricity network. The one-off projects we have undertaken this year are outlined below.

Table 1: One-off activities.

One-off activities
Inquiry into the efficiency and performance of the Western Australian prison system
Western Power's Technical Rules – Exemption - Geraldton Port Authority
Western Power's Technical Rules – Exemption - Byford

Western Power Access Arrangement Variation
Investigation on Vinalco Energy Pty Ltd of an alleged breach of clause 7A.2.17 of the Market Rules
TPI Floor and Ceiling Costs determination (remade)
Grant of six new licences
Transfer of one licence
Amendments of six licences

### *Cyclical regulatory activities*

A large part of our work is cyclical, where legislation requires a review or assessment to be undertaken at set periods of time.

An example of this is the assessment of revisions to gas and electricity access arrangements which are required approximately every five years. We also have to undertake reviews of the revenue requirements for the Independent Market Operator and System Management every three years.

Reviews of legislative frameworks and the effectiveness of regulatory instruments are other activities conducted on a cyclical basis. These reviews provide an opportunity to re-examine the effectiveness of regulation. The cyclical projects we have undertaken this year are shown in the table below.

Table 2: Cyclical determinations.

Cyclical determinations	
Gas	Mid-West and South-West Gas Distribution System review of proposed revised access arrangement – Draft and Final Decisions
	Commenced Goldfields Gas Pipeline review of proposed revised access arrangement
	Commenced Dampier to Bunbury Pipeline review of proposed revised access arrangement
Rail	CBH/Brookfield Rail access determination (corrigenda issued)
	Revised Draft Determination on 2014 Review of Method for Estimating the Weighted Average Cost of Capital for Railway Networks
Utility Licensing	Reviewed the Gas Marketing Code of Conduct 2015
	Reviewed the Compendium of Gas Customer Licence Obligations (Schedule 2 to all gas licences)
	Reviewed the Audit and Review Guidelines: Electricity and Gas Licences
	2015 Gas Compliance Reporting Manual
	2014 Electricity Compliance Reporting Manual
	The Electricity Licence Review 2014/15 (30 June 2015 – 60 electricity licences amended)
	Approved two standard form contracts
	Published 33 performance/operational audit reports and 30 asset management system review reports

## Annual projects

We undertake a wide range of annual regulatory projects requiring decision-making.

This includes projects like the annual publication of reports on the performance of utility licensees and the annual report to the Minister on the effectiveness of the wholesale electricity market. We also issue documents on an annual basis to assist utility licensees prepare compliance reports.

The table below shows the annual determinations we have made this year.

Table 3: Annual projects.

Annual projects	
Gas	Mid-West and South-West Gas Distribution System tariff variation for cost pass-through events
	Goldfields Gas Pipeline Quarterly Reference Tariff Adjustments
	Dampier to Bunbury Natural Gas Pipeline – Annual Reference Tariff Variation
Electricity	Western Power Electricity Network CPI Adjustments
	Western Power Electricity Network 2014-15 Price List Determination
Rail	2014 Annual Weighted Average Cost of Capital – Public Transport Authority, The Pilbara Infrastructure and Brookfield Rail
Energy Markets	2014 Wholesale Electricity Market Report to Minister for Energy
	Electricity Generation and Retail Corporation Regulatory Scheme Report to Minister for Energy
	2015 Energy Price Limits
	Maximum Reserve Capacity Price Determination for 2016-17
	Determination of Values for Ancillary Service Margin_Peak and Margin_Off-Peak Parameters
Utility Licensing	Maximum Reserve Capacity Price Determination for 2016-17
	2015 Energy Performance Reporting Documents

	2015 Water Performance Reporting Documents
	2014 Annual Performance Report – Energy Distributors
	2014 Annual Performance Report – Energy Retailers
	2014 Water, Sewerage and Irrigation Performance Report

The area with the highest level of ongoing activity is in our licensing monitoring and customer protection function.

⇒ 16 Financial Hardship Policies

The total number of utility licences reached 102 in 2014-15 with:

- ⇒ 34 water licences
- ⇒ 60 electricity licences
- ⇒ eight gas licences

The majority of water licences were held by local government authorities to provide sewerage services. The majority of the electricity licences were held by retailers and generators. There were five gas trading and three gas distribution licences.

To monitor licensee’s compliance with their licence conditions, we reviewed 32 performance audits; and 30 asset management systems reviews. We can serve rectification notices on licensees for non-compliance with their licence conditions. Rectification notices require licensees to fix the issues within a set time-frame.

We also approved:

- ⇒ two Standard Form Contracts

### Output indicators

In undertaking our regulatory activities the following outputs were achieved.

### Decisions and publications

During 2014-15, our staff (the Secretariat) prepared 289 internal submissions for the Governing Body. These submissions related to 183 regulatory and 61 governance decisions, as well as 45 decisions that met a legislative deadline.

### Public consultation

We are committed to effective consultation with all stakeholders and to making transparent decisions. Below is a summary of our stakeholder engagement:

Table 4: Stakeholder engagement.

<b>31</b>	Invitations for public submissions
<b>95</b>	Public submissions received
<b>6</b>	Stakeholder workshops
<b>1</b>	Regulatory Managers' Forum (Energy)
<b>1</b>	ERACCC Biennial Seminar

### Activities that reduced compliance burden

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

Depending on the results of an audit or review, we can lengthen or shorten the time interval between audits/reviews. A good result can be rewarded by increasing the interval until the next audit or review, which spreads the costs over a longer period of time. The outcome of our decisions this year is:

Table 5: A snapshot of our licence work in 2014-15.

<b>102</b>	Licensees in total
<b>36</b>	Licensees audited or reviewed
<b>22</b>	Licensees' audit or review period increased: <ul style="list-style-type: none"><li>• 17 electricity licensees</li><li>• 5 water licensees</li></ul>
<b>10</b>	Licensees' audit or review period unchanged

### Financial performance 2014-15

At the start of 2014-15 our approved budget estimate was \$11.44 million. As part of the mid-year review we sought the State Government's approval of an increase in expenditure of \$427,000.

This request related to:

- ⇒ As part of the annual budget estimates process, the fourth out year is populated and escalated by the CPI. The escalation applies to the amount of consolidated funding provided by Government, not the total expenditure. The effect of this escalation on our budget meant that the portion of expenditure that is funded by industry was not escalated. We requested the CPI adjustment to also be made on expenditure that is not funded by Government (\$227,000).
- ⇒ An increase in expenditure (\$200,000), which is a result of the ERA having to pay the costs of appointing independent auditors to undertake water reviews. While this cost can be recouped from water licensees it increases the ERA's expenditure.

The Economic and Expenditure Reform Committee (EERC) approved this request.

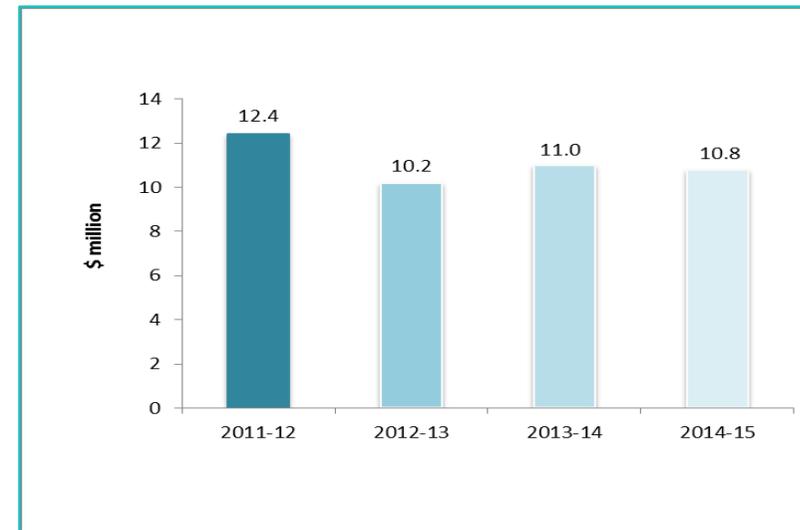
While we had approval for an increase of \$427,000 we also had our expenditure limit reduced by \$19,000 in relation to the government's workforce renewal policy. The overall result of these adjustments revised our budget estimate to \$11.84 million.

We also sought an increase in appropriation due to a delay in implementing the funding regulations to introduce full cost recovery for our licensing function. The EERC approved \$1.5 million to cover the costs of this function for the first six months.

Figure 1: One of our functions is regulating the energy market.

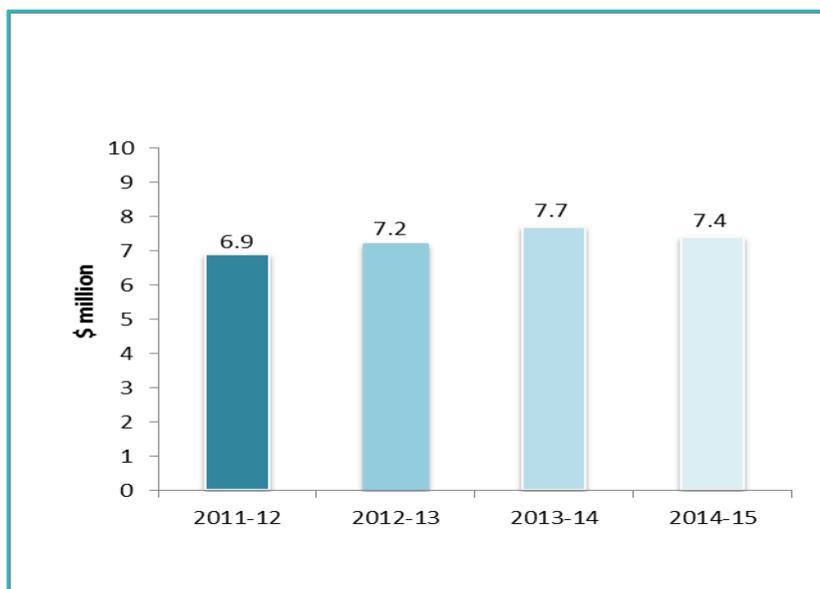
Total expenditure in 2014-15 was \$10.76 million or 91% of the \$11.84 million budget. Our end of year result came in under budget as some regulatory work planned in 2014-15 was not completed by the end of the financial year. Governing Body salaries were underspent due to only having two members and some expected expenditure on consultants to provide technical advice was not required.

Chart 1: Total expenditure.



The majority of our expenditure is for employee expenses and supplies and services. Employee expenditure was \$7.36 million in 2014-15 compared to \$7.68 million in 2013-14. The decrease of \$326,000 is attributable to the Governing Body only having two part-time members for the majority of the year whereas in 2013-14 there was one full-time member and two part-time members.

Chart 2: Employee expenditure.



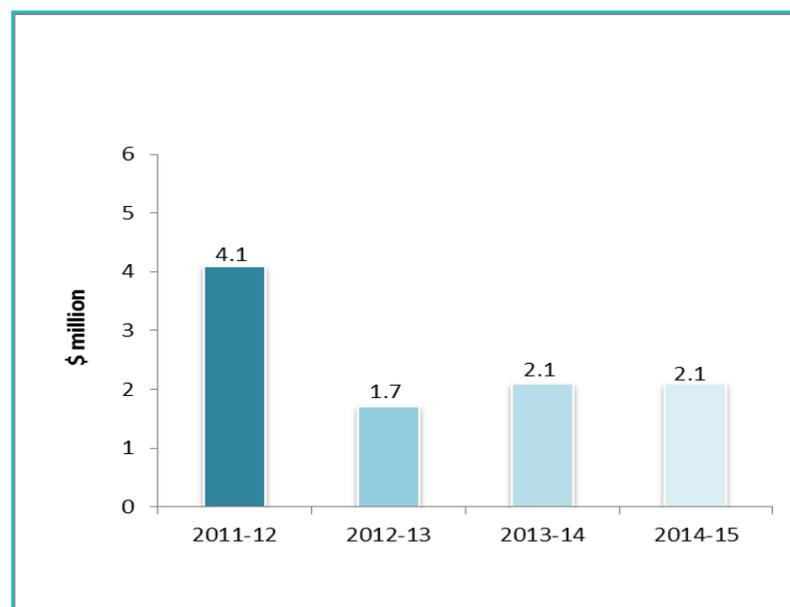
Supplies and services expenditure varies annually in accordance with the regulatory work cycle. The chart on supplies and services expenditure shows how this regulatory cycle impacts on our expenditure. There was higher expenditure in 2011-12 when we were undertaking reviews of gas and electricity access arrangements and required legal representation to assist with appeals against

our decisions regarding the Dampier to Bunbury Natural Gas Pipeline and the Mid-West and South-West Gas Distribution Systems. Expenditure on supplies and services decreased in 2012-13 when there were no major access arrangement reviews.

The access regulatory cycle commenced again in 2013-14 and so expenditure was higher. There was also unexpected expenditure in rail on the Brookfield Rail floor and ceiling cost determination and the access proposal by Brockman Iron to The Pilbara Infrastructure rail system.

Supplies and services expenditure was at a similar level in 2014-15 as work continued on the gas access arrangement reviews.

Chart 3: Supplies and services.



The Water Services Act 2012 requires us to appoint independent auditors to undertake operational audits on water licensees. This effects our expenditure as we are required to pay the independent auditors and pass the cost through to the relevant licensee. This year this increased our expenditure by \$306,992 compared to \$14,175 in 2013-14.

In 2014-15, total income was \$11.25 million which resulted in a surplus of \$0.496 million for the year. As shown in the income chart, Government appropriation and industry funding have varied significantly over the past four years. The Government appropriation variation has occurred due to a delay in the implementation of full cost recovery for our licensing function until 1 January 2015.

We are now fully funded by industry for our gas and electricity access, wholesale electricity market and licensing functions. The Government continues to fund functions of inquiries, rail access, gas markets and the regulatory scheme relating to the merger of Verve Energy and Synergy.

Our annual internal audit on financial management and procurement found that we had good controls in place and the auditor only found two minor issues. The Office of the Auditor General also found no issues when conducting the annual attest audit. We were fortunate to receive the Auditor General’s best practice award for the preparation of our 2013-14 financial statements.

Chart 4: Income.



## Operational structure

### *Our responsible minister*

We are independent of direction or control by the State, or a minister or officer of the State, in performing our functions. Under the *Economic Regulation Authority Act 2003*, a relevant minister may provide written directions only on financial and administration matters.

In this context, the relevant minister during the reporting year was:

- ⇒ the Hon Mike Nahan BEc, MS, PhD, MLA

We also have legislative reporting responsibilities to the following ministers:

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

### *Enabling legislation*

We were established on 1 January 2004 as a body corporate with perpetual succession under section 4 of the *Economic Regulation Authority Act 2003*.

Subsidiary legislation consists of the Economic Regulation Authority (National Gas Access Funding) Regulations 2009, the Economic Regulation Authority (Electricity Networks

*Access Funding) Regulations 2012 and the Economic Regulation Authority (Licensing Funding) Regulations 2014.*

### *Administered legislation*

We perform our functions under the *Economic Regulation Authority Act 2003* and other Acts of Parliament, Regulations and subsidiary legislation relevant to the regulatory role. These are listed in Appendix 1.

### *Other impacting legislation*

We also perform our functions in compliance with other legislation. These are listed in Appendix 2.

### *Our people*

We comprise a Governing Body and a Secretariat.

The Governing Body makes the required regulatory decisions, controls the affairs and performs the functions outlined in the *Economic Regulation Authority Act 2003*.

The Governing Body is assisted by the Secretariat, the initial point of contact for stakeholders. While the Secretariat may provide assistance, the Governing Body has the ultimate responsibility for the regulatory and inquiry functions.

As at 30 June 2015, the Secretariat was comprised of 52 employees. This included 45 permanent staff and seven contract staff.

Figure 5: Economic Regulation Authority staff in June 2015.



## Governing Body

Mr Lyndon Rowe served as our Governing Body Chairman until August 2014. Dr Stephen King has served as Alternate Chairman since November 2014. Mr Steve Edwell is a Governing Body member.

The Governing Body usually meets face-to-face every month. In addition, the Governing Body conducts weekly teleconference meetings.

The Governing Body met 45 times during the year to consider 198 submissions by the Secretariat.

The Governing Body also makes decisions on matters out-of-session as resolutions without meeting (in the form of submissions circulated via email): ninety-one submissions were considered out of session in 2014-15.

The total number of submissions the Governing Body considered during the year was 289.

## Dr Stephen King, Alternate Chairman (since November 2014)

Professor Stephen King has served as Alternate Chairman since November 2014. He has a wealth of experience and knowledge, particularly in the areas of competition economics, applied microeconomic theory, regulation and industrial organisation.

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

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

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

He has been a Member of the Governing Body since 2010.



### Mr Steve Edwell, Member



Steve Edwell is an economist specialising in the reform and regulation of utility services and major project implementation. He has been a Member of the Governing Body since 2006.

From 2005-2010 Steve was also the inaugural full time Chair of the Australian

Energy Regulator and an Associate Commissioner of the Australian Competition and Consumer Commission. He was also a member of the Commission's Regulation and Price Monitoring Committee.

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

Steve has recently been involved in various energy projects in the Pilbara and has also provided advice to the WA Department of State Development on a number of its major projects.

### Mr Lyndon Rowe, Chairman (until August 2014)



Lyndon Rowe was appointed Chairman in 2004, and served until August 2014. He has a strong interest in labour economics, microeconomics, education and training. He has published a number of

papers dealing with Australia's industrial relations system.

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

## Secretariat

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

### Mr Greg Watkinson, Chief Executive Officer



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

Prior to his appointment as CEO, he headed our division responsible for undertaking independent inquiries for the Western Australian Government.

His prior employment was with the Western Australian Department of Treasury and Finance.

## Corporate Executive

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

The Corporate Executive meets monthly to make decisions to improve the effectiveness of the organisation and

monitor progress against strategic goals and key performance targets.

### Mr Robert Pullella, Executive Director Access

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



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

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

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



Paul Kelly has almost 30 years' experience at senior and senior executive levels in the public sector.

His previous roles include a seven year term as Executive Director of the Office of Water Regulation in Western Australia, responsible for establishing a State wide licensing regime for water

service providers and reporting to Government on the operations and performance of the water industry.

Paul is also Chairman of the Electricity Code Consultative Committee and the Gas Marketing Code Consultative Committee. Both are statutory positions respectively under the *Electricity Industry Act 2004* and the *Energy Coordination Act 1994*.

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

#### Mr Rajat Sarawat, Executive Director Economics



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

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

ESCOSA and Senior Director at AEMC.

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

#### Ms Pam Herbener, Manager Corporate Services

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

Pam has more than 20 years management experience across the not-for-profit, local, State and Commonwealth government sectors.



Pam has accrued a breadth of knowledge across the finance, compliance, human resources, information technology, recordkeeping and communications functions.

### Assistant Directors Group

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

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

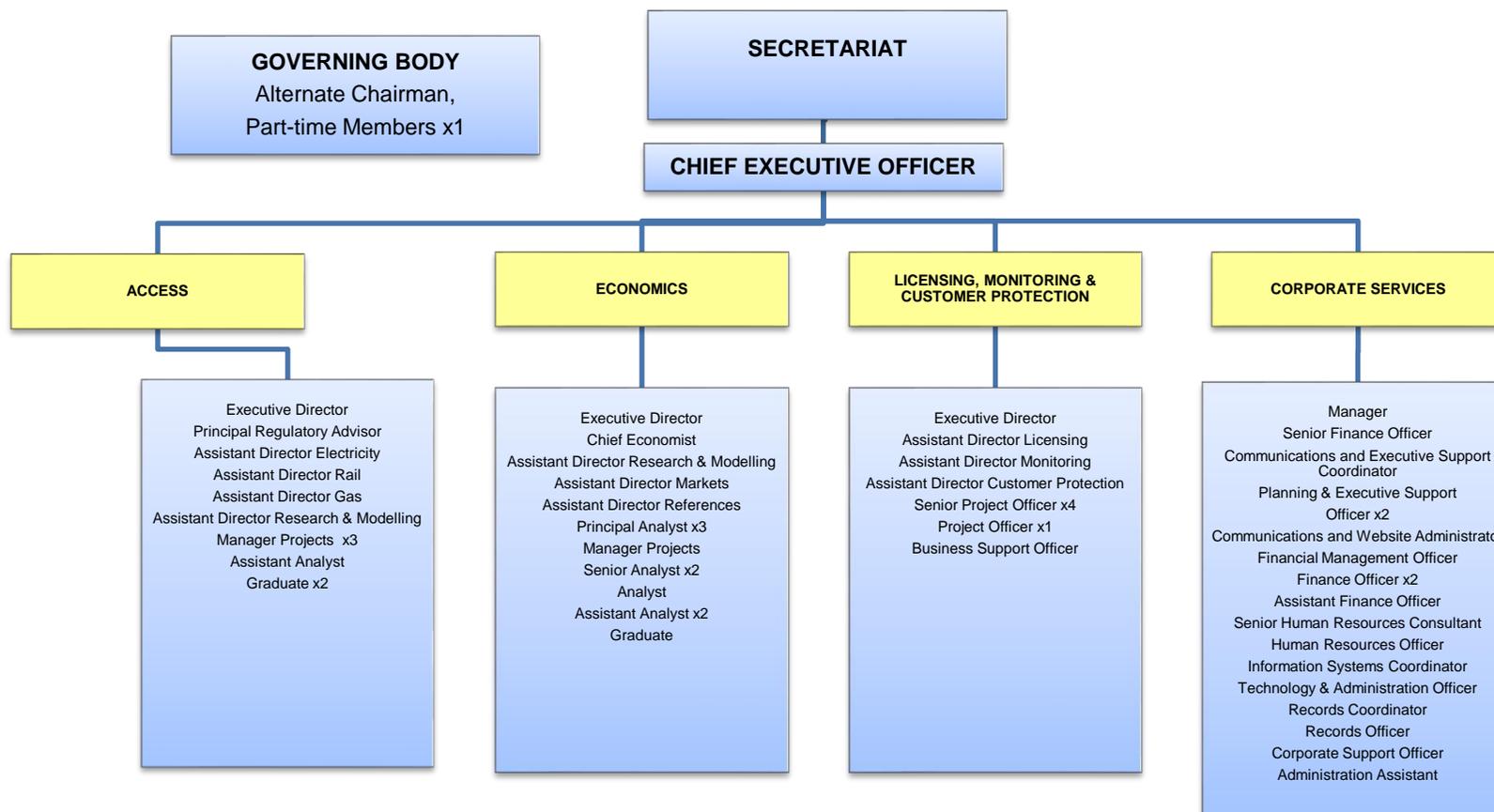
The aim of the group is to promote an organisational culture that is consistent with our corporate values and purpose. The group provides advice and recommendations on:

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

The following chart provides an overview of our staff structure:

## Organisational chart

Figure 6: ERA staff structure



## Our structure

Our Secretariat is comprised of four divisions; three regulatory divisions and one corporate division.

The responsibilities of our divisions are:

### Access

Figure 7: Members of the Access division: Lincoln Flindell, Tyson Self, Boon Tan and Emmanuel Miti.



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

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

### Economics

- ⇒ Conduct inquiries and provide reports to the State Government on economic matters referred to us.
- ⇒ Monitor the wholesale electricity market and provide an annual report to the Minister for Energy on the state of the market.
- ⇒ Approve and monitor arrangements enabling customers to choose their gas retailer.
- ⇒ Undertake research on regulatory finance and economic matters, including on the regulatory rate of return.

### Licensing, Monitoring and Customer Protection

- ⇒ Administer energy and water licences.
- ⇒ Approve the contracts and service standards that protect residential and small business water and energy customers.
- ⇒ Monitor compliance with licence conditions, principally through compliance audits and asset management reviews, and take enforcement action when required.

- ⇒ Report on the operational performance of water and energy licensees who supply residential and small business customers.

### Corporate Services

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

Figure 8: Senior Finance Officer, Amanda Dunn.



- ⇒ Manage and implement the internal and external corporate communications functions, including media liaison.

- ⇒ Manage the agency's website content and social media platforms.
- ⇒ Provide executive support to the Governing Body, CEO and the Corporate Executive.

Fact 3: What do staff think of working at the Economic Regulation Authority?

"I like working at the ERA because it has a fantastic workplace culture." – **Adrian**

"The ERA encourages a healthy lifestyle and work/life balance through participation in the Corporate Challenge. It's a great way to socialise with your colleagues, keep fit and enjoy some fresh air during lunch." – **Anu**

"I like the people and the work. The work can be complex and challenging, but it's always interesting. It also requires that we work objectively, and independently from government." – **Nat**

"The work culture is great, and it's not like a typical public service agency." – **Roshan**

"I enjoy the collaborative nature of the ERA; everyone works well together to get the job done very well." – **Lincoln**

# Performance

## Performance management framework

### *Relationship to government goals*

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

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

Table 6: Relationship to government goals.

<b>Government Goal</b>	Results-Based Service Delivery: Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.
<b>Desired Outcome</b>	The efficient, safe and equitable provision of utility services in Western Australia.
<b>Service</b>	Submissions to the ERA Governing Body.

### Key performance indicators

For the reasons set out in the disclosures and legal compliance section of this report, we are only required to report on the administrative performance of our Secretariat.

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

### *Key effectiveness indicators*

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

Our key effectiveness indicators are:

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

### *Key efficiency indicators*

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

The key efficiency indicator is the cost per submission made to the Governing Body.

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

## Comparison between performance and resource agreement targets

Table 7: Financial targets.

	Target \$000	Actual \$000	Variation \$000
Total cost of services	11,437	10,759	(678)
Net cost of services*	2,730	3,816	1,086
Total equity*	3,765	4,435	670

	Target	Actual	Variation
Agreed FTE level	56	51.3	(4.7)

- \* The actual net cost of services was greater than the target due to lower than expected revenue from regulatory fees. This is due to the delay in the implementation of full cost recovery from licensing until 1 January 2015.
- \* Equity was more than the target amount due to the increase in receivables, which occurred due to the delay in the issue of the March 2015 quarter standing charges.

Table 8: Working cash targets.

	Agreed Limit \$	Target Actual \$	Variation \$
Agreed working cash limit (at budget)	N/A	N/A	N/A
Agreed working cash limit (at actuals)	N/A	N/A	N/A

We are not required to operate within an agreed working cash limit.

## Comparison between target and actual results

Table 9: Key performance indicators.

	Target	Actual	Variation
Desired Outcome: The efficient, safe and equitable provision of utility services in Western Australia.			
<b>Key effectiveness indicators</b>			
Number of submissions made to the Authority's Governing Body.*	260	289	29
Rating by the Authority's Governing Body as to the content, accuracy and presentation of these submissions. <sup>(a)</sup>	4.0	4.2	0.2
Number (percentage) of submissions provided by the required deadline.	100	98	(2)
Rating by the Authority's Governing Body as to their perception of the timeliness of submissions. <sup>(a)</sup>	4.0	4.1	0.1
<b>Service/key efficiency indicator</b>			
Cost per submission made to the Authority's Governing Body.	\$43,988	\$37,229	(\$6,759)

\* The actual number of submissions to the Governing Body was more than the target. The targets are based on estimates provided by each division on the number of submissions they will need to prepare for consideration by the Governing Body to carry out their regulatory work program for the year. The number of submissions vary on an annual basis in accordance with the cyclical nature of regulation.

(a) Performance is rated as follows by the Governing Body: 1 = very poor, 2 = poor, 3 = satisfactory, 4 = good, 5 = excellent.

# Agency performance

Fact 4: Report on performance.

The following information outlines the key outputs for 2014-15.

The work outputs are categorised as follows:

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

## Third party access to regulated monopoly infrastructure

We are responsible for reviewing and making decisions on access arrangement proposals submitted by electricity and gas network operators.

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

For railway infrastructure, we make determinations of costs and review railway owners' regulatory instruments, the components of which together may be used to negotiate an access agreement.

## Gas access

We regulate three gas transmission pipeline systems and one gas distribution system in Western Australia:

### Gas transmission

- ⇒ Dampier to Bunbury Natural Gas Pipeline
- ⇒ Goldfields Gas Pipeline
- ⇒ Kalgoorlie to Kambalda Pipeline

### Gas distribution

- ⇒ Mid-West and South-West Gas Distribution System

Figure 9: We regulate three gas transmission pipeline systems and one gas distribution system in Western Australia.



Of the four regulated gas pipeline networks, the operators for the following pipeline systems submitted full access arrangements:

- ⇒ Mid-West and South-West Gas Distribution System (GDS).
- ⇒ Goldfields Gas Pipeline (GGP)
- ⇒ Dampier to Bunbury Natural Gas Pipeline (DBNGP)

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

Once a pipeline operator submits its access arrangement revision proposal we have six months to review the proposal and make a final decision. The National Gas Rules provide for certain time periods during the assessment to be disallowed. If time periods are disallowed, the final decision must be made by the end of 13 months from the date of lodgement.

#### Fact 5: What are gas access arrangements?

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

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

#### **Our role and responsibilities in gas access arrangements**

Under the *National Gas Access (WA) Act 2009 (NGL(WA))* and National Gas Rules (NGR), we have responsibility for reviewing and making decisions on access arrangement proposals that service providers of regulated gas pipelines in Western Australia submit approximately every five years.

In reviewing a gas access arrangement proposal, we must undertake public consultation, publish a draft decision and consider any revisions to the access arrangement proposal submitted by the service provider. In making our final decision about whether to approve a service provider's access arrangement proposal (or not), we act in the long term interests of gas consumers by ensuring that the total revenue a service provider recovers is no more than the efficient cost of providing pipeline services to its customers.

If we do not approve the service provider's access arrangement proposal (or revisions), we must propose a revised access arrangement.

The Kalgoorlie to Kambalda Pipeline is subject to light-handed regulation under the National Gas Rules.

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

#### Fact 6: What is light-handed regulation?

Light-handed regulation involves regulatory methods that do not control prices directly, but emphasise commercial negotiation and information transparency, with regulatory intervention through the right to arbitration of disputes.

A less intrusive form of regulation is considered to be appropriate where the market power exercised by the provider is less substantial and there is the potential for contestability for the services to emerge. It may also be appropriate where the number of access seekers is relatively small and these parties can themselves exercise some countervailing market power in the course of commercial negotiations. Further, light regulation may be an appropriate option for regulation where particular assets are in transition towards effective competition.

#### **Mid-West and South-West Gas Distribution System**

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

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

There have been three approved access arrangements since the gas regulatory regime commenced in 1999.

ATCO's current access arrangement was published on 25 June 2012 and applies until we approve a revised access arrangement.

ATCO Gas submitted its proposed revised access arrangement on 17 March 2014, to apply for the five-and-a-half year period 1 July 2014 to 31 December 2019.

We published an issues paper on 2 May 2014 to assist interested parties in preparing submissions in respect to the ATCO Gas proposal.

A draft decision was published on 14 October 2014 which did not approve the proposed revised access arrangement and identified 45 amendments that ATCO would need to make to its proposal. In response to the draft decision, ATCO submitted revisions to its proposed access arrangement and further submissions from interested parties were sought.

Twenty-three submissions were received and informed our final decision to not approve the revised access arrangement. The decision was made on 30 June 2015 and published on our website on 1 July 2015. We are now required to draft our own access arrangement, which is expected to be published early in 2015-16.

### **Dampier to Bunbury Natural Gas Pipeline**

The Dampier to Bunbury Natural Gas Pipeline (DBNGP) is Western Australia's longest gas transmission pipeline, stretching almost 1600 kilometres and linking the gas fields

located in the Carnarvon Basin off the Pilbara coast with population centres and industry in the south-west of WA. It is operated by DBNGP (WA) Transmission Pty Ltd (DBP).

There have been three approved access arrangements since the gas regulatory regime commenced in 1999.

DBP submitted its proposed revisions to the access arrangement for the DBNGP on 31 December 2014. The proposed revisions to the access arrangement are for the period 2016-20.

We published an issues paper on 20 April 2015 to assist interested parties in preparing submissions in respect of the DBP proposal.

Six submissions were received and will inform us when making a draft decision on whether or not to approve the revised access arrangement. Our draft decision is expected to be released in 2015-16.

### *Reference tariff variation*

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

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

On 28 January 2015, we published an annual tariff variation for the DBNGP to apply from 1 January 2015 to 31 December 2015.

## Goldfields gas pipeline

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

There have been two approved access arrangements since the gas regulatory regime commenced in 1999.

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

GGT submitted revisions to its current access arrangement on 15 August 2014.

We published an issues paper on 3 November 2014 to assist interested parties in preparing submissions in respect of the GGT proposal.

Two submissions were received and will inform our draft decision on whether or not to approve the revised access arrangement. Our draft decision is expected to be released in 2015-16.

## Case Study 1: Revised access arrangements for the Mid-West and South West gas distribution systems.

### **ATCO's proposed access arrangement**

The GDS is a regulated gas distribution network in excess of 13,500km owned and operated by ATCO (also known as its service provider), which is accessed by third parties, including Alinta Energy and Wesfarmers Kleenheat Gas. The GDS delivers natural gas to about 683,000 end users in areas that include Perth, Bunbury, Busselton, Capel, Eneabba, Geraldton, Harvey, Kemerton, Mandurah and Pinjarra.

ATCO submitted its access arrangement proposal to us on 17 March 2014. We published an initiating notice inviting submissions from interested parties by 21 May 2014 and a public issues paper outlining the significant issues to be addressed. We received two submissions from stakeholders.

On 14 October 2014, we published our draft decision which did not approve ATCO's access arrangement proposal. In particular, our draft decision required ATCO to make 45 amendments that would reduce capital and operating expenditure; lower the rate of return on assets; adopt the current cost accounting approach to depreciation; and change the corporate income tax expense. In response to our draft decision ATCO provided a revised access arrangement proposal which we published on 27 November 2014 and a corrected version on 7 January 2015. Following our draft decision and the publication of ATCO's revised access arrangement proposal, we received submissions from 23 stakeholders.

On 30 June 2015, we made a final decision not to approve the access arrangement proposed by ATCO Gas Australia Pty Ltd (ATCO) for the Mid-West and South-West Gas Distribution System (GDS). As a result, we will deliver a revised access arrangement that will specify the terms and conditions as well as the price (tariffs) that ATCO must offer independent third parties seeking access to the GDS.

### **A positive outcome for gas consumers**

Our revised access arrangement for the GDS will include 35 amendments to ATCO's revised access arrangement proposal as identified in the final decision. Compared to ATCO's proposal, the final decision will reduce ATCO's expected revenue for the GDS for the period 1 July 2014 to 31 December 2019 from \$1,124.52 million to \$914.04 million. As a result, the average residential gas customer should see annual gas bill savings of approximately \$5.00 when the new access arrangement commences (1 October 2015), with these savings increasing to around \$76.00 in the final year of the access arrangement period (the year commencing 1 January 2019).

## Electricity access

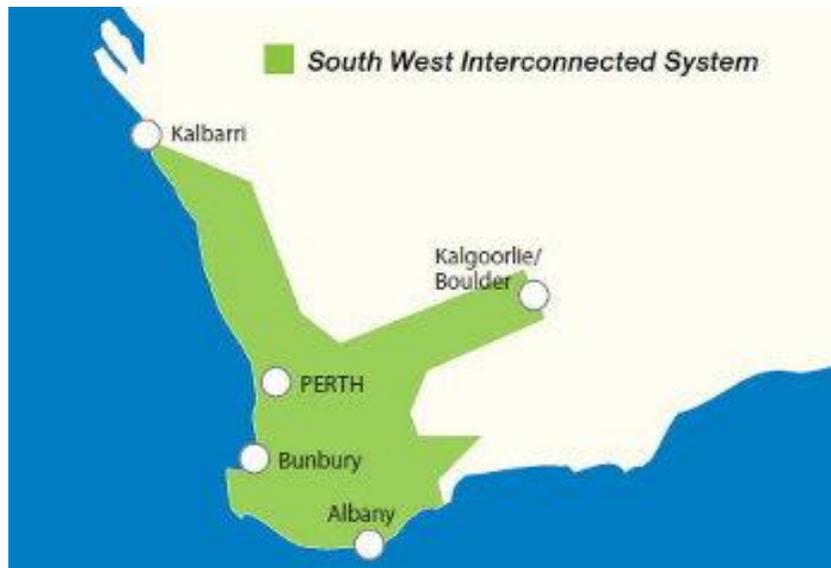
We are responsible for regulating access to electricity transmission and distribution networks in Western Australia.

There are three major electricity networks in WA:

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

The network operated by Western Power is the only regulated network in WA (the SWIS).

Figure 10: South West interconnected system.



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

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

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

## Western Power's electricity network

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

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

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

However, the State Government is currently considering transferring regulation of the Western Power network from the Western Australian regime to the national regulatory framework. Consequently, the revision date has been deferred by nine months from 1 March 2016 to 31 December 2016 to enable Western Power to make its

submission with greater certainty of the regulatory framework that will apply.

### *Technical rules*

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

Technical rules are the standards, procedures and planning criteria governing the construction and operation of an electricity network and are required under the Access Code for all covered (i.e. regulated) networks.

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

### *Exemption from certain requirements of the technical rules*

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

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

Western Power is required to notify us of any grant, revocation or variation of an exemption to its technical rules and we are responsible for publishing the exemption notice under the Access Code.

Western Power notified us of exemptions it granted in October and November 2014. These notices have been published on our website.

If Western Power requires an exemption from one or more requirements of its technical rules it must make an application to us.

We are required to make a determination on an application as soon as practicable and consider the effect the proposed exemption will have on the service provider and users of the network and any interconnected network.

An exemption must be granted if we determine that in all the circumstances, the disadvantages of requiring compliance with the technical rules are likely to exceed the advantages.

We approved two applications for exemptions from the technical rules submitted by Western Power.

The first related to an extension to an exemption approved in December 2012 for the Geraldton Port Authority (GPA) connection. The approval of the extension enables Western Power to continue to provide GPA with a requested load increase on a curtailable basis. The extension applies until such time as a network augmentation, such as the Mid-West Energy Project northern section is in service and enables the provision of a standard reference service for the full GPA load.

The second exemption relates to WestGen Pty Ltd's Byford PV solar farm which is discussed in the case study on page 37.

### *Model technical rules*

There was a requirement under the Access Code for service providers of non-covered networks that are part of the South West Interconnected System (SWIS) to have technical rules.

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

We were required to draft, approve, publish and advertise model technical rules.

The Access Code was amended on 21 November 2014 to remove the requirement for model technical rules for non-covered networks.

## Case Study 2: Byford PV Solar Farm – exemption from technical rules.

Western Power applied for an exemption from its Technical Rules to enable it to provide a constrained connection to a new generator (WestGen Pty Ltd's Byford PV Solar Farm).

WestGen is a member of a Competing Applications Group (CAG) for which Western Power is currently developing a network connection. As a network solution to connect all members of the CAG to the Western Power network is still under development, WestGen requested an interim connection to Western Power's network. This interim connection is to apply until such time as a solution to connect all customers to the CAG can be implemented.

Western Power, in consultation with WestGen, proposed a non-reference service under which WestGen agreed that its ability to export electricity would be constrained via a post-contingent runback scheme under certain network conditions. This would enable the Byford PV Solar Farm to connect and operate without the need for significant network augmentation and prevent overloading in the network.

As the proposed connection arrangement was not compliant with the Technical Rules (which require all generators to be connected on an unconstrained basis), Western Power requested us to approve an exemption from the Technical Rules.

We published an issues paper and invited public submissions in November 2014. Two submissions were received and published on our website. Independent advice was obtained from a technical consultant.

After consideration of Western Power's application, independent advice from the technical consultant and public submissions, we determined that the disadvantages of requiring compliance with the Technical Rules were likely to exceed the advantages.

As a result of the exemption being approved, Western Power is able to connect the Byford PV solar farm to the network without having to augment the transmission system. Transmission system augmentations can be expensive and the requirement to pay a capital contribution toward the cost of increasing the capacity of the transmission system to ensure full compliance with the Technical Rules can be a barrier to entry for new generators to enter the market.

## Metrology procedure review

Western Power's metrology procedure provides guidance on the correct provision, installation and maintenance of metering installations within the Western Power Network. On 5 September 2014, Western Power submitted an updated metrology procedure to align it with the requirements of the *Electricity Industry (Metering) Code 2012*.

We published a notice initiating the review together with Western Power's updated metrology procedure and a document summarising the proposed changes. Public submissions were received from two stakeholders. Western Power submitted an amended updated metrology procedure on 30 January 2015. We published our draft findings for public consultation on 5 March 2015. No submissions were received and we published our final decision on 1 May 2015 to approve the amended updated metrology procedure.

## Price list determination

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

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

Under the Access Code, Western Power is required to submit its price list each year for approval 45 business days

prior to the charges coming into effect. We must make our determination within 15 days of receiving the proposed price list.

The 2015-16 Price List, was submitted by Western Power on 28 April 2014. The Determination on Western Power's 2015-16 Price List and Price List Information was published on 15 May 2015.

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

The approved network prices commenced on 1 July 2015.

The average change in tariffs compared with the previous price list including CPI is 5.1 per cent (comprising an increase of 10.3 per cent for distribution network tariffs and a reduction of 10.2 per cent for transmission network tariffs).

#### Fact 7: What does the price list determine?

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

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

#### Service standard performance report

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

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

Western Power must supply its network services ("reference services") to a standard that at least meets the benchmarks in its access arrangement and we publish the actual service standard performance against the benchmarks each year.

We published Western Power's service standard performance report for the second year of the current access arrangement period (the year ended 30 June 2014) on 19 November 2014.

#### Consumer price index adjustments

On 26 June 2015, we published the 2015 consumer price index (CPI) adjustments as required under section 14.26 of the Access Code.

### Case Study 3: Western Power's service standard performance report.

Western Power reported that it met or exceeded all benchmark targets for the year ended 30 June 2014 with the exception of System Average Interruption Frequency Index (SAIFI) - Rural Long. This is a measure of the level of interruptions to rural customers connected to distribution network feeder lines that are longer than 200 kilometres.

In addition, Western Power's access arrangement includes a service standard adjustment mechanism (SSAM). It will be applied at the next access arrangement review to calculate a financial reward or penalty based on Western Power's actual performance compared with service standard targets over the current access arrangement period. The service standard targets are based on Western Power's current performance.

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

Western Power has calculated the SSAM for the 2013-14 period to be a reward of \$37 million. The overall reward is the net effect of performance across 14 distribution and transmission measures. A penalty was calculated for six of the measures (three in distribution and three in transmission) and a reward was calculated for eight of the measures.

The total reward or penalty for the access arrangement period will be determined at the next access arrangement review.

## Rail access

We regulate the following rail networks:

- ⇒ Brookfield Rail (freight network)
- ⇒ The Pilbara Infrastructure PL (TPI Railway)
- ⇒ Public Transport Authority (PTA) (urban network - predominantly passenger)

We are responsible for certain statutory functions described in the *Railways (Access) Act 1998* (Act) and the *Railways (Access) Code 2000* (Code). Under this Act and Code, we are required to approve the costing principles and rules that underpin third party access charges that should apply to routes where rail access is likely to be sought.

An additional responsibility includes approving the regulatory instruments defined in Part 5 of the Code. The Part 5 regulatory instruments are: the Train Path Policy, the Train Management Guidelines, the Costing Principles and the Over-payment Rules.

The Part 5 regulatory instruments determine the rules for the safe running of trains on a railway network, ensuring that rail capacity is allocated fairly to all users, and establishing a basis for the railway owner to establish costs which are relevant to the price limits for negotiation described in the Code.

We are also required to approve/determine segregation arrangements. Segregation arrangements set out controls and procedures to ensure that where a company operates both the rolling stock and the railway, third party rolling

stock operators seeking access to the railway network are not disadvantaged.

Figure 11: The Economic Regulation Authority regulates three rail networks.



### Brookfield Rail

Brookfield Rail is the provider of 'below rail' freight under a long term lease over the State's south-west rail freight network.

If a third party requests access to a railway route we have to approve or determine incremental and total costs for that railway route proposed by the railway owner.

#### Fact 8: Brookfield Rail.

##### Owned by Brookfield Infrastructure Partners

- Controls more than 5,100 km of rail freight infrastructure throughout the southern half of Western Australia – from Geraldton in the north, to Leonora and Kalgoorlie in the east, and south to Esperance, Albany and Bunbury
- Transports a wide range of commodities including grain, alumina, bauxite, iron ore and interstate freight, as well as passengers on the Perth to Kalgoorlie and the Perth to Bunbury lines

#### *Incremental and total cost determination for Co-operative Bulk Handling access proposal*

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

Brookfield Rail provided its determination of costs relating to the access proposal for our assessment and approval or for us to determine the relevant costs.

Following a period of public consultation on Brookfield Rail's costs we made a determination on 30 June 2014. We were not able to publish the determination as Brookfield advised that some material in the determination was confidential.

We worked with Brookfield Rail and Co-operative Bulk Handling to enable an appropriately redacted version of the determination to be published on 24 September 2014.

A corrigenda to the determination was issued on 16 April 2015. This corrigenda corrected the names of two route sections and changed the determination of incremental costs for one route section. These corrections did not change any of the total costs for any route.

#### **The Pilbara Infrastructure Railway**

##### Fact 9: The Pilbara Infrastructure railway.

- Hauls iron ore deposits from Fortescue Metals Group (FMG)'s mines in the eastern Pilbara to Port Hedland
- Is the world's heaviest haul railway with each train journey on the Cloudbreak to Port Hedland rail line carrying up to 32,950 tonnes of iron ore

#### *Incremental and total cost determination for Brockman Iron access proposal*

Brockman Iron Pty Ltd lodged a proposal for access to the railway network owned by The Pilbara Infrastructure Pty Ltd (TPI) on 15 May 2013.

On 12 September 2013, we issued a determination on TPI's proposed costs relevant to that proposal.

TPI subsequently initiated judicial review proceedings in the WA Supreme Court. Following the Court's judgement on those matters, we re-made our determination of TPI's costs. The re-made determination was published on our website on 24 December 2014. See the case study below.

Case Study 4: Re-making the determination of TPI's costs relevant to Brockman iron's access proposal.

In 2013 we made a determination of TPI's costs relevant to an access proposal made by Brockman Iron.

TPI initiated judicial review proceedings in the WA Supreme Court. Although the Court did not find our determination to be in error, Justice Edelman's decision was that we had not provided TPI with sufficient opportunity to address some adverse elements of the determination before it was finalised, and as a result it quashed the determination.

We were required to re-make the determination and consult further with TPI on some matters.

Between the time of making the initial TPI determination and the handing down of the Supreme Court's decision, we had been required to make a separate unrelated determination of Brookfield Rail's costs relevant to an access proposal made by Co-operative Bulk Handling. This was a complex determination and resulted in us changing our approach to some elements of assessing costs.

Most notably, we respecified the lower and upper bounds of our determination; from 'Floor' and 'Ceiling' costs, to 'Incremental' and 'Total' costs, being costs relevant to the floor and ceiling price tests described in clauses 7 and 8 of Schedule 4 to the Code. The rationale for this change is described in the Determination of Brookfield Rail's costs which was published on 30 June 2014.

Consequently, we consulted with both TPI and Brockman Iron on the remaking of the determination and took into account the views of these parties on a range of additional matters.

Following the re-making of the TPI determination in December 2014, we were able to arrange for an unredacted determination to be given to Brockman Iron (which had not been possible with the initial determination), subject to a confidentiality agreement between the parties preventing Brockman Iron from disclosing TPI's confidential information. As part of the disclosure arrangement we also initiated a structured consultation program with both TPI and Brockman Iron to determine an appropriate level of redaction for a public version of the determination to protect TPI's business interests and better satisfy our requirements for transparency.

This agreement was reached in April 2015, and the redacted determination was published on 10 July 2015.

The text of the remade TPI determination was largely unredacted as a result of this process.

## Public Transport Authority passenger railway

The Public Transport Authority (PTA) is a government owned enterprise with vertical integration, which means it owns the below rail business and operates the above rail metropolitan and regional passenger services in Western Australia.

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

Fact 10: Perth urban passenger rail system.

PTA network consisting of the Joondalup, Fremantle, Mandurah, Midland, and Armadale/Thornlie Lines

In 2008 we determined that PTA's regulatory compliance regime should be modified to reduce compliance requirements in order to reduce PTA's regulatory burden.

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

We will monitor PTA's regulatory actions until such time that a third party access proposal is made on the PTA network.

## Review of the Railways (Access) Code 2000

Section 12 of the *Railways (Access) Act 1998* requires us to undertake a review of the *Railways (Access) Code 2000* (Code) as soon as practicable after the third anniversary of its commencement and every five years thereafter. The Code commenced in September 2001.

We published an issues paper on 20 February 2015 which highlighted matters of particular interest, and invited comment on those matters and any other matters of interest to stakeholders.

The issues we raised were:

- ⇒ the validity of an access proposal
- ⇒ when can an extension or expansion be proposed?
- ⇒ what constitutes unfair discrimination
- ⇒ adequacy of time limits for arbitration

Eleven submissions were received and these were published on our website on 20 April 2015.

A further round of public consultation was undertaken to enable additional comments to be submitted on particular issues associated with the means of determining a regulatory capital value of a railway and how prescriptive should the rail regulatory regime be.

The additional consultation period occurred between 7 May 2015 and 11 June 2015. Ten submissions were received.

## Rail networks - weighted average cost of capital (WACC)

We are required to calculate the annual weighted average cost of capital (WACC) for Brookfield Rail, the Public Transport Authority (PTA) and The Pilbara Infrastructure (TPI) rail networks as at 30 June each year. The determination is to be published as soon as is practicable after it is made.

We are also required to consult on a review of the WACC every five years. This process commenced in 2013-2014 and is not yet completed.

As the five yearly review process was not completed, the 2014 annual WACC determination was calculated on the basis of the existing method. WACC values were published on 24 October 2014, and applied from 1 July 2014 to 30 June 2015.

A draft determination relating to the five yearly review of the WACC for the three regulated railway networks (PTA, Brookfield Rail, and TPI) was released for public consultation on 4 June 2014. A corrigendum to the draft determination was released on 5 June 2014. Five submissions were received.

Following the release of the draft determination, the rate of return approach underwent further development. This occurred as we were also assessing the proposed revisions to ATCO's Mid-West and South-West Gas Distribution System (GDS) access arrangement. There was an overlap of issues between the draft rail WACC method and the revised rate of return method set out in the ATCO GDS draft decision, which needed to be clarified.

To incorporate the revised rate of return approach, clarify key differences between the two regimes, and allow due process

in terms of consultation with rail stakeholders, a revised rail WACC method review draft determination was issued on 28 November 2014 for consultation. Four submissions were received.

We are currently anticipating the final determination to be issued early in 2015-16.

## Energy markets

### *Wholesale electricity market*

We are responsible for monitoring the effectiveness of the wholesale electricity market (WEM) in meeting the Wholesale Market Objectives. We must investigate if we consider any market behaviour has resulted in the market not functioning effectively.

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

### Energy price limits

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

We review proposed changes in the value of the energy price limits. In determining whether to approve the revised energy price limits, we are required to consider whether the revised values proposed by the IMO reasonably reflect the application

of the method and guiding principles described in the Market Rules and whether the IMO has carried out an adequate public consultation process.

IMO's Final Report was submitted on 25 May 2015, accompanied by a report prepared by Jacobs Group Australia.

We published our final decision on 24 June 2015, approving the energy price limits.

#### Fact 11: What are energy price limits?

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

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

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

#### Maximum reserve capacity price

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

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

If a capacity auction was required, the maximum reserve capacity price (MRCP) sets the price cap for offers into the auction. The MRCP is set for each capacity year.

We published our decision on 30 January 2015 approving the MRCP effective from 1 October 2017 to 1 October 2018 (the 2017-18 Capacity Year) of \$164,800 per MW per year, as recommended by the IMO.

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

#### Ancillary service parameters

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

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

Ancillary services include:

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

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

We are required to determine regulated prices for load rejection, system restart and spinning reserve services. In addition, System Management must obtain our approval before entering into a contract for dispatch support services.

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

The IMO submitted its proposal for the Ancillary Service Margin Peak and Margin Off-Peak parameters for the 2015-16 financial year to us on 28 November 2014.

Our Determination on the Ancillary Service Margin Peak and Margin Off-Peak parameters was published on 31 March 2015.

### **Effectiveness of the electricity generation and retail corporation regulatory scheme**

As part of the merger arrangements for Verve Energy and Synergy on 1 January 2014, the Electricity Generation and Retail Corporation (EGRC) Regulatory Scheme was put in place to impose requirements on the new merged entity. These requirements include ring-fencing, business segregation, transfer pricing and non-discriminatory wholesale electricity trading.

We are required to review the operation of the EGRC Regulatory Scheme at least once each year. We must deliver a report to the Minister for Energy based on our review, including any recommendations for improvements.

Public comment was sought from interested parties on issues to assist us undertake our first review. A discussion paper was published to assist interested parties in preparing public submissions. The submission period closed on 22 December 2014, and we received four public submissions.

We delivered our report to the Minister on 2 April 2015 and published the report in June 2015, once it was tabled in Parliament by the Minister.

### **Effectiveness of the WA wholesale electricity market**

We provided a report to the Minister for Energy on the effectiveness of the Wholesale Electricity Market (WEM). The report included an assessment of specific events, behaviours or matters that have impacted on the effectiveness of the WEM and also recommendations to increase the effectiveness of the WEM in meeting the Wholesale Market Objectives.

A discussion paper was released on 19 November 2014 that sought public submissions on issues impacting the effectiveness of the WEM. Interested parties were invited to make submissions by 12 January 2015.

Five stakeholder submissions were received and the comments raised in the submissions were considered in preparing a report for the Minister for Energy.

The 2014 WEM report was submitted to the Minister for Energy on 3 March 2015. It has not yet been tabled in Parliament.

The State Government's Electricity Market Review is currently underway. It examines the structures of the electricity generation, wholesale and retail sectors within the South West Interconnected System in Western Australia, and the incentives for industry participants to make efficient investments and minimise costs.

Figure 12: Each year we provided a report to the Minister for Energy on the effectiveness of the Wholesale Electricity Market (WEM).



We welcome the comprehensive review being undertaken by the State Government and anticipate it will address a number of long standing issues identified in previous WEM Reports. Our 2014 WEM report will complement the Electricity Market Review.

### Market investigations

We monitor the effectiveness of the wholesale electricity market in meeting the wholesale market objectives in conjunction with the Independent Market Operator (IMO).

This includes monitoring inappropriate and anomalous market behaviour including the abuse of market power and exploitation of any shortcomings of the market rules.

Fact 12: Annual report to the Energy Minister on WEM effectiveness.

- The Wholesale Electricity Market (WEM) was established in 2006 as part of the deregulation of the State's electricity sector by the West Australian government. The key objectives of the market are to facilitate competition among generators and retailers; to promote the economically efficient, safe and reliable production and supply of electricity related services; and to minimize the long term cost of electricity supplied to customers.
- The WEM allows for competition between generators and retailers to deliver electricity at prices less than would otherwise be possible. The market mechanisms aim to ensure the most efficient and least cost generators are used to supply electricity to keep prices as low as practicable.
- Customers benefit from having a mechanism that ensures they can use electricity when they need it and the electricity is delivered at the minimum practicable cost.
- Our annual review of the market's effectiveness is important as it identifies any problems with the market design and required improvements to make the market more effective.

Market participants of the WEM can notify us or the IMO of any behaviour that reduces the effectiveness of the market.

In June and July 2014, the IMO advised of alleged breaches of the market rules by Vinalco Energy Pty Ltd.

Two investigations into Vinalco Energy's pricing behaviour are currently underway. The results are expected to be published in October 2015.

### *Gas Retail Market*

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

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

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

Our role in the REMCo Scheme includes:

- ⇒ approving amendments to the Retail Market Rules
- ⇒ investigating any non-compliance with the gas market rules referred by REMCo

REMCo submitted four applications seeking our approval of a number of amendments to the Scheme during the year. These amendments were included in rule change proposals:

- ⇒ C01/14R – Secondary Capacity for Shipper and Swing Service Provider Listing Requests
- ⇒ C02/14R – Calculating Unaccounted for Gas for Uncovered Sub-networks
- ⇒ C03/14S – Bulk Energy History Requests
- ⇒ C04/14R – Withdrawal of Transfer Requests under Rule 79(4)
- ⇒ C01/15R – Clarification of Rule 149(5)
- ⇒ C02/15S – Specification Pack Changes for FRC Hub Update

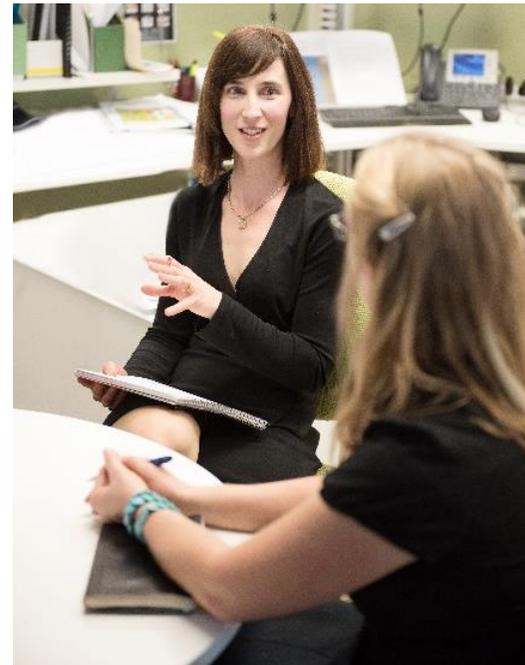
We approved all six rule changes on the basis that the rule changes met the prerequisites of approval of amendments as required under the *Energy Coordination Act 1994*. Details of the rule changes and our decision papers are available on our [website](#).

## Independent economic inquiries

We undertake inquiries referred to us by the State Treasurer. An inquiry is initiated when a 'terms of reference' is issued by the Treasurer. The terms of reference detail the scope, process and duration of an inquiry.

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

Figure 13: Assistant Director of Inquiries, Leonie Browner, with Manager of Projects, Helen Ensikat.



We draw on the information we receive in submissions and information, research and expertise assembled from other sources to formulate our findings. Any member of the public can participate in the consultation process.

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

### *Inquiry into the efficiency and performance of Western Australian prisons*

We undertook one major inquiry in 2014-15: the inquiry into the efficiency and performance of Western Australian prisons. The State Treasurer referred this inquiry to us in October 2014.

The terms of reference required us to undertake an independent inquiry on ways to improve the efficiency and performance of the Western Australian prison system.

In particular, we were asked to design new regulatory arrangements for the prison system that incorporate appropriate performance standards, incentives and performance monitoring processes. A key deliverable of this inquiry will be the development and calculation of a set of benchmarks that can be used to assess the performance of individual prisons in Western Australia. These benchmarks would be designed to apply to both public and private prisons.

We released an issues paper on 11 November 2014. The submission period closed on 9 January 2014 and a total of 19 submissions were received from a range of stakeholders. All public submissions were published on our website.

On 18 March 2015 a discussion paper was published. The purpose of the paper was to elicit early feedback on a selection of issues that were central to the inquiry. Roundtable discussions with a range of stakeholders were held in April 2015 and further consultation undertaken.

Figure 14: The inquiries team discuss stakeholder feedback.



A draft report will be published in July 2015 and a final report will be delivered to the Treasurer by no later than 8 October 2015.

Fact 13: What is the significance of independent inquiries?

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

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

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

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

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

## Case Study 5: Western Australian prison inquiry.

The Treasurer of Western Australia asked us to undertake an inquiry into options to improve the efficiency and performance of the Western Australian prison system.

Our role is to provide advice based on economic, market and regulatory principles and we will include advice on the design of appropriate performance standards, incentives, and monitoring processes for the prison system.

In the draft report, published in June 2015, we observed that the governance arrangements applying to public prisons are not robust. In particular, we observed:

- a lack of clarity of roles and responsibilities for senior staff in the Department of Corrective Services;
- insufficient standards of accountability;
- poor transparency, and
- general inadequacies in information systems, planning and controls within the Department.

In forming draft recommendations for this inquiry, we sought to apply some of the settings of the private system to the public system. We made draft recommendations in the following four key areas:

### **Ensuring consistent standards across the prison system**

This set of recommendations focussed on ensuring that public prisons are held to the same standards of accountability and transparency as private prisons. This can primarily be

achieved through Service Level Agreements (and supporting reforms) to establish clearer roles and responsibilities and performance management frameworks (including benchmarks).

### **Performance benchmarks**

The publication of performance benchmarks will help to ensure greater accountability and transparency. We sought to design a set of benchmarks that focus on the core areas of prison performance that superintendents can and should be expected to influence. However, superintendents cannot influence all aspects of prison performance. Accordingly, we recommended that benchmarks apply to the prison system as a whole.

### **Encouraging more effective planning, decision-making and use of information**

This set of recommendations focussed on developing the Department of Corrective Services capacity to analyse and understand its operations and future needs, improving the integrity of its administrative data and recordkeeping systems, and adopting a more collegiate and transparent approach to data sharing.

### **Encouraging competition in the prison system**

There is scope to extend competition in the prison system to drive better performance and innovation. We recommended the introduction of a commissioning model, whereby prisons and prison services can be delivered by a mix of public, private and not-for-profit providers.

## Energy and water utility licence administration

We have responsibility for administering the Western Australian energy and water licensing regime. This involves approving applications for or amendments to licenses and monitoring whether licensees comply with their licence conditions. We also approve standard form contracts and service standards and assess the performance of licensees in relation to issues such as the treatment of customers experiencing financial hardship.

We have a number of responsibilities in administering this scheme.

### *Industry code reviews*

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

### **Compendium of gas customer licence obligations**

We periodically review the customer service standards included in Schedule 2 of all gas licences, the Compendium of Gas Customer Licence Obligations (Compendium).

The Compendium regulates and controls the conduct of retailers and distributors who supply gas to residential and small business customers.

The Compendium closely follows the standards set out in the (statutory) Code of Conduct for the Supply of Electricity

to Small Use Customers (Code) to ensure that gas and electricity customers receive a comparable level of service.

The Compendium was developed to protect the interests of customers who consume no more than 1TJ of gas per year (which equates to an annual gas bill of around \$32,200).

The Compendium is reviewed by us every two years, following the conclusion of each Code review. Reviews of the Compendium occur in consultation with stakeholders to ensure the Compendium remains relevant and effective.

The latest review of the Compendium was completed in November 2014.

The following are some of the changes made to the Compendium during the latest review:

- ⇒ Amendments to the requirements for financial hardship policies, for example to allow policies to only contain information that is of relevance to a customer.
- ⇒ The removal of reporting indicators from Part 13 and amendment of the remaining clauses to clarify the annual performance reporting process.
- ⇒ The removal of the requirement to show the average daily consumption on bills for collective customers.
- ⇒ Allowance for the transfer of credit from a customer's old account to their new account.

## Gas marketing code of conduct

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

Regular reviews of the Code are undertaken by an independent committee, the Gas Marketing Code Consultative Committee (GMCCC), in an open and publicly accountable way. This ensures the Code provisions remain relevant and effective, and gives representatives of industry and consumers a direct role in the process.

The purpose of the review is to reassess the suitability of the provisions of the Code.

*The Energy Coordination Act 1994* (Act) requires that the GMCCC give any interested person an opportunity to offer comments relevant to the review. The GMCCC must also prepare a report based on the review and submit it to us. We may then decide to amend the Code.

In February 2015, the GMCCC presented its final report to us, which included one recommendation for an amendment to the Code and one recommendation that we write to the Minister for Energy suggesting changes to the Act and

regulations be made. The recommendations made by the GMCCC were approved.

The new Code includes a new compliance clause which ensures that the Code is not only enforceable against retailers (as a condition of their licence) but also against gas marketing agents.

The new Code came into effect on 1 July 2015.

## *Annual service provider performance reports*

We publish reports on the performance of electricity, gas and water service licensees in Western Australia annually.

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

The reports cover the performance of:

- ⇒ Energy distributors
- ⇒ Energy retailers
- ⇒ Water service providers

#### Fact 14: How does our licensing framework work?

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

#### **Educating for compliance**

We provide a suite of guidelines and other material that assists licensees to understand their licence obligations and provides a framework for them to monitor and report on their compliance.

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

We also hold Regulatory Managers Forums at regular intervals. The forums provide an opportunity for licensees to discuss a range of regulatory topics with us. We often link the Forum to a recent change in the regulatory framework.

#### **Compliance incentives**

The licensing legislation requires us (in terms of water licences) or licensees (electricity and gas licences) to engage independent auditors to regularly assess compliance with the licence and, for licensees with infrastructure, review the effectiveness of their asset management systems. For most licensees, these audits and reviews represent the largest single cost of regulation in monetary terms.

#### *Licensing*

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

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

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

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

#### **Compliance incentives in action**

More information on increased and reduced audit and review periods and regulatory notices served in 2014-15 is available on page 60.

We grant the following types of licences:

⇒ EGL: electricity generation

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

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

As of 30 June 2015, there were a total of 102 electricity, gas and water licences (60 electricity, eight gas, and 34 water) held by 86 licensees. Copies of all licences currently in force can be found on our [website](#).

During the reporting year, we granted the following new licences:

### Electricity

- ⇒ Alinta Sales Pty Ltd (EIRL9)
- ⇒ A-Star Electricity Pty Ltd (ERL21)
- ⇒ NewRet Pty Ltd (ERL23)
- ⇒ TEC Hedland Pty Ltd (EIRL9)

### Water

- ⇒ Robe River Mining Co Pty Ltd WL45

We also approved 74 licence amendments (64 electricity licences, eight gas and two water).

The bulk (60) of the electricity licence amendments were associated with the electricity licences review. We periodically review the licences in each of the utility sectors to ensure their currency and that best practice licensing is being applied.

The Electricity Licences Review resulted in all 60 electricity licences being amended by substitution on June 2015. The Electricity Licences Review is the focus of a case study on page 58.

In addition, one electricity retail licence was transferred from Premier Power Sales to Wesfarmers Kleenheat Gas Pty Ltd. and the electricity generation licence held by CSBP Limited was surrendered.

In February 2015, we published a revised [Licence Application Guidelines and Form](#) document to assist potential licence applicants with licence applications. The guideline provides advice on the statutory obligations, as well as information required for licence applications, amendments, renewals, transfers, surrenders or cancellations.

We made amendments to the guideline to reflect the changes Government made on 1 January 2015 to the way we charge licensees for our licensing functions.

### Case Study 6: Electricity licences review 2015.

We administer licensing of Western Australian electricity supply services in accordance with *the Electricity Industry Act 2004 (Act)*. Under the Act, participants in the electricity industry who construct and/or operate generating works, transmission systems or distribution systems, or sell electricity to customers, must hold a licence (unless exempted by the Governor).

We periodically review our licences to ensure we maintain a best practice licensing regime. In 2014-15, a review of electricity licences (the Review) was undertaken.

The aims of the Review included:

- ensuring electricity licences reflect the current regulatory environment;
- improving consistency across the electricity licence categories and between electricity, gas and water licences; and
- reducing the regulatory burden on business, particularly by removing spent, redundant or inappropriate licence conditions to reduce compliance costs.

To meet the aims of the Review, we examined:

- the format of the electricity licence templates;
- the terms and conditions applicable to the electricity licence templates;
- whether current deviations from the template licences should continue to exist; and
- whether further deviations from the template licences should be created and, if so, in what circumstances.

As part of the Review process, we:

- requested and received from licensees, potential issues for inclusion in the discussion paper;

- published a discussion paper for public comment, which set out proposed licence amendments;
- received and considered submissions on the discussion paper;
- made decisions with regard to each of the original proposals contained within the discussion paper;
- determined additional licence amendments that were not in the discussion paper, which were suggested by licensees in their submissions, or determined by us;
- provided licensees with an opportunity to comment on our final proposed licence amendments (this is a legislative requirement for ERA-initiated licence amendments);
- published our final decision; and
- amended all electricity licences by substitution.

To meet the aims of the Review, the licence amendments focused primarily on reducing the regulatory burden on licensees by addressing inconsistencies across licences, clarifying the intent of licence conditions and removing redundant licence conditions.

This is a positive outcome for industry and consumers, as the licence amendments will result in lower compliance costs for licensees. The amendments also ensure our electricity licences continue to be efficient and effective, and reflect best practice.

Licence templates have remained stable over the past 10 years, with few modifications since they were introduced. Licensees have rarely needed to apply for licence amendments. Our experience administering the electricity licensing regime, and feedback from licensees, indicates that the current regime is operating well.

## Monitoring

### Licence audits and asset management reviews

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

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

Both the audits and reviews are undertaken by independent experts at standard intervals of two years; however we have the discretion to vary the interval based on the licensee's compliance with the licence.

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

The licensing legislation includes provision for us to serve a notice of non-compliance if a licensee has failed to comply with a licence condition. The notice specifies what the licensee must do to rectify the failure and the time within which the licensee must comply with the notice. If a licensee fails to comply with the notice we may impose a

Table 10: Licence audits and asset management reviews in 2014-15. See previous page for more information.

monetary penalty, or remedy the non-compliance(s) in the notice at the licensee's expense.

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

The table on page 60 lists all the licence audits and reviews undertaken in 2014-15, and outlines whether we decided to maintain, increase or decrease the period until the next audit/review.

The licensees who had their notice of non-compliance closed are highlighted in grey.

#### Fact 15: Audit and asset management review results.

Thirty-three audits and 30 reviews were assessed during 2014-15.

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

The interval between audits/reviews of 17 audits and 17 reviews was increased as a result of good compliance and high asset management effectiveness ratings.

None of the audit/review intervals were reduced.

The decision on the interval between audits/reviews of one audit and four reviews was deferred until progress is made towards addressing outstanding problems identified in the audit/review.

Company	Licence type	Audit	Review	Months until next audit/review	Increase + Decrease – Same = Defer *
ATCO Gas Australia	GDL	-	✓	36	=
Bluewaters Power 1	EGL and ERL	✓	✓	48	=
Bluewaters Power 2	EGL	✓	✓	48	=
Mumbida Wind Farm	EGL	✓	✓	24	=
Ord Hydro	EIRL	✓	✓	48	+
Newmont Power	EDL and ERL	✓	✓	48	+
Newmont AP Power	ERL	✓		48	+
CSBP Ltd	EGL	✓	✓	60	+
Harvey Water (SWIMCO)	WL	✓	✓	36	=
Alinta Sales Pty Ltd	ERL	✓		48	+
Landfill Gas and Power	ERL	✓	✓	48	+
Goldfields Power	EGL and ERL	✓	✓	48	+
Southern Cross Energy	EGL and ERL and ETL and EDL	✓	✓	48	+
Western Power	EDL and ETL	✓	✓	36	+
Horizon Power	EIRL	-	✓	36	+
Merredin Energy	EGL	✓	✓	36	+
ATCO Karratha	EGL	✓	✓	48	+

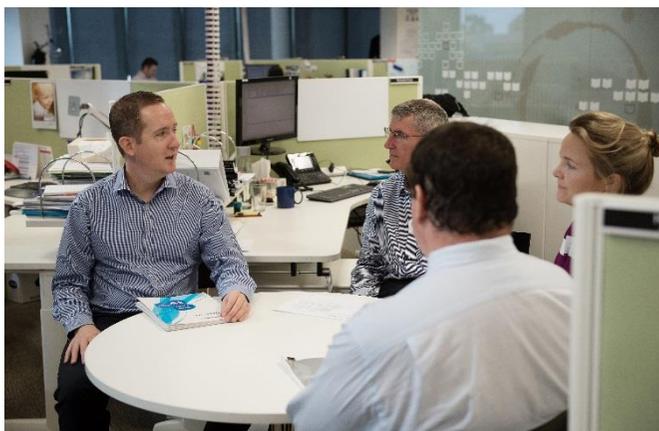
Company	Licence type	Audit	Review	Months until next audit/review	Increase + Decrease – Same = Defer *
EDL NGD (WA)	EIRL	✓	✓	60	+
Western Energy	EGL	✓	✓	60	+
Wesfarmers (Audit)	GTL	✓	-	24	=
Moama Lifestyle Villages	WL	✓	✓	Audit 36 Review 24	+
NewGen Power Kwinana Pty Ltd	EGL	✓	✓	Audit 60 Review deferred	Audit + Review *
AER Retail	ERL	✓	-	48	+
Shire of Gnowangerup	WL	✓	✓	Audit 36 Review deferred	Audit = Review *
Shire of Jerramungup	WL	✓	✓	Audit 36 Review deferred	Audit = Review *
Community Electricity	ERL	✓	-	48	+
Shire of Kent	WL	✓	✓	36	Audit = Review +
Shire of East Pilbara	WL	✓	✓	36	=
City of Kalgoorlie Boulder	WL	✓	✓	Deferred	Audit * Review *
Shire of Goomalling	WL	✓	✓	36	=

Company	Licence type	Audit	Review	Months until next audit/review	Increase + Decrease – Same = Defer *
Shire of Victoria Plains	WL	✓	✓	24	=
Shire of Dowerin	WL	✓	✓	21	=
Shire of Coolgardie	WL	✓	-	36	Audit = Review +
Shire of Yilgarn	WL	✓	✓	36	Audit = Review +
Shire of Brookton	WL	✓	✓	36	Audit = Review +

## Compliance notices previously served on water licensees

Prior to July 2014, we had served compliance notices on four water licensees because of deficiencies with their asset management systems: Moama Lifestyle Villages Pty Ltd and the Shires of Brookton, Coolgardie and Moora. The compliance notices required the licensees to rectify the problems with their asset management systems by the date specified in the notice.

Figure 15: LMCP division members Alexander Kroon, Paul Reid, Sarah Lyons and Harry Hilton.



During the year we completed the asset management effectiveness reviews of three of the licensees (Moama, Brookton and Coolgardie), where an independent auditor reported on the actions the licensees had taken to address the asset management deficiencies identified in the compliance notices. After considering the reports provided by the auditor, we are satisfied that the deficiencies have

been satisfactorily addressed, and the compliance notices have now been closed. The asset management review of the Shire of Moora was scheduled to be completed in July 2015.

## Reporting handbooks, datasheets and manuals

Utility licences include a condition requiring licensees to provide us with annual (non-financial) performance data.

This helps us monitor not only the licensees' individual performance, but also examine performance trends across each utility sector.

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

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

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

During the year, we published the manuals, handbooks and datasheets listed in the table on page 64.

Table 11: Utility licence compliance and performance reporting documents.

Electricity	Gas	Water
Electricity Compliance Reporting Manual – September 2014	Gas Compliance Reporting Manual – March 2015	Water Compliance Reporting Manual – April 2014
2014-15 Electricity Distribution Licence – Reporting Datasheets - Code of Conduct	2014-15 Gas Reporting Datasheets – Distribution	2014-15 Water, Sewerage and Irrigation Licence Performance Reporting Datasheets
2014-15 Electricity Reporting Datasheets – Network Quality and Reliability Code	2015 Gas Distribution Licence Performance Reporting Handbook	2015 Water, Sewerage and Irrigation Licence Performance Reporting Handbook
2014-15 Electricity Reporting Datasheets - Retail	2014-15 Gas Reporting Datasheets – Retail	
2015 Electricity Retail Licence Performance Reporting Handbook	2015 Gas Trading Licence Performance Reporting Handbook	
2015 Electricity Distribution Licence Performance Reporting Handbook		

## Customer Protection

### Energy standard form contract approvals

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

Small use customers are typically residential and small business customers who consume less than 160MWh of electricity per year (approximately \$40,000) or 1 TJ of gas per year (approximately \$32,200).

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

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

A retailer and small use customer may also negotiate terms and conditions different from the retailer’s standard form contract, referred to as a “non-standard contract”. A non-standard contract does not require our approval; however it must still comply with relevant legislation.

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

During the reporting year, we approved the following electricity standard form contracts:

- ⇒ A-Star Electricity Pty Ltd
- ⇒ Wesfarmers Kleenheat Gas Pty Ltd

## Financial hardship policies

### Energy Licensees

Electricity and gas retailers who supply energy to residential customers must have a financial hardship policy to assist their customers in meeting their financial obligations and responsibilities to the retailer.

We are not required to approve financial hardship policies but the retailer must carry out a review of their policy if requested by us. They must then provide us with a copy of the results of their review, along with a copy of their policy.

In March 2015, we published revised Financial Hardship Policy Guidelines. The revisions followed changes made to the financial hardship policy requirements included in the *Code of Conduct for the Supply of Electricity to Small Use Customers* and the *Compendium of Gas Customer Licence Obligations*. As a result of the changes, retailers must now prepare two documents: a hardship policy and hardship procedures.

The changes aim to make financial hardship policies more consumer friendly as retailers will only have to include information that is directly relevant to customers. Information that explains how retailers will implement their policies should be included in their hardship procedures.

All electricity and gas licensees who supply residential customers have been asked to review their hardship policy and hardship procedures by 1 July 2015 in line with the new guidelines.

### Water Licensees

Like electricity and gas retailers, water providers who supply water to residential customers must have a financial hardship policy. However, unlike electricity and gas retailers, water providers are not required to have hardship procedures.

The financial hardship policies of water providers must be approved by us to have effect.

Our Financial Hardship Policy Guidelines for Water Services provides guidance to water providers regarding the content of and good practice in the development and implementation of financial hardship policies.

Following the introduction of the new water legislation in November 2013, we approved the financial hardship policies of all existing water providers in May and June 2014.

Since then, we have approved the following:

### New policy:

- ⇒ Robe River Mining Co Pty Ltd

### Amendments to existing policies:

- ⇒ Water Corporation

- ⇒ Shire of Dalwallinu
- ⇒ Shire of Dowerin
- ⇒ Shire of Goomalling
- ⇒ Shire of Jerramungup
- ⇒ Shire of Koorda
- ⇒ Shire of Lake Grace
- ⇒ Shire of Ravensthorpe
- ⇒ Shire of Yilgarn

## Committees

### *The Economic Regulation Authority Consumer Consultative Committee (ERACCC)*

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

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

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

The ERACCC continued to hold quarterly meetings throughout 2014-15.

The highlights from meetings conducted over the year included:

- ⇒ regular briefings by our staff on issues of relevance to ERACCC members and to the community, and the current work being undertaken by us (for example, our inquiries and changes in the licensing area);
- ⇒ a continued focus on conveying technical information relating to our work in a manner that is clear and accessible to all members;
- ⇒ high quality presentations from ERACCC members and invited guests regarding issues specific to their constituencies and issues of general interest to the ERACCC; and
- ⇒ planning for the 2015 Biennial ERACCC seminar, which was held on 4 May 2015.

Membership of ERACCC during 2014-15 included:

- ⇒ Irina Cattalini (WA Council of Social Service)
- ⇒ Christine Coyne (individual member)
- ⇒ Chris Wyhoon (WA Farmers Federation)
- ⇒ Leon Bradley (Pastoralists and Graziers Association of WA)
- ⇒ Lisa Kazalac, then Matthew Sargeant (Chamber of Commerce and Industry of WA)
- ⇒ Charles Brown (Financial Counsellors Association of WA)

- ⇒ Andrew Winter (Chamber of Minerals and Energy of WA)
- ⇒ Paul Schollum (WA Local Government Association)
- ⇒ Rebecca Douthwaite (Property Council of Australia - WA)

Observers who participated in ERACCC in 2014-15 were:

- ⇒ Ms Mary White and Mr Marcus Claridge (Energy and Water Ombudsman WA)
- ⇒ Mr Gary Newcombe (Department of Commerce)

We greatly appreciate the contribution that members make through their involvement in the ERACCC.

### *Electricity Code Consultative Committee (ECCC)*

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

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

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

Consumer representatives:

- ⇒ Mr Charles Brown (Financial Counsellors Association of WA)
- ⇒ Mr Matthew Sargeant (Chamber of Commerce and Industry)
- ⇒ Mr Mark Fitzpatrick (St Vincent de Paul)

Industry representatives:

- ⇒ Ms Catherine Rousch (Alinta Energy)
- ⇒ Mr Gino Giudice (Western Power)
- ⇒ Mr Simon Thackray (Synergy)
- ⇒ Mr Jodie McDonnell (Wesfarmers Kleenheat Gas)

Government representatives:

- ⇒ Mr Alex Kroon (Public Utilities Office)
- ⇒ Ms Sarah Hazell (Department of Commerce)

Mr Paul Kelly (ERA) chairs the ECCC and Ms Caroline Coutts-Kleijer (ERA) was the executive officer.

The ECCC did not undertake any work during 2014-15 as the next review is scheduled for 2015-16.

### *Gas Marketing Code Consultative Committee (GMCCC)*

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

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

The most recent review of the *Gas Marketing Code of Conduct* was undertaken in 2014-15 with the revised code becoming operational on 1 July 2015.

The GMCCC consists of three consumer representatives, three industry representatives, two government representatives, a non-voting chairperson and an executive officer. The GMCCC membership for the 2014-15 year was as follows:

Industry representatives:

- ⇒ Ms Catherine Rousch (Alinta Energy)
- ⇒ Mr Simon Thackray (Synergy)
- ⇒ Mr John Saratsis (Wesfarmers Kleenheat).

Consumer representatives:

- ⇒ Mr Matthew Sargeant (Chamber of Commerce and Industry)
- ⇒ Mr Charles Brown (Financial Counsellors Association of WA)

Government representatives:

- ⇒ Ms Sarah Hazell (Department of Commerce)
- ⇒ Mr Alex Kroon, then Mr James McIntosh (Public Utilities Office).

Mr Paul Kelly (ERA) chairs the GMCCC and Ms Cathryn Greville (ERA) was the executive officer for the 2014-15 Code Review.

### Engaging with stakeholders

In undertaking our regulatory and inquiry functions, we welcome submissions from, and engagement with, our stakeholders, and various advisory committees, to inform our decision-making.

### Liaison meetings

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

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

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

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

We also meet with the Treasurer and the ministers for energy and water.

## Corporate Activities

### *Strategic plan review*

We reviewed our Strategic Plan for the 2014-17 financial years.

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

The review process involved:

- ⇒ a review of the 2011-14 Strategic Plan.
- ⇒ an assessment of the expected economic, social, technological, and political environment.
- ⇒ planning sessions with the Governing Body, Corporate Executive, Assistant Directors Group and with all staff.
- ⇒ an assessment of the resources and processes required to deliver the desired outcomes.
- ⇒ the review of our purpose
- ⇒ a review of our organisational values and development of new values consistent with our purpose.
- ⇒ consideration of actions required in order for us to meet our revised strategic goals.

Our revised statement of purpose is:

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



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

The five revised strategic goals are:

1. Independent regulation and advice is understood and valued
2. We are recognised as a quality provider of economic analysis and advice on a broad range of issues
3. We effectively engage with our stakeholders

4. Regulatory compliance is at a high standard
5. We are a great place to work

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

## Communications

### On Tap – Water Consumers Guide

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

### Switched on – a guide for electricity and gas customers

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

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

- ⇒ choosing retailers;
- ⇒ household meters;
- ⇒ bills;
- ⇒ interruptions and entry to a customer's property; and

- ⇒ complaints and service standards.

## E-news

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

## Marketing material

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

- ⇒ Our [energy](#) related work.
- ⇒ Our [rail](#) related work.
- ⇒ Our [water](#) related work.
- ⇒ Our [licensing](#) function.
- ⇒ Our [customer protection](#) function
- ⇒ Our [independent economic advice](#) function.
- ⇒ Outcomes of our recent inquiries.

## Significant issues impacting the agency

The State Government's Electricity Market Review is currently underway, and will have an impact on our work and functions. The review examines the electricity generation, wholesale and retail sectors within the South West Interconnected System in Western Australia, and the incentives for industry participants to make efficient investments and minimise costs. The implication of this review is that our electricity and gas access function may be transferred to the Australian Energy Regulator.

We welcome the comprehensive review being undertaken by the State Government and anticipate it will address a number of long standing issues identified by us in previous advice to the State Government.

# Disclosures and legal compliance

## Auditor General's independent audit opinion



Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### ECONOMIC REGULATION AUTHORITY

#### Report on the Financial Statements

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

The financial statements comprise the Statement of Financial Position as at 30 June 2015, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

#### Authority's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

#### Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Economic Regulation Authority at 30 June 2015 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Page 1 of 3

7th Floor Albert Facey House 499 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6949 TEL: 08 9557 7500 FAX: 08 9557 7600

#### **Report on Controls**

I have audited the controls exercised by the Economic Regulation Authority during the year ended 30 June 2015.

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

#### *Authority's Responsibility for Controls*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In my opinion, the controls exercised by the Economic Regulation Authority are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2015.

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

I have audited the key performance indicators of the Economic Regulation Authority for the year ended 30 June 2015.

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

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In my opinion, the key performance indicators of the Economic Regulation Authority are relevant and appropriate to assist users to assess the Authority's performance and fairly represent indicated performance for the year ended 30 June 2015.

#### **Independence**

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

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

This auditor's report relates to the financial statements and key performance indicators of the Economic Regulation Authority for the year ended 30 June 2015 included on the Authority's website. The Authority's management is responsible for the integrity of the Authority's website. This audit does not provide assurance on the integrity of the Authority's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



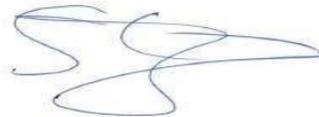
COLIN MURPHY  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
7 August 2015

## Certification of key performance indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Economic Regulation Authority's performance, and fairly represent the performance of the Economic Regulation Authority for the financial year ended 30 June 2015.



Ms Pam Herbener  
Chief Finance Officer  
14 September 2015



Dr Stephen King  
Chairman of Accountable Authority  
14 September 2015



Mr. Steve Edwell  
Member of Accountable Authority  
14 September 2015

## Key performance indicators

### *Formulating the ERA's key performance indicators*

The Economic Regulation Authority (ERA) is the independent economic regulator for Western Australia. The ERA's role is to regulate the electricity, gas, water and rail industries and undertake inquiries which result in recommendations to government on economic issues that are likely to have a significant impact on the state.

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

The role of the ERA means we cannot achieve this outcome directly but can play a part towards the achievement of the goal. Our contribution to this goal is embedded in our Strategic Plan which has as its purpose "to benefit the West Australian community by promoting an efficient and customer focused economy".

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

"any requirement under the Treasurer's Instructions (issued under section 78 of the *Financial Management Act 2006*) that the Authority prepare performance indicators is to be limited to the Authority's management functions (including financial

management), is not to apply to the performance of any other function of the Authority and need only be complied with to the extent practicable."

The ERA's Secretariat prepares submissions that are considered by the Governing Body when making a decision. The objective administrative measures of our performance are the quality, quantity and cost of the submissions considered by the ERA's Governing Body to facilitate decision making.

### *Key effectiveness indicators*

The ERA's key effectiveness indicators are:

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

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

Timeliness: number and % of submissions provided to the ERA's Governing Body within the required deadline.

### *2014-15 Performance Effectiveness*

#### **Quantity (Submissions)**

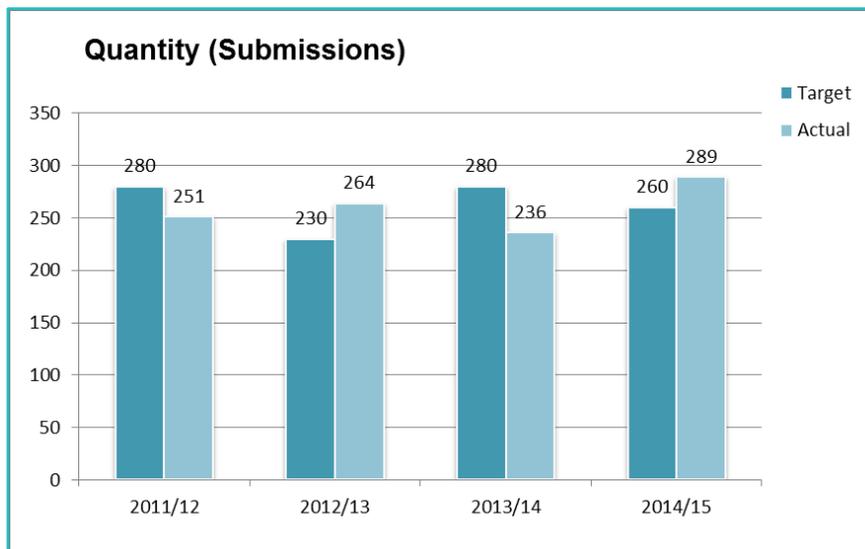
A total of 289 submissions were considered by the ERA's Governing Body during the 2014-15 financial year.

The ERA's Governing Body met 45 times during the year to consider 198 of the 289 submissions. The remaining 91 submissions were reviewed by email (resolution without meeting).

The 2014-15 target for the number of submissions was 260. The actual number of submissions of 289 exceeded the target by 11%.

The targets are based on estimates provided by each division on the number of submissions they will need to prepare for consideration by the Governing Body to carry out their regulatory work program for the year. The actual and targeted number of submissions vary on an annual basis in accordance with the cyclical nature of regulation.

Chart 5: Quantity (submissions).

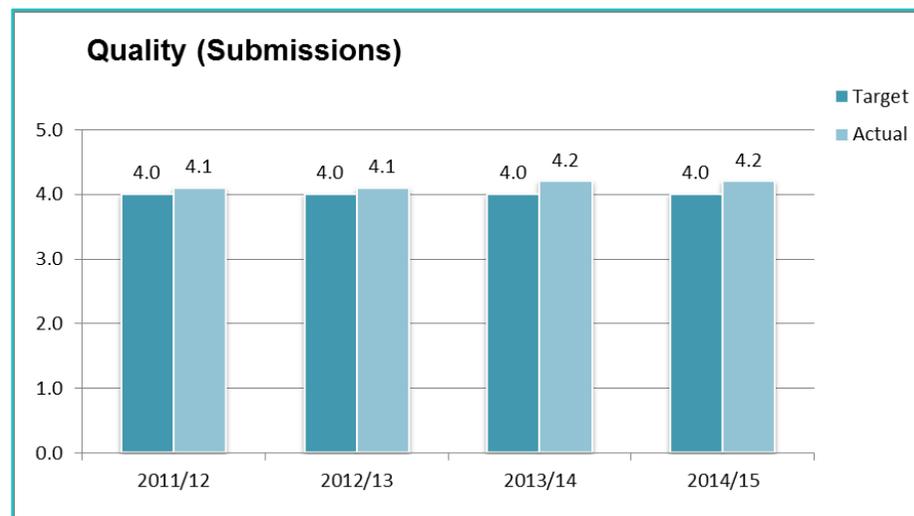


On a monthly basis the Governing Body reviews the submissions that have been prepared by the Secretariat. They consider their relevance, accuracy and readability, and provide an overall rating of all submissions received.

Using a rating scale of one to five (one being “very poor”, two being “poor”, three being “satisfactory”, four being “good” and five being “excellent”) the Governing Body set a target of four, meaning that submissions rated four and above are of a high standard.

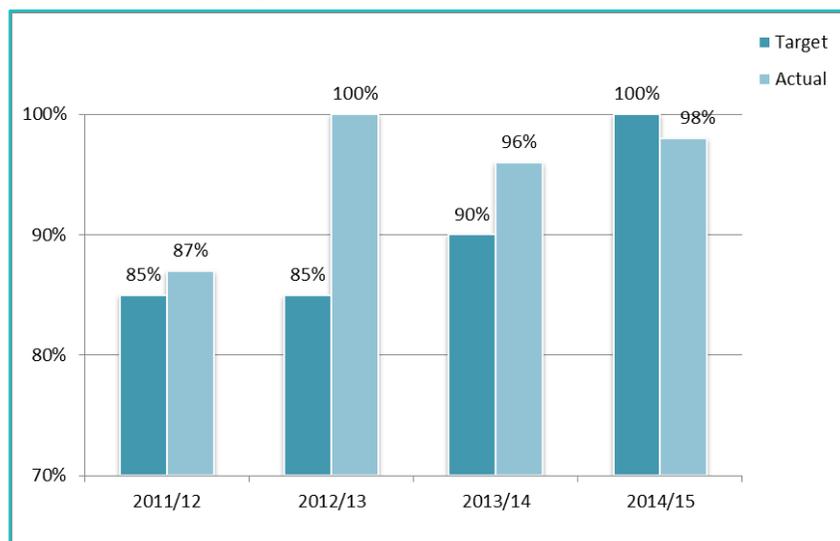
For 2014/15, the average quality of submissions as rated by the ERA’s Governing Body was 4.2 out of 5, which exceeded the targeted quality level of 4.0.

Chart 6: Quality (submissions).



## Timeliness (Legislation Deadlines Achieved)

Chart 7: Timeliness (Legislative Deadlines Achieved).



45 out of the 289 submissions related to functions that had legislative time limits.<sup>1</sup> These time limits were either firm deadlines or timelines within which the ERA, taking all reasonable steps, was required to complete its decision making.

Of the 45 submissions with legislative deadlines, 44 were completed on or before expiry of the time limit; this equated to 98% of submissions meeting their respective legislative deadlines.

<sup>1</sup> A large number of submissions considered by the Governing Body are related to the preparation of decisions with a legislative timeframe.

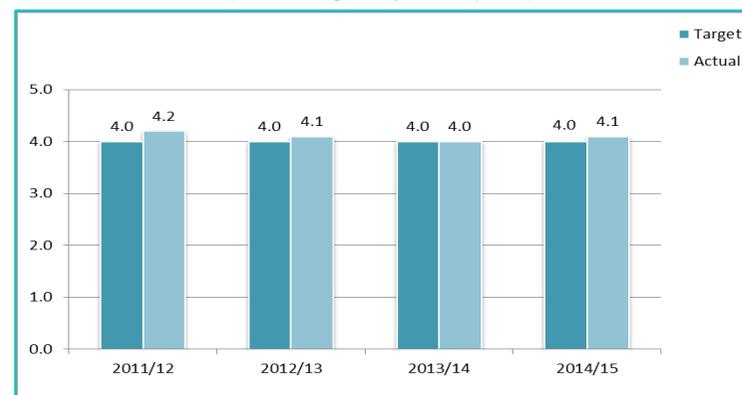
There were less submissions with legislative time limits during this financial year compared to the previous year (54 in 2013-14).

## Timeliness (Governing Body Perception)

In addition to measuring the number of submissions that meet legislative timeframes, the ERA Secretariat has internal deadlines for providing submissions to the ERA Governing Body in a timely manner. As with the rating of quality of submissions considered by the ERA Governing Body, a rating on a scale of one to five is provided on a monthly basis to indicate Governing Body Member perceptions of the Secretariat's timeliness in preparing submissions.

The average rating for timeliness for the year was 4.1, which exceeded the 2014-15 target of 4.0.

Chart 8: Timeliness (Governing Body Perception).



### Key efficiency indicators

The ERA's key efficiency indicator is the cost of each submission made to the ERA's Governing Body. The cost is calculated to include the costs of all staff and other resources involved in preparing submissions to the Governing Body.

### 2014-15 Performance – Efficiency

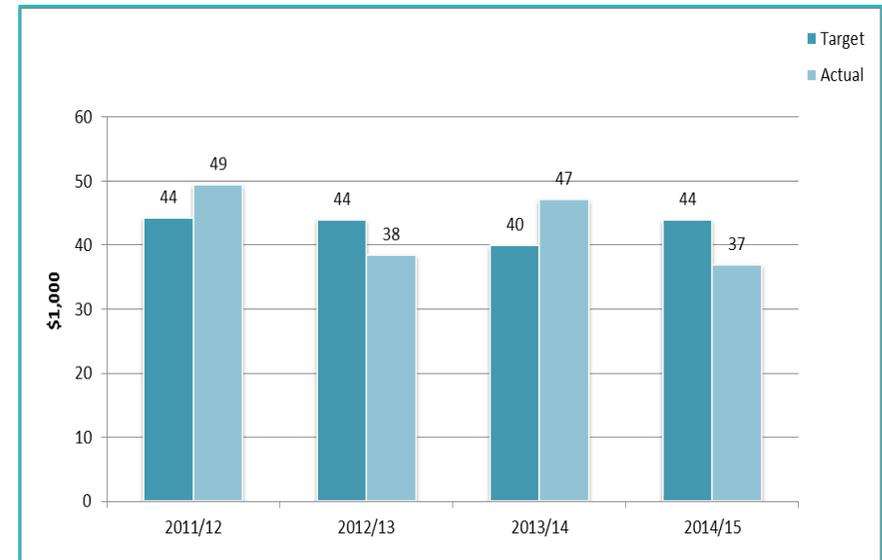
#### Average Cost (Per Submission)

The total cost of the ERA's operations for the 12 months under review was \$10,759,255. There were 289 submissions compared to the target of 260. The average cost per submission was \$37,229 against the target of \$43,988. The target cost of submissions is set in the 2014-15 Government budget estimates. The actual average cost per submission was lower than the targeted cost per submission due to a higher than expected number of submissions over the reporting period and total expenditure being 6% lower than the budget.

Table 12: Cost of operations.

	2011-12	2012-13	2013-14	2014-15 Target	2014-15 Actual
Cost of services (\$ millions)	12.416	10.223	11.041	11.437	10.759
Number of submissions	251	264	236	260	289
Average cost of submissions (\$thousands)	49	38	47	44	37

Chart 9: Average cost (per submission).



## Financial statements

### *Certification of Financial Statements*

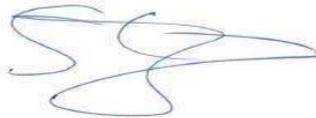
For the year ended 30 June 2015

The accompanying financial statements of the Economic Regulation Authority have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2015 and the financial position as at 30 June 2015.

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



Ms Pam Herbener  
Chief Finance Officer  
14 September 2015



Dr Stephen King  
Chairman of Accountable Authority  
14 September 2015



Mr. Steve Edwell  
Member of Accountable Authority  
14 September 2015

## Statement of Comprehensive Income

For the year ended 30 June 2015	Note	2015 \$000	2014 \$000
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	6.	7,356	7,682
Supplies and services	7.	2,137	2,106
Depreciation and amortisation expense	8.	33	52
Accommodation expenses	9.	1,151	1,171
Other expenses	10.	82	29
<b>Total cost of services</b>		<b>10,759</b>	<b>11,040</b>
<b>Income</b>			
Revenue			
Regulatory fees	11.	6,845	5,056
Interest revenue	12.	71	60
Other revenue	13.	27	25
<b>Total revenue</b>		<b>6,943</b>	<b>5,141</b>
<b>Total income other than income from State Government</b>		<b>6,943</b>	<b>5,141</b>
<b>NET COST OF SERVICES</b>			
		<b>3,816</b>	<b>5,899</b>
<b>Income from State Government</b>			
	14.		
Service appropriation		3,967	5,289
Services received free of charge		345	360
<b>Total income from State Government</b>		<b>4,312</b>	<b>5,649</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>			
		<b>496</b>	<b>(250)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>			
		<b>496</b>	<b>(250)</b>

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

## Statement of Financial Position

As at 30 June 2015	Note	2015 \$000	2014 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	26.	3,007	3,312
Restricted cash and cash equivalents	15.26.	291	22
Receivables	16.	3,033	1,973
Amounts receivable for services	17.	17	301
Other current assets	18.	116	110
<b>Total current assets</b>		<b>6,464</b>	<b>5,718</b>
<b>Non-current assets</b>			
Restricted cash and cash equivalents	15.26.	-	223
Amounts receivable for services	17.	352	287
Plant and equipment	19.	175	26
Intangible assets	20.	15	1
<b>Total non-current assets</b>		<b>542</b>	<b>537</b>
<b>TOTAL ASSETS</b>		<b>7,006</b>	<b>6,255</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	22.	733	520
Provisions	23.	1,526	1,406
Other liabilities	24.	9	-
<b>Total current liabilities</b>		<b>2,268</b>	<b>1,926</b>
<b>Non-current liabilities</b>			

As at 30 June 2015	Note	2015 \$000	2014 \$000
Provisions	23.	303	390
<b>Total non-current liabilities</b>		<b>303</b>	<b>390</b>
<b>TOTAL LIABILITIES</b>		<b>2,571</b>	<b>2,316</b>
<b>NET ASSETS</b>		<b>4,435</b>	<b>3,939</b>
<b>EQUITY</b>	25.		
Contributed equity		773	773
Accumulated surplus/(deficit)		3,662	3,166
<b>TOTAL EQUITY</b>		<b>4,435</b>	<b>3,939</b>

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

*Statement of changes in equity*

For the year ended 30 June 2015	Note	Contributed equity \$000	Reserves \$000	Accumulated surplus/(deficit) \$000	Total equity \$000
<b>Balance at 1 July 2013</b>		773	-	3,416	4,189
Total comprehensive income for the period		-	-	(250)	(250)
<b>Balance at 30 June 2014</b>		<b>773</b>	<b>-</b>	<b>3,166</b>	<b>3,939</b>
<b>Balance at 1 July 2014</b>	25.	773	-	3,166	3,939
Total comprehensive income for the period		-	-	496	496
<b>Balance at 30 June 2015</b>		<b>773</b>	<b>-</b>	<b>3,662</b>	<b>4,435</b>

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

## Statement of cash flows

For the year ended 30 June 2015	Note	2015 \$000	2014 \$000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		3,885	5,169
Holding account drawdowns <sup>(a)</sup>		301	9
<b>Net cash provided by State Government</b>		<b>4,186</b>	<b>5,178</b>
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(7,292)	(7,683)
Supplies and services		(1,849)	(2,016)
Accommodation		(909)	(917)
GST payments on purchases		(317)	(311)
Other payments		(82)	(29)
<b>Receipts</b>			
Regulatory fees		5,744	5,384
Interest received		71	60
GST receipts on sales		89	34
GST receipts from taxation authority		269	243
Other receipts		27	25
<b>Net cash provided by/(used in) operating activities</b>	26.	<b>(4,249)</b>	<b>(5,210)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Purchase of non-current physical assets		(196)	(5)
<b>Net cash provided by/(used in) investing activities</b>		<b>(196)</b>	<b>(5)</b>

For the year ended 30 June 2015	Note	2015 \$000	2014 \$000
Net increase/(decrease) in cash and cash equivalents		(259)	(37)
Cash and cash equivalents at the beginning of period		3,557	3,594
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	26.	<b>3,298</b>	<b>3,557</b>

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

(a) Prior period 2014 has been re-instated due to exclusion of a drawdown from the Holding Account.

## Notes to the Financial Statements

For the year ended 30 June 2015

### Note 1. Australian Accounting Standards

#### General

The Authority's financial statements for the year ended 30 June 2015 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

#### Early adoption of standards

The Authority cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Authority for the annual reporting period ended 30 June 2015.

### Note 2. Summary of significant accounting policies

#### (a) General statement

The Authority is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other

authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

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

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

#### (b) Basis of preparation

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

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

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000).

Note 3 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the Authority's accounting

policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

The reporting entity comprises the Economic Regulation Authority.

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

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

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

## **(e) Income**

### Revenue recognition

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

#### *Provision of services*

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

#### *Interest*

Revenue is recognised as the interest accrues.

#### *Service appropriations*

Service Appropriations are recognised as revenues at fair value in the period in which the Authority gains control of the appropriated funds. The Authority gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

#### *Grants, donations, gifts and other non-reciprocal contributions*

Revenue is recognised at fair value when the Authority obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be

reliably determined and the services would be purchased if not donated.

#### *Regulatory fees*

Revenue from Standing Charges and Specific Charges is recognised at the time the charge is raised on a client.

Revenue is raised in accordance with the:

- *Economic Regulation Authority (National Gas Access Funding) Regulations 2009;*
- *Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012;* and
- since 1 January 2015, the *Economic Regulation Authority (Licensing Funding Regulations) 2014.*

Revenue from annual licence charges is recognised at the time the charge is levied on the licensee. The charges are levied in accordance with the *Economic Regulation Authority (Licensing Funding Regulations) 2014* which came into effect on 1 January 2015. Prior to this, licence fees were raised in accordance with the:

- *Electricity Industry (Licensing Fees) Regulations 2005;*
- *Energy Coordination (Licensing Fees) Regulations 1999;* and
- *Water Services Coordination Regulations 1996.*

The Authority also recovers costs under the *Water Services Act 2012*. The revenue is recognised at the time the costs are raised on a licensee.

Revenue for the recovery of the costs of the Authority in undertaking its Wholesale Electricity Market (WEM) functions, in accordance with the Wholesale Electricity Market Rules, is recognised on an accrual basis in the accounting period in which the services are rendered.

#### Gains

Realised and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

#### **(f) Plant and equipment**

##### Capitalisation/expensing of assets

Items of plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

##### Initial recognition and measurement

Plant and equipment are initially recognised at cost.

For items of plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

##### Subsequent measurement

Subsequent to initial recognition as an asset, the historical cost model is used for all plant and equipment. All items of plant and equipment are stated at historical cost less

accumulated depreciation and accumulated impairment losses.

#### Derecognition

Upon disposal or derecognition of an item of plant and equipment, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

#### Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

- Office Equipment            5 years
- Computer Equipment       3 to 5 years

### **(g) Intangible assets**

#### Capitalisation/expensing of assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Authority have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

- Software <sup>(a)</sup>            3 to 5 years

(a) Software that is not integral to the operation of any related hardware

#### Computer software

Software that is an integral part of the related hardware is recognised as plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

### **(h) Impairment of assets**

Plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable

amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the Authority is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined

by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

#### **(i) Leases**

The Authority holds operating leases for accommodation and vehicle fleet.

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

#### **(j) Financial instruments**

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

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

Financial instruments have been disaggregated into the following classes:

- Financial Assets
  - Cash and cash equivalents
  - Restricted cash and cash equivalents
  - Receivables
  - Amounts receivable for services.
- Financial Liabilities
  - Financial liabilities measured at amortised cost.

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

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

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

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and cash at bank.

#### **(l) Accrued salaries**

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

The accrued salaries suspense account consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

#### **(m) Amounts receivable for services (holding account)**

The Authority receives income from the State Government partly in cash and partly as an asset (holding account receivable). The holding account receivable balance,

resulting from service appropriation funding, is accessible on the emergence of the cash funding requirement to cover asset replacement.

#### **(n) Receivables**

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

#### **(o) Payables**

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

#### **(p) Provisions**

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

### Provisions – employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

#### *Annual leave*

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### *Long service leave*

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is

recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Authority has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

#### *Superannuation*

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The Authority makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Authority's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Authority to GESB extinguishes the agency's obligations to the related superannuation liability.

The Authority has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits

attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Authority to the GESB.

The GESB makes all benefit payments in respect of the Pension Schemes and GSS, and is recouped from the Treasurer for the employer's share.

#### Provisions – other

##### *Employment on-costs*

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Authority's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

##### **(q) Superannuation expense**

Superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income and comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBS, or other superannuation funds. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

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

Assets or services received free of charge or for nominal cost, that the Authority would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

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

**(s) Comparative figures**

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

**Note 3. Judgements made by management in applying accounting policies**

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Authority evaluates these judgements regularly.

**Operating lease commitments**

The Authority has entered into a lease for office accommodation. It has been determined that the lessor retains substantially all the risks and rewards incidental to

ownership. Accordingly, this lease has been classified as an operating lease.

**Note 4. Key sources of estimation uncertainty**

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

***Long Service Leave***

Several estimations and assumptions used in calculating the Authority's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

## Note 5. Disclosure of changes in accounting policy and estimates

### Initial application of an Australian Accounting Standard

The Authority has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2014 that impacted on the Authority:

*AASB 1031      Materiality*

This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality not available in IFRSs and refers to guidance on materiality in other Australian pronouncements. There is no financial impact.

*AASB 1055      Budgetary Reporting*

This Standard requires specific budgetary disclosures in the general purpose financial statements of not-for-profit entities within the General Government Sector. The Authority will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.

*AASB 2012-3    Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]*

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. There is no financial impact.

*AASB 2013-3    Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*

This Standard introduces editorial and disclosure changes. There is no financial impact.

*AASB 2013-9    Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.*

Part B of this omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standards for periods beginning on or after 1 January 2014. It has no financial impact.

### *AASB 2014-1 Amendments to Australian Accounting Standards*

Part A of this Standard consists primarily of clarifications to Accounting Standards and has no financial impact for the Authority.

Part B of this Standard has no financial impact as the Authority contributes to schemes that are either defined contribution plans, or deemed to be defined contribution plans.

Part C of this Standard has no financial impact as it removes references to AASB 1031 *Materiality* from a number of Accounting Standards.

### **Voluntary changes in accounting policy**

There were no voluntary changes in accounting policy which have been adopted by the Authority.

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

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

*AASB 9*

*Financial instruments*

This Standard supersedes AASB139 *Financial instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments.

The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 *Amendments to Australian Accounting Standards*.

The Authority has not yet determined the application or the potential impact of the Standard.

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

1 Jan 2018

		<b>Operative for reporting periods beginning on/after</b>
AASB 15	<p><i>Revenue from Contracts with Customers</i></p> <p>This Standard establishes the principles that the Authority 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 Authority has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2017
AASB 2010-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Int 2, 5, 10, 12, 19 &amp; 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Authority has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 2014-8	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 and 2010)]</i></p> <p>This Standard makes amendments to AASB 9 <i>Financial Instruments</i> (December 2009) and AASB 9 <i>Financial Instruments</i> (December 2010), arising from the issuance of AASB 9 <i>Financial Instruments</i> in December 2014. The Authority has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2015
AASB 2015-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 and 1049]</i></p> <p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.</p>	1 Jan 2016

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

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

1 Jul 2015

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

### **Changes in accounting estimates**

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

### Note 6. Employee benefits expense

	2015	2014
	\$000	\$000
Wages and salaries <sup>(a)</sup>	6,584	6,871
Superannuation - defined contribution plans <sup>(b)</sup>	613	641
Other related expenses	159	170
	<b>7,356</b>	<b>7,682</b>

- (a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation component.
- (b) Defined contribution plans include West State, Gold State, GESBS and other eligible funds.

Employment on-costs expenses, such as workers' compensation insurance are included at note 10 'Other expenses'. Employment on-costs liability is included at note 23 'Provisions'.

### Note 7. Supplies and services

	2015	2014
	\$000	\$000
Communications	159	161
Consultants and contractors	94	84
Professional services	1,119	969
Consumables	75	74
Legal costs	248	315
Motor vehicle	93	133
Travel	91	90
Other	258	280
	<b>2,137</b>	<b>2106</b>

### Note 8. Depreciation and amortisation expense

	2015	2014
	\$000	\$000
<u>Depreciation</u>		
Computer equipment	26	44
Office equipment	6	6
<b>Total depreciation</b>	<b>32</b>	<b>50</b>
<u>Amortisation</u>		
Intangible assets	1	2
<b>Total amortisation</b>	<b>1</b>	<b>2</b>
<b>Total depreciation and amortisation</b>	<b>33</b>	<b>52</b>

### Note 9. Accommodation expenses

	2015	2014
	\$000	\$000
Office accommodation rental	1,124	1,135
Other accommodation expenses	-	5
Repairs and maintenance	27	31
	<b>1,151</b>	<b>1,171</b>

### Note 10. Other expenses

	2015	2014
	\$000	\$000
Employment on-costs	-	-
Act of grace payments	49	-
Miscellaneous expense	1	-
Audit Fee <sup>(a)</sup>	32	29
	<b>82</b>	<b>29</b>

(a) See also note 33 'Remuneration of auditor'.

### Note 11. Regulatory fees

	2015	2014
	\$000	\$000
Standing charges	3,980	2,593
Specific charges	687	263
Licence fees and charges	341	490
Regulatory market fees	1,638	1,696
Water audit cost recovery	199	14
	<b>6,845</b>	<b>5,056</b>

### Note 12. Interest revenue

	2015	2014
	\$000	\$000
Interest revenue	71	60
	<b>71</b>	<b>60</b>

### Note 13. Other revenue

	2015	2014
	\$000	\$000
Government vehicle scheme contributions from staff	26	24
Miscellaneous revenue	1	1
	<b>27</b>	<b>25</b>

### Note 14. Income from State Government

	2015	2014
	\$000	\$000
Appropriation received during the year:		
Service Appropriation <sup>(a)</sup>	3,967	5,289
	<b>3,967</b>	<b>5,289</b>
Services received free of charge from other State Government agencies during the financial period.		
State Solicitor's Office	103	106
Department of Finance	242	254
	345	360
	<b>4,312</b>	<b>5,649</b>

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the budgeted depreciation expense for the year.

### Note 15. Restricted cash and cash equivalents

	2015 \$000	2014 \$000
<u>Current</u>		
Indian Ocean Territories funding	21	22
Accrued salaries suspense account <sup>(a)</sup>	270	-
	<u>291</u>	<u>22</u>
<u>Non-current</u>		
Accrued salaries suspense account	-	223
	<u>-</u>	<u>223</u>
<b>Total restricted cash and cash equivalents</b>	<b>291</b>	<b>245</b>

- (a) Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years. This amount will be used in 2015-16.

### Note 16. Receivables

	2015 \$000	2014 \$000
<u>Current</u>		
Receivables	1,313	1,155
Accrued revenue	1,665	722
GST receivable	55	96
<b>Total current</b>	<b>3,033</b>	<b>1,973</b>

The Authority does not hold any collateral as security or other credit enhancement relating to receivables.

### Note 17. Amounts receivable for services (Holding Account)

	2015 \$000	2014 \$000
Current	17	301
Non-Current	352	287
	<u>369</u>	<u>588</u>

Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement.

### Note 18. Other assets

	2015	2014
	\$000	\$000
<u>Current</u>		
Prepayments	116	110
<b>Total current</b>	<b>116</b>	<b>110</b>

### Note 19. Plant and equipment

	2015	2014
	\$000	\$000
<u>Computer hardware</u>		
At cost	314	158
Accumulated depreciation	(153)	(136)
	161	22
<u>Office equipment</u>		
At cost	33	33
Accumulated depreciation	(19)	(29)
	14	4
	175	26

### Reconciliation

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the reporting period are set out below:

	Computer Hardware	Office Equipment	Total
	\$000	\$000	\$000
2015			
Carrying amount at start of year	22	4	26
Additions	165	16	181
Disposal	-	-	-
Depreciation	(26)	(6)	(32)
Carrying amount at end of year	<b>161</b>	<b>14</b>	<b>175</b>
2014			
Carrying amount at start of year	61	10	71
Additions	5	-	5
Disposal	-	-	-
Depreciation	(44)	(6)	(50)
Carrying amount at end of year	<b>22</b>	<b>4</b>	<b>26</b>

## Note 20. Intangible assets

	2015	2014
	\$000	\$000
<u>Computer Software</u>		
At cost	37	22
Accumulated amortisation	(22)	(21)
	<b>15</b>	<b>1</b>
Reconciliation:		
<u>Computer Software</u>		
Carrying amount at start of period	1	3
Additions	15	-
Amortisation expense	(1)	(2)
<b>Carrying amount at end of period</b>	<b>15</b>	<b>1</b>

## Note 21. Impairment of Assets

There were no indications of impairment to plant and equipment or intangible assets at 30 June 2015.

## Note 22. Payables

	2015	2014
	\$000	\$000
<u>Current</u>		
Trade payables	93	69
Accrued expenses	385	250
Accrued salaries	210	179
Other payables	45	22
<b>Total current</b>	<b>733</b>	<b>520</b>

## Note 23. Provisions

	2015	2014
	\$000	\$000
<u>Current</u>		
<i>Employee benefits provision</i>		
Annual leave <sup>(a)</sup>	628	651
Long service leave <sup>(b)</sup>	894	751
	<b>1,522</b>	<b>1,402</b>
<i>Other provisions</i>		
Employment on-costs <sup>(c)</sup>	4	4
	<b>4</b>	<b>4</b>
	<b>1,526</b>	<b>1,406</b>
<u>Non-current</u>		
<i>Employee benefits provision</i>		
Long service leave <sup>(b)</sup>	302	389
	<b>302</b>	<b>389</b>
<i>Other provisions</i>		
Employment on-costs <sup>(c)</sup>	1	1
	<b>1</b>	<b>1</b>
	<b>303</b>	<b>390</b>

- (a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2015 \$000	2014 \$000
Within 12 months of the end of the reporting period	434	441
More than 12 months after the end of the reporting period	196	212
	<u>630</u>	<u>653</u>

- (b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2015 \$000	2014 \$000
Within 12 months of the end of the reporting period	293	238
More than 12 months after the end of the reporting period	906	905
	<u>1,199</u>	<u>1,143</u>

- (c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in note 10 'Other expenses'.

## Movement in other provisions

	2015 \$000	2014 \$000
<u>Employment on-cost provision</u>		
Carrying amount at start of period	5	5
Additional provisions recognised	-	-
<b>Carrying amount at end of period</b>	<u>5</u>	<u>5</u>

## Note 24. Other Liabilities

	2015 \$000	2014 \$000
<u>Current</u>		
Unearned revenue	9	-
<b>Total current</b>	<u>9</u>	<u>-</u>

## Note 25. Equity

The Western Australian Government holds the equity interest in the Authority on behalf of the community. Equity represents the residual interest in the net assets of the Authority.

### Contributed equity

	2015	2014
	\$000	\$000
Balance at start of period	773	773
<b>Balance at end of period</b>	<b>773</b>	<b>773</b>

### Accumulated surplus/(deficit)

	2015	2014
	\$000	\$000
Balance at start of period	3,166	3,416
Result for the period	496	(250)
<b>Balance at end of period</b>	<b>3,662</b>	<b>3,166</b>
<b>Total Equity at end of period</b>	<b>4,435</b>	<b>3,939</b>

## Note 26. Notes to the Statement of Cash Flows

### Reconciliation of cash

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

	2015	2014
	\$000	\$000
Cash and cash equivalents	3,007	3,312
Restricted cash and cash equivalents (note 15 'Restricted cash and cash equivalents')		
Current	291	22
Non-Current	-	223
	<b>3,298</b>	<b>3,557</b>

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

	2015 \$000	2014 \$000
Net cost of services	(3,816)	(5,899)
<u>Non-cash items:</u>		
Depreciation and amortisation expense	33	52
Services received free of charge	345	360
Net (gain)/loss on sale of plant and equipment	-	-
<u>(Increase)/decrease in assets:</u>		
Current receivables <sup>(a)</sup>	(1,101)	328
Other current assets	(6)	(8)
<u>Increase/(decrease) in liabilities:</u>		
Current payables <sup>(a)</sup>	213	36
Current provisions	120	(79)
Unearned revenue	9	-
Non-current provisions	(87)	34
Net GST receipts/(payments) <sup>(b)</sup>	41	(34)
Change in GST in receivables/payables <sup>(c)</sup>	-	-
<b>Net cash provided by/(used in) operating activities</b>	<b>(4,249)</b>	<b>(5,210)</b>

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

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

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

**Note 27. Services provided free of charge**

	2015 \$000	2014 \$000
During the year the following services were provided to other agencies free of charge for functions outside the normal operations of the Authority:		
Energy Disputes Arbitrator - Administrative support	11	11
	<u>11</u>	<u>11</u>

## Note 28. Commitments

The commitments below are inclusive of GST where relevant.

### Lease commitments

Non-cancellable operating lease commitments

	2015 \$000	2014 \$000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	720	756
Later than 1 year and not later than 5 years	1,345	82
	<u>2065</u>	<u>838</u>

The Authority's three year property lease expired on 30 June 2015. The option to renew the lease for an additional term of three years has been exercised. Contingent rent provisions within the lease agreement require that the minimum lease payments shall be reviewed in accordance with Landgate valuation, with any new rental not to be lower than the rental being paid at the time of the review. Rent is payable monthly in advance.

### Other expenditure commitments

	2015 \$000	2014 \$000
Other expenditure commitments for operational expenditure contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:		
Within 1 year	384	37
	<u>384</u>	<u>37</u>

## Note 29. Contingent liabilities and contingent assets

### Contingent liabilities

The Authority had no contingent liabilities as at 30 June 2015.

### Contingent assets

The Authority had no contingent assets as at 30 June 2015.

## Note 30. Events occurring after the end of the reporting period

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

### Note 31. Explanatory Statement

This statement provides details of any significant variations between the original budget and actual results for 2015 and between actual results for 2014 and 2015.

Significant variations are considered to be those greater than 10%.

	Variance notes	Original Budget 2015 \$ 000	Actual 2015 \$ 000	Actual 2014 \$ 000	Variation between estimate and 2015 actual \$ 000	Variation between actual results for 2015 and 2014 \$ 000
<b>Statement of Comprehensive Income</b>						
<b>Expenses</b>						
Employee benefits expense		7,663	7,356	7,682	(307)	(326)
Supplies and services	1	2,531	2,137	2,106	(394)	31
Depreciation and amortisation expense	2, A	68	33	52	(35)	(19)
Accommodation expenses		1,145	1,151	1,171	6	(20)
Other expenses	3, B	30	82	29	52	53
<b>Total Cost of services</b>		<u>11,437</u>	<u>10,759</u>	<u>11,040</u>	<b>(678)</b>	<b>(281)</b>
<b>Income</b>						
<i>Revenue</i>						
Regulatory fees	4, C	8,581	6,845	5,056	(1,736)	1,789
Interest revenue	5, D	99	71	60	(28)	11
Other revenue		27	27	25	-	2
<b>Total revenue</b>		<u>8,707</u>	<u>6,943</u>	<u>5,141</u>	<b>(1,764)</b>	1,802
<b>Total income other than income from State Government</b>					-	-
		<u>8,707</u>	<u>6,943</u>	<u>5,141</u>	<b>(1,764)</b>	1,802
<b>NET COST OF SERVICES</b>		<u>2,730</u>	<u>3,816</u>	<u>5,899</u>	1,086	<b>(2,083)</b>

#### Income from State Government

	Variance notes	Original Budget	Actual	Actual	Variation between estimate and 2015 actual	Variation between actual results for 2015 and 2014
Service appropriation	6, E	2,486	3,967	5,289	1,481	(1,322)
Services received free of charge	7	244	345	360	101	(15)
<b>Total income from State Government</b>		<u>2,730</u>	<u>4,312</u>	<u>5,649</u>	1,582	(1,337)
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<u>-</u>	<u>496</u>	<u>(250)</u>	496	746
					-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>-</u>	<u>496</u>	<u>(250)</u>	496	746

Budget has been restated for disclosure purposes to align with the format in the Financial statements.

#### Variations between estimate and actual

1. Supplies and services were \$394,000 (16%) less than the 2015 budget due to lower than expected expenditure on consultants to assist with work in the regulatory areas of the Authority.
2. The budget for depreciation was \$35,000 (51%) more than the 2015 actual. This is due to the implementation of the new server environment occurring later in 2015 than expected which resulted in less depreciation than anticipated. In addition, the Authority has several assets that are fully depreciated.
3. Other expenses were \$52,000 more in 2015 than the budget as the Authority incurred act of grace payments in 2015 which were not anticipated.
4. Regulatory fees were \$1.7 million (20%) less than the budgeted amount. Full cost recovery from electricity, gas and water licensees was expected to be in place from 1 July 2014. This did not occur until 1 January 2015 which resulted in lower income in this category.
5. The budget for interest in 2015 was overestimated as it was based on a higher interest rate than was available.
6. The service appropriation received was \$1.48 million (60%) more than the original budget. An increase in appropriation was approved in 2015 due to the delay in the implementation of full cost recovery from electricity, gas and water licensees until 1 January 2015.
7. The budget was less than the 2015 actual by \$101,000 (41%). This is because of services received free of charge from the State Solicitor's Office which cannot be anticipated.

#### Variations between actual results for 2015 and 2014

- A. The 2015 actual for depreciation was \$19,000 (37%) less than the 2014 actual. This is due to the implementation of the new server environment occurring later in 2015 than expected which resulted in less depreciation.
- B. Other expenses includes act of grace payments in 2015 that did not occur in 2014.
- C. Full cost recovery from electricity, gas and water licensees came into effect from 1 January 2015 which resulted in higher income from regulatory fees in 2015 than in 2014. In addition, more revenue was recouped for water licence audits.
- D. Interest was higher in 2015 than in 2014 due to a higher bank balance.
- E. The service appropriation received in 2015 was \$1.32 million (25%) less than the amount received in 2014. The decrease in appropriation was due to the implementation of full cost recovery from electricity, gas and water licensees from 1 January 2015.

## Note 31. Explanatory Statement

This statement provides details of any significant variations between the original budget and actual results for 2015 and between actual results for 2014 and 2015.

Significant variations are considered to be those greater than 10%.

	Variance notes	Original Budget 2015 \$ 000	Actual 2015 \$ 000	Actual 2014 \$ 000	Variation between estimate and 2015 actual \$ 000	Variation between actual results for 2015 and 2014 \$ 000
<b>Statement of Financial Position</b>						
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents		2,959	3,007	3,312	48	(305)
Restricted cash and cash equivalents	1, A	-	291	22	291	269
Receivables	2, B	2,195	3,033	1,973	838	1,060
Amounts receivable for services	3, C	-	17	301	17	(284)
Other current assets	4	102	116	110	14	6
<b>Total current assets</b>		<u>5,256</u>	<u>6,464</u>	<u>5,718</u>	1,208	746
Restricted cash and cash equivalents	5, D	193	-	223	(193)	(223)
Amounts receivable for services	E	369	352	287	(17)	65
Plant and equipment	6, F	256	175	26	(81)	149
Intangible assets	7, G	-	15	1	15	14
<b>Total non-current assets</b>		<u>818</u>	<u>542</u>	<u>537</u>	(276)	5
<b>TOTAL ASSETS</b>		<u>6,074</u>	<u>7,006</u>	<u>6,255</u>	932	751

	Variance notes	Original Budget	Actual	Actual	Variation between estimate and 2015 actual	Variation between actual results for 2015 and 2014
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	8, H	488	733	520	245	213
Provisions		1,479	1,526	1,406	47	120
Unearned Revenue		-	9	-	9	9
<b>Total current liabilities</b>		<u>1,967</u>	<u>2,268</u>	<u>1,926</u>	301	342
<b>Non-current liabilities</b>						
Provisions	9, I	342	303	390	(39)	(87)
<b>Total non-current liabilities</b>		<u>342</u>	<u>303</u>	<u>390</u>	(39)	(87)
<b>TOTAL LIABILITIES</b>		<u>2,309</u>	<u>2,571</u>	<u>2,316</u>	262	255
<b>NET ASSETS</b>		<u>3,765</u>	<u>4,435</u>	<u>3,939</u>	670	496
<b>EQUITY</b>						
Contributed equity		773	773	773	-	-
Accumulated surplus/(deficit)	10, J	2,992	3,662	3,166	670	496
<b>TOTAL EQUITY</b>		<u>3,765</u>	<u>4,435</u>	<u>3,939</u>	670	496

#### Variations between estimate and actual

1. Restricted cash was reclassified as a current asset in 2014-15 as the payment for the 27th pay will occur in 2015-16. This was not reflected in the budget.
2. Receivables exceeded the budget by \$838,000 (38%). This was due to the delay in the issue of the March 2015 quarter standing charges.
3. The Authority will replace a photocopier in 2015-16 and so reclassified part of amounts receivable for services from a non-current asset to a current asset. This was not reflected in the budget papers.

4. Other current assets for the Authority are prepayments. This amount differs to the budget due to unexpected expenditure on advertising agencies.
5. 27 pays will occur in 2015-16. The non-current restricted cash for this extra pay was reclassified to a current asset in 2015. This was not reflected in the budget.
6. The budget for plant and equipment was \$81,000 (32%) more than the 2015 actual. The Authority replaced its server environment in 2015 and the cost of this was less than expected. In addition, part of the server replacement will carry over into 2016.
7. Intangible assets were purchased in 2015 that were not included in the budget.
8. Payables exceeded the budget estimate by \$245,000 (50%) in 2015 due to an increase in accrued expenses.
9. The budget for provisions was \$39,000 (11%) higher than the 2015 actual. This is due to the resignation of the Chairman in August 2015.
10. The accumulated surplus was \$670,000 (22%) more than the budget as employee benefits expense were \$326,000 less than expected and there was an increase in regulatory fees because of the implementation of full cost recovery from industry funding.

**Variances between actual results for 2015 and 2014**

- A. The restricted cash current asset increased by \$269,000 in 2015. Most of this restricted cash is for the 27th pay that will occur in 2015-16. The money for this extra pay was reclassified from a non-current asset to a current asset in 2015. The 2014 amount only includes restricted cash for the Indian Ocean Territories.
- B. Receivables were greater by \$1.06 million (54%) in 2015 than in 2014 due to the delay in the issue of the March 2015 standing charges.
- C. The current amounts receivable for services is greater in 2014 than that in 2015 as it included the replacement of the server environment. The 2015 amount is for the replacement of a photocopier.
- D. 27 pays will occur in 2015-16. The restricted cash held by the Department of Treasury for this extra pay was reclassified from a non-current asset to a current asset in 2014-15.
- E. There was an increase in amounts receivable for services in 2015 as the Authority required more capital drawdown to replace its server environment.
- F. The amount against plant and equipment is higher in 2015 than in 2014 as the Authority replaced its server environment. The cost in 2014 was significantly less as only a photocopier and a scanner were replaced.
- G. New intangible assets were purchased in 2015 whereas the intangible asset in 2014 is nearly fully depreciated.
- H. Payables increased by \$213,000 (41%) in 2015 due to an increase in accrued expenses and the accrual of an extra day's salary and superannuation.
- I. Non-current liability provisions decreased in 2015 by \$87,000 (22%) due to the resignation of the Chairman who resigned in 2015.
- J. The accumulated surplus was \$496,000 (16%) more in 2015 than 2014 due to less expenditure in employee benefits and an increase in regulatory fees because of the implementation of full cost recovery from industry funding.

### Note 31. Explanatory statement

This statement provides details of any significant variations between the original budget and actual results for 2015 and between actual results for 2014 and 2015. Significant variations are considered to be those greater than 10%.

	Variance notes	Original Budget 2015 \$ 000	Actual 2015 \$ 000	Actual 2014 \$ 000	Variation between estimate and 2015 actual \$ 000	Variation between actual results for 2015 and 2014 \$ 000
<b>Statement of Equity</b>						
Contributed equity		773	773	773	-	-
Accumulated surplus/(deficit)	1, A	2,992	3,662	3,166	670	496
Total equity		<u>3,765</u>	<u>4,435</u>	<u>3,939</u>	670	496

#### Variations between estimate and actual

- The budget is under by \$670,000 and is represented by lower costs and higher income. Employee benefits expense was less in 2015 than expected while regulatory fees increased by \$1.79 million because of the implementation of full cost recovery from electricity, gas and water licensees.

#### Variations between actual results for 2015 and 2014

- The variation between the 2015 and 2014 actual accumulated surplus amounts achieved an increase in the result of operations of \$496,000. This is represented by a decrease in costs and an increase in income. The total cost of services was reduced by \$281,000 with decreases in employee benefits and depreciation. This was offset by an increase in regulatory fees.

### Note 31. Explanatory statement

This statement provides details of any significant variations between the original budget and actual results for 2015 and between actual results for 2014 and 2015.

Significant variations are considered to be those greater than 10%.

	Variance notes	Original Budget 2015 \$ 000	Actual 2015 \$ 000	Actual 2014 \$ 000	Variation between estimate and 2015 actual \$ 000	Variation between actual results for 2015 and 2014 \$ 000
<b>Statement of Cash Flows</b>						
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriation	1, A	2,404	3,885	5,169	1,481	(1,284)
Holding account drawdowns	B	301	301	9	-	292
<b>Net cash provided by State Government</b>		<b>2,705</b>	<b>4,186</b>	<b>5,178</b>	<b>1,481</b>	<b>(992)</b>
Utilised as follows:						
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee benefits		(7,643)	(7,292)	(7,683)	351	391
Supplies and services	2	(2,778)	(1,849)	(2,016)	929	167
Accommodation		(913)	(909)	(917)	4	8
GST payments on purchases		-	(317)	(311)	(317)	(6)
Other payments	3, C	(30)	(82)	(29)	(52)	(53)
<b>Receipts</b>						
Regulatory fees	4	8,543	5,744	5,384	(2,799)	360
Interest received	5, D	99	71	60	(28)	11
GST receipts on sales	E	-	89	34	89	55
GST receipts from taxation authority		290	269	243	(21)	26
Other receipts	6	18	27	25	9	2
<b>Net cash provided by/(used in) operating activities</b>		<b>(2,414)</b>	<b>(4,249)</b>	<b>(5,210)</b>	<b>(1,835)</b>	<b>961</b>

	Variance notes	Original Budget 2015 \$ 000	Actual 2015 \$ 000	Actual 2014 \$ 000	Variation between estimate and 2015 actual \$ 000	Variation between actual results for 2015 and 2014 \$ 000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Payments</b>						
Purchase of non-current physical assets	7, F	(301)	(196)	(5)	105	(191)
<b>Net cash provided by/(used in) investing activities</b>		<b>(301)</b>	<b>(196)</b>	<b>(5)</b>	105	(191)
Net increase/(decrease) in cash and cash equivalents		(10)	(259)	(37)	(249)	(222)
Cash and cash equivalents at the beginning of period		3,162	3,557	3,594	395	(37)
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>		<b>3,152</b>	<b>3,298</b>	<b>3,557</b>	146	(259)

Budget has been restated for disclosure purposes to align with the format in the Financial Statements.

#### Variations between estimate and actual

1. The original service appropriation budget was \$1.48 million less than the 2015 actual. An increase in appropriation was approved in 2015 due to the delay in the implementation of full cost recovery from electricity, gas and water licensees until 1 January 2015.
2. Supplies and services were \$929,000 (33%) less than the budget. This is due to lower than expected expenditure on consultants to assist with work in the regulatory areas.
3. Other payments were \$52,000 more in 2015 than the budget due to act of grace payments in 2015 which were not anticipated.
4. Regulatory fees were \$2.8 million (33%) less than expected. It was anticipated that full cost recovery from electricity, gas and water licensees would be in effect from 1 July 2014. This did not occur until 1 January 2015 which resulted in lower income in this category.
5. The budget for interest in 2015 was overestimated as it was based on a higher interest rate than was available.
6. Other receipts includes government vehicle scheme contributions from employees. The budget did not reflect the correct amount of contributions.
7. The budget for the purchase of non-current assets was \$105,000 (35%) more than the 2015 actual. The Authority replaced its server environment in 2015 and the cost of this was less than expected. In addition, part of the server replacement will carry over into 2016.

**Variiances between actual results for 2015 and 2014**

- A. The service appropriation received in 2015 was \$1.29 million (25%) less than the amount received in 2014. The decrease in appropriation was due to the implementation of full cost recovery from electricity, gas and water licensees from 1 January 2015.
- B. Drawdowns from the holding account were greater in 2015 than in 2014 as the Authority required funds for the replacement of its server environment.
- C. Other payments were \$53,000 more in 2015 than in 2014 due to act of grace payments in 2015.
- D. Interest was higher in 2015 than in 2014 due to a higher bank balance.
- E. GST receipts on sales were higher in 2015 due to the increase in regulatory work in gas access. The cost of consultants used to assist in this work is passed on to gas pipeline operators and includes GST.
- F. In 2015 the Authority replaced its server environment. The cost in 2014 was significantly less as only a photocopier and a scanner were replaced.

## Note 32. Financial instruments

### (a) Financial risk management objectives and policies

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

#### Credit risk

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

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at note 31(c) 'Financial instruments disclosures' and note 16 'Receivables'.

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

#### Liquidity risk

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

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

The Authority has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

#### Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Authority's income or the value of its holdings of financial instruments. The Authority does not trade in foreign currency and is not materially exposed to other price risks. The Authority's exposure to market risk for changes in interest rates is minimal and is limited to the holdings in cash and cash equivalents.

## (b) Categories of financial instruments

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

	2015	2014
	\$000	\$000
<u>Financial Assets</u>		
Cash and cash equivalents	3,007	3,312
Restricted cash and cash equivalents	291	245
Receivables <sup>(a)</sup>	2,978	1,877
Amounts receivable for services	369	588
<u>Financial Liabilities</u>		
Financial liabilities measured at amortised cost	733	520

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

### (c) Financial instrument disclosures

#### Credit risk

The following table discloses the Authority's maximum exposure to credit risk and the ageing analysis of financial assets. The Authority's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Authority. The Authority does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

#### **Aged analysis of financial assets**

	Carrying Amount \$000	Not past due and not impaired \$000	<u>Past due but not impaired</u>				Impaired financial assets \$000
			Up to 1 month \$000	1 – 3 months \$000	3 months to 1 year \$000	1-5 years \$000	
<b>2015</b>							
Cash and cash equivalents	3,007	3,007	-	-	-	-	-
Restricted cash and cash equivalents	291	291	-	-	-	-	-
Receivables <sup>(a)</sup>	2,978	2,972	-	6	-	-	-
Amount receivable for services	369	369	-	-	-	-	-
	<b>6,645</b>	<b>6,639</b>	-	<b>6</b>	-	-	-
<b>2014</b>							
Cash and cash equivalents	3,312	3,312	-	-	-	-	-
Restricted cash and cash equivalents	245	245	-	-	-	-	-
Receivables <sup>(a)</sup>	1,877	1,745	132	-	-	-	-
Amount receivable for services	588	588	-	-	-	-	-
	<b>6,022</b>	<b>5,890</b>	<b>132</b>	-	-	-	-

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

## Liquidity risk and interest rate exposure

The following table details the Authority's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

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

	Weighted Average Effective Interest Rate	Carrying Amount	Interest rate exposure			Nominal Amount	Maturity dates				
			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
			\$000	\$000	\$000		\$000	\$000	\$000	\$000	\$000
<b>2015</b>											
<u>Financial Assets</u>											
Cash and cash equivalents	2.70%	3,007	-	3,007	-	3,007	3,007	-	-	-	-
Restricted cash and cash equivalents <sup>(b)</sup>	2.70%	291	-	291	-	291	21	-	270	-	-
Receivables <sup>(a)</sup>		2,978	-	-	2,978	2,978	1,661	1,317	-	-	-
Amount receivable for services		369	-	-	369	369	-	17	-	352	-
		<b>6,645</b>	-	<b>3,298</b>	<b>3,347</b>	<b>6,645</b>	<b>4,689</b>	<b>1,334</b>	<b>270</b>	<b>352</b>	-
<u>Financial Liabilities</u>											
Financial liabilities measured at amortised cost		733	-	-	733	733	733	-	-	-	-
		<b>733</b>	-	-	<b>733</b>	<b>733</b>	<b>733</b>	-	-	-	-

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

(b) Only the Indian Ocean Territories funding closing balance attracts interest.

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

Interest rate exposure

Maturity dates

	Weighted Average Effective Interest Rate %	Carrying Amount \$000	Fixed interest rate \$000	Variable interest rate \$000	Non- interest bearing \$000	Nominal Amount \$000	Up to 1 month \$000	1 – 3 months \$000	3 months to 1 year \$000	1 – 5 years \$000	More than 5 years \$000
<b>2014</b>											
<u>Financial Assets</u>											
Cash and cash equivalents	2.81%	3,312	-	3,312	-	3,312	3,312	-	-	-	-
Restricted cash and cash equivalents <sup>(b)</sup>	2.81%	245	-	22	223	245	22	-	-	223	-
Receivables <sup>(a)</sup>		1,877	-	-	1,877	1,877	1,525	352	-	-	-
Amount receivable for services		588	-	-	588	588	-	16	285	-	287
		<b>6,022</b>	<b>-</b>	<b>3,334</b>	<b>2,688</b>	<b>6,022</b>	<b>4,859</b>	<b>368</b>	<b>285</b>	<b>223</b>	<b>287</b>
<u>Financial Liabilities</u>											
Financial liabilities measured at amortised cost		520	-	-	520	520	520	-	-	-	-
		<b>520</b>	<b>-</b>	<b>-</b>	<b>520</b>	<b>520</b>	<b>520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

(b) Only the Indian Ocean Territories funding closing balance attracts interest

### Interest rate sensitivity analysis

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

	Carrying Amount \$000	-100 basis points		+100 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
<b>2015</b>					
<u>Financial Assets</u>					
Cash and cash equivalents	3,007	(30)	(30)	30	30
Restricted cash and cash equivalents	291	(3)	(3)	3	3
Total Increase/(Decrease)		<b>(33)</b>	<b>(33)</b>	<b>33</b>	<b>33</b>

	Carrying Amount \$000	-100 basis points		+100 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
<b>2014</b>					
<u>Financial Assets</u>					
Cash and cash equivalents	3,312	(33)	(33)	33	33
Restricted cash and cash equivalents	22	-	-	-	-
Total Increase/(Decrease)		<b>(33)</b>	<b>(33)</b>	<b>33</b>	<b>33</b>

### Fair values

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

### Note 33. Remuneration of members of the accountable authority and senior officers

#### Remuneration of members of the accountable authority

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

\$	2015	2014
0 - 10,000 <sup>(a)</sup>	1	-
160,001 - 170,000	-	2
170,001 - 180,000	1	-
220,001 - 230,000	1	-
630,001 - 640,000	-	1
Base remuneration and superannuation	511	915
Annual leave and long service leave accruals	(131)	3
Other benefits	21	45
<b>The total remuneration of members of the accountable authority</b>	<b>401</b>	<b>963</b>

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

No members of the accountable authority are members of the Pension Scheme.

(a) The Board Member against this band left the Authority in August 2014.

#### Remuneration of senior officers

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

\$	2015	2014
160,001 - 170,000	1	1
190,001 - 200,000	-	1
240,001 - 250,000	1	-
250,001 - 260,000	1	2
260,001 - 270,000	1	-
330,001 - 340,000	-	1
370,001 - 380,000	1	-
	<b>\$000</b>	<b>\$000</b>
Base remuneration and superannuation	1,185	1,148
Annual leave and long service leave accruals	49	(23)
Other benefits	77	79
<b>The total remuneration of senior officers</b>	<b>1,311</b>	<b>1,204</b>

### Note 34. Remuneration of auditor

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

	2015	2014
	\$000	\$000
Auditing the accounts, financial statements and key performance indicators	32	32

### Note 35. Indian Ocean Territories

An Agreement between the Treasurer and the Authority provides for the retention of moneys received by the Authority from the Commonwealth in respect of the Indian Ocean Territories. Revenue retained pursuant to this agreement is to be applied to the Authority's services. Money received by the Authority in respect of the services provided are credited to the Authority's operating account.

	2015	2014
	\$000	\$000
Balance at the start of the period	22	23
Receipts	-	-
Payments	(1)	(1)
<b>Balance at the end of the period</b>	<b>21</b>	<b>22</b>

### Note 36. Parental leave payment

The purpose of this account is to distribute parental leave funds on behalf of the Commonwealth Government.

	2015	2014
Balance at the start of the period	-	-
Receipts	-	22
Payments	-	(22)
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>

### Note 37. Related and affiliated bodies

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

### Note 38. Supplementary financial information

There were no write-offs during the financial year.

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

## Other financial disclosures

### Pricing policies of services provided

The ERA currently receives revenue from the following regulated industries.

#### *Electricity Industry*

Regulated electricity network operators pay fees and charges for services provided by us under the *Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012*.

These fees and charges relate to:

- ⇒ Standing charges that are levied for costs incurred by us which are not directly attributed to specific activities relating to the covered network.
- ⇒ Specific charges that are levied by us for specific activities carried out for a particular service provider.

Fees can also be levied for:

- ⇒ providing documents prepared by or on behalf of us.
- ⇒ interest on any outstanding amounts.

The following table provides the total amount of standing charges and specific charges received from Western Power as the operator of the only regulated electricity network in 2014-15.

Table 13: Regulated electricity networks standing and specific charges.

Service provider	Standing charges \$	Specific charges \$
Western Power	455,696.78	1,575.00

#### *Gas Industry*

Regulated gas pipeline operators pay fees and charges for services provided by us under the *Economic Regulation Authority (National Gas Access Funding) Regulations 2009*.

These fees and charges relate to:

- ⇒ Standing charges that are levied for costs incurred by us which are not directly attributed to specific activities of a particular pipeline system.
- ⇒ Specific charges that are levied by us for specific activities carried out for a particular service provider.

Fees can also be levied for:

- ⇒ providing documents prepared by, or on behalf of, us
- ⇒ admission to a meeting held by us for the purposes of public consultation
- ⇒ interest on any outstanding amounts

The following table provides the total amount of standing charges and specific charges received from operators of regulated gas pipelines in 2014-15.

No document fees were received in 2014-15. Interest on outstanding amounts in 2014-15 amounted to \$362.

Table 14: Regulated gas pipeline standing and specific charges.

Service provider	Standing charges \$	Specific charges \$
ATCO Gas Australia	640,387.49	284,927.62
DBNGP (WA) Transmission Pty Ltd	1,185,463.73	190,360.27
Goldfields Gas Transmission	480,587.01	150,313.45
Southern Cross Pipelines Pty Ltd	64,489.24	-
<b>Total</b>	<b>2,370,927.47</b>	<b>625,601.34</b>

### Licensing

Prior to 1 January 2015, fees and charges payable by licensees were issued by regulations created under the *Electricity Industry Act 2004*, the *Energy Coordination Act 1994* and the *Water Services Act 2012*. On 1 January 2015, the *Economic Regulation Authority (Licensing Funding) Regulations 2014* came into effect to replace the three previous funding regimes. Under the new regulations, we charge energy and water licensees:

- ⇒ Standing charges that are levied for costs incurred by us which are not directly attributed to specific activities of a particular licensee.
- ⇒ Specific charges that are levied for specific activities carried out for a particular licensee.

- ⇒ Annual licence charges which are payable for each licence held by a licensee.

The Regulations also provide for us to levy fees for interest on any outstanding amounts.

On 7 July 2015 the Treasurer gazetted an exemption order for local governments providing non-potable water services to fewer than 1,000 connections from paying any fees under the regulations. The licensees covered by the exemption order are:

- ⇒ Shire of Brookton
- ⇒ Shire of Coolgardie
- ⇒ Shire of Dalwallinu
- ⇒ Shire of Denmark
- ⇒ Shire of Dowerin
- ⇒ Shire of Dumbleyung
- ⇒ Shire of East Pilbara
- ⇒ Shire of Gnowangerup
- ⇒ Shire of Goomalling
- ⇒ Shire of Jerramungup
- ⇒ Shire of Kent
- ⇒ Shire of Koorda
- ⇒ Shire of Lake Grace
- ⇒ Shire of Moora
- ⇒ Shire of Morawa

- ⇒ Shire of Ravensthorpe
- ⇒ Shire of Victoria Plains
- ⇒ Shire of Wickepin
- ⇒ Shire of Yilgarn

The following table provides the total amount of standing charges and specific charges received from licensees in 2014-15.

Table 15: Standing charges and specific charges from licensees.

Licensee	Standing charges \$	Specific charges \$
Alcoa of Australia Ltd	2,626.82	-
Alinta Co-generation (Wagerup) Pty Ltd	3,499.10	-
Alinta Co-generation (Pinjarra) Pty Ltd	2,791.31	-
Alinta DEWAP Pty Ltd	2,300.87	-
Alinta Energy Transmission (Roy Hill) Pty Ltd	2,995.30	-
Alinta Sales Pty Ltd	119,953.36	-
Aqwest-Bunbury Water Board	7,509.15	-
ATCO Gas Australia	123,095.03	-
ATCO Power Australia (Karratha) Pty Ltd	957.02	-

BHP Billiton Nickel West Pty Ltd	59.50	-
Bluewaters Power 1 Pty Ltd	2,283.05	-
Bluewaters Power 2 Pty Ltd	2,285.88	-
Busselton Water Board	5,590.54	-
City of Kalgoorlie-Boulder	6,990.03	-
Collgar Wind Farm Pty Ltd	2,492.23	-
CSBP Ltd	279.55	-
Emu Downs Wind Farm Joint Venture	789.54	-
Eneabba Energy Pty Ltd	1,674.79	-
Energy Developments Ltd	338.95	-
Esperance Gas Distribution Company Pty Ltd	61.61	-
Esperance Power Station Pty Ltd	321.67	-
Gascoyne Water Co-operative Limited	127.69	-
Goldfields Power Pty Ltd	1,096.66	-
Hamersley Iron Pty Ltd	1,115.32	-
Harvey Water (SWIMCO)	467.58	-
Horizon Power	13,354.22	-
Karara Power Pty Ltd	1,657.39	-

Merredin Energy Pty Ltd	817.46	-
Mumbida Wind Farm Pty Ltd	548.29	-
Newgen Neerabup Partnership Pty Ltd	3,289.76	-
Newgen Power Kwinana Pty Ltd	3,190.07	-
Newmont Power Pty Ltd	16.74	-
Ord Irrigation Cooperative Limited	51.54	-
Pacific Hydro Ltd	1,617.53	-
Perth Energy Pty Ltd	161.31	-
Perth Power Partnership	1,221.20	-
Premier Power Sales Pty Ltd	18.62	-
Preston Valley Irrigation Co-operative	36.69	-
RATCH-Aust Kemerton Pty Ltd	3,090.38	-
Robe River Mining Co Pty Ltd	-	9,130.50
Rottnest Island Authority	261.54	-
Southern Cross Energy Partnership	5,425.66	-
South32 Worsley Alumina Pty Ltd	1,096.58	-
Synergy (Electricity Generation and Retail Corp)	110,626.17	-

TEC Hedland Pty Ltd	1,485.53	-
Tronox Management Pty Ltd	448.60	-
Walkaway Wind Power Pty Ltd	888.23	-
Water Corporation	479,318.93	-
Wesfarmers Kleenheat Gas Pty Ltd	4,538.57	3,586.00
Western Energy Pty Ltd	1,196.27	-
Western Power	144,816.02	-
WR Carpenter No 1 Pty Ltd	1,146.43	-
Moama Lifestyle Villages	64.08	-
South West Cogeneration Joint Venture	1,156.39	-
<b>Total</b>	<b>1,073,242.75</b>	<b>12,716.50</b>

We can also recover costs relating to audits and reviews under the *Water Services Act 2012*. Licensees must provide us with a report, by an independent expert engaged by us, as to the effectiveness of their asset management system. We may recover our reasonable costs and expenses arising from the appointment and remuneration of the independent expert, from the licensee.

### Electricity Market

Regulator fees for our surveillance function are recovered from participants of the Wholesale Electricity Market (WEM) through the Independent Market Operator. Under the WEM Rules, the fees are set to fully recover the costs of the surveillance function.

### Commonwealth Service Agreement

Under an agreement with the Commonwealth, we are responsible for licensing water and electricity utilities on the Christmas and Cocos Islands. Applications for licences are yet to be received.

Any costs incurred as a result of pre-lodgement negotiations can be recovered from the Commonwealth Government based on an agreed amount.

## Staffing policies

### Employment and Industrial Relations

The following table provides a breakdown of the categories of staff employment as at 30 June 2015 in comparison to 30 June 2014.

Table 16: Staff: work arrangements.

Employee category	No. of staff at 30 June 2014	No. of staff at 30 June 2015
Permanent full-time	38	42
Permanent part-time	2 (1.5 FTE)	3 (2.3 FTE)
Fixed term full-time	12	7
Fixed term part-time	0	0
<b>Total</b>	<b>52</b> <b>(51.5 FTE)</b>	<b>52</b> <b>(51.3 FTE)</b>

Table 17: Staff work arrangements based on gender.

Category	Female	Male	Total
Permanent full time	21	21	42
Permanent part time	3 (2.3 FTE)	0	3 (2.3 FTE)
Fixed term full time	1	6	7
Fixed term part time	0	0	0
<b>Total FTEs</b>	<b>25 (24.3 FTE)</b>	<b>27</b>	<b>52 (51.3 FTE)</b>

As at 30 June 2015, there were two vacant positions. We continue to strive to have an equal employment opportunity workplace. While overall we have similar numbers of male and female staff, at our senior level female staff are under-represented.

### Attraction and retention

We continued to explore more flexible recruitment processes. This has meant greater involvement of HR staff in the process to ensure the principles of merit, equity and transparency are followed.

We also used social media such as LinkedIn to advertise our vacancies to target those candidates interested in the field of economic regulation. We continued to pay attraction and retention incentives to staff who are working in positions which require high levels of skills.

We have recognised that we have areas where specialised skills are necessary. Therefore in line with the Public Sector

Commissioner’s instruction about “Filling a Public Sector Vacancy” issued in February 2011, we have determined some positions as “specialist positions”.

### Industrial relations

Our staff are employed under the *Public Service Award 1992* and the *Public Service and Government Officers General Agreement 2014*. No industrial disputes were recorded during 2014-15.

### Capital works

Our capital works program mainly comprises expenditure on multi-functional devices, the computer network and other servers operated by us. This year, the following items were purchased:

Printer/photocopier	\$16,445
Server upgrade	\$180,019

## Governance disclosures

### Board and committee remuneration

The table below reports on the remuneration of the Governing Body Members.

Table 18: Remuneration of our Governing Body members.

Position	Name	Type of remuneration	Period of Membership	Gross Remuneration in 2014-15
Chairman	Lyndon Rowe	Annual	8/3/14 – 11/8/14	\$7,095 *
Member	Steve Edwell	Annual	17/1/14 – 16/1/17	\$173,776 *
Member	Stephen King	Annual	1/7/14 – 24/11/14	\$66,699
Alternate Chairman	Stephen King	Annual	25/11/14 – 30/6/15	\$153,763
			Total	\$401,343

\* The members' total remuneration includes a fringe benefit cost.

The remuneration and allowances paid to the Governing Body are determined by the Governor based on a recommendation by the Minister for Public Sector Management.

Shares in statutory authority:

- ⇒ The ERA has no shares for senior officers to hold.

Shares in subsidiary bodies:

- ⇒ The ERA does not have any subsidiary bodies.

Interests in contracts by senior officers

- ⇒ In 2014-15, no senior officers had any interest in contracts (other than employment contracts) with the ERA.

Benefits to senior officers through contracts with the ERA:

- ⇒ In 2014-15, no senior officers disclosed having received any benefits through contracts held by the ERA.

Insurance premiums:

- ⇒ There are no senior officers of the ERA defined as directors under Part 3 of the *Statutory Corporations (Liability of Directors) Act 1996*.
- ⇒ Therefore the ERA is not required to pay an insurance premium to indemnify any senior officer.

### *Ministerial directives*

The ERA is independent of direction or control by the State, or any Minister or officer of the State, in performing its functions.

However, under section 28(2) and 28(3) of the *Economic Regulation Authority Act 2003*, the relevant Minister may give direction in writing to the ERA on administration and financial administration matters.

No ministerial directives were received during 2014-15.

## Other legal requirements

### Advertising

In accordance with section 175ZE of the *Electoral Act 1907*, we incurred the following expenditure on advertising, market research, polling, direct mail and media advertising in 2014-15.

Total expenditure for the period 1 July 2014 to 30 June 2015 was \$30,230.44. The breakdown is provided in the table below.

Table 19: Expenditure on advertising, market research, polling, direct mail and media advertising.

Expenditure type	Total Expenditure (\$)	Organisation	Amount (\$)
Media advertising organisations	\$30,230.44	Adcorp LinkedIn ABG Pages State Law Publisher	\$12,456.58 \$1,899.50 \$12,391.30 \$3,483.06
Polling organisations	Nil	-	-
Direct mail organisations	Nil	-	-
Market research organisations	\$2,422.50	Advantage Communications	\$2,422.50
<b>TOTAL</b>	<b>\$32,652.94</b>		

## Disability access and inclusion plan

We are committed to ongoing improvements to be as accessible as possible. We drafted our first disability access and inclusion plan in 2007 in accordance with the *Disability Services Act 1993* and the *Disability Services Regulations 2004*.

We adopted and published our new Disability Access and Inclusion Plan 2013-18 (plan) this year, following consultation with the Disabilities Services Commission.

The plan reflects our commitment to:

- ⇒ ensuring that people with disabilities, their families and carers are able to fully access our information, services and facilities, providing all members of the community with the same opportunities, rights and responsibilities; and,
- ⇒ consulting with people with disabilities, their families and carers, and advocacy organisations to ensure that any barriers to access and inclusion are addressed appropriately.

In implementing the plan, we have addressed seven desired outcomes, as detailed below.

### **Outcome 1: To ensure people with disabilities have the same opportunities as other people to access the services of, and any events organised by, the ERA.**

The objectives of the plan are incorporated into our strategic planning. We ensure that all venues used for promotions and public events are organised in a manner

that is accessible for people with disabilities and their carers. The plan is also published on our website.

### **Outcome 2: To ensure people with disabilities have the same opportunities as other people to access buildings and facilities of the ERA.**

We ensure our offices and other venues are accessible to people with disabilities and their carers.

### **Outcome 3: To ensure people with disabilities receive information in a format that will enable them to readily access information.**

All our publications are generated as per the guidelines of the plan and provided in alternate formats upon request. We have also worked to improve the way in which information is delivered via our website.

The website is subject to ongoing review to improve its compliance with best practice accessibility standards. We undertook a number of initiatives this year to ensure our findings for the recent Inquiry into Microeconomic Reform in Western Australia were delivered in a more accessible format, including:

- ⇒ publication of brief fact sheets which addressed the inquiry's key findings
- ⇒ preparation of videos to accompany both the draft and final report
- ⇒ publication of individual chapters for download, in addition to the full report

We also ensured information and publications were available in alternative format upon request.

**Outcome 4: To ensure people with disabilities receive quality service from ERA staff.**

We ensure staff are aware of this plan. Staff receiving external calls are expected to act in accordance with the plan while receiving requests from people with disabilities.

**Outcome 5 & Outcome 6: To ensure people with disabilities are able to make complaints to the ERA, and to ensure people with disabilities are able to participate in any public consultation with the ERA.**

We provide various mechanisms for stakeholders/customers to make complaints and provide feedback. People with disabilities are provided with an opportunity to lodge complaints or provide feedback through our website.

**Outcome 7: To ensure people with disabilities are able to access and participate in employment at the ERA.**

We are an Equal Employment Opportunity employer, and seek to ensure that both current and prospective employees are not disadvantaged, nor subject to discrimination.

To achieve this, we support employees (including employees who are carers) through job design, flexible working arrangements, and other resources as appropriate. We also maintain internal policies prohibiting discrimination and harassment.

## Reconciliation Action Plans 2014-16

We published our updated Reconciliation Action Plan (plan) for the period 2014-16 on 9 January 2014. The plan is available on our website.

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

The plan was reviewed by our Reconciliation Action Group, which is comprised of interested staff.

The objectives of the plan are to raise staff awareness and understanding of Aboriginal issues and to contribute to 'closing the gap' for Aboriginal Australians. Specifically, this plan seeks to:

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

## Compliance with public sector standards and ethical codes

We actively encourage all employees to demonstrate a high level of integrity, consistent with public sector standards and ethical codes.

Information about the Public Sector Commissioner's Standards in Human Resource Management is made available to all staff through the intranet and is part of our staff induction program. There was one claim lodged at the end of a recruitment process undertaken during the year which related to the appointment of the successful applicant. When advice was given to the claimant that a claim could only be about the process, not the outcome, the claim was withdrawn.

We are committed to ensuring the highest standards of transparency and accountability in our activities. Staff are encouraged to familiarise themselves with human resource management policies and procedures which are readily available on our intranet.

This year we refreshed our code of conduct and our internal guideline document "how we do things". The code of conduct was revised in consultation with all our staff and reviewed by the Public Sector Commission. We believe our code of conduct is a very important document as it outlines the behaviours that are fundamental to our culture. It is also a document that holds us accountable for those behaviours. Our internal "how we do things" guideline document provides for the practical application of the code of conduct. It focusses on the four main areas that we believe affect our

workplace: communication, respect, contribution to culture and continuous improvement.

### *Internal communications*

Our intranet provides quick links to internal policies, procedures, payroll and leave bookings and external websites of central Government agencies (e.g. Public Sector Commissioner's Circulars). It also includes a calendar of events, and identifies the charities we support.

Staff use the intranet to post comments, images, share articles and other links. This enhances communication and staff morale across our divisions.

We provide regular divisional information sessions for staff on topical projects and activities. We held six information sessions this year with staff presenting on topics including the government's electricity market review, our 2014 stakeholder survey results and the weighted average cost of capital.

Monthly staff meetings are our major forum for sharing information. CEO and divisional representatives' brief staff on the status of the work program (activities that are being undertaken at the time and in the near future), HR matters and any other topical matters that are beneficial for all staff to know.

### *Staff surveys*

During the last five years, we have undertaken quarterly staff surveys.

In the surveys, staff were asked to provide a rating (on a scale of one to 10, with 10 being the highest) on whether "work at the ERA is enjoyable". Other questions targeting specific matters were also included in the surveys.

The last survey was held in February 2015. Our strategy moving forward is to improve feedback opportunities at divisional meetings and to create more opportunities for staff to provide feedback directly to their supervisor, executive director or to the CEO.

By the end of the financial year, three of our four divisions had participated in facilitated team building workshops where staff openly discussed their preferences on how to give and receive feedback. The final division will attend its workshop early in the next financial year. Once these workshops are completed the facilitator will prepare a report for consideration by the Corporate Executive. It is anticipated this report will help us introduce an effective feedback mechanism.

### *Professional development*

We encourage staff to undertake training identified during their annual performance development management process. In 2014-15 staff attended 69 training courses specific to their roles.

In addition a whole of agency approach was adopted for running other training programs. We used our competency framework, which identifies attributes that we believe our staff need at each level, to establish a calendar of training programs throughout the year for the benefit of all staff. We worked with training providers to ensure the courses were

specific for the type of work we undertake and held the courses on-site. This approach to organising training was appreciated by staff and as the courses were well attended, proved to be a cost effective way of delivering the training program. The training undertaken during the year included:

- ⇒ Presentation skills
- ⇒ Advanced Interpersonal Communication
- ⇒ Dealing with difficult situations
- ⇒ Influencing skills
- ⇒ Coaching skills for line managers
- ⇒ Critical thinking and analysis
- ⇒ Report writing
- ⇒ Time Management

We reinforce the need for regular refresher training to ensure we maintain integrity in our workforce. We have a schedule of mandatory training programs and this year we offered courses on Accountable and Ethical Decision Making, Risk Management and Equal Opportunity Law.

We also continued to spend some of our training budget on wellness programs this year. These courses are also held on-site and open to all staff. The courses offered this year were:

- ⇒ Spinal Health
- ⇒ Meditation
- ⇒ Emotional Intelligence
- ⇒ Stress Management

- ⇒ Lunch box series on positive psychology in the workplace, the benefits of having a respectful workplace and employee empowerment and engagement

In addition, we offered flu vaccinations to all staff.

Staff also attended conferences such as:

- ⇒ AER Regulatory Conference
- ⇒ Australian Conference of Economists
- ⇒ AIM WA Annual Leadership Summit
- ⇒ National AIE Energy Conference
- ⇒ SOCAP International Symposium Conference
- ⇒ IPAA International Conference
- ⇒ WA Power and Gas conference
- ⇒ NEM Future Forum
- ⇒ Prisons – sharing insights on whole of life cycle management of correctional facilities
- ⇒ Credit Collections and Hardship Programs in Utilities

In addition our Chairman and senior staff presented at:

- ⇒ The Australasian Econometric Society in July 2014
- ⇒ Edith Cowan University's Research Week in September 2014
- ⇒ Utility Regulator's Forum in Canberra in November 2014

- ⇒ 3rd Annual Conference on Credit Collections and Hardship programs in Utilities in May 2015
- ⇒ IPAA WA seminar of Red Tape: Problem or Solution in March 2015

In line with our strategic goal to effectively engage with our stakeholders by being transparent and clear in our communications we ran a half day course on getting more honesty and straight talk at work. This entertaining and motivating course, called “Bullshift”, was delivered by Andrew Horabin.

A total of \$142,943 was spent on conferences, wellness programs and professional development during the financial year.

### Workforce planning and diversity

This year we refreshed our Workforce and Diversity Action Plan for the period 2015-18. The templates produced by Public Sector Management (PSM) were a valuable tool in assessing our workforce and we were pleased with the progress we made in improving our workforce management.

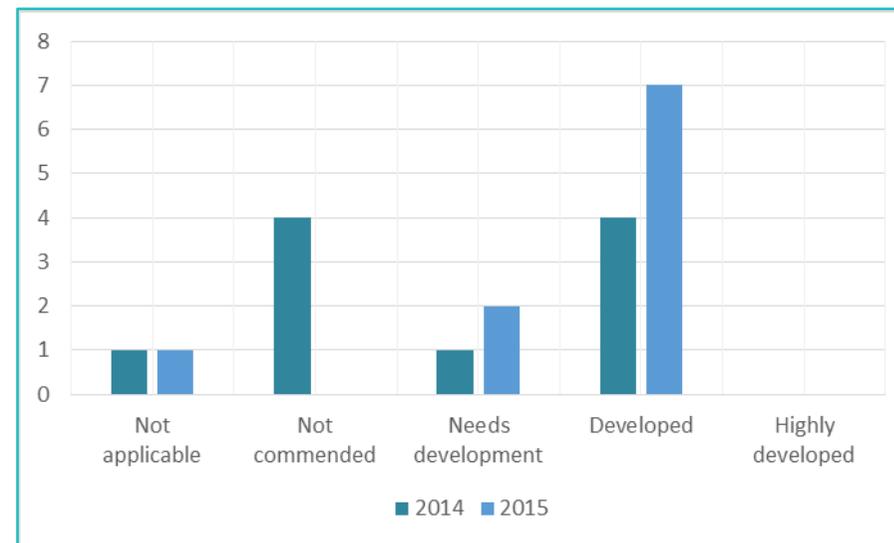
The Workforce and Diversity Action Plan covers four areas of workforce management.

#### *Scan and understand*

In this area we looked at where our agency is now, where we aim to be in the future and whether we have the right workforce to get there. The PSM template has 10 items in this section to measure an agency’s level of maturity. We

have made significant progress and used our knowledge gained through considering the issues raised to inform our 2015-2017 Strategic Plan. The following chart shows the progress we have made:

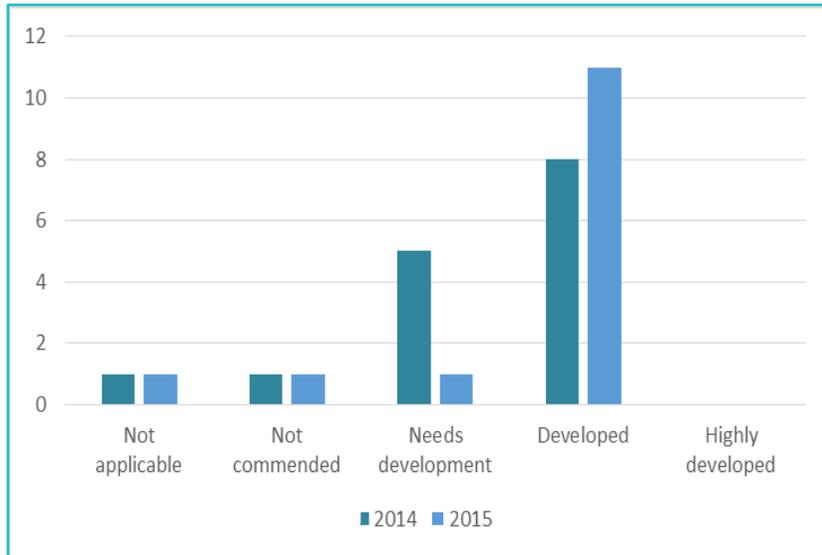
Chart 10: Scan and understand.



### Analyse and interpret

Our first Workforce and Diversity Action Plan highlighted that as a small agency we were not necessarily collecting the right information to produce meaningful workforce reports. New systems have been implemented that can produce a range of workforce information that is reviewed by senior management quarterly. The progress we have made in this area is shown in the following chart:

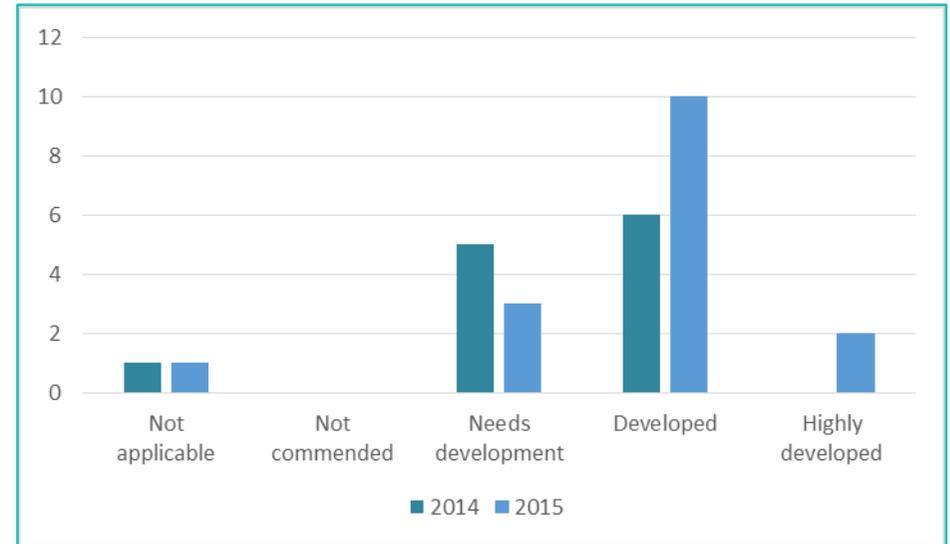
Chart 11: Analyse and interpret.



### Develop and implement

We set out to achieve three strategic goals in our first Workforce and Diversity Action Plan which were all met. We have established a workforce that is fully flexible and we now have a working environment where staff with particular skills and experience form small teams to work on complex technical problems that can be outside of their usual working environment. The following chart outlines the progress we have made in this area:

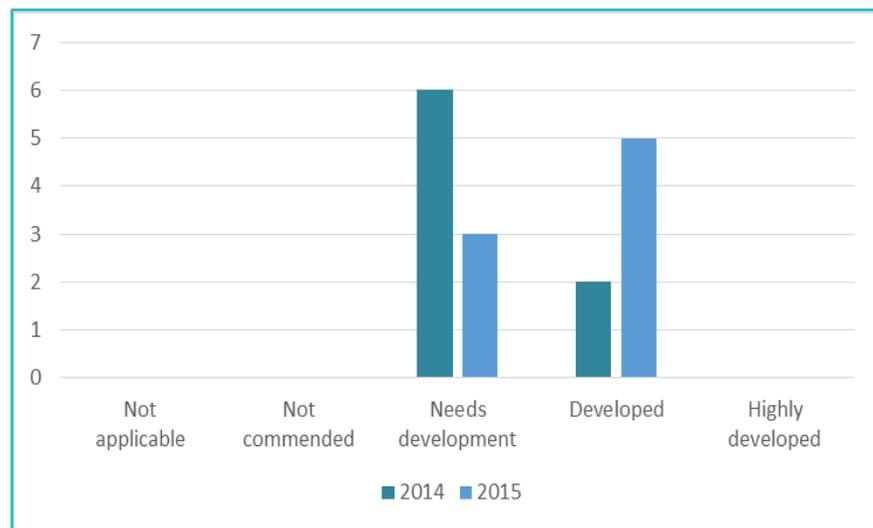
Chart 12: Develop and implement.



### Monitor and evaluate

During the life of our first plan we understood our low level of maturity in workforce reporting and knew we needed to develop a review and reporting regime. Our performance indicators in this area were set against the development scale in the PSM template and we aimed to be able to demonstrate a rating of developed or highly developed against the initiatives in our plan. Our progress is outlined in the following chart:

Chart 13: Monitor and evaluate.



In working through the initiatives in our 2012-14 plan we developed our own dashboard report that was enhanced over the life of that plan to now be a meaningful quarterly report that is provided to our CEO and reviewed by our Corporate Executive. This report not only tracks our progress against our Workforce and Diversity Action Plan

but also provides other human resource information like our level of annual leave, the length of time we take during recruitment processes and progress with undertaking our performance management and development meetings.

We are pleased to be able to report on the following improvements that were made in the last year as a result of our workforce and diversity action plan:

- ⇒ We have made enhancements to our human resource management information system (HRMIS). In 2013-14 we were aware that the Department of Treasury was putting in place funding regulations to achieve full cost recovery for our licensing function. The funding regulations proposed an annual licence fee that was based on the percentage of time our licensing staff spend on particular licensing activities. We were using an Excel template for recording our time which only allowed us to capture our time against our functions at a high level. We needed a timesheet system that would allow us to break our time down into activities. This year we have worked with our HRMIS provider to implement a timekeeping module that is a third party product. It has taken most of the year to work with the supplier of the third party product to incorporate the public service rules for flexi-time and leave into the system. At the end of the financial year we were in user acceptance testing of the new timesheet system which is planned to go into production in early July 2015. This new system will greatly support the transparency of our cost allocation model that

produces the invoices that fully recover the costs of our energy access, wholesale electricity market and licensing functions.

- ⇒ We have two main streams of employees working in our regulatory divisions. This year we undertook a review of the job description forms (JDFs) for these employees. We developed a job description framework that clearly sets out the career path for each level of officer. Our classification review committee approved the framework in December 2014 and revised JDFs were issued to those regulatory employees in June 2015.
- ⇒ We have commissioned the learning and development module of our human resource management information system. This module allows us to centralise information about the skills and experience of our staff. The module is used to display training courses and the skills that will be gained by attending those courses. Once an employee books a training course the new skills are added to their skills history. This is proving to be a valuable tool for understanding our workforce.
- ⇒ We participate in an inter-departmental mentoring program that is jointly sponsored by us and the departments of Finance, Treasury, Training and Workforce Development, Aboriginal Affairs and Lotterywest. This program runs from March to November each year and is a great opportunity to support the personal development and professional development of staff from other agencies. Thirteen staff expressed an interest in being part of the

mentoring program and all our staff were accepted. Five staff are active in the program as mentors and eight as protégés.

### *Equity and diversity*

We continued championing Equity and Diversity in our workplace. A workshop was conducted by the Equal Opportunity Commission for staff on Equal Opportunity Law.

During the year we established an equality project to develop a strategy to improve the gender balance at senior levels of our organisation. The project was undertaken by a small group of senior female staff who consulted widely with other staff to develop an equality strategy. A number of the recommendations from the equality project group were already in place and we are in the process of implementing some more.

This year we achieved our goal of 100% of staff completing Accountable and Ethical Decision Making training. We have made this training mandatory for all staff to complete at least once every three years.

### *Employee assistance*

Our employee assistance program has been promoted within the Secretariat. Staff are encouraged to use professional support services if they encounter any problems in their personal or professional lives.

### *Work/life balance*

This year we continued to focus on reducing annual leave balances. Staff were actively encouraged to take leave after completion of major projects which required sustained hard work. This strategy was successful as at the end of the year our total annual leave liability reduced by \$20,000.

### *Social activities - promoting shared culture*

#### **Social club**

We have an active social club that includes a representative from each business division. This structure contributes to the strong organisation-wide ownership of the club, the success of our activities and our good staff morale. The social club organises social and sporting events, and raises funds for a wide range of not-for-profit organisations.

Events that attracted the most participants this year were the Christmas and Melbourne Cup lunches and our inaugural divisional quiz challenge. Other activities we enjoyed together included Movember, an easter egg hunt, staff lunches and morning tea fundraisers in support of charities.

#### **Team building**

All staff are encouraged to join in social team-building activities.

Continuing our tradition of enthusiasm for sport, we actively participated in the IHF Corporate Challenge competitions, including volleyball, soccer, touch rugby, petanque and croquet games.

Figure 16: Perth Zoo was the venue for our 2014 staff Christmas party.



Table 20: Charities supported.

Money raised	Charities supported
\$792	 Autism WESTERN AUSTRALIA
\$150	 RSPCA
\$137	 Cancer Council Western Australia
\$611	 UNHCR The UN Refugee Agency Australia for UNHCR
\$128	 Yalari

## Charity events

Staff nominate a charity to support each calendar year through our weekly free-dress Friday. This reporting period we supported the Autism Association of Western Australia for the last six months of 2014 and Australia for the United Nations High Commissioner for Refugees (UNHCR) for the first six months of 2015.

Throughout the year we organised workplace events such as morning teas and cupcake days to raise money for not-for-profit organisations including the Cancer Council, Yalari and the RSPCA. We also raised funds and awareness about men's health, including hosting a guest speaker from the Prostate Cancer Foundation of Australia.

Continuing our annual tradition, we donated food and gifts to the Salvation Army's Christmas Appeal in December 2014. We also donated used IT equipment, such as laptops, laptop batteries and LCD screens to Technology Assisting Disability WA.

## Recordkeeping plans

We are committed to developing and maintaining good record keeping practices and meeting the legislative requirements of the *State Records Act 2000*. The following information is provided in accordance with the State Records Commission Standard 2, Principle 6.

### *Efficiency and effectiveness of the ERA's recordkeeping systems*

This year a significant evaluation of our recordkeeping systems was undertaken as part of the detailed five yearly review of the Recordkeeping Plan (RKP). This included:

- ⇒ A detailed review of our previous RKP highlighted the need to refresh our plan. We also reviewed our recordkeeping policies which were outdated and ineffective as a number of them reiterated guidelines rather than how our recordkeeping system should be managed. The RKP was substantially rewritten and updated to act as a comprehensive manual that incorporates our record keeping plan, policies and procedures. When there is a significant change to a recordkeeping policy the RKP will be reviewed and the State Records Office consulted.

The State Records Commission approved the amended RKP on 5 December 2014.

- ⇒ A review of the administrative activities in our business classification system (BCS) has commenced, because the current system has not been reviewed since 2009. The review's intent is to update and simplify the administrative activities of the BCS in line with the approach taken last year when we reviewed our functional activities. Extensive consultation with relevant staff is being undertaken.
- ⇒ The project to automate the disposal program for records covered by the general disposal authority (GDA) for State Government Information has commenced. The GDA has been imported into TRIM. Once the review of the administrative activities has been completed, the GDA retention codes will be applied so that new files are sentenced on creation. A major sentencing project is being undertaken to apply the GDA to closed files retrospectively.
- ⇒ A review was undertaken of the security attached to the BCS in TRIM. The intent of the review was to check whether the security applied to each of our functions is appropriate. The review found that the security applied to the majority of our functions remains appropriate to the sensitivity of the records.
- ⇒ UV Filters were fitted in April 2015 to the fluorescent lighting in the onsite archival records storage area. The records storage area is now fully compliant with the directions for keeping hardcopy

State archives awaiting transfer to the State Records Office.

The effectiveness and efficiency of TRIM is regularly monitored and reviewed. An upgrade to HP Records Manager 8.1 was successfully rolled out in June after substantial user testing was undertaken.

### *Training Effectiveness*

In March this year we established a new process to gather qualitative staff feedback on the recordkeeping training program and their training needs. Each division has nominated a representative to gather specific information from their team members. This information is then provided to our records team to identify training needs.

This way of obtaining feedback has confirmed that training requirements vary across divisions due to their different information cultures and experience in using TRIM.

The divisions with more advanced information cultures expressed interest in more training on advanced functions of TRIM, how to use TRIM to better manage business processes and specific records training on version control and naming conventions. On the other hand, the divisions with less advanced information cultures expressed interest in more general refreshers on key TRIM functions and “everyday stuff” and more general recordkeeping training like what emails constitute a record.

The feedback already received from staff, together with an annual staff satisfaction survey planned for December, will assist with updating the 2015-16 recordkeeping training program.

## Government policy requirements

### *Substantive equality*

We are not a department represented on the Strategic Management Council and we do not currently have any obligations under the substantive equality framework.

We are aware of the intent of the substantive equality framework and have adopted the policy of providing equal employment opportunities and eliminating discrimination in the provision of our services.

We are committed to ensuring that our employment practices are open and transparent, based on the principles of merit and equity at all times.

We have an equal employment opportunity and diversity policy. The intent of the policy is publicised in all staff recruitment advertising processes and is adhered to by all staff.

### *Occupational safety, health and injury management*

We are committed to the provision of a safe work environment, ensuring the health and wellbeing of our employees, contractors and visitors.

The Occupational Health and Safety Policy on the intranet reinforces the responsibility of all employees to ensure they conduct themselves in a safe manner at all times, and do not place themselves or any other person at risk at any time.

Our documented injury management system is in accordance with the *Workers' Compensation and Injury Management Act 1981*, *Occupational Safety and Health Act 1984* and the *Occupational Safety and Health Regulations 1996*.

This system is available to all employees through the induction process and via the intranet.

In the event that an injury occurs, we support the early rehabilitation of injured employees through a return to work program.

The return to work program includes external providers, who work with the employee's supervisors to ensure the injured employee is given the best professional assistance to manage and aid their rehabilitation.

We have an elected Occupational Health and Safety (OHS) representative who regularly conducts inspections of our office environment to undertake an assessment of risks and hazards. OHS reports are provided to our Corporate Executive on a quarterly basis which also includes information about ergonomic assessments that have been carried out on staff.

Ergonomic assessments are provided for all new staff and staff can ask to be reassessed at any time if they believe their working conditions have changed. This year 10 new staff were assessed and five existing staff were re-evaluated.

A report of annual performance for 2014-15 is as follows:

Table 21: OHS reporting requirements.

Indicator	Target 2014-15	Actual 2014-15
Number of fatalities	Zero (0)	Zero
Lost time injury/disease (LTI/D) incidence rate	Zero (0) or 10% improvement on the previous three (3) years	Zero
Lost time injury severity rate	Zero (0) or 10% improvement on previous three (3) years	N/A
Percentage of injured workers returned to work within (i) 13 weeks and (ii) 26 weeks	Greater than or equal to 80% return to work within 26 weeks	N/A
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	Greater than or equal to 80%	78%

## Other disclosures

### *Complaints handling*

There are three main areas that may be the source of complaints: the administration of the Secretariat; employment-related matters; and matters concerning our regulatory functions.

Handling of complaints relating to the administration of the Secretariat and employment-related matters are dealt with under the WA Public Sector Code of Ethics, ERA's Code of Conduct, and our Conflict of Interest Policy. These documents are available in either hard copy at our reception desk or on our website.

The Code of Conduct recommends concerns should be raised directly with the staff member involved.

The next step is to raise the concern with the immediate supervisor, and then the Chief Executive Officer. Staff and consultants are provided with a hard copy of our Code of Conduct during their induction.

Staff can discuss their concerns regarding any employment-related matter with our Senior Human Resource Consultant. Our website allows for any member of the public to express dissatisfaction or make a complaint. There were no complaints lodged during the year.

A variety of circumstances, such as the competing interests of infrastructure owners and other interested parties, may give rise to views that differ from ours in respect of our regulatory functions.

Our regulatory processes typically provide opportunities for interested parties to express their views either supporting or disagreeing with views expressed in our decisions. These processes include comprehensive public consultation involving submissions, public forums and meetings with the Governing Body or Secretariat.

Submissions may be made on either a public or confidential basis. Public submissions are published on our website.

Our decisions are ultimately subject to legal appeal on legal matters to the Supreme Court and to merit review by the Australian Competition Tribunal and the Electricity Review Board.

### *Public interest disclosures*

We have internal procedures that outline how we comply with the *Public Interest Disclosure Act 2003*.

Our public interest disclosure (PID) internal procedures outlines how we comply with the Public Interest Disclosure Act 2003. These procedures are available on our staff intranet and are also provided to all new employees as part of their induction process.

We currently have three PID Officers.

### Memorandum of understanding

A memorandum of understanding (MOU) is a public document that assists with consultation, information sharing, and working relationships. In 2014-15, we had a MOU with the organisations listed in the following table.

Table 22: Memorandums of understanding.

With whom	Signed	Purpose of the MOU
Energy Ombudsman of Western Australia	30 October 2008	<ul style="list-style-type: none"> <li>⇒ Provide consultation between the two parties.</li> <li>⇒ Coordinate regular activities between the signed parties in relation to the regulation of the electricity and gas industries.</li> </ul>
Public Utilities Office (PUO)	5 February 2007	<ul style="list-style-type: none"> <li>⇒ Promote effective cooperation and coordination between the two agencies in performing their complementary roles in Western Australia's energy market.</li> </ul>
Department of Water	12 December 2006	<ul style="list-style-type: none"> <li>⇒ Ensure efficient and effective decision making and advisory processes of both agencies in relation to water services industry.</li> <li>⇒ Promote best practice regulation and monitoring of compliance under relevant legislation.</li> </ul>
Independent Market Operator (IMO)	9 January 2007	<ul style="list-style-type: none"> <li>⇒ Agreed framework for mutual cooperation in relation to functions relevant to both agencies.</li> <li>⇒ Agreement to mutually assist each other with the exchange of information, expert advice, appropriate referral of matters and cooperation consistent with legislation.</li> <li>⇒ Protocol between the two agencies to deal with operational matters.</li> </ul>
Energy Safety Division (Department of Commerce)	13 April 2015	<ul style="list-style-type: none"> <li>⇒ Promote cooperation on the regulation of the electricity and gas industries in Western Australia.</li> <li>⇒ Contribute significantly to the ability of the agencies to effectively and efficiently carry out their functions.</li> </ul>

## *Audit and Risk*

### **Risk Management**

Our Corporate Executive manages risk in our agency. Each divisional director is responsible for reviewing the risks assigned to them as well as monitoring agency-wide risks.

Risk reports are reviewed by the Corporate Executive and Audit and Risk Committee.

Risk management has been a major focus this year with the implementation of a new risk management software program, RiskWizard. The decision to implement RiskWizard as our new risk management software was made in December 2014. We undertook a comprehensive review of our risks, controls and treatment action plans and mapped these to the new software program, which was commissioned in April 2015.

### **2014-15 Audit program**

We have a three-year Strategic Audit Plan and Records Management Audit Plan which is effective for 2013-14 to 2014-16. The audits to be undertaken over the period of the plan are:

- ⇒ Annual audit – financial management
- ⇒ Biennial audits – human resources and payroll, information security and website maintenance, legislative compliance and risk management
- ⇒ Triennial audit – corporate governance.

We were scheduled to have a risk management audit this year but due to implementing RiskWizard our Audit and

Risk Committee approved deferring the audit until the 2015-16 year.

The audit activity undertaken this year is outlined below:

### *Financial Management*

Our annual finance audit is designed to ensure:

- ⇒ Key financial controls are being maintained
- ⇒ Finance activities comply with legislation, regulations and internal policies and guidelines
- ⇒ Action has been taken on previous audit recommendations
- ⇒ Identify 'best practices' that can be codified across the agency
- ⇒ Ensure that key controls are tested and can be relied upon by the Office of the Auditor General.

### *Procurement*

We had an additional requirement for our finance audit this year which was to:

- ⇒ undertake internal audit requirements listed in the State Supply Commission Internal Audit Procurement Compliance Guidelines; and
- ⇒ review sample of major contracts entered into/in progress during the audit period.

### *Asset Inventory*

- ⇒ review security of assets and asset stocktakes; and

- ⇒ review management of attractive item assets.

The audit concluded that good controls exist over the financial management functions, cost recovery charges, procurement and assets and action had been taken on previous audit recommendations. The auditor made recommendations on two areas of low risk:

- ⇒ a report provided by the Department of Premier and Cabinet (DPC) (who host the finance system we use) was inaccurate. We have raised a request with DPC to see if a system generated report can be created to replace the Excel report provided to our auditor.
- ⇒ a change in delegation inadvertently meant that our CEO could approve his own interstate travel. We have changed our business process so the Chairman continues to approve the CEO's interstate travel.

### *Human Resources and Payroll*

Our biennial human resources and payroll audit is designed to provide assurance that adequate controls exist over payroll and compliance with human resource policies and guidelines. In particular, the audit:

- ⇒ Confirmed the human resources and payroll policies, processes and procedures are adequate, comply with legislation and regulations, and are being maintained.
- ⇒ Confirmed control structures are efficient and effective.

- ⇒ Ensured that key controls are tested and can be relied upon by the Office of the Auditor General.

We had an additional requirement for our human resource and payroll audit this year which was to audit the accuracy of data following the transition of payroll from Talent2 to Empower.

The audit concluded there are good controls in place over payroll and to ensure compliance with human resource policies and guidelines. The audit also confirmed that payroll data had been transferred completely and accurately to the Empower system. The Auditor had no findings in relation to this audit.

### **Matters considered by the Audit and Risk Committee**

Our Audit and Risk Committee met twice this year, which is the minimum number of meetings required to be held under the Audit and Risk Committee Charter.

The standing items that are considered by this committee are the internal audit reports, an audit log of issues raised by the auditor that still have action outstanding, a report on risks rated high or above, and any changes to high level risks since the last report. In addition, this year the committee approved a revised Risk Management policy that resulted from the change in the risk management framework.

# Appendices

## Appendix 1: Administered legislation

Regulated utility	Relevant legislation
Gas	<i>Energy Coordination Act 1994</i>
	<i>National Gas Access (WA) Act 2009</i>
	<i>National Gas Access (WA)(Part 3) Regulations 2009</i>
	<i>National Gas Access (WA)(Local Provisions) Regulations 2009</i>
	<i>Gas Marketing Code of Conduct 2014</i>
Water	<i>Water Services Act 2012</i>
	<i>Water Services Regulations 2013</i>
	<i>Water Services Code of Conduct (Customer Service Standards) 2013</i>
Rail	<i>Railways (Access) Act 1998</i>
	<i>Railways (Access) Code 2000</i>
Electricity	<i>Electricity Industry Act 2004</i>
	<i>Electricity Industry (Access Code Enforcement) Regulations 2005</i>
	<i>Electricity Industry (Code of Conduct) Regulations 2005</i>
	<i>Electricity Industry (Customer Contracts) Regulations 2005</i>

	<i>Electricity Industry (Licence Conditions) Regulations 2005</i>
	<i>Electricity Industry (Licensing Fees) Regulations 2005</i>
	<i>Electricity Industry (Obligation to Connect) Regulations 2005</i>
	<i>Electricity Industry (Ombudsman Scheme) Regulations 2005</i>
	<i>Electricity Industry (Wholesale Electricity Market) Regulations 2004</i>
	<i>Wholesale Electricity Market Rules</i>
	<i>Electricity Industry (Network Quality and Reliability of Supply) Code 2005</i>
	<i>Code of Conduct for the Supply of Electricity to Small Use Customers 2013</i>
	<i>Electricity Industry Customer Transfer Code 2004</i>
	<i>Electricity Networks Access Code 2004</i>
	<i>Electricity Industry Metering Code 2005</i>

## Appendix 2: Other legislation impacting the agency

- *Commercial Arbitration Act 2012*
- *Competition and Consumer Act 2010*
- *Copyright Act 1968 (Commonwealth)*
- *Corruption and Crime Commission Act 2003*
- *Criminal Code Act Compilation Act 1913*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Electronic Transactions Act 2011*
- *Equal Opportunity Act 1984*
- *Evidence Act 1906*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Interpretation Act 1984*
- *Limitation Act 1935*
- *Limitation Act 2005*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Rail Freight System Act 2000*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Records (Consequential Provisions) Act 2000*
- *State Superannuation Act 2000*
- *State Supply Commission Act 1991*
- *Statutory Corporations (Liability of Directors) Act 1996*
- *Workers' Compensation and Injury Management Act 1981*



Economic Regulation Authority

WESTERN AUSTRALIA

Level 4, Albert Facey House  
469-489 Wellington Street  
Perth WA 6000

Phone: (08) 6557 7900

[www.erawa.com.au](http://www.erawa.com.au)