

Business Plan

2001/02 - 2004/05

INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

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INTRODUCTION

At its inception in 1992 the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) administered one Act and had two principal functions. In 2001 it administers eleven legislative instruments with a corresponding number of major accountabilities (see Appendix D).

The organisation's responsibilities have not only expanded in number, but several trends in the industries IPART regulates have increased the complexity and scope of its work.

To ensure it can meet its new and ongoing responsibilities in a way that delivers the best possible outcomes, IPART will need to expand its size and develop its operations. This document describes the organisation's three year plan for meeting this challenge:

Chapter 1 outlines IPART's role, mission and guiding principles

Chapter 2 discusses the particular challenges it faces in the next three years

Chapter 3 sets out its strategic direction for these years, including key objectives and strategies for reaching them

Chapter 4 discusses how IPART will monitor and measure its performance

Appendices provide the detail of its work program, organisation, accountabilities and certain aspects of its strategy.

1 ABOUT IPART

IPART is an independent body that oversees regulation in the water, gas, electricity and public transport industries in NSW. When it was established by the NSW government in 1992, its primary purpose was to regulate the maximum prices charged for monopoly services by government utilities and other monopoly businesses. Since then, its responsibilities have increased significantly.

1.1 Functions

IPART now has six core functions, which are conferred by legislation, codes and access regimes established by legislation¹. These functions are to:

Set maximum prices for monopoly services provided by government agencies in NSW (including water and public transport)

Regulate revenues or prices of electricity networks under the National Electricity Code and electricity legislation

Regulate natural gas pricing and third party access to gas networks

Administer licensing or authorisation of water, electricity and gas businesses, and monitor compliance with licence conditions

Register agreements for access to public infrastructure assets and arbitrate disputes about these agreements

Investigate complaints about competitive neutrality referred by the Government.

In addition, IPART can be asked to:

- Advise the NSW Government or its agencies on issues such as pricing, efficiency, industry structure and competition
- Assist other Australian regulators and government bodies on a fee for service basis.

Recently added licensing responsibilities mean that for the first time, IPART will provide an integrated system of economic regulation and licence regulation in NSW that covers both pricing for water, electricity network and gas industries and standards of service for water and gas.

¹ These include the *Independent Pricing and Regulatory Tribunal Act 1992*, the *Gas Supply Act 1996*, the *Electricity Supply Act 1995*, the *National Electricity (NSW) Law 1997* and the *Transport Administration Act 1996*.

Purpose and Goals

IPART's specific purpose varies according to the different regulatory arrangements in the industries it regulates. However, in general, its goals are to:

- Regulate monopoly utility prices
- Promote competition (or simulate its effects) in regulated industries
- Protect consumers by ensuring the quality and reliability of regulated services and by considering the social impacts of its decisions
- Ensure utilities comply with their license obligations
- Encourage economic efficiency and reinvestment in infrastructure
- Encourage environmental sustainability
- Promote a stable regulatory environment
- Investigate complaints about competitive neutrality referred by the Government.

In addition IPART regulates access prices for electricity and gas networks under the National Electricity Code and the National Gas Code.

The legislation under which IPART is constituted² 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.

The various statutory instruments under which IPART operates also specify a large number of matters which the Tribunal is obliged to consider, but with little guidance on how to balance the competing impacts. For this reason it is not possible to define a simple regulatory formula or unifying principle as the basis for IPART decisions.

1.2 Value at stake

How successful IPART is in achieving these goals and the way in which it attempts to do so has a big impact on its various stakeholders and the community at large. In particular, a lot of economic value is at stake. This value extends beyond the immediate revenue impact of its decisions on the regulated entities and their customers—it also includes investment decisions by potential competitors (for example, in the gas and electricity industries), and by the users of regulated services (particularly industrial users of energy and water).

In addition, the way in which regulation is designed and implemented affects efficiency and competitiveness within an industry, and its relative competitiveness compared to other industries. For example, poorly designed regulation could advantage some players in the electricity industry over others, or advantage electricity over gas.

Finally, there are costs involved in the NSW regulatory system. These include IPART's operating costs, the costs to stakeholders of participating in IPART's review and decision-making processes, and the costs to the regulated entities of complying with IPART's decisions. Ultimately, these costs are borne by the community.

² The Independent Pricing and Regulatory Tribunal Act 1992.

1.3 Mission

Based on the functions and goals outlined above, and its appreciation of the economic value it impacts, IPART sees its mission as:

To deliver economic, social and environmental benefits to the NSW community through regulation that:

- is fair and rational
- is open and transparent
- balances the competing interests of stakeholders
- promotes an increasingly competitive environment, and
- promotes access to infrastructure facilities.

1.4 Vision

In pursuing this mission, IPART's vision is:

To be at the forefront of regulation globally, and be respected by key stakeholders for the quality and impartiality of our decisions and the independence, efficiency and effectiveness of our decision-making, advisory processes and practices

1.5 Guiding principles

In pursuing its mission and vision, IPART is guided by a set of principles based on its philosophy of regulation and understanding of best practice in regulation:

- maintain strict independence of our decisions from Government and all other stakeholders
- ensure the entire regulatory and licensing processes are transparent
- take a 'light-handed' approach to regulation wherever feasible
- encourage competition and minimise the need for regulation wherever possible
- consult widely and effectively with all stakeholders
- use incentive-based regulation to encourage better services, innovation and efficiency
- seek equitable outcomes by balancing the interests of the regulated entity, its customers and other stakeholders
- aim for pragmatic outcomes that can be achieved without significant operational difficulties
- ensure processes are predictable and consistent
- adhere to the highest professional standards
- use resources as effectively and efficiently as possible.

2 THE CHALLENGES AHEAD

In addition to the ongoing challenges associated with delivering on its mission and realising its vision, IPART faces some particular challenges arising from:

- the expansion of its role to include licensing functions
- the application of national codes in the electricity and gas industries
- the efforts to increase the level of competition in the electricity, gas, transport and water industries
- changing corporate and industry structures
- other factors tending to increase the complexity of regulation, including the threat of legal challenge to decisions and the varying levels of powers in different industries
- the increasing number of requests from government to undertake industry and competition reviews and greater number of agencies referred to IPART for price setting.

All these factors have increased the volume and complexity of IPART's work.

2.1 Expanded role to include licensing functions

On 1 November 2000, IPART took on the licensing and licence compliance functions formerly undertaken by the Ministry of Energy and Utilities. These functions include monitoring NSW water, gas and electricity utilities to ensure they are meeting their licence requirements for quality of product, environmental impact and consumer protection. In addition, IPART has responsibilities to review the appropriateness of these requirements and recommend changes to Government.

To absorb these additional activities, IPART has increased its staff by more than forty percent. It now needs to manage the communication, systems, knowledge transfer, industrial and management issues that result from this growth, and ensure that the quality of regulatory outcomes is improved.

2.2 Introduction of national codes

In the last decade the Commonwealth and state governments have created national markets for gas and electricity in Australia and introduced national codes for price regulation of electricity and gas networks. This has increased the complexity of gas and electricity price regulation, and created additional work for regulators. For example:

- The new codes themselves are complex, which means regulators need additional legal resources and more sophisticated financial and technical analysis. In addition, the codes are still evolving as problems are identified and corrected. This creates additional work, as regulators must review and comment on proposed changes, and respond to those that are approved.
- The move to national codes with their formal appeal processes makes it even more important for IPART to monitor the decisions and directions of other state and national regulators, and work with them to ensure approaches to regulation around the country are integrated and best practice.

2.3 Increasing level of competition and complexity of business structures

The progressive introduction of retail competition in the gas and electricity industries is also increasing the complexity of regulation. Theoretically, competition will remove the need for retail price regulation. However, IPART will need to monitor the effects of the introduction of competition during the early stages. It will also continue to regulate default retail prices, which is likely to require a similar process and level of analysis as other pricing reviews. IPART will also have continuing responsibility for regulating both electricity and gas networks in NSW.

National markets mean utilities can offer services in more than one state. When they do, state regulators need to understand which costs are specific to their jurisdiction. This involves developing new transfer pricing and cost allocation guidelines.

In addition, an increasing number of utilities in NSW now provide both non-competitive, regulated services and competitive, unregulated services. This is adding to the complexity of the IPART's role, as it must ensure utilities do not use their monopoly status in some parts of the market to obtain unfair advantages in other, competitive parts. To do this, IPART needs to be able to separate the regulated from the non-regulated components of these utilities. This involves developing guidelines in consultation with industry and stakeholders and monitoring compliance.

The introduction of competition is also enabling the development of multi-utilities, which offer a range of services such as gas, electricity and telephone. IPART needs to be able to attribute the costs to the correct industry sector, reflecting the risk borne by regulated business compared with those that are not.

2.4 Other factors increasing the complexity of regulation

A number of other factors is adding to the complexity of regulation and of IPART's work. These include the increasingly legalistic approach and greater sophistication of the entities being regulated. IPART must be able to keep pace with these entities, and manage the increasing risk of legal challenges to its decisions. Further, additional legal requirements are resulting in longer, more complex determination reports, which means IPART must work harder to ensure its reports are clear and easily understood by the community at large. Finally, the information demands of regulation are increasing, which means IPART must undertake or contract out a greater amount of complex analysis.

2.5 Increased requests from Government and agencies referred to IPART

In the last eight years, more industries have been referred to IPART for regulation. For example, IPART has taken on the on-going responsibility for determining prices for bulk water in NSW. At the same time, the state government has initiated an increasing number of ad hoc investigations. For example, IPART has been asked to conduct enquiries into such diverse matters as the potential deregulation of intra-state air services; competitive issues in the legislation governing the taxi and hire car industry; lease arrangements for the Port Kembla coal loader; and the reasonableness of productivity targets in a government cleaning contract.

2.6 Under resourcing

Given the increasing complexity and volume of work outlined above, it is more challenging than ever for IPART to reach and maintain a position at the forefront of regulation. If it is to achieve the best regulatory outcome for each industry it regulates, it must have access to sophisticated research, analysis and legal advice, and be able to identify and adopt best practice regulatory approaches and processes. However, its ability to realise this goal is limited by the fact that IPART's level of resources has not increased in proportion to its expanding workload.

Research commissioned by IPART indicates that while it is one of the most active regulators in Australia, and its output per employee appears to be significantly higher than other regulators, its resources are relatively low (Table 1).

Its overall level of funding is below nearly all other regulators (and is significantly below that of Victoria's Office of the Regulator General (ORG) – the regulator most similar to IPART in terms of size, functions and complexity of responsibilities).

Its spending per head of population in its jurisdiction is around half that of most other states, and around a third that of ORG.

Its financial flexibility is limited compared to other regulators, reducing its ability to meet additional, unbudgeted directives.

In addition, IPART spends much less than other regulators on training and development per employee. It also spends significantly less than ORG on consultants, and thus relies much more heavily on internal resources.

Table 1 Comparison on funding, Australian state regulators, June 2000

| REGULATOR | IPART | QCA | SAIIR | GPOC/OTTER | ICRC | ORG |
|--------------------------------------|-------|-------|-------|------------|-------|-------|
| Staff numbers (FTEs) | 35 | 32 | 12 | 10 | 3 | 35 |
| Administration staff % | 26% | 19% | 20% | 20% | 33% | 29% |
| Total Expenditure \$m | 6.33 | 5.00 | 1.40 | 1.50 | 0.80 | 14.50 |
| Est. Employee related costs \$m | 3.89 | 2.7 | 0.724 | 0.59 | 0.2 | 3 |
| Consultant expenditure \$m | 1.142 | 0.9 | 0.32 | 0.25 | 0.6 | 7 |
| Employee related cost per FTE \$000 | 111 | 84 | 60 | 59 | 67 | 86 |
| Est. Training expenditure per FTE \$ | 2,143 | 4,375 | 7,500 | 2,000 | 3,333 | 4,286 |
| Government or Lic. Fee Funding \$m | 5.648 | 5.0 | 1.4 | 1.5 | 0.4 | 14.0 |
| Consultant reliance % | 29% | 33% | 44% | 42% | 300% | 233% |
| Govt, Grant funding reliance % | 89% | 100% | 100% | 100% | 50% | 97% |
| Jurisdiction Population m | 6.47 | 3.53 | 1.49 | 0.48 | 0.32 | 4.76 |
| Regulatory expenditure per capita \$ | 0.98 | 1.42 | 0.94 | 3.13 | 2.49 | 3.05 |

Notes:

All figures are indicative and not audited; cost category components may not be identical for all regulators.

South Australia also has a gas regulator (South Australian Independent Pricing and Access Regulator).

Consultant reliance is consultant costs divided by employee related costs expressed as a percentage.

Employee related costs are indicative only and should include superannuation, payroll tax, long service provisions and workers compensation. PriceWaterhouseCoopers has not confirmed the individual inclusions of all regulators.

The table does not reflect additional IPART staff recruited since November 2000 to administer transferred licensing functions.

Regulators: Queensland Competition Authority (QCA); South Australian Independent Industry Regulator (SAIIR); Government Prices Oversight Commission/Office of the Tasmanian Electricity Regulator (GPOC/OTTER); Independent Competition and Regulation Commission (ICRC); Office of the Regulator General (ORG).

3 STRATEGIC DIRECTION

To deliver on its mission and meet the particular challenges outlined above, IPART intends to focus on four core objectives:

- to reach a reasonable, balanced answer
- to demonstrate a fair and open process
- to apply a rigorous and credible approach to our work
- to manage resources efficiently and effectively.

3.1 Reach a reasonable, balanced answer

To reach a reasonable, balanced answer, IPART is committed to the following strategies:

- monitor developments in other jurisdictions
- monitor and report on impacts of its decisions to ensure they have no unintended consequences
- research and adopt improved regulatory techniques and approaches
- provide more reasoned explanations of decisions.

IPART believes it is vital that its commitment to achieving a balanced regulatory answer for each industry it regulates does not waver as it copes with the growth in its organisation and workload. Given the increased complexity of its operating environment and growing sophistication of the entities it regulates, IPART must strive to be at the forefront of regulation. The objective is to apply best-practice regulatory approaches and ensure the price determination process remains relevant.

In 2001 IPART conducted a stakeholder survey to gauge perceptions of the quality of its processes. The stakeholder survey indicated that a significant majority of stakeholders acknowledged IPART's strong compliance with its legislative requirements in a complex and difficult environment. However, stakeholders from regulated entities were more likely to express concerns that the basis for judgement was not adequately communicated, specifically the relative weight given to economic, social and environmental factors.

In practice, the various instruments under which IPART operates give the Tribunal a degree of discretion which makes it impossible to articulate a single, formulaic basis for decisions. IPART considers it appropriate to exercise this discretion case by case. In addition, there are a large number of diverse factors to take into account. Nevertheless IPART recognises the importance of explaining the rationale for determinations.

3.2 Demonstrate fair and open process

Over the next three years, IPART intends to:

- continue its regular meeting program with key stakeholders.
- encourage stakeholder involvement by:
 - adopting technology/processes that make it easier for stakeholders to participate in investigations
 - continuing to publish timetables for reviews and releasing discussion papers and draft determinations
 - continuing to hold stakeholder seminars and public hearings
- continue to explain decisions through public reports and issues papers
- periodically repeat feedback program to survey stakeholder perceptions of integrity, processes and quality of work
- publicise realistic timetables that allow adequate time for the entities to respond
- improve adherence to target dates and communicate the reasons for any delay.

To fulfil its mission and safeguard its credibility and relevance, IPART must ensure that its processes are fair and open, and that they are perceived as such by stakeholders. To do this, it must consult widely and effectively with all its stakeholders, ensure they understand each stage of the regulatory process and encourage debate about industry outcomes and regulatory methods. In addition, IPART needs to know what is happening within the industries and entities it regulates.

This approach was strongly endorsed by the feedback from the stakeholder survey, which confirmed strong interest in opportunities for discussion of key issues and drivers for each industry IPART regulates.

The survey also identified stakeholder concerns about the adequacy of time frames for responding to IPART requests for information, the need for clearer mapping of the regulatory timetable and stricter adherence to it. While the Tribunal will continue to value the quality of the decision before a deadline and will respond to issues that arise in the course of a review requiring time and attention, IPART accepts the importance of setting fair target times.

3.3 Apply a rigorous, credible approach to our work

To fulfil this objective IPART has adopted the following strategies:

- implement outcomes of completed process review
- work with other regulatory bodies and public sector agencies to share innovations and establish/meet best practice
- continue to investigate ways to obtain the views of average customers
- continue to invite submissions from all segments of the community
- continue to work with the Public Interest Advocacy Centre and other representative groups to canvas a wide range of views

- maintain an intellectually rigorous work environment where advancement is based on merit
- recruit additional senior staff
- improve internal analytical capacity through recruitment and development practices
- make better use of internal and external legal advice
- make better use of consultants
- apply high standards of ethical and professional work practices
- encourage teamwork in an inclusive, respectful working atmosphere.

Like all public sector organisations, and the entities it regulates, IPART needs to maintain a continuous focus on enhancing the quality of its work and the rigour of its processes by reviewing its operations and work practices.

For stakeholders from the regulated enterprises in the energy sector the survey revealed a perception that broader customers' views (ie, the 'average customers') are not always well represented in reviews. They considered that the degree of input from advocacy groups for the disadvantaged was not truly representative. While the Tribunal encourages and considers submissions from all consumer groups, including individuals, the Tribunal acknowledges that the availability of relevant data could lead to this perception.

A number of stakeholders in the regulated industries raised concerns about how a small agency like IPART can maintain consistency of expertise across all staff, access specialist expertise and ensure the depth and breadth of expertise across the wide range of areas that the Tribunal covers. These stakeholders recognised the resource limitations within IPART but were seeking from the Tribunal a practical understanding of the key drivers for their industries. IPART recognises the need to diversify and develop its in-house expertise and to complement this area with the use of consultants for industry specific expertise

3.4 Efficient and effective use of resources

IPART requires its staff to provide flexible, responsive services and facilitate the process of continuous improvement through innovation, collaboration and sector-wide reform. In addition, there is the ongoing responsibility to ensure that services represent good value for money. The following strategies support this objective:

- seek adequate government funding to maintain market-driven remuneration and meet consultancy needs
- review profile of workforce and match skill set with organisational needs
- become a preferred employer through development opportunities and family friendly work practices
- provide systematic training and other skill-building opportunities for staff
- work with other public sector agencies to achieve economies of scale
- continually improve systems and services
- embrace Government commitment to electronic service delivery.

4 STRATEGIC DIRECTION

IPART is in the process of developing a set of corporate-level key performance indicators (KPIs) to measure the degree to which it is meeting its corporate objectives and monitor this over time.

The ultimate measure of IPART's success is whether it produces balanced outcomes in the industries it regulates. This is very difficult to measure as this means different things to different stakeholders. However, IPART intends to measure how its stakeholders perceive its performance in terms of integrity, processes and quality of work.

In addition, IPART has identified a range of indicators related to the volume of work completed and the timeliness of this output. Together these represent the externally focussed performance measures shown in Table 2.

A set of internally focussed measures designed to assess the performance of IPART's HR, office services and IT systems are presented in Table 3 below.

Table 2 Externally focussed performance indicators

| | 2000-01 Base | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|--|-----------------|------------|------------|------------|------------|
| Outcome and Output targets | | | | | |
| Regulation—Outcomes: | | | | | |
| Survey of stakeholder perceptions of integrity, process and quality of work (every 2 years) | 1 | n/a | 1 | n/a | 1 |
| Regulation—Outputs: | | | | | |
| Number of price determinations and industry reports completed | 11 | 25 | 11 | 12 | 7 |
| Number of price determination and industry reports in progress | 9 | 5 | - | 2 | 1 |
| Number of licence audits completed | 2 | 4 | 4 | 4 | 4 |
| Number of licence compliance reports to Minister | 1 | 1 | 1 | 1 | 1 |
| Number of licences granted, amended and cancelled | 4 | - | - | - | - |
| Rules and guidelines completed | 5 | 3 | 2 | 2 | 2 |
| Rules and guidelines in progress | 2 | - | - | - | - |
| Applications for Associate Contracts considered under S7.1 of National Gas Code | 1 | - | - | - | - |
| Average response time on notified price increases (Target 60 days for networks and 30 days for retail) | n/a | To develop | To develop | To develop | To develop |
| Financial Administration: | | | | | |
| Controlled net cost of service within budget | Yes | | | | |
| Regulation expenditure per capita (NSW) | <\$2 | <\$2 | <\$2 | <\$2 | <\$2 |
| Compliance with Public Finance & Audit Act | 100% | 100% | 100% | 100% | 100% |

* Target represents known commitments and target numbers are likely to be exceeded.

Table 3 Internally focussed performance measures

| Performance Measure | Target |
|--|---------------|
| Staff health | |
| Average sick leave days taken | <5 |
| Personnel Enhancement System coverage | 100% |
| Training follows skills audit | 100% |
| Employee satisfaction index - Leadership | >90% |
| (staff survey) - Remuneration | >90% |
| - Working conditions | >90% |
| - Support services | >90% |
| <i>IT</i> | |
| System availability | >98% |
| System security breaches | Nil |
| Internal service quality rating (staff survey) | >95% |
| <i>Office Services</i> | |
| Accounts paid on time | 100% |
| Internal service quality rating (staff survey) | >95% |

APPENDIX A WORK PROGRAM

IPART's statutory functions for each industry it regulates are summarised in the Table 4.

Table 4 IPART's functions by industry

| Current Functions by Industry | Electricity Networks | Electricity Retail | Gas Networks | Gas Retail | Water | Transport |
|--|----------------------|--------------------|--------------|-------------|-------|-----------|
| Monitor service quality | ✓ | | ✓ | | ✓ | * |
| Audit service quality licence compliance | ✓ | | ✓ | | ✓ | |
| Recommend licence refinements | ✓ | | ✓ | | ✓ | |
| Set maximum prices or revenues | ✓ | ✓ ** | ✓ | ✓ ** *** | ✓ | ✓ |
| Assess access undertakings | | | ✓ | | | |
| Undertake pricing reviews | | | | | ✓ | ✓ |
| Arbitrate access disputes | ✓ | | ✓ | | ✓**** | ✓ |
| Maintain registry of access agreements | ✓ | | ✓ | | | ✓ |
| Maintain development service plans | | | | | ✓ | |

In addition there are a number of functions carried out on request:

Motor Accident Authority arbitrations

Review of industry, pricing or competition (S12)

Review of industry, pricing or competition (S9)

Assessment of competitive neutrality complaints

Notes:

* However, S15 requires IPART to consider service quality in price setting

** Sets retail prices for default customers only

*** The form of regulation includes voluntary pricing principles

**** Possible role in arbitration of disputes concerning developer charges

IPART's work program to fulfil these functions from 2000/01 to 2004/05 is presented in Table 5. This program indicates that IPART will have more work in the first couple of years than the later years. However, past experience suggests that the work program for the later years will increase as we get closer to those years. In addition, the more complex investigations will take more than one year to complete.

Table 5 IPART's work program, 2000/01 to 2004/05

| | 2000/ 01 | 2001/ 02 | 2002/ 03 | 2003/ 04 | 2004/ 05 |
|---|-------------|-------------|-------------|-------------|-------------|
| Electricity | | | | | |
| Set default retail prices | ✓ | | | ✓ | |
| Review retail prices (mid term) | | ✓ | | | ✓ |
| Review capital contributions | ✓ | | | ✓ | |
| Determine ring fencing guidelines | ✓ | ✓ | | ✓ | |
| Determine network prices | | ✓ | ✓ | ✓ | |
| Audit price compliance | ✓ | ✓ | ✓ | ✓ | ✓ |
| Undertake licence administration | ✓ | ✓ | ✓ | ✓ | ✓ |
| Gas | | | | | |
| Review GSE and Origin gas retail prices | ✓ | ✓ | | | ✓ |
| Establish AGLGN network prices path | ✓ | | | ✓ | ✓ |
| Review AGL retail prices | ✓ | | | | ✓ |
| Review AGL retail prices (mid term) | | ✓ | ✓ | | |
| Review Albury access arrangements | | ✓ | ✓ | | |
| Review Wagga Wagga access arrangements | | | ✓ | ✓ | |
| Audit price compliance | ✓ | ✓ | ✓ | ✓ | ✓ |
| Complete authorisation administration | ✓ | ✓ | ✓ | ✓ | ✓ |
| Transport | | | | | |
| Determine STA & CityRail prices (annual) | ✓ | ✓ | ✓ | ✓ | ✓ |
| Undertake major transport review | ✓ | ✓ | | | |
| Audit price compliance | ✓ | ✓ | ✓ | ✓ | ✓ |
| Review ACT taxi fares | ✓ | | | | ✓ |
| Water | | | | | |
| Set urban water price path | ✓ | | ✓ | | |
| Determine Sydney Catchment Authority (SCA) prices | ✓ | | | | ✓ |
| Review SCA price path (mid term) | | | ✓ | | |
| Determine developer charges | ✓ | | | | ✓ |
| Determine bulk water prices | ✓ | | | ✓ | |
| Review SWC system performance standards | ✓ | | | | ✓ |
| Review SWC customer contract | ✓ | | | | ✓ |
| Consult with SWC customer councils | ✓ | ✓ | ✓ | ✓ | ✓ |
| Establish KPIs for SWC customer service | ✓ | | | | ✓ |
| Review HWC operating licence | ✓ | | | | ✓ |
| Review SWC & SCA licences (mid term) | | ✓ | | | |
| Review SWC & SCA licence reviews (end of term) | | | | ✓ | |
| Audit price compliance | ✓ | ✓ | ✓ | ✓ | ✓ |
| Audit SWC, SCA & HWC licence compliance | ✓ | ✓ | ✓ | ✓ | ✓ |

APPENDIX B STRATEGIES, ACTIONS AND RESOURCE IMPLICATIONS

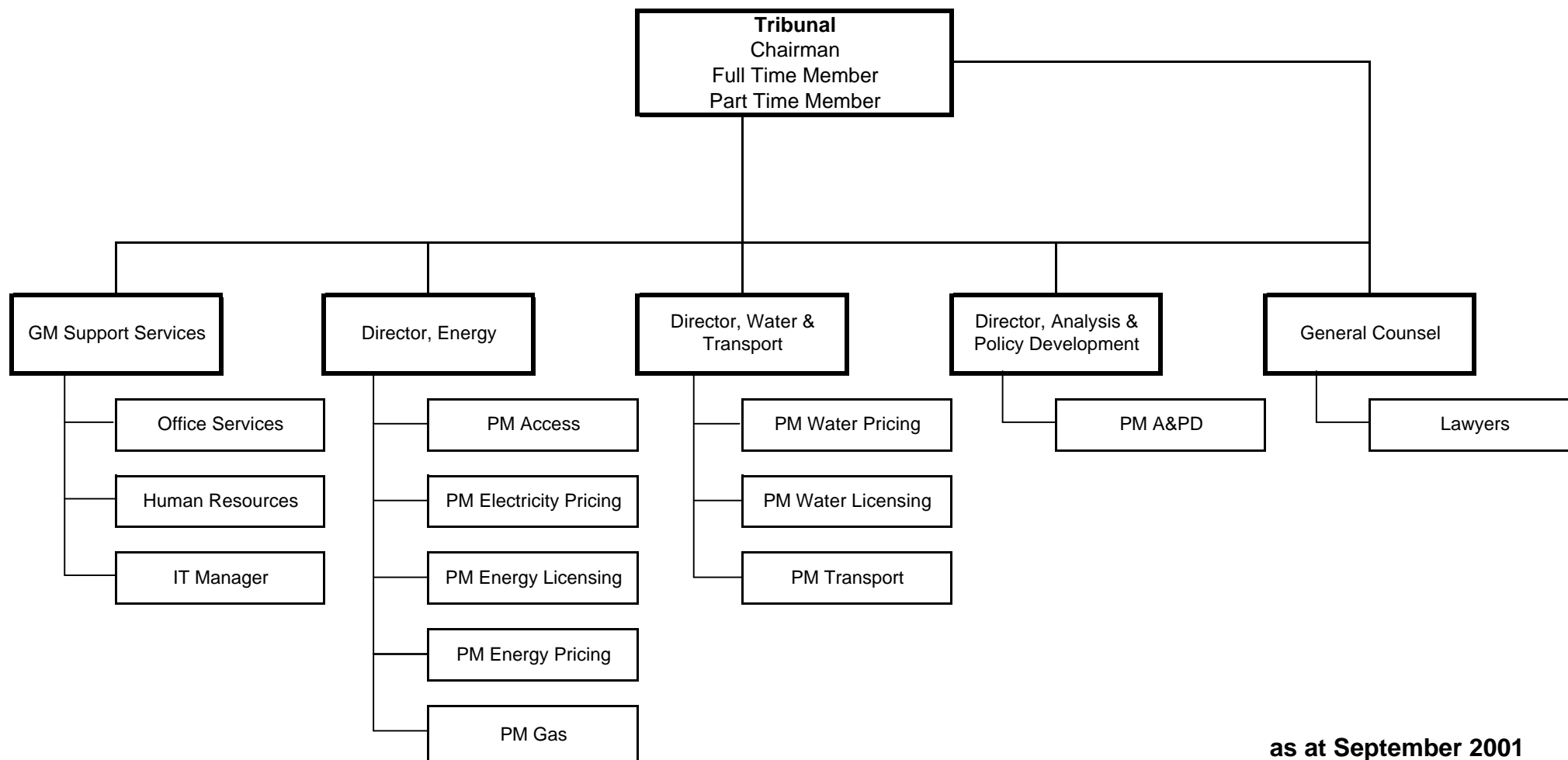
| Strategic priority | Driver | Action | Resource implications |
|------------------------------|---|---|--|
| Reach balanced answer | 1. Reaching a good, balanced answer is dependent on Tribunal members and their: <ul style="list-style-type: none"> - skill set - independence - non-coincidence of terms - availability | <ul style="list-style-type: none"> • members appointed by Premier • develop training/meeting program for members | <ul style="list-style-type: none"> • workload will dictate number of members required • costs of training /travel/ accommodation • remuneration scale (set by Government) |
| | 2. Developments in other jurisdictions | <ul style="list-style-type: none"> • participate in Australian Regulators Forum • collaborate with other regulators in research activity • develop joint research programs with other regulators • demonstrate and promote the collaborative work • receive/review publications and commentary from other jurisdictions • attend specialist regulators' courses • develop peer review among regulators • host seminars/ conferences | <ul style="list-style-type: none"> • develop research capability (creation of Analysis and Policy Development Group) • hosting/ travel/accommodation/ training costs |
| | 3. Regulatory content and process | <ul style="list-style-type: none"> • interpret statutory requirements & ensure compliance • establish & apply criteria for assessing form of regulation eg administrative simplicity, incentives created, overcoming information asymmetry, replication of competitive market outcomes, impact analysis • establish in house knowledge system and peer review • establish best practice and transparent processes | <ul style="list-style-type: none"> • cost of legal review • dedicated research resources • cost of compliance checks • cost of library/knowledge system |

| Strategic priority | Driver | Action | Resource implications |
|---|------------------------------------|---|---|
| <i>Demonstrate fair and open process</i> | 4. Communication with stakeholders | <ul style="list-style-type: none"> • survey stakeholder perception of Tribunal processes and outcomes • encourage / attend user group meetings • establish/implement meeting program with key stakeholder groups • communicate with stakeholders about Tribunal processes • articulate information requirements of Tribunal • regular briefings/debriefings • simplify submission process • review media processes • review use and content of web site • introduce process for dealing with complaints • improve access to and user friendliness of publications • ensure protection of confidential data consistent with statutory requirements • track correspondence from and replies to stakeholders • publicise timetables and explain any delays • explain the basis of decisions <ul style="list-style-type: none"> - in relation to statutory obligations - in relation to stakeholder views | <ul style="list-style-type: none"> • survey costs • cost of improving staffs' presentation/communication/negotiation skills • cost of developing and maintaining appropriate electronic service delivery mechanisms • cost of introducing improved data security measures • time/resource allocation for meeting with stakeholders • engagement of editorial resources • cost of maintaining records management system |

| Strategic priority | Driver | Action | Resource implications |
|--|--|---|---|
| <i>Apply rigorous, credible process</i> | 5. Analysis tools and Internal Processes | <ul style="list-style-type: none"> develop and ensure compliance with modelling standards develop and maintain impact analysis models develop and maintain dedicated financial models train staff in operation establish data requirements and institute data audits carry out post-review audits apply quality assurance program enhance internal peer review carry out thorough scoping and planning maintain and improve quality assurance program establish clear work program & associated responsibilities establish criteria for using external resources (consultants) establish clear timetable and checkpoints implement information management strategy establish library/information supply service introduce improved project management practices | <ul style="list-style-type: none"> cost of developing standards engagement of internal/external modelling specialists cost of customer surveys purchase of ABS data cost of data audits project management systems & tools adequate resources- quantity & quality workload measurement systems training programs cost of external resources as required |
| <i>Managing resources efficiently and effectively</i> | 6. Resource management - people | <ul style="list-style-type: none"> develop improved induction procedures for new staff implement 'staff health' management reporting system implement resource allocation tools (including time recording) undertake skill set audit & associated training needs analysis maintain appropriate feedback/reward program supplement with external resources for specialist skills (eg engineering) and management of work peaks | <ul style="list-style-type: none"> system development supplementary external resources cost of retention & recruitment allowance staff training program |
| | 7. Resource management – accommodation | <ul style="list-style-type: none"> liaise with DPWS and building management on accommodation needs and availability (all in accordance with Government policy) arrange any relocation as required | <ul style="list-style-type: none"> cost of DPWS services relocation & fitout costs possible variation in rent & outgoings |

| Strategic priority | Driver | Action | Resource implications |
|--------------------|--|--|---|
| | 8. Equipment/systems | <ul style="list-style-type: none"> • develop asset management plan • develop electronic service delivery plan • implement improved IT & office security (including disaster recovery plan) • formalise external IT partner arrangements with specific deliverables | <ul style="list-style-type: none"> • contract with IAB for development of IT strategic plan, IT security and assistance in selection of IT external partner |
| | 9. Internal procedures | <ul style="list-style-type: none"> • develop personnel policies/procedures • implement financial administration policies • implement management reporting system | <ul style="list-style-type: none"> • IAB internal control audit complete • IAB cost for developing financial procedures |
| | 10. Provision of external payroll and financial services | <ul style="list-style-type: none"> • arrange direct connection to CCSU systems • negotiate improved service agreement with CCSU/ or appoint another external service provider | <ul style="list-style-type: none"> • avoid duplication with CCSU systems (service levels) • direct connection to CCSU arranged • explore other service providers |

APPENDIX C ORGANISATION CHART



as at September 2001

APPENDIX D REGULATORY RESPONSIBILITIES

1992

Staff 15

| Legislative Instruments | Accountabilities |
|--------------------------------------|--|
| Government Pricing Tribunal Act 1992 | <ul style="list-style-type: none"> To determine maximum prices and conduct periodic pricing reviews for the declared services of standing reference agencies. To determine the maximum prices or review pricing policies of other government monopoly services on referral by the Premier. |

1996

Staff 32

| Legislative Instruments | Accountabilities |
|--|---|
| Independent Pricing and Regulatory Tribunal Act 1992 | <ul style="list-style-type: none"> To determine maximum prices and conduct periodic pricing reviews for the declared services of standing reference agencies. To determine the maximum prices or review pricing policies of other government monopoly services on referral by the Premier. |
| Gas Supply Act 1996 | |
| | <ul style="list-style-type: none"> To undertake reviews of matters including industry, pricing or competition on referral by the Premier. To register and arbitrate access to public infrastructure assets and arbitrate disputes about their agreements. To regulate natural gas prices and third party access to gas networks. To register access agreements and arbitrate access disputes. |

2001

Staff 50

| Legislative Instruments | Accountabilities |
|---|---|
| <p>Independent Pricing and Regulatory Tribunal Act 1992</p> <p>Gas Supply Act 1996</p> <p>National Electricity Code</p> <p>National Third Party Access Code for Natural Gas Pipeline Systems</p> <p>National Electricity (NSW) Law 1997</p> <p>Electricity Supply Act 1995</p> <p>Transport Administration Act 1996</p> <p>Hunter Water Act 1991</p> <p>Sydney Water Act 1994</p> <p>Sydney Water Catchment Management Act 1998</p> <p>Prices Regulation Act 1948</p> | <ul style="list-style-type: none"> • To determine maximum prices and conduct periodic pricing reviews for the declared services of standing reference agencies. • To determine the maximum prices or review pricing policies of other government monopoly services on referral by the Premier. • To undertake reviews of matters including industry, pricing or competition on referral by the Premier. • To register and arbitrate access to public infrastructure assets and arbitrate disputes about their agreements. • To regulate natural gas prices and third party access to gas networks. • To register access agreements and arbitrate access disputes for gas networks. • To regulate access and prices for electricity distributors networks. • To administer licensing or authorisation of water, electricity and gas businesses. • To undertake licence audits and monitor compliance with licence conditions. • To investigate complaints about competitive neutrality referred by the Government. • To fix and declare the prices for “declared goods” under the prices Regulates Act. |

APPENDIX E REVIEW PROCESS

