



ICRC
independent competition and regulatory commission

Annual Report 2019–20

Report 15 of 2020, 25 November 2020



The Independent Competition and Regulatory Commission¹ is a Territory Authority established under the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act). The Commission is constituted under the ICRC Act by one or more standing commissioners and any associated commissioners appointed for particular purposes. Commissioners are statutory appointments. Joe Dimasi is the current Senior Commissioner who constitutes the Commission and takes direct responsibility for delivery of the outcomes of the Commission.

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

The Commission is responsible for managing the utility licence framework in the ACT, established under the *Utilities Act 2000* (Utilities Act). The Commission is responsible for the licence determination process, monitoring of licensees' compliance with their legislative and licence obligations, and determination of utility industry codes.

The Commission's objectives are set out in section 7 and 19L of the ICRC Act and section 3 of the Utilities Act. In discharging its objectives and functions, the Commission provides independent robust analysis and advice. In discharging its objectives and functions, the Commission provides independent robust analysis and advice.

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¹ In this report, a reference to 'Independent Competition and Regulatory Commission', 'ICRC', or 'Commission' is to the Independent Competition and Regulatory Commission ABN 88 647 913 351.

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Senior Commissioner's overview

The summer bushfires, extended period of smoke haze and then the COVID-19 pandemic made 2019-20 a particularly challenging year for the Commission, as for other agencies. Despite these challenges, the Commission still delivered on its heavy workload for the year. In addition to its core pricing and regulatory functions, the Commission made recommendations to help ACT consumers save on their electricity bills, completed its work to update and strengthen consumer protections, and developed competitive neutrality advice for the Government.

Over recent years, the Commission has made substantial investments in building organisational capacity and resilience and strengthening its risk management and preparedness strategies. These investments supported the efforts of its highly skilled and experienced staff to maintain the high quality and timeliness of the Commission's decisions during 2019-20. For the last three months of the financial year, Commission staff worked from home to ensure the Commission could meet its obligations, while complying with public health restrictions to protect their own and the community's health and safety.

The Commission's regulatory activities contributed to ensuring that: residential and small business consumers could obtain electricity, water and sewerage services at regulated prices that reflect the efficient and prudent costs of providing those services; important consumer protections were available; and the performance of utilities providing services in the Territory was monitored.

In addition, the Commission continued to use its expertise to advise the Government on complex and contentious issues, which allowed the Commission to contribute more broadly to meeting the needs of the ACT community.

Activities during 2019–20

During 2019–20, the Commission completed its price investigation to determine the price of electricity provided to small customers on standard retail contracts in the four-year regulatory period from 1 July 2020. In undertaking the price investigation, the Commission implemented the model and methodology improvements identified in its 2018-19 review. In response to the Government's request for advice, the Commission made two recommendations to improve the transparency and comparability of electricity price offers for ACT consumers.

In response to a request from the Government, the Commission developed pricing principles to help ensure that the new public crematorium facility to be built and operated by the ACT Public Cemeteries Authority (Canberra Cemeteries) operates in a manner consistent with competitive neutrality. These pricing principles will guide Canberra Cemeteries in developing a costing methodology and prices that will be consistent with the ACT Competitive Neutrality Policy.

The Commission completed its review of the Consumer Protection Code, which strengthened consumer protections and updated and streamlined the Code. In addition, the Commission:

- set maximum prices for regulated water and sewerage services for 2020–21 in accordance with the Commission's 2018 price direction for the five-year regulatory period from 1 July 2018
- started a review of the mechanisms in its regulatory pricing framework for water and sewerage services that create incentives for Icon Water to continually work to improve the efficiency of its delivery of these services
- approved Icon Water's standard customer contract for water and sewerage services
- approved an update to the precinct map and set a lower precinct charge for 2020–21 under the industry code on capital contributions for water and sewerage infrastructure upgrades
- completed its analysis of the impact on beverage prices and competition of the introduction of the ACT Container Deposit Scheme and made recommendations to the Government to improve the efficiency of the scheme and avoid potential adverse competition impacts
- amended the Electricity Feed-in Code to ensure that consumer protections were aligned with the new Consumer Protection Code.

The Commission also undertook activities to meet its ongoing responsibility for ensuring that utilities providing services within the Territory comply with legislative requirements, licence conditions, and industry and technical codes. These included:

- determining the 2019–20 utility licence fees and the 2019–20 energy industry levy
- monitoring and reporting on licenced utilities' performance and compliance with their licence conditions in 2018–19.

Looking forward

The Commission's workload for 2020-21 will again be diverse, covering its core pricing and regulatory functions and advice to the Government.

The Commission expects to receive Canberra Cemeteries' pricing proposal for its new crematorium facility. It will assess whether the proposal complies with the Commission's pricing principles (developed in 2019-20) and the Government's competitive neutrality policy and will report to the Government on its findings.

In relation to its core pricing work, the Commission will set maximum prices for regulated water and sewerage services for 2021–22 in accordance with its 2018 price determination for the regulatory period 1 July 2018 to 30 June 2023. It will continue to review aspects of its pricing methodology for water and sewerage services before the next price investigation.

The Commission will set the maximum allowable average change in retail electricity prices for 2021-22 in accordance with its 2020 price determination for the regulatory period 1 July 2020 to 30 June 2024. It will review the impacts of market and regulatory developments on its approach to estimating the average price change allowed. The Commission will provide any assistance requested by the Government on designing and implementing measures to improve the transparency and comparability of electricity price offers for ACT consumers.

It will also continue to fulfil its regulatory functions relating to the annual programs for the utility licence fee, energy industry levy and monitoring utility performance and licence compliance.

The Commission looks forward to further assisting the Government during 2020–21 with advice on industry-related or other matters as required.

The Commission's approach

In undertaking its pricing and regulatory functions and providing advice and analysis to the Government, the Commission balances economic, social and environmental considerations, as required by the objectives set out in its enabling legislation. In doing this, the Commission places a high priority on ensuring its decisions, findings and recommendations are based on reliable evidence and have been informed by broad consultation with interested parties, including consumers and regulated industries. Engaging with other regulators is also important for sharing information, promoting appropriate consistency, and reducing regulatory costs.

One of the Commission's strategic priorities is to make it easier for consumers, regulated businesses and other interested parties to be informed about, and participate in, its decision-making processes. During 2019-20, the Commission upgraded its website, improved the readability of its annual performance report, and held regular meetings of its new consumer consultative committee. For its retail electricity price investigation, the Commission surveyed more than 1,000 ACT consumers about their experiences of choosing a retail electricity plan to inform its recommendations to the Government. In 2020-21, the Commission will look for further ways to engage with interested parties, including through greater use of digital technologies.

The Commission understands that ACT consumers continue to experience cost of living pressures and that the economic impacts of the COVID-19 pandemic have increased these pressures. The Commission will continue to work to ensure that regulated prices for electricity, water and sewerage services reflect only efficient and prudent costs, including a reasonable return on the investments needed to provide services into the future. The Commission will also monitor consumer protections, including the utilities' hardship policies, to ensure they remain appropriate and adequate.

The Commission looks forward to continuing to provide robust factual analysis and advice to the Government, as requested, to help inform the development of policies and programs that contribute to the well-being of the community.

I would like to express my thanks and appreciation to the staff of the Commission for their commitment and hard work during a very challenging period, including an extended period of working from their homes.

Joe Dimasi
Senior Commissioner

**Part A.
Transmittal certificate**

PART
A



Mr Andrew Barr MLA
Treasurer
ACT Legislative Assembly
Canberra ACT 2601

Dear Treasurer,

The Independent Competition and Regulatory Commission's Annual Report for 2019–20 has been prepared in accordance with section 7(2) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with the requirements under the *Annual Reports (Government Agencies) Directions 2019*.

We certify that the information in the attached report, and information provided for whole of government reporting, is an honest and accurate account and that all material information on the operations of the Independent Competition and Regulatory Commission has been included for the period 1 July 2019 to 30 June 2020.

Section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you present the report to the Legislative Assembly within 15 weeks after the end of the reporting year. However, under section 14, as Chief Minister you have granted an extension of the time when the report must be presented by you to the Legislative Assembly. As Chief Minister, you have granted the extension to 18 December 2020.

The annual report must be provided to the Speaker on 18 December 2020 for distribution to each Member of the Legislative Assembly. The annual report must then be tabled in the Legislative Assembly on the next sitting day.

Yours sincerely,

Mr Joe Dimasi
Senior Commissioner

25 November 2020

Dr Annette Weier
Chief Executive Officer

25 November 2020



**Part B.
Organisational overview
and performance**

PART
B

B.1 ORGANISATIONAL OVERVIEW

B.1.1 Commission's functions and mission

The Independent Competition and Regulatory Commission (Commission) was established under the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act),² originally as the Independent Pricing and Regulatory Commission.

Under the ICRC Act, the Commission has a range of regulatory and advisory functions, covering: making price directions and recommendations about price regulation; advising the Minister about proposed access arrangements and arbitration of access disputes; investigating and reporting on competitive neutrality complaints and on government-related activities; and investigating and reporting on matters referred by the Minister and other referring authorities.

While the focus of the Commission's operations has changed over time,³ its fundamental mission, as set out in the objectives in the ICRC Act, has remained constant: to promote effective competition in the interests of consumers while facilitating an appropriate balance between economic efficiency, environmental and social considerations.

When making price directions, the Commission is also required to consider the interests of consumers in promoting efficient investment in, and operation of, regulated services into the future. These objectives, as well as the more detailed requirements of section 20 of the ICRC Act, guide the decision making of the Commission.

In short, the Commission must balance the interests of consumers who want reliable services at the lowest price, with the need to ensure that the regulated service provider earns enough revenue to cover its efficient costs as well as provide an appropriate return on investment. In doing this, the Commission considers environmental and social factors as well as any service quality, reliability and safety standards. The Commission's regulatory approach aims to deliver both viable utility services and reasonable prices.

The Commission has additional regulatory functions under the *Utilities Act 2000* (Utilities Act). Its objectives under section 3 of the Utilities Act align with its overall mission: in summary, they are to promote competition, protect the interests of consumers, promote ecologically sustainable development in the provision of utility services, and encourage the provision of safe, reliable, efficient, and high quality utility services at reasonable prices.

Under the Utilities Act, the Commission is responsible for managing the licensing framework for non-National Energy Retail Law (NERL) utility service providers in the Territory, including issuing licences and monitoring licence compliance. The Commission also has responsibility for industry codes, approving standard customer contracts, and determining fees and levies paid by utilities operating within the Territory to recover the costs of the regulatory functions undertaken by the Commission and other Territory bodies such as the Technical Regulator and the ACT Civil and Administrative Tribunal (ACAT).

In providing advice to the Government and other referring authorities, the Commission's vision is to deliver high-quality, evidence-based findings, and (if required) recommendations, that are timely, satisfy the terms of reference, and contribute to improving the well-being of the Territory community.

² <https://www.legislation.act.gov.au/a/1997-77/default.asp>

³ Reflecting the move to national energy regulation, introduction of National Competition Policy, and the changing needs of the Government and Territory community.

B.1.2 Operating environment, priorities and outlook

Like other agencies, the Commission's operating environment was made more challenging in 2019-20 by the summer bushfires, extended period of smoke haze and then the COVID-19 pandemic and associated difficult economic conditions. The Commission implemented changes to its operating practices to maintain operations and meet its statutory deadlines while protecting the health and safety of its staff and stakeholders.

As noted in previous annual reports, the Commission's main ongoing operational challenges arise from its small size and the cyclical nature of its core regulatory functions. In turn, these challenges create continuing risks in attracting and retaining expert staff. In recent years, the demand for qualified and experienced regulatory staff has grown, with an increase in the workloads of other regulators, particularly at the federal level, and a trend towards more regulatory action to address government and consumer concerns about market outcomes, notably in the electricity industry. This increase in demand for staff with regulatory skills and experience has increased the challenges for the Commission in attracting and retaining expert staff.

In 2019-20, the Commission maintained its focus on addressing these operational challenges. The Commission implemented three priority strategies to manage these challenges.

First, the Commission has recruited qualified and experienced staff to replace staff who left to take up other opportunities in 2018-19. The Commission's success in recruiting suitable staff allowed it to reduce its use in 2019-20 of both temporary staff (typically on secondment from other areas of the ACT public service) and consultants to assist with specific projects. The Commission will continue to use consultants as required to obtain specialised technical skills and transfer knowledge to its staff. However, the Commission has an ongoing focus on building and maintaining its in-house expertise and retaining corporate knowledge.

Second, the Commission has continued to implement its strategy of more effectively managing its cyclical work program. This strategy aims to avoid placing undue pressure on staff in meeting the deadlines associated with the Commission's decision-making responsibilities under its core regulatory functions. Specifically, the strategy smooths out the workload peaks previously experienced in price investigations.

For example, the Commission's decision to review its retail electricity pricing model and methodology in 2018-19, in advance of the 2019-20 price investigation, smoothed out some of the workload associated with the price investigation. This approach allowed the focus of the price investigation to be on determining the appropriate inputs to the model as the methodology to be applied in the investigation was largely settled. It also meant that the Commission was well-placed to respond to the Government's request for advice, as part of the price investigation, on whether measures should be implemented to improve the transparency and comparability of electricity price offers for ACT consumers.

The Commission has adopted a similar approach to reviewing aspects of its pricing methodology for water and sewerage services. Before the next water and sewerage services price investigation, the Commission will complete three reviews to ensure its pricing methodology remains current and appropriate and gives Icon Water strong incentives to operate efficiently. This approach will allow the focus of the price investigation to be on determining efficient levels of operating and capital expenditures and other inputs to the pricing model.

In addition, the Commission is working through its forward work program for some of its responsibilities under the Utilities Act. Having completed its review of the Consumer Protection Code in 2019-20, the Commission has commenced a review of whether licence provisions remain current and appropriate and continue to meet the Commission's objectives under the Utilities Act.

Third, the Commission's efforts to establish and maintain a deeper pool of expertise that is available to respond to Government requests for advice resulted in further work under the Commission's advisory functions. As noted above, the Government asked the Commission for advice on whether measures should be implemented to improve the transparency and comparability of electricity price offers for ACT consumers.

In December 2019, the Treasurer asked the Commission to provide advice in two stages to help ensure that the new public crematorium facility to be built and operated by the ACT Public Cemeteries Authority (Canberra Cemeteries) operates in a manner consistent with competitive neutrality. In stage one, the Commission developed pricing principles to guide Canberra Cemeteries in developing a costing methodology and prices that will be consistent with the ACT Competitive Neutrality Policy. In stage two, to be undertaken in 2020-21, the Commission will assess whether the proposal complies with the pricing principles and the Government's Competitive Neutrality Policy and will report to the Government on its findings.

Such requests for advice allow the Commission to use its expertise to deliver high-quality analysis, findings and recommendations that contribute to improving the well-being of the ACT community. They also give staff a more stable career path and opportunities to broaden their experience, which has improved both staff retention and the ability to attract highly skilled and experienced staff.

Another operational challenge, and one of the Commission's strategic priorities, is to make it easier for consumers, regulated businesses and other interested parties to be informed about, and participate in, its regulatory decision-making processes. During 2019-20, the Commission upgraded its website, improved the readability of its annual performance report, and held regular meetings of its new consumer consultative committee. As a result of the COVID-19 pandemic, the Commission made greater use of digital technologies, including videoconferencing, to engage with stakeholders. In 2020-21, the Commission will seek stakeholder views on the effectiveness of these and other digital technologies in facilitating participation in the Commission's consultations and decision-making processes.

Performance during 2019–20

The significant increase in the Commission's workload over the previous three years was maintained in 2019–20, with requests for advice from the Government adding to the Commission's core regulatory and pricing work.

In respect of its regulatory pricing functions, the Commission completed its price investigation to determine the price of electricity provided to small customers on standard retail contracts in the four-year regulatory period from 1 July 2020.⁴ In undertaking the price investigation, the Commission implemented the model and methodology improvements identified in its 2018-19 review. The Commission made two recommendations, in response to the Government's request for advice, to improve the transparency and comparability of electricity price offers for ACT consumers. The Commission also:

- set maximum prices for regulated water and sewerage services for 2020–21 in accordance with the Commission's 2018 price direction for the five-year regulatory period from 1 July 2018⁵

⁴ <https://www.icrc.act.gov.au/energy/electricity/retail-electricity-prices-2020-24>

⁵ https://www.icrc.act.gov.au/__data/assets/pdf_file/0009/1558260/Water-and-Sewerage-Services-Price-Reset-Report-for-2020-21-A25605819.pdf

- started a review of aspects of its regulatory pricing framework for water and sewerage services that create incentives for Icon Water to continually work to improve the efficiency of its delivery of these services, in accordance with the Commission’s 2018 price direction.⁶

In respect of its regulatory functions under the Utilities Act, the Commission completed its review of the Consumer Protection Code, which strengthened consumer protections and updated and streamlined the Code.⁷ The Commission also:

- amended the Electricity Feed-in Code to ensure that consumer protections were aligned with the new Consumer Protection Code⁸
- monitored, and published a report on, the performance in 2018–19 of licensed utilities providing certain infrastructure services in the Territory⁹
- worked closely with the Utilities Technical Regulator in relation to the consumer standards applicable to licenced utilities operating in the Territory
- approved Icon Water’s standard customer contract for water and sewerage services
- approved an update to the precinct map¹⁰ and set a lower precinct charge for 2020–21¹¹ under the industry code on capital contributions for water and sewerage infrastructure upgrades
- determined the annual licence fees payable by certain licenced utilities under the Utilities Act for the year ending 30 June 2019 and collected those fees accordingly.¹²

The Commission’s CEO determined the levies payable by licensed energy utilities operating in the Territory in 2019–20 to recover the amount of the Territory’s national regulatory costs and local regulatory costs in relation to energy industry sectors.¹³

These outcomes were all achieved within the required timelines and consistent with the Commission’s performance measures for 2019–20, as reported in the Statement of Performance (Appendix 2 of this report).

In respect of its advisory functions, the Commission completed its analysis of the impact on beverage prices and competition of the introduction of the ACT Container Deposit Scheme and gave a report to the Minister for City Services in July 2019.¹⁴ The report made recommendations to improve the efficiency of the scheme and avoid potential adverse competition impacts in the future. The final report was provided to the Minister in accordance with the terms of reference and consistent with the Commission’s performance measures for 2019–20, as reported in the Statement of Performance (Appendix 2 of this report).

The Commission also completed the first stage of advice to the Government to ensure that the new public crematorium facility to be built and operated by Canberra Cemeteries operates in a manner consistent with competitive neutrality.¹⁵ In December 2019, the Treasurer asked the Commission to provide advice in two stages. In stage one, the Commission developed pricing principles to guide

⁶ <https://www.icrc.act.gov.au/projects/current-projects/incentive-mechanisms>

⁷ <https://www.icrc.act.gov.au/utilities-licensing/consumer-protection-code-review>

⁸ <https://www.icrc.act.gov.au/energy/electricity/electricity-feed-in-code-update>

⁹ https://www.icrc.act.gov.au/__data/assets/pdf_file/0019/1542043/ULAR-Monitoring-report-2018-19-FINAL-3004220.pdf

¹⁰ <https://www.icrc.act.gov.au/water-and-sewerage/water-and-sewerage-capital-contribution-code>

¹¹ https://www.icrc.act.gov.au/__data/assets/pdf_file/0009/1558260/Water-and-Sewerage-Services-Price-Reset-Report-for-2020-21-A25605819.pdf

¹² <https://www.legislation.act.gov.au/ni/2019-633/>

¹³ <https://www.icrc.act.gov.au/utilities-licensing/licence-fees-and-the-energy-industry-levy>

¹⁴ https://www.icrc.act.gov.au/__data/assets/pdf_file/0020/1407602/Container-Deposit-Scheme-Price-Monitoring-Final-Report.pdf

¹⁵ <https://www.icrc.act.gov.au/competition-issues/public-crematorium-services-competitive-neutrality>

Canberra Cemeteries in developing a costing methodology and prices that will be consistent with the ACT Competitive Neutrality Policy. The Commission expects to complete stage two in 2020-21.

In respect of the Commission's statutory role in competitive neutrality complaints handling, no complaints were received in 2019–20.

Commission executive



The Commission is constituted by Senior Commissioner Joe Dimasi.

Mr Dimasi was appointed Senior Commissioner from 1 June 2016, for a term of five years. Mr Dimasi is an applied economist with over twenty years' involvement in competition and regulatory matters, particularly in the regulation and reform of utilities. He was involved in establishing the Australian Energy Regulator and is a former Commissioner of the Australian Competition and Consumer Commission.

Mr Dimasi is a Professorial Fellow at the Monash Business School and is also the Tasmanian Economic Regulator.

The Commission's CEO is Dr Annette Weier. Under section 10B of the ICRC Act, the CEO is responsible for: ensuring the Commission's Statement of Intent is implemented effectively and efficiently; managing the day-to-day operations of the Commission's secretariat; and regularly advising the Commission about the Commission's operation and financial performance.

Dr Weier has more than twenty years' experience in economic policy and research, competition and regulatory matters, and financial market analysis. She has been a senior executive of the Australian Department of Industry, Innovation and Science and the Australian Competition and Consumer Commission. Before that, she undertook environmental policy analysis at the Productivity Commission and water regulation at the Victorian Essential Services Commission. Dr Weier has postgraduate tertiary qualifications in economics, is a graduate of the Australian Institute of Company Directors, and is an experienced non-executive director on not-for-profit boards.

Executive remuneration

The remuneration of the Senior Commissioner and CEO is determined by the ACT Remuneration Tribunal.

Significant committees

The Commission is not a member of any significant committees of an ACT directorate or public sector body.

B.2 PERFORMANCE ANALYSIS

B.2.1 Electricity price regulation

On 28 May 2019, the Commission received terms of reference from the Treasurer to determine a price direction for standing offer prices for the supply of electricity to small customers.¹⁶ The terms of reference specified that the price direction will be for the period 1 July 2020 to 30 June 2024. The terms of reference also required the Commission to consider whether changes could be made in the Territory to promote improvements to the transparency and comparability of electricity price offers.

Consultation with stakeholders is an essential part of the Commission's price investigations. The Commission consulted extensively during its electricity price investigation, using a range of methods to seek information and views from interested parties, including: an online feedback form; targeted meetings with consumer groups, retailers and industry associations; requests for information and data from retailers; and a survey of ACT electricity consumers, which received more than 1,000 responses. In addition, the Commission considered 11 submissions received on its September 2019 issues paper and February 2020 draft report and held a public forum in March 2020 to obtain feedback on its draft decision and recommendations.

In estimating the allowed price change, the Commission applied its revised pricing methodology, which was developed following a comprehensive review of its pricing model in 2018-19.

On 5 June 2020, as required by the terms of reference, the Commission released the final report and price direction for standing offer prices for the supply of electricity to small customers on ActewAGL's regulated tariffs to apply from 1 July 2020.¹⁷

The final decision means that a typical customer on ActewAGL's standing offer contracts will see a 2.56 per cent reduction in retail electricity prices in 2020-21. For an average residential household consuming about 6,500 kWh per year, this would result in a reduction of \$113 in their annual bill. The average retail price decrease largely reflects falling prices in the wholesale electricity market and a decline in national green scheme costs, both of which reflect growth in renewable energy generation. The Commission's improved pricing methodology also contributed to the price decrease as it reflects current retailer practices and ensures that only efficient costs can be recovered.

As requested by the terms of reference, the final report also sets out two recommendations to improve transparency and comparability in the ACT retail electricity market. The Commission's first recommendation was to set a reference bill for a typical consumer to help consumers compare plans. The Commission's second recommendation was that retailers should notify their customers if they have a plan that could reduce a customer's bills and ask the customer to call them for more information.

¹⁶ Small customers are residential and small business customers that consume less than 100 MWh of electricity over any period of 12 consecutive months.

¹⁷ <https://www.icrc.act.gov.au/projects/current-projects/retail-electricity-prices-2020-24>

B.2.2 Water and sewerage price regulation

Annual price reset

In June 2020, the Commission released its annual update of maximum water and sewerage services prices to apply from 1 July 2020.¹⁸ The adjustment to maximum prices was made in accordance with the *Price Direction: Regulated Water and Sewerage Services 2018–23*.¹⁹ The adjustment reflected changes in the Consumer Price Index, the cost of debt and pass through events that are provided for in the price direction.

Icon Water may charge less than the maximum prices calculated in accordance with the Commission's 2018 price direction and decided to do so for 2020-21. Icon Water decided to freeze combined water and sewerage prices for 2020-21 at their 2019-20 levels. The price freeze means that a typical household consuming 200 kilolitres of water per year will save \$18 off the total water and sewerage bill that Icon Water could have charged for 2020-21.

The price freeze will give non-residential customers a benefit of between \$50 and \$410 on their total annual water and sewerage bill (depending on the number of fixtures and their water consumption).

As part of the annual price reset, the Commission reduced the Precinct Charge that developers pay to Icon Water to fund infrastructure upgrades. The Precinct Charge for 2020-21 will be \$1,100 per equivalent population, down from \$1,200 in 2019–20. The decrease reflects lower forecast inflation and a reduction in forecast capital expenditure by Icon Water.

Water and sewerage services pricing methodology reviews

Before the next water and sewerage services price investigation, the Commission will review three aspects of its pricing methodology to ensure the methodology remains current and appropriate and provides incentives for Icon Water to operate efficiently. The Commission is doing these reviews under the reset principles included in the 2018 Price Direction for water and sewerage services prices for Icon Water.²⁰

In December 2019, the Commission released an issues paper on its first review, which considers the mechanisms used in its pricing framework to give Icon Water incentives to continually work to improve the efficiency of its delivery of regulated water and sewerage services.²¹ The Commission received three submissions, which it considered in developing its draft report.

On 7 May 2020, the Commission released the draft report for feedback. The Commission found that the existing incentive mechanisms have been effective in strengthening Icon Water's incentives to operate, invest and deliver services efficiently. While other mechanisms can also encourage regulated businesses to find and implement efficiencies in operating and capital expenditures and in delivering services to consumers, the Commission found that some of these mechanisms can have significant implementation costs. Further, some mechanisms used in other jurisdictions and overseas are unlikely to achieve net benefits in the ACT context. The Commission therefore made a

¹⁸ https://www.icrc.act.gov.au/__data/assets/pdf_file/0009/1558260/Water-and-Sewerage-Services-Price-Reset-Report-for-2020-21-A25605819.pdf

¹⁹ https://www.icrc.act.gov.au/__data/assets/pdf_file/0020/1250237/Report-2-of-2018-Price-Direction-Regulated-WSS-201823-1.pdf

²⁰ https://www.icrc.act.gov.au/__data/assets/pdf_file/0020/1250237/Report-2-of-2018-Price-Direction-Regulated-WSS-201823-1.pdf

²¹ <https://www.icrc.act.gov.au/projects/current-projects/incentive-mechanisms>

draft decision to retain its current approaches to incentive mechanisms for operating and capital expenditure, service standards, and price control mechanisms.

In developing its final report, the Commission held a workshop with Icon Water and consumer groups on 23 July 2020 and considered two submissions received on the draft report. The final report, which was released on 28 August 2020, presented evidence that the incentive mechanisms currently used by the Commission have been effective in strengthening Icon Water's incentives to operate, invest and deliver services efficiently.²² The Commission's final decision was to maintain its incentive mechanisms for operating and capital expenditure, service standards, and price control mechanisms.

B.2.3 Container deposit scheme

In July 2019, the Commission gave its final report on the impact of the introduction of the ACT Container Deposit Scheme on prices and competition in the ACT beverage industry to the Minister for Transport and City Services, in accordance with the terms of reference for the advice. The report, which was presented to the Legislative Assembly in August 2019, is available on the Commission's website.²³

In April 2018, the ACT Government asked the Commission to monitor and report on the impact of the introduction of the scheme from 30 June 2018. The Commission's monitoring and reporting focused on:

- the effect of the scheme on the prices of beverages supplied in specified types of containers in the ACT
- the performance and conduct of beverage suppliers in the ACT before and after the implementation of the scheme
- any other market impacts from the implementation of the scheme.

During its investigation, the Commission consulted extensively with industry participants and consumers. The Commission sought comments and information in a variety of ways, including: an online feedback form; targeted meetings with beverage suppliers, retailers and industry associations; and requests for information and data from beverage suppliers and retailers. The Commission also considered submissions on its July 2018 issues paper and February 2019 progress report and held a public forum in March 2019 to obtain feedback on its draft findings and recommendations.

B.2.4 Competitive neutrality of public crematorium services

On 20 December 2019, the Commission received a request from the Treasurer for advice to help ensure that the new crematorium facility to be built and operated by the ACT Public Cemeteries Authority (Canberra Cemeteries) operates in a manner consistent with competitive neutrality.

The scope of work for the advice specifies a two-stage process. Stage one required the Commission to develop detailed pricing principles to guide Canberra Cemeteries in developing a costing methodology and prices for the public crematorium services and products that will be consistent with the ACT Competitive Neutrality Policy. Stage two requires the Commission to assess Canberra Cemeteries'

²² https://www.icrc.act.gov.au/__data/assets/pdf_file/0018/1620108/Final-report-incentive-mechanisms.pdf

²³ <https://www.icrc.act.gov.au/projects/completed-projects/non-regulated-industry-reviews/container-deposit-scheme>

pricing proposal, including its proposed costing methodology and prices, for compliance with the detailed pricing principles and more broadly with the Competitive Neutrality Policy.

In developing the detailed pricing principles, the Commission released an issues paper in January 2020 and a draft report in March 2020 and received a total of seven submissions. The Commission gave its final report for the first stage to the Treasurer, Minister for City Services and Canberra Cemeteries on 29 May 2020, as required by the terms of reference.²⁴

B.2.5 Industry codes

Consumer Protection Code

In December 2019, the Commission completed its review of the Consumer Protection Code. The Code sets out the rights of consumers of electricity and gas services and water and sewerage services.

The Commission consulted extensively during its review, including seeking stakeholder views on the priority issues for the review. In August 2019, the Commission released its draft decision and draft Code for comment and hosted a public forum on 11 September 2019 to obtain stakeholder views. Three submissions were received in response to the draft decision and draft Code.²⁵

On 12 December 2019, the Commission released its final decision and Code. The new Code came into effect on 1 July 2020.²⁶ Under the new Code, utilities must monitor their performance against guaranteed service levels and pay customers a rebate when service levels are not met. Previously, customers had to apply to the utility for a rebate when a minimum service standard (now known as a guaranteed service level) was not met.

In addition to the automatic payment of rebates, the new Code includes:

- new guaranteed service levels for wrongful disconnection and poor reliability
- requirements for water utilities to have a financial hardship policy
- enhanced processes and protections for customers on life support
- enhanced reporting requirements to support effective monitoring of utilities' compliance with the Code.

The Commission also reviewed rebate values and ensured they were appropriate and in line with other jurisdictions.

Electricity Feed-in Code amendments

During its review of the Consumer Protection Code, the Commission noted that the Electricity Feed-in Code (FiT Code) quoted sections of the Consumer Protection Code. When the new Consumer Protection Code was made, the FiT Code required consequential amendments to ensure it remained consistent with the new Consumer Protection Code.

On 27 February 2020, the Commission released a consultation paper and draft FiT Code for feedback from interested parties. The draft Code incorporated some minor technical amendments to reflect the National Electricity Customer Framework. Three submissions were received.²⁷

²⁴ <https://www.icrc.act.gov.au/projects/current-projects/public-crematorium-services-competitive-neutrality>

²⁵ <https://www.icrc.act.gov.au/projects/completed-projects/consumer-protection-code-review>

²⁶ <https://www.legislation.act.gov.au/di/2020-6/>

²⁷ <https://www.icrc.act.gov.au/energy/electricity/electricity-feed-in-code-update>

On 4 May 2020, the Commission released its final decision on the FiT Code amendments, together with a new Code. The amendments ensure that consumer protections in the FiT Code are aligned with the Consumer Protection Code. The new FiT Code came into effect on 1 July 2020.²⁸

B.2.6 Utility licence annual report

Licensed utilities in the Territory report annually to the Commission in relation to the exercise of their functions under the Utilities Act and compliance with licence conditions. The Commission assesses the Utility Licence Annual Reports (ULAR) and reports each year on licensed utilities' performance.

The ULAR reporting framework aims to encourage the licensed utilities to provide safe, reliable, efficient, and high-quality utility services by increasing the utilities' accountability for the quality of service provision through a transparent reporting process. In addition, the framework allows consumers and other interested stakeholders to be more informed about the utilities' performance, particularly in respect of outages, consumer complaints and payment of rebates where minimum service standards have not been met.

In April 2020, the Commission released its Monitoring Report for the 2018–19 ULAR reporting year.²⁹ The overall compliance of licensed utilities was assessed as good. While several minor non-compliances were reported, none were found to be material. Customer complaints decreased significantly for Icon Water, while Evoenergy saw a continued decrease in its electricity distribution complaints, continuing a strong decline for the past two years from its peak in 2016–17.

In relation to the performance of the utility networks and reliability of supply, the dry weather conditions experienced in the Territory in 2018–19 had an impact on utility service provision. During 2018–19, the Territory experienced one of its driest weather periods, resulting in the highest number of sewer main breaks and chokes for Icon Water in the last five years. Evoenergy electricity distribution reported an increase in unplanned interruptions related mainly to network damage resulting from weather conditions and increased vegetation.

The Commission found that rebate payments to customers under the Consumer Protection Code remained low despite utilities reporting failures to meet minimum service standards. Icon Water and Evoenergy both reported that they received no claims from customers for rebate payments. This may indicate that customers are unaware of the minimum service standards and their right to claim rebates. As noted in section B2.5, a new Consumer Protection Code came into effect on 1 July 2020, which now requires utilities to pay rebates automatically when guaranteed service levels (previously known as minimum service standards) are not met.

B.3 SCRUTINY

No recommendations were made in relation to the Commission in reports produced in 2019–20 by entities charged with responsibility for scrutiny.

As noted in the Commission's 2018-19 annual report, the Standing Committee on Public Accounts made two recommendations in March 2018 in its *Report on Annual and Financial Reports 2016–17*,³⁰ which related to the Consumer Protection Code. The recommendations were for actions by the ACT Government:

²⁸ <https://legislation.act.gov.au/di/2020-86/>

²⁹ https://www.icrc.act.gov.au/__data/assets/pdf_file/0019/1542043/ULAR-Monitoring-report-2018-19-FINAL-3004220.pdf

³⁰ https://www.parliament.act.gov.au/__data/assets/pdf_file/0008/1179656/9th-PAC-02-Annual-Reports-2016-17.pdf

- **Recommendation 4:** The Committee recommends that the ACT Government ensure that the consumer protection code administered by the Independent Competition and Regulatory Commission (ICRC) be amended so that compensation is paid to electricity consumers in instances where there are multiple interruptions to electricity supply over a nominated period of time.
- **Recommendation 5:** The Committee recommends that the ACT Government ensure that the consumer protection code administered by the Independent Competition and Regulatory Commission (ICRC) be amended so that compensation is automatically paid to electricity consumers by electricity suppliers in instances where interruptions to supply meet criteria for compensable interruptions to supply.

The ACT Government responded to the recommendations in June 2018, noting that the Commission was considering the recommendations in its review of the Consumer Protection Code.³¹

As noted in section B.2.5, the Commission completed its review of the Code in December 2019. The new Code, which took effect from 1 July 2020, provides for automatic payment of rebates to customers when guaranteed service levels are not met. The new Code includes a new guaranteed service level for energy reliability which provides for a rebate to be paid when there are more than nine electricity or gas supply interruptions in a financial year.

B.4 RISK MANAGEMENT

Risk assessment and management are integral to the Commission's governance and decision-making processes. The Commission's framework and processes for assessing and managing risks are consistent with the ACT Government Risk Management Policy 2019. The Commission's framework includes a Risk Management Policy and Guidelines, Business Continuity Policy and Plan, and Fraud and Corruption Prevention Plan.

The Commission manages identified risks through active regular review of the Commission's Risk Register. The Register is based on the ACT Government Insurance Authority's risk register format. It sets out risk management actions for all identified risks, identifies who is accountable for those risk management actions, and specifies how often each risk should be monitored and reviewed and by whom.

To cultivate a positive risk culture, all staff are consulted in updating the identified risks and treatment strategies included in the Risk Register each year. Risk identification and management are shared responsibilities in the Commission and all staff contribute to the Commission's risk management activities. The Commission's risk management activities are embedded into operational processes, which are communicated to all staff.

The Commission also undertakes risk management assessments for all major projects and contracts. These assessments are used to develop risk management activities which are aligned with the Commission's strategic objectives. The risk management activities are then built into project plans and contract monitoring plans.

The Commission and CEO have broad responsibility for overseeing risk management in the Commission and for ensuring that effective risk assessment and management are integrated into the Commission's decision-making. Commission staff report regularly to the Commission, including at the monthly Commission meetings, on current and emerging risks and the risk management activities being undertaken.

³¹ https://www.parliament.act.gov.au/__data/assets/pdf_file/0003/1208982/9th-PAC-02-Annual-Report-2016-GR-tabled-2018-06-06.pdf

B.5 INTERNAL AUDIT

In accordance with the ACT Government Internal Audit Framework, the Commission has considered the need for an internal audit committee, taking into consideration the Commission's small size, overall risk profile, history of past issues and incidents, and relative lack of organisational complexity. The Commission concluded that it is not practicable or cost-effective to establish an internal audit committee.

The Commission has established alternative mechanisms for ensuring the Commission and CEO have support in fulfilling their governance roles and discharging their responsibilities, including for the design and operation of risk management and internal control frameworks. As discussed in section B.4, the Commission has established a framework and processes for assessing and managing risks and takes active steps to develop a risk management culture within the organisation.

In 2018–19, the Commission appointed an in-house finance manager to undertake day-to-day accounting and finance functions, including implementing the Commission's internal controls in conjunction with the CEO and senior managers. Accounts are reconciled monthly and a finance report is prepared for, and discussed at, each monthly Commission meeting. The Commission has also engaged an accountant under contract to perform the role of the Commission's Chief Finance Officer and to provide an additional level of oversight and assurance.

B.6 FRAUD PREVENTION

The Commission's Fraud and Corruption Prevention Plan was developed in September 2019, replacing its previous fraud policy with a more detailed description of the control measures in place to prevent fraud and corruption occurring within the Commission. The Plan sets out the actions that will be taken to ensure any allegations of fraud and corruption are appropriately managed.

In accordance with the ACTPS Integrity Policy, the Commission has a senior executive responsible for business integrity risk (SERBIR). The CEO is the Commission's SERBIR and is responsible for reporting to the Commission on compliance with the ACTPS Integrity Policy. A risk report is a standing item in the CEO's report for Commission meetings, which are attended by the Commission's designated disclosure officer. The SERBIR has responsibility for taking direct reports of allegations of potential fraud and corruption from staff. The SERBIR and the Commission's designated disclosure officer both have responsibility for dealing with reports under the Public Interest Disclosure process.

The Commission's Fraud and Corruption Prevention Plan was presented to, and discussed with, all staff in September 2019. The Commission's Office and Induction Manual, which is made available to all staff, also draws the attention of staff to the Plan.

In terms of the Commission's operations, the risks of fraud or mishandling funds are actively managed through the separation of roles between initiator and authoriser of payments. Authority limits appropriate to the Commission's operations, scale and size are in effect. Financial accounts are reconciled monthly by the Commission's finance manager, reviewed by the Chief Finance Officer and CEO, and discussed at Commission meetings. Most revenue transactions are by direct credit to the Commission's bank account. There are no cash payments for services supplied and there is an appropriate checks-and-balances authorisation and payment process.

No reports or allegations of fraud or corruption were received in 2019–20.

B.7 FREEDOM OF INFORMATION

The ACT *Freedom of Information Act 2016* (FOI Act) gives individuals the right to:

- access government information, unless access to the information would, on balance, be contrary to the public interest
- ask for personal information to be changed if it is incomplete, out-of-date, incorrect or misleading
- appeal a decision about access to a document or a decision in relation to a request to amend or annotate a personal record.

Under the FOI Act, the Commission makes available a range of documents through the ACT Government's Open Access information portal³² and the Commission's website,³³ including:

- functional information
- information about the work of the Commission tabled in the Legislative Assembly
- the Commission's reports
- budget papers.

The Commission is responsible for responding to freedom of information (FOI) requests and has an FOI Officer who can assist with FOI related questions and requests. The process for lodging FOI requests, along with contact information and links to the FOI Request Form and Disclosure Log, are set out on the Commission's website.³⁴

The Commission received no FOI requests in 2019-20.

B.8 COMMUNITY ENGAGEMENT AND SUPPORT

Community consultation is a vital part of the Commission's regulatory decision-making processes and the development of analysis and advice for Government.

In its price investigations and reviews of industry codes, the Commission seeks feedback and information from consumers and consumer groups to help meet its objectives of ensuring that regulated prices promote efficient investment in and operation of regulated services in the long-term interests of consumers and that consumer protections are adequate. In addition, the views and information provided by other community groups, including environmental and social groups, help the Commission in appropriately balancing economic efficiency, environmental and social considerations. Community consultation is essential for informing the Commission about the views of parties other than the regulated business.

In undertaking analysis and developing advice requested by the Government, community consultation helps the Commission identify the important issues, consider the relevant information, and test its preliminary analysis and findings. This contributes to ensuring the Commission's analysis and advice are robust, well-informed and based on sound evidence.

The Commission undertook extensive community consultation during 2019–20, using a variety of methods to make it easier for interested parties to put their views and evidence forward.

³² <https://www.act.gov.au/open-access>

³³ <https://www.icrc.act.gov.au/>

³⁴ <https://www.icrc.act.gov.au/about-us/freedom-of-information>

During its retail electricity price investigation (discussed in section B2.1), the Commission consulted extensively with a wide range of stakeholders, using a variety of methods to seek information and views. These methods included: an online feedback form; targeted meetings with consumer groups, retailers and industry associations; requests for information and data from retailers; and a survey of ACT electricity consumers conducted through the YourSay panel, which received more than 1,000 responses. In addition, the Commission sought submissions on its September 2019 issues paper and February 2020 draft report and held a public forum in March 2020. The Commission's draft and final reports explain how the Commission took into account the feedback and information received in submissions, the public forum, the consumer survey, and other methods of community engagement.

For its review of the incentive mechanisms in its regulatory pricing framework for water and sewerage services (discussed in section B2.2), the Commission released an issues paper and draft report to seek the views of interested parties. It also held a technical workshop to discuss its draft report and facilitate input from consumer groups. The Commission's draft and final reports explain how the Commission took into account the feedback and information received from the consumer groups and other interested parties.

The Commission sought community views to inform its development of detailed pricing principles to ensure the costing methodology and prices proposed by Canberra Cemeteries for the services and products supplied by its planned public crematorium facility comply with the ACT Competitive Neutrality Policy (see section B2.4). The Commission sought community comment on its January 2020 issues paper and March 2020 draft report. The Commission explained how it took into account the feedback and information received from interested parties in its draft and final reports.

In reviewing the Consumer Protection Code (see section B2.5), the Commission consulted widely. Following targeted stakeholder consultation with utilities, consumer groups and government entities in 2018–19, and consideration of submissions on its November 2018 issues paper, the Commission sought community views on its draft decision and draft Code in August 2019. The Commission also hosted a public forum on 11 September 2019 to obtain stakeholder views on the draft report and draft Code. The Commission's draft and final reports explain how it took into account the feedback and information received by interested parties.

The Consumer Consultative Committee (CCC), which the Commission established in 2018-19, continued to meet regularly to share information on consumer issues and allow the Commission to keep members informed about issues and decisions that affect consumers. CCC members are drawn from peak bodies representing a wide range of consumer interests, including the business sector, consumer groups representing general as well as vulnerable consumers, and social and environmental groups. The ACT Civil and Administrative Tribunal (ACAT) is also a member of the CCC. Due to the restrictions associated with the COVID-19 pandemic, the Commission hosted its April 2020 meeting by videoconference.

B.9 ABORIGINAL AND TORRES STRAIT ISLANDER REPORTING

As described in section B.1, the Commission has a range of regulatory and advisory functions under the ICRC Act and the Utilities Act. In summary, these functions together aim to: promote effective competition in the interests of consumers; encourage the provision of safe, reliable, efficient and high quality utility services at reasonable prices; balance economic efficiency, environmental and social considerations; and contribute to improving the well-being of the ACT community through advice and analysis requested by the Government.

The Commission's work is not directed at one group of consumers or residents and therefore it does not have specific programs or initiatives directed at Aboriginal and Torres Strait Islander people.

Much of the Commission's work affects most residents of the Territory. For example, the Commission's price directions for regulated water and sewerage services and for electricity services provided to small customers on standard contracts, as well as the consumer protections set out in the Consumer Protection Code, are relevant to all ACT residents who receive utility services. The Commission's inquiries into the impact of the Container Deposit Scheme on beverage prices and competition, and the competitive neutrality of public crematorium services, are similarly relevant to ACT residents who consume beverages sold in containers that are eligible under the Container Deposit Scheme or need to use funeral services.

In undertaking its work, the Commission consults widely and seeks the views of all ACT consumers, businesses, and other interested parties so that it can consider the needs and interests of all ACT residents in its decision-making and development of advice for Government.

B.10 WORK HEALTH AND SAFETY

The Commission treats workplace health and safety as a shared responsibility between staff, the CEO and the Senior Commissioner. Ensuring a working environment that is healthy and safe for all Commission staff is a high priority. Monthly Commission meetings, weekly staff meetings, bi-monthly all-staff meetings, and regular operational team meetings provide opportunities to discuss workplace health and safety concerns.

During 2019-20, the summer bushfires, poor air quality due to smoke haze, and the COVID-19 pandemic led to a greater than usual focus on workplace health and safety. Staff were given advice on protecting their health and safety, including mental health, and additional opportunities were provided to allow staff to raise any concerns about work health and safety issues. Following the start of the pandemic, hand sanitiser was provided, physical distancing measures were put in place, and the office cleaning service was expanded.

After the office was closed and staff moved to working from home, staff received advice on safe work practices and taking regular breaks. Staff were allowed to take work equipment home as needed to help them ensure their home working set-up was ergonomic. Flexible work arrangements were agreed to help staff balance competing demands and pressures while working at home and caring for children. Staff were reminded about the Employee Assistance Program and other resources to help them cope with stress and anxiety resulting from the pandemic and associated restrictions. A standing agenda item was added to the weekly staff meeting to encourage staff to discuss any concerns about work health and safety issues arising from the pandemic and working from home.

In 2019–20, the Commission again coordinated and funded an annual influenza vaccination program for staff.

As in previous years, the Commission had a Health and Safety Representative and several staff with first aid and fire warden responsibilities.

No notices were issued to the Commission under Part 10 of the *Work Health and Safety Act 2011* (WH&S Act) in 2019–20. There were no enforceable undertakings under Part 11 nor any findings of a failure to comply with a safety duty under Part 2 Division 2.2, 2.3 or 2.4 of the WH&S Act. There were no instances of serious injury or illness or of dangerous incidents that required notification to the regulator in accordance with part 3, section 38 of the WH&S Act.

B.11 HUMAN RESOURCES MANAGEMENT

As noted in previous annual reports, and discussed in section B.1 of this report, the Commission's small size and the cyclical nature of its core regulatory functions create ongoing risks in attracting and retaining expert staff. In 2019–20, the Commission maintained its focus on addressing these challenges by implementing three priority strategies:

- recruiting qualified and experienced staff to replace staff who left to take up other opportunities
- more effectively managing the Commission's cyclical work program to avoid placing undue pressure on staff in meeting the deadlines associated with the Commission's decision-making responsibilities under its core regulatory functions
- building a deeper pool of expertise that is available to respond to Government requests for advice.

These three strategies have improved the Commission's capacity to attract and retain the specialised, highly qualified staff needed to undertake its regulatory and advisory functions. The Commission has been successful in smoothing out many of the peaks and troughs in its work, which provides a more stable workload and career path for staff. The larger advisory workload, which was maintained in 2019–20, has given staff more opportunities to broaden their experience and apply their skills in different contexts, which improve both staff retention and the ability to attract highly skilled and experienced staff.

The Commission's work is highly technical, requiring a good understanding of regulatory economics, financial and economic modelling, regulatory law, and regulatory policy. The Commission's staff has expertise covering these key skill areas, with several staff having postgraduate qualifications in economics and in law. Staff also have experience in regulation and economic policy. Reflecting the high level of training and expertise of Commission staff, learning and development plans are individually tailored to meet the development needs of each staff member and to broaden and deepen their existing skills and expertise.

While the Commission undertakes workforce planning to ensure its secretariat has the capacity and capabilities needed to achieve the Commission's objectives, the Commission also recognises the importance of flexibility. Given its small size, the Commission needs flexibility to be able to respond in a timely way to requests for advice from Government, to any unanticipated issues raised by stakeholders during its investigations and other regulatory work, and to developments in the national energy regulatory framework. As required, the Commission may supplement its permanent staff with short-term engagements of specialist consultants or with qualified temporary staff, mainly on secondment from other areas of the ACT public service, to assist with specific projects.

In 2019–20, the workforce profile of the Commission changed due to the recruitment of new staff to build the Commission's capacity. The following table shows the Commission's workforce profile for 2019–20. Apart from the CEO, who is on a temporary executive contract, all Commission staff are permanent employees.

Table 1: 2019–20 workforce profile

	Male	Female	Total
Commission staff			
FTE	6.0	5.3	11.3
Headcount	6	7	13
Classification (by headcount)			
Administrative officers	2	3	5
Senior officers	4	3	7
Executive officers	0	1	1
Employment category (by headcount)			
Full time	6	3	9
Part time	0	4	4

During the year, the Commission participated in the ACTPS Graduate Program. Given its small size and the nature of its work, the Commission is unable to implement specific employment strategies, such as for people with disability, apprenticeships or traineeships.

During 2019–20, Commission staff participated in the study assistance program, training courses provided through the ACTPS Training Calendar, seminars, and leadership training.

Around one-third of staff identified as being from culturally or linguistically diverse backgrounds. The Commission does not publish information on matters such as length of service, age, and other reportable data. Given the Commission's small number of staff, publishing such information may identify individual staff, making it difficult to protect staff privacy. Further, due to the Commission's small number of staff, recruitment and separation rates can be highly volatile and are therefore not meaningful and not published.

B.12 ECOLOGICALLY SUSTAINABLE DEVELOPMENT

In exercising its functions under the ICRC Act, the Commission's objective is to promote effective competition in the interests of consumers while facilitating an appropriate balance between economic efficiency, environmental and social considerations. In pursuing this objective, the Commission takes into account economic efficiency considerations along with a range of environmental and social considerations as well as any service quality, safety, reliability and security standards. In this way, the ACT Government's ecologically sustainable development principles are integrated into the Commission's decision-making processes.

The Commission considers the ecologically sustainable development principles and relevant legislative requirements in its operational processes. Consistent with the ACT Government Carbon Neutral Framework, the Commission makes careful use of its resources and works to reduce its resource consumption where possible.

Electricity use fell by 18 per cent in 2019–20 (see Table 2), mainly reflecting staff working from home for three months of the financial year.

Surrender of renewable energy certificates generated by the ACT Government has ensured that the Territory can claim zero emissions from electricity for the entire 2019-20 financial year.

The Commission reduced its consumption of paper and consequently reduced the amount of paper and cardboard recycling in 2019–20 (see Table 2), largely due to replacing desktop computers with laptops and working from home for three months of the financial year. The figures for reams of paper purchased are obtained from the Commission’s stationery purchase records. The figures for paper and cardboard recycled (including secure paper) have been estimated according to the ACT Government’s 2020 Annual Report Directions using information supplied by the Commission’s paper recycling service provider.

The Commission did not receive any requests during 2019–20 for staff to assist in the preparation of the State of the Environment Report, nor were there any investigations carried out by the Commissioner for Sustainability and the Environment of any activities carried out by the Commission.

Table 2: Sustainable development performance, current and previous financial year

Indicator as at 30 June	Unit	2019–20	2018–19	Percentage change (%)
Commission staff and area				
Commission staff	FTE	11	11	0
Workplace floor area	Area (m ²)	330	330	0
Stationary energy usage				
Electricity use	Kilowatt hours	17,868	21,788	-17.99
Natural gas use (non-transport)	Megajoules	0	0	0
Diesel (non-transport)	Kilolitres	0	0	0
Transport fuel usage				
Electric vehicles	Number	0	0	0
Hybrid vehicles	Number	0	0	0
Hydrogen vehicles	Number	0	0	0
Total number of vehicles	Number	0	0	0
Fuel use – Petrol	Kilolitres	0	0	0
Fuel use – Diesel	Kilolitres	0	0	0
Fuel use – Liquid petroleum gas (LPG)	Kilolitres	0	0	0
Fuel use – Compressed natural gas (CNG)	Gigajoules	0	0	0
Water usage				
Water use	Kilolitres	Data not available as building is leased	Data not available as building is leased	n/a
Resource efficiency and waste				
Reams of paper purchased	Reams	16	19	-15.78
Recycled content of paper purchased	Percentage	100	50	+100
Waste to landfill	Litres	Data not captured	Data not captured	n/a
Co-mingled material recycled	Litres	Data not available as building is leased	Data not available as building is leased	-
Paper and cardboard recycled (incl. secure paper)	Litres	3,426.36	4,720.93	-27.42
Organic material recycled	Litres	0	0	-
Greenhouse gas emissions				
Emissions from electricity use	Tonnes CO ₂ -e	0	5.15	-100
Emissions from natural gas use (non-transport)	Tonnes CO ₂ -e	0	0	-
Emissions from diesel use (non-transport)	Tonnes CO ₂ -e	0	0	-
Emissions from transport fuel use	Tonnes CO ₂ -e	0	0	-
Total emissions	Tonnes CO ₂ -e	0	5.15	-100

**Part C.
Financial Management
Reporting**

PART
C

C.1 FINANCIAL MANAGEMENT ANALYSIS

C.1.1 General overview

Objectives

The Commission has responsibilities for a broad range of competition, regulation and consumer protection matters. The Commission has responsibility under the *Independent Competition and Regulatory Commission Act* (ICRC Act) for regulating and advising government on pricing and other matters for monopoly, near-monopoly and ministerially declared regulated industries, providing advice on competitive neutrality complaints and government-regulated activities. The Commission also has responsibility for arbitrating infrastructure access disputes under the ICRC Act.

Under the *Utilities Act 2000*, the Commission is responsible for managing the licensing framework for non-National Energy Retail Law (NERL) utility service providers in the ACT, including issuing licences and monitoring licence compliance. The Commission also has responsibility for industry codes of practice and approving some standard customer contracts.

The Commission's objectives and functions are set out in sections 7 and 19L of the ICRC Act and section 3 of the Utilities Act. The Commission principally operates on a reasonable cost recovery basis.

Financial performance

The following financial information is based on audited financial statements for 2018-19 and 2019-20 and the forward estimates for 2020-21. Due to the impact of COVID-19, the 2020-21 Budget Statement process including forward estimates has been delayed. The future trend analysis in this review contains the Commission's estimates prior to formal completion of the 2020-21 Budget Statement process.

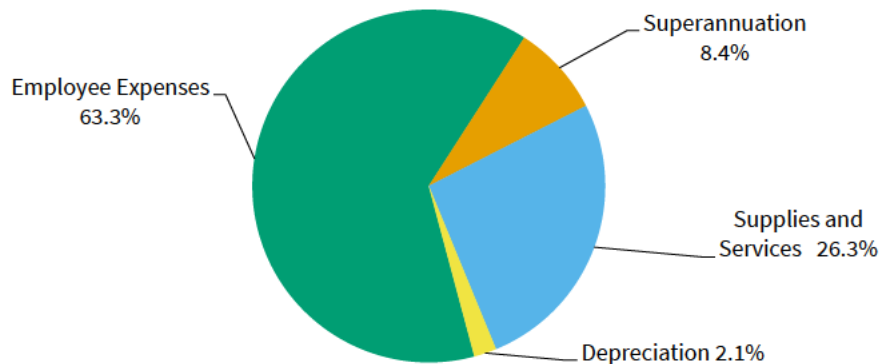
C.1.2 Total expenditure

Components of expenditure

Figure 1 shows the components of the Commission's expenditure for 2019-20. The main components of ordinary expenditure were:

- Employee Expenses of **\$1.418 million** (63.3 percent)
- Supplies and Services of **\$0.589 million** (26.3 percent).

Figure 1: Total Expenditure 2019-20



Comparison to Budget

Total expenditure was **\$2.241 million**, which was largely consistent with the budget of \$2.275 million.

Comparison to 2018-19 actual expenditure

Total expenditure was **\$2.241 million** and was \$0.234 million (10.4 percent) lower than the 2018-19 actual result. This was mainly due to the Commission finalising its factual analysis of the petrol market in the ACT and completing most of its inquiry into the impact on ACT beverage prices and competition of the introduction of the ACT's Container Deposit Scheme (CDS) in 2018-19.

Future trends

For 2020-21, expenditure is expected to decrease to **\$1.895 million** due to the Commission completing four major workstreams in 2019-20:

- the remaining aspects of the Commission's 2019 review of its retail electricity pricing model and methodology and implementing the improvements identified in the review in its pricing investigation for retail electricity supplied to small customers on standard retail contracts for the regulatory period from 1 July 2020 to 30 June 2024
- its retail electricity pricing investigation to determine the price of electricity for small customers on standard retail contracts in the regulatory period from 1 July 2020
- its review and redraft of the Consumer Protection Code and consequent amendments to the Feed-in Tariff Code
- stage one of the Treasurer's request for advice on detailed pricing principles that will ensure Canberra Cemeteries' prices for services and products supplied by the public crematorium facility are consistent with competitive neutrality.

This expected decrease will be partially offset by increased expenditure relating to:

- stage two of the Treasurer's request for advice on the pricing for services and products supplied by the public crematorium facility
- research and analysis in respect of the regulatory reset principles relating to incentive mechanisms and the method for calculating the allowed rate of return on investments for the supply of regulated water and sewerage services, and water demand forecasting
- research and analysis necessary for considering the need for changes to the form of regulatory price control used in regulating the price for electricity for small customers on standard retail contracts

- the annual adjustment to the regulated prices for water and sewerage services for 2020-21 in accordance with the price direction
- setting the maximum allowed increase in the average regulated price for electricity for small customers on standard retail contracts for 2020-21 in accordance with the price direction.

More generally, expenses may vary over the forward estimates for activities that are not performed on an annual basis, including major price investigations and unanticipated references or other requests for Commission services from government and non-government sources.

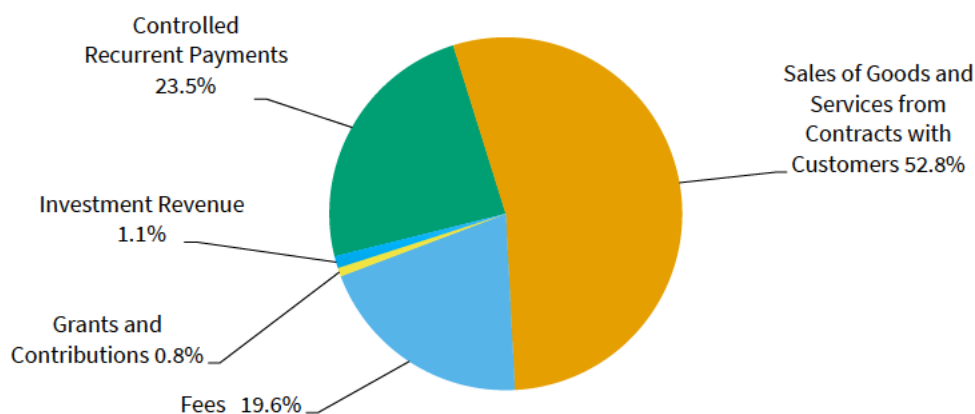
C.1.3 Total income

Components of income

Figure 2 shows the components of the Commission's income for 2019-20. The main components of income were:

- Sales of Goods and Services from Contracts with Customers **\$1.207 million** (52.8 percent). The major components were:
 - making a pricing determination for retail electricity supplied to small customers on standard retail contracts in the regulatory period from 1 July 2020 (\$0.661 million)
 - the purchase agreement with the Chief Minister, Treasury and Economic Development Directorate for services under the ICRC Act (\$0.423 million)
 - the provision of competitive neutrality advice in relation to the pricing of services and products to be supplied by the new public crematorium facility (\$0.100 million).
- Fees of **\$0.448 million** (19.6 percent) for water, sewerage and gas transmission regulatory activities under the Utilities Act
- Controlled Recurrent Payments of **\$0.538 million** (23.5 percent) for the Commission's energy industry regulatory activities.

Figure 2: Total Income 2019-20



Comparison to Budget

Income for the year was **\$2.285 million**, which is broadly consistent with the budget of **\$2.336 million**.

Comparison to 2018-19 actual income

Total income in 2019-20 was **\$2.285 million**, a decrease of \$0.017 million (0.7 percent) from the 2018-19 actual result. The results are broadly consistent across the two financial years, although the sources of income have changed.

Future trends

For 2020-21, income is expected to decrease to **\$1.730 million** reflecting:

- a reduction in user charges due to the Commission completing the pricing investigation to determine the price of electricity for small customers on standard retail contracts in the regulatory period from 1 July 2020 to 30 June 2024 and stage one of the Treasurer's request for advice on the pricing for the public crematorium facility. This is partly offset by the Commission undertaking stage two of the Treasurer's request for advice on the pricing for the public crematorium facility
- higher fees to cover the costs of the Commission's reviews of its water pricing methodology to ensure water and sewerage prices are not higher than reasonably justified.

More generally, income may vary over the forward estimates due to activities that are not performed on an annual basis, including major price investigations and receipt of unanticipated references or other requests for Commission services from government and non-government sources.

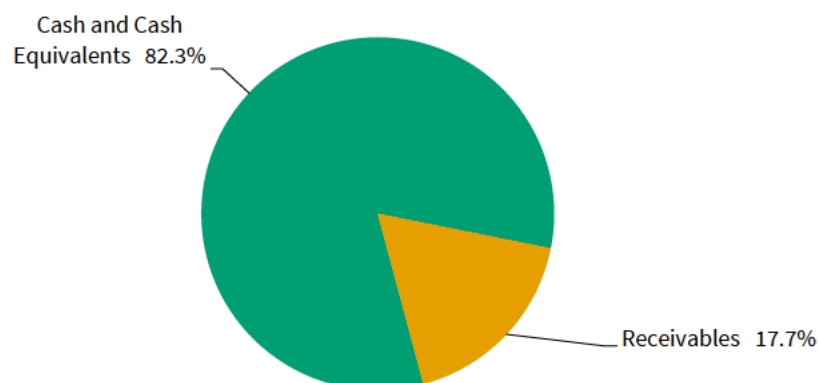
C.1.4 Total assets

Components of total assets

Figure 3 shows the components of the Commission's Total Assets at 30 June 2020. The components were:

- Cash and Cash Equivalents of **\$1.638 million** (82.0 percent)
- Receivables of **\$0.352 million** (18.0 percent).

Figure 3: Total Assets at 30 June 2020



Comparison to Budget

At 30 June 2020, Total Assets were **\$1.990 million** and this was above the budget of \$1.824 million. This was mainly due to an increase in Cash and Cash Equivalents due to the Commission providing

competitive neutrality advice in relation to pricing for the public crematorium facility that was unknown at the time of developing the budget.

Comparison to 2018-19 actuals

At 30 June 2020, Total Assets were **\$1.990 million** and this was above the 2018-19 actuals of \$1.714 million. The Commission has reduced its receivables by recovering costs on a more regular basis; however, a single outstanding receivable at the end of the period has contributed to the variance across years.

Liquidity

A common indicator used to measure liquidity is the current ratio, which measures the ability to fund short-term liabilities from short-term cashable assets. A ratio of less than 1:1 may indicate a reliance on future revenue streams to meet short-term debts.

At 30 June 2020, the Commission's current ratio was 3.5:1 indicating a strong financial position. It is necessary for the Commission to maintain a high level of liquidity due to the cost recovery model it principally operates under, where significant expenditure can be required to perform an activity and those costs may not be recovered for an extended period of time.

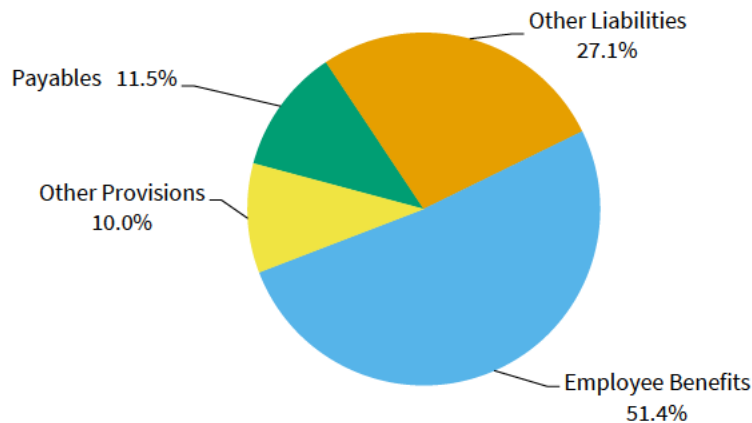
C.1.5 Total liabilities

Components of total liabilities

Figure 4 shows the components of the Commission's Total Liabilities as at 30 June 2020. The components were:

- Employee Benefits of **\$0.349 million** (51.4 percent)
- Other Liabilities of **\$0.184 million** (27.1 percent)
- Payables of **\$0.078 million** (11.5 percent)
- Other Provisions of **\$0.068 million** (10.0 percent).

Figure 4: Total Liabilities at 30 June 2020



Comparison to Budget

At 30 June 2020, Total Liabilities were **\$0.679 million** and this was \$0.277 million higher than budget of \$0.402 million. The \$184,000 of other liabilities relates to Utility Licence Fee funds received in advance for planned work that was deferred and will be undertaken in 2021 and an increase in employee benefits for employees who were appointed to the Commission during 2019-20 with accumulated benefits.

Comparison to 2018-19 actuals

At 30 June 2020, Total Liabilities were **\$0.679 million**, which is an increase on the 2018-19 actual of \$0.447 million. The \$184,000 of other liabilities relates to Utility Licence Fee funds received in advance for planned work that was deferred and will be undertaken in 2021 and an increase in employee benefits for employees who were appointed to the Commission during 2019-20 with accumulated benefits.

C.2 FINANCIAL STATEMENTS

The Commission has prepared financial statements for 2019–20 in accordance with the relevant accounting standards. The statements were independently audited as required by the *Financial Management Act 1996*, ACT Accounting Standards, and the 2020 Annual Report Directions. The audit opinion, financial statements and accompanying notes to the statements are set out in Appendix 1.

C.3 CAPITAL WORKS

The Commission does not have a capital works program.

C.4 ASSET MANAGEMENT

The Commission's asset base consists of a relatively small footprint of office furniture and equipment. The Commission leases most of its ICT office equipment through ACT Government Shared Services. Leasing these assets ensures the Commission continues to conduct its business and achieve its outcomes while ensuring value for money. The Commission regularly reassesses its asset requirements and ensures assets are replaced at the end of their useful life.

For the financial year ended 30 June 2020, the Commission's total written down value of plant and equipment was zero; that is, these assets, which consisted of office furniture and equipment, were fully depreciated.

The Commission leases office accommodation in Canberra's CBD where it occupies less than half of a floor. This accommodated the Commission secretariat of 13 staff (as at 30 June 2020) and provided an office for the Senior Commissioner.

C.5 GOVERNMENT CONTRACTING

Table 3 sets out information relating to the Commission's procurement and contracting activities for 2019–20. The contracts in Table 3 relate to goods and services contracts executed during 2019-20 with a value of \$25,000 or more.

Table 3: Procurement and contracting activities in 2019–20

Contract Number	ICRC-2019-07
Contract title	Strategic Accounting and Financial Services
Procurement methodology	Quotation
Procurement type	Services (consultancy)
Exemption from quotation and tender	No
Contractor name	Agora Consulting Pty Ltd
Contract amount	\$145,200.00
Execution date	26/06/2019
Expiry date	30/06/2021

No exemptions were made from the secure job code requirements under the *Government Procurement Act 2001* in 2019–20.

The information in Table 3 was obtained from the ACT Contract Register and is available at <https://tenders.act.gov.au/ets/>.

Aboriginal and Torres Strait Islander Procurement

For 2019-20, the Commission's performance against the Aboriginal and Torres Strait Islander Procurement Policy (ATSIPP) performance measures is shown in Table 4.

Table 4: Aboriginal and Torres Strait Islander Procurement Policy (ATSIPP) Performance Measures in the financial year 2019-20

No.	ATSIPP Performance Measure	Result
1	The number of unique Aboriginal and Torres Strait Islander Enterprises that respond to Territory tender and quotation opportunities issued from the Approved Systems.	4
2	The number of unique Aboriginal and Torres Strait Islander Enterprises attributed a value of Addressable Spend in the financial year.	2
3	Percentage of the financial year's Addressable Spend of \$217,500 that was spent with Aboriginal and Torres Strait Islander Enterprises – target 1.0%.	0.176%

Of the four unique Aboriginal and Torres Strait Islander Enterprises that responded to the Commission's tender and quotation opportunities issued through formal procurement processes, one declined to tender and one advised that it was unable to supply the required services.

Creative Services Panel

The Creative Services Panel is a whole of government arrangement for the purchase of creative services, including: advertising; marketing; communications and engagement; digital; graphic design; photography and video; and media buying. During 2019-20, the Commission had a nil spend through the panel.

Appendixes

APX

APPENDIX 1 FINANCIAL STATEMENTS AND AUDIT REPORT

- > **Independent Auditor's report**
- > **Statement of responsibility – Chief Executive Officer**
- > **Statement by the Chief Financial Officer**
- > **Independent Competition and Regulatory Commission Operating Statement for the year ended 30 June 2020**
- > **Independent Competition and Regulatory Commission Balance Sheet as at 30 June 2020**
- > **Independent Competition and Regulatory Commission Statement of Changes in Equity for the year ended 30 June 2020**
- > **Independent Competition and Regulatory Commission Cash Flow Statement for the year ended 30 June 2020**
- > **Independent Competition and Regulatory Commission Statement of Appropriation for the year ended 30 June 2020**
- > **Independent Competition and Regulatory Commission Notes to and forming part of the financial statements for the year ended 30 June 2020**
- > **Independent Competition and Regulatory Commission Appendix A - Basis of preparation of the financial statements forming part of Note 2 of the financial statements for the year ended 30 June 20**
- > **Independent Competition and Regulatory Commission Appendix B – Significant accounting policies forming part of Note 2 of the financial statements for the year ended 30 June 20**

Independent Competition and Regulatory Commission

Financial Statements

For the Year Ended

30 June 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of the ACT Legislative Assembly

Opinion

I have audited the financial statements of the Independent Competition and Regulatory Commission (Commission) for the year ended 30 June 2020 which comprise the operating statement, balance sheet, statement of changes in equity, statement of cash flows, statement of appropriation and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- (i) present fairly, in all material respects, the Commission's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended; and
- (ii) are presented in accordance with the *Financial Management Act 1996* and comply with Australian Accounting Standards.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of this report.

I am independent of the Commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Commission for the financial statements

The Chief Executive Officer is responsible for:

- preparing and fairly presenting the financial statements in accordance with the *Financial Management Act 1996* and relevant Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of the financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Commission to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Auditor's responsibilities for the audit of the financial statements

Under the *Financial Management Act 1996*, the Auditor-General is responsible for issuing an audit report that includes an independent opinion on the financial statements of the Commission.

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Commission's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commission;
- conclude on the appropriateness of the Commission's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in this report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Commission to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation.

I communicated with the Chief Executive Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

Ajay Sharma
Assistant Auditor-General, Financial
Audit 20 August 2020

**Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2020**

Statement of Responsibility

In my opinion, the Financial Statements are in agreement with the Independent Competition and Regulatory Commission's (the Commission's) accounts and records and fairly reflect the financial operations of the Commission for the year ended 30 June 2020 and the financial position of the Commission on that date.

Dr Annette Weier
Chief Executive Officer
Independent Competition and Regulatory Commission
11 August 2020

**Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2020**

Statement by the Chief Finance Officer

In my opinion, the Financial Statements have been prepared in accordance with the Australian Accounting Standards, and are in agreement with the Independent Competition and Regulatory Commission's (the Commission's) accounts and records and fairly reflect the financial operations of the Commission for the year ended 30 June 2020 and the financial position of the Commission on that date.

Mr Mark Lewington
Chief Finance Officer
Independent Competition and Regulatory Commission
11 August 2020

Independent Competition and Regulatory Commission

Operating Statement For the Year Ended 30 June 2020

	Note No.	Actual 2020 \$'000	Original Budget 2020 \$'000	Actual 2019 \$'000
Income				
Controlled Recurrent Payments	3	538	545	893
Fees	4	448	611	350
Sales of Goods and Services from Contracts with Customers	5	1,207	1,144	1,025
Investment Revenue		24	25	34
Grants and Contributions		18	11	-
Other Revenue		50	-	-
Total Income		2,285	2,336	2,302
Expenses				
Employee Expenses	6	1,418	1,409	1,454
Superannuation Expenses		188	175	170
Supplies and Services	7	589	641	787
Depreciation and Amortisation		46	50	64
Total Expenses		2,241	2,275	2,475
Operating Surplus/(Deficit)		44	61	(173)
Total Comprehensive Income/(Deficit)		44	61	(173)

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

Independent Competition and Regulatory Commission

Balance Sheet

At 30 June 2020

	Note No.	Actual 2020 \$'000	Original Budget 2020 \$'000	Actual 2019 \$'000
Current Assets				
Cash and Cash Equivalents	8	1,638	1,540	1,419
Receivables	9	352	284	249
Total Current Assets		1,990	1,824	1,668
Non-Current Assets				
Property, Plant and Equipment	10	-	-	46
Total Non-Current Assets		-	-	46
Total Assets		1,990	1,824	1,714
Current Liabilities				
Payables	11	78	69	59
Employee Benefits	12	317	200	291
Other Liabilities	13	184	-	-
Total Current Liabilities		579	269	350
Non-Current Liabilities				
Employee Benefits	12	32	64	29
Other Provisions	14	68	69	68
Total Non-Current Liabilities		100	133	97
Total Liabilities		679	402	447
Net Assets		1,311	1,422	1,267
Equity				
Accumulated Funds		1,311	1,422	1,267
Total Equity		1,311	1,422	1,267

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

Independent Competition and Regulatory Commission

Statement of Changes in Equity For the Year Ended 30 June 2020

	Accumulated Funds Actual 2020 \$'000	Total Equity Actual 2020 \$'000	Original Budget 2020 \$'000
Balance at 1 July 2019	1,267	1,267	1,361
<hr/>			
<i>Comprehensive Income</i>			
Operating Surplus	44	44	61
Total Comprehensive Income	44	44	61
<hr/>			
Balance at 30 June 2020	1,311	1,311	1,422

	Accumulated Funds Actual 2019 \$'000	Total Equity Actual 2019 \$'000
Balance at 1 July 2018	1,440	1,440
<hr/>		
<i>Comprehensive Income</i>		
Operating (Deficit)	(173)	(173)
Total Comprehensive Surplus	(173)	(173)
<hr/>		
Balance at 30 June 2019	1,267	1,267

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

Independent Competition and Regulatory Commission
Statement of Cash Flows
For the Year Ended 30 June 2020

	Note No.	Actual 2020 \$'000	Original Budget 2020 \$'000	Actual 2019 \$'000
Cash Flows from Operating Activities				
Receipts				
Controlled Recurrent Payments		538	545	893
Fees		637	611	345
Sales of Goods and Services from Contracts with Customers		1,109	1,144	1,253
Investment Revenue		24	25	34
Goods and Services Tax Collected from Customers and Refunded by the Australian Taxation Office		130	-	145
Other		50	44	-
Total Receipts from Operating Activities		2,488	2,369	2,670
Payments				
Employee		1,388	1,641	1,379
Superannuation		188	180	170
Supplies and Services		585	663	793
Goods and Services Tax Paid to Suppliers and Remitted to the Australian Taxation Office		107	-	141
Total Payments from Operating Activities		2,269	2,484	2,483
Net Cash Inflows/(Outflows) from Operating Activities	16(b)	220	(115)	188
Cash Inflows from Financing Activities				
Receipts				
Capital Injections		-	-	1
Total Receipts from Financing Activities		-	-	1
Net Cash Inflows from Investing Activities		-	-	1
Net Increase/(Decrease) in Cash and Cash Equivalents		220	(115)	189
Cash and Cash Equivalents at the Beginning of the Reporting Period		1,419	1,655	1,230
Cash and Cash Equivalents at the End of the Reporting Period	16(a)	1,638	1,540	1,419

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

Independent Competition and Regulatory Commission
Statement of Appropriation
For the Year Ended 30 June 2020

	Original Budget 2020 \$'000	Total Appropriated 2020 \$'000	Appropriation Drawn 2020 \$'000	Appropriation Drawn 2019 \$'000
Controlled Recurrent Payments (CRP)	545	545	538	893
Capital Injections	-	-	-	1
Total Appropriation	545	545	538	894

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

Column Heading Explanations

The *Original Budget* column shows the amount that appears in the Statement of Cash Flows in the Statement of Intent. This amount also appears in the Statement of Cash Flows.

The *Total Appropriated* column is inclusive of all appropriation variations occurring after the Original Budget.

The *Appropriation Drawn* is the total amount of appropriation received by the Commission during the year. This amount appears in the Statement of Cash Flows.

Independent Competition and Regulatory Commission
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
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Independent Competition and Regulatory Commission

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2020

Note 1 Objectives of the Independent Competition and Regulatory Commission

Operations and Principal Activities

The Independent Competition and Regulatory Commission (the Commission) has statutory and regulatory, rather than commercial, objectives and functions. The Commission's primary roles and responsibilities are established under the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act) and the *Utilities Act 2000* (Utilities Act). Together, the Acts set out the functions of the Commission as:

- making 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 certain types of utility services
- determining licence conditions
- monitoring compliance with the licence conditions
- approving and reviewing standard customer contracts and industry codes for certain types of utility services.

The Commission also has a statutory role under the Electricity Feed-In (Renewable Energy Premium) Act 2008 in providing advice to the Minister relevant to the determination of the premium rate payable by National Energy Retail Law (NERL) retailers supplying electricity to renewable energy generators, and in monitoring compliance with the Electricity Feed-In Scheme through the Electricity Feed-In Code 2015 for NERL retailers.

The Commission's objectives are outlined in the ICRC Act and the Utilities Act. The objectives set out in section 7 and 19L of the ICRC Act are to:

- promote effective competition in the interests of consumers
- facilitate an appropriate balance between efficiency and environmental and social considerations
- ensure non-discriminatory access to monopoly and near-monopoly infrastructure
- ensure when making a price direction in a regulated industry, promote the efficient investment in, and efficient operation and use of regulated services for the long term interests of consumers in relation to the price, quality, safety, reliability and security of the service.

Section 3 of the Utilities Act provides the Commission with additional functions in accordance with the following objectives:

- encourage the provision of safe, reliable, efficient and high-quality utility services at reasonable prices
- minimise the potential for misuse of monopoly power in the provision of utility services
- promote competition in the provision of utility services
- encourage long-term investment, growth and employment in utility services
- promote ecologically sustainable development in the provision of utility services
- protect the interests of consumers
- ensure that advice given to the Commission by the ACT Civil and Administrative Tribunal (ACAT) is properly considered
- ensure that the Government's programs concerning the provision of utility services are properly addressed
- give effect to directions of the Minister under section 19 of the Utilities Act.

Note 2 Significant Accounting Policies

Refer to the following appendices for the notes comprising significant accounting policies and other explanatory information.

Appendix A - Basis of Preparation of the Financial Statements

Appendix B - Significant Accounting Policies

Appendix C – Impact of Accounting Standards Issued But Yet to be Applied

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020

Note 3 Controlled Recurrent Payments

	2020	2019
	\$'000	\$'000
Revenue from the ACT Government		
Controlled Recurrent Payments ^(a)	538	893
	538	893
Total Controlled Recurrent Payments	538	893

Controlled Recurrent Payments (CRP) are revenue received from the ACT Government to fund the estimated cost of the Commission's regulatory activities under the *Utilities Act 2000*.

a) In 2019-20, CRP decreased by \$355,000 mainly due to the Commission finalising its review of its electricity pricing model and methodology in 2018-19.

Note 4 Fees

	2020	2019
	\$'000	\$'000
Revenue from Regulatory Activities		
Utility Licence Fees	448	350
	448	350
Total Fees	448	350

Utility Licence Fees are collected by the Commission under the *Utilities Act 2000* to cover the Commission's, the Technical Regulator's and the ACT Civil and Administrative Tribunal's (ACAT) reasonable costs for utility regulatory activities in relation to water, sewerage, and gas transmission utilities. In accordance with the accounting policy described in Appendix B - Fees, the above fees only include the fee income relating to the Commission's own activities.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020

Note 5 Sales of Goods and Services from Contracts with Customers

	2020	2019
	\$'000	\$'000
ACT Government Customers		
User Charges - ACT Government ^(a)	546	1,016
Total Sales of Goods and Services from ACT Government Customers	546	1,016
Non-ACT Government Customers		
Service Revenue ^(b)	661	9
Total Sales of Goods and Services from Non-ACT Government Customers	661	9
Total Sales of Goods and Services from Contracts with Customers	1,207	1,025

User Charges revenue is derived by providing goods and services to other ACT Government agencies and to the public. User Charges revenue is legally retained by the agency and driven by consumer demand.

a) The decrease in ACT Government revenue in 2019-20 of \$470,000 mainly relates to the Commission finalising in 2018-29 its advice to the Government on the impact of the petrol market in the ACT and monitoring and reporting on the impact of the ACT Container Deposit Scheme (CDS) on beverage prices and competition in 2018-19. In 2019-20, the Commission provided competitive neutrality advice in relation to a new public crematorium being established. The Commission's role is in relation to the pricing of services to be provided by a new public crematorium facility.

b) The revenue in 2019-20 of \$661,000 relates to the Commission completing the investigation into, and price determination for, the standing offer prices for the supply of electricity to small customers.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020

Note 6 Employee Expenses

	2020	2019
	\$'000	\$'000
Wages and Salaries ^(a)	1,359	1,346
Annual Leave Expense	18	(1)
Fringe Benefits Tax	-	10
Long Service Leave Expense	33	87
Workers' Compensation Insurance Premium	8	8
Other Employee Benefits and On-Costs	-	4
Total Employee Expenses	<u>1,418</u>	<u>1,454</u>

a) The 2019-20 Wages and Salaries expense remained relatively consistent, reflecting the stability of staff numbers within the Commission across the two financial years.

Note 7 Supplies and Services

	2020	2019
	\$'000	\$'000
Audit Fees	29	28
Information Communication Technology ^(a)	44	92
Office Rental and Operating Costs	195	183
Professional Services ^(b)	195	311
Recruitment Costs ^(c)	29	14
Subscriptions, Memberships and Conferences ^(d)	50	94
Other	47	65
Total Supplies and Services	<u>589</u>	<u>787</u>

a) Information Communication Technology (ICT) services saw a reduction in expenditure due to the inclusion of saving incentives from the ACT Government to encourage adoption of an Electronic Document and Records Management System (EDRMS).

b) Professional Services saw a reduction in expenditure, mainly as a result of a reduced reliance on external contractors and a greater proportion of work performed by Commission staff.

c) The Commission saw an increase in Recruitment Costs primarily due to incurring relocation costs for two interstate employees and graduate program costs for another employee.

d) Subscriptions, Memberships and Conference expenditure was lower than the prior year due to completion of the Petrol Inquiry and an increase in staff working from home as a result of COVID-19.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020

Note 8 Cash and Cash Equivalents

	2020	2019
	\$'000	\$'000
Cash at Bank ^(a)	1,638	1,419
Total Cash and Cash Equivalents	1,638	1,419

The Commission managed two bank accounts in 2019-20 with Westpac Banking Corporation. The first account was the Commission's operating account and the second bank account was for Third Party Monies. Details of transactions relating to Third Party Monies are provided in Note 18.

a) The increase in Cash at Bank of \$219,000 mainly relates to the Commission's revenue received in advance (see Other Liabilities, Note 13).

Note 9 Receivables

	2020	2019
	\$'000	\$'000
Current Receivables		
Accrued Revenue ^(a)	352	249
Total Receivables	352	249

a) The increase in accrued revenue relates to a single invoice outstanding at 30 June 2020. No receivables are past due or impaired.

Classification of ACT Government/Non-ACT Government Receivables

Receivables with ACT Government Entities

Accrued Revenue	-	244
Total Receivables with ACT Government Entities	-	244

Receivables with Non-ACT Government Entities

Accrued Revenue	352	5
Total Receivables with Non-ACT Government Entities	352	5
Total Receivables	352	249

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020

Note 10 Property, Plant and Equipment

	2020	2019
	\$'000	\$'000
Property, Plant and Equipment		
Office Furniture and Equipment at Cost ^(a)	510	508
Less: Accumulated Depreciation	(510)	(462)
Total Property, Plant and Equipment	-	46

Reconciliation of Property, Plant and Equipment

Carrying Amount at the Beginning of the Reporting Period	46	111
Depreciation	(46)	(65)
Carrying Amount at the End of the Reporting Period	-	46

a) Office Furniture and Equipment includes office furniture, fixtures, fittings and make good. The Commission's assets were fully depreciated as at 30 June 2020.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020

Note 11 Payables

	2020	2019
	\$'000	\$'000
Current Payables		
Trade Payables	8	27
Accrued Expenses	35	32
GST Payable	35	-
Total Payables	<u>78</u>	<u>59</u>
Payables are aged as follows:		
Not Overdue	78	59
Total Payables	<u>78</u>	<u>59</u>
Classification of ACT Government/Non-ACT Government Payables		
Payables with ACT Government Entities		
Accrued Expenses	29	28
Total Payables with ACT Government Entities	<u>29</u>	<u>28</u>
Payables with Non-ACT Government Entities		
Trade Payables	8	27
Accrued Expenses	6	4
GST Payable	35	-
Total Payables with Non-ACT Government Entities	<u>49</u>	<u>31</u>
Total Payables	<u>78</u>	<u>59</u>

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020

Note 12 Employee Benefits

	2020	2019
	\$'000	\$'000
Current Employee Benefits		
Annual Leave	114	96
Long Service Leave	169	167
Accrued Salaries and Superannuation	34	28
	317	291
Non-Current Employee Benefits		
Long Service Leave	32	29
	32	29
	348	320
 Estimate of when Leave is Payable		
Estimated Amount Payable within 12 Months		
Annual Leave	103	75
Long Service Leave	-	4
Accrued Salaries and Superannuation	34	28
	137	107
Estimated Amount Payable after 12 Months		
Annual Leave	11	21
Long Service Leave	201	192
	212	213
	349	320

a) The increase of \$29,000 in Employee Benefits mainly relates to a reduction in the use of annual leave as a result of COVID-19. It is also impacted by changes in the staff profile, including the recognition of employee benefits for employees who were appointed to the Commission during 2019-20 with accumulated benefits.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020

Note 13 Other Liabilities

	2020	2019
	\$'000	\$'000
Current Other Liabilities		
Revenue Received in Advance ^(a)	184	-
Total Current Other Liabilities		

a) The \$184,000 relates to Utility Licence Fee funds received in advance for planned work that was deferred and will be undertaken in 2021.

Note 14 Other Provisions

Provision for Make Good

On 1 October 2011 the Australian Capital Territory entered into a lease agreement for office space to be used by the Commission. There are clauses within the lease agreement which require the Australian Capital Territory, upon cessation of the tenancy, to return the office space to the condition it was in before it was leased (this is referred to as 'make good').

	2020	2019
	\$'000	\$'000
Reconciliation of the Provision for Make Good		
Provision for Make Good at the Beginning of the Reporting Period	68	67
Increase in Provision due to Unwinding of Discount	-	1
Provision for Make Good as at the End of the Reporting Period	68	68

Independent Competition and Regulatory Commission

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2020

Note 15 Financial Instruments

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 2 (see Appendix B) Significant Accounting Policies.

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 amount of the financial assets it holds net of any provision for impairment. Credit risk is managed by investing surplus funds with a high credit quality financial institution (Westpac Banking Corporation).

The majority of receivables consist of fees charged to ACT Government entities or entities where the ACT Government has entered into a joint venture agreement with a third party. These entities are required by legislation to pay the fees charged by the Commission.

Credit risk is therefore considered to be low with no significant concentrations of credit risk.

Liquidity Risk

Liquidity risk is the risk that the Commission will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the Commission ensures that at any particular point in time it has a sufficient amount of funds in its bank account to meet its current financial liabilities. This is achieved by constantly monitoring receivables and payables levels and ensuring ongoing cash flows are sufficient to meet the Commission's obligations as they fall due.

The Commission's exposure to liquidity risk is low and the management of this risk has not changed since the previous reporting period.

Fair Value of Financial Assets and Liabilities

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

	Note	Carrying Amount 2020 \$'000	Fair Value 2020 \$'000	Carrying Amount 2019 \$'000	Fair Value 2019 \$'000
Financial Assets					
Cash and Cash Equivalents	8	1,638	1,638	1,419	1,419
Receivables	9	352	352	249	249
Total Financial Assets		1,990	1,990	1,668	1,668
Financial Liabilities					
Payables	11	78	78	59	59
Total Financial Liabilities		78	78	59	59

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020

Note 16 Cash Flow Reconciliation

(a) Reconciliation of Cash and Cash Equivalents at the end of the reporting period in the Statement of Cash Flows to the Equivalent Items in the Balance Sheet.

	2020 \$'000	2019 \$'000
Total Cash and Cash Equivalents Recorded in the Balance Sheet	1,638	1,419
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Statement of Cash Flows	1,638	1,419

(b) Reconciliation of Operating Surplus/(Deficit) to Net Cash Inflows from Operating Activities.

Operating Surplus/(Deficit)	44	(173)
Add/(Less) Non-Cash Items		
Depreciation of Plant and Equipment	46	64
Borrowing Costs	-	1
Cash Before Changes in Operating Assets and Liabilities	90	(108)
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	(103)	233
(Decrease)/Increase in Payables	19	(8)
Increase in Other Liabilities	184	-
Decrease in Employee Benefits	30	71
Net Changes in Operating Assets and Liabilities	130	296
Net Cash Inflows from Operating Activities	220	188

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020**

Note 17 Commitments

	2020	2019
	\$'000	\$'000
Capital Commitments - Property, Plant and Equipment		
Payable:		
Within one year	10	2
Later than one year but not later than five years	26	4
Later than five years	1	1
	37	7
Total Capital Commitments - Property, Plant and Equipment	37	7

All of the Commission's Capital Commitments relate to Information and Communication Technology (ICT) equipment leased from Shared Services ICT. During 2019-20, the ACT Government Shared Services Centre assisted the Commission upgrade its ICT equipment through purchase of laptops to facilitate more flexible working arrangements.

Other Commitments

Other Commitments contracted at reporting date but not recognised as liabilities, are payable as follows:

Within one year	173	206
	173	206
Total Other Commitments	173	206

The Commission's Other Commitments relate to its property lease, which was extended and is now due to expire on 31 March 2021, and outsourced strategic accounting services. The Commission outsources strategic accounting services due to the Commission not having the internal resources to perform these functions, and the nature, scale and size of the Commission not making it economically feasible to employ staff directly to provide these services.

The new leasing standard AASB 16 (10(c)) has been applied using the practical expedient in relation to leases expiring within 12 months of the reporting date.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020

Note 18 Third Party Monies

The Commission holds the following third party monies:

	2020	2019
	\$'000	\$'000
Utility Licence Fees		
Balance at the Beginning of the Reporting Period	-	2
Cash Receipts		
- East Australian Pipeline Limited	16	4
- Icon Water Limited	1,038	930
- TransGrid (NSW Electricity Networks Operations Pty Ltd)	80	42
- Interest Received	1	1
Cash Payments		
- Independent Competition and Regulatory Commission	(637)	(350)
- ACT Civil and Administrative Tribunal (ACAT).	(91)	(106)
- Access Canberra (technical regulation)	(407)	(523)
Balance at the End of the Reporting Period	<u>-</u>	<u>-</u>

Utility Licence Fees are collected and administered by the Commission under the *Utilities Act 2000*. The annual licence fee for a particular utility is the amount considered by the Commission to be a reasonable contribution towards the costs incurred, or expected to be incurred:

- (a) by the following entities in the exercise of functions, in the ACT or elsewhere, in relation to utility services:
- (i) Independent Competition and Regulatory Commission (Commission)
 - (ii) the Technical Regulator on behalf of the Territory
- (b) by ACAT in hearing and deciding matters to which a utility is a party.

As the administrator, fees collected by the Commission and subsequently transferred to the Technical Regulator and ACAT are not controlled by the Commission. Further the Commission does not obtain any benefit from those fees.

On the basis that the Commission does not control the component of the fees relating to the Technical Regulator or ACAT, it follows that the Commission does not control the cash or receivables relating to those fees and therefore it does not recognise them as assets. The associated amounts payable to the Technical Regulator and ACAT are also excluded from the Commission's liabilities.

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020**

Note 19 Budgetary Reporting

Operating Statement Line Items	Actual 2020 \$'000	Original Budget 2020 \$'000	Variance \$'000	Variance %
Fees ^(a)	448	611	(163)	-27%
Supplies and Services ^(b)	589	641	(52)	-8%

Variance Explanations

a) The budget variance of \$163,000 is mainly due to resources undertaking work on alternate projects to those utilities licence funded projects as originally budgeted.

b) The budget variance of \$52,000 mainly relates to underspending across the Commission due to an increase in staff working from home as a result of COVID-19. Expenses including; training and development, travel, subscriptions and memberships, and ICT services were all underspent.

Balance Sheet Line Items	Actual 2020 \$'000	Original Budget 2020 \$'000	Variance \$'000	Variance %
Cash and Cash Equivalents	1,638	1,540	98	6%
Receivables ^(c)	352	284	68	24%
Payables	78	69	9	13%
Employee Benefits - Current ^(d)	317	200	117	59%
Employee Benefits - Non-Current ^(d)	32	64	(32)	-50%

Variance Explanations

c) The budget variance of \$68,000 relates to a single invoice which has a total balance that is larger than the original budgeted estimate.

d) The budget variance of \$117,000 (current) and \$32,000 (non-current) mainly relates to the recognition of employee benefits for employees who were appointed to the Commission during 2019-20 with accumulated benefits. The value of these benefits was not anticipated at the time of budget development.

Statement of Cash Flows Line Items	Actual 2020 \$'000	Original Budget 2020 \$'000	Variance \$'000	Variance %
Employee ^(e)	1,388	1,641	(253)	-15%
Supplies and Services ^(f)	585	663	(78)	-12%

Variance Explanations

e) The budget variance of \$253,000 relates to fewer staff accessing Annual Leave and Long Service Leave as a result of COVID-19, and workers compensation premium and FBT expenditure lower than originally budgeted.

f) The budget variance of \$78,000 mainly relates to underspending across the Commission due to an increase in staff working from home as a result of COVID-19. Expenses including; training and development, travel, subscriptions and memberships, and ICT services were all underspent.

Significant judgements have been applied in determining what variances are considered 'major variances'. Variances are considered major if both of the following criteria are met:

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2020

- The line item is a significant line item: where either the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or more than 10% of the sub-element (eg. Current Liabilities and Receipts from Operating Activities totals) of the financial statements.
- The variances (original budget to actual) are greater than plus (+) or minus (-) 10% of the budget for the financial statement line item.

Independent Competition and Regulatory Commission

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2020

Note 20 Related Party Disclosures

A related party is a person that controls or has significant influence over the reporting entity, or is a member of the Key Management Personnel (KMP) of the reporting entity or its parent entity, and includes their close family members and entities in which the KMP and/or their close family members individually or jointly have controlling interests.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Commission, directly or indirectly.

KMP of the Commission are the Commissioner and Chief Executive Officer.

The Head of Service and the ACT Executive comprising the Cabinet Ministers are KMP of the ACT Government and therefore related parties of the Commission.

This note does not include typical citizen transactions between the KMP and the Commission that occur on terms and conditions no different to those applying to the general public.

(A) CONTROLLING ENTITY

The Commission is an ACT Government controlled entity.

(B) KEY MANAGEMENT PERSONNEL

B.1 Compensation of Key Management Personnel

Compensation of all Cabinet Ministers, including the Portfolio Minister, is disclosed in the note on related party disclosures included in the ACT Executive's financial statements for the year ended 30 June 2020.

Compensation of the Head of Service is included in the note on related party disclosures included in the Chief Minister, Treasury and Economic Development Directorate's (CMTEDD) financial statements for the year ended 30 June 2020.

Compensation by the Commission to KMP is set out below.

	2020	2019
	\$'000	\$'000
Short-term employee benefits	347	363
Post-employment benefits	75	60
Other long-term benefits	14	37
Total Compensation by the Commission to KMP	436	461

B.2 Transactions with Key Management Personnel

There were no transactions with KMP that were material to the financial statements of the Commission.

B.3 Transactions with parties related to Key Management Personnel

There were no transactions with KMP that were material to the financial statements of the Commission.

(C) TRANSACTIONS WITH OTHER ACT GOVERNMENT CONTROLLED ENTITIES

All transactions with ACT Government controlled entities are disclosed in the relevant notes to the financial Statements of the Commission.

Independent Competition and Regulatory Commission

Appendix A - Basis of Preparation of the Financial Statements

Forming Part of Note 2 of the Financial Statements

For the Year Ended 30 June 2020

LEGISLATIVE REQUIREMENT

The *Financial Management Act 1996* (FMA) requires the preparation of annual financial statements for ACT Government Agencies. The FMA and the *Financial Management Guidelines* issued under the Act, requires the Commission's financial statements to include:

- i. an Operating Statement for the reporting period
- ii. a Balance Sheet at the end of the reporting period
- iii. a Statement of Changes in Equity for the reporting period
- iv. a Statement of Cash Flows for the reporting period
- v. a Statement of Appropriation for the reporting period
- vi. an Operating Statement for each class of output for the reporting period
- vii. the significant accounting policies adopted for the reporting period
- viii. other statements as necessary to fairly reflect the financial operations of the agency during the reporting period and its financial position at the end of the reporting period.

These general-purpose financial statements have been prepared in accordance with:

- i. Australian Accounting Standards (as required by the FMA)
- ii. ACT Accounting and Disclosure Policies.

ACCRUAL ACCOUNTING

The financial statements have been prepared using the accrual basis of accounting. The financial statements are prepared according to historical cost convention.

CURRENCY

These financial statements are presented in Australian dollars, which is the Commission's functional currency.

INDIVIDUAL REPORTING ENTITY

The Commission is an individual not-for-profit reporting entity.

REPORTING PERIOD

These financial statements state the financial performance, changes in equity and cash flows of the Commission for the year ended 30 June 2020 together with the financial position of the Commission as at 30 June 2020.

COMPARATIVE FIGURES

Budget Figures

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2019-20 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

PRIOR YEAR COMPARATIVES

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

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

Independent Competition and Regulatory Commission

Appendix B – Significant Accounting Policies

Forming Part of Note 2 of the Financial Statements

For the Year Ended 30 June 2020

The Commission has applied the modified retrospective approach to the adoption of AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 16 Leases and comparative information is not restated. Changes from the adoption of these standards have had no impact on opening equity balances as at 1 July 2019.

ROUNDING

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000). Use of "-" represents zero amounts or amounts rounded down to zero.

GOING CONCERN

The 2019-20 financial statements have been prepared on a going concern basis as the Commission has been funded in 2020-21 under section 7 of the Financial Management Act 1996 pending funding in the 2020-21 Budget and the 2020-21 Budget Papers include including forward estimates for the Commission. The 2020-21 Budget will be presented to the Legislative Assembly subsequent to the signing of the Commission's 2019-20 financial statements.

SIGNIFICANT ACCOUNTING POLICIES – INCOME

Revenue Recognition

Revenue is recognised in accordance with AASB 15 Revenue from Contracts with Customers where the contract is enforceable and contains sufficiently specific performance obligations, otherwise revenue is in the scope of AASB 1058 Income of Not-for-Profit Entities.

AASB 15

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. Revenue is recognised by applying a five step model as follows:

1. identify the contract with the customer
2. identify the performance obligations
3. determine the transaction price
4. allocate the transaction price
5. recognise revenue as or when control of the performance obligation is transferred to the customer.

Generally, the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Commission have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Sales of Goods and Services from Contracts with Customers – User Charges

Revenue from the sale of goods is recognised when the goods are physically passed to the customer as control is transferred at this point in time. Payments are generally required within 30 days of transfer of the goods.

The Commission earns revenue from provision of user charge services. User charges revenue is derived by providing goods and services to other ACT Government entities and to the public. User charges revenue is legally retained by the agency and driven by consumer demand. During 2019-20, the Commission recognised user charges revenue in relation to work undertaken on providing advice to the Government on the impact of the petrol market in the ACT, monitoring and reporting on the impact of the ACT Container Deposit Scheme (CDS) on beverage prices and competition, providing competitive neutrality advice in relation to a new public crematorium being established, and completing the investigation into and price determination for the standing offer prices for the supply of electricity to small customers.

Revenue is recognised when the Commission satisfies the performance obligations which is over time (across the duration of a contract) or at a point in time (in accordance with the milestones specified in the particular contract).

Independent Competition and Regulatory Commission

Appendix B – Significant Accounting Policies

Forming Part of Note 2 of the Financial Statements

For the Year Ended 30 June 2020

A receivable in relation to these services is recognised when invoiced, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment.

Significant Accounting Judgements and Estimates – User Charges

The Commission has made significant judgements and estimates regarding the amount of revenue to be recognised as User Charges under the Sales of Goods and Services from Contracts with Customers. The Commission has reviewed each contract or agreement in terms of timing of satisfaction of performance obligations and determining the transaction price and the amounts allocated to performance obligations.

Revenue has been recognised when the Commission is satisfied that its performance obligations for each contract have been met, either over time or at a point in time in accordance with the requirements of AASB 15.

AASB 1058

Where revenue streams are in the scope of AASB 1058, the Agency recognises the asset received (generally cash or other financial asset) at fair value, recognises any related amount (e.g. liability or equity) in accordance with an accounting standard and recognises revenue as the residual between the fair value of the asset and the related amount on receipt of the asset.

Controlled Recurrent Payments

Controlled Recurrent Payments are recognised as revenue when the Commission gains control over the funding. Control over appropriated funds is obtained upon the receipt of cash.

Fees

Utility Licence Fees

Utility licence fees are collected from utilities providing water and wastewater services, and electricity and gas transmission services to recover the reasonable costs incurred by the Commission, the Technical Regulator and the ACT Civil and Administrative Tribunal (ACAT) in discharging their respective regulatory responsibilities. These fees are collected under the *Utilities Act 2000*. The fees are based on the estimated cost of regulatory activities for the financial year, which are adjusted based on revised end of year estimates and any over or under collection of fees identified in the current financial year. It is the Commission's practice to make adjustments to the fees in the following year if the actual costs incurred at the end of the financial year vary from the original estimate. The Commission only records fee income relating to its own activities in its operating statement. Fees received by the Commission and ultimately transferred to the Technical Regulator and ACAT are not recorded as income (or expenses) by the Commission, as the Commission does not control the future economic benefits embodied in the fees. Information on utility licence fees collected and paid to the Technical Regulator and ACAT is included in Note 18 Third Party Monies.

Significant Accounting Judgements and Estimates - Fees

The Commission has made significant estimates regarding the amount of revenue to be recognised as Utility Licence Fees using an activity based costing model. The Commission's model is used to determine the amount of revenue to be recognised for an activity based on the amount of time Commission staff spend on the activity, direct costs associated with the activity and proportional allocation of indirect costs. The Commission reviews this model on an ongoing basis and revises the model as appropriate.

Independent Competition and Regulatory Commission

Appendix B – Significant Accounting Policies

Forming Part of Note 2 of the Financial Statements

For the Year Ended 30 June 2020

SIGNIFICANT ACCOUNTING POLICIES – EXPENSES

Employee Expenses

Employee benefits include:

- short-term employee benefits such as wages and salaries, annual leave loading, and applicable on-costs, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the services
- other long-term benefits such as long service leave and annual leave
- termination benefits.

On-costs include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual leave and long service leave.

(See Appendix B – Employee Benefits for accrued wages and salaries, and annual and long service leave).

Superannuation Expenses

Employees of the Commission will have different superannuation arrangements due to the type of superannuation scheme available at the time of commencing employment, including both defined benefit and defined contribution superannuation scheme arrangements.

For employees who are members of the defined benefit Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS), the Commission makes employer superannuation contribution payments to the Territory Banking Account at a rate determined by the Chief Minister, Treasury and Economic Development Directorate. The Commission also makes productivity superannuation contribution payments on behalf of these employees to the Commonwealth Superannuation Corporation, which is responsible for administration of the schemes.

For employees who are members of defined contribution superannuation schemes (the Public Sector Superannuation Scheme Accumulation Plan (PSSAP) and schemes of employee choice), the Commission makes employer superannuation contribution payments directly to the employees' relevant superannuation fund.

All defined benefit employer superannuation contributions are recognised as expenses on the same basis as the employer superannuation contributions made to defined contribution schemes. The accruing superannuation liability obligations are expensed as they are incurred and extinguished as they are paid.

Superannuation Liability Recognition

For Commission employees who are members of the defined benefit CSS or PSS, the employer superannuation liabilities for superannuation benefits payable upon retirement are recognised in the financial statements of the Superannuation Provision Account.

Supplies and Services

Rental Expenses

This covers payments for short-term leases (12 month term or less) and low-value leases (individual asset less than \$10,000) and standard non-specialised accommodation leases with Property Group.

Depreciation and Amortisation

Amortisation is used in relation to intangible assets and depreciation is applied to physical assets such as buildings, infrastructure assets, and plant and equipment.

All depreciation is calculated after first deducting any residual values, which remain for each asset.

Depreciation for Plant and Equipment is determined using straight line method, with 8 years of useful life. The useful lives of all major assets held are reassessed on an annual basis.

Independent Competition and Regulatory Commission

Appendix B – Significant Accounting Policies

Forming Part of Note 2 of the Financial Statements

For the Year Ended 30 June 2020

SIGNIFICANT ACCOUNTING POLICIES – ASSETS

Assets – Current and Non-Current

Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Assets, which do not fall within the current classification, are classified as non-current.

Cash and Cash Equivalents

Cash includes cash at bank and cash on hand. 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.

Receivables

Accounts Receivables

Accounts receivable (including trade receivables and other trade receivables) are measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

Plant and Equipment

Acquisition and Recognition of Plant and Equipment

Plant and equipment is initially recorded at cost.

Where property, plant and equipment is acquired at no cost, or minimal cost, cost is its fair value as at the date of acquisition. However, property, plant and equipment acquired at no cost or minimal cost as part of a restructuring of administrative arrangements is measured at the transferor's book value.

Property, plant and equipment with a minimum value of \$5,000 (ex GST) are capitalised.

Impairment of Assets

The Commission assesses, at each reporting date, whether there is any indication that an asset may be impaired. Assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. However, intangible assets that are not yet available for use are tested annually for impairment regardless of whether there is an indication of impairment, or more frequently if events or circumstances indicate they might be impaired.

Independent Competition and Regulatory Commission

Appendix B – Significant Accounting Policies

Forming Part of Note 2 of the Financial Statements

For the Year Ended 30 June 2020

SIGNIFICANT ACCOUNTING POLICIES – LIABILITIES

Liabilities – Current and Non-Current

Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the Commission does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Liabilities which do not fall within the current classification are classified as non-current.

Payables

Payables are initially recognised at fair value based on the transaction cost and, subsequent to initial recognition, at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are normally settled within 30 days after the invoice date.

Payables include Trade Payables, Accrued Expenses and Other Payables.

Other Liabilities

Revenue received in advance is recognised as a liability if there is a present obligation to return the funds received, otherwise all are recorded as revenue.

Employee Benefits

Employee Benefits are listed in Appendix B - Employee Expenses.

Wages and Salaries

Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period.

Annual and Long Service Leave

Annual and long service leave including applicable on-costs that are not expected to be wholly settled before twelve months after the end of the reporting period when the employees render the related service are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At the end of each reporting period, the present value of future annual leave and long service leave payments are estimated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Annual leave liabilities have been estimated on the assumption that they will be wholly settled within three years. This financial year the rate used to estimate the present value of future:

- annual leave payments is 100.9% (101.6% in the previous financial year)
- payments for long service leave is 113.6% (110.1% in the previous financial year).

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 7 years of qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and applicable on-costs.

The provision for annual leave and long service leave includes estimated on-costs. As these on-costs only become payable if the employee takes annual and long service leave while in-service, the probability that employees will take annual and long service leave while in service has been taken into account in estimating the liability for on-costs.

Annual leave and long service leave liabilities are classified as current liabilities in the Balance Sheet where there are no unconditional rights to defer the settlement of the liability for at least 12 months. Conditional long service leave liabilities are classified as non-current because the agency has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Significant Judgements and Estimates – Employee Benefits

Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for annual and long service leave requires a consideration of the future wage and salary levels, experience of employee departures, probability that leave will be taken in service and periods of service. The estimate also includes an assessment of the probability that employees will meet the minimum service period required to qualify for long service leave and that on-costs will become payable.

**Independent Competition and Regulatory Commission
Appendix B – Significant Accounting Policies
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2020**

The significant judgements and assumptions included in the estimation of annual and long service leave liabilities include an assessment by an actuary. The Australian Government Actuary performed this assessment in April 2019. The next actuarial review is expected to be undertaken by early 2022.

APPENDIX 2 STATEMENT OF PERFORMANCE AND INDEPENDENT LIMITED ASSURANCE REPORT



INDEPENDENT COMPETITION AND REGULATORY COMMISSION

Statement of Performance for the Year Ended 30 June 2020

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the Independent Competition and Regulatory Commission's records and fairly reflects the service performance of the Independent Competition and Regulatory Commission for the financial year ended 30 June 2020 and also fairly reflects the judgements exercised in preparing the Statement of Performance for the financial year ended 30 June 2020.

Yours sincerely,

Dr Annette Weier
Chief Executive Officer
Independent Competition and Regulatory Commission

25 August 2020

Table 5: Statement of performance for the year ended 30 June 2020

Statement of intent accountability indicators	Original target 2019–20	Actual result 2019–20	% Variance from original target	Explanation of material variances	Notes
Water and sewerage services pricing	Reviews of matters identified as reset principles Annual price adjustment	Review of matters identified as reset principles Annual price adjustment			1
Retail electricity price regulation	Price determination for regulatory period from 1 July 2020 (subject to terms of reference from Government)	Price determination and provision of advice in accordance with terms of reference			2
Utilities compliance and performance monitoring	1 report	1 report			3
Utility licence fees (water, sewerage services and certain energy sector utilities not subject to energy industry levy)	Licence fees determination and collection	Licence fees determination and collection			4
Utility levies (energy sector)	4 determinations	4 determinations			5
Container Deposit Scheme—price and competition monitoring	1 final report and any advice required on market outcomes or behaviour Further monitoring if required	1 final report			6
Industry Code determinations	2 determinations	2 determinations			7
Capital Contributions Code (water and sewerage infrastructure upgrades)	1 annual review and 1 approval of precinct map update if required	1 annual review and 1 approval of precinct map update			8

Statement of intent accountability indicators	Original target 2019–20	Actual result 2019–20	% Variance from original target	Explanation of material variances	Notes
Advice on referred matters	Subject to receipt of references	1 reference received and advice provided to Government		Completed stage one of request for advice in accordance with scope of work	9

The above accountability indicators were reviewed by the ACT Audit Office in accordance with the *Financial Management Act 1996*.

Explanation of accountability indicators for the year ended 30 June 2020

The Statement of Performance is to be read in conjunction with the following information:

Notes

1. Before the next water and sewerage services pricing investigation for the regulatory period from 1 July 2023, the Commission will review three aspects of its pricing methodology to ensure its methodology remains current and appropriate and provides incentives for Icon Water to operate efficiently. The reviews are being conducted in accordance with regulatory reset principles set out in the Commission's price direction for 1 July 2018 to 30 June 2023. The Commission's price direction is available on its website: *Report 2 of 2018—Price Direction: Regulated Water and Sewerage Services 2018–23*.³⁵ The first aspect of the reviews relates to the incentive mechanisms that Icon Water has to deliver water and sewerage services efficiently and effectively.³⁶

The Commission adjusted the prices Icon Water can charge for regulated water and sewerage services for the 2020–21 financial year in accordance with the Commission's price direction for the regulatory period 1 July 2018 to 30 June 2023. The Commission's report is available on its website: *Water and Sewerage Services—Price Reset Report for 2020–21*.³⁷

2. On 28 May 2019, the Commission received terms of reference from the Treasurer to determine a price direction for standing offer prices for the supply of electricity to small customers.³⁸ The terms of reference specified that the price direction will be for the period 1 July 2020 to 30 June 2024. The terms of reference also required the Commission to consider, and provide advice to the Government on, whether changes could be made in the ACT to promote improvements to the transparency and comparability of electricity price offers.

On 5 June 2020, as required by the terms of reference, the Commission released the final report and price direction for standing offer prices for the supply of electricity to small customers on ActewAGL's regulated tariffs to apply from 1 July 2020. The final report included advice and

³⁵ https://www.icrc.act.gov.au/__data/assets/pdf_file/0020/1250237/Report-2-of-2018-Price-Direction-Regulated-WSS-201823-1.pdf

³⁶ <https://www.icrc.act.gov.au/projects/current-projects/incentive-mechanisms>

³⁷ https://www.icrc.act.gov.au/__data/assets/pdf_file/0009/1558260/Water-and-Sewerage-Services-Price-Reset-Report-for-2020-21-A25605819.pdf

³⁸ <https://www.legislation.act.gov.au/View/di/2019-72/current/PDF/2019-72.PDF>.

recommendations to the Government on improving transparency and comparability in the ACT retail electricity market.³⁹

3. Licensed utilities providing certain infrastructure services submit annually to the Commission a Utility Licence Annual Report that details how they met their non-technical licence conditions, relevant laws, industry codes, and other relevant regulatory obligations. The Commission published a monitoring report on the utilities' performance in 2018–19. The Commission's report is available on its website: *Report 4 of 2020—Utility Licence Annual Report 2018–19*.⁴⁰
4. On 25 September 2019, the Commission determined the annual licence fees payable by certain licenced utilities under the *Utilities Act 2000* for the year ending 30 June 2020 and collected those fees accordingly. The determination can be accessed on the ACT Legislation Register⁴¹ or through the Commission's website.⁴²
5. The Chief Executive Officer of the Commission made three determinations on 26 September 2019 under Part 3A of the *Utilities Act 2000* for the year ending 30 June 2020. These determinations are used to impose a levy on energy utilities to recover the amount of the ACT's national regulatory costs and local regulatory costs in relation to energy industry sectors. The determinations can be accessed on the ACT Legislation Register⁴³ or through the Commission's website.⁴⁴
6. On 4 April 2018, the then Minister for Transport Canberra and City Services gave the Commission terms of reference asking it to monitor and report on the impact on ACT beverage prices and competition in the beverage industry of the introduction of the ACT Container Deposit Scheme. The Commission gave the final report to the Minister on 23 July 2019, in accordance with the terms of reference. The final report is available on the ACT Legislative Assembly website⁴⁵ and a copy is on the Commission's website: *Report 10 of 2019 Final Report—Container Deposit Scheme Price Monitoring*.⁴⁶
7. On 12 December 2019, the Commission completed its review of the Consumer Protection Code, determined a new Code and published its final decision. The new Code will commence on 1 July 2020 and applies to energy and water utilities in the ACT. The code outlines the basic rights of customers, consumers and utilities with respect to access to, and provision of, utility services. The Code also deals with the general conduct of utilities (and their agents) in delivering utility services. The new Code determined by the Commission is available on its website.⁴⁷

Consequent to the determination of the new Consumer Protection Code, the Commission determined an updated Electricity Feed-in Tariff Code and published its final report on 4 May 2020. The changes made to the Code were primarily to ensure that consumer protections were aligned with the new Consumer Protection Code. The new Code will commence on 1 July 2020. The new

³⁹ <https://www.icrc.act.gov.au/projects/current-projects/retail-electricity-prices-2020-24>

⁴⁰ https://www.icrc.act.gov.au/__data/assets/pdf_file/0019/1542043/ULAR-Monitoring-report-2018-19-FINAL-3004220.pdf

⁴¹ <https://www.legislation.act.gov.au/ni/2019-633/>

⁴² <https://www.icrc.act.gov.au/utilities-licensing/licence-fees-and-the-energy-industry-levy>

⁴³ <https://www.legislation.act.gov.au/ni/2019-636/>; <https://www.legislation.act.gov.au/ni/2019-635/>; <https://www.legislation.act.gov.au/ni/2019-634/>; <https://www.legislation.act.gov.au/ni/2019-637/>

⁴⁴ <https://www.icrc.act.gov.au/utilities-licensing/licence-fees-and-the-energy-industry-levy>

⁴⁵ https://www.parliament.act.gov.au/__data/assets/pdf_file/0004/1407361/Independent-Competition-and-Regulatory-Commission-Container-Deposit-Scheme-Price-Monitoring-Final-Report-Report-10-of-2019.pdf

⁴⁶ https://www.icrc.act.gov.au/__data/assets/pdf_file/0020/1407602/Container-Deposit-Scheme-Price-Monitoring-Final-Report.pdf

⁴⁷ https://www.icrc.act.gov.au/__data/assets/pdf_file/0011/1456580/Final-decision-Attachment-1-Consumer-Protection-Code-2020.pdf

Code determined by the Commission is available on the ACT Legislation Register⁴⁸ and through its website.⁴⁹

In addition, the Commission made a determination setting out which industry codes energy retailers authorised under the National Energy Retail Law must comply with in the ACT: *Utilities (NERL retailers—Application of Industry Codes) Determination 2020*. The Determination is available on the ACT Legislative Assembly website.⁵⁰

8. The Commission approved the updated precinct map for 2020–21 submitted by Icon Water and set the 2020–21 capital contributions charge for water and sewerage infrastructure upgrades under the relevant industry code made under section 58 of the *Utilities Act 2000*. The updated precinct map for 2020–21 is available on the Commission’s website.⁵¹ A summary of the Commission’s review of the precinct map and capital contributions charge is included in the Commission’s report on the annual adjustment of the prices Icon Water can charge for regulated water and sewerage services for 2020–21, which is available on the Commission’s website: *Water and Sewerage Services: Price Reset Report for 2020–21*.⁵²
9. On 20 December 2019, the Commission received a request from the Treasurer to provide advice under Section 12 of the *ICRC Act 1997*. The scope of work for the advice specifies a two-stage process.⁵³ Stage one required the Commission to develop detailed pricing principles to guide Canberra Cemeteries in developing a costing methodology and prices for the public crematorium services and products that will be consistent with the Competitive Neutrality Policy. On 31 May 2020, the Commission gave the Treasurer, the Minister for City Services and Canberra Cemeteries its stage one advice, in accordance with the scope of work.

Stage two requires the Commission to assess Canberra Cemeteries’ pricing proposal, including its proposed costing methodology and prices, for compliance with the detailed pricing principles and more broadly with the Competitive Neutrality Policy. The Commission will commence stage two of its advice when it receives Canberra Cemeteries’ pricing proposal.

⁴⁸ <https://legislation.act.gov.au/di/2020-86/>

⁴⁹ <https://www.icrc.act.gov.au/energy/electricity/electricity-feed-in-code-update>

⁵⁰ https://legislation.act.gov.au/View/es/db_62202/current/PDF/db_62202.PDF

⁵¹ <https://www.icrc.act.gov.au/water-and-sewerage/water-and-sewerage-capital-contribution-code>

⁵² https://www.icrc.act.gov.au/__data/assets/pdf_file/0009/1558260/Water-and-Sewerage-Services-Price-Reset-Report-for-2020-21-A25605819.pdf

⁵³ <https://www.icrc.act.gov.au/competition-issues/public-crematorium-services-competitive-neutrality>

INDEPENDENT LIMITED ASSURANCE REPORT

To the Members of the ACT Legislative Assembly

Conclusion

I have undertaken a limited assurance engagement on the statement of performance of the Independent Competition and Regulatory Commission (Commission) for the year ended 30 June 2020.

Based on the procedures performed and evidence obtained, nothing has come to my attention to indicate the results of the accountability indicators reported in the statement of performance for the year ended 30 June 2020 are not in agreement with the Commission's records or do not fairly reflect, in all material respects, the performance of the Commission, in accordance with the *Financial Management Act 1996*.

Basis for conclusion

I have conducted the engagement in accordance with the Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. My responsibilities under the standard and legislation are described in the 'Auditor-General's responsibilities' section of this report.

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and the ACT Audit Office applies Australian Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*.

I believe that sufficient and appropriate evidence was obtained to provide a basis for my conclusion.

The Commission's responsibilities for the statement of performance

The Chief Executive Officer is responsible for:

- preparing and fairly presenting the statement of performance in accordance with the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*; and
- determining the internal controls necessary for the preparation and fair presentation of the statement of performance so that the results of accountability indicators and accompanying information are free from material misstatements, whether due to error or fraud.

Auditor-General's responsibilities

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*, the Auditor-General is responsible for issuing a limited assurance report on the statement of performance of the Commission.

My objective is to provide limited assurance on whether anything has come to my attention that indicates the results of the accountability indicators reported in the statement of performance are not in agreement with the Commission's records or do not fairly reflect, in all material respects, the performance of the Commission, in accordance with the *Financial Management Act 1996*.

In a limited assurance engagement, I perform procedures such as making inquiries with representatives of the Commission, performing analytical review procedures and examining selected evidence supporting the results of accountability indicators. The procedures used depend on my judgement, including the assessment of the risks of material misstatement of the results reported for the accountability indicators.

Limitations on the scope

The procedures performed in a limited assurance engagement are less in extent than those required in a reasonable assurance engagement and consequently the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, I do not express a reasonable assurance opinion on the statement of performance.

This limited assurance engagement does not provide assurance on the:

- relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets;
- accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations; or
- adequacy of controls implemented by the Commission.

Ajay Sharma
Assistant Auditor-General, Financial Audit
28 August 2020

APPENDIX 3 SECTION 9 REPORTING REQUIREMENTS

Section 9 of the ICRC Act sets out specific reporting requirements the Commission must address in its annual report:

- investigations
- final reports and special reports
- price directions
- advice about proposed access agreements
- the number of access agreements notified
- arbitration disputes
- determinations of arbitration disputes
- number of notices issued under section 41
- general use by the Commission of information and documents obtained as a result of notices issued under section 41
- any other functions exercised by the Commission.

Investigations

ACT Container Deposit Scheme beverage price monitoring

On 4 April 2018 the Commission received terms of reference from the ACT Government to monitor and report on the impact on ACT beverage prices and competition in the ACT beverage industry of the introduction of the ACT Container Deposit Scheme from 30 June 2018. The Terms of Reference can be found at <http://www.legislation.act.gov.au/di/2018-69/default.asp>.

To inform the investigation the Commission consulted with, and obtained information from, a range of stakeholders, including beverage suppliers, consumers and the Scheme Coordinator (Exchange for Change). The Commission released a draft report on 28 February 2019 as part of the consultation process for the investigation. The Commission gave its final report to the ACT Government on 23 July 2019.

Retail electricity price investigation 2020–24

On 28 May 2019, the Commission received terms of reference from the Treasurer to determine a price direction for standing offer prices for the supply of electricity to small customers who consume less than 100 MWh of electricity over any period of 12 consecutive months. The Terms of Reference also required the Commission to consider whether changes could be made in the Territory to promote improved transparency and comparability of electricity price offers. The terms of reference is available at <https://www.legislation.act.gov.au/View/di/2019-72/current/PDF/2019-72.PDF>.

On 5 June 2020, the Commission released the final report and price direction for standing offer prices for the supply of electricity to small customers on ActewAGL's regulated tariffs from 1 July 2020.

Final reports and special reports

ACT Container Deposit Scheme beverage price monitoring

On 23 July 2019, the Commission provided its final report on the ACT Container Deposit Scheme beverage price monitoring investigation to the ACT Government.

Retail electricity price investigation 2020–24

On 5 June 2020, the Commission released the final report for the supply of electricity to small customers on ActewAGL's regulated tariffs from 1 July 2020.

Price directions

Retail electricity price investigation 2020–24

On 5 June 2020, the Commission released the price direction for standing offer prices for the supply of electricity to small customers on ActewAGL's regulated tariffs from 1 July 2020.

Access agreements

The Commission's responsibilities for access agreements, in relation to infrastructure facilities, are set out in Part 5 of the ICRC Act. The Commission did not receive any notifications under Part 5 in 2019–20.

Arbitration of disputes

Part 6 of the ICRC Act provides for the referral of disputes to the Commission in relation to an access regime for arbitration. No disputes were referred to the Commission in 2019–20.

Notices issued under section 41 and general use of information obtained

Section 41 of the ICRC Act provides that the Commission can, by written notice, require a person to give it information or a document that may assist it in exercising its functions. The Commission did not issue any notices to provide information under section 41 of the ICRC Act in 2019–20.

Other functions exercised by the Commission

Section 8(1)(g) and section 8(2) of the ICRC Act set out other functions of the Commission. The Commission exercised the following functions under the Utilities Act in 2019–20:⁵⁴

- determination of energy industry levy (NI2019-634, NI2019-635, NI2019-636 and NI2019-637)
- determination of licence fees (NI2019-633)

⁵⁴ Notifiable (NI) and disallowable (DI) instruments are available on the ACT Legislation Register website at <http://www.legislation.act.gov.au/>.

- *Utilities (Consumer Protection Code) Determination 2020 (DI2020-6)*
- *Utilities (Electricity Feed-in Code) Determination 2020 (DI2020-86)*
- *Utilities (NERL retailers – Application of industry Codes) Determination 2020 (DI2020-87)*
- approval of standard customer contract (NI2020-328)
- utility licence annual reporting under section 25(2)(d) of the Utilities Act.

In relation to competitive neutrality of a government regulated activity, the Commission completed the first stage of its advice to the Government to ensure that the new public crematorium facility to be built and operated by Canberra Cemeteries operates in a manner consistent with competitive neutrality.⁵⁵ In December 2019, the Treasurer asked the Commission to provide advice in two stages. In stage one, the Commission developed pricing principles to guide Canberra Cemeteries in developing a costing methodology and prices that will be consistent with the ACT Competitive Neutrality Policy. The Commission gave its stage one final report to the Treasurer, Minister for City Services and Canberra Cemeteries in May 2020.

⁵⁵ <https://www.icrc.act.gov.au/competition-issues/public-crematorium-services-competitive-neutrality>

APPENDIX 4 ANNUAL REPORTS (GOVERNMENT AGENCIES) NOTICE 2020 (NI2019-296) COMPLIANCE STATEMENT

The Commission must comply with the 2020 Annual Report Directions (Directions). The Directions are on the ACT Legislation Register: www.legislation.act.gov.au.

This Compliance Statement lists the subsections under Parts 1 to 5 of the Directions that are applicable to the Commission and the location of information that satisfies these requirements.

Part 1 Directions overview

The requirements under Part 1 of the Directions relate to the purpose, timing and distribution, and record keeping of annual reports. The Commission has complied with all subsections of Part 1 under the Directions.

To meet section 15: Feedback in Part 1 of the Directions, contact details for the Commission are included in this Annual Report to help readers provide feedback.

Part 2 Annual report requirements

Information that satisfies the requirements of Part 2 is in this Annual Report as follows:

- A. Transmittal Certificate—p 5
- B. Organisational Overview and Performance, inclusive of all subsections—pp 7 - 25
- C. Financial Management Reporting, inclusive of all subsections—pp 27 - 34

Part 3 Reporting by exception

The Commission has no information to report by exception under Part 3 of the Directions for 2019-20.

Part 4 Annual report requirements for specific reporting entities

The following subsections of Part 4 of the 2020 Directions are applicable to the Commission and are included in this Annual Report:

Section 9 reporting requirements—Appendix 3.

Part 5 Whole of government annual reporting

All subsections of Part 5 of the Directions apply to the Commission. Consistent with the Directions, the information satisfying these requirements is reported in one place for all ACT Public Service directorates and agencies, as follows:

- Bushfire Risk Management—Justice and Community Safety Directorate annual report

- Human Rights—Justice and Community Safety Directorate annual report
- Legal Services Directions—Justice and Community Safety Directorate annual report
- Public Sector Standards and Workforce Profile—annual State of the Service Report
- Territory Records—Chief Minister, Treasury and Economic, Development Directorate annual report

ACT Public Service Directorate annual reports are available at
http://www.cmd.act.gov.au/open_government/report/annual_reports.

APPENDIX 5 COMMISSION'S PUBLICATIONS 2019–20

Report Number	Report Title
Report 10 of 2019	Final Report: Container Deposit Scheme – Price Monitoring (July 2019)
Report 11 of 2019	Draft decision: Consumer Protection Code review (August 2019)
Report 12 of 2019	Issues Paper: Framework and Approach – Standing offer prices for the supply of electricity to small customers from 1 July 2020 (September 2019)
Report 13 of 2019	Annual Report 2018–19 (September 2019)
Report 14 of 2019	Issues Paper: Water and sewerage services price regulation: incentive mechanisms (December 2019)
Report 15 of 2019	Final decision: Consumer Protection Code review (December 2019)
Report 1 of 2020	Issues Paper: Public Crematorium Services: Competitive Neutrality (January 2020)
Report 2 of 2020	Draft Report: Retail electricity price investigation 2020–24 (February 2020)
Report 3 of 2020	Proposed Price Direction: Standing offer prices for the supply of electricity to small customers (February 2020)
Report 3 of 2020 ⁵⁶	Draft Report: Public Crematorium Services: Competitive Neutrality (March 2020)
Report 4 of 2020	Utility Licence Annual Report 2018–19 (April 2020)
Report 5 of 2020	Final decision: Electricity Feed-in Code (April 2020)
Report 6 of 2020	Draft Report: Water and Sewerage Services Price Regulation: Incentive Mechanisms (May 2020)
Report 7 of 2020	Final Report: Public Crematorium Services: Competitive Neutrality (June 2020)
Report 8 of 2020	Regulated water and sewerage services 2020–21 price adjustment (June 2020)
Report 9 of 2020	Final Report: Retail electricity price investigation 2020–24 (June 2020)
Report 10 of 2020	Price Direction: Standing offer prices for the supply of electricity to small customers (June 2020)

⁵⁶ There was an error in report numbering in 2020, with Report 3 being duplicated.

GLOSSARY AND ABBREVIATIONS

Term	Definition
ABN	Australian Business Number
ACAT	ACT Civil Administrative Tribunal
ACT	Australian Capital Territory
ACTPS	ACT Public Service
CCC	Consumer Consultative Committee
CDS	Container Deposit Scheme
CEO	Chief Executive Officer
CNG	Compressed natural gas
CRP	Controlled Recurrent Payments
DI	Disallowable instrument
FOI	Freedom of information
FOI Act	<i>Freedom of Information Act 1989</i>
FTE	Full-time equivalent
Human Rights Act	<i>Human Rights Act 2004</i>
ICRC	Independent Competition and Regulatory Commission
ICRC Act	<i>Independent Competition and Regulatory Commission Act 1997</i>
ICT	information and communications technology
LPG	Liquid Petroleum Gas
MLA	Member of the Legislative Assembly
NERL	National Energy Retail Law
NSW	New South Wales
NI	Notifiable instrument
Utilities Act	<i>Utilities Act 2000</i>
WH&S Act	<i>Work Health and Safety Act 2011</i>

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