



ICRC

independent competition and regulatory commission

Annual Report

2012–13

Report 8 of 2013

September 2013

The Independent Competition and Regulatory Commission 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 and the current Commissioners are Senior Commissioner Malcolm Gray and Commissioner Mike Buckley. We, the Commissioners who constitute the Commission, take direct responsibility for delivery of the outcomes of the Commission.

We have responsibilities for a broad range of regulatory and utility administrative matters. We have responsibility under the Independent Competition and Regulatory Commission Act 1997 (ICRC Act) for regulating and advising government about pricing and other matters for monopoly, near-monopoly and ministerially declared regulated industries, providing advice on competitive neutrality complaints and government-regulated activities. We also have responsibility for arbitrating infrastructure access disputes under the ICRC Act. In discharging our objectives and functions, we provide independent robust analysis and advice.

Our objectives are set out in section 7 of the ICRC Act and section 3 of the Utilities Act.

Correspondence or other inquiries may be directed to us at the addresses below:

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Canberra ACT 2601

We may be contacted at the above addresses, by telephone on (02) 6205 0799, or by fax on (02) 6207 5887. Our website is at www.icrc.act.gov.au and our email address is icrc@act.gov.au.

In this annual report, a reference to 'Independent Competition and Regulatory Commission', 'Commission', 'we', 'us' and 'our' is to the Independent Competition and Regulatory Commission, ABN 88 647 913 351.

For information about the basis of preparing the financial information in this annual report, see 'Note 2' in appendix 1.

Information contained in or accessible through the websites mentioned in this annual report does not form part of this report unless we specifically state that it is incorporated by reference and forms part of this report. All references in this report to websites are inactive textual references and are for information only.

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Transmittal Certificate



ICRC
independent competition and regulatory commission

Mr Andrew Barr MLA
Treasurer
ACT Legislative Assembly
CANBERRA ACT 2601

Dear Treasurer

This report has been prepared under section 6(1) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with the requirements under the Annual Report Directions.

It has been prepared in conformity with other legislation applicable to the preparation of the Annual Report by the Independent Competition and Regulatory Commission.


We certify that the attached Annual Report is an honest and accurate account and that all material information on the operations of the Independent Competition and Regulatory Commission during the period from 1 July 2012 to 30 June 2013 has been included.

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


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

Yours sincerely

Malcolm Gray/
Senior Commissioner

 19 September 2013

Ms Ranjini Nayager
Chief Executive Officer

 19 September 2013

Commissioner's comments

In June the Commission released the final report of its inquiry into regulated water and sewerage services. The report was the culmination of 21 months work, the bulk of which occurred over the last 12 months and dominated our activities over that period.

We were particularly pleased with the high level of community participation in the consultation process. These consultations highlighted a range of views about ACTEW's governance, the recovery of lower than forecast revenues in the previous years, options for sharing the burden of financing major water security projects with future water consumers and the structure and level of water prices.

These matters were contentious and roused strong emotions in various sectors of the community. Finding the right balance across conflicting interests to which we are required to have regard has been taxing. We are, however, confident that the change in ACTEW's regulatory arrangements established by the June 2013 price direction will allow for greater transparency in the determination of future water and sewerage service prices in the Territory and better align prices with the efficient cost of providing those services.

We included in our report advice to government about ACTEW's governance and its operation as a publicly owned entity. That advice was separate from the price direction and is a matter for government consideration and determination. We formed the view that the efficiency and effectiveness of ACTEW could be improved through the establishment of more transparent performance and accountability arrangements which, we believe, are needed to address the potentially conflicting objectives faced by ACTEW. The Government has announced that it has commissioned Dr Bruce Cohen to review the Territory's institutional arrangements for ACTEW Corporation Limited.

Our approach to determining water and sewerage service charges was in part influenced by our inquiry into secondary water use in the ACT which was finalised in June 2012. In that work we addressed the provision of water security for the ACT community at minimum social, environmental and economic cost and concluded that achieving long-term water security requires a major shift in the way decisions are made in this area. The inquiry into water and sewerage services reinforces that conclusion. The Government is currently consulting on a draft ACT Water Strategy 2013.

As a consequence of decisions taken in the previous decade ACT water consumers will face water prices rising at a rate likely to be above inflation for many years to come. The rate of price increase will be strongly influenced by future demand for water from ACTEW's customers, and increases in ACTEW's operating costs and capital expenditure.

ACTEW's costs are dominated by the cost of maintaining the capability to supply in a wide range of circumstances. Variations in the amount of water actually supplied in a given year have little effect on ACTEW's costs. Higher demand for water, however, means larger revenues from given prices. The stronger that the demand for water is anticipated to be, the lower can prices be set to recover a target revenue.

Commissioner's comments

In examining alternatives to supplying water through ACTEW's established reticulation network, it needs to be remembered that the short term effect of such economies in the use of water from ACTEW will be to depress revenues more than costs. This will necessitate prices being set higher to allow ACTEW to recover its costs. The gains from the community economising in its use of water come in the longer term by slowing the rate of capital spending required to maintain a given level of water security.

In setting water prices for the forthcoming period, we were forced to face some harsh realities. The substantial capital spending that had been undertaken to ensure water security has to be financed. Demand for water is sharply lower than before the three years of stage three water restrictions. This conjunction meant that significant price increases were inevitable. It was essential that any attempt to defer or delay these price increases not be allowed to weaken ACTEW's financial capacity. In weighing the alternatives we came to the conclusion that the burden of adjustment should be shared between water consumers and the budget. This left the ACT Government to apportion the burden between current and future generations of taxpayers.

We believe that the new regulatory arrangements that we have now introduced will make for greater transparency and clear roles for all those involved in the provision of water and sewerage services to the ACT community. The current process of consultation on the Government's draft ACT Water Strategy 2013 has a vital role to play. It must develop a framework that will ensure that the diverse elements of policy deployed in this area operate consistently and effectively to deliver the best outcomes for the community in the management of our water resources.

Also in June, we released our determination of the adjustment to electricity retail prices for ActewAGL franchise customers for 2013-14. The Commission approved a 3.5 per cent increase in the average tariff. The majority of ACT residential electricity users purchase their electricity using a franchise tariff provided by ActewAGL Retail. This report completes our responsibilities under the terms of reference issued to the Commission in September 2011. We anticipate receiving a further reference from the Treasurer to provide a price direction for the period beyond 30 June 2014. In that case, we will be aiming to release an issues paper by early in October.

We also continued to produce estimates of green house gas emissions for the Territory through the ACT Greenhouse Gas Inventory and monitoring of local photo-voltaic generation of electricity through the ACT Electricity Feed-in Summary Reports which we release quarterly.

Even by the standards of the relatively small ACT public service, the Commission is a small agency. At 30 June 2013 the Commission had a headcount of eight, which included the Chief Executive Officer. Being a small independent agency is a strength but also a challenge.

This challenge is felt most keenly when the Commission is conducting a major inquiry. Even when the timing of a project is known well in advance, a major inquiry places enormous pressure on staff and other agency resources. Unlike agencies within the general government sector, the financial cost of much of the Commission's work is met by fees levied on the relevant utility rather than by means of a budget appropriation. The Commission, therefore, is not necessarily so constrained when Government budgets are

under pressure. It is, however, limited in its ability to assemble resources in anticipation of a project and, moreover, is not always able to retain resources once the task has been completed.

The financing of the Commission's activities, primarily by means of fees and levies, reinforces the Commission's independence. At a more practical level it also means that the Commission is required to pay close attention to the actual cost of its activities when it determines fees and levies.

As a cost recovery body, we recover the actual costs of our work from the utility or the Government for inquiries. The utility however is able to recover the Commission's costs in their charges to consumers. We are conscious that it may not have been clear to the community that costs incurred by the Commission in providing price directions are built into the prices they pay. In order to make the cost of the Commission performing its tasks more transparent we would welcome consideration of indentifying the Commission's price determination costs on consumers' electricity and water bills.

As we alluded to above it is not always easy for the Commission to transition from one task to another. Nonetheless, we have made some progress in developing flexible work practices and this will support us in reorientating our work priorities in 2013-14.

Following the establishment of the National Energy Customer Framework, which meant that the Australian Energy Regulator took on some of regulatory functions previously discharged by the Commission, we undertook a reassessment of our work program. This led us to reduce our staff numbers through redundancies in 2012-13. These processes are never easy for the agency or the individuals involved. The Commission has also reassessed the nature of the task it has to perform in relation to monitoring and reporting gas and electricity networks compliance with licence conditions. This has led to a simpler process, involving a lesser burden for the utilities and the Commission.

We commend this annual report to the community, not only as a record of the Commission's performance in the past year, but also as a statement about the role an independent commission plays in supporting economic efficiency, transparency and the good governance of the Territory.

Malcolm Gray
Senior Commissioner

Mike Buckley
Commissioner

Part A Performance and financial management reporting

Section 9 of the Independent Competition and Regulatory Commission Act 1997 (the ICRC Act) requires us to prepare a report under the Annual Reports (Government Agencies) Act 2004. The Chief Minister's 2012–2013 Annual Report Directions set out areas on which we are required to report. In addition, the ICRC Act requires us to report on:

- 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;
- the number of notices issued under section 41 (Provision of information to Commission);
- the general use made by the Commission of information and documents obtained as a result of notices issued under section 41; and
- any other functions exercised by the Commission.

A.1 The organisation

This section deals with our role and functions, mission and values, structure, and clients and stakeholders.

A.1.1 Roles and functions

We provide advice on a range of matters including government regulated activities, competitive neutrality, determining licence conditions for some utilities, monitoring of utility licence holders, providing price directions and providing expert advice on a range of matters referred to us, for example, on secondary water options for the territory and the racing industry in the territory. The ICRC Act and the Utilities Act 2000 (the Utilities Act) together set out our functions and objectives in detail.

We also have a statutory role under the Electricity Feed-in (Renewable Energy Premium) Act 2008 in providing the minister with advice relevant to the determination of the premium rate payable by electricity suppliers to renewable energy generators.

We have been established amongst other things to:

- promote effective competition in the interests of consumers;

Part A: Performance and financial management reporting

- facilitate an appropriate balance between efficiency and environmental and social considerations;
- ensure non-discriminatory access to monopoly and near-monopoly infrastructure;
- 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 ecologically sustainable development in the provision of utility services; and
- protect the interests of consumers.

The legislation report in section B.4 of this report lists other legislation under which we have obligations.

A.1.2 Mission and values

We are committed to providing better administrative and public policy outcomes for the ACT community and do this by ensuring that our decisions are based on sound professional advice, that our processes are transparent, and that we efficiently and prudently manage our resources.

A key element of prudent management involves ensuring that the values and principles that guide public administration are part of the way we do business. These values and principles include:

- service to the public;
- responsiveness to the government and the needs of the public;
- accountability;
- fairness and integrity; and
- efficiency and effectiveness.

We foster a culture that is ethical, transparent, accountable, consultative in our interactions and independent in our decision-making processes.

We, collectively and as individuals, seek to:

- use our professional skills, expertise, experience and professional judgment to promote efficient competition in the ACT economy in the interests of consumers;
- use our extensive professional experience and judgment to achieve a sustainable balance between efficiency and environmental and social needs;
- use our resources efficiently and to good effect;
- work together to provide a working environment that is safe, healthy and productive; and

- encourage, support, develop and challenge our staff.

A.1.3 Structure and management

We are an independent statutory body established by an act of the ACT Legislative Assembly and are accountable to the Legislative Assembly through the Treasurer under administrative arrangements. We are governed by two part-time commissioners appointed by the Minister to represent the interests of all stakeholders.

Our commissioners determine the broad policies, priorities and strategies of the Commission, ensure that the affairs of the Commission are managed in an efficient and effective way and in accordance with relevant legislation and provide strategic leadership and expert advice in regulatory economics.

Our Commissioners in 2012–13 were:



Malcolm Gray was appointed as Senior Commissioner of the Commission in March 2011 for a term of 5 years. Malcolm was a lecturer of economics in the United Kingdom, United States and Australia, has been in senior positions in the Commonwealth Public Service, including a period in the Prime Minister's Office, and was Group Economist at CRA Ltd, now Rio Tinto Ltd. Malcolm was appointed to the board of the National Electricity Market Management Company (NEMMCO) from 2002 to 2008 and the Chairman of The Gambling and Racing Committee from 2004 to 2012.



Mike Buckley was appointed as Commissioner in March 2011 for a term of 5 years. Mike has held senior Commonwealth public service roles and has extensive expertise in national utility regulation in Australia.

Our Chief Executive Officer (CEO) manages the operations of the Commission assisted by a small team of dedicated professionals. The CEO is a statutory office holder appointed by the Director-General of the directorate to which the Commission is attached.

Our CEO in 2012–13 was:



Ranjini Nayager was appointed for a term of 5 years as CEO in June 2012. Ranjini came to the Commission with international and Australian financial services regulatory, commercial and legal experience

We have two functional areas which report to our CEO. The operational functional area provides human resource, legal and compliance, records, website management services to the Commission. The economic advisory functional area provides expert economic research and advice to the Commission.

A.1.4 Clients and stakeholders

Our principal stakeholders are the ACT Government and its agencies, members of the Legislative Assembly, licensed and prospective utility service providers, regulated industries, businesses, and the ACT community. We are also a participant in a wider community of national and inter-jurisdictional regulatory bodies and other intergovernmental regulatory fora.

A.2 Overview of performance for 2012–13

A.2.1 Overview

The Commission undertook a substantial volume of work during 2012–13 including the review of water and sewerage services pricing for the period commencing 01 July 2013. We also determined the retail price for electricity for 2013–14, issued the final report on Secondary Water Use in the ACT, published issues papers and a draft report on water and sewerage services. We continued to discharge our responsibilities for the utilities licensing regime, and to monitor and report on the compliance and performance of licensed utilities. We regulated the Greenhouse Gas Abatement Scheme (ACT GGAS), and discharged our responsibilities under the *Climate Change and Greenhouse Gas Reduction Act 2010*.

A.3 Highlights of performance in 2012–13

Reports and documents relating to the activities described below can be read in full on our website (www.icrc.act.gov.au). Appendix 3 provides contact details of those staff who can provide more information on our activities.

A.3.1 Retail electricity price adjustment for non-contestable electricity customers for 2013–14

In September 2011, the Treasurer referred to the Commission a price direction for the supply of electricity to franchise customers. The reference, issued under the ICRC Act, was for the period from 1 July 2012 to 30 June 2014. We released a price direction in June 2012 which provided for a price adjustment for 2013–14. As the first step in adjusting prices, in April 2013 we released an information paper on the energy purchase cost component of the regulated retail electricity tariff. We then released our final decision on retail prices for franchise electricity customers for 2013–14 in June 2013.

A.3.2 Water and sewerage price investigation

On 13 October 2011, the Treasurer gave the Commission a reference for a price direction for regulated water and sewerage services provided by ACTEW Corporation Limited for the period commencing 1 July 2013. In 2012–13 we released 5 reports related to the price investigation as set out in Table 1. We released the final report and price direction on 26 June 2013.

Table 1 Price investigation reports issued in 2012–13

Report	Date
Community Consultation Paper: Possible Price Outcomes	September 2012
Draft report: Regulated water and sewerage services 2013–19	February 2013
Proposed price direction: Regulated water and sewerage services 2013–19	February 2013
Final report: Regulated water and sewerage services 2013–19	June 2013
Price direction: Regulated water and sewerage services 2013–19	June 2013

As part of the price investigation, the Commission held 2 public forums and one public hearing in 2012–13. These were:

- a public forum on the community consultation paper was held in September 2012;
- a public forum on the draft report and proposed price direction was held in March 2012; and
- a public hearing on the draft report and proposed price direction was held in April 2012.

A.3.3 Transfer of energy retail regulation to the Australian Energy Regulator

From 1 July 2012, the National Energy Customer Framework (NECF) arrangements apply to the regulation of energy retail in the ACT. The NECF applies to the relationships between energy customers, retailers and distributors.

New industry code arrangements took effect on 1 July 2012 in line with the changes brought about by the NECF arrangements.

A.3.4 Other regulatory activities under the ICRC Act

Access agreements

The Commission's responsibilities for access agreements, in relation to infrastructure facilities, are set out in Part 5 of the ICRC Act. During 2012–13, we did not provide advice on any proposed access agreements and no access agreements were notified to us.

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. During 2012–13, no disputes were referred to us.

Notices issued under section 41

Section 41 of the ICRC Act provides that the Commission can, by written notice, require a person to give us information or a document that may assist us in exercising our functions. During 2012–13, we issued two section 41 notices to ACTEW Corporation (23 August and 7 September 2012) to provide a document or information for the purposes of assisting the Commission in exercising its functions under Parts 3 and 4 of the ICRC Act. The functions being exercised related to the investigation and Price Direction for the regulated water and sewerage services of ACTEW.

Pursuant to the reporting requirement of section 9(i) of the ICRC Act, the Commission was unable to use any information or documents obtained as a result of the notices issued as ACTEW did not provide the information or documents required under the notices. The notices were withdrawn following the release of the final water and sewerage services report and price direction in June 2013.

Competitive neutrality complaints

The Commission did not investigate or received a competitive neutrality complaint reference under section 19B of the ICRC Act.

A.3.5 Ministerial Directions

Under section 19 (Ministerial directions) of the Utilities Act, the minister may give a written direction to the Commission about the results we must achieve by licence conditions or

industry codes. During 2012–13, the Commission did not receive any ministerial directions under section 19 of the Utilities Act.

A.3.6 Utility licensing issues

Commencement of the *National Energy Customer Framework (NECF)*

On 1 July 2012, the *National Energy Retail Law (ACT) Act 2012* (NERL) commenced in the ACT and the Australian Energy Regulator (AER) took over responsibility for regulating retail energy markets; a function which had previously been with state and territory governments.¹ The AER's responsibilities under the NERL are referred to as the National Energy Customer Framework (NECF).

The NERL transferred or gave several functions to the AER, including:

- authorising energy retailers to sell energy, and granting exemptions from the requirement to be authorised (for example, to nursing homes and caravan parks that on-sell energy);
- monitoring compliance and enforcing breaches of the law and its supporting rules and regulations;
- approving retailer's policies for dealing with customers facing hardship;
- providing an online energy price comparison service for small customers (see the energy price comparison website, Energy Made Easy);
- administering the retailer of last resort scheme, which protects customers and the market if a retail business fails; and
- reporting on the performance of the market and participants, including on energy affordability, disconnections and competition indicators.

These matters were previously handled in the ACT primarily through the *Utilities Act 2000* (the Utilities Act) and the Consumer Protection Code set out by the Commission under the Utilities Act.

All energy supply licences issued under the Utilities Act were revoked on 1 July 2012 under section 403 of the same act. From 1 July 2012, energy retailers in the ACT are authorised by the AER under the NERL.

Licence applications and grants

During 2012–13, we received an application from Roads ACT for a licence to supply non-potable water in the ACT. On 20 April 2013, the application for a licence was denied.

Licence variations

During 2012–13, the Commission did not vary any licences.

¹ Not all states and territories have signed onto, or are operating under the NERL. As of 1 July 2012, the NERL had commenced in the ACT and Tasmania, with the law commencing in South Australia on 1 February 2013.

Licence surrenders

During 2012–13, there were no licence surrenders.

Licence revocations

Those utilities who were authorised to supply energy in the Territory had their licences revoked on 1 July 2012 by section 403 of the Utilities Act. These revocations were statutory and made under the transition procedures to the National Energy Retail Law (Part 18) and not under section 42 of the Utilities Act.

Licence exemptions

Section 39 of the Utilities Act provides that the Commission may exempt a utility from compliance with a condition of its licence in certain circumstances. The Commission did not grant any new exemptions during 2012–13.

Licensees at 30 June 2013

Table 2 lists the holders of utility licences at 30 June 2013.

Table 2 Utility licence holders at 30 June 2013

Service	Licensees
Electricity distribution and connection	ActewAGL Distribution
Gas transmission	East Australian Pipeline Limited
Gas distribution and connection	ActewAGL Distribution
Water supply and sewerage	ACTEW Corporation Limited

Licence fees and energy industry levy

The Commission determines annual licence fees for utilities under the Utilities Act. The fees cover a reasonable contribution towards regulatory costs incurred, or expected to be incurred, by the Commission, the Director-General Environment and Sustainable Development Directorate as the Technical Regulator (under Part 5 of the Act), and the ACT Civil Administrative Tribunal (ACAT).

The Commission, through our Chief Executive Officer (CEO) as the levy administrator, determines applicable regulatory costs for each levy year and for each energy industry sector before 1 October of the levy year. The four energy industry sectors are electricity distribution, electricity supply, gas distribution and gas supply. During 2012–13, we made 3 determinations consistent with the energy levy provisions of the Act.²

² *Utilities (Energy industry levy – national regulatory obligations and costs) Determination 2012* Disallowable Instrument DI2012-520, *Utilities (Energy industry levy – local regulatory costs) Determination 2012* Disallowable Instrument DI2012-521, *Utilities (Energy industry levy – other) Determination 2012* Disallowable Instrument DI2012-522

Following the commencement of the energy levy provisions, licence fees continued to be determined for those utility services not subject to the energy levy – in particular, water, wastewater and gas transmission.

A.3.7 Industry codes and guidelines

The Utilities Act makes provision for the approval, variation and revocation of industry codes by us. Industry codes set out practices, standards and other matters involved in the provision of a utility service.

During 2012-13 the following industry codes were approved or came into effect:

- Utilities (Consumer Protection Code) Determination 2012 (DI2012-149), effective 1 July 2012;
- Utilities (Electricity Feed-in Code) Determination 2012 (DI2012-154), effective 1 July 2012;
- Utilities (Electricity Network Boundary Code) Determination 2012 (DI2012-159), effective 1 July 2012 – 27 May 2013;
- Utilities (Electricity Network Capital Contribution Code) Determination 2012 (DI2012-162), effective 1 July 2012;
- Utilities (Gas Network Boundary Code) Determination 2012 (DI2012-169), effective 1 July 2012 – 27 May 2013;
- Utilities (Gas Network Capital Contribution Code) Determination 2012 (DI2012-169), effective 1 July 2012;
- Utilities (Water and Sewerage Network Boundary Code) Determination 2012 (DI2012-170), effective 1 July 2012 – 27 May 2013;
- Utilities (NERL) retailers – Application of Industry Codes) Determination 2012 (DI2012-171), effective 1 July 2012;³
- Utilities (Electricity Network Boundary Code) Determination 2013 (DI2013-71), effective 28 May 2013;
- Utilities (Gas Network Boundary Code) Determination 2013 (DI2013-72), effective 28 May 2013; and
- Utilities (Water and Sewerage Network Boundary Code) Determination 2013 (DI2013-73), effective 28 May 2013.

A.3.8 Standard customer contract variations

Under Division 6.2 of the Utilities Act, prices in standard customer contracts are approved by the Commission for utility services provided to water, sewerage and electricity supply

³ Although not an industry code, this determination is still made under Part 4 (Industry Codes) of the Utilities Act and relates to the application of certain industry codes (or provisions within) to NERL retailers.

customers. During 2012–13, we approved a number of variations to the standard customer contracts.

A.3.9 Compliance and performance report monitoring

The annual compliance and performance reports are a means by which we monitor licensees' compliance with their obligations under the Utilities Act and subordinate conditions included in their licences. Aggregate data from licensed utilities is compiled into an annual report and published on our website.

A.3.10 Greenhouse Gas Abatement Scheme

The ACT Greenhouse Gas Abatement Scheme (ACT GGAS) was established in the ACT through the Electricity (Greenhouse Gas Emissions) Act and commenced on 1 January 2005. The scheme is designed to reduce or offset greenhouse gas emissions associated with the production of electricity.

As regulator of the scheme, we have a number of functions, including:

- determining the greenhouse gas reduction target, or electricity sector benchmark, for the ACT in any given year;
- allocating a share of the benchmark to participants based on their market share of electricity sales in the ACT; and
- ensuring that electricity retailers in the ACT meet legislated targets for offsetting emissions.

Under the scheme, electricity suppliers reduce or offset a portion of their greenhouse gas emissions through the purchase and surrender of NSW Greenhouse Gas Abatement Certificates and federal Renewable Energy Certificates. A per capita cap on emissions establishes how many of the NSW certificates each electricity supplier must surrender.

The *National Energy Retail Law (Consequential Amendments) Act 2012* amends the Electricity (Greenhouse Gas Emissions) Act to discontinue ACT GGAS requirements from 1 July 2012 and as such, our role as regulator of the scheme ended with the amendment.

In December 2012, we provided the Minister for the Environment and Sustainable Development with the eighth and final report on the scheme's operation. The report covered the first six months of 2012 until the scheme's termination on 30 June 2012.

A.3.11 Electricity Feed-in Scheme reporting

The Electricity Feed-in Code sets out practices and standards for the operation of the scheme for feed-in from renewable energy generators to the electricity network. The scheme was established under the *Electricity Feed-in (Renewable Energy Premium) Act 2008*.

During 2012–13 the Commission continued publishing quarterly reports on participation in the ACT Electricity Feed-in Scheme and the amount of energy supplied.

A.4 Outlook

This section of the report focuses on future priorities for the Commission, likely trends and changes in the operating environment, and risks and challenges we face in the immediate future.

In the year ahead, we expect to receive a reference to undertake an investigation to determine regulated retail electricity prices for franchise customers for 2014–15 and beyond. We will continue to oversee the regulatory regime for licensed utilities.

In line with the recent price direction, we will adjust water and sewerage prices for changes in the consumer price index for 2014–15. Later in 2014, we will also be commencing the first biennial recalibration of the prices for water and sewerage.

The Compliance and Performance Report for 2011–12 will be released in August 2013 and the future of these annual reports needs to be considered now that a major sector covered by the report is no longer licensed by the Commission. We believe there is a strong case for ceasing production of the Compliance and Performance Report and collecting data more directly aligned with the Commission's statutory responsibilities from those utilities that remain licensed by us. The Commission intends on reporting this data in our future Annual Reports. We are currently seeking views on this proposal directly from key stakeholders and would welcome views from any of the report's readers.

In 2013-14 we will also prepare the ACT Greenhouse Gas Inventory (GGI) for 2010–2011 and this will be released in September 2013.

A.4.1 Responsibilities under the ICRC Act

During 2013–14, the Commission will continue to discharge our responsibilities under our enabling legislation. In particular, we will:

- subject to receiving an industry reference, investigate and determine retail electricity prices for franchise customers for 2014–15 and beyond;
- adjust water and sewerage prices for the period from 1 July 2014 to 30 June 2015 for changes in the consumer price index, consistent with the current Price Direction;
- provide advice on any other matters that might be referred to us, or on complaints that require investigation or arbitration.

A.4.2 Responsibilities under the Utilities Act

During 2013–14, the Commission will continue to discharge our responsibilities under the Utilities Act including, but not limited to:

- monitoring and reporting on utility compliance and performance;
- managing the utility licensing regime, including assessing applications to provide services and variations and exemptions;

- reviewing industry codes; and
- determining licence fees and the energy industry levy.

A.4.3 Responsibilities under the Electricity Feed-in (Renewable Energy Premium) Act

During 2013–14, we will continue to monitor and report on connection activity and tariff payments under the Electricity Feed-in Scheme for renewable energy generators.

A.4.4 Transfer of energy retail regulation to the Australian Energy Regulator

The National Energy Customer Framework came into effect in the ACT on 1 July 2012. This resulted in retail energy supply moving over to the national jurisdiction of the Australian Energy Regulator. The changes resulted in both significant amendments to the Utilities Act and a number of industry codes that were determined under Part 4 of the Act. As a consequence of these changes, we expect to continue to review the regulatory framework to ensure that it is appropriate for the services provided in the ACT and that there are no unintentional consequences following implementation.

A.4.5 Competition and industry policy advice

During 2013–14, we will continue to provide analysis and advice to the government on a range of matters, including responding to inquiries on competitive neutrality.

A.5 Management discussion and analysis

This discussion and analysis provides a high-level narrative of the Commission's financial results. It explains the significance of key financial information presented in the annual financial report and has been prepared in conjunction with that report. The audited report is reproduced in Appendix 1. The discussion also outlines key areas of risk and the strategies we have in place for their management.

A.5.1 General Overview

Objectives

The Commission has responsibilities for a broad range of regulatory and utility administrative matters. We have responsibility under the *Independent Competition and Regulatory Commission Act 1997* (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. We also have responsibility for arbitrating infrastructure access disputes under the ICRC Act.

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

We are the regulator for the purposes of the *Electricity (Greenhouse Gas Emissions) Act 2004* which establishes the Greenhouse Gas Abatement Scheme (GGAS). We also have 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 electricity suppliers to renewable energy generators, in monitoring compliance with the Electricity Feed-in Scheme through licence conditions for electricity suppliers, and for ActewAGL Distribution. In 2011–12, we were asked, as an independent entity, to prepare annual reports on greenhouse gas emissions and targets under the *Climate Change and Greenhouse Gas Reduction Act 2010*.

The Commission's objectives and functions are set out in section 7 of the ICRC Act and section 3 of the Utilities Act. We operate on a cost recovery basis.

Risk management

We have developed business continuity, business risk management, and fraud control plans as part of our risk management framework for managing risk in our environment. We have identified key risk areas as:

- consultant risk;
- operational risk;

- information risk;
- workplace safety and related employee risks; and
- credit or default risk.

Comments on each of these areas are below.

Consultant risk

- The probability of risks associated with non-performance under contracts for expert advice materialising is considered low. We manage this risk by using whole of life contract management principles in its close oversight of performance under the contract. There have been no incidents of contractual non-performance in 2012-13.

Operational risk

- Our key operational risk arises from the adequacy of our workforce, in terms of both size and expertise. The highly specialised and expert nature of our work has previously made it difficult to attract and retain suitably qualified staff.
- We have managed this risk by building internal resources and minimised the engaging consultant expertise. External consultants are engaged where our resources were insufficient to meet our needs. This is the case, for example, in relation to pricing reviews and industry investigations. Similarly, we have relied on contractors and non-ongoing appointments from time to time when additional resources are needed.

Information risk

- Information risks can arise from failures in management of information including loss, or inappropriate use or disclosure. Risks arising from inappropriate treatment of information are addressed through our policies in relation to use and disclosure of confidential information, care in relation to the publication of information on the website or in reports, and appropriate and secure physical storage of information. Where applicable, we are guided by the 2007 *ACT Protective Security Policy and Guidelines*. We address information management issues by compliance with the ACT Public Sector policies and practices on records management.

Workplace safety and related employee risks

- Workplace risks are managed as an ongoing priority. Management has close oversight of employee work practices, and office facilities. Responsibility for occupational health and safety representation is a shared responsibility. We have a fire warden, first aid officer and an occupational, health and safety officer.

During 2012–13, no occupational health and safety incidents or dangerous occurrences were notified. We provide a high level of support for staff and we promote sustainable work–family balance practices.

Credit or default risk

- The risks of mishandling or fraud are actively managed by adequate separation of powers and authority limits appropriate to our nature, scale and size, and through the regular monitoring of accounts. Most revenue transactions are by direct credit to our bank account. There are no cash payments for services supplied and there is an appropriate checks-and-balances authorisation and payment process. We have assessed and developed financial risk management strategies consistent with our strategies, priorities, policies and in consideration of our nature, scale and size.

A.5.2 Financial performance

The following financial information is based on audited financial statements for 2011–12 and 2012–13, and the forward estimates contained in the 2013–14 Budget Paper No. 4.

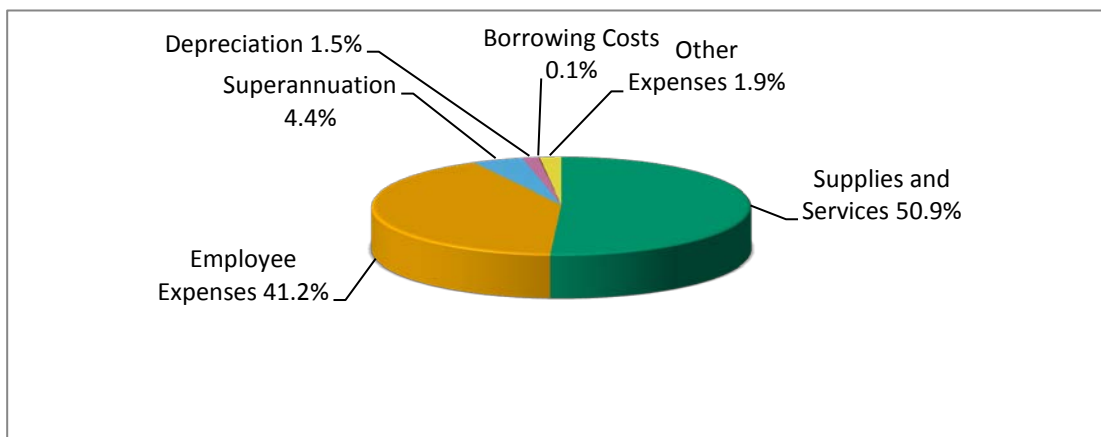
Total expenditure

Components of expenditure

Figure 1 indicates the components of our expenditure for 2012-13. The main components of ordinary expenditure are:

- Supplies and Services of **\$1.885 million** (50.9 per cent); and
- Employee and Superannuation expenses of **\$1.691 million** (45.7 per cent).

Figure 1 Components of expenditure 2012–13



Comparison to budget

Total expenditure was **\$3.702 million** and was **\$1.615 million** (77.4 per cent) higher than the budget. The higher than budgeted result is largely attributed to the Regulated Water and Sewerage Services Pricing review with additional Employees and Consultants engaged to deliver this activity. Figures are historically based and do not reflect changes for activities that are performed on a non annual basis.

Comparison to 2011–12 Actual Expenditure

Total expenditure was **\$3.702 million** and was **\$0.826 million** (28.7 per cent) higher than the 2011–12 actual result. The increased expenditure is largely attributed to the 5 year Water and Waste Pricing review with additional Employees and Consultants engaged to deliver this activity.

Future trends

For the year 2013–14, expenditure is expected to decrease with the completion of the 5 year Regulated Water and Sewerage Services Pricing review. Our costs for utilities regulatory activities are expected to be consistent with 2012–13. More generally, expenditure may vary over the forward estimates for activities that are not performed on an annual basis, including unanticipated references or other requests for Commission services from government and non-government sources.

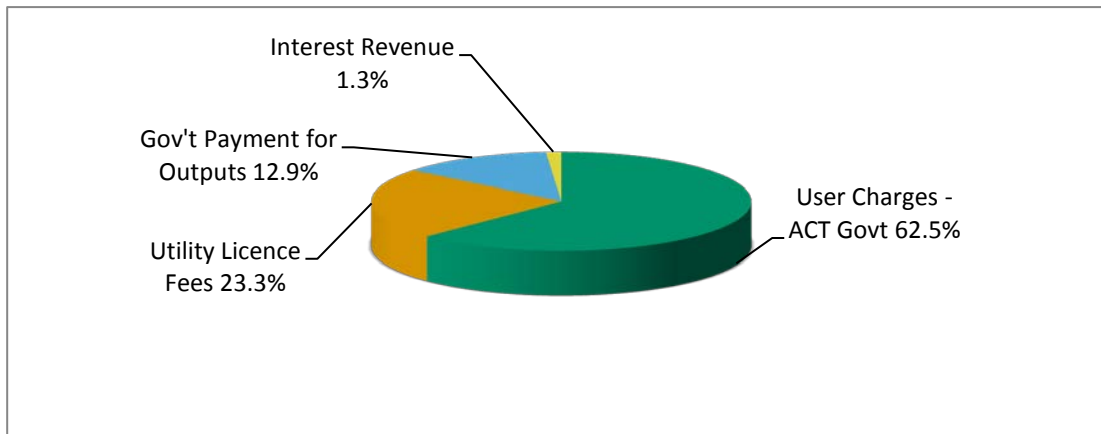
Total Income

Components of income

Figure 2 shows that our income for 2012–13 was derived from four sources:

- Government Payment for Outputs of **\$0.518 million** (12.9 percent) recognised for our energy industry regulatory activities;
- ACT Government User Charges of **\$2.500 million** (62.5 percent) were recognised for the following activities:
 - a purchase agreement with the Treasury Directorate for services under the ICRC Act;
 - a purchase agreement with the Environment and Sustainable Development Directorate for regulatory activities under the *Electricity (Greenhouse Gas Emissions) Act 2004*;
 - a service level agreement with the Environment and Sustainable Development Directorate for reporting and analytical advice in relation to the *Climate Change and Greenhouse Reduction Act 2010*;
- Regulated Water and Sewerage Services Pricing review;
- Utility Licence Fees of **\$0.933 million** (23.3 percent) were recognised for activities under the *Utilities Act 2000* and cover our reasonable costs, and the reasonable costs of the Environment and Sustainable Development Directorate (ESDD) and the ACT Civil and Administrative Tribunal (ACAT) for regulatory services for water, sewerage and gas transmission utilities; and
- Interest Revenue **\$0.052 million** (1.3 percent).

Figure 2 Components of income 2012–13



Comparison to budget

Revenue for the year was **\$4.003 million** and was **\$1.897 million** (90.1 percent) higher than budget. The variance in revenue to budget relates to:

- ACT Government User Charges were **\$1.580 million** (171.7 percent) higher than budget. This result corresponds with the Commission’s activities in the areas of Greenhouse Gas Inventory reporting, and the Regulated Water and Sewerage Services Pricing review. Due to the non recurrent and unpredictable nature of the activities it is difficult to accurately predict the value of costs to be recovered. Accordingly, our budget figure for ACT Government User charges is historically based and does not reflect changes for activities performed on an ad hoc basis; and
- Utility licence fees were **\$0.326 million** (53.7 percent) higher than budget. This increase is due primarily to the estimated increased costs of technical regulation by the Environment and Sustainable Development Directorate.

Comparison to 2011–12 actual income

Total revenue in 2012–13 was **\$4.003 million**, an increase of **\$0.876 million** (28.0 percent) from the 2011–12 result. The variance in revenue to the prior year primarily relates to:

- Government Payment for Outputs were **\$0.103 million** (16.6 percent) lower due to decreased costs for energy regulation;
- ACT Government user charges were **\$0.939 million** (60.2 percent) higher due to the non recurrent activities in the areas of Greenhouse Gas Inventory reporting and the Water and Sewerage Pricing review;
- Utility Licence Fees were **\$0.263 million** (39.3 percent) higher primarily due to estimated increased payments to the Environment and Sustainable Development Directorate for technical regulation;
- Interest was **\$0.023 million** (30.7 percent) lower and this reflects the average rate of interest on deposits falling from **4.24 percent** in 2011-12 to **2.97 percent** in 2012–13; and

- In 2012-13 there were no Resources Received Free of Charge. The \$0.200 million recognised in 2011–12 corresponded to the contribution from the Economic Development Directorate towards the fit out of the Commission’s new office.

Future trends

For the year 2013–14, revenue is expected to decrease with the completion of the 5 year Regulated Water and Sewerage Services Pricing review. Revenue arising from the regulation of utilities and discharge of our other statutory responsibilities is expected to remain relatively constant. More generally, revenue may vary over the forward estimates for activities that are not performed on an annual basis, including unanticipated references or other requests for our services from government and non-government sources.

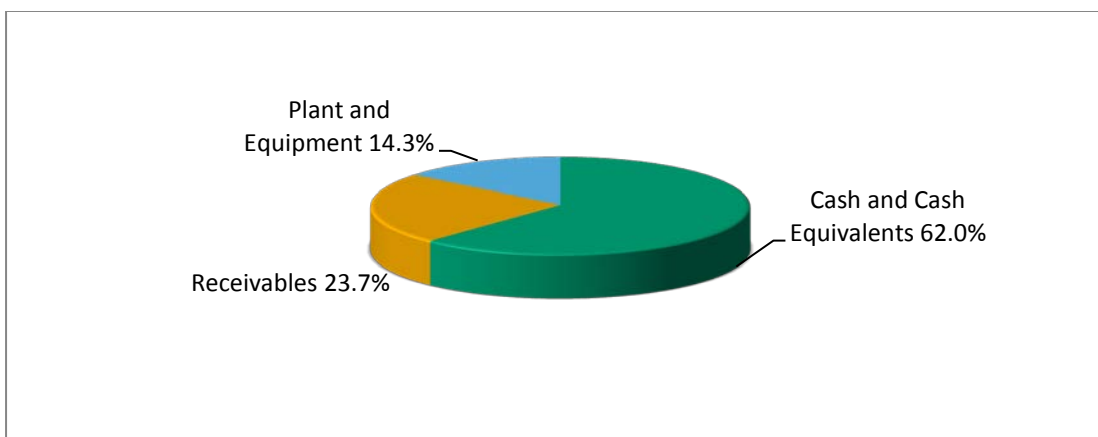
A.5.3 Financial position

Total assets

Components of total assets

We continue to hold the majority of our assets in cash reserves. As shown in Figure 3, **\$1.954 million** (62.0 percent) of total assets are Cash and Cash Equivalents. Receivables represent **\$0.748 million** (23.7 percent) of total assets and Plant and Equipment represents **\$0.451 million** (14.3 percent).

Figure 3 Total assets, at 30 June 2013



Comparison to budget

At 30 June 2013, Total Assets amounted to **\$3.153 million**. This is **\$1.241 million** (64.9 percent) higher than the budget position.

Receivables were **\$0.705 million** (1,639.5 percent) higher than budget. The main driver behind this is costs to be recovered for the Regulated Water and Sewerage Services Pricing review.

Plant and Equipment was **\$0.451 million** higher than budget and relates to our office fit out, with accurate costs unavailable at the time of preparing the 2012–13 budget.

Comparison to 2011–12 actuals

Our Total Asset position is **\$0.166 million** (5.0 percent) lower than 30 June 2012.

Cash and Cash Equivalents increased by **\$0.194 million** (11.0 percent) and this primarily relates to costs accrued in 2011-12 for the Secondary Water and the Water and Sewerage Pricing reviews being recovered.

Receivables decreased by **\$0.281 million** (27.3 percent) and this primarily relates to payments being received for the Secondary Water and the Regulated Water and Sewerage Services Pricing reviews.

Plant and Equipment decreased by **\$0.079 million** (14.9 percent) and this primarily relates to the partial disposal of our office fit out, with various elements supplied being identified as not fit-for- purpose. The effect of recognising a full year of depreciation also contributed to the decrease. Furniture purchased to replace the unsuitable elements partially offset the other decreases.

Liquidity

A common indicator for liquidity is the current ratio, which compares 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. Table 3 shows our liquidity position.

Table 3 Current ratio

Description	Prior year actual \$'000 2011–12	Current year budget \$'000 2012–13	Current year actual \$'000 2012–13	Forward year budget \$'000 2013–14	Forward year budget \$'000 2014–15	Forward year budget \$'000 2015–16
Current assets	2,789	1,912	2,702	3,210	3,282	3,353
Current liabilities	2,059	725	1,580	1,826	1,723	1,625
Current ratio	1.4:1	2.6:1	1.7:1	1.8:1	1.9:1	2.1:1

Our current ratio of 1.7:1 for the financial year is lower than the budgeted current ratio of 2.6:1. This is mainly due to the payment of our office fit out.

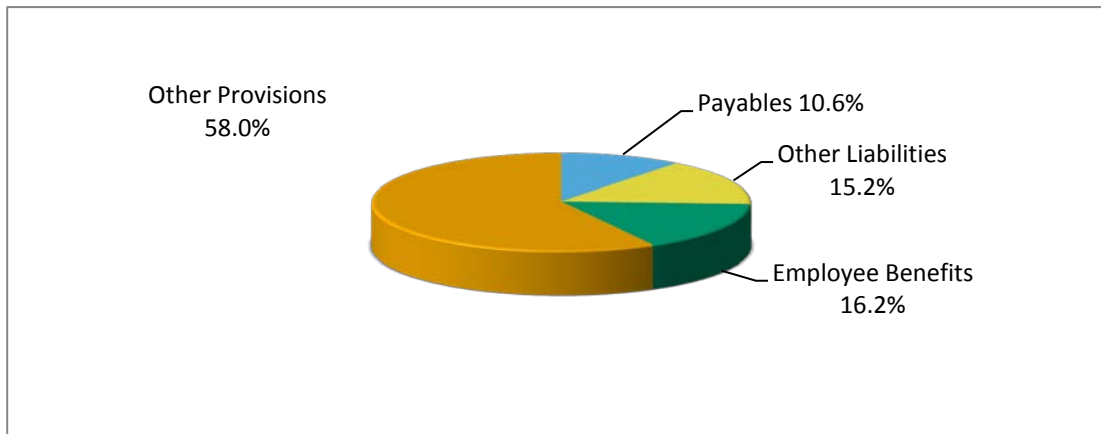
We expect our liquidity position to continue to strengthen over the next 12 months.

Total liabilities

Components of total liabilities

We currently have Total Liabilities of **\$1.655 million**. As shown in Figure 4, Other Provisions account for **\$0.960 million** (58.0 percent). Employee Benefits represent **\$0.268 million** (16.2 percent), Other Liabilities are **\$0.251 million** (15.2 percent), and Payables represents **\$0.176 million** (10.6 percent).

Figure 4 Total liabilities at 30 June 2013



Comparison to budget

Our Total Liabilities for the year ended 30 June 2013 were **\$0.894 million** (117.5 per cent) higher than budget. The main items that contributed to this variance were:

- Payables **\$0.341 million** (66.0 per cent) lower than budget, with amounts owing to third parties for utilities regulation recognised in Other Provisions;
- Other Liabilities **\$0.240 million** (2,185 per cent) higher than budget, with payments for Greenhouse Gas Inventory reporting being recognised based on the purchase agreements stage of completion; and
- Other Provisions **\$0.900 million** higher than budget, with amounts owing to third parties in relation to utilities regulation no longer recognised in payables.

Comparison to 2011–12 actuals

Our total liabilities were **\$0.467 million** (22 per cent) lower than 30 June 2012. The items that contributed to this variance were:

- total payables **\$0.295 million** (62.6 per cent) lower due to payment of the office fit out; and
- other liabilities **\$0.200 million** (44.3 per cent) lower due to the progress on the purchase agreement for greenhouse gas annual reports and analytical advice requiring increased amounts recognised as revenue.

A.6 Financial report

We have prepared financial statements for 2012–13 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 Chief Minister's *2012–2013 annual report directions*. The audit opinion, financial statements and accompanying notes to the statements are in Appendix 1.

A.7 Statement of performance

Each year, we nominate a set of performance measures and targets through our statement of intent. The statement of intent is prepared as part of the Budget process and is agreed between the Senior Commissioner and the Treasurer. The measures indicate the expected outputs for the coming year.

In 2012–13, we met all of our performance measures. The statement of performance, the auditor’s opinion and statement of responsibility are included in Appendix 2 of this annual report.

A.8 Strategic indicators

This section does not apply to the Commission.

A.9 Analysis of agency performance

This section is addressed in other sections of the annual report, in particular sections A.2, A.3, and A.5.

A.10 Triple bottom line report

	Indicator	2011-12 result	2012-13 result	% change
ECONOMIC	Employee expenses			
	Number of staff employed (head count)	10	8	(20)
	Total employee expenditure ('000 dollars) ^a	1,257	1,527	21.48
	Operating statement			
	Total expenditure ('000 dollars)	2,876	3,702	28.7
	Total own source revenue ('000 dollars) ^b	2,506	3,485	39.07
	Total net cost of services ('000 dollars) ^c	370	217	(58.64)
	Economic viability			
	Total assets ('000 dollars)	3,319	3,190	(3.9)
Total liabilities ('000 dollars)	2,122	894	(117.5)	
ENVIRONMENTAL	Transport			
	Total number of fleet vehicles	0	0	n.a.
	Total transport fuel used (kilolitres)	0	0	n.a.
	Total direct greenhouse emissions of the fleet (tonnes of CO ₂ -e)	0	0	n.a.
	Energy use^d			
	Total office energy use (megajoules)	Data not available as building is leased	Data not available as building is leased	n.a.
	Office energy use per FTE (megajoules)	Data not available as building is leased	Data not available as building is leased	n.a.
	Office energy use per m ² (megajoules)	Data not available as building is leased	Data not available as building is leased	n.a.
	Greenhouse emissions^d			
	Total office greenhouse emissions – direct and indirect (tonnes of CO ₂ -e)	Data not available as building is leased	Data not available as building is leased	n.a.
	Total office greenhouse emissions per FTE (tonnes of CO ₂ -e)	Data not available as building is leased	Data not available as building is leased	n.a.
	Total office greenhouse emissions per m ² (tonnes of CO ₂ -e)	Data not available as building is leased	Data not available as building is leased	n.a.
	Water consumption^d			
	Total water use (kilolitres)	Data not available as building is leased	Data not available as building is leased	n.a.
	Office water use per FTE (kilolitres)	Data not available as building is leased	Data not available as building is leased	n.a.
Office water use per m ² (kilolitres)	Data not available as building is leased	Data not available as building is leased	n.a.	

Part A: Performance and financial management reporting

Indicator		2011-12 result	2012-13 result	% change	
Resource efficiency and waste^d					
	Estimate of commingled office waste per FTE (litres)	Data not available as building is leased	Data not available as building is leased	n.a.	
	Estimate of paper recycled (litres)	8,640	8,640	0	
	Estimate of paper used per FTE (reams)	155	180	16	
The diversity of our workforce					
SOCIAL	Women (female FTEs as a percentage of the total workforce)	58.7	37.5	(21.2)	
	People with a disability (as a percentage of the total workforce)	16.7	12.5	(4.2)	
	Aboriginal and Torres Strait Islander people (as a percentage of the total workforce)	0	0	0	
	Staff with English as a second language (as a percentage of the total workforce)	0	0	0	
	Staff health and wellbeing				
	OH&S incident reports	2	1	(50)	
	Accepted claims for compensation (at 31 August 2011)	0	0	0	
	Staff receiving influenza vaccinations ^e	4	6	50	
Workstation assessments requested	17	17	0		

FTE = full-time equivalent; JACSD = Justice and Community Safety Directorate.

- a Does not include superannuation expenses.
- b Own source revenue is made up of user charges (ACT Government), fees and interest.
- c Total net cost of services is calculated as total expenditure less own source revenue.
- d Commission 11/12 performance aggregated in the JACSD annual report.
- e Includes staff and statutory officer holder.

Part B Commission's performance on consultation and scrutiny

B.1 Community engagement

The Commission plays an important role in informing the debate on regulatory issues in the broader community. We are committed to transparency and openness, and outline our reasoning for regulatory decisions. All decisions are made publicly available on our website. All consultation documents (including transcripts of hearings) and submissions received are also made available on our website.

In the fulfilment of our statutory responsibilities and organisational objectives, we are committed to full and open consultation with the community on matters under consideration. We encourage and provide opportunities for participation by individuals and by representatives of community groups, industry, peak bodies, regulatory agencies and other interested parties at all stages of our inquiries.

When undertaking price and regulatory inquiries we seek input on all references received, and encourage submissions from interested parties. Where hearings are held, members of the public are invited to attend to make submissions. A full list of hearings and consultations held in 2012-13, transcripts of those hearings, and copies of submissions are available on our website. When copies of reports and other Commission publications are requested, we provide these free of charge.

In 2012-13 we updated our website to increase accessibility of all documents and material relating to and published by us and to be compliant with Commonwealth requirements under the *Disability Discrimination Act 1992*. This act requires Australian Government entities to ensure information and services are provided in a non-discriminatory accessible manner.

B.2 Internal and external scrutiny

B.2.1 Auditor-General's reports

The Auditor-General gave an unqualified opinion on our financial statements and statement of performance. Our unqualified audited financial statements for 2012–13 appear in Appendix 1.

B.2.2 ACT Ombudsman's reports

During 2012–13, we were not the subject of any complaint to or investigation by the ACT Ombudsman.

B.3 Legislative Assembly committee inquiries and reports

The Commission was not the subject of a review by a Legislative Assembly committee in 2012–13. We participated in Legislative Assembly Estimates Committee and Public Accounts Committee reviews of Budget estimates for the period to 30 June 2013.

B.4 Legislation report

During 2012–13, the Commission's principal responsibilities were established through the:

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

We also have obligations under a range of other laws,⁴ including the:

- Climate Change and Greenhouse Gas Reduction Act 2010⁵;
- Electricity (Greenhouse Gas Emissions) Act 2004;
- Electricity Feed-in (Renewable Energy Premium) Act 2008⁶;
- Financial Management Act 1996;
- Annual Reports (Government Agencies) Act 2004;
- Government Procurement Act 2001;
- Public Access to Government Contracts Act 2000;
- Public Sector Management Act 1990; and
- Territory Records Act 2002.

We do not have policy carriage for the enactment of legislation, but are responsible for the issue of a number of statutory instruments. Those instruments include industry codes under the Utilities Act.

⁴ The move to national regulation of electricity and natural gas distribution systems has removed our previous roles under the *Electricity (National Scheme) Act 1997* and the now repealed *Gas Pipelines Access (ACT) Act 1998*.

⁵ The Act provides for the provision of advice and annual reporting by an 'independent entity'. The Minister for the Environment and Sustainable Development has asked us to undertake these functions.

⁶ The passage of the *Electricity Feed-in (Renewable Energy Premium) Act 2008* established the Electricity Feed-in Scheme. The Act provides a role for us in providing advice to the minister about the premium rate to be charged for electricity fed into the network by relevant small-scale generators.

Part C Legislative and policy-based reporting

C.1 Risk management and internal audit

Our approach to risk management is outlined in section A.5 (Management discussion and analysis).

We are committed to ongoing improvement in our approach to risk management and the risks identified in A.5 are actively monitored and managed and continue to be assessed as low-level risks.

The Commission is a small organisation, and the establishment of a formal internal audit committee of the type envisaged in the 2012–13 Annual report directions is not appropriate for us. We are committed and attentive to the need for strong controls to identify and manage our risks, as well as developing a strong risk management culture within our organisation. Whilst our CEO is responsible for implementing the systems and controls, including a methodology for internal review and for the identification and management of risk across our organisation relevant to our nature, scale and size, we promote an approach that sees active risk management as the responsibility of all Commission staff.

C.2 Fraud prevention

We define fraud as part of financial risk. We actively identify and manage the risk of fraud through a number of initiatives including staff awareness, a fraud policy and control plan and our approach to risk management, that is, that risk is everyone's business. Our financial risk-management practices are designed to prevent financial fraud. We have instituted financial controls that are reflective of our nature, scale and size and include controls on cash, and financial transactions and approvals. The Senior Commissioner and our CEO maintain regular oversight of activities and principal transactions.

C.3 Public interest disclosure

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

We have adopted the procedures, including those dealing with:

- making public interest disclosures;
- assisting and providing information to a person who makes a public interest disclosure;

Part C: Legislative and policy-based reporting

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

During 2012–13, we did not receive any public interest disclosure requests, nor were we involved in any incident involving public interest disclosure.

C.4 Freedom of information

C.4.1 Section 7 statement

Section 7 of the *Freedom of Information Act 1989* (FOI Act) sets out requirements for the publication of information concerning the functions and documents of agencies. We are also subject to requirements under both the ICRC Act and the Utilities Act to make public all decisions, submissions to inquiries, reports, draft reports and reasons for our decisions. Guidelines about information access and confidentiality are available on our website (www.icrc.act.gov.au).

Organisational functions and powers

Section A.1.1 summarises our functions. Section B.4 lists legislation under which we exercise our statutory powers.

Public participation in decision making

Section B.1 outlines how we engage with the community in carrying out our activities.

Categories of documents

Documents we hold fall into two broad categories:

- those that are freely available on request and without charge; and
- all other kinds of documents that may be available under the FOI Act.

Documents available on request and without charge

Documents in this category include draft and final reports on investigations into all issues relating to prices, access disputes, access arrangement proposals, decisions on utilities licensing, and approval of industry codes and code variations. These documents are available on our website and/or the ACT Legislation Register. Alternatively, members of the public can contact us and request a copy of the document.

We do not charge for any of our publications.

Documents of other kinds that may be available under the FOI Act include:

- general files, including internal, interagency and public documents, minutes of meetings, agendas and background papers;
- financial and accounting records;
- details of contracts and tenders;
- utility licensing-related files;
- utility performance and compliance data and records; and
- inquiry-specific files, including analyses and modelling, and stakeholder submissions.

Access arrangements

Anyone seeking information is encouraged to contact us before initiating formal access to information through the FOI Act.

Our office is wheelchair accessible with public transport and public parking close by.

C.4.2 Section 8 statement

We actively promote transparency in the decision making process. Documents relating to our decisions and the processes that underpin those decisions are available on request, subject to the provisions of the FOI Act where applicable. In addition, our policies on how we treat confidential and personal information under the ICRC Act and its determined disclosure guidelines are available on our website.

C.4.3 Section 79 statement

During 2012–13, we received one request for information disclosure under the terms of the FOI Act. The request for information disclosure was withdrawn.

C.5 Internal accountability

The Commission is established under the provisions of the ICRC Act and are constituted by one or more standing commissioners and any associated commissioner appointed for particular purposes.

As set out in the ICRC Act, our Senior Commissioner is responsible for the orderly and expeditious discharge of our functions and the achievement of our objectives. Our Senior Commissioner presides over those investigations that he sits on.

Our corporate objectives, as distinct from our statutory objectives, are:

- subject to the ICRC Act, to operate with integrity and in a customer service-oriented way;
- to provide quality, value-for-money services in all aspects of our operations;
- to use financial practices and maintain accounts and records that satisfy the requirements of the *Financial Management Act 1996*, including the associated ACT Accounting Policy Papers, are modelled on the requirements of Australian Accounting Standards, and fairly present our financial position and operational and cash-flow results for planning and reporting purposes;
- to adopt high-standard operating practices to safeguard the environment and health and safety of staff; and
- to provide a productive and satisfying working environment for staff, and a commitment to high standards of human resources management based on the principles of equal employment opportunity.

Governance arrangements

Our approach to corporate governance is based on a set of values and professional and ethical standards and behaviours. Our values, standards and behaviours provide transparency and guidance to meeting our aim of securing better administrative and public policy outcomes for the ACT community. We are committed to excellence-in-governance standards and through this commitment we create a sustainable model of independent review and expertise the ACT community can rely on for better administrative and public policy outcomes.

We have two standing commissioners and their remuneration is subject to determination by the ACT Remuneration Tribunal.

Our Senior Commissioner's role in relation to Commission meetings includes:

- providing effective leadership to the Commission in relation to all Commission matters;
- guiding the agenda and chairing all Commission meetings;

- in conjunction with the Chief Executive Officer, arranging regular Commission meetings throughout the year, confirming that minutes of meetings accurately record decisions taken;
- overseeing Commissioner and Chief Executive Officer succession;
- representing our views to the public; and
- providing leadership in the creation and maintenance of an effective corporate governance system.

The Standing Commissioner’s role includes:

- chairing Commission meetings when the Senior Commissioner is unable to do so; and
- undertaking additional matters on the Senior Commissioner’s behalf, as requested.

The Chief Executive Officer’s role includes:

- developing strategic objectives and performance indicators for the business and reporting against the achievement of objectives;
- providing leadership to staff in the operation of Commission business and overseeing the day-to-day management of Commission.

Commission meetings

We have 12 scheduled meetings each year, and additional meetings are held as required.

Table 4 shows the meetings attended by Commissioners in 2012–13.

Table 4 Meetings attended by Commissioners in 2012–13

Meetings attended by Senior Commissioner	Meetings attended by Commissioner	Meetings attended by chief executive officer
12	9	12

C.6 Human resources performance

This section describes our approach to human resources management and workforce planning, including the alignment of the workforce profile to meet our objectives and responsibilities.

The Commission's approach to managing human resources efficiently and effectively is to maintain a core permanent staff with the critical skills and experience required to meet our objective of delivering positive public administration and policy outcomes for the ACT community. Areas of specialist expertise include regulatory economics and regulatory law and policy and we are committed to sustainably building internal resources to deliver on our responsibilities.

We also employ a strategy of accessing additional specialist skills through contract staff and consultants on an as-needs basis. This approach enables us to respond when references or other requests require additional capacity, and provides us with the flexibility to respond to future and emergent challenges.

Key components of our objective to deliver better public administration and policy outcomes for the ACT community include constant delivery of high-quality outputs and transparent and consultative processes. Our overriding goal is to remain, as far as possible, an employer of choice – that is, one with conditions and practices that attract and retain high-calibre staff. Being a small-scale, responsive and specialist organisation which provides opportunities for depth and breadth experience and substantial responsibility for outcomes, is both an attraction and retention strategy for the Commission in managing our workforce requirements.

Given our size, we have not implemented any specific employment strategies for people with a disability, apprenticeships and traineeships. In 2012-13 the Commission undertook a pilot program to provide graduates, or recent graduates, from the region an opportunity to develop and acquire experience through working with experienced professionals. This pilot program will be evaluated in 2013-2014 to assess its suitability and effectiveness in meeting our succession management and operational needs.

C.7 Staffing profile

Tables 5 to 13 provide details of our staffing profile at 30 June 2013.

Table 5 Full-time equivalent and headcount, at 30 June 2013

	Female	Male
Full-time equivalent by gender	3.0	5.0
Headcount by gender	3	5
% of workforce	37.5	62.5

Note: The Commissioners are not included in the headcount.

Table 6 Classifications, at 30 June 2013

Classification group	Female	Male	Total
Administrative officers	2	1	3
Executive officers	1	0	1
Senior officers	1	4	4
Total	3	5	8

Table 7 Employment category by gender, at 30 June 2013

Employment category	Female	Male	Total
Casual	0	0	0
Permanent full-time	1	4	5
Permanent part-time	0	0	0
Temporary full-time	2	1	3
Temporary part-time	0	0	0
Total	3	5	8

Table 8 Average length of service by gender, at 30 June 2013

Average length of service (years)	Pre-baby boomers		Baby boomers		Generation X		Generation Y		Total	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
0-2	0	0	0	0	1	2	1	1	2	3
2-4	0	0	0	1	0	0	0	0	0	1
4-6	0	0	0	0	0	0	0	0	0	0
6-8	0	0	0	0	0	0	0	0	0	0
8-10	0	0	1	0	0	0	0	0	1	0
10-12	0	0	0	1	0	0	0	0	0	1
12-14	0	0	0	0	0	0	0	0	0	0
14+	0	0	0	0	0	0	0	0	0	0

Table 9 Total average length of service by gender, as at 30 June 2013

Gender	Average length of service (years)
Female	3.3
Male	3.5
Total	3.4

Part C: Legislative and policy-based reporting

Table 10 Age profile, as at 30 June 2013

Age group	Female	Male	Total
<20	0	0	0
20–24	1	0	1
25–29	0	1	1
30–34	0	0	0
35–39	1	0	1
40–44	0	1	1
45–49	0	1	1
50–54	0	1	1
55–59	0	1	1
60–64	1	0	1
65–69	0	0	0
70+	0	0	0

Table 11 Agency profile, as at 30 June 2013

Agency	Full-time equivalent	Headcount
ICRC	8.0	8
Total	8.0	8

Table 12 Agency profile by employment type, as at 30 June 2013

Agency	Permanent	Temporary	Casual
ICRC	5	3	0
Total	5	3	0

Table 13 Equity and workplace diversity, as at 30 June 2013

	A Aboriginal and/or Torres Strait Islander employment	B Culturally and linguistically diverse (CALD) employment	C Employment of people with a disability	Number of employees who identify in any of the equity and diversity categories (A, B, C)	Women
Headcount	0	1	1	2	3
% of total staff	0.0	12.5	12.5	25.0	37.5

C.8 Learning and development

This section outlines how learning and development programs and activities have ensured that skills and knowledge are retained and enhanced.

We are committed to investing in the development of our staff so that we, through our people, deliver our objective of achieving better administrative and public policy outcomes for the ACT community. Our learning and development initiatives focus on the development of capability and skills needed for our current roles as well as the knowledge, skills and abilities we will need in the future to deliver for our stakeholders.

Our CEO plays a critical role in creating a positive learning environment by supporting ongoing personal and professional development for Commission staff and maximising opportunities for professional development activities to be embed back in the workplace. As part of our annual performance development planning process, staff identify learning and development objectives for the coming year, and achievement against these learning objectives is monitored as part of the performance review process.

In 2012–2013 we arranged for one of our junior team members to be in Melbourne with the Australian Energy Regulator on a three month secondment. This secondment provided a unique and highly relevant development opportunity for the benefit of both our staff and the Commission, and has assisted in enhancing communication and collaboration between regulatory bodies.

The development of a strong learning culture and learning organisation is a strategic objective for the Commission. Through an assessment of our organisational learning needs in 2012–2013, we identified the development and strengthening of our management capabilities as a priority learning requirement. In response to the identification of this need, and as part of developing our staff as individuals and as an effective team, we engaged a specialist to deliver a tailored programme on leadership; organisational development, with a focus on individual and organisational culture; team accentuating and mindfulness-meditation. The program provided valuable learnings for all Commission staff, and this learning continues to be embedded and applied in our operations.

In 2012–2013 we also engaged a number of high profile speakers to present to our staff and we extended an invitation to the wider ACT Public service to participate in these seminar sessions. Guest speakers included a former NSW Supreme Court Judge, a former High Court of Australia Judge, the Commonwealth Ombudsman, international industry experts and high ranking public office holders.

C.9 Workplace health and safety

This discussion complements that in section A.5.1 on risk management, which was prepared as part of the management discussion and analysis supporting the audited annual financial report.

Part C: Legislative and policy-based reporting

During 2012–13, staff participated in information sessions on workplace health and safety and had access to consultative committee forums which is the primary mechanism for consultation on all workplace issues, including safety. Staff also had access to a specific Health and Well-being initiative provided under our Enterprise Agreement in recognition of the benefits of maintaining a healthy and productive workforce, along with other initiatives including flu vaccinations, sourcing and installation of fit for purpose desks and some medically approved chairs for staff where as necessary.

No investigations were conducted during 2012–13, and no notices were given under either the *Work Safety Act 2008* or *Work Health and Safety Act 2011*.

C.10 Workplace relations

Staff are covered by the Treasury Collective Agreement. There were no Australian Workplace Agreements (AWA) or Special Employment Arrangements (SEA) in place during 2012-2013s.

C.11 Human Rights Act 2004

Under the ICRC Act and Utilities Act there are no direct legislative obligations referring to the *Human Rights Act 2004* (Human Rights Act), however we understand the application of part 4 of the Human rights Act where Territory laws must be interpreted in a way that is compatible with human rights. The Commission also understands its obligations as an ACT Government instrumentality set out under the Human Rights Act, in particular those placed on ACT public authorities set out in part 5A.

We recognise civil and political rights set out in part 3 and economic, social and cultural rights set out in part 3a of the Human Rights Act. These rights are an important consideration for the Commission as many of the essential services regulated by the Commission fall within what are the most basic of human rights – that being water, sewerage and energy.

The Commission also has a number of objectives under the section 7 of the ICRC Act and section 3 of the Utilities Act where we must consider the position of the consumer and community as a primary factor when making decisions under the Acts.

C.12 Strategic Bushfire Management Plan

The Commission does not have reporting obligations under the Strategic Bushfire Management Plan.

C.13 Strategic asset management

The Commission's assets are the furniture and fittings in our office fit-out. The repairs and maintenance of these assets are managed, but they have no manageable capital value in the

sense that property has. Since 2012, the assets have been depreciated using a straight line on historical cost method. Other operating assets, such as IT equipment, printers and communications equipment, are leased. We have no need for a formal asset management plan.

C.14 Capital works

Our capital works in 2012–13 related to the fit-out of our new office. Our capital assets are the furniture and fittings included as part of our office fit-out.

C.15 Government contracting

This discussion complements that in section A.5.1 on risk management, which was prepared as part of the management discussion and analysis supporting the audited annual financial report.

We worked closely with ACT Procurement Solutions, reviewing procurement and contracting processes above \$20,000 in compliance with the Government Procurement Act 2001 and the Government Procurement Regulation 2007.

Table 14 lists consultants and contractors involved in our operations in 2012–13. It lists only contractors and consultants external to the ACT Government.

Table 14 Contractor and consultant services, 2012–13

Consultant/contractor	Description of service	Value (\$)
Alltrades Accounting Pty Ltd	Financial management and accounting services	55,176
Blake Dawson	Legal services	111,547
Strategic Economics Consulting Group	Technical advisory	309,515

Note: All figures are exclusive of goods and services tax and rounded to whole dollars; they are based on accrued liabilities.

C.16 Community grants, assistance and sponsorship

In late 2012, the Commission underwent a partial office fit-out to install Occupational Health and Safety (OH&S) compliant work stations, desks and chairs. Following the office fit-out a donation pickup was organised for our previously used furniture to be given to several non-profit organisations. The furniture donated consisted of desks, chairs, visitor's chairs, and filing cabinets. The following non-profit organisations received furniture donations from us:

- Carers ACT;
- Doris Women's Refuge;
- Mental Illness Fellowship;

- Grow ACT.

During 2012–13, we participated in the *Anglicare Christmas Appeal* as well as the *Anglicare Winter Pantry Appeal*, where we organised social theme days at the office to encourage the donation of pantry items for those in need. Through both appeals, we were able to collect a generous variety of donations – from basic pantry items to cash donations.

We hosted a series of seminars on a range of topics relevant to regulation and public policy within the ACT government.

C.17 Territory records

We have implemented the requirements of the *Territory Records Act 2002* by creating and complying with a records management program which has applied formally since 1 July 2004. The program includes a records management policy and procedures detailing our practical requirements for record keeping, including standard operating procedures for all staff and consultants to follow when carrying out record keeping, and the identification of those responsible for each of the tasks in the record-keeping process.

Our approved records disposal schedule is found on the ACT Legislation Register.⁷ We hold no records subject to Part 3 (Access to records) of the *Territory Records Act*.⁸

C.18 Commissioner for Sustainability and the Environment

We continue to engage with the Commissioner for Sustainability and the Environment.

C.19 Ecologically sustainable development

Regulatory objectives

Section 20 of the ICRC Act requires us to give regard to a range of matters when conducting a pricing review, including the principles of ecologically sustainable development.

In the delivery of our core responsibilities, we have continued to further the objectives of the ACT Climate Change Strategy,⁹ in particular through our role as the compliance regulator for the ACT Greenhouse Gas Abatement Scheme (ACT GGAS) ; oversight of the Electricity Feed-in Scheme; responsibility for compliance oversight of the GreenPower scheme; and provision of annual reports under the *Climate Change and Greenhouse Gas Reduction Act 2010*.

⁷ Territory Records (Records Disposal Schedule—Independent Competition and Regulation Records) Approval 2006 (No. 1) Notifiable instrument NI2006–28.

⁸ Part 3, section 26 of the *Territory Records Act 2002* provides that a record of an agency is open to public access under the Act if 20 years has elapsed since the record, or the original of which it is a copy, came into existence. Section 28 refers to sections ‘disapplying’ certain provisions of the *Freedom of Information Act 1989*.

⁹ Information on the strategy is available at http://www.environment.act.gov.au/climate_change/weathering_the_change.

Operational objectives

We encourage staff to manage resources responsibly. Consistent with the government's waste management strategy, we continued our commitment to reduce the amount of paper we use and continue our recycling activities.

Table 15 summarises our paper consumption and recycling data in 2012–13. Table 16 summarises our ecological sustainability priorities.

Table 15 Paper consumption and recycling, 2012–13

Activity	Amount	Period	Annual total
Recycling			
Secure paper	1 × 240-litre bin	Monthly	12 × 240-litre bins (estimated)
Non-secure paper	1 × 240-litre bin	Fortnightly	24 × 240-litre bins (estimated)
Consumption	3.4 reams (52-week average)	Weekly	180 reams

Table 16 Activities supporting ecologically sustainable development, 2012–13

Issue	Activity	Outcome
Core business		
Utility compliance regulation and performance reporting	Reporting on GreenPower consumption in the ACT	Improved information on energy and water performance in the Territory to inform policy development in energy, water and climate change
	Monitoring compliance with the Electricity Feed-in Code	
	Reporting on a range of environmental indicators in relation to energy and water	
Inquiries	Considering social and environmental impacts, including the application of the precautionary principle	Inquiry outcomes reflect an appropriate balance between economic, social and environmental impacts
Price setting	Considering social and environmental costs	Service pricing for regulated industries that reflects full costs, including environmental costs and the social impact of prices
Operations		
Consumables	Reducing print runs and mail-outs of published documents, complemented by greater reliance on website availability of publications	Reduced resource use
	Recycling used printer and copier cartridges	Improved recycling practices
Disposables	Recycling paper and cardboard	Reduced impact on landfill
Energy use	Encouraging shutdown of PCs and movement sensor lighting	Reduced energy use

C.20 Climate change and greenhouse gas reduction policies and programs

We have no specific activities to report in relation to climate change and greenhouse gas reduction policies and programs.

C.21 Aboriginal and Torres Strait Islander reporting

We have no specific activities to report in relation to Aboriginal and Torres Strait Island peoples.

C.22 ACT Multicultural Strategy 2010–2013

We have no specific activities to report in relation to the ACT Multicultural Strategy.

Whilst we do not have a specific multicultural policy or strategy, our approach to recruitment and retention of staff has focussed on skills. Over 55% of our staff were born overseas including our CEO who is also female and under the age of 40.

We encourage access to our processes by all members of the community. We do not provide our reports in languages other than English, as the cost would be prohibitive. Where

appropriate, we will assist members of the community through the use of, or referral to, translation services.

C.23 ACT Strategic Plan for Positive Ageing 2010–2014

We have no specific activities to report in relation to the ACT Strategic Plan for Positive Ageing.

C.24 ACT Women’s Plan 2010–2015

We have no specific activities to report in relation to the ACT Women’s Plan.

C.25 Model litigant guidelines

During 2012–13, we were not involved in any litigation.

C.26 Notices of non-compliance

We do not engage in activities that come within the ambit of the *Dangerous Substances Act 2004*, section 200.

C.27 Property crime reduction

We have no specific activities to report in relation to the ACT Property Crime Reduction Strategy 2012–15.

Appendix 1 Financial statements and audit report

Auditor's opinion on the financial statements

Statement of responsibility

Independent Competition and Regulatory Commission- Operating Statement for the year ended 30 June 2013

Independent Competition and Regulatory Commission- Balance Sheet as at 30 June 2013

Independent Competition and Regulatory Commission- Statement of Changes in Equity for the year ended 30 June 2013

Independent Competition and Regulatory Commission- Cash Flow Statement for the year ended 30 June 2013

Independent Competition and Regulatory Commission- Statement of Appropriation for the year ended 30 June 2012

Independent Competition and Regulatory Commission- Notes to and forming part of the financial statements for the year ended 30 June 2013



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the Independent Competition and Regulatory Commission (the Commission) for the year ended 30 June 2013 have been audited. These comprise the operating statement, balance sheet, statement of changes in equity, cash flow statement, statement of appropriation and accompanying notes.

Responsibility for the financial statements

The Chief Executive Officer of the Commission is responsible for the preparation and fair presentation of the financial statements in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial statements.

The auditor's responsibility

Under the *Financial Management Act 1996*, I am responsible for expressing an independent audit opinion on the financial statements of the Commission.

The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the financial statements are free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

The audit is not designed to provide assurance on the appropriateness of budget information included in the financial statements or to evaluate the prudence of decisions made by the Commission.

Electronic presentation of the audited financial statements

Those viewing an electronic presentation of the financial statements should note that the audit does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

Audit opinion

In my opinion, the financial statements of the Commission for the year ended 30 June 2013:

- (i) are presented in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the Commission as at 30 June 2013 and the results of its operations and cash flows for the year then ended.

This audit opinion should be read in conjunction with the other information disclosed in this report.

Bernie Sheville
Director, Financial Audits
2 September 2013

**Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2013**

Statement of Responsibility

In my opinion, the financial statements are in agreement with the Independent Competition and Regulatory Commission's (the Commission) accounts and records and fairly reflect the financial operations of the Commission for the year ended 30 June 2013 and the financial position of the Commission on that date.

Ms Ranjini Nayager
Chief Executive Officer
Independent Competition and Regulatory Commission

29 August 2013

**Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2013**

Statement by the Chief Finance Officer

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the Independent Competition and Regulatory Commission's accounts and records and fairly reflect the financial operations of the Commission for the year ended 30 June 2013 and the financial position of the Commission on that date.

Ms Ranjini Nayager
Chief Finance Officer
Independent Competition and Regulatory Commission

29 August 2013

**Independent Competition and Regulatory Commission
Operating Statement
For the Year Ended 30 June 2013**

	Note No.	Actual 2013 \$'000	Original Budget 2013 \$'000	Actual 2012 \$'000
Income				
<i>Revenue</i>				
Government Payment for Outputs	4	518	527	621
User Charges - ACT Government	5	2,500	920	1,561
Fees	6	933	607	670
Interest	7	52	52	75
Resources Received Free of Charge	8	-	-	200
<i>Total Revenue</i>		<u>4,003</u>	<u>2,106</u>	<u>3,127</u>
Total Income		<u>4,003</u>	<u>2,106</u>	<u>3,127</u>
Expenses				
Employee Expenses	9	1,527	738	1,257
Superannuation Expenses	10	164	102	158
Supplies and Services	11	1,885	1,247	1,416
Prior Year Licence Fee Refund	12	-	-	25
Depreciation	13	54	-	14
Borrowing costs	14	2	-	6
Other Expenses	15	70	-	-
Total Expenses		<u>3,702</u>	<u>2,087</u>	<u>2,876</u>
Operating Surplus		<u>301</u>	<u>19</u>	<u>251</u>
Total Comprehensive Income		<u>301</u>	<u>19</u>	<u>251</u>

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

Independent Competition and Regulatory Commission
Balance Sheet
As at 30 June 2013

	Note No.	Actual 2013 \$'000	Original Budget 2013 \$'000	Actual 2012 \$'000
Current Assets				
Cash and Cash Equivalents	17	1,954	1,869	1,760
Receivables	18	748	43	1,029
Total Current Assets		2,702	1,912	2,789
Non-Current Assets				
Plant and Equipment	19	451	-	530
Total Non-Current Assets		451	-	530
Total Assets		3,153	1,912	3,319
Current Liabilities				
Payables	20	176	517	471
Employee Benefits	21	253	197	280
Other Liabilities	22	251	11	451
Other Provisions	23	900	-	857
Total Current Liabilities		1,580	725	2,059
Non-Current Liabilities				
Employee Benefits	21	15	36	6
Other Provisions	23	60	-	57
Total Non-Current Liabilities		75	36	63
Total Liabilities		1,655	761	2,122
Net Assets		1,498	1,151	1,197
Equity				
Accumulated Funds		1,498	1,151	1,197
Total Equity		1,498	1,151	1,197

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 2013**

	Accumulated Funds Actual 2013 \$'000	Total Equity Actual 2013 \$'000	Original Budget 2013 \$'000
Balance at the Beginning of the Reporting Period	1,197	1,197	1,132
<i>Comprehensive Income</i>			
Operating Surplus	301	301	19
Total Comprehensive Income	301	301	19
Balance at the End of the Reporting Period	1,498	1,498	1,151

	Accumulated Funds Actual 2012 \$'000	Total Equity Actual 2012 \$'000
Balance at the Beginning of the Reporting Period	945	945
<i>Comprehensive Income</i>		
Operating Surplus	251	251
Total Comprehensive Income	251	251
Balance at the End of the Reporting Period	1,197	1,197

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

Independent Competition and Regulatory Commission
Cash Flow Statement
For the Year Ended 30 June 2013

	Note No.	Actual 2013 \$'000	Original Budget 2013 \$'000	Actual 2012 \$'000
Cash Flows from Operating Activities				
Receipts				
Government Payment for Outputs		518	527	621
Fees		699	607	1,008
User Charges - ACT Government		2,598	920	779
Interest Received		52	52	78
Goods and Services Tax Collected from Customers		225	-	39
Other		-	86	-
Total Receipts from Operating Activities		4,092	2,192	2,525
Payments				
Employee		1,552	732	1,182
Superannuation		164	100	151
Supplies and Services		1,636	1,232	1,254
Goods and Services Tax Remitted to the Australian Taxation Office		18	-	8
Goods and Services Tax Paid to Suppliers		194	101	70
Total Payments from Operating Activities		3,564	2,165	2,665
Net Cash Inflows/(Outflows) from Operating Activities	26(b)	528	27	(140)
Cash Flows from Investing Activities				
Receipts				
Proceeds from Sale of Plant and Equipment		5	-	-
Total Receipts from Investing Activities		5	-	-
Payments				
Purchase of Plant and Equipment		340	-	-
Total Payments from Investing Activities		340	-	-
Net Cash (Outflows) from Investing Activities		(335)	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		193	27	(140)
Cash and Cash Equivalents at the Beginning of the Reporting Period		1,760	1,842	1,900
Cash and Cash Equivalents at the End of the Reporting Period	26(a)	1,954	1,869	1,760

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

**Independent Competition and Regulatory Commission
Statement of Appropriation
For the Year Ended 30 June 2013**

	Original Budget 2013 \$'000	Total Appropriated 2013 \$'000	Total Appropriation Drawn 2013 \$'000	Appropriation Drawn 2012 \$'000
Government Payment for Outputs	527	527	518	621
Total Appropriation	527	527	518	621

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

Column Heading Explanations

The *Original Budget* column shows the amounts that appear in the Cash Flow Statement in the Budget Papers. This amount also appears in the Cash Flow Statement.

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 Cash Flow Statement.

Variance between 'Total Appropriated' and 'Appropriation Drawn'

The difference between the *Total Appropriated* and the *Appropriation Drawn* is due to changes in economic parameters during 2012-13 which reduced the funds the Commission was permitted to draw down.

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Note 1 Objectives of the Independent Competition and Regulatory Commission

Operations and Principal Activities

The Independent Competition and Regulatory Commission (the Commission) has 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:

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

In addition to those functions, the Commission is the regulator of the Greenhouse Gas Abatement Scheme established under the *Electricity (Greenhouse Gas Emissions) Act 2004*. 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 2012* for NERL retailers.

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

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

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

- to encourage the provision of safe, reliable, efficient and high-quality utility services at reasonable prices;
- to minimise the potential for misuse of monopoly power in the provision of utility services;
- to promote competition in the provision of utility services;
- to encourage long-term investment, growth and employment in utility services;
- to promote ecologically sustainable development in the provision of utility services;
- to protect the interests of consumers;
- to ensure that advice given to the Commission by the ACT Civil and Administrative Tribunal (ACAT) or the Director-General of the Environment and Sustainable Development Directorate under Part 5 (technical regulation) is properly considered;
- to ensure that the Government's programs concerning the provision of utility services are properly addressed; and
- to give effect to directions of the Minister under section 19 (which may only be given to ensure the achievement of the objects set out in the subsections above).

Note 2 Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

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

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

- (i) Australian Accounting Standards; and
- (ii) ACT Accounting and Disclosure Policies.

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

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

The Commission is an individual reporting entity.

(b) The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the Commission for the year ending 30 June 2013 together with the financial position of the Commission as at 30 June 2013.

(c) Comparative Figures

Budget Figures

The *Financial Management Act 1996* requires the statements to facilitate a comparison with the Statement of Intent. The budget numbers are as per the Statement of Intent.

Prior Year Comparatives

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

(d) 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. Column totals may not add due to figures being rounded to the nearest thousand dollars.

Note 2 Summary of Significant Accounting Policies - Continued

(e) Revenue Recognition

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

- User charges are recognised when the stage of completion of the services at the reporting date can be measured reliably and the costs of rendering those services can be measured reliably. In the event that at the reporting date the stage of completion cannot be reliably measured, but the cost of rendering the services can be reliably measured and the costs are recoverable, revenue is recognised to the extent of recoverable costs incurred.
- Utility licence fees are collected from entities providing water and wastewater services and gas transmission services, to recover the reasonable costs incurred by the Commission, the Environment and Sustainable Development Directorate (ESDD) and the ACT Civil and Administrative Tribunal (ACAT) in undertaking their respective regulatory activities. These fees are collected under the *Utilities Act 2000*. The fees are based on the estimated cost of regulatory activities for the 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 recognises Utility Licence Fees in its financial statements based on its revised end of year estimate, as this recognises future fee adjustments for any over or under collection of fees identified in the current financial year.

(f) Resources Received and Provided Free of Charge

Resources received free of charge are recorded as revenue in the Operating Statement at fair value. A corresponding amount is recorded as either an expense or an asset depending on the nature of the resources received. The revenue is separately disclosed under resources received free of charge, with the expense or asset being recorded in the line item to which it relates. Goods and services received free of charge from ACT Government agencies are recorded as resources received free of charge, where as goods and services received free of charge from entities external to the ACT Government are recorded as donations. Services that are received free of charge are only recorded in the Operating Statement if they can be reliably measured and would have been purchased if not provided to the Commission free of charge.

(g) Taxation

The Commission's activities are exempt from all forms of taxation except Fringe Benefits Tax and Goods and Services Tax.

(h) Current and Non-Current Items

Assets and liabilities are classified as current or non-current in the Balance Sheet. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. 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. Assets or liabilities which do not fall within the current classification are classified as non-current.

(i) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank, cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. Bank overdrafts are included in cash and cash equivalents in the cash flow statement but not in the cash and cash equivalents line in the Balance Sheet.

(j) Receivables

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

Trade receivables arise in the normal course of providing services to other agencies and to the public. Trade receivables are payable within 30 days after the issue of an invoice or the services have been provided under a contractual arrangement.

The Commission assesses at each reporting date whether there is any indication that receivables may be impaired. If any indication of impairment is identified a provision for doubtful debts is recognised in the balance sheet with the corresponding entry recognised as a doubtful debts expense in the Operating Statement.

Note 2 Summary of Significant Accounting Policies - Continued

(k) Acquisition and Recognition of Plant and Equipment

Plant and equipment is initially recorded at cost. Cost includes the purchase price, directly attributable costs and the estimated cost of dismantling and removing the item where, upon acquisition, there is an obligation to remove the item. Where plant and equipment is acquired at no, or minimal cost, it is recognised at fair value as at date of acquisition. Plant and equipment with a minimum value of \$5,000 is capitalised.

(l) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred.

(m) Measurement of Plant and Equipment After Initial Recognition

The Commission measures plant and equipment at cost.

(n) Depreciation of Non-Current Assets

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

Depreciation for non-current assets is determined as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Office Furniture and Equipment	Straight Line	10 Years

The useful lives of all assets are reassessed on an annual basis.

(o) Impairment

The Commission assesses at each reporting date whether there are any indicators that plant and equipment assets may be impaired.

Identified impairments of plant and equipment are recognised as an expense in the Operating Statement with a corresponding adjustment to the carrying value for plant and equipment.

As the Commission measures plant and equipment at cost, assets are impaired when there are indicators that the recoverable value of the asset is less than the carrying value.

(p) Payables

Payables are a financial liability and are measured at the fair value of the consideration received when initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are usually settled within 30 days after the invoice date.

Payables include Trade Payables and Accrued Expenses.

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

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

(q) Leases

The Commission has entered into operating leases.

Operating Leases

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

Note 2 Summary of Significant Accounting Policies - Continued

(r) Employee Benefits

Employee benefits include wages and salaries, annual leave, long service leave and applicable on-costs. On-costs include annual leave, annual leave loading, long service leave, superannuation and other costs that are incurred when employees take annual and long service leave. These benefits accrue as a result of services provided by employees up to the reporting date that remain unpaid. They are recorded as a liability and as an expense.

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 leave and long service leave that fall due wholly within the next 12 months are measured based on the estimated amount of remuneration payable when the leave is taken.

Annual and long service leave, including applicable on-costs that do not fall due within the next 12 months, are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At each reporting period end, the present value of future payments is calculated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows. In 2012-13, the rate used to estimate the present value of these future payments is 101.3% (106.6% in 2011-12).

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 the 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. However, where there is an unconditional right to defer settlement of the liability for at least 12 months, annual leave and long service leave have been classified as a non-current liability in the Balance Sheet.

(s) Superannuation

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

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

Note 2 Summary of Significant Accounting Policies - Continued

(s) Superannuation - Continued

Superannuation employer contribution payments, for the CSS and PSS, are calculated by taking the salary level at an employee's anniversary date and multiplying it by the actuarially assessed nominal CSS or PSS employer contribution rate for each employee. The productivity component are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate (approximately 3%) for each employee. Superannuation payments for the PSSAP are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the appropriate employer contribution rate. Superannuation payments for fund of choice arrangements are calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

A superannuation liability is not recognised in the Balance Sheet as the Superannuation Provision Account recognises the total Territory superannuation liability for the CSS and PSS and Comsuper and the external schemes recognise the superannuation liability for the PSSAP and other schemes respectively.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSS in respect of the ACT Government service after 1 July 1989. These reimbursement payments are made from the Superannuation Provision Account.

(t) Insurance

The Commission insures its insurable risks through the ACT Insurance Authority. The excess payable, under this arrangement, varies depending on each class of insurance held by the Commission.

(u) Significant Accounting Estimates and Judgements

In the process of applying the accounting policies listed in this note, the Commission has made the following judgements and estimates that have the most significant impact on the amounts recorded in the financial statements.

Employee Benefits

Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for employee benefits requires a consideration of the future wage and salary levels, experience of employee departures 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. Further information on this estimate is provided in Note 2(q) Employee Benefits and Note 3 Changes in Accounting Estimates.

Revenue and Revenue Received in Advance

Significant judgements have been applied in estimating Revenue and Revenue Received in Advance. The Commission provides agreed services on a cost recovery basis and where payments for these services are received in advance, consideration of the percentage of the services provided is required. The Commission estimates the percentage of the services completed based on costs incurred compared to the budget for the agreed services with the uncompleted proportion being recorded in Other Liabilities as Revenue Received in Advance. Consideration is also given to whether the agreed budget for the services continues to be a reasonable estimate of the cost for providing the services.

Utility Licence Fees & Regulatory Costs

Significant judgements have been applied in estimating Utility Licence Fees & Regulatory Costs. Fees charged to utility providers are calculated on the basis of the estimated costs expected to be incurred by the Commission, the Environment and Sustainability Development Directorate (ESDD) and the ACT Civil and Administrative Tribunal (ACAT) in undertaking their respective utility regulatory activities. Adjustments are made to fees recognised at the end of each financial year based on revised estimated costs. Any variance between the estimate and the actual figures is recognised as either a rebate or additional fee revenue in the following year (see also note 2(e)).

Note 2 Summary of Significant Accounting Policies - Continued

(v) Impact of Accounting Standards Issued but yet to be Applied

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The Commission does not intend to adopt these standards and interpretations early. It is estimated that the effect of adopting the below pronouncements, as and when applicable, will not have a material financial impact on the Commission in future reporting periods:

- AASB 9 Financial Instruments (application date 1 January 2015);
- AASB 119 Employee Benefits (application date 1 January 2013);
- AASB 1055 Budgetary Reporting (application date 1 July 2014);
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (application date 1 January 2015);
- AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] (application date 1 January 2013);
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2] (application date 1 January 2013); and
- AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7 & AASB 2011-8] (application date 1 January 2013).

Note 3 Changes in Accounting Estimates

Change in an Accounting Estimate for Annual and Long Service Leave Liabilities

As disclosed in Note 2(q) Employee Benefits, annual and long service leave liabilities that do not fall due within the next 12 months are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the reporting date. The rate used to estimate the present value of the payments decreased from 106.6% in 2011-12 to 101.3% in 2012-13.

This change has resulted in a decrease to the estimated long service leave liability and related expense of \$2,375.

Note 4 Government Payment for Outputs

	2013	2012
	\$'000	\$'000
Revenue from the ACT Government		
Government Payment for Outputs	518	621
Total Government Payment for Outputs	518	621

Government Payment for Outputs meets the estimated cost of the Commission's regulatory activities under the *Utilities Act 2000* in relation to prescribed electricity and gas distribution and NERL retailers supplying energy who are subject to the energy industry levy.

The Commission's regulatory activities in 2012-13 were lower than 2011-12 due to the completion in 2011-12 of the retail price determination on electricity for franchise customers, which included substantial work on the economic model underpinning the price direction and implementation of the National Energy Customer Framework.

Note 5 User Charges - ACT Government

	2013	2012
	\$'000	\$'000
User Charges – ACT Government		
General Government Sector ^(a)	736	1,177
Public Trading Enterprises ^(b)	1,764	384
	<hr/>	<hr/>
Total User Charges – ACT Government	2,500	1,561
	<hr/> <hr/>	<hr/> <hr/>

User charges – ACT Government; is revenue derived by providing services to other ACT Government entities. These services are provided under purchase agreements with the Chief Minister and Treasury Directorate for activities under the *Independent Competition and Regulatory Commission Act 1997*, and the Environment and Sustainable Development Directorate (ESDD) for regulation of the Greenhouse Gas Abatement Scheme, and for monitoring and reporting services under the *Climate Change and Greenhouse Gas Reduction Act 2011*. The services also include provision of commissioned advice, and the conduct of referred inquiries for which costs are recovered.

(a) The decrease in revenue from General Government Sector entities was due to the Secondary Water review conducted in 2011-12 not being an annually recurrent activity. This reduction in revenue was partly offset by increased revenue recognised under the Purchase Agreement with ESDD for greenhouse gas annual reports and analytical advice.

(b) The increase in revenue from Public Trading Enterprises was due the Commission continuing the 5 year Water and Waste Water review in 2012-13, with only preliminary work being undertaken in 2011-12. This activity is performed on a cost recovery basis. For details on how we recognise revenue and revenue received in advance, see notes 2(e) and 2(u).

Note 6 Fees

	2013	2012
	\$'000	\$'000
Revenue from Regulatory Activities		
Fees	933	670
Total Fees	933	670

Utility Licence Fees are collected under the *Utilities Act 2000* to cover the Commission's, the Environment and Sustainable Development Directorate's (ESDD), and the ACT Civil and Administrative Tribunal's (ACAT) reasonable costs for utility regulatory activities in relation to water, sewerage, and gas transmission utilities. For details on how we recognise revenue see notes 2(e) and 2(u).

The increase in revenue from Fees is primarily due to an estimated increase in technical regulation activities conducted by ESDD.

Note 7 Interest

	2013 \$'000	2012 \$'000
Revenue from Non-ACT Government Entities		
Interest Revenue from the Commonwealth Bank	52	75
Total Interest Revenue from Non-ACT Government Entities	<u>52</u>	<u>75</u>
Total Interest Revenue	<u>52</u>	<u>75</u>

Interest fell by \$23,000 (30.6 percent) mainly due to a reduction in interest earned on the bank account resulting from a decrease in interest rates. As shown in Note 24, weighted average interest rates fell from 4.24 percent at 30 June 2012 to 2.97 percent at 30 June 2013.

Note 8 Resources Received Free of Charge

	2013	2012
	\$'000	\$'000
Revenue from ACT Government Entities		
Office Fit out ^(a)	-	200
Total Resources Received Free of Charge	<u>-</u>	<u>200</u>

Resources received free of charge relate to goods and/or services being provided free of charge from other agencies within the ACT Government.

(a) The Commission did not receive any resources free of charge in 2012-13. In 2011-12 the Economic Development Directorate contributed \$200,000 towards the Commission's office fit out costs, as part of the ACT Government's accommodation strategy.

Note 9 Employee Expenses

	2013	2012
	\$'000	\$'000
Wages and Salaries ^(a)	1,544	1,243
Annual Leave Expense ^(b)	39	(14)
Long Service Leave Expense ^(c)	(60)	27
Fringe Benefits Tax	4	1
Total Employee Expenses	<u>1,527</u>	<u>1,257</u>

a) The increase in Wages and Salaries is due to the full year effect of staff being engaged to assist with the 5 year Water and Waste Water review and \$134,000 in voluntary redundancy payments made to three employees. The redundancy payments were made under the Enterprise Bargaining Agreement negotiated by the ACT Government.

b) The increase in the Annual Leave Expense is due to staff using minimal annual leave during the year in order to complete the 5 year Water and Waste Water review within the required time-frame.

c) The decrease in Long Service Leave Expense is mainly due to the payout of Long Service Leave entitlements to three employees who accepted voluntary redundancies.

Note 10 Superannuation Expenses

	2013	2012
	\$'000	\$'000
Superannuation Contributions - Defined Benefit Schemes	54	68
Superannuation Contributions - Defined Contribution Schemes	110	91
Total Superannuation Expenses	164	158

The reduction in superannuation contributions to defined benefit schemes and the increase in superannuation contributions to defined contribution schemes reflects recent recruitment activities to replace staff members that had been employed in the Public Service for an extended period. New staff recruited into the Public Service are no longer able to access superannuation schemes with defined benefits.

Note 11 Supplies and Services

	2013	2012
	\$'000	\$'000
Advertising ^(a)	3	24
Equipment Leases ^(b)	73	51
Office Rental and Operating Costs ^(c)	201	154
Printing and Publishing	29	36
Professional Services	548	559
Stationery	9	16
Subscriptions, Membership and Conferences	53	38
Utilities Act - External Administration Costs ^(d)	812	411
Workers Compensation	20	11
Other	136	115
	<hr/>	<hr/>
Total Supplies and Services	1,885	1,416
	<hr/> <hr/>	<hr/> <hr/>

(a) The decrease in Advertising is due to the successful recruitment and retention of the Commission's Chief Executive Officer and other senior officers in 2011-12. In 2012-13 the skill mix of Commission staff was considered appropriate for the activities being undertaken, avoiding the need to advertise extensively.

(b) The increase in Equipment Leases reflect the full year impact of additional computers leased in 2011-12 to support the needs of Commission staff and consultants.

(c) The increase in Office Rental and Operating Costs reflects the full year impact of the Commission's new office arrangements.

(d) The increase in Utilities Act - Administration Payments is due to the Environment and Sustainable Development Directorate (ESDD) estimating its technical regulation activities to be higher in 2012-13. ESDD's technical regulatory activities and activity levels vary from one year to the next.

Note 12 Prior Year Licence Fee Refund

	2013	2012
	\$'000	\$'000
Licence Fee Rebate Applied	-	25
Total Licence Fee Rebate	<u>-</u>	<u>25</u>

Utility licence fees are recognised based on the Commission's end of year estimate of regulatory costs for the Commission, the Environment and Sustainable Development Directorate (ESDD), and the ACT Civil and Administrative Tribunal (ACAT). When the estimated regulatory costs recognised in the prior year exceed the agreed actual regulatory costs, a rebate is recognised. See also note 2(e) for details on how the Commission recognises revenue.

For 2013 no rebate is recognised as there was a nil variance between the estimated costs recognised by the Commission in its financial statements for the year ended 30 June 2012 and the actual agreed costs. In 2012 a rebate of \$25,000 was recognised by the Commission for the variance between the estimated costs recognised in its financial statements for the year ended 30 June 2011 and the actual costs.

Note 13 Depreciation

	2013 \$'000	2012 \$'000
Depreciation		
Office Furniture and Equipment	54	14
Total Depreciation	<u><u>54</u></u>	<u><u>14</u></u>

Depreciation increased by \$40,000 mainly due to the Commission's Office Fit-out being recognised for 12 months in 2013 (Depreciation on Office Fitout for 2012: 3 months)

Note 14 Borrowing Costs

	2013	2012
	\$'000	\$'000
Borrowing costs		
Finance Cost on Make Good ^(a)	2	6
Total Borrowing Costs	<u>2</u>	<u>6</u>

(a) The finance cost on Make Good reflects the unwinding of the present value calculation of the Commission's Make Good obligation for its office accommodation.

Note 15 Other Expenses

	2013	2012
	\$'000	\$'000
Other Expenses		
Losses from the Disposal of Assets ^(a)	70	-
Total Other Expenses	<u><u>70</u></u>	<u><u>-</u></u>

(a) In 2011-12 the Commission relocated its office and received a new office fit out as part of the ACT Government's Accommodation Strategy. Under this strategy the Commission was obliged to use the services of ACT Property Group who were responsible for overseeing the fit out project, including the provision of advice on appropriate fixtures, fittings and layout. Services the ACT Property Group invoiced the Commission for and the Commission paid.

In 2012-13, the Commission engaged an independent consultant to review its office fit-out. The consultant's report identified that various elements of the fit out were not fit for purpose and the Commission took immediate action to dispose of the unsuitable elements. The Commission made enquiries to various used office furniture businesses and other government entities in the Canberra region in an attempt to sell the items at a reasonable price and recover costs. Based on the values offered it was determined that providing the items to not-for-profit organisations based in the Australian Capital Territory (ACT) would ultimately produce the greatest return to the ACT Community.

Note 16 Auditor's Remuneration

	2013	2012
	\$'000	\$'000
Audit Services		
Audit Fees Paid to the ACT Auditor-General's Office	23	17
Total Audit Fees	<u><u>23</u></u>	<u><u>17</u></u>

Auditor's remuneration consists of financial audit services provided by the ACT Auditor-General's Office, for the purpose of the ACT Auditor-General's Office meeting its statutory obligations. No other services were provided by the ACT Auditor-General's Office.

The \$6,000 (35.3 percent) increase in audit fees was determined by the ACT Auditor-General's Office as being justifiable.

Note 17 Cash and Cash Equivalents

	2013	2012
	\$'000	\$'000
Cash at Bank	1,954	1,760
Total Cash and Cash Equivalents	<u>1,954</u>	<u>1,760</u>

The Commission held a number of bank accounts with the Commonwealth Bank during 2012-13. As part of these arrangements, the Commission received interest revenue on these accounts.

Note 18 Receivables

	2013 \$'000	2012 \$'000
Current Receivables		
Trade Receivables	4	1
Accrued Revenue ^(a)	723	993
Accrued Interest	4	4
Net Goods and Services Tax Receivable	18	31
Total Current Receivables	748	1,029
Total Receivables	748	1,029

(a) The decrease is due to payment being received for the Secondary Water review. This year's balance principally relates to the 5 year Water and Waste Water Pricing review.

Ageing of Receivables

	Not Overdue \$'000	Past Due			Total \$'000
		Less Than 30 Days \$'000	30 to 60 Days \$'000	Greater Than 60 Days \$'000	
2013					
Not Impaired¹					
Receivables	748	-	-	-	748
Impaired					
Receivables	-	-	-	-	-
2012					
Not Impaired¹					
Receivables	1,028	1	-	-	1,029
Impaired					
Receivables	-	-	-	-	-

1) 'Not Impaired' refers to Net Receivables (that is Gross Receivables less Impaired Receivables).

Additional Guidance

The above table should be read in conjunction with the Commission's accounting policy in relation to receivables (see note 2(j)). The Commission's policy regarding the normal credit terms of receivables is that debtors must pay an invoice within 30 days.

Classification of ACT Government/Non-ACT Government Receivables	2013 \$'000	2012 \$'000
Receivables with ACT Government Entities		
Accrued Revenue	723	993
Total Receivables with ACT Government Entities	723	993
Receivables with Non-ACT Government Entities		
Trade Receivables	4	1
Accrued Interest	4	4
Net Goods and Services Tax Receivable	18	31
Total Receivables with Non-ACT Government Entities	25	36
Total Receivables	748	1,029

Note 19 Plant and Equipment

	2013	2012
	\$'000	\$'000
Plant and Equipment		
Office Furniture and Equipment at Cost ^(a)	510	543
Less: Accumulated Depreciation	(59)	(14)
Total Written Down Value of Plant and Equipment	451	530
	2013	2012
	\$'000	\$'000
Reconciliation of Plant and Equipment		
Carrying Amount at the Beginning of the Reporting Period	530	-
Additions ^(b)	49	543
Disposals ^(c)	(74)	-
Depreciation	(54)	(14)
Carrying Amount at the End of the Reporting Period	451	530

(a) Office Furniture and Equipment includes office furniture, fixtures and fittings.

(b) The increase in Office Furniture and Equipment is due to the replacement of office fit-out elements that were identified as not fit for purpose (see note 15).

(c) In 2012-13 we engaged an independent consultant to review our office fit-out. The consultant's report identified that various elements of the fit-out were not fit for purpose and we took immediate action to dispose of the unsuitable elements. We made enquiries to various used office furniture businesses and other government entities in the Canberra region in an attempt to sell the items at a reasonable price and recover costs. Based on the values offered it was determined that providing the items to not for profit organisations based in the Australian Capital Territory (ACT) would ultimately produce the greatest return to the ACT Community.

Note 20 Payables

	2013 \$'000	2012 \$'000
Current Payables		
Trade Payables ^(a)	135	97
Accrued Expenses ^(b)	41	374
Total Current Payables	176	471
Total Payables	176	471
<p>(a) The \$38,000 increase in Trade Payables is mainly due to \$60,000 owing to the ACT Civil and Administrative Tribunal (ACAT) for its utilities regulatory costs. The amount owing to the ACAT in the previous year was recognised in accrued expenses (see note 2(e)).</p> <p>(b) The \$333,000 decrease in Accrued Expenses is mainly due to payment of \$291,000 for the office fit out.</p>		
Payables are aged as follows:		
Not Overdue	176	471
Overdue for Less than 30 Days	-	-
Overdue for 30 to 60 Days	-	-
Overdue for More than 60 Days	-	-
Total Payables	176	471
Classification of ACT Government/Non-ACT Government Payables		
Trade Payables	62	26
Accrued Expenses	35	367
Total Payables with ACT Government Entities	97	393
Payables with Non-ACT Government Entities		
Trade Payables	73	71
Accrued Expenses	6	7
Total Payables with Non ACT Government Entities	79	78
Total Payables	176	471

Note 21 Employee Benefits

	2013	2012
	\$'000	\$'000
Current Employee Benefits		
Annual Leave ^(a)	108	70
Long Service Leave ^(b)	54	123
Accrued Salaries and Superannuation	90	87
Total Current Employee Benefits	253	280
Non-Current Employee Benefits		
Long Service Leave	15	6
Total Non-Current Employee Benefits	15	6
Total Employee Benefits	268	286

<i>For Disclosure Purposes Only</i>		
Estimate of when Leave is Payable	2013	2012
	\$'000	\$'000
Estimated Amount Payable within 12 Months		
Annual Leave	108	70
Long Service Leave	24	41
Accrued Salaries and Superannuation	90	87
Total Employee Benefits Payable within 12 Months	222	198
Estimated Amount Payable after 12 Months		
Long Service Leave	45	88
Total Employee Benefits Payable after 12 Months	45	88
Total Employee Benefits	268	286

(a) The increase in the Annual Leave is due to staff using minimal annual leave during the year in order to complete the 5 year Water and Waste Water review within the required time-frame.

(b) The decrease in the current Long Service Leave is mainly due to the payout of Long Service Leave entitlements to three employees who accepted voluntary redundancies.

Note 22 Other Liabilities

	2013	2012
	\$'000	\$'000
Current Other Liabilities		
Revenue Received in Advance ^(a)	251	451
Total Other Liabilities	251	451

(a) Revenue Received in Advance relates to the provision of greenhouse gas annual reports and analytical advice under a purchase agreement with the Environment and Sustainable Development Directorate (ESDD), due to the agreed payment schedule not aligning with the timing of the deliverables.

The reduction of \$200,000 in Revenue Received in Advance corresponds to the stage of completion of the purchase agreement with ESDD and the payments received.

Note 23 Other Provisions

	2013	2012
	\$'000	\$'000
Current Other Provisions		
Provision for Utilities Regulation Costs	900	857
Total Current Other Provisions	900	857
Non-Current Other Provisions		
Provision for Make Good	60	57
Total Non-Current Other Provisions	60	57
Total Other Provisions	960	914

Provision for Utilities Regulation Costs

Utility Licence Fees are collected under the *Utilities Act 2000* to cover the estimated costs incurred by the Commission, the technical regulator in the Environment and Sustainable Development Directorate (ESDD), and the ACT Civil and Administrative Tribunal (ACAT) for regulatory activities in relation to water, sewerage, and gas transmission utilities. See also Notes 2(e) and 2(u).

	2013	2012
	\$'000	\$'000
Reconciliation of the Provision for Utilities Regulation Costs		
Provision for Utilities Regulation Costs at the Beginning of the Reporting Period	857	230
Increase in Provision for Annual Licence Fee Determination - Current Year Estimate	905	878
Increase in Provision for Annual Licence Fee Determination - Prior Year Adjustment	-	107
Reduction in Provision for Annual Licence Fee Determination - Prior Year Adjustment	(208)	-
Reduction in Provision for Commission Regulatory Costs	(93)	(216)
Reduction in Provision for ESDD Payments and Trade Creditors	(501)	(38)
Reduction in Provision for ACAT Payments and Trade Creditors	(60)	(104)
Provision for Utilities Regulation Costs as at the End of the Reporting Period	900	857

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'). The ACT Government Accommodation Framework requires agencies to account for fit-outs and Australian Accounting Standard AASB 116 Property, Plant and Equipment paragraph 16(c) requires the cost of dismantling and removal of items (also known as Make Good) to be included.

	2013	2012
	\$'000	\$'000
Reconciliation of the Provision for Make Good		
Provision for Make Good at the Beginning of the Reporting Period	57	-
Increase in Provision due to unwinding of discount	3	6
Increase in Provision due to leases commenced during financial year	-	51
Provision For Make Good as at the End of the Reporting Period	60	57

Note 24 Financial Instruments

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Commission's financial assets are held in floating interest rate arrangements. However, the Commission has no financial liabilities that are subject to a floating interest rate. This means that the Commission's only exposure is to movements in interest receivable. The weighted average interest rate decreased from 4.24 percent for the year ended 30 June 2012 to 2.97 percent for the year ended 30 June 2013 and this has resulted in a reduction in the amount of interest received.

Interest rate risk for financial assets is managed by the Commission by only investing in floating interest rate investments that are low risk.

Sensitivity Analysis

A sensitivity analysis has not been undertaken for interest rate risk as it has been determined that the possible impact on income and expenses or total equity from fluctuations in interest rates is immaterial.

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 allowance for impairment. Credit risk is managed by investing surplus funds with the Commonwealth Bank resulting in an insignificant credit risk. The Commonwealth Bank has a banking deposit rating of Aa2 stable rating (Moody's - June 2013). These funds are held in on-demand deposits.

Nearly all receivables consist of fees charged to ACT Government agencies and other entities with strong credit histories. These agencies and entities are generally 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 bank accounts 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 and the management of this risk has not changed since the previous reporting period.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Commission has assessed its exposure to price risk as low given the nature and limited amount and values of its financial instruments.

Note 24 Financial Instruments - Continued**Fair Value of Financial Assets and Liabilities**

The fair value of cash and cash equivalents is the carrying value recorded in the Balance Sheet. The carrying amounts and fair values of financial assets and liabilities at the end of the reporting period are:

	Carrying Amount 2013 \$'000	Fair Value 2013 \$'000	Carrying Amount 2012 \$'000	Fair Value 2012 \$'000
Financial Assets				
Cash and Cash Equivalents	1,954	1,954	1,760	1,760
Receivables	748	748	1,029	1,029
Total Financial Assets	2,702	2,702	2,789	2,789
Financial Liabilities				
Payables	176	176	471	471
Total Financial Liabilities	176	176	471	471

Note 24 Financial Instruments - Continued

The following tables set out the Commission's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2012 and 30 June 2013. All financial assets which have a floating interest rate or are non-interest bearing will mature in one year or less. All financial assets and liabilities appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2013

Financial Instruments	Note	Weighted Average Interest Rate	Floating Interest Rate \$'000	Fixed Interest maturing in:			Non- Interest Bearing \$'000	Total \$'000
				1 Year or Less \$'000	Over 1 Year to 5 Years \$'000	Over 5 Years \$'000		
Financial Assets								
Cash and Cash Equivalents	17	2.97%	1,954	-	-	-	-	1,954
Receivables	18		-	-	-	-	748	748
Total Financial Assets			1,954	-	-	-	748	2,702
Financial Liabilities								
Payables	20		-	-	-	-	176	176
Total Financial Liabilities			-	-	-	-	176	176
Net Financial Assets / (Liabilities)			1,954	-	-	-	572	2,526

2012

Financial Instruments	Note	Weighted Average Interest Rate	Floating Interest Rate \$'000	Fixed Interest maturing in:			Non- Interest Bearing \$'000	Total \$'000
				1 Year or Less \$'000	Over 1 Year to 5 Years \$'000	Over 5 Years \$'000		
Financial Assets								
Cash and Cash Equivalents	17	4.24%	1,760	-	-	-	-	1,760
Receivables	18		-	-	-	-	1,029	1,029
Total Financial Assets			1,760	-	-	-	1,029	2,789
Financial Liabilities								
Payables	20		-	-	-	-	471	471
Total Financial Liabilities			-	-	-	-	471	471
Net Financial Assets			1,760	-	-	-	558	2,318

Note 24 Financial Instruments - Continued

		2013	2012
		\$'000	\$'000
Carrying Amount of Each Category of Financial Asset and Financial Liability			
Financial Assets			
Loans and Receivables	Note 18	748	1,029
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost	Note 20	176	471

The Commission does not have any financial assets in the 'Financial Assets at fair value through Profit and Loss' category, 'Available for Sale' category or the 'Held to Maturity' category. As such these categories are not included above. Also, the Commission does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category. As such, this category is also not included above.

Fair Value Hierarchy

The Commission does not have any financial assets or liabilities measured at fair value. As such no fair value hierarchy disclosures have been made.

Note 25 Commitments

	2013	2012
	\$'000	\$'000
Operating Lease Commitments - Plant and Equipment		
Non-Cancellable operating lease commitments are payable as follows:		
Within one year	27	46
Later than one year but not later than five years	14	9
Total Operating Lease Commitments - Plant and Equipment	<u><u>41</u></u>	<u><u>55</u></u>

All of the Commission's Operating Lease Commitments relate to Information and Communication Technology equipment leased from Shared Services ICT.

Note 26 Cash Flow Reconciliation

(a) Reconciliation of Cash and Cash Equivalents at the end of the reporting period in the Cash Flow Statement to the equivalent items in the Balance Sheet.

	2013	2012
	\$'000	\$'000
Total Cash and Cash Equivalents Recorded in the Balance Sheet	1,954	1,760
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	1,954	1,760
(b) Reconciliation of Net Cash (Outflows)/Inflows from Operating Activities to the Operating Surplus		
Operating Surplus	301	251
Add/(Less) Non-Cash Items		
Resources Received Free of Charge	-	(200)
Depreciation of Plant and Equipment	54	14
Borrowing Costs	2	6
Losses from the Disposal of Assets	70	-
Cash Before Changes in Operating Assets and Liabilities	427	71
Changes in Operating Assets and Liabilities		
Decrease/(Increase) in Receivables	280	(986)
(Decrease) in Payables	(4)	(107)
(Decrease)/Increase in Employee Benefits	(18)	84
(Decrease)/Increase in Other Liabilities	(200)	172
Increase in Other Provisions	43	627
Net Changes in Operating Assets and Liabilities	101	(211)
Net Cash Inflows /(Outflows) from Operating Activities	528	(140)

Note 27 Waivers, Impairment Losses and Write-offs

Under Section 131 of the *Financial Management Act 1996* the Treasurer may, in writing, waive the right to payment of an amount payable to the Territory.

A waiver is the relinquishment of a legal claim to a debt. The write-off of a debt is the accounting action taken to remove a debt from the books but does not relinquish the legal right of the Commission to recover the amount. The write-off of debts may occur for reasons other than waivers.

No waivers, impairment losses or write-offs have occurred during the reporting period for the Commission (2011-12: Nil).

Note 28 Contingent Liabilities

There are no known contingent liabilities as at 30 June 2013 (2011-12: Nil).

Note 29 Events Occurring After Balance Date

There were no events occurring after balance date that had a material effect on the Financial Statements in the current reporting period or in future reporting periods.

Appendix 2 Statement of performance

Auditor's opinion on the statement of performance

Statement of responsibility

Independent Competition and Regulatory Commission – Statement of non-financial performance for the year ended 30 June 2013



ACT AUDITOR-GENERAL'S OFFICE



A13/32

Ms Ranjini Nayager
Chief Executive Officer
Independent Competition and Regulatory Commission
Level 8, 221 London Circuit
CANBERRA CITY ACT 2601

Dear Ms Nayager *Ranjini*

**INDEPENDENT COMPETITION AND REGULATORY COMMISSION
REPORT OF FACTUAL FINDINGS ON THE STATEMENT OF PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2013**

The Audit Office has completed the review of the statement of performance of the Independent Competition and Regulatory Commission for the year ended 30 June 2013.

I have attached the statement of performance and unqualified report of factual findings.

I have provided a copy of the statement of performance and report of factual findings to the Treasurer, Mr Andrew Barr MLA.

Yours sincerely

Bernie Sheville
Director, Financial Audits
10 September 2013

c.c. Mr Malcolm Gray, Senior Commissioner



ACT AUDITOR-GENERAL'S OFFICE



ACT
Government

REPORT OF FACTUAL FINDINGS

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

To the Members of the ACT Legislative Assembly

Report on the statement of performance

The statement of performance of the Independent Competition and Regulatory Commission (the Commission) for the year ended 30 June 2013 has been reviewed.

Responsibility for the statement of performance

The Chief Executive Officer of the Commission is responsible for the preparation and fair presentation of the statement of performance in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate records and internal controls that are designed to prevent and detect fraud and error, and the systems and procedures to measure the results of the accountability indicators reported in the statement of performance.

The auditor's responsibility

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, I am responsible for providing a report of factual findings on the statement of performance.

The review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide assurance that the results of the accountability indicators reported in the statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Commission, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

The review did not include an assessment of the relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets.

No opinion is expressed on the accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations.

Electronic presentation of the statement of performance

Those viewing an electronic presentation of this statement of performance should note that the review does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from this statement of performance. If users of this statement of performance are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the reviewed statement of performance to confirm the accuracy of this electronically presented information.

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the review.

Review opinion

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the Commission for the year ended 30 June 2013, are not fairly presented in accordance with the *Financial Management Act 1996*.

This review opinion should be read in conjunction with the other information disclosed in this report.

Bernie Sheville
Director, Financial Audits
10 September 2013



ICRC

independent competition and regulatory commission

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

Statement of Performance For the Year Ended 30 June 2013

Statement of Responsibility

In my opinion the Statement of Performance is in agreement with the Commission's records and fairly reflects the service performance of the Commission for the year ended 30 June 2013 and also fairly reflects the judgements exercised in preparing it.

Ms Ranjini Nayager
Chief Executive Officer
Independent Competition and Regulatory Commission
05 September 2013

Description of objectives

To provide economic regulatory services and advice in accordance with the objects set out in the *Independent Competition and Regulatory Commission Act 1997* and *Utilities Act 2000*, and their associated codes, including licensing utility services, monitoring utility performance and compliance and determining prices for regulated services.

Table A1 Statement of performance for the year ended 30 June 2013

Statement of intent accountability indicators	Original target 2012–13	Actual result 2012–13	% Variance from original target	Explanation of material variances
Water and retail electricity pricing	Annual price adjustments ¹	1	–	
Feed-in tariff advice	1 Annual Report ²	1	–	
Utilities compliance and performance	1 Report ³	1 Report	–	
Greenhouse gas emissions abatement scheme compliance	1 Report ⁴	1 Report	–	
Greenhouse gas emissions and targets	1 Report ⁵	1 Report	–	
Utility licence fees (water, wastewater, and energy sector utilities not subject to energy industry levy)	1 Determination ⁶	2 Determinations	100%	Two determinations were made. One determination was made for the year ending 30 June 2013. The second determination was an amendment to the licence fee determination made for the year ending 30 June 2012.
Utility levies (energy sector)	3 Determinations ⁷	3 Determinations	–	
Advice on referred matters	Subject to receipt of references	1 Report	–	Released final report and price direction for water and sewerage services in June 2013.

Explanation of accountability indicators for the year ended 30 June 2013

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

Notes

1. The Commission's final retail price adjustment for franchise electricity customers for the period 2013-2014 was made on 14 June 2013.
2. The Commission meets its feed-in tariff advice annual reporting requirements through the release of four reports, of which three are quarterly summaries and one is annual.
3. The Commission released a compliance and performance report for 2010–11 for licensed electricity, gas, water and sewerage utilities in 2012–13.
4. The Commission prepared an annual report on the 2012 compliance year and reported on activities in the period to 30 December 2012 in 2012-2013 as required under the *Electricity (Greenhouse Gas Emissions) Act 2004*.
5. The Commission prepared annual reports by 30 September annually as required by the *Climate Change and Greenhouse Gas Reduction Act 2010* and by the Service Level Agreement with the Environment and Sustainable Development Directorate.
6. The Commission determined the annual licence fee payable by licensed utilities under the *Utilities Act 2000* in 2012–13.
7. The Commission made three determinations under Part 3A of the *Utilities Act 2000* for the 2012–13 financial year on 1 October 2012. 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 above Accountability Indicators were reviewed by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

Appendix 3 Contact officers, website address and other sources of information

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

Subject	Contact name and details
Overview of Commission performance Freedom of information Human resources	Ranjini Nayager (CEO) (02) 6205 0799 (02) 6207 5887 fax ranjini.nayager@act.gov.au www.icrc.act.gov.au
Electricity pricing Water and sewerage pricing	Senior Commissioner Malcolm Gray (02) 6205 0799 (02) 6207 5887 fax malcolmR.Gray@act.gov.au www.icrc.act.gov.au
Competitive neutrality matters	Commissioner Mike Buckley (02) 6205 0799 (02) 6207 5887 fax mike.buckley@act.gov.au www.icrc.act.gov.au
Utilities licensing Utilities compliance and performance monitoring and reporting	Ranjini Nayager (CEO) (02) 6205 0799 (02) 6207 5887 fax ranjini.nayager@act.gov.au www.icrc.act.gov.au
ACT Greenhouse Gas Abatement Scheme (ACT GGAS) Electricity Feed-in Scheme	Ranjini Nayager (CEO) (02) 6205 0799 (02) 6207 5887 fax ranjini.nayager@act.gov.au www.icrc.act.gov.au

Appendix 4 Commission publications, 2012–13

Papers and reports

- Report 5 of 2012: ACT Greenhouse Gas Abatement Scheme – Addendum to Compliance and operation of the scheme for the 2011 compliance year (December 2012)
- Report 6 of 2012: Final Report - Secondary Water Use in the ACT (July 2012)
- Report 7 of 2012: Community Consultation Paper: Possible Price Outcomes – Regulated Water and Sewerage Services 2013-2018 (September 2012)
- Report 8 of 2012: Annual Report 2011-12 (September 2012)
- Report 9 of 2012: Licensed Electricity, Gas, Water and Sewerage Utilities – Compliance & Performance Report for 2010-11 (November 2012)
- Report 10 of 2012: Licensed Electricity, Gas, Water & Sewerage Utilities – Compliance & Performance Report for 2010-11 (November 2012)
- Report 11 of 2012: ACT Greenhouse Gas Abatement Scheme - Compliance and operation of the scheme for the 2012 compliance year (December 2012)
- Report 1 of 2013: Draft Report – Regulated Water and Sewerage Services (February 2013)
- Report 2 of 2013: Proposed Price Direction - Regulated Water and Sewerage Services (February 2013)
- Report 3 of 2013: Retail Prices for Franchise Electricity Customers – Energy Purchase Cost Information Paper (April 2013)
- Report 4 of 2013: Final Decision – Retail Price Adjustment for Franchise Electricity Customers 2013-2014 (June 2013)
- Report 5 of 2013: Final Report – Regulated Water and Sewerage Services (June 2013)
- Report 6 of 2013: Price Direction – Regulated Water and Sewerage Services (June 2013)

ACT Electricity Feed-in Scheme summary reports

ACT Electricity Feed-in Scheme Summary Report (1 March 2009 – 30 June 2012)

ACT Electricity Feed-in Scheme Summary Report (1 March 2009 – 30 September 2012)

ACT Electricity Feed-in Scheme Summary Report (1 March 2009 – 31 December 2012)

ACT Electricity Feed-in Scheme Summary Report (1 March 2009 – 31 March 2013)

Glossary and Abbreviations

ACAT	ACT Civil Administrative Tribunal
ACT	Australian Capital Territory
ACT GGAS	ACT Greenhouse Gas Abatement Scheme
AWA	Australian Workplace Agreements
CALD	Culturally and linguistically diverse
CEO	Chief Executive Officer
CO ₂ -e	carbon dioxide equivalent
ESDD	Environment and Sustainable Development Directorate
FOI Act	<i>Freedom of Information Act 1989</i>
FTE	full-time equivalent
GGI	Greenhouse Gas Inventory
Human Rights Act	<i>Human Rights Act 2004</i>
ICRC Act	<i>Independent Competition and Regulatory Commission Act 1997</i>
JACSD	Justice and Community Safety Directorate
m ²	meters squared
NECF	National Energy Customer Framework
NEMMCO	National Electricity Market Management Company
NERL	National Energy Retail Law
OH&S	Occupational Health and Safety
SEA	Special Employment Arrangements
Utilities Act	<i>Utilities Act 2000</i>

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