



ICRC

independent competition and regulatory commission

Annual Report

2006–07

September 2007

The Independent Competition and Regulatory Commission

The Commission is established by the *Independent Competition and Regulatory Commission Act 1997* to determine prices for regulated industries, approve access arrangements and arbitrate disputes on access to infrastructure. The Commission also provides advice on competitive neutrality complaints and on government-regulated activities.

The Commission also has responsibilities under the *Utilities Act 2000*. Under the Act the Commission licenses utility services in the Australian Capital Territory. It also ensures compliance with legislation, codes and licence conditions, and approves industry codes of practice and the form of standard customer contracts.

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Transmittal certificate

Mr Simon Corbell MLA
Attorney General
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Dear Minister

This report has been prepared under section 6(1) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with the requirements referred to in the Chief Minister's 2006-07 Annual Reports Directions. It has been prepared in conformity with other legislation applicable to the preparation of the Annual Report by the Independent Competition and Regulatory Commission.

We hereby certify that the attached Annual Report is an honest and accurate account and that all material information on the operations of the Independent Competition and Regulatory Commission during the period from 1 July 2006 to 30 June 2007 has been included and that it complies with the Chief Minister's Annual Reports Directions.

We also certify that fraud prevention has been managed in accordance with Public Sector Management Standard 2, Part 2.4.

Section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you cause a copy of the report to be laid before the Legislative Assembly within three months of the end of the financial year.

Yours sincerely

Paul Baxter
Senior Commissioner

Susan Faulbaum
Chief Executive Officer

September 2007



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Foreword

The Commission's annual report for 2002–03 was the first to be introduced by a brief essay to complement the mandatory reporting information later in the report. That first essay described the background to and state of utility regulation activities in Australia and, in particular, in the Australian Capital Territory (ACT).

The annual report for 2003–04 was introduced by building on the previous discussion, providing an ACT perspective on the role of state and territory regulators in the new Australian energy regulatory environment. The essay for 2004–05 focused on the pricing and regulation of water, in particular the pricing of externalities considered in the Commission's comprehensive review during that financial year. In 2005–06, the introductory essay was a brief overview of current changes to energy utility regulation in Australia.

This year, the essay looks at the impact of the drought on pricing in the electricity market, including pricing risks associated with the structure of the retail market.

Drought, generation prices and retail regulatory risk

Introduction

Until recently, the long drought across the eastern states of Australia that comprise the National Electricity Market (NEM) has not had a direct impact on the price of electricity to most consumers.¹ Primarily, the price impact of the drought has been confined to water pricing, as utility service providers and governments have sought ways to secure water supplies.

However, in 2006–07 the drought began to affect the price of electricity to consumers and the reliability of the supply of electricity to the market as a whole. Although electricity prices did not rise noticeably in 2006–07, this will change in 2007–08 as new regulated retail prices start to incorporate the effects of the drought, and then flow through into consumers' electricity accounts. At the same time, competitive tariffs offered in the market will also rise as retailers pay the rising cost of wholesale electricity supplied into the market by generators.

The increasing price for electricity in the market is also putting cost pressure on retailers, who are faced with both increasingly volatile wholesale markets and prices and limits on the prices they can pass on to customers in

¹ NSW, Victoria, Queensland, South Australia, Tasmania, ACT

competition with standing or capped tariffs. Most jurisdictions in the NEM have implemented full retail contestability (FRC), opening their retail markets to competition. However, for a variety of reasons not necessarily linked to the efficient operation of the electricity market, all jurisdictional governments have retained controls on retail electricity prices for what were formerly known as franchise customers, but are now simply customers who have not yet moved from regulated to negotiated tariff contracts. To date, retail price controls have not been a source of substantial risk for the electricity industry, and in particular the retail electricity sector. However, the drought, combined with the timing of some major maintenance works on a number of base load generators, has brought a level of price risk that could potentially result in a significant restructuring of the electricity retail sector.

The structure of the national electricity market

The NEM is comprised of a series of contractual and financial relationships between various participants in the market. These contractual and financial arrangements are built around a physical structure which is often more readily recognised and understood by the community as it represents the physical result of the extensive investment in generation, transmission and distribution facilities that provide and deliver electricity to consumers across the nation.

The supply chain

The physical structure of the market links electricity generators with electricity consumers through two tiers of transportation networks. The supply chain starts with generators who manufacture electricity using various technologies that use different fuels, produce different amounts of greenhouse gases and can be brought into production over different rates of time. Each contributes a changing proportion of electricity to the NEM and future investment in these different types of generation facilities is heavily influenced by the availability and price of the fuels used, and the policy decisions of government on issues such as greenhouse gases, and the siting of new generation capacity.

Generated energy is delivered through high voltage transmission lines to lower voltage distribution lines. Transformers reduce high voltage to lower voltage to enable the distribution of the energy to commercial, industrial and residential premises. Transformers are located at transmission and distribution substations and, for residential loads, on poles at various points in the distribution network. Premises are connected to the distribution network for the physical receipt of electricity, giving rise to a relationship between the customer and the distributor involving obligations and the

responsibilities for both. The retailer plays no part in the physical creation and delivery of the electricity.

How electricity is generated

Most electricity in the NEM is generated by one of four technologies:

- coal-fired
- open cycle gas-fired
- combined cycle gas-fired
- hydro.

Coal-fired, combined cycle and hydro generation all use water to cool the systems and, as steam or as liquid, to turn the turbines.

The four technologies have important differences, particularly in their speed of start-up and their greenhouse gas emissions. How quickly the generator can be started up to produce electricity determines whether it is classed as 'base load' or 'peak load'. Coal-fired generators are base load, taking between 8 and 48 hours to fire up, gas turbines can start in 20 minutes, and hydro is available virtually immediately. Hydro is usually referred to as peaking load, while gas is intermediate load (although it is used frequently as base load). Both gas turbines and coal-fired generation use non-renewable fuel. Coal produces a high level of greenhouse gas emissions, while gas turbines produce medium to high levels of emissions and hydro produces none.

Characteristics of generation technologies

Characteristic	Coal-fired	Gas-fired	Hydro
Time to fire up production	8–48 hours	20 minutes	1 minute
Use of non-renewable fuel	High	High	Nil
Production of greenhouse gas	High	High	Nil
Operating cost	Medium–low	Medium–high	Low, based on water availability

In Australia, coal-fired generation has been the most heavily used technology, because of its low cost, high reliability and high degree of operator control, and because of Australia's abundance of black and brown coal reserves. Coal reserves are projected to be available in Australia for several hundred years, whereas gas reserves are more limited. In addition, coal is storable for long periods at low cost. Hydro power is renewable, provided there is water available.

The contribution of each technology to total load

Coal is by far the largest fuel source for electricity generation in Australia, reflecting the traditional dependence on coal and the existing generation infrastructure that has been developed around the available coal supplies. Coal accounts for about 66% of total generation in the NEM (47% black coal and about 19% brown coal). Hydro contributes about 19%, gas 14% and other fuels or sources (mainly solar and wind) about 1% of the total supply.²

Generator technologies and fuels vary between regions:

- Victoria is most dependent on its large reserves of brown coal, with gas-fired generation the next largest fuel source and a very small but increasing investment in wind energy.
- New South Wales and Queensland mainly rely on black coal, but with some investment in gas-fired generation in Queensland.
- South Australia relies most heavily on natural gas for generation, with small contributions from brown coal, (less than 20%) and a mix of alternative sources such as wind (about 10%).
- Tasmania uses mostly hydro generation, augmented with a very small amount from gas and from other renewable sources.

With the advent of interconnector facilities between the various eastern states (including the newly established Basslink facility), the physical location of the generation facilities no longer restricts the supply of electricity in any one state to the generation capacity located in that state. Rather, there is the opportunity to trade electricity across state boundaries, and thus the supply of electricity in any one state may come from a number of different sources depending on the use of the interconnectors at any one time during a 24-hour period. For example, the ACT does not have any significant generation capacity³, and relies upon electricity generated in other states and the Snowy hydro facility to supply its needs.

Given the increasing public policy focus on greenhouse gas abatement and climate change issues, coal-fired generation could have a limited future as a low cost electricity source in Australia. While Australia has large reserves of coal, any carbon tax or carbon trading system would raise the price of coal-based electricity considerably. Hydroelectricity generators are likely beneficiaries of these policies, as they produce no greenhouse gas emissions.

² These percentages are general indicators; for example, wind energy contributes about 1.5% of generation across the NEM and solar currently provides only a minor proportion. Australian Energy Regulator, 2007, p. 65.

³ The ACT has a small generation facility at the Belconnen Land Fill facility using methane gas taken from the buried waste at the facility.

Nuclear energy could become more price competitive in future, and may benefit from the introduction of a carbon tax, but this form of generation has its own waste problems.

Transportation of generated electricity

Electricity is delivered from generators to consumers through transmission networks (from generators to substations and supply points) and distribution networks (from substations to consumers). Both are ‘wires’ businesses.

Networks are susceptible to various events that reduce their carrying capacity. Transmission networks are less risky than distribution networks, although they can be affected by poor maintenance, extreme events such as fires or floods and withdrawal of services for planned maintenance. Distribution networks are more easily damaged. Wind, snow, trees and birds can cause the wires to short, poles can be brought down by weather or accidents, and poor maintenance regimes can also cause poles to fail, depending on their construction. However, customers are obligated to keep lines clear of foliage, and regular maintenance costs are built into regulated distribution prices paid by customers face.

Neither type of network is directly affected by drought, and network problems were not a significant part of the supply shortages and high prices that emerged in 2006–07.

How the market works

Like any market, the electricity market is affected by the reliability or security of supply, the actions of retailers (as distinct from generators and transporters), and the effectiveness of market signals in producing additional energy to meet short-term demand and additional investment in generation or transportation capacity to meet longer term demand.

Because the transmission networks in the NEM are interlinked and generated energy can be delivered to any one point in the market, the workings of the market involve contractual and financial relationships, rather than physical arrangements for delivery of product. In an ideal electricity market, demand and supply would be balanced across all parts of the NEM and at all times of the day.

The retailers’ role

Unlike generators and transporters of electricity, retailers do not physically handle the energy that their customers use. Retailers manage the financial and service relationship between their customers and the service providers in the supply chain. Retailers buy electricity from the pool that generators

produce and manage connections to and disconnections from the distribution network. They also measure the flow of energy used by customers, which provides the basis for retailer billing and settlements between generators and transporters.

In each jurisdiction there is a host retailer (usually the largest retailer and one that is currently or was formerly owned by the government) that is responsible for ensuring security of supply to all customers. Customers who have not opted for negotiated tariff contracts with a competing retailer, and who rely on the standard tariff contract with a regulated price, will purchase their electricity through this retailer. In the ACT, this retailer is ActewAGL Retail. The other retailers in the market (including possibly the retailer who also offers the non-negotiated contract service) compete for customers in the contestable market. These retailers will offer unregulated tariffs, competing with one another to attract customers to their particular price and service offer.

Cost savings are offered through these negotiated contract prices, although the extent of the saving will vary from state to state. In the ACT, as in some other states, competition usually involves a requirement for some form of bundling of products offered by the retailer, for example, gas supplies and possibly telecommunication services bundled with electricity supply. As a guide across the NEM, the average annual electricity cost for a household consumer is about \$950 to \$970 a year, compared to negotiated tariff contract costs (market contract tariffs) ranging from about \$850 a year up to the standard contract tariff of about \$970.⁴ In 2006 the ICRC estimated the average ACT residential household retail bill at about \$970, which was consistent with the costs reported in other jurisdictions.⁵

Retailers provide services to customers classed according to the amount of electricity the customer consumes in a year. Small customers are those consuming less than 160 MWh a year; large customers (usually industrial users and large commercial premises) use more than 160 MWh a year, and are able to negotiate directly with retailers for the best possible electricity supply price. Almost all residential customers consume less than 20 MWh a year, and most use less than 10 MWh. The Independent Competition and Regulatory Commission has used 7.5 MWh a year as an average consumption benchmark for the electricity demand of a Canberra household.

⁴ Australian Energy Regulator, 2007, p. 182

⁵ ICRC Draft Decision – *Retail Prices for Non-contestable Electricity Customers*, Report 2 of 2006, February, p. 11.

Of the approximately 140,000 electricity customers in the ACT about 130,000 are small residential customers. This is a small customer base compared to other jurisdictions: in round figures, New South Wales has 2.6 million small customers, Victoria about 2.1 million⁶, Queensland 1.7 million, South Australia 0.7 million and Tasmania 0.23 million.⁷ Thus the ACT market is regarded as a very small market in terms of the number of customers, although the demand profile of the ACT and the relatively compact nature of the urban market area make the ACT a popular target for electricity retailers.

Supply, demand and the spot price market

The electricity market is about balancing supply and demand. Prices are an expression of the equilibrium between suppliers and consumers. The economic laws of supply and demand govern the provision of generated energy and the prices that customers pay for supply.

Generators produce a pool of electricity on the basis of forecasts of demand made weekly by the market manager, the National Electricity Market Management Company (NEMMCO), which draws on forecasts from retailers and others expecting to buy from the pool. NEMMCO provides additional demand information to the market daily, and handles bids from generators (for supply) and retailers (for prices) 48 times a day. Where equilibrium is forecast (that is, supply equals demand), prices are relatively low—average prices are often about \$40 per MWh.

However, when demand exceeds supply, prices begin to rise as bidders compete on the spot market for the next amount of energy supplied to the pool. The price for supply is bid by generators on the basis of their willingness and capacity to bring supply into the market for each of the forty-eight 30 minute intervals in a day. As demand rises in each interval, NEMMCO calls on additional generation to supply the need. There is normally considerable low-level volatility in demand, supply and price; and thus the price, as an indicator of the supply–demand equilibrium, moves rapidly up and down according to the level of demand at any one time.

When there is an extreme event, such as a very hot day in summer or a cold day in winter; demand increases significantly, and a price spike may occur depending on the ability of generators to bring on additional supply quickly to meet the sudden unexpected increase in demand. The price climbs rapidly towards the maximum value for the generation capacity in the NEM, but

⁶ Australian Energy Regulator, 2007, pp. 173–175

⁷ ICRC, 2006, p. 11

seldom reaches that level before the extreme condition abates. The maximum price is \$10,000 per MWh, which is the ‘value of lost load’ (VOLL) when NEMMCO must begin load shedding and sharing the scarce load across all parts of the NEM because no more capacity is available. Under this arrangement, not everyone gets the level of load demanded, but everyone gets a roughly equal share. Prices in the spot market rarely reach the VOLL limit. More often, prices rise during extreme events to less than \$5,000 per MWh. The Australian Energy Regulator is required to investigate and report on all occasions when prices exceed the \$5,000 per MWh threshold.

Retailers try to balance their demand and supply arrangements by entering into forward contracts to avoid having to buy electricity in the more volatile spot market. Some retailers have direct links with generators and enter into long-term supply arrangements. Others buy forward from the best available source at the best available price to meet their need. Having entered into contracts for the supply of the electricity to their final customers at an agreed price, it is important that retailers try to balance their books by having supply arrangements at prices that do not exceed those consumers pay.

Drought, capacity and reliability

Two things are observable in recent generation price data. First, the average price for electricity has been relatively steady over recent years. For example, between 2001–02 and 2004–05, prices averaged \$34 per MWh except in 2003–04, when the average price was \$31 per MWh. However, in 2005–06 the average price increased to \$40 per MWh and in 2006–07 rose again to an average of \$55 per MWh.

Second, the number of times the spot price rose above \$5,000 per MWh during each year has also risen. Between 2001–02 and 2004–05, this occurred between 10 and 20 times a year. However, in 2005–06 it happened 46 times and in 2006–07 it happened 55 times.⁸

The rises in both indicators—average prices and price spikes—in 2005–06 and 2006–07 were substantially due to record levels of demand and the effect of drought, in combination with a series of planned and unplanned generation and transport outages.

More than a reliability problem

The price increase experienced in mid-2007 has been a matter of some concern to the industry and the various regulators. However, to see the

⁸ Australian Energy Regulator, 2007, pp. 91–92

events of mid-2007 as a reliability issue is to divert attention from the main problem and to miss the signals being sent about the balance of demand and supply that has at its heart the current drought and the weaknesses it has exposed in the energy supply system.

Reliability is exhibited in different ways at various stages in the supply chain. For retailers, reliability is a measure of the price and quality of service. Most consumers are happy to pay for good service and to pay higher prices for higher levels of service. The level of service includes such things as ease of access to supply, effective complaints handling processes and reliable billing arrangements. The events of mid-2007 affected prices in the market, but not the prices paid immediately by most customers. The average price of electricity paid by retailers rose and their margins were placed under some pressure. Under such circumstances, the ability of retailers to sustain supply for customers is determined by their ability to sustain short-term losses during periods of price volatility. While most retailers would hedge their supply arrangements in advance against an estimated demand requirement, only a limited amount of forward hedging is possible. Ultimately, retailers are forced to pass through increases in generation costs if the increases appear to be part of a more general upward shift in prices rather than just a short-term market response to demand and supply imbalances.

For networks, particularly distribution networks, reliability is the ability to satisfy contracted arrangements to deliver energy to customers. Reliability is affected by network engineering and by planned and unplanned outages and reductions in supply. Unplanned reductions or interruptions in supply are measured and reported annually against network reliability service standards in all jurisdictions.⁹ These indices measure a number of disruption factors, including the average number of interruptions in a year, the minutes a network customer is without electricity in a year, and the average duration of interruptions a year. The cost increase events of 2006–07 were exacerbated but not caused by network reliability problems. Had network capacity been fully available, the supply problems would not have been so severe or protracted, but they would still have occurred.

For generators, reliability is a measure of the availability of generation capacity to respond to demand. Generation capacity increases or declines as assets are made available or withdrawn for maintenance. Reduced generation capacity due to unplanned withdrawals, together with planned maintenance

⁹ The standard measures are system average interruption duration index (SAIDI), system average interruption frequency index (SAIFI), customer average interruption duration index (CAIDI) and momentary average interruption index (MAIFI).

stand-down of generators as part of cyclical maintenance work usually undertaken in the autumn of each year, contributed to the sharp rise in prices in the spot market and the forward contract market over the last six months of the 2006–07 year.

The planning of annual maintenance programs in the autumn is not a new feature of the industry, and cannot be regarded as the sole contributor to the apparent shortfall in supply experienced over this period. Over the past decade there has been a growth in investment in new generation capacity. But at the same time, there has also been strong growth in demand for electricity, reflecting significant shifts in consumers' demand and use of electricity for general household purposes. As a result the available spare capacity in the generation sector has fallen. Increments in generation are not elastic in the short term. Generation facilities can respond to demand only within their designed capacity. The limits of a generator's capacity to supply cannot be increased significantly in the short term, given its design constraints, so as the demand–supply balance is changed, the market price responds to indicate that there is a disequilibrium in the market. The market had in part anticipated the increasing demand, as was reflected in the gradual increase in generation prices over the two years prior to 2006–07. However, the ability to bring on new generation capacity in the short term is limited by the time it takes to undertake new investment and bring a power-generating facility on stream. This is not a short-term solution.

A combination of factors

The generation market price response in 2006–07 resulted from a combination of factors. The drought, possibly the severest that Australia has seen for over a century, restricted the availability of water for use in generating plants throughout the NEM. The water shortage affected not only coal-fired generators in Queensland and Victoria, but also hydro generators in New South Wales and in Tasmania. In addition, unplanned withdrawals of capacity for maintenance coincided with this reduced potential for generation and also coincided with the normal planned maintenance program on a number of generators across the NEM. Consequently, capacity was markedly lower across the NEM than the level of demand. While this was not the first time that supply had not met demand, the shortfall was greater than ever before.

In investigating the greater than \$5,000 price spikes during the later part of the 2006–07 year, the Australian Energy Regulator noted that there was some evidence of rebidding in the market. In reporting on this activity, the AER did not attribute the cause of the market price spikes to this practice. However, the AER did note that 'the effect of the tight supply-demand

balance on market outcomes appears to have been exacerbated by the day ahead bidding practices of generators'.¹⁰

The concern is that the conditions experienced in 2006–07 are likely to recur. Already, water levels in many areas, including Victoria, are lower than at the same time in 2007. Storages have benefited from some winter and early spring rains and from the snow falls during winter, but the level of rainfall has been insufficient to restore the level of water in catchments to levels that mean water supply is no longer at risk of being rationed or unavailable. In Queensland, some relief has been provided by the construction of pipelines to bring water from the mid north coast to service generation facilities to the north of Brisbane. In addition, new infrastructure is nearing completion, some of which is air-cooled rather than water-cooled, and therefore will be less susceptible to water shortages. However, the NEM and the ACT's energy supplies from within the NEM are still susceptible to continuing low levels of water storage and water availability for power generation.

Water is required for commercial purposes and for the basic necessities of life, such as drinking, bathing and general hygiene. The essential nature of energy in our economy may give generators a higher claim to water than other industrial users, but whether generators should take precedence over environmental needs and human preferences is not as clear. Reserving some percentage of water storage capacity for generation has been suggested and may be necessary, although the considerable political challenges would first have to be resolved.

Retailers' risks

The drought and the generation cost issues raised in 2006–07 are of major concern to retailers, and by extension to consumers. Competing retailers face significant risks in the competitive market as it is currently structured. If these risks are not dealt with, a number of retailers could face the real prospect of failure, which would call into play the 'retailer of last resort' provision of the current regulation of retailing activity.

An efficient market needs depth of competition, and regulation should be restricted to those parts of the market where the prospect of competition is low or absent. In 1995, all jurisdictions, including the ACT, agreed to develop competitive electricity markets in the National Competition Policy Agreements. They agreed, as part of that commitment, to make their retail markets contestable. The ACT agreed to a contestable electricity retail market in 2003, subject to transition arrangements to assist and protect

¹⁰ AER, 'Prices above \$5000 per MWh in the NEM', July 2007

consumers entering the competitive marketplace. Those arrangements included the maintenance of a retail price cap for a period of three years. In 2006, the government decided to retain the transitional franchise tariff (price cap) for a further 12 months. It appears at this time that the tariff may be extended for a further period.

A price cap arrangement is relied on to constrain prices for small customers in New South Wales, Victoria, Queensland and South Australia, as well as the ACT. However, under the current circumstances and those circumstances that can reasonably be forecast, retaining price caps in a contestable market is a distortion that could lead to retailers failing and the risk that customers may be left without electricity supply or supply under circumstances that are unfavourable to the customer and where the customer has limited or no choice.

The reasons advanced for retaining price controls for retail electricity are common to all the NEM jurisdictions, including the ACT. It is argued that such a price cap is intended to limit the level of prices that small customers may face for electricity and provide protection against adverse movements in the market price for electricity that might be expected to be charged by retailers in the contestable part of the market. While providing protection for certain groups within the community is an appropriate policy objective for government, achieving it through applying some form of constraint on the price for a good, even an essential one like electricity, is inefficient. Such social policy objectives are better supported by direct financial or social policy support programs to individuals in need rather than being applied to all consumers wishing to avail themselves of the price-capped supply service regardless of their need and financial circumstances. Retail price caps as a social policy delivery mechanism are indirect, not easily measured and make energy suppliers instruments of government policy by shifting the market risk away from government to electricity retailers.

In the 2006–07 drought-related event, prices in the forward contract market soared and remained high for extended periods of time. Retailers buying energy in that market were unable to recover their costs of supply to small customers under the price cap arrangement. The problem was exacerbated by the fact that those retailers operating in the competitive market set their prices as a discount on the regulated price cap for the ACT. Thus, they were unable to retain their price discount offer on the capped transitional price and remain financially viable. Losses in these markets put these businesses at risk. While the number of failures was low—only Energy One withdrew from the market for contestable supply as a result of the losses it incurred—many retailers faced financial problems. At least one publicly announced that it had received additional capital funding from a ‘friendly interest’ to weather the storm, and another sold off half its customer base. While a

failure of a retailer would trigger the ‘retailer of last resort’ arrangements to ensure that supply would be maintained for the customers of the failed retailer, that represents a response to an emergency situation only and not something that should be seen as a solution to the problem. The retailer of last resort arrangements are intended to maintain supply to customers when a failure occurs. It is meant to be a temporary arrangement and customers are expected to make a longer term choice about their supplier and tariff offering.

Relying on the retailer of last resort imposes additional risk on the retailers in the scheme. In the ACT, the retailer of last resort is ActewAGL Retail. If a number of retailer failures were to occur, ActewAGL Retail could face a substantial, unforeseen increase in demand at a time of significantly high prices. It would not be able to refuse to supply those customers, and it would have little more than a few hours notice to obtain the additional electricity supply it would need to meet the additional demand. That has substantial cost implications for ActewAGL Retail. Although it could recover some of the additional costs by charging the transferred customers more, it would add to the complexity of the industry operating through what could be a period of market turmoil. Given that ActewAGL is 50% owned by the community, the ACT taxpayer could face substantial financial risks from such an arrangement. In a competitive market without artificial price capping constraints, those risks are within the expected bounds of a commercial market. Unforeseen losses are capable of being mitigated by movements in the price that customers pay.

Conclusions

If the events of 2006–07 do nothing else, they should signal clearly that maintaining the price constraints on the competitive retail market is an unwise policy. In the Commission’s advice to government on the competitiveness of the ACT retail electricity market in 2003 and again in 2006, the Commission recommended that the market was sufficiently robust for competition to work and that competition was a better way of regulating prices than the current retail price cap regulatory mechanism. Economic regulation is required in network services but is less efficient than the market mechanism for the retail market. Given the imminent reviews by the Australian Energy Market Commission (AEMC) of competitiveness of retail markets in the NEM, with the review of the Victorian market currently in progress and the review of the ACT expected in 2009, it is likely that the AEMC will recommend that retail price caps be removed. Currently around 70% of the Victorian household customer market has exercised its right to seek out a contestable price for electricity rather than stay with the regulated pricing arrangements operating in that State. In South Australia, almost 60% of the market has exercised this right to seek a contestable price and supply

contract. In the ACT and NSW approximately 30% of the market has changed over to a contestable contract supply arrangement.

The dangers that the retail market faces in the ACT are no better illustrated than in the movement in the forward contract price for electricity after the end of 2006–07. While prices continue to be at around the levels achieved in 2006–07 before the upward swing in the last part of the year, they have returned to what are anticipated to be levels more reflective of the longer-term supply options. However, retailers, in hedging their future electricity supply requirements, have had to build into their prices an allowance for the fact that for at least one quarter, if not longer, they have been forced into purchasing forward electricity contracts at prices that are higher than the market currently has on offer. This higher price has now been built into the price cap set by the Commission, and as a result it is a part of the price regime that consumers in the ACT face for the 2007–08 year. With competing retailers offering prices that are based on percentage savings on the capped price, all consumers have had this price increase factored into their prices. Instead of the market adjusting up and down in an orderly way, reflecting the supply and demand balance, the regulation of the transitional price has effectively locked in a price adjustment for the full year when the prices could have risen and fallen in a fully contestable market in much the same way as they do for other goods and services that households purchase.

The added complication for the ACT has been that the government requested that the transitional capped price arrangement be set for a single year, namely 2007–08. By comparison, the NSW Government required the NSW regulator, the Independent Pricing and Regulatory Tribunal, to set a three-year price path. The ICRC has therefore had to significantly increase prices in the ACT for the 2007–08 year to meet generation cost increases, whereas the NSW regulator has smoothed the price adjustment over a three-year period, thereby lessening the initial impact of the price increase. While relative prices in the ACT are still comparable with those in NSW (and are certainly much less than ActewAGL Retail had requested as part of the review of capped prices in May–June 2007), the transitional capped price arrangement creates a further distortion in the market which affects the level of prices and the timing of price changes that consumers in the ACT face. These are unintended outcomes, but are a direct result of the continuation of transitional retail price caps in an electricity market that is subject to fluctuations of level and type not previously seen in the NEM.

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Part A Performance and financial management reporting

The Chief Minister's 2006–07 Annual Report Directions sets out the issues against which the Commission is required to report. Part A of this report addresses each of those reporting items. However, in this report the items the Commission is required to report against are not grouped in the sequence in the Annual Report Directions. To assist readers, the items in the report have been grouped according to whether they are about managing performance, governance, managing financial performance or managing people. Consequently, the numbering of the reporting items varies from the numbering in the Annual Report Directions.

A.1 The organisation

This section deals with the Commission's values; role and functions; structure; and clients and stakeholders. These items are about the Commission as an organisation rather than its performance or governance, which are the subject of the sections that follow.

A.1.1 Values

The Commission is committed to ensuring that the ACT Government receives the best possible return from the resources it devotes to the Commission, through efficient and businesslike management of those resources, including prudent management of financial risk.

A key element of prudent management involves ensuring that staff are aware of the Commission's values and the ACT Public Service Code of Conduct, including processes to receive and deal with allegations of potential breaches of the code of conduct. Commission staff meet as required to discuss policies, resources and corporate objectives.

The Commission seeks to foster a culture that is transparent in its activities, accountable for its actions, consultative in its interactions with interested parties, independent in its decision-making processes, and ethical in all aspects of its behaviour. Regular meetings are conducted with representatives of utilities and other interested parties about issues and progress with inquiries.

All documents generated by the Commission (except those deemed confidential to protect the legitimate interests or privacy of firms or individuals) are made available for public scrutiny. All documents published by the Commission are available in hard copy and in electronic form on the Commission's website (www.icrc.act.gov.au).

The Commissioner and Commission staff, both collectively and as individuals, seek:

- to use our professional skills, expertise, experience and professional judgment to promote efficient competition in the ACT economy in the interests of consumers
- to use our professional experience and mature judgment to achieve a sustainable balance between efficiency and environmental and social needs
- to use our resources wisely, efficiently and to good effect
- to work together to provide a working environment that is safe, healthy and productive
- to create a learning organisation that encourages, supports, develops and challenges its individual members.

A.1.2 Role and functions

The rules under which the Commission operates are determined by the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act) and the *Utilities Act 2000* (Utilities Act). The Acts variously describe the functions of the Commission as:

- providing price directions
- providing recommendations about price regulation
- providing advice to the minister about proposed access regimes
- arbitrating disputes about access to services under access regimes
- maintaining a register of access agreements
- investigating and reporting on matters referred by the minister and other referring authorities
- investigating and reporting on competitive neutrality complaints
- investigating and reporting on government-regulated activities
- issuing licences for the provision of utility services
- determining licence conditions
- ensuring compliance with the licence conditions
- approving and reviewing standard customer contracts and industry codes for utility services.

In addition to those functions, the Commission is the regulator under the *Electricity (Greenhouse Gas Emissions) Act 2004*. That role requires the Commission to establish emission benchmarks for scheme participants each year and to monitor and report on compliance with the benchmarks.

The Commission's objectives are defined in the ICRC Act and the Utilities Act. The objectives set out in the ICRC Act relate to industry pricing and access to infrastructure, competitive neutrality and government-regulated activities. Specifically, the objectives in section 7 of the ICRC Act are to:

- promote effective competition in the interests of consumers
- facilitate an appropriate balance between efficiency and environmental and social conditions
- ensure non-discriminatory access to monopoly and near-monopoly infrastructure.

Section 3 of the Utilities Act reinforces those objectives and adds others, as follows:

- to encourage the provision of safe, reliable, efficient and high-quality utility services at reasonable prices
- to minimise the potential for misuse of monopoly power in the provision of utility services
- to promote competition in the provision of utility services
- to encourage long-term investment, growth and employment in utility services
- to promote ecologically sustainable development in the provision of utility services
- to protect the interests of consumers
- to ensure that advice given to the Commission by the Essential Services Consumer Council (ESCC) or the chief executive under Part 5 (technical regulation) is properly considered
- to ensure that the government's programs concerning the provision of utility services are properly addressed
- to give effect to directions of the minister under section 19 (which may only be given to ensure the achievement of the objects set out in the subsections above).

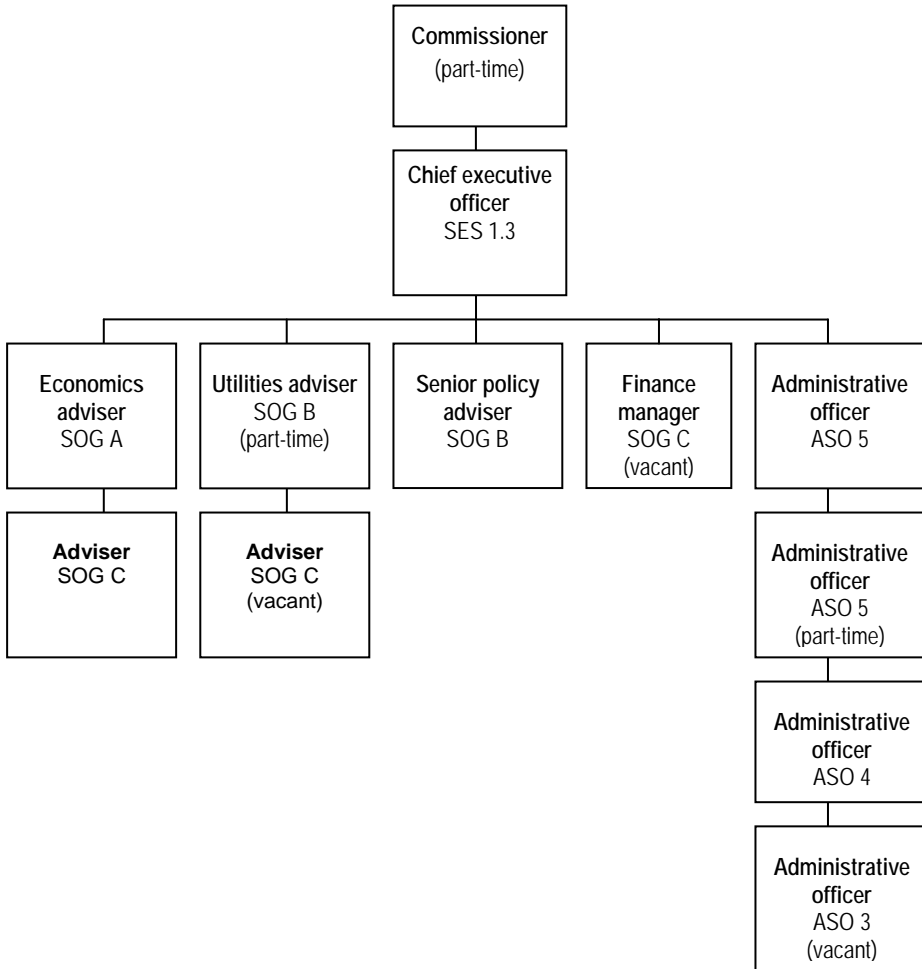
The legislative report in Section B.4 of this report lists some of the other Acts and codes under which the Commission has obligations.

A.1.3 Structure

The Commission is a statutory agency of the ACT Government and reports to the Attorney General. Administrative Arrangements Order changes in June 2006 transferred administrative responsibility for the Commission from the Treasurer to the Attorney General.

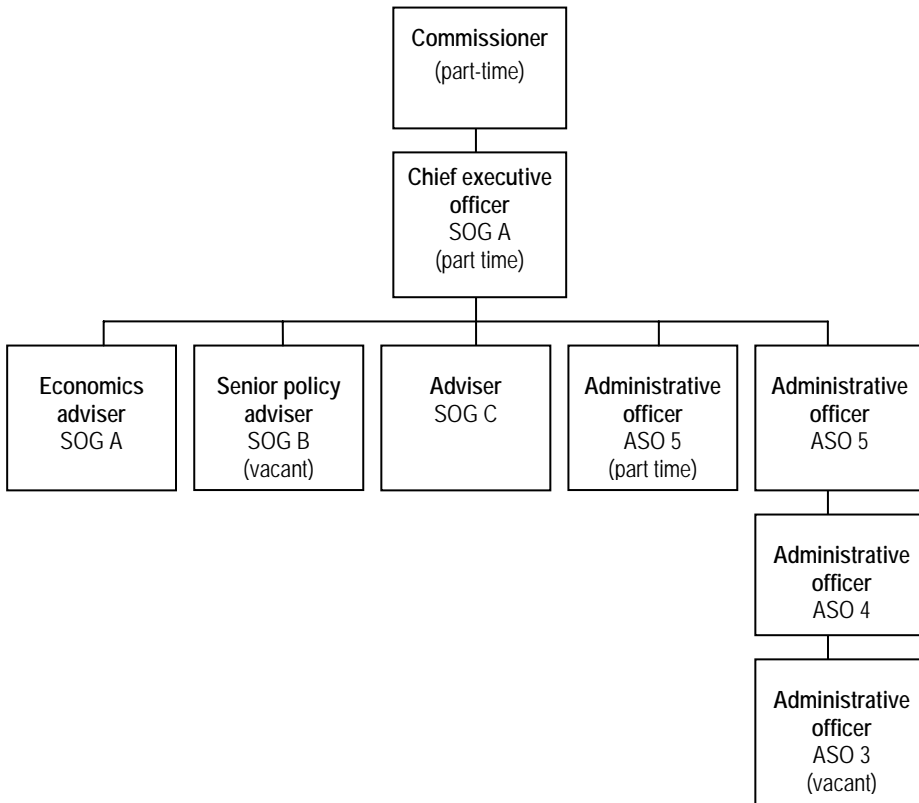
Figure 1 shows how the Commission was structured at the beginning of the 2006–07 financial year; Figure 2 shows the structure at 30 June 2007, indicating the degree of change in the Commission over that time. The large reduction in staff resources at the Commission during 2006–07 follows a trend over the past several years.

Figure 1 Organisational structure at 30 June 2006



ASO = Administrative Service Officer; SES = Senior Executive Service; SOG = Senior Officer Grade

Figure 2 Organisational structure at 30 June 2007



ASO = Administrative Service Officer; SOG = Senior Officer Grade

At its height, the Commission’s establishment was about 13 staff. More recently there has been a reduction in the staff establishment reflecting changes in the Commission’s responsibilities and work load. At the beginning of 2006–07, the Commission had 5.8 full-time equivalent staff (FTE); at 30 June 2007, it had 3.2 FTE.

The reduction is a result of government decisions on savings in the 2006–07 Budget and reduced cost-recovery revenue because government agencies under expenditure constraints have directed fewer references to the Commission. The Commission was required to save \$0.125 million in 2006–07 from staff reductions, based on expectations that energy regulation would transfer to the Australian Energy Regulator.

Key capabilities have been lost as a result of a combination of decreasing financial capacity and the perception that substantial Commission functions will be transferred to national energy regulatory bodies. In common with other ACT

agencies, the Commission has been unable to attract appropriately skilled staff to replace staff taking up positions elsewhere. To meet its current work requirements the Commission has had to make use of external consultants and part-time appointments. While every effort is made to ensure the quality of staffing of the Commission, the reliance upon temporary contract staff in this way deprives it of retaining a corporate memory of the Commission's past decisions and the reasoning behind these decisions.

A.1.4 Clients and stakeholders

The Commission's principal stakeholders are the ACT Government and its agencies; members of the Legislative Assembly; utility service providers in the ACT; regulated industries and industry in general; and individual members of the ACT community. The Commission also participates in a wider community of stakeholders, including national and interjurisdictional regulatory bodies and other intergovernmental regulatory forums.

A.2 Overview of performance in 2006–07

This section of the report focuses on the Commission's outputs in the financial year, its perspective on some of the strategic changes that have shaped the year, and its efficiency and effectiveness.

A.2.1 Savings in the 2006–07 ACT Budget

In 2006–07, the Commission implemented the changes arising from the government's decisions in the 2006–07 ACT Budget. It merged with the newly created Office of Regulatory Services (ORS) in the Department of Justice and Community Safety. In addition, the Commission has saved \$0.125 million from the approximately \$0.4 million appropriated to it each year since 1999 to enable it to investigate matters referred to it and to provide a competitive neutrality review mechanism for the ACT, as required by the National Competition Policy Agreements.

At the same time, the Commission has experienced a significant decrease in the number of references issued to it by government agencies—a slow decline over several years that accelerated in 2006–07. The Commission has had difficulties in attracting suitably qualified and experienced staff in a market that is intensely competitive. The Commission's financial and operating constraints limit its attraction to potential staff, despite its substantial reputation for the quality of its outputs.

A reduced flow of references to the Commission not only has implications for human resources but also has financial consequences. The appropriation provided to the Commission in the ACT Budget covered the cost of maintaining the Commission's availability to undertake tasks in its first years of existence. However, since 1999 the Commission has increasingly relied on utility licence fee revenue and revenue from cost-recovery work under reference to meet its operating costs. As appropriations and cost-recovery revenues have declined, greater stress has been placed on tightening financial management and on licence fees in particular. The transition to national energy regulation has begun to erode licence fee revenue, which will cease over the next few years.

A.2.2 Restructured administrative arrangements

In the 2006–07 Budget, the government sought to increase regulatory effectiveness by creating the ORS and including the Commission in that new administrative arrangement. The ORS drew together a number of disparate 'regulatory' services, including Parking Operations, the Office of Fair Trading, the Registrar-General's Office, ACT Workcover and the Commission.

Merging these elements into a manageable structure was a focus for the administration of the Commission during the year, with changes to systems, budgets, human resources and accommodation. The timing and disparate nature of the various arms of government involved resulted in slower than expected progress on a range of important issues, including settling on accommodation for the new office.

The newly established Shared Services Centre also commenced operations, with impacts on the processing of receipts and payments. However, the Commission maintained its own financial system to facilitate management of payments and receipts and financial reporting. The Commission's small processing needs warranted maintaining an independent system, while maintaining a high level of efficiency. As an independent statutory body, the Commission's continued location within the ORS is a matter that requires further consideration given the economic regulatory functions of the Commission versus the general administrative and licensing functions of the other parts of ORS.

A.2.3 Transfer of responsibility for energy regulation

The transfer of regulatory responsibility for energy to national regulatory bodies (the Australian Energy Regulator and the Australian Energy Markets Commission) has been more protracted than expected. The delay has created uncertainty for the Commission and for industry, particularly as a review of electricity network pricing in the ACT has to be done to determine electricity network prices to commence on 1 July 2009. Uncertainty surrounds not only network pricing but energy regulation as a whole; it is unclear which parts of regulation will become national and which will continue to be delivered by the states and territories.

In anticipation of the new arrangements, changes are being made to the ACT energy regulatory framework. For example, with the transfer of electricity and gas regulation to the Australian Energy Regulator, substantial elements of the Utilities Act will need to be repealed, while others will need to be retained to ensure that essential consumer protections are maintained. A new tax has been enacted under the *Utilities (Energy Industry Levy) Amendment Act 2007* to raise revenue for regulatory services for which the ACT is responsible and for a contribution to national regulation. The levy will apply from 2007–08.

A.2.4 Future role for independent regulation and advice

Adjusting to the new arrangements for utility regulation in the ACT will continue during 2007–08, in the expectation of greater certainty in the timetable for transition to national regulation. Over the past three years, the Commission has not only forecast delays in the transition, with a consequent need to maintain

regulatory resources in the Commission, but also drawn attention to the need to reach agreement with government about the future role that the Commission might play.

The Commission has also raised the need to review the decisions about economic regulation in the 2006–07 Budget. Twelve months experience with the implementation of those decisions has indicated that the structural reforms to regulation in the ACT have not been fully effective and a review is needed. Such a review will need to consider what the future of the Commission is, what it may contribute to the governance of the Territory and what level of resources it will need to be effective. Those issues, despite being raised a number of times in the recent past, have not been addressed and have contributed to the current poor state of the Commission, in comparison with economic regulatory bodies in other jurisdictions.

A.3 Highlights of performance in 2006–07

In 2006–07 the Commission continued to implement the intentions of the ICRC Act and the Utilities Act to realise the government’s objectives. The Commission maintained its productivity across a range of activities consistent with its responsibilities, despite a significant decline in financial support and the organisational and accommodation upheavals that the Commission experienced.

The Commission’s main activities included:

- inquiring into prices for water and wastewater services (see Section A3.1)
- reviewing proposed amendments to the 2004 price direction on electricity distribution network services (A3.2)
- completing and releasing the final report for the inquiry into ACT Ambulance Service fees and charges (A3.3)
- reviewing retail prices for non-contestable electricity customers (A3.4)
- reviewing licensed electricity, gas and water and wastewater utility compliance for 2005–06 (A3.8)
- reviewing licensed electricity, gas and water and wastewater utility performance for 2004–05 (A3.8).

The following sections provide more detailed information on the highlights in 2006–07. The reports and documents relating to each of these activities can be read in full on the Commission’s website (www.icrc.act.gov.au). Contact details for staff who can provide more information on the Commission’s activities are provided in Appendix 2.

A.3.1 Inquiry into prices for water and wastewater services

The Commission is responsible for regulating ACTEW's monopoly water reticulation and wastewater treatment services in the ACT, including determining regulated prices, and for conducting periodic reviews to determine the revenue requirement for the provision of each utility service. The Commission made the current direction on water and wastewater services in 2004, to apply for four years to 30 June 2008.

The Commission released an information paper, *Prices for Water and Wastewater Services*, in August 2006 as the first step in the review.¹¹ The paper outlined the context of the inquiry, including the roles of the Commission, ACTEW and the ACT Government. It provided an overview of the 2004–08 price determination, developments since 2004, and a discussion of the Commission's recent inquiry into incentive mechanisms, particularly as that inquiry affects the review of prices. The paper recognised the importance attached to water issues as a result of the drought and developments in water management and supply in the ACT and nationally.

The Commission released two discussion papers after the information paper: *Technical Regulatory Issues* and *Return on Capital*.¹² The first paper discussed the length of the regulatory period; the building block methodology; expenditure forecasts; revenue stream issues, such as the efficiency, or 'X', factor; population and demand forecasts; and tariff setting issues. The second paper considered the return on capital and its determinants, including the weighted average cost of capital, recent water decisions in the ACT and elsewhere, and a number of risk variables determined by either the market or by the Commission.

The Commission released the papers to encourage understanding of and debate about water and water pricing issues, and invited comments on the information paper and other papers in the course of the inquiry.

A.3.2 Review of proposed amendments to the 2004 price direction on electricity distribution network services

On 21 December 2006, the Legislative Assembly enacted the *Utilities (Network Facilities Tax) Act 2006* to impose a network facilities tax on utility networks, based on length of the infrastructure in the ACT. The tax, which took effect

¹¹ Independent Competition and Regulatory Commission, Information Paper – *Prices for Water and Wastewater Services*, Report 13 of 2006, August 2006.

¹² Independent Competition and Regulatory Commission, Discussion Paper 1, *Technical Regulatory Issues*, Report 14 of 2006, November 2006, and Discussion Paper 2, *Return on Capital*, Report 3 of 2007, March 2007.

from 1 January 2007, applies to ActewAGL's electricity network, among others. ActewAGL applied to the Commission to pass through the tax to consumers under the pass-through provisions of the 2004 electricity distribution price direction. However, as the 2004 determination was silent on ACT tax events, before ActewAGL's application could be approved the determination had to be amended. The amendment was to make the existing pass-through arrangements more accurately reflect the intent of the rules by allowing both Commonwealth and ACT tax events to pass through. The Commission issued a draft decision to amend the price determination in March 2007 and, after considering the issues raised in the course of consultation, made its final determination to amend the price direction in April 2007.

The Commission redefined 'relevant tax' for pass-through purposes by expanding the definition in Section 6.2 of the 2004 direction to include 'state or territory government' after the reference to the Australian Government.

A.3.3 Inquiry into ACT Ambulance Service fees and charges

The Minister for Police and Emergency Services sought the Commission's advice on a number of issues relating to the way in which the ACT Ambulance Service (ACTAS) identifies, allocates and recovers the operating costs of the service. The minister's terms of reference particularly sought advice on the pricing proposals made to the government by ACTAS, and on options other than those outlined in the ACTAS proposals that might be available for pricing ACTAS services.

The Commission considered the issues raised and the existing approach to meeting ACTAS operating costs. In doing so, the Commission provided advice on issues that remained unresolved and costs which were either largely or entirely unrecovered. The Commission observed that the costing approach did not address some issues that needed to be resolved before an effective costing model could be implemented successfully.

As a result of its consultation with ACTAS and other ambulance service providers, and its analysis of reviews recently conducted in South Australia and New South Wales, the Commission was aware that the problems facing ACTAS were neither entirely of its own making nor uncommon. While there were differences in the ways that jurisdictions were reacting to and dealing with the problems, the issues were the same between jurisdictions. The Commission noted that some jurisdictions had adopted approaches to revenue recovery that may be difficult to adopt in the ACT.

The Commission also acknowledged that ACTAS, like similar services across Australia, was subject to demand pressures. Ambulance services are being asked

not only to provide core services traditionally associated with emergency treatment and the transport of patients to hospitals, but also to support other health and health-related service providers. Increasingly, aged care and community facilities rely on ambulance services to assist with a wide range of non-emergency and non-treatment services for a growing number of client groups. Many such services are neither traditional nor reflected in customary cost-recovery practices. There is an observable and widening gap between services that are transparently funded and those that are apparently provided free of charge but are, in fact, subsidised by the community as a whole through the ACT Budget.

A.3.4 Review of retail prices for non-contestable electricity customers

Full retail contestability (FRC) for electricity retail services to customers consuming less than 100 megawatt hours of electrical energy per year was introduced from 1 July 2003. This tranche of customers included all residential customers and most small to medium businesses. While FRC enabled such customers to choose to enter negotiated contracts with licensed retailers, transitional arrangements offered some protection to customers unfamiliar with a competitive energy market. The transitional arrangements provided for customers on negotiated contracts to return to standard customer contracts and a regulated price (the transitional franchise tariff or TFT) determined by the Commission. The arrangements were to apply for three years, subject to a further review to determine whether the market was sufficiently competitive to permit the removal of the transitional regulatory arrangements and the TFT. In 2006, the government extended the transitional arrangements for a further year, and the Commission agreed a regulated price to apply in the period to 30 June 2007.

The Attorney General issued a reference to the Commission in April 2007 to provide a price direction for the supply of electricity to franchise customers for the period from 1 July 2007 to 30 June 2008. The Commission issued a draft decision in May 2007 and a final decision and price direction in June 2007.

In developing the price direction from the regulated maximum tariff applicable to customers eligible for these transition arrangements, the Commission considered the build-up of efficient costs for the provision of retail electricity services by ActewAGL Retail to customers on the TFT. In coming to its decision, the Commission considered ActewAGL's likely costs for 2007–08, especially taking into account the recent increases in electricity pool prices.

A.3.5 Retail energy market

Full retail contestability in energy markets

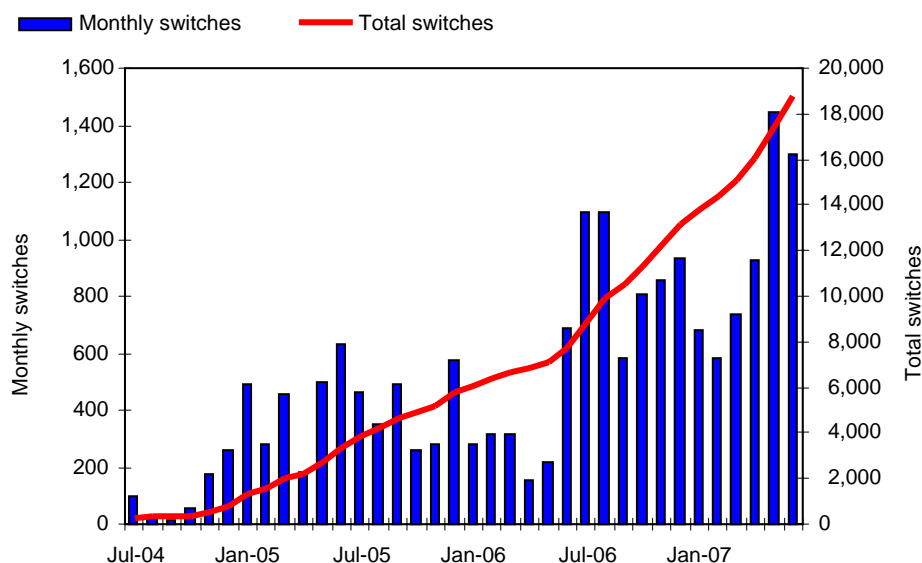
The ACT Government has implemented FRC for retail electricity and gas services. FRC allows customers the freedom to choose their electricity and gas retailers. Before contestability was introduced, ActewAGL supplied electricity and gas to all consumers within the ACT and, in the case of gas, in the surrounding region.

Electricity

The electricity retail market has been open since 1998 for large customers using more than 160 MWh a year, and open since 1 July 2001 for customers using more than 100 MWh a year. As noted in Section A.3.4, the government introduced FRC for electricity retail services from 1 July 2003. This also gave customers using less than 100 MWh a year, giving those customers the option of choosing their electricity supplier.

During 2006–07, there were approximately 150,000 electricity customers in the ACT and 14 retailers from which they could choose. Between 1 July 2003 and 30 June 2006, around 7,700 small customers elected to change retailers. In 2006–07 this increased substantially, with a further 11,000 customers switching retailers. In total, 18,700 customers, making up over 10% of the market, have switched retailers. Figure 3 shows the number of ACT customers who have changed electricity retailers since July 2004.

Figure 3 ACT electricity customers transferring to new retailers, July 2004 to June 2007



In fact, there is more activity in the market than Figure 3 suggests, as some customers have switched from standard to negotiated customer contracts within ActewAGL. ActewAGL indicated that more than 25,000 customers had done so. Overall over 43,000 customers have opted for negotiated contracts with ActewAGL or another retailer. This represents almost 30% of the customers.

Despite the increase in the rate of churn for electricity customers in the ACT, it lags behind New South Wales, South Australia and Victoria. Table 1 shows transfers in these states for the year to June 2007.

Table 1 Customers switching retailers, June 2006–June 2007

	Switches (no.)	Customers (no.)	Switching (%)
Victoria	621,627	2,045,093	30.4
South Australia ^a	148,439	782,000	19.0
New South Wales	385,371	3,140,646	12.3
Australian Capital Territory	11,040	150,988	7.3

Note: These statistics are from the most recent retail electricity customer transfer data released by NEMMCO, available at http://www.nemmco.com.au/data/ret_transfer_data.htm

^a NEMMCO data for South Australia is available only for October 2006 onwards, so these numbers are probably about three-quarters of totals for the year.

Gas

The government introduced FRC for gas in the ACT on 1 January 2002. In 2006–07, there were six gas retailers, with around 90,000 residential gas customers between them. Before the 2006–07 financial year, 6,000 gas customers had switched retailers. In 2006–07, this total doubled to 12,000. Figure 4 shows the fortnightly customer switches and the total over the year.

Figure 4 ACT gas customers switching retailers in 2006–07

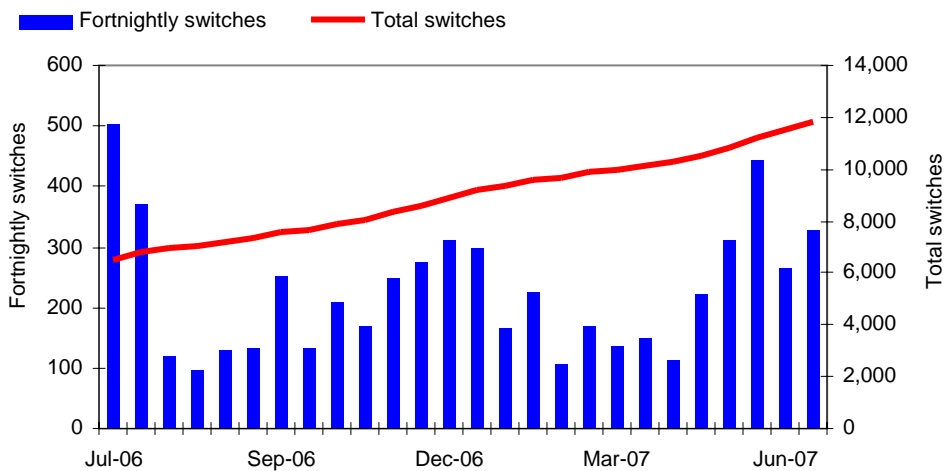


Table 2 shows that in 2006–07 the ACT was well behind Victoria in the proportion of customers switching but was slightly ahead of New South Wales.

Table 2 Gas customers switching retailers in 2006–07

	Switches (no.)	Customers (no.)	Switching (%)
Victoria	305,352	1,630,859	18.7
Australian Capital Territory	6,058	90,000	6.7
New South Wales	61,178	1,164,000	5.3

A.3.6 Licensing issues

Licence applications

In 2006–07 the Commission received and approved an application from Jackgreen (International) Pty Ltd for licences to provide electricity supply services and gas supply services in the ACT. Jackgreen intends to retail to small to medium domestic customers, targeting the ‘environmentally aware community’ by supplying exclusively GreenPower accredited products. Jackgreen is licensed in a number of other jurisdictions.

Licence variations

The Commission approved licence variations to reflect changes of company name for ENERGEX Retail Pty Ltd and for Ergon Energy Pty Ltd. ENERGEX changed its name to Sun Retail Pty Ltd, and Ergon to Powerdirect Australia Pty Ltd.

Licence surrenders

AGL Electricity applied to the Commission to surrender its licence to supply electricity in 2006. AGL Electricity is a wholly owned subsidiary of the Australian Gas Light Company (AGL), which merged with Alinta in 2006. The subsequent demerger of these companies’ assets resulted in the separation of AGL Electricity’s retail and infrastructure assets and its retail function being transferred to AGL Sales Pty Ltd, another wholly owned subsidiary of AGL. As AGL Electricity no longer supplied electricity in the ACT, it no longer required a utility licence.

The Commission approved AGL Electricity’s application for a surrender of licence. The surrender took effect from 1 September 2006.

Licensees at 30 June 2007

Table 3 shows the utilities licences that were current at 30 June 2007.

Table 3 Utilities licences granted, at 30 June 2007

Service	Licensees
Electricity distribution and connection	ActewAGL Distribution
Electricity supply	ActewAGL Retail AGL Victoria Aurora Energy Country Energy EnergyAustralia EnergyOne Integral Energy Australia Jackgreen (International) Pty Ltd Origin Energy Electricity Powerdirect Australia Pty Ltd (formerly Ergon Energy) Red Energy Sun Retail Pty Ltd (formerly ENERGEX) TRUenergy Pty Ltd TRUenergy (Yallourn) Pty Ltd
Gas transmission	East Australian Pipeline Ltd
Gas distribution and connection	ActewAGL Distribution
Gas supply	ActewAGL Retail Country Energy EnergyAustralia Sun Retail Pty Ltd (formerly ENERGEX) TRUenergy Pty Ltd
Water supply	ACTEW Corporation
Sewerage	ACTEW Corporation

Licence fees

The Commission is authorised by the Utilities Act to determine licence fees annually for all providers of electricity, gas and water and sewerage utility services in the ACT. Licence fees are intended to recover ‘a reasonable contribution towards the costs incurred’ in regulating utilities during the year. For 2006–07, the total amount of licence fees determined by the Commission was \$1,936,000, of which \$703,200 was to recover the costs of the Commission, \$452,000 was to recover the costs of the technical regulator (the ACT Planning and Land Authority) and \$780,200 was to recover the costs of the ESCC.

A.3.7 Industry codes and guidelines

Consumer Protection Code

The Commission approved a small number of variations to the Consumer Protection Code in 2006–07. The variations included corrections of drafting

errors and amendments to the code's contract information provision and 'cooling-off' requirements. Previously, the code required marketers to provide the full terms of a contract to a customer prior to, or at the time of, the customer entering into the contract, even if the contract was formed electronically. The code was varied so that the requirement no longer applied if a contract was formed electronically. This information must still be provided to customers within two days of the customer entering into the contract. As a corollary to this amendment, the cooling-off period required by the code has been changed to commence on the date the contract was agreed or from when the customer received the full terms of the contract, whichever is the later date. Previously, the cooling-off period began from the date the contract was agreed.

Prepayment Meter System Code

Aurora Energy, an electricity supplier licensed under the Utilities Act, submitted a draft industry Prepayment Meter System Code to the Commission for its approval pursuant to Part 4 of the Utilities Act. Prepayment meters are designed to cater for the prepayment of electricity or gas by households and businesses. Customers purchase 'credit' from designated outlets through a variety of mechanisms, such as smartcards or keypad technology. This pre-purchased credit is downloaded into the prepayment meter, which deducts payments from the credited amount as energy is consumed. Prepayment meters have been in use in Tasmania for some time and were more recently introduced to South Australia.

The code, which was approved in July 2006, provides for a number of prepayment metering options, including the option proposed by Aurora Energy.

Electricity Network Use of System Code

The Electricity Network Use of System Code requires electricity distributors and suppliers to enter into agreements that address certain prescribed terms. However, the code neither specifies a time in which agreements must be reached nor provides for the Commission to intervene in the event that agreement cannot be reached. The Commission has been concerned about the unacceptably high number of electricity suppliers that have still not signed network use of system agreements with the ACT's electricity network operator, ActewAGL Distribution. Accordingly, the Commission requested ActewAGL Distribution to submit draft variations to the code to establish a default agreement that would apply if agreement could not be reached in a timely manner between it and an electricity supplier.

The Commission has been considering ActewAGL Distribution's proposed amendments to the code and the submissions made to it. The amendments are likely to be finalised and agreed to in July 2007.

A.3.8 Compliance and performance monitoring

Annual reports

The Commission is responsible under the Utilities Act for ensuring that licensed utilities in the ACT comply with the Act, conditions for utility licences and relevant codes of practice. The Commission assesses licensed utilities primarily from information they provide in annual performance and compliance reports to the Commission. The Commission also seeks advice from other government agencies that are able to comment on the performance of utilities. As a condition of their licences, utilities must also report material breaches of licences, legislation, codes of practice, directions or guidelines as soon as they become aware of those breaches.

The annual performance report for utility services for 2004–05 was released in February 2007. The annual compliance report for this period was released in early 2006. The Commission is currently preparing the compliance and performance reports for 2005–06. Delays in finalising these reports are the result of the Commission's diminished staff resources and higher work priorities.

A.3.9 Greenhouse Gas Abatement Scheme

Under the Greenhouse Gas Abatement Scheme, electricity suppliers reduce or offset a portion of their greenhouse gas emissions through the purchase and surrender of New South Wales Greenhouse Gas Abatement Certificates (NGACs). A per capita cap on emissions establishes how many NGACs each electricity supplier must surrender.

The ACT scheme is modelled on the New South Wales scheme, which commenced in January 2003. The ACT scheme commenced on 1 January 2005.¹³ The NSW scheme is administered by the Independent Pricing and Regulatory Tribunal, which also administers the ACT scheme. The Commission is the regulator of the scheme in the ACT.¹⁴

The Commission assessed that all ACT benchmark participants met their obligations under the scheme in the 2006 compliance year. Although participants made a small number of mistakes when completing their benchmark statements, the scheme ran smoothly in 2006. All benchmark participants met their obligations and no benchmark participant was required to pay a penalty.

¹³ Pursuant to the *Electricity (Greenhouse Gas Emissions) Act 2006*

¹⁴ *Electricity (Greenhouse Gas Emissions) Act 2006*, s. 49

A.4 Outlook

A.4.1 Likely trends and risks in the operating environment

Progress on the transfer of energy regulation

The Commission expects that there will continue to be a high level of uncertainty and risk in 2007–08. The Commission’s environment is dominated by continuing developments in the transfer of energy utility regulation to the Australian Energy Markets Commission and the Australian Energy Regulator (AER). The transfer of responsibilities is progressing more slowly than expected when the process began three years ago. Moreover, jurisdictional regulators and policy makers are not confident that the current deadlines for the initial transfer of responsibilities will be met. The uncertainty created by movable deadlines and lack of clarity about the final extent of the transfers—and about whether some of the responsibilities originally planned for transfer to the AER will ultimately be transferred—creates operating risk for the Commission.

As a result of that uncertainty, assumptions are made, particularly in the budget context, which affect perceptions about the Commission’s future and its ability to operate effectively. At the same time, the Commission’s statutory responsibilities have not diminished but have to be met with fewer resources. For example, responsibility for determining the electricity network prices to commence on 1 July 2009 was expected to transfer to the AER by 2007 but has now been delayed until early 2008. If further delays occur, the Commission may find that it has to take responsibility for this review, notwithstanding that at some time later in 2008 responsibilities will be transferred to the AER. The need for the Commission to take this action reflects the lengthy time period required to undertake these reviews.

Reshaping the independent advisory role

The benefits of independent sources of advice to government and government agencies have been demonstrated repeatedly over the past decade and more. However, as public policy develops, the roles of independent advisory bodies such as the Commission need to be reviewed. In other jurisdictions the responsibilities of independent economic regulatory and advisory bodies are increasing, with their advice being sought over a wider range of issues than energy or utility regulation. By comparison, in the ACT the role of independent advice appears to be declining. The Commission expects that the value of rigorous independent advice will be similarly recognised in the ACT and that its independent advisory role will be reshaped to enable it to make a positive contribution to economic development and management in the territory.

Development of responses to climate change

The Commission may be increasingly involved in the government's response to climate change. It will continue as the regulator for the territory's Greenhouse Gas Abatement Scheme, determining and reporting on compliance with the annual emissions benchmarks for participating utilities in the ACT. The Commission also expects to play a role in the administration of emerging emissions reduction policies.

In addition to those new responsibilities, the Commission will continue to regulate water and wastewater utilities under the Utilities Act. The Commission will continue to issue licences and to maintain the compliance reporting arrangements in the legislation. The security of water supply will be a major policy issue for government for some time to come. The drought across the eastern states of Australia continues to present real problems for the nation's economy and impacts not only on water and wastewater pricing but directly impacts on the availability of electricity with consequential impacts on electricity pricing.

There are pricing and regulatory issues in the ACT that will require the Commission's regulatory attention in the next financial year, including the determination of the water and wastewater price to take effect from 1 July 2008. Increasingly, territory water issues are affected by national water management issues. The Commission is well placed to provide advice to the government on those issues.

A.5 Fraud prevention

This section is about risk management and accountability for reducing risk. Risk management is a key responsibility for the Commission, involving responsibility for preventing fraud and for implementing effective internal controls on transactions involving territory funds of which the Commission is custodian.

The Commission's financial risk management practices, described below, are designed to prevent financial fraud.

In addition, for the purposes of contract tendering, members of the Commission's tender evaluation committees are required to complete declarations that they have no actual or perceived conflicts of interest in respect of any tenderer or panel member. Such documented declarations are retained on a registered file.

The Commission's probity adviser on tendering and contracting is the deputy chief solicitor in the Government Solicitor's Office. The Commission's probity auditor is the Auditor-General. As mentioned below, for audit purposes, the Commission has engaged the Auditor-General to conduct regular audits of the Commission's processes and records.

A.6 Risk management and internal audit

A.6.1 Risk management

Further comments on risk management are in the Management discussion and analysis section (A.10).

The Commission periodically has risks assessed as part of its internal audit program. In 2006–07, levels of all risks—including risks related to consultancies, information management, workplace safety and financial management—continued to be assessed as low.

The risks associated with non-performance of contracts for expert advice are low because the Commission tightly manages each contract. All contracts are let and managed by the chief executive officer subject to the Senior Commissioner's direction and control. The Commission reduces contractual risk by using Procurement Solutions as advisers to the procurement process and continuing to rely on the Commission's own panel of expert advisers. Each participating expert is pre-assessed in terms of risks, and endorsed for five years. Moreover, using Procurement Solutions as project managers for procurement processes ensures that the Commission complies with the government's overall

procurement policies. There were no incidences of contract non-performance in 2006–07.

The handling, storage and retrieval of information is a high-risk area for the Commission, which addresses risks arising from inappropriate treatment of information by improving its policies on use and disclosure of confidential information, the publication of information on the website or in reports, and appropriate storage of information. Section A.8 details how the Commission addresses information management issues in relation to document description, handling and management.

Workplace risks are managed on a daily basis. Both the Senior Commissioner and the chief executive officer have an immediate view of the way in which employees work in the office and the structure of the office facilities. A staff member is responsible for occupational health and safety (OH&S) representation.

The Commission's capitalised assets consist mainly of furniture and fittings. Only very small amounts of cash are held in the office. Financial risk arises from the Commission receiving revenue and making payments to suppliers.

The risk of errors or fraud is actively managed by separation of powers and regular monitoring of accounts. On the revenue side, most transactions are made by cheque or by direct credit to the Commission's accounts. On the payments side, there are no cash payments for services supplied and there is an appropriate authorisation process and separation of cheque preparation, payment authorisation and cheque signing. Only two individuals are involved in cash handling and banking, and one person, with direct oversight from the chief executive officer, prepares financial records.

A.6.2 Internal audit

In 2002–03 the Commission engaged Deloitte Touche Tohmatsu to review its internal risk management controls. The aims of the review were to identify areas of risk and, if necessary, to implement a planned process for reducing the level of risk. The review of internal controls was also to develop an audit process to monitor aspects of the Commission's operations to ensure that risks were properly identified and controlled and that high-priority risks were reviewed more frequently than lesser risks.

The review identified few high-priority risks, a position borne out once again in 2006–07. The Commission continues to restrict control of financial transactions, invoicing, payments and banking to reduce fraud and mishandling of funds. Similar tight controls are applied to cash; no cash, other than petty cash, is kept

in the Commission. Immediate lines of supervision ensure that information is not used for private advantage or fraudulent purposes. The Commissioner maintains regular and frequent oversight of activities and principal transactions.

A.7 Internal accountability

The structure of the Commission is set out in Figure 2 in Part A.1.3 of this annual report.

During 2006–07, Paul Baxter was the Senior Commissioner (appointed 1996; reappointed 2004; term expires 30 June 2009). Under the ICRC Act, the Senior Commissioner is responsible for the good management of the Commission. The ICRC Act requires that the Commission be composed of at least three commissioners. In June 2006, the appointments of Commissioners Creyke and McGhie ceased. Replacement commissioners have yet to be appointed.

From 1 July 2006 to 7 February 2007, the Commission’s chief executive officer was Ian Primrose CPA JP (appointed in 2000). Susan Faulbaum is the current chief executive officer. The chief executive officer is employed under the terms and conditions applicable to a senior officer in the ACT Public Service.

As set out in the ICRC Act, the Senior Commissioner is responsible for the governance of the Commission and the achievement of its objectives. The major corporate objectives of the Commission, as distinct from the Commission’s statutory objectives, are:

- subject to the ICRC Act, to operate as a businesslike, customer service-oriented entity
- to use benchmarking, to the extent possible for a regulatory agency, in order to operate at least as efficiently as alternative service providers and to provide quality, value-for-money services in all aspects of the Commission’s operations
- to use financial practices and maintain accounts and records that satisfy the requirements of the *Financial Management Act 1996*, including the associated ACT Accounting Policy Manual, modelled on the requirements of Australian Accounting Standards, and fairly present the Commission’s financial position and operational and cashflow results for planning and reporting purposes
- to adopt high-standard operating practices to safeguard the environment and health and safety of staff
- to provide a productive and satisfying working environment for staff, and a commitment to high standards of human resource management based on the principles of equal employment opportunity (EEO).

During 2006–07, the Senior Commissioner continued to oversee the governance of the Commission, including the application of principal Commission policies (such as those on OH&S, fraud control, financial control, internal audit and administrative law obligations), through regular meetings with staff.

The Commission continued to pursue best practice in its corporate governance and management, including by implementing relevant recommendations on governance made by the ACT Auditor-General’s Office, and appropriate industry or public sector standards. The Commission also continued to implement best practice administrative arrangements. All determinations and advice developed by the Commission, and the processes by which those outputs are developed, remain accessible and transparent and include extensive opportunities for public consultation.

A.8 Territory records

As mentioned in Section A.6.1, the handling, storage and retrieval of information is a high-risk area for the Commission. To mitigate risk, the Commission has implemented the requirements of the *Territory Records Act 2002* by creating and complying with a records management program, which has applied formally since 1 July 2004.

The program includes a records management policy and procedures, endorsed by the Director of Territory Records, detailing the practical requirements of the Commission’s record keeping, including standard operating procedures for all Commission staff and consultants to follow when carrying out record keeping, and identifying who is responsible for each of the tasks in the record-keeping process.

A.9 Financial report

This section of the report is about the Commission’s use of financial resources during the year. The following sections deal with the overview of financial performance (the Management discussion and analysis), the financial statements (see Appendix 1) and how well the Commission met its obligations set out in the Statement of Intent for 2006–07. Also included in this section is commentary on the management of assets, capital works and the use of contractors.

The Commission has prepared financial statements for the year commencing 1 June 2006 and ending on 30 June 2007. The statements have been prepared in accordance with the relevant accounting standards and independently audited as required by the *Financial Management Act 1996*, ACT Accounting Standards and the *Chief Minister’s 2006–07 Annual Report Directions*. The audit opinion,

financial statements and accompanying notes to the statements are in Appendix 1.

A.10 Management discussion and analysis

A.10.1 General overview

Objectives

The Commission has responsibility for a broad range of regulatory and utility administrative matters. Under the ICRC Act, the Commission is responsible for regulating and advising government about pricing and other matters for monopoly, near-monopoly and ministerially declared regulated industries, providing advice on competitive neutrality complaints and government-regulated activities, and arbitrating infrastructure access disputes.

Under the Utilities Act, the Commission is responsible for managing the licensing framework for utility service providers in the ACT, including issuing licences and monitoring licence compliance. It is also responsible for industry codes of practice and approving standard customer contracts for franchise customers. Utility services covered by the Utilities Act are electricity, gas, water and sewerage.

As reported in Section A.1.2, the Commission is the regulator for the purposes of the *Electricity (Greenhouse Gas Emissions) Act 2004*.

The Commission's objectives are set out in full in section 7 of the ICRC Act and section 3 of the Utilities Act, and are summarised in Section A.1.2 of this annual report.

Risk management

The Commission has identified risk in several areas:

- consultant risk
- operational risk
- information risk
- workplace safety and related employee risks
- financial risk.

These risks continue to be assessed as low and are actively monitored and managed by the Commission.

- The Commission has reduced its *contractual risk* by establishing a panel of expert advisers for a period of five years, with each participating expert pre-assessed in terms of risks. The risks associated with non-performance of contracts for expert advice are also considered low because the Commission tightly manages consulting contracts. There have been no incidences of contract non-performance in 2006–07.
- *Operational risk* to the Commission arises from the inadequacy of its workforce, in numbers and expertise. Although this is a government-wide issue, the specialist nature of the Commission’s work makes it even more difficult to attract and retain suitably qualified staff. To a large extent the Commission manages the risk by outsourcing work, such as pricing reviews, for which it has neither the resources nor the skills. Similarly, contractors supplement the secretariat from time to time when additional resources are needed. However, a significant reduction in the Commission’s permanent staff over the past year, coupled with the current skills shortage, places it at greater risk than previously of not having enough qualified staff to fulfil its core functions.
- Risks arising from inappropriate treatment of *information* are addressed in the Commission’s policies on the use and disclosure of confidential information, care in relation to the publication of information on the website or in reports, and appropriate storage of information. The Commission is specifically addressing information management issues by complying with ACT public sector policies and practices on document description, handling and management.
- *Workplace risks* are managed on a daily basis. Management has an immediate view of the way in which employees work in the office and the state of the office facilities. A staff member is responsible for occupational health and safety representation. No occupational health and safety issues were identified, or complaints made, in 2006–07. There have been two incidents in the seven years of the Commission’s operation: on each occasion, case management quickly and effectively addressed the problem, prevented more serious injury from occurring and reduced the risk of the problem recurring and the need for compensation.
- *Financial risk* arises as a consequence of the Commission receiving revenue and making payments to suppliers. Very low levels of cash are held in the office. The risk of mishandling cash or fraud is actively managed by separation of powers, appropriate to a small office, and regular monitoring of accounts. There are no cash transactions, either on the revenue or payment side, with most payments being made by cheque or by direct credit to the Commission’s accounts. There is an appropriate authorisation process

for payments including separation of account cheque preparation, payment authorisation and signature (including countersigning by two parties).

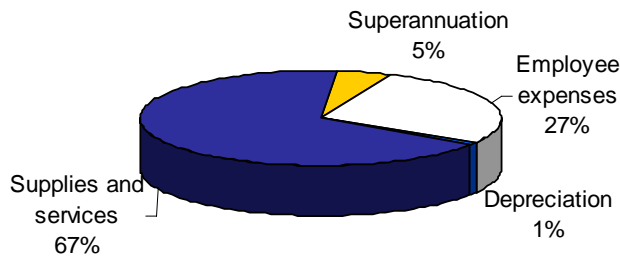
A.10.2 Financial performance

The following financial information is based on audited Financial Statements for 2005–06 and 2006–07, and the forward estimates contained in the 2006–07 Budget Paper No. 4.

Expenditure

Figure 5 indicates the components of the Commission's expenditure for 2006–07. The largest component was for supplies and services (67% of expenditure on ordinary activities, or \$1.184 million). This percentage remained constant from the previous year.

Figure 5 Components of expenditure, 2006–07



Total expenditure of \$1.779 million in 2006–07 was \$0.679 million lower than the 2006–07 budget of \$2.458 million. The decrease resulted from:

- employee and superannuation expenses (\$0.582 million) being lower than budget estimates (\$0.854 million)
- a 26% decrease in the costs of supplies and services (from \$1.604 million in 2005–06 to \$1.184 million in 2006–07).

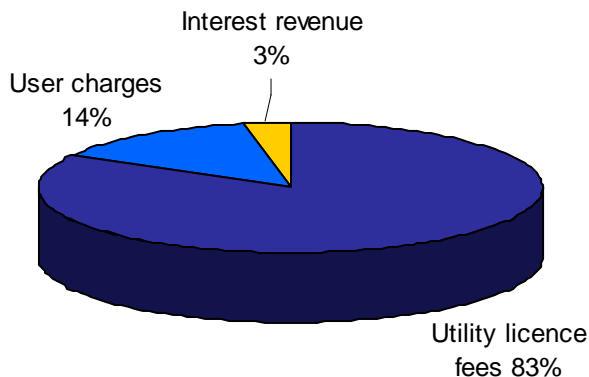
Total expenditure was \$0.706 million or 28% lower than 2005–06 actual expenditure. This decrease reflects a reduced use of external consultants during 2006–07, along with cost-saving initiatives adopted as a result of the previous ACT Government Budget.

Expenditure on supplies and services is expected to increase in 2007–08 as the Commission undertakes a water and wastewater review. As the Commission will have to rely heavily on the expertise of external consultants to conduct this review, costs will increase. The ongoing difficulty in recruiting qualified staff to fill vacant positions increases the use of external consultants and contractors.

Income

Figure 6 shows that the main source of income for the Commission in 2006–07 was from utilities licence fees of \$1.939 million (83% of total revenue). The remainder of the income was from user charges and bank interest, the largest component being ACT government user charges (the appropriation made from the budget).

Figure 6 Components of income, 2006–07



Revenue for 2006–07 was \$2.348 million, which was \$0.093 million (3.8%) lower than expected. This was mainly as a result of lower revenue from the government appropriation. This was in part balanced by higher than anticipated licence fees and other recoveries and interest.

Total revenue in 2006–07 was up \$0.082 million compared to the previous financial year (\$2.266 million). Utilities licence fee income increased by 23%; interest revenue increased from \$0.053 million to \$0.076 million.

In 2007–08, the Commission’s revenue is likely to be higher, as the cost of utilities regulation is expected to increase and this will flow through into costs

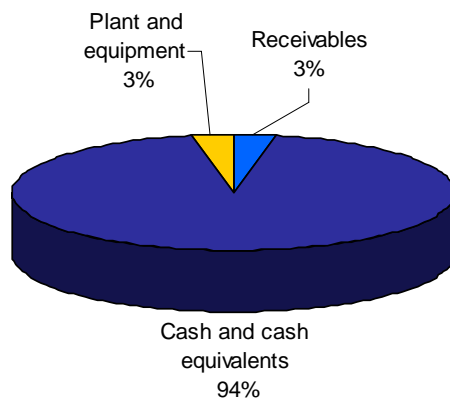
recovered through licence fees. In addition, the Commission has commenced the water and wastewater review, which is expected to result in additional costs. Because the Commission operates on a cost-recovery basis, user charges revenue will increase as the expenditure incurred in the review is recovered from parties involved.

A.10.3 Commission financial position

Assets

Figure 7 shows that the Commission continues to hold the majority of its assets in cash reserves. Some 97% of total assets are cash and receivables; the remainder is plant and equipment.

Figure 7 Total assets at 30 June 2007



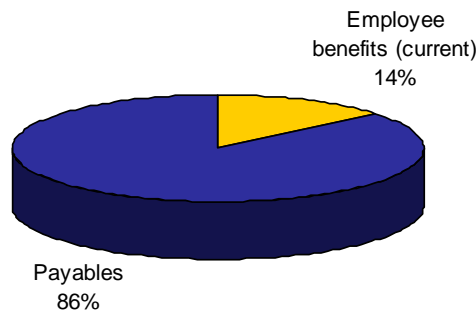
The total asset position at 30 June 2007 was \$1.687 million. This was \$0.751 million or 80% higher than expected in the budget. Total current assets were higher than anticipated (\$1.635 million actual compared to \$0.884 million budget).

The Commission's total assets at 30 June 2007 (\$1.687 million) were higher than at 30 June 2006 (\$1.061 million)—an increase of \$0.626 million.

Liabilities

Figure 8 indicates that the majority of the Commission's liabilities are payables (86%).

Figure 8 Total liabilities at 30 June 2007



The Commission's total liabilities at 30 June 2007 of \$0.673 million were \$0.295 million (78%) higher than budget and \$0.057 million (9%) higher than at 30 June 2006. Most of the increase relates to payables and, in particular, amounts payable to other ACT Government departments. As anticipated, employee benefits reduced significantly, from \$0.224 million to \$0.091 million.

Liquidity

'Liquidity' is the ability of the Commission to satisfy its short-term debts as they fall due. A common indicator for liquidity is the current ratio, which measures the ability to fund short-term liabilities from short-term assets. A ratio of less than 1:1 may indicate a reliance on the next financial year's user charges or the ACT Government to meet short-term debts. Table 4 indicates the liquidity position of the Commission.

Table 4 Current ratio

Description	Prior year actual \$'000 2005–06	Current year budget \$'000 2006–07	Current year actual \$'000 2006–07	Forward year budget \$'000 2007–08	Forward year budget \$'000 2008–09	Forward year budget \$'000 2009–10
Current assets	996	884	1,635	917	951	995
Current liabilities	616	190	673	182	181	181
Current ratio	1.6:1	4.6:1	2.4:1	5.0:1	5.2:1	5.5:1

The Commission's current ratio for the 2006–07 financial year was 2.4:1, which was a decrease from the budgeted current ratio of 4.6:1. The difference is reflected mainly in the lower than expected level of payables at year end.

The Commission is expected to maintain its strong level of liquidity in 2007–08, although this will be necessary to balance the cash flow requirements associated with the conduct of the current water and wastewater review.

A.11 Statement of performance

Each year, the Commission provides a set of performance objectives in Budget Paper No. 4. The measures indicate the expected outputs for each year, noting that the actual outputs are subject to considerable volatility. Much of the Commission's workload is reactive, responding to matters at the request of members of the community, ministers, members of the Legislative Assembly or government agencies. Other outputs, such as utility pricing decisions, are determined in laws such as the National Electricity Law and National Gas Law and their attendant codes.

In 2006–07, the Commission substantially met its performance measures, except for the issue of three reports on water pricing, a report on transport pricing and the annual compliance report for utilities licensed under the Utilities Act. The variations were not generally the result of underperformance. The six papers originally intended to form part of the water and wastewater review process were reduced to three without reducing the content or the issues upon which the Commission either has sought or is seeking to consult. The transport pricing inquiry did not proceed, as the declaration of the taxi industry as a regulated industry under the ICRC Act was rescinded and the minister resumed the authority to determine prices for transport services in the ACT. The compliance report was delayed, rather than not completed, and was released after the end of the financial year.

The statement of performance and the auditor's opinion and statement of responsibility are included in Appendix 1 of this annual report.

A.12 Strategic asset management

The Commission's only assets are the furniture and fittings in its offices. The repairs and maintenance of those assets are managed, but they have no manageable capital value in the sense that property has. The assets are depreciated using a straight line on historical cost method since 2000. All other operating assets, such as IT equipment, printers and communications equipment, are leased. Therefore, the Commission has no need for a formal asset management plan.

A.13 Capital works

The Commission did not undertake capital works in 2006–07. The Commission has no capital assets, other than the furniture and fittings referred to above.

A.14 Government contracting

The Commission continued to use consultants, including a panel of expert advisers, to assist with the conduct of inquiries and other processes.

The approach adopted by the Commission provides low-cost access to bodies of significant relevant expertise otherwise unavailable to the Commission, resulting in a flexible and highly skilled workforce at an efficient cost. The skill base of the Commission is therefore, in a practical sense, wider than the Commission would otherwise be able to afford, and provides opportunities for core staff members to expand their skills and experience through skills transfer.

Table 5 shows the involvement of consultants and contractors in the Commission's operations during 2006–07.

Table 5 Contractor and consultant services, 2006–07

Consultant/contractor ^a	Service (date contract let)	Value \$ ^b
Blake Dawson Waldron	Provision of legal advice on electricity price direction (February–March 2007)	25,718
Careers Unlimited	Provision of staff search services (June 2007)	6,930
Independent Pricing and Regulatory Tribunal	Modification of Greenhouse Gas Abatement Scheme Registry (June 2007)	555
Jaikrish Pty Ltd	Provision of regulatory analysis and advice (June 2007)	3,920
Jindabyne Business Services	Provision of financial management and accounting services (July 2006)	50,600
David Lawrance	Provision of counselling and mentoring services (July 2006)	4,550
Primrose and Associates Pty Limited	Provision of regulatory advice and administrative services (April 2007)	18,375
WordsWorth Writing	Provision of editorial and design services (July 2006)	24,795

a Only contractors and consultants external to the ACT Government are included.

b All figures are exclusive of goods and services tax and rounded to whole dollars.

A.15 Community grants, assistance and sponsorship

The Commission neither provided community grants, assistance or sponsorship nor administered grants, assistance or sponsorships on behalf of government agencies, with one exception. The Commission sponsored an art student at the Australian National University Art School between 1 July 2006 and 1 January 2007, at an estimated pro rata cost of \$550, in return for which the Commission had access to a number of artworks for use in its offices. The sponsorship ceased as one of a number of savings required in the 2006–07 Budget.

A.16 Human resources performance

This section is about the management of the Commission's human resources, particularly about how the Commission cares for and develops the potential of the staff in its employ.

The Commission's continuing preferred approach to managing human resources efficiently and effectively is to employ contract staff and consultants as needed (see Table 5 for details of such consultancies in 2006–07), while maintaining core permanent staff in critical disciplines such as economics, econometrics, administrative law and communications.

The Commission's overriding goal is to remain, as far as possible, an 'employer of choice'—that is, one with conditions and practices that attract and retain high-calibre staff. In 2006–07, the Commission was proud of the achievements and productivity of its staff, whose performance continued to compare favourably to that of officers of other Australian regulators and other ACT Public Service agencies.

While the Commission is careful in its allocation of scarce human and financial resources, the constraints imposed on a small organisation with few permanent staff result, over time, in relatively high staff turnover, particularly as personnel are trained to a high level of individual competence and thus become very attractive to other employers. However, the Commission's relatively small scale provides opportunities for broad experience and substantial responsibility for outcomes.

A.17 Staffing profile and workplace diversity

A.17.1 Staffing profile

Table 6 provides details of the Commission's staffing profile at 30 June 2007.

Table 6 Staffing profile of the Commission at 30 June 2007

Level	Number	Full time		Part time	
		Female	Male	Female	Male
Commissioners	1				1
SES					
SOG A	2		1	1	
SOG B					
SOG C	1		1		
ASO 5	2	1		1	
ASO 4	1	1			
ASO 3					
Total	7	2	2	2	1

ASO = Administrative Service Officer; SES = Senior Executive Service; SOG = Senior Officer Grade

Note: The table includes full-time permanent and part-time contract staff, and the two staff members that are on leave-without pay.

The details of age by level have been omitted to protect individuals' privacy. The age profile of the Commission ranges from the mid-20s to 60 years.

A.17.2 Workplace diversity

The Commission remains highly conscious of the importance of both EEO and cultural and linguistic diversity in determining its organisational health. The Commission is an equal opportunity employer. Table 7 illustrates the EEO and equity composition of the Commission's staff at 30 June 2007.

At June 2007, the Commission comprised four females and three males. Overall, the Commission retained a good gender balance.

There were no constraints on people with disabilities joining the Commission; the criteria for employment with the Commission are suitable experience and relevant skills. The physical facilities in the building are not a barrier to people with disabilities and include lift access to all floors and open access to all facilities. The Commission's emergency procedures take into account the needs of people with disabilities.

Table 7 EEO and equity composition of the Commission at 30 June 2007

Level	Number	Gender		ATSI	Disability	NESB
		F	M			
Commissioner	1	0	1	-	-	-
SES 1.3				-	-	-
SOG A	2	1	1	-	-	-
SOG B				-	-	-
SOG C	1		1			
ASO 5	2	2	-	-	-	-
ASO 4	1	1	-	-	-	-
ASO 3	-	-	-	-	-	-
Total	7	4	3	-	-	-

ASO = Administrative Service Officer; ATSI = Aboriginal or Torres Strait Islander background; EEO = equal employment opportunity; NESB = non-English speaking background; SES = Senior Executive Service; SOG = Senior Officer Grade

Note: The table includes full-time permanent and part-time staff, and the two staff members that are on leave-without pay.

A.18 Workplace health and safety

The Commission is committed to following sound occupational health and safety (OH&S) approaches to maintain a safe, healthy and secure workplace. OH&S is important to the Commission, not only because the loss of a staff member could seriously weaken the Commission and be costly in terms of both replacement expense and time, but also because such a loss would represent the failure of the Commission's policy of ensuring a safe and healthy workplace.

During 2006–07, all office accommodation was monitored to ensure that any emerging risks were identified early and that appropriate action was taken to reduce or eliminate such risks. The Commission continued to implement and abide by OH&S policies applicable to all government agencies.

During 2006–07, there were no reported OH&S complaints or workplace-related injuries. This result should be seen against the background of the Commission's move in October 2006 from its offices in Eclipse House to temporary offices in Moore Street, where the Commission has had less control over the quality or safety of the accommodation. In future the Commission's ability to provide a safe and healthy working environment may be difficult to maintain, given the uncertainty about a move to more permanent accommodation.

In total, there have been two incidents in the Commission's seven years of operation: on each occasion case management effectively addressed the

problem, prevented more serious injury from occurring and reduced the risk of compensation.

The Commission has one fully trained and certified first aid officer and participates in fire safety and evacuation practices for tenants of 12 Moore Street, where the Commission is temporarily located.

A.19 Learning and development

The major training activities during 2006–07 were the attendance of staff at conferences and seminars on relevant industry regulatory issues. A number of staff also participated in training provided by the Department of Justice and Community Safety in such areas as Excel, time management and writing.

While the Commission does not budget for any particular level of overall training expenditure as a proportion of general expenditure, it has an informal internal target of between 2% and 5% of total wage- and salary-related overheads. However, training expenditure in 2006–07 was between 1% and 2% of wages and overheads, due largely to financial constraints.

The Commission continued to support one staff member undertaking the last two units of the Masters program at the Australian Centre of Regulatory Economics (ACORE) at the Australian National University. Financial membership of ACORE finished in January 2006, although the Commission's remaining participant completed the postgraduate program in July 2007.

The Commission will review its commitment to training when its future resources and skills needs are clearer.

A.20 Workplace relations

In accordance with ACT Government policy, there were no Australian Workplace Agreements applying to the Commission in 2006–07. A new three-year government-wide certified agreement was reached with effect from 1 April 2004, and covers all the Commission's senior officers and administrative officer employees.

Part B Commission's performance on consultation and scrutiny

B.1 Community engagement

Community consultation

The Commission embraces its responsibility to consult the community on matters under investigation, and respond to issues raised by members of the community, in order to fulfil its statutory role and organisational objectives.

The Commission provides encourages and provides opportunities for participation at all stages of its inquiries by individuals or by representatives of community groups, industry, peak bodies, regulatory agencies or other interested parties.

Public notices are published seeking input in relation to all references received for price and regulatory inquiries. All licensing and code decisions and many of the issues associated with their making are publicly notified and all are made available through the Commission's website. Where public hearings are held, members of the public are invited to attend to make personal submissions.

In addition, the Commission continues to be involved in informing the developing debate on regulatory issues in the broader community, including among various not-for-profit human services organisations. In 2006–07, the Commission continued to provide information to the community on specific issues and remained active in making presentations at conferences and seminars.

Access to ACT Government Strategy

The Commission observes the Access to ACT Government Strategy, launched in 2003, in letter and spirit, ensuring that any member of the community who has a disability can readily access its services and facilities.

The Commission's action plan has included ensuring that its offices are easily accessible and its publications are available in print and electronic media. In the past, the Commission has provided publications in braille and audio formats, and Auslan translation services, on request.

B.2 Internal and external security

Auditor-General's reports

The Commission was included in the Auditor-General's report on annual financial statements for the year ended 30 June 2007. The Auditor-General gave an unqualified opinion on the Commission's financial statements and statement of performance. The Commission has maintained an unbroken record of unqualified audit opinions since it was first subject to the audit requirement in 2000.

The Commission's unqualified audited financial statements for 2006–07 appear in Appendix 1.

ACT Ombudsman's reports

During 2006–07, the Commission was not the subject of any complaint to or investigation by the ACT Ombudsman.

B.3 Legislative Assembly committee inquiries and reports

The Commission was not the subject of a review by a Legislative Assembly committee in 2006–07. However, the Commission participated in Legislative Assembly Estimates Committee and Public Accounts Committee reviews of Budget estimates for the period to 30 June 2007 and annual reports for the period to 30 June 2006.

The reports of those committees contained no recommendations about the Commission.

B.4 Legislative report

The Commission has its principal responsibilities under the:

- *Independent Competition and Regulatory Commission Act 1997*
- *Utilities Act 2000*.

The Commission also has obligations under a range of other Acts and codes, including:

- National Electricity Code
- National Gas Code

- *Electricity (Greenhouse Gas Emissions) Act 2004*
- *Financial Management Act 1996*
- *Annual Reports (Government Agencies) Act 1995*
- *Government Procurement Act 2001*
- *Public Access to Government Contracts Act 2000*
- *Public Sector Management Act 1990*
- *Territory Records Act 2002.*

Part C Other reporting

C.1 Public interest disclosure

Like other government agencies, the Commission has various obligations under the *Public Interest Disclosure Act 1994*. In particular, the Commission is required to have in place procedures to facilitate the making of public interest disclosures and to deal with public interest disclosures that the Commission is the proper authority to receive, and to ensure that those procedures are maintained.

The Commission has adopted the procedures established by the ACT Department of Treasury, including procedures dealing with:

- making public interest disclosures
- assisting and providing information to a person who makes a public interest disclosure
- protecting a person who makes a public interest disclosure from unlawful reprisals, including unlawful reprisals taken by public officials in relation to the government agency
- acting on public interest disclosures.

Copies of the procedures are available to the Commission's 'public officials' and to the public.

During 2006–07, the Commission received no public interest disclosure requests, and was involved in no incidents involving public interest disclosure.

C.2 Freedom of information

Section 7 statement

In addition to the requirements of the *Public Interest Disclosure Act 1994* and the *Freedom of Information Act 1989*, the Commission is subject to requirements under both the ICRC Act and the Utilities Act to make public all decisions, submissions to inquiries, reports, draft reports and reasons for the Commission's decisions.

The Commission's final reports on investigations on all issues relating to prices, access disputes, access arrangement proposals, and decisions on

utilities licensing and approval of industry codes and code variations are all publicly available. Guidelines about information access and confidentiality are readily available on the Commission's website (www.icrc.act.gov.au).

Section 8 statement

On request, the Commission makes available any record except documents containing genuine commercial-in-confidence information (in submissions made to the Commission by outside entities) and certain staff-in-confidence documents. The Commission makes information publicly available through published reports, its website, and its offices (Level 1, 12 Moore Street, Canberra City).

The chief executive officer is the contact person for freedom of information requests.

Section 79 statement

During 2006–07, the Commission received no requests for information disclosure under the terms of the *Freedom of Information Act 1989*.

C.3 Sustainability and environment

C.3.1 Commissioner for the Environment

The Commission has neither made reports to nor received requests for information from the Commissioner for the Environment.

C.3.2 Ecologically sustainable development

The Commission continued to further the aims of the ACT Greenhouse Strategy through its performance as compliance regulator of the ACT Greenhouse Gas Abatement Scheme, as described in Section A3.9.

The Commission continued to review its operations and conduct its activities in accordance with the principles of ecologically sustainable development.

Consistent with the government's 'no waste' policies, the Commission continued its commitment to producing zero waste by 2010 by attempting to reduce the amount of paper it uses and increase its recycling activities.

Table 8 summarises the Commission's ecological sustainability priorities.

Table 8 Commission activities supporting ecologically sustainable development, 2006-07

Issue	Activity	Outcome
<i>Core business</i>		
Compliance regulation	Establishing benchmarks, monitoring compliance and penalising non-compliance under the ACT Greenhouse Gas Abatement Scheme	Reduced greenhouse gas emissions
Inquiries	Considering social and environmental impacts, including the application of the precautionary principle	Promotion of sustainability and reflection of the real economic costs and the impact on social costs of market activity
Price setting	Considering social and environmental costs	Service pricing for regulated industries that reflects full costs, including environmental costs and the social impact of prices
<i>Operations</i>		
Consumables	Using recycled paper and other recycled consumables (such as printer toner)	Improved recycling practices, leading to reduced greenhouse gas emissions
Disposables	Recycling	Reduced impact on landfill, leading to reduced greenhouse gas emissions

C.4 Multicultural strategy

Workplace diversity within the Commission is discussed in Section A.17.2.

The Commission's processes are transparent, and the Commission seeks to encourage access to its processes by all interested parties. The Commission does not customarily provide its reports in languages other than English, as the cost would be prohibitive. However, where people need assistance the Commission either uses a translator or provides a referral to a translator.

C.5 Other reportable issues

In 2006–07 the Commission had nothing to report against the requirements or objectives of:

- the *Human Rights Act 2004*
- Aboriginal and Torres Strait Islander reporting
- Strategic Bushfire Management Plan
- ACT Women's Plan.

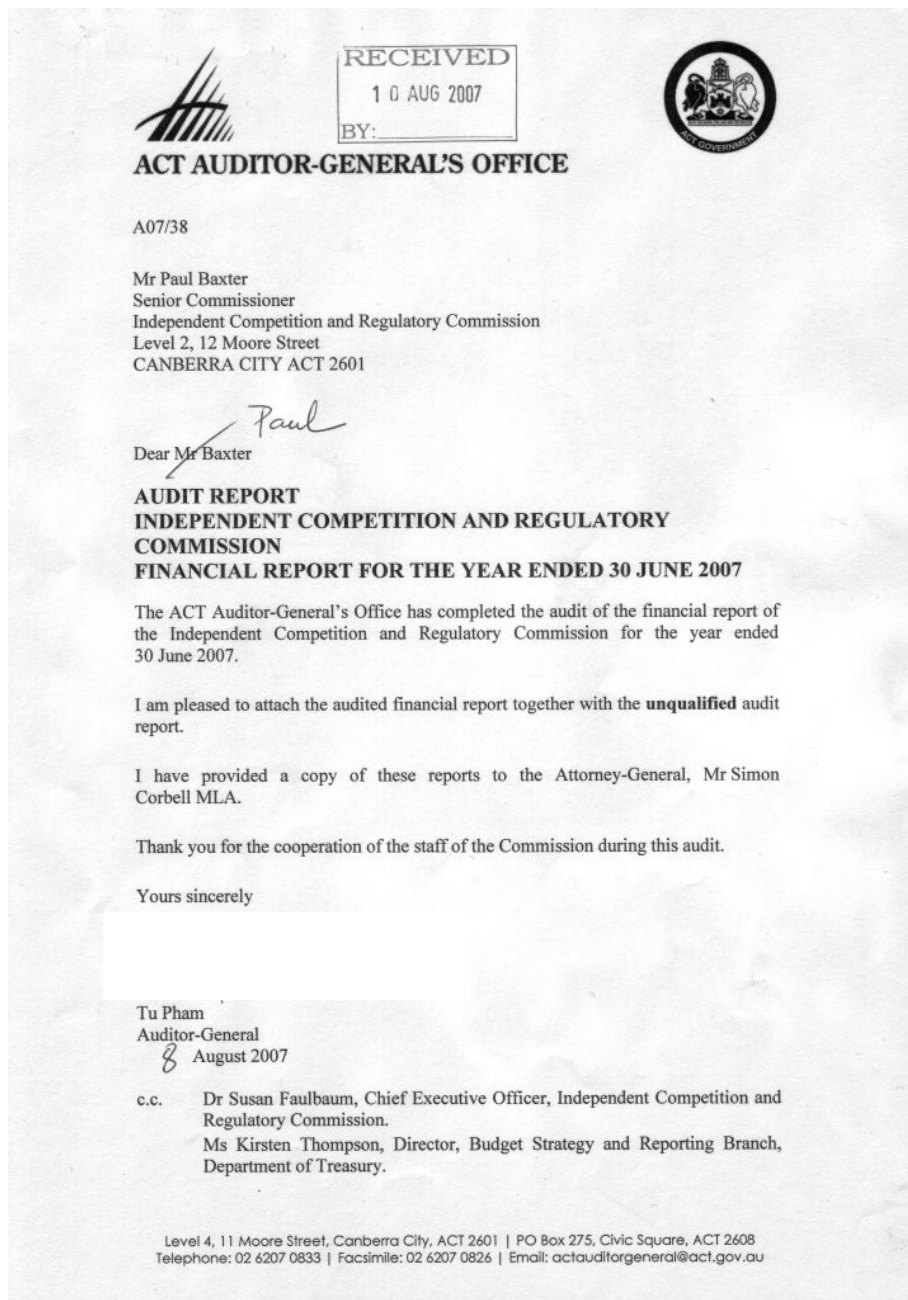
Appendixes

Appendix 1 Financial report and audit report

Independent Competition and Regulatory Commission

Financial Report
For the year ended 30 June 2007

Auditor's opinion on the Financial Statements




Statement of responsibility

**Independent Competition & Regulatory Commission
Financial Report
For the Year Ended 30 June 2007**

Statement of Responsibility

In my opinion, the financial report is in agreement with the Authority's accounts and records and fairly reflects the financial operations of the Authority for the year ended 30 June 2007, and the financial position of the Authority on that date.

Paul Baxter
Senior Commissioner
Independent Competition & Regulatory Commission

 July 2007


Statement by the Chief Finance Officer

**Independent Competition & Regulatory Commission
Financial Report
For the Year Ended 30 June 2007**

Statement by the Chief Finance Officer

In my opinion, the financial report has been presented in accordance with generally accepted accounting principles, and is in agreement with the Authority's accounts and records and fairly reflects the financial operations of the Authority for the year ended 30 June 2007, and the financial position of the Authority on that date.

Dr Susan Faulbaum
Chief Finance Officer
Independent Competition & Regulatory Commission

 July 2007

Independent Competition and Regulatory Commission

Territory Authority Financial report for the year ended 30 June 2007

Independent Competition and Regulatory Commission

Operating Statement for the year ended 30 June 2007

	Note No.	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
Income				
<i>Revenue</i>				
User Charges—ACT Government	4	314	804	639
User Charges—Non-ACT Government	5	19	–	–
Fees	6	1,939	1,623	1,574
Interest	7	76	14	53
<i>Total Revenue</i>		<u>2,348</u>	<u>2,441</u>	<u>2,266</u>
Total Income		<u>2,348</u>	<u>2,441</u>	<u>2,266</u>
Expenses				
Employee Expenses	8	486	709	592
Superannuation Expenses	9	96	145	81
Supplies and Services	10	1,184	1,591	1,603
Prior Year Licence Fee Refund	11	–	–	196
Depreciation and Amortisation	12	13	13	13
Total Expenses		<u>1,779</u>	<u>2,458</u>	<u>2,485</u>
Operating Surplus/(Deficit)		<u>569</u>	<u>(17)</u>	<u>(219)</u>

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

Independent Competition and Regulatory Commission

Balance Sheet as at 30 June 2007

	Note No.	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
Current Assets				
Cash and Cash Equivalents	15	1,586	863	769
Receivables	16	49	21	227
Total Current Assets		1,635	884	996
Non-Current Assets				
Plant and Equipment	17	52	52	65
Total Non-Current Assets		52	52	65
Total Assets		1,687	936	1,061
Current Liabilities				
Payables	18	582	119	392
Employee Benefits	19	91	71	224
Total Current Liabilities		673	190	616
Non-Current Liabilities				
Employee Benefits	19	–	188	–
Total Non-Current Liabilities		–	188	–
Total Liabilities		673	378	616
Net Assets		1,014	558	445
Equity				
Accumulated Funds	20	1,014	558	445
Total Equity		1,014	558	445

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

Independent Competition and Regulatory Commission

Statement of Recognised Income and Expenses for the year ended 30 June 2007

	Note No.	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
Opening Balance	20	445	575	664
Accumulated Funds				
Operating Surplus/(Deficit)		569	(17)	(219)
Total Income and Expense Recognised Directly in Equity for the Period		<u>569</u>	<u>(17)</u>	<u>(219)</u>
Closing Balance	20	<u><u>1,014</u></u>	<u><u>558</u></u>	<u><u>445</u></u>

The above Statement of Recognised Income and Expenses should be read in conjunction with the accompanying notes.

Independent Competition and Regulatory Commission

Cash Flow Statement for the year ended 30 June 2007

	Note No.	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
Cash Flows from Operating Activities				
Receipts				
Fees		1,938	1,623	1,575
User Charges—ACT Government		516	804	424
User Charges—Non-ACT Government		19	–	–
Interest Received		71	14	54
Goods and Services Tax Collected from Customers		22	–	4
Other		23	81	88
Total Receipts from Operating Activities		2,589	2,522	2,145
Payments				
Employee Payments		317	848	618
Superannuation Payments		63	–	80
Supplies and Services		1,379	1,584	1,653
Other		13	96	4
Total Payments from Operating Activities		1,772	2,528	2,355
Net Cash Inflows/(Outflows) from Operating Activities	23	817	(6)	(210)
Net Increase/(Decrease) in Cash Held		817	(6)	(210)
Cash and Cash Equivalents at the Beginning of the Reporting Period		769	869	979
Cash and Cash Equivalents at the End of the Reporting Period	23	1,586	863	769

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

Notes to and forming part of the Financial Report for the year ended 30 June 2007

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Note 1 Objectives of Independent Competition and Regulatory Commission

Operation and principal activities of the Independent Competition and Regulatory Commission

The Independent Competition and Regulatory Commission has regulatory rather than commercial objectives, which are prescribed in section 7 of the *Independent Competition and Regulatory Commission Act 1997*. The Act provides the following objectives in relation to regulated industries, access regimes, competitive neutrality complaints and government-regulated activities:

- to promote effective competition in the interests of consumers
- to facilitate an appropriate balance between efficiency and environmental and social considerations
- to ensure non-discriminatory access to monopoly or near monopoly infrastructure.

In the *Utilities Act 2000*, the Independent Competition and Regulatory Commission has certain objectives. Section 3 provides the following in respect to utility services:

- to encourage the provision of safe, reliable, efficient and high quality utility services at reasonable prices
- to minimise the potential for misuse of monopoly power in the provision of utility services
- to promote competition in the provision of utility services
- to encourage long term investment, growth and employment in utility service industries
- to promote ecologically sustainable development in the provision of utilities services
- to protect the interests of consumers
- to ensure the advice given to Independent Competition and Regulatory Commission by the Essential Services Consumer Council, or the Chief Executive under Part 5 (Technical Regulation), is properly considered
- to ensure the government's programs about the provision of utility services are properly addressed
- to give effect to directions of the Minister under section 19.

Note 2 Summary of significant accounting policies

(a) Basis of accounting

The *Financial Management Act 1996* (FMA) requires the preparation of financial statements (financial report) for Territory Authorities.

The FMA and the Financial Management Guidelines issued under the Act, requires that a Territory Authority's financial statements (financial report) include:

- (i) an Operating Statement for the year
- (ii) a Balance Sheet at the end of the year
- (iii) a Statement of Recognised Income and Expenses for the year
- (iv) a Cash Flow Statement for the year
- (v) a summary of the significant accounting policies adopted for the year
- (vi) such other statements as are necessary to fairly reflect the financial operations of the Territory Authority during the year and its financial position at the end of the year.

This general-purpose financial report has been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP) as required by the FMA. This financial report has been prepared in accordance with:

- (i) Australian Equivalents to International Financial Reporting Standards, comprising accounting standards and UIG interpretations issued by the Australian Accounting Standards Board
- (ii) ACT Accounting Policies.

The financial report has been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial report has also been prepared according to the historical cost convention.

The Independent Competition and Regulatory Commission is an individual reporting entity.

(b) The reporting period

This financial report states the financial performance, changes in equity and cash flows of the Independent Competition and Regulatory Commission for the reporting period 1 July 2006 to 30 June 2007 together with the financial position of the Independent Competition and Regulatory Commission as at 30 June 2007.

(c) Comparative figures

Budget figures

Budget information provided for 2006–07 matches the budget information contained in the Independent Competition and Regulatory Commission’s Statement of Intent. The *Financial Management Act 1996* requires the statements to facilitate a comparison with the Statement of Intent. The budget numbers are as per the Statement of Intent.

Prior year comparatives

Comparative information has been disclosed in respect of the previous period for all amounts reported in the financial report.

Where the presentation or classification of items in the financial report are amended, the comparative amounts have been reclassified where practical. Where a reclassification occurs the nature, amount and reason for the reclassification is provided.

(d) Rounding

All amounts in the financial report have been rounded to the nearest thousand dollars (\$’000). Use of “-” represents zero amounts or amounts rounded down to zero.

(e) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Commission and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised:

Utilities licence fees

Under the *Utilities Act 2000*, (the Act), the Commission determines each year the licence fees for each utility providing services in the ACT. The Act also provides that the Independent Competition and Regulatory Commission may recover an amount considered to be a reasonable contribution towards the cost of providing its services from utilities through these licence fees.

The Commission determines the licence fees by referring to the estimated cost of providing regulatory services in a year and allocating those costs to

the utilities providing electricity, gas and water services. The fees are separated into network and retail services.

Where, in the previous year, the costs of regulatory services was less than the licence fees collected, the Commission offsets the determined licence fee with a proportion of the unexpended balance of the fees collected in the previous year. Where, in the previous year, the costs of regulation are greater than the licence fees collected, either an additional licence fee will be determined or the shortfall shall be added to the licence fee payable in the succeeding year.

(f) Taxation

Independent Competition and Regulatory Commission activities are exempt from all forms of taxation except Fringe Benefits Tax and Goods and Services Tax.

(g) Current and non-current items

Assets and liabilities are classified as either current or non-current on the face of the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within twelve months after the reporting date. Liabilities are classified as current when they are due to be settled within twelve months after the reporting date or the Commission does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(h) Cash and cash equivalents

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank, cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents include short-term investments held in the Cash Enhanced Portfolio managed by an external fund manager on behalf of the Central Financing Unit. Any bank overdrafts are included in cash and cash equivalents in the cash flow statement and are recognised as a liability in the Balance Sheet.

Cash is measured at nominal value.

(i) Receivables

Accounts receivable (including both trade and other receivables) are initially recognised at fair value and are subsequently measured at amortised cost,

with any adjustments to the carrying amount going through the Operating Statement.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are payable within 30 days after the issue of an invoice or the services have been provided under a contractual arrangement. If payment is not received within 60 days after the amount falls due, the Commission is able to charge interest at commercial rates until the whole of the debt is paid.

(j) Acquisition and recognition of plant and equipment

Plant and equipment is initially recorded at cost. Cost includes the purchase price, directly attributable costs and the estimated cost of dismantling and removing the item (where, upon acquisition, there is an obligation to remove the item). Where plant and equipment is acquired at no, or minimal cost, it is recognised at fair value.

Non-current plant and equipment with a minimum value of \$5,000 is capitalised.

(k) Depreciation of non-current assets

Non-current assets, with a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. The useful life commences when an asset is ready for use. When an asset is revalued it is depreciated over the remaining useful life of that asset.

Leased motor vehicles are depreciated over the estimated useful life of each asset improvement, or the unexpired period of the relevant lease, whichever is shorter.

Depreciation for non-current assets is determined as follows:

<i>Class of asset</i>	<i>Depreciation method</i>	<i>Useful life (years)</i>
Office furniture and equipment	Straight line	10 years

(l) Payables

Payables are a financial liability and are measured at the fair value of the consideration received with initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying

amount going through the operating statement. All amounts are usually settled within 30 days after an invoice is received.

Payables include Trade Payables, Accrued Expenses and Other Payables.

Trade payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period and relating to the normal operations of the Commission.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received by period end.

Other payables are those unpaid invoices that do not directly relate to the normal operations of the Independent Competition and Regulatory Commission.

(m) Leases

The Independent Competition and Regulatory Commission has entered into operating leases.

Operating leases

Operating leases do not effectively transfer to the Independent Competition and Regulatory Commission substantially all of the risks and rewards incidental to ownership of the leased asset. Operating lease payments are recognised as an expense in the Operating Statement on a straight-line basis over the term of the lease.

(n) Employee benefits

Employee benefits include wages and salaries, annual leave and long service leave. These benefits accrue as a result of services provided by employees up to the reporting date that remain unpaid. They are recorded as a liability and as an expense.

Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period. Annual leave and long service leave that falls due wholly within the next twelve months are measured based on the amount of remuneration anticipated to be paid when the leave is taken. Annual leave and long service leave that does not fall due wholly within the next twelve months is measured at present value. This approach is an approximation process to recognise the probable liability that will eventuate for officers with less than ten years of service, when ten years of service is achieved.

Annual leave and long service leave liabilities are disclosed as current liabilities on the face of the Balance Sheet where there are no unconditional rights to defer the settlement of the liability for at least 12 months. However, where there is an unconditional right to defer settlement of the liability for at least 12 months, annual leave and long service leave have been classified as a non-current liability on the face of the Balance Sheet.

(o) Superannuation

Superannuation expense payments to the Superannuation Unit each year, to cover its superannuation liability for the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSSS). The payment covers the CSS/PSSS employer contributions (but does not include the 3% productivity). The 3% productivity component is paid direct to Comsuper by the Commission. The CSS and PSSS are defined benefit superannuation plans, meaning that the defined benefits received by employees of the Commission are based on the employee's years of service and average final salary.

Superannuation expense payments have also been made directly the superannuation funds for those members of the Public Sector who are part of superannuation accumulation schemes. This includes the Public Sector Superannuation Scheme Accumulation Plan and schemes of employee choice.

Superannuation employer contribution expense payments, for the CSS and PSSS, are calculated by taking the salary level at an employee's anniversary date and multiplying it by the notional CSS or PSSS employer contribution rate for each employee. The 3% productivity expense payments are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate of 3% for each employee. Superannuation expense payments for work choice arrangements are calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

A superannuation liability is not recognised on the Balance Sheet as the Superannuation Unit recognises the total Territory superannuation liability for the CSS and PSSS and Comsuper and other schemes carry the superannuation liability for the Public Sector Superannuation Scheme Accumulation Plan and other schemes respectively.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSSS in respect of the ACT Government Service after 1 July 1989. These reimbursement payments are made by the Superannuation Unit.

(p) Insurance

The Independent Competition and Regulatory Commission insures all of its major risks through the ACT Insurance Authority. The excess payable, under this arrangement, varies depending on each class of insurance held by the Commission.

(q) Significant Accounting Estimates and Judgments*(i) Employee benefits*

Note (n) ‘Employee benefits’ disclose that the liability for employee benefits is measured at the estimate amounts expected to be paid when the liability is settled.

This estimate requires an assessment of each employee future salary levels and the timing of the settlement of this liability.

(ii) Employee benefits—Amounts payable within 12 months and after 12 months

Note 19: ‘Employee benefits’ provides information on employee benefits estimated to be payable within 12 months and after 12 months.

This estimate requires an assessment of the timing of the settlement of this liability.

(r) Utility Licence Fee adjustments

The *Utilities Act 2000* provides that the regulatory bodies in the ACT, the Commission, the Essential Services Consumer Council (ESCC) and the technical regulator, may recover the reasonable costs of providing their services from utilities through the licence fees. The Commission determines each year the licence fees for each utility providing services in the ACT.

Fees charged to the utilities are calculated at the beginning of the financial year on the basis of the estimated costs of regulation. Under the Commission’s approved policy, adjustments are made to Fees charged in the following year if the actual cost of regulation at the end of the financial year varies from the cost estimated at the beginning of the year.

Licence fees are calculated by reference to the weighted amount of regulatory activity for each utility, electricity, gas or water, and service, network or retail. The calculation also takes into account the difference between fixed and variable costs, the latter based on the utility’s share of the market.

Note 3 Change in accounting policies

There have been no major changes to accounting policies applicable for the 2006–07 financial year.

Note 4 User charges—ACT Government

User Charges—ACT Government revenue is derived by providing services to other ACT Government agencies. This revenue is received from providing reviews or inquiries when requested and also from an ongoing Service Purchase Agreement with the Department of Treasury.

	2007 \$'000	2006 \$'000
User Charges—ACT Government		
User Charges—ACT Government	314	639
Total User Charges—ACT Government	314	639

The decrease is a result of no reviews of ACT Government agencies undertaken during the 2006–07 year and therefore no recovery of costs of such.

Note 5 User charges—Non-ACT Government

User charge revenue is derived by providing services to the public. User Charge revenue is not part of government appropriation and is paid by the user of the goods or services. This revenue is driven by consumer demand and is commercial in nature.

	2007 \$'000	2006 \$'000
User Charges—Non-ACT Government		
Service Receipts (Non-ACT Government)	19	–
Total User Charges—Non-ACT Government	19	–

Note 6 Fees

	2007	2006
	\$'000	\$'000
Revenue from Regulatory Activities		
Fees	1,939	1,574
Total Fees	1,939	1,574

Increase in Licence Fee revenue due to an expected increase in regulatory costs pertaining to licence fee regulation.

Note 7 Interest

	2007	2006
	\$'000	\$'000
Revenue from Other Sources		
Interest Received from Bank	76	76
Total Interest Received from Other Sources	76	53
Total Interest	76	53

Note 8 Employee expenses

	2007	2006
	\$'000	\$'000
Wages and Salaries	479	605
Annual Leave and Long Service Leave	1	(19)
Fringe Benefits Tax	6	6
Total Employee Expenses	486	592

Decrease due to a reduction in staffing numbers (av. FTE 2007 4.9 / av. FTE 2006 6.1) and positions not filled.

Note 9 Superannuation expenses

The Independent Competition and Regulatory Commission makes payments on a fortnightly basis to the Superannuation Unit for its portion of the Territory's annual superannuation liability.

	2007 \$'000	2006 \$'000
Superannuation Contributions to the Superannuation Unit	96	81
Total Superannuation Expenses	96	81

Note 10 Supplies and services

	2007 \$'000	2006 \$'000
Leased Equipment and Charges	38	66
Professional Services*	135	417
Staff Development	23	28
Travel and Accommodation*	8	21
Postage and Printing*	17	54
Fees to Commissioners**	70	132
Advertising	14	8
Utilities Act—Administration Expenses	751	750
Other	128	127
Total Supplies and Services	1,184	1,603

* A decrease in the number of reviews undertaken results in a reduction of associated costs.

** From 1 July 2006, the number of Commissioners decreased from 3 to 1.

Note 11 Prior year licence fee refund

	2007 \$'000	2006 \$'000
Licence Fee Rebate Applied	0	196
Total Licence Fee Rebate	0	196

Due to the expected increase in regulation costs, no Licence Fee rebate was applied in 2007.

See also Note 2 (r)

Note 12 Depreciation

	2007	2006
	\$'000	\$'000
Depreciation		
Office Furniture and Equipment	13	13
Total Depreciation	13	13
Total Depreciation	13	13

Note 13 Act of Grace payments

There were no Act of Grace payments made during the financial year pursuant to section 130 of the *Financial Management Act 1996* (2006: Nil).

Note 14 Auditor's remuneration

Auditor's remuneration includes financial audit services provided to the Independent Competition and Regulatory Commission by the ACT Auditor-General's Office. No other services were provided by the ACT Auditor-General's Office.

	2007	2006
	\$'000	\$'000
Audit Services		
Audit Fees Paid to the ACT Auditor-General's Office	7	6
Total Auditor's Remuneration	7	6

Note 15 Cash and cash equivalents

The Independent Competition and Regulatory Commission holds a number of bank accounts with the Commonwealth Bank as part of the whole-of-government banking arrangements. As part of these arrangements, the Commission receives interest revenue on these accounts.

	2007	2006
	\$'000	\$'000
Cash at Bank	1,586	769
Total Cash and Cash Equivalents	1,586	769

Note 16 Receivables

	2007	2006
	\$'000	\$'000
Current Receivables		
Trade Receivables	1	–
Accrued Interest	10	4
Accrued Revenue*	–	202
GST Refundable	35	21
Other Refundable	3	–
Total Current Receivables	49	227
Total Receivables	49	227
Aging of Receivables		
Receivables are Aged as Follows:		
Not Overdue	49	227
Overdue for less than 30 Days	–	–
Overdue for 30 to 60 Days	–	–
Overdue for more than 60 Days	–	–
Total Receivables	49	227
Split of Government/Non-Government Receivables		
Receivables with Other ACT Government Agencies		
Accrued Revenue	–	202
Other Receivables	–	–
Total Receivables with Other ACT Government Agencies	–	202
Receivables with Entities Outside Government		
Accrued Income	1	–
Accrued Interest	10	4
GST Refundable	35	21
Other Refundable	3	–
Total Receivables with Entities Outside Government	49	25
Total Receivables	49	227

* Accrued revenue from reviews in progress as at 30 June 2006.

Note 17 Plant and equipment

Plant and equipment includes the following classes of assets—plant and equipment.

Plant and Equipment held includes office furniture, fixtures and fittings.

	2007	2006
	\$'000	\$'000
Plant and Equipment		
Plant and Equipment at Cost	129	129
Less: Accumulated Depreciation	(77)	(64)
Total Written Down Value of Plant and Equipment	52	65

Reconciliation of plant and equipment

The following table shows the movement of Plant and Equipment during 2006–07.

	2007	2006
	\$'000	\$'000
Reconciliation of Plant and Equipment		
Carrying Amount at Beginning of Reporting Period	65	78
Depreciation	(13)	(13)
Carrying Amount at the End of the Reporting Period	52	65

Note 18 Payables

	2007	2006
	\$'000	\$'000
Current Payables		
Trade Payables*	111	213
Other Payables	–	2
Accrued Expenses**	471	177
Net GST Payable	–	–
Total Current Payables	582	392
Total Payables	582	392
Payables are aged as follows:		
Not Overdue	572	392
Overdue for Less than 30 Days	10	–
Overdue for 30 to 60 Days	–	–
Overdue for More than 60 Days	–	–
Total Payables	582	392
Split of Government/Non-Government Payables		
Payables with Other ACT Government Agencies		
Trade Payables	85	180
Accrued Expenses	463	140
Total Payables with Other ACT Government Agencies	548	320
Payables with Entities Outside ACT Government		
Trade Payables	26	33
Other Payables	–	2
Accrued Expenses	8	37
Total Payables with Entities Outside ACT Government	34	72
Total Payables	582	392

* Reduction in payables due to reduction in review activity.

** Increase in accrued expenses due to reimbursement of employee costs owing to other ACT Government agency.

Note 19 Employee benefits

	2007	2006
	\$'000	\$'000
Current Employee Benefits		
Annual Leave	44	108
Long Service Leave	43	111
Accrued Salaries and Superannuation	4	5
Total Current Employee Benefits	91	224
Non-Current Employee Benefits		
	–	–
Total Employee Benefits	91	224
Decrease as a result of a reduction in staff numbers.		
<i>For Disclosure Purposes Only</i>		
Estimate of when Leave is Payable		
Estimated Amount Payable within 12 Months		
Annual Leave	44	57
Long Service Leave	43	73
Accrued Salaries and Superannuation	4	5
Total Employee Benefits Payable within 12 Months	91	135
Estimated Amount Payable after 12 Months		
Annual Leave	–	51
Long Service Leave	–	38
Total Employee Benefits Payable after 12 Months	0	89
Total Employee Benefits	91	224

Note 20 Equity

	2007	2006
	\$'000	\$'000
Total Equity at the End of the Reporting Period		
Accumulated Funds	1,014	445
Total Equity	1,014	445
Movements in Equity during the Reporting Period		
Accumulated Funds		
Balance at the Beginning of the Reporting Period	445	664
Operating Surplus/(Deficit)	569	(219)
Balance at the End of the Reporting Period	1,014	445

Note 21 Financial instruments

The following table sets out the Independent Competition and Regulatory Commission's exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2007.

	Note	Fixed Interest maturing in:							Non-Interest Bearing	Total
		Floating Interest Rate	1 Year or Less	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 4 Years	Over 4 Years to 5 Years	Over 5 Years		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets										
Cash and Cash Equivalents	15	1,586	-	-	-	-	-	-	-	1,586
Receivables	16	-	-	-	-	-	-	-	49	49
Total Financial Assets		1,586	-	-	-	-	-	-	49	1,635
Weighted Average Interest Rate		5.99%								
Financial Liabilities										
Payables	18	-	-	-	-	-	-	-	582	582
Total Financial Liabilities		-	-	-	-	-	-	-	582	582
Net Financial Assets/(Liabilities)		1,586	-	-	-	-	-	-	(533)	1,053

Note 21 Financial instruments (cont.)

The following table sets out the Independent Competition and Regulatory Commission's exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2006.

	Note	Fixed Interest maturing in:							Non-Interest Bearing	Total
		Floating Interest Rate	1 Year or Less	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 4 Years	Over 4 Years to 5 Years	Over 5 Years		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Assets										
Cash and Cash Equivalents	15	769	–	–	–	–	–	–	–	769
Receivables	16	–	–	–	–	–	–	–	227	227
Total Financial Assets		769	–	–	–	–	–	–	227	996
Weighted Average Interest Rate		5.36%								
Financial Liabilities										
Payables	18	–	–	–	–	–	–	–	392	392
Total Financial Liabilities		–	–	–	–	–	–	–	392	392
Net Financial Assets/(Liabilities)		769	–	–	–	–	–	–	(165)	604

Note 21 Financial instruments (cont.)

Interest rate risk

The Commission has a significant portion of financial assets held in floating interest rate arrangements, and has no financial liabilities subject to floating interest rates. This means that the Commission is not exposed to movements in interest payable; however, it is exposed to movements in interest receivable.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Commission's credit risk is limited to the carrying amount of the financial assets it holds. The Independent Competition and Regulatory Commission's receivables are spread over a number of entities and are split fairly evenly between other government agencies and entities external to the ACT Government, however, these receivables are unsecured. No significant concentration of credit risk has been identified by the Commission.

Fair value of financial assets and liabilities

The fair value of cash and cash equivalents is the carrying value recorded in the Balance Sheet.

The carrying amounts and fair values of financial assets and liabilities at the end of the reporting period are:

	Carrying Amount 2007 \$'000	Fair Value 2007 \$'000	Carrying Amount 2006 \$'000	Fair Value 2006 \$'000
Financial Assets				
Cash and Cash Equivalents	1,586	1,586	769	769
Receivables	49	49	227	227
Total Financial Assets	1,635	1,635	996	996
Financial Liabilities				
Payables	582	582	392	392
Total Financial Liabilities	582	582	392	392

Note 22 Commitments

	2007	2006
	\$'000	\$'000
Capital Commitments—Plant and Equipment		
Non-Cancellable operating lease commitments are payable as follows:		
Within one year	32	54
Later than one year but not later than five years	25	49
	<hr/>	<hr/>
Total Capital Commitments—Plant and Equipment	57	103

The large decrease from the previous year is due to the early payout of a motor vehicle operating lease.

Note 23 Cash flow reconciliation

	2007	2006
	\$'000	\$'000
Total Cash and Cash Equivalents Recorded in the Balance Sheet	1,586	769
	<hr/>	<hr/>
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	1,586	769
	<hr/>	<hr/>
Reconciliation of Net Cash Inflows/(Outflows) from Operating Activities to the Operating Surplus/(Deficit)		
Operating Surplus(Deficit)	569	(219)
Add/(Less) Non-Cash Items		
Depreciation of Property, Plant and Equipment	13	13
	<hr/>	<hr/>
Cash Before Changes in Operating Assets and Liabilities	582	(206)
	<hr/>	<hr/>
Changes in Operating Assets and Liabilities		
Decrease/(Increase) in Receivables	178	(206)
Increase/(Decrease) in Payables	190	217
Increase/(Decrease) in Employee Benefits	(133)	(15)
	<hr/>	<hr/>
Net Changes in Operating Assets and Liabilities	235	(4)
	<hr/>	<hr/>
Net Cash Inflows/(Outflows) from Operating Activities	817	(210)

Note 24 Events occurring after balance date

Some of the Commission's responsibilities for energy regulation will transfer to the Australian Energy Regulator in 2008. The transferred functions will result in both less activity under the Utilities Act and therefore less expense, but also in less revenue from these activities.

Note 25 Contingent liabilities

There are no known contingent liabilities as at 30 June 2007.

Auditor's opinion on the Statement of Performance



ACT AUDITOR-GENERAL'S OFFICE



REPORT OF FACTUAL FINDINGS

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

To the Members of the ACT Legislative Assembly

Finding

Based on my procedures, no matters have come to my attention which indicate that the Statement of Performance of the Independent Competition and Regulatory Commission (the Commission) for the year ended 30 June 2007 does not fairly present the performance of the Commission in accordance with the *Financial Management Act 1996*.

This finding should be read in conjunction with the following information.

Responsibility for the Statement of Performance

The Senior Commissioner of the Commission is responsible for the Statement of Performance. This includes responsibility for the maintenance of adequate supporting records and internal controls that are designed to prevent and detect fraud and error, and for the measurement policies and estimates used in the preparation of the Statement of Performance.

Contents of the Statement of Performance

The Statement of Performance consists of the performance measures included in the Commission's Statement of Intent and accompanying notes.

Electronic Presentation of the Reviewed Statement of Performance

Those viewing an electronic presentation of the reviewed Statement of Performance should note that the Senior Commissioner of the Commission is responsible for the integrity of the information placed on the Commission's website. I have not examined the integrity of this website. The Report of Factual Findings refers only to the Statement of Performance. It does not provide an opinion on any other information, which may have been hyperlinked to or from this Statement of Performance. If users of the Report of Factual Findings are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the printed copy of the reviewed Statement of Performance, available from the

Commission, to confirm the information included in the electronic presentation of the reviewed Statement of Performance.

The Auditor's Responsibility

My responsibility is to provide a Report of Factual Findings on the performance measures included in the Commission's Statement of Performance as required by the *Financial Management Act 1996*.

Scope

I have reviewed the Statement of Performance of the Commission for the year ended 30 June 2007, in order to report on whether any matters have come to my attention that would indicate that the Statement of Performance is not fairly presented in accordance with the *Financial Management Act 1996*.

My review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is primarily limited to inquiries of the Authority's representatives, analytical procedures and the examination of other available evidence.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. I have not performed an audit and, accordingly, I do not express an audit opinion on the Statement of Performance.

My procedures also did not include an assessment of the relevance or appropriateness of the measures contained within the Statement of Performance.

I have not expressed an opinion on the accuracy of explanations provided for variations between actual and budgeted performance due to the essential subjectivity of these explanations.

Independence

In conducting this review, I followed applicable independence requirements of Australian professional ethical pronouncements.

Tu Pham
Auditor-General
10 August 2007

Statements of responsibility

**Independent Competition and Regulatory Commission
Statement of Performance
For the Year ended 30 June 2007**

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the Commission's records and fairly reflects the service performance of the Commission for the year ended 30 June 2007 and also fairly reflects the judgements exercised in preparing them.

Paul Baxter
Senior Commissioner
Independent Competition and Regulatory Commission

9 August 2007

**Independent Competition and Regulatory Commission
Statement of Performance
For the Year ended 30 June 2007**

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the Commission's records and fairly reflects the service performance of the Commission for the year ended 30 June 2007 and also fairly reflects the judgements exercised in preparing them.

Susan Faulbaum
Chief Executive Officer
Independent Competition and Regulatory Commission

9 August 2007

Non-financial performance

Table 1 Statement of performance: non-financial measures (estimates compared to actual measures)

Item	Notes	Measure	Actual result	Var %
Water pricing	1	6 papers	3 papers	(50)
Utilities compliance	2	1 report	0	(100)
Utilities performance		1 report	1 report	0
Transport pricing	3	1 decision	0	(100)
Greenhouse gas emissions benchmarks		1 benchmark decision	1 benchmark decision	0
Greenhouse gas emissions compliance		1 report	1 report	0
Utility licence fees		1 decision	1 decision	0
Advice on referred matters		2 reports	2 reports	0

Notes

- 1 The items and measures against which the actual performance is reported refers to the information in the Commission's Statement of Intent for 2006–07, Part 3A, Key Performance Indicators]
- 2 The Commission planned to release six consultation papers on issues for the water and wastewater price review. The papers were restructured, reducing the number to three although covering the same range of issues.
- 3 The compliance report for 2005 was still in progress at 30 June 2007.
- 4 When the government rescinded the declaration of the taxi industry as a regulated industry for the purposes of the Independent Competition and Regulatory Commission Act 1997, the Commission ceased to have responsibility for taxi pricing.

Table 2 **References for statement of performance, non-financial measures**

Item	Actual result	Reference
Water pricing	3 papers	Report 13/2006, Information Paper—Prices for Water and Wastewater Services. Report 14/2006, Discussion Paper—Technical Regulatory Issues. Report 3/2007, Water and Wastewater Discussion Paper 2 – Return on Capital
Utilities compliance	0	
Utilities performance	1 report	Report 1/2007, Performance Report 2004–2005, Licensed Electricity, Gas and Water and Sewerage Utilities
Transport pricing	0	
Greenhouse gas emissions benchmarks	1 benchmark decision	Electricity (Greenhouse Gas Emissions) Determination 2006 (NI2006–431)
Greenhouse gas emissions compliance	1 report	Copy attached
Utility licence fees	1 decision	Utilities (Annual licence Fees Determination) Notice 2006 (No.2) (NI2006–364)
Advice on referred matters	2 reports	Report 6/2007, Draft Decision Retail Price for Non-contestable Electricity customers. Report 7/2007, Final Retail Price for Non-contestable Electricity Customers.

Appendix 2 Contact officers, website address and other sources of information

Information about the Commission, particular inquiries, competitive neutrality complaints, advice on government-regulated activities and utility licensing and compliance may be found on the Commission's website (www.icrc.act.gov.au). Alternatively, the Commission may be contacted on (02) 6205 0799, or via the contact officers for particular subjects of interest, as set out below.

Subject	Contact name and details
Staffing issues	Susan Faulbaum
Overview of Commission performance	(02) 6205 2773
Freedom of information	(02) 6207 5887 fax susan.faulbaum@act.gov.au www.icrc.act.gov.au
Report 13 of 2006: <i>Information paper: Price for water and wastewater services</i>	John Logan
Report 14 of 2006: <i>Discussion paper: Technical regulatory issues</i>	(02) 6207 0694 (02) 6207 5887 fax
Report 2 of 2007: <i>Draft decision: Electricity distribution services – proposed amendment to the 2004 price direction</i>	john.logan@act.gov.au www.icrc.act.gov.au
Report 3 of 2007: <i>Water and wastewater discussion paper 2 – return on capital</i>	
Report 4 of 2007: <i>Final decision: Electricity distribution services – proposed amendment to the 2004 price direction</i>	
Report 6 of 2007: <i>Draft Decision: Retail prices for non-contestable electricity customers</i>	
Report 7 of 2007: <i>Final Decision: Retail prices for non-contestable electricity customers</i>	
Report 1 of 2007: <i>Licensed electricity, gas and water and sewerage utilities: Performance report for 2004-05</i>	Susan Faulbaum
Report 5 of 2007: <i>Final Report: Regulatory reference – ACT ambulance service fees and charges</i>	(02) 6205 2773 (02) 6207 5887 fax susan.faulbaum@act.gov.au www.icrc.act.gov.au

Glossary and abbreviations

ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
ACTAS	ACT Ambulance Service
ACTEW	ACTEW Corporation, utilities provider owned by the ACT Government
ActewAGL	utilities provider, owned jointly by ACTEW Corporation and Australian Gas Light Company (AGL)
AER	Australian Energy Regulator
Commission, the	Independent Competition and Regulatory Commission
CSS	Commonwealth Superannuation Scheme
EEO	equal employment opportunity
ESCC	Essential Services Consumer Council
FRC	full retail contestability
ICRC Act	<i>Independent Competition and Regulatory Commission Act 1997</i>
IT	information technology
NEMMCO	National Electricity Market Management Company
OH&S	occupational health and safety
ORS	Office of Regulatory Services
price direction	statement issued by the Commission, setting price paths and revenue caps for a utility for a specified period
PSSS	Public Sector Superannuation Scheme
NGAC	New South Wales Greenhouse Gas Abatement Certificate
TFT	transitional franchise tariff
Utilities Act	<i>Utilities Act 2000</i>
utility services	electricity supply and network operations, gas supply and network operations and water and sewerage supply—in some cases, also includes public transport

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