



Independent Pricing and Regulatory Tribunal



Our reference:

Your reference:

20 October 2009

The Hon. Nathan Rees MP  
Premier of New South Wales  
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Governor Macquarie Tower  
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Dear Premier,

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL ANNUAL REPORT  
2008/09**

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 2009.

Yours sincerely

James Cox  
Acting Chairman and  
Chief Executive Officer

ELECTRICITY

GAS

WATER

TRANSPORT

OTHER INDUSTRIES

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

During 2008/09, IPART continued with its work as the economic regulator of monopoly services in New South Wales. In particular, we commenced work on implementing the new Water Industry Competition Act and prepared for the introduction of the new Energy Savings Scheme which started operation on 1 July 2009. During 2008/09, IPART also further developed its role as the NSW Government's economic and policy think tank.

There were some notable developments in price regulation during the year. In December 2008, IPART determined CityRail fares for the four years from 2009 to 2012. This is the first time that IPART has determined rail fares for more than one year. The new fare determination is based on a clear methodology which has been carefully applied to CityRail. We first investigated CityRail's efficient costs and then determined what proportion of these costs should be paid for by passengers as opposed to taxpayers on behalf of the wider community. We concluded that CityRail services provide substantial external benefits to the community, particularly lower levels of congestion and air pollution because of lower levels of car use. We therefore concluded that passengers should pay only around 30 per cent of CityRail's efficient costs. Similarly we would also expect that around 30 per cent of the return on and of future investment in rail infrastructure and rolling stock will be recovered from passengers in fares, although if the external benefits from new investments are different that will affect this percentage.

IPART made its final determinations of prices for Gosford City Council and Wyong Shire Council in May 2009 and for the Sydney Catchment Authority in June 2009. We issued a draft determination for Hunter Water in April 2009. The draft determination for Hunter Water had to address the issue of how to pay for a large new asset, Tillegra Dam, that would provide benefit to future as well as current residents of the lower Hunter Valley. We developed procedures to ensure that the costs of Tillegra Dam would be recovered over the life of the dam but that the recovery of some costs would be deferred to match the benefits that will be received from the dam over time.

Under the Water Industry Competition Act, companies other than Sydney Water and Hunter Water can be licensed to provide some water and sewerage services in the areas of operation of these utilities. IPART considered a number of applications under WICA during 2008/09 and recommended to the Minister that licenses should be granted, which they subsequently were. To date, the licenses that have been granted under the Act have been for projects to treat, transport and sell recycled water.

During the early part of 2009, we completed substantial development work to enable the NSW Government's new Energy Savings Scheme to commence operation on 1 July 2009. Among other things, this required the registry for the existing Greenhouse Gas Reduction Scheme to be upgraded to accommodate the Energy Savings Scheme.

We continued on work as a policy advisor to the NSW government during 2008/09. IPART's consultative and evidence based processes have proven to be particularly useful during the early stages of policy development when government is able to consider a range of inputs. During 2008, IPART examined NSW Health's framework for funding and performance improvement and made recommendations to improve this framework based on best practice. The recommendations included an improved focus on patient safety and service quality; more relevant data collection; methods of ensuring that information flows back to clinicians; and better care for people with chronic diseases.

IPART's review of the state taxation system found that, on balance, Commonwealth government taxes are more equitable and efficient than the taxes that are available to the NSW government. We recommended that the NSW Government should encourage the Commonwealth Government to develop options for making greater use of efficient Commonwealth taxes to fund the reduction or abolition of inefficient NSW Government taxes. We argued that the NSW tax system should become broader based with greater use of simple and transparent taxes. Our report recommended moving away from an over-reliance on transaction taxes to greater use of annual taxes on wealth holdings.

Following IPART's review, the NSW Government adopted IPART's recommendations to remove the stamp duty on caravans and trailers and submitted our report for further consideration to the review of Australia's future tax system that is being undertaken on behalf of the Commonwealth Government.

IPART's review of the NSW Government's climate change mitigation measures has provided a framework which the NSW Government will use to assess existing and proposed measures. This will ensure that any new state-based greenhouse gas mitigation proposals are necessary and cost-effective in the context of the Commonwealth Government's Carbon Pollution Reduction Scheme (CPRS). The CPRS is to be Australia's principal program for reducing emissions in future. Our review helped the NSW Government to streamline and re-design its existing programs to ensure that they complement national policy measures to reduce climate change.

We commenced a program of work to review, and where necessary update, IPART's regulatory approach. Two papers were published during 2008/09 that resulted from this work program. The first of these papers proposed a new approach for estimating future inflation that is based on market data on inflation-based swaps. The conclusions for this paper have significantly influenced IPART's regulatory approach. A second paper considered the margin above the risk free rate that would be required to compensate investors for bearing the risks that are involved in holding debt that is issued by the utilities that IPART regulates. Work on this issue is continuing in 2009/10.

## Improving Information Provision by Regulated Utilities

During the year, IPART carefully considered issues relating to the timely provision of accurate information from the utilities that we regulate. The provision of timely and accurate data is essential if IPART is to fulfil its responsibilities. IPART's pricing determinations depend heavily on data from the utilities on estimated demand, revenues and costs. In the past, IPART has experienced difficulties in completing its reviews on time because regulated utilities have not been able to provide the right information on time. During 2008/09, an important review was significantly delayed because a major utility provided information that was late and subsequently revised. The provision of information that is late or revised adversely affects stakeholders who must respond to new information. It may also delay the introduction of new prices and result in a loss of income for the utility.

We have made a number of decisions to avoid a continuation of these problems. First, IPART is to review its own information requests and processes of information collection to make it as easy as possible for utilities to meet IPART's information needs. Secondly, utilities will be requested to certify that the information that they provide is accurate and complete, and that reasonable quality assurance checks have been completed. Thirdly, IPART may, where warranted, apply a "stop the clock" rule. Under a "stop the clock" rule significant delays or errors in the provision of information may result in a delay of a price increase. This may be necessary if IPART is required to re-work its analysis in the light of new information.

In designing these procedures IPART has been concerned not to unnecessarily increase the burden of compliance on regulated utilities. We will be attempting to improve the efficiency of the regulatory process by working closely with the utilities to develop templates that will assist them in meeting IPART's information requirements. This improved information should also assist the utilities management and allow a more informed debate among all stakeholders.

## Engagement with Stakeholders

IPART must obtain the views of stakeholders to undertake our reviews successfully. We try to improve the ways in which we seek the views of stakeholders. During 2008/09, we carefully considered written submissions from stakeholders and held many public hearings and workshops during reviews.

We have been seeking to make these hearings and workshops more engaging and informative for participants. This has involved a shift away from the main focus of the public hearings being the presentation and questioning of submissions by the utilities that are seeking a price rise. Instead, IPART is increasingly relying on its own methodologies to determine appropriate future price structures. Accordingly, to assist stakeholders understand the drivers and assumptions that underlie our proposed price determinations we are increasingly making available detailed descriptions of the methodologies and the models used by IPART. While IPART has always sought to explain and justify its reasons for price increases in its reports that accompany each price determination, this shift

in favour of greater public disclosure of the methodology and models which IPART has relied upon has made IPART more accountable and has changed the nature of the dialogue at our public hearings. We believe this is to the advantage of stakeholders.

In early 2009, IPART held a briefing session on its work program for social and environmental groups, and another for business groups. Officers from relevant government departments attended both briefing sessions. We also provided briefings to stakeholders on specific aspects of reviews. We will continue with these briefing sessions in 2009/10.

In 2008/09 IPART undertook a household survey of energy and water use in the operational areas of Hunter Water Corporation, Gosford City Council and Wyong Shire Council. The survey collected data on household characteristics (including income), appliance ownership, usage, and views on contestability and marketing for gas and electricity. Similar surveys were undertaken for Sydney in 2003 and 2006 and another will be undertaken in 2009/10. These surveys assist IPART to consider the affordability of its pricing decisions, and provide valuable information on the extent of competition in the residential energy market.

We have undertaken our own research on affordability. In addition, we have commenced work with NATSEM to undertake a more detailed analysis of the impacts of IPART's pricing decisions on households.

Although IPART is not responsible for decisions on concessions and rebates, some of our reports have highlighted where we consider that there may be a case for an increase in, or revisions to, concessions. The Government increased concessions for certain customers during 2009.

## IPART's Capabilities

As noted in previous years' annual reports IPART needs a range of capabilities to undertake its responsibilities successfully. These include:

- > Experienced and impartial decision makers.
- > Adherence to administrative law principles regarding natural justice, fairness and the avoidance of bias.
- > The ability and willingness to undertake extensive consultation.
- > The ability and willingness to maintain a professional and mutually respectful relationship with stakeholders, especially where there are areas of disagreement.
- > An expert Secretariat that, supplemented by the use of consultants where necessary, can draw on a range of skills.
- > Administrative systems that can store and retrieve large amounts of data and provide Tribunal members with the data required for decision making.
- > High quality human resources, information technology and office accommodation.
- > A corporate culture that is open, mutually respectful and which rewards efficiency and achievement.
- > An emphasis on identifying and managing risk to IPART's continuing success.

During 2008/09 IPART made a number of changes to improve its capabilities. These include:

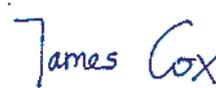
- > A review of IPART's performance management system was undertaken using a new capability framework that sets out the skills, knowledge, experience and abilities required of IPART staff for all roles within the organisation. The new performance management system was introduced in May 2009 following extensive consultation with staff.

- > We appointed an information manager to ensure that information within IPART is used effectively and meets the needs of staff. The information manager will be required to analyse IPART's business processes, including websites, the intranet system and document and record systems, to ensure that they are as efficient and easy to use as possible.
- > We established an Audit and Risk Management Committee within IPART. The membership of this committee comprises an independent chair, an independent member and IPART's Chief Executive Officer. The committee is responsible for overseeing the development, implementation and monitoring of IPART's risk management program.

In concluding, we would like to thank our fellow Tribunal members Ms Sibylle Krieger and Dr Neil Warren for their wise counsel and participation in decision making during the year. We would also like to thank the Tribunal's Secretariat for excellent professional advice and assistance.



**Michael Keating AC**  
*Chairman*



**James Cox**  
*Chief Executive Officer  
and Full Time Member*

## What we do

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.

## Functions

IPART now has five core 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)
- > 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
- > administer the Greenhouse Gas Reduction Scheme and its Register of abatement certificates.

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.

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 2008/09

### Metropolitan water

- Completed**
- > Investigation into Prices for Water services provided by:
    - > Sydney Catchment Authority
  - > Investigation into Prices for Water, Sewerage and Stormwater services provided by:
    - > Gosford City Council
    - > Wyong Shire Council

- In Progress**
- > Investigation into Prices for Water, Sewerage and Stormwater services provided by:
    - > Hunter Water Corporation

### Water licensing

- Completed**
- > Conducting annual Operating Licence compliance audits for:
    - > Sydney Water Corporation
    - > Sydney Catchment Authority
    - > Hunter Water Corporation
    - > State Water Corporation
  - > Auditing of adequacy of asset management undertaken by Sydney Catchment Authority
  - > Collecting and auditing of performance indicators of regulated water agencies on behalf of the National Water Commission

- In Progress**
- > Reviewing system performance standards for:
    - > Sydney Water Corporation
    - > Hunter Water Corporation

### Water Industry Competition Act 2006 (WICA)

- Completed**
- > Holding information seminars on WICA for prospective licensees and other interested stakeholders
  - > Making recommendations to Minister for Water Utilities on Licence applications
  - > Establishing and maintaining registers
  - > Establishing audit panel

## Water Industry Competition Act 2006 (WICA) *continued*

- In Progress**
- > Approving cost allocation manual prepared by service provider for declared services
  - > Completing guidelines for compliance audits
  - > Preparing incident reporting manual
  - > Finalising recommendation to Minister on level of annual licence fees
  - > Liaising with the Department of Water & Energy on refinements to the exemption regime

## Rail access

- Completed**
- > Review of rail infrastructure compliance with the NSW rail access undertaking for 2006/07 for Australian Rail Track Corporation and Rail Corporation of NSW

## Transport fares

- Completed**
- > Review of the regulatory framework for CityRail
  - > Review of CityRail's fares for the four years to 2011/12
  - > Review of taxi fares for 2008/09
  - > Review of fares for rural and regional buses and private ferries
  - > Review of bus fares for metropolitan and outer metropolitan bus services
  - > Review of fares for Newcastle services

- In Progress**
- > Review of rate of return and mine life under the NSW rail undertaking
  - > Review of metropolitan and outer metropolitan bus fares from 1 January 2010

## Energy Pricing

- Completed**
- > Annual review of the market based energy purchase cost allowance

- In Progress**
- > Review of electricity regulated retail tariffs for small retail customers 2010 to 2013
  - > Monitoring compliance with current electricity determinations
  - > Monitoring compliance with current gas retail pricing arrangements

## Energy Licensing

- Completed**
- > Establishment of assessment criteria for recommending granting of licences to islanded energy networks (ie, networks not connected to the main grid)
  - > Audit of Electricity Tariff Equalisation Fund
  - > Energy distribution and retail licence compliance report
  - > Annual review of network operators' performance
  - > Quarterly reviews of energy retailers' performance
  - > Processing applications for granting of new licences and cancelling of existing licences
  - > Investigation of possible licence breaches by energy retailers

- In Progress**
- > Conducting licence compliance audits of retailers and network operators

## Section 9 and other referrals

- Completed**
- > Review of State taxation
  - > Review of prices for valuation services provided by the Office of the Valuer General for local councils
  - > Review of WorkCover's proposed fee structure for regulating major hazard facilities
  - > Review of fees of the Office of the Protective Commissioner
  - > Review of performance and funding framework for NSW Health
  - > Review of NSW complementary climate change measures

- In Progress**
- > Review of the revenue framework for local government

## Analysis and Policy Development

- Completed**
- > 2008 Household Survey of electricity, water and gas usage in the Gosford, Wyong and Hunter regions
  - > Cross-sectoral project – Estimating the debt margin for the WACC
  - > Cross-sectoral project – Measuring Inflation for Industry Price Determinations – Change in Calculation Method

- In Progress**
- > 2009/10 Household Survey of electricity, water and gas usage in the Sydney Metropolitan Area
  - > Other cross-sectoral research and policy projects

## Greenhouse Gas Reduction Scheme/Energy Savings Scheme

### Completed

- > Report on operation and compliance of Scheme for 2008 calendar year
- > Accreditation of abatement certificate providers (16 new projects and 72 amendments to accreditations)
- > Renewed the contract for provision of the Registry
- > Registry enhancement to incorporate Energy Savings Scheme
- > Creation of abatement certificates by accredited abatement certificate providers (over 21 million created in 2008/09, and over 94 million certificates created since GGAS commenced)
- > Maintaining high credibility of Scheme through implementation of audit and compliance framework
- > Training of additional auditors to undertake audits with partner private sector audit firms
- > Developmental work on establishing the Energy Savings Scheme completed by 30 June 2009

### In Progress

- > There were 32 applications for accreditation under consideration at 30 June 2009

## Management and Structure

IPART is headed by a Tribunal that comprises three 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**

**Dr Michael Keating** *AC, FASSA, FIPA, BCom (Hons), PhD, D.Univ (Honorary)*

Appointed for five years from 17 December 2004. Visiting Fellow in the Economics Program in the Research School of Social Sciences at the Australian National University. Formerly Head of the Australian Public Service and Secretary to the Department of Prime Minister and Cabinet (1991–1996). Head of the Department of Finance (1986–1991) and Head of the Department of Employment and Industrial Relations (1983–1986).



##### **CHIEF EXECUTIVE OFFICER AND FULL TIME MEMBER**

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

Appointed for five years from 22 February 1996. Reappointed for an additional five-year term from 22 February 2001. Reappointed for an additional five-year term from 22 February 2006. 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*

Appointed for three years from 25 July 2006. 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. Non-executive director of Sydney Ports Corporation 2002–2005. Currently undertaking an MBA at Melbourne Business School.

#### Temporary members

**Dr Neil Warren** *BCom (Hons), PhD (Econ)*

Appointed 11 September 2007 until 30 June 2008 to assist with the review of NSW taxes. The appointment was extended until 31 August 2008. Professor of Taxation and Head of School, Australian School of Taxation at the University of NSW since 2006.

### Meeting frequency and attendance

Throughout the year, the Tribunal held 45 meetings and 23 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.

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.

There is a weekly meeting of delegated matters convened by the Chief Executive Officer/Full Time Member. 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 by written instrument. The Minister for Energy has approved this delegation. The Chief Executive Officer / Full Time Member chaired 15 Greenhouse Gas Reduction Scheme Tribunal Meetings.

## 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.

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### **DIRECTOR WATER**

**Colin Reid** *BCom (Accounting), F Fin, CPA*

Responsible for managing water industry programs and utility regulation.

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**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.

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**DIRECTOR, ANALYSIS AND POLICY DEVELOPMENT**

**Steve Lyndon** *BA (Econ)*

Responsible for managing the analysis and policy development programs.

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**PRINCIPAL ADVISER**

**Eric Groom** *BEC (Hons), MEd*

Responsible for maintaining the intellectual rigour of the approach to regulation and ensuring the consistency of reviews.

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**LEGAL COUNSEL**

**Pamela Soon** *LLB, B Comm, LLM*

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

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## 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 two week intervals. Other Managers and auditors 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 Greenhouse Gas Reduction Scheme and the Energy Savings Scheme, Margaret Sniffin, the Executive Manager, contributed to the NSW Energy Efficiency Strategy Working Group.

Bob Burford sits on the National Water Commission inter government committee to report on urban water utility performance and also sits on the National Water Commission inter government committee to report on rural water utility performance.

Pamela Soon sat on the Water Industry Competition Act General Regulation Working Group.

Steve Lyndon, Eric Groom and Alison Milne variously sat as observers on the Health Efficiency Improvement Taskforce.

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

## Management Issues – Improving Regulated Entities' Information Provision

Timely and accurate information is imperative to IPART fulfilling its responsibilities under the IPART Act. It is particularly important for pricing decisions given IPART's high dependence on data from agencies on estimated demand, revenues and costs.

In this context, information provision is, essentially, a compliance issue. IPART has information gathering powers under sections 22 and 24AB of the IPART Act. However, IPART endeavours to maintain co-operative relationships with agencies and make it as easy as possible for them to meet IPART's information needs.

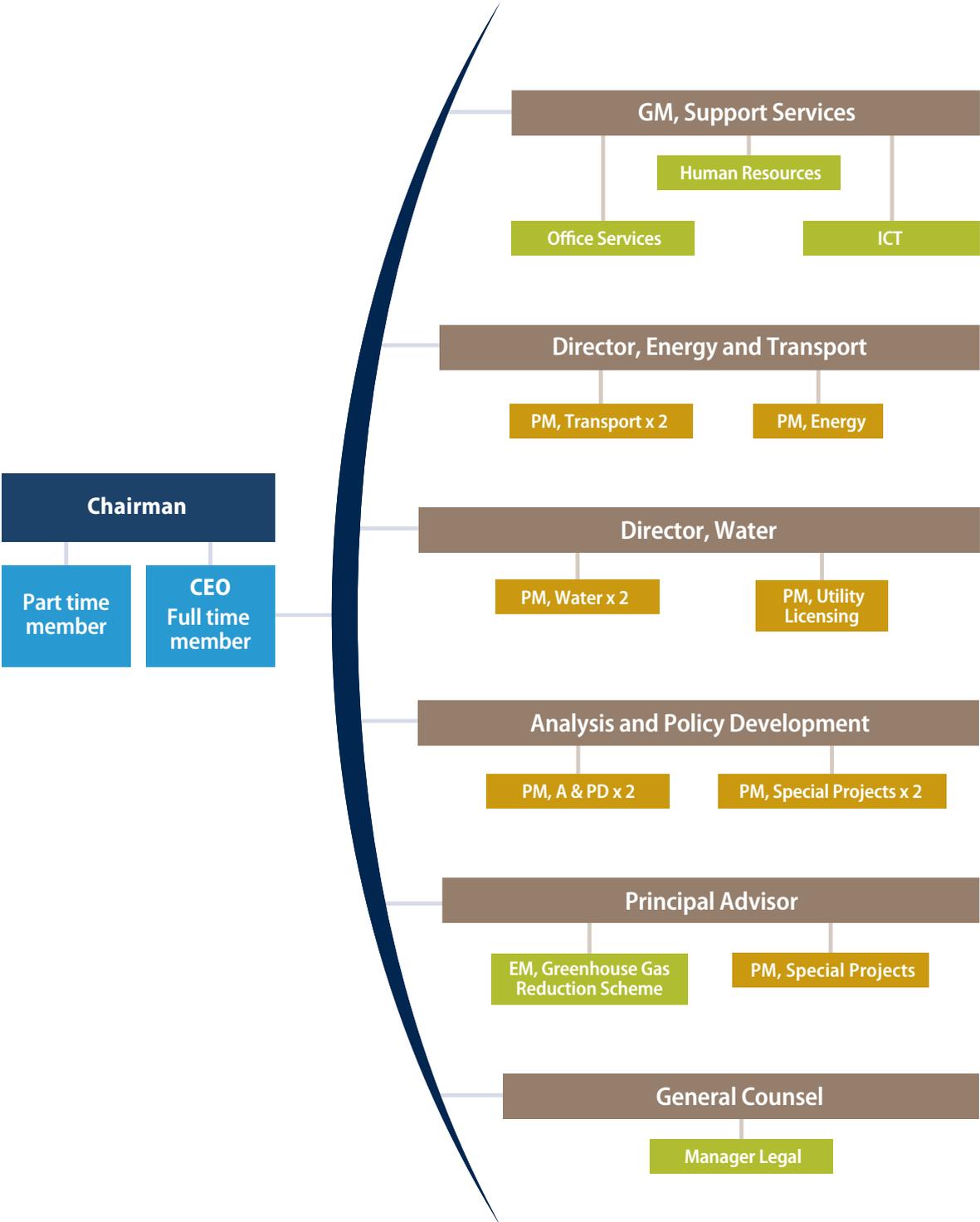
In the past, the Tribunal has experienced difficulties in completing some of its reviews on time due to delays in entities providing necessary and/or accurate information. In 2008/09, significant delays occurred in the Hunter Water Corporation price review due to the provision of late and updated information by Hunter Water Corporation. Other information problems or delays occurred in the review of metropolitan bus fares.

Delays or resubmitted information late in the review process add to the work of the Tribunal, its staff and consultants and impose costs on other stakeholders. IPART examined its processes with a view to reducing these delays and will implement a range of new procedures in future reviews.

- > IPART staff will seek to make communications regarding information requirements for pricing and monitoring purposes as clear, easy to follow and consistent as possible.
- > IPART will review information requirements imposed on the water utilities under the various regulatory instruments, with a view to streamlining and rationalising these requirements.
- > Agencies will be requested to fill in submission templates for pricing reviews and certify that information is accurate and complete on the basis of reasonable quality assurance checks.
- > Agencies will be requested to more clearly report variations from the determination's financial price and service assumptions over the determination period.
- > More stringent actions and sanctions will be applied in certain circumstances. These include 'stop the clock' provisions or notice of the delays and repercussions (in terms of IPART's assessments) being provided to the agency's board, the Premier and the Treasurer.

The aim is to improve the efficiency of the regulatory processes by enhancing the incentives for timely and accurate information provision. This should encourage systematic improvements in the information provided to IPART and made available to stakeholders. In designing the procedures IPART has been concerned to not unnecessarily increase the compliance burden on regulated entities.

# Organisation Chart



PM Program Manager  
 EM Executive Manager

# 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 license 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 in 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 five 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 2008/09 include:

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2009
Hold regular meetings with key stakeholders	<ul style="list-style-type: none"> <li>&gt; Establish and implement program for meeting with key stakeholder groups</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Regular meetings held with water agencies to review progress against operating licence standards and key expenditure and sales assumptions underlying current price determinations.</li> <li>&gt; Regular meetings held with stakeholders during the various transport reviews.</li> <li>&gt; Regular meetings held with energy retailers.</li> <li>&gt; Regular meetings held with stakeholders during the reviews relating to taxation, NSW Health, the Office of Protective Commissioner, WorkCover, the Valuer-General, complementary climate change measures and cross-sectoral research projects.</li> <li>&gt; Periodic meetings with community, business, and government groups on IPART's work program.</li> </ul>
Encourage and facilitate stakeholder involvement	<ul style="list-style-type: none"> <li>&gt; Adopt technology and processes to make participation in reviews easier</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Issues papers encourage stakeholders to email submissions to IPART investigations.</li> </ul>

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2009
<p><b>Encourage and facilitate stakeholder involvement</b> continued</p>	<ul style="list-style-type: none"> <li>&gt; Publish timetables for reviews and release discussion papers and draft determinations</li>   <li>&gt; Promote timeliness by identifying where the delays occur and minimising the areas of uncertainty for stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>&gt; On the IPART website, stakeholders can nominate to receive electronic alerts following the release of IPART material relevant to their area of interest.</li> <li>&gt; Issue papers, timetables, roundtable papers, draft and final reports are published for all regulatory reviews and the great majority of Section 9 referrals.</li> <li>&gt; Current timetables maintained on website.</li> <li>&gt; Timetables clearly state due dates for submissions, public hearings and release of reports.</li> <li>&gt; The various transport reviews and the Hunter Water price investigation was advertised in local papers throughout the Hunter region. An article was published in the Newcastle Morning Herald explaining the Hunter Water draft determination and calling for public comment.</li> <li>&gt; Current water issues papers includes 'stop the clock provisions' with the requirement that IPART will announce publicly when invoked, reasons for being invoked and associated length of any delay.</li> <li>&gt; The operating licence for Hunter Water nominates a due date for completion of annual audit. It is proposed to comply with this same timetable for all public authority operating licence audits.</li> <li>&gt; 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.</li> </ul>

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2009
<p><b>Encourage and facilitate stakeholder involvement</b> continued</p>	<ul style="list-style-type: none"> <li>&gt; Measure timeliness by adopting the Council Of Australian Government's proposal of a six month timeframe for regulatory decisions</li> <li>&gt; Continue to hold public workshops, roundtables and hearings</li> <li>&gt; Review ways of taking our message to rural areas</li> <li>&gt; Develop 'fact sheets' to communicate key decisions in a more accessible form</li> <li>&gt; Articulate the information IPART requires from businesses and agencies it regulates</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Timeliness KPI now included in the service delivery performance indicators.</li> <li>&gt; Public hearings/workshops/roundtables held for almost all investigations.</li> <li>&gt; 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.</li> <li>&gt; Release of issues papers for investigations affecting rural communities advertised in rural press. Press releases were issued for the local government review workshops.</li> <li>&gt; The current Bulk Water determination requires regulated monopoly service providers to regularly report against the determination by valley to local customer service committees.</li> <li>&gt; Fact sheets are available on the IPART website for all current IPART price determinations and for other IPART reviews.</li> <li>&gt; Fact sheets developed to assist licence applicants under the Water Industry Competition Act 2006 and to summarise key recommendations arising from IPART's review of the registered clubs industry.</li> <li>&gt; The GGAS website includes a wide range of detailed Guides to assist businesses applying for accreditation.</li> <li>&gt; The new ESS website to include Guides and Fact Sheets setting out information requirements for new participants.</li> <li>&gt; Published timetables for all investigations and regularly updated timetables on website.</li> </ul>

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2009
<b>Encourage and facilitate stakeholder involvement</b> continued	<ul style="list-style-type: none"> <li>&gt; Seek the views of the 'average' customer</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Timetables for transport reviews were published and updated.</li> <li>&gt; New processes instituted to ensure that IPART gives regulated entities early advice on the nature of information required for pricing reviews, the timetable, and the desired format in which key data should be provided.</li> <li>&gt; Public hearings/workshops were held for all IPART pricing investigations.</li> <li>&gt; A household survey of energy and water use was completed for Gosford, Wyong and the Hunter.</li> </ul>
<b>Explain IPART's decision making processes and its rationale for decisions</b>	<ul style="list-style-type: none"> <li>&gt; Explain decision-making processes through issues papers and reports</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 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.</li> <li>&gt; Decision-making process was explained in issues papers and reports.</li> </ul>
<b>Seek feedback on stakeholder perceptions of IPART's integrity, processes, and quality of work</b>	<ul style="list-style-type: none"> <li>&gt; Survey stakeholder perceptions every two years – repeat in 2008</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The stakeholder survey was repeated in 2008.</li> </ul>

## 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 2008 survey indicated that stakeholders have a high level of respect for the professionalism of IPART's staff.

These highlights from 2008/09 illustrate the strategies being followed in this area:

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2009
<b>Continually improve internal processes</b>	<ul style="list-style-type: none"> <li>&gt; Implement information management strategy</li> <li>&gt; Document a 'whole-of-organisation' work program to identify peaks in resource demand to assist in planning</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Developed and implementing enhanced project management processes to ensure that Tribunal has 'big picture' up front.</li> <li>&gt; Forward Tribunal agendas and report release dates provide a detailed program for the year ahead.</li> </ul>

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2009
<p><b>Continually improve internal processes</b> continued</p>	<ul style="list-style-type: none"> <li>&gt; Avoid matters returning to the Tribunal by establishing issues and principles early</li> <li>&gt; Consider QA controls early in the review process</li> <li>&gt; Establish cross-sectional research program to improved consistency and quality of analysis</li> <li>&gt; Maintain a designated QA manager and rotate staff through role</li> <li>&gt; Rotate staff between Analysis and Policy Development team and industry teams</li> <li>&gt; Hold peer reviews regularly with an agenda and discussion paper</li> <li>&gt; Subject all major projects to post-completion review</li> <li>&gt; Develop library/information supply service</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 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.</li> <li>&gt; Scoping briefs and objectives established for all reviews.</li> <li>&gt; The details of proposed QA checks are established at commencement of a review.</li> <li>&gt; Cross-sectional programme endorsed and monitored by Tribunal. Significant progress achieved.</li> <li>&gt; QA undertaken for all reviews.</li> <li>&gt; The designated QA management role was filled by different program managers.</li> <li>&gt; Staff rotations have occurred between teams.</li> <li>&gt; Increased frequency of Peer reviews.</li> <li>&gt; Timely post-completion review undertaken for projects.</li> <li>&gt; IPART committed to new on-line subscription services and invested in additional reference texts.</li> </ul>
<p><b>Partner with appropriate external experts</b></p>	<ul style="list-style-type: none"> <li>&gt; Employ external resources for supplementary specialist skills (eg, engineering) and manage peaks in workload</li> <li>&gt; Make better use of consultants by encouraging knowledge transfer during the engagement</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Engineering specialists engaged for operating licence audits. Economic consultants engaged to assist with work peaks and specialist knowledge.</li> <li>&gt; 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.</li> </ul>

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2009
<p><b>Partner with appropriate external experts</b> <i>continued</i></p>		<p>Three IPART staff completed training courses as part of the auditor accreditation process.</p> <ul style="list-style-type: none"> <li>&gt; Promoting internal peer reviews of consultants projects.</li> <li>&gt; Expert advice on energy wholesale markets was obtained.</li> </ul>
<p><b>Apply high standards of ethical and professional work standards</b></p>	<ul style="list-style-type: none"> <li>&gt; Ensure protection of confidential data consistent with statutory requirements</li> <li>&gt; Promote professional standards and behaviour policy</li> <li>&gt; Continue to develop in-house knowledge and peer review</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 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 FOI Act.</li> <li>&gt; Policy documents on required standards of behaviour are accessible to all staff via Intranet. Managers are required to model professional standards and behaviour at all times and address any inconsistencies.</li> <li>&gt; Frequent intra team peer reviews held in GGAS team to develop coherent approach to frontier issues with accreditations.</li> </ul>
<p><b>Improve internal analytical capacity through recruitment and development practices</b></p>	<ul style="list-style-type: none"> <li>&gt; Recruit more graduates</li> <li>&gt; Broaden the skills base</li> <li>&gt; Promote staff development</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The agency supports annual intake of new graduates. During 2008/09 IPART recruited 3 graduates.</li> <li>&gt; Skills development is identified through performance management system. Training and work assignments take account of these identified development needs.</li> <li>&gt; Staff are encouraged to build on their existing skill levels for organisational and personal advancement.</li> <li>&gt; IPART has offered temporary contracts, and secondments (from public sector and non public sector agencies) for specified projects to supplement the existing skills base.</li> </ul>

### 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 2008/09:

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2009
<b>Monitor developments in other jurisdictions</b>	<ul style="list-style-type: none"> <li>&gt; Participate in Australian Regulators Forum</li> <li>&gt; Research and monitor developments in other regulatory regimes</li> <li>&gt; Collaborate with other regulators in research activity, including developing joint research programs</li> <li>&gt; Participate in seminars/conferences</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Attended and presented at all Regulator Forum meetings and hosted one forum in March 2009.</li> <li>&gt; Produced quarterly round-up of regulatory developments, which was shared with central agencies and the former Department of Water and Energy.</li> <li>&gt; Reviewed developments in other jurisdictions for suitability for application to IPART investigations. For example, variations in the calculation of the weighted average cost of capital.</li> <li>&gt; There was considerable interchange of work on industry developments with other jurisdictional regulators.</li> <li>&gt; Various staff members have attended seminars/conferences as presenters and attendees.</li> <li>&gt; Attended inter-jurisdictional energy transport and water regulators' meetings.</li> </ul>
<b>Monitor and report on impacts of decisions to ensure they have no unintended consequences</b>	<ul style="list-style-type: none"> <li>&gt; Analyse and report on the cumulative impacts of the Tribunal's decisions</li> </ul>	<ul style="list-style-type: none"> <li>&gt; See section in this Annual Report on page 31.</li> </ul>
<b>Provide more reasoned explanations of decisions</b>	<ul style="list-style-type: none"> <li>&gt; Continue to develop report writing skills</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Training to improve staff writing skills is available and offered to individuals or teams on a needs basis. Training is supported by one on one feedback to staff on their written reports.</li> </ul>

## 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 2008/09 follows:

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2009
<b>Continue to research and adopt improved regulatory techniques and approaches</b>	<ul style="list-style-type: none"> <li>&gt; Interpret statutory requirements and ensure compliance</li> <li>&gt; Liaise carefully on any scope and terms of reference before work is accepted</li> <li>&gt; Make better use of the Tribunal's expertise by planning the time between reviews and reference to delegated Tribunal meetings</li> <li>&gt; Use informal Tribunal meetings when exploring new ground and not making a decision</li> <li>&gt; Conduct internal training sessions to facilitate transfer of skills between staff.</li> <li>&gt; Prepare infrastructure to take responsibility for operation of the Energy Savings Scheme</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Operating licence audits conducted for major water agencies.</li> <li>&gt; Checks are undertaken to ensure that regulated entities comply with IPART price determinations.</li> <li>&gt; Where possible, IPART suggested changes to draft Terms of Reference for greater clarity of task and associated timelines.</li> <li>&gt; Cross-sectoral research and policy program instituted to ensure continuing best-practice in the execution of the Tribunal's regulatory functions.</li> <li>&gt; A more structured approach to the Tribunal's forward agenda has streamlined the decision making process.</li> <li>&gt; A number of informal discussions were held.</li> <li>&gt; All new reviews are thoroughly scoped.</li> <li>&gt; Detailed planning is undertaken for all reviews.</li> <li>&gt; Training and skills sessions on best-practice modelling and IPART-specific use of Excel, Word and Powerpoint were held.</li> <li>&gt; Administrative processes were streamlined for the Energy Savings Scheme.</li> <li>&gt; New web site content and changes to the Registry were completed by 30 June for Scheme commencement on 1 July 2009.</li> </ul>
<b>Be proactive on referrals</b>	<ul style="list-style-type: none"> <li>&gt; Suggest possible areas to apply IPART's expertise in discussion with relevant Ministers</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The Chairman and CEO have met with relevant Ministers to discuss potential projects.</li> </ul>
<b>Continue to investigate ways to obtain the views of the average customers</b>	<ul style="list-style-type: none"> <li>&gt; Repeat the Household Survey</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Survey completed for Gosford, Wyong and the Hunter.</li> </ul>

## 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	ACTION	PROGRESS TO 30 JUNE 2009
<b>Review profile of workforce to match skill set with organisational needs</b>	<ul style="list-style-type: none"> <li>&gt; Staff rotation – integrate rotation with Performance Enhancement System (PES) interviews</li> <li>&gt; Revise and upgrade the agency's competency/capability standards</li> <li>&gt; Identify critical roles and critical skills for succession planning</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Consideration is given to staff member's skills and experience when new programs and functions are initiated. This also provides for personal enhancement of skills and encourages staff to 'stretch' and challenge their abilities.</li> <li>&gt; Members of the energy retail team rotated into the transport team.</li> <li>&gt; A new capability framework has been developed which clearly articulates the core qualities and skills required for classifications within the agency. IPART integrated the framework into existing HR processes and procedures.</li> <li>&gt; Staffing needs and skills are regularly reviewed to ensure key skills are retained, maintained or developed.</li> </ul>
<b>Become preferred employer by offering development opportunities and family friendly work practices</b>	<ul style="list-style-type: none"> <li>&gt; Reward staff for outstanding performance and to improve staff retention</li> <li>&gt; Support flexible working conditions</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Development opportunities, including secondment opportunities are encouraged to reward and enhance performance. Personal and market retention allowances are another option to reward consistent and high level performance.</li> <li>&gt; IPART offers part-time work and working from home arrangements to allow staff to balance work and family responsibilities.</li> <li>&gt; The electronic flexi time recording system allows for greater ease in monitoring and reporting team and agency leave with associated costs.</li> </ul>

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2009
<b>Provide systematic training and other skill building opportunities for staff</b>	<ul style="list-style-type: none"> <li>&gt; Provide training that meets individual and organisational needs</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The performance management system identifies individual development needs. In addition 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.</li> </ul>
<b>Work with other public sector agencies to achieve economies of scale</b>	<ul style="list-style-type: none"> <li>&gt; Collaborate with other agencies in procurement and technology initiatives</li> </ul>	<ul style="list-style-type: none"> <li>&gt; IPART joined the Department of Commerce web-based e-tendering system.</li> <li>&gt; IPART's Blackberry fleet was linked to the Government Telecommunications Agreement achieving considerable savings.</li> </ul>
<b>Continuously improve systems and services</b>	<ul style="list-style-type: none"> <li>&gt; Ensure corporate services are effective, cost efficient and meet the needs of the agency</li> <li>&gt; Develop templates and electronic business processes</li> </ul>	<ul style="list-style-type: none"> <li>&gt; An Information Manager position was created to improve information and business processes within IPART.</li> <li>&gt; IPART upgraded its telecommunications to a VOIP infrastructure. This has increased staff efficiencies by integrating the phone system with Office Communicator Server 2007.</li> <li>&gt; New security appliances and an upgraded managed security service were implemented to ensure IPART's internal information remains secure.</li> <li>&gt; IPART templates have continued to be developed. New templates have been introduced and older templates upgraded to meet staff requirements.</li> <li>&gt; A customised database was developed for GGAS to automate internal processes. This database has been extended to incorporate the ESS.</li> </ul>
<b>Embrace Government commitment to electronic service delivery</b>	<ul style="list-style-type: none"> <li>&gt; Provide all appropriate publications and transactions on the internet</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Due to IPART's increasing workload the amount of information published on IPART's website has increased significantly in the 2008/09 year.</li> </ul>

STRATEGY	ACTION	PROGRESS TO 30 JUNE 2009
<p><b>Embrace Government commitment to electronic service delivery</b> <i>continued</i></p>	<ul style="list-style-type: none"> <li>&gt; Enhance the capacity of the web site to meet stakeholder communication needs</li> </ul>	<ul style="list-style-type: none"> <li>&gt; A latest news carousel was introduced to the homepage to ensure stakeholders could easily access recent publications.</li> <li>&gt; IPART migrated its web hosting environment to a new provider to improve website uptime and increase control of the web hosting environment.</li> <li>&gt; IPART linked a mini Google appliance to its websites to enhance search capabilities. The search options were made more prominent on the homepage.</li> <li>&gt; The IPART homepage was enhanced with tabbed menus for quick links, speeches and employment.</li> </ul>
<p><b>Make effective use of equipment and systems</b></p>	<ul style="list-style-type: none"> <li>&gt; Undertake planning in relation to allocation of equipment and resources</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Some further changes to office layout were introduced in response to the Energy Savings Scheme and the growth in special projects and research.</li> </ul>



## 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.

PLANNED RESULT	RESULT INDICATORS	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Estimate
<b>Competitive business environment in NSW</b>						
<b>Intermediate result:</b>						
> Independent oversight of prices for energy, transport and water services	> Graph of real cost to public over time	2005/06 Annual Report	2006/07 Annual Report	2007/08 Annual Report	2008/09 Annual Report	See 'Impacts' section in this report
	> Graph of real cost to businesses over time	"	"	"	2008/09 Annual Report (water)	
	> Perceived quality of leadership – practical outcomes and independence (expressed as % from stakeholder survey)*	86%	No new survey data	95%	No New survey data	

## Healthy and sustainable energy and water supplies in NSW

**Intermediate result:**

> Suppliers of energy and water meet licence obligations	> Acceptance by Ministers of annual water and energy audit reports	5 reports	6 reports	6 reports	6 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)	7.36	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

SERVICES DELIVERED	SERVICE MEASURED	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Estimate
<b>1. Licence monitoring and equipment</b>						
<b>Key services:</b>						
> Monitoring of water licences	> Acceptance by Minister of annual water audit reports	3 reports	4 reports	4 reports	4 reports	4 reports
> Monitoring of energy licences	> Acceptance by Minister of annual energy compliance audit reports	2 reports	2 reports	2 reports	2 reports	2 reports
> Administrator of Greenhouse Gas Reduction Scheme targets	> # of accredited abatement projects (per year)	38	44	33	16	10
	> # of abatement certificates registered (per year)	10.1m	20.9m	25.5m	21.5m	22m
> Administration of Energy Savings Scheme targets	> # of accredited energy savings projects	–	–	–	–	10
	> # of energy savings certificates registered (per year)	–	–	–	–	1m

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

### Key services:

> Wide consultation on issues	> Perceived quality of consultation processes (expressed as % from stakeholder survey)	91%	No new survey	94%	No new survey	*
> Rigorous process of review	> Perceived professionalism of staff (expressed as % from stakeholder survey)	95%	No new survey	99%	No new survey	
	> Perceived timeliness of decision-making processes	75%	No new survey	83%	No new survey	*

SERVICES DELIVERED	SERVICE MEASURED	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Estimate
<b>2. Pricing of water, transport, energy and other continued</b>						
<b>Key services:</b>						
> Rigorous process of review <i>continued</i>	> Number of projects completed					
	– within 6 months	24	7	12	5	3
	– within 12 months	10	14	0	4	5
	– over 12 months	10	4	13	2	1
	> # of public hearings, forums and workshops	14	15	18	9	8
	> # of papers and reports (Total)	57	58	70	53	64
	– major	42	39	56	25	43
	– minor	13	19	14	28	21

### 3. Referred reviews

#### Key services:

> Terms of reference are met	> Relevant Minister's broad acceptance of report and recommendations	6 reports	3 reports	8 reports	7 reports	6 reports
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\* *Since the factors need to be assessed each year with current data, no forward estimate is possible.*

## Impacts of IPART's Determinations

IPART regulates the prices of a number of essential infrastructure services, namely water, electricity, gas and public transport services. As they are essential services, IPART believes it important to monitor the impacts of its price determinations on households. Currently, the majority of households spend less than 4 per cent of total expenditure on these services.

Apart from the impact on residential customers, IPART also monitors the impact of these services on the bills of non-residential customers whose prices are regulated.

### Price impacts on residential customers

To monitor the impact of its price determinations on households, IPART introduced an index of household charges in 1993. This index measures, for an average household, the cumulative changes in the prices of the services it regulates, using Australian Bureau of Statistics (ABS) data on household expenditure to calculate the relative expenditure (weightings) for electricity, gas, water and public transport (rail, bus and ferry)<sup>1</sup>.

During the 1990s, average household charges for IPART-regulated services generally reduced in real terms. Since 2000, charges have begun to rise in response to a number of cost pressures, which are discussed below in the sections on each industry (see Figure 1). It is noted that gas was not regulated by IPART until 1995/96.

**Average household charges in 2008/09 were 11.1 per cent higher than levels in 1992/93 in real terms, including GST. If the net impact of GST and the new tax system are excluded, household charges were 6.9 per cent higher in real terms than in 1992/93.**

**Figure 1: Composite index of household charges from 1992/93 to 2008/09**

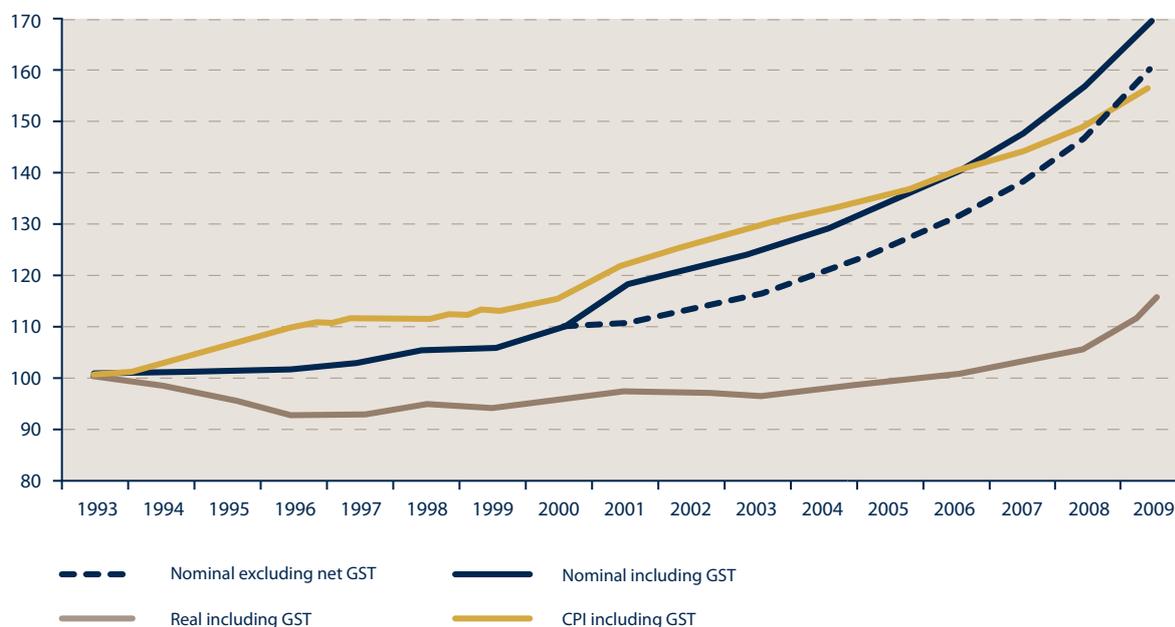
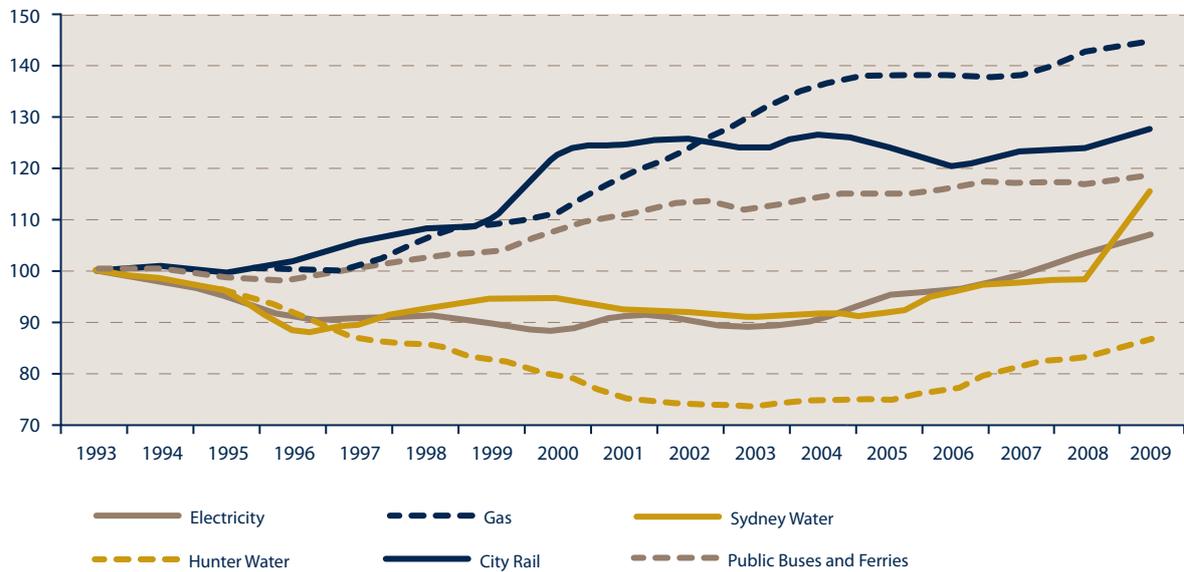


Figure 1 shows movements in household charges in real terms, inclusive of GST, by the type of service.

<sup>1</sup> For the period 1993 to 2004, the weightings are from the 1998/99 Household Expenditure survey (all NSW households) and are as follows: electricity 51 per cent, water 23 per cent, gas 8 per cent and public transport 18 per cent. Weightings from the 2003/04 Household Expenditure Survey (Sydney households) are used from 2004/05, and are as follows: electricity 47 per cent, water 20.5 per cent, gas 11.5 per cent and public transport 21 per cent.

**Figure 2: Indices of household charges by service (real, including GST)**



In 2008/09, households paid on average 8.7 per cent more for electricity, gas, water, sewerage and public transport in nominal terms than they did in 2007/08. In real terms, average householder charges rose by around 5.4 per cent in 2008/09. The main drivers of this increase were rises in real prices for electricity and water services, whilst smaller increases were seen in gas and transport services. The factors affecting each service are discussed below.

### Electricity prices – long term trends

The index of household electricity charges<sup>2</sup> (Figure 3) shows that the average regulated price was 7.0 per cent higher in 2008/09 than in 1992/93 in real terms (including GST). The real price has not changed over the period when the impact of the GST is excluded.

**Figure 3: Index of residential electricity prices 1992/93–2008/09 (real)**



<sup>2</sup> Note: The electricity index excludes the Climate Change Fund. Some (but not all) electricity retail tariffs include a small additional amount which goes towards 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.

## Electricity market – retail regulation

Since 1 January 2002, all electricity customers in NSW have had the option to choose their retail electricity supplier and negotiate a retail supply contract, or to remain with their Standard Retailer (for example, Country Energy, EnergyAustralia and Integral Energy) on a regulated tariff.

In June 2007, IPART made a determination of retail electricity prices for residential customers and small businesses who have decided not to be supplied under a contract in the competitive market. Under this determination (which applies for the period 1 July 2007 to 30 June 2010), standard retailers are able to increase regulated electricity prices each year to account for:

- > increases in network charges to fund improvements in network reliability
- > increased electricity purchase costs
- > increased retail operating costs and
- > increased retail margins.

As wholesale electricity costs vary substantially from year to year, IPART decided in its 2007 Determination to review the market-based electricity purchase cost allowance each year. IPART's 2008 review concluded that the 10 per cent threshold has not been met in 2008/09 or 2009/10 and there is, therefore, no change to the electricity cost purchase allowance from that set out in the 2007 determination. The price changes on 1 July 2008 are, therefore, the same as those set out in the 2007 determination. It consequently approved increases in retail electricity prices of 7.3 per cent for EnergyAustralia, 8.1 per cent for Integral Energy and 7 per cent for Country Energy from 1 July 2008.

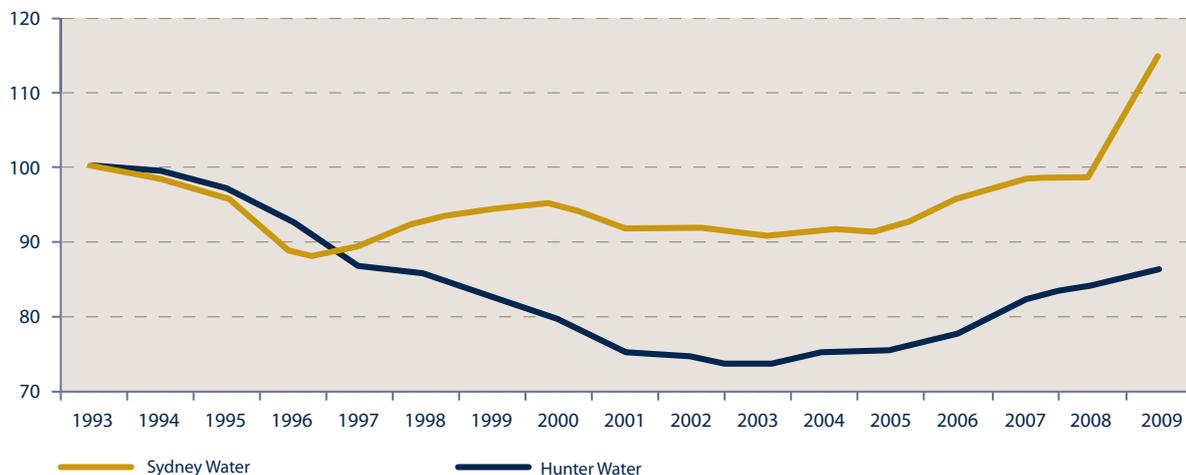
The 2007 determination incorporated a move to more light-handed regulation, whereby Standard Retailers are able to set the level and structure of individual regulated tariffs, subject to a maximum increase in the level of average prices<sup>3</sup>.

## Metropolitan Water – long term trends

Between 1992/93 and 2008/09, residential water prices have increased in real terms for Sydney Water customers, with a significant increase occurring in 2008/09.

Overall, a Sydney Water Corporation residential customer using 220kL of water each year would have typically paid 14.2 per cent more for water and sewerage services in 2008/09 than in 1992/93, while a Hunter Water Corporation customer would have paid 14.3 per cent less (Figure 4).

**Figure 4: Index of residential water and sewerage charges 1992/93–2008/09 (real)**



<sup>3</sup> Additional pricing constraints are in place for Country Energy only.

## Metropolitan water pricing – recent developments

### Sydney Water

Residential customers of Sydney Water Corporation using 220kL of water per year experienced nominal increases of 20 per cent in their water and sewerage bills between 2007/08 and 2008/09. In real terms, this equated to a 16.4 per cent increase.

The price determination that applied in 2008/09 to Sydney Water Corporation came into effect 1 July 2008<sup>4</sup>.

Sydney Water Corporation's 2008 determination will increase bills in real terms by 32.6 per cent for a typical residential customer over the four years of the determination, in large part to fund an expanded capital program including new sources of water supply. The determination replaced an inclining block water usage charge for residential customers with a single usage charge that will apply to all water consumed. This reflects a reduction in water scarcity concerns with construction of the desalination plant and commissioning of new recycled water schemes.

### Hunter Water Corporation

Residential customers of Hunter Water Corporation using 220kL of water per year experienced nominal increases of 5.6 per cent in their water and sewerage bills between 2007/08 and 2008/09. In real terms, this equated to a 2.4 per cent increase.

The price determinations that applied in 2008-09 to Hunter Water Corporation came into effect on 1 November 2005.

Hunter Water Corporation's 2005 determination increased bills for a typical residential customer by 15.8 per cent in real terms over the four years of the determination. It changed the balance between fixed and usage charges in favour of higher usage charges to better reflect the cost of making water services available and to encourage water conservation. The determination removed the declining block water usage tariff for non-residential customers but continued the location based water usage charge for large non-residential customers.

In 2008/09, IPART undertook a review of Hunter Water's prices to apply from 2009/10. Details are available from the IPART website.

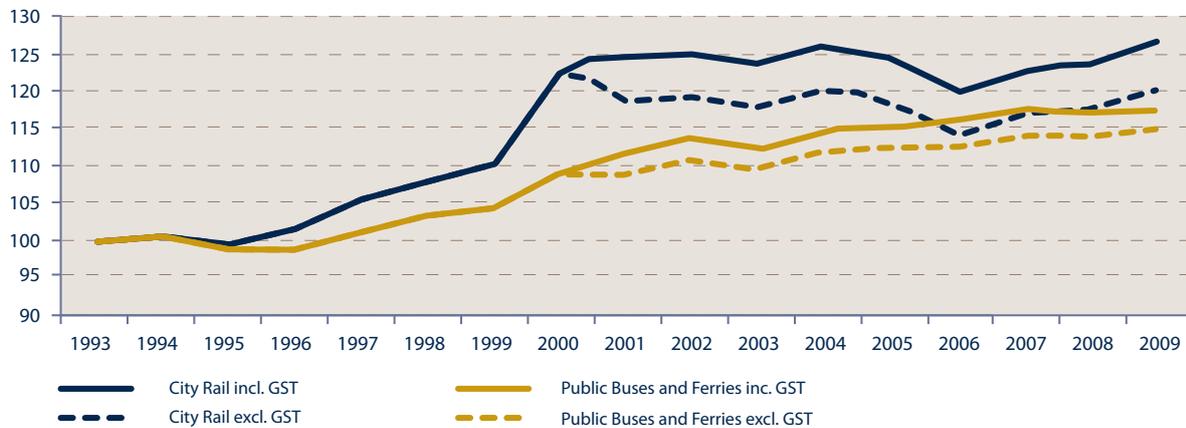
## Public transport – long term trends

Since 1992/93, rail fares have increased by 26.3 per cent (taking GST into account). Public bus and ferry fares increased by 17.6 per cent on average for 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 1.6 per cent and bus and ferry fares have increased by 6.0 per cent (Figure 5) excluding GST.

Transport fares still recover only part of the costs of providing services, and the remaining revenue requirements are met from the State Budget. In Sydney, CityRail fares covers around 30 per cent of the cost of providing rail services. Metropolitan fares cover around half the cost of providing bus services.

<sup>4</sup> Whilst the 2005 determinations were originally to apply until 1 July 2009, a new determination was instituted for Sydney Water for the period 1 July 2008 to 30 June 2012 to reflect significant changes to Sydney Water's forecast expenditure. These include costs associated with the construction of a desalination plant and introduction of a number of major recycled water schemes.

<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.

**Figure 5: Indices of public transport prices 1992/93–2008/09 (real)**

## Public transport – recent developments

### CityRail

CityRail fares rose by a weighted average<sup>6</sup> of 7.4 per cent in nominal terms or 2.9 per cent in real terms during 2008/09.

IPART's 2009 fare determination took into account:

- > continuing increases in CityRail's operating expenditure
- > significant increases in capital expenditure which should deliver improved levels of service (including on new carriages, the Clearways program, track maintenance and station upgrades) and
- > CityRail's low and declining levels of cost recovery.

### Buses

The NSW Government has a policy of 'bus fare harmonisation', whereby the price of single tickets are equal for an equal distance travelled in all metropolitan and outer metropolitan regions, except Newcastle. This means that passengers in Sydney, Wollongong, Central Coast, Hunter Valley, Port Stephens and the Blue Mountains now pay the same fare for trips of the same distance. There are some differences in the pricing and availability of multi-modal, multi-trip and periodical tickets, which are available at a discount to the single ticket price.

Maximum bus fares in the metropolitan and outer metropolitan areas (including Newcastle) rose by an average of 5.5 per cent in nominal terms in January 2009, which represents a 1.1 per cent real increase since January 2008. IPART's fare determination reflected higher contract payments to bus operators and ensures that an appropriate proportion of those payments are recovered through ticket revenue. In rural and regional areas, maximum fares rose by 8.5 per cent. Fare increases in these regions were also based on increases in the cost of providing bus services.

### Ferries

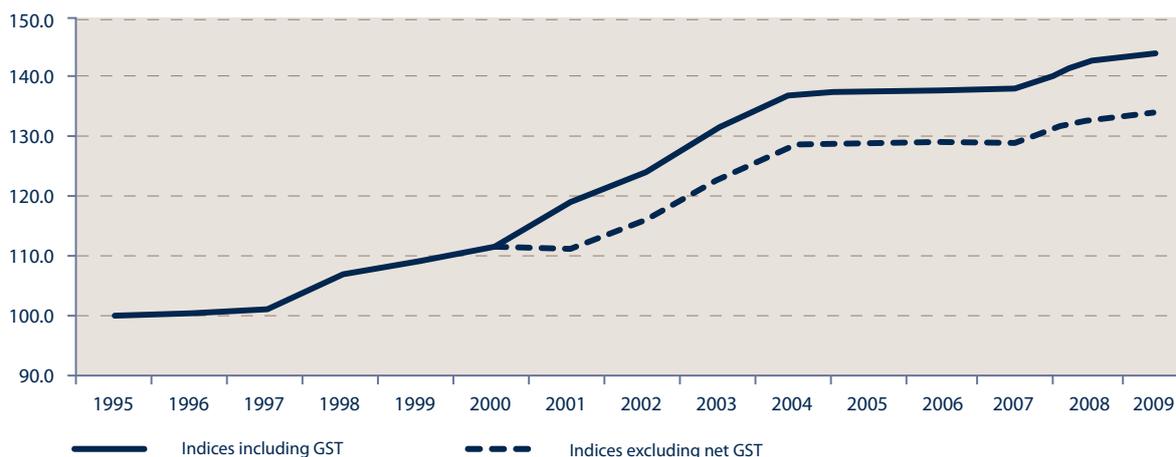
Sydney Ferries' maximum fares have not changed in nominal terms since 2 January 2007, and the real price therefore fell by 4.2 per cent over the year to January 2008. The single fare for the Newcastle Stockton ferry increased by 7.2 per cent in January 2009 – in line with increases in fares for regulated private ferry services, where maximum fares were increased by between 5.6 and 11.5 per cent.

<sup>6</sup> Two main fare schedules applied during the 2008-09 period. For the period between 1 July 2008 and 3 January 2009, fares from the 11 November 2007 IPART CityRail determination applied. From 4 January, the 2008 determination applied. IPART has used a weighted average of 2007/08 and 2008/09 fares, (weighted by the number of tickets sold).

## Gas – long term trends

The gas price index shown in Figure 6 is calculated for an AGL gas customer using 25,000MJ of gas per year, which is a medium level of usage.

**Figure 6:** Index of residential gas prices for AGL customers 1994/95–2008/09 (real)



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

Residential gas prices rose fairly sharply between 1997/98 and 2003/04, but have increased modestly in real terms since that time. AGL customers paid 43 per cent more for gas in 2008/09 compared to the amount paid in 1994/95 (including GST).

## Gas market – retail regulation

IPART began regulating gas prices in 1995/96. Retail contestability has been progressively 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 area.

## Gas – recent developments

In June 2007, the Tribunal and the Standard Retailers entered into Voluntary Transitional Pricing Arrangements (VTPAs), which included a weighted average price cap for regulated tariffs.

These VTPAs regulate 'default' retail prices and retail charges for small gas customers and provide for annual price increases of no more than the Consumer Price Index (CPI) for the previous calendar year.<sup>7</sup> In special circumstances a retailer may apply to IPART to vary prices outside of this limit.

In early 2008 AGL, ActewAGL and Country Energy made applications for 'special circumstances price increases' in excess of the CPI agreed as part of the VTPA. Each of these applications cited special circumstances relating to gas wholesale and transmission arrangements for the winter of 2008. In March 2008, IPART approved regulated retail gas price increases from 1 April 2008 of:

- > 5.24 per cent for AGL
- > 12.2 per cent for Country Energy
- > 5.8 and 6.1 per cent for ActewAGL customers in the Capital Region and Queanbeyan respectively.

<sup>7</sup> For the Murray Valley district supplied by Origin Energy the limit on the change in average prices is CPI+2 per cent per annum.

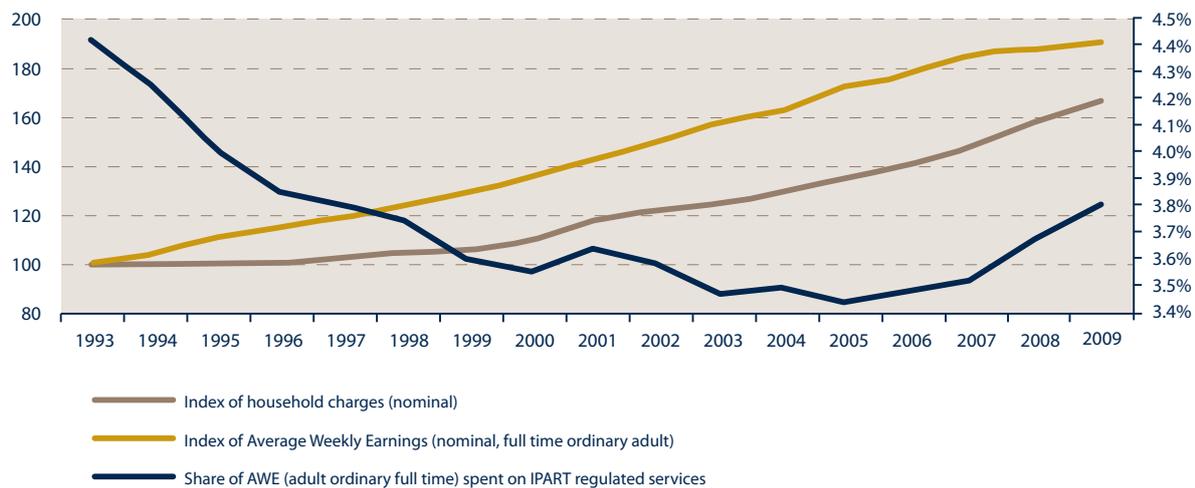
The special circumstance decision did not apply to ActewAGL's Shoalhaven customers or Origin Energy's customers on regulated tariffs. These increases replaced the CPI increase that would have otherwise occurred on 1 July 2008 for these three retailers.<sup>8</sup>

## Price impacts by level of income

The share of average weekly earnings (AWE) spent on IPART-regulated services was 3.8 per cent in 2008/09, compared to 4.4 per cent in 1992/93 (Figure 7). It should be noted that gas was not regulated by IPART until 1995/96 and is the service that has incurred the highest increase of those measured in this analysis.

Whilst there has been an overall decrease in the proportion of income spent on IPART-regulated services, this figure has been trending upwards since 2005/06. There was a proportionately large increase in the amount of income spent on services between 2006/07 and 2008/09 (around 0.3 percentage points) due to the combined effect of price rises and a relatively sharp fall in real average earnings.

**Figure 7: Share of Average Weekly Earnings spent on IPART services**



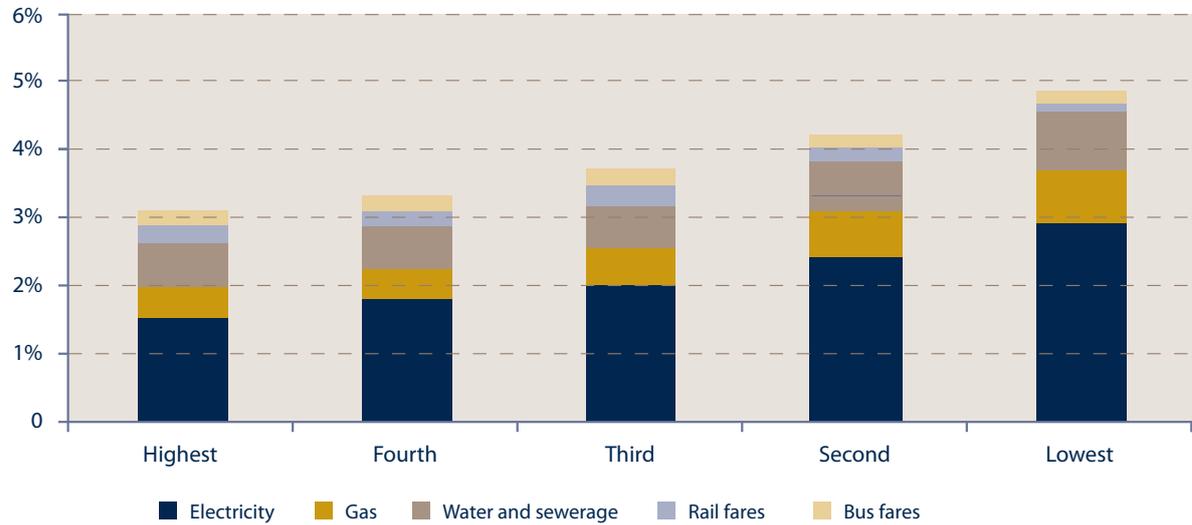
Note: Expenditure on services is obtained from the ABS's 2003/04 Household Expenditure Survey (Sydney values), indexed by IPART's combined index of household charges. Average weekly earnings are obtained from the ABS' Average Weekly Earnings (NSW adult full time, ordinary time earnings).

On average, households spend about 3.6 per cent of their total expenditure (as opposed to income) on the services regulated by IPART<sup>9</sup>. This proportion is higher for low income households than high income households. For example, according to the 2003/04 Household Expenditure Survey the poorest 20 per cent spend 4.9 per cent on these services compared to 3.1 per cent for the richest 20 per cent (Figure 8). This means that IPART's price determinations have a bigger impact on the household budgets of low income household than high income households. Electricity bills account for the largest share of expenditure at all income levels and its share for low income households is nearly double that for high income households.

<sup>8</sup> In its decision IPART noted that it did not expect the special circumstances that arose in 2008 to be replicated in 2009. IPART noted however that the cost of supplying gas in NSW could be more expensive than it has been over the earlier part of the decade due to increased demand for gas and its transportation. This increase in demand for gas and its transportation stems in part from more demand from gas fired power stations.

<sup>9</sup> Based on 2003/04 Household Survey.

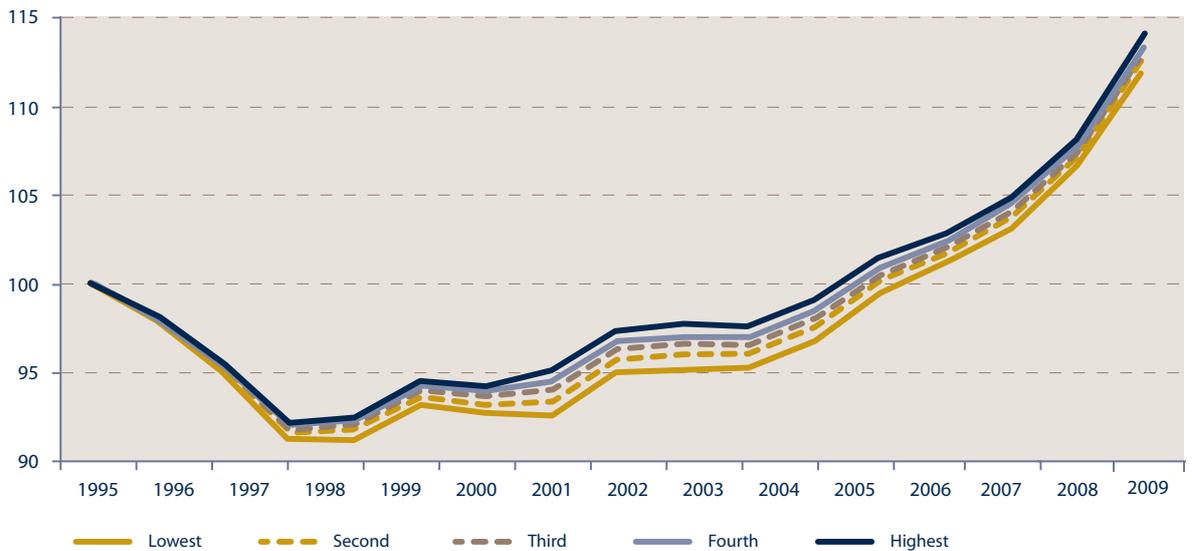
**Figure 8: Share of expenditure on services by income quintile**



Data source: 2003/04 Household Expenditure survey by income quintile (Australia wide).  
 The Australian Bureau of Statistics does not provide expenditure by income quintile for NSW or Sydney.

We can use the expenditure patterns for the different income groups to create a composite price index for each group. The resulting price indices are very similar, and are indeed slightly higher for high income households compared to low income households (Figure 9). The main reason for this is that, on average, high income households spend proportionately more on public transport than low income households compared to expenditure on water, electricity and gas<sup>10</sup>. Since public transport prices have increased significantly since 1992/93, the higher weighting given to public transport for high income households translates into a higher combined price index.

**Figure 9: Composite index of household charges by income quintile, 1992/93 to 2008/09 (real, including GST)**



<sup>10</sup> For example, the share of public transport is 15.9 per cent for the highest income quintile and 6 per cent for the lowest income quintile.

## 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/ discounts.

Preliminary analysis by IPART during 2009 used household consumption data from the 2006 IPART Household Survey for Sydney and estimated household income data from NATSEM<sup>11</sup> to estimate the proportion of gross income spent on water and electricity by different household types. This indicates that young single parent families and mature single people spent over 4 per cent of their gross income on electricity and water, while young single persons, young couples and mature couples with no children spend 2.5, 2.1 and 2.1 per cent of gross income on electricity and water respectively. These differences reflect both consumption differences and income differences between these groups.

## 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/discounts. The household characteristics are listed in Table 1.

- > 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 the typical bills, it is assumed 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. The assumed levels of consumption are shown in Table 1.

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

	HOUSEHOLD 1 Average consumption	HOUSEHOLD 2 <sup>a</sup> Low consumption	HOUSEHOLD 3 <sup>a</sup> Low consumption and pensioner
<b>Electricity consumption</b>	7,500 kWh (2,000kWh off-peak)	5,000 kWh (1,500kWh off-peak)	5,000 kWh (1,500kWh off-peak)
<b>Gas consumption</b>	25,000 MJ	14,000 MJ	14,000 MJ
<b>Water consumption</b>	220 kL per year	150 kL per year	150 kL per year
<b>STA Bus, train and ferry transport<sup>b</sup> (return trip)</b>	225 days per year Red TravelPass (valid for bus, train and ferry)	70 days per year Adult return train ticket (10km) and Blue Travel Ten (1–2 section bus trip)	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 2006 Household Survey.*

*b The Red TravelPass gives 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.*

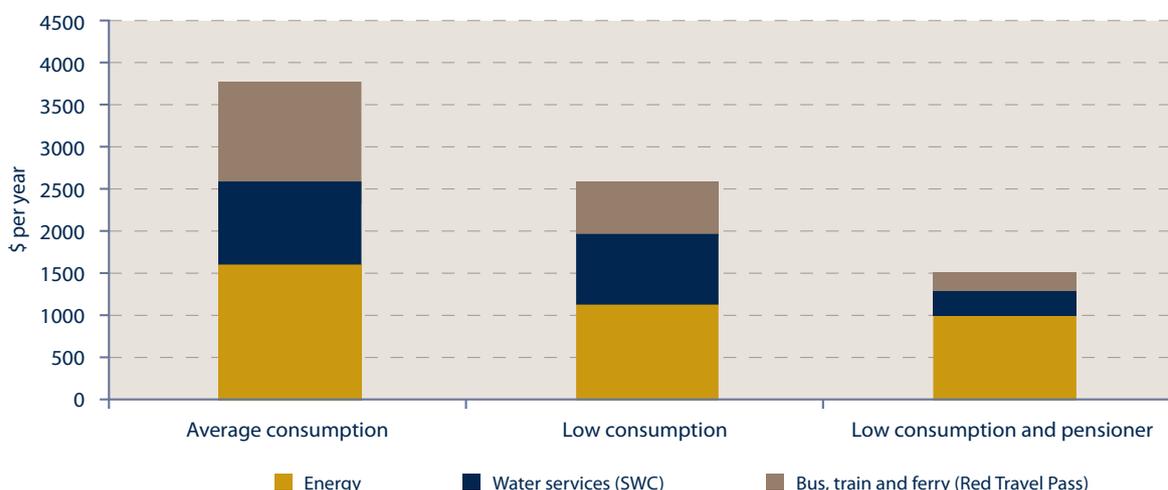
Households that consume less will face lower bills than households that consume more and those that qualify for pensioner rebates/discounts will pay less than non-pensioner households for the same amount of service.

For example, as shown in Figure 10:

- > Household 1 paid a total of \$4,267
- > Household 2 paid \$2,633 and
- > Household 3 (pensioner) paid \$1,533.

The pensioner household received rebates of \$112 for household energy<sup>12</sup> and \$474 for water services<sup>13</sup>, and a discount of \$514 for public transport<sup>14</sup>. It therefore paid \$1,100, or 42 per cent, less than the equivalent non-pensioner household for the same services.

**Figure 10: Household bills (\$ per year, 2008/09)**



Although the pensioner household (Household 3) paid substantially less than the low consumption non-pensioner household (Household 2) in 2008/09 for the same services, the bill for this household type has increased more rapidly than the non-pensioner household's bill over the last 11 years.

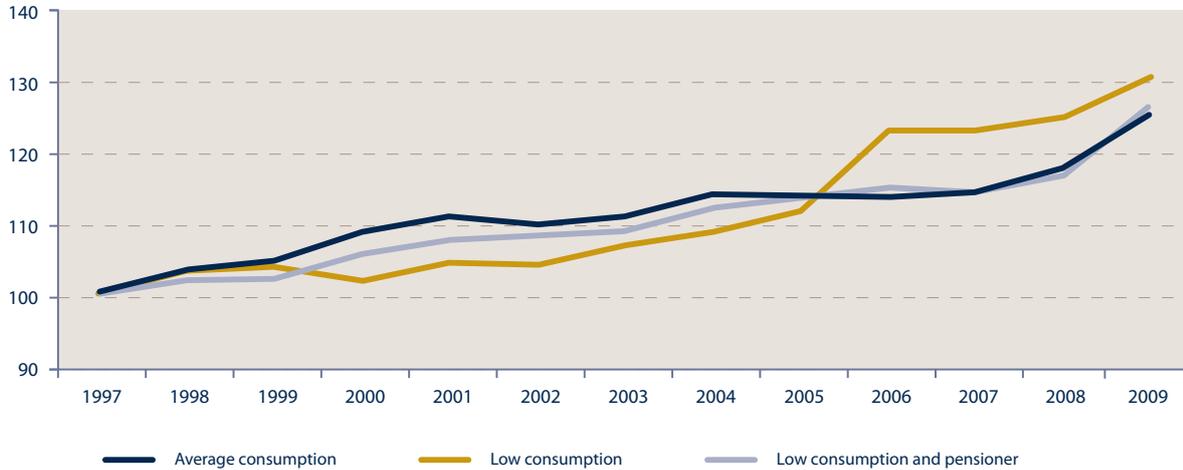
As shown in Figure 11, the bill for an average level of consumption (Household 1) increased by 25 per cent in real terms and including GST. The low consumption non-pensioner household's bill increased by 26 per cent between 1996/97 and 2008/09. The pensioner's combined bill (water, energy and transport) increased by 31 per cent due to the increase in the pensioner excursion ticket from \$1 to \$2.50 in 2005, and an unchanged energy rebate of \$112 per annum. It should be noted that the increase in the pensioner excursion ticket applies only to pensioners using STA buses and/or trains. A pensioner using a private bus is likely to have experienced a decrease in transport costs due to the extension of this ticket type to private buses in January 2005.

12 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 will be indexed to CPI in subsequent years. Rebates are paid on electricity bills, and are available to households with (at least) one member that holds a Centrelink Pensioner concession card or Department of Veteran's Affairs concession card. From 1 July 2009, rebates were extended to health care card holders who are also recipients of Carers Allowances (child under 16), Sickness Allowances and Special Benefits.

13 Sydney Water's pensioner rebates in 2008/09 were 100 per cent of the fixed charge for water and 83 per cent of the fixed charge for sewerage. Rebates are available to owner-occupiers holding Centrelink Pensioner concession cards or Department of Veteran's Affairs concession cards. (Tenants are not directly responsible for paying the fixed charges, and therefore do not qualify for rebates.)

14 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 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: Increases in household bills, 1996/97–2008/09 (real, including GST)**



## Price impacts on non-residential customers

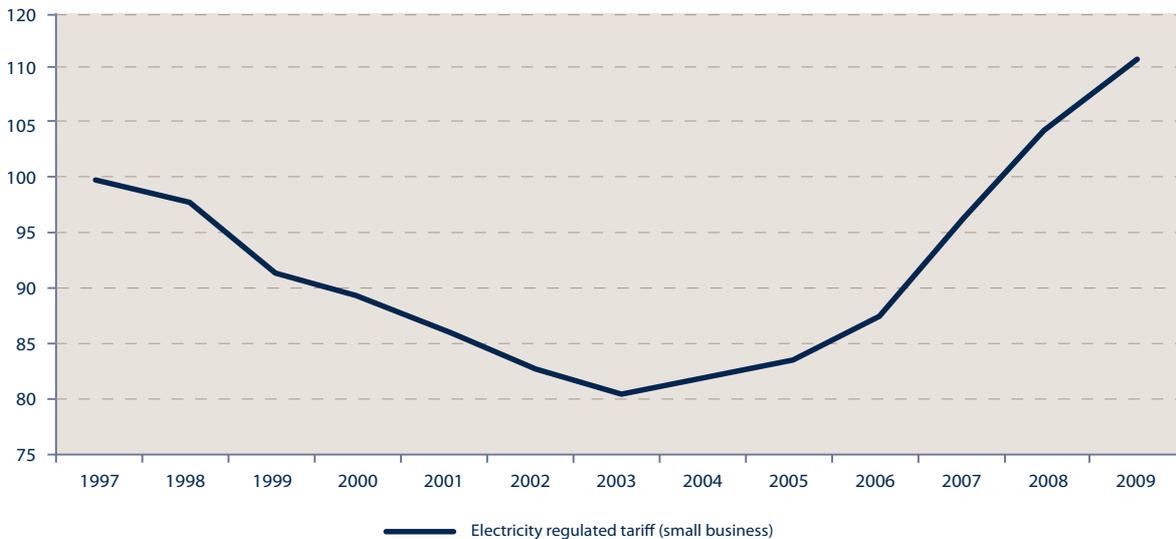
The Tribunal's decisions also have an impact on the bills faced by non-residential customers for water, gas and electricity.

### Electricity – non residential tariffs

Retail contestability has progressively been introduced in the NSW electricity market since 1996, and IPART no longer regulates 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.

The electricity index shown in Figure 12 is calculated for an EnergyAustralia business customer on a general supply tariff using 30 MWh of electricity per year. This customer paid 10.5 per cent more for electricity in 2008/09 compared

**Figure 12: Index of regulated business electricity prices (small customers) 1996/97–2008/09 (real, excluding GST)**



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

*Data 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.*

to the previous year in nominal terms, or 7.2 per cent in real terms. This increase is larger than the average increase for all non-residential customers, and is driven by a 7.8 per cent nominal increase in the charge for consumption up to 10 MWh and a 11.4 per cent nominal increase in the charge for consumption in excess of 10 MWh per year.

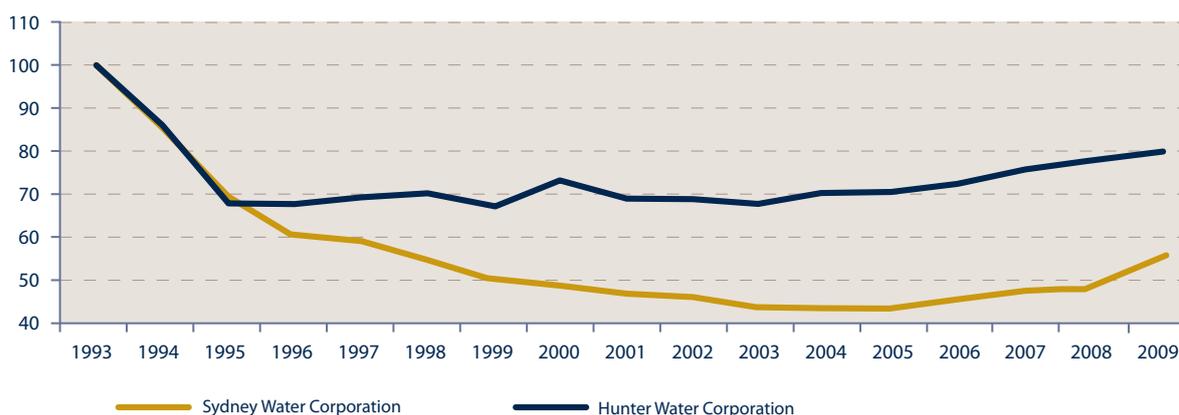
## Metropolitan Water

Bills for non-residential customers have followed a similar trend to those of residential customers. Sydney Water Corporation's non-residential customers experienced a nominal price increase of about 15.8 per cent between 2007/08 and 2008/09, which is 12.3 per cent in real terms.

The bills for Sydney Water's non-residential customers of water and wastewater services are substantially lower than in 1992/93 – by over 46 per cent in real terms. This reduction is largely due to the progressive elimination of property value-based charges, which were finally eliminated on 1 July 2004.

Hunter Water Corporation's non-residential customers experienced a nominal price increase of about 5.5 per cent between 2007/08 and 2008/09, or 2.3 per cent in real terms. Average prices are, however, still 21 per cent lower than they were in 1992/93.<sup>15</sup>

**Figure 13:** Index of real water and wastewater charges for non-residential customers 1992/03–2008/09



*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.

## Gas distribution

Up until 1 July 2008, IPART approved network charges as part of the access arrangements submitted to it under the National Gas Code. As from 1 July 2008, IPART is no longer responsible for regulating access to gas networks in NSW. Gas network regulatory functions other than licence compliance have been transferred to the Australian Energy Regulator (regulator) and the Australian Energy Markets Commission (rule maker) under national energy market reforms.

## Bulk water

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 Department of Environment, Climate Change and Water for water resource management. Customers who extract water from unregulated rivers or groundwater only pay water resource management charges.

<sup>15</sup> Hunter Water Corporation's water and wastewater property value based charges were eliminated in 1994/95. Average bills fell about 30 per cent between 1992/93 and 1994/95.

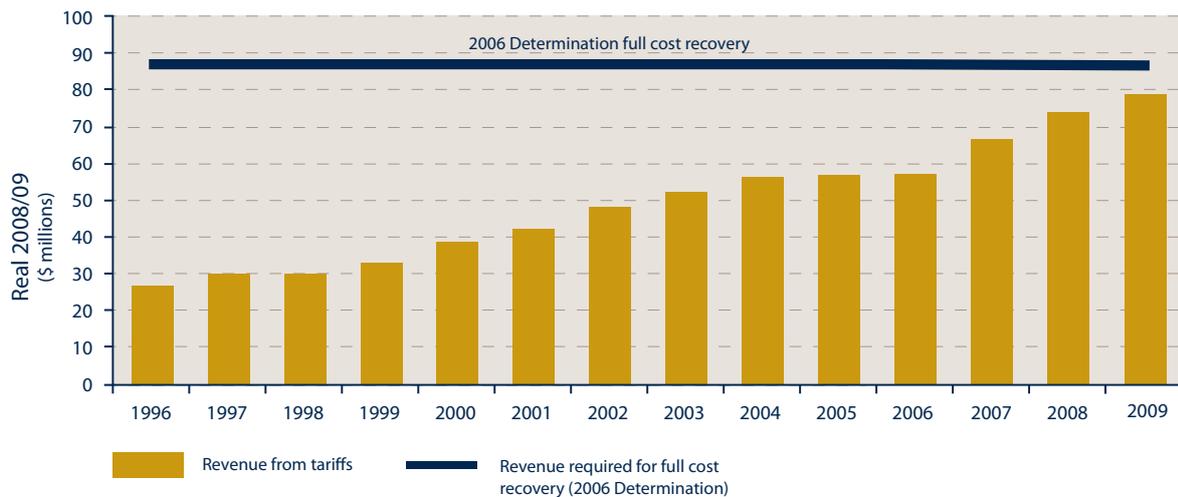
IPART set a medium-term price path with effect from 1 October 2006. Under the current determination, State Water Corporation's prices will rise annually by an average of 5.8 per cent in real terms over the determination period (to 2009/10). Charges for water resource management will rise annually by an average of 4.1 per cent (real) over the period.

In making its determination for State Water and the Department, IPART was strongly influenced by:

- > the continuing focus on moving prices towards cost reflective levels, as a result of the NSW Government's commitments under the National Water Initiative (NWI)
- > significant increases in some State Water and DWE costs, partly reflecting an increase in the agencies' responsibilities
- > the corporatisation of State Water and its subsequent shift to a commercial business model and
- > licence changes requiring State Water to generate a greater proportion of its revenue from usage charges.

The 2006 determination targeted recovery of 88 per cent of users' share of estimated efficient costs in 2008/09 (\$78.8 million out of \$89.7 million; 2008/09 dollars). This represented a real increase of 5.1 per cent in users' contributions to that sought in 2006/07.

**Figure 14: Actual and target revenue from bulk water tariffs 1994/05–2008/09 (real)**



*The above revenues are calculated based on the long-term average demand for bulk water.*



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 report of Independent Pricing and Regulatory Tribunal Division (the Division), which comprises the balance sheet as at 30 June 2009, the operating statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Division as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

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

The Chairman is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Division's preparation and fair presentation of the financial report 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 controls. 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 report.

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

My opinion does not provide assurance:

- about the future viability of the Division
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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.



C J Giunelli  
Director, Financial Audit Services

20 October 2009  
SYDNEY

Independent Pricing and Regulatory Tribunal



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**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 2005*, 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 2009 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  
Acting Chairman

19 October 2009

ELECTRICITY    GAS    WATER    TRANSPORT    OTHER INDUSTRIES

## Operating Statement

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 \$'000	2008 \$'000
<b>Expenses excluding losses</b>			
Employee related expenses	2(a)	11,092	9,562
<b>Total Expenses excluding losses</b>		<b>11,092</b>	<b>9,562</b>
<b>Revenue</b>			
Personnel services	3(a)	10,566	9,228
<b>Total Revenue</b>		<b>10,566</b>	<b>9,228</b>
<b>Net Cost of Services</b>		<b>526</b>	<b>334</b>
<b>Government Contributions</b>			
Acceptance by the Crown Entity of employee benefits and other liabilities	4	526	334
<b>Total Government Contributions</b>		<b>526</b>	<b>334</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Statement of Recognised Income and Expense

FOR THE YEAR ENDED 30 JUNE 2009

	2009 \$'000	2008 \$'000
<b>TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>	-	-
Surplus/(Deficit) for the year	-	-
<b>TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Balance Sheet

AS AT 30 JUNE 2009

	Notes	2009 \$'000	2008 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Receivables	5	1,346	1,155
<b>Total Current Assets</b>		<b>1,346</b>	<b>1,155</b>
<b>Total Assets</b>		<b>1,346</b>	<b>1,155</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	6	155	221
Provisions	7	1,181	926
<b>Total Current Liabilities</b>		<b>1,336</b>	<b>1,147</b>
<b>Non-Current Liabilities</b>			
Provisions	7	10	8
<b>Total Non-Current Liabilities</b>		<b>10</b>	<b>8</b>
<b>Total Liabilities</b>		<b>1,346</b>	<b>1,155</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.*

## Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Payments</b>		
Employee related	-	-
<b>Total Payments</b>	-	-
<b>Receipts</b>		
Personnel services	-	-
<b>Total Receipts</b>	-	-
<b>Cash Flows From Government</b>		
Cash reimbursements from the Crown Entity	-	-
<b>Net Cash Flows From Government</b>	-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	-	-
<b>NET INCREASE (DECREASE) IN CASH</b>	-	-
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	-	-

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

## 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 report was authorised for issue by the Chairman of The Independent Pricing and Regulatory Tribunal Division on 19 October 2009.

### (b) Basis of preparation

The Division's financial report is a general purpose financial report 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* and Regulation; and
- > the Financial Reporting Directions published in the Financial Reporting 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 report.

### (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) 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 financials 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 accounted for in the operating statement 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) 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.

## (g) 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 fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' 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*.

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 07/04) 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 NSW Treasury Circular 08/03. 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.

## (h) 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.

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

At reporting date, the following Standards and Interpretations were in issue but not yet effective. NSW Treasury mandate (TC09/03) precludes early adoption of these accounting standards.

AASB 3 (March 2008), AASB 127 and AASB 2008-3 regarding business combinations

AASB 8 and AASB 2007-3 regarding operating segments

AASB 101 (Sept 2007), AASB 2007-08 and AASB 2007-10 regarding presentation of financial statements

AASB 1039 regarding concise financial reports

The Division anticipates that the adoption of these Standards and Interpretations in future periods will not have a material financial impact on the financial statements.

These Standards and Interpretations will be first applied in the financial report of the Division that relates to the annual reporting period beginning after the effective date of each pronouncement.

	2009 \$'000	2008 \$'000
<b>2. Expenses excluding losses</b>		
<b>(a) Employee related expenses</b>		
Salaries and wages (including recreation leave)	9,261	8,153
Superannuation – defined benefit plans	143	144
Superannuation – defined contribution plans	582	499
Long service leave	421	183
Workers compensation insurance	42	36
Payroll tax and fringe benefit tax	585	543
Oncosts (Recreation Leave)	58	4
	<b>11,092</b>	<b>9,562</b>
<b>3. Revenues</b>		
<b>(a) Personnel services</b>		
Personnel services	10,566	9,228
	<b>10,566</b>	<b>9,228</b>
<b>4. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities</b>		
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Superannuation	143	144
Long Service Leave	374	183
Payroll tax	9	7
	<b>526</b>	<b>334</b>
<b>5. Current Assets – Receivables</b>		
<b>Current Receivables</b>		
Personnel services	1,346	1,155
	<b>1,346</b>	<b>1,155</b>
<b>6. Current Liabilities – Payables</b>		
<b>Current Liabilities – Payables</b>		
Accrued salaries, wages and on-costs	155	221
	<b>155</b>	<b>221</b>

	2009	2008
	\$'000	\$'000
<b>7. Current/Non-Current Liabilities – Provisions</b>		
<b>Current</b>		
<b>Employee benefits and related on-costs</b>		
Recreation leave	936	740
Long service leave	97	53
Payroll tax	148	133
	<b>1,181</b>	<b>926</b>
<b>Non-current</b>		
<b>Employee benefits and related on-costs</b>		
Long service leave	10	8
	<b>10</b>	<b>8</b>
<b>Aggregate employee benefits and related on-costs</b>		
Provisions – current	1,181	926
Provisions – non-current	10	8
Accrued salaries, wages and on-costs (Note 6)	155	221
	<b>1,346</b>	<b>1,155</b>

## 8. 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.

## 8. Financial Instruments continued

		Note	Category	Carrying Amount	
				2009	2008
				\$'000	\$'000
<b>(a) Financial instrument categories</b>					
<b>FINANCIAL ASSETS</b>					
<b>Class:</b>	Receivables	(Note 1)	Loans and receivables (at amortised cost)	<b>1,346</b>	1,155
<b>FINANCIAL LIABILITIES</b>					
<b>Class:</b>	Payables	(Note 2)	Financial liabilities measured at amortised cost	<b>155</b>	221

### 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.

### (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 2009 financial year (2008 – \$Nil).

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

## 8. Financial Instruments *continued*

	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>2009</b>							
<i>Payables:</i>							
Accrued salaries, wages and on-costs	155	–	–	–	155	–	–
	155	–	–	–	155	–	–
<b>2008</b>							
<i>Payables:</i>							
Accrued salaries, wages and on-costs	221	–	–	–	221	–	–
	221	–	–	–	221	–	–

### (d) Market risk

The Division has no cash and cash equivalents. 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 balance sheet approximates the fair value.

## 9. After Balance Date Events

Announcements on Government public sector reforms indicates agencies will amalgamate into 13 'Super Departments'. The Division has not been listed in any Administrative Orders documenting amalgamations at the time of signing accounts with the Audit Office. As a result, no specific information is available in regard to future impact on the Division.

**End of audited financial 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 report of the Independent Pricing and Regulatory Tribunal (the Tribunal), which comprises the balance sheet as at 30 June 2009, the operating statement, statement of recognised income and expense, cash flow statement, service group statement and summary of compliance with financial directives for the year then ended, a summary of significant accounting policies and other explanatory notes both 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.

**Auditor's Opinion**

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Tribunal and the consolidated entity as at 30 June 2009, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

**The Tribunal's Responsibility for the Financial Report**

The members of the Tribunal are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

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

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

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

My opinion does not provide assurance:

- about the future viability of the Tribunal or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

#### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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.



C J Giumelli  
Director, Financial Audit Services

20 October 2009  
SYDNEY

Independent Pricing and Regulatory Tribunal



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**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 2005*, 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 2009 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  
Acting Chairman and  
Chief Executive Officer

19 October 2009

ELECTRICITY    GAS    WATER    TRANSPORT    OTHER INDUSTRIES

# Operating Statement

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated			IPART		
		Actual 30 June 2009 \$'000	Budget 30 June 2009 \$'000	Actual 30 June 2008 \$'000	Actual 30 June 2009 \$'000	Budget 30 June 2009 \$'000	Actual 30 June 2008 \$'000
<b>Expenses excluding losses</b>							
Operating expenses							
– Employee related	2(a)	11,092	9,872	9,562	–	–	–
– Other operating expenses	2(b)	7,640	7,629	7,936	7,640	7,629	7,936
Depreciation and amortisation	2(c)	635	550	522	635	550	522
Personnel services	2(d)	–	–	–	10,566	9,872	9,562
<b>Total expenses excluding losses</b>		<b>19,367</b>	18,051	18,020	<b>18,841</b>	18,051	18,020
<b>Revenue</b>							
Sale of goods and services	3(a)	2,226	1,025	1,690	2,226	1,025	1,690
Investment revenue	3(b)	221	219	344	221	219	344
Other revenue	3(c)	178	–	13	178	–	347
<b>Total revenue</b>		<b>2,625</b>	1,244	2,047	<b>2,625</b>	1,244	2,381
<b>Gain/(loss) on disposal</b>	4	<b>(18)</b>	–	(105)	<b>(18)</b>	–	(105)
<b>Net Cost of Services</b>	19	<b>(16,760)</b>	(16,807)	(16,078)	<b>(16,234)</b>	(16,807)	(15,744)
<b>Government contributions</b>							
Recurrent appropriations	5	16,342	16,151	15,712	16,342	16,151	15,712
Capital appropriations	5	180	180	180	180	180	180
Acceptance by the Crown Entity of employee benefits and other liabilities	6	526	329	334	–	329	–
<b>Total Government contributions</b>		<b>17,048</b>	16,660	16,226	<b>16,522</b>	16,660	15,892
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>288</b>	(147)	148	<b>288</b>	(147)	148

The accompanying notes form part of these financial statements.

## Statement of Recognised Income and Expense

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated			IPART	
		Actual 30 June 2009 \$'000	Budget 30 June 2009 \$'000	Actual 30 June 2008 \$'000	Actual 30 June 2009 \$'000	Budget 30 June 2009 \$'000
<b>TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>		-	-	-	-	-
Surplus/(Deficit) for the year		<b>288</b>	(147)	148	<b>288</b>	(147) 148
<b>TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR</b>	15	<b>288</b>	(147)	148	<b>288</b>	(147) 148

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

# Balance Sheet

AS AT 30 JUNE 2009

	Notes	Consolidated			IPART		
		Actual 30 June 2009 \$'000	Budget 30 June 2009 \$'000	Actual 30 June 2008 \$'000	Actual 30 June 2009 \$'000	Budget 30 June 2009 \$'000	Actual 30 June 2008 \$'000
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	8	5,107	4,583	4,360	5,107	4,583	4,360
Receivables	9	117	1,055	1,055	117	1,055	1,055
<b>Total current assets</b>		<b>5,224</b>	5,638	5,415	<b>5,224</b>	5,638	5,415
<b>Non-current assets</b>							
– Plant and Equipment	10	2,480	2,333	2,695	2,480	2,333	2,695
Total Property plant and equipment	10	2,480	2,333	2,695	2,480	2,333	2,695
Intangible assets	11	56	64	72	56	64	72
<b>Total non-current assets</b>		<b>2,536</b>	2,397	2,767	<b>2,536</b>	2,397	2,767
<b>Total assets</b>		<b>7,760</b>	8,035	8,182	<b>7,760</b>	8,035	8,182
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Payables	12	561	1,315	1,315	1,752	1,315	2,249
Provisions	13	1,181	926	926	–	926	–
Other	14	–	211	211	–	211	211
<b>Total current liabilities</b>		<b>1,742</b>	2,452	2,452	<b>1,752</b>	2,452	2,460
<b>Non-current liabilities</b>							
Provisions	13	276	274	274	266	274	266
<b>Total non-current liabilities</b>		<b>276</b>	274	274	<b>266</b>	274	266
<b>Total liabilities</b>		<b>2,018</b>	2,726	2,726	<b>2,018</b>	2,726	2,726
<b>Net assets</b>		<b>5,742</b>	5,309	5,456	<b>5,742</b>	5,309	5,456
<b>EQUITY</b>							
Accumulated funds	15	5,742	5,309	5,456	5,742	5,309	5,456
<b>Total Equity</b>		<b>5,742</b>	5,309	5,456	<b>5,742</b>	5,309	5,456

The accompanying notes form part of these financial statements.

## Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated			IPART		
		Actual 30 June 2009	Budget 30 June 2009	Actual 30 June 2008	Actual 30 June 2009	Budget 30 June 2009	Actual 30 June 2008
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Payments</b>							
Employee related		(10,375)	(9,543)	(8,993)	(10,375)	(9,543)	(8,993)
Other		(9,310)	(7,629)	(8,406)	(9,310)	(7,629)	(8,406)
<b>Total Payments</b>		<b>(19,685)</b>	<b>(17,172)</b>	<b>(17,399)</b>	<b>(19,685)</b>	<b>(17,172)</b>	<b>(17,399)</b>
<b>Receipts</b>							
Sale of goods and services		3,006	1,025	1,628	3,006	1,025	1,628
Interest received		297	219	328	297	219	328
Other		1,239	–	1,231	1,239	–	1,231
<b>Total Receipts</b>		<b>4,542</b>	<b>1,244</b>	<b>3,187</b>	<b>4,542</b>	<b>1,244</b>	<b>3,187</b>
<b>Cash Flows From Government</b>							
Recurrent appropriation	5	16,342	16,151	15,923	16,342	16,151	15,923
Capital appropriation (excluding equity appropriations)	5	180	180	180	180	180	180
Cash transfers to the Consolidated Fund		(211)	–	–	(211)	–	–
<b>Net Cash Flows From Government</b>		<b>16,311</b>	<b>16,331</b>	<b>16,103</b>	<b>16,311</b>	<b>16,331</b>	<b>16,103</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	19	<b>1,168</b>	<b>403</b>	<b>1,891</b>	<b>1,168</b>	<b>403</b>	<b>1,891</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sale of Plant and Equipment		6	–	17	6	–	17
Purchases of Plant and Equipment		(427)	(180)	(2,644)	(427)	(180)	(2,644)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(421)</b>	<b>(180)</b>	<b>(2,627)</b>	<b>(421)</b>	<b>(180)</b>	<b>(2,627)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>747</b>	<b>223</b>	<b>(736)</b>	<b>747</b>	<b>223</b>	<b>(736)</b>
Opening cash and cash equivalents		4,360	4,360	5,096	4,360	4,360	5,096
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	8	<b>5,107</b>	<b>4,583</b>	<b>4,360</b>	<b>5,107</b>	<b>4,583</b>	<b>4,360</b>

The accompanying notes form part of these financial statements.

# Supplementary Financial Statements

## Service Group Statements

FOR THE YEAR ENDED 30 JUNE 2009

Consolidated	Service group 1 – Energy/Transport/ Water Pricing and Analysis and Policy Work*		Service group 2 – Licensing and Greenhouse Reduction Scheme Administration*		Not Attributable		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>AGENCY'S EXPENSES AND REVENUES</b>								
<b>Expenses excluding losses</b>								
Operating expenses								
– Employee related expenses	7,633	5,847	3,459	3,715	–	–	11,092	9,562
– Other operating expenses	4,961	5,852	2,679	2,084	–	–	7,640	7,936
Operating expenses	12,594	11,699	6,138	5,799	–	–	18,732	17,498
Depreciation and amortisation expenses	463	363	172	159	–	–	635	522
<b>Total expenses excluding losses</b>	<b>13,057</b>	<b>12,062</b>	<b>6,310</b>	<b>5,958</b>	<b>–</b>	<b>–</b>	<b>19,367</b>	<b>18,020</b>
<b>Revenue</b>								
Sale of goods and services	2,018	1,440	208	250	–	–	2,226	1,690
Investment income	161	251	60	93	–	–	221	344
Other revenue	130	9	48	4	–	–	178	13
<b>Total Revenue</b>	<b>2,309</b>	<b>1,700</b>	<b>316</b>	<b>347</b>	<b>–</b>	<b>–</b>	<b>2,625</b>	<b>2,047</b>
Gain/(loss) on disposal	(13)	(62)	(5)	(43)	–	–	(18)	(105)
<b>Net Cost of Services</b>	<b>10,761</b>	<b>10,424</b>	<b>5,999</b>	<b>5,654</b>	<b>–</b>	<b>–</b>	<b>16,760</b>	<b>16,078</b>
Government contributions					17,048	16,226	17,048	16,226
<b>NET EXPENDITURE/(REVENUE) FOR THE YEAR</b>	<b>10,761</b>	<b>10,424</b>	<b>5,999</b>	<b>5,654</b>	<b>(17,048)</b>	<b>(16,226)</b>	<b>(288)</b>	<b>(148)</b>

# Supplementary Financial Statements

## Service Group Statements

FOR THE YEAR ENDED 30 JUNE 2009

Consolidated AGENCY'S ASSETS AND LIABILITIES	Service group 1 – Energy/Transport/ Water Pricing and Analysis and Policy Work*		Service group 2 – Licensing and Greenhouse Reduction Scheme Administration*		Not Attributable		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current Assets</b>								
Cash and cash equivalents	–	–	–	–	5,107	4,360	5,107	4,360
Receivables	80	770	37	285	–	–	117	1,055
<b>Total current assets</b>	<b>80</b>	<b>770</b>	<b>37</b>	<b>285</b>	<b>5,107</b>	<b>4,360</b>	<b>5,224</b>	<b>5,415</b>
<b>Non-current Assets</b>								
Property plant and equipment	1,692	1,849	788	846	–	–	2,480	2,695
Intangible assets	41	53	15	19	–	–	56	72
<b>Total non-current assets</b>	<b>1,733</b>	<b>1,902</b>	<b>803</b>	<b>865</b>	<b>–</b>	<b>–</b>	<b>2,536</b>	<b>2,767</b>
<b>TOTAL ASSETS</b>	<b>1,813</b>	<b>2,672</b>	<b>840</b>	<b>1,150</b>	<b>5,107</b>	<b>4,360</b>	<b>7,760</b>	<b>8,182</b>
<b>Current liabilities</b>								
Payables	363	960	198	355	–	–	561	1,315
Provisions	912	676	269	250	–	–	1,181	926
Other current liabilities	–	–	–	–	–	211	–	211
<b>Total current liabilities</b>	<b>1,275</b>	<b>1,636</b>	<b>467</b>	<b>605</b>	<b>–</b>	<b>211</b>	<b>1,742</b>	<b>2,452</b>
<b>Non-current liabilities</b>								
Provisions	201	200	75	74	–	–	276	274
<b>Total non-current liabilities</b>	<b>201</b>	<b>200</b>	<b>75</b>	<b>74</b>	<b>–</b>	<b>–</b>	<b>276</b>	<b>274</b>
<b>TOTAL LIABILITIES</b>	<b>1,476</b>	<b>1,836</b>	<b>542</b>	<b>679</b>	<b>–</b>	<b>211</b>	<b>2,018</b>	<b>2,726</b>
<b>NET ASSETS</b>	<b>337</b>	<b>836</b>	<b>298</b>	<b>471</b>	<b>5,107</b>	<b>4,149</b>	<b>5,742</b>	<b>5,456</b>

NSW Budget Paper No. 3 has replaced program statements with service group statements. Service group statements focus on the key measures of service delivery performance.

The names and purposes of each service group are summarised in Note 7.

Comparative amounts have been reclassified to align with the change in focus from programs to service groups.

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

Service group split is based on the pro rata allocation of staff members and cost centres.

# Supplementary Financial Statements

## Service Group Statements

FOR THE YEAR ENDED 30 JUNE 2009

Consolidated	Service group 1 – Energy/Transport/ Water Pricing and Analysis and Policy Work*		Service group 2 – Licensing and Greenhouse Reduction Scheme Administration*		Not Attributable		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ADMINISTERED EXPENSES AND REVENUES</b>								
<b>Administered Income</b>								
Consolidated Fund	–	–	–	–	–	–	–	–
– Taxes, fees and fines	–	–	3,690	5,349	–	–	3,690	5,349
<b>Total Administered Revenues</b>	–	–	3,690	5,349	–	–	3,690	5,349
<b>Administered Revenues less Expenses</b>	–	–	3,690	5,349	–	–	3,690	5,349

\* The name and purpose of the program is summarised in Note 7.

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 Directives

FOR THE YEAR ENDED 30 JUNE 2009

Consolidated	2009				2008			
	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>ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE</b>								
– Appropriation Act	16,151	16,141	180	180	15,923	15,712	180	180
– Additional Appropriations	–	–	–	–	–	–	–	–
	16,151	16,141	180	180	15,923	15,712	180	180
<b>OTHER APPROPRIATIONS/ EXPENDITURE</b>								
– Treasurer's Advance	1,000	199	–	–	–	–	–	–
– Transfers to/from another agency (s28 of the Appropriation Act)	2	2	–	–	–	–	–	–
	1,002	201	–	–	–	–	–	–
<b>Total Appropriations/ Expenditure/Net Claim on Consolidated Fund (includes transfer payments)</b>	17,153	16,342	180	80	15,923	15,712	18	180
Amount draw down against Appropriation		16,342		180		15,923		180
Liability to Consolidated Fund*				–		(211)		–

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 ENDED 30 JUNE 2009

## 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 separate reporting entity.

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 report 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.

The consolidated financial report for the year ended 30 June 2009 has been authorised for issue by the Chairman of the Tribunal and Chief Executive Officer and Full Time Member of the Tribunal on 19 October 2009.

### (b) Basis of preparation

The Tribunal's financial report is a general purpose financial report 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* and Regulation; and
- > the Financial Reporting Directions published in the Financial Reporting 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 report.

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 revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as "Administered Revenues", "Administered Expenses", "Administered Assets" and "Administered Liabilities".

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

## (e) 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 revenue 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 14 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*.

## (f) 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 fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' 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*.

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 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 07/04) 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 NSW Treasury Circular 08/03. 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 agency 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.

#### (g) 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.

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

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

- > the amount of GST incurred by the agency 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 cash flow statement 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.

#### (i) Acquisitions of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the agency. 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 as assets and revenues 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.

#### (j) 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.

#### (k) 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*.

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.

### (l) 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.

### (m) 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		30 June 2009	30 June 2008
		% Rate	% Rate
<i>Intangible Asset:</i>	Computer software	14–25	14–25
<i>Plant &amp; Equipment:</i>	Office furniture and fittings	10	10
	Computer equipment and hardware	33	33
	General plant and equipment	14	14

### (n) 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.

### (o) Maintenance

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

### (p) 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 Operating Statement in the periods in which they are incurred.

### (q) 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.

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 to seven 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.

### (r) Other assets

Other assets are recognised on cost basis.

### (s) 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.

### (t) 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 operating statement and the cash flow statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the balance sheet, 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).

### (u) 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.

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

At reporting date, the following Standards and Interpretations were in issue but not yet effective. NSW Treasury mandate (TC09/03) precludes early adoption of these accounting standards.

AASB 3 (March 2008), AASB 127 and AASB 2008-3 regarding business combinations

AASB 8 and AASB 2007-3 regarding operating segments

AASB 101 (Sept 2007), AASB 2007-08 and AASB 2007-10 regarding presentation of financial statements

AASB 1039 regarding concise financial reports

The Tribunal anticipates that the adoption of these Standards and Interpretations in future periods will not have a material financial impact on the financial statements.

These Standards and Interpretations will be first applied in the financial report of the Tribunal that relates to the annual reporting period beginning after the effective date of each pronouncement.

## 2. Expenses excluding losses

### (a) Employee related expenses

	Consolidated		IPART	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Salaries and wages (including recreation leave)	9,261	8,153	-	-
Superannuation – defined benefit plans	143	144	-	-
Superannuation – defined contribution plans	582	499	-	-
Long service leave	421	183	-	-
Workers compensation insurance	42	36	-	-
Payroll tax and fringe benefit tax	585	543	-	-
Oncosts-Recreation Leave	58	4	-	-
	<b>11,092</b>	<b>9,562</b>	<b>-</b>	<b>-</b>

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

Auditor's remuneration				
- audit or review of the financial report	27	33	27	33
Consultancies	2,862	3,392	2,862	3,392
Contractors	448	650	448	650
Insurance	11	10	11	10
Legal costs	182	239	182	239
Operating lease rental expense				
- minimum lease payments	1,025	745	1,025	745
Travel	137	125	137	125
Other expenses	1,048	1,240	1,048	1,240
Corporate services	286	272	286	272
EDP expenses	1,364	1,152	1,364	1,152
Maintenance	250	78	250	78
	<b>7,640</b>	<b>7,936</b>	<b>7,640</b>	<b>7,936</b>

### \* Reconciliation – Total maintenance

Maintenance included in 2(b) above	250	78	250	78
Maintenance related employee expenses included in Note 2(a) above Note 2(a)	-	-	-	-
Note 2(a) + 2(b)	<b>250</b>	<b>78</b>	<b>250</b>	<b>78</b>

## 2. Expenses excluding losses continued

### (c) Depreciation and amortisation expense

	Consolidated		IPART	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Depreciation: Plant and Equipment	254	215	25	215
	254	215	254	215
Amortisation: Leasehold improvements	365	298	365	298
Intangible Asset	16	9	16	9
	635	522	635	522

### (d) Personnel services

Personnel services	–	–	10,566	9,562
	–	–	10,566	9,562

## 3. Revenue

### (a) Sale of goods and services

Rendering of services (reimbursement of both external consultancies and in – house costs )	2,226	1,690	2,226	1,690
	2,226	1,690	2,226	1,690

### (b) Investment revenue

Interest	221	344	221	344
	221	344	221	344

### (c) Other revenue

Revenue as resources received free of charge	167	–	167	334
Other	11	13	11	13
	178	13	178	347

## 4. Gain/(Loss) on disposal

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

Proceeds from disposal	6	17	6	17
Less: Written down value of assets disposed	(24)	(122)	(24)	(122)
Net gain/(loss) on disposal of plant and equipment	(18)	(105)	(18)	(105)

## 5. Appropriations

### Recurrent appropriations

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

Consolidated		IPART	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
16,342	15,923	16,342	15,923
–	211	–	211
16,342	15,712	16,342	15,712
16,342	15,712	16,342	15,712
180	180	180	180
180	180	180	180
180	180	180	180
180	180	180	180
143	144	–	–
374	183	–	–
9	7	–	–
526	334	–	–

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

Comprising: Recurrent appropriations  
(per Operating Statement)

### Capital appropriations

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

Comprising: Capital appropriations  
(per Operating Statement)

## 6. 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

Long Service Leave

Payroll tax

## 7. Service Groups of the Agency

### (a) Service group 1 – Energy/Transport/Water Pricing and Analysis and Policy Work

Objectives:

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.

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
- > issues of financial viability, efficiency, environmental impact, consumer protection and other issues are balanced.

### (b) Service group 2 – Licensing and Greenhouse Reduction Scheme Administration

Objectives:

This service group consists of Water Licensing, Energy Compliance and the Greenhouse Gas Reduction Scheme administration.

This service group contributes to the following results:

- > suppliers of energy and water meet their licence obligations; and
- > Co2 reduction targets are enforced.

## 8. Current Assets – Cash and Cash Equivalents

Cash at bank and on hand

	Consolidated		IPART	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	5,107	4,360	5,107	4,360
	5,107	4,360	5,107	4,360

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash at bank, and cash on hand.

Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:

	Consolidated		IPART	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents (per Balance sheet)	5,107	4,360	5,107	4,360
Closing cash and cash equivalents (per Cash Flow Statement)	5,107	4,360	5,107	4,360

## 9. Current Assets – Receivables

	Consolidated		IPART	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Sale of goods and services	–	763	–	763
Goods and Services Tax recoverable from ATO	29	107	29	107
Interest receivable	77	153	77	153
Other	11	32	11	32
	<b>117</b>	<b>1,055</b>	<b>117</b>	<b>1,055</b>

## 10. Non-current Assets – Plant and Equipment

	Consolidated	IPART
	Plant and Equipment	Plant and Equipment
	\$'000	\$'000
<b>At 1 July 2008 – fair value</b>		
Gross Carrying Amount	3,419	3,419
Accumulated Depreciation	(724)	(724)
<b>Net carrying amount</b>	<b>2,695</b>	<b>2,695</b>
<b>At 30 June 2009 – fair value</b>		
Gross Carrying Amount	3,593	3,593
Accumulated Depreciation	(1,113)	(1,113)
<b>Net carrying amount</b>	<b>2,480</b>	<b>2,480</b>
<b>Reconciliation</b>		
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.		
<b>Year ended 30 June 2009</b>		
Net Carrying Amount at start of year	2,695	2,695
Additions	427	427
Disposals	(252)	(252)
Depreciation expense	(619)	(619)
Writeback on Disposals	229	229
<b>Net carrying amount at end of year</b>	<b>2,480</b>	<b>2,480</b>

## 10. Non-current Assets – Plant and Equipment *continued*

	Consolidated	IPART
	Plant and Equipment	Plant and Equipment
	\$'000	\$'000
<b>At 1 July 2007 – fair value</b>		
Gross carrying amount	2,291	2,291
Accumulated Depreciation	(1,666)	(1,666)
<b>Net carrying amount</b>	<b>625</b>	<b>625</b>
<b>At 30 June 2008 – fair value</b>		
Gross carrying amount	3,419	3,419
Accumulated Depreciation	(724)	(724)
<b>Net carrying amount</b>	<b>2,695</b>	<b>2,695</b>
<b>Reconciliation</b>		
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.		
<b>Year ended 30 June 2008</b>		
Net carrying amount at start of year	625	625
Additions	2,708	2,708
Disposals	(1,580)	(1,580)
Depreciation expense	(513)	(513)
Writeback on Disposals	1,455	1,455
<b>Net carrying amount at end of year</b>	<b>2,695</b>	<b>2,695</b>

## 11. Non-current Assets – Intangible Assets

	Consolidated Software \$'000	IPART Software \$'000
<b>At 1 July 2008</b>		
Cost (gross carrying amount)	146	146
Accumulated amortisation and impairment	(74)	(74)
<b>Net carrying amount</b>	<b>72</b>	<b>72</b>
<b>At 30 June 2009</b>		
Cost (gross carrying amount)	139	139
Accumulated amortisation and impairment	(83)	(83)
<b>Net carrying amount</b>	<b>56</b>	<b>56</b>
<b>Year ended 30 June 2009</b>		
Net carrying amount at start of year	72	72
Amortisation (recognised in 'depreciation and amortisation')	(16)	(16)
<b>Net carrying amount at end of year</b>	<b>56</b>	<b>56</b>
<b>At 1 July 2007</b>		
Cost (gross carrying amount)	102	102
Accumulated amortisation and impairment	(65)	(65)
<b>Net carrying amount</b>	<b>37</b>	<b>37</b>
<b>At 30 June 2008</b>		
Cost (gross carrying amount)	146	146
Accumulated amortisation and impairment	(74)	(74)
<b>Net carrying amount</b>	<b>72</b>	<b>72</b>
<b>Year ended 30 June 2008</b>		
Net carrying amount at start of year	37	37
Additions	44	44
Amortisation (recognised in 'depreciation and amortisation')	(9)	(9)
<b>Net carrying amount at end of year</b>	<b>72</b>	<b>72</b>

## 12. Payables

	Consolidated		IPART	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Accrued salaries, wages and on-costs	155	221	–	–
Creditors	406	1,094	406	1,094
Personnel services	–	–	1,346	1,155
	<b>561</b>	<b>1,315</b>	<b>1,752</b>	<b>2,249</b>

## 13. Current/Non-current Liabilities – Provisions

### Current

#### Employee benefits and related on-costs

Recreation leave	936	731	–	–
Long service leave	97	62	–	–
Payroll tax	148	133	–	–
	<b>1,181</b>	<b>926</b>	<b>–</b>	<b>–</b>

### Non-current

#### Employee benefits and related on-costs

Long service leave	10	8	–	–
<b>Other provisions</b>				
Restoration costs	266	266	266	266
	<b>276</b>	<b>274</b>	<b>266</b>	<b>266</b>

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

Provisions – current	1,181	926	–	–
Provisions – non-current	10	8	–	–
Accrued salaries, wages and on-costs (Note 12)	155	221	–	–
	<b>1,346</b>	<b>1,155</b>	<b>–</b>	<b>–</b>

### 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:

	Consolidated		IPART	
	Restoration Costs	Total	Restoration Costs	Total
	\$'000	\$'000	\$'000	\$'000
<b>2009</b>				
Carrying amount at the beginning of financial year	266	266	266	266
Carrying amount at end of financial year	266	266	266	266

## 14. Current Liabilities – Other

	Consolidated		IPART	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Liability owing to Consolidated Fund	–	211	–	211
	–	211	–	211

## 15. Changes in Equity

	Accumulated Funds			
	2009	2008	2009	2008
Balance at the beginning of the year	5,456	5,308	5,456	5,308
Adjustment to align to the position of the correct opening balance	(2)	–	(2)	–
Restated opening balance	5,454	5,308	5,454	5,308
<b>Changes in equity – other than transactions with owners as owners</b>				
Surplus/(deficit) for the year	288	148	288	148
Total	288	148	288	148
Balance at the end of the financial year	5,742	5,456	5,742	5,456

## 16. Commitments for Expenditure

### (a) Other Expenditure Commitments

Aggregate other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:

Not later than one year	–	–	–	–
Total (including GST)	–	–	–	–

### (b) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year	1,106	1,082	1,106	1,082
Later than one year and not later than five years	4,808	4,742	4,808	4,742
Later than five years	–	749	–	749
Lease incentive on non-cancellable operating leases included in lease commitments	(916)	(1,023)	(916)	(1,023)
Total (including GST)	4,998	5,550	4,998	5,550

The total commitments above includes input tax credits of \$454,000 (2008 \$505,000) that are expected to be recoverable from the ATO.

## 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 \$16,760K was \$47K less than budget. This was mainly due to the increase of revenue (\$1,381K over budget) relating to rendering of services. The employee related expenses were \$1,220K over budget and also contributed to the net cost of services being less than budget.

### Assets and liabilities

#### Current Assets:

Total current assets were \$414K less than budget due to nil sale of goods and services in receivables (\$937K under budget).

#### Non Current Assets:

Plant and equipment and intangible assets is greater than budget by \$139K due to the spending of the Tribunal's own cash on purchases of \$247K.

#### Current and Non Current Liabilities:

Total liabilities are \$708K below budget due to reduced creditors outstanding balance.

### Cash flows

Cash flows from operating activities were \$765K greater than budget due to higher than anticipated revenue (\$3,298K) being well in excess of the above budget total payments (\$2,513K).

## 19. Reconciliation of Cash Flows from Operating Activities to net cost of services

	Consolidated		IPART	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Net cash used on operating activities	1,168	1,891	1,168	1,891
Net Cash flows from Government	(16,522)	(15,892)	(16,522)	(15,892)
Acceptance by the Crown Entity of employee benefits and other liabilities	(526)	(334)	-	-
Depreciation and amortisation	(635)	(522)	(635)	(522)
Decrease/(increase) in provisions	(255)	(98)	(255)	(2)
Increase/(decrease) in receivables and other assets	(937)	84	(937)	84
Decrease/(increase) in creditors	754	(891)	754	(987)
Decrease/(increase) in other liabilities	211	(211)	211	(211)
Net gain/(loss) on sale of plant and equipment	(18)	(105)	(18)	(105)
<b>Net cost of services</b>	<b>(16,760)</b>	<b>(16,078)</b>	<b>(16,234)</b>	<b>(15,744)</b>

## 20. Administered Assets and Liabilities

### Administered Assets

	Consolidated		IPART	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Cash	1,311	501	1,311	501
Receivables	2,754	4,611	2,754	4,611
<b>Total Administered Assets</b>	<b>4,065</b>	<b>5,112</b>	<b>4,065</b>	<b>5,112</b>
<b>Administered Liabilities</b>				
Liability to Consolidated Fund	4,065	5,112	4,065	5,112
<b>Total Administered Liabilities</b>	<b>4,065</b>	<b>5,112</b>	<b>4,065</b>	<b>5,112</b>

## 21. Administered Income – Schedule of Uncollected Amounts

### Electricity/Gas Supplier Licences and Authorisations

	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Not later than one year	2,754	4,611	2,754	4,611
	<b>2,754</b>	<b>4,611</b>	<b>2,754</b>	<b>4,611</b>

## 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.

	Note	Category	Carrying Amount	
			2009	2008
			\$'000	\$'000
<b>(a) Financial instrument categories</b>				
<b>FINANCIAL ASSETS</b>				
<b>Class:</b>	<b>Consolidated</b>			
Cash and cash equivalents	8	N/A	5,107	4,360
Receivables (Note 1)	9	Loans and receivables (at amortised cost)	88	948
<b>FINANCIAL LIABILITIES</b>				
<b>Class:</b>	<b>Consolidated</b>			
Payables (Note 2)	12	Financial liabilities measured at amortised cost	524	1,315
Other		Financial liabilities measured at amortised cost	-	211

## 22. Financial Instruments *continued*

	Note	Category	Carrying Amount	
			2009	2008
			\$'000	\$'000
<b>FINANCIAL ASSETS</b>				
<b>Class:</b>	<b>IPART</b>			
Cash and cash equivalents	8	N/A	<b>5,107</b>	4,360
Receivables (Note 1)	9	Loans and receivables (at amortised cost)	<b>88</b>	948
<b>FINANCIAL LIABILITIES</b>				
<b>Class:</b>	<b>IPART</b>			
Payables (Note 2)	12	Financial liabilities measured at amortised cost	<b>1,716</b>	2,249
Other		Financial liabilities measured at amortised cost	–	211

### 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 para (d) below.

#### Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability 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 balance sheet.

## 22. Financial Instruments continued

	Consolidated			IPART		
	Total (Notes 1 & 2)	Past due but not impaired (Notes 1 & 2)	Considered impaired (Notes 1 & 2)	Total (Notes 1 & 2)	Past due but not impaired (Notes 1 & 2)	Considered impaired (Notes 1 & 2)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2009</b>						
< 3 months overdue	-	-	-	-	-	-
3 months – 6 months overdue	-	-	-	-	-	-
> 6 months overdue	-	-	-	-	-	-
<b>2008</b>						
< 3 months overdue	32	32	-	32	32	-
3 months – 6 months overdue	-	-	-	-	-	-
> 6 months overdue	-	-	-	-	-	-

### 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 balance sheet.

### (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 [2008: \$Nil].

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>2009</b>						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	155	–	–	155	–	–
Creditors	369	–	–	369	–	–
	524	–	–	524	–	–
<b>2008</b>						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	221	–	–	221	–	–
Creditors	1,094	–	–	1,094	–	–
	1,315	–	–	1,315	–	–

### (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.

	Carrying Amount	–1%		+1%	
		Profit	Equity	Profit	Equity
		\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>					
<b>2009</b>					
<i>Financial assets</i>					
Cash and cash equivalents	5,107	(51)	(51)	51	51
Receivables	88	–	–	–	–
<i>Financial liabilities</i>					
Payables	524	–	–	–	–
	5,719	(51)	(51)	51	51

## 22. Financial Instruments continued

	Carrying Amount \$'000	-1% Profit \$'000	Equity \$'000	+1% Profit \$'000	Equity \$'000
<b>Consolidated</b>					
<b>2008</b>					
<i>Financial assets</i>					
Cash and cash equivalents	4,360	(44)	(44)	44	44
Receivables	948	-	-	-	-
<i>Financial liabilities</i>					
Payables	1,315	-	-	-	-
	6,834	(44)	(44)	44	44
<b>IPART</b>					
<b>2009</b>					
<i>Financial assets</i>					
Cash and cash equivalents	5,107	(51)	(51)	51	51
Receivables	88	-	-	-	-
<i>Financial liabilities</i>					
Payables	1,715	-	-	-	-
	6,910	(51)	(51)	51	51
<b>2008</b>					
<i>Financial assets</i>					
Cash and cash equivalents	4,360	(44)	(44)	44	44
Receivables	948	-	-	-	-
<i>Financial liabilities</i>					
Payables	2,249	-	-	-	-
Liability to Consolidated Fund	211	-	-	-	-
	7,768	(44)	(44)	44	44

### (e) Fair Value

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

## 23. After Balance Date Events

Announcements on Government public sector reforms indicates agencies will amalgamate into 13 'Super Departments'. The Tribunal has not been listed in any Administrative Orders documenting amalgamations at the time of signing accounts with the Audit Office. As a result, no specific information is available in regard to future impact on the Tribunal.

**End of audited financial report.**

## Our Work Program for 2009/2010

### Metropolitan Water Pricing

- > Releasing final Hunter Water Corporation price determination for the period to 30 June 2013
- > Determining maximum prices for water and wastewater services provided by Country Energy in Broken Hill and surrounds
- > Monitoring and reporting compliance with price determinations by metropolitan water utilities
- > Liaising with key stakeholders on how regulatory processes may be improved

### Bulk Water Pricing

- > Determining maximum prices for bulk water services provided by:
  - > State Water Corporation
  - > Water Administration Ministerial Corporation

### Water Licensing (public water utilities)

- > Auditing and reporting operating licence compliance by:
  - > State Water Corporation
  - > Sydney Water Corporation
  - > Sydney Catchment Authority
  - > Hunter Water Corporation
- > Conducting end of term review of Sydney Water Corporation's operating licence
- > Finalising system performance standards and targets for:
  - > Sydney Water Corporation
  - > Hunter Water Corporation

### Water Industry Competition Act 2006 (WICA)

- > Making recommendations to Minister for Water Utilities on:
  - > Licence applications
  - > Declaration of infrastructure for coverage under access arrangements
- > Establishing and maintaining registers
- > Approving cost allocation manuals prepared by service providers for declared services
- > Monitoring and reporting licence compliance
- > Imposition of penalties for non compliance with licence conditions

### Rail access

Review of rail infrastructure compliance with the NSW rail access undertaking for 2007/08 for Australian Rail Track Corporation and Rail Corporation of NSW

Review of rate of return and mine life under the NSW rail access undertaking

## Transport fares

- Review of taxi fares – from 1 July 2010
- Review of fares for rural and regional buses – from January 2010
- Review of private ferries fares – from December 2009
- Review of metropolitan and outer metropolitan bus fares – from January 2010
- Review of compliance by CityRail with IPART's determination

## Energy Pricing

- Review of electricity regulated retail tariffs for small retail customers for 2010 to 2013
- Review of gas VTPAs for 2010 to 2013
- Energy distribution and retail licence compliance report

## Energy Licensing

- Processing applications for granting of new licences and cancelling of existing licences
- Reporting of network operators' and energy retailers' performance
- Conducting licence compliance audits of retailers and network operators

## Section 9 and other referrals

- Review of the revenue framework for local government

## Analysis and Policy Development

- 2009/10 Household Survey of electricity, water and gas usage in the Sydney, Blue Mountains and Illawarra regions
- Various cross-sectoral economic research projects to assist IPART in its analysis and consideration of issues

## Greenhouse Gas Reduction Scheme

- Process applications for accreditation and manage compliance of liable parties
- Assist in clarifying the transitional arrangements from GGAS to the Commonwealth Government's Carbon Pollution Reduction Scheme

## Energy Savings Scheme

- Implement the NSW Energy Savings Scheme
- Assist companies currently accredited under GGAS to transition to the ESS
- Manage introduction of new methodologies under the ESS

## Outline budget for 2009/2010

Budgeted Operating Statement	2009/10
	\$'000
Employee Related Expenses	10,210
Other Operating Expenses	7,405
Depreciation	581
<b>TOTAL EXPENSES</b>	<b>18,196</b>
<b>TOTAL REVENUE</b>	<b>1,128</b>
<b>NET COST OF SERVICES</b>	<b>17,068</b>
<b>Government Funding</b>	
Recurrent Allocation	16,322
Capital Allocation	180
Crown Acceptance of Dept Liabilities	393
<b>Total Government Funding</b>	<b>16,895</b>
<b>OPERATING RESULT</b>	<b>(173)</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* and *State Water Corporation Act 2004*.

Under the Passenger Transport Act, IPART regulates bus fares for all passenger bus services provided under a bus service contract in the metropolitan, and outer metropolitan areas. From 1 July 2009, it is anticipated that IPART will also regulate bus fares for rural and regional areas under the passenger Transport Act.

IPART continues to exercise certain minor functions under the *Prices Regulation Act 1948, the Gaming Machines Act 2001* and the *Motor Accidents Compensation Act 1999*.

## 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 six major roles:

- > Regulating prices and reviewing pricing policies of government monopoly services.
- > Undertaking reviews referred to it in relation to industry, pricing or competition.
- > 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.

### Regulating prices and reviewing pricing policies

IPART conducts investigations and makes reports to the Minister on the determination of 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 must initiate investigations of declared 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
- > 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
- > State Water Corporation
- > Country Energy

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. The terms of any reference by the Premier must be advertised, and the final terms of reference must be settled with the Premier following consideration of public comments. 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 investigation. IPART may seek public participation by:

- > advertising public hearings (section 21(3))
- > seeking public comments on terms of reference (section 13(2))
- > providing public access to submissions (section 22A(1))
- > inviting public comment on issues and submissions
- > holding public seminars and workshops (section 21(2))
- > releasing reports and determinations to the public (section 19(1)).

IPART must make a document obtained by IPART in connection with an investigation available for inspection on request, unless the document is an exempt document under the *Freedom of Information Act 1989* (section 22A). If a document is exempt, 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 can be summarised as:

- > the cost of providing the services concerned
- > protection of consumers from abuses of monopoly power
- > an appropriate rate of return
- > the effect on general price inflation
- > the need for greater efficiency
- > the need to maintain ecologically sustainable development
- > the impact on pricing policies of borrowing, capital and dividend requirements
- > the impact on pricing policies of any arrangements that the agency concerned has entered into for the exercise its functions by some other person or body

- > the need to promote competition
- > considerations of demand management and least cost planning
- > the social impact of the determinations and recommendations
- > standards of quality, reliability and safety.

The Premier may also require IPART to consider specific matters in its investigations (section 13(1)(c)).

## 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 (section 14A). 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 (section 16A).

## Implementation of maximum prices

Agencies which are subject to IPART's determinations are not permitted to levy prices which exceed the maximum prices determined by IPART. The approval of the Treasurer is required if an agency wishes to charge a price below the maximum price (section 18).

## Compliance

In their annual reports, all agencies subject to IPART's determinations 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 (section 18(4)).

## Release of reports and determinations

IPART submits its reports to the Premier. Any determination must be published in the NSW Government Gazette as soon as practicable (section 17). Reports must be made available for public inspection and sale, tabled in Parliament, and placed in the Parliamentary Library (section 19).

## 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.

### 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, body or person, 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 2009/10 Work Program sections in this report.

### 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 (section 24B). The *Commercial Arbitration Act 1984* applies to such an arbitration, subject to the provisions of the IPART Act and any regulations made under section 29 of the IPART Act.

### 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).

### Regulating licences

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

Under the *Electricity Supply Act 1995*, *Gas Supply Act 1996*, *Hunter Water Act 1991*, *Sydney Water Act 1994*, *Sydney Water Catchment Management Act 1998*, *State Water Corporation Act 2004* and the *Water Industry Competition Act 2006* IPART is responsible for matters such as making recommendations to the Minister for or 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 contravention of the conditions of a licence
- > taking any remedial action as a result of a contravention of the conditions of a licence.

To fulfil this role, IPART monitors licence compliance and reports annually to the 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 if the utility knowingly contravened the conditions of a licence.

### Investigating complaints under competitive neutrality regime

The 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 Minister 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.

## 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. Section 27A of this Act enables IPART to:

- > establish a methodology within which tariff customer prices for delivered gas must be set
- > establish maximum tariffs or maximum average tariffs
- > prohibit the imposition of certain charges.

Any gas pricing order applicable to the delivered price of gas in a particular area applies to all retailers serving that area. If gas suppliers are aggrieved with IPART's determination, they may request a review of pricing orders by a review panel appointed by the Minister for Energy.

## Electricity Supply Act

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 Minister for Energy. 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.

## 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 the emission of greenhouse gases 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 Energy regarding such compliance. It may also conduct or require the conduct of audits.

IPART has also been appointed as the Scheme Administrator by the Minister for 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 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 or require the conduct of audits.

## Energy Savings Scheme

The *Electricity Supply Amendment (Energy Savings) Act 2009*, which created the framework for the Energy Savings Scheme (the ESS), was assented on 19 June 2009.

The 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.

From 1 July 2009, IPART will function as both the ESS scheme administrator and the ESS scheme regulator, and will be 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 will also manage the registration and transfer of certificates created from recognised energy savings activities.

### National Electricity Rules

IPART was previously the jurisdictional regulator responsible for determining the general level of distribution and/or aggregate annual revenue requirement for electricity distribution network services under the National Electricity Rules. On 1 January 2008, the AER assumed this function.

In 2008/09, as a transitional measure, IPART performed a compliance role with regard to its existing network pricing determination, *NSW Electricity Pricing 2004/05 to 2008/09*. That determination expired on 30 June 2009.

## Appendix B

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

Under section 16A of the Independent Pricing and Regulatory Tribunal Act, 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. 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 2008/09, the Minister for Water issued two s16A directions. The directions were applicable to the reviews of prices charged by Sydney Catchment Authority and Hunter Water Corporation.

In 2007/08, the Minister for Water issued four s16A directions. No s16A directions were received prior to 2007/08.

The table below sets out s16A directions received by IPART in 2008/09 and their impact.

**Table B.1: Section 16A directions**

Date of direction	Agency	Price determination	Requirement placed on Agency	Increase in notional revenue requirement (NPV terms) <sup>a</sup> (\$2008/09)	Cost increase per residential property (NPV terms) <sup>a</sup> (\$2008/09)
2 July 2008	Sydney Catchment Authority	Review of prices for the Sydney Catchment Authority – from 1 July 2009 to 30 June 2012	<ul style="list-style-type: none"> <li>&gt; Pay the Department of Water and Energy \$17.7 million (plus GST) towards the cost of upgrading six sewage treatment plants in the Sydney Catchment Authority's catchment areas.</li> </ul>	\$16.2 million	\$10
15 July 2008	Hunter Water Corporation	Review of prices for water, sewerage, stormwater and other services for Hunter Water Corporation – from date of Gazettal to 30 June 2013	<ul style="list-style-type: none"> <li>&gt; Immediately bring forward the construction of a 450 billion litre dam at Tillegra</li> <li>&gt; Provide a subsidy of up to \$10 million for the Kooragang Island recycling project.</li> </ul>	\$17.6 million  \$0  (As at the time of the determination, Hunter Water did not expect to pay a subsidy).	\$64  \$0

<sup>a</sup> The columns showing the increase in notional revenue requirement and cost per residential property show the stand-alone impact of each project over the period of the determination (2008/09 to 2011/12).

## Appendix C

### Tribunal Meetings, Public Forums and Submissions

#### C.1 Tribunal meetings

During 2008/09, the Tribunal held 45 meetings.

#### C.2 Delegated Tribunal Meetings

The Tribunal held 23 Delegated meetings and 15 Greenhouse Gas Reduction Scheme Tribunal meetings.

#### C.3 Public hearings and workshops, 2008/2009

The Tribunal also hosted 7 Public Hearings, 0 Public Forums, 4 Roundtables, 7 Workshops, 1 Public Presentation to stakeholders and conducted 2 site visits.

Dr Michael Keating, Chairman attended 45 Tribunal meetings and 15 other meetings.

Mr James Cox, CEO and Full Time Member attended 45 Tribunal meetings, 23 Delegated Tribunal meetings, 15 Greenhouse Gas Reduction Scheme Tribunal meetings and 17 other forums.

Ms Sybille Krieger, Part Time Member attended 38 Tribunal meetings and 15 other sessions.

Professor Neil Warren, Temporary Member assisting the review of NSW Taxation attended 1 Tribunal meeting.

Mr Eric Groom, Special Adviser attended 23 Delegated Tribunal meetings.

DATE	INVESTIGATION	VENUE
	<b>Transport</b>	
01/04/2009	Rail access Review of Rate of Return and Remaining Mine Life	Sydney
17/11/2008	Review of CityRail fares 2009–2012	Sydney
06/11/2008	Fares for buses across NSW, Private Ferries and Newcastle Ferry Services	Sydney
31/07/2008	Review of CityRail Regulatory Framework	Sydney
	<b>Energy</b>	
19/03/2009	2009 Review of Market-Based Electricity Purchase Cost Allowance	Sydney
	<b>Water</b>	
12/12/2008	Review of prices for water, sewerage, stormwater and recycled water services for Hunter Water Corporation – From 1 July 2009	Newcastle
19/11/2008	Review of water prices for the Sydney Catchment Authority	Sydney
14/11/2008	Metropolitan water price review – Gosford and Wyong Councils	Gosford North
	<b>Greenhouse Gas Reduction Scheme</b>	
07/11/2008	Auditor Training	Sydney

DATE	INVESTIGATION	VENUE
	<b>Other Industries</b>	
02/04/2009	Review of NSW Climate Change Mitigation Measures	Sydney
26/11/2008	Review of revenue framework for Local Government and certain agencies	Sydney
12/11/2008	Review of revenue framework for local government	Coffs Harbour
05/11/2008	Review of revenue framework for local government	Rutherford
22/10/2008	Review of revenue framework for local government	Dubbo West
14/10/2008	Review of revenue framework for local government	Queanbeyan
29/09/2008	Review of revenue framework for local government	Sydney
11/09/2008	Review of WorkCover's proposed fees for regulating major hazard facilities	Sydney
07/08/2008	Review of fees of the Office of the Protective Commissioner	Sydney

## C.4 Submissions to projects during 2008/09

The Tribunal invited stakeholders and the public to make submissions to the projects in progress during 2008/09, and received a total of 601 submissions.

Closure date = day submissions close

CLOSURE DATE	INVESTIGATION	SUBMISSIONS
	<b>Energy</b>	
14/04/2009	Draft Report – Market-based electricity purchase cost allowance – 2009 review, Regulated electricity retail tariffs and charges for small retail customers 2007 to 2010	44
24/10/2008	Islanded networks – Principally in relation to combined heat and power schemes – Consultation Paper – September 2008	4
	<b>Transport</b>	
24/06/2009	Issues Paper – Review of fares for metropolitan and outer metropolitan bus services from January 2010 – Proposed changes to IPART's fare setting approach – May 2009	11
19/06/2009	Draft Report and Draft Decision - New South Wales Rail Access Undertaking – Review of rate of return and remaining mine life from 1 July 2009	7
20/04/2009	Information Paper – 2009 Review of Taxi Fares – March 2009	8
13/03/2009	RailCorp Proposal on Roll Forward of Regulatory Asset Base – Ceiling Test – Unders and Overs Account – January 2009	1
28/02/2009	Consultant Report – Draft report on prudence of ARTC Train Control Consolidation investment – Prepared for IPART by LECG	1

CLOSURE DATE	INVESTIGATION	SUBMISSIONS
26/11/2008	Final Report – Review of ARTC Capital Expenditure for the Sandgate Rail Grade Separation Project Newcastle – Prepared for IPART by Himark Consulting Group	2
05/11/2008	Improving CityRail’s accountability and incentives through stronger governance arrangement – Draft Report – October 2008	1
05/11/2008	Review of CityRail fares, 2009–2012 – Draft Report and Draft Determinations – October 2008	380
18/07/2008	Determining CityRail’s revenue requirement and how it should be funded – Discussion Paper – 6 June 2008	20
13/03/2008	ARTC – Annual Compliance Report for 2007/08	2
15/02/2008	Amended Submission – RailCorp – Compliance with the NSW Rail Access Undertaking for 2006–2007	1
15/02/2008	Submission – Australian Rail Track Corporation – ARTC – Compliance with the NSW Rail Access Undertaking for 2006–07	1
<b>Research</b>		
19/06/2009	Discussion Paper – Estimating the debt margin for the weighted average cost of capital – May 2009	5
09/04/2009	Discussion Paper – Adjusting for expected inflation in deriving the cost of capital – February 2009	3
<b>Other</b>		
13/02/2009	Issues Paper – Review of NSW Climate Change Mitigation Measures – December 2008	54
29/08/2008	Issues Paper – Revenue Framework for Local Government	70
13/08/2008	Review of WorkCover’s proposed fee schedule for regulating major hazard facilities – Issues Paper	10
16/07/2008	Review of fees of the Office of the Protective Commissioner – Issues paper	60
11/07/2008	Draft Report – Review of State Taxation - Report to Treasurer – 12 June 2008	59
<b>Water</b>		
22/05/2009	Draft Determinations and Draft Report – Review of prices for water, sewerage, stormwater and other services for Hunter Water Corporation – April 2009	69
10/04/2009	Draft Determination and Draft Report – Sydney Catchment Authority – Review of Prices from 1 July 2009 to 30 June 2012 – March 2009	7
27/03/2009	Draft Determinations and Draft Report – Gosford City Council and Wyong Shire Council – Prices for water, sewerage and stormwater drainage services from 1 July 2009 to 30 June 2013	8
10/10/2008	Issues Paper – Review of prices for the Sydney Catchment Authority – From 1 July 2009	10

CLOSURE DATE	INVESTIGATION	SUBMISSIONS
10/10/2008	Issues Paper – Review of prices for water, sewerage, stormwater and recycled water services for Hunter Water Corporation – From 1 July 2009	75
10/10/2008	Issues Paper – Review of prices for water, wastewater and stormwater services for Gosford City Council and Wyong Shire Council – From 1 July 2009 (Version Including Erratum)	21
15/08/2008	Draft Determination and Draft Report – Review of developer charges for metropolitan water agencies – SWC, HWC, GCC, WSC	8

## Appendix D

### Publications

DATE	PUBLICATION
	<b>Electricity</b>
20/05/2009	Market-based electricity purchase cost allowance – 2009 review – Regulated electricity retail tariffs and charges for small customers 2007 to 2010 – Final Report and Determination – May 2009
12/03/2009	Draft Report – Market-based electricity purchase cost allowance – 2009 review, Regulated electricity retail tariffs and charges for small retail customers 2007 to 2010
27/11/2008	Report to Minister – Energy distribution and retail licences – 2007–2008
	<b>Water</b>
05/06/2009	Determination and Final Report – Review of prices for the Sydney Catchment Authority – From 1 July 2009 to 30 June 2012
15/05/2009	Final Determinations and Report – Gosford City Council and Wyong Shire Council – prices for water, sewerage and stormwater drainage services from 1 July 2009 to 30 June 2013
06/05/2009	Audit of Sydney Catchment Authority's Asset Management System – Report to the Minister – April 2009
01/05/2009	Department of Water and Energy – 2006 Bulk Water Pricing Department – Compliance Report
24/04/2009	Draft Determinations and Draft Report – Review of prices for water, sewerage, stormwater and other services for Hunter Water Corporation – April 2009
20/03/2009	Draft Determination and Draft Report – Sydney Catchment Authority – Review of Prices from 1 July 2009 to 30 June 2012 – March 2009
05/03/2009	Draft Determinations and Draft Report – Gosford City Council and Wyong Shire Council – Prices for water, sewerage and stormwater drainage services from 1 July 2009 to 30 June 2013
02/02/2009	Hunter Water Corporation Operational Audit 2007–2008 – Report to the Minister
02/02/2009	State Water Corporation Operational Audit 2006–2008 – Report to the Minister
02/02/2009	Sydney Catchment Authority Operational Audit – 2007–2008 – Report to the Minister
02/02/2009	Sydney Water Corporation Operational Audit 2007–2008 – Report to the Minister
13/01/2009	Department of Water and Energy – 2006 Bulk Water Pricing Department – Compliance Report
25/07/2008	Erratum to Issues Paper – Review of Prices for Water, Wastewater and Stormwater Services for GCC and WSC
18/07/2008	Draft Determination and Draft Report – Review of developer charges for metropolitan water agencies – SWC, HWC, GCC, WSC
18/07/2008	Issues Paper – Review of prices for the Sydney Catchment Authority – From 1 July 2009
18/07/2008	Issues Paper – Review of prices for water, sewerage, stormwater and recycled water services for Hunter Water Corporation – From 1 July 2009

DATE	PUBLICATION
18/07/2008	Issues Paper – Review of prices for water, wastewater and stormwater services for Gosford City Council and Wyong Shire Council – From 1 July 2009 (Version Including Erratum)
09/07/2008	IPART Report to the Minister – Audit of Sydney Water Corporation’s Asset Management Systems
	<b>Transport</b>
24/06/2009	Recommendations to Minister – Mid-year review of fuel costs for private ferries in NSW to March 2009 – May 2009
22/06/2009	Final Report & Recommendations – 2009 Review of Taxi fares in NSW – June 2009
15/06/2009	Determination on compliance of RailCorp with the NSW Rail Access Undertaking for 2007/08
20/05/2009	Draft Report and Draft Decision – New South Wales Rail Access Undertaking – Review of rate of return and remaining mine life from 1 July 2009
13/05/2009	Issues Paper – Review of fares for metropolitan and outer metropolitan bus services from January 2010 – Proposed changes to IPART’s fare setting approach – May 2009
05/05/2009	Determination – Compliance of ARTC with the NSW Rail Access Undertaking for 2006–07 – Statement of Reasons for decision
24/03/2009	Information Paper – 2009 Review of Taxi Fares – March 2009
27/02/2009	Discussion Paper – Review of Rate of Return under the NSW Rail Access Undertaking – February 2009
05/01/2009	Mid-year review of LPG costs – IPART recommendations and Government response – December 2008
24/12/2008	Final Report and Recommendations – Review of fares for rural and regional bus services for 2009 – December 2008
16/12/2008	Final Determinations – Review of CityRail fares, TravelPass and DayTripper, 2009–2012 – December 2008
16/12/2008	Final Report – Improving CityRail’s accountability and incentives through an effective service contract
16/12/2008	Final Report – Review of CityRail fares, 2009–2012 – December 2008
16/12/2008	Final Report and Determination – Review of fares for metropolitan and outer metropolitan bus services for 2009 – December 2008
28/11/2008	Review of fares for private ferry services and the Stockton ferry service for 2009 – Report, Recommendations and Determination – November 2008
26/11/2008	Determination – Compliance of RailCorp with the NSW Rail Access undertaking for 2006–2007
27/10/2008	ARTC’s unders and over account policy
03/10/2008	Improving CityRail’s accountability and incentives through stronger governance arrangement – Draft Report – October 2008
03/10/2008	Review of CityRail fares, 2009–2012 – Draft Report and Draft Determinations – October 2008

DATE	PUBLICATION
	<b>Other Industries</b>
25/05/2009	Final Report – Review of WorkCover’s proposed fee schedule for regulating major hazard facilities – May 2009
20/05/2009	Discussion Paper – Estimating the debt margin for the weighted average cost of capital – May 2009
15/05/2009	Final Decision – Adjusting for expected inflation in deriving the cost of capital – May 2009
15/05/2009	Information Paper – Distribution businesses performance against customer service indicators – For the period 1 July 2003 to 30 June 2008
25/02/2009	Review of Fees of the Office of the Protective Commissioner – Final Report – September 2008
20/02/2009	Discussion Paper – Adjusting for expected inflation in deriving the cost of capital – February 2009
23/12/2008	Issues Paper – Review of NSW Climate Change Mitigation Measures – December 2008
19/12/2008	Report – Residential energy and water use in the Hunter Gosford and Wyong – Results from the 2008 Household Survey
17/10/2008	Final Report – Review of State Taxation – Report to Treasurer – 17 October 2008
09/10/2008	Final Report – Framework for performance improvement in health – October 2008
04/08/2008	IPART 2008 Stakeholder Survey – Final Report – Prepared by ARTD Consultants – 21 July 2008
31/07/2008	Final Determination and Report – Price Review of Rating Valuation Services Provided by the Valuer General to Local Government
16/07/2008	Review of WorkCover’s proposed fee schedule for regulating major hazard facilities – Issues Paper
14/07/2008	Issues Paper – Revenue Framework for Local Government – July 2008
	<b>Other Documents (not related to specific industries or projects)</b>
12/01/2009	Corporate Governance Statement – January 2009
24/11/2008	IPART Annual Report 2007–2008
30/07/2008	Compliance and Operation of the NSW Greenhouse Gas Reduction Scheme during 2007

## Appendix E

### Staffing and Consultants

#### Equal Employment Opportunity

EEO statistics (total staff by level and employment basis)

NUMBER OF EMPLOYEES BY CATEGORY, AND COMPARISON TO PRIOR THREE YEARS AS AT 30 JUNE 2009				
	2009	2008	2007	2006
Chairman and Chief Executive	2	2	2	2
Directors and General Managers	6	6	5	7
Program Managers	12	12	9	8
Managers	4	4	4	3
Analysts	41	40	39	37
Graduates analysts	8	4	2	0
General Counsel	1	1	1	1
Legal Officers	2	1	2	2
Support Officers	14	13	11	11
<b>Total number of staff includes full time, part-time, temporaries and graduates</b>	<b>90</b>	<b>83</b>	<b>75</b>	<b>71</b>
Part-time Tribunal Members	1	1	1	1
Temporary Members	0	1	0	2
<b>Total number of Staff including members</b>	<b>91</b>	<b>85</b>	<b>76</b>	<b>74</b>

	TRENDS IN THE REPRESENTATION OF EEO GROUPS				
	Benchmark/ Target	% OF TOTAL STAFF			
		2009	2008	2007	2006
Women	50	57	52	45	47
Aboriginal people and Torres Strait Islanders	2	0	0	0	0
People whose first language was not English	20	21	16	11	13
People with a disability	12	2	4	3	1
People with a disability requiring work-related adjustment	7	0	0	0	0

EEO Groups	DISTRIBUTION INDEX				
	Benchmark/ Target	2009	2008	2007	2006
Women	100	99	96	98	101
Aboriginal people and Torres Strait Islanders	100	0	0	0	0
People whose first language was not English	100	n/a	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	0	0	0	0

*Notes*

1. Staff numbers are as at 30 June 2009.
2. Excludes casual staff.

## EEO outcomes for the reporting period

The Climate survey was conducted in October 2008 achieving a response rate of 87 per cent. The survey revealed significant improvement in staff satisfaction since it was last conducted in 2002. Other improvements were noted in the areas of professional and collegial work environment, flexible work conditions and interesting and satisfying work.

The Lucy Mentoring program received further support this year, providing experience and advice in the agency's recruitment services, office services and how executive meetings are conducted for one female in her final year of studies.

IPART provided work experience for a University sponsored student from a non-English speaking background majoring in Human Resources and Industrial relations. The student was able to spend one day per week with the agency gaining exposure to the services provided by the support services team.

IPART sponsored a corporate table for International Women's Day at the UNIFEM Sydney Breakfast, enabling 10 women to attend and enjoy the celebrations.

## Industrial Relations Policies and Practices

IPART's revised award was made on 29 June 2009. The new award has reduced duplication, eliminated the need for a separate Memorandum of Understanding and allowed items to be easily located.

A new capability framework was introduced to enhance IPART's performance management system (known as PES – performance enhancement system). The new competency standards were to be used by individuals to assess their own capabilities, and by managers to articulate requirements for individual performance. The new framework was tested by a group of staff and managers and launched through a series of training workshops.

The *Managing Unsatisfactory Performance Policy* was improved following extensive consultation with the Joint Consultative Committee, staff and managers. An all staff workshop will be scheduled to reinforce the importance of providing feedback and complying with the procedures outlined in the policy document.

## Code of Conduct

There were no changes to the Professional Standards and Behaviour Policy.

## Flexible work practices

IPART's flexible work practices include flexi-time and permanent part-time arrangements continue to prove beneficial for both the employee and the organisation providing staff with flexibility to balance work and family responsibilities.

## Occupational health and safety

The agency is committed to care for the health, welfare and safety of all staff, visitors and stakeholders in the workplace. There were no prosecutions under the Occupational Health and Safety Act for IPART during this year. Highlights for 2008/09 include:

- > Active OH&S Committee to drive internal enhancements and communicate information to staff.
- > Independent workplace inspection to determining any areas overlooked by the OH&S Committee members and managers. The report outlined a number of non-critical areas for improvement, and these were actioned through the OH&S Committee.
- > Manual handling training was organised for all support services staff with an invitation to all staff.
- > Introduction of 'Go Kits' for each workstation for use in emergency evacuation. Each kit contains essential items for personal use in the event of an evacuation or requirement to shelter in place for an extended period.
- > Launch of 'Safety@MiPART' intranet site to provide OH&S updates and information to staff.
- > Introduction of OH&S mailbox to enable staff to register issues, queries or concerns to OH&S Committee.

## Corporate Plan

The Corporate Plan was revised in 2006/07 and published on the website. IPART's strategic directions are outlined in the corporate plan, and progress towards meeting corporate objectives is assessed for each program element at page 17.

## Consultants

During 2008/09, IPART engaged the following consultants for a total expenditure of \$2,859,105 (work on some of these consultancies was still proceeding at 30 June):

CONSULTANTS EQUAL TO OR MORE THAN \$30,000		
Consultant	\$ Cost	Title
<b>Information Technology</b>		
Ernst & Young	\$32,291	Information Security Assessment
<b>Sub Total Information Technology</b>	<b>\$32,291</b>	
<b>Environmental</b>		
LECG	\$100,000	Assist IPART with a Study into Externalities for Buses
<b>Sub Total Environmental</b>	<b>\$100,000</b>	

CONSULTANTS EQUAL TO OR MORE THAN \$30,000		
Consultant	\$ Cost	Title
<b>Engineering</b>		
Cardno (Qld) Pty Ltd	\$133,210	2007–2008 Operational Audit of the Sydney Water Corporation
GHD Pty Ltd	\$105,909	Technical Capacity for a Network Operator's Licence and Establishing an Audit panel under the Water Industry Competition Act 2006
GHD Pty Ltd	\$135,281	2008 Operational Audit of Hunter Water Corporation
Halcrow Pacific	\$136,835	Review of Operating Expenditure Gosford City Council and Wyong Shire Council 2009 Determination
Halcrow Pacific	\$117,240	2006–2008 Operational Audit of the State Water Corporation
LECG	\$30,000	Review of ARTC Train Control Consolidation Project (TCC Project)
Parsons Brinckerhoff Australia Pty Ltd	\$41,200	2007–2008 Operational Audit of the Sydney Catchment Authority
Sinclair Knights Merz Pty Ltd	\$167,329	Review of Consumption Forecasts for Hunter Water Corporation, Gosford & Wyong Councils – 2009 Determination
Worley Parsons Limited	\$141,550	Review of Capital & Operating Expenditure & Asset Management Sydney Catchment Authority
WS Atkins International Ltd	\$144,715	Review of Capital and Operating Expenditure Hunter Water Corp (2009 Determination)
<b>Sub Total Engineering</b>	<b>\$1,153,269</b>	
<b>Finance and Accounting</b>		
Charles River Associates International Pty Ltd	\$75,636	CityRail Passenger Services: Assessing the Allocation of Costs Between Government and Users
Deloitte Touche Tohmatsu	\$45,455	Review of Hunter Water Corp's Proposal to Alter Trade Waste Service Prices and Ancillary and Misc. Service Charges from 1 July 2009
Deloitte Touche Tohmatsu	\$127,462	2007 ETEF Audit
Deloitte Touche Tohmatsu	\$108,534	2008 ETEF Audit
Deloitte Touche Tohmatsu	\$72,100	Assistance with Licence Compliance Audits of NSW Retail Energy Suppliers
Farrier Swier Consulting	\$47,722	Assistance with the Draft Report for the Hunter Water Corporation Price Review
Frontier Economics Pty Ltd	\$54,314	Expert Advice for the 2008 and 2009 Annual Review of Market Based Energy Purchase Cost Allowance

CONSULTANTS EQUAL TO OR MORE THAN \$30,000		
Consultant	\$ Cost	Title
Helen R Green	\$75,790	Assistance with Local Government Review
Indec Pty Ltd	\$89,000	Advise on Relative Weighting of Costs in the Commercial Vessel Association Cost Index
KPMG House	\$38,960	Cost of Services to be Provided by Workcover's Major Hazard Facilities Unit
LECG	\$46,094	Review of Allocation of ARTC Unders and Overs Account Balance for 2005/06
LECG	\$31,275	Review of Remaining Mine Life of Hunter Valley Coal Mines Under the NSW Rail Access Undertaking
McLennan Magasanik Associates	\$108,897	2008 Household Survey of Water, Electricity and Gas use in Gosford Council, Wyong Shire Council and Hunter Water Corporation's Area of Operation
Walter Turnbull Pty Ltd	\$105,920	Quality Assurance Projects
Wilson Cook and Co Ltd	\$36,273	Development of Model and Guide for the Financial and Technical Assessment for Islanded Networks
<b>Sub Total Finance and Accounting</b>	<b>\$1,063,433</b>	
<b>Total Consultancies more than \$30,000</b>	<b>\$2,348,992</b>	

CONSULTANTS EQUAL TO OR LESS THAN \$30,000		
Consultant	\$ Cost	Title
Information Technology (1 engagement)	\$21,000	
Environmental (4 engagements)	\$40,160	
Engineering (9 engagements)	\$134,617	
Finance and Accounting (18 engagements)	\$285,327	
Management Services (2 engagements)	\$29,009	
<b>Total Consultancies less than \$30,000</b>	<b>\$510,112</b>	
<b>TOTAL CONSULTANCIES</b>	<b>\$2,859,105</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.

Six contract positions equivalent to SES 1 (\$141,250 or higher), including three held by women, were filled at the end of the financial year. This compares with five contracts in the previous year (three held by women) when executive staff were on secondment and leave without pay.

## 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 (\$225,201 at 30 June). At IPART, this applies to:

NAME	POSITION	TOTAL SALARY PACKAGE
Michael Keating	Chairman (part-time three days per week)	\$263,771
James Cox	Chief Executive Officer and Full Time Member	\$354,420

### Michael Keating

*Appointed 17 December 2004.*

The Premier has indicated that during 2008/09 Dr Michael Keating met the performance criteria established for the position of Chairman. The key achievements for 2008/09 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 Chairman has indicated that during 2008/09 James Cox met the performance criteria established for the position of Chief Executive Officer and Full Time Member. The key achievements for 2008/09 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 Full Time Member, participation in the Tribunal's decision-making process and ensuring teams had the best possible information to conduct the reviews effectively, and that the technical quality of work being done by the Secretariat met IPART and key stakeholder standards.

## Appendix F

### External Liaison

#### Overseas visits

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

STAFF MEMBER	TRAVEL TO	DATE	REASON FOR TRAVEL	COST
Chris Spangaro	New Zealand	18/08/08– 20/08/2008	To attend Australia and New Zealand Climate Change Business Conference	\$4,194.00
James Cox	Rome/UK	18/01/09– 30/01/2009	Present a paper on <i>Water Regulation in Australia</i> at the <b>International Initiative in Water Regulation Conference</b> in Rome then travelled to UK to meet with overseas Regulators in the UK	\$8,148.00
James Cox	Japan	02/02/09– 05/02/2009	Present a paper at the <b>IWA Workshop on Tariff and Pricing Toward Sustainable Water Services and also Water Regulation in Australia</b> . Venue: Tokyo	\$2,150.00

#### External presentations

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

TITLE	VENUE	DATE
James Cox, Chief Executive Officer and Full Time Member		
Pricing mechanisms for local water utilities	ISGA Water Management Conference, Ballina RSL, Ballina	15 Aug 2008
Small Retail Gas Customers in NSW	Australian Gas Markets 3rd Annual Conference, Radisson Plaza Hotel, Sydney	18 Aug 2008
Regulators Panel Discussion	13 Annual National Water 2008 Conference, Sofitel Hotel, Melbourne	26 Aug 2008
Panel Discussion – Impediments and Solutions for Pricing Reforms	7 Annual National Infrastructure Summit, RACV City Club, Melbourne	8 Sep 2008
Developing coherent solutions to impediments for transport pricing reforms	Future City Transport Summit 2008, WatersEdge, Sydney	29 Oct 2008
Water Trading – Panacea or Placebo	Water Leaders Congress 09, Inter Continental Hotel, Sydney	4 Mar 2009
IPART'S Review of the Revenue Framework for Local Government	NSW Local Government Finance Professionals 10th Annual Conference, Novotel Hotel, Wollongong	18 May 2009
Pricing of Water in NSW	The 7th Annual Australian Water Summit, Hilton Hotel, Brisbane	5 Jun 2009

TITLE	VENUE	DATE
Michael Keating, Chairman		
Pricing and Financing Modes to ensure Sustainable Water Supply	Urban Water Sustainability: Infrastructure & Investment Hilton on the Park, Melbourne	19 Sep 2008
Meryl McCracken, General Manager Support Services		
Developing Staff Performance	Institute of Public Administration NSW Member Forum, Mckell Building, Sydney	22 Oct 2008
Richard Warner, Program Manager, Water Pricing		
Review of Developer Charges for metropolitan water agencies	Urban Development Institute of Australia, Hilton Hotel, George Street, Sydney	4 Sep 2008

## Asset management plan

The only significant change to the Asset Management plan relates to the installation of an improved telecommunications system during the year. The project was delivered on budget and on time.

## Complaints

IPART occasionally receives complaints about its determinations and public procedures. These complaints are acknowledged and, where appropriate, registered as submissions to the relevant investigation.

It also sometimes receives representations concerning the pricing practices or activities of the utilities it regulates. When appropriate, these representations are referred to the relevant agency and 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 2008/09.

## Funds granted to non-government community organisations

There were no funds granted to non-government community organisations in 2008/09.

## Privacy plan

There were no changes to IPART's Privacy Plan in 2008/09, nor any complaints or requests for internal reviews. 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.

## 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.

## Risk management and insurance

IPART's insurance for workers compensation, motor vehicles, public liability, property and miscellaneous items is provided by the NSW Treasury Managed Fund. During 2008/09, there was 1 property claim with a net incurred loss of \$755 and nil motor vehicle, liability or miscellaneous claims.

In late 2008, an Audit and Risk Management Committee with an Independent Chair and Member was established within IPART, consistent with Government guidelines. The Committee is responsible for oversight of the organisation's

risk management program for development, implementation and monitoring activities. During the year IPART reviewed the existing risk management framework and conducted audit and risk management strategies based on the revised risk assessment.

## Internal and external reviews

IPART reviewed the following areas in 2008/09, as part of the internal audit review program. These were:

### Financial and Administration Health Check

The Audit and Risk Management Committee approved the internal audit and risk management program which included undertaking a broad health check of key processes and controls.

The overall objective of the review was to provide assurance to IPART management as to the adequacy and effectiveness of the current internal control environment operating over the Tribunal's key financial and administration processes relating specifically to expenditure.

The scope of this review included:

- > Financial delegations
- > Credit card expenditure and usage
- > Usage of mobile telephones
- > Travel expenditure
- > Expenditure related to the use of external consultants
- > Review of associated policies and procedures.

The auditor concluded that in general terms the internal controls over the specific expenditure types examined are satisfactory. However, the auditor did identify some areas where internal controls should be strengthened in the area of supporting documentation for credit card purchases and the completion of evaluation forms when consultancy work has been completed.

### Review of Records Management

The objective of this review was to assess staff's understanding of the Records Management policy, their obligations under this policy, and whether there is consistent compliance to this policy by all staff members. The conduct of the review comprised the observation of current processes and controls, discussions with key staff and the testing of a randomly selected sample of transactions and associated documentation.

The auditor concluded that in general terms the internal controls over IPART's records are satisfactory. However, the Internal Audit Bureau did identify some areas where internal controls should be strengthened. These areas included the revision of the policy to reflect organisational changes and the more systematic use of the Action Register.

### Report on account payment performance

AGED ANALYSIS AT THE END OF EACH QUARTER					
Quarter	Current (ie. within due date)	Less than 30 days overdue	Between 30–60 days overdue	Between 60–90 days overdue	More than 90 days overdue
	\$	\$	\$	\$	\$
September Quarter	90,433	0	0	0	0
December Quarter	313,066	0	0	0	0
March Quarter	106,833	0	0	0	0
June Quarter	0	0	0	0	0

## Accounts paid on time within each quarter

TOTAL ACCOUNTS PAID ON TIME				
Quarter	Target	Actual	\$	Total amount paid (\$)
September Quarter	88%	95%	2,959,164	3,070,478
December Quarter	88%	89%	5,834,893	6,241,866
March Quarter	88%	88%	2,743,700	3,113,709
June Quarter	88%	90%	3,450,133	3,780,282

*During 2008/09, 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.*

## Waste Avoidance and Resource Recovery

IPART continues to increase the amount of waste material it recycles in line with Government requirements. Actual data on the total quantity of recycled waste material is not available as recycling is managed externally by the building lessor, who does not retain data on this service.

IPART plans to review its Waste Reduction and Purchasing Policy Plan in 2009/10 and will comment on this in next years report.

## Energy Management

Whilst IPART is a minimal user of electricity and fuel (being a small agency and primarily office-based), it continues to consider its emissions impact and reduce it where possible. IPART's office accommodation has been designed to incorporate energy efficient features such as timed lighting in general office areas and sensor lights where appropriate.

In relation to office equipment, the number of single purpose printers has been reduced as staff embrace the use of multifunction centres. These have great energy efficiencies and significantly reduced the number of appliances drawing power. Procurement decisions for purchase of office equipment continue to have regard for energy efficient options.

## 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 \$14,201 + 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.

## Appendix G

### Freedom of Information Act – Statement of Affairs

Under the *Freedom of Information Act 1989* (the **FOI Act**), every NSW government department or agency is required to publish an annual statement of affairs. The statement describes the structure and functions of the agency and lists categories of documents that are held by the agency. This information is provided in this annual report.

#### 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).

#### FOI procedures

To obtain IPART documents other than those identified in the public access library, an application must be made in writing under the FOI Act.

Since many documents are readily accessible through IPART's public access arrangements and website, it is advisable to check the general availability of the document before making an application under the FOI Act.

FOI applications must be accompanied by a \$30 application fee and directed to:

**Independent Pricing and Regulatory Tribunal**

PO Box Q290  
QVB Post Office  
SYDNEY NSW 1230

Arrangements to inspect or obtain copies of documents can be made by contacting the FOI Co-ordinator on (02) 9290 8400.

#### Request made during this year

IPART received one new request for documents under the FOI Act in this financial year.

On 25 May 2009, IPART received an application for access to documents containing the information used to calculate certain rates of return in its 2004 Review into Rentals for Waterfront Tenancies on Crown Land in NSW. IPART released one document in response to this application.

The \$30 application fee was paid by the applicant and no processing charges were sought by IPART. The applicant did not seek a review of IPART's decision.

As in the previous year, no Ministerial certificates were issued in this financial year and 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 2006/2007 financial year which carried forward into this financial year.

On 20 March 2007, Services Sydney Pty Ltd (**Services Sydney**) requested IPART to provide access to information concerning the building block operating and capital expenditures and the cost data used by the Tribunal in its September 2005 Determination on Metropolitan Water Prices for Sydney Water Corporation.

IPART made its primary decision in three parts, dated 30 April 2007, 7 May 2007 and 9 May 2007. In addition to the \$30 application fee, the applicant paid IPART's costs of processing this request in the sum of \$3,574.51, based upon an estimated 119.2 hours of processing time.

The applicant sought internal review and paid the internal review fee of \$40. IPART made its internal review decision in two parts, dated 23 and 30 May 2007. The internal review granted access to certain documents that were not released in the primary determination.

After completion of the internal review, IPART had granted full access to 169 of the documents sought, with access refused in whole or part for:

- > 246 documents on the basis that they were exempt under section 25 (1) (a) of the FOI Act, and
- > 44 documents under sections 25 (1) (b), (b1) or (c) of the FOI Act on the basis that they were otherwise available for public access.

On 15 June 2007, Services Sydney filed an application for review of IPART's decision with the NSW Administrative Decisions Tribunal (ADT) seeking access to 67 documents for which access had been refused by IPART in whole or part in the internal review decision. The ADT agreed to Sydney Water Corporation's request to be joined as the second respondent to the proceedings.

During the course of the ADT proceedings, the number of documents sought by the applicant and remaining in dispute was reduced, by agreement of the parties, to 27 documents by the time the matter reached a hearing.

The ADT heard the review on 27 and 28 November 2007. During the course of that hearing, some 17 documents were ordered by the ADT to be released, released in part, or not to be released, by consent of the parties.

On 3 April 2008 the ADT issued a written determination. Of the 10 documents remaining in dispute, the ADT:

- > affirmed IPART's decision to refuse access with respect to one document
- > set aside IPART's decision and determined that a further 4 documents should be released and
- > reserved its decision on, and ordered the production to the ADT of, a further 5 documents that were subject to "cabinet in confidence" claims.

On 1 May 2008 IPART lodged an appeal to the ADT Appeals Panel (Appeals Panel) against the ADT's decision with respect to three of the four documents that the ADT had determined for release (the fourth document was subsequently released to Services Sydney) and against the ADT's orders with respect to the 5 documents that were subject to "cabinet in confidence" claims. Pursuant to section 57 of the FOI Act, the Premier was joined as a party to this appeal in relation to those documents that were subject to "cabinet in confidence" claims.

The appeal was heard by the Appeals Panel on 18 July 2008. The Appeal Panel handed down its decision on 5 December 2008. The Appeals Panel:

- > affirmed IPART's decision not to release the documents subject to "cabinet in confidence" claims and
- > identified legal errors in the decision at first instance in respect of the three other remaining documents and extended the review of the first instance decision to the merits in respect of those documents.

At a subsequent directions hearing held on 13 February 2009, the Appeals Panel made an order dismissing the matter for want of prosecution.

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