



Economic Regulation Authority



Annual Report 2008/09



Economic Regulation Authority

 WESTERN AUSTRALIA

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

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About the Authority

The Economic Regulation Authority (**Authority**) regulates third party access to electricity, gas and rail infrastructure and licenses electricity, gas and water service providers. It also carries out surveillance of Western Australia's Wholesale Electricity Market and undertakes economic inquiries on a wide range of complex issues at the State level.

About this annual report

This annual report provides a review of the Authority's operations for the financial year ended 30 June 2009 and details:

- [Introduction](#)—information on the Authority, this annual report and the Authority's vision, mission and values;
- [Overview](#)—an overview of the Authority's role, responsibilities and organisational structure;
- [Performance](#)—a report on the Authority's operational performance from 1 July 2008 to 30 June 2009 and the progress towards achieving ours and the Government's desired outcomes;
- [Significant issues](#)—a discussion on significant current and emerging issues that may impact upon the workload of the Authority; and
- [Disclosures and legal compliance](#)—the Authority's compliance with various legislative and Government policy requirements, including the audited financial statements and key performance indicators for 2008/09.

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

- An interactive PDF version, which has links to other sections of the annual report as well as external links to content on our web site. Links are indicated by [blue, underlined text](#).
- Online version, which allows for quick and easy viewing of annual report sections. This version also features easy to use download and print functions.
- Text version, which is suitable for use with screen reader software applications.

Our vision, mission and values

Vision

To be valued by Western Australians as a provider of high quality, independent economic regulation and advice.

Mission

To serve the interests of Western Australians by promoting fair prices, quality services and choice and by enhancing competition through independent economic regulation and advice to Government.

Values

- Commitment—being focused on the interests of Western Australians, treating others with respect and dignity, promoting employee growth and well-being and carrying out work with passion in an inclusive manner.
- Independence and Impartiality—free to make decisions in the long-term interests of Western Australians.
- Integrity—practising consistent behaviours that engender confidence and trust in what we do and say, displaying honesty and equity in all our dealings and treating others fairly and openly with respect to their rights at all times.
- Professionalism—being innovative, disciplined, rigorous and focused in our work.
- Transparency and Consultation—undertaking activities in an open manner to enable stakeholders to understand and contribute to our outcomes.
- Excellence—dedicated to carrying out our work in an effective and efficient manner and in accordance with our overall mission.

Letter of transmission


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WESTERN AUSTRALIA

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Promoting fair prices, quality services and choices

21 September 2009

Hon Troy Buswell MLA
Treasurer
197 St Georges Terrace
PERTH WA 6000

Dear Treasurer

ECONOMIC REGULATION AUTHORITY 2008/09 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 2009.

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


MR LYNDON ROWE
CHAIRMAN
21 September 2009


MR STEVE EDWELL
MEMBER
21 September 2009


MR PETER PANEGYRES
MEMBER
21 September 2009

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Overview

From our Chairman



Mr Lyndon Rowe, Chairman of the Authority.

The need for balance when considering the regulation of markets.

The last year has been an interesting and challenging time for all Western Australians including the Authority as it seeks to fulfil its mission, which aims to promote fair prices, quality services and choice for Western Australian consumers.

There are some who see the global financial crisis as a failure of markets and indicative of the need for more regulation. There are others who suggest that the

problem is one of poor regulation. This is an interesting environment in which to be an economic regulator!

I want to express a need for caution as we seek to lay blame or as we look for answers to prevent a similar occurrence in the future. Without question, there are times when markets deliver results that are not in the interests of the community. Equally, however, there are times when regulation (government or

independent) does not deliver the outcome we were hoping for and/or has unintended consequences.

There is considerable evidence that competitive markets are most likely to deliver results that are in the interests of consumers. The problem is that not all markets are competitive and the lack of competition can lead to market power which can potentially be used to exploit consumers. In seeking to regulate such market power, it is very important to ensure that the incentives created are consistent with behaviour that is in the interests of consumers.

A test of the need for economic regulation is to ask the following questions: Is there market failure? Is regulation the most effective way to deal with the particular market failure? Will regulation deliver the outcome required? Are there likely to be any unintended consequences? And finally, because regulation has a cost, will the benefits of the regulatory action exceed the costs? The current difficulties we face deserve a thorough and well considered analysis of all of these questions prior to any new regulatory response.

For our part, as the economic regulator in Western Australia, the Authority constantly assesses its actions against these targets.



From our Chairman

(continued)

During the last 12 months, the Authority has looked to encourage competition where that is feasible and to provide sensible regulatory responses, particularly in areas of monopoly infrastructure where competition is not feasible: For example:

- A significant focus of the Authority in 2008/09 has been on Western Power's proposed second access arrangement. The challenge here is to agree to access terms and conditions that promote the economically efficient use of networks thereby promoting competition among both generators and retailers. The draft decision was released in July 2009.
- The Authority also produced its second annual report on the Wholesale Electricity Market (**WEM**) to the Minister for Energy. The objective of the report is to highlight any changes that may be needed to ensure the WEM meets its objectives, which include encouraging competition among generators and retailers. There are two particular concerns the Authority felt were adversely impacting on the WEM meeting this objective—the lack of cost reflective prices and the dominance of the market by government owned utilities, generator Verve and retailer Synergy. The Authority welcomes the steps taken by the State Government to achieve cost reflective tariffs and also the decision to leave Verve and Synergy as separate entities but notes that it is important that any further changes to policy, market rules or the vesting contract do

not lead to further concentration of the electricity industry in Western Australia.

- At the beginning of the year, the Authority became responsible for regulating access to a new railway—The Pilbara Infrastructure's new railway line from FMG's Cloud Break Mine to the port at Anderson Point at Port Hedland. A significant part of the Authority's work in the last year has been in assessing the access principles for this new railway line.
- At the beginning of the year, the Government released the Authority's Final Report on competition in the water industry. This was a report that looked at all aspects of the water industry and although there is potential for competition in various parts of the water chain, the report focused on recommending the establishment of an Independent Procurement Entity to encourage competition among bulk water suppliers. Here was an area where the Authority thought competition would be of real benefit to consumers. I am pleased to note that this matter is receiving active consideration by an inter-departmental working group and hopefully we will see some changes which will see the benefits competition can have on both costs and innovation in delivering better outcomes for consumers.



From our Chairman (continued)

- Finally, in our Licensing, Monitoring and Customer Protection division we have had a focus on ensuring that where regulation is required, we regulate in a way which both delivers positive outcomes for consumers but at the least cost to those being regulated (seeking to maximise the benefits and minimise the costs of economic regulation).

As you will see from reading this annual report, the Authority has had a very busy year and the level of activity is not likely to lessen in the coming year. Despite these demands, we will continue to give a high priority to being transparent and consultative and, as I said last year, a pre-requisite for that is to make ourselves easily understood whether we are writing formal decisions or writing reports in response to inquiries referred to the Authority by Government.

I wish to acknowledge the contributions made by the two part-time members of the Authority: Mr Steve Edwell and Mr Peter Panegyres AM. I am very appreciative of the experience and expertise they both bring to the work of the Authority. The demands we make of both Steve and Peter go well beyond what might be inferred by the description of part-time member and I am grateful for both their commitment and their support.

As in previous years, I again want to acknowledge the involvement in our work by our various stakeholders.

In particular, the quality of the submissions we receive is very important to the work of the Authority.

Finally, I am sure Steve and Peter would want to join me in acknowledging the professionalism and commitment of the Authority's staff, ably led by our Chief Executive Officer Mr Peter Kolf. We look forward to working with them in the coming year as we seek to serve the interests of Western Australians by promoting fair prices, quality services, choice and enhancing competition through independent economic regulation and advice to Government.

Lyndon Rowe
CHAIRMAN



Executive summary

This executive summary provides an overview of the Authority's performance throughout 2008/09, including the highlights from our activities. It also provides a financial summary for the year. More detailed information on our operational accomplishments can be found in the [Performance](#) section of this annual report.

Our performance

The following list gives a snapshot of the Authority's outputs and related activities during the year under review. Further information about these is available on our [web site](#):

- One inquiry was finalised and two new inquiries were referred to the Authority by the State Government.
- 177 reports and decisions were issued.
- 10 papers were published.
- 20 regulatory guidelines were issued.
- 207 [notices](#) were issued.
- 180 public submissions were received.
- 40 [corporate publications](#) and [presentations](#) were published.

Our people

- As an exercise in team building, staff were challenged by a day out on Rottnest Island on 1 May 2009.
- A new intranet was developed in the first half of 2009, providing easier access and more relevant content for staff.

Our stakeholders

- We released a revised [corporate brochure](#) for distribution to stakeholders attending the 'Essential Services, Financial Hardship and Debt Recovery Seminar' on 25 March 2009.
- The Authority made [presentations](#) to stakeholders and other interested parties during the year.
- We continued the quarterly distribution of the Authority's newsletter [e-news](#).



Executive summary (continued)

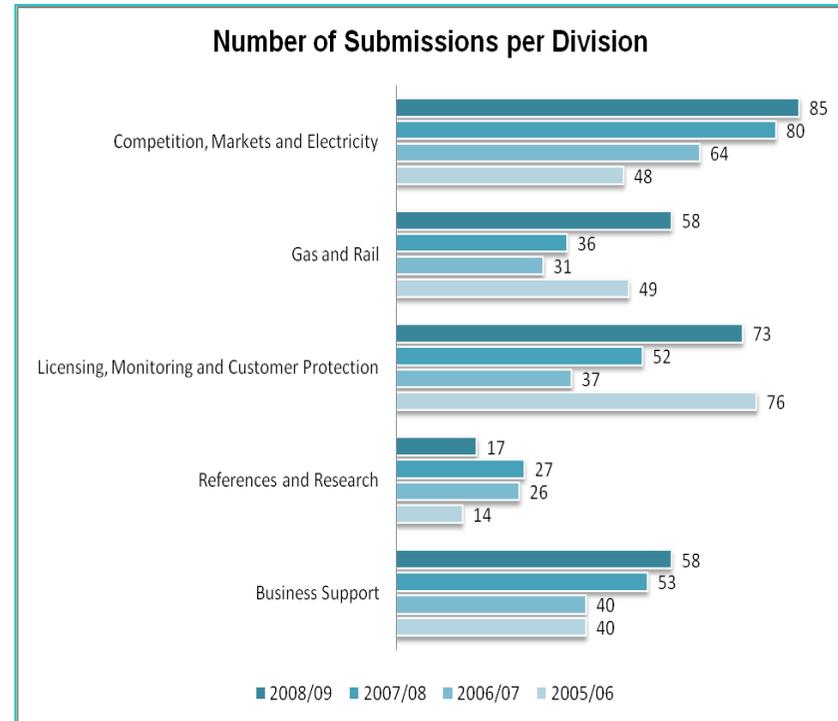
At a glance—summary of activity

The two charts presented here summarise the activity levels of our different divisions.

The first chart (right) shows a breakdown of the number of submissions produced by each of our different divisions for consideration and decision by the Governing Body. Decision making by the Governing Body is through submissions prepared by the Secretariat.

The number of submissions has increased from last year for each division, with the exception of the References and Research division. Not only has there been an increase in the number of submissions, but the number of submissions for 2008/09 exceeds the number produced in any previous reporting year.

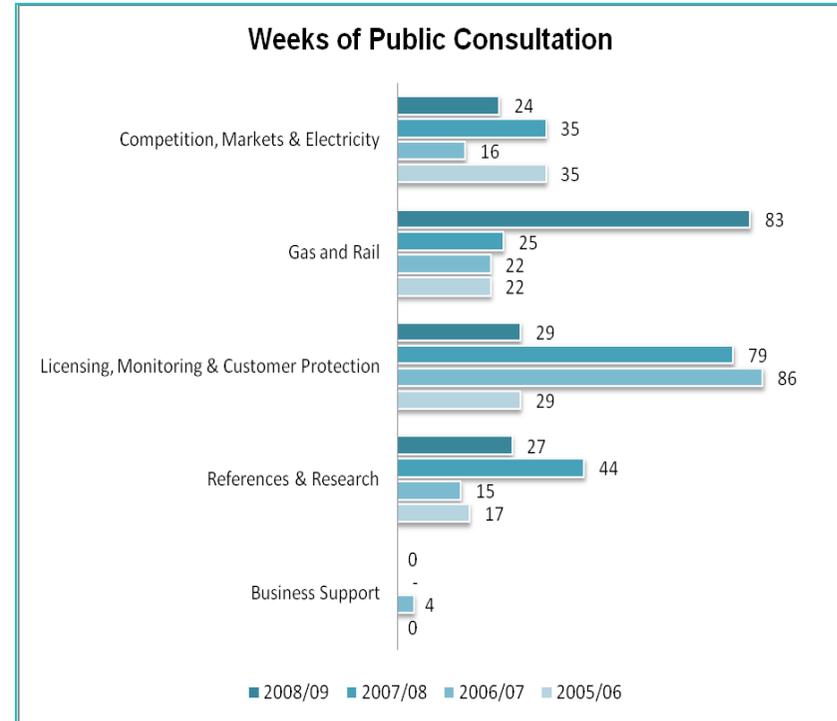
Chart 1 - Number of submissions per division of the Authority



Executive summary (continued)

The second chart (right) shows the total number of weeks of public consultation undertaken by each division. Overall, the total number of weeks of public consultation in 2007/08 and 2008/09 were 183 and 163 weeks respectively.

Chart 2 - Number of weeks of public consultation undertaken by each division of the Authority



Executive summary (continued)

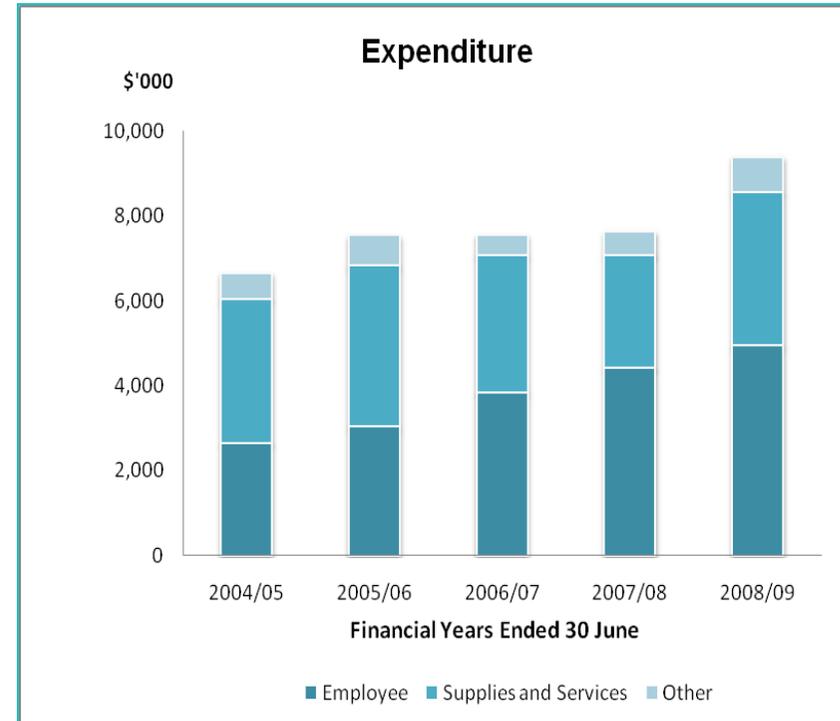
At a glance—our financial summary

The following charts present an analysis of the Authority's expenditure and income for its first five full years of operation.

The first of these charts (right) shows that total expenditure was close to constant over the first four years of the Authority's operations. In 2008/09, expenditure increased by 23% reflecting an expansion in the Authority's functions and growth in the regulatory workload.

A major component of the 23% growth over 2007/08 is an increase in salary costs of 12%, which reflects the 5% increase in salaries under the Public Sector General Agreement 2008 being applied six months after it was due.

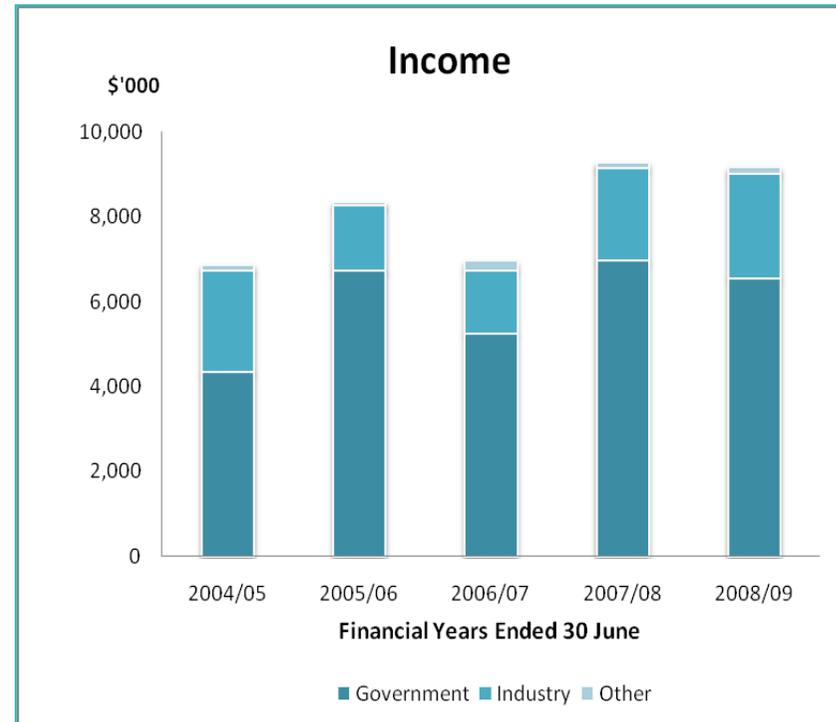
Chart 3 - Breakdown of levels of expenditure for the first five years of the Authority's operations



Executive summary (continued)

The chart (right) shows that the Authority's income is mainly from government which in the first three years of operations was augmented by supplementary funding. Total income in 2008/09 amounted to \$9.2 million, which did not quite match the level of expenditure for that year of \$9.4 million.

Chart 4 - Breakdown of sources of income for the first five years of the Authority's operations



Executive summary (continued)

The proportion of income from government decreased slightly from 75% in 2007/08 to 71% of total income in 2008/09, as shown in the charts below. Income from industry increased from \$2.2 million in 2007/08 to \$2.5 million in 2008/09 with the result that the proportion of income from industry increased from 23% to 27%. The proportion of other income remained constant at 2% of total income.

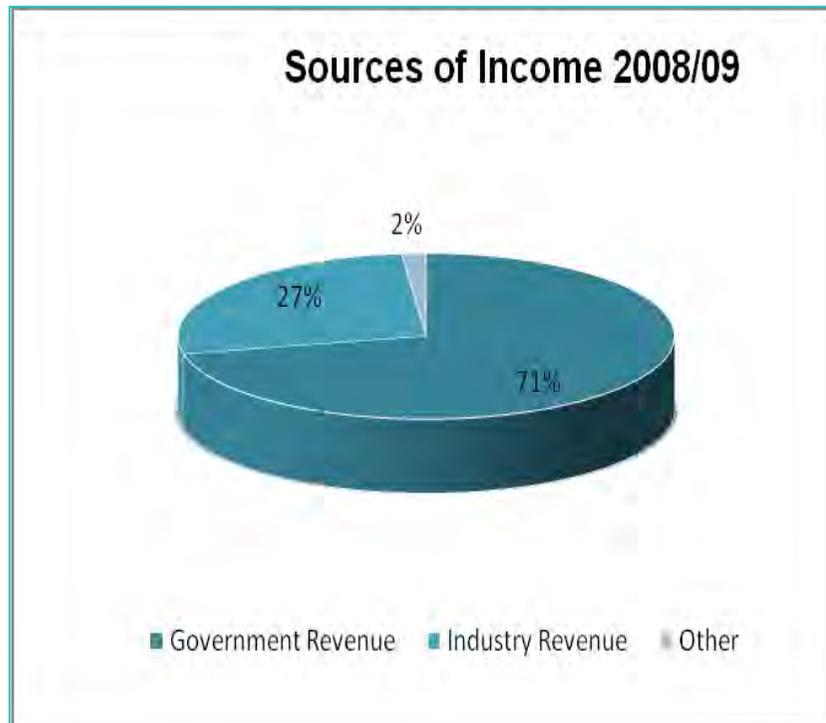
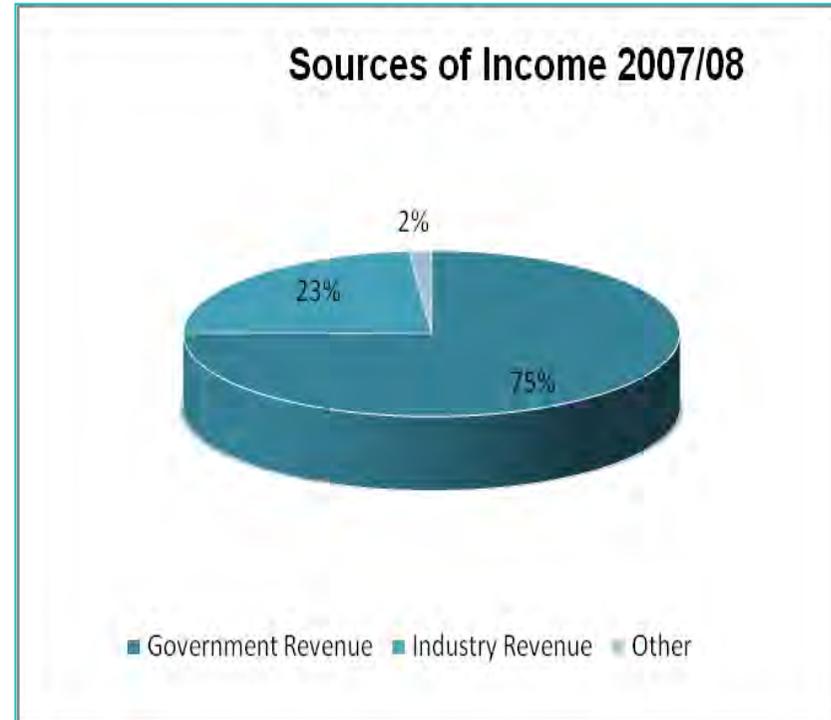


Chart 6 - Sources of the Authority's income for 2008/09

Chart 5 - Sources of the Authority's income for 2007/08



Executive summary (continued)

The Authority's main areas of expenditure are employee expenses, supplies and services and accommodation.

Employee expenditure continues to be the Authority's main category of expenditure being 53% of total expenditure compared to 58% in the previous year. In 2007/08, the Authority was supported by 45.3 full-time equivalents which decreased to 44.2 in 2008/09.

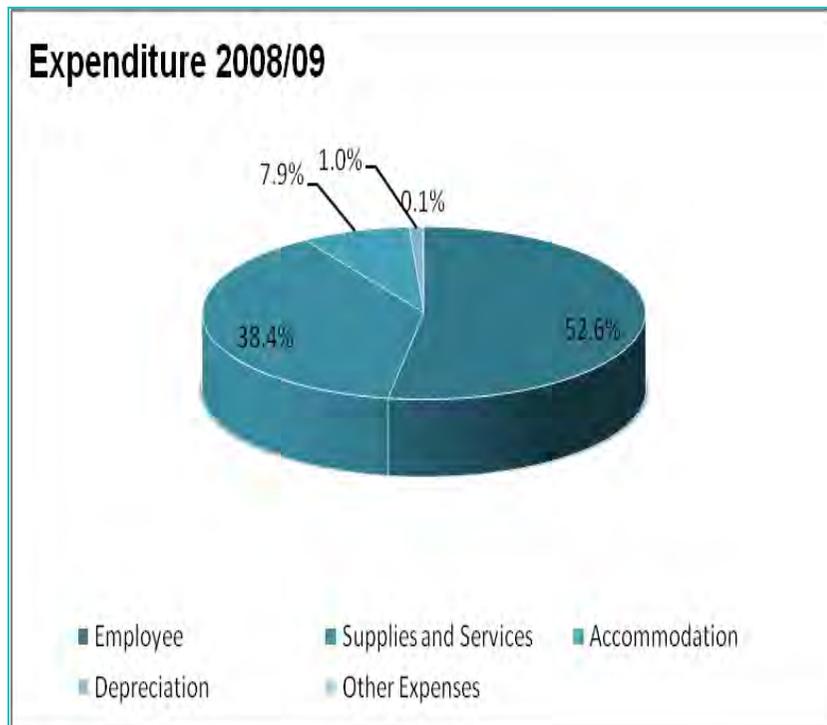


Chart 8 - Breakdown of areas of the Authority's expenditure for 2008/09

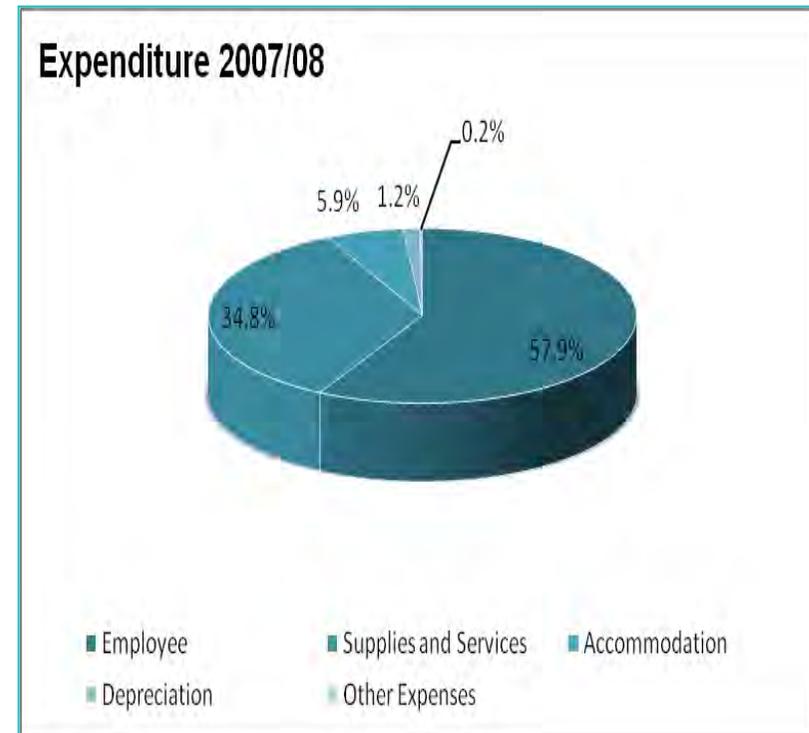


Chart 7 - Breakdown of areas of the Authority's expenditure for 2007/08

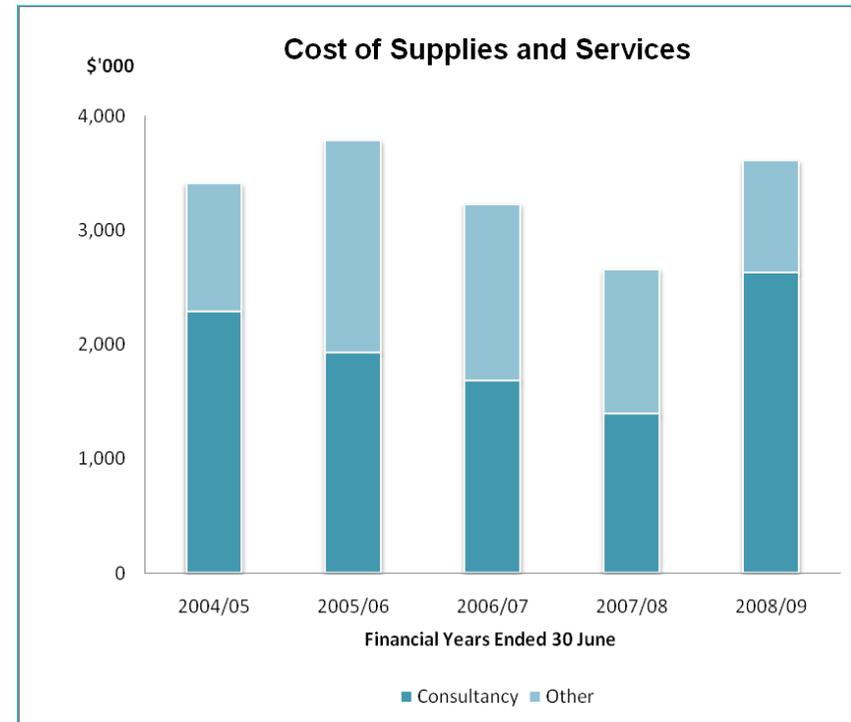


Executive summary (continued)

The chart (right) shows that the cost of supplies and services has increased by a significant 36%. This is mainly attributable to a 53% increase in expenditure on consultants. The increased use of consultants was necessary to meet expansions in the Authority's functions and workload.

It is worth noting that this year's expenditure on consultants (\$2.6 million) is similar to that in 2004/05 (\$2.3 million) when, in line with the regulatory cycle, there was significant activity in the review and approval of access arrangements.

Chart 9 - Cost of supplies and services for the first five years of the Authority's operations



Our operational structure

Our role

As the State's independent economic regulator, the Authority:

- administers legislation on third party access to electricity, gas and rail infrastructure in the State including the terms, conditions and pricing of such access;
- administers an increasingly consistent licensing regime across the electricity, gas and water industries, monitors compliance with licence conditions and promotes customer protection through the approval of standard customer contracts and monitoring of customer charters;
- undertakes surveillance of Western Australia's WEM, approves price limits for reserve capacity and energy in that market and sets the allowable revenue for the Independent Market Operator and Western Power's System Management; and
- conducts inquiries referred by the State Government on matters relating to regulated and non-regulated industries.

Our functions are designed to promote a competitive, efficient and fair commercial environment for the benefit of the Western Australian community.

The Authority makes its decisions independent of industry, government or other interests; and is not subject to State or

ministerial direction in carrying out regulatory or inquiry functions.

In making decisions and issuing reports, we strive to *promote fair prices, quality services and choice*.

Our responsible minister

The Authority is independent of direction or control by the State, or any minister or officer of the State, in performing its functions. However, under sections 28(2) and 28(3) of the *Economic Regulation Authority Act 2003*, the relevant minister may give written directions to the Authority on administration and financial matters.

In this context, the relevant minister during the reporting year was the Hon Troy Buswell BEc MLA, Treasurer, Minister for Commerce; Science and Innovation; Housing and Works.

Legislation affecting our activities

Enabling legislation

The Authority was established on 1 January 2004 as a body corporate with perpetual succession under section 4 of the *Economic Regulation Authority Act 2003*. Subsidiary legislation consists of the *Economic Regulation Authority (Gas Pipelines Access Funding) Regulations 2003* and the *Economic Regulation Authority (Transitional) Regulations 2003*.



Our operational structure (continued)

Administered legislation

The Authority performs its functions under the *Economic Regulation Authority Act 2003* and other Acts of Parliament, Regulations and subsidiary legislation relevant to our regulatory role, including:

| Regulated utility | Relevant legislation |
|-------------------|--|
| Gas | • <i>Energy Coordination Act 1994</i> |
| | • <i>Gas Pipelines Access (Western Australia) Act 1998</i> |

| Regulated utility | Relevant legislation |
|-------------------|---|
| Water | • <i>Water Services Licensing Act 1995</i> |
| | • <i>Water Services Coordination Regulations 1996</i> |

| Regulated utility | Relevant legislation |
|-------------------|--------------------------------------|
| Rail | • <i>Railways (Access) Act 1998</i> |
| | • <i>Railways (Access) Code 2000</i> |

| Regulated utility | Relevant legislation |
|-------------------|---|
| 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</i> |
| | • <i>Electricity Industry Customer Transfer Code 2004</i> |
| | • <i>Electricity Networks Access Code 2004</i> |
| | • <i>Electricity Industry Metering Code 2005</i> |



Our operational structure

(continued)

Other legislation impacting the agency

In the performance of our functions, the Authority complies with the following legislation:

- *Commercial Arbitration Act 1985*
- *Copyright Act 1968 (Commonwealth)*
- *Corruption and Crime Commission Act 2003*
- *Criminal Code Act Compilation Act 1913*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Electronic Transactions Act 2003*
- *Equal Opportunity Act 1984*
- *Evidence Act 1906*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Interpretation Act 1984*
- *Limitation Act 1935*
- *Limitation Act 2005*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Rail Freight System Act 2000*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Records (Consequential Provisions) Act 2000*
- *State Supply Commission Act 1991*
- *Statutory Corporations (Liability of Directors) Act 1996*
- *Worker's Compensation and Injury Management Act 1981*



Our operational structure (continued)

Our organisational chart

The Authority is comprised of a Governing Body and a Secretariat.

The Governing Body determines the policies, controls the affairs and otherwise performs the functions of the Authority. It currently comprises a full-time Chairman and two part-time members. Other members can be appointed by the Governor of Western Australia as considered necessary.

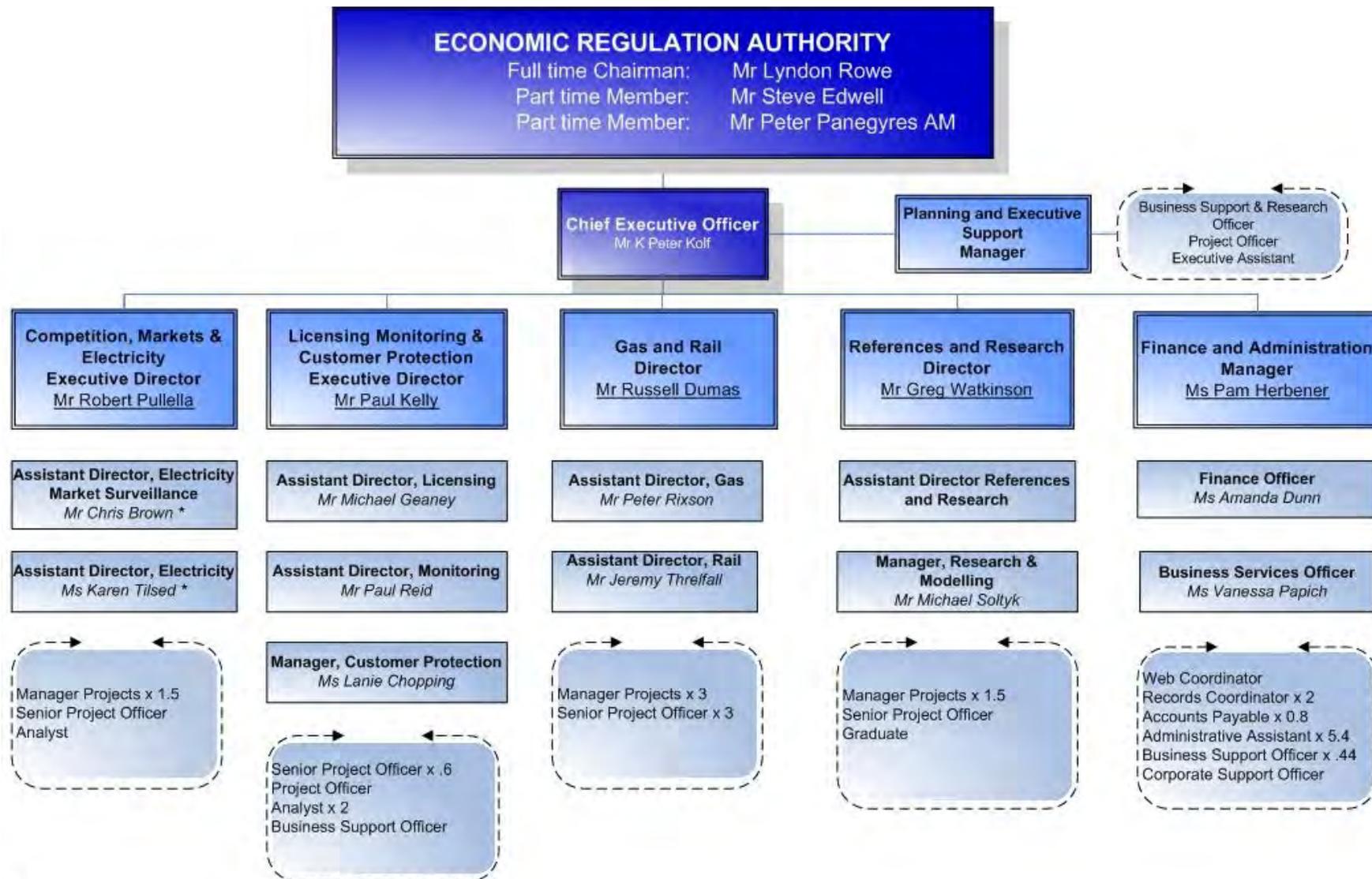
The Governing Body is assisted by a Secretariat, which consists of a Chief Employee and public service officers appointed or made available under Part 3 of the *Public Sector Management Act 1994*.

The Secretariat is the initial point of contact in our day-to-day dealings. However, the Governing Body is responsible for making decisions.

Our organisational chart is shown overleaf.



Chart 10 - Authority's organisational chart at 30 June 2009



Note
 * Refers to acting in a position



Our operational structure

(continued)

Our people

As at 30 June 2009, the Authority employed 48 staff, working either full or part-time. Most were permanent, with 12 working on contract. Further temporary contract staff were employed during the financial year to provide short-term support and expertise during periods of staff leave and peak workload. Flexible working arrangements allow our staff to enjoy the benefits of family life.

Our Governing Body

The Chairman is the Head of the Governing Body. Mr Lyndon Rowe was appointed as the full-time Chairman on 8 March 2004 for a period of five years. Lyndon was reappointed for a second term of five years commencing 8 March 2009.

The Governing Body has two part-time members, Mr Steve Edwell (appointed for five years from 17 January 2006) and Mr Peter Panegyres AM (appointed for three years from 9 October 2007).

Face-to-face meetings of the Governing Body usually occur every month. In addition, the Governing Body conducts meetings by telephone once a week. Extra-ordinary meetings may be organised on an as required basis. In 2008/09, the Governing Body met 45 times.

The Governing Body may also consider matters out-of-session as resolutions without meeting. Matters are raised out of session by email or hard copy circulation of documents. Resolutions without meeting have the same effect as those passed at a meeting. In 2008/09, the Governing Body considered 115 resolutions without meeting.



The Governing Body. From left to right: Mr Steve Edwell (Member), Mr Lyndon Rowe (Chairman) and Mr Peter Panegyres AM (Member).



Our operational structure

(continued)

Mr Lyndon Rowe, Chairman

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

In addition to his role at the Authority, Lyndon is also a member of the University of Western Australia Senate, a Director of Perth Airport and Non-Executive Chairman of InterStaff Recruitment Limited.

Immediately prior to his appointment as Chairman of the Authority, Lyndon was Chief Executive of the Chamber of Commerce and Industry of Western Australia, a position he had held from 1990.

Mr Steve Edwell, Member

Steve has more than 20 years experience in the reform of utilities, in particular electricity and water, where he has driven a number of comprehensive reform projects and has worked in both the public and private sector.

In addition to his role at the Authority, Steve is the inaugural full time Chair of the Australian Energy Regulator, a position he has held since mid-2005. Immediately prior to his appointment as Chair of the Australian Energy Regulator, Steve worked for the Western Australian Government leading the implementation of comprehensive electricity reform, including the establishment of Western Australia's energy market.

Steve was also the Chief Executive Officer of the Queensland Electricity Reform Unit, which implemented a range of electricity reforms that culminated in Queensland joining the National Electricity Market.

Steve's other assignments have included being commissioned by the Queensland Government to implement the Council of Australian Governments' water reforms and as head of the Queensland Office of Energy.

Mr Peter Panegyres AM, Member

Peter was the Crown Solicitor for Western Australia from 1985 to 2003. He was appointed a Member of the Order of Australia in 2000 for his services to the law and to public administration as Crown Solicitor for Western Australia, and in 2003 was awarded the Centenary Medal for services to the law in Western Australia.



Our operational structure

(continued)

Our Chief Executive Officer and Corporate Executive

The Corporate Executive is headed by our Chief Executive Officer who is responsible for, and has the powers needed to administer, the day-to-day operations of the Authority.

The Corporate Executive usually meets once a month for strategic planning purposes. These meetings provide Directors with a good opportunity to exchange information about their respective divisions' workloads as well to discuss the various business processes adopted by the Authority.

Corporate Executive

Membership of the Corporate Executive is made up of divisional heads from each of the six divisions of the Secretariat:

- the Executive Director Competition, Markets and Electricity;
- the Executive Director Licensing, Monitoring and Customer Protection;
- the Director Gas and Rail;
- the Director References and Research;
- the Manager Finance and Administration; and
- the Manager Planning and Executive Support.

Mr K Peter Kolf, Chief Executive Officer

Peter was appointed General Manager in July 2004, having acted in the position since 1 January 2004. On 1 January 2009, he was appointed Chief Executive Officer following reclassification of the General Manager position.



Mr Peter Kolf

Previous positions include Executive Director of the Office of Gas Access Regulation, Senior Manager with the Western Australian Office of Energy, Director of the Independent Air Fares Committee (responsible for regulating air fares under the two airlines policy) and Manager, Pricing Policy, Telecom Australia.



Our operational structure (continued)

Mr Robert Pullella, Executive Director Competition, Markets and Electricity



Mr Robert Pullella

Robert 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 Authority in 2004 and subsequently became head of the Competition, Markets and Electricity division in February 2006.

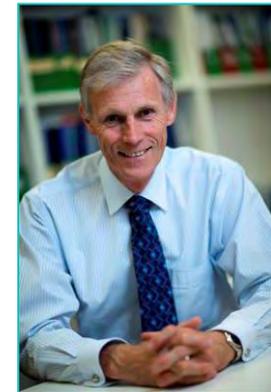
Robert was part of the executive management team that contributed to the strategic direction, planning and development of the Authority.

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

Paul has 27 years experience at Senior and Senior Executive levels in the Public Sector. His previous employment includes an appointment 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, a statutory position under the *Electricity Industry Act 2004*.

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



Mr Paul Kelly



Our operational structure (continued)

Mr Russell Dumas, Director Gas and Rail



Mr Russell Dumas

Russell has over 20 years experience in the public sector within Western Australia. Prior to his current role with the Authority, he was employed in various management and policy roles within the sector, in particular in transport, industrial infrastructure and resource development.

Russell has also worked in the private sector in the planning and development of major infrastructure projects in Australia and overseas. Russell has a Bachelor of Engineering degree.

Mr Greg Watkinson, Director References and Research

Greg has worked as an economist in the public sector since completing a Masters degree in economics in 1991. Greg heads the Reference and Research division, which is responsible for undertaking independent inquiries for the Western Australian Government.

His prior employment was with the Western Australian Department of Treasury and Finance, where he provided advice on microeconomic policy. Greg has also worked as an economist in the areas of macroeconomics, education and social policy.



Mr Greg Watkinson



Our operational structure (continued)

Ms Pam Herbener, Manager Finance and Administration



Ms Pam Herbener

Pam has ten years experience in access regulation since joining the Western Australian Office of Gas Access Regulation.

Pam has 20 years previous management experience working in the not for profit sector in Western Australia and in Commonwealth and local government.

Manager Planning and Executive Support

Mr Chris Brown held this position until October 2008. The position is currently vacant.



Mr Chris Brown



Our operational structure (continued)

Our divisions

The Secretariat comprises four operational and two business support divisions whose responsibilities are set out below.

Competition, Markets and Electricity

- co-ordinates and sets strategic directions across the agency;
- administers the third party access regime for regulated electricity networks in Western Australia under the *Electricity Networks Access Code 2004*;

monitors the Western Australian Wholesale Electricity Market (**WEM**) and administers the technical rules approval process;

- assesses the state of competition in electricity and gas retail markets; and
- administers the disputes mechanism under the *Electricity Industry Metering Code 2005* and the *Electricity Industry Customer Transfer Code 2004*.

Gas and Rail

- administers the third party access regime and associated arrangements such as 'ring fencing' and associated contracts for regulated gas pipelines under the

National Third Party Access Regime for Natural Gas Pipeline Systems; and

- administers the third party access regime including segregation arrangements, Part 5 instruments, floor and ceiling costs and weighted average cost of capital determinations for regulated rail networks under the *Rail (Access) Code 2000*.

Licensing, Monitoring and Customer Protection

- administers licensing schemes, which includes granting, renewing, transferring and amending licences for the provision of water, gas and electricity services;

monitors and enforces licence obligations and prepares reports to the minister on the operation of the licensing scheme and on compliance by licensees with their licence conditions; and

- undertakes customer protection activities including development and review of guidelines and codes and the approval of standard form contracts and customer service charters.



Our operational structure

(continued)

References and Research

- manages the Authority's inquiries and related functions; and
- undertakes research across the Authority on economic, financial, technical and legal issues.

Finance and Administration

- manages human resource services for recruitment, staff management and retention, payroll and performance management;
- administers services that support the Secretariat in delivering high quality outputs;
- provides financial management services comprising the Authority's budget, accounts payable, accounts receivable and procurement processes; and
- provides information management and information technology services.

Planning and Executive Support.

- provides executive support to the Governing Body;
- provides strategic, business planning and corporate communications services to the Governing Body and Secretariat; and
- prepares corporate and strategic reports, plans and programs.



Our operational structure

(continued)

Our culture

Values and ethical standards

The Authority places considerable importance on a number of key values including integrity, transparency and impartiality as set out in our Strategic Plan 2008—2010. These values are supported by our commitment to the ethical standards required of public sector agencies.

Charity work

During the year, we supported a number of charities and participated in several fundraising events. Through our weekly free-dress day, we raised money for the Cerebral Palsy Association of Western Australia and 990am Information Radio. We also took part in the Salvation Army's 2008 Christmas Appeal, the Starlight Foundation Christmas Morning Tea, the Victoria Bush Fire Appeal and the Cancer Council's 'Australia's Biggest Morning Tea'.

Wellness program and social club

We continue to recognise the importance of work-life balance and operate an extensive wellness program to provide staff with the opportunity to maintain a healthy lifestyle. Initiatives include monthly back and neck massages, access to physical exercise programs and the gym at Beatty Park Leisure Centre, and the opportunity to practice Tai Chi.

To promote a healthy workplace, staff were invited to take part in a bi-annual health assessment and were offered a free flu injection.

Workplace ergonomic assessments are undertaken for all staff on commencement and regular re-assessments are completed when required. In the past year, we have conducted 27 ergonomic assessments for new employees and 7 re-assessments on existing employees to ensure our staff are given every opportunity to have their work place assessed to ensure it is a safe place to be. On each occasion where a recommendation was made in a staff member's ergonomic assessment report, the action recommended in the report was taken.

We recognise the importance of developing good working relationships; and staff are encouraged to participate in team building exercises, held on an annual basis. On 1 May 2009, we held an Authority Corporate Day at Rottnest Island. 27 staff took part in the team development program, which was facilitated by Adventure Out Australia. The day involved a wide range of outdoor activities which focused on developing high performance teams and how to deal with the issues that confront them. The feedback from staff was positive.



Our operational structure

(continued)

An active social club continues to provide opportunities for staff to meet and bond through a variety of activities during the year.

Professional development

We recognise the importance of the professional development of our staff and they are encouraged to participate in training to further develop, and acquire new, skills. In 2008/09, staff attended training courses that varied in subject matter, from administrative and computer skills to training in project management, strategic planning and leadership. A total of \$124,759 was spent on professional development this financial year, with staff also encouraged to attend and present at relevant conferences.

Several workshops were held during the year to maintain the high performance of our staff. These included:

- Accountable and Ethical Decision Making in the Western Australian Public Sector;
- Total Records and Information Management (**TRIM**) training; and
- Train your Mind to be Focused, Calm and Clear.

Awards

One of the Authority's critical success factors, highlighted in our Strategic Plan 2008-2010, is that the Authority must *ensure [its] work is communicated to stakeholders in a way that is easily understood*. Our commitment to effective communication was again recognised with a Bronze at the annual W.S. Lonnie Awards in the General Government Sector category 1 (under 100 full-time equivalent employees) for our 2008 annual report.

Staffing policies

Further staffing information is discussed in the [Disclosures and Legal Compliance](#) section of this annual report. We implemented numerous policies to cover a range of human resource management practices. In order to continue the ongoing process of improving and addressing the needs of our staff and clients, several human resource initiatives were implemented or formalised during 2008/09.



Our operational structure

(continued)

Our committees

From time to time, the Authority appoints committees to assist in the performance of its functions. During 2008/09, we were responsible for a number of committees. Details of those, and the independently constituted committees with which the Authority was involved, are listed below.

Economic Regulation Authority Consumer Consultative Committee

The [Economic Regulation Authority Consumer Consultative Committee](#) (ERACCC) was established in March 2005 to:

- provide comment to the Authority on issues affecting consumers that fall within the scope of its administration of the *Economic Regulation Authority Act 2003*; and
- provide tangible outcomes for consumers through work that members do in partnership with other members and the Authority.

We want to make sure that our communication and compliance strategies meet consumer needs. Participation in the ERACCC allows members to inform us about issues that affect the groups they represent and consumers more generally. We are also able to use the ERACCC to inform customers about the work of the Authority. The ERACCC is chaired by the Authority's Chairman

Lyndon Rowe and provided with executive support by our Secretariat. Members of the ERACCC were appointed initially in March 2005 for a period of two years, re-appointed for a further two years in March 2007 and again in March 2009. Current membership terms expire in March 2011.

Members of the ERACCC in 2008/09 were:

- Ms Sue Ash—WA Council of Social Service;
- Mr Peter Bligh—WA Farmers Federation;
- Mr Sheldon Mumby—Pastoralists & Graziers Association of WA (Inc);
- Ms Irina Cattalini—WA Council of Social Service – Consumer Utilities Projects;
- Mr Andrew Canion—Chamber of Commerce and Industry of WA;
- Mr Paul Hynch—Chamber of Minerals and Energy of WA (Inc);
- Mrs Genette Keating—Consumers Association of Western Australia;



Our operational structure

(continued)

- Mr Ian Duncan—WA Local Government Association;
- Ms Alison Pidgeon—Consumer Credit Legal Service (WA) Inc; and
- Mr Damian Stone—Property Council of Australia (WA).

Current observers that participated in the ERACCC in 2008/09 included:

- Mr Chris Field—The State Ombudsman
- Mr Gary Newcombe—Department of Commerce

Gas Marketing Code Consultative Committee

The Gas Marketing Code Consultative Committee (**GMCCC**) was established to advise the Authority on matters relating to the *Gas Marketing Code of Conduct 2004*, including its review. The membership of the GMCCC includes representatives from:

- Economic Regulation Authority (two representatives);
- Alinta Sales Pty Ltd;
- Chamber of Commerce and Industry of Western Australia;
- Department of Commerce;
- WA Council of Social Services;

- Wesfarmers Kleenheat Gas Pty Limited; and
- Worley Parsons Asset Management Pty Limited.

The GMCCC was involved in the process of reviewing and updating the Gas Marketing Code of Conduct 2008, which was gazetted on 23 January 2009.

Electricity Code Consultative Committee

The Authority established the Electricity Code Consultative Committee (**ECCC**), as required under section 81 of the *Electricity Industry Act 2004*, to review the *Code of Conduct (For the Supply of Electricity to Small Use Customers)* (**Small Use Code of Conduct**) and to provide advice to the Authority.

Existing members were re-appointed in September 2008 and current terms expire in December 2009.

Members of the ECCC in 2008/09 were:

- Mr Paul Kelly, Executive Director Licensing, Monitoring and Customer Protection, Economic Regulation Authority—the Chairman;
- Mr Simon Thackray, Synergy—Industry Representative;
- Mr David Tovey, Horizon Power—Industry Representative;



Our operational structure

(continued)

- Mr Andrew Canon, Chamber of Commerce and Industry—Industry Representative;
- Mr France Redford, Geraldton Resource Centre—Consumer Representative;
- Ms Irina Cattalini, WA Council of Social Service Consumer Utilities Project—Consumer Representative;
- Ms Alison Pidgeon (Proxy for Mr Gerald Cleveland), Consumer Credit Legal Service—Consumer Representative;
- Mr Ron Gerritsen (Proxy for Ms Chloe Upton), Office of Energy—Government Representative; and
- Mr Gerald Milford, Department of Commerce—Government Representative

The ECCC met five times in 2008/09. It began its second legislative review of the Small Use Code of Conduct in late 2008. Following a six-week public consultation period, which closed on 20 March 2009, the committee considered the submissions and presented its final review report to the Authority on 7 August 2009.

Also, as part of the legislative requirements, the Authority referred to the ECCC a series of proposed amendments relating to the operation of electricity pre-payment meters.

The ECCC began public consultation on these amendments in early June 2009 with submissions to close at the end of July 2009.

Technical Rules Committee

The Authority re-established the Technical Rules Committee (**TRC**) in 2008/09 to review Western Power's Technical Rules. The TRC met six times during 2008/09 beginning in September 2008 and provided its report to the Authority in early April 2009. The members of the TRC were:

- Mr Peter Hawken, Office of Energy—the Chairman;
- Mr Matt Veryard, Office of Energy—the Executive Officer;
- Mr Peter Mattner, Branch Manager Regulation, Pricing & Access Development, Western Power;
- Mr Andrew Sutherland, Commercial Manager, Griffin Energy;
- Dr Matt Checksfield, Powerplan Engineers (representing Griffin Energy);
- Mr James Lee, Western Australia Asset Manager, Kwinana Cogeneration Plant, International Power Mitsui (**IPM**) Consortium (has since left IPM);



Our operational structure

(continued)

- Mr John Sutherland, New Gen Power Kwinana Pty Limited, New Gen Neerabup Partnership;
- Mr Bill Head, BHP Billiton Nickel West;
- Ms Margaret Watroba (alternate), BHP Billiton Nickel West;
- Mr Harry Fernandez, Principal Engineer, Southern Cross Energy;
- Mr Andy Wearmouth, Manager Engineering Services, Verve Energy;
- Mr Karthi Mahalingham, Networks Manager, Synergy;
- Dr Steve Gould, Retail, Landfill Gas & Power Pty Limited;
- Mr Paul Hynch, Executive Officer Industry Policy, Chamber of Minerals and Energy Western Australia Inc; and
- Mr Neil Liddelow, Projects & Supply Chain, Tiwest Pty Ltd.

Two staff members of the Authority attend as observers on the Committee, along with:

- Mr Kevan McGill, McGill Engineering Services;
- Dr Zoran Bozic, Access Development Engineer, Western Power; and
- Mr Rob Thornton, Principal Engineer Electricity Supply, Energy Safety Division, Department of Commerce.



Performance management framework— contribution to government goals

For the majority of 2008/09, the Authority worked within the State Government’s publication ‘Better Planning: Better Futures—A Strategic Management Framework for the Western Australian Public Sector’ (**Better Planning: Better Futures**).

The high-level government goals outlined in Better Planning: Better Futures were supported at agency level by specific outcomes. Agencies delivered services to achieve these outcomes. The following table shows the relationship between our service and desired outcome, and the main government goal we contributed to:

| Government goal No.2 – jobs and economic development | Desired outcome | Service |
|---|--|---|
| Creating conditions that foster a strong economy delivering more jobs, opportunities and greater wealth for all Western Australians | The efficient, safe and equitable provision of utility services in Western Australia | Submissions to the Authority’s Governing Body |

It is worth noting that in carrying out our functions we also contributed to the fifth government goal outlined in Better Planning: Better Futures: *Developing and maintaining a skilled,*

diverse and ethical public sector serving the Government with consideration of the public interest.

We contributed to these goals by pursuing high standards of governance and public sector improvement by developing codes, guidelines and procedures to help our Governing Body perform its functions. The material is communicated within the agency and made available on the Authority’s intranet. Extensive staff training is provided to maintain a skilled workforce.

It is also worth noting that on 29 July 2009, the Public Sector Commission released a circular, advising agencies of newly developed government goals. The new goal to which the Authority will align its desired outcomes and services is:

Outcomes based Service Delivery—greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.

Our [Work Program 2009/2010](#) reflects this newly developed goal.



Performance

Key performance indicators

For the reasons set out in the [Disclosures and Legal Compliance](#) section of this annual report, the Authority is only required to report on the administrative performance of its Secretariat regarding the quantity, quality, timeliness and cost of submissions prepared for the Governing Body. These submissions help the Governing Body carry out its functions, including reaching decisions on regulatory matters.

Key effectiveness indicators

Our key effectiveness indicators are:

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

- Quality: the rating given by the Governing Body as to the content, accuracy and presentation of these submissions.
- Timeliness:
 - the number (percentage) of submissions provided by the required deadline; and
 - the rating by the Governing Body as to its perception of the timeliness of the submissions.

The ratings are collected from the Governing Body on a monthly basis. This enhances the accuracy and therefore the value of the indicators, and provides important feedback of the quality and timeliness of submissions received each month.

Table 1 - Comparison between key effectiveness indicators actual results and budget targets

| Key Effectiveness Indicator | 2008/09 Target | 2008/09 Actual | 2007/08 Actual | 2006/07 Actual | 2005/06 Actual |
|--|----------------|----------------|----------------|----------------|----------------|
| Number of submissions made to the Authority's Governing Body | 240 | 291 | 248 | 198 | 227 |
| Rating given by the Governing Body as to the content, accuracy and presentation of these submissions (maximum 5.0) | 4.0 | 4.0 | 4.2 | 4.2 | 4.0 |
| Number (percentage) of submissions provided by the required deadline | 85% | 81% | 92.0% | 76.5% | 57.1% |
| Rating by the Governing Body as to its perception of the timeliness of the submissions (maximum 5.0) | 4.2 | 4.1 | 4.2 | 3.9 | 3.9 |



Key performance indicators (continued)

Key efficiency indicators

Our key efficiency indicator is:

- Cost: the average cost per submission.

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

Table 2 - Comparison between key efficiency indicators actual results and budget targets

| Key Efficiency Indicator | 2008/09 Target | 2008/09 Actual | 2007/08 Actual | 2006/07 Actual | 2005/06 Actual |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Average cost per submission | \$38,754 | \$32,304 | \$30,782 | \$38,200 | \$33,200 |

Comparing our actual results against our budget targets

The total cost of the Authority's operations for the 12 months under review was \$9.401 million compared to an expenditure limit of \$9.301 million. There were 291 submissions compared to the target of 240. The average cost per submission was \$32,304 against the target \$38,754.

Compared to the previous financial year's average cost per submission of \$30,782, the average cost per submission has increased by \$1,522 due to the increase in costs (23%) exceeding the increase in the number of submissions (17%).



Explanation of our performance

The following information outlines the key outputs of each of our divisions for 2008/09.

A more detailed report against our 2008/09 Work Program can be located on our [web site](#).



Explanation of our performance

(continued)

Competition, Markets and Electricity

Revisions to Western Power's access arrangement

Following a period of pre-consultation, the review of Western Power's access arrangement began on 1 October 2008. On 8 October 2008, the Authority invited submissions on Western Power's proposed revisions to its access arrangement. To assist interested parties in making submissions an issues paper was published on 5 November 2008 and a public forum was held on 10 November 2008. In order to receive further information from Western Power the deadline for the issue of the draft decision was suspended on 6 February 2009. The suspension remained in place until the Authority issued the [draft decision](#) on 16 July 2009.

Annual report to the Minister for Energy on the effectiveness of the WEM

The Wholesale Electricity Market Rules (**Market Rules**) require the Authority to annually provide the Minister for Energy with a report on the effectiveness of the market. The Authority is also required to report on the effectiveness of the Independent Market Operator (**IMO**), Western Power's System Management and the Market Rules and procedure change processes.

During the current reporting period, we issued the second annual WEM report addressing the effectiveness issues required by the Market Rules.

The second report concluded that the market appeared to be performing well. The Authority made 17 recommendations on issues ranging from those that could be addressed under the current market design, to long-term market design issues to be addressed through the development of a 'road map' laying out a strategy for the WEM's future development. The [public version](#) of the report was published on our web site on 18 December 2008.



Explanation of our performance (continued)

Revisions to Western Power's Technical Rules

Western Power submitted proposed revisions to its Technical Rules on 1 October 2008 and the Authority began its approval process as prescribed in the *Electricity Networks Access Code 2004*. We referred the proposed revised Technical Rules to the TRC that was established to assist the Authority.

The TRC provided its report in early April 2009. The proposed revisions were being assessed at the end of the reporting period for the Authority's decision by October 2009.



Competition, Markets and Electricity Division
Front row left to right: Karen Tilsed; Wayne Blakiston; Holly Cheung; Chin Koay
Back row left to right: Chris Brown; Nick Parkhurst; Robert Pullella; Sarah Walsh



Explanation of our performance

(continued)

Gas and Rail

Pre-lodgement consultation for revisions to access arrangements

We conducted pre-lodgement consultation for revisions to the access arrangements for the Goldfields Gas Pipeline (**GGP**), the Mid-West and South-West Gas Distribution Systems (**GDS**) and the Dampier to Bunbury Natural Gas Pipeline (**DBNGP**). The pre-lodgement consultation process was completed for the GGP with proposed revisions to the access arrangement lodged on 23 March 2009. Pre-lodgement consultation is continuing for the GDS, for which proposed revisions are expected to be lodged by 30 September 2009 and the DBNGP for which proposed revisions are expected to be lodged by 1 April 2010.

Revisions to the access arrangement for the GGP

On 2 April 2009, we invited submissions on the proposed revisions to the access arrangement for the GGP. To assist interested parties in making submissions an [issues paper](#) was published on 22 April 2009. The Authority continued its assessment of the proposed revisions with a view to issuing a draft decision by September 2009.

Annual compliance reports for ring fencing obligations

The National Third Party Access Code for Natural Gas Pipelines Systems requires pipeline service providers to comply with ring fencing obligations. The Authority considered Dampier Bunbury Pipeline's (**DBP**) 2008 ring fencing audit report and the assessment process was being finalised at the end of the reporting period.



Gas staff left to right: Peter Rixson; Jennifer Hughes; Russell Dumas; Natalie Mogridge; Rasmus Moerch



Explanation of our performance (continued)

Access to The Pilbara Infrastructure's railway

Following proclamation of Part 3 of The Pilbara Infrastructure's (TPI) State Agreement Act in July 2008, the TPI railway became subject to the provisions of the Rail Code.

We were therefore required to assess the company's Weighted Average Cost of Capital (**WACC**) and issue a determination by 20 June 2009. The [final determination](#) for TPI's WACC was issued for 2009/10 on 22 June 2009. As this is a new railway, a full public consultation process needed to be undertaken for this determination.

We are required under the Rail Code to assess the four Part 5 Instruments (train path policy, train management guidelines, costing principles and overpayment rules) and the segregation arrangements submitted by TPI. This assessment, which leads to the issuing of determinations for the approved instruments following public consultation, was progressed during the reporting year.

The Authority issued the draft determinations for TPI's proposed [segregation arrangements](#), [train path policy](#) and [train management guidelines](#) on 3 December 2008, 27 March and 30 April 2009 respectively.

Floor and ceiling costs for WestNet Rail

The Authority published the [final determination](#) approving WestNet Rail's revised floor and ceiling costs for 2009/2010 on 7 July 2009.

The assessment of the revised floor and ceiling costs included a two stage public consultation process, as required under the Rail Code.



Rail staff left to right: Russell Dumas; Audrey Hia; Jeremy Threlfall



Explanation of our performance

(continued)

Licensing, Monitoring and Customer Protection



Licensing, Monitoring and Customer Protection Division
Front row left to right: Sarah Lyons; Lanie Chopping; Shirin Renaud; Tamasyn Leach
Back row left to right: Paul Reid; Paul Kelly; Harry Hilton
Not present: Mick Geaney

Unlike the Authority's other operational divisions, the work of the Licensing, Monitoring and Customer Protection division is process driven as distinct from project based. The following describes the key process orientated outputs achieved in the reporting year.

Licensing

We received and approved three electricity generation licence applications and one electricity retail licence application during the year. We also received a gas trading licence application on 3 June 2009 and were assessing this application at the end of the year. The Authority approved 107 licence amendments and had 39 licence amendments under consideration at 30 June 2009.

A new licensing database was created which went live on 16 June 2009. The new system will meet the division's entire data recording and maintenance needs.

Monitoring

We completed a total of 42 licence audits and 32 asset management effectiveness reviews (**reviews**) across the electricity and water sectors, comprising 33 audits and 23 reviews of electricity licences and nine audits and reviews of water licences. The Authority reviewed its audit guidelines, which inform licensees, auditors and other stakeholders of its requirements for the conduct and reporting of audits and reviews. The original guidelines were published in September 2006. Draft revised guidelines were released for public comment in May 2009 with the final approved guidelines published on 29 July 2009 to come into effect on 1 January 2010.



Explanation of our performance

(continued)

We published annual reports on the performance of electricity, gas and water service providers. The reports inform customers and other stakeholders about the service delivery and customer service performance of service providers.

In the electricity and gas sectors we report separately on the performance of retailers and distributors, who operate the infrastructure used to deliver electricity or gas to the customer. The retailer and distributor reports are based on the performance reporting framework developed by the Utility Regulators Forum, enabling comparisons to be made with the performance of retailers and distributors in other jurisdictions.

We also published a report on the performance of urban (water and sewerage) water utilities and irrigators. The water and sewerage report covered all town supply schemes with more than 1,000 connected properties, which supply more than 96% of the State's population.

Customer Protection

We finalised a significant amount of work on gas customer protection during 2008/09. In January 2009, the Authority approved the new *Gas Marketing Code of Conduct 2008* and also approved a Compendium of Gas Customer Licence Obligations (also known as the *Gas Customer Code*). The new licence obligations were introduced into gas trading and distribution licences in June 2009 to be operational from 1 July 2009. Gas customers in Western Australia now enjoy similar

protections to those afforded to electricity customers.

Under the *Electricity Industry Act 2004*, the Authority is responsible for the *Code of Conduct for the Supply of Electricity to Small Use Customers (Small Use Code of Conduct)* which we are required to review and amend as necessary. The Electricity Code Consultative Committee (**ECCC**) was reconvened in December 2009 to commence its second review of the Small Use Code of Conduct. The ECCC developed its draft review report for public consultation in February 2009, the consultation on which closed in late March. The ECCC has considered the submissions received with a view to issuing its final review report early in the new financial year.

In March 2009, we received the Allens Consulting Group final report on electricity pre-payment meters. We considered the research findings and submitted proposed amendments to the Small Use Code of Conduct to the ECCC for advice. On 12 June 2009, the ECCC began six weeks of public consultation on the proposed amendments concerning pre-payment meters to the Small Use Customer Code of Conduct.

In 2008/09, the Authority approved 19 customer service charters for the supply of water, drainage, sewerage and/or irrigation services and reviewed two electricity and two gas customer service charters. We also approved one amended gas Standard Form Contract and two gas customer safety awareness programs and one gas complaints handling process.



Explanation of our performance (continued)

References and Research



References and Research Division
Front row left to right: Ursula Kretzer; Tian An
Back row left to right: Michael Soltyk; Greg Watkinson; Duc Vo

The References and Research division has two main roles; the provision of research assistance to other divisions and undertaking inquiries referred by Government.

Inquiry into the Pricing of Recycled Water in Western Australia

The Authority completed the Inquiry into the Pricing of Recycled Water in Western Australia, the [final report](#) of which was delivered to the Treasurer on 6 February 2009. The report provided advice to the Treasurer on pricing principles and regulatory models relevant to the pricing of recycled water and alternative water supplies.

Inquiry into Water Resource Management and Planning Charges

On 2 April 2009, the Authority received the Terms of Reference for the Inquiry into Water Resource Management and Planning Charges. The purpose of this inquiry is to provide advice to the Treasurer on the options for the recovery of water resource management and planning costs incurred by the Department of Water. The Authority published an [issues paper](#) on 30 April 2009 and a [discussion paper](#) on 6 August 2009. While 32 public submissions have been received on the issues paper further submissions have been invited on the discussion paper. The draft report for this inquiry is anticipated to be published by 31 October 2009.



Explanation of our performance

(continued)

Inquiry into Tariffs of the Water Corporation, AQWEST and the Busselton Water Board

We have conducted an Inquiry into Tariffs of the Water Corporation, AQWEST and the Busselton Water Board. The inquiry provided advice to the Treasurer on the most appropriate level and structure of tariffs for those organisations. The [final report](#) was delivered to the Treasurer on 14 August 2009 and is scheduled to be tabled in Parliament within 28 days of this date.

Weighted Average Cost of Capital (WACC)

We conducted research into the WACC to guide the Authority's decisions on rates of return for regulated industries. We also carried out research into the alternative regulatory accounting treatments of capital contributions.

Financial computer modelling

We provided financial computer modelling assistance to the other divisions. For the Gas and Rail division we created an access arrangement model for the Goldfields Gas Pipeline and produced an annual tariff variation model for the Western Australian gas distribution system. For the Competition, Markets and Electricity division we developed a tariff model for Western Power's access arrangement review. Other models were developed for specific applications arising from access arrangements and tariff reviews.



Supporting our performance

The two business support divisions of the Authority support the performance of the operational divisions and the Governing Body by maintaining good corporate governance practices, effective financial services, and a high standard of human and resource management.

The projects and initiatives discussed below were carried out in 2008/09 to ensure the Authority is a workplace whereby good communication is valued and business processes are designed to ensure the smooth running of day to day activities.

Planning and Executive Support

We provided extensive support to the Governing Body facilitating the smooth running of the administrative and governance processes involved.

We developed and published a Governing Body Induction Manual for Authority members to ensure the information needs of new members are met. This was approved by the Governing Body in February 2009.

The Authority's Reconciliation Action Plan was published in March 2009 on our intranet and the [Reconciliation Australia web site](#).

Our Communication and Media Policy was reviewed in December 2008 with the assistance of our media consultant.

We also reviewed the Corporate Governance Manual and published a revised version on our intranet in February 2009.

Finance and Administration

We provided extensive financial, administrative, human resource and record keeping support to all areas of the Authority. We aim at achieving the highest standards in the administration and reporting of agency compliance requirements.

A five-year work program was created, outlining many of the annual and cyclical projects for each of our divisions for the upcoming financial years. This forward work program is crucial to developing the annual work program and business plans.

Following the implementation of the electronic document management system, **TRIM**, in December 2007, we provided staff with in-house one-on-one training in the use of TRIM and engaged a dedicated application trainer to run several full-day workshops to enable small groups of staff to enhance their skills.

In March 2009, we issued our Conflicts of Interest Policy. Due to the nature of our work, the need to identify potential conflicts of interest is essential.



How our stakeholders view the Authority

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

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

Methodology for survey of stakeholders

In line with our commitment to good corporate governance, accountability and transparency, the Authority surveys stakeholders every three years. In 2009, we engaged an independent consultant to survey key stakeholders for the second time. The survey enabled us to assess stakeholders' satisfaction with our performance in relation to our strategic goals.

A contact list of 85 potential survey respondents was provided to the consultant, along with a short questionnaire. Attempts were made to contact all potential respondents by telephone. 70 stakeholders completed the questionnaire providing a response rate of 82%.

The outcomes of this survey will be used to streamline our processes, and improve our effectiveness and efficiency in performing our functions to ensure that the services we provide meet our stakeholder's needs and expectations.



How our stakeholders view the Authority (continued)

Overview of survey results

Overall satisfaction with the Authority

Stakeholders were asked to indicate how satisfied they were with our overall performance. The majority (90%) of respondents were satisfied or very satisfied with our overall performance. Seven of the 70 respondents (10%) indicated that they were 'dissatisfied', however, no one responded as being 'very dissatisfied'.



Chart 12 - Results of survey showing breakdown of levels of overall satisfaction with Authority's performance

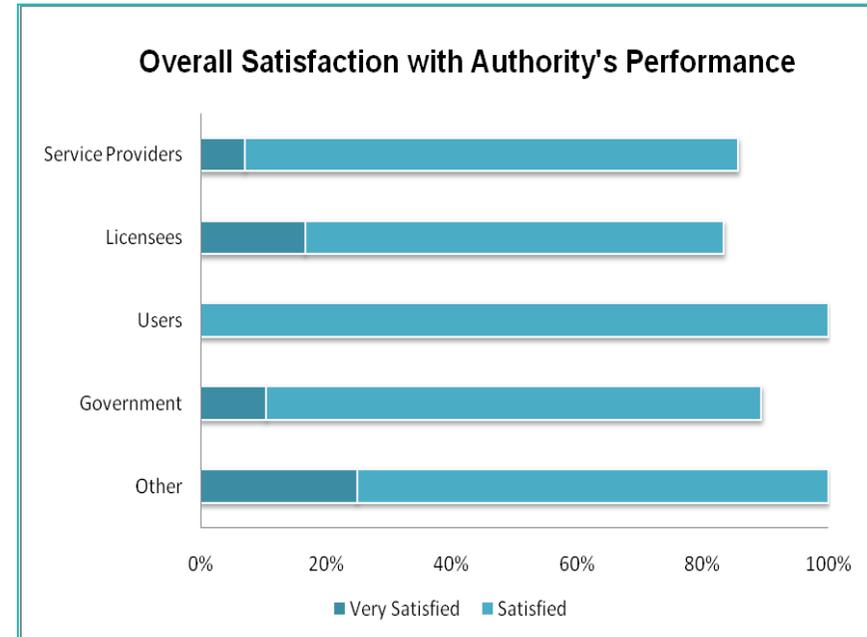


Chart 11 - Results of survey showing overall satisfaction levels by type of stakeholder

The survey was structured to allow responses to be categorised by the type of stakeholders; namely regulated service providers, licensees, users of regulated services, government departments/agencies and others. The results show that the majority of stakeholders in all categories are satisfied with our performance.

How our stakeholders view the Authority (continued)

Overall Satisfaction with the performance of the Authority in achieving its goals

Overall scores showed a high proportion of respondents perceive that we are performing well in meeting our various goals. The goals receiving the highest proportion of satisfied ratings (satisfied and very satisfied) were *promoting fair, economically efficient and competitive outcomes* (91%) and *providing quality information on relevant matters* (90%). The lowest satisfied rating was for our performance in *minimising regulatory compliance costs* (67%).

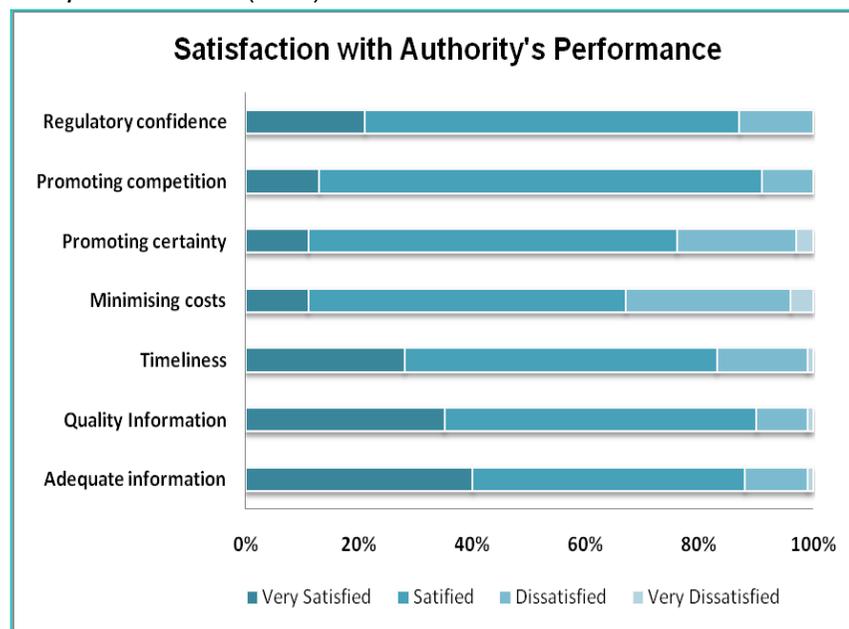


Chart 14 - Survey results showing overall satisfaction with the Authority's performance of its goals

The Authority views two of its goals as particularly important, namely the promotion of *fair, economically efficient and competitive outcomes* and the promotion of *certainty to minimise regulatory risk*. The survey results show that the majority of stakeholders in all categories were satisfied with our performance in promoting competition.

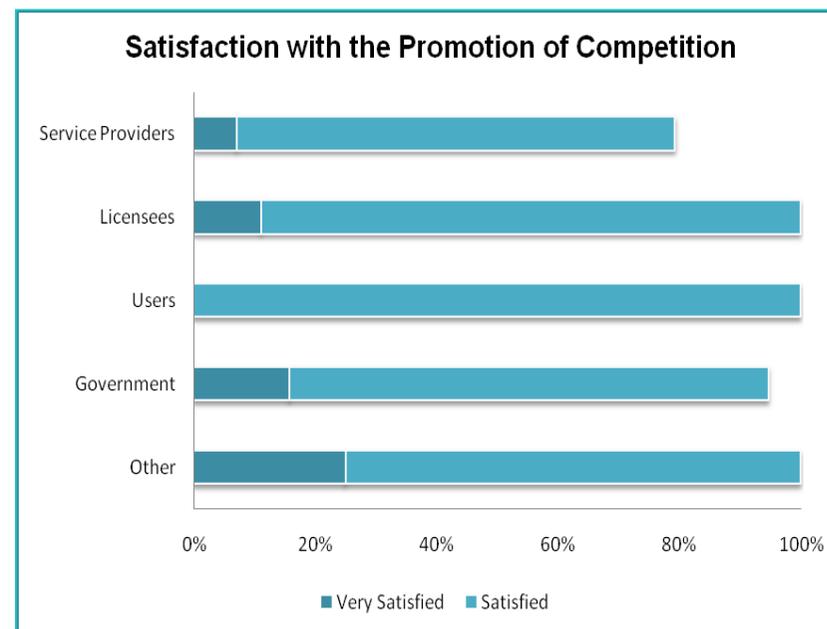


Chart 13 - Survey results showing satisfaction with the Authority's promotion of competition



How our stakeholders view the Authority (continued)

Stakeholders did not rate their satisfaction with our performance in *promoting certainty to minimise regulatory risk* as highly as the promotion of competitive outcomes. Around 70% of service providers, users and government, respectively, were satisfied with the Authority’s performance.

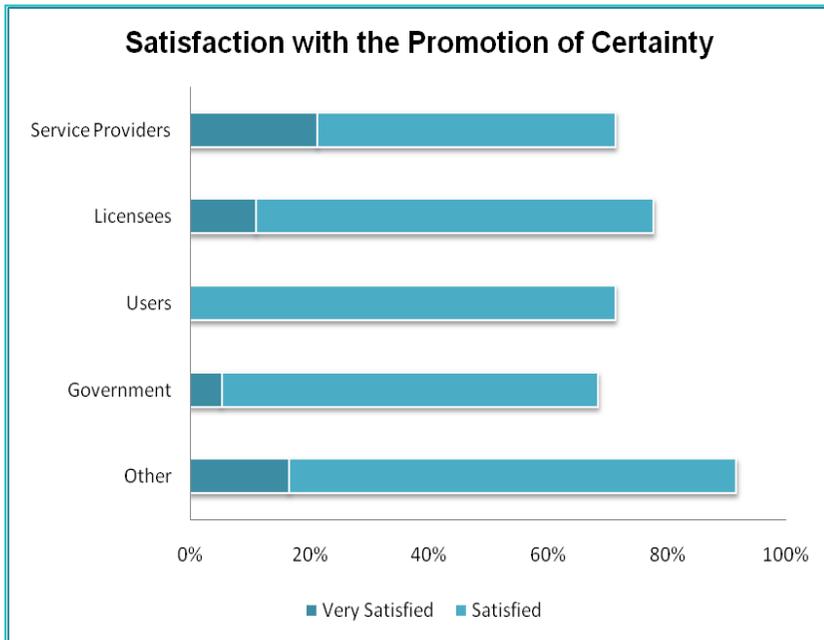


Chart 16 - Survey results showing satisfaction with the Authority's promotion of certainty

Stakeholders gave their lowest satisfaction rating to our performance in *minimising regulatory compliance costs*. Regulatory costs are particularly relevant to service providers, licensees and users. Satisfaction levels for these stakeholders were in the range of 36 – 57%.

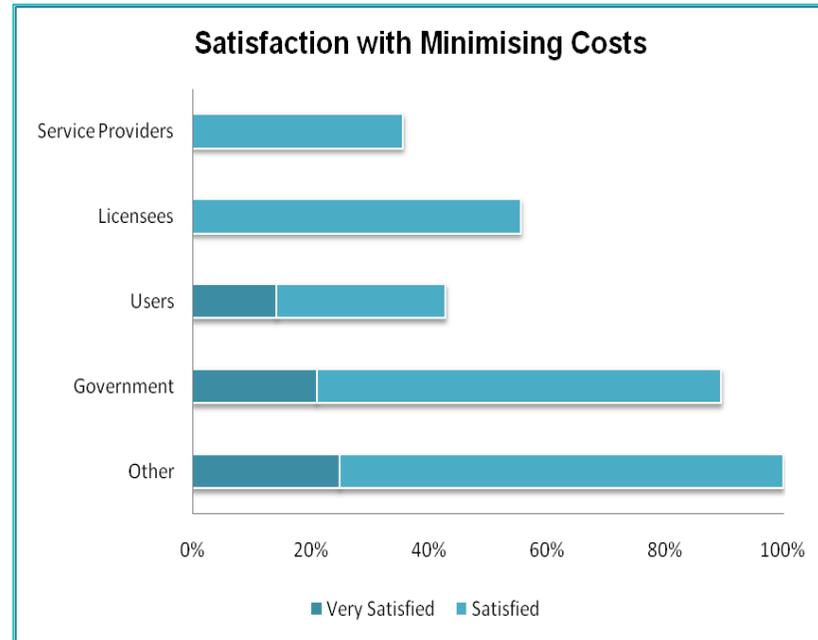


Chart 15 - Survey results showing satisfaction with the Authority's minimisation of costs



How our stakeholders view the Authority (continued)

The charts for the stakeholder satisfaction rating for all the Authority's individuals goals are available on our [web site](#).

Importance of the Authority's Goals

Stakeholders place a high degree of importance on the Authority's goals, with all our goals achieving a score (either 'important' or 'very important') of 97% or greater.

The highest importance was placed on *promoting fair, economically efficient and competitive outcomes*, with 76% of respondents judging this goal to be 'very important'. In contrast, only 44% of respondents judged *timeliness* to be 'very important'.

Comparison with the 2006 survey

A previous survey of stakeholders was carried out in 2006 and reported on in our [annual report](#) for 2005/06.

While the response rate for the two surveys was approximately the same (82% in 2009 and 84% in 2006), the two surveys are not directly comparable owing to differences in the design of the surveys. As a result, comparisons can only be made at the 'very satisfied' level.

A comparison of responses between the two surveys for comparable questions at the 'very satisfied' level are shown in the chart (right).

Stakeholder satisfaction ('very satisfied') in 2009 was higher for each of the comparable goals of the Authority, with the exception of *promoting competitive outcomes*.

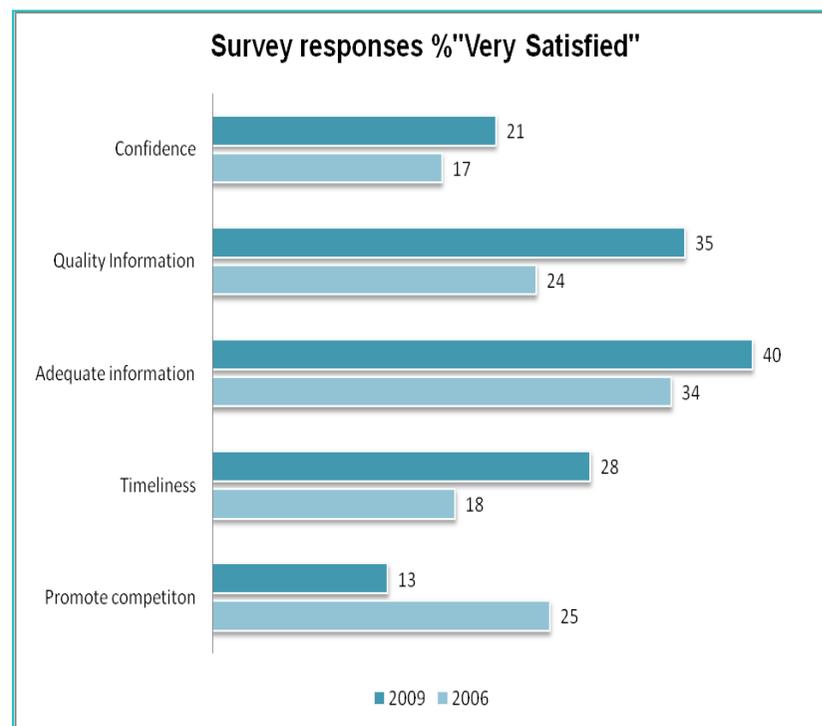


Chart 17 - Comparison of percentage of 'very satisfied' responses between the 2006 and 2009 survey



The Governing Body's performance self-appraisal

The [Corporate Governance Manual](#), which is available on our web site, makes provision for the Governing Body to review its performance on an annual basis. This review seeks to assess the Governing Body's effectiveness and success in achieving its objectives.

In March 2009, we engaged a consultant to assist with the annual performance self-appraisal. This was undertaken by way of a questionnaire, a personal interview with each member and through a group feedback session.

The self-appraisal indicated a high level of understanding and commitment by members to the objectives and strategic direction of the Authority. Members were also keen to promote a culture that encouraged quality debate together with open and transparent lines of communication.

As a way forward, the Governing Body is also considering further modes of assessment.



Significant issues impacting on the Authority

Overview

As the impacts of the global financial crisis became clearer towards the end of the year, so did its potential to affect demand for regulated utility services, costs, and future investment in this sector.

The high level of uncertainty affecting all aspects of financial markets has also been challenging for planning processes, both for regulated and non-regulated industries.

This uncertainty, allied with the government's desire for less regulation in the private sector, changing social trends and proposals for reducing carbon emissions, is likely to increase the government's need for advice.

Current issues

At the end of the reporting period, issues impacting the Authority included:

- the forthcoming implementation of new laws for access to gas pipelines in Western Australia;
- the addition of a new railway, owned by The Pilbara Infrastructure, to those regulated by the Authority under the rail access code;

- new funding regulations to increase the proportion of costs recovered from those serviced by the Authority;
- amendments to the *Economic Regulation Authority Act 2003*, to clarify inconsistencies in the legislation and to provide additional flexibility in the appointment of members;
- demands in the customer protection area for the review and monitoring of customer service codes and associated instruments; and
- growth in compliance monitoring flowing from notices issued on licensees by the Authority and post audit implementation plans.

Expected demands

The Authority anticipates continuing, but arms length, involvement in the government's implementation of recommendations from past inquiries including:

- the establishment of an Independent Procurement Entity for bulk water (from the inquiry into competition in the water industry);



- the development of guiding principles for the pricing of recycled water (inquiry into pricing of recycled water);
- the introduction of cost reflective developer contributions (inquiry into developers contributions to the Water Corporation); and
- a whole-of-government approach on safety expenditure (inquiry into Harvey bulk water pricing as it related to dam safety expenditure).

Impacts

Increases in workload have highlighted the need to build regulatory, inquiry and reporting capacity.

A major ongoing challenge will be to ensure the availability of capable staff to manage the increasing workload and complexity of the Authority's functions and responsibilities.



Our strategic direction

On 1 July 2008 we published the Authority's [Strategic Plan 2008-10](#). The development of this strategic plan followed a two-day strategic planning retreat involving all staff, held in February 2008.

The Strategic Plan provides an operational framework to guide our strategic direction for the three years from 2008 to 2010. It lays out the strategic goals and objectives that we hope to achieve, and details the specific initiatives that we will undertake to ensure our vision and mission are met.

To achieve our vision, we have six strategic goals:

- Facilitation of fair, economically efficient and contestable markets.
- Certain, transparent and timely regulatory assessment framework to minimise regulatory risk.
- Minimise regulatory compliance costs in the promotion of competitive outcomes.
- Establish a reputation as a provider of independent, clear, rigorous, well-informed and complete advice in undertaking inquiries referred to the Authority by Government.
- Attract and retain a well-qualified and committed workforce.

- Ensure stakeholders are well-informed and have a better understanding of regulatory outcomes.

In order to meet these goals our policies, programs and practices will be guided by the following strategic objectives:

- Ensure that the economic regulation processes followed reflect best practice.
- Ensure that all regulatory assessment processes and decisions are transparent and timely.
- Minimise the time and cost of regulatory decisions by encouraging regular, open and co-operative communication with stakeholders.
- Become a centre of excellence for economic analysis.
- Attract and retain the quality staff essential to the Authority's success by ensuring a productive, vibrant and professional workplace with a culture of continuous improvement and of recognising and rewarding talent.
- Raise the awareness of stakeholders about the importance and benefits to effective economic regulation.

The Strategic Plan is reviewed every three years to ensure it remains relevant.



Disclosures and legal compliance

Auditor General's independent audit opinion



INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

ECONOMIC REGULATION AUTHORITY FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2009

I have audited the accounts, financial statements, controls and key performance indicators of the Economic Regulation Authority.

The financial statements comprise the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

Authority's Responsibility for the Financial Statements and Key Performance Indicators
The Authority is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.pdf.

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

Economic Regulation Authority Financial Statements and Key Performance Indicators for the year ended 30 June 2009

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Economic Regulation Authority at 30 June 2009 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Authority 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; and
- (iii) the key performance indicators of the Authority are relevant and appropriate to help users assess the Authority's performance and fairly represent the indicated performance for the year ended 30 June 2009.

COLIN MURPHY
AUDITOR GENERAL
26 August 2009



Certification of financial statements

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 ending 30 June 2009.

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



Mr Lyndon Rowe
CHAIRMAN
21 September 2009



Mr Peter Panegyres – AM
MEMBER
21 September 2009



Mr Steve Edwell
MEMBER
21 September 2009



Ms Pam Herbener
CHIEF FINANCE OFFICER
21 September 2009



Financial statements

Economic Regulation Authority Income Statement For the year ended 30 June 2009

| | Note | 2009 \$'000 | 2008 \$'000 |
|---|------|----------------|----------------|
| COST OF SERVICES | | | |
| Expenses | | | |
| Employee benefits expense | 4 | 4,942 | 4,420 |
| Supplies and services ^(a) | 5 | 3,611 | 2,660 |
| Depreciation and amortisation expense | 6 | 92 | 94 |
| Accommodation expenses | 7 | 746 | 446 |
| Other expenses ^(b) | 8 | 9 | 14 |
| Total cost of services | | 9,400 | 7,634 |
| Income | | | |
| User charges and fees | 9 | 2,468 | 2,171 |
| Interest revenue | 10 | 123 | 120 |
| Other revenue | 11 | 23 | 15 |
| Total income other than income from State Government | | 2,614 | 2,306 |
| NET COST OF SERVICES | | 6,786 | 5,328 |
| INCOME FROM STATE GOVERNMENT | | | |
| Service appropriation | 12 | 6,529 | 6,977 |
| Resources received free of charge | | 30 | - |
| Liabilities assumed by the Treasurer ^(c) | | - | 1 |
| Total income from State Government | | 6,559 | 6,978 |
| SURPLUS/(DEFICIT) FOR THE PERIOD | | (227) | 1,650 |

(a) Includes administrative expenses.

(b) Subject to materiality, gains or losses maybe displayed separately. Groups of similar transactions would normally be reported on a net basis.

(c) Notional income equivalent to the notional superannuation expense included in employee benefits expense. Commencing in 2008-09 the reporting of notional superannuation expense and the notional income equivalent had been discontinued.

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



**Economic Regulation Authority
Balance Sheet
As at 30 June 2009**

| | Note | 2009 \$'000 | 2008 \$'000 |
|--------------------------------------|------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 13 | 3,748 | 2,960 |
| Receivables | 15 | 1,398 | 1,526 |
| Amounts receivable for services | 16 | - | 69 |
| Other assets | 17 | 42 | 33 |
| Total Current Assets | | 5,188 | 4,588 |
| Non-Current Assets | | | |
| Restricted cash and cash equivalents | 14 | 52 | 35 |
| Amounts receivable for services | 16 | 277 | 135 |
| Property, plant and equipment | 18 | 406 | 404 |
| Intangible assets | 19 | 1 | 5 |
| Total Non-Current Assets | | 736 | 579 |
| TOTAL ASSETS | | 5,924 | 5,167 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 21 | 1,192 | 391 |
| Provisions | 22 | 888 | 836 |
| Total Current Liabilities | | 2,080 | 1,227 |
| Non-Current Liabilities | | | |
| Provisions | 22 | 358 | 227 |
| Total Non-Current Liabilities | | 358 | 227 |
| TOTAL LIABILITIES | | 2,438 | 1,454 |
| NET ASSETS | | 3,486 | 3,713 |
| EQUITY | | | |
| Contributed equity | 23 | 773 | 773 |
| Accumulated surplus/(deficiency) | | 2,713 | 2,940 |
| TOTAL EQUITY | | 3,486 | 3,713 |

The Balance Sheet should be read in conjunction with the accompanying notes.



**Economic Regulation Authority
Statement of Changes in Equity
For the year ended 30 June 2009**

| | Note | 2009 \$'000 | 2008 \$'000 |
|--|------|----------------|----------------|
| Balance of equity at start of period | | 3,713 | 2,063 |
| CONTRIBUTED EQUITY | 23 | | |
| Balance at start of period | | 773 | 773 |
| Capital contribution | | - | - |
| Balance at end of period | | <u>773</u> | <u>773</u> |
| ACCUMULATED SURPLUS | 23 | | |
| Balance at start of period | | 2,940 | 1,290 |
| Surplus/(deficit) or profit/(loss) for the period | | (227) | 1,650 |
| Balance at end of period | | <u>2,713</u> | <u>2,940</u> |
| Balance of equity at end of period | | <u>3,486</u> | <u>3,713</u> |
| Total income and expense for the period ^(a) | | <u>(227)</u> | <u>1,650</u> |

(a) The aggregate net amount attributable to each category of equity is: Deficit \$227,614 (2008: Surplus \$1,650,000).

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



**Economic Regulation Authority
Cash Flow Statement
For the year ended 30 June 2009**

| | Note | 2009 \$'000 | 2008 \$'000 |
|---|------|----------------|----------------|
| CASH FLOWS FROM STATE GOVERNMENT | | | |
| Service appropriations | | 6,430 | 6,881 |
| Holding account drawdowns | | 26 | 59 |
| Net Cash provided by State Government | | 6,456 | 6,940 |
| Utilised as follows: | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments | | | |
| Employee benefits | | (4,526) | (4,204) |
| Supplies and services | | (2,805) | (2,826) |
| Accommodation | | (630) | (408) |
| GST payments on purchases | | (381) | (376) |
| GST payments to taxation authority | | (6) | (16) |
| Other payments | | (3) | - |
| Receipts | | | |
| User charges and fees | | 2,389 | 1,216 |
| GST receipts on sales | | 6 | 17 |
| GST receipts from taxation authority | | 282 | 397 |
| Other receipts | | 23 | 331 |
| Net cash used in operating activities | 24 | (5,651) | (5,869) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of non-current physical assets | | - | (5) |
| Net cash used in investing activities | | - | (5) |
| Net (decrease)/increase in cash and cash equivalents | | 805 | 1,066 |
| Cash and cash equivalents at the beginning of period | | 2,995 | 1,929 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | 24 | 3,800 | 2,995 |

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



1. Australian Equivalents to International Financial Reporting Standards

General

The Authority's financial statements for the year ended 30 June 2009 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Authority has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

Early adoption of standards

The Authority cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Authority for the annual reporting period ended 30 June 2009.

2. Summary of significant accounting policies

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board 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 and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has 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).



(c) Reporting Entity

The reporting entity comprises the Economic Regulation Authority.

(d) Contributed Equity

AASB Interpretations 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers, other than as a result of a restructure of administrative arrangements, in the nature of equity contributions 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 contributions (appropriations) have been designated as contributions by owners by Treasurer's Instruction (TI) 955 'Contributions by Owners made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

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. See note 24 'Equity'.

(e) Income

Revenue recognition

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

User Charges and Fees

Revenue for Standing Charges and Service Charges, raised in accordance with the *Economic Regulation Authority (Gas Pipelines Access Funding) Regulations 2003*, is recognised at the time the charge is raised on a client.

Revenue from licence fees are, where possible, recognised at the time the fee is levied on the licensee. In some instances however, the revenue is not measurable until the cash is received.

Licence fees are raised in accordance with:

- Electricity Industry (Licensing Fees) Regulations 2005
- Energy Coordination (Licensing Fees) Regulations 1999
- Water Services Coordination Regulations 1996

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

Sale of Goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser and can be measured reliably.



Rendering of Services

Revenue is recognised upon the delivery of the service to the client or 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 nominal 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 holding account held at Treasury. See note 12 'Income from State Government' for further detail.

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 which is 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.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

(f) Property, Plant and Equipment

Capitalisation/Expensing of assets

Items of property, 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 property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

Initial Recognition and Measurement

All items of property, plant and equipment are initially recognised at cost.

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



Subsequent Measurement

After recognition as an asset, the Authority uses the cost model for all property, plant and equipment. All items of property, plant and equipment are stated at historical costs less accumulated depreciation and accumulated impairment losses.

Derecognition

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

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in note 18 'Property, Plant and Equipment'.

Depreciation

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

Depreciation is calculated on 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
- Furniture and Fittings 10 years

(g) Intangible Assets

Capitalisation/Expensing of assets

Acquisitions of intangible assets costing \$5,000 and 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 life. Costs incurred below these thresholds are immediately expensed directly to the Income Statement.

All acquired and internally developed 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) on the straight line basis using rates which are reviewed annually. 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 3 to 5 years

Computer Software

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

(h) Impairment of Assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at each balance sheet date. 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. As the Authority is a not-for-profit entity, unless an 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 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 each balance sheet date 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 each balance sheet date.

(i) Leases

The Authority holds operating leases for accommodation and vehicle fleet. Lease payments 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.



These 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

- Payables
- Amounts due to the Treasurer

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 costs 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 Cash Flow Statement, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(l) Accrued Salaries

Accrued salaries (see note 21 'Payables') represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with 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 net fair value.

(m) Amounts Receivable for Services (Holding Account)

The Authority receives funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (Holding Account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as leave entitlements and asset replacement.

(n) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for 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 at the amounts payable 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 they are generally settled within 30 days.

(p) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable 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 each balance sheet date.

(i) Provisions – Employee Benefits

Annual Leave and Long Service Leave

The liability for annual and long service leave expected to be settled within 12 months after the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and 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 balance sheet date.

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members.

The Authority has no liabilities under the Pension or the GSS Schemes. The liabilities for the unfunded Pension Scheme and the unfunded GSS Scheme transfer benefits due to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS Scheme obligations are funded



by concurrent contributions made by the Authority to the GESB. The concurrently funded part of the GSS Scheme is a defined contribution scheme as these contributions extinguish all liabilities in respect of the concurrently funded GSS Scheme obligations.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension or the GSS Schemes 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). Both of these schemes are accumulation schemes. The Authority makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Schemes.

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

(ii) Provisions – Other

Employment On-Costs

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

(q) Superannuation Expense

The following elements are included in calculating the superannuation expense in the Income Statement:

- (a) Defined benefit plans – For 2007-08, the change in the unfunded employer's liability (i.e. current service cost and, actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme (GSS); and
- (b) Defined contribution plans – Employer contributions paid to the GSS (concurrent contributions), the West State Superannuation Scheme (WSS), GESB Super Scheme (GESBS).

Defined benefit plans – For 2007-08, the movements (i.e. current service cost and, actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS Scheme transfer benefits are recognised as expenses. As these liabilities are assumed by the Treasurer (*refer note 2(p)(i)*), a revenue titled 'Liabilities assumed by the Treasurer' equivalent to the expense is recognised under income from State Government in the Income Statement. See *note 12 'Income from State Government'*. Commencing in 2008-09, the reporting of annual movements in these notional liabilities has been discontinued and is no longer recognised in the Income Statement.

The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided in the current year.



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

(r) Resources Received Free of Charge or for Nominal Consideration

Resources received free of charge or for nominal cost that can be reliably measured are recognised as income and as assets or expenses as appropriate, at fair value.

(s) Comparative Figures

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

3. Disclosure of Changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Authority has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2008 that impacted on the Authority:

Review of AAS 27 'Financial Reporting by Local Governments', AAS 29 'Financial Reporting by Government Departments' and AAS 31 'Financial Reporting by Governments'. The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:

- AASB 1004 'Contributions';
- AASB 1050 'Administered Items';
- AASB 1051 'Land Under Roads';
- AASB 1052 'Disaggregated Disclosures';

AASB 2007-9 'Amendments to Australian Accounting Standards' arising from the review of AASs 27, 29 and 31 (AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137); and

Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

The existing requirements in AAS 27, AAS 29 and AAS 31 have been transferred to the above new and revised topic-based Standards and Interpretation. These requirements remain substantively unchanged. The new and revised Standards and Interpretation make some modifications to disclosures and provide additional guidance (for example, Australian Guidance to AASB 116 'Property, Plant and Equipment' in relation to heritage and cultural assets has been introduced), otherwise there is no financial impact.



Future impact of Australian Accounting Standards not yet operative

The Authority cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Authority has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued and which may impact the Office but are not yet effective. Where applicable, the Authority plans to apply these Standards and Interpretations from their application date:

| Title | Operative for reporting periods beginning on/after |
|--|--|
| AASB 101 'Presentation of Financial Statements' (September 2007). This Standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. The Authority does not expect any financial impact when the Standard is first applied. | 1 January 2009 |
| AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions on Non-Cash Assets to Owners (AASB 5 & AASB 110)'. This Standard amends AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' in respect of the classification, presentation and measurement on non-current assets held for distribution to owners in their capacity as owners. The Authority does not expect any financial impact when the Standard is first applied prospectively. | 1 July 2009 |



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

| Note | 2009 \$'000 | 2008 \$'000 |
|--|----------------|----------------|
| 4. Employee benefits expense | | |
| Wages and salaries ^(a) | 4,015 | 3,458 |
| Superannuation – defined contribution plans ^(b) | 391 | 308 |
| Superannuation – defined benefit plans ^{(c)(d)} | - | 1 |
| Long service leave ^(e) | 206 | 174 |
| Annual leave ^(e) | 163 | 314 |
| Other employee benefits expense | 167 | 165 |
| | <u>4,942</u> | <u>4,420</u> |

(a) Includes the value of the Fringe benefit to the employee plus the fringe benefits tax component.

(b) Defined contribution plans include West State, Gold State and GESB Super Scheme (contributions paid).

(c) Defined benefit plans include Pension Scheme and Gold State (pre-transfer benefit).

(d) An equivalent notional income is also recognised (see note 12 'Income from State Government').

(e) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at note 8 'Other expenses'.

The employment on-costs liability is included at note 22 'Provisions'.

| | | |
|---------------------------------|--------------|--------------|
| 5. Supplies and services | | |
| Communications | 58 | 52 |
| Consultants and contractors | 2,636 | 1,738 |
| Consumables | 111 | 86 |
| Insurance | - | 11 |
| Legal costs | 356 | 316 |
| Motor vehicle | 130 | 197 |
| Travel | 78 | 98 |
| Other | 242 | 162 |
| | <u>3,611</u> | <u>2,660</u> |



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

| Note | 2009 \$'000 | 2008 \$'000 |
|---|----------------|----------------|
| 6. Depreciation and amortisation expense | | |
| Depreciation | | |
| Computer equipment | 20 | 22 |
| Furniture and fittings | 52 | 52 |
| Office equipment | 15 | 15 |
| | <u>87</u> | <u>89</u> |
| Amortisation | | |
| Intangible assets | 5 | 5 |
| Total depreciation & amortisation | <u>92</u> | <u>94</u> |
| 7. Accommodation expenses | | |
| Office accommodation rental | 667 | 368 |
| Other accommodation expenses | 28 | 29 |
| Repairs and maintenance | 41 | 38 |
| Cleaning | 10 | 11 |
| | <u>746</u> | <u>446</u> |
| 8. Other expenses | | |
| Employment on-costs ^(a) | 9 | 14 |
| | <u>9</u> | <u>14</u> |
| (a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 22 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs. | | |
| 9. User charges and fees | | |
| Standing charges | 943 | 648 |
| Service charges | 56 | 10 |
| Licence fees and charges | 422 | 447 |
| Regulatory fees | 1,047 | 1,066 |
| | <u>2,468</u> | <u>2,171</u> |



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

| Note | 2009 \$'000 | 2008 \$'000 |
|---|----------------|----------------|
| 10. Interest revenue | | |
| Interest revenue | 123 | 120 |
| | <u>123</u> | <u>120</u> |
| 11. Other revenue | | |
| Other revenue | 23 | 15 |
| | <u>23</u> | <u>15</u> |
| 12. Income from State Government | | |
| Appropriation received during the year: | | |
| Service appropriations ^(a) | 6,529 | 6,977 |
| | <u>6,529</u> | <u>6,977</u> |
| The following liabilities have been assumed by the Treasurer during the financial year: | | |
| Superannuation ^(b) | - | 1 |
| Total liabilities assumed by the Treasurer | <u>-</u> | <u>1</u> |
| Resources received free of charge ^(c) | | |
| Determined on the basis of the following estimates provided by agencies: | | |
| Department of Justice | 30 | - |
| | <u>30</u> | <u>-</u> |
| Total income from State Government | <u>6,559</u> | <u>6,978</u> |

- (a) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.
- (b) The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who are members of the Pension Scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation Scheme
- (c) Where assets or services have been received free of charge or for nominal cost, the Authority recognises revenues equivalent to the fair value of the assets and/or fair value of those services that can be reliability measured and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable. Where the contribution of assets or services is in the nature of contributions by owners, the Authority makes an adjustment direct to equity.



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

| Note | 2009 \$'000 | 2008 \$'000 |
|--|----------------|----------------|
| 13. Cash and cash equivalents | | |
| Current | | |
| Cash at bank | 3,748 | 2,960 |
| | <u>3,748</u> | <u>2,960</u> |
| 14. Restricted cash and cash equivalents | | |
| Non-current | | |
| Accrued salaries suspense account ^(a) | 52 | 35 |
| | <u>52</u> | <u>35</u> |

(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.

| | | |
|------------------------|--------------|--------------|
| 15. Receivables | | |
| Current | | |
| Receivables | 881 | 1,210 |
| Accrued revenue | 454 | 283 |
| GST receivable | 63 | 33 |
| Total current | <u>1,398</u> | <u>1,526</u> |

Reconciliation of changes in the allowance for impairment of receivables:

| | | |
|---|----------|----------|
| Balance at the start of the year | - | - |
| Doubtful debts expense recognised in the income statement | - | - |
| Amounts written off during the year | - | - |
| Amount recovered during the year | - | - |
| Balance at the end of year | <u>-</u> | <u>-</u> |

The Authority does not hold any collateral as security or other credit enhancements relating to receivables.



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

| Note | 2009 \$'000 | 2008 \$'000 |
|---|----------------|----------------|
| 16. Amounts receivable for services | | |
| Current | - | 69 |
| Non-current | 277 | 135 |
| | <u>277</u> | <u>204</u> |
| Represents the non-cash component of service appropriations. See note 2(m) 'Amounts Receivable for Services (Holding Account)'. It is restricted in that it can only be used for asset replacement or payment of leave liability. | | |
| 17. Other assets | | |
| Current | | |
| Prepayments | 42 | 33 |
| | <u>42</u> | <u>33</u> |
| 18. Property, plant and equipment | | |
| Office equipment | | |
| At cost | 69 | 74 |
| Accumulated depreciation | (41) | (48) |
| | <u>28</u> | <u>26</u> |
| Furniture and fittings | | |
| At cost | 526 | 526 |
| Accumulated depreciation | (215) | (162) |
| | <u>311</u> | <u>364</u> |
| Computer equipment | | |
| At cost | 145 | 71 |
| Accumulated depreciation | (78) | (57) |
| | <u>67</u> | <u>14</u> |
| Total | | |
| At cost | 740 | 671 |
| Accumulated depreciation | (334) | (267) |
| | <u>406</u> | <u>404</u> |



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

Reconciliations

Reconciliations of the carrying amounts of property, plant, equipment and vehicles at the beginning and end of the current and previous financial year are set out below:

| 2009 | Office Equipment \$'000 | Furniture and fittings \$'000 | Computer Equipment \$'000 | Total \$'000 |
|----------------------------------|----------------------------|----------------------------------|------------------------------|-----------------|
| Carrying amount at start of year | 26 | 364 | 14 | 404 |
| Additions | 16 | - | 73 | 89 |
| Transfers | - | - | - | - |
| Depreciation | (14) | (53) | (20) | (87) |
| Carrying amount at end of year | 28 | 311 | 67 | 406 |

| 2008 | Office Equipment \$'000 | Furniture and fittings \$'000 | Computer Equipment \$'000 | Total \$'000 |
|----------------------------------|----------------------------|----------------------------------|------------------------------|-----------------|
| Carrying amount at start of year | 41 | 417 | 36 | 494 |
| Additions | - | - | - | - |
| Transfers | - | - | - | - |
| Depreciation | (15) | (53) | (22) | (90) |
| Carrying amount at end of year | 26 | 364 | 14 | 404 |



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

| Note | 2009 \$'000 | 2008 \$'000 |
|---|----------------|----------------|
| 19. Intangible assets | | |
| Computer software | | |
| At cost | 14 | 13 |
| Accumulated amortisation | (13) | (8) |
| | 1 | 5 |
| <u>Reconciliations</u> | | |
| Computer software | | |
| Carrying amount at start of year | 5 | 10 |
| Additions | - | - |
| Amortisation expenses | (4) | (5) |
| Carrying amount at end of year | 1 | 5 |
| 20. Impairment of assets | | |
| There were no indications of impairment of property, plant and equipment and intangible assets at 30 June 2009. | | |
| The authority held no goodwill or intangible assets with an indefinite useful life during the reporting period and at balance sheet date there were no intangible assets not yet available for use. | | |
| All surplus assets at 30 June 2009 have either been classified as assets held for sale or written-off. | | |
| 21. Payables | | |
| Current | | |
| Trade payables | 226 | 147 |
| Other payables | 916 | 218 |
| Accrued salaries | 50 | 26 |
| Total current | 1,192 | 391 |



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

| Note | 2009 \$'000 | 2008 \$'000 |
|---|----------------|----------------|
| 22. Provisions | | |
| Current | | |
| Employee benefit provision | | |
| Annual leave ^(a) | 374 | 382 |
| Long service leave ^(b) | 381 | 325 |
| | <u>755</u> | <u>707</u> |
| Other provisions | | |
| Employment on-costs ^(c) | 133 | 129 |
| | <u>133</u> | <u>129</u> |
| Total current provisions | <u>888</u> | <u>836</u> |
| Non-current | | |
| Employee benefits provision | | |
| Long service leave ^(b) | 335 | 213 |
| | <u>335</u> | <u>213</u> |
| Other provisions | | |
| Employment on-costs ^(c) | 23 | 14 |
| | <u>23</u> | <u>14</u> |
| Total non-current provisions | <u>358</u> | <u>227</u> |
| (a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows: | | |
| Within 12 months of balance sheet date` | 136 | 180 |
| More than 12 months after balance sheet date | 238 | 202 |
| | <u>374</u> | <u>382</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 balance date. Assessments indicate that actual settlement of the liabilities will occur as follows: | | |
| Within 12 months of balance sheet date | 323 | 220 |
| More than 12 months after balance sheet date | 393 | 318 |
| | <u>716</u> | <u>538</u> |



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

| Note | 2009 \$'000 | 2008 \$'000 |
|------|----------------|----------------|
|------|----------------|----------------|

- (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 included in note 8 'Other expenses'.

Movement in Other Provisions

Movements in each class of provisions during the financial year, other than employee benefits, are set out below:

Employment on-cost provision

| | | |
|----------------------------------|-----|-----|
| Carrying amount at start of year | 143 | 128 |
| Additional provisions recognised | 13 | 15 |
| Carrying amount at end of year | 156 | 143 |

23. Equity

Equity represents the residual interest in the net assets of the Authority. The Government holds the equity interest in the Authority on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

Contributed equity

| | | |
|----------------------------------|-----|-----|
| Balance at the start of the year | 773 | 773 |
| Balance at the end of the year | 773 | 773 |

Accumulated surplus

| | | |
|--|-------|-------|
| Balance at the start of the year | 2,940 | 1,290 |
| Result for the period | (227) | 1,650 |
| Income and expense recognised directly to equity | - | - |
| Balance at the end of the year | 2,713 | 2,940 |



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

| Note | 2009 \$'000 | 2008 \$'000 |
|------|----------------|----------------|
|------|----------------|----------------|

24. Notes to the Cash Flow Statement

Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

| | | |
|--|--------------|--------------|
| Cash and cash equivalents | 3,748 | 2,960 |
| Restricted cash and cash equivalents (refer to note 14 Restricted Cash & Cash Equivalents) | 52 | 35 |
| | <u>3,800</u> | <u>2,995</u> |

Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

| | | |
|--|----------------|----------------|
| Net cost of services | (6,786) | (5,328) |
| Non-cash items: | | |
| Depreciation and amortisation expense | 92 | 94 |
| (Increase)/decrease in assets: | | |
| Current receivables ^(c) | 160 | (741) |
| Other current assets | (42) | (19) |
| Amounts receivable for services | 69 | - |
| (Increase)/decrease in liabilities: | | |
| Current payables | 801 | (72) |
| Current provisions | 53 | 197 |
| Net GST receipts/(payments) ^(a) | (99) | 22 |
| Change in GST in receivables/payables ^(b) | 101 | (22) |
| Net cash provided by/(used in) operating activities | <u>(5,651)</u> | <u>(5,869)</u> |

(a) This is the net GST paid/received, i.e. cash transaction.

(b) This reverses out the GST in receivables and payables.

(c) 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.



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

| Note | 2009 \$'000 | 2008 \$'000 |
|--|----------------|----------------|
| 25. Commitments | | |
| Lease commitments | | |
| Commitments in relation to leases contracted for the balance sheet date but not recognised in the financial statements are payable as follows: | | |
| Within 1 year | 441 | 350 |
| Later than 1 year and not later than 5 years | 683 | 955 |
| | <u>1,124</u> | <u>1,305</u> |
| Representing: | | |
| Cancellable operating leases | 148 | 115 |
| Non-cancellable operating leases | 976 | 1,190 |
| | <u>1,124</u> | <u>1,305</u> |
| Non-cancellable operating lease commitments | | |
| Commitments for minimum lease payments are payable as follows: | | |
| Within 1 year | 352 | 276 |
| Later than 1 year and not later than 5 years | 624 | 914 |
| | <u>976</u> | <u>1,190</u> |
| Other expenditure commitments for consultancy fees in relation to legal, economic and technical advice to assist the Authority contracted for at the balance sheet date but not recognised as liabilities, are payable as follows: | | |
| Within 1 year | 825 | 945 |
| Later than 1 year and not later than 5 years | - | - |
| | <u>825</u> | <u>945</u> |



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

26. Contingent liabilities and contingent assets

Contingent liabilities

The Authority has no contingent liabilities as at 30 June 2009.

Contingent assets

The Authority has a contingent asset as at 30 June 2009. The Authority took out a lease for additional accommodation in April 2009. The amount paid to secure the lease included a service retainer of \$24,588 which is equivalent to two months of the monthly office fee. The service retainer, or any balance after deducting fees, will be returned to the Authority after the Authority has settled its account with the lessor.

27. Event occurring after the balance sheet date

There were no events occurring after the reporting date that impact on the financial statements.

28. Explanatory Statement

Significant variations between estimates and actual results for income and expenses are shown below. Significant variations are considered to be those greater than 10% and \$100,000.

(i) **Significant variances between estimated and actual result for 2009**

| | 2009 Estimate \$'000 | 2009 Actual \$'000 | Variance \$'000 |
|---------------------------|-------------------------|-----------------------|--------------------|
| Expenses | | | |
| Employee benefits expense | 4,746 | 4,942 | 196 |
| Supplies and services | 3,779 | 3,611 | (168) |
| Accommodation | 513 | 746 | 233 |
| Other expenses | 164 | 9 | (155) |
| Income | | | |
| User charges and fees | 2,659 | 2,468 | 191 |



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

Employee benefits expense

The Authority has created two temporary positions to assist with the increase in regulatory activity during 2008/09 which will carry into 2009/10. There has also been two salary increases in 2008/09 due to the outcome of the Public Service General Agreement.

Supplies and services

The 2009 actual reflects that some regulatory activities anticipated in 2008/09 have been delayed. The Authority has also developed its staff to enable some work, which was previously to be outsourced, in house.

Accommodation

During 2008/09 the Authority filled a number of vacant positions. This has required sourcing additional accommodation.

Other expenses

The estimate for 2008/09 contains expenditure that relates to the supplies and services category.

User charges and fees

User charges and fees are charged when the expenditure occurs, this results in a variance depending on the timing of work in relation to the Authority's gas access function.

(ii) **Significant variances between actual for 2008 and 2009**

| | 2009 Actual \$'000 | 2008 Actual \$'000 | Variance \$'000 |
|---------------------------|-----------------------|-----------------------|--------------------|
| Expenses | | | |
| Employee benefits expense | 4,942 | 4,420 | 522 |
| Supplies and services | 3,611 | 2,660 | 951 |
| Accommodation | 746 | 446 | 300 |
| Income | | | |
| User charges and fees | 2,468 | 2,171 | 297 |
| Service appropriation | 6,529 | 6,977 | (448) |



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

Employee benefits expense

The Authority has created two temporary positions to assist with the increase in regulatory activity during 2008/09 which will carry into 2009/10. Two salary increases resulted in 2008/09 due to the outcome of the Public Service General Agreement.

Supplies and services

This category of expenditure includes the cost of consultants assisting the Authority with its regulatory functions. As these costs are cyclical the costs fluctuate on an annual basis. The variance reflects an increase in costs in the electricity access, gas access and rail access areas.

Accommodation

During 2008/09 the Authority filled a number of vacant positions. This has required sourcing additional accommodation.

User charges and fees

Due to the cyclical nature of the work of the Authority the revenue fluctuates on an annual basis. Increased activity in the gas access area resulted in an increase in revenue from standing charges.

Service appropriation

During 2007/08 the Expenditure Review Committee approved additional appropriation funding.

29. 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 and 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 Authority measures credit risk on a fair value basis and monitors risk on regular basis.

The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 29(c) 'Financial Instruments Disclosures' and Note 15 'Receivables'.

Credit risk associated with the Authority's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than government, the Authority trades only with recognised, creditworthy third parties. 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 balance sheet date there were no significant concentrations of credit risk.



Allowance for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. For financial assets that are either past, due or impaired, refer to Note 29(c) 'Financial Instrument Disclosures'.

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. Other than as detailed in the Interest rate sensitivity analysis table at Note 29(c), the Authority is not exposed to interest rate risk because all other cash and cash equivalents and restricted cash are non-interest bearing, and the Authority has no borrowings.

(b) Categories of financial instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows:

| | 2009 \$'000 | 2008 \$'000 |
|--|----------------|----------------|
| Financial assets | | |
| Cash and cash equivalents | 3,748 | 2,960 |
| Restricted cash and cash equivalents | 52 | 35 |
| Receivables ^(a) | 1,335 | 1,493 |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | 1,192 | 391 |

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



(c) Financial instrument Disclosures

Credit Risk, Liquidity Risk and Interest Rate Risk Exposure

The following tables disclose the Authority's maximum exposure to credit risk, interest rate exposures and the ageing analysis of financial assets. The Authority's maximum exposure to credit risk at the balance sheet date is the carrying amount of the 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.

The Authority does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

Interest rate exposures and ageing analysis of financial assets

| | Interest rate exposure | | | | Past due but not impaired | | | |
|--------------------------------------|--|------------------------|-------------------------------|-----------------------------|---------------------------|-----------------------|---------------------|---------------------|
| | Weighted average effective interest rate % | Carrying amount \$'000 | Variable interest rate \$'000 | Non-interest Bearing \$'000 | Up to 3 months \$'000 | 3 to 12 months \$'000 | 1 to 2 years \$'000 | 2 to 3 years \$'000 |
| Financial assets | | | | | | | | |
| 2009 | | | | | | | | |
| Cash and cash equivalents | 5.57% | 3,748 | 3,748 | - | - | - | - | - |
| Restricted cash and cash equivalents | | 52 | - | 52 | - | - | - | - |
| Receivables ^(a) | | 1,335 | - | 1,335 | - | - | - | - |
| Amounts receivable for services | | 277 | - | 277 | - | - | - | - |
| | | 5,412 | 3,748 | 1,664 | - | - | - | - |
| 2008 | | | | | | | | |
| Cash and cash equivalents | 6.25% | 2,960 | 2,960 | - | - | - | - | - |
| Restricted cash and cash equivalents | | 35 | - | 35 | - | - | - | - |
| Receivables ^(a) | | 1,493 | - | 1,493 | - | - | - | - |
| Amounts receivable for services | | 204 | - | 204 | - | - | - | - |
| | | 4,692 | 2,960 | 1,732 | - | - | - | - |

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



Interest rate exposures and ageing analysis of financial liabilities

| | Interest rate exposure | | | Maturity dates | | | | |
|------------------------------|--|------------------------|-------------------------------|-----------------------------|-----------------------|-----------------------|---------------------|---------------------|
| | Weighted average effective interest rate % | Carrying amount \$'000 | Variable interest rate \$'000 | Non-interest Bearing \$'000 | Up to 3 months \$'000 | 3 to 12 months \$'000 | 1 to 2 years \$'000 | 2 to 3 years \$'000 |
| Financial liabilities | | | | | | | | |
| 2009 | | | | | | | | |
| Payables | | 1,192 | - | 1,192 | - | - | - | - |
| | | <u>1,192</u> | <u>-</u> | <u>1,192</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 2008 | | | | | | | | |
| Payables | | 391 | - | 391 | - | - | - | - |
| | | <u>391</u> | <u>-</u> | <u>391</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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 balance sheet date 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 | -1% change | | +1% change | |
|---------------------------|-----------------|---------------|---------------|---------------|---------------|
| | | Profit \$'000 | Equity \$'000 | Profit \$'000 | Equity \$'000 |
| 2009 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 3,748 | (37) | (37) | 37 | 37 |
| Total Increase/(Decrease) | | <u>(37)</u> | <u>(37)</u> | <u>37</u> | <u>37</u> |
| 2008 | | | | | |
| Cash and cash equivalents | 2,960 | (30) | (30) | 30 | 30 |
| Total Increase/(Decrease) | | <u>(30)</u> | <u>(30)</u> | <u>30</u> | <u>30</u> |



Fair values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised as amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.



30. 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:

| \$ | 2009 \$'000 | 2008 \$'000 |
|--|----------------|----------------|
| 0 - 10,000 | 1 | 1 |
| 60,001 - 70,000 | - | 1 |
| 70,001 - 120,000 | 1 | - |
| 130,001 - 140,000 | - | - |
| 430,001 - 440,000 | - | - |
| 440,001 - 450,000 | - | 1 |
| 450,001 - 480,000 | 1 | - |
| | \$'000 | \$'000 |
| The total remuneration of members of the accountable authority is: | 559 | 512 |

The total remuneration includes the superannuation expense incurred by the Authority in respect of members of the Accountable Authority.

No members of the Accountable Authority are members of the Pension Scheme.



Remuneration of senior officers

The number of senior officers, other than the 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:

| \$ | 2009 \$'000 | 2008 \$'000 |
|--|----------------|----------------|
| 110,000 - 120,000 | 1 | - |
| 120,001 - 130,000 | - | - |
| 130,001 - 140,000 | - | 1 |
| 140,001 - 150,000 | - | - |
| 170,001 - 180,000 | 1 | 1 |
| 180,001 - 190,000 | 2 | 1 |
| 190,001 - 200,000 | 1 | 1 |
| 230,001 - 240,000 | - | 1 |
| 240,001 - 260,000 | 1 | - |
| | \$,000 | \$,000 |
| The total remuneration of Senior Officers is | 1,105 | 917 |

The total remuneration includes the superannuation expense incurred by the Authority in respect of senior officers other than senior officers reported as members of the Accountable Authority.

No senior officers are members of the Pension Scheme.



**Economic Regulation Authority
Notes to the Financial Statements
For the Year Ended 30 June 2009**

| Note | 2009 \$'000 | 2008 \$'000 |
|------|----------------|----------------|
|------|----------------|----------------|

31. Remuneration of Auditor

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

| | | |
|--|----|----|
| Auditing the accounts, financial statements and performance indicators | 26 | 25 |
|--|----|----|

32. Related bodies

The Authority had no related bodies during the financial year.

33. Affiliated bodies

The Authority had no affiliated bodies during the financial year.

34. Schedule of income and expenses by service

The Authority has only one (1) service, which is 'Submissions to the Economic Regulation Authority Governing Body'. Therefore, there is no need to prepare the Schedule of Income and Expenses by Service. Please refer to the Income Statement.

35. Indian Ocean Territories

The 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. Moneys received by the Authority in respect of the services provided are credited to the Authority's operating account.

| | 2009 \$'000 | 2008 \$'000 |
|----------------------|----------------|----------------|
| Opening balances | 21 | 23 |
| Plus: Gross receipts | 28 | 32 |
| Less: Gross payments | - | 34 |
| Closing balances | 49 | 21 |



Certification of key performance indicators

We hereby certify that the 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 2009.



Mr Lyndon Rowe
CHAIRMAN
21 September 2009



Mr Peter Panegyres – AM
MEMBER
21 September 2009



Mr Steve Edwell
MEMBER
21 September 2009



Ms Pam Herbener
CHIEF FINANCE OFFICER
21 September 2009



Key performance indicators

Formulating the Authority's performance indicators

Broad, high-level government strategic goals are supported at agency level by more specific desired outcomes. Agencies deliver services/programs to achieve these desired outcomes, which ultimately contribute to meeting the higher-level government strategic goals.

These services/programs are the basis for performance indicators.

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

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

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

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

The Authority cannot achieve this high-level outcome directly, but instead seeks to play its part towards the achievement of this goal.

More directly, the Authority seeks:

To promote economically efficient outcomes in Western Australia at the lowest practicable regulatory cost through efficient and effective independent regulation, independent advice to government, and advancing the debate in economic regulation.

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

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

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

More objective administrative measures of performance are the quality, quantity and cost of the submissions considered by the Authority's Governing Body that facilitate its decision-making.



Key performance indicators

(continued)

Therefore, the essential measurable outcome for the Authority in support of this revised outcome is:

Submissions by the Secretariat to the Authority's Governing Body.

Key effectiveness indicators

The Authority's key effectiveness indicators are:

Quality

Rating by the Authority's Governing Body as to the content, accuracy and presentation of these submissions.

Quantity

Number of submissions made to the Authority's Governing Body.

Timeliness

Number (%) of submissions provided by the required deadline.

Rating by the Authority's Governing Body as to its perception of the timeliness of the submissions.

These ratings are assigned and collated monthly. This enhances the accuracy and therefore the value of the indicators, and provides important feedback on the quality and timeliness of submissions received each month.



Key performance indicators (continued)

2008/09 performance—Effectiveness

Quality (Submissions)

The members of Authority's Governing Body rated the submissions they reviewed each month for quality and timeliness. Ratings were assigned on a range of one to five, where one was 'well below expectations', three was 'satisfactory' and five was 'well above expectations'. Ratings are averaged for the three members.

Quality was rated at the targeted level of performance, with the average rating for the year being 4.0.

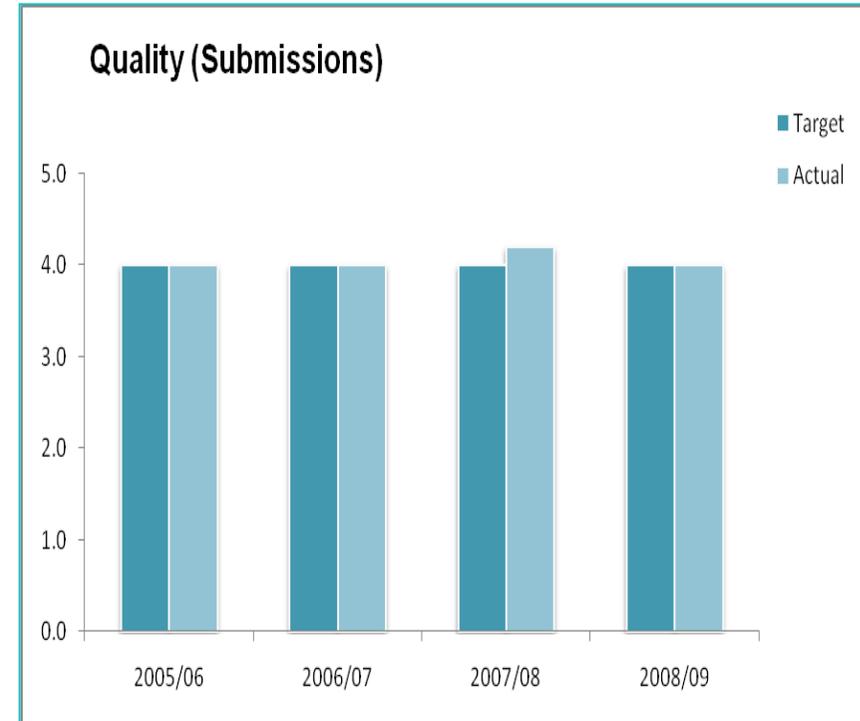


Chart 18 - Comparison between actual results and budget targets for the Governing Body's ratings of the quality of submissions



Key performance indicators

(continued)

Quantity (Submissions)

The Authority's Governing Body met 45 times during the year to review and discuss submissions. In addition to the meetings, 115 submissions were reviewed by email and six were reviewed by the Chairman. The number of submissions exceeded the target owing to an increased level of activity, particularly in the Gas and Rail, and Competition, Markets and Electricity divisions. The Authority conducted its assessment of revisions to the access arrangements for regulated gas pipelines and Western Power's proposed access arrangement for the South West Interconnected Network.

There were a number of submissions for consideration by the Authority that related to the proposed new national gas legislation. Although the new law was not passed in Western Australia in the reporting year, the Authority was required to identify reporting requirements which may be appropriate for regulated gas pipelines under the new legislation.

The Pilbara Infrastructure Pty Limited's (TPI) newly constructed railway line came under the State's access regime from 1 July 2008. This resulted in the Authority considering for the first time a number of submissions relating to TPI's segregation arrangements, Part 5 Instruments and WACC.

Finally, a large number of asset management reviews and performance audits were completed and this increased the number of submissions considered by the Authority.

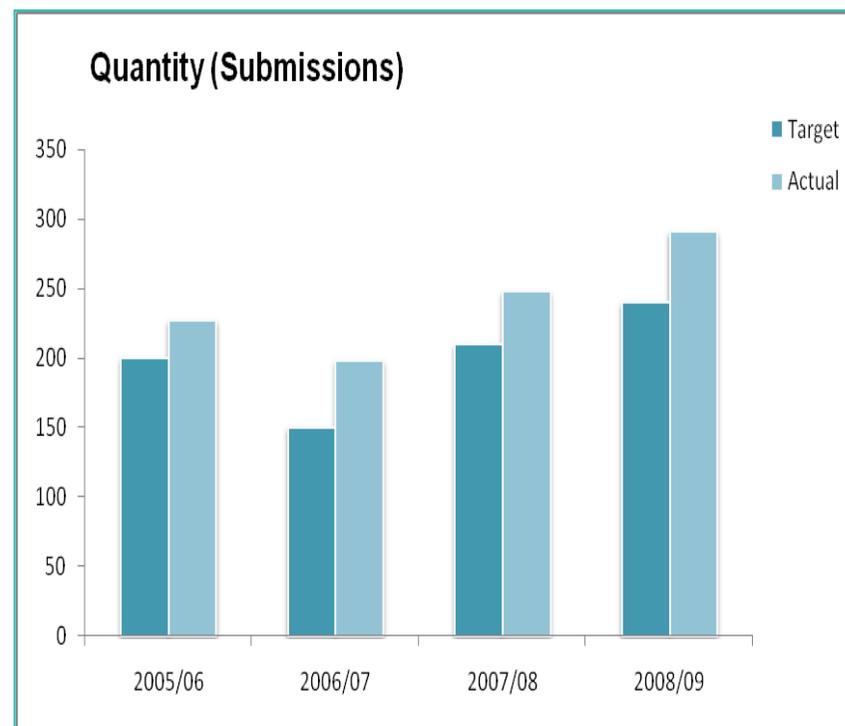


Chart 19 - Comparison between actual results and budget targets for the quantity of submissions



Key performance indicators (continued)

Timeliness (Legislative deadlines achieved)

Of the 291 submissions reviewed during the year, 63 related to functions that had time limits. The number of submissions with time limits increased on those of the previous year during which 25 submissions related to functions with time limits.

The time limits involved were either firm deadlines or timelines within which the Authority, taking all reasonable steps, was to complete its assessments.

Of the 63 submissions with deadlines, 51 were completed on or before expiry of the prescribed time limit. This equated to 81% of submissions meeting the criteria.

While this was slightly below the 85% target, the circumstances where time limits were exceeded mainly related to functions where the legislation provided some flexibility in exceeding the time limit.

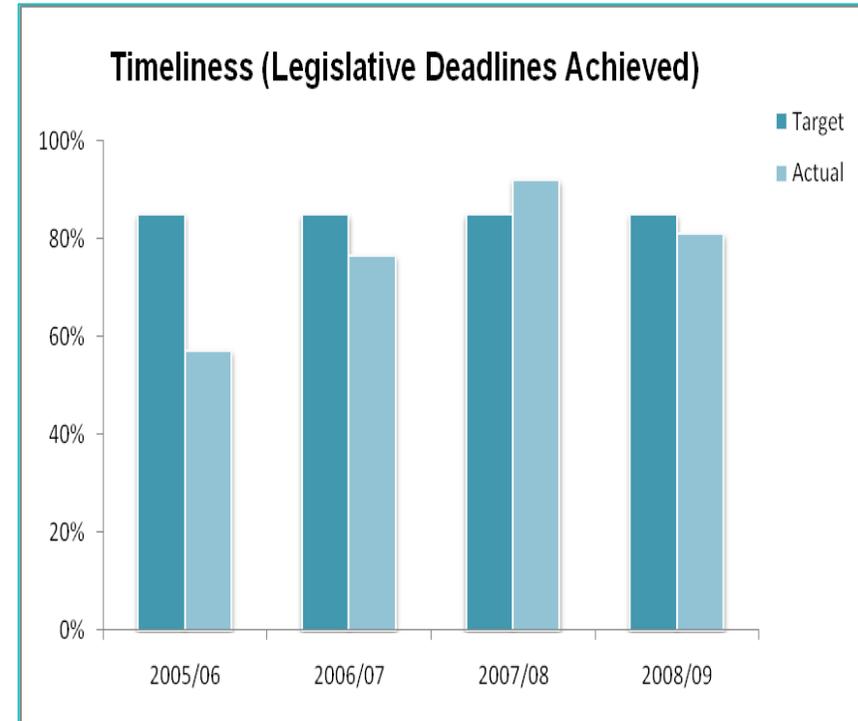


Chart 20 - Comparison between actual results and budget targets for the timeliness (in relation to legislative deadlines) of submissions



Key performance indicators

(continued)

Timeliness (Governing Body perception)

In addition to measuring the number of submissions that met their deadline, members of the Authority's Governing Body were also surveyed following each meeting of the Authority to indicate their perception of the Secretariat's timeliness in preparing submissions.

The average rating for timeliness for the year was 4.1 meaning that members' perception of the Secretariat's timeliness in preparing submissions was just below the target of 4.2.

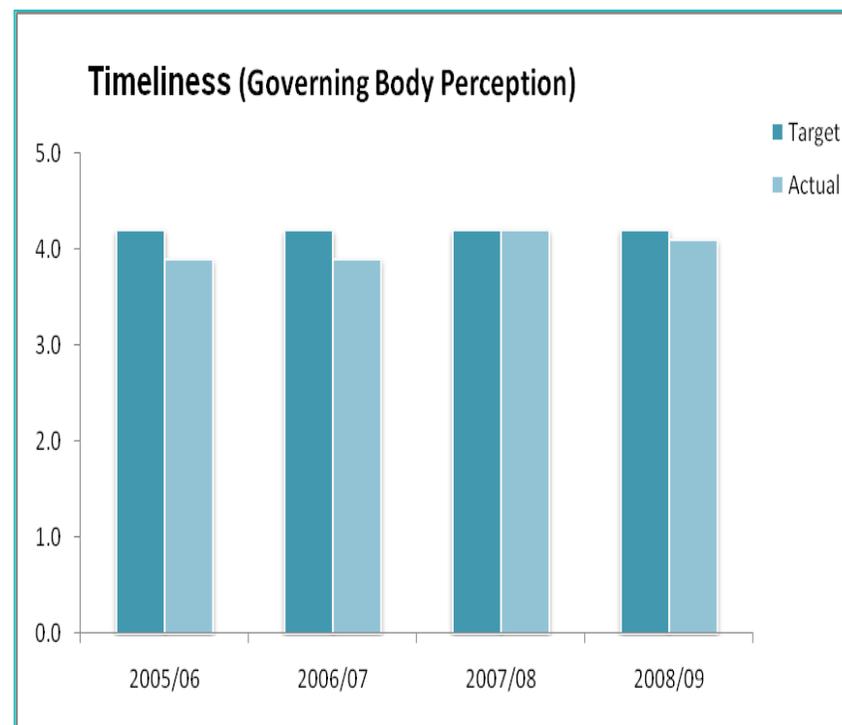


Chart 21 - Comparison between actual results and budget targets for the Governing Body's ratings of the timeliness of submissions



Key performance indicators (continued)

Key efficiency indicators

The Authority's key efficiency indicator is average cost per submission.

This cost is calculated to include the costs of all personnel and other resources involved in preparing submissions.

2008/09 Performance—Efficiency

Average Cost (per submission)

The total cost of the Authority's operations for the 12 months under review was \$9.401 million compared to an expenditure limit of \$9.301 million. There were 291 submissions compared to the target of 240. The average cost per submission was \$32,304 against the target \$38,754.

Compared to the previous financial year's average cost per submission of \$30,782, the average cost per submission has increased by \$1,522 due to the increase in costs (23%) exceeding the number of submissions (17%).

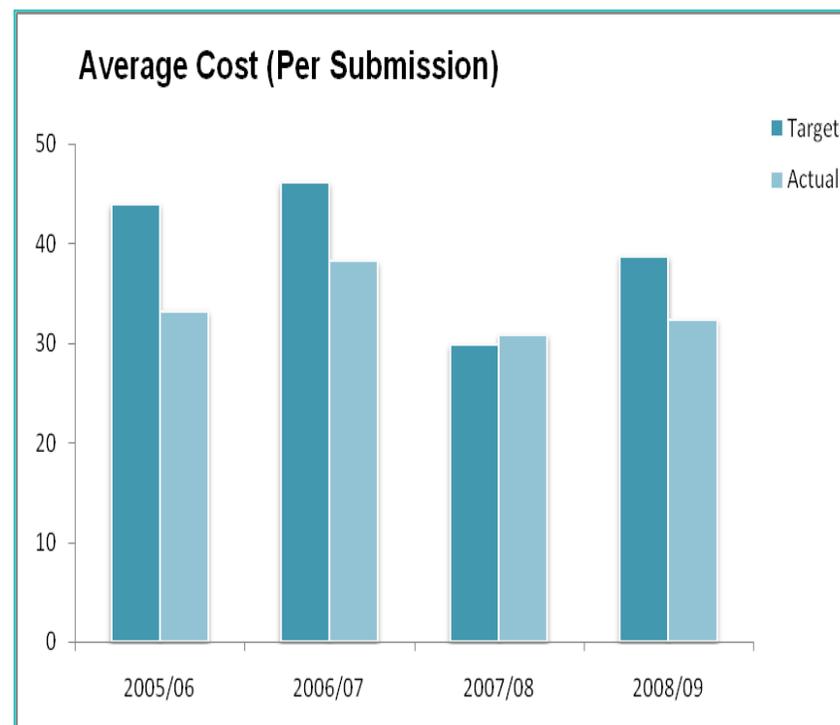


Chart 22 - Comparison between actual results and budget targets for the average cost per submission



Other financial disclosures

Pricing policies of services provided

The Authority currently receives revenue for the following functions:

- Fees and charges are payable for services provided by the Authority under the provisions of the *Economic Regulation Authority (Gas Pipelines Access Funding) Regulations 2003 (Regulations)*. Payments to the Authority from operators of regulated pipelines include:
 - Standing charges that are levied on service providers for costs incurred by the Authority which are not directly attributed to activities of a particular pipeline system.
 - Service charges that are levied by the Authority for specific work carried out for a particular service provider.

The Regulations require that our annual report includes details of the total amount of standing charges, service charges and fees paid by pipeline operators in a financial year. These details for the year ended 30 June 2009 are listed in the following table.

| Service Provider | Standing charges (\$) | Service charges (\$) |
|----------------------------------|-----------------------|----------------------|
| AlintaGas Networks Pty Ltd | 250,802 | 0 |
| Goldfields Gas Transmission | 188,210 | 0 |
| Southern Cross Pipelines Pty Ltd | 25,257 | 0 |
| DBNGP (WA) Transmission Pty Ltd | 401,248 | 14,524 |
| Total | 865,517 | 14,524 |

- The Regulations also provide for the Regulator (in this case the Authority) to levy fees for:
 - providing documents prepared by or on behalf of the Regulator;
 - admission to a meeting held by the Regulator for the purposes of public consultation;
 - lodging of notifications of a dispute under section 6.1 of the Gas Code; and
 - interest on any outstanding amounts.



Other financial disclosures

(continued)

No document fees were received in 2008/09.

Interest on outstanding amounts in 2008/09 amounted to \$126.

- Fees and charges payable for licences issued by the Authority. These fees and charges are determined by regulations created under the *Electricity Industry Act 2004*, the *Energy Coordination Act 1994* and the *Water Services Licensing Act 1995*. It is the responsibility of the relevant minister for each Act to determine the amount of fees charged.
- 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 costs.
- Under an agreement with the Commonwealth, the Authority is responsible for licensing water and electricity utilities on the Christmas and Cocos Islands. Applications for licences are yet to be received; however costs incurred as a result of pre-lodgement negotiations are recovered from the Commonwealth Government based on an agreed amount.

Capital works

The Authority's capital works program mainly comprises of expenditure on the network and other servers operated by the Authority. The network server was upgraded and one multi-function device was replaced in 2008/09 at a cost of \$85,250.

Personal computers and laptops costing less than \$5,000 are funded from recurrent annual expenditure.

Employment and industrial relations

The following table provides a breakdown of the categories of employment for staff as at 30 June 2009 in comparison to 30 June 2008.

| Employee category | Number of staff at 30 June 2009 | Number of staff at 30 June 2008 |
|----------------------|---------------------------------|---------------------------------|
| Permanent full-time | 30 | 36 |
| Permanent part-time | 4 (2.8 FTE) | 5 (3.3 FTE) |
| Fixed term full-time | 10 | 4 |
| Fixed term part-time | 3 (1.4 FTE) | 3 (2 FTE) |
| Total | 47(44.2FTE) | 48 (45.3 FTE) |

As at 30 June 2009, there were five vacant positions compared to seven in the previous year.



Other financial disclosures

(continued)

Staffing policies

One of our strategic goals (as published in our Strategic Plan 2008-10) is to *attract and retain a well qualified and committed workforce* with an objective to *attract and retain the quality staff essential to the Authority's success by ensuring a productive, vibrant and professional workplace with a culture of continuous improvement and of recognising and rewarding talent.*

In pursuing this objective, we have implemented a number of human resource management initiatives such as:

- flexible working practices;
- advertising vacancies through a number of mediums to address the largest available audience possible; and
- performance appraisals.

Our human resource policies and procedures are available to all staff through our intranet and are also included in the induction manual for new staff. The staffing procedures, together with other corporate procedures and manuals, have a planned internal review program to ensure that they are up to date and relevant.

During the year we reviewed our performance management system processes and documentation. These tools have been modified to ensure the performance management process continues to evolve as an effective work tool to help monitor our annual work program, and to identify and develop employee skills.

Industrial relations

Our staff are employed under the *Public Service Award 1992* and the *Public Service General Agreement 2006*. No industrial disputes were recorded during 2008/09.

Workers' compensation claims

The Authority complies with the requirements of the *Occupational Safety and Health Act 1984*. There were no incident reports or workers compensation claims submitted during the 2008/09 reporting year. There were also no outstanding claims from a prior period.



Our governance disclosures

Shares in statutory authority

The Authority has no shares for senior officers to hold.

Shares in subsidiary bodies

The Authority does not have any subsidiary bodies.

Interests in contracts by senior officers

In 2008/09, no senior officers had any interest in existing or proposed contracts (other than employment contracts) with the Authority.

Benefits to senior officers through contracts with the Authority

No senior officers disclosed having received any benefits through contracts held by the Authority in the 2008/09 financial year.

Insurance premiums

There are no senior officers of the Authority defined as directors under Part 3 of the *Statutory Corporations (Liability of Directors) Act 1996* and therefore the Authority is not required to pay an insurance premium to indemnify any senior officer.



Ministerial directives

No ministerial directives were received during the financial year.

Other legal requirements

Advertising

In compliance with section 175ZE of the *Electoral Act 1907*, the Authority reports that it incurred the following expenditure on advertising, market research, polling, direct mail and media advertising.

Total expenditure for the period 1 July 2008 to 30 June 2009 was \$96,421.

| Agencies/Organisations | Expenditure (\$) |
|---------------------------------|------------------|
| Advertising agencies | 91,169 |
| Market research organisations | 5,252 |
| Polling organisations | 0 |
| Direct mail organisations | 0 |
| Media advertising organisations | 0 |
| Total | 96,421 |



Other legal requirements

(continued)

Disability access and inclusion plan outcomes

In accordance with section 29 of the *Disability Services Act 1993*, the Authority published its Disability Access and Inclusion Plan (DAIP) 2007—2011, in July 2007. This plan outlines the ways in which we ensure that people with disabilities have equal access to our services, facilities and information.

During the reporting year, the DAIP working group reviewed the plan and looked at ways in which access to Authority services could be improved. Through addressing the six desired outcomes of the DAIP we have implemented the changes outlined below.

People with disabilities have the same opportunities as other people to access services and events

The DAIP working group created an Authority specific checklist to ensure that all planned events and associated invitations and promotional materials are accessible to people with disabilities. To accompany this checklist, a list of preferred venues that meet accessibility criteria is maintained for staff that organise Authority events. These documents have been published on the Authority's intranet and are circulated to staff annually.

People with disabilities have the same opportunities as other people to access buildings and facilities

The Authority maintains an Accessibility Information Sheet which is published on its intranet. This provides information on the location of nearby accessible parking bays; the location of the accessible doorway to the building; and the location of the building's accessible toilet. The information sheet also outlines the options available for people seeking to obtain or provide information in alternative formats. Reception staff have been briefed on accessibility and inclusion for people with disabilities.

People with disabilities receive information in a format that will enable them to access the information readily

An Accessibility Information page is maintained on the Authority's [web site](#) to ensure that people with disabilities have access to information produced by the Authority. Information can be requested in alternative formats, including audio, large print and Braille. Information can also be provided to the Authority in different formats including the option of lodging a submission or complaint verbally, via the telephone. Annually, staff are required to read the Accessibility Information page published on the Authority's intranet so that they are well-informed of the options available to clients.



Other legal requirements

(continued)

People with disabilities receive the same level and quality of service as other people receive from the staff

Staff are kept informed of changes made to improve access to the Authority's services, facilities and information for people with disabilities. New staff are requested to familiarise themselves with the information on the Authority's intranet.

People with disabilities have the same opportunities as others to make complaints

People with disabilities are given the same opportunities as other people to lodge a formal complaint. Written submissions can be lodged via the Authority's [web site](#) through an online form which can be changed to a larger text size. Formal verbal complaints can also be lodged via the telephone through a service which enables the caller to leave a recording of their complaint. Information relating to these services is available on our web site or by contacting staff at the Authority.

People with disabilities have the same opportunities to participate in any public consultation

The Authority issues notices calling for public consultation via its web site and by the publication of a notice in The West Australian newspaper. Registered interested parties are notified via email whenever a notice calling for submissions is issued.

Submissions can be lodged via an email link on each notice published on the web site. Alternatively, submissions can be lodged through a telephone service which enables the caller to make a recording of their submission.

Part of the ERACCC's role is to ensure that the Authority's communication and compliance strategies meet the needs of consumers.



Other legal requirements

(continued)

Compliance with Public Sector Standards and Code of Ethics

The Authority is committed to the Western Australian Code of Ethics and has its own Code of Conduct published on its [web site](#) and staff intranet. The Authority's Code of Conduct elaborates upon the Public Sector Code of Ethics and provides for more specific interpretation of the broad principles and ethical values in relation to the Authority's working environment.

All employees and consultants providing services to the Authority are bound by the Public Sector Code of Ethics and the Authority's Code of Conduct and all human resource policies and ethical codes are available to staff via the Authority's intranet for their information.

Under section 31(1) of the *Public Sector Management Act 1994*, the Authority reports the following details of significant action taken to prevent non-compliance:

Public Sector Standards

Information about the Public Sector Standards (**Standards**) is available to Authority staff via its intranet and included in induction material for new staff. Ongoing training is provided to grievance officers and persons on recruitment panels to ensure

compliance with relevant Standards. Specific reference to the Standards is included in all relevant Authority policies. There were no claims of breach of the Standards lodged during the reporting period.

Western Australian Code of Ethics

Western Australia Code of Ethics material is made available to Authority staff via its intranet. A hard copy of this material is made available to staff as a part of induction materials and is signed off via staff declaration at this time. Western Australian Code of Ethics is a standing topic for all Corporate Executive and staff meetings. There were no reports of non-compliance with the Western Australia Code of Ethics during the reporting period.

Authority's Code of Conduct

The Authority's Code of Conduct was last revised in January 2007. A hard copy of the Authority's Code of Conduct is made available to staff as part of induction materials and is signed off via staff declaration at this time. Consultants working for the Authority are provided with a copy of the Authority's Code of Conduct. There were no reports of non-compliance with the Authority's Code of Conduct during the reporting period.



Other legal requirements

(continued)

Record keeping plan

The Authority is committed to developing good record keeping practices and meeting the legislative requirements of the *State Records Act 2000* and the State Records Commission Standard 2, Principle 6.

Our Records Coordinator oversees the records management function and provides record keeping training to all staff. A new training program is currently being developed which includes implementing an online record keeping awareness training module. The new training program will cover essential information relating to the Authority's Record Keeping Plan, records management policies and business processes, and information management initiatives.

To assist with training throughout 2008/09, a dedicated applications trainer was commissioned to conduct desktop training sessions for all staff in how to use the electronic document records management system, TRIM. This tailored training was a full-day workshop, and training group sizes were kept small to maximise learning and attention of the trainer.

In accordance with section 28 of the *State Records Act 2000* and the expiry of the 2004 Record Keeping Plan, the Authority was required to review and submit its second Record Keeping Plan in 2009.

Our new Record Keeping Plan was sent to the State Records Office for review before being formally submitted to the State Records Commission for approval. The new Record Keeping Plan, with actions and deliverables, will help the Authority to achieve its record keeping goals.

In late 2007, the Authority implemented an electronic document records management system, TRIM. The Authority regularly monitors and reviews the effectiveness and efficiency of its electronic document records management system. Six months after implementing TRIM, we commissioned a technical health check of the system. The report highlighted that the technical implementation was fair, there appears to be good acceptance of TRIM among staff and, for the most part, the responsiveness of TRIM is fair.

In 2009, we commissioned a functional health check of TRIM. This report indicated that the database configuration is in need of some improvement, which is currently being addressed.

The Authority includes record keeping as a component of its annual strategic audit plan. In 2009, two internal audits were conducted in relation to the Authority's record keeping practices. The first audit was undertaken to provide analysis and information concerning any exceptions to the proposed policy that all records should be accessed only via the TRIM electronic document records management system.



Other legal requirements

(continued)

As a result of this audit, we are working on a plan to limit access to the exchange folders to read only. The second audit looked at the Authority's compliance with the *State Records Act 2000*.

This audit's objective was to confirm that records management processes comply with the *State Records Act 2000* and relevant internal policies of the Authority. In particular, this audit was to confirm that adequate controls exist to ensure compliance with the *State Records Act 2000* and internal policies and identify potential process improvements.

The audit confirmed that: effective controls are being maintained over the Authority's records management function; and the Authority has complied with the requirements of the *State Records Act 2000* and the State Records Commission Standards.

During the year we finalised a review of all hard copy folders, records policies and procedures, the business classification scheme, file titling and language control. Our Records Coordinator has commenced regular meetings with each division to assess their awareness of our revised business classification scheme and how well it is meeting their business processes.

As a result of our experiences this year, various improvement opportunities have been identified and the following improvement strategies have been planned with a target date for completion of 30 June 2010:

- a TRIM upgrade to version 6.2.4;
- to develop the Authority's functional thesaurus; and
- a review of our vital records program.

Our overall usage of TRIM by staff has significantly improved. The table below shows a comparison between the use of TRIM in 2007/08 compared to 2008/09.

| TRIM activity | 2007/08 | 2008/09 | Difference |
|---------------------------------|---------|---------|--|
| Number of documents created | 6848 | 15875 | There was an increase of 9027 documents created in TRIM in 2008/09 compared to the previous year |
| Number of containers created | 1694 | 856 | The number of containers created in 2008/09 decreased by 838 compared to the previous year. However, many of the containers created in 2007/08 remained open and in use throughout 2008/09 |
| Number of archive boxes created | 70 | 71 | The number of archive boxes created remained virtually the same. |



Government policy requirements

Corruption prevention

Development and implementation of a strategy for identifying, managing and preventing misconduct and corruption

We are committed to carrying out our functions with a high level of integrity and transparency and expect that the behaviour of all persons employed or contracted to the Authority will comply with its policies and procedures.

Our Code of Conduct sets out that if corruption is suspected or occurring this should be reported to our Chief Executive Officer, the Governing Body or the Western Australian Gas Disputes Arbitrator as appropriate. Alternatively, staff are encouraged to obtain advice from the Corruption and Crime Commission.

The Code of Conduct also outlines staff responsibilities in relation to:

- conflicts of interest;
- rewards, gifts and gratuities;
- the use of agency resources; and
- the treatment of official information and communication.

We also have specific obligations concerning the confidentiality of information. These obligations vary depending on the function the Authority is exercising and the particular legislation governing that function. Details on the [treatment of confidential information](#) are available on our web site.

In addition, a person who is or has been a member of the Governing Body or a staff member of the Authority must comply with the obligations set out under section 57 of the *Economic Regulation Authority 2003* where a person *must not, directly or indirectly record, disclose or make use of any information obtained in the course of duty* except under the prescribed circumstances. A breach of such an obligation may attract a penalty of \$10,000 or 12-months imprisonment.

Communication and education of staff about internal notification procedures for dealing with misconduct and corruption, particularly those employed in areas of high risk

Our [Code of Conduct](#) is available to all staff via our web site and intranet and comprehensively details the measures taken by the Authority to prevent corruption and misconduct.



Government policy requirements

(continued)

In February 2009, 93% of our staff completed 'Accountable and Ethical Decision Making in the Western Australian Public Sector' training with the remaining staff hoping to complete the session by February 2010. The compulsory training, conducted over two three-hour sessions, was based on the Department of Premier and Cabinet's Accountability Support Unit's 'Guide to Accountable and Ethical Decision Making in the Western Australian Public Sector'. The training model was tailored specifically to activities in the regulatory environment making it more relevant for staff so that they may recognise what could potentially be areas of misconduct or corruption relating to the Authority.

Inclusion of misconduct and corruption prevention strategies in relevant management development activities and the Authority's policies and procedures

In March 2009, we developed a Conflict of Interest policy and published it on our intranet. The policy sets out the approval and management requirements of conflict of interest in accordance with the Public Sector Standards. This policy was presented at a Corporate Executive meeting and to the subsequent staff meeting. Staff were reminded that due to the nature of our work, the need to identify potential conflicts of interest is essential.

Integration of misconduct and corruption prevention into the Authority's existing risk management system

The Authority's risk register was last updated in October 2008. This register covers strategic and corporate risks to the Authority which includes a number of risks that have been identified in relation to potential areas of misconduct or corruption.

Substantive equality

As the Authority is not a Department represented on the Strategic Management Council, we do not currently have any obligations under the substantive equality framework.

However we are aware of the intent and substance of the substantive equality framework and seek to achieve substantive equality by eliminating systemic racial discrimination in providing our services and by promoting sensitivity to the differing needs of people.



Government policy requirements (continued)

Occupational safety, health and injury management

Commitment to occupational safety and health and injury management

We comply with the requirements of the *Occupational Safety and Health Act 1984* and are committed to managing and improving occupational safety and health (**OSH**) within the Authority. We undertake building evacuation training annually and first aid kits are easily accessible throughout the office and in every fleet vehicle. First aid officers have been trained and appointed and workstations clearly identify where the first aid officers are located.

In 2008/09, several OSH initiatives included:

- all new staff were provided with the opportunity to have their workstation ergonomically assessed by external ergonomic consultants and regular re-assessments are completed when required;
- the monthly 'corporate massage' program continued for those staff who wished to participate;

- the employee assistance program continued for those who wished to participate; and
- the annual influenza vaccination and executive health assessment was offered to all our staff.

Consultation with staff on occupational safety and health matters

Our Occupational Safety and Health Committee is integral to OSH arrangements in the Authority. The committee members' appointment, location and details are communicated to all employees and are available on our intranet. The members are accessible and effectively utilised by staff in the discussion and resolution of OSH issues.

Staff meetings are used as a focal point for staff to be informed of any relevant procedures and OSH updates.



Government policy requirements

(continued)

Compliance with injury management requirements of the *Workers' Compensation and Injury Management Act 1984*

We are committed to providing injury management support to all our employees who sustain a work related injury or illness with a focus on safe and early return to meaningful work in accordance with the *Workers' Compensation and Injury Management Act 1981*.

We have again been fortunate this year to not have incurred a work related injury or illness. One of the biggest OSH risks for staff at the Authority relates to their working environment. This is addressed through an ongoing program of ergonomic assessments on commencement of employment and whenever staff request to be reassessed. This reduces the risk of any incidents occurring in our work place.

Annual OSH performance for 2008/09

| Indicator | Target 2008/09 | Actual 2008/09 |
|---|----------------|----------------|
| Number of fatalities | Zero | Zero |
| Lost time injury/diseases incident rate | Zero | Zero |
| Lost time injury severity rate | Zero | Zero |



Other disclosures

Complaints handling

There are three main areas that may be the source of complaints for the Authority: the administration of our Secretariat; employment-related matters; and matters concerning the regulatory functions of the Authority.

Handling of complaints relating to the administration of the Secretariat and employment-related matters are dealt with under the Authority's [Code of Conduct](#). This is available in either hard copy at reception or on our [web site](#).

The Authority's Code of Conduct advises that anyone having a concern about the actions of any member of the Authority's staff in relation to their observance of the Code should refer the matter to the Chief Executive Officer. Staff and consultants working for the Authority are provided with a copy of the Authority's Code of Conduct that sets out relevant policies in some detail, including the handling of complaints on administrative and employment-related matters.

Our web site allows for any member of the public to express dissatisfaction or make a complaint. One complaint was lodged through the web site during the year that related to an email address created to receive public submissions not being active. In the past we created individual email addresses for each public consultation process undertaken.

Following receipt of the complaint we now have a policy that all public consultation processes will use the one email address: publicsubmissions@era.wa.gov.au.

A variety of circumstances may give rise to complaints on the performance of the Authority's regulatory functions. Many of these functions involve the exercise of discretion in circumstances where the competing interests of owners of infrastructure or other interested parties may give rise to complaints.

Complaints relating to regulatory matters are handled through comprehensive public consultation involving submissions, public forums, specific-purpose conferences and meetings with the Authority or Secretariat. Submissions may be made on either a public or confidential basis. Public submissions are published on the Authority's web site.

In the event that parties are unable to resolve a dispute, several avenues are available for review. Specific decisions by the Authority under the *Gas Pipelines Access (Western Australia) Act 1998* and the *Electricity Industry Act 2004* may be referred to the Western Australian Energy (Gas) Review Board.



Other disclosures

(continued)

Under the *Gas Pipelines Access (Western Australia) Act 1998*, if the Authority receives notification of an access dispute, the Authority must appoint the Western Australian Gas Disputes Arbitrator to conduct the arbitration.

No new appeals under the National Gas Access Code were lodged with the Western Australian Energy (Gas) Review Board (**Board**) during the 2008/09 financial year. All appeals lodged in prior years were finalised prior to the start of this year, therefore, as at 30 June 2009, there were no applications for review before the Board.

Under the *Electricity Networks Access Code 2004*, on receiving a request to refer an access dispute to arbitration, the Authority must:

- attempt to settle the dispute by conciliation (if the parties agree), or
- if the parties do not agree or if conciliation fails, refer the dispute to the Western Australian Gas Disputes Arbitrator.

No disputes were lodged during the year in review and none were outstanding.

Under the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*, three new applications were lodged with the Board in 2008/09. Two applications (1 and 3 2008) were lodged by the Independent Market Operator (**IMO**) for orders for

contravention of Market Rules. The third application (2 of 2008) was lodged by Griffin Power Pty Ltd applying for a review of a decision made by the IMO not to process a rule change proposal via the fast track rule change process.

Application 2 of 2008 was discontinued by orders dated 18 May 2009. The Energy (Gas) Review Board are aiming for matters relating to Applications 1 and 3 of 2008 to be heard in the early part of 2009/2010.

The Railways (Access) Act 1998 makes provision for the *Railways (Access) Code 2000* to include the arbitration of disputes between railway owners and a proponent. No disputes were lodged during the year in review and none were outstanding.

The *Water Services Licensing Act 1995* provides a framework for the arbitration of disputes arising from decisions of the Authority in relation to its water services licensing functions. No disputes were lodged during the year in review and none were outstanding.

Public interest disclosures

We originally published our public interest disclosure internal procedures on our intranet for staff's availability in 2005. These procedures were reviewed during the year and republished. Public interest disclosure is a regular item on the agenda of our monthly staff meetings.



Other disclosures (continued)

Memorandum of understandings

A Memorandum of Understanding (**MOU**) is a public document that assists with consultation, information sharing, and working relationships. In 2008/09 financial year, the Authority had MOUs with the following organisations.

Energy Ombudsman Western Australia

We signed an MOU with the Energy Ombudsman on 30 October 2008. The purpose of the MOU is to provide consultation between the two parties and the coordination of their regular activities in relation to the regulation of the electricity and gas industries.

Office of Energy

We signed an MOU with the Office of Energy on 5 February 2007. The MOU sets out the arrangements between the Authority and the Office of Energy to promote effective cooperation and coordination between the two agencies in performing their different but complementary roles in Western Australia's energy market.

Independent Market Operator (IMO)

We signed an MOU with the IMO on 9 January 2007. It establishes an agreed framework for mutual cooperation in relation to functions relevant to both agencies.

In the MOU, the Authority and the IMO agreed to mutually assist each other with the exchange of information, expert advice, appropriate referral of matters and cooperation more generally, consistent with legislation. An operational protocol has also been agreed between the two agencies to deal with operational matters.

Department of Water

We signed an MOU with the Department of Water on 12 December 2006 to ensure efficient and effective decision making and advisory processes of both agencies in relation to the water service industry. The MOU also promotes best practice regulation and monitoring of compliance under the *Water Services Licensing Act 1995* and other relevant legislation.

Directorate of Energy Safety (Department of Commerce)

We signed an MOU with the Directorate of Energy Safety of the Department of Commerce on 23 May 2006 to promote cooperation between the two agencies on the regulation of the electricity and gas industries in Western Australia. Both agencies recognise that the framework of mutual cooperation established by the MOU can contribute significantly to the ability of the agencies to effectively and efficiently discharge their respective functions.



Other disclosures (continued)

Risk management and audit program

During the year, seven internal audits were undertaken as compared to five in the previous year.

The Authority's internal auditor for the duration of the 2008/09 annual audit plan was Quantum Consulting.

In previous years, the Authority focused its audit program on traditional areas of audit in the corporate environment. The results of these audits have shown that the Authority has good controls in place in relation to finance, records, human resources, information technology and procurement. This year the Authority focused its audit program on our regulatory divisions' compliance with legislation. These audits resulted in five minor recommendations for improvement. During the year we had 25 recommendations to improve internal controls: as at 30 June 2009, eight of the recommendations had been implemented, six were in progress and 11 were not due to be implemented until 2009/10.

The following table summarises the audit activity undertaken during our 2008/09 audit program.

| Audit number | Audit activity |
|--------------|---|
| 2009-01 | Web site management |
| 2009-02 | TRIM records management |
| 2009-03 | Competition, Markets and Electricity functions compliance with legislation |
| 2009-04 | Gas and Rail access functions compliance with legislation |
| 2009-05 | Procurement |
| 2009-06 | Licensing, Monitoring and Customer Protection functions compliance with legislation |
| 2009-07 | Financial Management |
| 2009-08 | HR and Payroll |



Other disclosures (continued)

Energy Smart and environmental issues

To help the Authority to reduce its carbon footprint, a range of initiatives were developed and implemented. These initiatives incorporated the Energy Smart government guidelines to reduce energy consumption.

Initiatives included introducing battery recycling, with 14 kilograms of batteries being recycled. We introduced recycled paper in the workplace to reduce the impact on the environment and we continued recycling toner cartridges. Impressively, our energy consumption in 2008/09 compared to 2007/08 resulted in a reduction in the use of electricity of 36%.

In July 2008, the Authority lodged its Water Efficiency Management Plan (**WEMP**) with the Water Corporation. The WEMP was developed as part of a government requirement for agencies to demonstrate their commitment to improved water management.

Being a small agency in a leased office environment our opportunities to save water are limited. We have still entered into the spirit of improved water management by promoting water efficient behaviour amongst staff to help raise awareness and hopefully lead to significant reductions in water use.

We have taken the following actions:

- Installed water saving signs at all water fixtures in toilets and kitchens.
- Included information in the induction kit to remind new employees of ways they can be water efficient at work and at home.
- Provide regular water efficiency updates at staff meetings.
- Encourage staff to identify water leaks and report them promptly.
- Prepare user education for staff that use the dishwasher to ensure there is always a full load.
- Ensure water and energy efficiency is taken into account when replacing relevant appliances.
- Encourage staff responsible for fleet vehicles to use recycled car wash facilities.
- Upgrade appliances to the highest water efficiency and standards rating.

