



# ICRC

independent competition and regulatory commission

Annual Report  
**2011–12**

Report 8 of Year 2012

September 2012

The Independent Competition and Regulatory Commission (the Commission) was established by the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act) to determine prices for regulated industries, advise government about industry matters, advise on access to infrastructure, and determine access disputes. We have responsibilities under the ICRC Act for determining competitive neutrality complaints and providing advice about other government-regulated activities. Under the *Utilities Act 2000*, we have responsibility for licensing utility services and ensuring compliance with licence conditions.

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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 2011 to 30 June 2012 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

13 September 2012

Ms Ranjini Nayager  
Chief Executive Officer

13 September 2012





## Commissioners' comments

In 2011–12 the Commission continued the processes it commenced in 2010–11 to build on its internal capacity to meet the more diverse range of activities it anticipates that it will be required to deliver on.

As part of these process, the Commission relocated from the temporary accommodation in which it had operated for a number of years. The Commission appointed a new CEO, Ranjini Nayager; initiated recruitment of new staff to meet anticipated vacancies; and instituted management arrangements to further build internal capacity. We would like to acknowledge the efforts of our former CEO, Shelley Schriener, and thank her for the contribution she made to the Commission since 2008. It is also appropriate to acknowledge the contribution made by a previous CEO of the Commission, Ian Primrose, in filling the breach following Shelley's departure until a new CEO could be appointed.

The Commission's work program includes utility performance and environmental monitoring roles, licensing of utilities, conducting price determinations for ACTEW water and wastewater services and approving retail electricity prices for ActewAGL's franchise customers. The Commission undertakes price determinations in response to industry references from the Treasurer. In September 2011, the Treasurer issued the Commission with the terms of reference for three industry investigations. The Commission also receives regulatory references that deal with investigations into a competitive neutrality compliant or a government regulated activity. In 2011–12 the Commission was not required to undertake a regulatory investigation.

Monitoring (and regulating) the performance of electricity, gas and water utilities in the ACT is undertaken in consultation with the Technical Regulator and the ACT Civil and Administrative Tribunal (ACAT). The Commission prepares an annual report summarising utilities' compliance with their statutory obligations and a complementary report commenting on the annual performance of individual businesses over time. This report is a mechanism for confirming compliance with the *Utilities Act 2000*. As noted below, the Utilities Act has been amended, and it is now appropriate to review the scope and purpose of this monitoring activity to ensure the ongoing relevance of the annual compliance report.

The Commission had responsibility for the licensing of electricity, gas and water utilities in the ACT and the approval of their standard customer contracts under the Utilities Act. On 1 July 2012 the National Energy Customer Framework (NECF) began in the ACT, and the Australian Energy Regulator took on the functions of regulating retail energy markets (non-distribution business) under the NECF.

The transfer of retail energy regulatory functions to the Australian Energy Regulator did not affect the Commission's remaining regulatory roles in relation to electricity distribution, gas distribution and gas transmission. For these services, the Commission retains responsibility for licensing and the monitoring of compliance with licence conditions. The Commission has worked and continues to work with the national regulator to streamline dual reporting obligations and increase the regulatory interface.

The Commission will continue to be the regulator responsible for setting regulated retail electricity prices for the Territory.

In preparation for the start of the NECF, the Commission reviewed and amended its utility guidelines established under the Utilities Act. These amendments took effect from 1 July 2012. The Commission will continue to review the regulatory framework and liaise as the new regulatory regime is made operational.

The Commission prepared its first ACT greenhouse gas inventory report in September 2011. The report compiled an inventory of emissions in the 2008–09 financial year. This followed preparation of advice to the Minister for the Environment and Sustainable Development on the methodology for measuring ACT greenhouse gas emissions. The report is prepared as a requirement of the Climate Change and Greenhouse Gas Reduction Act 2010. The Commission will review the methodology for measuring the ACT's emissions in 2012–13 to assess whether the accuracy and comprehensiveness of the inventory can be improved. The Commission is also required to report on progress towards the government's renewable energy target and is undertaking further work to ensure that this is accurately reported.

The ACT's greenhouse gas abatement scheme established in 2005 under Section 57 of the *Electricity (Greenhouse Gas Emissions) Act 2004* (ACT) ended on 1 July 2012. The Commission completed its final full-year report on electricity retailers' compliance with the scheme for the year ending December 2011. The Commission will prepare an additional report for the six months ending 30 June 2012. The establishment of the national carbon pricing regime removed the need for NSW and the ACT to maintain the emissions reduction scheme established by the NSW Government in 2003.

Although the ACT feed-in tariff scheme (for microgenerators) closed on 13 July 2011, the Commission will continue to report quarterly on the connection of renewable generators to the electricity distribution network, the installed capacity of renewable generators, the metered output of renewable generators and the payments made to the owners of these generators for the electricity produced.

The Commission's monitoring activities will be further broadened in 2012–13 following the government's decision to accept the recommendation of the ACT Taxation Review (the Quinlan review) to abolish stamp duty on insurance premiums over the five years starting on 1 October 2012. The Commission will monitor the flow-through of the reduction in insurance premiums to ACT consumers and businesses.

The Commission determines the prices that ACTEW can charge for its water and wastewater services. The Commission approved an increase in these service charges of 4.39% from 1 July 2012. The increase was in accordance with the Commission's 2008 determination. The Commission began the public process of developing the 2013–18 water and wastewater price determination in February 2012 with the release of an issues paper. The Commission noted that central to the 2013–18 price determination will be the issue of how the costs of water security initiatives developed in response to the drought are recovered and whether there is scope to mitigate these

costs going forward. The Commission received seven submissions in response to the issues paper.

In addition to starting the 2013–18 water and wastewater price determination, the Commission completed its review of secondary water use in the ACT. That review, among other things, considered the operation of the ACT's target on water use and the merits of using secondary water as an alternative to water from ACTEW's reticulated water network. The Commission found that while our dams remain close to capacity, it is more cost effective to meet our water requirements from the ACTEW network rather than to develop secondary water use options.

The secondary water review also assessed the implementation of the Canberra Integrated Urban Waterways Project, which began in 2007 as part of an arrangement with the Australian Government. The project was intended to develop an integrated waterways master plan for several ACT catchments to achieve objectives related to stormwater reuse, water quality management drainage and flood management, wetland landscaping, and aquifer storage and recovery. This initiative was initially budgeted to cost \$17 million, \$3.5 million of which was to be met by the ACT Government. As at June 2012 the program is budgeted to cost \$61 million, \$50.8 million of which is to be met by the ACT Government. The Commission's report recommended that the project be limited to the Inner North pilot stormwater reticulation network. The government announced in the Budget that the Weston Creek network will not be implemented. The Commission also understands that the Tuggeranong pilot tender has been withdrawn.

The Commission made 12 recommendations in its *Final Report – Secondary Water Use in the ACT*. The Commission considers that its recommendation that the government develop an adaptive and integrated water supply and demand framework is a necessary step to better define the roles, responsibilities and accountabilities of decision-makers and service providers. Such a framework is also needed to ensure that the ACT's water security objective is clear and measurable, and that it can be met at least economic, social and environmental cost.

The Commission drew attention to cost overruns in delivering capital works projects in both the issues paper prepared for the determination of water and wastewater charges and the review of secondary water use. While the Commission has yet to consider the efficiency and prudence of ACTEW's capital works expenditures incurred since 2008, the Commission notes that both reports drew attention to projects that ultimately cost considerably more than their initial budget. If the final project costs prove to be reflective of the efficient cost for the actual works completed, it remains open whether a decision maker would have approved the construction of the project had its true cost been known at the time the decision to proceed with the project was made.

Improving the quality and affordability of utility services for consumers is an important contribution to the wellbeing of the ACT community. The cost of living can be affected by regulatory decisions that seek to restrict or direct how services are provided. In preparing the report on secondary water use, the Commission became aware of aspects of water-sensitive urban design regulations that impose costs on developers and subsequently on the Territory and Municipal Services Directorate and other property

owners. Where costs such as these are imposed, it is important that social and environmental objectives be clearly specified and that the arrangements be reviewed to ensure that expected benefits are achieved. The Commission has recommended that the planning approval process be reviewed to ensure that code requirements are achieved in an efficient and effective manner.

In April 2011, the Commission completed a review of the ACT racing industry. In June 2012, the ACT Government announced that it had accepted the Commission's recommendation to explore the viability of co-locating the three racing codes physically and administratively.

The Commission also completed a review of its methodology for approving ActewAGL's retail electricity charges for its franchise customers in 2012–14. The review followed a direction from the Treasurer in September 2011 for an industry investigation. The review had to take particular account of the impact of the introduction from 1 July 2012 of the carbon price on electricity generators. As a result of developments in the wholesale electricity market, the Commission changed its approach to assessing wholesale electricity costs in 2012–13. The Commission now considers that carbon-exclusive over-the-counter contract prices as reported by ICAP, a leading interdealer broker, provide the best estimate of ActewAGL's wholesale electricity costs. The Commission will review the operation of the wholesale electricity market in early 2013 to confirm the robustness of the methodology as part of the process of determining the regulated retail electricity price for 2013–14. As a consequence of the 2012–13 determination, ActewAGL Retail increased its regulated retail electricity prices by an average of 17.74% from 1 July 2012.

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 on 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 the Commission to prepare a report under the *Annual Reports (Government Agencies) Act 2004*. The Chief Minister's *2011–2012 Annual Report Directions*<sup>1</sup> 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
- 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 Role and functions**

Our roles and responsibilities are established under the ICRC Act and the *Utilities Act 2000* (the Utilities Act). Together, the Acts set out the Commission's functions as:

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

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<sup>1</sup> Annual Reports (Government Agencies) Notice 2012 (No 1) NI2012-293.

- monitoring compliance with the licence conditions
- approving and reviewing standard customer contracts and industry codes for utility services.

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

Our objectives are defined in the ICRC Act and the Utilities Act.

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

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

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

- 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 ACAT<sup>2</sup> or the director-general under Part 5 (technical regulation)<sup>3</sup> is properly considered
- to ensure that the government's programs concerning the provision of utility services are properly addressed

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<sup>2</sup> Part 11 (Certain causes of action against customer) and Part 12 (Complaints to ACAT about utilities) establish a role for ACAT in relation to utilities. Section 174 (Advising Minister etc about systemic problems) provides that if the ACAT considers that applications under Part 12 indicate a systemic problem in relation to the operation of the Part or to other matters which have come to its attention in the course of exercising its functions under the Part, ACAT must tell the minister and the Commission about the problem.

<sup>3</sup> The director-general under Part 5 of the Utilities Act was the chief executive of the ACT Planning and Land Authority to 16 May 2011. Under the Administrative Arrangements (No. 1) NI2011-244, and the subsequent Administrative Arrangements (No. 2) NI2011-351, which took effect from 1 July 2011, Part 5 is a responsibility of the Minister for the Environment and Sustainable Development, and the 'Technical Regulator' is the director-general of the Environment and Sustainable Development Directorate. Section 66 of the Utilities Act requires the director-general to report at least annually to the Commission on the operation of Part 5 (Technical regulation).

- to give effect to directions of the minister under section 19 (which may only be given to ensure the achievement of the objects set out in the subsections above).

The 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 we are ethical and professional in everything we do. We 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 our staff are aware of the values and principles that guide public administration, which are set out in the *Public Sector Management Act 1994* and underpin the ACT Public Service Code of Ethics. Those principles are:

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

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

The Commissioners and Commission staff, 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
- encourage, support, develop and challenge our staff.

### **A.1.3 Structure**

We are an independent body established by the ACT Government and report to the Treasurer under administrative arrangements effective from 1 July 2011.<sup>4</sup> The Commission can be constituted by one or more standing commissioners and any associated commissioners appointed for particular purposes, with at least one Senior Commissioner.

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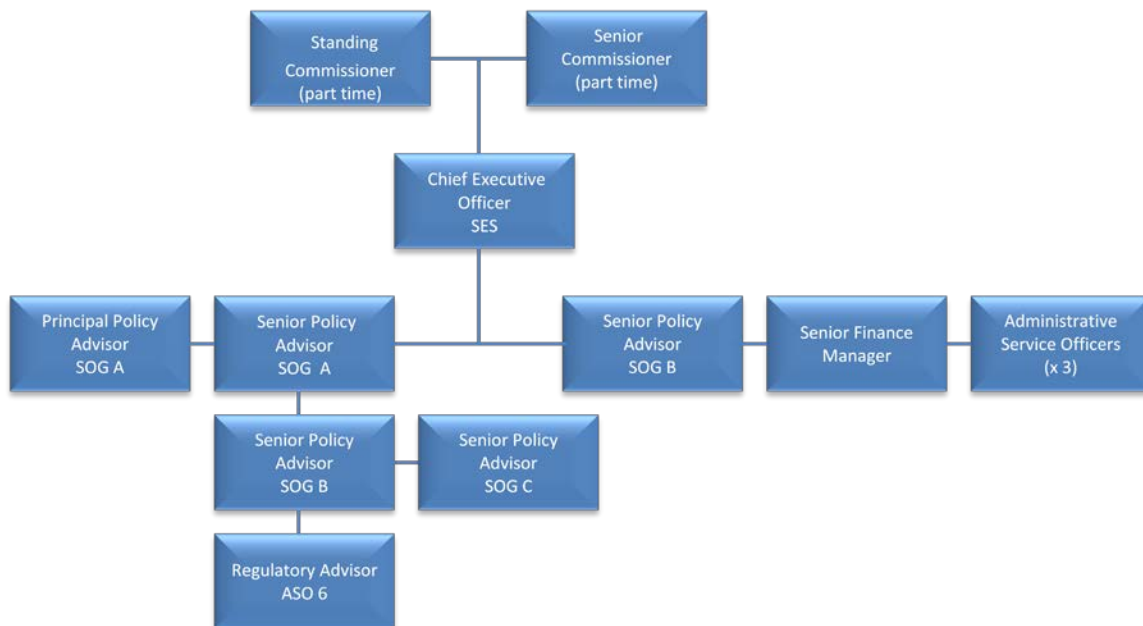
<sup>4</sup> Before 17 May 2011, we were in the Attorney General's portfolio. Under the administrative arrangements of 16 May 2011 (NI2011-244), we became part of the Treasurer's portfolio. These arrangements continued under the administrative arrangements of 1 July 2011 (NI2011-351).



Figure 1 shows the structure at 30 June 2012.

Our secretariat provides the primary support for our activities and in 2011–12 had a staffing complement of ten officers. In addition, we make periodic use of external consultants and fixed-term appointments to complement the capabilities of our staff and to ensure that we are able to meet our ongoing responsibilities.

**Figure 1 Organisational structure at 30 June 2012**



ASO = Administrative Service Officer; SOG = Senior Officer Grade.

#### **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 members of the ACT community generally. We are also a participant in a wider community of national and interjurisdictional regulatory bodies and other intergovernmental regulatory forums.

### **A.2 Overview of performance in 2011–12**

#### **A.2.1 Overview**

We undertook a substantial volume of work during 2011–12 – the completion of a review of secondary water use in the ACT and a context paper on water in the ACT – and commenced the review of water and sewerage services pricing for 2013–18. We also determined the retail price for electricity for 2012–14. 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 abatement scheme (ACT GGAS), and discharged our responsibilities under the *Climate*



*Change and Greenhouse Gas Reduction Act 2010* by reporting on the ACT's greenhouse gas emissions for 2008–09.

We continued to work cooperatively with the lead policy directorate – Environment and Sustainable Development Directorate – on the implementation of the National Energy Customer Framework (NECF) in the ACT and with the national energy regulator, the Australian Energy Regulator to effect the orderly transfer of responsibilities on 1 July 2012. As a consequence of the introduction of NECF in the ACT, we reviewed all industry codes to ensure that they are consistent with the NECF arrangements. All amendments or revocations took effect on 1 July 2012.

### **A.3 Highlights of performance in 2011–12**

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

#### **A.3.1 Determination of retail prices for non-contestable electricity customers (2011–12)**

In September 2011, the Treasurer referred to us the provision of 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 an issues paper in December 2011, a draft report in April 2012 and the final decision on 8 June 2012. The terms of reference required us to have regard to the price on carbon, which had recently been enacted. Reviewing the changes this brought about in the wholesale electricity market caused us to change our data sources for estimating the purchase cost of electricity.

#### **A.3.2 Secondary water use in the ACT**

On 21 September 2011, the ACT Treasurer issued a reference for us to inquire into secondary water use in the Territory. The reference was issued under the ICRC Act.<sup>5</sup> The terms of reference required us to:

- report on opportunities for a commercial market in greywater in both commercial and domestic applications and in new construction and retro-fits, and the ACT Government's urban waterways and stormwater harvesting programs and their associated built wetlands
- include consideration of the economic, environmental and social costs and benefits of the matters set out above, with and without the Basin Plan, to the extent possible given that the Basin Plan is under development.

We completed and transmitted our final report on the investigation to the Treasurer on 2 July 2012.<sup>6</sup>

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<sup>5</sup> Independent Competition and Regulatory Commission (Inquiry into Secondary Water Use) Terms of Reference, Determination 2011 DI2011–255.

### A.3.3 Water and sewerage pricing

On 13 October 2011, the Treasurer referred to us the making of a price direction for regulated water and sewerage services provided by ACTEW Corporation Limited for the period 1 July 2013 to 30 June 2018. We are required to report by 1 May 2013.<sup>7</sup>

### A.3.4 Transfer of energy retail regulation to the Australian Energy Regulator

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

The ACT legislation implementing the NECF in the ACT was passed on 6 June 2012 by the ACT Legislative Assembly. The *National Energy Retail Law (Consequential Amendments) Act 2012* made consequential amendments to the following legislation administered by us:

- *Electricity Feed-in (Renewable Energy Premium) Act 2008*
- *Electricity (Greenhouse Gas Emissions) Act 2004*
- *Electricity (Greenhouse Gas Emissions) Regulation 2004*
- *Independent Competition and Regulatory Commission Act 1997*
- *Utilities Act 2000.*

We varied or revoked industry codes to ensure consistency with the NECF arrangements. The new industry code arrangement took effect on 1 July 2012 in line with the NECF.

### A.3.5 Other regulatory activities under the ICRC Act

#### Access agreements

Our responsibilities for access agreements in relation to infrastructure facilities are set out in Part 5 of the ICRC Act. During 2011–12, 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 to us of disputes in relation to an access regime for arbitration. During 2011–12, no disputes were referred to us.

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<sup>6</sup> Report 6 of 2012, *Final report—Secondary water use in the ACT, July 2012.*

<sup>7</sup> In February 2012 we released an issues paper (Issues Paper. Regulated water and sewerage services 2013-18, Report 1 of 2012) inviting submissions on matters raised in the paper and any other relevant issues. A total of seven submissions were received by the due date of 30 March 2012. A draft report is scheduled for release in November 2012 with submissions on the draft sought by February 2013.

### **Notices issued under section 41**

Section 41 of the ICRC Act provides that we can, by written notice, require a person to give us information or a document that may assist us in exercising our functions. We did not issue any notices under section 41 during 2011–12.

### **Competitive neutrality complaints**

While we advanced consideration of two inquiries related to competitive neutrality, neither progressed to the status of a competitive neutrality complaint reference under section 19B of the ICRC Act.

### **Other functions exercised by the Commission under the ICRC Act**

Under section 12 of the ICRC Act, we may enter into assistance arrangements with any agency, body or person with the minister's written approval. During 2011–12, we entered into an arrangement with the Supermarket Competition Coordination Committee to assist the committee to monitor and report on supermarket competition matters in the ACT region.

#### **A.3.6 Ministerial directions**

Under section 19 (Ministerial directions) of the Utilities Act, the minister may give a written direction to us about the results we must achieve by licence conditions or industry codes. During 2011–12, we did not receive any ministerial directions under that provision.

#### **A.3.7 Utility licensing issues**

##### **Licence applications and grants**

During 2011–12, we received a single application to supply electricity in the ACT. At the request of the applicant, the application was suspended pending further advice from the applicant.

##### **Licence variations**

During 2011–12, we varied five licences.

##### **Licence surrenders**

We accepted one surrender of a utility licence in 2011–12.

##### **Licence revocations**

Section 42 of the Utilities Act allows us to revoke a utility licence in certain circumstances, including for the non-payment of licence fees. We revoked one electricity supply licence during 2011–12.

### **Licence exemptions**

Section 39 of the Utilities Act provides that we may exempt a utility from compliance with a condition of its licence in certain circumstances. The Commission did not exercise that power during 2011–12.

### **Licensees at 30 June 2012**

Table 1 lists the holders of utility licences at 30 June 2012.

**Table 1 Utilities licence holders at 30 June 2012**

| <b>Service</b>                          | <b>Licensees</b>  |
|---|---|
| Electricity distribution and connection | ActewAGL Distribution   |
| Electricity supply                      | ActewAGL Retail<br>AGL Sales Pty Limited<br>AGL Sales (Queensland Electricity) Pty Ltd<br>Aurora Energy Pty Ltd<br>Australian Power and Gas Pty Limited<br>Dodo Power & Gas Pty Ltd<br>ERM Power Retail Pty Ltd<br>Essential Energy<br>GoEnergy Pty Ltd<br>Momentum Energy Pty Ltd<br>Origin Energy Electricity Ltd<br>Powerdirect Pty Ltd<br>Red Energy Pty Ltd<br>SUN Retail Pty Ltd<br>TRUenergy Pty Ltd<br>TRUenergy Yallourn Pty Ltd |
| Gas transmission                        | East Australian Pipeline Limited  |
| Gas distribution and connection         | ActewAGL Distribution   |
| Gas supply                              | ActewAGL Retail<br>AGL Sales Pty Limited<br>Australian Power and Gas Pty Limited<br>Dodo Power & Gas Pty Ltd<br>Essential Energy<br>GoEnergy Pty Ltd<br>SUN Retail Pty Ltd<br>TRUenergy Pty Ltd   |
| Water supply and sewerage               | ACTEW Corporation Limited   |

### Licence fees and energy industry levy

The Utilities Act provides for us to determine annual licence fees for utilities. The fees cover a reasonable contribution towards the costs incurred, or expected to be incurred, by us, ACAT and the director-general under Part 5 (Technical regulation) (the Technical Regulator), who is currently located in the Environment and Sustainable Development Directorate.

We, through our chief executive officer who is the levy administrator, determine applicable regulatory costs for each levy year and for each energy industry sector before

1 October of the levy year. The administrator also determines the number of energy utilities that provide services in each energy industry sector during the levy year (the four sectors are electricity distribution, electricity supply, gas distribution and gas supply). During 2011–12, the administrator made three determinations consistent with the energy levy provisions of the Act.<sup>8</sup>

Following the commencement of the energy levy provisions, licence fees continued to be determined for utility services not subject to the energy levy – in particular, water, wastewater and gas transmission. We determined fees for those services not subject to the energy levy for the 2011–12 year in addition to those for water, wastewater and gas transmission utilities.<sup>9</sup>

### **A.3.8 Industry codes and guidelines**

The Utilities Act makes provision for the approval or determination of industry codes by us. Industry codes set out practices, standards and other matters involved in the provision of a utility service. We began a program of reviewing all industry codes and guidelines to ensure consistency with the NECF arrangements.

### **A.3.9 Standard customer contract variations**

Standard customer contracts are approved or determined by us for utility services provided to franchise water, sewerage, electricity distribution, electricity supply and gas distribution customers. During 2011–12, we approved a number of variations to the standard customer contract.

### **A.3.10 Compliance and performance monitoring**

The annual compliance and performance reports are the principal 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.

We postponed the publication of the 2010–11 report while we re-evaluated underlying data integrity. Consideration is being given to enhancing the accessibility of collected data, as well as the type of data being reported.

### **A.3.11 Greenhouse Gas Abatement Scheme**

The ACT Greenhouse Gas Abatement Scheme 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.

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<sup>8</sup> NI2011–578, NI2011–579 and NI2011–580.

<sup>9</sup> NI2011–624 and NI2011–686.

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
- 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.

In June 2012, we provided the Minister for the Environment and Sustainable Development with the seventh annual report on the scheme's operation. The report covered the 2011 compliance year.

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. The discontinuation of the GGAS is a result of the introduction of the Commonwealth carbon pricing mechanism. Our role as regulator of the scheme will also end.

#### **A.3.12 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 2011–12, we continued publishing quarterly reports on participation in the scheme and the amount of energy supplied through the scheme.

#### **A.4 Outlook**

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

In the year ahead, we are undertaking an inquiry to determine pricing for water and sewerage services for the period from 1 July 2013 to 30 June 2018. As part of an overall process of review and change management, we may review our regulatory pricing models for water and sewerage services and retail electricity. We will continue to oversee the regulatory regime for licensed utilities.

We will prepare the ACT greenhouse gas inventory for 2010–2011 by September 2012, including a review of the methodology for measuring greenhouse gases to reflect changes in the approach to inventories nationally and internationally, and refinement in

data available, before applying the methodology to the preparation of the 2011 inventory.

#### **A.4.1 Responsibilities under the ICRC Act**

During 2012–13, we will continue to discharge our responsibilities under our enabling legislation. In particular, we will:

- review and determine water and sewerage prices for the five-year period from 1 July 2013
- review the most appropriate data source for the energy purchase cost model for the 2013–14 electricity retail price reset
- reset electricity retail prices (the transitional franchise tariff) for the period from 1 July 2013 to 30 June 2014, consistent with the current pricing determination
- 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 2012–13, we will continue to discharge our responsibilities under the Utilities Act, in particular by:

- 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
- determining licence fees and the energy industry levy.

#### **A.4.3 Responsibilities for the Electricity (Greenhouse Gas Emissions) Act**

During 2011–12, the Commission continued to discharge responsibilities for the GGAS under the Electricity (Greenhouse Gas Emissions) Act, in particular by:

- setting annual per capita benchmarks for greenhouse gas emissions reductions
- ensuring that electricity retailers in the ACT meet legislated targets for offsetting emissions
- reporting on compliance outcomes to the portfolio minister (the Minister for the Environment and Sustainable Development).

The Electricity Greenhouse Gas Emissions Abatement Scheme under this Act ceased on 1 July 2012, and we will complete a report for the last reporting period, that is, for the period from January 2012 to June 2012.

#### **A.4.4 Responsibilities under the Electricity Feed-in (Renewable Energy Premium) Act**

During 2012–13, we will continue to monitor and report on connection activity and tariff payments under the Electricity Feed-in Scheme for renewable energy generators.



#### A.4.5 Transfer of energy retail regulation to the Australian Energy Regulator

Section A.4.5 provides information on the national energy reform process as agreed by the Council of Australian Governments through the Australian Energy Market Agreement, including the implementation of the NECF in July 2012. During 2012–13, we expect to continue to review the regulatory framework to ensure that the regulatory framework is appropriate to the services provided in the ACT and that the transition of energy retail regulation to national arrangements has not had any unintentional negative consequences.

#### A.4.7 Competition and industry policy advice

During 2012–13, 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 our 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 Overview

##### Objectives

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.

Under the *Utilities Act 2000* (Utilities Act), we are responsible for managing the licensing framework for utility service providers in the ACT, including issuing licences and monitoring licence compliance. We have responsibility for industry codes of practice and approving standard customer contracts for franchise customers. Utility services covered by the Utilities Act are electricity, gas, and water and wastewater.

We are the regulator for the purposes of the *Electricity (Greenhouse Gas Emissions) Act 2004*, which establishes the Greenhouse Gas Abatement Scheme (GGAS Scheme). 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, and in monitoring compliance with the Electricity Feed-in Scheme through licence conditions for electricity suppliers and for ActewAGL Distribution. In 2010–11, 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 are set out in section 7 of the ICRC Act and section 3 of the Utilities Act.

## **Risk management**

Our vision is to secure better administrative and policy outcomes for the ACT Community.

Effective risk management is one of the keys to achieving this goal. We regard managing risk to be a fundamental activity, performed at all levels of the Commission.

Our risk management plan is approved by the Commissioners and implemented through the CEO and secretariat.

Our CEO and secretariat are responsible for implementing the risk management strategy and frameworks and for developing policies, controls, processes and procedures for identifying and managing risk across the Commission.

Our approach to risk management is that 'risk is everyone's business'.

We have developed an enterprise wide risk management approach to identifying, managing or mitigating risks. Specific areas of risk include:

- operational risk and
- financial risk.

We actively monitor and manage these risks. The sections below provide more detail on each of the areas.

### **Operational Risk**

Operations risk arises from inadequate internal processes, people and systems, or from external events such as non-performance under contracts. We have assessed that reputation risk is not included in operational risk. Areas of operational risk include:

- procurement contract management. We enter into a number of contracts in meeting our statutory objectives, including the use of consultants. We have instituted policies and procedures that proactively manage third-party risk through continuous evaluation of risk factors across the decision continuum. There were no instances of contractual non-performance in 2011–12.
- small professional workforce. We operate by utilising the resources of a small group of professional specialists. The work we are engaged in relies on the expertise of technical specialists. Where there is a gap in resources to meet our statutory objectives, consultants are engaged; where individuals with specialist skills and

expertise within our remit are identified, these individuals are engaged on a short-term contract basis.

## Financial risk

We define our key financial risk as the risk that we will not be able to pay our debts as and when they arise. Components of financial risk include fraud and mismanagement of funds. We have appropriate risk-management procedures to identify and manage financial risks. Examples of risk-management procedures include actively monitoring credit risk in areas such as cash and other receivables, and credit quality of assets. We have instituted procedures for purchasing appropriate to our nature, scale and size.

### A.5.2 Financial performance

The following financial information is based on audited financial statements for 2010–11 and 2011–12, and the forward estimates contained in the 2012–13 Budget Paper No. 4.

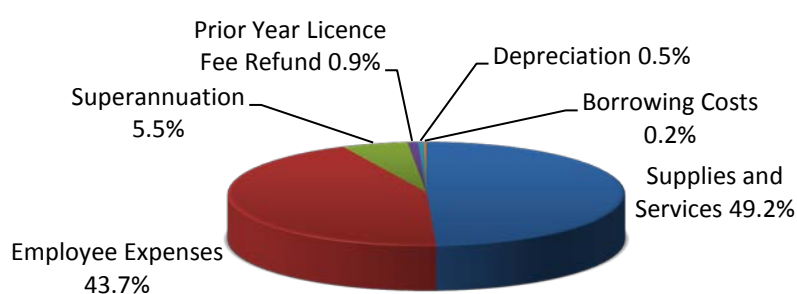
## Total expenditure

### Components of expenditure

Figure 2 indicates the components of our expenditure for 2011–12. The main components of expenditure are:

- supplies and services, representing **49.2% (\$1.416 million)**
- employee and superannuation expenses, representing **49.2% (\$1.415 million)**.

**Figure 2 Components of expenditure 2011–12**



### Comparison to budget

Total expenditure was **\$2.876 million** and was **\$0.585 million (25.5%)** higher than the Budget. The higher than budgeted result is largely attributed to Employee and Superannuation Expenses being **\$0.579 million** higher than budget due to temporary additional staff engaged to assist with Greenhouse Gas Inventory reporting, the

Secondary Water review, the Water Pricing review, and the implementation of the National Electricity Customer Framework.

### Comparison to 2010–11 Actual Expenditure

Total expenditure was **\$2.856 million** and was **\$0.536 million (22.9%)** higher than the 2010–11 actual result. The increase in expenditure result is largely attributed to employee and superannuation expenses increasing by **\$0.498 million** due to the temporary engagement of additional staff to assist with greenhouse gas inventory reporting, the secondary water review, the water pricing review, and the implementation of the NECF. Supplies and services costs also increased by **\$0.229 million** mainly due to the engagement of consultants to provide expert assistance with the secondary water and water pricing reviews.

### Future trends

For 2012–13, expenditure arising from the regulation of utilities and the discharge of our other statutory responsibilities is expected to remain relatively constant. We will incur lower costs for certain energy utility regulatory activities arising from changes to the licensing regime of retail energy markets, following the transfer of non-economic regulation to a national regulator. More generally, expenditure may vary over the forward estimates as a consequence of unanticipated references or other requests for our specialist services from government and non-government sources.

## Total income

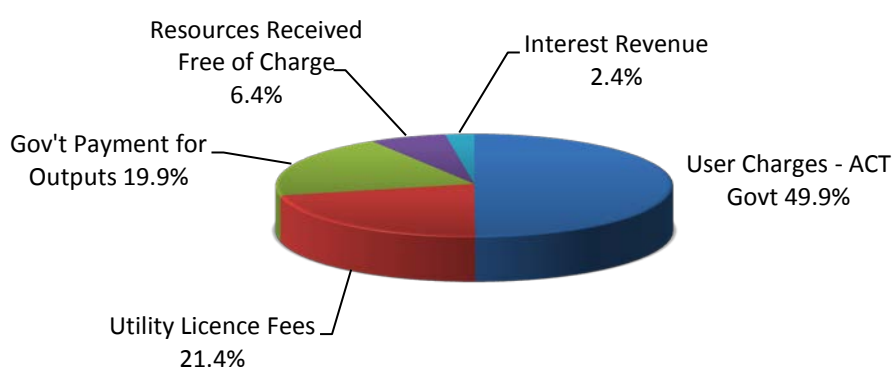
### Components of income

Figure 3 shows that our income in 2011–12 was derived from five sources:

- government payment for outputs (**\$0.621 million, 19.9%**) received from the ACT Government for the Commission's energy industry regulatory activities
- ACT Government user charges (**\$1.561 million, 49.9%**) received for the following activities:
  - a service-level agreement with the Treasury Directorate for services under the ICRC Act
  - a service-level agreement with the Environment and Sustainable Development Directorate for regulatory activities under the Electricity (Greenhouse Gas Emissions) Act
  - 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*
  - secondary water review
  - water pricing reviews.

- utility licence fees (**\$0.670 million, 21.4%**) that are collected directly from industry under the Utilities Act 2000 and cover our estimated costs and those of the Technical Regulator in the Environment and Sustainable Development Directorate and ACAT for regulatory services for water, sewerage and gas transmission utilities
- interest revenue (**\$0.075 million, 2.4%**)
- resources received free of charge (**\$0.200 million, 6.4%**) for resources provided to us from other ACT Government agencies at no cost to us.

**Figure 3 Components of income 2011–12**



### Comparison to budget

Revenue for 2010–11 was **\$3.127 million** and was **\$0.810 million (35.0%)** higher than budget. The variance in revenue to budget relates to:

- government payment for outputs were **\$0.106 million (20.6%)** higher than budget. The budget for these payments is based on historic figures and does not reflect the current costs being incurred by us to discharge our responsibilities for energy regulation. The higher-than-budgeted figure corresponds to the receipt of a Treasurer’s advance that partially addressed the increased costs for energy regulation in 2011–12
- ACT Government user charges were **\$0.380 million (32.2%)** higher than budget. This result corresponds to our activities in the areas of greenhouse gas inventory reporting, the secondary water review, and the water pricing review. Because of the non-recurrent and unpredictable nature of the activities recovered through user charges, it is difficult to accurately predict the value of costs to be recovered
- Utility licence fees collected were **\$0.101 million (17.8%)** higher than budget. The increase in revenue is due primarily to the estimated increased costs of technical regulation incurred by the Technical Regulator in the Environment and Sustainable Development Directorate

- Interest income was **\$0.075 million (44.2%)** higher than budget. The interest income increased because we had higher-than-budgeted cash balances during the year, principally because of utilities licence fees collected on behalf of the Technical Regulator and ACAT but not paid
- resources received free of charge were not budgeted for in 2011–12. The **\$0.200 million** that has been recognised corresponds to the contribution from the Economic Development Directorate towards the fit-out of our new office, as part of the Whole-of-government Accommodation Strategy.

### Comparison to 2010–11 actual income

Total revenue in 2011–12 was **\$3.127 million**, an increase of **\$1.281 million (69.4%)** from the 2010–11 result. The variance in revenue to the prior year relates to:

- government payment for outputs was **\$0.124 million (24.9%)** higher because we received a Treasurer’s advance that partially addressed the increased costs for energy regulation in 2011–12
- ACT Government user charges were **\$1.085 million (227.9%)** higher due to the non-recurrent activities in the areas of greenhouse gas inventory reporting, the secondary water review, and the water pricing review
- Utility Licence Fees were **\$0.122 million (15.4%)** lower primarily due a reduction in the cost of regulatory activities performed by us. This reduction was partially offset by an increase in the 2011–12 estimated costs of technical regulation activities performed by the Technical Regulator
- Interest was **\$0.006 million (7.4%)** lower, which reflects decrease in the average rate of interest on deposits from **4.54%** in 2010–11 to **4.24%** in 2011–12
- In 2010–11 there were no resources received free of charge. The \$0.200 million recognised in 2011–12 corresponds to the contribution from the Economic Development Directorate towards the fit-out of our new office.

### Future trends

For the year 2012–13, revenue arising from the regulation of utilities and the discharge of our other statutory responsibilities is expected to remain relatively constant. After that time, we will incur lower costs for certain energy utility regulatory activities. More generally, revenue may vary over the forward estimates as a consequence of unanticipated references or other requests for our services from government and non-government sources.

## A.5.3 Financial position

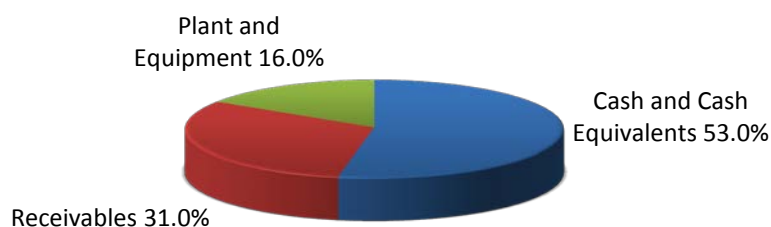
### Total assets

#### Components of total assets

We continue to hold the majority of our assets in cash reserves. As shown in figure 4, **53.0% (\$1.760 million)** of total assets are cash and cash equivalents. Receivables

represent **31.0% (\$1.029 million)** of total assets and plant and equipment represent **16.0% (\$0.530 million)**.

**Figure 4 Total assets, at 30 June 2012**



#### **Comparison to budget**

At 30 June 2012, total assets amounted to **\$3.319 million**. This is **\$1.459 million (78.4%)** higher than the budget position.

Cash and cash equivalents finished **\$0.177 million (11.2%)** higher than budget. This result was driven by an increase in amounts owing to third parties for utilities regulation, offset by amounts that have not yet been recovered for the secondary water and water pricing reviews.

Receivables finished **\$0.752 million (271.5%)** higher than budget; the main drivers behind this result are accrued costs relating to the secondary water and water pricing reviews.

#### **Comparison to 2010–11 actuals**

Our total asset position is **\$1.376 million (70.8%)** higher than at 30 June 2011; this reflects the utilities licence fees collected on behalf of the Technical Regulator that have not been claimed, prepayments from the Environment and Sustainable Development Directorate for the provision of greenhouse gas annual reports and analytical advice, and the Economic Development Directorate's contribution towards our office fit-out.

Cash and cash equivalents decreased by **\$0.140 million (7.4%)** over the 12-month period. This primarily relates to costs not being recovered for the secondary water and water pricing reviews. The reduction in the cash balance for these activities was partially offset by utilities licence fees collected on behalf of the Technical Regulator that have not been claimed, a reduction in our own costs for utilities technical regulation, and prepayments from the Environment and Sustainable Development Directorate for the provision of greenhouse gas annual reports and analytical advice.

Receivables finished **\$0.986 million (2,293.0%)** higher than budget. The main drivers behind this result are accrued costs relating to the secondary water and water pricing reviews.

### Liquidity

'Liquidity' is our ability to meet our short-term debts as they fall due. 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 the next financial year's ACT Government user charges to meet short-term debts. Table 2 shows our liquidity position.

Table 2 Current ratio

| Description          | Prior        | Current      | Current      | Forward      | Forward      | Forward      |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                      | year         | year         | year         | year         | year         | year         |
|                      | actual       | budget       | actual       | budget       | budget       | budget       |
|                      | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       |
|                      | 2010–11      | 2011–12      | 2011–12      | 2012–13      | 2013–14      | 2014–15      |
| Current assets       | 1,943        | 1,860        | 2,789        | 1,887        | 1,912        | 1,934        |
| Current liabilities  | 987          | 574          | 2,059        | 574          | 574          | 574          |
| <b>Current ratio</b> | <b>2.0:1</b> | <b>3.2:1</b> | <b>1.4:1</b> | <b>3.3:1</b> | <b>3.3:1</b> | <b>3.4:1</b> |

Our current ratio of 1.4:1 for 2011–12 is lower than the budgeted current ratio of 3.2:1. This is mainly due to the higher-than-expected revenue received in advance, energy regulation costs exceeding government payment for outputs, and accrued costs for our office fit-out.

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

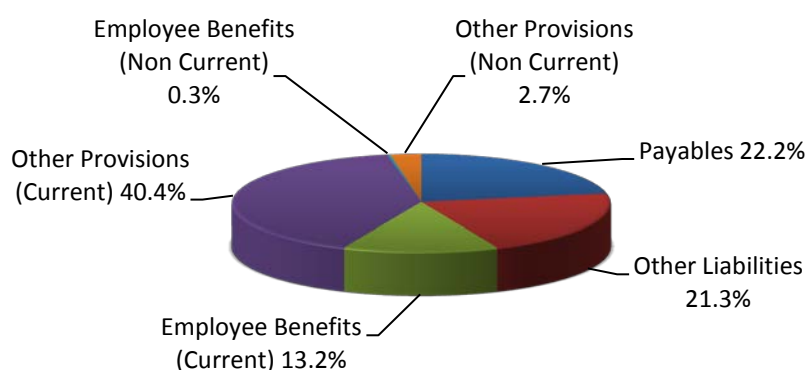
### Total liabilities

#### Components of total liabilities

Figure 5 provides a breakdown of our liabilities. At 30 June 2012, the split of liabilities was: other provisions (**43.1%**), payables (**22.2%**), other liabilities (**21.3%**) and employee benefits (**13.5%**).



**Figure 5 Total liabilities at 30 June 2012**



### Comparison to budget

Our total liabilities for the year ended 30 June 2012 were **\$2.122 million**, **\$1.523 million** (254.3%) higher than budget. The items that contributed to this variance were:

- employee benefits **\$0.117 million** (69.2%) higher than budget, reflecting the increase in staff
- total payables **\$0.041 million** (9.5%) higher mainly due to accrued office fit-out and consultancy costs
- other liabilities **\$0.451 million** for the prepayment of greenhouse gas annual reports and analytical advice
- other provisions **\$0.914 million** for make-good on the office fit-out and amounts owing to third parties for utilities regulation.

### Comparison to 2010–11 actuals

Our total liabilities were **\$1.124 million** (112.6%) higher than at 30 June 2011. The items that contributed to this variance were:

- employee benefits **\$0.084 million** (41.6%) higher due to additional staff required to prepare reports and conduct reviews
- total payables **\$0.184 million** (64.1%) higher mainly due to office fit-out costs and consultancy costs
- other liabilities **\$0.172 million** (61.6%) higher for the prepayment of greenhouse gas annual reports
- other provisions **\$0.684 million** for make-good and amounts owing to third parties for utilities regulation.

## A.6 Financial report

We have prepared financial statements for 2011–12 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 *2011–2012 annual report directions*.<sup>10</sup> 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 2011–12, we met all but two 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 us.

## A.9 Analysis of agency performance

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

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<sup>10</sup> <http://www.legislation.act.gov.au/ni/2011-311/default.asp>.

## A.10 Triple bottom line report

|                                       | Indicator  | 2010–11<br>result              | 2011–12<br>result                        | %<br>change |
|---------------------------------------|--|--------------------------------|--|-------------|
| <b>ECONOMIC</b>                       | <b>Employee expenses</b>   |                                |  |             |
|                                       | Number of staff employed (head count, not FTE)   | 9                              | 10                                       | 11%         |
|                                       | Total employee expenditure ('000 dollars) <sup>a</sup>                                 | 917                            | 1,415                                    | 54%         |
|                                       | <b>Operating statement</b>   |                                |  |             |
|                                       | Total expenditure ('000 dollars)   | 2,340                          | 2,876                                    | 23%         |
|                                       | Total own source revenue ('000 dollars) <sup>b</sup>                                   | 1,349                          | 2,506                                    | 86%         |
|                                       | Total net cost of services ('000 dollars) <sup>c</sup>                                 | 991                            | 370                                      | –63%        |
|                                       | <b>Economic viability</b>  |                                |  |             |
|                                       | Total assets ('000 dollars)  | 1,943                          | 3,319                                    | 71%         |
|                                       | Total liabilities ('000 dollars)   | 998                            | 2,122                                    | 213%        |
| <b>ENVIRONMENTAL</b>                  | <b>Transport</b>   |                                |  |             |
|                                       | 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 <sub>2</sub> -e)          | 0                              | 0  | n.a.        |
|                                       | <b>Energy use<sup>d</sup></b>  |                                |  |             |
|                                       | Total office energy use (megajoules)   | Refer to JACSD's annual report | Data not available as building is leased | n.a.        |
|                                       | Office energy use per FTE (megajoules)   | Refer to JACSD's annual report | Data not available as building is leased | n.a.        |
|                                       | Office energy use per m <sup>2</sup> (megajoules)                                      | Refer to JACSD's annual report | Data not available as building is leased | n.a.        |
|                                       | <b>Greenhouse emissions<sup>d</sup></b>  |                                |  |             |
|                                       | Total office greenhouse emissions – direct and indirect (tonnes of CO <sub>2</sub> -e) | Refer to JACSD's annual report | Data not available as building is leased | n.a.        |
| Total office greenhouse emissions per | Refer to   | Data not                       | n.a.                                     |             |

| Indicator   | 2010–11 result  | 2011–12 result                           | % change |     |
|---|---|--|----------|-----|
| FTE (tonnes of CO <sub>2</sub> -e)  | JACSD's annual report   | available as building is leased          |          |     |
| Total office greenhouse emissions per m <sup>2</sup> (tonnes of CO <sub>2</sub> -e) | Refer to JACSD's annual report  | Data not available as building is leased | n.a.     |     |
| <b>Water consumption<sup>d</sup></b>  |   |  |          |     |
| Total water use (kilolitres)  | Refer to JACSD's annual report  | Data not available as building is leased | n.a.     |     |
| Office water use per FTE (kilolitres)   | Refer to JACSD's annual report  | Data not available as building is leased | n.a.     |     |
| Office water use per m <sup>2</sup> (kilolitres)                                    | Refer to JACSD's annual report  | Data not available as building is leased | n.a.     |     |
| <b>Resource efficiency and waste<sup>d</sup></b>                                    |   |  |          |     |
| Estimate of commingled office waste per FTE (litres)                                | Refer to JACSD's annual report  | Data not available as building is leased | n.a.     |     |
| Estimate of paper recycled (litres)   | Refer to JACSD's annual report  | 8,640                                    | n.a.     |     |
| Estimate of paper used per FTE (reams)  | Refer to JACSD's annual report  | 155                                      | n.a.     |     |
| <b>SOCIAL</b>   | <b>The diversity of our workforce</b>                                       |  |          |     |
|   | Women (female FTEs as a percentage of the total workforce)                  | 49%                                      | 44%      | -5% |
|   | People with a disability (as a percentage of the total workforce)           | 13%                                      | 30%      | 23% |
|   | Aboriginal and Torres Strait Islander people (as a percentage of the total) | 0  | 0        | 0%  |

| Indicator   | 2010–11<br>result | 2011–12<br>result | %<br>change |
|---|-------------------|-------------------|-------------|
| workforce)  |                   |                   |             |
| Staff with English as a second language<br>(as a percentage of the total workforce) | 0                 | 0                 | 0%          |
| <b>Staff health and wellbeing</b>   |                   |                   |             |
| OH&S incident reports   | 0                 | 2                 | 100%        |
| Accepted claims for compensation (at<br>31 August 2011)                             | 0                 | 0                 | 0%          |
| Staff receiving influenza vaccinations <sup>e</sup>                                 | 3                 | 4                 | 33.33%      |
| Workstation assessments requested   | 0                 | 17                | 100%        |

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 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**

In the fulfilment of our statutory responsibilities and organisational objectives, we are committed to full and open consultation with the community on matters under investigation. 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.

We seek input on all references received for price and regulatory inquiries, and encourage submissions from interested parties. Where hearings are held, members of the public are invited to attend to make submissions.

We are committed to transparency and openness, and we outline the reasons we make in our 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.

We play an important role in informing the debate on regulatory issues in the broader community. We have done this by providing information to the community through community presentations and seminars, and through media interviews.

### **B.2 Internal and external scrutiny**

#### **B.2.1 Auditor-General's reports**

We were included in the Auditor-General's report on annual financial statements for the year ended 30 June 2012. The Auditor-General gave an unqualified opinion on our financial statements and statement of performance. Our unqualified audited financial statements for 2011–12 appear in appendix 1.

#### **B.2.2 ACT Ombudsman's reports**

During 2011–12, we were not the subject of any complaint to or investigation by the ACT Ombudsman.

### **B.3 Legislative Assembly committee inquiries and reports**

We were not the subject of a review by a Legislative Assembly committee in 2011–12. We participated in Legislative Assembly Estimates Committee and Public Accounts Committee reviews of Budget estimates for the period to 30 June 2012.

### **B.4 Legislation report**

During 2011–12, our principal responsibilities were established through the:

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

We also have obligations under a range of other laws,<sup>11</sup> including the:

- *Climate Change and Greenhouse Gas Reduction Act 2010*<sup>12</sup>
- *Electricity (Greenhouse Gas Emissions) Act 2004*
- *Electricity Feed-in (Renewable Energy Premium) Act 2008*<sup>13</sup>
- *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*
- *Territory Records Act 2002*.

We do not have policy carriage for the enactment of legislation, but we are responsible for the issue of a number of statutory instruments. Those instruments include industry codes under the Utilities Act. Detailed information on codes is provided in section A.3.10.

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<sup>11</sup> 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*.

<sup>12</sup> 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.

<sup>13</sup> 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).

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

We are a small organisation, and the establishment of a formal internal audit committee of the type envisaged in the *2011–12 Annual report directions* is not appropriate for us. We are committed and attentive to the need for strong controls. The CEO and the secretariat are responsible for implementing the systems and controls, including a methodology for internal review, and for identifying and managing risk across our organisation that are relevant to our nature, scale and size.

### 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 relevant to our nature, scale and size and include controls on cash, and financial transactions and approvals. The Senior Commissioner and the chief executive officer maintain regular oversight of activities and principal transactions.

### C.3 Public interest disclosure

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

Copies of our procedures are publicly available.

During 2011–12, 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](http://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
- 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 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

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

- inquiry-specific files, including analyses and modelling, and stakeholder submissions.

### Access arrangements

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

Our offices are wheelchair accessible, and public transport and public parking are close to our office.

### C.4.2 Section 8 statement

We promote transparency in decision making. 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 2011–12, we did not receive any request for information disclosure under the terms of the FOI Act.

### C.5 Internal accountability

*The structure of the Commission is set out in figure 1 in section A.1.3 of this annual report.*

We were 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. The Executive appoints the Commissioner and the CEO.

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 or she sits on.

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

- subject to the ICRC Act, to operate in a businesslike and 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
- 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, professional and ethical standards and behaviours that provide transparency and guidance in meeting our aim of securing better administrative and public policy outcomes for the ACT community. Our approach is centred on a commitment to aiming towards, achieving and delivering on excellence-in-governance standards, which we see as being fundamental to delivering on our aim, and in so doing creating a sustainable model of independent review and expertise the ACT community can rely on.

We have two standing commissioners. Our Senior Commissioner is Malcolm Gray. Our Standing Commissioner is Mike Buckley.

Remuneration for our commissioners is subject to determination by the ACT Remuneration Tribunal.

The 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 conducting 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
- taking a leading role in creating and maintaining an effective corporate governance system.

The Standing Commissioner's role includes:

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

Our chief executive officer is Ms Ranjini Nayager. The chief executive officer's role includes:

- leadership of the management team
- developing strategic objectives for the business
- the day-to-day management of our operations.

During the 2011–12 reporting year, our chief executive officer, Ms Shelley Schriener, retired from the Commission. Mr Ian Primrose was appointed chief executive officer until a suitable candidate was appointed. We undertook a rigorous nationwide search, and Ms Ranjini Nayager was appointed as chief executive officer on 4 June 2012 for a term of five years.

## **Commission meetings**

The Commission has 12 scheduled meetings each year, and additional meetings are held as required. Commission meetings are characterised by robust exchanges of views, and commissioners, the chief executive and management bring their experience and

independent judgment to bear on the issues and decisions at hand. Table 3 shows the meetings attended by Commissioners in 2011–12.

**Table 3 Meetings attended by Commissioners in 2011–12**

| Meetings attended by Senior Commissioner | Meetings attended by Commissioner | Meetings attended by chief executive officer |
|--|-----------------------------------|--|
| 11                                       | 12                                | 11   |

## 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.*

Our approach to managing human resources efficiently and effectively is to maintain a core permanent staff with skills and experience that are critical to meeting our aim of delivering positive public administration and policy outcomes for the ACT community. Areas of expertise include regulatory economics and regulatory law and policy. We have employed a strategy of accessing specialist skills through contract staff and consultants. This strategy reflects our ability to respond when references or other requests require additional capacity, and provided flexibility to respond to future challenges. We are committed to sustainably building internal resources to deliver our responsibilities in a stable environment.

Key components of our aim to deliver better public administration and policy outcomes for the ACT community include the constant delivery of high-quality outcomes 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 specialist organisation, while providing opportunities for broad experience and substantial responsibility for outcomes, is a factor that may attract staff to the organisation.

Given our size, we have not implemented any specific employment strategies for people with a disability, apprenticeships and traineeships.

## C.7 Staffing profile

Tables 4 to 13 provide details of our staffing profile at 30 June 2012.

**Table 4 Full-time equivalent and headcount, at 30 June 2012**

|                                | Female | Male |
|--------------------------------|--------|------|
| Full-time equivalent by gender | 5.4    | 3.8  |
| Headcount by gender            | 7      | 5    |
| % of workforce                 | 58     | 42   |

Note: The Commissioners are not included in the headcount.

**Table 5 Employment type, at 30 June 2012**

| Permanent | Temporary | Casual |
|-----------|-----------|--------|
| 7         | 5         | 0      |

**Table 6 Classifications, at 30 June 2012**

| Classification group    | Female   | Male     | Total     |
|-------------------------|----------|----------|-----------|
| Administrative officers | 3        | 1        | 4         |
| Senior officers         | 3        | 3        | 6         |
| <b>Total</b>            | <b>6</b> | <b>4</b> | <b>10</b> |

**Table 7 Employment category by gender, at 30 June 2012**

| Employment category | Female   | Male     | Total     |
|---------------------|----------|----------|-----------|
| Casual              | 0        | 0        | 0         |
| Permanent full-time | 3        | 2        | 5         |
| Permanent part-time | 2        | 0        | 2         |
| Temporary full-time | 2        | 2        | 4         |
| Temporary part-time | 0        | 1        | 1         |
| <b>Total</b>        | <b>7</b> | <b>5</b> | <b>12</b> |

**Table 8 Average length of service by gender, at 30 June 2012**

| 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            | 1    | 1            | 1    | 1            | 1    | 2      | 3    |
| 2-4                               | 0                | 0    | 0            | 1    | 0            | 0    | 0            | 0    | 0      | 1    |
| 4-6                               | 0                | 0    | 2            | 0    | 0            | 0    | 0            | 0    | 2      | 0    |
| 6-8                               | 0                | 0    | 1            | 0    | 0            | 0    | 0            | 0    | 1      | 0    |
| 8-10                              | 0                | 0    | 0            | 1    | 0            | 0    | 1            | 0    | 1      | 1    |
| 10-12                             | 0                | 0    | 0            | 0    |              | 0    | 0            | 0    | 0      | 0    |
| 12-14                             | 0                | 0    | 0            | 0    | 1            | 0    | 0            | 0    | 1      | 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 2012**

| Gender       | Average length of service (years) |
|--------------|-----------------------------------|
| Female       | 5.6                               |
| Male         | 3.0                               |
| <b>Total</b> | <b>4.5</b>                        |

**Table 10 Age profile, as at 30 June 2012**

| Age group | Female | Male | Total |
|-----------|--------|------|-------|
| <20       | 0      | 0    | 0     |
| 20–24     | 0      | 0    | 0     |
| 25–29     | 1      | 1    | 2     |
| 30–34     | 1      | 0    | 1     |
| 35–39     | 2      | 0    | 2     |
| 40–44     | 0      | 0    | 0     |
| 45–49     | 1      | 1    | 2     |
| 50–54     | 0      | 1    | 1     |
| 55–59     | 0      | 1    | 1     |
| 60–64     | 2      | 0    | 2     |
| 65–69     | 0      | 1    | 1     |
| 70+       | 0      | 0    | 0     |

**Table 11 Agency profile, as at 30 June 2012**

| Agency       | Full-time equivalent | Headcount |
|--------------|----------------------|-----------|
| ICRC         | 9.2                  | 12        |
| <b>Total</b> | <b>9.2</b>           | <b>12</b> |

**Table 12 Agency profile by employment type, as at 30 June 2012**

| Agency       | Permanent | Temporary | Casual   |
|--------------|-----------|-----------|----------|
| ICRC         | 7         | 5         | 0        |
| <b>Total</b> | <b>7</b>  | <b>5</b>  | <b>0</b> |



**Table 13 Equity and workplace diversity, as at 30 June 2012**

|                     | <b>A</b><br><b>Aboriginal<br/>and/or<br/>Torres Strait<br/>Islander<br/>employment</b> | <b>B</b><br><b>Culturally<br/>and<br/>linguistically<br/>diverse<br/>(CALD)<br/>employment</b> | <b>C</b><br><b>Employment<br/>of people<br/>with a<br/>disability</b> | <b>Number of<br/>employees<br/>who<br/>identify in<br/>any of the<br/>equity and<br/>diversity<br/>categories<br/>(A, B, C)</b> | <b>Women</b> |
|---------------------|--|--|---|---|--------------|
| Headcount           | 0  | 0  | 2   | 2   | 7            |
| % of total<br>staff | 0.0  | 0.0  | 16.7  | 16.7  | 58.3         |

### **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 they can deliver on our aim of achieving better administrative and public policy outcomes for the ACT community. Our learning and development programs focus on the capability and skills needed for current roles as well as those we will need to continue delivering on a positive stakeholder experience now and in the future.

Our line managers play a critical role in creating a positive learning environment, managing and supporting our colleagues to maximise development opportunities and embed learning to drive outcomes. Developing and strengthening management capabilities is a priority for us, along with personal learning plans built around the specific learning and future needs of our staff.

### **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.*

During 2011–12, staff participated in information sessions on workplace health and safety. More generally, staff are supported by the Treasury Directorate’s portfolio-wide consultative forum (the Treasury Consultative Committee, which is the primary mechanism for consultation on all workplace issues, including safety). Staff had access to wellness programs provided through the directorate, which included flu vaccinations.

No investigations were conducted during 2011–12, 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 in place.

### **C.11 Human Rights Act 2004**

We recognise the importance of economic, social and cultural rights – broadly encompassing matters such as environmental protection and access to essential services – in our decision making. Under section 20 of the ICRC Act, we must give regard to matters including:

- the protection of consumers from abuses of monopoly power in terms of prices, pricing policies (including policies relating to the level or structure of prices for services) and standards of regulated services
- standards of quality, reliability and safety of the regulated services
- the need for greater efficiency in the provision of regulated services to reduce costs to consumers and taxpayers
- the principles of ecologically sustainable development (the precautionary principle, the intergenerational equity principle, conservation of biological diversity and ecological integrity, and improved valuation and pricing of environmental resources)
- the social impacts of the decision.

We also have regard to the matters prescribed in section 20 of the ICRC Act when making non-price directions.

### **C.12 Strategic Bushfire Management Plan**

We do not have reporting obligations under the Strategic Bushfire Management Plan.

### **C.13 Strategic asset management**

Our only assets are the furniture and fittings in our office fit-out. The repairs and maintenance of those 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 2011–12 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 2010–11. It lists only contractors and consultants external to the ACT Government.

**Table 14 Contractor and consultant services, 2010–11**

| Consultant/contractor                | Description of service                       | Value (\$) |
|--------------------------------------|--|------------|
| Ironbridge Consulting Services       | Technical advisory                           | 28,200     |
| 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

We neither provided community grants, assistance or sponsorship nor administered grants, assistance or sponsorships on behalf of government agencies.

### C.17 Territory records

The handling, storage and retrieval of information is an area of significant risk for us. To mitigate this, 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.<sup>14</sup> We hold no records subject to Part 3 (Access to records) of the Territory Records Act.<sup>15</sup>

## C.18 Commissioner for Sustainability and the Environment

During 2011–12, the Office of the Commissioner for Sustainability and the Environment sought our assistance in relation to data collected for the preparation of the 2010–11 *State of the environment report*. We assisted the Commissioner for Sustainability and the Environment through the provision of data.

## C.19 Ecologically sustainable development

### Regulatory objectives

As noted in section C.11 of this report, 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, that is, the precautionary principle, the intergenerational equity principle, conservation of biological diversity and ecological integrity, and improved valuation and pricing of environmental resources.

In the delivery of our core responsibilities, we have continued to further the objectives of the ACT Climate Change Strategy,<sup>16</sup> in particular through our role as the compliance regulator for the ACT Greenhouse Gas Abatement Scheme; 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*.

In our report on secondary water use in the ACT, among other things, we considered the operation of the ACT's target on water use and the merits of using secondary water as an alternative to water from ACTEW's reticulated water network.

### Operational objectives

We encourage staff to manage resource use responsibly. Consistent with the government's 'no waste' policies, we continued our commitment to reduce the amount of paper we use and increase our recycling activities. For the first half of 2011–12, we continued to participate in the Justice and Community Safety Directorate's commingled recycling initiative, which began in 2008–09. When we moved to our new premises, we changed providers and now manage our own recycling.

Table 15 summarises our paper consumption and recycling data in 2011–12. Table 16 summarises our ecological sustainability priorities.

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<sup>14</sup> Territory Records (Records Disposal Schedule—Independent Competition and Regulation Records) Approval 2006 (No. 1) Notifiable instrument NI2006–28.

<sup>15</sup> 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*.

<sup>16</sup> Information on the strategy is available at [http://www.environment.act.gov.au/climate\\_change/weathering\\_the\\_change](http://www.environment.act.gov.au/climate_change/weathering_the_change).

Table 25 Paper consumption and recycling, 2011–12

| Activity           | Amount                      | Period      | Annual total                    |
|--------------------|-----------------------------|-------------|---------------------------------|
| <i>Recycling</i>   |                             |             |                                 |
| 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) |
| <i>Consumption</i> | 2.9 reams (52-week average) | Weekly      | 155 reams                       |

**Table 36 Activities supporting ecologically sustainable development, 2011–12**

| Issue   | Activity  | Outcome  |
|---|---|--|
| <i>Core business</i>                                    |   |  |
| Utility compliance regulation and performance reporting | Establishing benchmarks, monitoring compliance and penalising non-compliance under the ACT Greenhouse Gas Abatement Scheme<br>Monitoring compliance with the GreenPower scheme<br>Monitoring compliance with the Electricity Feed-in Code<br>Reporting on a range of environmental indicators in relation to energy and water | Reduced greenhouse gas emissions<br>Improved information on energy and water performance in the Territory                        |
| 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 |
| <i>Operations</i>                                       |   |  |
| Consumables   | Reducing print runs and mail-outs of published documents, complemented by greater reliance on website availability of publications  | Reduced resource use   |
| Consumables   | Recycling used fax, printer and copier cartridges   | Improved recycling practices   |
| Disposables   | Recycling paper and cardboard   | Reduced impact on landfill   |
| Energy use  | Encouraging shutdown of PCs , 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 Islander peoples.

**C.22 ACT Multicultural Strategy 2010–2013**

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

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 2011–12, 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.





**Appendixes**

**Appendix 1 Financial statements and audit report**

**Independent Competition and Regulatory Commission**

**Financial Statements**

For the Year Ended 30 June 2012

## Auditor's opinion on the financial statements



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 2012 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.

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Telephone: 02 6207 0833 | Facsimile: 02 6207 0826 | Email: [actauditorgeneral@act.gov.au](mailto:actauditorgeneral@act.gov.au)

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 2012:

- (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 2012 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  
11 September 2012

## Statement of responsibility

**Independent Competition and Regulatory Commission  
Financial Statements  
For the Year Ended 30 June 2012**

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### Statement of Responsibility

In my opinion, the financial statements are in agreement with the Commission's accounts and records and fairly reflect the financial operations of the Commission for the year ended 30 June 2012, and the financial position of the Commission on that date.

Ms Ranjini Nayager  
Chief Executive Officer  
Independent Competition and Regulatory Commission  
10 September 2012

**Independent Competition and Regulatory Commission**  
**Operating Statement**  
**For the Year Ended 30 June 2012**

|   | Note<br>No. | Actual<br>2012<br>\$'000 | Original<br>Budget<br>2012<br>\$'000 | Actual<br>2011<br>\$'000 |
|---|-------------|--------------------------|--------------------------------------|--------------------------|
| <b>Income</b>                               |             |                          |                                      |                          |
| <i>Revenue</i>                              |             |                          |                                      |                          |
| Government Payment for Outputs              | 4           | 621                      | 515                                  | 497                      |
| User Charges - ACT Government               | 5           | 1,561                    | 1,181                                | 476                      |
| Fees  | 6           | 670                      | 569                                  | 792                      |
| Interest                                    | 7           | 75                       | 52                                   | 81                       |
| Resources Received Free of Charge           | 8           | 200                      | -                                    | -                        |
| <i>Total Revenue</i>                        |             | <u>3,127</u>             | <u>2,317</u>                         | <u>1,846</u>             |
| <b>Total Income</b>                         |             | <b><u>3,127</u></b>      | <b><u>2,317</u></b>                  | <b><u>1,846</u></b>      |
| <b>Expenses</b>                             |             |                          |                                      |                          |
| Employee Expenses                           | 9           | 1,257                    | 709                                  | 798                      |
| Superannuation Expenses                     | 10          | 158                      | 127                                  | 119                      |
| Supplies and Services                       | 11          | 1,416                    | 1,455                                | 1,187                    |
| Prior Year Licence Fee Refund               | 12          | 25                       | -                                    | 223                      |
| Depreciation                                | 13          | 14                       | -                                    | 13                       |
| Borrowing costs                             | 14          | 6                        | -                                    | -                        |
| <b>Total Expenses</b>                       |             | <b><u>2,876</u></b>      | <b><u>2,291</u></b>                  | <b><u>2,340</u></b>      |
| <b>Operating Surplus/(Deficit)</b>          |             | <b><u>251</u></b>        | <b><u>26</u></b>                     | <b><u>(494)</u></b>      |
| <b>Total Comprehensive Income/(Deficit)</b> |             | <b><u>251</u></b>        | <b><u>26</u></b>                     | <b><u>(494)</u></b>      |

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

**Independent Competition and Regulatory Commission**  
**Balance Sheet**  
**As at 30 June 2012**

|                                      | Note<br>No. | Actual<br>2012<br>\$'000 | Original<br>Budget<br>2012<br>\$'000 | Actual<br>2011<br>\$'000 |
|--------------------------------------|-------------|--------------------------|--------------------------------------|--------------------------|
| <b>Current Assets</b>                |             |                          |                                      |                          |
| Cash and Cash Equivalents            | 17          | 1,760                    | 1,583                                | 1,900                    |
| Receivables                          | 18          | 1,029                    | 277                                  | 43                       |
| <b>Total Current Assets</b>          |             | <b>2,789</b>             | <b>1,860</b>                         | <b>1,943</b>             |
| <b>Non-Current Assets</b>            |             |                          |                                      |                          |
| Plant and Equipment                  | 19          | 530                      | -                                    | -                        |
| <b>Total Non-Current Assets</b>      |             | <b>530</b>               | <b>-</b>                             | <b>-</b>                 |
| <b>Total Assets</b>                  |             | <b>3,319</b>             | <b>1,860</b>                         | <b>1,943</b>             |
| <b>Current Liabilities</b>           |             |                          |                                      |                          |
| Payables                             | 20          | 471                      | 430                                  | 287                      |
| Employee Benefits                    | 21          | 280                      | 144                                  | 191                      |
| Other Liabilities                    | 22          | 451                      | -                                    | 279                      |
| Other Provisions                     | 23          | 857                      | -                                    | 230                      |
| <b>Total Current Liabilities</b>     |             | <b>2,059</b>             | <b>574</b>                           | <b>987</b>               |
| <b>Non-Current Liabilities</b>       |             |                          |                                      |                          |
| Employee Benefits                    | 21          | 6                        | 25                                   | 11                       |
| Other Provisions                     | 23          | 57                       | -                                    | -                        |
| <b>Total Non-Current Liabilities</b> |             | <b>63</b>                | <b>25</b>                            | <b>11</b>                |
| <b>Total Liabilities</b>             |             | <b>2,122</b>             | <b>599</b>                           | <b>998</b>               |
| <b>Net Assets</b>                    |             | <b>1,197</b>             | <b>1,261</b>                         | <b>945</b>               |
| <b>Equity</b>                        |             |                          |                                      |                          |
| Accumulated Funds                    |             | 1,197                    | 1,261                                | 945                      |
| <b>Total Equity</b>                  |             | <b>1,197</b>             | <b>1,261</b>                         | <b>945</b>               |

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 2012**

|   | <b>Accumulated<br/>Funds Actual<br/>2012<br/>\$'000</b> | <b>Total Equity<br/>Actual<br/>2012<br/>\$'000</b> | <b>Original<br/>Budget<br/>2012<br/>\$'000</b> |
|---|---|--|--|
| <b>Balance at the Beginning of the Reporting Period</b> | 945   | 945  | 1,235  |
| <i>Comprehensive Income</i>                             |   |  |  |
| Operating Surplus                                       | 251   | 251  | 26   |
| <b>Total Comprehensive Income</b>                       | <b>251</b>  | <b>251</b>   | <b>26</b>                                      |
| <b>Balance at the End of the Reporting Period</b>       | <b>1,197</b>  | <b>1,197</b>                                       | <b>1,261</b>                                   |

|   | <b>Accumulated<br/>Funds Actual<br/>2011<br/>\$'000</b> | <b>Total Equity<br/>Actual<br/>2011<br/>\$'000</b> |
|---|---|--|
| <b>Balance at the Beginning of the Reporting Period</b> | 1,439   | 1,439  |
| <i>Comprehensive Income</i>                             |   |  |
| Operating (Deficit)                                     | (494)   | (494)  |
| <b>Total Comprehensive (Deficit)</b>                    | <b>(494)</b>  | <b>(494)</b>                                       |
| <b>Balance at the End of the Reporting Period</b>       | <b>945</b>  | <b>945</b>   |

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 2012**

|   | Note<br>No. | Actual<br>2012<br>\$'000 | Budget<br>2012<br>\$'000 | Actual<br>2011<br>\$'000 |
|---|-------------|--------------------------|--------------------------|--------------------------|
| <b>Cash Flows from Operating Activities</b>                         |             |                          |                          |                          |
| <b>Receipts</b>   |             |                          |                          |                          |
| Government Payment for Outputs                                      |             | 621                      | 515                      | 497                      |
| Fees  |             | 1,008                    | 569                      | 563                      |
| User Charges - ACT Government                                       |             | 779                      | 913                      | 966                      |
| Interest Received   |             | 78                       | 52                       | 81                       |
| Goods and Services Tax Collected from Customers                     |             | 39                       | -                        | 84                       |
| Other   |             | -                        | 86                       | 1                        |
| <b>Total Receipts from Operating Activities</b>                     |             | <b>2,525</b>             | <b>2,135</b>             | <b>2,192</b>             |
| <b>Payments</b>   |             |                          |                          |                          |
| Employee  |             | 1,182                    | 702                      | 701                      |
| Superannuation  |             | 151                      | 126                      | 113                      |
| Supplies and Services   |             | 1,254                    | 1,440                    | 1,180                    |
| Goods and Services Tax Remitted to the Australian Taxation Office   |             | 8                        | -                        | -                        |
| Goods and Services Tax Paid to Suppliers                            |             | 70                       | 101                      | 28                       |
| <b>Total Payments from Operating Activities</b>                     |             | <b>2,665</b>             | <b>2,369</b>             | <b>2,022</b>             |
| <b>Net Cash (Outflows)/Inflows from Operating Activities</b>        | 26          | <b>(140)</b>             | <b>(234)</b>             | <b>170</b>               |
| <b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>         |             | <b>(140)</b>             | <b>(234)</b>             | <b>170</b>               |
| Cash and Cash Equivalents at the Beginning of the Reporting Period  |             | 1,900                    | 1,817                    | 1,730                    |
| <b>Cash and Cash Equivalents at the End of the Reporting Period</b> | 26          | <b>1,760</b>             | <b>1,583</b>             | <b>1,900</b>             |

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 2012**

|                                | Original<br>Budget<br>2012<br>\$'000 | Total Appropriated<br>2012<br>\$'000 | Appropriation<br>Drawn<br>2012<br>\$'000 | Appropriation<br>Drawn<br>2011<br>\$'000 |
|--------------------------------|--------------------------------------|--------------------------------------|--|--|
| Government Payment for Outputs | 515                                  | 627                                  | 621                                      | 497                                      |
| <b>Total Appropriation</b>     | <b>515</b>                           | <b>627</b>                           | <b>621</b>                               | <b>497</b>                               |

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 'Original Budget' and 'Total Appropriated'**

The difference between the *Original Budget* and the *Total Appropriated* is due to the Commission receiving a Treasurer's Advance for Energy Regulatory activities which are exceeding the Commission's base level of funding. These additional funds are recovered by the ACT Government from utility providers through the Energy Levy.

**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 2011-12 which reduced the funds the Commission was permitted to draw down.

## Independent Competition and Regulatory Commission

### Notes to and forming part of the financial statements for the year ended 30 June 2012

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## Independent Competition and Regulatory Commission

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### 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 utility services;
- determining licence conditions;
- ensuring compliance with the licence conditions; and
- approving and reviewing standard customer contracts and industry codes for 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 electricity suppliers to renewable energy generators, and in monitoring compliance with the Electricity Feed-in Scheme through licence conditions for electricity suppliers and for ActewAGL Distribution.

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

- promote effective competition in the interests of consumers;
- facilitate an appropriate balance between efficiency and environmental and social conditions; 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).

## Independent Competition and Regulatory Commission

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### 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 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 2012 together with the financial position of the Commission as at 30 June 2012.

##### (c) Comparative Figures

###### *Budget Figures*

The FMA requires the financial 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 Auditing 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.

The Commission has reclassified amounts owing to third parties in relation to Utilities Licence Fees from Payables (Note 20) to Other Provisions (Note 23). As disclosed in Note 2(t), in estimating Utility Licence Fees, the Commission, ACAT and the Technical Regulator exercise judgement in estimating fees to be charged to cover the cost of regulatory activities for the year. This change in classification better reflects the judgement involved in estimating this liability.

This change has decreased Payables for 2012 by \$856,651 and 2011 by \$230,287.

This change has increased Other Provisions for 2012 by \$856,651 and 2011 by \$230,287.

##### (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.

## Independent Competition and Regulatory Commission

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### 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 estimated costs incurred by the Commission, the Technical Regulator and the ACT Civil and Administrative Tribunal in undertaking their respective regulatory activities. Fees charged to the utilities are calculated at the beginning of the financial year on the basis of the estimated costs expected to be incurred. Actual revenue is recognised based on revised end of year estimated costs. Refer also Note 2(t) Significant Accounting Estimates and Judgements.

##### (f) Resources Received and Provided Free of Charge

Resources received free of charge are recorded as a revenue and expense in the Operating Statement at fair value. The revenue is separately disclosed under resources received free of charge, with the expense 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.

## Independent Competition and Regulatory Commission

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### 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 Office Furniture 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) 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.

##### (p) 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.



## Independent Competition and Regulatory Commission

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### Note 2 Summary of Significant Accounting Policies - Continued

##### (q) Employee Benefits

Employee benefits include wages and salaries, annual leave, long service leave and applicable on-costs. On-costs include annual leave, 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 is 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 are estimated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows. In 2011-12, the rate used to estimate the present value of these future payments is 106.6% (92.2% in 2010-11).

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.

##### (r) 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.

## Independent Competition and Regulatory Commission

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### Note 2 Summary of Significant Accounting Policies - Continued

##### (r) Superannuation - Continued

Superannuation employer contribution expense 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 recognises 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.

##### (s) Insurance

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

##### (t) 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 Change 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 and Regulatory Costs*

Significant judgements have been applied in estimating Utility Licence Fees and Regulatory Costs. Fees charged to the utilities are calculated at the beginning of the financial year on the basis of the estimated costs expected to be incurred by the Commission, the Technical Regulator and the ACT Civil and Administrative Tribunal in undertaking their respective regulatory activities. Adjustments are made to fees determined in the following year if the actual costs incurred at the end of the financial year vary from the costs estimated at the beginning of the year. Refer also note 2(e) Revenue Recognition.



**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 2 Summary of Significant Accounting Policies - Continued**

**(u) 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, when applicable, will not have a material financial impact on the Commission in future reporting periods:

- AASB 9 Financial Instruments (application date 1 January 2013);
- AASB 13 Fair Value Measurement (application date 1 January 2013);
- AASB 119 Employee Benefits (application date 1 January 2013); and
- AASB 1053 Application of Tiers of Australian Accounting Standards (application date 1 July 2013).

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 3 Changes in Accounting Policy and Accounting Estimates**

**Change in an Accounting Policy**

No Changes.

**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 increased from 92.2% in 2010-11 to 106.6% in 2011-12.

This change has resulted in an increase to the estimated long service leave liability of \$11,856.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 4 Government Payment for Outputs**

|   | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|
| <b>Revenue from the ACT Government</b>      |                |                |
| Government Payment for Outputs              | 621            | 497            |
| <b>Total Government Payment for Outputs</b> | <u>621</u>     | <u>497</u>     |

Government Payment for Outputs meet the estimated cost of the Commission's regulatory activities under the *Utilities Act 2000* in relation to prescribed electricity and gas distribution and supply utilities subject to the energy industry levy. The Commission's regulatory activities in 2011-12 increased as a result of the work on the price determination on electricity for franchise customers, which included substantial work on the economic model underpinning the price direction; implementation of the National Electricity Customer Framework; and the Commission embedding robust database methodology.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 5 User Charges - ACT Government**

|   | 2012<br>\$'000      | 2011<br>\$'000    |
|---|---------------------|-------------------|
| <b>User Charges – ACT Government</b>                              |                     |                   |
| User Charges - ACT Government - General Government Services (GGS) | 1,561               | 437               |
| User Charges - ACT Government - Public Trading Enterprise (PTE)   | -                   | 39                |
| <b>Total User Charges – ACT Government</b>                        | <u><u>1,561</u></u> | <u><u>476</u></u> |

User charges – ACT Government revenue is derived by providing services to other ACT Government entities. These services are provided under purchase agreements with the Treasury Directorate for activities under the *Independent Competition and Regulatory Commission Act 1997*, and the Environment and Sustainable Development Directorate 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.

The increase in revenue for User Charges in 2011-12 was due to increased activity in the areas of Greenhouse Gas Inventory reporting, the Five-Year Water Pricing review and the Secondary Water Use review.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 6 Fees**

|   | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|
| <b>Revenue from Regulatory Activities</b> |                |                |
| Fees                                      | 670            | 792            |
| <b>Total Fees</b>                         | <u>670</u>     | <u>792</u>     |

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, and the ACT Civil and Administrative Tribunal (ACAT) for regulatory activities in relation to water, sewerage, and gas transmission utilities. See also note 2(e) Revenue Recognition and note 2(t) Significant Accounting Estimates and Judgements.

The decrease in revenue from Fees is due primarily to the cost of regulatory activities for 2011-12 being lower than the prior year.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 7 Interest**

|  | 2012<br>\$'000   | 2011<br>\$'000   |
|--|------------------|------------------|
| <b>Revenue from Non-ACT Government Entities</b>                |                  |                  |
| Interest Revenue from the Commonwealth Bank                    | 75               | 81               |
| <b>Total Interest Revenue from Non-ACT Government Entities</b> | <u>75</u>        | <u>81</u>        |
| <br>   |                  |                  |
| <b>Total Interest Revenue</b>                                  | <u><u>75</u></u> | <u><u>81</u></u> |

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 8 Resources Received Free of Charge**

|  | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|
| <b>Revenue from ACT Government Entities</b>    |                |                |
| Office Fit out <sup>(a)</sup>                  | 200            | -              |
| <b>Total Resources Received Free of Charge</b> | <u>200</u>     | <u>-</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 Economic Development Directorate contributed \$200,000 towards the Commission's office fit out costs, as part of the ACT Government's accommodation strategy.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 9 Employee Expenses**

|   | <b>2012</b>         | <b>2011</b>       |
|---|---------------------|-------------------|
|   | <b>\$'000</b>       | <b>\$'000</b>     |
| Wages and Salaries <sup>(a)</sup>         | 1,243               | 746               |
| Annual Leave Expense <sup>(b)</sup>       | (14)                | 16                |
| Long Service Leave Expense <sup>(b)</sup> | 27                  | 32                |
| Fringe Benefits Tax                       | 1                   | 4                 |
| <b>Total Employee Expenses</b>            | <b><u>1,257</u></b> | <b><u>798</u></b> |

a) The increase in Wages and Salaries is due to the appointment of two new Commissioners in March 2011 as ACT Government employees and additional staff to enable the delivery of the Greenhouse Gas Inventory reporting, the Five-Year Water Pricing review and Secondary Water Use review. The previous Commissioner's remuneration was included in "Supplies and Services".

b) The decrease in Long Service Leave and Annual Leave Expenses is due to a number of Commission staff retiring during the year and their accumulated benefits being paid out.



**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 10 Superannuation Expenses**

|   | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|
| Superannuation Contributions <sup>(a)</sup> | 158            | 119            |
| <b>Total Superannuation Expenses</b>        | <b>158</b>     | <b>119</b>     |

(a) The increase in Superannuation Contributions is reflective of the Commission's increased staff numbers and the associated increase in Salaries and Wages.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 11 Supplies and Services**

|  | <b>2012</b>         | <b>2011</b>         |
|--|---------------------|---------------------|
|  | <b>\$'000</b>       | <b>\$'000</b>       |
| Advertising  | 24                  | 12                  |
| Commissioners <sup>(a)</sup>                                 | -                   | 140                 |
| Equipment Leases   | 51                  | 49                  |
| Office Rental <sup>(b)</sup>                                 | 123                 | 83                  |
| Printing and Publishing                                      | 36                  | 13                  |
| Professional Services <sup>(c)</sup>                         | 559                 | 247                 |
| Stationery   | 16                  | 6                   |
| Subscriptions, Membership and Conferences                    | 38                  | 6                   |
| Utilities Act - External Administration Costs <sup>(d)</sup> | 411                 | 542                 |
| Workers' Compensation Insurance                              | 11                  | 18                  |
| Other  | 146                 | 71                  |
| <b>Total Supplies and Services</b>                           | <b><u>1,416</u></b> | <b><u>1,187</u></b> |

(a) All Commissioners are now ACT Government Employees and their fees are included in Employee Expenses and Superannuation Expenses.

(b) The increase in Office Rental reflects the Commission's new office arrangements.

(c) The increase in Professional Services has mainly been driven by the Commission's increased Energy Regulatory activities, the Water Pricing and Secondary Water Use reviews, and the Greenhouse Gas Inventory reporting.

(d) The decrease in Utilities Act – External Administration Costs is due to Technical Regulation costs being lower than the previous year.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 12 Prior Year Licence Fee Refund**

|                                 | 2012<br>\$'000 | 2011<br>\$'000 |
|---------------------------------|----------------|----------------|
| Licence Fee Rebate Applied      | 25             | 223            |
| <b>Total Licence Fee Rebate</b> | <u>25</u>      | <u>223</u>     |

Utility licence fees are determined on estimated expenditure for the regulatory activities of the Commission, the Technical Regulator, and the ACT Civil and Administrative Tribunal (ACAT). Licence fee adjustments are made on the basis of actual costs in the following year. In 2011-12, a rebate of \$25,000 has been recognised for estimated costs in the 2010-11 determination which were not subsequently incurred. In 2010-11, a rebate of \$223,000 was recognised for estimated costs in the 2009-10 determination which were not subsequently incurred. See also Note 2(e) Revenue Recognition and Note 2(t) Utility Licence Fee Adjustments.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 13 Depreciation**

|                                | 2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Depreciation</b>            |                |                |
| Office Furniture and Equipment | 14             | 13             |
| <b>Total Depreciation</b>      | <u>14</u>      | <u>13</u>      |

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 14 Borrowing Costs**

|  | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|
| <b>Borrowing costs</b>                   |                |                |
| Finance Cost on Make Good <sup>(a)</sup> | 6              | -              |
| <b>Total Borrowing Costs</b>             | <u>6</u>       | <u>-</u>       |

(a) The finance cost on Make Good reflects changes in the discount rate that is used to determine the present value of the Commission's Make Good obligation for its office accommodation.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 15 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 over which the Commission has control. 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. (2010-11:Nil)

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 16 Auditor's Remuneration**

|   | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|
| <b>Audit Services</b>                               |                |                |
| Audit Fees Paid to the ACT Auditor-General's Office | 17             | 17             |
| <b>Total Audit Fees</b>                             | <u>17</u>      | <u>17</u>      |

Auditor's remuneration consists of financial audit services provided to the Commission by the ACT Auditor-General's Office. No other services were provided by the ACT Auditor-General's Office.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 17 Cash and Cash Equivalents**

|  | 2012<br>\$'000      | 2011<br>\$'000      |
|--|---------------------|---------------------|
| Cash at Bank                           | 1,760               | 1,900               |
| <b>Total Cash and Cash Equivalents</b> | <u><u>1,760</u></u> | <u><u>1,900</u></u> |

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



## Independent Competition and Regulatory Commission

## Notes to and forming part of the financial statements for the year ended 30 June 2012

## Note 18 Receivables

|                                       | 2012<br>\$'000 | 2011<br>\$'000 |
|---------------------------------------|----------------|----------------|
| <b>Current Receivables</b>            |                |                |
| Trade Receivables <sup>(a)</sup>      | 1              | 45             |
| Accrued Revenue <sup>(b)</sup>        | 993            | -              |
| Accrued Interest                      | 4              | 6              |
| Net Goods and Services Tax Receivable | 31             | (8)            |
| <b>Total Current Receivables</b>      | <b>1,029</b>   | <b>43</b>      |
| <b>Total Receivables</b>              | <b>1,029</b>   | <b>43</b>      |

(a) Decrease is due to payment of the water and sewerage mid-term price review invoiced at the end of 2010-11.

(b) Increase is primarily due to revenue accrued to recover the costs of the Secondary Water and Water Pricing reviews.

## Ageing of Receivables

|                                 | Not Overdue<br>\$'000 | Past Due                       |                         |                                   | Total<br>\$'000 |
|---------------------------------|-----------------------|--------------------------------|-------------------------|-----------------------------------|-----------------|
|                                 |                       | Less Than<br>30 Days<br>\$'000 | 30 to 60 Days<br>\$'000 | Greater Than<br>60 Days<br>\$'000 |                 |
| <b>2012</b>                     |                       |                                |                         |                                   |                 |
| <b>Not Impaired<sup>1</sup></b> |                       |                                |                         |                                   |                 |
| Receivables                     | 1,028                 | 1                              | -                       | -                                 | 1,029           |
| <b>Impaired</b>                 |                       |                                |                         |                                   |                 |
| Receivables                     | -                     | -                              | -                       | -                                 | -               |
| <b>2011</b>                     |                       |                                |                         |                                   |                 |
| <b>Not Impaired<sup>1</sup></b> |                       |                                |                         |                                   |                 |
| Receivables                     | 40                    | -                              | -                       | 3                                 | 43              |
| <b>Impaired</b>                 |                       |                                |                         |                                   |                 |
| 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. 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 | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|
| <b>Receivables with ACT Government Entities</b>                 |                |                |
| Accrued Revenue   | 993            | 39             |
| <b>Total Receivables with ACT Government Entities</b>           | <b>993</b>     | <b>39</b>      |
| <b>Receivables with Non-ACT Government Entities</b>             |                |                |
| Trade Receivables   | 1              | 6              |
| Accrued Interest  | 4              | 6              |
| Net Goods and Services Tax Receivable                           | 31             | (8)            |
| <b>Total Receivables with Non-ACT Government Entities</b>       | <b>36</b>      | <b>4</b>       |
| <b>Total Receivables</b>  | <b>1,029</b>   | <b>43</b>      |

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 19 Plant and Equipment**

|  | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|
| <b>Plant and Equipment</b>                             |                |                |
| Office Furniture and Equipment at Cost <sup>(a)</sup>  | 543            | 130            |
| Less: Accumulated Depreciation                         | (14)           | (130)          |
| <b>Total Written Down Value of Plant and Equipment</b> | <u>530</u>     | <u>-</u>       |

|   | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|
| <b>Reconciliation of Plant and Equipment</b>                    |                |                |
| <b>Carrying Amount at the Beginning of the Reporting Period</b> | -              | 13             |
| Additions <sup>(b)</sup>  | 543            | -              |
| Depreciation  | (14)           | (13)           |
| <b>Carrying Amount at the End of the Reporting Period</b>       | <u>530</u>     | <u>-</u>       |

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

(b) The increase in Office Furniture and Equipment is due to the fit-out of the Commission's new office.

## Independent Competition and Regulatory Commission

## Notes to and forming part of the financial statements for the year ended 30 June 2012

## Note 20 Payables

|                                 | 2012<br>\$'000 | 2011<br>\$'000 |
|---------------------------------|----------------|----------------|
| <b>Current Payables</b>         |                |                |
| Trade Payables <sup>(a)</sup>   | 97             | 33             |
| Accrued Expenses <sup>(b)</sup> | 374            | 254            |
| <b>Total Current Payables</b>   | <u>471</u>     | <u>287</u>     |
| <b>Total Payables</b>           | <u>471</u>     | <u>287</u>     |

(a) Increase in Trade Payables is mainly due to consultancy costs relating to the Five-Year Water Pricing and Secondary Water Use reviews the Commission is conducting.

(b) Increase in Accrued Expenses is mainly due to accrued costs relating to the new office fit-out.

## Payables are aged as follows:

|                               |            |            |
|-------------------------------|------------|------------|
| Not Overdue                   | 471        | 287        |
| Overdue for Less than 30 Days | -          | -          |
| Overdue for 30 to 60 Days     | -          | -          |
| Overdue for More than 60 Days | -          | -          |
| <b>Total Payables</b>         | <u>471</u> | <u>287</u> |

## Classification of ACT Government/Non-ACT Government Payables

## Payables with ACT Government Entities

|  |            |            |
|--|------------|------------|
| Trade Payables                                     | 26         | 18         |
| Accrued Expenses                                   | 367        | 109        |
| <b>Total Payables with ACT Government Entities</b> | <u>393</u> | <u>127</u> |

## Payables with Non-ACT Government Entities

|  |            |            |
|--|------------|------------|
| Trade Payables   | 71         | 15         |
| Accrued Expenses                                       | 7          | 145        |
| <b>Total Payables with Non ACT Government Entities</b> | <u>78</u>  | <u>160</u> |
| <b>Total Payables</b>                                  | <u>471</u> | <u>287</u> |

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 21 Employee Benefits**

|  | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|
| <b>Current Employee Benefits</b>           |                |                |
| Annual Leave <sup>(a)</sup>                | 70             | 83             |
| Long Service Leave <sup>(b)</sup>          | 123            | 91             |
| Accrued Salaries and Superannuation        | 87             | 17             |
| <b>Total Current Employee Benefits</b>     | <u>280</u>     | <u>191</u>     |
| <b>Non-Current Employee Benefits</b>       |                |                |
| Long Service Leave <sup>(b)</sup>          | 6              | 11             |
| <b>Total Non-Current Employee Benefits</b> | <u>6</u>       | <u>11</u>      |
| <b>Total Employee Benefits</b>             | <u>286</u>     | <u>202</u>     |

| <i>For Disclosure Purposes Only</i>                     |                |                |
|---|----------------|----------------|
|   | 2012<br>\$'000 | 2011<br>\$'000 |
| <b>Estimate of when Leave is Payable</b>                |                |                |
| <b>Estimated Amount Payable within 12 Months</b>        |                |                |
| Annual Leave  | 70             | 83             |
| Long Service Leave                                      | 41             | 29             |
| Accrued Salaries and Superannuation                     | 87             | 17             |
| <b>Total Employee Benefits Payable within 12 Months</b> | <u>198</u>     | <u>129</u>     |
| <b>Estimated Amount Payable after 12 Months</b>         |                |                |
| Long Service Leave                                      | 88             | 73             |
| <b>Total Employee Benefits Payable after 12 Months</b>  | <u>88</u>      | <u>73</u>      |
| <b>Total Employee Benefits</b>                          | <u>286</u>     | <u>202</u>     |

(a) Decrease in Annual Leave Liability relates to staff retiring during the year and having their benefits paid out.

(b) Increase in Long Service Leave liability relates to transfers of staff to the Commission from other Government agencies and the increase in the rate used to estimate the present value of future payments from 92.2% in 2010-11 to 106.6% in 2011-12.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 22 Other Liabilities**

|  | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|
| <b>Current Other Liabilities</b>           |                |                |
| Revenue Received in Advance <sup>(a)</sup> | 451            | 279            |
| <b>Total Other Liabilities</b>             | <u>451</u>     | <u>279</u>     |

(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, due to the agreed payment schedule not aligning with the timing of the deliverables.

## Independent Competition and Regulatory Commission

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### Note 23 Other Provisions

|   | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|
| <b>Current Other Provisions</b>           |                |                |
| Provision for Utilities Regulation Costs  | 857            | 230            |
| <b>Total Current Other Provisions</b>     | <u>857</u>     | <u>230</u>     |
| <b>Non-Current Other Provisions</b>       |                |                |
| Provision for Make Good                   | 57             | -              |
| <b>Total Non-Current Other Provisions</b> | <u>57</u>      | <u>-</u>       |
| <b>Total Other Provisions</b>             | <u>914</u>     | <u>230</u>     |

#### 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, and the ACT Civil and Administrative Tribunal (ACAT) for regulatory activities in relation to water, sewerage, and gas transmission utilities. The increase in the provision during 2011-12 is mainly attributable to the Technical Regulator not invoicing for its 2011-12 activities. See also Note 2(e) Revenue Recognition and Note 2(t) Significant Accounting Estimates and Judgements.

|   | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|
| <b>Reconciliation of the Provision for Utilities Regulation Costs</b>               |                |                |
| Provision for Utilities Regulation Costs at the Beginning of the Reporting Period   | 230            | 398            |
| Increase in Provision for Annual Licence Fee Determination - Current Year Estimate  | 878            | 749            |
| Increase in Provision for Annual Licence Fee Determination - Prior Year Adjustment  | 107            | -              |
| Reduction in Provision for Annual Licence Fee Determination - Prior Year Adjustment | -              | (223)          |
| Reduction in Provision for Commission Regulatory Costs                              | (216)          | (204)          |
| Reduction in Provision for Technical Regulator Payments and Trade Creditors         | (38)           | (434)          |
| Reduction in Provision for ACAT Payments and Trade Creditors                        | (104)          | (55)           |
| <b>Provision for Utilities Regulation Costs at the End of the Reporting Period</b>  | <u>857</u>     | <u>230</u>     |

#### 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 AASB 116 Property Plant and Equipment, paragraph 17(c) requires the cost of dismantling and removal of items (also known as Make Good) to be included.

|   | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|
| <b>Reconciliation of the Provision for Make Good</b>                |                |                |
| Provision for Make Good at the Beginning of the Reporting Period    | -              | -              |
| Increase in Provision due to unwinding of discount                  | 6              | -              |
| Increase in Provision due to leases commenced during Financial Year | 51             | -              |
| <b>Provision For Make Good at the End of the Reporting Period</b>   | <u>57</u>      | <u>-</u>       |

## Independent Competition and Regulatory Commission

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### 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 during the year ended 30 June 2012 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 2012). These funds are held in on-demand deposits.

As the majority of receivables are owed by other ACT Government agencies, no other significant concentration of credit risk has been identified by the Commission for financial assets.

##### 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 does not have any material financial assets or liabilities that are exposed to price risk.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**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     |              | Carrying     |              |
|------------------------------------|--------------|--------------|--------------|--------------|
|                                    | Amount       | Fair Value   | Amount       | Fair Value   |
|                                    | 2012         | 2012         | 2011         | 2011         |
|                                    | \$'000       | \$'000       | \$'000       | \$'000       |
| <b>Financial Assets</b>            |              |              |              |              |
| Cash and Cash Equivalents          | 1,760        | 1,760        | 1,900        | 1,900        |
| Receivables                        | 1,029        | 1,029        | 43           | 43           |
| <b>Total Financial Assets</b>      | <b>2,789</b> | <b>2,789</b> | <b>1,943</b> | <b>1,943</b> |
| <b>Financial Liabilities</b>       |              |              |              |              |
| Payables                           | 471          | 471          | 287          | 287          |
| <b>Total Financial Liabilities</b> | <b>471</b>   | <b>471</b>   | <b>287</b>   | <b>287</b>   |



## Independent Competition and Regulatory Commission

## Notes to and forming part of the financial statements for the year ended 30 June 2012

## Note 24 Financial Instruments - Continued

The following table sets 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. All financial assets and liabilities appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2012

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

The following table sets 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 2011. All financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in 1 year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2011

| Financial Instruments                       | Note | Weighted Average Interest Rate | Fixed Interest maturing in: |                |                        |              | Non-Interest Bearing | Total |
|---|------|--------------------------------|-----------------------------|----------------|------------------------|--------------|----------------------|-------|
|   |      |                                | Floating Interest Rate      | 1 Year or Less | Over 1 Year to 5 Years | Over 5 Years |                      |       |
| <b>Financial Assets</b>                     |      |                                |                             |                |                        |              |                      |       |
| Cash and Cash Equivalents                   | 17   | 4.54%                          | 1,900                       | -              | -                      | -            | 1,900                |       |
| Receivables                                 | 18   |                                | -                           | -              | -                      | 43           | 43                   |       |
| <b>Total Financial Assets</b>               |      |                                | <b>1,900</b>                | <b>-</b>       | <b>-</b>               | <b>43</b>    | <b>1,943</b>         |       |
| <b>Financial Liabilities</b>                |      |                                |                             |                |                        |              |                      |       |
| Payables                                    | 21   |                                | -                           | -              | -                      | 287          | 287                  |       |
| <b>Total Financial Liabilities</b>          |      |                                | <b>-</b>                    | <b>-</b>       | <b>-</b>               | <b>287</b>   | <b>287</b>           |       |
| <b>Net Financial Assets / (Liabilities)</b> |      |                                | <b>1,900</b>                | <b>-</b>       | <b>-</b>               | <b>(244)</b> | <b>1,656</b>         |       |

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 24 Financial Instruments - Continued**

|  | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|
| <b>Carrying Amount of Each Category of Financial Asset and Financial Liability</b> |                |                |
| <b>Financial Assets</b>  |                |                |
| Loans and Receivables  | 1,029          | 43             |
| <b>Financial Liabilities</b>   |                |                |
| Financial Liabilities Measured at Amortised Cost                                   | 471            | 287            |

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 at fair value. As such no fair value hierarchy disclosures have been made.

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 25 Commitments**

|   | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|
| <b>Operating Lease Commitments - Plant and Equipment</b>            |                |                |
| Non-Cancellable operating lease commitments are payable as follows: |                |                |
| Within one year   | 46             | 43             |
| Later than one year but not later than five years                   | 9              | 68             |
| <b>Total Operating Lease Commitments - Plant and Equipment</b>      | <u>55</u>      | <u>111</u>     |

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

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**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.

|  | 2012<br>\$'000      | 2011<br>\$'000      |
|--|---------------------|---------------------|
| Total Cash and Cash Equivalents Recorded in the Balance Sheet  | 1,760               | 1,900               |
| <b>Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement</b> | <b><u>1,760</u></b> | <b><u>1,900</u></b> |

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

|  |                     |                     |
|--|---------------------|---------------------|
| Operating Surplus/(Deficit)                                    | 251                 | (494)               |
| <b>Add/(Less) Non-Cash Items</b>                               |                     |                     |
| Resources Received Free of Charge                              | (200)               | -                   |
| Depreciation of Property, Plant and Equipment                  | 14                  | 13                  |
| Borrowing Costs  | 6                   | -                   |
| <b>Cash Before Changes in Operating Assets and Liabilities</b> | <b><u>71</u></b>    | <b><u>(481)</u></b> |
| <b>Changes in Operating Assets and Liabilities</b>             |                     |                     |
| (Increase)/Decrease in Receivables                             | (986)               | 233                 |
| (Decrease) in Payables   | (107)               | (143)               |
| Increase in Employee Benefits                                  | 84                  | 52                  |
| Increase in Other Liabilities                                  | 172                 | 279                 |
| Increase in Other Provisions                                   | 627                 | 230                 |
| <b>Net Changes in Operating Assets and Liabilities</b>         | <b><u>(211)</u></b> | <b><u>651</u></b>   |
| <b>Net Cash (Outflows)/ Inflows from Operating Activities</b>  | <b><u>(140)</u></b> | <b><u>170</u></b>   |

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 27 Events After Balance Date**

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

**Independent Competition and Regulatory Commission**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 28 Contingent Liabilities**

There are no known contingent liabilities as at 30 June 2012 (Nil:2010-11).

## Appendix 2 Statement of performance

### Auditor's opinion on the Statement of Performance



ACT AUDITOR-GENERAL'S OFFICE



#### REPORT OF FACTUAL FINDINGS INDEPENDENT COMPETITION AND REGULATORY COMMISSION

#### To the Members of the ACT Legislative Assembly

##### 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 2012 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.

Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608  
Telephone: 02 6207 0833 | Facsimile: 02 6207 0826 | Email: [actauditorgeneral@act.gov.au](mailto:actauditorgeneral@act.gov.au)

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 2012, 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  
6 September 2012



Statement of responsibility



**ICRC**  
Independent competition and regulatory commission

**INDEPENDENT COMPETITION AND  
REGULATORY COMMISSION**

**Statement of Performance  
For the Year Ended 30 June 2012**

**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 2012 and also fairly reflects the judgements exercised in preparing it.

Ms Ranjini Nayager  
Chief Executive Officer  
Independent Competition and Regulatory Commission  
05 September 2012

Phone: 02 6205 2773 • Fax: 02 6207 5887 • Web: [www.icrcact.gov.au](http://www.icrcact.gov.au) • Level 8, 221 London Circuit, Canberra City ACT 2601 • GPO Box 161, Civic Square ACT 2608

**Independent Competition and Regulatory Commission  
Statement of non-financial performance for the year ended 30 June 2012**

**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 2012**

| <b>Statement of intent accountability indicators</b>                | <b>Original target 2011–12</b>        | <b>Actual result 2011–12</b> | <b>% Variance from original target</b> | <b>Explanation of material variances</b>  |
|---|---------------------------------------|------------------------------|--|---|
| Water and retail electricity pricing <sup>A</sup>                   | Annual price adjustments <sup>1</sup> | Achieved                     | –                                      | –   |
| Feed-in tariff advice on determination of premium rate <sup>B</sup> | 1 Report                              | 0                            | (100%)                                 | Feed-in tariff advice on determination of premium rate is at the request of the Minister. The Minister did not request the Commission’s advice for 2012–13. |

| Statement of intent<br>accountability<br>indicators  | Original target<br>2011–12 | Actual result<br>2011–12 | %<br>Variance<br>from<br>original<br>target | Explanation of material<br>variances  |
|--|----------------------------|--------------------------|---|---|
| Utilities compliance and performance <sup>C</sup>  | 1 Report <sup>2</sup>      | 0                        | (100%)                                      | Compliance and Performance Report for 2009-2010 was issued in December 2012.<br>A draft 2010-2011 compliance and performance report was prepared as of 30 June 2012. The Commission has engaged in a process of data integrity checking and was unable to publish the report pending receipt of information and verification from third parties. It is anticipated the finalised report will be published by 31 October 2012. |
| Greenhouse gas emissions abatement scheme compliance <sup>D</sup>  | 1 Report <sup>3</sup>      | 1 Report <sup>3</sup>    | –   |   |
| Greenhouse gas emissions and targets <sup>E</sup>  | 1 Report                   | 1 Report <sup>4</sup>    | –   |   |
| Utility licence fees (water, wastewater, and energy sector utilities not subject to energy industry levy) <sup>E</sup> | 1 Determination            | 2 Determinations         | 100%  | Two determinations were made, one for those utilities who hold a licence and provide utility services in the ACT and one determination for those utilities holding a licence.   |
| Utility levies (energy sector) <sup>F</sup>  | 3 Determinations           | 3 Determinations         | –   |   |

| Statement of intent accountability indicators                         | Original target 2011–12          | Actual result 2011–12 | % Variance from original target | Explanation of material variances                                     |
|---|----------------------------------|-----------------------|---------------------------------|---|
| Advice on referred matters: <sup>6</sup><br>Secondary Water Reference | Subject to receipt of references | Achieved              | –                               | Advice on referred matters: <sup>6</sup><br>Secondary Water Reference |

### Explanation of Accountability Indicators for the year ended 30 June 2012

The above Accountability Indicators were reviewed by the ACT Auditor-General’s Office in accordance with the *Financial Management Act 1996*.

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

#### Notes

1. The water and wastewater price determination for the 5 year period from 2008-09 to 2012–13 provides that, on or before 1 March each year, ACTEW must submit proposed tariffs for services subject to price controls to the Commission for approval.
2. The Commission will prepare a compliance and performance report for 2010–11 for licensed electricity, gas, water and sewerage utilities.
3. The Commission will prepare an annual report on the 2011 compliance year by 30 June 2012 as required under the *Electricity (Greenhouse Gas Emissions) Act 2004*.
4. The Commission will prepare an annual report on the 2008-09 financial year by 30 September 2012 consistent with the requirements of the *Climate Change and Greenhouse Gas Reduction Act 2010*.

The Commission determines prices for ‘regulated services’ under the *Independent Competition and Regulatory Commission Act 1997*. Regulated services are provided by ‘regulated industries’ which include utility services. Price directions are made following receipt of a reference by the Minister. All price adjustment decisions as required under the Commission’s price directions were prepared.

- A. On 21 September 2011, the ACT Government issued the Commission with terms of reference seeking a price direction to determine the electricity tariffs for franchise customers for the period 1 July 2012 to 30 June 2014. On 08 June 2012, the Commission released its final report Retail Prices for electricity customers 2012-14.

- B. Under the provisions of the *Electricity Feed-in (Renewable Energy Premium) Act 2008*, the Commission can advise the Minister for Energy, in determining the premium rate to be paid for electricity supplied by compliant renewable energy generators to the distribution network.
- C. Utilities performance and compliance indicators arise from requirements of the *Utilities Act 2000*, in particular the requirement under section 25(d) for utilities to submit annual reports to the Commission. Each year, the Commission assesses the compliance of utilities against their statutory obligations (including their licence obligations) and reports on performance against a range of indices, including indices established through national agreements.
- D. The Commission is the regulator of the Greenhouse Gas Abatement Scheme which is established through the *Electricity (Greenhouse Gas) Act 2004*. Each year, the Commission determines greenhouse gas emissions benchmarks for participating electricity supply utilities (Electricity (Greenhouse Gas Emissions) Determination 2010, NI2010-10), and reports each year on the operation of the Scheme, and on utility compliance with Scheme requirements. The Commission transmitted its report for the 2011 compliance year to the Minister on 30 June 2012 (Report 5 of 2012, *ACT Greenhouse Gas Abatement Scheme - Compliance and Operation of the Scheme for the 2011 Compliance Year*, June 2012).
- E. Utility licence fees are determined by the Commission under section 45 the *Utilities Act 2000*, to reflect the costs of regulatory activities in relation to utilities incurred by the Commission, the ACT Administrative and Civil Appeals Tribunal (ACAT) and the technical regulator (located in the ACT Planning and Land Authority under the previous administration arrangements and now located in the Environmental and Sustainable Development Directorate). For the 2011–12 financial year, licence fees were determined for utilities providing water and sewerage utility services, and gas transmission utility services (Utilities (Annual Licence Fees Determination) Notice 2011 (No 2), NI2011-624), and for utilities not actively retailing ('supplying') gas and electricity in the ACT (Utilities (Annual Licence Fees Determination) Notice 2011 (No 3), NI2011-686).
- F. Under Part 3A of the *Utilities Act 2000*, energy industry levies are imposed on energy utilities to recover the Territory's national and local regulatory costs, in relation to the energy industry sectors. The Commission's Chief Executive Officer is currently appointed as the levy administrator, Utilities (Levy administrator) Appointment 2007, NI 2007-191). Energy industry levy determinations are made by the levy administrator. In 2011–12, three determinations were made under sections 54E, 54F and 54H of the Utilities Act (Utilities (Energy industry levy – local regulatory costs) Determination 2011, NI2011-579; Utilities (Energy industry levy – national regulatory obligations and costs) Determination 2011, NI2011-578; Utilities (Energy industry levy – other) Determination 2011, NI2011-580).

- G. In September 2011 the ACT Treasurer asked the Commission to undertake an enquiry into the role of secondary water in the ACT. The Commission under the Terms of Reference was to present its final report to the Treasurer by 30 June 2012. In November 2011, the Commission published a Context Paper and an Issues Paper on Secondary Water Use in the ACT. The Commission published its Draft Report in May 2012. The Commission transmitted its Final Report on Secondary Water use in the ACT to the Treasurer within the timeframe agreed to.

### 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](http://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<br>Freedom of information<br>Human resources      | Ranjini Nayager (CEO)<br>(02) 6205 0799<br>(02) 6207 5887 fax<br><a href="mailto:ranjini.nayager@act.gov.au">ranjini.nayager@act.gov.au</a><br><a href="http://www.icrc.act.gov.au">www.icrc.act.gov.au</a>           |
| Electricity pricing<br>Water and sewerage pricing                                    | Senior Commissioner<br>Malcolm Gray<br>(02) 6205 0799<br>(02) 6207 5887 fax<br><a href="mailto:malcolmR.Gray@act.gov.au">malcolmR.Gray@act.gov.au</a><br><a href="http://www.icrc.act.gov.au">www.icrc.act.gov.au</a> |
| Competitive neutrality matters   | Commissioner Mike Buckley<br>(02) 6205 0799<br>(02) 6207 5887 fax<br><a href="mailto:mike.buckley@act.gov.au">mike.buckley@act.gov.au</a><br><a href="http://www.icrc.act.gov.au">www.icrc.act.gov.au</a>             |
| ACT racing industry review   | Commissioner Mike Buckley<br>(02) 6205 0799<br>(02) 6207 5887 fax<br><a href="mailto:mike.buckley@act.gov.au">mike.buckley@act.gov.au</a><br><a href="http://www.icrc.act.gov.au">www.icrc.act.gov.au</a>             |
| Utilities licensing<br>Utilities compliance and performance monitoring and reporting | Ranjini Nayager (CEO)<br>(02) 6205 0799<br>(02) 6207 5887 fax<br><a href="mailto:ranjini.nayager@act.gov.au">ranjini.nayager@act.gov.au</a><br><a href="http://www.icrc.act.gov.au">www.icrc.act.gov.au</a>           |
| Greenhouse Gas Abatement Scheme<br>Electricity Feed-in Scheme                        | Ranjini Nayager (CEO)<br>(02) 6205 0799<br>(02) 6207 5887 fax<br><a href="mailto:ranjini.nayager@act.gov.au">ranjini.nayager@act.gov.au</a><br><a href="http://www.icrc.act.gov.au">www.icrc.act.gov.au</a>           |

## Appendix 4 Commission publications, 2011–12

### Papers and reports

Report 6 of 2011: *Method of Measuring Greenhouse Gas Emissions in the ACT* (July 2011)

Report 7 of 2011: *ACT Greenhouse Gas Inventory for 2008-09* (September 2011)

Report 8 of 2011: *Context Paper – Water in the ACT* (November 2011)

Report 9 of 2011: *Issues Paper: Secondary Water Use in the ACT* (November 2011)

Report 10 of 2011: *Licensed electricity, gas, water and sewerage utilities – Compliance and performance report for 2009–10* (December 2011)

Report 1 of 2011: *Issues paper: Retail Prices for Non-contestable Electricity Customers 2012-2014* (December 2011)

Report 1 of 2012: *Issues paper: Regulated Water and Sewerage Services 2013-2018* (February 2012)

Report 2 of 2012: *Draft report: Retail Prices for Franchise Electricity Customers 2012-2014* (April 2012)

Report 3 of 2012: *Draft report: Secondary Water Use in the ACT* (May 2012)

Report 4 of 2012: *Final report: Retail Prices for Franchise Electricity Customers 2012-2012* (June 2012)

Report 5 of 2012: *ACT Greenhouse Gas Abatement Scheme – Compliance and Operation of the Scheme for the 2011 Compliance Year* (June 2012)

### ACT Electricity Feed-in Scheme summary reports

*ACT Electricity Feed-in Scheme summary report* (1 March 2009 – 30 June 2011)

*ACT Electricity Feed-in Scheme summary report* (1 March 2009 – 30 September 2011)

*ACT Electricity Feed-in Scheme summary report* (1 March 2009 – 31 December 2011)

*ACT Electricity Feed-in Scheme summary report* (1 March 2009 – 31 March 2012)



ACT Australian Capital Territory

### Glossary and abbreviations

|                          |   |
|--------------------------|---|
| ACT                      | Australian Capital Territory  |
| ACAT                     | ACT Civil and Administrative Tribunal   |
| ACTEW                    | ACTEW Corporation Ltd   |
| CALD                     | culturally and linguistically diverse   |
| CEO                      | Chief Executive Officer   |
| CO <sub>2</sub> -e       | carbon dioxide equivalent   |
| Commission, the          | Independent Competition and Regulatory Commission   |
| FOI Act                  | <i>Freedom of Information Act 1989</i>  |
| FTE                      | full-time equivalent  |
| GGAS                     | Greenhouse Gas Abatement Scheme   |
| ICRC                     | Independent Competition and Regulatory Commission   |
| ICRC Act                 | <i>Independent Competition and Regulatory Commission Act 1997</i>   |
| JACSD                    | Justice and Community Safety Directorate  |
| NECF                     | National Energy Customer Framework  |
| OH&S                     | occupational health and safety  |
| price direction          | statement issued by the Commission, setting price paths and revenue caps for a utility for a specified period   |
| technical regulator, the | ACT technical regulator overseeing utilities services within the Territory and located within the Environment and Sustainable Development Directorate |
| Utilities Act            | <i>Utilities Act 2000</i>   |
| utility services         | electricity supply and network operations, gas supply and network operations and water and sewerage supply  |

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