



ICRC
independent competition and regulatory commission

Annual Report 2020–21

Report 17 of 2021, October 2021



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

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

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

Our objectives are set out in sections 7 and 19L of the ICRC Act and section 3 of the Utilities Act. In discharging our objectives and functions, we provide independent robust analysis and advice.

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Senior Commissioner's overview

Despite another challenging year in 2020-21, the commission delivered on our core pricing and regulatory functions, made a new industry code in response to a ministerial direction, and developed advice for the Government on competitive neutrality and recycled water pricing.

As well as the continuing uncertainty and risks created by the pandemic, we successfully managed the perennial challenges inherent in being a small agency with a heavy and diverse workload.

Over recent years, we have made substantial investments in building organisational capacity and resilience and strengthening our risk management and business continuity strategies. These investments allowed us to maintain the high quality and timeliness of our decisions and advice during 2020-21 while managing the pressures on our highly skilled specialist staff from complying with public health restrictions, continuing to work from home for much of the year, and high staff turnover during the year.

Our regulatory activities contributed to ensuring that: residential and small business consumers could obtain electricity, water and sewerage services at regulated prices that reflect the efficient and prudent costs of providing those services; important consumer protections were available; and the utilities operating in the Territory had incentives to deliver services at a standard expected by Territory households and businesses.

We also advised the Government on complex and contentious issues, which allowed us to contribute more broadly to meeting the needs of the Territory community.

Activities during 2020–21

In response to a request from the Government, we made a new industry code to improve the transparency and comparability of electricity price offers to help Territory consumers make savings on their bills by finding an offer that better suits their individual circumstances.

Also in response to a request from the Government, we developed advice to ensure Icon Water's prices for supplying recycled water to high-intensity club users reflect efficient supply costs. The advice will inform the Government's review of non-potable water prices.

We completed the second stage of our advice to the Government to help ensure the operations of the new public crematorium facility are consistent with competitive neutrality. After receiving Canberra Cemeteries' December 2020 pricing proposal, we assessed the proposal for compliance with the detailed pricing principles we developed in the first stage of our advice and more broadly with the Government's Competitive Neutrality Policy.

In undertaking our core pricing functions, we:

- set maximum prices for regulated water and sewerage services for 2021–22 in accordance with our 2018 price direction for the five-year regulatory period from 1 July 2018
- set the maximum allowed increase in average retail electricity prices for 2021–22 in accordance with our 2020 price direction for the four-year regulatory period from 1 July 2020
- confirmed the mechanisms in our regulatory pricing framework for water and sewerage services give Icon Water incentives to continually improve the efficiency of its service delivery
- updated our methods for determining the regulated rate of return to ensure Icon Water receives an appropriate return on its prudent and efficient investments in infrastructure used for delivering water and sewerage services
- revised the form of price control for regulating retail electricity prices so it remains appropriate in the context of recent and ongoing developments in electricity markets, including the shift to renewable generation and impacts on transmission and distribution network
- approved Icon Water's standard customer contract for water and sewerage services
- approved an update to the precinct map and set the precinct charge for 2021–22 under the industry code on capital contributions for water and sewerage infrastructure upgrades.

In relation to our regulatory and compliance functions, we updated the terms and conditions in utility licences to improve clarity, streamline reporting requirements, reduce regulatory burden, and reflect recent changes in the regulatory framework. We met our ongoing responsibility for ensuring that utilities providing services in the Territory comply with legislative requirements, licence conditions, and industry and technical codes by:

- determining the 2020–21 utility licence fees and the 2020–21 energy industry levy amounts
- monitoring the implementation of the new consumer protection code, which took effect from 1 July 2020
- monitoring and reporting on licenced utilities' performance and compliance with their licence conditions in 2019–20
- updating information for our stakeholders, including the material breach guideline and submissions guide, which are published on our website.

Looking forward

Our workload for 2021–22 will again be diverse, covering our core pricing, regulatory and compliance functions and advice to the Government.

For our core pricing work, we will set maximum prices for regulated water and sewerage services for 2022–23 in accordance with our 2018 price determination for the regulatory period 1 July 2018 to 30 June 2023. We will finish reviewing our water demand forecasting model and methods before the next water and sewerage services price investigation. Subject to receiving terms of reference from the Government, we expect to start the next price investigation to set regulated water and sewerage services prices to apply from 1 July 2023.

We will set the maximum allowable average change in retail electricity prices for 2021–22 in accordance with our 2020 price determination for the regulatory period 1 July 2020 to 30 June 2024.

We will develop guidelines to help electricity retailers implement the new ACT Retail Electricity (Transparency and Comparability) Code effectively and we will monitor compliance with the code.

We will continue to undertake our annual regulatory and compliance functions for utility performance and licence compliance monitoring, utility licence fee, and energy industry levy. And we look forward to further assisting the Government during 2021–22 with advice on industry-related or other matters as required.

The commission's approach

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

We understand that Territory households and businesses are experiencing cost of living pressures. We will continue to work to ensure that regulated prices for electricity, water and sewerage services reflect only efficient and prudent costs, including a reasonable return on the investments needed to provide services into the future. We will continue to monitor consumer protections, including the utilities' hardship policies, to ensure they remain appropriate and adequate. The new ACT Retail Electricity (Transparency and Comparability) Code will be an important additional protection for electricity consumers to check that they are on a plan that is right for them and will save them money.

One of our strategic priorities has been, and still is, to make it easier for consumers, regulated businesses and other interested parties to be informed about, and participate in, our decision-making processes. During 2020-21, we continued to use online platforms for public forums, workshops and customer consultative committee meetings to make it easier for our stakeholders to participate. In some cases, we offered a choice of in-person attendance and online attendance to better meet our stakeholders' needs, subject to public health restrictions.

Another of our ongoing strategic priorities is to build and maintain organisational capacity and the resilience and flexibility to continue to deliver on a heavy and diverse workload with a small staff. In 2021-22, we will recruit highly qualified, experienced staff to continue to provide robust factual analysis to inform our regulatory decisions and our advice to the Government.

I would like to express my thanks and appreciation to staff for their hard work and commitment to delivering outcomes that contribute to the wellbeing of the Territory community.

Joe Dimasi
Senior Commissioner



**Part A.
Transmittal certificate**

PART
A



ICRC
independent competition and regulatory commission

Mr Andrew Barr MLA
Treasurer
ACT Legislative Assembly
Canberra ACT 2601

Dear Treasurer,

We are pleased to present to you the Independent Competition and Regulatory Commission's Annual Report for 2020–21.

This report has been prepared in accordance with section 7(2) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with the requirements under the Annual Reports (Government Agencies) Directions 2021.

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 information in the attached report, and information provided for whole of government reporting, is an honest and accurate account and that all material information on the operations of the Independent Competition and Regulatory Commission has been included for the period 1 July 2020 to 30 June 2021.

We hereby certify that fraud prevention has been managed in accordance with the *Public Sector Management Standards 2006 (repealed)*, Part 2.3 (see section 113, Public Sector Management Standards 2016).

Section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you present the report to the Legislative Assembly within 15 weeks after the end of the reporting year. However, under section 14, as Chief Minister, you have granted an extension of the time when the report must be presented by you to the Legislative Assembly. You have granted the extension to the Legislative Assembly sitting day on 2 December 2021.

Yours sincerely,

Mr Joe Dimasi
Senior Commissioner

12 October 2021

Dr Annette Weier
Chief Executive Officer

12 October 2021



**Part B.
Organisational overview
and performance**

PART
B

B.1 ORGANISATIONAL OVERVIEW

B.1.1 Commission's functions and mission

The Independent Competition and Regulatory Commission (commission) was established under the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act),¹ originally as the Independent Pricing and Regulatory Commission.

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

While the focus of the commission's operations has changed overtime,² its fundamental mission, as set out the objectives in the ICRC Act, has remained constant: to promote effective competition in the interests of consumers while facilitating an appropriate balance between economic efficiency, environmental and social considerations.

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

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

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

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

¹ <https://www.legislation.act.gov.au/a/1997-77/default.asp>

² Reflecting the move to national energy regulation, introduction of National Competition Policy, and the changing needs of the Government and Territory community.

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

B.1.2 Operating environment, priorities and outlook

The continuing COVID-19 pandemic and associated economic and social impacts on the Territory community again made the commission's operating environment more challenging in 2020-21.

For much of the year, commission staff worked from home to ensure the commission could meet its obligations, while complying with public health restrictions and recommendations to protect their own and the community's health and safety. From early 2021, staff returned to the office a few days a week, while continuing to work from home for the rest of the week. This 'hybrid' working arrangement retained the benefits of flexibility, while improving team cohesion, collaboration opportunities and interpersonal connections.

For the commission, there are inherent and persistent operational challenges from being a small agency with a heavy and diverse workload. The cyclical nature of our core regulatory workload increases these challenges—both for managing pressures on staff in meeting the deadlines associated with the commission's decision-making responsibilities and the ongoing risks for attracting and retaining suitably qualified staff.

In recent years, the demand for qualified and experienced regulatory staff has grown, with an increase in the workloads of other regulators, particularly at the federal level, and a trend towards more regulatory action to address government and consumer concerns about market outcomes, notably in the electricity industry. High demand for staff with regulatory skills and experience has increased our challenges in attracting and retaining expert staff. The tighter labour market in 2021 further increased these challenges.

In 2020-21, we experienced higher than usual staff turnover. Staff with good regulatory skills and experience were attracted by better career prospects, and sometimes salaries, offered by larger employers including the Australian public service, federal regulators, and the private sector. Some staff moved into policy roles in Territory directorates.

We are continuing to implement strategies to address these operational challenges.

First, we have made substantial investments over recent years in building organisational capacity and resilience and strengthening our risk management and business continuity strategies. And we have invested in developing a regulator training program, in collaboration with other Australian and New Zealand regulators, to share the accumulated industry and technical knowledge of experienced regulatory staff and to help new staff build networks to support their development. These investments allowed us to maintain the high quality and timeliness of our decisions and advice during 2020-21 while recruiting and training new staff.

Second, we continue to work on smoothing out our cyclical regulatory work program. We have reduced the workload peaks previously experienced in price investigations by undertaking reviews and updates of aspects of our price models and methods between price investigations when the regulatory workload is lower. This approach allows the focus of the next price investigation to be on determining the appropriate inputs to the model as the methodology to be applied in the investigation has largely been settled.

Also, between price investigations, we are working through our forward work program for our responsibilities under the Utilities Act. In 2020-21, we implemented the new Consumer Protection

Code; updated and streamlined utility licences; and improved the guidance material available to utilities on complying with their obligations and to the public on participating in regulatory decision-making processes.

Third, our ongoing efforts to maintain a deep pool of expertise have improved our responsiveness to ministers' requests for advice and resulted in further work under the commission's advisory functions. Such requests for advice allow us to use our expertise to deliver high-quality analysis, findings and recommendations that contribute to improving the wellbeing of the Territory community. They also give staff a more stable career path and opportunities to broaden their experience, which improves staff retention and the ability to attract highly skilled and experienced staff.

Another important operational challenge arises from the rapid pace of change in the regulated industries. The electricity market is experiencing significant change due to the large increase in renewable energy generation, national and Territory energy policies, affordability pressures on households and businesses, and, in the Territory, increasing retail competition and a move from regulated electricity standing offers to market offers. Changes in the climate and weather patterns, national and Territory water and environmental policies, changes in supply costs and water use practices, and population growth are all impacting on the demand for, and supply of, water and sewerage services.

We monitor developments in the regulated industries and regularly review our regulatory models and methods to ensure our regulatory approaches remain up-to-date and appropriate. We will continue to review our industry codes, licence conditions and guidance material on a regular basis to ensure the consumer protection framework continues to meet the community's needs, and our regulatory and compliance activities continue to achieve our legislative objectives.

In all our work, we place a high priority on making it easier for consumers, regulated businesses and other interested parties to participate in our decision-making processes, and be informed about our decisions, consumer protections, and regulatory obligations. We are improving the presentation and readability of our reports and publishing clearer guidance material for utilities and the public on our website. And we are continuing to use digital technologies, including videoconferencing, to make it easier for stakeholders to participate in our public forums, workshops, customer consultative committee meetings, and targeted meetings. Where possible, we will offer a choice of in-person attendance and online attendance, subject to public health restrictions.

Performance during 2020–21

During 2020-21, our regulatory pricing activities contributed to ensuring that residential and small business consumers could obtain electricity, water and sewerage services at regulated prices that reflect the efficient and prudent costs of providing those services. In undertaking our core pricing functions, we:

- set maximum prices for regulated water and sewerage services for 2021–22 in accordance with our 2018 price direction for the five-year regulatory period from 1 July 2018³
- set the maximum allowed increase in average retail electricity prices for 2021-22 in accordance with our 2020 price direction for the four-year regulatory period from 1 July 2020⁴

³ <https://www.icrc.act.gov.au/water-and-sewerage/regulated-water-and-sewerage-services-prices-201823>

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

- confirmed the mechanisms in our regulatory pricing framework for water and sewerage services give Icon Water incentives to continually improve the efficiency of its service delivery⁵
- updated our methods for determining the regulated rate of return to ensure Icon Water receives an appropriate return on its prudent and efficient investments in infrastructure used for delivering water and sewerage services⁶
- revised the form of price control for regulating retail electricity prices so it remains appropriate in the context of recent and ongoing developments in electricity markets, including the shift to renewable generation and impacts on transmission and distribution network⁷
- approved Icon Water's standard customer contract for water and sewerage services
- approved an update to the precinct map and set the precinct charge for 2021–22 under the industry code on capital contributions for water and sewerage infrastructure upgrades.⁸

During 2020–21, we also met our ongoing responsibility for ensuring that important consumer protections are available and that the utilities operating in the ACT have incentives to deliver services at a standard expected by Territory households and businesses and comply with legislative requirements, licence conditions, and industry and technical codes. In undertaking our regulatory and compliance functions, we:

- updated the terms and conditions in utility licences to improve clarity, streamline reporting requirements, reduce regulatory burden, and reflect recent changes in the regulatory framework⁹
- determined the 2020–21 utility licence fees and the 2020–21 energy industry levy amounts¹⁰
- monitored the implementation of the new consumer protection code, which took effect from 1 July 2020¹¹
- monitored and reported on licenced utilities' performance and compliance with their licence conditions in 2019–20¹²
- updated information for our stakeholders, including the material breach guideline and submissions guide, which are published on our website.¹³

We also advised the Government on complex and contentious issues, which allowed us to contribute more broadly to meeting the needs of the Territory community. In response to requests from the Government, we:

- made a new industry code to improve the transparency and comparability of electricity price offers to help Territory consumers make savings on their bills by finding an offer that better suits their individual circumstances¹⁴

⁵ <https://www.icrc.act.gov.au/projects/completed-projects/incentive-mechanisms>

⁶ <https://www.icrc.act.gov.au/water-and-sewerage/wacc-methodology-review>

⁷ <https://www.icrc.act.gov.au/energy/review-of-the-form-of-electricity-price-control>

⁸ <https://www.icrc.act.gov.au/water-and-sewerage/water-and-sewerage-capital-contribution-code;>
<https://www.icrc.act.gov.au/water-and-sewerage/regulated-water-and-sewerage-services-prices-201823>

⁹ <https://www.icrc.act.gov.au/utilities-licensing/utility-licence-update>

¹⁰ <https://www.icrc.act.gov.au/utilities-licensing/licence-fees-and-the-energy-industry-levy>

¹¹ <https://www.icrc.act.gov.au/utilities-licensing/consumer-protection-code-review>

¹² <https://www.icrc.act.gov.au/utilities-licensing/utility-licence-annual-reports>

¹³ <https://www.icrc.act.gov.au/submissions>; <https://www.icrc.act.gov.au/legislation/guidelines>

¹⁴ <https://www.icrc.act.gov.au/energy/act-retail-electricity-transparency-and-comparability-code>

- developed advice to ensure Icon Water’s prices for supplying recycled water to high-intensity club users reflect efficient supply costs. The advice will inform the Government’s review of non-potable water prices¹⁵
- completed our advice to the Government to help ensure the operations and pricing of the new public crematorium facility are consistent with competitive neutrality.¹⁶

These outcomes were all achieved within the required timelines and consistent with the commission’s performance measures for 2020–21, as reported in the Statement of Performance (Appendix 2 of this report).

The commission has a statutory role in handling competitive neutrality complaints. No complaints were received in 2020–21.

Outlook for 2021-22 and beyond

Our workload for 2021-22 and future years will continue to be diverse, covering our core pricing, regulatory and compliance functions and advice to the Government.

For our core pricing work, we will set maximum prices for regulated water and sewerage services for 2022–23 in accordance with our 2018 price determination for the regulatory period 1 July 2018 to 30 June 2023. We will finish reviewing our water demand forecasting model and methods before the next water and sewerage services price investigation. Subject to receiving terms of reference from the Government, we expect to undertake a price investigation to set regulated water and sewerage services prices to apply from 1 July 2023.

We will set the maximum allowable average change in retail electricity prices for 2021-22, 2022-23 and 2023-24 in accordance with our 2020 price determination for the regulatory period 1 July 2020 to 30 June 2024.

In the coming financial year, we will develop guidelines to help electricity retailers implement the new ACT Retail Electricity (Transparency and Comparability) Code effectively. We will monitor compliance with the code on an ongoing basis.

For our regulatory and compliance functions, we will continue to monitor and report annually on utility performance and licence compliance, set the annual utility licence fees and energy industry levy, and regularly review our industry codes to ensure they remain up-to-date and appropriate.

We will assist the Government with advice on industry-related or other matters as required. And we will fulfil our statutory role in handling competitive neutrality complaints, subject to receiving any complaints.

¹⁵ <https://www.icrc.act.gov.au/water-and-sewerage/recycled-water-pricing-advice>

¹⁶ <https://www.icrc.act.gov.au/competition-issues/public-crematorium-services-competitive-neutrality>

B.1.3 Governance arrangements

Commission executive



The commission is constituted by Senior Commissioner Joe Dimasi.

Mr Dimasi was appointed Senior Commissioner from 1 June 2016 for a term of 5 years and was reappointed for a further 4 years from 1 June 2021.

Mr Dimasi is an applied economist with more than 25 years' experience in competition and regulation matters, particularly the regulation and reform of utilities. He was involved in establishing the Australian Energy Regulator and is a former Commissioner of the Australian Competition and Consumer Commission.

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

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

Dr Weier has more than 25 years' experience in economic policy and research, competition and regulatory matters, and financial market analysis. She has been a senior executive of the (then) Australian Department of Industry, Innovation and Science and of the Australian Competition and Consumer Commission. Before that, she undertook environmental policy analysis at the Productivity Commission and water regulation at the Victorian Essential Services Commission. Dr Weier has postgraduate tertiary qualifications in economics and is a graduate of the Australian Institute of Company Directors and an experienced non-executive director of not-for-profit boards.

Executive remuneration

The ACT Remuneration Tribunal determines the remuneration of the Senior Commissioner and the CEO.

Significant committees

Due to its small size, the commission does not have any significant committees. The commission is not a member of any significant committees of an ACT directorate or public sector body.

B.2 PERFORMANCE ANALYSIS

The commission undertakes a diverse range of activities and functions to protect the interests of Territory consumers and businesses over the medium to longer term through our regulatory decisions and advice to the Government. This section describes the main activities we undertook in 2020-21 to meet our legislative objectives.

B.2.1 Electricity price regulation

Annual price reset

In June 2021, we released our annual update of regulated retail electricity prices to apply from 1 July 2021.¹⁷ The price adjustment was made in accordance with our *Price Direction for Standing Offer Prices for the Supply of Electricity to Small Customers 1 July 2020 to 30 June 2024*.¹⁸

The price adjustment allows a maximum average increase of 11.95% in ActewAGL's basket of standing offer tariffs for 2021–22. This is a real increase, excluding inflation, of 11.30%.

The main reason for the increase in retail prices is the 36.91% increase in network costs, which reflects the increase announced by the Australian Energy Regulator (AER) on 14 May 2021.¹⁹ The network costs increased for two reasons: higher transmission and distribution costs and higher costs of ACT Government green schemes, including the large-scale feed in tariff. Partly offsetting higher network costs, wholesale energy purchase costs fell.

Review of the retail electricity form of price control

During 2020-21, we reviewed our approach for regulating prices for the supply of electricity to small customers on ActewAGL's regulated tariffs (our 'form of price control') to ensure it remains effective and appropriate.²⁰ We did the review under a reset principle included in our 2020-24 price direction.²¹

We sought stakeholder views during the review, which we took into account in reaching our final decision. We received 3 submissions on our October 2020 issues paper and 3 submissions on our February 2021 draft decision. We held a workshop with ActewAGL and consumer groups in March 2021 to provide another opportunity to hear views on our draft decision. On 30 April 2021, we released our final decision, which amended our method for passing through changes in network costs into retail prices. We applied the revised method in the 2021-22 annual retail electricity price reset.

Improving transparency and comparability in the ACT retail electricity market

In the first half of 2021, we developed a new industry code that places obligations on retailers to make it easier for their customers to compare electricity price offers and find a cheaper plan. In July 2021, we finalised the new ACT Retail Electricity (Transparency and Comparability) Code (described in more detail in section B.2.5).

¹⁷ https://www.icrc.act.gov.au/__data/assets/pdf_file/0006/1771521/Report-11-of-2021-Retail-electricity-price-recalibration-2021-22.pdf

¹⁸ https://www.icrc.act.gov.au/__data/assets/pdf_file/0011/1556183/Electricity-Price-Direction-2020-24.pdf

¹⁹ <https://www.aer.gov.au/communication/aer-approves-2021-22-evoenergy-network-tariffs-for-act-electricity-customers>

²⁰ <https://www.icrc.act.gov.au/energy/review-of-the-form-of-electricity-price-control>

²¹ https://www.icrc.act.gov.au/__data/assets/pdf_file/0011/1556183/Electricity-Price-Direction-2020-24.pdf

B.2.2 Water and sewerage services price regulation

Annual price reset

In June 2021, we released our annual update of maximum water and sewerage services prices to apply from 1 July 2021.²² The adjustment to maximum prices was made in accordance with the *Price Direction: Regulated Water and Sewerage Services 2018–2023*.²³ The adjustment reflected changes in the consumer price index, the cost of debt and pass-through events that are provided for in the price direction.

In 2021–22, the average residential customer consuming 200kL per annum will see their actual combined water and sewerage bill increase by \$0.45 per week (an increase of 2%). Last year, Icon Water could raise prices by up to 1.52%, but it decided to freeze prices in response to the COVID-19 pandemic. This year's bill increase is the combined effect of the 2021-22 maximum price change of 0.4% and the 2020-21 maximum price change.

For non-residential customers, bill changes will range from increases of up to \$7.64 per week to decreases of up to \$26.12 per week, depending on water consumption and the number of flushable fixtures installed.

Customers will keep the savings they got in 2020-21 from Icon Water's decision to freeze prices because Icon Water cannot recover the revenue lost in 2020-21 because of the price freeze.

As part of the annual price reset, we approve the precinct charge that developers pay to Icon Water to fund infrastructure upgrades. The 2021-22 precinct charge will be \$1,200 per equivalent population, up from \$1,100 in 2020-21. The increase reflects higher forecast capital expenditure by Icon Water.

Water and sewerage services pricing methodology reviews

We are reviewing three aspects of our pricing methodology before the next water and sewerage services price investigation to ensure the methodology remains current and appropriate and gives Icon Water incentives to operate efficiently. We are doing the reviews under the reset principles in our 2018-23 price direction.²⁴

We completed the first review in August 2020; the review was of the mechanisms used to give Icon Water incentives to continually work to improve the efficiency of its delivery of regulated water and sewerage service.²⁵

In August 2020, we released an issues paper on the second review, which considered the methods we use to calculate the return on capital that Icon Water needs to attract sufficient funds to invest in maintaining, upgrading, and replacing water and sewerage assets.²⁶ We received two submissions on our issues paper, which we considered in developing our draft report.

²² https://www.icrc.act.gov.au/__data/assets/pdf_file/0004/1775803/Regulated-water-and-sewerage-services-2021-22-price-adjustment.pdf

²³ https://www.icrc.act.gov.au/__data/assets/pdf_file/0020/1250237/Report-2-of-2018-Price-Direction-Regulated-WSS-201823-1.pdf

²⁴ https://www.icrc.act.gov.au/__data/assets/pdf_file/0020/1250237/Report-2-of-2018-Price-Direction-Regulated-WSS-201823-1.pdf

²⁵ <https://www.icrc.act.gov.au/projects/completed-projects/incentive-mechanisms>

²⁶ <https://www.icrc.act.gov.au/water-and-sewerage/wacc-methodology-review>

In February 2021, we released our draft report for stakeholder consultation. We held a workshop with Icon Water and consumer groups in March 2021 to provide an opportunity to hear views on our draft decision and we received a further written submission.

We released our final decision on 30 April 2021. We decided to maintain the method used to calculate the cost of equity, which reflects the commercial return that Icon Water's shareholders require on investments. We made some changes to the method used to calculate the cost of debt, which reflects the cost to a business on its borrowings from banks and other lenders. These changes reflect current more efficient debt financing practices and reduce borrowing costs that Icon Water can recover from customers.

On 28 May 2021, we released an issues paper on the third review, which considers the methods and data sources we use to forecast demand for water and sewerage services.²⁷ Good demand forecasts are important because they help us set prices that allow Icon Water to recover only prudent and efficient costs. Good demand forecasts also help Icon Water plan its operations and investment program to meet demand. We held a workshop on 28 June 2021 with Icon Water and consumer groups, and received two submissions, which we will consider in developing our draft report. We will complete the third review before the end of 2021.

B.2.3 Recycled water advice

On 26 February 2021, the Treasurer asked us to investigate Icon Water's prices and costs for supplying recycled water to high-intensity club users and develop advice to ensure that prices reflect costs. High-intensity club users include golf courses in the ACT that take at least 3,000 kilolitres per annum of surface water and ground water.

We gave our advice in a confidential report to the Under Treasurer on 29 April 2021, as required by the terms of reference.

B.2.4 Public crematorium competitive neutrality advice

In December 2019, the Treasurer asked us for advice to help ensure the new crematorium facility to be built and operated by the ACT Public Cemeteries Authority (Canberra Cemeteries) operates in a manner consistent with competitive neutrality. The scope of work for the advice specified a 2-stage process.

In stage 1, we developed detailed pricing principles to guide Canberra Cemeteries in developing a costing methodology and prices for the public crematorium services and products that will be consistent with the ACT Competitive Neutrality Policy. We gave the stage 1 advice to the Treasurer, Minister for City Services, and Canberra Cemeteries in May 2020, as required by the terms of reference.

In stage 2, we assessed Canberra Cemeteries' pricing proposal and costing methodology for compliance with the pricing principles we developed in stage 1 and with the ACT Competitive Neutrality Policy. We gave our stage 2 advice to the Treasurer, Minister for City Services, and Canberra Cemeteries on 12 March 2021, as required by the terms of reference.

²⁷ <https://www.icrc.act.gov.au/water-and-sewerage/review-of-water-and-sewerage-services-demand-for-ecasting-methods>

B.2.5 Industry codes

Under the Utilities Act, we can make industry codes that set out practices, standards and other matters about the provision of a utility service, including the protection of customers of utility service providers and consumers of utility services.

ACT electricity (transparency and comparability) code

Paying electricity bills is a major concern for many households and small businesses in the Territory. Many consumers could make worthwhile savings by switching to a cheaper electricity offer that better suits their circumstances. In our 2019-20 retail electricity price investigation, we found that many consumers experience difficulties in comparing the wide range of electricity offers in the market and choosing an offer that's right for them. We made two recommendations to improve the transparency and comparability of offers in response to a request for advice by the Territory Government.

On 26 February 2021, the Minister for Water, Energy and Emissions Reduction directed us to make a new industry code that would place obligations on retailers to make it easier for their customers to find a plan that would help them reduce their bills.

In March 2021, we released a draft code for consultation and held a public forum later that month. We also published a consumer fact sheet to inform Territory electricity consumers about how the new code would help them. And we undertook extensive targeted consultation with electricity retailers operating in the Territory and consumer groups.

In July 2021, we finalised the ACT Retail Electricity (Transparency and Comparability) Code.²⁸ The new ACT Code introduces three new obligations that require electricity retailers to:

- compare the annual price of their electricity plans to a common benchmark (a reference price) in advertising and other communications to make it simpler and faster for customers to compare prices
- tell customers on their bills if they have an electricity plan that might save the customer money and how the customer can contact the retailer for more information. Retailers must also tell customers about the Australian Government's Energy Made Easy price comparison website where they can compare plans from different retailers
- give clear, timely and reliable advice to their customers to help them choose the best electricity plan for their circumstances.

Retailers are required to comply with these obligations from 1 October 2021, which is the day the Utilities (Representative Consumption and Reference Price) Determination 2021 takes effect.²⁹

Other industry codes

On 1 July 2020, the new Consumer Protection Code came into effect. The new code, which we made in December 2019, strengthened consumer protections, including automatic payment of rebates

²⁸ <https://www.icrc.act.gov.au/energy/act-retail-electricity-transparency-and-comparability-code>

²⁹ The Treasurer and Minister for Water, Energy and Emissions Reduction made the determination on 29 June 2021. NI2021-403. <https://legislation.act.gov.au/View/ni/2021-403/current/PDF/2021-403.PDF>

when guaranteed service levels are not met, and increased the incentives for utilities to provide high-quality, reliable and safe utility services.³⁰

We are monitoring utilities' compliance with the code and will report on their performance in our annual performance monitoring report for 2020-21.

In May 2021, we approved an update to the precinct map and set the precinct charge for 2021-22 under the industry code on capital contributions for water and sewerage infrastructure upgrades.³¹

B.2.6 Utility licence update

In February 2021, we completed our update of the licence terms and conditions for utilities that are licensed in the Territory.³² The update ensures that licence conditions are accurate and current and continue to achieve our legislative objectives.

The update removed provisions relating to technical regulations that are now covered under the *Utilities (Technical Regulation) Act 2014* and reduced regulatory duplication and reporting burden on licensed utilities. The update also improved the clarity of licence conditions.

In updating the licences, we undertook targeted consultation with the licensed utilities. And we released a consultation paper in November 2020 to inform the Territory community and invite feedback on the changes we proposed to make to the licences.

B.2.7 Licensed utilities annual performance report

Utilities licensed in the Territory must report to us annually on their performance in carrying out their functions under the Utilities Act and on their compliance with licence conditions and industry codes. Each year we assess the licensed utilities' annual reports and publish a performance and compliance monitoring report to inform Territory utility customers and other interested people about how well the licensed utilities performed in delivering services and meeting their obligations.

This reporting framework aims to encourage the licensed utilities to provide safe, reliable, efficient, and high-quality utility services by increasing their accountability for the quality of services provided to the Territory community. We measure performance by the reliability of services, the number of customer complaints, compliance with consumer protections, and whether each utility has met its licence and reporting obligations.

In April 2021, we published our performance and compliance monitoring report for 2019-20.³³ Despite a challenging year with drought, bushfires and the onset of the pandemic, the five licensed utilities performed well in meeting their licence conditions and consumer protection obligations. But there remains room for improvement.

Customer complaints about water, electricity and gas services all fell in 2019-20. But there were more complaints about the quality and reliability of sewerage services. Continuing dry weather in

³⁰ <https://www.icrc.act.gov.au/utilities-licensing/consumer-protection-code-review>

³¹ <https://www.icrc.act.gov.au/water-and-sewerage/water-and-sewerage-capital-contribution-code;>
<https://www.icrc.act.gov.au/water-and-sewerage/regulated-water-and-sewerage-services-prices-201823>

³² <https://www.icrc.act.gov.au/utilities-licensing/utility-licence-update>. Current licences are published on our website
<https://www.icrc.act.gov.au/utilities-licensing/current-licences>

³³ https://www.icrc.act.gov.au/___data/assets/pdf_file/0009/1750365/ULAR-2019-20-Monitoring-report-FINAL.pdf

2019–20 resulted in the most complaints in five years about sewer main breaks and chokes, mainly caused by tree roots entering sewer main pipes and causing blockages.

More electricity customers experienced long unplanned supply interruptions because of the 2020 summer bushfires. Evoenergy also reported delays in meeting customer requests for new connections and alterations in 2020 because of COVID–19 restrictions.

Icon Water and Evoenergy performed better in meeting their minimum service standards during 2019-20. But they still failed to meet these standards hundreds of times during the year.

Only 24 rebates were paid out of the 1346 rebates that customers were entitled to receive in 2019-20 to recognise when the quality of utility services they have received was less than adequate. From 1 July 2021 (under the new Consumer Protection Code – see section B.2.5), customers who do not receive guaranteed minimum levels of service will automatically be paid a rebate without having to make a claim. We will report on the utilities' compliance with this obligation in our performance and compliance monitoring report for 2020-21.

B.3 SCRUTINY

No recommendations were made in relation to the commission in reports produced in 2020–21 by entities charged with responsibility for scrutiny.

B.4 RISK MANAGEMENT

Risk assessment and management are integral to the commission's governance and decision-making processes. Our framework and processes for assessing and managing risks are consistent with the ACT Government Risk Management Policy 2019. The framework includes a risk management policy and guidelines, business continuity policy and plan, and fraud and corruption prevention plan.

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

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

We also undertake risk management assessments for all major projects and contracts. These assessments are used to develop risk management activities which are aligned with our strategic objectives. The risk management activities are then built into project plans and contract monitoring plans.

The Senior Commissioner and CEO have broad responsibility for overseeing risk management in the commission and for ensuring that effective risk assessment and management are integrated into our decision-making. Commission staff report regularly to the commission, including at the monthly commission meetings, on current and emerging risks and the risk management activities we are undertaking.

B.5 INTERNAL AUDIT

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

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

In 2018–19, we appointed an in-house finance manager to undertake day-to-day accounting and finance functions, including implementing the commission’s internal controls in conjunction with the CEO and senior managers. Accounts are reconciled monthly, and a finance report is prepared for, and discussed at, each monthly commission meeting.

From 1 July 2019, we engaged an accountant under contract to perform the role of the commission’s Chief Finance Officer and to provide an additional level of oversight and assurance. The contract ended on 30 June 2021. From 1 July 2021, we have engaged Shared Services Finance in the Chief Minister, Treasury and Economic Development Directorate to provide oversight and assurance and to fill the Chief Finance Officer role. This will continue to ensure there is a high level of external oversight and assurance over our financial accounts and internal controls.

B.6 FRAUD PREVENTION

We developed our current fraud and corruption prevention plan in September 2019, replacing the previous fraud policy with a more detailed description of the control measures in place to prevent fraud and corruption occurring within the commission. The plan sets out the actions that will be taken to ensure any allegations of fraud and corruption are appropriately managed.

In accordance with the ACTPS Integrity Policy, the commission has a senior executive responsible for business integrity risk (SERBIR). The CEO is our SERBIR and is responsible for reporting to the Senior Commissioner on compliance with the ACTPS Integrity Policy. A risk report is a standing item in the CEO’s report for commission meetings, which are attended by our designated disclosure officer. The SERBIR is responsible for taking direct reports of allegations of potential fraud and corruption from staff. The SERBIR and our designated disclosure officer both have responsibility for dealing with reports under the public interest disclosure process.³⁴

Our fraud and corruption prevention plan was presented to, and discussed with, all staff in September 2019. Our office and induction manual, which is made available to all staff, draws the attention of staff to the plan.

In terms of our operations, the risks of fraud or mishandling funds are actively managed through the separation of roles between initiator and authoriser of payments. Authority limits appropriate to our operations, scale and size are in effect. Financial accounts are reconciled monthly by our finance

³⁴ <https://www.icrc.act.gov.au/about-us/public-interest-disclosures>

manager, reviewed by the Chief Finance Officer and CEO, and discussed at commission meetings. Most revenue transactions are by direct credit to our bank account. There are no cash payments for services supplied and there is an appropriate checks-and-balances authorisation and payment process.

No reports or allegations of fraud or corruption were received in 2020–21.

B.7 FREEDOM OF INFORMATION

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

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

Under the FOI Act, we make available a range of documents through the ACT Government’s Open Access information portal³⁵ and our website,³⁶ including:

- functional information
- information about the work of the commission tabled in the Legislative Assembly
- our reports
- budget statements.

The commission is responsible for responding to freedom of information (FOI) requests and has an FOI Officer who can assist with FOI related questions and requests. The process for lodging FOI requests, along with contact information and links to the FOI Request Form and Disclosure Log, are set out on our website.³⁷ We received no FOI requests in 2020-21.

B.8 COMMUNITY ENGAGEMENT AND SUPPORT

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

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

³⁵ <https://www.act.gov.au/open-access>

³⁶ <https://www.icrc.act.gov.au/>

³⁷ <https://www.icrc.act.gov.au/about-us/freedom-of-information>

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

We undertook extensive community consultation during 2020–21, using a variety of methods to make it easier for interested parties to give us their views and evidence.

During the year, we completed 3 reviews of aspects of our pricing methods for regulating retail electricity prices (discussed in section B.2.1) and for ensuring regulated prices for water and sewerage services reflect only prudent and efficient supply costs (discussed in section B.2.2). For all 3 reviews, we sought submissions on the issues paper and draft report for each review and held workshops to explain our analysis and reasoning and allow for detailed discussion of the issues. Our draft and final reports for each review explain how we took into account the feedback and information received in submissions and in the workshops.

In making the new ACT Retail Electricity (Transparency and Comparability) Code (discussed in section B.2.5), we invited public feedback on a draft code in March and April 2021 and held a public forum on 24 March 2021, which was attended by retailers, community and consumer representatives, and representatives from the Territory Government and the Australian Energy Regulator. To help consumers understand and give their views on the new obligations in the code, we published a fact sheet in plain English, recognising that the code was drafted to meet legal requirements.

We subsequently consulted with retailers operating in the Territory to follow up on issues raised in submissions. Then we undertook targeted consultation on making changes to the draft code to address concerns expressed in submissions and feedback at the public forum about implementation costs. In finalising the code, we allowed more time for retailers to make the billing system changes needed to fully implement the better offer obligation in the code, which retailers had asked for to reduce implementation costs. Consumer and community representatives supported allowing more time for these changes because retailers would likely have passed higher costs onto their customers.

The new code implemented the recommendations we made to the Government in 2020 in response to the Government's request for advice on making it easier for Territory consumers to find an electricity offer that could reduce their bills. In developing our recommendations, we considered the findings from a survey of more than 1,000 electricity consumers conducted through the Government's YourSay panel, as well as extensive public consultation.

In late 2020, we published a consultation paper to inform the Territory community about updates we were planning to make to utility licences. The licence updates ensure licence terms and conditions continue to promote the delivery of safe, reliable and high-quality utility services, and reduce regulatory duplication and the reporting burden on licensed utilities (discussed in section B.2.6).

In developing advice for the Government on recycled water pricing (discussed in section B.2.3), we sought information from a high-intensity club user and Icon Water to better understand the costs of supplying and using recycled water. In developing advice for the Government on the competitive neutrality of the costing methodology and prices proposed by Canberra Cemeteries for the services and products supplied by its public crematorium facility (see section B.2.4), we used the detailed pricing principles we developed after considering community comment.

The Consumer Consultative Committee (CCC), which we established in 2018-19, continued to meet regularly to share information on consumer issues and allow us to keep members informed about

issues and decisions that affect consumers.³⁸ CCC members are drawn from peak bodies representing a wide range of consumer interests, including the business sector, consumer groups representing general as well as vulnerable consumers, and social and environmental groups. The ACT Civil and Administrative Tribunal (ACAT) is also a member of the CCC.

In 2020-21, we held two CCC meetings—in November 2020 and May 2021. Both meetings were held by videoconference to make it easier for members to attend.

B.9 ABORIGINAL AND TORRES STRAIT ISLANDER REPORTING

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

Our work is not directed at one group of consumers, residents or businesses operating in the Territory. So, we do not have specific programs or initiatives directed at Aboriginal and Torres Strait Islander peoples.

Much of our work affects most Territory residents and businesses operating in the Territory, including Aboriginal and Torres Strait Islander residents and business operators. For example, our price directions for regulated water and sewerage services and for electricity services provided to small customers on standard contracts, as well as the consumer protections set out in the Consumer Protection Code, are relevant to all Territory residents and small businesses using utility services. The new ACT Retail Electricity (Transparency and Comparability) Code will help all Territory households and small businesses find a better electricity offer that helps them save money on their bills.

Our work to promote effective competition that benefits consumers and to encourage the provision of safe, reliable, efficient, and high-quality utility services at reasonable prices help Aboriginal and Torres Strait Islander peoples participate in the Territory economy and society.

In undertaking our work, we consult widely and value the views of all Territory consumers, businesses, and other interested parties. We work to consider the needs and interests of all stakeholders in making regulatory decisions and developing advice for the Government.

B.10 WORK HEALTH AND SAFETY

We see workplace health and safety as a shared responsibility between staff, the CEO and the Senior Commissioner. Ensuring a working environment that is healthy and safe for all commission staff is a high priority. Monthly commission meetings have a standing agenda item on work health and safety risks and reports of any incidents.

Staff are consulted on and invited to raise any workplace health and safety concerns at the weekly staff meetings, bi-monthly all-staff meetings, and regular operational team meetings. Each year staff

³⁸ <https://www.icrc.act.gov.au/about-us/consumer-consultative-committee>

are consulted on the annual update of our risk register, which includes a work health and safety category. The top 3 work health and safety risks identified in our 2020-21 risk register, and the agreed actions to address them, are:

- failure of office workstations to meet the required occupational health and safety standards—(i) all staff have fully adjustable desks, chairs and computer monitors, (ii) ergonomic assessments are offered to all new staff and on request
- unsafe working from home arrangements—(i) all staff must undertake and document working from home assessments and take any required actions, (ii) managers are responsible for monitoring staff wellbeing while working from home, (iii) staff receive advice on taking regular breaks and where to get help and support if needed, including for any mental health issues
- lack of staff awareness of good work health and safety practices—(i) staff induction covers work health and safety information, (ii) regular discussions at staff meetings, (iii) our health and safety representative monitors risks and reports to the CEO so action can be taken.

During 2020-21, the ongoing COVID-19 pandemic maintained a greater than usual focus on workplace health and safety. Staff were given regular advice and updates on protecting their health and safety, including mental health. Hand sanitiser continued to be provided, physical distancing measures were encouraged, and office cleaning was more frequent, including sanitising of high-touch areas during the day.

Staff were encouraged to raise any concerns about work health and safety associated with the pandemic. Staff were reminded about the Employee Assistance Program and other resources to help them cope with stress and anxiety resulting from the pandemic and associated public health restrictions.

During the second half of 2020, staff continued to work flexibly from home. From early 2021, staff returned to the office a few days a week, while continuing to work from home for the rest of the week. This ‘hybrid’ working arrangement has been popular with commission staff as it combines flexibility with greater team cohesion, collaboration opportunities and interpersonal connections. It has also made it easier for staff to obtain support when needed.

In 2020–21, we again coordinated and funded an annual influenza vaccination program for staff.

The commission had one elected health and safety representative and 3 staff with first aid and fire warden responsibilities.

No notices were issued to the commission under Part 10 of the *Work Health and Safety Act 2011* in 2020–21. There were no enforceable undertakings under Part 11 nor any findings of a failure to comply with a safety duty under Part 2 Division 2.2, 2.3 or 2.4 of the Act. There were no instances of serious injury or illness or of dangerous incidents that required notification to the regulator in accordance with part 3 section 38 of the Act.

B.11 HUMAN RESOURCES MANAGEMENT

As noted in previous annual reports, and discussed in section B.1 of this report, the commission’s small size and the cyclical nature of its core regulatory functions create ongoing risks in attracting and retaining expert staff. In 2020–21, we maintained our focus on addressing these challenges by implementing three priority strategies:

- recruiting qualified and experienced staff to replace staff who left to take up other opportunities

- more effectively managing our cyclical work program to avoid placing undue pressure on staff in meeting the deadlines associated with our decision-making responsibilities under our core regulatory functions
- building a deeper pool of expertise that is available to respond to Government requests for advice.

These 3 strategies have improved our capacity to attract and retain the specialised, highly qualified staff needed to undertake our regulatory and advisory functions. We have been successful in smoothing out many of the peaks and troughs in our work, which provides a more stable workload and career path for staff. Continuing requests for advice in 2020–21, and the ministerial direction to make a new industry code, have given staff more opportunities to broaden their experience and apply their skills in different contexts, which improve both staff retention and the ability to attract highly skilled and experienced staff.

But, despite the success of these strategies, the tighter labour market in 2021 caused higher than usual staff turnover. Staff with good regulatory skills and experience were attracted by better career prospects, and sometimes salaries, offered by larger employers including the Australian public service, federal regulators, and the private sector. Some staff moved into policy roles in Territory directorates.

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

During 2020–21, our people participated in training courses provided through the ACTPS Training Calendar, seminars, leadership training, and the study assistance program. All staff participated in tailored writing training. Nine staff participated in a regulator training program developed by Australian and New Zealand regulators to share the accumulated industry and technical knowledge of experienced regulatory staff and to help new staff build networks to support their development.

While we undertake workforce planning to ensure our staff have the capacity and capabilities needed to achieve our objectives, we also recognise the importance of flexibility. Given our small size, we need flexibility to be able to respond in a timely way to requests for advice from Government, to any unanticipated issues raised by stakeholders during our investigations and other regulatory work, and to developments in the operating environment. At times, we supplement our permanent staff with short-term engagements of specialist consultants or with qualified temporary staff to contribute to specific projects.

In early 2021, a highly experienced staff member of the ACCC joined us on temporary transfer to contribute to developing the new ACT Retail Electricity (Transparency and Comparability) Code. The transfer was beneficial for both the ACCC staff member and for commission staff to gain different perspectives and new insights and learn more about regulatory approaches in other jurisdictions.

In 2020–21, our workforce profile changed due to the departure of some staff and the recruitment of new staff. The following table shows the workforce profile for 2020–21.

Table 1: 2020–21 workforce profile

	Male	Female	Total
Commission staff			
FTE	6.0	3.5	9.5
Headcount	7	5	12.0
Classification (by headcount)			
Administrative officers	2	3	5
Senior officers	5	1	6
Executive officers	0	1	1
Employment category (by headcount)			
Casual	0	0	0
Permanent full-time	7	1	8
Permanent part-time	0	3	0
Temporary full time	0	1	1
Temporary part time	0	0	0

Note: FTE and headcount numbers may not match due to the timing of staff changes through 2020-21.

Apart from the CEO, who is on a temporary executive contract, all commission staff are permanent employees. Around one-third of staff identified as being from culturally or linguistically diverse backgrounds. We do not publish information on matters such as length of service, age, and other reportable data. As a small agency, publishing such information may identify individual staff, making it difficult to protect staff privacy. Also due to our small number of staff, recruitment and separation rates can be highly volatile and are therefore not meaningful; we do not publish these rates.

Because of our small size and the highly specialised nature of our work, we cannot implement specific employment strategies, such as for people with disability, apprenticeships or traineeships. We participated in the ACTPS Graduate Program in 2019-20 but, as a small agency, we cannot employ a graduate every year and did not participate in the program in 2020-21.

B.12 ECOLOGICALLY SUSTAINABLE DEVELOPMENT

In exercising our functions under the ICRC Act, our objective is to promote effective competition in the interests of consumers while facilitating an appropriate balance between economic efficiency, environmental and social considerations. Our consultation processes invite stakeholder comments on environmental matters as well as on economic efficiency and social issues and any service quality, safety, reliability, and security standards comments. We also consider relevant ACT Government legislative and policy requirements, including requirements in environmental legislation and policies. In this way, the ACT Government’s ecologically sustainable development principles are integrated into our decision-making processes.

We also consider the ecologically sustainable development principles and relevant legislative requirements in our operational processes. Consistent with the ACT Government Carbon Neutral Framework, we make careful use of our resources and work to reduce our resource consumption where possible.

Table 2 shows our sustainable development performance for 2020-21 and how it compares to our 2019-20 performance.

Electricity use fell by 3% in 2021-21. This follows an 18% fall in electricity use in 2019-20, reported in last year's annual report.

For the first 9 months of the financial year, our electricity use was separately metered. We moved into temporary accommodation in March 2021, as part of the ACT Government's consolidation of office accommodation in Canberra's CBD. For the last 3 months of the financial year, our electricity use has been estimated based on our share of floor space in the building because our usage is not separately metered in our temporary accommodation.

Natural gas use for 2020-21 is only for the last 3 months of the financial year because we did not use natural gas in our previous tenancy. Our natural gas use has been estimated based on our share of floor space in the building because our usage is not separately metered.

We continued to use substantially less paper in 2020-21, following much lower paper consumption in 2019-20. The replacement of desktop computers with laptops has allowed us to sustain our much lower paper consumption. We did not purchase paper in 2020-21 because we had enough paper left from purchases in 2019-20, which were 15.8% lower than the previous year's purchases. The figures for reams of paper purchased are obtained from our stationery purchase records.

The amount of paper and cardboard recycled increased in 2020-21 due to the disposal of old hard copy reports as part of the office relocation. Electronic copies of these reports are saved in our electronic document records management system. The figures for paper and cardboard recycled (including secure paper) were supplied by our paper recycling service provider.

We did not receive any requests during 2020-21 for staff to assist in the preparation of the State of the Environment Report. The Commissioner for Sustainability and the Environment did not investigate any of our activities.

Table 2: Sustainable development performance, 2020–21 and 2019–20

Indicator as at 30 June	Unit	2020-21	2019–20	Percentage change (%)
Stationary energy usage				
Electricity use	Kilowatt hours	14,333	14,781	-3.03
Natural gas use (non-transport)	Megajoules	10,803	0	-
Diesel (non-transport)	Kilolitres	0	0	0
Transport fuel usage				
Electric vehicles	Number	0	0	0
Hybrid vehicles	Number	0	0	0
Hydrogen vehicles	Number	0	0	0
Total number of vehicles	Number	0	0	0
Fuel use – Petrol	Kilolitres	0	0	0
Fuel use – Diesel	Kilolitres	0	0	0
Fuel use – Liquid petroleum gas (LPG)	Kilolitres	0	0	0
Fuel use – Compressed natural gas (CNG)	Gigajoules	0	0	0
Water usage				
Water use	Kilolitres	Data not available as building is leased		n/a
Resource efficiency and waste				
Reams of paper purchased	Reams	0	16	-
Recycled content of paper purchased	Percentage	-	100	-
Waste to landfill	Litres	Data not captured		n/a
Co-mingled material recycled	Litres	Data not available as building is leased		n/a
Paper and cardboard recycled (incl. secure paper)	Litres	4,596.90	3,426.36	34.16
Organic material recycled	Litres	0	0	0
Greenhouse gas emissions				
Emissions from natural gas use (non-transport)	Tonnes CO ₂ -e	0.56	0	-
Emissions from diesel use (non-transport)	Tonnes CO ₂ -e	0	0	0
Emissions from transport fuel use	Tonnes CO ₂ -e	0	0	0
Total emissions	Tonnes CO ₂ -e	0	0	0

Part C. Financial Management Reporting

PART
C

C.1 FINANCIAL MANAGEMENT ANALYSIS

C.1.1 General overview

Objectives

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

Under the *Utilities Act 2000*, the commission is responsible for managing the licensing framework for non-National Energy Retail Law (NERL) utility service providers in the ACT, including issuing licences and monitoring licence compliance.

The commission is also responsible for making industry codes and approving some standard customer contracts. The commission's objectives and functions are set out in sections 7 and 19L of the ICRC Act and section 3 of the Utilities Act. The commission principally operates on a reasonable cost recovery basis.

Financial performance

The following financial information is based on audited financial statements for 2019-20 and 2020-21 and the forward estimates for 2021-22. Due to the impact of COVID-19, the 2021-22 Budget Statement process including forward estimates has been delayed. The future trend analysis in this review contains the commission's estimates prior to formal completion of the 2021-22 Budget Statement process.

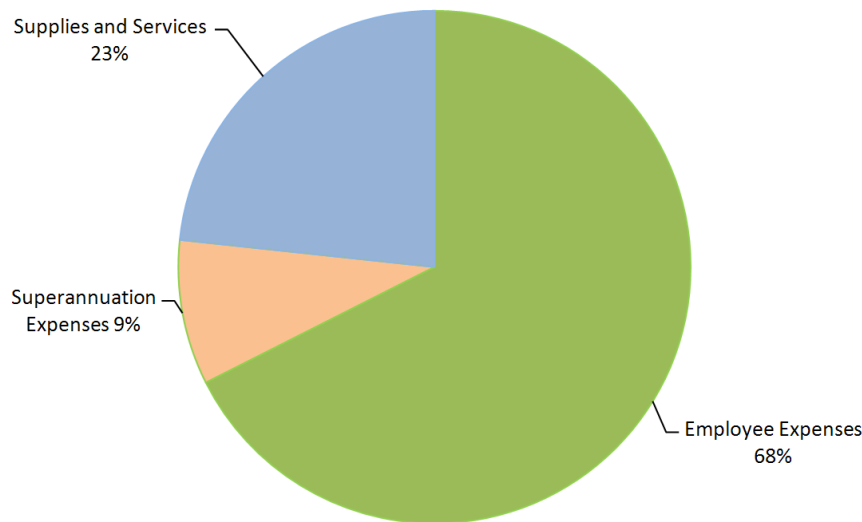
C.1.2 Total expenditure

Components of expenditure

Figure 1 shows the components of the commission's expenditure for 2020-21. The main components of ordinary expenditure were:

- Employee Expenses of **\$1.645 million** (77%)
- Supplies and Services of **\$0.500 million** (23%)

Figure 1: Total of Expenditure 2020-21



Comparison to Budget

Total expenditure was **\$2.145 million**, which was largely consistent with the budget of \$2.227 million.

Comparison to 2019-20 actual expenditure

Total expenditure was **\$2.145 million** and was \$0.096 million (4%) lower than the 2019-20 actual result of \$2.241 million. This was mainly due to the commission completing its retail electricity pricing investigation to determine the price of electricity for small customers on standard retail contracts from 1 July 2020 and its review and redraft of the Consumer Protection Code. Lower expenditure in supplies and services on these workstreams was partly offset by expenditure on:

- reviews of some aspects of the price modelling methods used for regulated electricity and water and sewerage services
- the annual price adjustments for regulated electricity and water and sewerage services
- making a new industry code to improve the transparency and comparability of retail electricity offers
- developing policy advice for the Government on the costs of supplying recycled water to high-intensity club users.

Future trends

For 2021-22, expenditure is expected to decrease to **\$1.989 million** due to the commission completing 6 major workstreams in 2020-21:

- reviews of two aspects of its pricing methodology for water and sewerage services to ensure the methods used remain current and appropriate and give Icon Water incentives to operate efficiently
- developing policy advice for the Government on the costs of supplying recycled water to high-intensity club users

- making a new industry code to improve the transparency and comparability of retail electricity offers
- a review of the commission's price control approach for regulating retail electricity prices
- providing policy advice to the Government to ensure the new crematorium facility to be built and operated by the ACT Public Cemeteries Authority (Canberra Cemeteries) operates in a manner consistent with competitive neutrality
- updating and streamlining the licences for utilities licensed to operate in the ACT.

Lower expenditure from the completion of the 6 workstreams will be partially offset by increased expenditure relating to:

- a review of the commission's water demand forecasting model and methods
- developing guidelines to help retailers implement the new ACT Retail Electricity (Transparency and Comparability) Code effectively and monitoring compliance with the code, including the transitional arrangements for the better offer obligation
- an expected pricing investigation to determine regulated water and sewerage service prices from 1 July 2023, subject to the receipt of terms of reference from the Government.

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

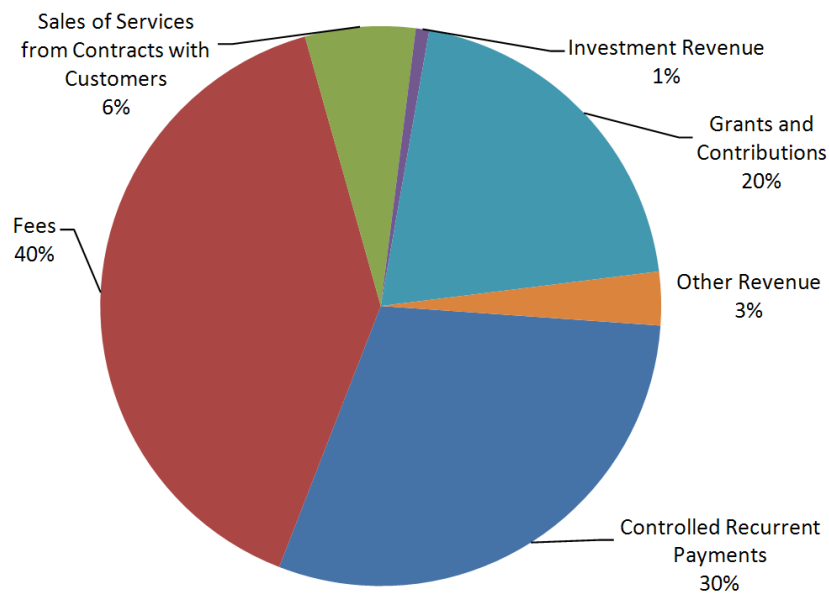
C.1.3 Total income

Components of income

Figure 2 shows the components of the commission's income for 2020-21. The main components of income were:

- Fees of **\$0.875 million** (40%) for water, sewerage, electricity transmission and gas transmission regulatory activities under the Utilities Act
- Controlled Recurrent Payments of **\$0.656 million** (30%) for the commission's energy industry regulatory activities
- Grants and Contributions of **\$0.446 million** (20%) which the major component consists of the service level agreement with the Chief Minister, Treasury and Economic Development Directorate for services under the ICRC Act (\$0.430 million)
- Sales of Services from Contracts with Customers of **\$0.140 million** (6%). The major components were:
 - the provision of advice on Icon Water's prices and costs for supplying recycled water to high-intensity club users (\$0.095 million)
 - the provision of competitive neutrality advice in relation to the pricing of services and products to be supplied by the new public crematorium facility (\$0.045 million).

Figure 2: Total Income 2020-21



Comparison to Budget

Income for the year was **\$2.202 million**, which is broadly consistent with the budget of \$2.335 million.

Comparison to 2019-20 actual income

Total income in 2020-21 was **\$2.202 million**, a decrease of \$0.083 million (3.6%) from the 2019-20 actual result of \$2.285 million. The results are broadly consistent across the two financial years, although the sources of income have changed.

Future trends

For 2021-22, income is expected to decrease to **\$2.133 million**, mainly reflecting:

- an increase in sale of services from contracts with customers due to the commission commencing an expected pricing investigation to determine the regulated prices of water and sewerage services in the regulatory period from 1 July 2022
- reduced fees due to completion of the commission's reviews of its water pricing methodology
- lower revenue from the energy industry levy due to completion of the new industry code to improve the transparency and comparability of retail electricity offers and the commission's review of an aspect of its retail electricity pricing approach.

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

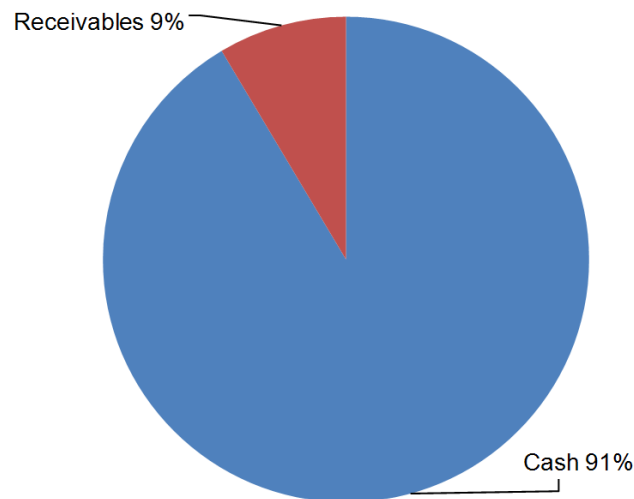
C.1.4 Total assets

Components of total assets

Figure 3 shows the components of the commission's Total Assets at 30 June 2021. The components were:

- Cash of **\$1.712 million** (91%)
- Receivables of **\$0.160 million** (9%)

Figure 3 – Total Assets at 30 June 2021



Comparison to Budget

At 30 June 2021, Total Assets were **\$1.872 million** and this was below the budget of \$2.112 million. This mainly relates to the lower than expected cash held due to changes in work priorities.

Comparison to 2019-20 actuals

At 30 June 2021, Total Assets were **\$1.872 million** and this was lower than the 2019-20 actual of \$1.990 million. The commission has reduced its receivables by recovering costs on a more regular basis.

Liquidity

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

At 30 June 2021, the commission's current ratio was 3.8:1 indicating a strong financial position. It is necessary for the commission to maintain a high level of liquidity due to the cost recovery model it

principally operates under, where significant expenditure can be required to perform an activity and those costs may not be recovered for an extended period of time.

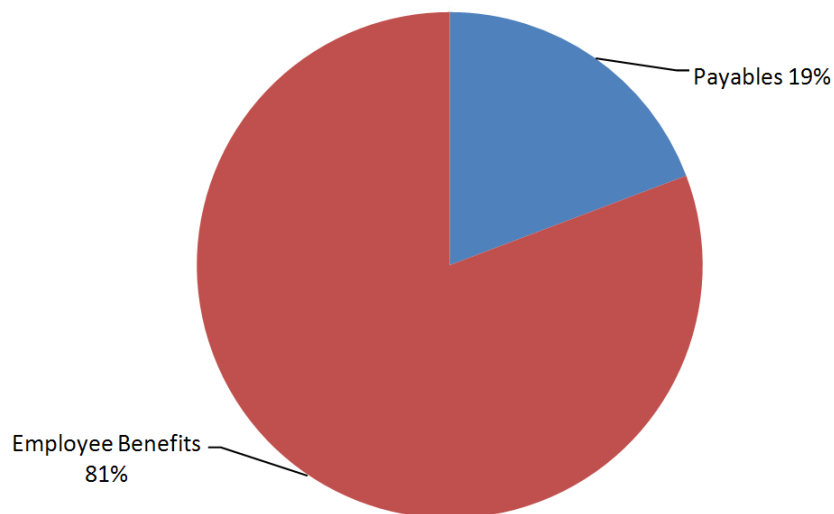
C.1.5 Total liabilities

Components of total liabilities

Figure 4 shows the components of the commission's Total Liabilities as at 30 June 2021. The components were:

- Employee Benefits of **\$0.407 million** (81%)
- Payables of **\$0.097 million** (19%)

Figure 4 – Total Liabilities at 30 June 2021



Comparison to Budget

At 30 June 2021, Total Liabilities were **\$0.504 million** and this was \$0.187 million lower than budget of \$0.691 million. The \$0.184 million of other liabilities relates to Utility Licence Fee funds received in advance for work that was deferred from 2020 to 2021 and an increase in employee benefits for employees who were appointed to the commission during 2020-21 with accumulated benefits.

Comparison to 2019-20 actuals

At 30 June 2021, Total Liabilities were **\$0.504 million**, which is a decrease on the 2019-20 actual of \$0.679 million. The \$0.184 million of other liabilities relates to Utility Licence Fee funds received in advance for work that was deferred from 2020 to 2021 and an increase in employee benefits for employees who were appointed to the commission during 2019-20 with accumulated benefits.

C.2 FINANCIAL STATEMENTS

The commission has prepared financial statements for 2020-21 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 2021 Annual Report Directions. The audit opinion, financial statements and accompanying notes to the statements are set out in appendix 1.

C.3 CAPITAL WORKS

We do not have a capital works program.

C.4 ASSET MANAGEMENT

For the financial year ended 30 June 2021, the commission's asset base consists of a relatively small footprint of office furniture and equipment.

We lease most of our ICT office equipment through ACT Government Shared Services. Leasing these assets ensures we continue to conduct our business and achieve our outcomes while ensuring value for money. We regularly reassess our asset requirements and ensure assets are replaced at the end of their useful life.

At 30 June 2021, the commission's total value of plant and equipment was zero. These assets, which consisted of fully depreciated office furniture and equipment, were disposed of during the year as part of the office relocation.

We lease office accommodation in Canberra's CBD where it occupies less than half of a floor. This accommodated the commission secretariat of 12 staff (headcount as at 30 June 2021) and provided an office for the Senior Commissioner.

C.5 GOVERNMENT CONTRACTING

The online ACT Government Contracts Register records contracts with suppliers of goods, services and works, with a value of \$25,000 or more.

A full search of Independent Competition and Regulatory Commission contracts notified with an execution date from 1 July 2020 to 30 June 2021 can be made at <https://www.tenders.act.gov.au/contract/search>.

There were no exemptions in 2020-21 from the secure local job code requirements under the *Government Procurement Act 2001*.

Aboriginal and Torres Strait Islander procurement

For 2020-21, the commission's performance against the Aboriginal and Torres Strait Islander Procurement Policy (ATSIPP) performance measures is shown in Table 3.

Table 3: Aboriginal and Torres Strait Islander Procurement Policy (ATSIPP) performance measures in 2020-21

No.	ATSIPP performance measure	Result
1	The number of unique Aboriginal and Torres Strait Islander Enterprises that responded to Territory tender and quotation opportunities issued from the Approved Systems.	0
2	The number of unique Aboriginal and Torres Strait Islander Enterprises attributed a value of Addressable Spend in the financial year.	2
3	Percentage of the financial year's Addressable Spend of \$148,157 that was spent with Aboriginal and Torres Strait Islander Enterprises – target 1.5%.	0.078%

We invited two Aboriginal and Torres Strait Islander Enterprises to respond to the commission's tender and quotation opportunities issued through formal procurement processes throughout the year. We received no responses.

Creative Services Panel procurement

The Creative Services Panel is a whole of government arrangement for the purchase of creative services, including:

- Advertising
- Marketing
- Communications and engagement
- Digital
- Graphic design
- Photography and video
- Media buying.

During 2020-21, we did not undertake any expenditure through the panel.

Major purchases through this panel are published online on the ACT Government Contracts Register.

Appendixes

APX

APPENDIX 1 FINANCIAL STATEMENTS AND AUDIT REPORT

- Independent Auditor's report
- Statement of responsibility – Chief Executive Officer
- Statement by the Chief Financial Officer
- Independent Competition and Regulatory Commission Operating Statement for the year ended 30 June 2021
- Independent Competition and Regulatory Commission Balance Sheet as at 30 June 2021
- Independent Competition and Regulatory Commission Statement of Changes in Equity for the year ended 30 June 2021
- Independent Competition and Regulatory Commission Cash Flow Statement for the year ended 30 June 2021
- Independent Competition and Regulatory Commission Statement of Appropriation for the year ended 30 June 2021
- Independent Competition and Regulatory Commission Notes to and forming part of the financial statements for the year ended 30 June 2021
- Independent Competition and Regulatory Commission Appendix A - Basis of preparation of the financial statements forming part of Note 2 of the financial statements for the year ended 30 June 21
- Independent Competition and Regulatory Commission Appendix B – Significant accounting policies forming part of Note 2 of the financial statements for the year ended 30 June 21

**Independent Competition and Regulatory
Commission**

**Financial Statements
For the Year Ended
30 June 2021**

INDEPENDENT AUDITOR'S REPORT

To the Members of the ACT Legislative Assembly

Opinion

I have audited the financial statements of the Independent Competition and Regulatory Commission (Commission) for the year ended 30 June 2021 which comprise the operating statement, balance sheet, statement of changes in equity, statement of cash flows, statement of appropriation and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- (i) present fairly, in all material respects, the Commission's financial position as at 30 June 2021, and its financial performance and cash flows for the year then ended; and
- (ii) are presented in accordance with the *Financial Management Act 1996* and comply with Australian Accounting Standards.

Basis for opinion

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

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

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

Responsibilities of the Commission for the financial statements

The Chief Executive Officer is responsible for:

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

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Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Ajay Sharma
Assistant Auditor-General, Financial Audit
31 August 2021

**Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2021**

Statement of Responsibility

In my opinion, the financial statements are in agreement with the Independent Competition and Regulatory Commission's (the commission's) accounts and records and fairly reflect the financial operations of the commission for the year ended 30 June 2021 and the financial position of the commission on that date.

Dr Annette Weier
Chief Executive Officer
Independent Competition and Regulatory Commission
27 August 2021

**Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2021**

Statement by the Chief Finance Officer

In my opinion, the financial statements have been prepared in accordance with the Australian Accounting Standards, and are in agreement with the Independent Competition and Regulatory Commission's (the commission's) accounts and records and fairly reflect the financial operations of the commission for the year ended 30 June 2021 and the financial position of the commission on that date.

Calvin Robinson
Chief Finance Officer
Independent Competition and Regulatory Commission
27 August 2021

Independent Competition and Regulatory Commission
Operating Statement
For the Year Ended 30 June 2021

	Note No.	Actual 2021 \$'000	Original Budget 2021 \$'000	Restated ¹ Actual 2020 \$'000
Income				
Controlled Recurrent Payments	4	656	656	538
Fees	5	875	906	448
Sales of Services from Contracts with Customers	6	140	743	784
Grants and Contributions	7	446	18	441
Investment Revenue		17	12	24
Other Revenue		68	-	50
Total Income		2,202	2,335	2,285
Expenses				
Employee Expenses	8	1,449	1,402	1,418
Superannuation Expenses		196	189	188
Supplies and Services	9	500	636	589
Depreciation and Amortisation		-	-	46
Total Expenses		2,145	2,227	2,241
Operating Surplus		57	108	44
Total Comprehensive Surplus		57	108	44

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

¹ Refer to Note 3 for further details.

Independent Competition and Regulatory Commission
Balance Sheet
As at 30 June 2021

	Note No.	Actual 2021 \$'000	Original Budget 2021 \$'000	Actual 2020 \$'000
Current Assets				
Cash	10	1,712	1,988	1,638
Receivables	11	160	124	352
Total Current Assets		1,872	2,112	1,990
Total Assets		1,872	2,112	1,990
Current Liabilities				
Payables	12	97	78	78
Employee Benefits	13	399	323	317
Other Liabilities	14	-	184	184
Total Current Liabilities		496	585	579
Non-Current Liabilities				
Employee Benefits	13	8	37	32
Other Provisions		-	69	68
Total Non-Current Liabilities		8	106	100
Total Liabilities		504	691	679
Net Assets		1,368	1,421	1,311
Equity				
Accumulated Funds		1,368	1,421	1,311
Total Equity		1,368	1,421	1,311

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 2021

	Funds Actual 2021 \$'000	Equity Actual 2021 \$'000	Original Budget 2021 \$'000
Balance at 1 July 2020	1,311	1,311	1,313
Comprehensive Income			
Operating Surplus	57	57	108
Total Comprehensive Income	57	57	108
Balance at 30 June 2021	1,368	1,368	1,421

	Accumulated Funds Actual 2020 \$'000	Total Equity Actual 2020 \$'000
Balance at 1 July 2019	1,267	1,267
Comprehensive Income		
Operating Surplus	44	44
Total Comprehensive Income	44	44
Balance at 30 June 2020	1,311	1,311

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

Independent Competition and Regulatory Commission
Statement of Cash Flows
For the Year Ended 30 June 2021

	Note No.	Actual 2021 \$'000	Original Budget 2021 \$'000	Restated ² Actual 2020 \$'000
Cash Flows from Operating Activities				
Receipts				
Controlled Recurrent Payments		656	656	538
Fees		636	1,153	637
Sales of Services from Contracts with Customers		387	743	686
Grants and Contributions		430	-	423
Investment Revenue		17	12	24
Goods and Services Tax Collected from Customers and Refunded by the Australian Taxation Office		79	-	130
Other		-	45	50
Total Receipts from Operating Activities		2,205	2,609	2,488
Payments				
Employee		1,391	1,408	1,389
Superannuation		196	193	188
Supplies and Services		456	658	585
Goods and Services Tax Paid to Suppliers and Remitted to Australian Taxation Office		88	-	107
Total Payments from Operating Activities		2,131	2,259	2,269
Net Cash Inflows from Operating Activities	16	74	350	219
Net Increase in Cash		74	350	219
Cash at the Beginning of the Reporting Period		1,638	1,638	1,419
Cash at the End of the Reporting Period	10	1,712	1,988	1,638

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

² Refer to Note 3 for further details.

**Independent Competition and Regulatory Commission
Statement of Appropriation
For the Year Ended 30 June 2021**

	Original Budget 2021 \$'000	Total Appropriated 2021 \$'000	Total Appropriation Drawn 2021 \$'000	Appropriation Drawn 2020 \$'000
Appropriation				
Controlled Recurrent Payments	656	656	656	538
Total Appropriation	656	656	656	538

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

Column Heading Explanation

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

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

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

Independent Competition and Regulatory Commission
Note Index of the Financial Statements
For the Year Ended 30 June 2021

Note	1	Objectives of the Independent Competition and Regulatory Commission
Note	2	Significant Accounting Policies (see Appendices A, B and C) Appendix A - Basis of Preparation of the Financial Statements Appendix B - Significant Accounting Policies Appendix C - Impact of Accounting Standards Issued But Yet to be Applied
Note	3	Changes in Accounting Estimates, Accounting Policy and Correction of Prior Period Errors

Income Notes

Note	4	Controlled Recurrent Payments
Note	5	Fees
Note	6	Sales of Services from Contracts with Customers
Note	7	Grants and Contributions

Expense Notes

Note	8	Employee Expenses
Note	9	Supplies and Services

Asset Notes

Note	10	Cash
Note	11	Receivables

Liability Notes

Note	12	Payables
Note	13	Employee Benefits
Note	14	Other Liabilities

Other Notes

Note	15	Financial Instruments
Note	16	Cash Flow Reconciliation
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Note	19	Budgetary Reporting
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Independent Competition and Regulatory Commission Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2021

NOTE 1 OBJECTIVES OF THE INDEPENDENT COMPETITION AND REGULATORY COMMISSION

Operations and Principal Activities

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

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

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

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

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

Independent Competition and Regulatory Commission Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2021

NOTE 1 OBJECTIVES OF THE INDEPENDENT COMPETITION AND REGULATORY COMMISSION - CONTINUED

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

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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

Appendix A - Basis of Preparation of the Financial Statements

Appendix B - Significant Accounting Policies

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

Independent Competition and Regulatory Commission

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2021

NOTE 3 CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES, AND CORRECTION OF PRIOR PERIOD ERRORS

Correction of Prior Period Errors

After a review of the revenue sources conducted in 2020-21 the commission identified that two revenue sources were incorrectly disclosed in the 2019-20 Financial Statements. Revenue is recognised in accordance with AASB 15 *Revenue from Contracts with Customers* where the contract is enforceable and contains sufficiently specific performance obligations, otherwise revenue is in the scope of AASB 1058 *Income of not-for-Profit Entities*.

It was assessed that revenue from a Service Level Agreement (SLA) with the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) that was recorded in the 2019-20 Financial Statements under AASB 15 did not meet the requirement to be a sufficiently specific performance obligation and is therefore recorded in the 2020-21 financial statements under AASB 1058.

It was also identified that Utility Licence Fees that was previously recorded under AASB 1058 should be recorded under AASB 15. This assessment was based on the guidance provided in AASB 2018-4 Amendments to Australian Accounting Standards – Australia Implementation Guidance for Not-for-Profit Public Sector Licensors. As the Utility Licence Fees are recorded as a separate item in Fees in the Financial Statements no restatement is required.

The change in the revenue recognised for the SLA with CMTEDD resulted in the restatement of the following line items in the Operating Statement for the year ended 30 June 2020:

- Sales of Services from Contracts with Customers decreased by \$423,000
- Grants and Contributions increased by \$423,000

In addition, the change resulted in the restatement of the following line items in the Statement of Cash Flows for the year ended 30 June 2020:

- Sales of Services from Contracts with Customers decreased by \$423,000
- Grants and Contributions increased by \$423,000

30 June 2020 Comparative year

Financial Statements Line Item Affected	Note	Correction of		Restated Actual 2020 \$'000
		Actual 2020 \$'000	Error Adj \$'000	
Operating Statement (Extract)				
Revenue				
Sales of Services from Contracts with Customers	6	1,207	(423)	784
Grants and Contributions	7	16	423	439
Statement of Cash Flows (Extract)				
Receipts				
Sales of Services from Contracts with Customers		1,109	(423)	686
Grants and Contributions		-	423	423

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2021**

NOTE 4 CONTROLLED RECURRENT PAYMENTS

	2021	2020
	\$'000	\$'000
Revenue from the ACT Government		
Controlled Recurrent Payments ^{a)}	656	538
Total Controlled Recurrent Payments	656	538

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

a) In 2020-21, CRP increased by \$118,000 mainly due to the commission's work on the ACT Retail Electricity (Transparency and Comparability) Code.

NOTE 5 FEES

	2021	2020
	\$'000	\$'000
Revenue from Regulatory Activities		
Utility Licence Fees ^{b)}	875	448
Total Fees	875	448

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

b) In 2020-21, Utility Licence Fees increased due to work on the methodology for water demand forecasting.

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2021**

NOTE 6 SALES OF SERVICES FROM CONTRACTS WITH CUSTOMERS

	2021 \$'000	2020 ^a \$'000
ACT Government Customers		
Service Revenue - ACT Government	140	123
Total Sales of Services from ACT Government Customers	140	123
Non-ACT Government Customers		
Service Revenue ^{b)}	-	661
Total Sales of Services from Non-ACT Government Customers	-	661
Total Sales of Services from Contracts with Customers	140	784

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

a) The amounts have been restated for the error set out in Note 3.

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

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2021**

NOTE 7. GRANTS AND CONTRIBUTIONS

	2021	Restated
	\$'000	2020 ^a
		\$'000
Resources Received Free of Charge from ACT Government Entities		
Legal Services	3	-
Shared Services - Fixed Costs	13	18
Total Resources Received Free of Charge	16	18
Other Grants and Contributions		
Service Level Agreement with the Chief Minister, Treasury and Economic Development Directorate ^{a)}	430	423
Total Other Grants and Contributions	430	423
Total Grants and Contributions	446	441

a) The amounts have been restated for the error set out in Note 3. Revenue from the Service Level Agreement (SLA) with the Chief Minister, Treasury and Economic Development (CMTEDD) has been reclassified from 'Sales of Services from Contracts with Customers' to 'Other Grants and Contributions' after a review of the revenue sources conducted in 2020-21. It was identified that the revenue from the SLA did not meet the requirement to be a sufficiently specific performance obligation and is therefore recorded under AASB 1058 Income of not-for-Profit Entities in Grant and Contributions.

NOTE 8 EMPLOYEE EXPENSES

	2021	2020
	\$'000	\$'000
Salaries and Wages	1,381	1,359
Annual Leave Expense	20	18
Long Service Leave Expense	38	33
Workers' Compensation Insurance Premium	10	8
Total Employee Expenses	1,449	1,418

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2021**

NOTE 9 SUPPLIES AND SERVICES

	2021	2020
	\$'000	\$'000
Auditor Fees	34	29
Information Communication Technology ^{a)}	64	44
Office Rental and Operating Costs	183	195
Professional Services ^{b)}	124	195
Recruitment Costs ^{c)}	2	29
Subscriptions, Memberships and Conferences	46	50
Other	47	47
Total Supplies and Services	500	589

a) Information Communication Technology (ICT) services saw an increase in expenditure due to the adoption of the Electronic Document and Records Management System (EDRMS).

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

c) The commission saw a decrease in Recruitment Costs mainly due to positions being filled by local employees, which reduced relocation costs.

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2021**

NOTE 10 CASH

	2021 \$'000	2020 \$'000
Cash at Bank ^{a)}	1,712	1,638
Total Cash and Cash Equivalents	1,712	1,638

The commission managed two bank accounts in 2020-21 with Westpac Banking Corporation. The first account was the commission's operating account and the second bank account was for Third Party Monies. Details of transactions relating to Third Party Monies are provided in Note 18.

a) The increase is mainly due to the increase in payables and accrued salaries that are expected to be paid in 2021-22.

NOTE 11 RECEIVABLES

	2021 \$'000	2020 \$'000
Current Receivables		
Trade Receivables ^{b)}	105	-
Accrued Revenue ^{c)}	55	352
Total Current Receivables	160	352
Total Receivables	160	352

No receivables are past due or impaired.

b) The increase in trade receivables is a single invoice outstanding as at 30 June 2021.

c) The change in accrued revenue is the result of a single invoice outstanding as at 30 June 2020 and accrued Utilities Licence Fee revenue as at 30 June 2021.

Classification of Receivables

Receivables with ACT Government Entities

Trade Receivables	105	-
Accrued Revenue	55	-
Total Receivables with ACT Government Entities	160	-

Receivables with Non-ACT Government Entities

Accrued Revenue	-	352
Total Receivables with Non-ACT Government Entities	-	352
Total Receivables	160	352

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2021**

NOTE 12 PAYABLES

	2021 \$'000	2020 \$'000
Current Payables		
Trade Payables	13	8
Accrued Expenses	58	35
GST Payable	26	35
Total Current Payables	97	78
Total Payables	97	78
 Payables are aged as follows:		
Not Overdue	97	78
Total Payables	97	78
 Classification of Payables		
Payables with ACT Government Entities		
Trade Payables	9	-
Accrued Expenses	32	29
Total Payables with ACT Government Entities	41	29
 Payables with Non-ACT Government Entities		
Trade Payables	4	8
Accrued Expenses	26	6
GST Payable	26	35
Total Payables with Non-ACT Government Entities	56	49
Total Payables	97	78

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2021**

NOTE 13 EMPLOYEE BENEFITS

	2021 \$'000	2020 \$'000
Current Employee Benefits		
Annual Leave	115	114
Long Service Leave	189	169
Accrued Salaries	95	34
Total Current Employee Benefits	399	317
Non-Current Employee Benefits		
Long Service Leave	8	32
Total Non-Current Employee Benefits	8	32
Total Employee Benefits	407	349
Estimate of when Leave is Payable		
Estimated Amount Payable within 12 months		
Annual Leave	91	103
Accrued Salaries	95	34
Total Employee Benefits Payable within 12 months	186	137
Estimated Amount Payable after 12 months		
Annual Leave	24	11
Long Service Leave	197	201
Total Employee Benefits Payable after 12 months	221	212
Total Employee Benefits ^{a)}	407	349

a) The increase of \$58,000 in Employee Benefits mainly relates to accrual of employee secondment costs from the Australian Competition and Consumer Commission. It is also impacted by changes in the staff profile, including the recognition of employee benefits for employees who were appointed to the commission during 2020-21 with accumulated benefits.

NOTE 14 OTHER LIABILITIES

	2021 \$'000	2020 \$'000
Current Other Liabilities		
Revenue Received in Advance ^{a)}	-	184
Total Current Other Liabilities	-	184
Total Other Liabilities	-	184

a) The \$184,000 relates to Utility Licence Fee funds received in advance in 2020 for work that was deferred and was undertaken in 2021.

Independent Competition and Regulatory Commission

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2021

NOTE 15 FINANCIAL INSTRUMENTS

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The commission's credit risk is limited to the amount of the financial assets it holds net of any provision impairment. Credit risk is managed by investing surplus funds with a high credit quality financial institution (Westpac Banking Corporation).

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

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

Liquidity Risk

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

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

Fair Value of Financial Assets and Liabilities

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

	Note No.	Carrying Amount 2021 \$'000	Fair Value 2021 \$'000	Carrying Amount 2020 \$'000	Fair Value 2020 \$'000
Financial Assets					
Cash and Cash Equivalents	10	1,712	1,712	1,638	1,638
Receivables	11	160	160	352	352
Total Financial Assets		1,872	1,872	1,990	1,990
Financial Liabilities					
Payables	12	97	97	78	78
Total Financial Liabilities		97	97	78	78

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2021**

NOTE 16 CASH FLOW RECONCILIATION

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

	2021 \$'000	2020 \$'000
Cash	1,712	1,638
Cash at the End of the Reporting Period as Recorded in the Statement of Cash Flows	1,712	1,638

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

Operating Surplus	57	44
Add/(Less) Non-Cash Items		
Depreciation and Amortisation	-	46
(Write Back) of Make Good Provision	(68)	-
Cash Before Changes in Operating Assets and Liabilities	(11)	90
Changes in Operating Assets and Liabilities		
Decrease/(Increase) in Receivables	192	(103)
Increase in Payables	19	19
(Decrease)/Increase in Other Liabilities	(184)	184
Increase in Employee Benefits	58	30
Net Changes in Operating Assets and Liabilities	85	130
Net Cash Inflows from Operating Activities	74	220

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2021**

NOTE 17 COMMITMENTS

Other Commitments

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

	2021	2020
	\$'000	\$'000
Within One Year	33	173
Total Other Commitments	33	173

In 2019-20, the commission's Other Commitments related to its property lease, which expired on 31 March 2021 and outsourced strategic accounting service.

The commission's Other Commitments for 2020-21 relate to outsourced strategic accounting services that are performed by Shared Services.

Non-Cancellable Low Value Commitments

Non-Cancellable Low Value Commitments are payable as follows:

Within One Year	11	10
Later than One Year but not later than Five Years	17	26
Later than Five Years	1	1
Total Non-Cancellable Low Value Commitments	29	37

The non-cancellable low value commitments that have not been recorded as lease liabilities under AASB 16 relate to the provision of ICT equipment with Shared Services.

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2021**

NOTE 18 THIRD PARTY MONIES

The commission holds the following third party monies:

	2021	2020
	\$'000	\$'000
Utility Licence Fees		
Balance at the Beginning of the Reporting Period	-	-
Cash Receipts		
- East Australian Pipeline Limited	97	16
- Icon Water Limited	1,050	1,038
- TransGrid (NSW Electricity Networks Operations Pty Ltd)	117	80
- Interest Received	1	1
Cash Payments		
- Independent Competition and Regulatory Commission	(636)	(637)
- ACT Civil and Administrative Tribunal (ACAT)	(96)	(91)
- Access Canberra (technical regulation)	(533)	(407)
Balance at the End of the Reporting Period	-	-

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

(a) by the following entities in the exercise of functions, in the ACT or elsewhere, in relation to utility services:

(i) Independent Competition and Regulatory Commission (commission)

(ii) the Technical Regulator on behalf of the Territory

(b) by ACAT in hearing and deciding matters to which a utility is a party.

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

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

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2021**

NOTE 19 BUDGETARY REPORTING

Operating Statement Line Items	Actual 2021 \$'000	Original Budget 2021 \$'000	Variance \$'000	Variance %
Sales of Services from Contracts with Customers ^{a)}	140	743	(603)	(81.2)
Grants and Contributions ^{b)}	446	18	428	2,377.8
Supplies and Services ^{c)}	500	636	(136)	(21.4)

Variance Explanations

a) The budget variance of \$603,000 is mainly due to the reclassification of revenue (\$430,000) from the Service Level Agreement (SLA) with the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) from 'Sales of Services from Contracts with Customers' to 'Grants and Contributions'. This change was not reflected in the 2021 Original Budget. Another contributing reason to the variance was the withdrawal of funding relating to the work on the reference bill to improve the transparency and comparability of electricity price offers not proceeding.

b) The budget variance of \$428,000 is mainly due to the reclassification of revenue from the SLA with CMTEDD from 'Sales of Services from Contracts with Customers' to 'Grants and Contributions'. This change was not reflected in the 2021 Original Budget.

c) The budget variance of \$136,000 mainly relates to consultancy costs that were not required after the work relating to the reference bill to improve the transparency and comparability of electricity price offers not proceeding.

Balance Sheet Line Items	Actual 2021 \$'000	Original Budget 2021 \$'000	Variance \$'000	Variance %
Cash and Cash Equivalents ^{d)}	1,712	1,988	(276)	(13.9)
Payables ^{e)}	97	78	19	24.4
Employee Benefits - Current ^{f)}	399	323	76	23.5
Employee Benefits - Non-Current ^{f)}	8	37	(29)	(78.4)
Other Liabilities ^{g)}	-	184	(184)	(100.0)

Variance Explanations

d) The budget variance of \$276,000 mainly relates to changes in work priorities and associated funding arrangements after the budget was finalised.

e) The budget variance of \$19,000 in payables is mainly due to the accrual of consultancy costs.

f) The total budget variance of \$47,000 in current and non-current employee benefits mainly relates to the accrual of employee secondment costs from the Australian Competition and Consumer Commission.

g) The budget variance of \$184,000 is the result of the reversal of Licence Fee funds received in advance for work that was undertaken in 2021.

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2021**

NOTE 19. BUDGETARY REPORTING – CONTINUED

Statement of Cash Flows Line Items	Actual	Original	Variance	Variance
	2021	Budget		
	\$'000	2021	\$'000	%
Fees ^{h)}	636	1,153	(517)	(45)
Sales of Services from Contracts with Customers ⁱ⁾	387	743	(356)	(48)
Grants and Contributions ^{j)}	430	-	430	#DIV/0!
Supplies and Services ^{k)}	456	658	(202)	(31)

Variance Explanations

h) The budget variance of \$517,000 reflects a deferral of work that was funded by Utility Licence fees to 2021-22.

i) The budget variance of \$356,000 is mainly due to reclassification of revenue from the SLA with CMTEDD from 'Sales of Services from Contracts with Customers' to 'Grants and Contributions'. This change was not reflected in the 2021 Original Budget.

j) The budget variance of \$430,000 is due to the reclassification of revenue from the SLA with CMTEDD from 'Sales of Services from Contracts with Customers' to 'Grants and Contributions'. This change was not reflected in the 2021 Original Budget.

k) The budget variance of \$202,000 mainly relates to consultancy costs that were not required after the work relating to the reference bill to improve the transparency and comparability of electricity price offers did not proceed.

Significant judgements and Estimates

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

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

Independent Competition and Regulatory Commission Notes to and Forming Part of the Financial Statements For the Year Ended 30 June 2021

NOTE 20 RELATED PARTY DISCLOSURES

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

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

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

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

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

(A) CONTROLLING ENTITY

The commission is an ACT Government controlled entity.

(B) KEY MANAGEMENT PERSONNEL

B.1 Compensation of Key Management Personnel

Compensation of all Cabinet Ministers, including the Portfolio Minister, is disclosed in the note on related party disclosures included in the ACT Executive's financial statements for the year ended 30 June 2021.

Compensation of the Head of Service is included in the note on related party disclosures included in the Chief Minister, Treasury and Economic Development Directorate's (CMTEDD) financial statements for the year ended 30 June 2021.

Compensation by the commission to KMP is set out below.

	2021	2020
	\$'000	\$'000
Short-term employee benefits	358	347
Post-employment benefits	75	75
Other long-term benefits	8	14
Total Compensation by the Commission to KMP	441	436

B.2 Transactions with Key Management Personnel

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

B.3 Transactions with parties related to Key Management Personnel

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

(C) TRANSACTIONS WITH OTHER ACT GOVERNMENT CONTROLLED ENTITIES

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

**Independent Competition and Regulatory Commission
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2021**

APPENDIX A - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

LEGISLATIVE REQUIREMENT

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

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

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

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

ACCRUAL ACCOUNTING

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

CURRENCY

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

INDIVIDUAL REPORTING ENTITY

The commission is a not-for-profit reporting entity.

REPORTING PERIOD

These financial statements state the financial performance, changes in equity and cash flows of the commission for the year ended 30 June 2021 together with the financial position of the commission as at 30 June 2021.

**Independent Competition and Regulatory Commission
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2021**

**APPENDIX A - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS -
CONTINUED**

COMPARATIVE FIGURES

Budget Figures

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2020-21 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed. Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

ROUNDING

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

GOING CONCERN

The commission's 2020-21 financial statements have been prepared on a going concern basis as the ongoing functions, activities and funding of the commission have been funded in 2021-22 under section 7 of the *Financial Management Act 1996*. The 2021-22 Budget, including forward estimates, will be presented and debated in the ACT Legislative Assembly, after the signing of the commission's 2020-21 financial statements.

Independent Competition and Regulatory Commission
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2021

APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES – INCOME

REVENUE RECOGNITION

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

AASB 15 Revenue from Contracts with Customers

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

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

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

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

SALES OF SERVICES FROM CONTRACTS WITH CUSTOMERS

The commission earns revenue from user charge services. User charges revenue is derived by providing services to other ACT Government entities and to the public. User charges revenue is legally retained by the agency and driven by consumer demand. During 2020-21, the commission recognised user charges revenue in relation to work undertaken on developing policy advice for the Government on the costs of supplying recycled water to high-intensity club users, and providing competitive neutrality advice in relation to a new public crematorium.

Revenue is recognised when the commission satisfies the performance obligations which is over time (across the duration of a contract).

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Revenue has been recognised when the commission is satisfied that its performance obligations for each contract have been met over time in accordance with the requirements of AASB 15.

**Independent Competition and Regulatory Commission
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2021**

APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

SIGNIFICANT ACCOUNTING POLICIES – INCOME - CONTINUED

FEES

UTILITY LICENCE FEES

Utility Licence Fees are recorded under AASB 15 Revenue from Contracts with Customers. The basis of the recognition is from the guidance as provided in AASB 2018-4 Amendments to Australia Accounting Standards – Australia Implementation Guidance for Not-for-Profit Public Sector Licensors.

Utility licence fees are collected from utilities providing water and wastewater services, electricity transmission and gas transmission services to recover the reasonable costs incurred by the commission, the Technical Regulator and the ACT Civil and Administrative Tribunal (ACAT) in discharging their respective regulatory responsibilities. These fees are collected under the *Utilities Act 2000*. The fees are based on the estimated cost of regulatory activities for the financial year, which are adjusted based on revised end of year estimates and any over or under collection of fees identified in the current financial year. It is the commission's practice to adjust the fees in the following year if the actual costs incurred at the end of the financial year vary from the original estimate. The commission only records fee income relating to its own activities in its operating statement. Fees received by the commission and ultimately transferred to the Technical Regulator and ACAT are not recorded as income (or expenses) by the commission, as the commission does not control the future economic benefits embodied in the fees. Information on utility licence fees collected and paid to the Technical Regulator and ACAT is included in Note 16 Third Party Monies.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - FEES

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

AASB 1058 Income of Not-for-Profit Entities

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

CONTROLLED RECURRENT PAYMENTS

Appropriations are recognised when the commission gains control over the funding which is normally obtained upon the receipt of cash, given they do not contain enforceable and sufficiently specific performance obligations as defined by AASB 15.

GRANTS AND CONTRIBUTIONS

Resources Received Free of Charge

Contributions of services are recognised only if their fair value can be measured reliably, and the services would have been purchased if they had not been donated. Legal Services were received free of charge from the ACT Government Solicitor's Office (GSO) for their legal services provided to the commission. The GSO provided the commission with the fair value of the services provided free of charge. The fixed costs from Shared Services are charged for Human Resources and Records services provided to the commission. The commission would have had to purchase these services if they were not provided by Shared Services. As such, these amounts have been recognised as resources received free of charge.

**Independent Competition and Regulatory Commission
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2021**

APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

SIGNIFICANT ACCOUNTING POLICIES – INCOME - CONTINUED

Other Grants and Contributions

The commission has determined that the Service Level Agreement with the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) relating to 'Other Grants and Contributions' do not contain sufficiently specific performance obligations for recognising revenue from contracts with customers under AASB 15. The purpose of the Service Level Agreement between the CMTEDD and the commission is to provide a mechanism by which the Government provides funding for the operation of the commission for a nominated period which is consistent with the appropriation received by CMTEDD for this purpose. The agreement only broadly specifies performance obligations and as such, AASB 1058 has been applied for recognising this revenue. This revenue is recognised progressively upon receipt of funds.

SIGNIFICANT ACCOUNTING POLICIES – EXPENSES

EMPLOYEE EXPENSES

Employee benefits include:

- short-term employee benefits such as wages and salaries, annual leave loading, and applicable on-cost if expected to be settled wholly before twelve months (see Appendix B – Note 13 *Employee Benefits* if longer than 12 months) after the end of the annual reporting period in which the employees render the related services;
- other long-term benefits such as long service leave and annual leave; and
- termination benefits.

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

(See Appendix B – Note 13 *Employee Benefits* for accrued wages and salaries, and annual and long service leave).

SUPERANNUATION EXPENSES

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

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

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

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

**Independent Competition and Regulatory Commission
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2021**

APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

SIGNIFICANT ACCOUNTING POLICIES – EXPENSES - CONTINUED

Superannuation Liability Recognition

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

SUPPLIES AND SERVICES

Rental Expenses

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

SIGNIFICANT ACCOUNTING POLICIES – ASSETS

ASSETS – CURRENT AND NON-CURRENT

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

CASH

Cash includes cash at bank.

RECEIVABLES

Accounts Receivable

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

Accrued Revenue

Accrued Revenue is revenue that is owed to the commission but has not been invoiced at the reporting date.

SIGNIFICANT ACCOUNTING POLICIES – LIABILITIES

Liabilities – Current and Non-Current

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

PAYABLES

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

Payables include Trade Payables, Accrued Expenses and Other Payables.

**Independent Competition and Regulatory Commission
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2021**

APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

SIGNIFICANT ACCOUNTING POLICIES – LIABILITIES - CONTINUED

OTHER LIABILITIES

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

EMPLOYEE BENEFITS

Employee Benefits are listed in Appendix B - Employee Expenses.

Wages and Salaries

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

Annual and Long Service Leave

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

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

- annual leave payments is 100.2% (100.9% in the previous financial year)
- payments for long service leave is 108.7% (113.6% in the previous financial year).

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

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

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

**Independent Competition and Regulatory Commission
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2021**

APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

SIGNIFICANT ACCOUNTING POLICIES – LIABILITIES - CONTINUED

EMPLOYEE BENEFITS -CONTINUED

Significant Judgements and Estimates – Employee Benefits

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

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

**Independent Competition and Regulatory Commission
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2021**

APPENDIX C - IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED

IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED

All Australian Accounting Standards and Interpretations issued but yet to be applied are either not relevant to the commission or have been assessed as having an immaterial financial impact on the commission.

These standards and interpretations are applicable to future reporting periods. The commission does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting Standards will be adopted from their application date.

APPENDIX 2 STATEMENT OF PERFORMANCE AND INDEPENDENT LIMITED ASSURANCE REPORT



INDEPENDENT COMPETITION AND REGULATORY COMMISSION

Statement of Performance for the Year Ended 30 June 2021

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the Independent Competition and Regulatory Commission's records and fairly reflects the service performance of the Independent Competition and Regulatory Commission for the financial year ended 30 June 2021 and also fairly reflects the judgements exercised in preparing the Statement of Performance for the financial year ended 30 June 2021.

Yours sincerely,

Dr Annette Weier
Chief Executive Officer
Independent Competition and Regulatory Commission

27 August 2021

Table 2: Statement of performance for the year ended 30 June 2021

Statement of intent accountability indicators	Original target 2020-21	Actual result 2020-21	Variance from original target	Explanation of material variances	Notes
Water and sewerage services pricing	Annual price adjustment Review of incentive mechanisms	Annual price adjustment Review of incentive mechanisms Review of regulated rate of return methodology	1 additional review		1
Retail electricity pricing	Annual price adjustment Review of the form of price control Determination of reference bill	Annual price adjustment Review of the form of price control Not required	No determination of reference bill	ACT Government decision on the determination of the reference price resulted in no determination of reference bill by the commission	2
Utilities compliance and performance monitoring	1 report	1 report			3
Utility licence fees (water, sewerage services and certain energy sector utilities not subject to energy industry levy)	Licence fees determination and collection	Licence fees determination and collection			4
Utility levies (energy sector)	4 determinations	4 determinations			5
Public crematorium services—competitive neutrality assessment	1 draft findings report and 1 final report 1 advice to Government	1 draft findings report and 1 final report 1 advice to Government			6
Industry Code determinations	1 determination	1 determination			7

Statement of intent accountability indicators	Original target 2020-21	Actual result 2020-21	Variance from original target	Explanation of material variances	Notes
Capital Contributions Code (water and sewerage infrastructure upgrades)	1 annual review and 1 approval of precinct map update if required	1 annual review and 1 approval of precinct map update			8
Advice on any additional referred matters	1 advice on recycled water pricing	1 advice on recycled water pricing			9

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

Explanation of accountability indicators for the year ended 30 June 2021

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

Notes

1. In June 2018, we committed to reviewing aspects of our pricing methodology for water and sewerage services pricing before the next water and sewerage services price investigation, to ensure our methodology remains current and appropriate and provides incentives for Icon Water to operate efficiently. The exact timing of when the reviews would be completed during the five-year regulatory period from 1 July 2018 was subject to our workload over the period, including the receipt of terms of references from the ACT Government.

The reviews are being conducted in accordance with regulatory reset principles set out in the price direction for 1 July 2018 to 30 June 2023. The price direction is available on our website: *Report 2 of 2018—Price Direction: Regulated Water and Sewerage Services 2018-23*.³⁹

The review of incentive mechanisms was completed in August 2020. The report is available on our website: *Report 11 of 2020—Water and Sewerage Services Price Regulation: Incentive Mechanisms*.⁴⁰

We completed our review of the regulated rate of return methodology in April 2021, ahead of the required completion date. The report is available on our website: *Report 8 of 2021—Review of Methodologies for the Weighted Average Cost of Capital*.⁴¹

We adjusted the prices Icon Water can charge for regulated water and sewerage services for 2020-21 in accordance with the price direction for 1 July 2018 to 30 June 2023. The report is

³⁹ https://www.icrc.act.gov.au/__data/assets/pdf_file/0020/1250237/Report-2-of-2018-Price-Direction-Regulated-WSS-201823-1.pdf

⁴⁰ <https://www.icrc.act.gov.au/projects/completed-projects/incentive-mechanisms>

⁴¹ <https://www.icrc.act.gov.au/water-and-sewerage/wacc-methodology-review>

available on our website: *Report 12 of 2021—Regulated Water and Sewerage Services: 2021–22 Price Adjustment*.⁴²

- Each year, we are required to update the maximum average percentage change by which ActewAGL can increase its regulated retail tariffs under our price direction for standing offer electricity prices for small customers from 1 July 2020 to 30 June 2024. The price direction is available on our website: *Report 10 of 2020—Price Direction: Standing Offer Prices for the Supply of Electricity to Small Customers*.⁴³

We updated the maximum average percentage change for 12 months from 1 July 2021 in accordance with the price direction. The report is available on our website: *Report 11 of 2021—Retail electricity price recalibration 2021-22*.⁴⁴

We reviewed the form of control we use to regulate prices for the supply of electricity to small customers on ActewAGL's regulated tariffs. The purpose of the review was to ensure that our form of price control remains effective and appropriate, recognising changes occurring in electricity markets. The review was established as a reset principle in the price direction. The report is available on our website: *Report 7 of 2021—Review of the Retail Electricity Form of Price Control*.⁴⁵

The commission did not make the determination of the reference bill in 2020-21 as, after the commission's Statement of Intent for 2020-21 was agreed, the ACT Government decided that the determination of the reference price for retail electricity price comparisons would be made by the Minister for Water, Energy and Emissions Reduction and the Treasurer.

- Licensed utilities providing certain infrastructure services must submit a Utility Licence Annual Report that details how they met their non-technical licence conditions, relevant laws, industry codes, and other relevant regulatory obligations in the relevant year. On 30 April 2021, we published a monitoring report on the utilities' performance in 2019–20. The report is available on our website: *Report 9 of 2021—Utility Licence Annual Report 2019–20*.⁴⁶
- We determined the annual licence fees payable by certain licenced utilities under the *Utilities Act 2000* for the year ending 30 June 2021 and collected those fees accordingly. The determination can be accessed on the ACT Legislation Register⁴⁷ or through our website.⁴⁸
- The commission's Chief Executive Officer made four determinations under Part 3A of the *Utilities Act 2000* for the year ending 30 June 2021. These determinations are used to impose a levy on energy utilities to recover the ACT's national and local regulatory costs of regulating the energy industry sectors. The determinations can be accessed on the ACT Legislation Register⁴⁹ or through our website.⁵⁰
- On 20 December 2019, we received a request from the Treasurer to provide advice under Section 12 of the *ICRC Act 1997* to help ensure that the new crematorium facility to be built and operated by the ACT Public Cemeteries Authority (Canberra Cemeteries) operates in a manner

⁴² https://www.icrc.act.gov.au/__data/assets/pdf_file/0004/1775803/Regulated-water-and-sewerage-services-2021-22-price-adjustment.pdf

⁴³ https://www.icrc.act.gov.au/__data/assets/pdf_file/0011/1556183/Electricity-Price-Direction-2020-24.pdf

⁴⁴ https://www.icrc.act.gov.au/__data/assets/pdf_file/0006/1771521/Report-11-of-2021-Retail-electricity-price-recalibration-2021-22.pdf

⁴⁵ <https://www.icrc.act.gov.au/energy/review-of-the-form-of-electricity-price-control>

⁴⁶ https://www.icrc.act.gov.au/__data/assets/pdf_file/0009/1750365/ULAR-2019-20-Monitoring-report-FINAL.pdf

⁴⁷ <https://www.legislation.act.gov.au/ni/2020-646/>

⁴⁸ <https://www.icrc.act.gov.au/utilities-licensing/licence-fees-and-the-energy-industry-levy>

⁴⁹ <https://www.legislation.act.gov.au/ni/2020-630/>; <https://www.legislation.act.gov.au/ni/2020-631/>;

<https://www.legislation.act.gov.au/ni/2020-632/>; <https://www.legislation.act.gov.au/ni/2020-633/>

⁵⁰ <https://www.icrc.act.gov.au/utilities-licensing/licence-fees-and-the-energy-industry-levy>

consistent with competitive neutrality. The scope of work for the advice specified a 2-stage process. We gave our stage 1 final report to the Treasurer, Minister for City Service, and Canberra Cemeteries in May 2020.

The 2020-21 accountability indicator target and result are related to stage 2 of the process. Stage 2 required us to assess Canberra Cemeteries' pricing proposal, including its proposed costing methodology and prices, for compliance with the detailed pricing principles developed in stage 1 and more broadly with the ACT Government's Competitive Neutrality Policy. In February 2021, we sent Canberra Cemeteries our confidential draft findings report for stage 2 for comment, in accordance with the scope of work. We gave our confidential final report and advice to the Treasurer, Minister for City Services, and Canberra Cemeteries on 12 March 2021, in accordance with the scope of work.⁵¹

7. After the commission's Statement of Intent for 2020-21 was agreed, the ACT Government decided that we would be directed to make a new industry code, instead of varying the Consumer Protection Code, to improve the information available to energy consumers for comparing offers.

On 22 February 2021, the Minister for Water, Energy and Emissions Reduction directed us to create a clear advice entitlement and establish new regulatory obligations on electricity retailers by determining an industry code to: compare the annual price of their offers to a reference price to enable customers to compare electricity offers more easily; and regularly notify their customers if they have a better offer and ask customers to contact them for information.

In June 2021, the commission finalised the ACT Retail Electricity (Transparency and Comparability) Code and final report, following extensive consultation with stakeholders. We released the Code and final report on 2 July 2021 after the Treasurer and Minister for Water, Energy and Emissions Reduction determined the reference price,⁵² which the comparison provisions of the Code refer to. The Code takes effect from 1 October 2021, the same day as the ACT Government's reference price takes effect. The Code and final report are available on our website.⁵³

8. We approved the updated precinct map for 2021-22 submitted by Icon Water and set the 2021-22 capital contributions charge for water and sewerage infrastructure upgrades under the Water and Sewerage Capital Contribution Code⁵⁴ made under section 58 of the *Utilities Act 2000*. The updated precinct map for 2021-22 is available on our website.⁵⁵ A summary of our review of the precinct map and capital contributions charge is included in our report on the annual adjustment of the prices Icon Water can charge for regulated water and sewerage services for 2021-22, which is available on our website: *Report 12 of 2021—Regulated Water and Sewerage Services: 2021-22 Price Adjustment*.⁵⁶
9. On 26 February 2021, the Treasurer asked us to investigate Icon Water's prices and costs for supplying recycled water to high-intensity club users and provide advice to ensure that prices reflect costs. High-intensity club users include golf courses in the ACT that take at least

⁵¹ <https://www.icrc.act.gov.au/competition-issues/public-crematorium-services-competitive-neutrality>

⁵² Notifiable instrument NI2021-403, Utilities (Representative Consumption and Reference Price) Determination 2021, 29 June 2021

⁵³ <https://www.icrc.act.gov.au/energy/act-retail-electricity-transparency-and-comparability-code>

⁵⁴ https://www.icrc.act.gov.au/__data/assets/pdf_file/0008/1250279/Report-10-Final-Determination-CCC.pdf

⁵⁵ <https://www.icrc.act.gov.au/water-and-sewerage/water-and-sewerage-capital-contribution-code>

⁵⁶ https://www.icrc.act.gov.au/__data/assets/pdf_file/0004/1775803/Regulated-water-and-sewerage-services-2021-22-price-adjustment.pdf

3,000 kilolitres per annum of surface water and ground water. We gave our confidential final report to the Under Treasurer on 29 April 2021, in accordance with the request for advice.⁵⁷

⁵⁷ <https://www.icrc.act.gov.au/water-and-sewerage/recycled-water-pricing-advice>

INDEPENDENT LIMITED ASSURANCE REPORT

To the Members of the ACT Legislative Assembly

Conclusion

I have undertaken a limited assurance engagement on the statement of performance of the Independent Competition and Regulatory Commission (Commission) for the year ended 30 June 2021.

Based on the procedures performed and evidence obtained, nothing has come to my attention to indicate the results of the accountability indicators reported in the statement of performance for the year ended 30 June 2021 are not in agreement with the Commission's records or do not fairly reflect, in all material respects, the performance of the Commission, in accordance with the *Financial Management Act 1996*.

Basis for conclusion

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

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

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

The Commission's responsibilities for the statement of performance

The Chief Executive Officer is responsible for:

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

Auditor-General's responsibilities

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

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

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

Limitations on the scope

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

This limited assurance engagement does not provide assurance on the:

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

Ajay Sharma
Assistant Auditor-General, Financial Audit
31 August 2021

APPENDIX 3 SECTION 9 REPORTING REQUIREMENTS

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

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

Investigations

We did not undertake any investigations under Part 3 of the ICRC Act in 2020-21.

Final reports and special reports

Incentive mechanisms for efficient water and sewerage services

On 28 August 2020, we published our final report on incentive mechanisms for water and sewerage services price regulation.

Public crematorium services competitive neutrality advice

On 20 December 2019, we received a request from the Treasurer under section 12 of the ICRC Act to provide advice to help ensure that the new crematorium facility to be built and operated by the ACT Public Cemeteries Authority (Canberra Cemeteries) operates in a manner consistent with competitive neutrality.⁵⁸ The scope of work for the advice specified a 2-stage process.

We completed stage 2 of the advice and gave our final report to the Treasurer, Minister for City Services, and Canberra Cemeteries on 12 March 2021.

⁵⁸ <https://www.icrc.act.gov.au/competition-issues/public-crematorium-services-competitive-neutrality>

Recycled water pricing advice

On 26 February 2021, we received a request from the Treasurer under section 12 of the ICRC Act to investigate Icon Water's prices and costs for supplying recycled water to high-intensity club users and provide advice to ensure that prices reflect costs.⁵⁹

We gave our final report to the Under-Treasurer on 29 April 2021.

Review of the retail electricity form of price control

On 30 April 2021, we released the final report for our review of the form of price control used to regulate retail electricity prices.

WACC methodology review

On 30 April 2021, we released our final report on our methodology for determining Icon Water's weighted average cost of capital (WACC).

Retail electricity price reset 2021-22

On 7 June 2021, we released the final report on the maximum increase allowed in average prices for the supply of electricity to small customers on ActewAGL's regulated tariffs from 1 July 2021.

Regulated water and sewerage services price reset 2021-22

On 15 June 2021, we released the final report for the annual update of maximum water and sewerage services prices to apply from 1 July 2021.

Price directions

We did not make any price directions in 2021-22.

Access agreements

Our responsibilities for access agreements, in relation to infrastructure facilities, are set out in Part 5 of the ICRC Act. We did not receive any notifications under Part 5 in 2020-21.

Arbitration of disputes

Part 6 of the ICRC Act provides for disputes about an access regime to be referred to the commission for arbitration. No disputes were referred to us in 2020-21.

⁵⁹ Please see: https://www.icrc.act.gov.au/_data/assets/pdf_file/0010/1717768/Request-from-the-Treasurer.pdf.

Notices issued under section 41 and general use of information obtained

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 to provide information under section 41 of the ICRC Act in 2020-21.

Other functions exercised by the commission

Section 8(1)(g) and section 8(2) of the ICRC Act set out other functions of the commission. We exercised the following functions under the Utilities Act in 2020–21:⁶⁰

- determination of energy industry levy (NI2020-630, NI2020-631, NI2020-632 and 2020-633)
- determination of licence fees (NI2020-646)
- approval of standard customer contract (NI2021-377)
- utility licence annual reporting under section 25(2)(d) of the Utilities Act.

⁶⁰ Notifiable (NI) and disallowable (DI) instruments are available on the ACT Legislation Register website at <http://www.legislation.act.gov.au/>

APPENDIX 4 ANNUAL REPORTS (GOVERNMENT AGENCIES) NOTICE 2021 (NI2021-373) COMPLIANCE STATEMENT

The Commission must comply with the 2021 Annual Report Directions. The Directions are on the ACT Legislation Register: www.legislation.act.gov.au.

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

Part 1 Directions overview

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

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

Part 2 Annual report requirements

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

- A. Transmittal Certificate
- B. Organisational Overview and Performance, inclusive of all subsections
- C. Financial Management Reporting, inclusive of all subsections

Part 3 Reporting by exception

We have no information to report by exception under Part 3 of the Directions for 2020-21.

Part 4 Annual report requirements for specific reporting entities

The following subsection of Part 4 of the 2021 Directions is applicable to the commission and is included in this Annual Report:

Section 9 reporting requirements—Appendix 3.

Part 5 Whole of government annual reporting

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

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

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

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

APPENDIX 5 COMMISSION'S PUBLICATIONS 2020–21

Report Number	Report Title
Report 11 of 2020	Final report—Water and sewerage services price regulation: Incentive mechanisms (August 2020)
Report 12 of 2020	Issues paper—Review of methodologies for the weighted average cost of capital (August 2020)
Report 13 of 2020	Issues paper—Review of the retail electricity form of price control (October 2020)
Report 14 of 2020	Background paper—Developments in the electricity market (November 2020)
Report 15 of 2020	Annual report 2019-20 (December 2020)
Report 1 of 2021	Draft report—Review of methodologies for the weighted average cost of capital (February 2021)
Report 2 of 2021	Final decision—Utility licence updates (February 2021)
Report 3 of 2021	Draft report—Review of the retail electricity form of price control (February 2021)
Report 4 of 2021	Draft report—Improving the transparency and comparability of retail electricity offers (March 2021)
Report 5 of 2021	Public crematorium services: Competitive neutrality—Stage 2 advice (Confidential report) (March 2021)
Report 6 of 2021	Recycled water pricing advice (Confidential report to Under Treasurer) (April 2021)
Report 7 of 2021	Final report—Review of the retail electricity form of price control (April 2021)
Report 8 of 2021	Final report—Review of methodologies for the weighted average cost of capital (April 2021)
Report 9 of 2021	Performance and compliance monitoring report—Utility licence annual report 2019-20 (April 2021)
Report 10 of 2021	Issues paper—Review of water and sewerage services demand forecasting methods (May 2021)
Report 11 of 2021	Retail electricity price recalibration 2021-22 (June 2021)
Report 12 of 2021	Regulated water and sewerage services—2021-22 price adjustment (June 2021)

ABBREVIATIONS

Term	Definition
ABN	Australian Business Number
ACAT	ACT Civil Administrative Tribunal
ACT	Australian Capital Territory
ACTPS	ACT Public Service
CCC	Consumer Consultative Committee
CEO	Chief Executive Officer
CNG	compressed natural gas
CRP	controlled recurrent payments
DI	disallowable instrument
FOI	Freedom of information
FOI Act	<i>Freedom of Information Act 1989</i>
FTE	full-time equivalent
GPO	general payment for outputs
Human Rights Act	<i>Human Rights Act 2004</i>
ICRC Act	<i>Independent Competition and Regulatory Commission Act 1997</i>
LPG	liquid petroleum gas
MLA	Member of the Legislative Assembly
NERL	National Energy Retail Law
NSW	New South Wales
NI	notifiable instrument
Utilities Act	<i>Utilities Act 2000</i>
WH&S Act	<i>Work Health and Safety Act 2011</i>

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