



Independent Pricing and Regulatory Tribunal



25 October 2011

PO Box Q290, QVB Post Office NSW 1230  
Level 8, 1 Market Street Sydney NSW 2000  
T (02) 9290 8400 F (02) 9290 2061  
ABN 49 202 209 476

[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)

The Hon Barry O'Farrell MP  
Premier of NSW  
Level 40  
Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Dear Premier

**Independent Pricing and Regulatory Tribunal - Annual Report 2010/2011**

As required by the *Annual Reports (Statutory Bodies) Act 1984*, I am pleased to submit the Annual Report of the Independent Pricing and Regulatory Tribunal for the year ended 30 June 2011.

Yours sincerely,

A handwritten signature in black ink that reads 'James Cox'. The signature is written in a cursive style with a large initial 'J'.

James Cox PSM  
*Acting Chairman*

ELECTRICITY

GAS

WATER

TRANSPORT

OTHER INDUSTRIES

# Contents

<b>The Acting Chairman's and Chief Executive Officer's Report</b>	<b>3</b>
<b>What we do</b>	<b>7</b>
Functions	7
<b>Principal Achievements in 2010/11</b>	<b>8</b>
<b>Management and Structure</b>	<b>12</b>
The Tribunal	12
<b>Organisation Chart</b>	<b>15</b>
<b>Our Corporate Plan</b>	<b>16</b>
Purpose and Objectives	16
Service Philosophy	16
<b>Performance against Corporate Objectives</b>	<b>17</b>
1. Demonstrating a fair and transparent process	17
2. Applying a rigorous and credible approach to our work	20
3. Reaching a reasonable, balanced answer	22
4. Pursuing excellence and fostering innovation in our operations	23
5. Applying resources to deliver a robust, well run organisation.	24
<b>Key Performance Indicators</b>	<b>27</b>
<b>Planned Service Delivery</b>	<b>28</b>
<b>Impacts of IPART's Determinations</b>	<b>30</b>
Overview	30
Measuring the effects of IPART's pricing decisions on residential customers	30
<b>Contribution of Regulation to Better Performance</b>	<b>43</b>
<b>Financial Report</b>	<b>47</b>
<b>Our work program for 2011/2012</b>	<b>87</b>
<b>Outline budget for 2011/2012</b>	<b>89</b>
<b>Appendices</b>	<b>90</b>
A Legislative Provisions	90
B Decisions under s16A of the Independent Pricing and Regulatory Act	96
C Tribunal Meetings, Public Forums and Submissions	97
D Publications	100
E Agency structure and plans	105
F Audit and Risk Management	111
G External liaison	114
H Government Information (Public Access) Act	117
<b>Index</b>	<b>120</b>



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The Tribunal members for this report are:

Mr James Cox PSM, Chief Executive Officer and Full Time Member

Ms Sibylle Krieger, Part Time Member

Inquiries regarding this document should be directed to a staff member:

Meryl McCracken (02) 9290 8484

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box Q290, QVB Post Office NSW 1230

Level 8, 1 Market Street, Sydney NSW 2000

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# The Acting Chairman's and Chief Executive Officer's Report

During 2010/11 IPART commenced its new responsibilities for determining local government rates. We conducted a survey of all councils in NSW about their costs and used the results of the survey to construct a cost index for local government. We then set the rate peg amount for 2011/12 on the basis of the change in the local government cost index adjusted by a productivity factor.

Councils that wish to do so may request IPART to determine a special variation to rates that is in excess of the rate peg amount. We reviewed and made decisions on 23 applications for councils for special rate variations in 2011/12. This was similar to the number of applications in previous years. In addition, we published reports that gave reasons for our decisions. This had not been done in previous years.

In assessing the applications for special variations we paid particular attention to the need for the increase, the adequacy of consultation with the community and the socio-economic implications of any rate increase. We also commenced a review of three capital contribution plans submitted by councils in the 2010/11 year.

In undertaking these new functions IPART has been greatly assisted by the willingness of representatives of local governments to meet us and discuss issues in an open and constructive manner.

In April 2011 IPART released its draft report on the annual update of retail electricity prices. This indicated that retail electricity prices would need to increase by 18% (on average) to recover the costs of supplying small retail customers with electricity. The main reasons for the increases were increased network prices and changes to Commonwealth Government's Renewable Energy Target Scheme.

We are concerned about these price increases and made a number of recommendations to government to address the problems. We made considerable effort to identify and explain the drivers of increases. We argued that, in the short term, sufficient Energy Accounts Payment Assistance vouchers should be made available to assist those who have difficulty paying the higher bills. We also recommended that the NSW Government review the licence conditions that electricity distributors must meet regarding reliability; the Australian Energy Market Commission review the National Electricity Rules to address concerns that these rules may bias decision by the Australian Energy Regulator in favour of higher network costs for retailers; and that green schemes be introduced only when they are cost-effective and that the cost-effectiveness of existing schemes should be improved. We also recommended that the NSW Government should review the effectiveness of its customer assistance measures. The NSW and Commonwealth Governments subsequently adopted many of these recommendations. Following careful consideration of submissions made in response to the draft report, we published our final report on retail electricity pricing in June 2011.

During 2011 IPART completed work on its determination of bulk water prices that are charged by the NSW Office of Water. This inquiry recognised that water management is becoming more complex and demanding and that an increase in activity by the NSW Office of Water is required. The determination therefore increased prices to recover the user's share of the efficient costs of undertaking these activities.

IPART continued its work as the NSW Government's economic and policy think tank during 2010/11. In September 2010 we published an important study which compared NSW hospitals to produce a body of evidence on costs, clinical practice and outcomes. This evidence can be used by medical and surgical experts to compare what they do and how they do it and the consequences of different ways of providing care on costs and outcomes for patients. We found that simple comparisons of costs based on Diagnosis Related Groups may not always be sufficient for comparing hospital costs. For example, the apparent costs of an episode may vary between hospitals depending on whether rehabilitation takes place in hospital wards or a separate rehabilitation facility. Finally, we made forty recommendations across a number of areas including hospital management, data collection and use, procurement, clinical coding practice and management of clinical services.

## Prices Outcomes of IPART's decision

As in recent years, the prices of the services that IPART regulates, and especially electricity and water prices, increased in 2010/11.

We calculate an index to represent the average change in the prices that we regulate. This index shows that the average of the prices that IPART regulated increased by less than the rate of inflation during the period from 1992/93 to 1999/2000

and by approximately the rate of inflation between 2000/01 and 2003/04. Prices regulated by IPART have increased by more than the rate of inflation since 2004/05. These prices increased by 10.7% more than the rate of inflation in 2009/10 and by 3.8% more than the rate of inflation in 2010/11.

These rising prices are placing pressures on household budgets. Expenditure on services that are regulated by IPART decreased from 4.4% of household income in 1992 to 3.5% in 1996. In 2011 the share was 4.3%. This shows that prices have grown faster than household income in recent years.

Households on low incomes spend proportionately more on IPART-regulated services than higher income households. For example, the poorest 20% of the NSW population spend 5.0% of household income on these services, the richest 20% spend 2.9%. Recent rises in electricity and water prices have the potential significantly to affect the budgets of low income households.

The main reason for rising prices is that the electricity and water businesses, in particular, have been undertaking large capital expenditure programs. Depreciation and a return on the capital employed in making these investments are recovered in the prices that customers pay. Some of this capital investment is required to maintain or replace ageing assets or to cater for growth. Other capital investments are required to meet government standards for improved quality, reliability and environmental impacts.

In the case of electricity, the increased investment has largely been on networks. Network charges are determined by the Australian Energy Regulator and passed through to retail prices by IPART. Higher water prices have been determined by IPART to pass on the costs of increased investment to meet requirements to build a desalination plant and improve sewage treatment.

Much of the pressure for increased prices has come from government policies to improve quality and reliability standards. In some cases these conditions have been imposed on electricity and water businesses through licence conditions. This requires the businesses to meet the higher standards as a condition of remaining in business. In other cases Government have instructed IPART (through section 16A of the IPART Act) to include the efficient cost of meeting a government requirement in prices but not to question whether the government requirement itself is justified. Economic regulation typically involves weighing the benefits of increased standards in terms of quality of outputs against the costs in terms of higher prices.

By making higher standards a condition of doing business, government circumvents the scrutiny and cost/benefit analysis that economic regulation should provide. Although there are circumstances where it is reasonable for governments to do this, it should not happen too frequently. During the year the Government amended section 16A of the IPART Act to ensure this section would be used only for the most important cases.

If the utilities that provide essential services are to remain financially viable, economic regulators must pass on to customers the rising costs of services that result in improved standards. However the increases in utility prices over the past three years have caused difficulties for some customers. Economic regulators should understand the views of customers and ensure that discretionary expenditure by the businesses to improve standards occurs only where it is justified. Governments should consider most carefully any further initiatives that put upward pressure on prices to ensure that the benefits of these policies exceed the costs.

We do not welcome the increases in water and electricity prices that have occurred during recent years. IPART has, however, acted to address customer affordability issues. We made recommendations to Government to address the causes of rising prices and to provide assistance to those who are adversely affected by them. We completed a household survey of residential water and energy use in Sydney, the Blue Mountains and the Illawarra and used the results extensively to understand the distributional consequences of our electricity price determination.

During the year our price comparison website, Myenergyoffers, became operational. This website enables customers to compare regulated electricity prices with the prices that are available in the competitive market. It improves the operation of the market by providing customers with accurate and unbiased information.

In addition, we enhanced consumer protection through our licensing work in energy and water. In particular, we decided to respond to increased competitive activity in the electricity market through an increased focus on ensuring compliance with the conditions of electricity licences.

## Regulation and Better Economic Performance

This annual report includes a discussion of how economic regulation can lead to better industry and economic performance. Regulators can drive better performance through, for example:

- > implementing a price structure that reflects the efficient costs of the regulated businesses, provides good prices signals for consumers and is transparent;
- > providing incentives for regulated businesses to improve their productivity;
- > measuring the productivity of regulated businesses;
- > measuring the profitability of regulated businesses.

IPART has done a good deal of work over the years to improve price structure. We are in the process of revising water pricing to ensure that each group of customers pays only the costs of providing them with the services that they use. We have revised transport pricing to ensure that passengers pay only their fair share of costs and that the value of the wider benefits to society that result from the provision of transport services are deducted from the amount of efficient costs that customers are asked to pay.

We provide incentives for efficiency by basing prices on the efficient costs of providing the services rather than the actual costs. However, as noted earlier, governments have tended to circumvent economic regulation and its disciplines in recent years. In this annual report we present the results of work that we have done on productivity which shows that the productivity of the electricity, gas and water sectors improved over the period from 1986 to 1999, but has fallen especially since 2004.

The main reason for productivity reductions are higher standards, renewal of capital assets and the improved quality of outputs. This reflects rising levels of capital expenditure. An important function of economic regulators is to explain to the public the reasons why prices are increasing. A better understanding by the public of the reasons for price increases is likely to lead to the adoption of improved policies. A balanced assessment of the performance of economic regulation needs to consider what has happened to productivity and profitability as well as prices.

## IPART's Capabilities

IPART continued to improve its capabilities during 2010/11 through the following projects.

We implemented a new information system (SAP) for finance and human resources. At the end of the financial year the new system was delivering the improved reporting which had been planned. The project was a major change and was supported by extensive staff training and independent audits.

We made significant progress on the redesign of our website. The new design provides for on-line submission of information and contains a separate section to describe our work in language that is accessible to members of the public.

We encourage our staff to develop their skills to enable them to do their job as well as they can and to develop them for future progression or greater capacity within the organisation.

During 2010/11 we:

- > trained all staff and managers to use the new electronic self-service system SAP;
- > reviewed crisis management policies and held a simulated crisis response exercise to test and validate the procedures in place;
- > offered an executive development and leadership program which is directed to new managers;
- > improved the financial modelling skills of our economic analysts.

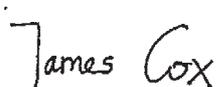
IPART's new function in local government required us to establish a new team. The team was established over the year and worked with helpful guidance of the Division of Local Government, Department of Premier and Cabinet.

A number of software upgrades allowed IPART to take advantage of new features and improve business continuity. These include the migration to Exchange 2010, new phone system software and the migration to TRIM 7.1.

## Concluding Comments

Rod Sims was appointed Chairman on IPART on 26 July 2010 and resigned 30 June 2011 to take up the Chairmanship of the Australian Competition and Consumer Commission. Rod made an outstanding contribution to the work of IPART during his period in office and I would like to thank him personally for his advice and guidance.

In concluding, I would like to thank my fellow Tribunal Member, Ms Sibylle Krieger for wise counsel and participation in decision making during the year. I would also like to thank Mr Peter Egger, Mr Eric Groom, Mr Stephen Lyndon, Mr Stuart McDonald and Dr Brian Spalding for their valuable work on IPART's committees. In addition I would like to thank IPART's Secretariat for excellent professional advice and assistance.



**James Cox, PSM**

*Acting Chairman and Chief Executive Officer*

# What we do

IPART is the independent regulator that determines the maximum prices that can be charged for certain retail energy, water and transport services in New South Wales. We also determine local government rates. To ensure the quality and reliability of these services, we monitor service delivery, audit suppliers and oversee licence compliance by water and retail energy suppliers.

IPART also serves as the NSW Government's economic advisor and policy think tank. In this role, we review the pricing of other services and investigate various aspects of industry productivity, competition, performance and planning. We administer the Greenhouse Gas Reduction Scheme and Energy Savings Scheme at the Government's request.

## Functions

IPART now has the following key functions, which are conferred by legislation, codes and access regimes established by legislation. These functions are to:

- set maximum prices for monopoly services provided by government agencies in NSW (including water and public transport) and monitor compliance with determinations
- administer licensing or authorisation of water, electricity and gas businesses, and monitor compliance with licence conditions
- administer the Greenhouse Gas Reduction Scheme and Energy Savings Scheme, and associated Register of abatement certificates
- advise the NSW Government or its agencies on issues such as pricing, efficiency, industry structure and competition
- maintain a local government cost index, determine the maximum percentage increase in local government general revenue (rate peg), determine special rate variations and review Council development contributions plans
- register agreements for access to public infrastructure assets and arbitrate disputes about these agreements
- investigate complaints about competitive neutrality referred by the Government
- assist other Australian regulators and government bodies on a fee for service basis.

IPART provides an integrated system of economic regulation and licence regulation in NSW that covers pricing for water and public transport, retail pricing for electricity and gas and monitoring licence compliance for water, electricity and gas.

The legislation under which IPART is constituted stipulates that in relation to the content of its determinations and recommendations, it is not subject to the control or direction of any government minister. This provision ensures that IPART is able to pursue these goals through rational, objective processes and that its decisions are not influenced by political interests.

# Principal Achievements in 2010/11

Completed by 30 June 2011

## Bulk Water /Rural Water Pricing

- Released final determination of the Water Administration Ministerial Corporation charges levied by the NSW Office of Water
- Monitored compliance with price determinations by State Water Corporation and the NSW Office of Water

## Metropolitan Water Pricing

- Reported to Government on the refund to customers and adjustment to charges resulting from the decision not to proceed with Tillegra Dam
- Produced guidelines for the preparation of water agency pricing submissions and for the assessment of recycled water scheme avoided costs
- Released an issues paper for the review of charges payable to Sydney Water for water, sewerage, drainage and recycled water services from 1 July 2012
- Released an issues paper for the review of charges payable to Sydney Catchment Authority from 1 July 2012
- Released a discussion paper for the review of metropolitan water utility price structures
- Monitored compliance with price determinations by metropolitan water utilities
- Liaised with key stakeholders on how regulatory processes may be improved

## Water Licensing (public water utilities)

- Audited and reported on compliance for 2009/10 with the operating licences held by:
  - State Water Corporation
  - Sydney Water Corporation
  - Sydney Catchment Authority
  - Hunter Water Corporation
- Released issues paper and held a public workshop for the review of Hunter Water's operating licence
- Completed interim review of Sydney Catchment Authority operating licence
- Completed review of Hunter Water Corporation's customer contract
- Released issues paper for the review of Sydney Catchment Authority's operating licence
- Published a report on the 2009/10 performance of the NSW metropolitan water utilities
- Held a stakeholder workshop for the review of the metropolitan water utility performance indicators
- Collected and audited performance indicators on behalf of the National Water Commission.

### Water Industry Competition Act 2006 (WICA)

- Made recommendations to Minister for Finance and Services on licence applications and variations
- Maintained registers (eg, licence applications, licensees)
- Monitored and reported licence compliance
- Facilitated discussions/seminars with industry participants to identify and resolve matters associated with implementation of Act

### Rail access

- Reviewed rail infrastructure compliance with the NSW rail access undertaking for 2009/10 for Australian Rail Track Corporation

### Transport

- Reviewed taxi fares – from 1 July 2011
- Reviewed fares for rural and regional buses – from January 2011
- Reviewed private ferries fares – from December 2010
- Reviewed compliance by CityRail and metropolitan and outer metropolitan bus operators with IPART's determinations

### Energy Pricing

- Conducted annual review of total energy cost allowance
- Launched and maintained a new price comparison tool, "My Energy Offers" to allow consumers to compare energy contract options on-line
- Reviewed cost pass through applications under IPART's regulated electricity retail determination 2010-2013
- Assessed compliance by standard gas retailers with Voluntary Transitional Pricing Arrangements
- Assessed compliance by standard electricity retailers with IPART's Determination

### Energy Licensing

- Published energy distribution and retail licence compliance report
- Processed applications for granting of new licences and cancelling of existing licences
- Reported network operators' and energy retailers' performance
- Conducted licence compliance audits of retailers and network operators
- Audited operations of Electricity Tariff Equalisation Fund

## Section 9 and other referrals

- Reviewed Hospital costs and outcomes
- Reviewed productivity of State Owned Corporations

## Analysis and Policy Development

- Published a *Final Report on Regulatory tests of past and forecast capital expenditure*.
- Completed a staff working paper on *Incentives for cost-savings in CPI-X regimes*
- Released the results of the 2010 Household Survey-Residential water and energy use in Sydney, the Blue Mountains and the Illawarra

## Greenhouse Gas Reduction Scheme

- Completed Review of GGAS including economic modelling of policy options if GGAS were re-opened to new applications
- Amended the Greenhouse Gas Benchmark Rule (Generation) No. 2 to clarify treatment of eligible generation where a component has been used to create Gas Electricity Certificates (GECs) under the Queensland Gas Scheme
- Amended the Greenhouse Gas Benchmark Rule (Carbon Sequestration) No. 5 to improve methods to account for discrepancies in carbon stocks
- Submitted 8th Annual Report on Compliance and Operation of the NSW GGAS to Minister

## Energy Savings Scheme

- Amended the Energy Savings Scheme Rule to revise default savings factors for showerhead programs
- Released the Compliance and Performance Monitoring Strategy
- Suspended one ACP for failing to comply with requirements of the scheme
- Held a series of seminars introducing the Energy Savings Scheme throughout NSW
- Commenced re-design of the Energy Savings Scheme website
- Submitted 2nd Annual Report on Compliance and Operation of the NSW Energy Savings Scheme to Minister

## Local Government

- Conducted a survey of all councils in NSW about their costs and developed a Local Government Cost Index using the results of the survey
- Set the rate peg percentage that is used to regulate local government general revenue for most councils in 2011/12
- Reviewed and decided on 23 applications from councils for special rate variations in 2011/12

## In Progress at 30 June 2011

### Metropolitan Water Pricing

- Review of the maximum prices charged by the Sydney Desalination Plant Pty Ltd
- Review of the Sydney Water's water, sewerage, drainage and recycled water maximum charges from 1 July 2012
- Review of the Sydney Catchment Authority's maximum water charges from 1 July 2012
- Review of metropolitan water utility price structures

### Water Licensing (public water utilities)

- Review of Sydney Catchment Authority's and Hunter Water Corporation's operating licences
- Review of the metropolitan water utility performance indicators

### Water Industry Competition Act 2006 (WICA)

- Preparation of recommendations to Minister for Water Utilities on various licence applications
- Administer licence compliance regime

### Rail access

- Review of Access Pricing for the NSW Grain Line Network

### Section 9 and cross sectoral work

- Review of Pricing of Government radio services
- Review of Rentals for Domestic Waterfront Tenancies
- Working paper on *Incentives for cost-saving in CPI-X regimes*

### Local Government

- Commenced reviews of 3 council contributions plans on behalf of the Minister for Planning and Infrastructure

# Management and Structure

IPART is headed by a Tribunal that comprises 3 permanent members, plus temporary members, who are appointed by the Premier. The Tribunal is supported by a Secretariat that provides research and advisory services.

## The Tribunal

### Permanent members



**CHAIRMAN** from 26 July 2010 to 30 June 2011

**Mr Rod Sims** *BCom (Hons), MA (Econ)*

Appointed for 5 years from 26 July 2010. Chairman of Singapore-based InfraCo Asia Development, Director of Port Jackson Partners Limited and Ingeus Limited, a Commissioner on the National Competition Council and a Member of the Research and Policy Council of the Committee for Economic Development of Australia. Formerly Chairman of Rail Infrastructure Corporation and the State Rail Authority in NSW, and Deputy Secretary in the Commonwealth Departments of Prime Minister and Cabinet and Transport and Communications.



**ACTING CHAIRMAN** from 30 June 2010 to 25 July 2010  
**CHIEF EXECUTIVE OFFICER AND FULL-TIME MEMBER**

**Mr James Cox** *BSc (Econ) (Hons), MA (Econ)*

Appointed for 5 years from 22 February 1996. Reappointed for an additional 5-year term from 22 February 2001. Reappointed for an additional 5-year term from 22 February 2006. Reappointed for an additional 3 year term from 2011. Former Principal Adviser, Government Pricing Tribunal/IPART, 1992-96. Consultant, NSW Cabinet Office, 1989-92. Principal Economist, Office of EPAC, 1986-89.



**PART-TIME MEMBER**

**Ms Sibylle Krieger** *LLB (Hons), LLM, GAICD, MBA*

Appointed for 3 years from 25 July 2006. Reappointed for 3 years from 1 July 2009. For 29 years a commercial lawyer in private practice with wide-ranging experience including commercial advisory and administrative law. Partner in two major commercial law firms for 22 years before leaving practice in 2008 to establish a portfolio career. Non-executive director of Sydney Ports Corporation 2002-2005, and of Allconnex Water in South East Queensland from 2010. Member of the AER's Dispute Resolution Panel pool for the National Electricity Market and the National Gas Market.

### Temporary members

There were no temporary members during 2010/11.

### Meeting frequency and attendance

Throughout the year, the Tribunal held 43 meetings and 29 Delegated meetings, and hosted a number of public hearings, forums and workshops. More detail about these meetings and each member's attendance is provided in Appendix C.

### Delegated Committees

The IPART Act allows the Tribunal to delegate its functions to a Committee comprising a Tribunal Member and other persons if required. The Tribunal has delegated certain functions to a Committee convened by the Chief Executive

Officer/Full Time Member to enable the delegate to make decisions on more routine issues. A formal instrument of delegation was approved by the Tribunal.

Similarly, the Tribunal has delegated its responsibilities regarding its administration of the Greenhouse Gas Reduction Scheme to a Committee and the administration of the Energy Savings Scheme to a separate Committee, by written instrument. The Minister for Energy has approved these delegations. The Chief Executive Officer/Full Time Member chaired 13 Greenhouse Gas Reduction Scheme Tribunal Meetings and 20 Energy Savings Scheme Tribunal Meetings.

In addition, the Tribunal has delegated its responsibilities regarding its responsibilities for reviewing Local Government Contributions Plans under the Environmental Planning and Assessment Act 1979 to a Committee, by written instrument. This Committee is chaired by the Chief Executive Officer/Full Time Member and includes the Director, Analysis and Policy Development, Stephen Lyndon, and an independent adviser on planning matters, Stuart McDonald. The Committee met 9 times in 2010/11.

## The Secretariat

IPART's Secretariat assists the Tribunal in its work, by providing research and advisory services, and supporting investigations and public processes.

Most of the professional staff members are highly experienced economists and financial/accounting analysts, although IPART has increased the diversity of skills to include engineering and financial modelling capabilities. Staff work in industry-based teams, undertaking research, investigation and analysis to provide professional advice to the Tribunal. General Counsel and legal staff provide legal advice on the increasingly complex regulations governing utility operations.

The Secretariat also includes a support services team that provides information technology, general administrative, and personnel support to the operational areas. This team also manages IPART's processes, including the public registry, submissions, and the preparation and publication of reports and the website.

With most investigations, the Secretariat also needs to commission consultants to undertake additional research and provide the Tribunal with the highest quality advice on often complex topics. If necessary, it can also second staff from other government agencies to assist with particular investigations.

## Senior Managers

The Secretariat is headed by senior managers, who report to the Chief Executive:



### DIRECTOR ENERGY AND TRANSPORT

#### Fiona Towers

*BCom (Accounting and Finance), MCom (Economics and Econometrics)*

Responsible for managing energy and transport industry programs.



### DIRECTOR WATER

#### Amanda Chadwick

*L Bb (Hons), B Econ, Msc Regulation*

Responsible for managing water industry programs and utility regulation.



### GENERAL MANAGER SUPPORT SERVICES

#### Meryl McCracken

*BA, Dip Lib, Dip PSM*

Responsible for providing support services including human resources, office services, finance and information technology.



### DIRECTOR, ANALYSIS AND POLICY DEVELOPMENT

#### Stephen Lyndon

*BA (Econ)*

Responsible for managing the analysis and policy development programs.



**PRINCIPAL ADVISOR**

**Eric Groom**

*B Ec (Hons), M Ec*

Responsible for maintaining the intellectual rigour of the approach to regulation and ensuring the consistency of reviews, and oversight of the Greenhouse Reduction and Energy Savings Schemes.



**GENERAL COUNSEL**

**Pamela Soon**

*LLB, B Comm, LLM*

Responsible for the provision of legal advice to the Tribunal and the management of the legal team.



**DIRECTOR, LOCAL GOVERNMENT**

**Alison Milne**

*B Ec (Hons)*

Responsible for managing the Local Government team and functions.

## Internal committees

IPART's Core Executive consists of the Tribunal's Chief Executive Officer and Full Time Member plus the senior managers. Throughout the year, this group met regularly, at approximately 2 week intervals. Other Managers attended meetings as required. The purpose of these meetings was to review the Secretariat's current work program and ensure that the Chief Executive was adequately briefed on all relevant issues.

## External committees

As part of IPART's role in managing the Energy Savings Scheme, Margaret Sniffin, the Executive Manager, contributed to the NSW Energy Efficiency Strategy Working Group.

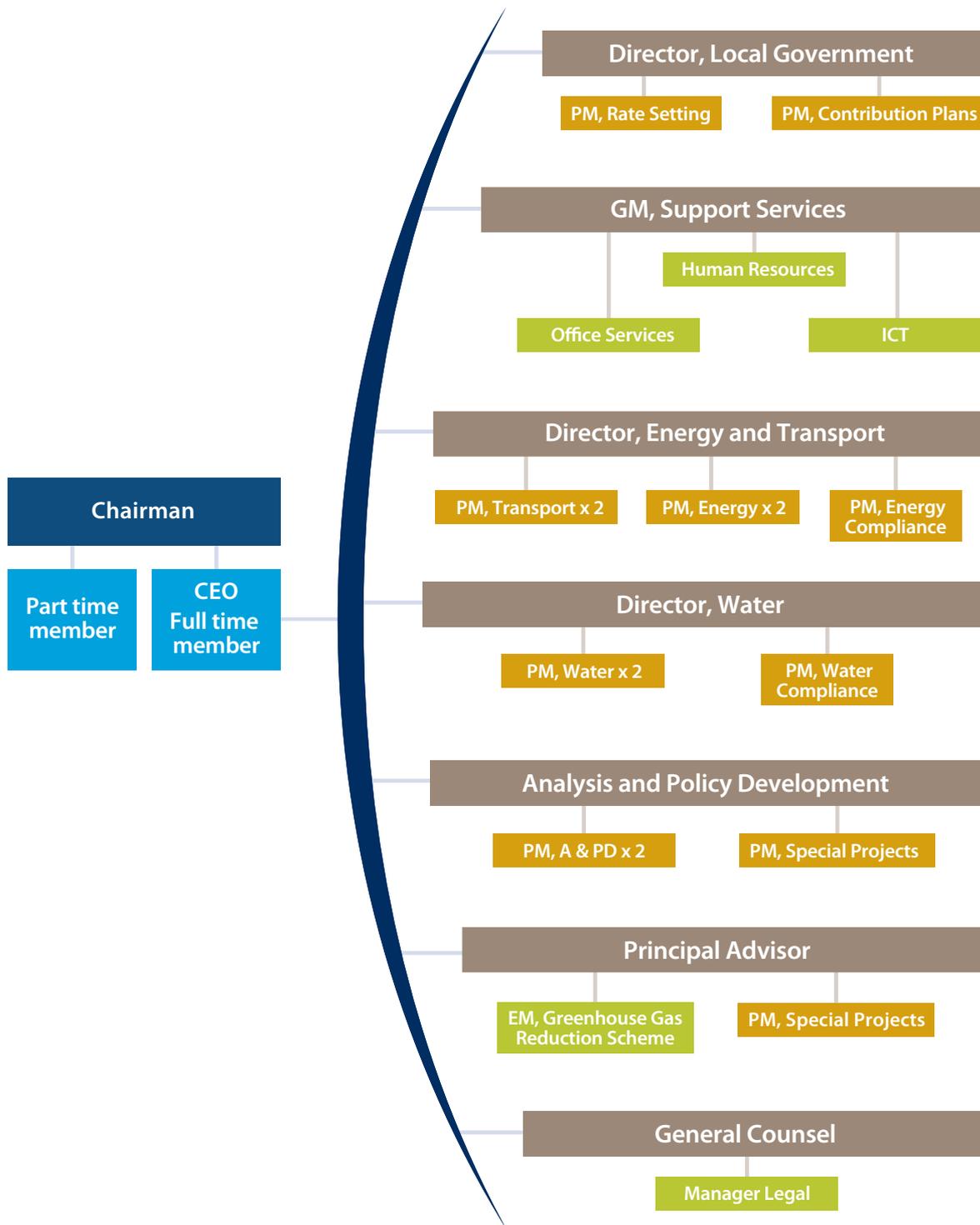
IPART sends a delegate to sit on the National Water Commission inter government committee to report on urban water utility performance and also to sit on the National Water Commission inter government committee to report on rural water utility performance.

Meryl McCracken represented small agencies on the Treasury Managed Fund Advisory Council and contributed to the University of Sydney's Faculty of Economics and Business Employer Advisory Board.

## Management Issues – new function in relation to the Central Coast Corporation

On 25 February 2011, the Central Coast Water Corporation was established under the *Central Coast Water Corporation Act 2006* (Central Coast Act) to take over the water supply functions of Gosford City Council and Wyong Councils. The Councils have commenced creating an organisation to deliver the functions of the Corporation as a water supply authority. There is a provision in the Central Coast Act that will constitute the Corporation as a water supply authority and when the provision commences the Corporation will be a government agency for which IPART will have standing reference under s.11 of the IPART Act. Once the Corporation becomes a water supply authority, it will need an operating licence under the Central Coast Act to enable it to carry out its water supply functions. The Corporation's water supply services will also need to be priced. IPART has commenced planning for these functions in collaboration with the Councils.

# Organisation Chart



# Our Corporate Plan

## Purpose and Objectives

IPART's purpose is to provide independent regulatory decisions and advice to enhance the economic, social and environmental well-being of the people and state of NSW.

Our specific purpose varies with different activities and functions we are asked to perform across a range of industries. However, in everything we do, we strive to achieve the following goals:

- in the areas of our expertise be recognised as a key economic think-tank and source of quality advice to the NSW Government
- promote competition (or simulate its effects) in regulated industries
- protect consumers by monitoring the quality and reliability of regulated services and by considering the social impacts of its decisions
- promote secure and sustainable energy and water supplies by monitoring the way utilities comply with their licence obligations
- encourage economic prosperity and prudent and efficient investment in utility infrastructure
- encourage environmental sustainability
- promote an innovative regulatory environment.

## Service Philosophy

In pursuing our purpose and goals, IPART is guided by a set of principles based on our philosophy of regulation and understanding of best practice regulation:

### Thinking Independently

We maintain independence of our decisions from government and all other stakeholders.

### Being Transparent

Our processes are visible and we explain our decisions.

### Fostering Innovation

We explore new and better approaches.

### Consulting Widely

We consult extensively and effectively with all stakeholders.

### Delivering Fair and Balanced Outcomes

We seek equitable outcomes by balancing the interests of the regulated entity, its customers and other stakeholders in alignment with NSW State priorities.

### Being Practical

We aim for pragmatic outcomes that can be achieved without significant operational difficulties.

### Driving Excellence

We promote processes and decisions which are predictable, consistent and adhere to the highest professional standards, and use resources effectively and efficiently.

# Performance against Corporate Objectives

Throughout this financial year, IPART particularly focussed on meeting 5 core objectives:

1. Demonstrating a fair and transparent process.
2. Applying a rigorous and credible approach to our work.
3. Reaching a reasonable, balanced answer.
4. Pursuing excellence and fostering innovation in our operations.
5. Applying resources to deliver a robust, well run organisation.

A summary of key actions and progress towards meeting these objectives is provided below.

## 1. Demonstrating a fair and transparent process

IPART recognises that open and effective consultation with all its stakeholders, to explain the regulatory process and encourage debate about industry outcomes and regulatory methods, is critical to its credibility and relevance.

Progress in following strategies to improve processes in 2010/11 include:

---

### **STRATEGY: Hold regular meetings with key stakeholders**

---

#### **ACTION:**

**Establish and implement program for meeting with key stakeholder groups**

#### **Progress to 30 June 2011:**

- > Regular meetings held with water agencies to review progress against operating licence standards and key expenditure and sales assumptions underlying current price determinations.
- > Established working groups with metropolitan water agencies to develop a consistent approach to common issues.
- > Regular meetings held with stakeholders during the various transport reviews.
- > Regular meetings held with energy retailers and other stakeholders as part of the annual review of energy costs and the cost pass through applications.
- > Meetings held with councils seeking to apply to IPART for special rate variation.
- > Regular meetings held with stakeholders during the reviews relating to, hospitals costs and outcomes, domestic waterfront tenancies, government radio services and cross-sectoral research projects.
- > Periodic meetings with community, business, environmental and government groups on IPART's work program.

---

### **STRATEGY: Encourage and facilitate stakeholder involvement**

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#### **ACTION:**

**Adopt technology and processes to make participation in reviews easier**

#### **Progress to 30 June 2011:**

- > Issues papers encourage stakeholders to email submissions to IPART investigations.
- > On the IPART website, stakeholders can nominate to receive electronic alerts following the release of IPART material relevant to their area of interest.
- > Issue papers, timetables, roundtable papers, draft and final reports are published for all regulatory reviews and the great majority of Section 9 referrals.

**ACTION:**

**Publish timetables for reviews and release discussion papers and draft determinations**

**Progress to 30 June 2011:**

- > Current timetables maintained on website.
- > Timetables clearly state due dates for submissions, public hearings and release of reports.
- > The various transport reviews, and the water planning and management investigations were advertised in local papers. Articles were published in the Land newspaper and regional newspapers explaining the key issues for the investigations and encouraging stakeholder participation.

---

**ACTION:**

**Promote timeliness by identifying where the delays occur and minimising the areas of uncertainty for stakeholders**

**Progress to 30 June 2011:**

- > The operating licence for Hunter Water nominates a due date for completion of the annual audit. This same timetable was adopted for all public authority operating licence audits.
- > The Water Industry Competition Act 2006 nominates allowed times for Tribunal actions. When these time limits are likely to be breached the Tribunal is required to inform Minister and other stakeholders of delay with explanation of causes for delay.
- > For the Government radio services review the Government submission was delayed by 2 months. The timetable was extended and reasons were provided. Where an extension of time was sought for further submissions, this was granted.

---

**ACTION:**

**Measure timeliness by adopting the Council Of Australian Government's proposal of a six month timeframe for regulatory decisions, where practicable**

**Progress to 30 June 2011:**

- > Timeliness KPI now included in the service delivery performance indicators.

---

**ACTION:**

**Continue to hold public workshops, roundtables and hearings**

**Progress to 30 June 2011:**

- > Public hearings/workshops/roundtables held for almost all investigations.

---

**ACTION:**

**Review ways of taking our message to rural areas**

**Progress to 30 June 2011:**

- > Public hearings held in rural areas for bulk water and the review of the revenue framework for local government. Consultation with the Southern Area Health Service for the review of the framework for performance improvement of health.
- > Release of issues papers for investigations affecting rural communities advertised in rural press. Press releases were issued for the local government review workshops.
- > Recommended that the Office of Water improve its consultation with water users.
- > Engaged expert rural and regional communication assistance to support communication of draft determinations of Office of Water prices.
- > For the domestic waterfront tenancies review, we ensured media in affected postcodes in regional areas received our media release advising the publication of our Issues Paper.

**ACTION:**

Develop 'fact sheets' to communicate key decisions in a more accessible form

**Progress to 30 June 2011:**

- Fact sheets are available on the IPART website for all current IPART price determinations and for other IPART reviews.
- The GGAS website includes a wide range of detailed Guides to assist businesses applying for accreditation.
- The new ESS website included Guides and Fact Sheets setting out information requirements for new participants.

**ACTION:**

Articulate the information IPART requires from businesses and agencies it regulate

**Progress to 30 June 2011:**

- Published timetables for all investigations and regularly updated timetables on website.
- Early written advice given to regulated agencies on the nature of information required for pricing reviews, the timetable, and the desired format in which key data should be provided.
- Published guidelines to assist metropolitan water utilities to provide complete and accurate submissions that support stakeholder participation.
- IPART financial models provided to regulated agencies to standardise data requests and formulae used in financial analysis.
- Meetings were held across the State with finance and planning professionals from local councils to explain how we would conduct our new local government functions.
- A generic financial model was released on IPART's website to assist interested parties to understand how IPART's cost and pricing models typically work.

**ACTION:**

Seek the views of the "average" customer

**Progress to 30 June 2011:**

- Public hearings/workshops were held for all IPART pricing investigations.
- IPART undertakes regular surveys of household use of energy, water and some transport services.

**STRATEGY: EXPLAIN IPART'S DECISION MAKING PROCESSES AND ITS RATIONALE FOR DECISIONS****ACTION:**

Explain decision-making processes through issues papers and reports

**Progress to 30 June 2011:**

- Issues papers and reports undergo quality assurance, legal review and editing to ensure that they are accurate, comply with the law and clearly explain the Tribunal's decisions with supporting reasons.
- Decision-making process was explained in issues papers and reports.

**STRATEGY:****SEEK FEEDBACK ON STAKEHOLDER PERCEPTIONS OF IPART'S INTEGRITY, PROCESSES, AND QUALITY OF WORK****ACTION:**

Survey stakeholder perceptions every two years

**Progress to 30 June 2011:**

- The stakeholder survey was repeated in 2010 and will be undertaken again in 2012.

## 2. Applying a rigorous and credible approach to our work

IPART's focus on enhancing the quality of its work and the rigour of its processes was reinforced by the latest survey which improved on already satisfactory ratings. The 2010 survey indicated that stakeholders have a high level of respect for the professionalism of IPART's staff.

These highlights from 2010/11 illustrate the strategies being followed in this area:

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### STRATEGY: CONTINUALLY IMPROVE INTERNAL PROCESSES

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#### ACTION:

**Implement information management strategy**

#### Progress to 30 June 2011:

- Developed and implementing enhanced project management processes to ensure that Tribunal has 'big picture' up front.

---

#### ACTION:

**Document a 'whole-of-organisation' work program to identify peaks in resource demand to assist in planning**

#### Progress to 30 June 2011:

- ▶ Forward Tribunal agendas and report release dates provide a detailed program for the year ahead.

---

#### ACTION:

**Avoid matters returning to the Tribunal by establishing issues and principles early**

#### Progress to 30 June 2011:

- At commencement of a review, the Tribunal is advised of proposed timetable and major issues for decision to enable the Tribunal to assign priorities and indicate information required for decision making.
- Scoping briefs and objectives established for all reviews.

---

#### ACTION:

**Consider QA controls early in the review process**

#### Progress to 30 June 2011:

- The details of proposed QA checks are established at commencement of a review.

---

#### ACTION:

**Continue cross-sectoral research program to improve consistency and quality of analysis**

#### Progress to 30 June 2011:

- Cross-sectoral program has been embedded into IPART's core business. All projects are monitored by Tribunal.

---

#### ACTION:

**Maintain a designated QA manager**

#### Progress to 30 June 2011:

- Program manager given designated QA role.
- QA undertaken for all reviews.

---

#### ACTION:

**Hold peer reviews regularly**

#### Progress to 30 June 2011:

- Increased frequency of peer reviews.

**ACTION:**

Subject all major projects to post-completion review

**Progress to 30 June 2011:**

- > All major projects are subject to post-completion reviews by the Tribunal.

**ACTION:**

Develop library/information supply service

**Progress to 30 June 2011:**

- > IPART committed to new on-line subscription services and invested in additional reference texts.

**STRATEGY: PARTNER WITH APPROPRIATE EXTERNAL EXPERTS****ACTION:**

Employ external resources for supplementary specialist skills (eg, engineering) and manage peaks in workload

- > Engineering specialists engaged for operating licence audits. Economic consultants engaged to assist with work peaks and specialist knowledge. A medical practitioner was engaged for the hospital costs and outcomes review.

**ACTION:**

Make better use of consultants by encouraging knowledge transfer during the engagement

**Progress to 30 June 2011:**

- > Where appropriate, consultants were accommodated in IPART offices to work as part of project teams for the purpose of knowledge transfer.
- > IPART staff participated in meetings between consultants and agencies in the audit of performance against operating licences as part of the process of skilling IPART staff to take a more hands-on, proactive audit role.
- > Expert advice on energy wholesale markets was obtained.

**STRATEGY: APPLY HIGH STANDARDS OF ETHICAL AND PROFESSIONAL WORK STANDARDS****ACTION:**

Ensure protection of confidential data consistent with statutory requirements

**Progress to 30 June 2011:**

- > Personal contact details removed from public submissions prior to publishing. Commercial in confidence status was assigned to data where requested by stakeholders, subject to IPART Act and GIPA Act.

**ACTION:**

Promote professional standards and behaviour policy

**Progress to 30 June 2011:**

- > Policy documents on standards of behaviour are accessible to all staff via the internal Intranet. Managers are required to model professional standards and behaviour at all times and address any inconsistencies.

**STRATEGY: IMPROVE INTERNAL ANALYTICAL CAPACITY THROUGH RECRUITMENT AND DEVELOPMENT PRACTICES****ACTION:**

Recruit suitable graduates to support IPART's work program

**Progress to 30 June 2011:**

- > The agency undertook a recruitment drive for new graduates. During 2010/11 IPART recruited a total of 5 graduates.

**ACTION:**

**Broaden the skills base**

**Progress to 30 June 2011:**

- > Skills development is identified through the performance management system for each staff member and further defined by an agreed development plan for the period.

**ACTION:**

**Promote staff development**

**Progress to 30 June 2011:**

- > Training and work projects are assigned with regard to identified development needs.
- > Employees are encouraged to build on their existing skill levels for organisational and personal advancement. This may include secondment opportunities to public sector and non public sector agencies.

### 3. Reaching a reasonable, balanced answer

In its commitment to achieving a balanced regulatory answer in the face of the increased breadth and complexity of its role, IPART is continuing to strive to be at the forefront of regulation.

The following table provides a summary of the implementation of IPART's strategic commitments in 2010/11:

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**STRATEGY: MONITOR DEVELOPMENTS IN OTHER JURISDICTIONS**

---

**ACTION:**

**Participate in Australian Regulators Forum**

**Progress to 30 June 2011:**

- > Attended and presented at all Regulator Forum meetings

**ACTION:**

**Research and monitor developments in other regulatory regimes**

**Progress to 30 June 2011:**

- > Developments in Australia monitored on an ongoing basis.
- > Produced quarterly round-up of international regulatory developments and journal articles, which was shared with central agencies.
- > Introduced a new regulatory report to be distributed every 2-3 weeks for more timely dissemination of information.

**ACTION:**

**Collaborate with other regulators in research activity, including developing joint research programs**

- > There was considerable interchange of work on industry developments with other jurisdictional regulators.

**ACTION:**

**Participate in seminars/conferences**

**Progress to 30 June 2011:**

- > Various staff members have attended seminars/conferences as presenters and attendees.
- > Attended inter-jurisdictional energy transport and water regulators' meetings.

**STRATEGY:****MONITOR AND REPORT ON IMPACTS OF DECISIONS TO ENSURE THEY HAVE NO UNINTENDED CONSEQUENCES****ACTION:**

Analyse and report on the cumulative impacts of the Tribunal's decisions

**Progress to 30 June 2011:**

- > See section in this Annual Report.

**STRATEGY: PROVIDE MORE REASONED EXPLANATIONS OF DECISIONS****ACTION:**

Continue to develop report writing skills

**Progress to 30 June 2011:**

- > Reviewed IPART report writing style to further improve the quality of reports.
- > Training to improve staff writing skills offered to individuals or teams on a needs basis. In house training was organised for two industry teams. Further training will focus on new starters and graduates.

## 4. Pursuing excellence and fostering innovation in our operations

IPART's commitment to excellence and fostering innovation has led to an increased diversity of subject matter in government referrals and more social policy work.

IPART's strategic response to some of these issues in 2010/11 follows:

**STRATEGY: CONTINUE TO RESEARCH AND ADOPT IMPROVED REGULATORY TECHNIQUES AND APPROACHES****ACTION:**

Interpret statutory requirements and ensure compliance

**Progress to 30 June 2011:**

- > Operating licence audits conducted for major water agencies.
- > Checks are undertaken to ensure that regulated entities comply with IPART price determinations.

**ACTION:**

Liaise carefully on any scope and terms of reference before work is accepted

**Progress to 30 June 2011:**

- > Where possible, IPART suggested changes to draft Terms of Reference for greater clarity of task and associated timelines.
- > Cross-sectoral research and policy program instituted to ensure continuing best-practice in the execution of the Tribunal's regulatory functions. Engaged expert peer review of various discussion papers.

**ACTION:**

Make better use of the Tribunal's expertise by planning the time between reviews and reference to delegated Tribunal meetings

**Progress to 30 June 2011:**

- > A more structured approach to the Tribunal's forward agenda has streamlined the decision making process.

**ACTION:**

Use informal Tribunal meetings when exploring new ground and not making a decision

**Progress to 30 June 2011:**

- Detailed planning is undertaken for all reviews.
- 

**ACTION:**

Conduct internal training sessions to facilitate transfer of skills between staff

**Progress to 30 June 2011:**

- Training and skills sessions on best-practice financial modelling and IPART-specific use of Excel, Word and Powerpoint were held.
- 

**ACTION:**

Review regulatory processes

- Administrative processes were streamlined for the Energy Savings Scheme.
- 

**STRATEGY: BE PROACTIVE ON REFERRALS**

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**ACTION:**

Suggest possible areas to apply IPART's expertise in discussion with relevant Ministers

**Progress to 30 June 2011:**

- The Chairman and CEO have met with relevant stakeholders to discuss potential projects.
- 

**STRATEGY: CONTINUE TO INVESTIGATE WAYS TO OBTAIN THE VIEWS OF THE AVERAGE CUSTOMERS**

---

**ACTION:**

Repeat the Household Survey

**Progress to 30 June 2011:**

- Survey undertaken for Sydney, Blue Mountains, Illawarra areas.
- 

## 5. Applying resources to deliver a robust, well run organisation

IPART's program of continuous improvement is based on a commitment to best practice, on-going staff development, collaboration, sector-wide government initiatives and the use of technology.

Examples of strategies implemented in the reporting period include:

**STRATEGY: REVIEW PROFILE OF WORKFORCE TO MATCH SKILL SET WITH ORGANISATIONAL NEEDS**

---

**ACTION:**

Staff rotation – integrate rotation with Performance Enhancement System (PES) reviews

**Progress to 30 June 2011:**

- The relevance of staff skills/experience is identified when new programs or functions are initiated. Managers are encouraged to identify staff potential and support personal development.
- Employees were rotated to different industry teams to meet work peaks and skill requirements.

**ACTION:**

Revise and upgrade the agency's competency/capability standards

**Progress to 30 June 2011:**

- > The new standards are in place and utilised by staff and managers to address performance needs.
- > Competency standards are an integral part of the recruitment process.
- > Staffing needs and skills are regularly reviewed to ensure key skills are retained, maintained or developed.

**ACTION:**

Identify critical roles and critical skills for succession planning

**Progress to 30 June 2011:**

- > A gap analysis was undertaken to prepare a matrix of key skills and to identify vulnerabilities and areas for development of internal staff for back-up roles.

**STRATEGY:**

**BECOME PREFERRED EMPLOYER BY OFFERING DEVELOPMENT OPPORTUNITIES AND FAMILY FRIENDLY WORK PRACTICES**

**ACTION:**

Reward staff for outstanding performance and to improve staff retention

**Progress to 30 June 2011:**

- > Development opportunities, including secondment opportunities are encouraged to enhance and motivate performance. Personal and market retention allowances are used to reward consistent and high level performance.

**ACTION:**

Support flexible working conditions

**Progress to 30 June 2011:**

- > IPART offers part-time work and working from home arrangements to allow staff to balance work and family responsibilities.
- > The electronic flexi time recording system allows for greater ease in monitoring and reporting agency leave with associated costs.

**STRATEGY: PROVIDE SYSTEMATIC TRAINING AND OTHER SKILL BUILDING OPPORTUNITIES FOR STAFF****ACTION:**

Provide training that meets individual and organisational needs

**Progress to 30 June 2011:**

- > Managers and individuals identify development needs through performance management. The agency's training and development policy includes a generous training cap for each staff member to further promote a learning organisation and encourage continuous personal development.

**STRATEGY: WORK WITH OTHER PUBLIC SECTOR AGENCIES TO ACHIEVE ECONOMIES OF SCALE****ACTION:**

Collaborate with other agencies in procurement and technology initiatives

**Progress to 30 June 2011:**

- > IPART uses the whole of government web-based e-tendering system.

---

**STRATEGY: CONTINUOUSLY IMPROVE SYSTEMS AND SERVICES**

---

**ACTION:**

Ensure corporate services are effective, cost efficient and meet the needs of the agency

**Progress to 30 June 2011:**

- Upgraded virtualised environment to latest releases; and migrated remaining physical servers to virtualised environment. Upgraded website infrastructure hosted by Macquarie Telecom

---

**ACTION:**

Develop electronic business processes

**Progress to 30 June 2011:**

- Conducted a number of software upgrades:
  - Migrated users to new SAP system, as a one stop accounting and HR facility
  - Migrated to Exchange 2010, to take advantage of new features and integration components with OCS.
  - Migrated Mitel phone system software, for redundancy and business continuity purposes
  - Migrated to TRIM 7.1, for software compatibility reasons and to take advantage of new features
- An ICT Administrator was appointed to assist with security and general day to day functions
- Migrated desktops to Windows 7
- New content management system and web designs have been developed, with testing yet to be completed.

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**STRATEGY: EMBRACE GOVERNMENT COMMITMENT TO ELECTRONIC SERVICE DELIVERY**

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**ACTION:**

Provide all appropriate publications and transactions on the internet

- Current website continued to grow with new areas such as Local Government and research
- Volume of publications tripled in comparison to previous year

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**ACTION:**

Enhance the capacity of the website to meet stakeholder communication needs

**Progress to 30 June 2011:**

- A new consumer section added to the homepage, for quicker access to consumer content
- A new online calculator developed to facilitate energy offers available in the market
- Additional FAQs added to industries
- A consumer inquiries and complaints section added

---

**STRATEGY: MAKE EFFECTIVE USE OF EQUIPMENT AND SYSTEMS**

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**ACTION:**

Undertake planning in relation to allocation of equipment and resources

**Progress to 30 June 2011:**

- New database was developed for water licensing

# Key Performance Indicators

The following measures were developed as part of IPART's Results and Services Plan. The service delivery and funding plan was prepared by agencies to demonstrate the relationship between the services they deliver and the results they are working towards.

## Competitive business environment in NSW

Intermediate result:

Planned Result	Result Indicators	Actual				Estimate
		2007/08	2008/09	2009/10	2010/11	2011/12
➤ Independent oversight of prices for energy, transport and water services	➤ Graph of real cost to public over time	2007/08 Annual Report	2008/09 Annual Report	2009/10 Annual Report	See "Impacts" section in this report	See "Impacts" section in this report
	➤ Graph of real cost to businesses over time	"	"	"	"	"
	➤ Perceived quality of leadership – practical outcomes and independence (expressed as % from stakeholder survey)*	95%	No new survey data	82%	No new survey data	85%

## Healthy and sustainable energy and water supplies in NSW

Intermediate result:

Planned Result	Result Indicators	Actual				Estimate
		2007/08	2008/09	2009/10	2010/11	2011/12
➤ Suppliers of energy and water meet licence obligations	➤ Acceptance by Ministers of annual water and energy audit/licence compliance reports	6 reports	6 reports	6 reports	12 reports	15 reports
➤ CO <sub>2</sub> reduction targets are monitored and enforced	➤ Net tonnes per capital CO <sub>2</sub> emissions in NSW from electricity usage (allowing for offset credits)	7.27	7.27	7.27	7.27	7.27

\* Since the factors need to be assessed each year with current data, no forward estimate is possible.

# Planned Service Delivery

## 1. Licence monitoring

Key services:

Services delivered	Service measures	Actual				Estimate
		2007/08	2008/09	2009/10	2010/11	2011/12
> Monitoring of water licences	> Acceptance by Minister of annual water audit reports	4 reports	4 reports	6 reports	5 reports	5 reports
> Monitoring of energy licences	> Acceptance by Minister of annual energy compliance audit reports	2 reports	2 reports	10 reports	2 reports	2 reports
> Administrator of Greenhouse Gas Reduction Scheme targets	> # of accredited abatement projects (per year)	33	16	24	3	0 (Scheme closed)
	> # of abatement certificates registered (per year)	25.5m	21.5m	18.3m	19.5m	24.5m
> Administrator of Energy Savings Scheme targets	> # of accredited energy savings projects	"	"	49	29	30
	> # of energy savings certificates registered (per year)	"	"	.43m	.8m	1m

## 2. Pricing of water, transport, energy and other reviews

Key services:

Services delivered	Service measures	Actual				Estimate
		2007/08	2008/09	2009/10	2010/11	2011/12
> Wide consultation on issues	> Perceived quality of consultation processes (expressed as % from stakeholder survey)	94%	No new survey	88%	No new survey*	88%
> Rigorous process of review	> Perceived professionalism of staff (expressed as % from stakeholder survey)	99%	No new survey	93%	No new survey*	93%
	> Perceived timeliness of decision-making processes	83%	No new survey	88%	No new survey*	88%

Table continued on following page

## 2. Pricing of water, transport, energy and other reviews continued

### Key services:

Services delivered	Service measures	Actual				Estimate
		2007/08	2008/09	2009/10	2010/11	2011/12
> Rigorous process of review continued	> Number of projects completed					
	> within 6 months	12	5	12	13	12
	> within 12 months	0	4	10	36	40
	> over 12 months	13	2	3	5	7
	> # of public hearings, forums and workshops	18	9	19	9	10
	> # of papers and reports (Total)	70	53	59	98	90
	> major	56	25	44	71	65
> minor	14	28	15	27	25	

## 3. Regulation of local council rates and contribution plans (commenced 1 July 2010)

Services delivered	Service measures	Actual				Estimate
		2007/08	2008/09	2009/10	2010/11	2011/12
> # of special rate variations and minimum rate variations determined	n/a	n/a	n/a	n/a	23	24
> # of contributions plans reviewed					3 in progress at 30/6/11	5

## 4. Referred reviews

Services delivered	Service measures	Actual				Estimate
		2007/08	2008/09	2009/10	2010/11	2011/12
> Terms of reference are met	> Relevant Minister's broad acceptance of report and recommendations	8 reports	7 reports	5 reports	2 reports	4 reports +

\* Since the factors need to be assessed each year with current data, no forward estimate is possible.

+ IPART is not able to anticipate the numbers of referrals in any future year.

# Impacts of IPART's Determinations

## Overview

- Prices for the essential services that IPART regulates have fallen in real (inflation-adjusted) terms over most of the period for which IPART has been collecting data. Regulated prices only reached their 1992/93 levels again in 2005/06. Since then, however, prices have risen significantly in real terms (that is, faster than inflation).
- For example, in 2010/11 regulated prices were 21.1% higher in real terms for electricity, gas, water and public transport than they were in 2007/08. This rise over 3 years was mainly driven by higher electricity and water prices.
- The table below summarises the price movements above inflation in various periods.

	Whole period 1992/93–2010/11	First 13 years 1992/93–2005/06	Past 5 years 2005/06–2010/11	Last year 2010/11
<b>Cumulative real rise</b>	<b>27.1%</b>	<b>0.2%</b>	<b>26.9%</b>	<b>3.8%</b>
<b>Average annual rise</b>	<b>1.3%</b>	<b>0.0%</b>	<b>4.9%</b>	<b>3.8%</b>
Electricity	1.6%	-0.3%	6.9%	6.1%
Gas	2.6%*	3.2%*	1.2%	2.0%
Sydney Water	1.2%	-0.5%	5.7%	3.3%
Hunter Water	0.0%	-2.0%	5.4%	3.0%
CityRail	1.4%	1.4%	1.3%	-1.3%
Public bus and ferry	0.8%	1.2%	-0.1%	-2.3%

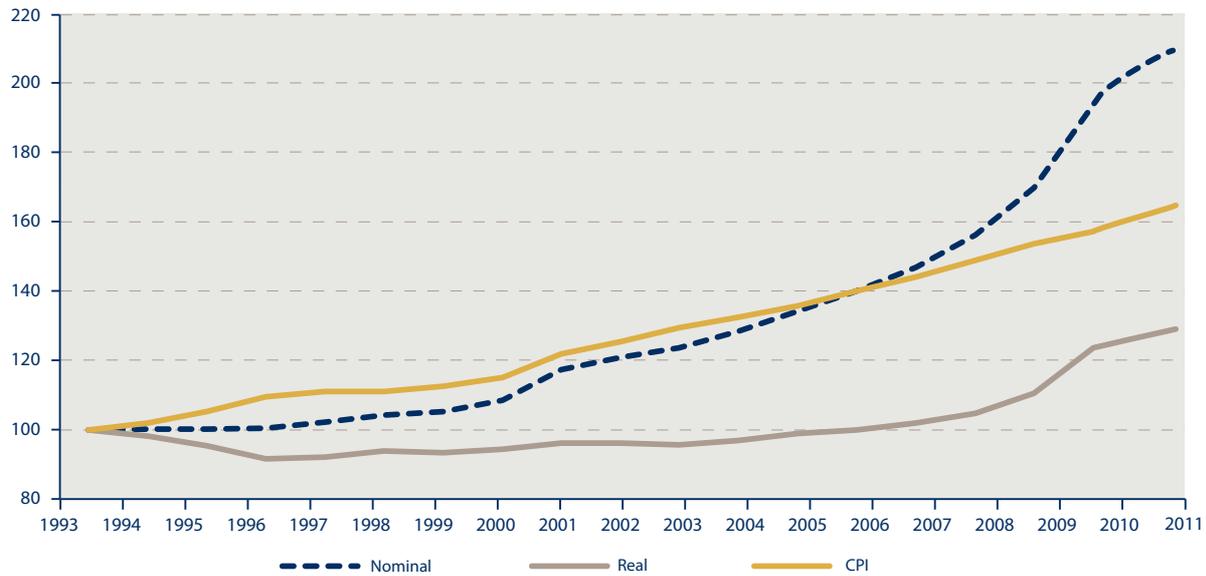
\* from 1994/95

- The share of average weekly earnings spent on IPART-regulated services has first fallen and then risen. It was 4.4% in 1992/93 and 4.3% in 2010/11. Household incomes rose faster than the prices of IPART-regulated services from 1992/93 to 2006/07 so that the share fell from 4.4% to 3.5%. Since 2006/07 the share has risen from 3.5% to 4.3% as household incomes rose more slowly than prices.
- Households on low incomes spend proportionately more on IPART-regulated services. For example, the poorest 20% of the NSW population spend 5.0% on these services; the richest 20% spend 2.9%. Recent rises in electricity and water prices would therefore significantly affect the budgets of low income households.

IPART regulates the prices of a number of essential infrastructure services, namely water, retail electricity and gas as well as public transport services. Because they are essential services, it is important to monitor the impacts of our price determinations on households. Currently, households spend, on average, around 4.3% of household income on these services. We also monitor the impact of our determinations on the bills of non-residential customers whose prices are regulated.

## Measuring the effects of IPART's pricing decisions on residential customers

To monitor the impact of our price determinations on households, we introduced an index of household charges in 1993. Each year the index measures the weighted average change in the prices of the services we regulate, where the

**Figure 1: Composite index of household charges and the CPI, 1992/93 to 2010/11**

**Note:** A break in the index occurred in 2000/01 with the introduction of the Goods and Services Tax (GST) and related changes which affected the nominal rise in prices in various ways in that year. We also changed the Metropolitan Water component of the index in 2009/10 by assuming that the representative customer uses 200kL of water per year instead of 220kL. But this has not caused a break in the index because we have recalculated all the years under the new assumption.

**Data source:** IPART

weights are derived from Australian Bureau of Statistics (ABS) data on household expenditure on electricity, gas, water and public transport (rail, bus and ferry services).<sup>1</sup>

In 2010/11, the average household charges increased by 7.6% in nominal terms (3.8% in real terms). This compares to an increase in 2009/10 of 14.5% in nominal terms (10.7% in real terms). Since 1992/93, the index of household charges has risen a cumulative 109.2% in nominal terms while the general price level has risen by 64.5% (see Figure 1). The rise in the index after adjusting for inflation has been 27.1%, which is often stated as the rise "in real terms".<sup>2</sup> The average annual nominal rise has been 4.2% per annum (1.3% in real terms), although much of the rise has been concentrated in the past 3 check years.

During the 1990s, the index generally rose more slowly than inflation so that prices fell in real terms. Since 2000, charges begun to rise faster than inflation in response to a number of, largely cost, pressures. By 2005/06, prices in real terms were back to their 1992/93 levels. Greater cost pressures have caused larger cost rises in recent years, especially in the last 3 years, as discussed in the next chapter.

Households paid on average 33.8% (21.1% in real terms) more for electricity, gas, water, sewerage and public transport in 2010/11 than they did in 2007/08. Figure 2 (over page) shows how real household charges have varied by the type of service since 1992/93 (1994/95 for gas).

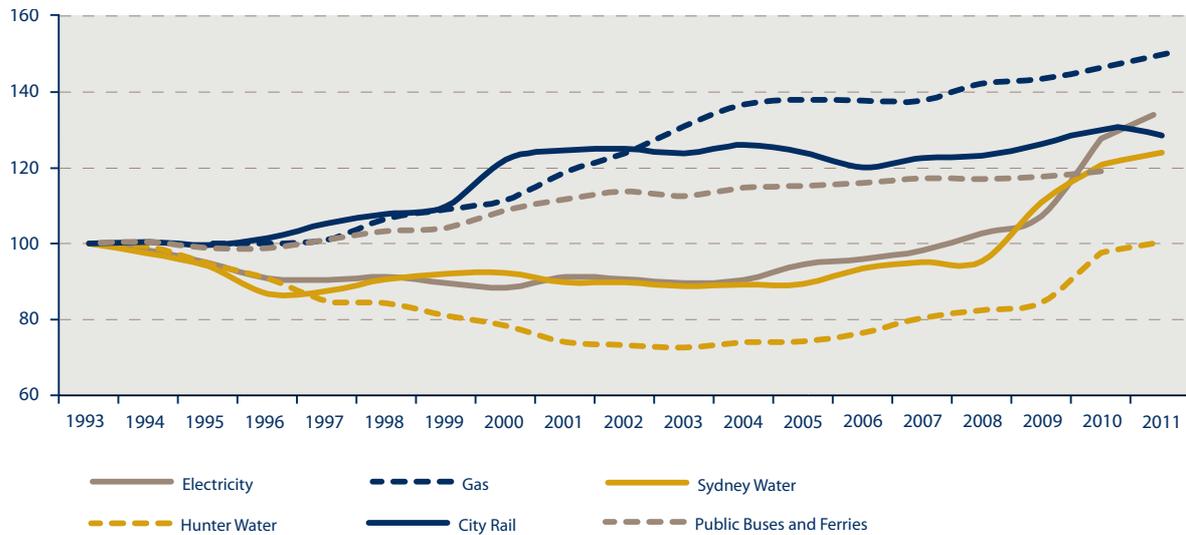
The main components of the latest increase were real rises in prices for electricity and water services. Smaller real increases occurred for gas and transport services. The drivers of price increases for each service are discussed in detail in the next chapter.

We now look at the various types of services in two ways, first by considering the course of prices in real terms over the whole period and second, by considering recent developments.

<sup>1</sup> For the period 1992/93 to 2003/04, the weightings are from the 1998/99 Household Expenditure survey (all NSW households) and are: electricity 51.4%, water 23.3%, gas 7.7% and public transport 17.7%. For the period 2004/05 to 2009/10, the weightings are from the 2003/04 Household Expenditure survey (all NSW households) and are: electricity 47.2%, water 20.3%, gas 11.4% and public transport 21.1%. Weightings from the 2009/10 Household Expenditure Survey (Sydney households), used from 2010/11, are: electricity 51.7%, water 21.4%, gas 10.8% and public transport 16.1%.

<sup>2</sup> The phrase 'in real terms' means that the effect of inflation is removed while the phrase 'in nominal terms' means that the effect of inflation is included.

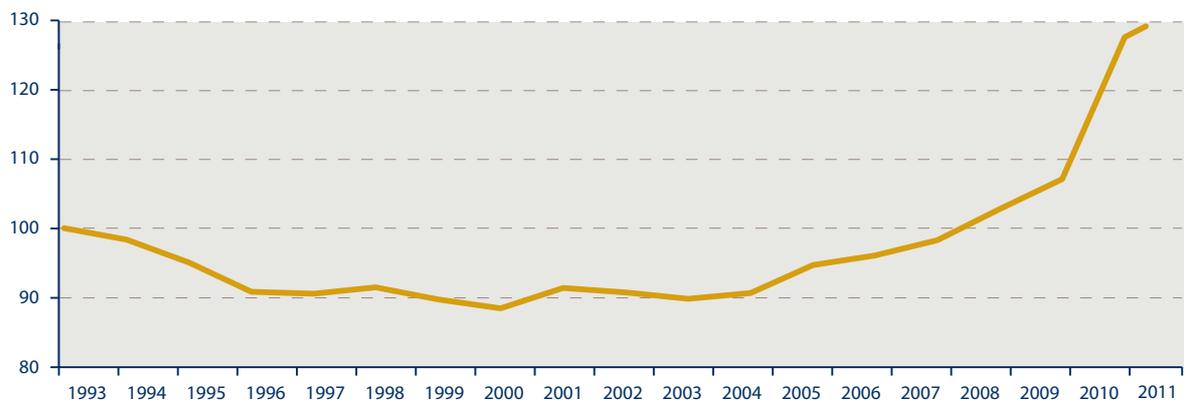
**Figure 2: Indices of household charges in real terms, by type of service**



## Electricity prices – long term trends

Regulated electricity charges<sup>3</sup> in real terms were no higher for households in 2007/08 than they were in 1992/93 but they have risen more sharply in the past 3 years to now be 34.2% higher than they were in 1992/93 (Figure 3).

**Figure 3: Index of residential electricity prices (real)**



## Electricity market – retail regulation

Since 1 January 2002, all electricity customers in NSW have been offered the option of choosing their retail electricity supplier by negotiating retail supply contact, or remaining with their Standard Retailer (which is Country Energy, EnergyAustralia or Integral Energy, depending on where the customer lives) on a regulated tariff.

## Electricity pricing – recent developments

On 1 July 2010, retail prices faced by average householders on regulated tariffs rose by 13% for Country Energy/Origin customers, by 10% for EnergyAustralia/TRUenergy customers and by 7% for Integral Energy/Origin customers. These increases were primarily the result of increased network charges. Network charges are regulated by the Australian Energy Regulator and have increased significantly as a result of investment in additional infrastructure and improved network security and reliability.

<sup>3</sup> The electricity index excludes the Climate Change Fund. Some (but not all) electricity retail tariffs include a small additional amount which contributes to the NSW Government's Climate Change Fund (formerly the Energy Savings Fund). In respect of electricity, the Fund aims to reduce overall electricity consumption in NSW and related greenhouse gas emissions, reduce peak electricity demand, stimulate investment in innovative measures, and increase public awareness in energy savings.

We do not welcome these price increase or the adverse effects that they may have for some electricity consumers. We recommended to Government that they should extend the NSW energy rebate to all Commonwealth health card holders and also to consider increasing the energy rebate.

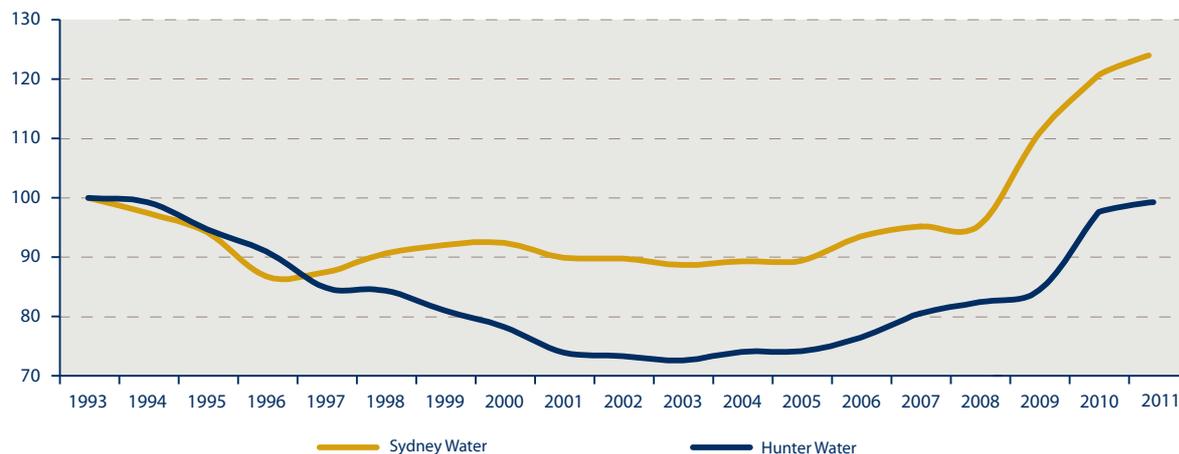
We will continue to regulate retail prices until 30 June 2013. Without further terms of reference from the Minister for Resources and Energy, retail prices will be unregulated from 1 July 2013. We support the removal of retail price regulation where there is effective competition. To promote the competitiveness of the market, we made a range of recommendations about improving information in the market, including the establishment of a price comparison website. We subsequently developed the website which was launched in October 2010. The average number of customers using the website each week in 2010/11 was 670.

## Metropolitan Water – long term trends

Between 1992/93 and 2010/11, residential water prices have increased in real terms for Sydney Water customers, especially in 2008/09 (Figure 4). Overall, a residential customer of Sydney Water who uses 200kL of water each year would have typically paid 23.3% more for water and sewerage services in 2010/11 than in 1992/93 in real terms.<sup>4</sup>

Hunter Water customers experienced a significant price increase in 2009/10 (Figure 4). However, in real terms, a residential customer of Hunter Water would still be paying less, by 0.5%, for water and sewerage services in 2010/11 than in 1992/93.

**Figure 4: Indices of residential water and sewerage charges for Sydney Water and Hunter Water (real)**



## Metropolitan water pricing – recent developments

### Sydney Water

The water and sewerage bills of residential customers of Sydney Water who use 200kL of water per year went up by 42.8% in nominal terms (29.2% in real terms) over the years 2008/09 to 2010/11.

The price determination that applied in 2009/10 to Sydney Water Corporation came into effect 1 July 2008. Sydney Water Corporation's 2008 determination will increase bills in real terms by 32.6% for a typical residential customer over the four years of the determination.

### Hunter Water

The water and sewerage bills of residential customers of Hunter Water who use 200kL of water per year went up by 33.2% in nominal terms (20.6% in real terms) over 2008/09 to 2010/11. Under the current price determination, which runs from 1 July 2009 to 30 June 2013, the bill for a typical customer will increase by 30.7% in real terms.

Residential customers will see increases in the water usage charges (which vary with the amount of water used) and a reduction in water service charges (which are a fixed fee). Sewerage service charges will increase while the sewerage usage charge has been removed because it was considered to be a de facto water usage charge, and the water usage charge was already acting as a price signal to encourage water conservation.

<sup>4</sup> Previous annual reports calculated the index for a customer using 220kL of water each year so that the Metropolitan Water indices in this report are not strictly comparable to the indices in previous IPART annual reports.

### Gosford City Council

Gosford City Council's current price determination runs from 1 July 2009 to 30 June 2013. Over this period residential customers who consume 200kL of water each year will see their bills increase by 15% in real terms. Their bill increased by 2.3% in real terms in 2010/11, compared to 7.1% in 2009/10.

### Wyong Shire Council

Wyong Shire Council's current price determination also runs from 1 July 2009 to 30 June 2013. Over this period, residential customers who consume 200kL of water each year will see their bills increase by 21% in real terms. Their bill increased by 2.9% in real terms in 2010/11, compared to 11% in 2009/10.

## Non-metropolitan water pricing

### Essential Energy – water and sewerage services for the Broken Hill area

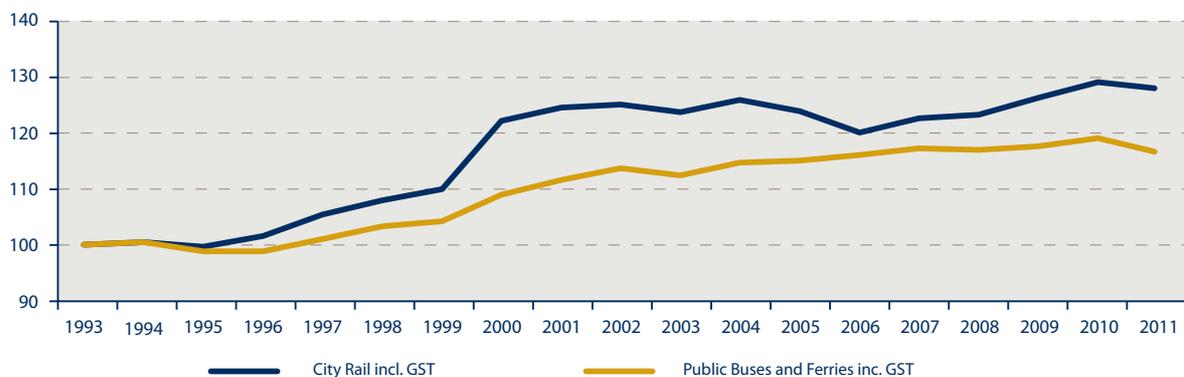
Essential Energy (formerly Country Energy) provides water and sewerage services to the city of Broken Hill. Essential Energy's current price determination runs from 1 July 2010 to 30 June 2013. Over this period residential customers who consume 200kL of water each year will see their bills increase by 21.7% in real terms. Their bill increased by 6.6% in real terms in 2010/11.

## Public transport – long term trends

Since 1992/93, rail fares have increased by 27.9% in real terms. Public bus and ferry fares increased an average 15.7% over the same period.<sup>5</sup> Public transport prices rose considerably between 1992/93 and 2000/01. Since then, rail fares have increased in real terms by 4.7% and bus and ferry fares have increased by 3.6% (Figure 5).

Transport fares recover only part of the costs of providing services. The remaining revenue required is met from the State Budget. In Sydney, fares now cover less than a quarter of the cost of providing rail services and less than half the cost of providing bus services.<sup>6</sup>

**Figure 5: Indices of public transport fares (real)**



## Public transport – recent developments

### CityRail

We set maximum fares for CityRail services. In January 2011 these maximum fares rose by an average of 5.1% (2.3% above the rate of inflation). However, the NSW Government chose not to raise fares this year. As a result fares paid by passengers are currently below the maximums determined by us. The estimated cost to the government of this is \$33m from January to December 2011.

CityRail passengers have seen no change to their fares since the new MyZone ticketing system was introduced in April 2010. The Government has advised us that the introduction of MyZone meant that more than 90% of journeys were the

<sup>5</sup> The index for public buses and ferries is for STA buses, Newcastle buses and Sydney Ferries only. Most private bus fares fell when STA and private bus fares in the Sydney metropolitan area were harmonised in 2005.

<sup>6</sup> These figures refer to cost recovery levels for 2009/10 for CityRail and metropolitan bus services. For more information see IPART CityRail and Metropolitan and Outer Metropolitan Bus Services: Prices and Services Report 2010, December 2010.

same price or cheaper than they were before MyZone. However, several fares became more expensive. As an interim measure, an amendment to the *Independent Pricing and Regulatory Tribunal (Passenger Transport Services) Order 1998* was made to temporarily remove our responsibility for determining the maximum prices for a small number of tickets.<sup>7</sup>

## Buses

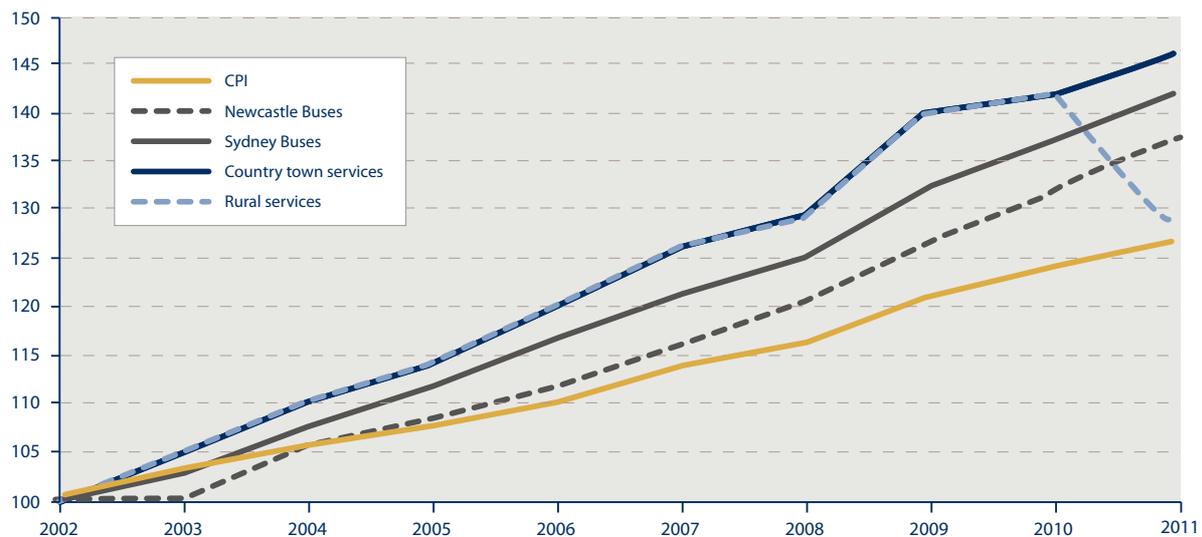
We set maximum fares for bus services in Sydney, Newcastle, Wollongong, the Central Coast and Blue Mountains.<sup>8</sup> In January 2011 these maximum fares rose by an average of 4.2% (1.4% above the rate of inflation). However, the NSW Government chose not to raise fares this year. As a result fares paid by passengers are currently below the maximums determined by us. The estimated cost to the government of this is \$10m from January to December 2011.

Metropolitan and outer metropolitan bus passengers have seen no change to their fares since the new MyZone ticketing system was introduced in April 2010. The Government has advised us that the introduction of MyZone meant that more than 90% of journeys were the same price or cheaper than they were before MyZone. However, travel costs may have increased for some bus passengers as a result of the removal of some Travelpass products.

We also set maximum fares for rural and regional bus services. In January 2011, these fares rose by 2.4% (0.1% above the rate of inflation) for country town routes and fell 10% for rural routes. Many rural and regional bus operators charge below the maximum fares we set.

Figure 6 sets out the change in maximum bus fares determined by us since 2002.

**Figure 6: Index of changes in bus fares since 2002 compared with the CPI**



**Note:** Fare increases in 2002 and 2003 each cover more than a single calendar year due to the timing of the fare reviews. CPI used is for calendar years except for 2011, where CPI is year to June 2011, as this is the latest data available. IPART started regulating rural services in 2002.

**Data source:** ABS Sydney CPI, IPART reports

## Ferries

Fares for regulated private ferry services increased by between 1.5% and 3.1% in December 2010 when the Government accepted IPART's recommendations for those fares. The single fare for the Newcastle Stockton ferry did not change.

IPART did not determine maximum fares for Sydney Ferries in 2010/11. However, the cost of travel on Sydney Ferries services changed for some passengers as a result of the introduction of the new MyZone ticketing system in April 2010.

<sup>7</sup> For more information see IPART CityRail and Metropolitan and Outer Metropolitan Bus Services: Prices and Services Report 2010, December 2010.

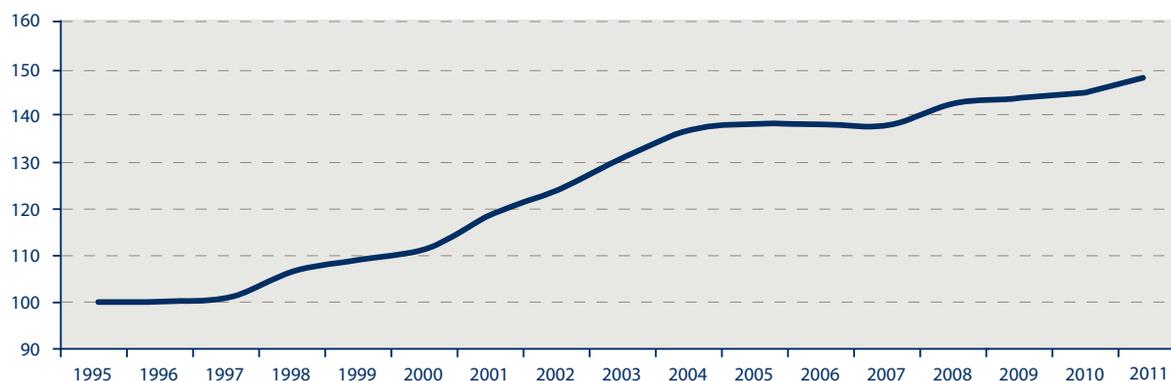
<sup>8</sup> The maximum fares in our determination apply in all 25 metropolitan and outer metropolitan bus contract regions, including those operated by Sydney Buses and private operators.

## Gas – long term trends

The gas price index we use is calculated for an AGL gas customer using 20,000MJ of gas per year (which is a medium level of usage). It is this index which is shown in Figure 7. We commenced regulation of gas prices from 1995/96.

Residential gas prices rose fairly sharply between 1997/98 and 2003/04, but they have increased modestly in real terms since that time. AGL customers paid 50.3% more for gas in 2010/11 compared to the amount paid in 1994/95 (in real terms).

**Figure 7: Index of residential gas prices for AGL customers 1994/95 – 2010/11 (real)**



**Note:** The index assumes that the representative residential customer is on the "Everytime Plus" (residential economy) tariff to 2003, and then switched to "Everytime value" as recommended by AGL. On 1 July 2007 the regulated residential tariffs were consolidated into a single regulated tariff.

## Gas market – retail regulation

Retail contestability was introduced into the gas market since 1997, and all gas retail services have been contestable since 1 January 2002. Small retail customers still have the option to remain on, or return to, a regulated tariff. Standard Gas Retailers in NSW include AGL, ActewAGL, Country Energy and Origin Energy, depending on the location of the customer.

## Gas – recent developments

The most recent Voluntary Transitional Pricing Arrangements (VTPAs) in June 2010 between IPART and Standard Retailers, included a weighted average price cap for regulated tariffs. These VTPAs set out the price path for the retail component of regulated tariffs and retail charges for small gas customers to 2012/13. In special circumstances a retailer may apply to us to vary prices outside of this limit.

Under the VTPA, AGL and Country Energy are allowed to increase the retail component of their regulated tariffs, on average, by the change in the CPI in each year of the regulatory period from 2010/11 to 2012/13. Origin Energy is allowed to increase the retail component of the regulated tariff by an average of CPI+1% per year.<sup>9</sup> ActewAGL is allowed an increase of CPI-3% for the retail component over 3 years.

We do not regulate the network component of retail gas tariffs. This component, which accounts for around 50% of a small customer's gas bill, is either regulated by the Australian Energy Regulator (AER) or is unregulated. As a result of the AER's existing decisions, the network charges for most small retail customers increased by between 2% and 7% in 2010/11.

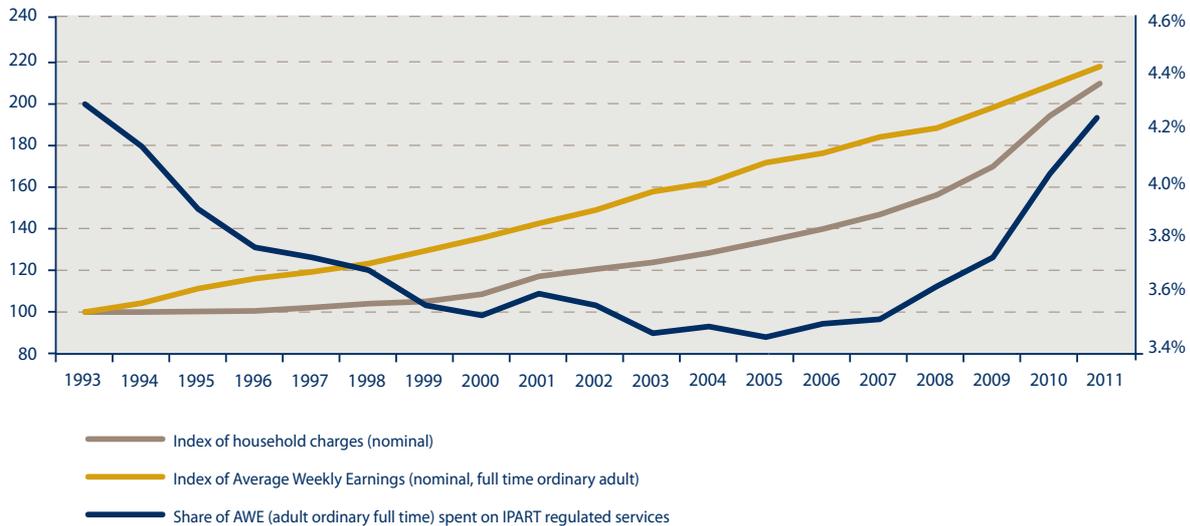
A typical residential customer of AGL on regulated tariffs paid around \$0.63 more per week for gas in 2010/11. Country Energy customers on regulated tariffs paid \$0.92 per week more, Origin Energy customers \$0.94 per week more, while ActewAGL customers on regulated tariffs paid around \$0.48 per week more.

<sup>9</sup> For 2010/11 only, the limit on the average change in the retail component of tariffs for the Albury district supplied by Origin Energy is CPI+10%.

## Price impacts by level of income

The share of average weekly earnings (AWE) spent on IPART-regulated services was around 4.3% in 2010/11, compared to around 4.4% in 1992/93 (Figure 8).

**Figure 8: Share of Average Weekly Earnings spent on IPART services**



**Note:** Expenditure on services is obtained from the ABS's 2003/04 Household Expenditure Survey (Sydney values), indexed by IPART's combined index of household charges. Average weekly earnings are the ABS series 'Average Weekly Earnings (NSW adult full time, ordinary time)'.

Whilst there has been an overall decrease in the average proportion of income spent on IPART-regulated services, this figure has been trending upwards since 2005/06. There was a large increase in the amount of income spent on these services between 2008/09 and 2010/11 (from 3.8% to 4.3%) because the service price rises were greater than the increase in average weekly earnings.

## Household bills

The indices of household charges measure price changes for 'average' households. The actual price changes for specific households will depend on a number of factors, the most important of which are: how much of each service is consumed, who provides the services and whether the households qualify for pensioner rebates/discouts.

We made some estimates of the proportion of disposable income spent on water and energy by different household types using household consumption data from the 2010 IPART Household Survey for Sydney. The analysis indicates that on average single people with concession cards spend on average 5.6% of their disposable income on energy and water, while single parent family, couples with children and couples with no children spend on average on average 6.5%, 6.8% and 6.1% of disposable income respectively on energy and water. These differences reflect both consumption differences and income differences between the groups. Substantial variations exist around these averages for individual households.

## Analysis of Hypothetical Households

As in previous Annual Reports, we have calculated the bills for three different households to illustrate the effects of consumption levels and pensioner rebates/discouts. The household characteristics are listed in Table 1. They are:

- Household 1 is an 'average' household that uses public transport on a regular basis.
- Household 2 is a 'low' consumption household that also uses public transport.
- Household 3 is a household with the same level of consumption as Household 2 (including public transport), but is eligible for pensioner rebates and discounts.

To calculate typical bills, we assumed certain levels of consumption and that all households are supplied by EnergyAustralia for electricity, AGL for gas and Sydney Water for water and sewerage, and travel by rail or STA bus.

**Table 1: Characteristics of “typical” households<sup>a</sup>**

	Household 1 Average consumption	Household 2 Low consumption	Household 3 Low consumption and Pensioner
Electricity consumption	6,000 kWh	4,500 kWh	4,500 kWh
Gas consumption	20,000 MJ	15,500 MJ	15,500 MJ
Water consumption	200 kL per year	150 kL per year	150 kL per year
STA Bus and CityRail train transport (return trip)	225 days per year Red TravelPass then My Multi 1 (valid for bus, train and ferry) <sup>b,c</sup>	70 days per year Adult return train ticket (10km) and Blue Travel Ten then MyTrain single fare (up to 10km) and MyBus TravelTen (1-2 section bus trip) <sup>b</sup>	70 days per year Pensioner excursion

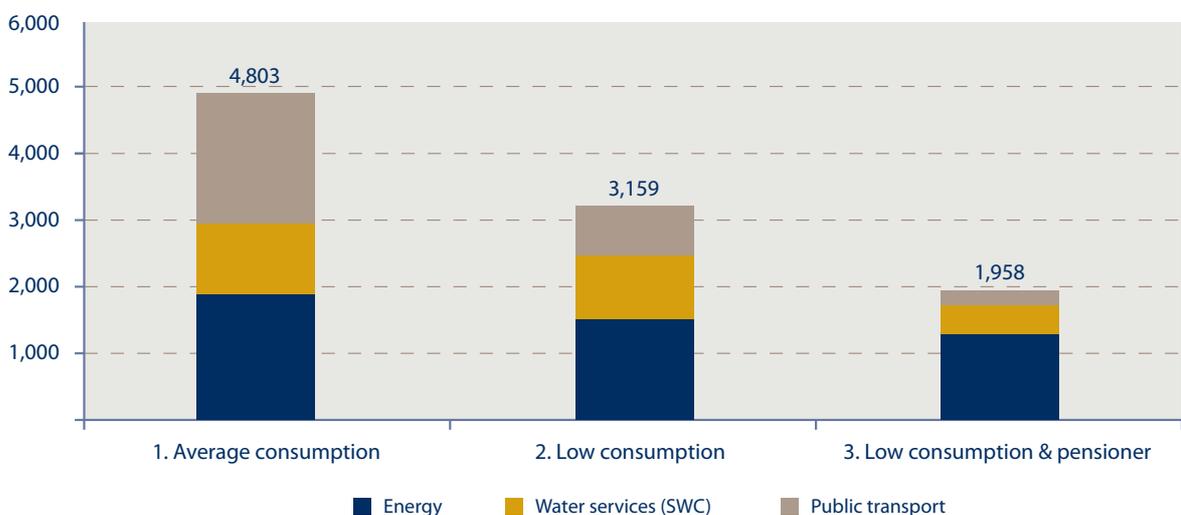
**Notes:**

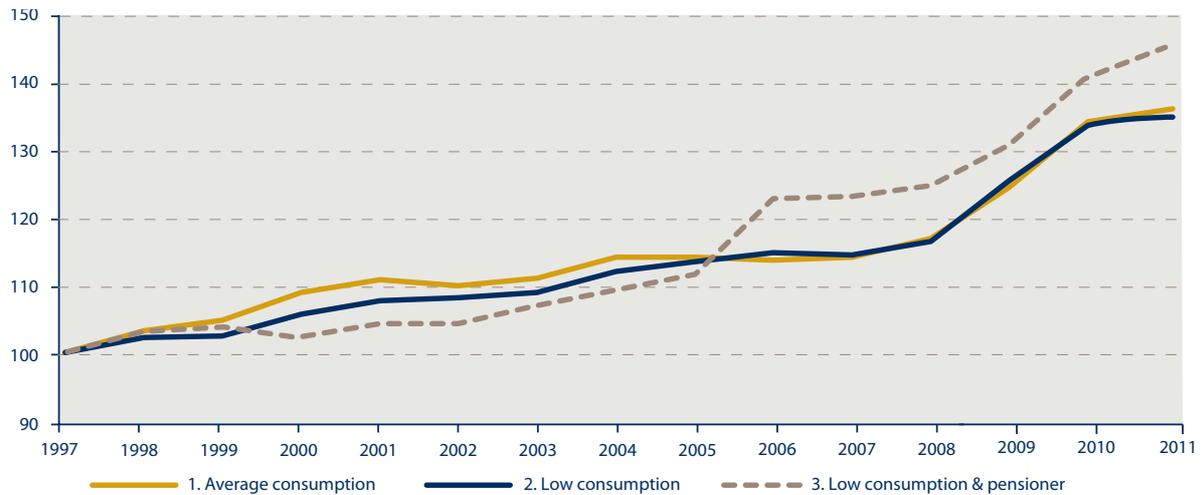
- a. The electricity, gas and water consumption for Households 2 and 3 are typical for pensioner households in the Sydney metropolitan area, based on IPART's 2010 Household Survey.
- b. MyMulti, MyTrain and MyBus fares were introduced on 18 April 2010. They replaced the previous ticket types.
- c. The Red TravelPass gave unlimited travel on CityRail services in the area bounded by Bondi Junction, Rockdale, Bardwell Park, Canterbury, Croydon and Chatswood stations, plus unlimited travel on Sydney Buses in the red area – zones 1, 3, 6 and 7 as well as unlimited travel on Sydney Ferries inner harbour services. MyMulti 1 gives unlimited travel on government and private buses and government ferries, as well as in the CityRail zone bounded by Bondi Junction, Chatswood, Croydon, Canterbury, Bardwell Park, and Rockdale.

Not surprisingly, households that consume less will face lower bills than households that consume more and further, those that qualify for pensioner rebates/discounts will pay less than non-pensioner households for the same service. For example in 2010/11, (Figure 9):

- > Household 1 paid a total of \$4,803
- > Household 2 paid \$3,159, and
- > Household 3 (pensioner) paid \$1,958.

**Figure 9: Household bills (\$ per year, 2010/11)**



**Figure 10: Increases in household bills (real)**

The pensioner household received rebates of \$145 for household energy<sup>10</sup> and \$560 for water services<sup>11</sup>, and a discount of \$497 for public transport<sup>12</sup>. It therefore paid \$1,202, or 38%, less than the equivalent non-pensioner household for the same services.

Although the pensioner household (Household 3) paid substantially less than the low consumption non-pensioner household (Household 2) in 2010/11 for the same services, the bill for this household type has increased more rapidly than the non-pensioner household's bill over the last 14 years.

As shown in Figure 10, since 1996/97 the bill for an average level of consumption (Household 1) has increased by 35.9% (\$1,269) in real terms and the low-consumption non-pensioner household's bill has increased by 35.3% (\$824). The pensioner's combined bill (water, energy and transport) has increased by 45.6% (\$613), or at an annual average rate of 2.7%.

The pensioner's combined bill rose more than the other two household types because the increases in electricity and gas prices exceeded increases in the rebate and because the pensioner excursion ticket was raised from \$1.00 to \$2.50 in 2005. The increase in the pensioner excursion ticket had its greatest effect on pensioners who use trains and STA buses. Pensioners who use private buses are likely to have experienced a decrease in their transport costs when the ticket was extended to private buses in January 2005.

## Price impacts on non-residential customers

Our determinations also affect the bills of non-residential customers for electricity, gas and water. We consider each in turn.

### Electricity

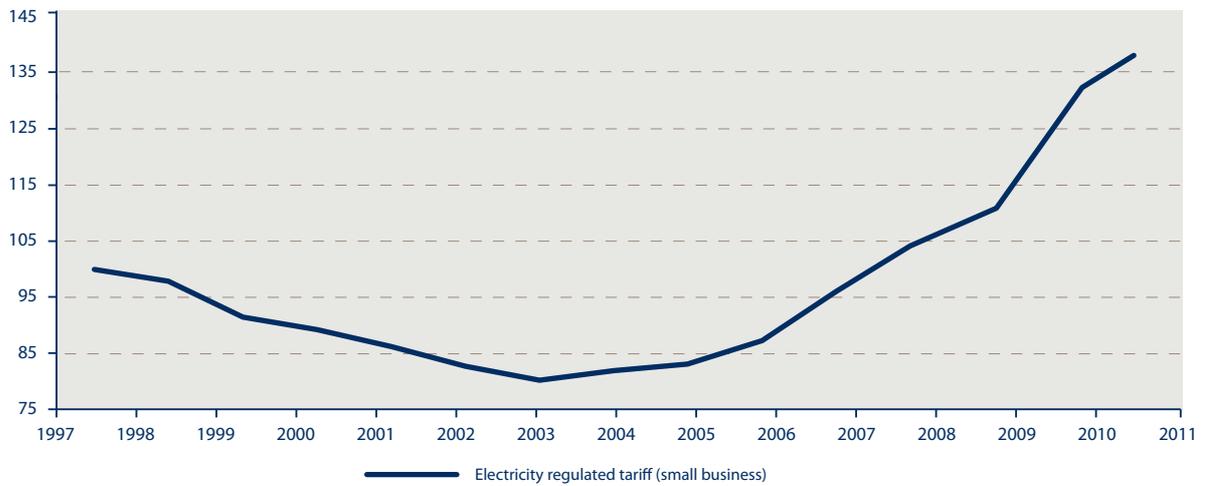
Retail contestability has been progressively introduced in NSW since 1996, and we no longer regulate most non-residential tariffs. Business customers with consumption of less than 160 MWh per year can, however, still choose to remain on a regulated tariff.

10 The NSW Government introduced a pensioner rebate of \$112 per year for electricity and gas on 1 January 2002. The rebate increased to \$130 from 1 July 2009 and to \$145 from 1 July 2010. The rebate will increase to \$200 on 1 July 2011. Rebates are paid on electricity bills, and are available to account holders who hold a Centrelink Pensioner concession card or Department of Veterans' Affairs (DVA) concession card or certain DVA Gold cards. From 1 July 2009, rebates were extended to Commonwealth Health Care card holders.

11 Sydney Water's pensioner rebates in 2009/10 were 100% of the fixed charge for water and 84% of the fixed charge for sewerage. Rebates are available to owner-occupiers holding Centrelink Pensioner concession cards or DVA concession cards. (Tenants are not directly responsible for paying the fixed charges, and therefore do not qualify for rebates).

12 A Pensioner Excursion Ticket, at a flat fare of \$2.50, was introduced in January 2005 as part of the NSW Government's Fairer Fares plan. Replacing the four existing Pensioner Excursion Tickets, the ticket was extended to private bus operators in the Sydney metropolitan area. A \$1 ticket was previously applicable to STA and CityRail travel. The tickets cover all day travel around Sydney and Newcastle, and are available to people holding Centrelink Pensioner concession cards, NSW Seniors Cards or NSW or Victorian War Widow(er) concession cards.

**Figure 11: Index of regulated business electricity prices, small customers (real, excluding GST)**



**Note:** Prices calculated for consumption of 30 MWh per year on a general supply tariff. Prices exclude GST.

**Source:** For 1996/97–2003/04, data comes from Electricity Supply Association of Australia, *Electricity Prices in Australia 2003/04*. For 2004/05 onwards the data is calculated, using EnergyAustralia's General Supply (Non TOU) tariff.

The electricity index shown in Figure 11 is calculated for an EnergyAustralia small business customer on a general supply tariff using 30 MWh per year. The customer paid 47.5% more in nominal terms over 2008/09 to 2010/11, (33.5% in real terms) compared to in 2007/08. The bill for this customer was 39.1% higher in real terms in 2010/11 than in 1996/97.

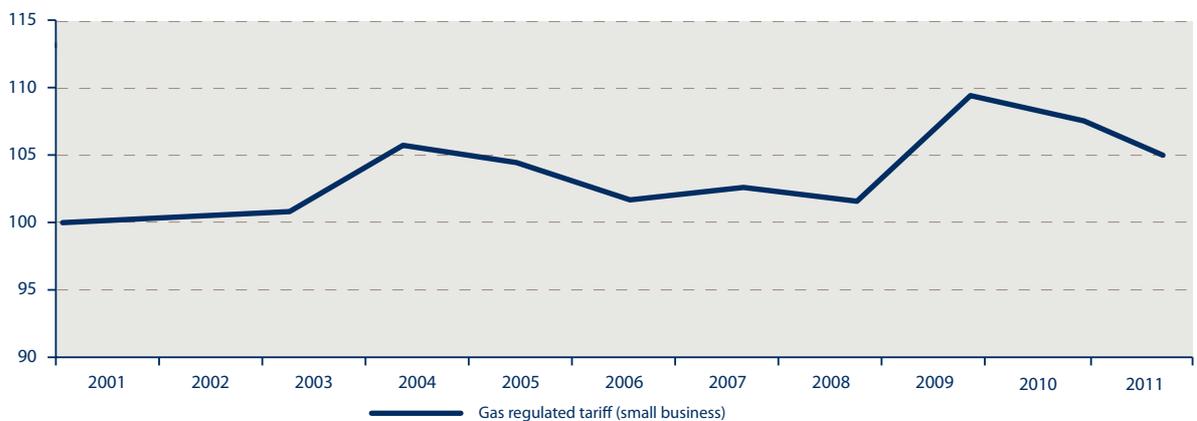
## Gas

Competition in the retail gas sector was introduced in stages from 1999 to 2002, and all customers are now able to choose their supplier. Business customers with consumption of less than 1 terajoule per year can choose to remain on a "default" tariff if they have not entered into a negotiated customer supply contract.

The gas index shown in Figure 12 is calculated for an AGLRE small business customer on a standard business supply tariff using 184,000 MJ per year. The customer paid 3.6% more in nominal terms in 2010/11 (but 3.3% less in real terms) compared with 2008/09. The bill for this customer was 4.9% higher in real terms in 2010/11 than in 2000/01.

## Metropolitan Water

**Figure 12: Index of regulated business gas prices, small customers (real, excluding GST)**



**Note:** Prices calculated for consumption of 184,000 MJ per year on a default standard business supply tariff. Prices exclude GST.

**Source:** AGLRE default standard business tariff

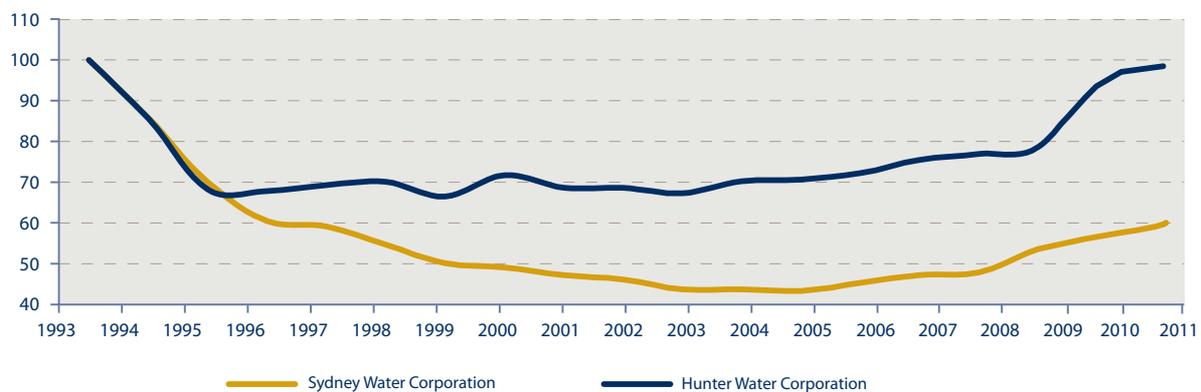
Bills for non-residential customers have followed a similar trend to those of residential customers. Sydney Water's non-residential customers experienced a nominal price increase of about 37.8% from 2007/08 to 2010/11, which is 24.7% in real terms.

The bills for Sydney Water's non-residential customers of water and sewerage services are substantially lower than in 1992/93 – by 40.5% in real terms (Figure 13). This reduction is largely due to the progressive elimination of property value-based charges, which were finally eliminated on 1 July 2004.

Hunter Water's non-residential customers experienced a price increase of 42.3% in nominal terms (28.8% in real terms) from 2007/08 to 2010/11. Average prices are, however, still 1% lower than they were in 1992/93<sup>13</sup>.

## Bulk water

**Figure 13: Index of real water and sewerage charges for non-residential customers**



**Note:** The index measures average revenue per kL of water sold, and is therefore only a rough indicator of prices. Since 2003/04 the index has been calculated using 2002/03 sales volumes to eliminate the impact of reduced consumption.

Bulk water customers on regulated rivers pay two sets of charges: the first to State Water Corporation, which is responsible for river operations; and the second to the NSW Office of Water (NOW) for water resource management. Customers who extract water from unregulated rivers or groundwater only pay NOW's water resource management charges.

The year ending June 2011 was the first year of a new determination of State Water Corporation's bulk water charges. This determination continues until June 2014 and includes increasing charges and bills for State Water Corporation customers.

The main drivers of increased costs and charges in State Water Corporation's determination were:

- > increased capital expenditure, particularly for dam safety requirements, and associated higher depreciation and return on capital
- > the inclusion of a revenue volatility allowance to reduce financial risks during periods of low water extractions, and
- > an increase in the rate of return.

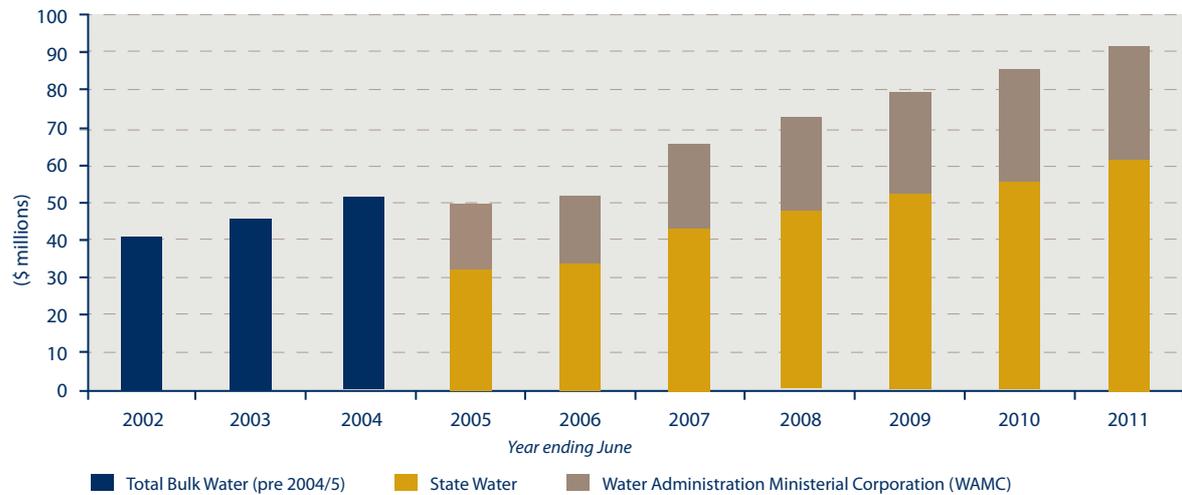
The NSW Office of Water's water resource management charges remained constant in nominal terms compared to 2009/10.

Figure 14 on the following page shows the expected revenue from customer charges for bulk water over the last 10 years.

## Bulk Water – recent developments

<sup>13</sup> Hunter Water's water and sewerage property value based charges were eliminated in 1994/95. Average bills fell about 30% between 1992/93 and 1994/95.

**Figure 14: Target revenue from bulk water tariffs 2001/02 – 2010/11 (nominal\$)**



During the year we undertook an investigation into prices for water resource management services to apply for the next regulatory period. A determination has been made for the NSW Office of Water (NOW) which took effect from 1 July 2011. Under the determination, the annual bills for bulk water users on regulated rivers, most unregulated rivers and inland groundwater sources will increase in real terms. Unregulated river users in the South Coast and Hunter, and groundwater users in coastal valleys will experience a decrease in real terms. The size of the changes will vary depending on the valley in which customers are located and the type of entitlement held. Details of the new prices are on our website.

# Contribution of Regulation to Better Performance

As the NSW economic regulator, IPART has a role in providing incentives for regulated businesses to improve performance and their contribution to economic efficiency. Regulators can drive better performance and efficiency through:

- > implementing a price structure that reflects the efficient costs of the regulated businesses, provides price-consumption signals for consumers and is transparent
- > providing incentives for regulated businesses to improve their efficiency
- > measuring the productivity of regulated businesses
- > monitoring the profitability of regulated businesses.

Improving productivity reduces the call on society's resources for the outputs. Furthermore, a better price structure that includes a commercially sustainable return provides better signals to consumers of the costs of those resources.

Economic efficiency is not the only objective for regulation. When regulating under section 15 of the IPART Act, IPART must consider a range of factors that impact on consumers and the environment. The preceding chapter in this Annual Report provides information on the impact of pricing on consumers.

## Price structure

Since 1993, IPART has overseen the transition from a property value-based pricing structure to a more cost-reflective pricing structure in the water sector.

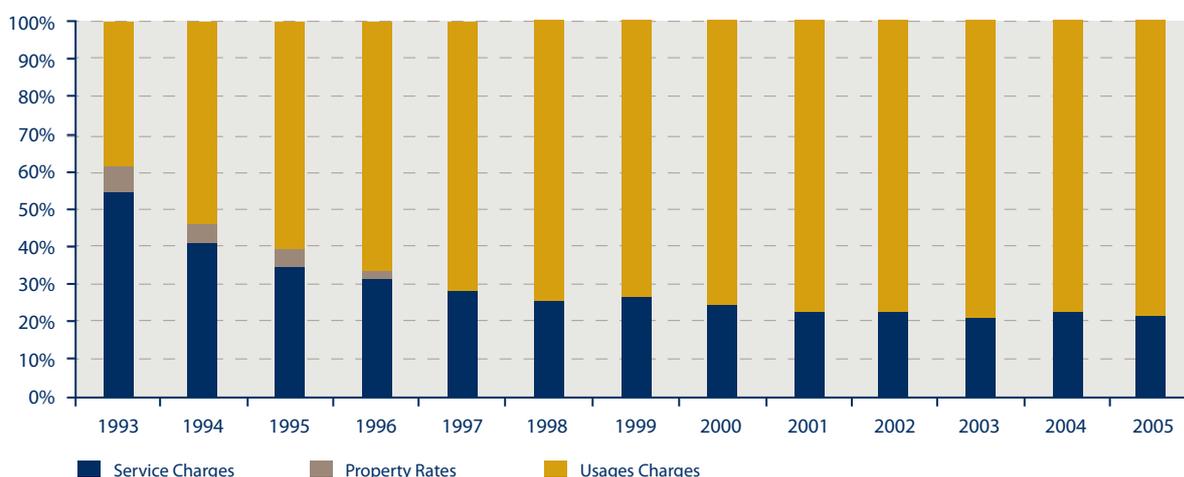
Under a property value-based pricing structure, the low prices charged by the utilities did not encourage efficient use of water. Consumers were granted generous water allowances, calculated by dividing the value of the rates paid by an excess water price, which was generally set at a relatively low level. "Excess" water charges generally only applied after water usage exceeded water allowances. As a result, ratepayers using less than their "water allowances" or whose properties were unmetered faced a zero price for the next unit of water they consumed.

At the time, IPART recommended the following pricing reforms:

- > the elimination of water allowances
- > the progressive elimination of property value based rates as a source of revenue with priority to be given to the reform of the non-residential sector
- > the move to a simple two part tariff with a uniform usage charge to apply to all water used.

More recently in the 2010 Determination of the charges levied by the Water Administration Ministerial Corporation, IPART extended two-part tariffs to all metered holders of water management licences from 1 July 2011.

**Figure 15: Residential Sector Components of Water Revenue**



IPART is currently conducting a review into the pricing structure of the four metropolitan water utilities: Sydney Water, Hunter Water, Gosford City Council and Wyong Shire Council. IPART is concerned that the current pricing structure is not cost reflective and some customers may be subsidising others. Specifically:

- > many units, flats, townhouses and other multi-premise residential dwellings are paying 40% to 50% of the water service charges paid by houses, while other almost identical units, flats and townhouses pay 100% of this charge
- > businesses in multi-premise, single-owner properties are charged significantly less than identical businesses in strata-title or stand-alone buildings
- > the current balance between non-residential sewerage usage and service charges is sending inefficient price signals about on-site recycling, which could lead to increased costs for all customers.

In the transport sector, we've incorporated a value for externalities in the price setting process for rail and buses. Externalities are the indirect impacts for the public from the provision of services. In the case of public transport, there are external benefits from travelling by bus rather than car such as reduced pollution. Given the broader public benefits of public transport and that negative externalities are not priced into alternative private transport options, our view is that external benefits from public transport should be deducted from the fares and funded by government.

For the 2009 review of fares for metropolitan buses the following external benefits were identified:

- > reduced congestion – value of time saved
- > reduced pollution – value of avoided health care costs.

The value of external benefits was deducted from the efficient costs of bus services to derive the proportion passengers should pay.

Similarly, the 2009 review of CityRail fares identified external benefits associated with reduced road congestion, pollution and greenhouse gas emissions. The calculated external benefits were deducted from the cost of rail services to be funded from passenger fares.

## Efficiency incentives

IPART's approach to regulation creates financial and non-financial incentives for regulated businesses to improve their efficiency. The financial incentives arise from the form of price control and we currently use multi-year price caps and industry-specific indices.

Multi-year price caps provide financial incentives by allowing the businesses to retain any savings in costs that they make during the period of the cap. The strength of these incentives depends on the length of the cap, the extent to which efficiency gains in one period are carried forward to the next period, and the way in which prices are built up at the next review. Since 1993 IPART has regulated the urban water businesses under price caps of 3 to 5 years duration. We extended this approach to rural water businesses and, more recently, metropolitan rail (2008) and bus (2010) services. A price cap is also used to regulate retail energy services for small customers.

IPART uses industry-specific cost indices to adjust rates and fares annually for local government, taxis, rural and regional buses, and private ferries. While this involves annual determinations, it provides quite strong incentives because prices for each regulated entity are linked to the industry average cost movements. If a local government or service provider reduces its costs relative to the changes in average industry costs it retains those benefits indefinitely.

We seek to provide strong financial incentives for businesses to improve efficiency, but we are concerned that several factors may reduce the effectiveness of these incentives. While we have seen substantial improvements in productivity, these appear to have slowed, or reversed, in recent years (see next section).

Firstly, the effectiveness of financial incentives depends on the governance of the businesses. While governments can seek to replicate the incentives for private businesses in government-owned businesses, experience suggests this is difficult to achieve.

Secondly, the Government has provided directions to the Tribunal under section 16A of the IPART Act that reduce the strength of the efficiency incentives under our regulation. As we noted in our 2007-08 Annual Report, section 16A directions can be a flexible and effective means of implementing Government policies, but they can reduce the capacity of IPART to review the efficiency of spending decisions and ensure only efficient costs are recovered. Tillegra Dam provides a case in point. Prior to the last Hunter Water price review the Government directed IPART to include the efficient cost of the construction of Tillegra Dam. This meant that we could not assess whether Tillegra Dam was an efficient solution to the Government's water security objectives.<sup>14</sup>

<sup>14</sup> The decision to build the Tillegra dam was subsequently reversed.

Thirdly, there are strong pressures to increase spending by the utilities, some of which arise from licence conditions and government policies. Requirements for spending on backlog sewerage and recycling projects are adding to costs for the urban water businesses. Together with the removal of developer charges, this is adding to the increase in the charges for their services. Finally, government policies may also constrain the capacity of the businesses to reduce costs. In our 2008 review of CityRail, our consultants identified savings of \$454 million in real terms that could be achieved by adopting practices already used by other rail operators. In setting passenger fares, IPART only required passengers to pay their fair share of efficient costs.

Regulation also provides important incentives for efficiency through the transparent reporting of performance over time and against peers. This covers regular public reporting cost trends and outputs (including service quality) against both past trends and benchmarks set through regulatory determinations. It also includes benchmarking against peers. We believe these non-financial incentives are particularly important and we have increased the regular transparent reporting of performance over time and expect to expand it further.

In 2010/11 we published:

- > an annual report on the performance of the metropolitan water agencies that included reporting of performance over time against a number of measures of the quantity and quality of the services provided and comparison with cost and output benchmarks used in price determinations.
- > annual reports against service standards set in the licences for energy distribution and retail service providers and metropolitan water and wastewater service providers.
- > annual price and service reports for metropolitan transport services.

In 2011/12 we intend to increase the reporting of performance against peers and efficiency trends for 2010/11 reports on the performance of the metropolitan water agencies. The work underway on customer engagement and willingness-to-pay is also seeking to ensure decisions on service standards, that are an important driver of costs, better reflect the preferences of customers and the community.

## Productivity

Productivity is one measure of efficiency. Simply, productivity is the ratio of outputs to inputs. Typically, a business will look to improve productivity by improving the quality and utilisation of its capital, labour force and other inputs. Better processes within the business and more flexibility in the use of resources can be an important component of improving productivity.

There are difficulties to measuring productivity. Improvements in the quality of outputs are not reflected in the productivity trends reported. The position in the asset cycle is critical with higher productivity in the earlier phases of the asset. Any measure of productivity would be highly sensitive to the chosen assumptions. Despite the difficulties, productivity is crucial to managing demand growth and maintaining living standards. We should be concerned about the decline in measured productivity growth, especially in the utilities sectors.

Productivity growth in Australia as per the 2009 Productivity Commission report *Australia's Productivity Performance* for both water and energy utilities:

- > grew strongly between 1985/86 and 1993/94
- > grew more slowly between 1993/94 and 1998/99
- > declined since 1998/99.

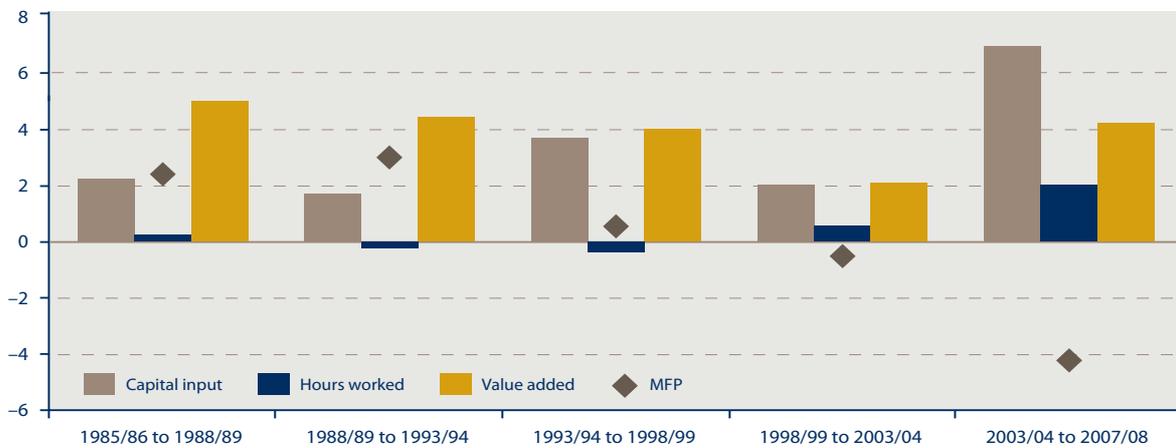
In NSW, we found that Sydney Water's and Hunter Water's productivity have followed a similar trend to that of Australia. A decline in productivity has resulted from:

- > inputs rising more than outputs, with outputs measured mainly by number of customer connections and inputs driven by major capital projects
- > capital productivity falling.

We identified increased water quality and sewerage discharge standards as the main driver of capital expenditure, with large expenditure more recently on the Sydney Desalination Plant.

In the case of NSW electricity distribution (excluding retail functions), productivity improved slightly in the period to 2004. But it has fallen since then. For the three networks, the growth in inputs was more than double that of output growth over the period.

**Figure 16: Growth in value added, capital and labour input (weighted) and multifactor productivity in electricity, gas and water sectors in Australia (average annual growth rates)**



Factors contributing to loss in productivity in electricity distribution include:

- > large increases in capital investment to replace ageing assets, build capacity and to improve reliability
- > growth in the number of employees
- > increased reliability standards
- > reduction in the maintenance backlog
- > rising demand.

Generally we found factors affecting productivity include:

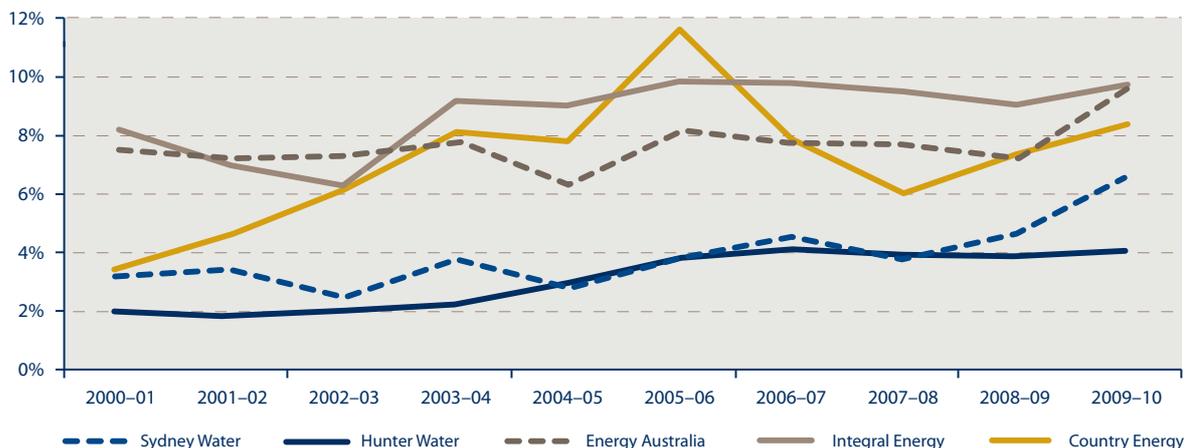
- > higher standards
- > capital asset renewal
- > improved quality of outputs.

## Profitability

The following figure shows the return on assets for energy and water utilities since 2000/01. This analysis has been based on Auditor General’s financial audit reports and Productivity Commission data. The data represent accounting values, not regulatory asset values.

The figure shows the water businesses generally have lower return on assets than energy businesses but are in a relatively healthy financial position with improved returns on assets. The electricity distributors are achieving commercial rates of return.

**Figure 17: Return on assets (net profit before interest and tax / total assets)**



# Independent Auditor's Report



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Independent Pricing and Regulatory Tribunal Division

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Independent Pricing and Regulatory Tribunal Division (the Division), which comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

#### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Division as at 30 June 2011, and its financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

My opinion should be read in conjunction with the rest of this report.

#### The Chairman's Responsibility for the Financial Statements

The Chairman is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the Chairman determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Division's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chairman, as well as evaluating the overall presentation of the financial statements.

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

# Independent Auditor's Report cont'd

My opinion does *not* provide assurance:

- about the future viability of the Division
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Coulogeorgiou  
Director, Financial Audit Services

14 October 2011  
SYDNEY

# Statement on behalf of IPART Division

Independent Pricing and Regulatory Tribunal



PO Box Q290, QVB Post Office NSW 1230  
Level 8, 1 Market Street Sydney NSW 2000  
T (02) 9290 8400 F (02) 9290 2061  
ABN 49 202 269 878

[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)

## **STATEMENT ON BEHALF OF THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL DIVISION**

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, we state that to the best of our knowledge and belief:

- a) the accompanying financial report has been prepared in accordance with applicable Australian Accounting Standards, (which include Australian equivalents to International Financial reporting Standards (AIFRS)), other authoritative pronouncements of the Australian Accounting Standards Board, (AASB), Urgent Issues Group (UIG) Interpretations, the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies and Treasurer's Directions;
- b) the financial report exhibits a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal of New South Wales as at 30 June 2011 and the operations for the year then ended;
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

*James Cox*

James Cox PSM  
Acting Chairman

12 October 2011

ELECTRICITY

GAS

WATER

TRANSPORT

OTHER INDUSTRIES

# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$'000	2010 \$'000
<b>Expenses excluding losses</b>			
Employee related expenses	2	12,531	11,580
<b>Total expenses excluding losses</b>		<b>12,531</b>	<b>11,580</b>
<b>Revenue</b>			
Personnel services	3	11,877	11,027
<b>Total Revenue</b>		<b>11,877</b>	<b>11,027</b>
Gain / (loss) on disposal		-	-
<b>Net Cost of Services</b>		<b>(654)</b>	<b>(553)</b>
<b>Government Contributions</b>			
Acceptance by the Crown Entity of employee benefits and other liabilities	4	654	553
<b>Total Government Contributions</b>		<b>654</b>	<b>553</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>			
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-</b>	<b>-</b>

*The accompanying notes form part of these financial statements.*

# Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	Accumulated Funds	Total
	\$'000	\$'000
<b>Balance at 1 July 2010</b>	-	-
Surplus / (deficit) for the year	-	-
Total comprehensive income for the year	-	-
<b>Balance at 30 June 2011</b>	-	-
<b>Balance at 1 July 2009</b>	-	-
Surplus / (deficit) for the year	-	-
Total comprehensive income for the year	-	-
<b>Balance at 30 June 2010</b>	-	-

## Statement of Financial Position

AS AT 30 JUNE 2011

	Notes	2011 \$'000	2010 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	4	–
Receivables	6	1,734	1,579
<b>Total current assets</b>		<b>1,738</b>	<b>1,579</b>
<b>Total assets</b>		<b>1,738</b>	<b>1,579</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	7	275	178
Provisions	8	1,450	1,389
<b>Total current liabilities</b>		<b>1,725</b>	<b>1,567</b>
<b>Non-current liabilities</b>			
Provisions	8	13	12
<b>Total non-current liabilities</b>		<b>13</b>	<b>12</b>
<b>Total liabilities</b>		<b>1,738</b>	<b>1,579</b>
<b>Net assets</b>		<b>–</b>	<b>–</b>
<b>EQUITY</b>			
Accumulated funds		–	–
<b>Total Equity</b>		<b>–</b>	<b>–</b>

*The accompanying notes form part of these financial statements.*

# Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
	Notes	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee related		(12,334)	–
<b>Total Payments</b>		(12,334)	–
<b>Receipts</b>			
Personnel services		12,338	–
<b>Total Receipts</b>		12,338	–
<b>NET INCREASE/ (DECREASE) IN CASH</b>		4	–
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	5	4	–

*The accompanying notes form part of these financial statements.*

# Notes to the Financial Statements

FOR THE YEAR ENDING 30 JUNE 2011

## 1. Summary of Significant Accounting Policies

### (a) Reporting entity

The Independent Pricing and Regulatory Tribunal Division is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the Public Sector Employment and Management Act 2002. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at Level 2, 44 Market Street Sydney 2000.

The Independent Pricing and Regulatory Tribunal Division's objective is to provide personnel services to The Independent Pricing and Regulatory Tribunal.

The financial statement was authorised for issue by the Chairman of The Independent Pricing and Regulatory Tribunal Division on 12 October 2011.

### (b) Basis of preparation

The Division's financial statements are general purpose financial statements which has been prepared in accordance with:

- > applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- > the requirements of the Public Finance and Audit Act 1983 and Regulation 2010; and
- > the Financial Reporting Directions published in the Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

### (c) Statement of compliance

The Division's financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

### (d) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable.

### (e) Assets

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the surplus / (deficit) for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

### (f) Liabilities

#### (i) Payables

These amounts represent liabilities for goods and services provided to the division and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

## (ii) Employee benefits and other provisions

### Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 *Employee Benefits*.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

### Long service leave and superannuation

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 09/04) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

## (g) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

## (h) New Australian Accounting Standards issued but not effective

The following new Accounting Standards have not been applied and are not effective for 30 June 2011 reporting period. The Division did not early adopt any of these Accounting Standards and Interpretations that are not yet effective:

- AASB 2010-2 regarding Reduced Disclosure Requirements
- AASB 2010-4 regarding Annual Improvements
- AASB 2010-5 regarding editorial corrections
- AASB 2010-6 regarding Disclosures on Transfers of Financial Assets
- AASB 2010-7 regarding financial instruments: Disclosures
- AASB 2110-8 regarding Deferred Tax: Recovery of Underlying Assets regarding AASB 112
- AASB 2010-9 regarding severe hyperinflation and removal of fixed dates for first time adopters
- AASB 2010-10 regarding removal of fixed dates for first time adopters
- AASB 2009-12 regarding related party transactions
- AASB 2009-14 regarding prepayments of a minimum funding requirement
- AASB 2009-101 regarding presentation of Financial Statements
- AASB 2009-107 regarding Statement of Cash Flows
- AASB 2009-108 regarding Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 2009-110 regarding Events after the Reporting Period
- AASB 2010-119 regarding Employee Benefits
- AASB 2010-137 regarding Provisions, Contingent Liabilities and Contingent Assets
- AASB 2010-139 regarding Financial Instruments : Recognition and Measurement

It is considered that the impact of these new Standards and Interpretations in future periods will have no material impact on the financial statements of the Division.

## 2. Expenses Excluding Losses

### Employee related expenses

	2011 \$'000	2010 \$'000
Salaries and wages (including recreation leave)	10,534	9,615
Superannuation – defined benefit plans	127	111
Superannuation – defined contribution plans	689	620
Long service leave	521	436
Workers compensation insurance	45	41
Payroll tax and fringe benefit tax	710	605
On costs (Recreation and Long Service Leave)	(95)	152
	<b>12,531</b>	<b>11,580</b>

## 3. Revenue

### Personnel services

Personnel services	11,877	11,027
	<b>11,877</b>	<b>11,027</b>

## 4. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities

The following liabilities and / or expenses have been assumed by the Crown Entity:

Superannuation-defined benefit	127	111
Long service Leave	521	436
Payroll tax	6	6
	<b>654</b>	<b>553</b>

## 5. Current Assets – Cash and Cash Equivalents

Cash at bank and on hand	4	–
	<b>4</b>	<b>–</b>

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, short term deposits and bank overdraft.

Cash and cash equivalents (per statement of financial position)	4	–
Closing cash and cash equivalents (per statement of cash flows)	<b>4</b>	<b>–</b>

Refer Note 12 for details regarding credit risk, liquidity risk, and market risk arising from financial instruments.

## 6. Current Assets – Receivables

### Current Receivables

	2011 \$'000	2010 \$'000
Personnel services	1,734	1,579
<b>Personnel services</b>	<b>1,734</b>	<b>1,579</b>

## 7. Current Liabilities – Payable

### Current Liabilities – Payables

Accrued salaries, wages and on costs	271	178
Creditors	4	–
	<b>275</b>	<b>178</b>

## 8. Current / Non Current Liabilities – Provisions

### Current

#### Employee benefits and related on costs

Recreation leave	1,152	1,109
Long service leave	116	114
Payroll tax	182	166
<b>Total provisions</b>	<b>1,450</b>	<b>1,389</b>

### Non current

#### Employee benefits and related on costs

Long service leave	13	12
<b>Total provisions</b>	<b>13</b>	<b>12</b>

#### Aggregate employee benefits and related on costs

Provisions – current	1,450	1,389
Provisions – non current	13	12
Accrued salaries, wages and on costs (Note 7)	271	178
	<b>1,734</b>	<b>1,579</b>

## 9. Commitments for Expenditure

The Division has no commitments as at 30 June 2011 (30 June 2010 Nil).

## 10. Contingent Liabilities and Contingent Assets

The Division has no contingent liabilities and contingent assets as at 30 June 2011 (30 June 2010 Nil).

## 11. Reconciliation of Cash Flows from Operating Activities to Net Cost of Services

	2011 \$'000	2010 \$'000
Net cash used on operating activities	4	–
Acceptance by the Crown Entity of employee benefits and other liabilities	(654)	–
Decrease / (increase) in provisions	(62)	–
Increase / (decrease) in prepayments and other assets	155	–
Decrease / (increases) in creditors	(97)	–
<b>Net cost of services</b>	<b>(654)</b>	<b>–</b>

## 12. Financial Instruments

The Independent Pricing and Regulatory Tribunal Division's principal financial instruments are short term receivables and payables. These instruments expose the Division primarily to credit risk on short term receivables. The Division does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing risk. Compliance with policies is reviewed by the internal auditors on a continuous basis.

### (a) Financial instrument categories

	Note	Category	Carrying Amount	
			2011 \$'000	2010 \$'000
<b>FINANCIAL ASSETS</b>				
<b>Class:</b>				
Cash and cash equivalents	5	N/A	4	–
Receivables <sup>1</sup>	6	Loans and receivables (at amortised cost)	1,733	1,579
<b>FINANCIAL LIABILITIES</b>				
<b>Class:</b>				
Payables <sup>2</sup>	7	Financial liabilities measured at amortised cost	275	178

#### Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB7).

2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB7).

### (b) Credit Risk

Credit risk arises from the financial assets of the Division, which are receivables. No collateral is held by the Division. The Division has not granted any financial guarantees.

Credit risk arises when there is the possibility of the Division's debtors defaulting on their contractual obligations, resulting in a financial loss to the Division. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

#### Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. The balance owing represents monies due from the Independent Pricing and Regulatory Tribunal. Sales are made to them on 14 day terms.

No financial assets are past due or impaired.

## 12. Financial Instruments continued

### (c) Liquidity risk

Liquidity risk is the risk that the Division will be unable to meet its payment obligations when they fall due. The Division continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest for late payment was paid during the 2011 financial year (2010 \$Nil).

The table below summarises the maturity profile of the Division's financial liabilities, together with the interest rate exposure.

	Interest Rate Exposure			Maturity Dates			
	Nominal Amount	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing	< 1 yr	1–5 yrs	> 5 yrs
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2011</b>							
<i>Payables:</i>							
Accrued salaries, wages and on costs	271	–	–	–	271	–	–
Creditors	4	–	–	–	4	–	–
	275	–	–	–	275	–	–
<b>2010</b>							
<i>Payables:</i>							
Accrued salaries, wages and on costs	178	–	–	–	178	–	–
Creditors	–	–	–	–	–	–	–
	178	–	–	–	178	–	–

### (d) Market risk

The Division has no exposure to foreign currency risk and does not enter into commodity contracts.

### (e) Fair Value

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value.

## 13. After Balance Date Events

There are no events subsequent to balance date which affect the financial statements.

**END OF AUDITED FINANCIAL STATEMENTS**

# INDEPENDENT PRICING AND REGULATORY TRIBUNAL

## Independent Auditor's Report



GPO BOX 12  
Sydney NSW 2001

### INDEPENDENT AUDITOR'S REPORT

#### Independent Pricing and Regulatory Tribunal

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Independent Pricing and Regulatory Tribunal (the Tribunal), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Tribunal and the consolidated entity. The consolidated entity comprises the Tribunal and the entities it controlled at the year's end or from time to time during the financial year.

#### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Tribunal and the consolidated entity, as at 30 June 2011, and of the financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion should be read in conjunction with the rest of this report.

#### The Member's Responsibility for the Financial Statements

The members of the Tribunal are responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial statements.

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

# Independent Auditor's Report cont'd

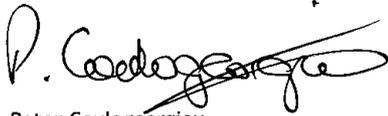
My opinion does not provide assurance:

- about the future viability of the Tribunal or the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Coulogeorgiou  
Director, Financial Audit Services

14 October 2011  
SYDNEY

# INDEPENDENT PRICING AND REGULATORY TRIBUNAL

## Statement on behalf of IPART

Independent Pricing and Regulatory Tribunal



PO Box Q290, QVB Post Office NSW 1230  
Level 8, 1 Market Street Sydney NSW 2000  
T (02) 9290 8400 F (02) 9290 2061  
ABN 49 202 260 878

[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)

### **STATEMENT ON BEHALF OF THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL**

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, we state that to the best of our knowledge and belief:

- a) the accompanying financial report has been prepared in accordance with applicable Australian Accounting Standards, (which include Australian equivalents to International Financial reporting Standards (AIFRS)), other authoritative pronouncements of the Australian Accounting Standards Board, (AASB), Urgent Issues Group (UIG) Interpretations, the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies and Treasurer's Directions;
- b) the financial report exhibits a true and fair view of the financial position of the Independent Pricing and Regulatory Tribunal of New South Wales as at 30 June 2011 and the operations for the year then ended;
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

A handwritten signature in black ink that reads 'James Cox'.

James Cox PSM  
*Acting Chairman*

12 October 2011

ELECTRICITY      GAS      WATER      TRANSPORT      OTHER INDUSTRIES

## Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated			IPART	
		Actual 2011 \$'000	Budget 2011 \$'000	Actual 2010 \$'000	Actual 2011 \$'000	Actual 2010 \$'000
<b>Expenses excluding losses</b>						
Operating expenses						
Employee related	2(a)	12,531	10,554	11,580	-	-
Other operating expenses	2(b)	7,605	7,442	8,039	7,605	8,039
Depreciation and amortisation	2(c)	749	581	680	749	680
Personnel services	2(d)	-	-	-	11,877	11,027
<b>Total expenses excluding losses</b>		<b>20,885</b>	<b>18,577</b>	<b>20,299</b>	<b>20,231</b>	<b>19,746</b>
<b>Revenue</b>						
Sale of goods and services	3(a)	748	883	1,805	748	1,805
Investment revenue	3(b)	467	230	246	467	246
Other revenue	3(c)	811	200	7	811	7
<b>Total Revenue</b>		<b>2,026</b>	<b>1,313</b>	<b>2,058</b>	<b>2,026</b>	<b>2,058</b>
Gain / (loss) on disposal	4	-	-	2	-	2
Other gains/ (losses)	5	-	-	(20)	-	(20)
<b>Net Cost of Services</b>	19	<b>(18,859)</b>	<b>(17,264)</b>	<b>(18,259)</b>	<b>(18,205)</b>	<b>(17,706)</b>
<b>Government Contributions</b>						
Recurrent appropriation	6	19,128	16,547	18,043	19,128	18,043
Capital appropriation	6	180	180	175	180	175
Acceptance by the Crown Entity of employee benefits and other liabilities	7	654	-	553	-	-
<b>Total Government Contributions</b>		<b>19,962</b>	<b>16,727</b>	<b>18,771</b>	<b>19,308</b>	<b>18,218</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>1,103</b>	<b>(537)</b>	<b>512</b>	<b>1,103</b>	<b>512</b>
Other comprehensive income for the year		-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,103</b>	<b>(537)</b>	<b>512</b>	<b>1,103</b>	<b>512</b>

The accompanying notes form part of these financial statements.

# Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

	Accumulated Funds	Total
	\$'000	\$'000
<b>Consolidated / IPART</b>		
<b>Balance at 1 July 2010</b>	6,255	6,255
Surplus / (deficit) for the year	1,103	1,103
Total other comprehensive income	–	–
<b>Balance at 30 June 2011</b>	<b>7,358</b>	<b>7,358</b>
<b>Balance at 1 July 2009</b>	5,742	5,742
Surplus / (deficit) for the year	513	513
Total other comprehensive income	–	–
<b>Balance at 30 June 2010</b>	<b>6,255</b>	<b>6,255</b>
<b>Total other comprehensive income</b>	<b>–</b>	<b>–</b>

## Statement of Financial Position

AS AT 30 JUNE 2011

	Notes	Consolidated			IPART	
		Actual 2011 \$'000	Budget 2011 \$'000	Actual 2010 \$'000	Actual 2011 \$'000	Actual 2010 \$'000
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	9	8,473	6,282	6,029	8,469	6,029
Receivables	10	606	447	447	606	447
<b>Total Current Assets</b>		<b>9,079</b>	<b>6,729</b>	<b>6,476</b>	<b>9,075</b>	<b>6,476</b>
<b>Non Current Assets</b>						
Property plant and equipment	11	1,828	1,601	1,994	1,828	1,994
Intangible assets	12	61	34	42	61	42
<b>Total Non Current Assets</b>		<b>1,889</b>	<b>1,635</b>	<b>2,036</b>	<b>1,889</b>	<b>2,036</b>
<b>Total Assets</b>		<b>10,968</b>	<b>8,364</b>	<b>8,512</b>	<b>10,964</b>	<b>8,512</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Payables	13	861	605	585	2,320	1,986
Provisions	14	1,450	1,389	1,389	-	-
Other	15	952	5	5	952	5
<b>Total Current Liabilities</b>		<b>3,263</b>	<b>1,999</b>	<b>1,979</b>	<b>3,272</b>	<b>1,991</b>
<b>Non Current Liabilities</b>						
Provisions	14	347	278	278	334	266
<b>Total Non Current Liabilities</b>		<b>347</b>	<b>278</b>	<b>278</b>	<b>334</b>	<b>266</b>
<b>Total Liabilities</b>		<b>3,610</b>	<b>2,277</b>	<b>2,257</b>	<b>3,606</b>	<b>2,257</b>
<b>Net Assets</b>		<b>7,358</b>	<b>6,087</b>	<b>6,255</b>	<b>7,358</b>	<b>6,255</b>
<b>EQUITY</b>						
Accumulated funds		7,358	6,087	6,254	7,358	6,254
<b>Total Equity</b>		<b>7,358</b>	<b>6,087</b>	<b>6,254</b>	<b>7,358</b>	<b>6,254</b>

## Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated			IPART	
		Actual 2011 \$'000	Budget 2011 \$'000	Actual 2010 \$'000	Actual 2011 \$'000	Actual 2010 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee related		(11,722)	(10,185)	(10,793)	(11,722)	(10,793)
Other		(8,218)	(8,643)	(9,052)	(8,222)	(9,052)
<b>Total Payments</b>		<b>(19,940)</b>	<b>(18,828)</b>	<b>(19,845)</b>	<b>(19,944)</b>	<b>(19,845)</b>
<b>Receipts</b>						
Sale of goods and services		685	883	1,598	685	1,598
Interest received		356	230	189	356	189
Other		1,585	1,421	930	1,585	930
<b>Total Receipts</b>		<b>2,626</b>	<b>2,534</b>	<b>2,717</b>	<b>2,626</b>	<b>2,717</b>
<b>Cash Flows From Government</b>						
Recurrent appropriation	6	20,180	16,547	18,043	20,180	18,043
Capital appropriation (excluding equity appropriations)	6	180	180	180	180	180
Cash transfers to the Consolidated Fund		-	-	-	-	-
<b>Net Cash Flows From Government</b>		<b>20,260</b>	<b>16,727</b>	<b>18,223</b>	<b>20,260</b>	<b>18,223</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	19	<b>2,946</b>	<b>433</b>	<b>1,095</b>	<b>2,942</b>	<b>1,095</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sale of plant and equipment		-	-	2	-	2
Purchases of plant and equipment		(502)	(180)	(175)	(502)	(175)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(502)</b>	<b>(180)</b>	<b>(173)</b>	<b>(502)</b>	<b>(173)</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>						
Opening cash and cash equivalents		6,029	6,029	5,107	6,029	5,107
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	9	<b>8,473</b>	<b>6,282</b>	<b>6,029</b>	<b>8,469</b>	<b>6,029</b>

# Supplementary Financial Statements

SERVICE GROUP STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## Service Group Statements

The Statement of comprehensive income and statement of financial position reflected Independent Pricing and Regulatory Tribunal's single service program details.

	Service Group 1 – Utilities, Pricing, Regulation, Analysis and Policy Work*		Not Attributed**		Total	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ADMINISTERED EXPENSES &amp; INCOME</b>						
<b>Administered Expenses</b>						
Impairment of receivables	1,423	1,403	–	–	1,423	1,403
<b>Total Administered Expenses</b>	<b>1,423</b>	<b>1,403</b>	<b>–</b>	<b>–</b>	<b>1,423</b>	<b>1,403</b>
<b>Administered Income</b>						
➤ Taxes, fees and fines	11,955	7,498	–	–	11,955	7,498
<b>Total Administered Income</b>	<b>11,955</b>	<b>7,498</b>	<b>–</b>	<b>–</b>	<b>11,955</b>	<b>7,498</b>
<b>Administered Income less Expenses</b>	<b>10,532</b>	<b>6,095</b>	<b>–</b>	<b>–</b>	<b>10,532</b>	<b>6,095</b>

\* The name and purpose of the program is summarised in Note 8.

\*\* Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions must be included in the 'Not Attributable' column.

# Summary of Compliance with Financial Derivatives

	2011				2010			
	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>								
<b>ORIGINAL BUDGET APPROPRIATION / EXPENDITURE</b>								
➤ Appropriation Act	16,547	16,547	180	180	16,322	16,322	180	175
➤ Additional Appropriations	-	-	-	-	-	-	-	-
	<b>16,547</b>	<b>16,547</b>	<b>180</b>	<b>180</b>	<b>16,322</b>	<b>16,322</b>	<b>180</b>	<b>175</b>
<b>OTHER APPROPRIATIONS / EXPENDITURE</b>								
➤ Treasurer's Advance	3,533	2,581	-	-	1,721	1,721	-	-
➤ Transfers to / from another agency (s28 of the Appropriation Act)	-	-	-	-	-	-	-	-
	<b>3,533</b>	<b>2,581</b>	<b>-</b>	<b>-</b>	<b>1,721</b>	<b>1,721</b>	<b>-</b>	<b>-</b>
<b>Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>20,080</b>	<b>19,128</b>	<b>180</b>	<b>180</b>	<b>18,043</b>	<b>18,043</b>	<b>180</b>	<b>175</b>
<b>Amount draw down against Appropriation</b>		<b>20,080</b>		<b>180</b>		<b>18,043</b>		<b>180</b>
<b>Liability to Consolidated Fund*</b>		<b>(952)</b>		<b>-</b>		<b>-</b>		<b>(5)</b>

The Summary of compliance is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).

The Liability to Consolidated Fund represents the difference between the "Amount drawn down against Appropriation" and the "Total Expenditure/Net Claim on Consolidated Fund".

# Notes to the Financial Statements

FOR THE YEAR ENDING 30 JUNE 2011

## 1. Summary of Significant Accounting Policies

### (a) Reporting entity

The Independent Pricing and Regulatory Tribunal of New South Wales (hereafter referred to as the Tribunal) is a reporting entity, comprising all the entities under its control, namely IPART Division.

The Independent Pricing and Regulatory Tribunal Division was established under the Public Sector Employment Legislation Amendment Act 2006, to provide personnel services to the Independent Pricing & Regulatory Tribunal from 17 March 2006. The Division has no functions other than employment functions.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter entity transactions and balances have been eliminated.

The Tribunal is a budget dependent Statutory Authority. The Tribunal is a not for profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

These consolidated financial statements for the year ended 30 June 2011 has been authorised for issue by the Chairman of the Tribunal and Chief Executive Officer and Full Time Member of the Tribunal on 12 October 2011.

### (b) Basis of preparation

The Tribunal's financial statements is a general purpose financial statements which has been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and Regulation 2010; and
- the Financial Reporting Directions published in the Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Plant and equipment are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

### (c) Statement of compliance

The consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

### (d) Administered activities

The Tribunal administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the Tribunal's own objectives.

Transactions and balances relating to the administered activities are not recognised as the Tribunal's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as "Administered Income", "Administered Expenses", "Administered Assets" and "Administered Liabilities".

The accrual basis of accounting and all applicable accounting standards have been adopted.

## (e) Insurance

The Tribunal's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

## (f) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that:

- > the amount of GST incurred by the Tribunal as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense and
- > receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flow on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

## (g) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

### (i) Parliamentary appropriations and contributions

Except as specified below, parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the agency obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash. Appropriations are not recognised as income in the following circumstances:

- > Unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund.
- > The liability is disclosed in Note 15 as part of 'Current liabilities – Other'. The amount will be repaid and the liability will be extinguished next financial year. Any liability in respect of transfer payments is disclosed in Note 20 "Administered assets and liabilities".

### (ii) Sale of goods

Revenue from the sale of goods is recognised as revenue when the Tribunal transfers the significant risks and rewards of ownership of the assets.

### (iii) Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

### (iv) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement.

## (h) Assets

### (i) Acquisitions of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Tribunal. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset specific rate.

**(ii) Capitalisation thresholds**

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

**(iii) Revaluation of property, plant and equipment**

Physical non current assets are valued in accordance with the "Valuation of Physical Non Current Assets at Fair Value" Policy and Guidelines Paper (TPP 07 1). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

As a not for profit entity, revaluation increments and decrements are offset against one another within a class of non current assets, but not otherwise.

**(iv) Impairment of property, plant and equipment**

As a not for profit entity with no cash generating units, the Tribunal is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

**(v) Depreciation of property, plant and equipment**

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Tribunal.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

Depreciation Rates	2011	2010
	% Rate	% Rate
<b>Intangible Asset</b>		
Computer software	25	25
<b>Plant &amp; Equipment</b>		
Office furniture and fittings	10	10
Computer equipment and hardware	33	33
General plant and equipment	14	14
Leasehold improvements – depreciated over the period of the lease or its useful life whichever is shorter.	–	–

**(vi) Restoration costs**

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

**(vii) Maintenance**

Day to day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or a component of an asset, in which case the costs are capitalised and depreciated.

**(viii) Leased assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the statements of comprehensive income in the periods in which they are incurred.

**(ix) Intangible assets**

The Tribunal recognises intangible assets only if it is probable that future economic benefits will flow to the Tribunal and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Tribunal's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Tribunal's intangible assets are amortised using the straight line method over a period of four years.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

**(x) Other assets**

Other assets are recognised on a cost basis.

**(i) Liabilities**

**(i) Payables**

These amounts represent liabilities for goods and services provided to the Tribunal and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**(ii) Employee benefits and other provisions**

*(a) Salaries and wages, annual leave, sick leave and on costs*

Liabilities for salaries and wages (including non monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employee's services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 *Employee Benefits*. Market yields on government bonds of 5.59% are used to discount long term annual leave.

Unused non vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

*(b) Long service leave and superannuation*

The Tribunal's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Tribunal accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities".

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 09/04) to employees with five or more years of service,

using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(c) *Other Provisions*

Other provisions exist when: the Tribunal has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

## (j) Budgeted amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and / or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the statements of comprehensive income and the statements of cash flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the statement of financial position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts; i.e. per the audited financial statements (rather than carried forward estimates).

## (k) Comparative information

Except where an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

## (l) New Australian Accounting Standards issued but not effective

The following new Accounting Standards have not been applied and are not effective for 30 June 2011 reporting period. The Tribunal did not early adopt any of these Accounting Standards and Interpretations that are not yet effective:

- AASB 2010 2 regarding Reduced Disclosure Requirements
- AASB 2010 4 regarding Annual Improvements
- AASB 2010 5 regarding editorial corrections
- AASB 2010 6 regarding Disclosures on Transfers of Financial Assets
- AASB 2010 7 regarding financial instruments: Disclosures
- AASB 2110 8 regarding Deferred Tax: Recovery of Underlying Assets regarding AASB 112
- AASB 2010 9 regarding severe hyperinflation and removal of fixed dates for first time adopters
- AASB 2010 10 regarding removal of fixed dates for first time adopters
- AASB 2009 12 regarding related party transactions
- AASB 2009 14 regarding prepayments of a minimum funding requirement
- AASB 2009 101 regarding presentation of Financial Statements
- AASB 2009 107 regarding Statement of Cash Flows
- AASB 2009 108 regarding Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 2009 110 regarding Events after the Reporting Period
- AASB 2010 119 regarding Employee Benefits
- AASB 2010 137 regarding Provisions, Contingent Liabilities and Contingent Assets
- AASB 2010 139 regarding Financial Instruments : Recognition and Measurement

It is considered that the impact of these new Standards and Interpretations in future periods will have no material impact on the financial statements of the Tribunal.

## 2. Expenses Excluding Losses

### (a) Employee related expenses

	Consolidated		IPART	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Salaries and wages (including recreation leave)	10,534	9,615	-	-
Superannuation – defined benefit plans	127	111	-	-
Superannuation – defined contribution plans	689	620	-	-
Long service leave	521	436	-	-
Workers compensation insurance	45	41	-	-
Payroll tax and fringe benefit tax	710	605	-	-
Oncosts Recreation Leave and long service leave	(95)	152	-	-
	12,531	11,580	-	-

### (b) Other operating expenses include the following:

Advertising	48	65	48	65
Auditor's remuneration – audit of the financial statements	34	36	34	36
Cleaning and outgoings	107	97	107	97
Consultancies	3,165	3,710	3,165	3,710
Contractors	1,035	476	1,035	476
Insurance	9	9	9	9
Internal audit fees	106	96	106	96
Legal costs	320	197	320	197
Operating lease rental expense – minimum lease payments	958	772	958	772
Travel	82	113	82	113
Other expenses	807	840	807	840
Corporate services	280	311	280	311
EDP expenses	460	1,116	460	1,116
Maintenance	194	201	194	201
	7,605	8,039	7,605	8,039
<i>* Reconciliation – Total maintenance</i>				
Maintenance expense – other (non employee related), as above	194	201	194	201
Total maintenance expenses included in Note 2(a) + 2(b)	194	201	194	201

## 2. Expenses Excluding Losses continued

### (c) Depreciation and amortisation expense

Depreciation:

Plant and Equipment

273 292 273 292

273 292 273 292

Amortisation:

Leasehold improvements

460 374 460 374

Intangible Asset

16 14 16 14

749 680 749 680

### (d) Personnel services

Personnel services

– – 11,877 11,027

– – 11,877 11,027

## 3. Revenue

### (a) Sale of goods and services

Rendering of services ( reimbursement of both external consultancies and in-house costs )

748 1,805 748 1,805

748 1,805 748 1,805

### (b) Investment revenue

Interest from cash at bank

467 246 467 246

467 246 467 246

### (c) Other revenue

Other

811 7 811 7

811 7 811 7

## 4. Gain / (Loss) on Disposal

### Gain / (loss) on disposal of plant and equipment

Proceeds from disposal

– 2 – 2

Less: Written down value of assets disposed

– – – –

**Net gain / (loss) on disposal of plant and equipment**

**– 2 – 2**

## 5. Other Gains / (Losses)

Impairment of receivables

– (20) – (20)

**Other gains / (losses) total**

**– (20) – (20)**

## 6. Appropriations

### Recurrent appropriations

Total recurrent drawdowns from NSW Treasury  
(per Summary of compliance)

20,080 18,043 20,080 18,043

Less: Liability to Consolidated Fund  
(per Summary of compliance)

952 – 952 –

19,128 18,043 19,128 18,043

Comprising:

Recurrent appropriations (per Statement  
of comprehensive income)

19,128 18,043 19,128 18,043

19,128 18,043 19,128 18,043

### Capital appropriations

Total capital drawdowns from NSW Treasury  
(per Summary of compliance)

180 180 180 180

Less: Liability to Consolidated Fund  
(per Summary of Compliance)

– 5 – 5

180 175 180 175

Comprising:

Capital appropriations (per Statements  
of comprehensive income)

180 175 180 175

180 175 180 175

## 7. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities

The following liabilities and / or expenses have  
been assumed by the Crown Entity or other  
government agencies:

Superannuation – defined benefit

127 111 – –

Long Service Leave

521 436 – –

Payroll tax

6 6 – –

654 553 – –

## 8. Service Groups of the Agency

### Service group 1 – Utilities Pricing, Regulation, Analysis and Policy Work

*Purpose:*

The service group covers the setting of prices for energy, water and public transport and for carrying out other specific reviews of government services referred at the request of the responsible Ministers. The service group also administers the Water Licensing, Energy Compliance, the Greenhouse Gas Reduction and the Energy Savings Schemes.

## 8. Service Groups of the Agency continued

This service group contributes to the following intermediate results:

- abuse of monopoly power is prevented, and efficiency, sustainability and community welfare is promoted
- independent advice is provided to the Government on issues of pricing, funding, competition, service, policy and governance
- prices (or revenues) for energy, transport and water services are determined fairly and reasonably in accordance with legislation and,
- energy and water licence obligations and CO2 reduction targets are enforced and
- sustainable environmental outcomes are promoted

	Consolidated		IPART	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	8,473	6,029	8,469	6,029
	8,473	6,029	8,469	6,029
For the purposes of the statements of cash flows, cash and cash equivalents include cash at bank and cash on hand. Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statements of cash flows as follows:				
Cash and cash equivalents (per statement of financial position)	8,473	6,029	8,469	6,029
Closing cash and cash equivalents (per statements of cash flows)	8,473	6,029	8,469	6,029
Refer Note 22 for details regarding credit risk, liquidity risk, and market risk arising from financial instruments.				
<b>10. Current Assets – Receivables</b>				
<b>Current Receivables</b>				
Sale of goods and services	269	207	269	207
Goods and Services Tax (GST)	78	92	78	92
Interest receivable	245	134	245	134
Other	14	14	14	14
	606	447	606	447
Movement in the allowance for impairment				
Balance at 1 July 2010	20	–	20	–
Increase/(decrease) in allowance recognised in profit or loss	–	20	–	20
<b>Balance at 30 June 2011</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 22.

## 11. Non Current Assets – Plant and Equipment

### At 1 July 2010 – fair value

	Consolidated / IPART		
	Leasehold Improvement	Plant and Equipment	Total
	\$'000	\$'000	\$'000
Gross carrying amount	2,238	1,476	3,714
Accumulated depreciation	(881)	(839)	(1,720)
Net carrying amount	1,357	637	1,994

### At 30 June 2011 – fair value

Gross carrying amount	2,660	1,551	4,211
Accumulated depreciation	(1,341)	(1,042)	(2,383)
Net carrying amount	1,319	509	1,828

### Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.

### Year ended 30 June 2011

Net carrying amount at start of year	1,357	637	1,994
Additions	422	180	602
Transfer	–	(35)	(35)
Disposals	–	(65)	(65)
Depreciation expense	(460)	(273)	(733)
Writeback on disposals	–	65	65
Net carrying amount at end of year	1,319	509	1,828

### At 1 July 2009 – fair value

Gross carrying amount	2,238	1,355	3,593
Accumulated depreciation	(508)	(605)	(1,113)
Net carrying amount	1,730	750	2,480

### At 30 June 2010 – fair value

Gross carrying amount	2,238	1,476	3,714
Accumulated depreciation	(881)	(839)	(1,720)
Net carrying amount	1,357	637	1,994

### Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the previous reporting period is set out below.

### Year ended 30 June 2010

Net carrying amount at start of year	1,730	750	2,480
Additions	–	180	180
Disposals	–	(59)	(59)
Depreciation expense	(373)	(293)	(666)
Writeback on Disposals	–	59	59
Net carrying amount at end of year	1,357	637	1,994

## 12. Non Current Assets – Intangible Assets

### At 1 July 2010

Cost (gross carrying amount)	139
Accumulated amortisation and impairment	(97)
Net carrying amount	42

### At 30 June 2011

Cost (gross carrying amount)	177
Accumulated amortisation and impairment	(116)
Net carrying amount	61

### Year ended 30 June 2011

Net carrying amount at start of year	42
Transfer	35
Amortisation (recognised in depreciation and amortisation)	(16)
<b>Net carrying amount at end of year</b>	<b>61</b>

### At 1 July 2009

Cost (gross carrying amount)	139
Accumulated amortisation and impairment	(83)
Net carrying amount	56

### At 30 June 2010

Cost (gross carrying amount)	139
Accumulated amortisation and impairment	(97)
Net carrying amount	42

### Year ended 30 June 2010

Net carrying amount at start of year	56
Amortisation (recognised in depreciation and amortisation)	(14)
<b>Net carrying amount at end of year</b>	<b>42</b>

Consolidated /  
IPART

Software

\$'000

### 13. Current Liabilities – Payables

Accrued salaries, wages and on costs

Creditors

Personnel services

	Consolidated		IPART	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Accrued salaries, wages and on costs	271	178	–	–
Creditors	590	407	586	407
Personnel services	–	–	1,734	1,579
	861	585	2,320	1,986

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 22.

### 14. Current /Non Current Liabilities – Provisions

#### CURRENT

##### Employee benefits and related on costs

Recreation leave

Long service leave

Payroll tax

##### Total provisions

Recreation leave	1,152	1,109	–	–
Long service leave	116	114	–	–
Payroll tax	182	166	–	–
<b>Total provisions</b>	<b>1,450</b>	<b>1,389</b>	<b>–</b>	<b>–</b>

#### NON CURRENT

##### Employee benefits and related on costs

Long service leave

##### Other provisions

Restoration costs

##### Total provisions

Long service leave	13	12	–	–
Restoration costs	334	266	334	266
<b>Total provisions</b>	<b>347</b>	<b>278</b>	<b>334</b>	<b>266</b>

##### Aggregate employee benefits and related on costs

Provisions – current

Provisions non current

Accrued salaries, wages and on costs (Note 13)

Provisions – current	1,450	1,389	–	–
Provisions non current	13	12	–	–
Accrued salaries, wages and on costs (Note 13)	271	178	–	–
	1,734	1,579	–	–

#### Movements in provisions (other than employee benefits)

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

#### Non current liabilities

##### 2011

Carrying amount at the beginning of financial year

Additional provisions recognised

Carrying amount at end of financial year

	Consolidated / IPART	
	Restoration Costs	Total
	\$'000	\$'000
Carrying amount at the beginning of financial year	266	266
Additional provisions recognised	68	68
<b>Carrying amount at end of financial year</b>	<b>334</b>	<b>334</b>

	Consolidated		IPART	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>15. Current Liabilities – Other</b>				
Liability owing to Consolidated Fund	952	5	952	5
	952	5	952	5
<b>16. Commitments for Expenditure</b>				
<b>(a) Other Expenditure Commitments</b>				
Aggregate other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:				
Not later than one year	1,543	503	1,543	503
<b>Total (including GST)</b>	<b>1,543</b>	<b>503</b>	<b>1,543</b>	<b>503</b>
<b>(b) Operating Lease Commitments</b>				
Future non cancellable operating lease rentals not provided for and payable				
Not later than one year	1,240	868	1,240	868
Later than one year and not later than five years	2,074	2,258	2,074	2,258
Later than five years	–	–	–	–
Lease incentive on non cancellable operating leases included in lease commitments	–	–	–	–
<b>Total (including GST)</b>	<b>3,314</b>	<b>3,126</b>	<b>3,314</b>	<b>3,126</b>

The total commitments above includes input tax credits of \$442,000 (2010 \$334,000) that are expected to be recoverable from the Australian Taxation Office.

## 17. Contingent Liabilities and Contingent Assets

The Tribunal is not aware of any contingent liabilities and contingent assets associated with its operations.

## 18. Budget Review

### Net cost of services

The net cost of services of \$18,860K was \$1,596K more than budget. This was mainly due to supplementation received for a new Local Government Office function. The employee related expenses were \$1,977K over budget due to the additional staff required to Local Government Office and also contributed to the net cost of services being over budget.

### Assets and liabilities

*Current Assets:* Total current assets were \$2,351K more than budget because of additional supplementation.

*Non Current assets:* Plant and equipment and intangible assets were more than budget (\$253K) as a result of additional capital assets.

*Current and Non Current Liabilities:* Total liabilities were \$1,333K more than budget due mainly to liability to confund and increased employee provisions.

### Cash flows

Cash flows from operating activities were \$2,513K greater than budget because of the additional supplementation.

## 19. Reconciliation of Cash Flows from Operating Activities to Net Cost of Services

	Consolidated		IPART	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Net cash used on operating activities	2,946	1,095	2,942	1,095
Net Cash flows from Government	(19,308)	(18,218)	(19,308)	(18,218)
Acceptance by the Crown Entity of employee benefits and other liabilities	(654)	(553)	–	–
Depreciation and amortisation	(748)	(680)	(748)	(680)
Decrease / (increase) in provisions	(131)	(210)	(130)	–
Increase / (decrease) in receivables and prepayments	160	330	160	330
Decrease / (increase) in creditors	(177)	(24)	(181)	(234)
Decrease / (increase) in other liabilities	(947)	–	(940)	–
Net gain / (loss) on sale of plant and equipment	–	2	–	2
Allowance for impairment	–	–	–	–
<b>Net cost of services</b>	<b>(18,859)</b>	<b>(18,258)</b>	<b>(18,205)</b>	<b>(17,705)</b>

## 20. Administered Assets and Liabilities

### Administered Assets

Cash	639	665	639	665
Receivables	3,611	3,898	3,611	3,898
Doubtful debts provisions	(1,423)	(1,403)	(1,423)	(1,403)
<b>Total Administered Assets</b>	<b>2,827</b>	<b>3,160</b>	<b>2,827</b>	<b>3,160</b>

### Administered Liabilities

Liability to Consolidated Fund	2,827	3,160	2,827	3,160
<b>Total Administered Liabilities</b>	<b>2,827</b>	<b>3,160</b>	<b>2,827</b>	<b>3,160</b>

## 21. Administered Income – Schedule of Uncollected Amounts

### Electricity / Gas Supplier Licences and Authorisations

Not later than one year	2,188	2,495	2,188	2,495
	<b>2,188</b>	<b>2,495</b>	<b>2,188</b>	<b>2,495</b>

### Administered income – debts written off

The Tribunal did not write off any bad debt for administered income.

## 22. Financial Instruments

The Tribunal's principal financial instruments are cash deposits held within the NSW Treasury Banking System, short term receivables and payables. These instruments expose the Tribunal primarily to interest rate risk on cash balances held within the NSW Treasury Banking System and credit risk on short term receivables. The Tribunal does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing risk. Compliance with policies is reviewed by the Internal auditors on a continuous basis.

### (a) Financial instrument categories

	Note	Category	Carrying Amount	
			2011 \$'000	2010 \$'000
<b>FINANCIAL ASSETS</b>				
<b>Class: CONSOLIDATED</b>				
Cash and cash equivalents	9	N/A	8,473	6,029
Receivables <sup>1</sup>	10	Loans and receivables (at amortised cost)	529	355
<b>FINANCIAL LIABILITIES</b>				
<b>Class: CONSOLIDATED</b>				
Payables <sup>2</sup>	13	Financial liabilities measured at amortised cost	773	585
<b>FINANCIAL ASSETS</b>				
<b>Class: IPART</b>				
Cash and cash equivalents	9	N/A	8,469	6,029
Receivables <sup>1</sup>	10	Loans and receivables at amortised cost	529	355
<b>FINANCIAL LIABILITIES</b>				
<b>Class: IPART</b>				
Payables <sup>2</sup>	13	Financial liabilities measured at amortised cost	2,320	1,986

#### Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

### (b) Credit Risk

Credit risk arises from the financial assets of the Tribunal, including cash and receivables. No collateral is held by the Tribunal. The Tribunal has not granted any financial guarantees.

Credit risk arises when there is the possibility of the Tribunal's debtors defaulting on their contractual obligations, resulting in a financial loss to the Tribunal. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

#### Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury in paragraph (d) below.

## 22. Financial Instruments continued

### Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the Tribunal will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

The Tribunal is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

The only financial assets that are past due or impaired are "sales of goods and services" in the "receivables" category of the statement of financial position.

	Consolidated			IPART		
	Total (Notes 1 & 2) <sup>1</sup>	Past due but not impaired (Notes 1 & 2) <sup>1</sup>	Considered impaired (Notes 1 & 2) <sup>1</sup>	Total (Notes 1 & 2) <sup>1</sup>	Past due but not impaired (Notes 1 & 2) <sup>1</sup>	Considered impaired (Notes 1 & 2) <sup>1</sup>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2011</b>						
< 3 months overdue	270	270	–	270	270	–
3 months – 6 months overdue	–	–	–	–	–	–
> 6 months overdue	–	–	–	–	–	–
<b>2010</b>						
< 3 months overdue	152	152	–	152	152	–
3 months – 6 months overdue	35	35	–	35	35	–
> 6 months overdue	20	–	20	20	–	20

### Notes

1. Each column in the table reports "gross receivables".
2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the financial position.

### (c) Liquidity risk

Liquidity risk is the risk that the Tribunal will be unable to meet its payment obligations when they fall due. The Tribunal continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest for late payment was paid during the year 2010.

The Tribunal's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The table below summarises the maturity profile of the Tribunal's financial liabilities, together with the interest rate exposure.

## 22. Financial Instruments continued

### Maturity Analysis and interest rate exposure of financial liabilities

	Interest Rate Exposure			Maturity Dates		
	Nominal Amount	Fixed Interest Rate	Non-Interest bearing	< 1 yr	1–5 yrs	> 5 yrs
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>						
<b>2011</b>						
<i>Payables:</i>						
Accrued salaries, wages and on costs	271	–	–	571	–	–
Creditors	590	–	–	590	–	–
	861	–	–	1,161	–	–
<b>2010</b>						
<i>Payables:</i>						
Accrued salaries, wages and on costs	178	–	–	178	–	–
Creditors	407	–	–	407	–	–
	585	–	–	585	–	–

#### (d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Tribunal's exposure to market risk is primarily through interest rates on cash and cash equivalents. The Tribunal has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk. A reasonably possible change of +/-1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is structural change in the level of interest rate volatility. The Tribunal's exposure to interest rate risk is set out below.

#### (e) Interest rate risk

Exposure to interest rate risk arises primarily through the Tribunal's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. The Tribunal does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/-1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Tribunal's exposure to interest rate risk is set out below.

## 22. Financial Instruments continued

	Carrying	-1%		+1%	
	Amount	Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>					
<b>2011</b>					
<i>Financial assets</i>					
Cash and cash equivalents	8,469	(85)	(85)	85	85
Receivables	529	(5)	(5)	5	5
<i>Financial liabilities</i>					
Payables	-	-	-	-	-
	8,998	(90)	(90)	90	90
<b>2010</b>					
<i>Financial assets</i>					
Cash and cash equivalents	6,029	(60)	(60)	60	60
Receivables	355	-	-	-	-
<i>Financial liabilities</i>					
Payables	-	-	-	-	-
	6,384	(60)	(60)	60	60
<b>IPART</b>					
<b>2011</b>					
<i>Financial assets</i>					
Cash and cash equivalents	8,473	(85)	(85)	85	85
Receivables	529	(5)	(5)	5	5
<i>Financial liabilities</i>					
Payables	-	-	-	-	-
	9,002	(90)	(90)	90	90
<b>2010</b>					
<i>Financial assets</i>					
Cash and cash equivalents	6,029	(60)	(60)	60	60
Receivables	355	-	-	-	-
<i>Financial liabilities</i>					
Payables	-	-	-	-	-
	6,384	(60)	(60)	60	60

### (f) Fair Value

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value.

## 23. After Balance Date Events

There are no events subsequent to balance date which affect the financial statements.

### END OF AUDITED FINANCIAL STATEMENTS

# Our Work Program for 2011/2012

## Water Pricing

- Determine Sydney Water's water, sewerage, drainage and recycled water maximum charges from 1 July 2012
- Determine Sydney Catchment Authority maximum water charges from 1 July 2012
- Release report on the review of metropolitan water utility price structures
- Release issues papers for the determination of prices charged by Hunter Water Corporation, Essential Energy (Broken Hill), Gosford City Council and Wyong Shire Council for the period commencing 1 July 2013
- Monitor implementation of determinations and publish the 2010/11 Water Annual Performance and Price Report

## Water Licensing (public water utilities)

- Audit and report operating licence compliance for 2010/11 by:
  - State Water Corporation
  - Sydney Water Corporation
  - Sydney Catchment Authority
  - Hunter Water Corporation
- Complete the end of term reviews of Sydney Catchment Authority's and Hunter Water Corporation's operating licences
- Complete the review of the metropolitan water utility performance indicators
- Commence Central Coast Corporation operating licence
- Collect audit performance indicators on behalf of the National Water Commission

## Water Industry Competition Act 2006 (WICA)

- Determine maximum prices charged by the Sydney Desalination Plant Pty Ltd, a declared monopoly under the WICA
- Make recommendations to Minister for Finance and Services on:
  - Licence applications
  - Application for declaration for access to infrastructure services
- Maintain registers (eg, licence applications, licensees)
- Administer licence compliance regime
- Facilitate discussions/seminars with industry participants to identify and resolve matters associated with implementation of WICA
- Determine maximum prices for declared monopoly services

## Rail access

- Review of rail infrastructure compliance with the NSW rail access undertaking for 2010/11 for Australian Rail Track Corporation and Rail Corporation of NSW
- Review of Access Pricing for the NSW Grain Line Network

## Transport

- Review of taxi fares for the period from 1 July 2012
- Review of bus fares for rural and regional bus services from January 2012
- Review of fares for private ferry services from December 2011
- Review of compliance by CityRail with IPART's determination
- Review of compliance by metropolitan and outer- metropolitan bus operators with IPART's determination
- Review of Sydney Ferries fares from July 2012

## Energy Pricing

- Annual review of total energy cost allowance
- Review of any cost pass through applications under IPART's regulated electricity retail determination 2010-2013
- Review of solar feed in tariffs – setting a fair and reasonable value for electricity generated by small scale solar PV units in NSW
- Review of any special circumstance applications by standard gas retailers under the VTPAs

## Energy Licensing

- Process applications for granting of new licences and cancelling of existing licences
- Report network operators' and energy retailers' performance
- Conduct licence compliance audits of retailers and network operators
- Audit operations of Electricity Tariff Equalisation Fund
- Maintaining the energy price comparison website – myenergyoffers

## Section 9 and other referrals

- Review of pricing for NSW Government Mobile Radio Services
- Review of rents for domestic waterfront tenancies

## Analysis and Policy Development

- Cross-sectoral economic research projects to assist IPART in its analysis and consideration of issues

## Greenhouse Gas Reduction Scheme

- Managing compliance and amendments for over 200 accreditations
- Participating in working groups regarding national scheme and defining impacts for GGAS
- Managing compliance of liable parties
- Management of GGAS/ESS Registry
- Management of Audit and Technical Services Panels

## Energy Savings Scheme

- Participating with other Government agencies to develop new methodologies
- Finalising the development of an improved website for the ESS
- Introducing revised documentation for application process
- Managing accreditations, amendments and amendments
- Participating in ESS Coordination Working Group
- Hosting Pre-Application Workshops
- Managing compliance of liable parties
- Management of Audit Panel
- Participating with other Government agencies to develop new methodologies
- Managing accreditations and amendments

## Local Government

- Determine the rate peg for 2012/13 by end December 2011 – the allowable percentage increase in local government general income for most councils in NSW
- Review and determine applications from councils for special rate variations (applications to increase general income by an amount that is greater than the rate peg percentage)
- Review selected council contributions plans for the Minister for Planning and Infrastructure

# Outline Budget for 2011/2012

## Budgeted Operating Statement

	2011/12 \$'000
Employee Related Expenses	12,918
Other Operating Expenses	9,520
Depreciation	713
<b>TOTAL EXPENSES</b>	<b>23,151</b>
TOTAL REVENUE	1,855
<b>NET COST OF SERVICES</b>	<b>21,296</b>
<b>Total Government Funding</b>	<b>20,570</b>

# Appendix A: Legislative Provisions

IPART was established under the *Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act)*. It performs functions under the IPART Act and also under the *Gas Supply Act 1996, Electricity Supply Act 1995, Hunter Water Act 1991, Sydney Water Act 1994, Sydney Water Catchment Management Act 1998, Water Management Act 2000, Water Industry Competition Act 2006, Passenger Transport Act 1990, Transport Administration Act 1988, State Water Corporation Act 2004, and Local Government Act 1993* (under Ministerial delegation).

IPART continues to exercise certain minor functions under the *Prices Regulation Act 1948, Gaming Machines Act 2001, Crown Lands Act 1989, Snowy Hydro Corporatisation Act 1997* and *Motor Accidents Compensation Act 1999*.

## 1. Independent Pricing and Regulatory Tribunal Act 1992

The IPART Act commenced in July 1992 as the *Government Pricing Tribunal Act 1992* and was substantially amended and renamed in January 1996 as the *Independent Pricing and Regulatory Tribunal Act 1992*. Under the IPART Act, IPART has a number of major roles including:

- regulating prices and reviewing pricing policies of government monopoly services
- undertaking reviews referred to it in relation to industry, pricing or competition
- providing assistance to other agencies
- arbitrating access disputes in relation to public infrastructure access regimes
- registering access agreements
- regulating water, electricity and gas licences
- investigating complaints under the competitive neutrality regime.

### 1.1 Regulating prices and reviewing pricing policies

Under the IPART Act, IPART conducts investigations and makes reports to the relevant Minister with respect to determining the pricing for specified government monopoly services supplied by government agencies. It also conducts periodic reviews of the pricing policies of specified government monopoly services.

A service may be declared to be a government monopoly service if it is a service:

- for which there are no other suppliers to provide competition in the part of the market concerned
- for which there is no contestable market by potential suppliers in the short term.

There are two main ways in which IPART's investigations may be initiated. The first is by standing reference. In particular, section 11 of the IPART Act provides that IPART is to initiate investigations of government monopoly services supplied by those government agencies for which IPART has a standing reference (with such agencies being listed in Schedule 1 of the IPART Act).

The government agencies for which IPART currently has a standing reference are:

- Sydney Water Corporation
- Hunter Water Corporation
- Water supply authorities constituted under the *Water Management Act 2000*
- County councils established for the supply of water
- Rail Corporation New South Wales
- State Transit Authority (but excluding any bus services provided by the Authority under a service contract to which section 28J of the *Passenger Transport Act 1990* applies)
- Roads and Traffic Authority
- Department of Housing
- Port Corporations or other relevant port authorities within the meaning of Part 5 of the *Ports and Maritime Administration Act 1995*

- Sydney Catchment Authority
- Water Administration Ministerial Corporation
- Sydney Ferries (but excluding any services provided by Sydney Ferries under a ferry service contract to which section 16AE of the *Passenger Transport Act 1990* applies)
- State Water Corporation
- Country Energy

As the services of some agencies listed above have not been declared to be monopoly services, IPART may not initiate pricing investigation for those agencies under section 11 of the IPART Act.

The second way in which an investigation by IPART may be initiated is by a reference from the Premier. Under section 12 of the IPART Act, the Premier may require IPART to determine the maximum price or carry out a review of pricing policies in respect of a specified government monopoly service, including those supplied by government agencies that are the subject of a standing reference. IPART may ask the Premier to make a particular reference under these provisions.

### Public participation and access to information

The IPART Act contains a number of provisions to ensure that IPART's activities are conducted through a public process. The main requirement is that IPART must hold at least one public hearing for each pricing or access investigation. IPART may seek public participation by:

- advertising public hearings
- seeking public comments on terms of reference
- providing public access to submissions
- inviting public comment on issues and submissions
- holding public seminars and workshops
- releasing reports and determinations to the public.

IPART must make a document obtained by IPART in connection with an investigation available for inspection on request, unless the document contains information that IPART would not be required to disclose under the *Government Information (Public Access) Act 2009*. If a document contains such information, IPART has the discretion to release it following consultation, if satisfied that it will not damage commercial or other interests.

### Matters IPART must consider

Under section 15 of the IPART Act, IPART is required to consider a range of issues when making determinations and recommendations, and to report on what regard it has had to each. These issues are:

- the cost of providing the services concerned
- the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services
- the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales
- the effect on general price inflation over the medium term
- the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
- the need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment
- the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets
- the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body
- the need to promote competition in the supply of the services concerned
- considerations of demand management (including levels of demand) and least cost planning
- the social impact of the determinations and recommendations

- standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

The Premier may also require IPART to consider specific matters, in addition to the section 15 matters, in its investigations.

### How IPART sets maximum prices

IPART may set maximum prices in either of two ways.

The first way is by determining maximum prices. Under section 14 of the IPART Act, IPART may fix the prices in any way it considers appropriate, including fixing:

- an average price for a number of categories of service
- a percentage increase or decrease in existing prices
- an average percentage increase or decrease in existing prices for a number of categories of the service
- a specified price for each category of the service.

IPART may fix such a price by reference to:

- a general price index
- the government agency's economic cost of production
- a rate of return on the assets of the government agency.

The second way is by establishing a methodology for determining maximum prices. IPART may do this if it considers that it is impractical to fix maximum prices directly. A methodology may be made in any manner that IPART considers appropriate, including by reference to maximum revenue, or maximum rate of increase or minimum rate of decrease in maximum revenue, for a number of categories of the service concerned.

In determining the maximum price for a government monopoly service, IPART may be directed by a portfolio Minister to include an amount representing the efficient cost of complying with a Ministerial directive or a requirement imposed under a licence, authorisation or under a statutory instrument on the agency.

### Implementing maximum prices

Agencies which are subject to IPART's determinations are not permitted to levy prices which exceed the maximum prices determined by IPART. Under the IPART Act, the approval of the Treasurer is required if an agency wishes to charge a price below the maximum price.

### Compliance

In their annual reports, all agencies subject to IPART's determinations made under the IPART Act must report on how they have implemented the maximum prices. Information must also be provided on whether IPART recommendations made in pricing policy reviews have been implemented, and reasons must be given for any non-implementation.

### Release of reports and determinations

IPART submits its reports under the IPART Act to the Premier. Any determination must be published in the NSW Government Gazette as soon as practicable. Reports must be made available for public inspection and sale, tabled in Parliament, and placed in the Parliamentary Library.

## 1.2 Reviewing industries, pricing or competition

Under section 12A of the IPART Act, the Premier may require IPART to conduct investigations and make reports on any matter with respect to industry, pricing or competition. In contrast to the review provisions of sections 11 and 12 of the IPART Act, these reviews are not restricted to government monopoly services and may cover both government and private industry issues. In carrying out reviews under section 12A, IPART is not specifically required to have regard to the various issues listed in section 15 of the IPART Act.

## 1.3 Providing assistance to other agencies

Under section 9 of the IPART Act, the Premier may approve the provision of services by IPART to any government agency or other body or person (public or private), where those services are in areas within IPART's field of expertise and relevant

to its functions. In entering into any arrangement to provide services, IPART has a duty to ensure that giving effect to the arrangement will not interfere with its ability to exercise its usual functions. Several examples are shown in the Principal Achievements and 2010/11 Work Program sections in this report.

## 1.4 Arbitrating access disputes

Under Part 4A of the IPART Act, any dispute with respect to a public infrastructure access regime may be subject to arbitration by IPART. In carrying out these arbitration functions, IPART may appoint an arbitrator from a panel approved by the Premier or may undertake the arbitration itself). The *Commercial Arbitration Act 2010* applies to such an arbitration, subject to the provisions of the IPART Act and any regulations made under section 29 of the IPART Act.

## 1.5 Registering access agreements

Section 12B of the IPART Act requires that a government agency notify IPART of any proposed access agreements. IPART may provide advice on the proposed agreement to the agency and to the Premier. IPART is required to register all access agreements (section 12C).

## 1.6 Investigating complaints under competitive neutrality regime

The NSW Government has assigned IPART a role in investigating and reporting on competitive neutrality complaints, under the Competition Principles Agreement. If certain conditions are met, the Premier may refer to IPART, for investigation and report, a complaint about a public trading agency's failure to comply with (or misapplication of) the competitive neutrality principles. The IPART Act specifies the processes IPART is to follow in investigating such a complaint (Part 4C).

## 2. Licensing

IPART is responsible for ensuring various regulated entities meet their licence requirements.

Under the IPART Act, *Electricity Supply Act 1995*, *Gas Supply Act 1996*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *Sydney Water Catchment Management Act 1998* and *State Water Corporation Act 2004*, IPART is responsible for matters such as making recommendations to the relevant Minister with respect to:

- > granting, varying, transferring or cancelling a licence (or authorisation in the case of the gas industry)
- > taking action or applying sanctions in response to a contravention of the conditions of a licence
- > taking any remedial action as a result of a contravention of the conditions of a licence.

Under the *Water Industry Competition Act 2006*, IPART is responsible for matters such as making recommendations to the relevant Minister with respect to granting licensing applications. Further, it may cancel or suspend licences (with the concurrence of the relevant Minister).

To fulfil its roles under these Acts, IPART monitors licence compliance and reports annually to the relevant Minister regarding such compliance. IPART also has specific licence auditing responsibilities for the electricity and water industries.

In addition to making recommendations to the Minister, IPART has limited powers to impose monetary penalties or require a utility to take remedial action in certain circumstances.

## 3. Energy pricing regulation, disclosure and comparison

### 3.1 Gas Supply Act 1996

The *Gas Supply Act 1996* enables IPART to establish pricing mechanisms known as gas pricing orders that regulate the tariffs, fees, charges and other payments that a standard supplier may impose for the supply of natural gas to small retail customers under standard form customer supply contracts.

To date IPART has not exercised this power, preferring to use a more light-handed form of regulation. Instead, the gas retailers have Voluntary Transitional Pricing Agreements (VTPAs) with IPART. Gas retailers are obliged to set their regulated tariffs and charges in line with these agreements, with IPART monitoring their compliance. The current VTPAs are explained in further detail in the Impacts of IPART's Determinations section in this report.

## 3.2 Electricity Supply Act 1995

The *Electricity Supply Act 1995* provides the framework for introducing full retail competition in the NSW electricity industry. Under this Act, IPART is responsible for setting regulated retail tariffs and charges upon receiving a referral from the relevant Minister. In making its determination, IPART must have regard to the matters set out in the terms of reference and the effect of the determination on competition in the retail electricity market.

## 3.3 Energy pricing disclosure and comparison

Under the *Electricity Supply Act 1995* and the *Gas Supply Act 1996*, retail suppliers must provide IPART with pricing information relating to the supply of gas and electricity to small retail customers in NSW. Retailers must also make this pricing information available on their websites and to the public on request. IPART is required to publish this pricing information on its website in a way that enables small retail customers to meaningfully compare the tariffs and charges of retail suppliers.

## 4. Transport pricing regulation

The *Passenger Transport Act 1990* provides a framework for regulating public transport services. Under this Act, IPART is responsible for setting maximum fares for regular bus services supplied under regular bus service contracts and regular ferry services supplied under regular ferry service contracts. In making its determination, IPART is to consider the following matters:

- > the cost of providing the services concerned
- > the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service
- > the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
- > the need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all of the feasible options to protect the environment
- > the social impact of the determination
- > standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise) and any suggested or actual changes to those standards
- > contractual arrangements prevailing in the industry
- > such other matters as IPART considers relevant.

## 5. Greenhouse Gas Reduction Scheme

The NSW Greenhouse Gas Reduction Scheme was introduced by amendments to the *Electricity Supply Act 1995* in December 2002. Since 1 January 2003, electricity retail suppliers and certain other parties have been required to meet mandatory targets for abating greenhouse gas emissions from electricity production and use. IPART is responsible for:

- > determining and publishing key factors that are used to determine greenhouse gas benchmarks for the year
- > determining the greenhouse gas benchmark for each benchmark participant
- > determining the greenhouse shortfall and any liability for greenhouse penalty payable by a benchmark participant.

IPART must monitor compliance with greenhouse gas benchmarks and must report annually to the Minister for Resources Energy regarding such compliance. It may also conduct audits.

IPART has also been appointed as the Scheme Administrator by the Minister for Resources and Energy. As Scheme Administrator, it is responsible for:

- > accreditation of abatement certificate providers
- > verification of greenhouse gas abatement activity
- > administration of a registry of abatement certificates.

As Scheme Administrator, IPART must monitor and report annually to the Minister for Resources and Energy on the compliance of accredited abatement certificate providers with the Act, the regulations, the greenhouse gas benchmark rules and any conditions of accreditation. It may also conduct audits.

## 6. Energy Savings Scheme

The Energy Savings Scheme (ESS) is designed to create a financial incentive to reduce the consumption of electricity by encouraging energy saving activities. It sets out energy savings targets, and imposes an obligation on NSW electricity retailers (and certain other parties) to surrender sufficient energy savings certificates to meet their individual energy savings targets. The ESS commenced on 1 July 2009 under the *Electricity Supply Act 1995*.

IPART functions as both the ESS scheme administrator and the ESS scheme regulator, and is responsible for assessing applications, accrediting parties to undertake eligible activities and to create certificates, monitoring ESS compliance and monitoring the performance of the ESS participants. IPART also manages the registration and transfer of certificates created from recognised energy savings activities.

## 7. Local Government

In 2010/11, IPART performed new functions relating to local government under:

- > terms of reference under section 9 of the IPART Act; and
- > a delegation by the Minister for Local Government under the *Local Government Act 1993*.

IPART's functions relating to local government include:

- > developing a local government cost index and productivity factor
- > reviewing council development contributions plans under the *Environmental Planning and Assessment Act 1979* and reporting to the Minister for Planning on IPART's assessment of the contributions plans;
- > determining the rate peg for general council income;
- > determining annual charges for domestic waste management services and
- > determining applications by councils for special variations and minimum rate increases under the *Local Government Act 1993*.

IPART must report annually on our local government functions.

# Appendix B:

## Decisions under s16A of the Independent Pricing and Regulatory Act

Under section 16A of the *Independent Pricing and Regulatory Tribunal Act 1996*, the portfolio Minister for a government agency may direct IPART to include in a price determination or price methodology the efficient costs of complying with a requirement imposed on the agency by the portfolio Minister. The requirement may only be one that is imposed by or under a licence or authorisation, by ministerial direction under an Act, or some other requirement imposed by or under an Act or statutory instrument.

The portfolio Minister may only direct IPART after consulting IPART and securing the Premier's approval of the direction. Once IPART is given a direction under s16A, it must comply with the direction and explain in its report the manner in which it has complied with the direction.

In 2010/11, there were no directions given to IPART under section 16A of the Act.

# Appendix C: Tribunal Meetings, Public Forums and Submissions

## Tribunal meetings

During 2010/11, the Tribunal held 43 meetings.

Mr Rod Sims, Chairman attended 41 Tribunal meetings and 4 other sessions.

Mr James Cox, CEO and Full Time Member, attended 42 Tribunal meetings, 20 Delegated Tribunal meetings, 9 Delegated Local Government meetings, 13 Greenhouse Gas Reduction Scheme Tribunal meetings, 20 Energy Savings Scheme Tribunal meetings and 10 other sessions.

Ms Sibylle Krieger, Part Time Member attended 42 Tribunal meetings and 10 other sessions.

## Delegated Tribunal Meetings

The Tribunal held 29 Delegated meetings, 13 Greenhouse Gas Reduction Scheme Tribunal meetings and 20 Energy Savings Scheme Tribunal meetings.

Mr Eric Groom, Principal Adviser attended 19 Delegated Tribunal meetings, 13 Greenhouse Gas Reduction Scheme Tribunal meetings and 20 Energy Savings Scheme Tribunal meetings.

Mr Peter Egger, independent adviser to the Delegated Tribunal Committee for the administration of the Greenhouse Gas Abatement Scheme, attended 13 meetings.

Dr Brian Spalding, independent adviser to the Delegated Tribunal Committee for the administration of the Energy Savings Scheme, attended 20 meetings.

Mr Stephen Lyndon, Director Analysis and Policy Development, and Mr Stuart McDonald, independent adviser, attended 9 meetings of the Delegated Tribunal Committee for Local Government.

## Public hearings and workshops 2010/2011

The Tribunal also hosted 5 public hearings, 1 public workshop, 1 information forum, 1 stakeholders' forum, 1 roundtable and 1 site visit.

Date	Investigation	Venue
<b>Water</b>		
19 Jul 2010	Review of prices for the Water Administration Ministerial Corporation for water planning and management	Wagga Wagga
22 Jul 2010	Review of prices for the Water Administration Ministerial Corporation for water planning and management	Tamworth
23 Jul 2010	Review of prices for the Water Administration Ministerial Corporation for water planning and management	Sydney
23 Feb 2011	WICA licensing regime – Information forum, Wesley Centre	Sydney
28 Feb 2011	Sydney Catchment Authority site inspection	Sydney
21 Jun 2011	End of term review of the Operating Licence for Hunter Water Corporation 2012–2017 public workshop	Newcastle
<b>Transport</b>		
21 Oct 2010	Public hearing for private ferries and rural and regional buses	Sydney

Date	Investigation	Venue
<b>Energy</b>		
16 Feb 2011	Electricity stakeholders forum	Sydney
2 May 2011	Draft electricity report public hearing	Sydney
<b>Other Industries</b>		
27 Jun 2011	Review of the current method of rent determination for domestic waterfront tenancies in NSW roundtable	Sydney

## Submissions to projects during 2010/11

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2010/11, and received a total of 458 submissions.

Closure date = day submissions close

**Table C.1**

Closure Date	Investigation	Submissions
<b>Electricity</b>		
12 May 2011	Draft Report – Changes in regulated electricity retail prices from 1 July 2011 – April 2011	25
<b>Other Industries</b>		
21 Apr 2011	Issues Paper – Pricing NSW Government mobile radio services – Developing a pricing methodology and recommending prices from 1 July 2011 – March 2011	6
27 May 2011	Issues Paper – Review of current method for determining rents for domestic waterfront tenancies in NSW – 11 April 2011	337
24 Jun 2011	Issues Paper – Review of Access Pricing on the NSW Grain Line Network – May 2011	1
<b>Research</b>		
12 Oct 2010	Discussion Paper – Financeability tests and their role in price regulation – September 2010	3
12 Oct 2010	Discussion Paper – PwC – Report on Regulatory Tests of Capital Expenditure – Final Report – September 2010	5
10 Dec 2010	Discussion Paper – Developing the approach to estimating the debt margin – November 2010	4
10 Mar 2011	Draft Decision – Developing the approach to estimating the debt margin – February 2011	6

Closure Date	Investigation	Submissions
<b>Transport</b>		
30 Sep 2010	Fact Sheet – Review of Rural and Regional Bus Services 2010 – Review process and indicative outcomes – August 2010	4
29 Oct 2010	Information Paper – Review of fares for Private Ferries and the Stockton Ferry 2010 – October 2010	3
11 Feb 2011	Proposal – ARTC Hunter Valley Regulatory Network – November 2010	3
15 Apr 2011	Information Paper – 2011 Review of Taxi Fares – 11 March 2011	8
24 Jun 2011	Issues Paper – Review of Access Pricing on the NSW Grain Line Network – May 2011	1
<b>Water</b>		
21 July 2010	Issues Paper – Review of Operating Licence for Sydney Catchment Authority – July 2010	5
23 Oct 2009	Issues Paper – Review of Prices for Water Administration Ministerial Corporation – From July 2010	58
10 Nov 2010	Issues Paper – Review of the Customer Contract for Hunter Water Corporation – October 2010	3
29 Nov 2010	Draft Report – Review of Prices for the Water Administration Ministerial Corporation for the NSW Office of Water – From July 2011	27
31 May 2011	Issues Paper – Review of the Operating Licence for Hunter Water Corporation	7

# Appendix D: Publications

Date	Publication
<b>Gas</b>	
20/06/2011	Compliance Report – Regulated gas tariffs and charges from 1 July 2011 – June 2011
23/07/2010	Country Energy – Voluntary Transitional Pricing Arrangements for supply of natural gas to small gas customers – July 2010
21/07/2010	ActewAGL – Voluntary Transitional Pricing Arrangements for supply of natural gas to small gas customers – July 2010
21/07/2010	AGL Retail Energy Ltd – Voluntary Transitional Pricing Arrangements for supply of natural gas to small gas customers – July 2010
21/07/2010	Origin Energy Retail Ltd – Voluntary Transitional Pricing Arrangements for supply of natural gas to small gas customers – July 2010
01/07/2010	Final Report – Electricity and gas retail price disclosure and comparison guidelines – June 2010
01/07/2010	Guideline – Retail price disclosure guideline – For retail suppliers of small retail customers – Electricity and Gas – June 2010
<b>Electricity</b>	
14/06/2011	Determination – Changes in regulated electricity retail prices from 1 July 2011 – June 2011
14/06/2011	Final Report – Changes in regulated electricity retail prices from 1 July 2011 – June 2011
14/04/2011	Draft Determination – Changes in regulated electricity retail prices from 1 July 2011 – April 2011
14/04/2011	Draft Report – Changes in regulated electricity retail prices from 1 July 2011 – April 2011
01/07/2010	Final Report – Electricity and gas retail price disclosure and comparison guidelines – June 2010
01/07/2010	Guideline – Retail price disclosure guideline – For retail suppliers of small retail customers – Electricity and Gas – June 2010
<b>Water</b>	
28/06/2011	Discussion Paper – Review of price structures for metropolitan water utilities – June 2011
24/06/2011	Issues Paper – Review of prices for Sydney Desalination Plant Pty Limited's water supply services – June 2011
24/06/2011	Issues Paper – Review of prices for Sydney Water Corporation's water, sewerage, stormwater and other services – June 2011
24/06/2011	Issues Paper – Review of the Operating Licence and review of prices for the Sydney Catchment Authority – June 2011
27/05/2011	Performance Report – Performance of NSW metropolitan water utilities, 2009/2010 – May 2011
19/04/2011	Guidelines – Water Agency Pricing Submissions – April 2011
30/03/2011	Issues Paper – Review of the Operating Licence for Hunter Water Corporation – March 2011
10/03/2011	Final Report to the Minister – Review of Hunter Water Customer Contract – February 2011
10/03/2011	Report to the Minister – Application for a Network Operator's and retail Supplier's Licence from Veolia Water Solutions and Technologies (Australia) Pty Ltd (Bingara Gorge) – September 2010

Date	Publication
11/02/2011	Report – Charges for Hunter Water Customers – Refund to customers and adjustment to charges resulting from the decision not to proceed with Tillegra Dam – February 2011
04/02/2011	Determination – Review of Prices for the Water Administration Ministerial Corporation – From 1 July 2011 – February 2011
04/02/2011	Final Report – Review of prices for the Water Administration Ministerial Corporation – February 2011
21/01/2011	Guidelines – Assessment process for Recycled Water Scheme Avoided Costs – January 2011
08/01/2011	Compliance Report – Sydney Water Corporation Operational Audit 2009/10 – November 2010
08/01/2011	Compliance Report – Hunter Water Corporation Operational Audit 2009/10 – November 2010
08/01/2011	Compliance Report – State Water Corporation Operational Audit 2009/10 – November 2010
08/01/2011	Compliance Report – Sydney Catchment Authority Operational Audit 2009/10 – November 2010
21/07/2010	Issues Paper – Review of Operating Licence for Sydney Catchment Authority – July 2010
20/07/2010	Reporting Manual for Sydney Water Corporation – July 2010
05/07/2010	Report to the Minister – Application for a Network Operator’s and retail Supplier’s Licence from Veolia Water Solutions and Technologies (Australia) Pty Ltd (Darling Walk) – May 2010
16/12/2010	Report to the Minister – Application for a Network Operator’s and retail Supplier’s Licence from Sydney Desalination Plant – June 2010
16/12/2010	Report to the Minister – Application for a Network Operator’s and retail Supplier’s Licence from Pitt Town Water Factory Pty Ltd – September 2010
<b>Transport</b>	
27/06/2011	Final Report and Recommendations – 2011 Review of Taxi Fares in NSW – June 2011
16/06/2011	Recommendations – Mid-year review of fuel costs for fast private ferries in NSW to March 2011 – May 2011
13/05/2011	Issues Paper – Review of Access Pricing on the NSW Grain Line Network – May 2011
12/05/2011	Statement of Reasons for ARTC Compliance with the NSW Rail Access Undertaking 2009/10
22/12/2010	CityRail and Metropolitan and Outer Metropolitan Bus Services – Prices and Services Report 2010 – December 2010
14/12/2010	Determination – Review of fares for private ferries & Stockton ferry service – December 2010
14/12/2010	Final Determination – Rural and Regional Bus Fares from January 2011 – December 2010
14/12/2010	Final Report – Rural and regional bus fares from January 2011 – December 2010
14/12/2010	Report and Recommendation – Review of fares for private ferries & Stockton ferry – December 2010
19/10/2010	Review of Rural and Regional Bus Services 2010 – Discussion paper for public hearing 25 October 2010
03/08/2010	Determination – Notice of compliance of ARTC with the NSW Rail Access Undertaking 2008–09 – July 2010
15/07/2010	Determination – Notice of Compliance of RailCorp with the NSW Rail Access Undertaking for 2008–09 – July 2010

Date	Publication
<b>Research</b>	
24/06/2011	Discussion Paper – The incorporation of company tax in price determinations – June 2011
19/04/2011	Final Decision – Developing the approach to estimating the debt margin – April 2011
10/02/2011	Draft Decision – Developing the approach to estimating the debt margin – February 2011
25/01/2011	Final Decision – Financeability tests and their role in price regulation – January 2011
23/12/2010	Final Report – Regulatory tests of past and forecast capital expenditure – December 2010
20/12/2010	Erratum to Household Survey 2010
16/12/2010	Research Report – Residential energy and water use in Sydney, the Blue Mountains and Illawarra – Results from the 2010 household survey
12/11/2010	Discussion Paper – Developing the approach to estimating the debt margin – November 2010
01/09/2010	Discussion Paper – Financeability tests and their role in price regulation – September 2010
01/09/2010	Discussion Paper – PwC – Appendices – Report on Regulatory Tests of Capital Expenditure – September 2010
01/09/2010	Discussion Paper – PwC – Report on Regulatory Tests of Capital Expenditure – Final Report – September 2010
01/09/2010	Discussion Paper – Report on Regulatory Tests of Capital Expenditure – IPART’s Introductory Remarks to PwC Final Report – September 2010
<b>Local Government</b>	
23/06/2011	Determination – Executive Summary – Bega Valley Shire Councils application for a special variation – 23 June 2011
10/06/2011	Determination – Executive Summary – Albury City Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Auburn City Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Byron Shire Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Cessnock City Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Great Lakes Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Gundagai Shire Councils application to increase minimum rates – 10 June 2011
10/06/2011	Determination – Executive Summary – Hornsby Shire Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Ku-ring-gai Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Lane Cove Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Maitland City Councils application for a special variation – 10 June 2011

Date	Publication
10/06/2011	Determination – Executive Summary – Muswellbrook Shire Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Narrabri Shire Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – North Sydney Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Parramatta City Councils application for a special variation – 10 June 2011 – website
10/06/2011	Determination – Executive Summary – Penrith City Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Pittwater Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Port Macquarie–Hastings Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Richmond Valley Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Waverley Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Willoughby City Councils application to increase minimum rates – 10 June 2011
10/06/2011	Determination – Executive Summary – Wollondilly Shire Councils application for a special variation – 10 June 2011
10/06/2011	Determination – Executive Summary – Woollahra Municipal Councils application for a special variation – 10 June 2011
10/12/2010	Information paper – Local Government Cost Index – December 2010
03/09/2010	Final Report – Revenue Framework for Local Government – December 2009
<b>Other Industries</b>	
13/05/2011	Issues Paper – Review of Access Pricing on the NSW Grain Line Network – May 2011
04/05/2011	Electricity Distribution Network Service Provider Reporting Manual – May 2011
04/05/2011	Electricity Retail Supplier Reporting Manual – May 2011
04/05/2011	Natural Gas Retail Supplier Reporting Manual – May 2011
11/04/2011	Issues Paper – Review of current method for determining rents for domestic waterfront tenancies in NSW – 11 April 2011
03/03/2011	Issues Paper – Pricing NSW Government mobile radio services – Developing a pricing methodology and recommending prices from 1 July 2011 – March 2011
25/01/2011	IPART Annual Report 2009–2010
24/11/2010	Energy distribution and retail licences – Compliance report for 2009/10 – Report to the Minister for Energy – October 2010
21/10/2010	Compliance and Operation of the NSW Energy Savings Scheme during 2009 – Report to Minister – July 2010
21/10/2010	Compliance and Operation of the NSW Greenhouse Gas Reduction Scheme during 2009 – Report to Minister – July 2010

Date	Publication
23/09/2010	Final Report – NSW Health cost and outcomes study by IPART for selected NSW hospitals – September 2010
23/09/2010	Case Study 1 – Hip joint replacement – September 2010
23/09/2010	Case Study 2 – Major chest procedures – September 2010
23/09/2010	Case Study 3 – Breast surgery – September 2010
23/09/2010	Case Study 4 – Cholecystectomy (gall bladder surgery) – September 2010
23/09/2010	Case Study 5 – Appendicetomy – September 2010
23/09/2010	Case Study 6 – Stroke – September 2010
23/09/2010	Case Study 7 – Cardiology – Stents, Pacemakers and Defibrillators – September 2010
23/09/2010	Case Study 8 – Tracheostomy or ventilation for greater than 95 hours – September 2010
23/09/2010	Case Study 9 – Cataracts/lens procedures – September 2010
23/09/2010	Case Study 10 – Hysterectomy – September 2010
23/09/2010	Case Study 11 – Obstetric Delivery – September 2010
23/09/2010	Executive Summary – NSW Health cost and outcomes study by IPART for selected NSW hospitals
27/08/2010	Review of the Productivity Performance of State Owned Corporations

# Appendix E: Agency Structure and Plans

## Equal Employment Opportunity

EEO statistics (total staff by level and employment basis)

Number of employees by category, and comparison to prior 3 years as at 30 June 2011				
	2011	2010	2009	2008
Chairman and Chief Executive	1	1	2	2
Directors & General Managers	6	8	6	6
Program Managers	15	12	12	12
Managers	4	4	4	4
Analysts	55	45	41	40
Graduates analysts	6	5	8	4
General Counsel	1	1	1	1
Legal Officers	2	0	2	1
Support Officers	17	15	14	13
<b>Total number of staff includes full time, part-time, temporaries and graduates</b>	<b>107</b>	<b>90</b>	<b>90</b>	<b>83</b>
Part-time Tribunal Members	1	1	1	1
Temporary Members	0	0	0	1
<b>Total number of Staff including members</b>	<b>108</b>	<b>91</b>	<b>91</b>	<b>85</b>

Trends in the Representation of EEO Groups					
	Target as %	2011	2010	2009	2008
Women	50	58.5	56	57	52
Aboriginal people and Torres Strait Islanders	2	0	0	0	0
People whose first language was not English	20	18.9	19	21	16
People with a disability	12	.9	0	2	4
People with a disability requiring work-related adjustment	7	.9	0	0	0

Trends in the Distribution of EEO Groups	Distribution Index				
	Benchmark/ Target	2011	2010	2009	2008
Women	100	101	103	99	96
Aboriginal people and Torres Strait Islanders	100	0	0	0	0
People whose first language was not English	100	90	n/a	n/a	n/a
People with a disability	100	n/a	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a	n/a

**Notes**

1. Staff numbers are as at 30 June 2011.
2. Excludes casual staff.
3. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by ODEOPE.
4. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

## EEO outcomes for the reporting period

International Women’s Day was celebrated with a presentation from the Tribunal’s part-time member. The informal event was attended by 35 women from IPART. Discussion topics included the journey to present career, maintaining momentum and motivation to continue in the chosen field.

Lucy Mentoring program continues to receive support. The female university student attended management meetings and met with managers one-on-one to gain insight on services provided in the corporate services area of the organisation and explore questions and concerns on entering the workforce.

A short term temporary appointment opportunity was provided to a female Master’s student from Papua New Guinea.

## Personnel Policies and Practices

### Working from Home Policy

The agency recognises that to further enhance flexible working arrangements the option for working from home can assist to balance the needs of the organisation and the individual. A formal review of the Working from Home Policy was conducted and a revised policy approved for implementation. The document was strengthened to include clear procedures for Occupational Health and Safety in the home; accommodation, furniture and equipment; and formal review procedures.

### Occupational Health and Safety

The Occupational Health and Safety committee meets on a regular basis to discuss needs or areas of concerns. No major concerns reported. New first aid officers were nominated and provided with training.

There were three workers compensation claims reported for this period.

Agency wide individual ergonomic reviews were conducted to raise personal awareness on how to correctly use workstation equipment and minimise injuries. All new starters are scheduled for an individual assessment and ergonomic review.

IPART participated in a WorkCover initiative aimed at helping injured workers to maintain or regain full employment. The program covered the maximum period of 12 weeks for one injured worker who received practical work experience and in-house training working in the analysis and policy development area.

The annual flu vaccine was offered to all staff with 49 staff members participating in the health campaign.

Sports activities are encouraged including corporate 'touch footy' sports conducted once per week over a term. Up to 20 staff members participate in the company competitions. In-house yoga classes continue to be enjoyed by staff every week.

There were no prosecutions under the Occupational Health and Safety Act 2000 to be reported for this agency.

## Corporate Plan

IPART decided to postpone reviewing the Corporate Plan until the new Government's strategic direction is defined in a revised State Plan. However IPART's broad corporate objectives are outlined in the current corporate plan published on our website, and progress towards meeting corporate objectives is assessed for each program element at page 17.

## Privacy plan

IPART's Privacy Plan was revised in 2010/11, but no complaints or requests for internal reviews were received. New staff members are briefed on the Plan as it relates to their role at induction. A copy of the plan is available and accessible by all staff and a Privacy Statement is available on the IPART website for public viewing.

## Asset management plan

There were no significant changes to the Asset Management plan during the year.

## Credit Card Compliance

The General Manager Support Services certifies that credit card usage in the agency has met best practice guidelines in accordance with Premier's Memoranda and Treasurer's Directions 205.1 to 205.8. Credit card usage is subject to an annual internal audit.

## Report on account payment performance

Quarter	Aged Analysis at the end of each quarter				
	Current (ie. within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue
	\$	\$	\$	\$	\$
September Quarter	128,375	0	0	0	0
December Quarter	8,711	48	0	0	0
March Quarter	184,693	0	0	0	0
June Quarter	0	0	0	0	0

## Accounts paid on time within each quarter

Quarter	Total Accounts paid on time			
	Target	Actual	\$	Total Amount Paid (\$)
September Quarter	88%	92%	12,633,041	14,175,701
December Quarter	88%	92%	1,611,195	1,752,278
March Quarter	88%	94%	3,241,110	3,486,357
June Quarter	88%	95%	9,423,421	9,591,878

*During 2010/11, there were no instances where penalty interest was paid in accordance with section 18 of the Public Finance and Audit (General) Regulation 1995.*

*There were no significant events that affected payment performance during the reporting period.*

## Details of Annual Report production

The total external cost incurred in the production of the report, including editing, design, photography and all printing processes was \$14,321.43 + GST. An electronic copy of this report is available at IPART's website.

This report has been printed on environmentally friendly stock produced from oxygen bleached wood and chlorine-free pulp.

## Consultants

During 2010/11, IPART engaged the following consultants for a total expenditure of \$3,165,290.46 (work on some of these consultancies was still proceeding at 30 June):

Consultants equal to or more than \$50,000		
Consultant	\$ Cost (ex. GST)	Title
<b>Information Technology</b>		
Reactive Media Pty Ltd	\$87,518.00	Website redesign
The Republic	\$65,990.00	Online Price Comparator Development
<b>Sub Total Information Technology</b>	<b>\$153,508.00</b>	
<b>Environmental</b>		
Malcolm Williams	\$55,099.33	Assistance with Energy Savings Scheme Secretariat
Sinclair Knight Merz	\$193,244.00	Analysis and Modelling of GGAS Options
<b>Sub Total Environmental</b>	<b>\$248,343.33</b>	
<b>Engineering</b>		
Halcrow	\$99,847.28	2009/10 Operational Audit of State Water Corporation
Halcrow	\$82,685.45	2009/10 Operational Audit of Sydney Catchment Authority
t-caM Consulting	\$71,672.50	2009/10 Operational Audit for Sydney Water Corporation
t-caM Consulting	\$69,725.00	2009/10 Operational Audit of Hunter Water Corporation
<b>Sub Total Engineering</b>	<b>\$323,930.24</b>	
<b>Finance and Accounting</b>		
Centre for International Economics	\$56,520.00	Review of Fares for Taxis from July 2011 – Taxi Cost Index Survey 2011
Centre for International Economics	\$124,635.55	Review of Regional and Rural Bus Services 2010
Deloitte Touche Tohmatsu	\$111,382.27	Electricity Tariff Equalisation Fund(ETEF): Audit of standard retail suppliers, generators and fund administrator for calendar year 2009
Deloitte Touche Tohmatsu	\$119,105.00	Electricity Tariff Equalisation Fund Audit 2010
Frontier Economics	\$336,166.71	Annual Review of Total Energy Costs 2011/12
John Connolly & Partners	\$64,800.00	Annual Review of Total Energy Costs – 2011/12 – Stage 1

Consultants equal to or more than \$50,000 <i>continued</i>		
Consultant	\$ Cost (ex. GST)	Title
<b>Finance and Accounting</b> <i>continued</i>		
NATSEM	\$168,213.00	Develop impact assessment model for IPART
<b>Sub Total</b> <b>Finance and Accounting</b>	<b>\$980,822.53</b>	
<b>Management Services</b>		
Cambridge Economic Policy Associates Ltd	\$50,000.00	Willingness to Pay – CEPA Report
Centre for International Economics	\$136,575.00	Assistance with assessment of special rate variations and productivity factor
<b>Sub Total</b> <b>Management Services</b>	<b>\$186,575.00</b>	
<b>TOTAL CONSULTANCIES</b> <b>EQUAL TO OR MORE THAN</b> <b>\$50,000</b>	<b>\$1,893,179.09</b>	
Consultants less than \$50,000		
Information Technology (8 engagements)	\$213,851.64	
Environmental (9 engagements)	\$139,481.67	
Engineering (6 engagements)	\$93,719.27	
Finance and Accounting (33 engagements)	\$597,163.68	
Management Services (14 engagements)	\$227,895.11	
<b>TOTAL CONSULTANCIES</b> <b>LESS THAN \$50,000</b>	<b>\$1,272,111.37</b>	
<b>TOTAL CONSULTANCIES</b>	<b>\$3,165,290.46</b>	

## Contract executive profile

All of IPART's executive staff are employed under contract but are not formally members of the NSW Senior Executive Service (SES). Conditions of employment are similar to SES conditions, and remuneration has regard to determinations by the Statutory and Other Offices Remuneration Tribunal.

Seven contract positions equivalent to SES 1 (\$141,250 or higher), including 5 held by women, were filled at the end of the financial year. This compares with 6 contracts in the previous year (3 held by women) when executive staff were on secondment.

## Salaries of statutory appointees and contract executives

No performance-related payment (bonus) was made to Statutory Appointees or Contract Executive Staff.

In accordance with Treasury Circular TC00/20, the names of officers, position held, and total salary packages (including superannuation) must be disclosed if salary packages exceed the minimum level of SES Level 5 (\$241,251 at 30 June). At IPART, this applies to:

Name	Position	Total Salary Package
Rod Sims	Chairman (part-time 3 days per week)	\$263,771
James Cox	Chief Executive Officer and Full Time Member and Acting Chairman until 25 July 2010	\$379,660

### Rod Sims

*Appointed 26 July 2010 and resigned 30 June 2011.*

The key accountabilities for 2010/11 were:

- > Accountable for the Tribunal's decision-making process and outcomes about pricing determinations, industry inquiries, arbitration of access and competitive neutrality disputes.
- > Managing key external relationships and periodically communicates IPART's vision, values, plans and achievements in partnership with the CEO/Full Time Member.
- > Collaborating closely with the CEO/Full Time Member to ensure teams had the best possible information to conduct the review effectively, and that the technical quality of work being done by the Secretariat met IPART and key stakeholder standards.

### James Cox

*Appointed on 17 December 2004.*

The key accountabilities for 2010/11 were:

- > As the Chief Executive Officer, the Tribunal's professional output and overall operations, including the general conduct and effective, efficient and economical management of the functions and activities of IPART.
- > As the Chairman, accountable for the Tribunal's decision-making process and outcomes about pricing determinations, industry inquiries, arbitration of access and competitive neutrality disputes. He also managed key external relationships and periodically communicated IPART's vision, values, plans and achievements.

# Appendix F: Audit Risk and Management

## Internal Audit and Risk Management Statement for the 2010-2011 financial year for the Independent Pricing and Regulatory Tribunal

I, James Cox, Chief Executive Officer, am of the opinion that IPART has internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08, Internal Audit and Risk Management Policy

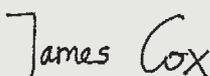
I, James Cox, am of the opinion that the Audit and Risk Committee for IPART is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

Independent Chair – Mr Ian Neale, appointed for 4 years from 28 July 2008.

Independent Member – Mr Paul Crombie, appointed for 4 years from 13 August 2010

Non-independent Member – Ms Amanda Chadwick, Director Water, appointed for 4 years from 21 February 2011

These processes provide a level of assurance that enables the senior management of IPART to understand, manage and satisfactorily control risk exposures.



**James Cox, PSM**  
*Chief Executive Officer*

## Insurance

IPART's insurance for workers compensation, motor vehicles, public liability, property and miscellaneous items is provided by the NSW Treasury Managed Fund. During 2010/11, there were no claims made against motor vehicle, public liability, property or miscellaneous categories of insurance.

## Internal and external reviews

IPART reviewed the following areas in 2010/11 as part of the internal audit and risk management program. They were:

### Audit of current phone system

In 2009 IPART installed a new phone system. The objective was to upgrade the existing system with more up to date and robust technology, that also had enhanced softphone and presence features. The nature of the project required a rebuild of settings and features as well as integration with existing systems. As a post implementation phase, it was advisable the system be audited to ensure additional business requirements had been integrated with appropriate standards, as well as confirmation that best practice backup systems were in place in the event of a failure. The audit concluded that the system is meeting business needs but recommended some additional measures to strengthen business continuity in the event of system failure.

### Online calculator review

In 2010 the Government asked IPART to develop and host an online price comparator service for consumers to calculate available energy offers. A quality assurance review of the site was required for verification of code quality and calculator

performance. The audit did not identify any code or performance issues, but subsequent internal testing did identify errors for correction.

### Crisis Management Team (Scenario Testing)

As part of IPART's risk management strategy, a Crisis Management Team (CMT) is responsible for coordinating the response to a crisis. As major crisis situations are not frequently used skills, scenario testing was conducted during 2010 to assist staff with CMT responsibilities to better understand their role. The scenario testing was a practical and valuable exercise which assisted to train back-up roles and identified the need to clarify decision-making responsibilities. The crisis management handbook will be revised to reflect the learning.

### Provide Media communication training

The increasing media exposure of IPART's decisions has increased the demand of our Chairman and CEO responding to media questions. Whilst IPART outsources some aspects of its public relations, senior staff are principally responsible for dealing with media. The media training was completed.

### Review of SAP system – alignment to IPART's processes and procedures

The financial and HR system SAP, was rolled out to IPART in 2010. The system was customised to suit accounting standards, and setup to reflect IPART's structure and policies. A number of IPART's finance processes needed to change to reflect the system setup. The risks of implementing the new function and embedding it within the organisation within timeframes had been addressed through a specific risk matrix developed for the entire project, but IPART needed to test the accuracy of the data migration to be able to attest to Treasury IPART's confidence in the integrity of financial data. The audit concluded that the processes for the migration of data and the reconciliation of balances were adequate but a number of minor areas were identified to enhance the control environment.

### Key Financial and Administrative Controls

IPART undertakes an annual broad health check of key processes and controls.

The overall objective of this review was to provide assurance to IPART Management as to the adequacy and effectiveness of the current internal control environment operating over a selection of specific processes. Specifically, the objectives of this review focused on:

- Assessing the adequacy of the Tribunal's internal control environment in mitigating risks associated with the management of selected expenditure processes
- Identifying areas that may reduce the opportunities for fraudulent activities
- Determining whether there was scope for improving the organisation's current processes and controls for managing administrative and financial processes.

The auditor concluded that in general terms the internal controls over the activities examined are satisfactory with a low risk rating. A number of policy updates were recommended as well as suggestions for document management for expense claims following the introduction of SAP in 2010.

### Managing a breach of Licence

In response to the risk identified in last year's risk framework review, IPART developed a number of information sheets and defined roles and responsibilities to respond to business failures, retailer of last resort and other incidents with licensees. Review of the documentation by an independent crisis management expert was conducted in 2010 which suggested a number of areas where the information on process could be expanded or clarified.

### Develop a matrix of key organisational skills and back-up provisions

IPART's operation is dependent on a number of specific skill sets/knowledge bases to cover the diversity of functions. IPART's Executive identified the need to prepare a matrix of these skills/subject knowledge areas and identify the key staff and back-up arrangements for each. The resulting matrix served as a gap analysis for vulnerabilities and provided a more systematic basis for training and coaching to ensure business continuity.

## Audit of the Virtual Private Network

In recognition of the risks associated with remote access to IPART's data by staff and contractors, an audit was conducted on the security of the technology and the internal controls, and the cost-effectiveness of the current remote access arrangements. The audit resulted in improved asset management and changes to the Remote Access Policy to provide for regular review of the need for remote access.

## Training in risk assessment of Water Quality Plans

The Water Industry Competition Act requires licensees to develop Water Quality Plans specifying how the twelve elements of the framework for the management of drinking/ recycled water quality and use, as detailed in the Australian Drinking Water Guidelines (ADWG) / Australian Guidelines for Water Recycling (AGWR), have been addressed and will be implemented. IPART employees assess licence applications to determine if the applicant has the technical capacity to develop these plans in accordance with ADWG/ AGWR. IPART provided training to staff on risk assessment under the framework outlined in the ADWG/ AGWR.

# Appendix G: External Liaison

## Overseas visits

There were four overseas visits by IPART staff in the reporting period:

Staff Member	Travel to	Date	Reason for travel	Cost
James Cox	Singapore	1/07/2010– 3/07/2010	Invited to speak at the Singapore <i>International Water Week Convention 2010</i> . The airfare, accommodation and meals were covered by the convention organisers. IPART paid for the conference registration.	\$998.00
James Cox	New Zealand	24/03/2011– 26/03/2011	Attended the Utility Regulators Forum, Wellington.	\$2,743.60
Eric Groom	New Zealand	24/03/2011– 26/03/2011	Attended the Utility Regulators Forum, Wellington.	\$2,557.45
Margaret Sniffin	Philippines	24 June 2011	Invited to speak at the <i>Asia Clean Energy Forum 2011</i> , Manila. The airfare, accommodation and meals were covered by the convention organisers. IPART paid for the conference registration	\$486.37

## External presentations

During the year, the following Tribunal Members and Secretariat staff made external presentations on the role and work of IPART:

James Cox, Chief Executive Officer and Full Time Member		
Title	Venue	Date
Experience of Regulation of the Water Sector in NSW	Singapore International Water Week – Singapore	1 July 2010
Lessons Learned in Regulation – An IPART Perspective	South Australian Water Regulation Conference – Adelaide	17 August 2010
Third Party Access – Water Industry	Water Industry Alliance & Stormwater Association – Adelaide	17 August 2010
IPART's Approach to Urban Water Pricing	Australian Agricultural & Resource Economics Conference	1 October 2010
Implementing Best Practice – Water Pricing	Australian Water Congress & Expo 2011 – Sydney	2 March 2011
IPART: Roles, Functions and Operations	Institute of chartered Accountants Discussion Group – Sydney	2 March 2011
Exploring Regulation of Utilities in NSW	Regulatory Reform Conference – Melbourne	12 April 2011
The Broader Impact of Green Energy Incentive Schemes on Electricity Prices	IRRS's Electricity Price and Market Dynamics Review – Sydney	28 April 2011
Water Pricing, Privatisation and Economic Regulation	OZ Water Conference – Adelaide	9 May 2011

James Cox, Chief Executive Officer and Full Time Member <i>continued</i>		
Title	Venue	Date
Lessons from the 2011 Round of Special Rate Variations	Local Government Managers Association NSW Forum 2011 – Sydney	30 May 2011
<b>Water and Compliance</b>		
Regulating private sector involvement in water and wastewater services in NSW	Australian Water Association Ozwater 11 Conference Adelaide	10 May 2011
WICA licensing regime	Queanbeyan area health services for environmental health officers	7 December 2010
WICA licensing regime	Hawkesbury Nepean Wastewater Working Group, Camden Council	3 May 2011
WICA licensing regime	Environmental Health Australia, Water Seminar, Aust Technology Park, Sydney	22 November 2010
<b>Local Government</b>		
IPART Functions in Local Government	Local Government Managers' Convention, Sydney	3 December 2010
IPART Functions in Local Government	Local Government Managers' Convention, Port Macquarie	18 February 2011
IPART Functions in Local Government	Local Government Managers' Convention, Sydney	30 May 2011
IPART Functions in Local Government	Local Government Finance Professionals Riverina Group – Junee	25 November 2010
	Mitchell & Orange Group – Dubbo	25 November 2010
	Southern Tablelands – Queanbeyan	2 December 2010
	Northern Rivers & Mid North Coast Groups – Yamba	2 December 2010
	Western Sydney Group – Blacktown	3 December 2010
	North West Group – Tamworth	6 December 2011
	South Coast Group – Nowra	1 February 2011
	Northern Sydney – Lane Cove	11 February 2011
Special Variations	Local Government Managers Association – Integrated Planners Network, Manly	25 February 2011
Special Variations	NSW Revenue Professionals Annual Conference, Coffs Harbour	17 March 2011
IPART Functions in Local Government	Southern Regional Councils , Canberra	19 May 2011
Review of Contributions Plans: The Role of IPART	UTS – Local Infrastructure Funding Short Course	16 June 2011
<b>Analysis and Policy</b>		
The old valuations out of WACC – Changing risk premia post-GFC – Structured Practitioner Panel Discussion.	Australian Centre for Financial Studies workshop, KPMG Sydney	31 March 2011

## Complaints

All complaints or enquiries are recorded and, where relevant, registered as submissions to the current review. This financial year there was an increase in complaints about IPART's decisions on pricing and structure in both energy and water (354 and 93 respectively). IPART explained the process and factors affecting IPART's most recent Determinations. A further 13 complaints were made about the showerhead or light bulb replacement programs under the Energy Savings Scheme and 23 complaints were recorded in response to IPART's new role in Local Government. When appropriate, complaints are referred to the relevant regulated entity or to the Electricity and Water Ombudsman of NSW.

## Complaints about competitive neutrality

There were no complaints about non-compliance with competitive neutrality referred to IPART in 2010/11.

## Funds granted to non-government community organisations

IPART granted \$1,000 to sponsor IPART runners in the J P Morgan Chase Corporate Challenge in 2010/11. The money raised is given to charity.

# Appendix H:

## Government Information (Public Access) Act

The *Government Information (Public Access) Act 2009* (the **GIPA Act**) commenced on 1 July 2010, replacing the *Freedom of Information Act 1989* (the **FOI Act**). The GIPA Act requires IPART to provide the following information on its websites:

- a publication guide – this describes IPART’s structure and functions, the various kinds of information it holds, and how people can access this information
- documents about IPART that have been tabled in parliament
- IPART’s policy documents
- IPART’s disclosure log of formal access applications
- IPART’s register of government contracts
- a record indicating the general nature of any open access information that has not been disclosed because of an overriding public interest.

### Availability of information

Copies of all documents in IPART’s public access library are available for public inspection at the IPART office, Level 8, 1 Market Street, Sydney 2000, from 9.00 am to 5.00 pm Monday to Friday (inquiries (02) 9290 8400). Copies of all IPART publications are also available from our website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

Where information is not available on IPART’s website, an informal request for this information may be made to IPART by contacting IPART’s Right to Information Officer Meryl McCracken ([meryl\\_mccracken@ipart.nsw.gov.au](mailto:meryl_mccracken@ipart.nsw.gov.au)). Unless there is an overriding public interest against disclosure of the information, IPART will try to release information without the need for a formal access application.

Over the last financial year, IPART has received a number of informal requests for information and, where appropriate, dealt with these by providing the requested information unless there was an overriding public interest against disclosure.

### Formal access application

Where information is not available on IPART’s website or not able to be provided by informal request, a formal access application may be made to IPART. This involves downloading and completing the access form (available on IPART’s website) and sending it to the following address:

Ms Meryl McCracken  
Right to Information Officer, IPART  
Level 8, 1 Market Street  
Sydney NSW 2000

The application must be accompanied by an application fee of \$30. Further details about making a formal access application is available on IPART’s website ([www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)).

### Formal requests made during this year

IPART received one new formal request for documents under the GIPA Act in this financial year.

On 11 November 2011, IPART received an application for access to documents (including drafts) of a report produced by a consultant engaged by IPART as part of its review of bus services operated by Sydney Buses in 2009. IPART discussed the scope of the application with the applicant and, having located the relevant documents, advised the applicant of those documents. The applicant decided to withdraw the application.

As in the previous year, IPART received no requests for amendment or notation of personal records.

## Request carried forward from the previous year

IPART received one request for documents under the FOI Act in the 2009/2010 financial year which carried forward into this financial year.

On 16 March 2010, IPART received an application for access to all documents submitted by a third party in connection with their application for accreditation under the Energy Savings Scheme established by the *Electricity Supply Act 1995* (NSW). IPART identified 10 documents (some with multiple attachments) within the scope of the request. The \$30 application fee was paid by the applicant.

IPART consulted with the third party who objected to the release of all documents. IPART made its primary decision on 20 April 2010. IPART decided to release 2 documents in full and decided to deny access to some of the information contained in the remaining 8 documents, granting partial access.

The third party sought internal review of IPART's decision to partially release documents and paid the internal review fee of \$40. IPART made its internal review decision on 27 May 2010. The internal reviewer decided to deny access to further information in 8 of the 10 documents.

The third party lodged a complaint with the NSW Ombudsman regarding IPART's decision to partially release the documents. The NSW Ombudsman conducted preliminary investigations and decided not to take any further action. The third party did not appeal to the Administrative Decisions Tribunal.

The applicant has been advised that the documents are available for inspection or that copies can be provided at a reasonable administrative cost. At the time of preparation of this report, the applicant has not inspected or requested a copy of the documents.

## Review of information to be proactively released

IPART has completed its review of its program for proactive release of government information held by IPART. IPART routinely publishes a significant amount of information on its website. To ensure that information that should be made available in the public interest is released, IPART's Right to Information Officer meets with the director of each section within IPART to review the information currently released and ascertain whether additional information can be released. As a result of this review, no additional documents were made publicly available. While this indicates that IPART's program for the release of government information is ensuring the appropriate government information is being made available, IPART's Right to Information Officer continues to monitor compliance with that program and seek opportunities to develop that program.

## Statistical information

IPART provides the following information as required by Schedule 2 of the *Government Information (Public Access) Regulation 2009*.

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm or deny whether information is held	Application withdrawn
Media	–	–	–	–	–	–	–	1
Members of Parliament	–	–	–	–	–	–	–	–
Private sector business	–	–	–	–	–	–	–	–
Not for profit organisations or community groups	–	–	–	–	–	–	–	–
Members of the public (application by legal representative)	–	–	–	–	–	–	–	–
Members of the public (other)	–	–	–	–	–	–	–	–
<b>Number of applications by type of applicant and outcome</b>								
Personal information applications	–	–	–	–	–	–	–	–
Access applications (other than personal information applications)	–	–	–	–	–	–	–	1
Access applications that are partly personal information applications and partly other	–	–	–	–	–	–	–	–

# Index

## A

Access arrangements	93
Achievements	8
Account payment	107
Annual report cost	108
Appendices	90
Asset management plan	107
Audit report	47, 60

## B

Balance sheet	52, 65
Budget for 2011/12	89

## C–D

Chairman's report	3
Coming year work program	87
Committees	14
Competitive neutrality	93, 116
Complaints	116
Contents	1
Consultants fees	108
Consultation with stakeholders	17
Corporate objectives	17
Corporate plan	107
Credit card compliance	107

## E

Equal employment opportunity	105
External presentations	114
Executive	13

## F

Financial statements	50, 63
Auditor-General's opinion	47, 60
Statement on behalf of IPART	49, 62
Operating statement	50, 63
Statement of cash flows	53, 66
Summary of compliance	68
Notes to accounts	54, 69

## G

Government Information (Public Access) Act	117
--	-----

## H

Hearings	97
Human resource policies and practices	106

## I–K

Impacts of determinations	30
IPART Act 1992	90
Information technology	26
Insurance	111
Key performance indicators	27

## L

Legislative provisions	90
------------------------	----

## M–N

Matters to be considered by IPART	91
Members	12

## O

Organisation	15
Overseas visits	114
Occupational health and safety	106

## P–Q

Principal achievements	8
Process improvement	5, 20
Provision of assistance to other agencies	92
Public hearings	97
Publications	100

## R

Role of IPART	7
Risk management	111

## S

Salaries	109
Staff profile	105
Standing reference agencies	90
Submissions	98

## T–V

Training	22
Tribunal meetings	97
Tribunal membership	12

## W–Z

Work program	87
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PO Box Q290, QVB Post Office NSW 1230  
Level 8, 1 Market St Sydney NSW 2000  
T (02) 9290 8400 F (02) 9290 2061  
ABN 49 202 260 878

[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)