



ICRC

independent competition and regulatory commission

Annual Report **2016–17**

Report 9 of 2017
29 September 2017

The Independent Competition and Regulatory Commission (Commission)¹ is a Territory Authority established under the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act). The Commission is constituted under the ICRC Act by one or more standing commissioners and any associated commissioners appointed for particular purposes. Commissioners are statutory appointments. Joe Dimasi is the current Senior Commissioner who constitutes the Commission and takes direct responsibility for delivery of the outcomes of the Commission.

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

The Commission's objectives are set out in section 7 of the ICRC Act and section 3 of the *Utilities Act 2000* (Utilities Act).

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

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Senior Commissioner's overview

The 2016–17 year has been one of change for the Commission. It has faced an increase in its workload whilst a number of Commission staff have left to take up opportunities elsewhere and new staff have been recruited. At the same time, the Commission has had the opportunity to consider how it approaches its work and to address its expertise needs. I am pleased that the Commission has gained several very experienced and expert staff members. This places the Commission in a very sound position to address its future workload.

During the reporting period, the Commission undertook major investigations including the Commission's determination of standing offer prices for the supply of electricity customers to small customers² for the period 2017–18 to 2019–20; the review of water and sewerage service tariffs and, following the receipt of a terms of reference from the Treasurer, the commencement of an investigation into water and sewerage services prices for the 2018–2023 regulatory period.

Activities for 2016–17

The Commission completed a number of tasks during 2016–17. These included:

- the determination of the 2016–17 utility licence fees;
- the determination of the 2016–17 energy industry levy;
- the completion of the water and sewerage services tariff structure review;
- the water and sewerage services price adjustment for 2017–18;
- the approval of Icon Water's standard customer contract for water and sewerage services; and,
- the investigation into, and the determination of a price direction for, the supply of electricity to small customers for 2017–20

Looking forward

The 2017–18 financial year will be a busy one for the Commission. It has received the terms of reference for the next water and sewerage services price determination.³ In addition, the Commission is reviewing a proposed code submitted by Icon Water for a water and sewerage capital contributions.⁴ The effect of this code would be to specify the charges that apply where water and sewerage infrastructure upgrades are triggered through development projects. The Commission will also undertake an adjustment of retail electricity prices for the 2018–19 to account for any regulatory change or pass through events since the Commission's 2017 price determination.

² Small customers are defined in the terms of reference as a customer who consume less than 100 MWh of electricity over any period of 12 consecutive months.

³ <http://www.legislation.act.gov.au/di/2016-297/default.asp>.

⁴ <http://www.icrc.act.gov.au/water-and-sewerage/capital-contribution-code>.

The Commission will also continue to discharge its functions relating competitive neutrality and the annual programs for the utility licence fee, energy industry levy and Utility Licence Annual Report.

The Commission's approach

In exercising its regulatory judgement the Commission is required under its enabling legislation to take account of a number of economic, investment, social and environmental considerations. While these obligations are not necessarily mutually exclusive, they do involve balancing potentially competing interests. The 2016–17 financial year was especially difficult in this context given the significant increase in wholesale electricity prices flowing from the market's assessment of the rising risks associated with power generation. Further, the successful appeal against the Australian Energy Regulator's decision by a number of networks will see network prices increase, which in turn will flow into higher retail electricity prices in the coming years.

While the Commission endeavours to reduce the impact on consumers of any increase, it must also consider the financial position of the businesses it regulates. These businesses must have the incentive to invest to provide reliable utility services. However, the price of those services should only support the provision of efficient services and no more. Following the recent review of electricity prices, the Commission has included a number of reset principles reviewing its regulatory methodology. This review will consider how the Commission's regulatory approach addresses efficient costs while providing a reasonable return on investment.

I would like to express my thanks to the staff of the Commission who have worked to produce papers and reports sometimes under very challenging circumstances. The work of the Commission would not be possible without their commitment and endeavour.

Joe Dimasi
Senior Commissioner



Part A Transmittal certificate

Mr Andrew Barr MLA
Treasurer
ACT Legislative Assembly
Canberra ACT 2601

Dear Treasurer,

The attached Independent Competition and Regulatory Commission: Annual Report 2016–2017 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 Report Directions.

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

We certify that the information in the attached Annual 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 2016 to 30 June 2017.

We also certify that fraud prevention has been managed in accordance with the *Public Sector Management Standards 2006*, Part 2.

We note that section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you present the Report to the Legislative Assembly within 15 weeks of the end of the reporting year.

Yours sincerely,

Mr Joe Dimasi
Senior Commissioner
29 September 2017

Mr Michael Rawstron
Chief Executive Officer
29 September 2017

Part B Organisation overview and performance

B.1 Organisation overview

Commission's mission and vision

The Independent Competition and Regulatory Commission (Commission) was established in 1997, originally as the Independent Pricing and Regulatory Commission, with the role of regulating pricing, access and other matters in relation to industries involving the supply of water, electricity, sewerage services and other industries. The Commission's enabling legislation, the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act), has since been amended changing the name of the Commission and the scope of its operations, reflecting the emergence of national energy regulation and competition policy.

In exercising its functions under the ICRC Act the Commission's objective is to promote effective competition in the interests of consumers while facilitating an appropriate balance between efficiency, environmental and social considerations. When it makes pricing directions the Commission is required to consider the interests of consumers in promoting efficient investment and operation of regulated services. These objectives as well as the more detailed requirements of section 20 of the ICRC Act, guide the decision making of the Commission.

In short, the Commission must balance the interests of consumers who want reliable services at the lowest price, with the need to ensure that the regulated service provider earns sufficient revenue to cover its efficient costs as well as provide an appropriate return on investment. Further, there are a number of environmental and social considerations along with the need for the service to comply with any standards of service quality and reliability. In balancing these considerations, the Commission's regulatory approach aims to deliver both viable utility services and reasonable prices.

Under the *Utilities Act 2000* (Utilities Act), 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 of licence compliance. The Commission also has responsibility for industry codes of practice and approving some standard customer contracts. The Commission also has a function to determine fees and levies paid by utilities in the Territory in respect of the regulatory functions undertaken by the Commission and other Territory bodies such as the Technical Regulator and the Administrative and Consumer Appeals Tribunal (ACAT).

Challenges and priorities

The Commission has noted in its previous annual reports that one of the risks it faces is retaining expert staff. During 2016–17 several long serving staff members left to take up opportunities elsewhere requiring the Commission to reconsider its approach to staffing levels and how it managed its cyclical work program. Following an active recruitment program, the Commission has been successful in recruiting a number of qualified and

experienced staff. The Commission was also able to recruit a highly experienced replacement CEO in the interim to fill the position that became vacant in early 2017.

In the course of the staffing changes that occurred during 2016–17, the Commission has also reconsidered how it approaches the management of its work. Typically, the Commission's workload is periodic with peaks and troughs following the pattern of the regular reviews into the utility services prices it determines. However, this pattern has created challenges in the management of staff resources and has seen the Commission front-end load its regulatory developmental work as part of each investigation undertaken, notwithstanding the time and resource constraints that arise during an investigation.

The Commission will carefully manage its work flow to provide a more stable workload to smooth out, where possible, the peaks and troughs in its work. The benefits of this approach are to provide a more stable career path for staff as well as improved regulatory processes for stakeholders, the regulated businesses and the broader community. There will be greater scope for involvement as well the necessary lead time should the approach to regulation be modified. It will also establish a deeper pool of expertise that is available to respond to government requests for advice.

Performance during 2016–17

2016–17 saw a significant increase in the Commission's workload. Terms of reference were received for inquiries into the prices for certain electricity services covering the 2017–20 regulatory period and for water and sewerage services for the 2018–23 regulatory period. The Commission subsequently released an issues paper, draft and final decisions on the price of electricity for small customers on standard contracts. The Commission also produced draft and final reports on the tariff review for regulated water and sewerage services, as required by the Industry Panel price direction.⁵ This was well in time for the outcome of that work to be considered in the issues paper on water and sewerage prices that was released in March 2017.⁶ All of these outcomes were within the timelines specified and consistent with the performance measures for 2016–17 which were reported in the Commission's 2017–18 budget documents.

The Commission received at the end of March 2017 Icon Water's a proposed capital contribution code for water and sewerage services augmentations. The Commission is currently reviewing that code. The Commission also commenced work reviewing the consumer protection code and its associated service level requirements. The Commission also adjusted the water and sewerage service prices for 2017–18, taking account of the pass through and regulatory change events provided under the Industry Panel's substituted price direction for water and sewerage services 2013–18.

During the reporting period the Commission, under the Utilities Act, determined respectively the fees payable by Icon Water and levies payable by retail electricity businesses operating in the Territory. The Commission also worked closely with the Technical Regulator in regards to the consumer standards applicable to those utilities. Furthermore, the Commission released the utilities compliance and performance annual

⁵ <http://www.icrc.act.gov.au/wp-content/uploads/2015/05/Industry-Panel-Substituted-Price-Direction-April-2015.pdf> - see part D.

⁶ <http://www.icrc.act.gov.au/water-and-sewerage/regulated-water-and-sewerage-services-prices-2018-23/>

report as part of the Commission's 2015–16 annual report. In future, to aid transparency, this report will be released separately rather than included as a summary in the Commission's annual report.

While the Commission also has a role to respond to the Government's requirements for advice on competition policy matters and discharging the Commission's statutory role in competitive neutrality complaints handling, there were no requests for advice or complaints received about competitive neutrality during the reporting period.

Aboriginal and Torres Strait Islander reporting

The Commission's work is governed by its enabling legislation. To the extent that it is relevant, for example price directions for the supply of electricity to small customers on standard contracts, the Commission's work affects all residents of the Territory who are on these contracts. The Commission's work is not directed at one group of residents and therefore it does not have a specific program or initiative directed at Aboriginal and Torres Strait Islander people.

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. Mr Dimasi is an applied economist with over twenty years' involvement in the area of competition and regulation matters particularly in the regulation and reform of utilities, was involved in the establishment of the Australian Energy Regulator, and is a former Commissioner of the Australian Competition and Consumer Commission. Mr Dimasi is a Professorial Fellow at the Monash Business School and is also the Tasmanian Economic Regulator.

The Commission's interim CEO is Michael Rawstron. Mr Rawstron is a former senior executive of the Australian Treasury and before that the Australian Competition and Consumer Commission. Mr Rawstron has over twenty years' experience in economic policy, tax, competition and regulatory matters, including as a member of the International Energy Agency expert panel on electricity market reform. Mr Rawstron also served as Vice Chair of OECD Committee on Fiscal Affairs and as Chairman of the OECD's Global Forum on tax transparency. Mr Rawstron has tertiary qualifications in law and economics, is admitted as a barrister and solicitor and is an executive fellow of the Australian and New Zealand School of Government.

Executive remuneration

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

Significant committees

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

B.2 Performance analysis

B.2.1 Regulated water and sewerage services

Tariff structure review

In March 2017, the Commission released its final report on its review into the tariff structure for regulated water and sewerage service prices in the ACT. The tariff structure refers to the pricing of regulated water and sewerage services, where the price paid is calculated by reference to a fixed supply, volumetric usage charge/s or both.

In preparing the report the Commission conducted substantial principles-based analysis, whilst also engaging in broad rounds of consultation. The results of the analysis and consultation indicated that the existing water tariff structure could be improved for the benefit of the ACT community as a whole. This can be done by making careful adjustments over time to the balance between fixed and volumetric usage charges for water. Such adjustments were found to support the efficient use of water and the efficient recovery of costs by Icon Water whilst fully supporting social objectives of inclusion and environmental management.

As indicated in the March 2017 issues paper, this tariff structure will also be considered by the Commission as it undertakes its investigation into the prices for water and sewerage services in the ACT for 1 July 2018 to 30 June 2023.

Water and sewerage services investigation and price direction

On 14 December 2016, the Commission received terms of reference from the Treasurer to determine a price direction for regulated water and sewerage services provided by Icon Water from 1 July 2018 to 30 June 2023.

The terms of reference are available at <http://www.legislation.act.gov.au/di/2016-297/default.asp>.

On 31 March 2017, the Commission released an issues paper and sought submissions. The issues paper is a vital part of the Commission's investigation as it allows for the views and insights from interested parties and impacted stakeholder's to be fully considered. Submissions to the issues paper closed on 28 April 2017.

Interested parties will have further opportunities to provide feedback on the Commission's investigation into regulated water and sewerage services prices following the release of the draft report in late 2017. Receiving submissions is a vital contribution to the Commission's decision making. It allows the Commission to hear from parties other than the regulated utility and assists the Commission to ensure there is efficient investment in, and efficient operation of regulated services for the long-term interests of consumers. The Commission will release its draft determination on water and sewerage services prices in late 2017.

Price adjustment 2017–18

In June 2017, the Commission determined new maximum prices for Icon Water's regulated water, sewerage and miscellaneous services to apply from 1 July 2017. The price adjustment was made in accordance with the *Substituted Price Direction: Regulated Water and Sewerage Services, 1 July 2013 to 30 June 2018*. The price adjustment recognised the changes in allowable costs and other permitted pass through events that Icon Water incurred since the prices for regulated services were last set on 1 July 2016.

B.2.2 Retail electricity investigation and price direction

On 22 June 2016, the Commission received terms of reference from the Treasurer to determine a price direction for the supply of retail electricity to small customers from 1 July 2017 to 30 June 2020.

The terms of reference are available at <http://www.legislation.act.gov.au/di/2016-138/default.asp>.

The Commission released its final report on the 7th June 2017. The Commission estimated that the maximum average percentage change in ActewAGL Retail's basket of regulated tariffs in 2017–18 will be an increase of 18.95 per cent. The single biggest driver of this increase is wholesale electricity purchase costs which have risen significantly in 2016 and 2017.

The price increase has been calculated using the Commission's pricing model. The pricing model determines the maximum average annual percentage change that ActewAGL Retail can apply to its suite of tariffs. It does so by estimating three main cost categories:

- retail costs, which comprise retail operating costs, Energy Efficiency Improvement Scheme compliance costs and the retail margin;
- network costs, which include transmission, distribution and the ACT Government's renewable energy scheme costs. These costs are approved by the Australian Energy Regulator and are passed through to the retailer and in turn to consumers; and
- wholesale electricity costs, which comprise energy purchase costs, Large-scale Renewable Energy Target and Small-scale Renewable Energy Scheme costs, energy losses, energy contracting costs and National Electricity Market fees.

Of these cost categories, changes in network costs and wholesale electricity costs contribute approximately 85 per cent of the 18.95 average price increase approved by the Commission.

The retail margin for ActewAGL Retail was fixed at 5.3 per cent in this final report. The Commission has identified the low end of the previously-identified range as being appropriate given the substantial increase in electricity prices during 2017. Further, the Commission decided not to grant a competition allowance to the retailer.

During the 2017–2020 period the Commission intends to re-evaluate a number of elements of its pricing model by which it regulates the supply of electricity by ActewAGL Retail to customers on its regulated retail tariffs. The Commission intends to conduct this review of

its pricing model and methodology to ensure the method by which a price direction arrived at remains current, accurate and consistent with the Commission's obligations under the ICRC Act.

B.2.3 Water and sewerage capital contribution code

On 30 March 2017 the Commission put out for public comment Icon Water's proposed water and sewerage capital contribution code. The proposed code seeks to provide a framework and method by which entities that trigger infrastructure upgrades through development projects contribute to the funding of those upgrades.

The Commission received a number of submissions in response to its request for public comment. The Commission will release a draft determination on the code and seek submissions in September 2017, and is planning to release its final determination in late 2017.

B.2.4 Utility licence annual report

Licensed utilities in the ACT report annually to the Commission in relation to the exercise of their functions under the Act and their compliance with the conditions of their licence. The Commission monitors these reports and may verify the data provided and question utilities about the accuracy of the reported data where the data appears anomalous or inconsistent. We have set out a summary of the utility licence annual reports received in 2016–17 in Appendix 4 – Utility Licence Annual Report 2015–16 summary. From the 2016-17 reporting year, the Utility Licence Annual Report (ULAR) will be published as a stand-alone Commission report.

B.3 Scrutiny

No reports on the Commission were produced in 2016–2017 by entities charged with responsibility for scrutiny.

B.4 Risk management

The Commission's risk management approach and framework are set out in section C.1.1 below.

B.5 Internal audit

The Commission is a small organisation and the establishment of a formal internal audit committee is not considered appropriate. The Commission is committed and attentive to the need for strong controls to identify and manage risk, as well as developing a risk management culture within the organisation. The Commission has regular commission

meetings and these serve to consider matters of risk including identification and their management.

The Commission has engaged an accountant under contract who takes on the role of the Commission's Chief Finance Officer. This provides an additional level of financial oversight. Accounts are reconciled monthly and a finance report prepared for and discussed at each Commission meeting.

B.6 Fraud prevention

The Commission has strong controls over its finances. The Commission's fraud policy was updated in April 2017 and fraud awareness and the existence of the Commission's fraud policy has been drawn to the attention of staff. A risk report is a standing item in the CEO's report to Commission meetings and the Commission's designated disclosure officer also attends those meetings.

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

During 2016–17 there were no instances of fraud or misuse of Commission funds.

B.7 Work health and safety

The Commission's approach to workplace health and safety is that it is 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 and operational team meetings provide the opportunity to discuss workplace health and safety concerns.

The Commission had a Health and Safety Representative in 2016–17 and have a number of staff with first aid and fire warden responsibilities.

In 2016–17 the Commission coordinated and funded a vaccination program for staff to receive an annual influenza vaccination.

During 2016–17 no notices were issued to the Commission under Part 10 of the *Work Health and Safety Act 2011*. There were also 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 *Work Health and Safety Act 2011*.

B.8 Human resources management

In 2016–17 the staffing profile of the Commission has seen significant change due to staff taking up opportunities elsewhere and the recruitment of new staff to meet the Commission's increasing workload. Part P of this annual report describes the Commission's staffing profile.

As noted in B.1, the Commission's workload can fluctuate significantly due to the number of investigations and referred matters, creating the challenge of ensuring that sufficient staffing resources are available to meet these demands. Consequently, the Commission has reviewed its approach to its work with the objective of reducing, to the extent possible, the size of the peaks and troughs in staffing levels. By evening out the workload through project planning and using the periods between regulatory pricing decisions to undertaking preparatory work as well as other work that may be referred, the Commission will be able to provide a more stable workload and career path facilitating staff retention, collaboration and development.

The Commission's work is highly technical requiring a good understanding of regulatory economics, financial and economic modelling, regulatory law and regulatory policy. The Commission's current staffing profile includes expertise covering these key skill areas, with several staff having advanced qualifications in economics, including PhDs, and in law. Staff also have experience in regulation and economic policy. With such a high level of training and expertise staff learning and development needs are individually tailored to take advantage of the opportunities for further development.

The Commission secretariat is small and information on matters such as length of service, age, cultural background, the number of ARins and other reportable data may identify staff thus making it difficult to protect staff privacy. The Commission therefore does not publish this information.

B.9 Ecologically sustainable development

The Commission did not receive during 2016–17 any requests for staff to assist in the preparation of the State of the Environment Report, nor were there any investigations carried out by the Commissioner for Sustainability and the Environment or any activities carried out by the Commission.

Table 1 Sustainable development performance – current (2016–17) and previous financial year (2015–16)

Indicator as at 30 June 2017	Unit	Current FY	Previous FY	Percentage change
Commission staff and area				
Commission staff	FTE	10	6	67
Workplace floor area	Area (m ²)	330	330	0
Stationary energy usage				
Electricity use	Kilowatt hours	28,749	17,857	61 ⁷
Natural gas use	Megajoules	0	0	0
Diesel	Kilolitres	0	0	0
Transport fuel usage				
Electric vehicles	Number	0	0	0
Hybrid vehicles	Number	0	0	0
Other vehicles (not electric/hybrid)	Number	0	0	0
Total number of vehicles	Number	0	0	0
Total kilometres travelled	Kilometres	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)	Kilolitres	0	0	0
Water usage		Data not available as building is leased	Data not available as building is leased	n/a
Water use	Kilolitres			
Resource efficiency and waste				
Reams of paper purchased	Reams	29	67	57
Recycled content of paper	Percentage	50	50	
Waste to landfill	Litres	Data not captured	Data not captured	n/a
Co-mingled material recycled	Litres	Data not available as building is leased	Data not available as building is leased	0
Paper & Cardboard recycled (incl. secure)	Litres	2,427.67	17x240-litre bins	-
Organic material recycled	Litres	0	0	0
Greenhouse gas emissions				
Emissions from stationary	Tonnes CO ₂ -e	16.00	21.97	27
Emissions from transport	Tonnes CO ₂ -e	-	-	-
Total emissions	Tonnes CO ₂ -e	16.00	21.97	27

⁷ Note: The significant increase on last year's figures relates to a correlating staffing increase as a result of the Commission undertaking two investigations (retail electricity and water and sewerage services prices) and a major review (water and sewerage tariffs) during the 2016-17 year.

Part C Financial management reporting

C.1 Financial management analysis

C.1.1 General overview

Objectives

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

Under the Utilities Act, 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 of licence compliance. The Commission also has responsibility for industry codes of practice and approving some standard customer contracts.

The Commission has a statutory role under the *Electricity Feed-in (Renewable Energy Premium) Act 2008* in providing advice to the Minister relevant to the determination of the premium rate payable by electricity suppliers to renewable energy generators.

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 operates on a reasonable cost recovery basis.

Risk Management

Risk assessment and management is an integral part of the Commission's governance processes and systems. It underpins each of the components of the Commission's governance mechanisms including strategic and operational planning, business improvement initiatives, decision-making, review and compliance processes.

In accordance with the ACT Government Risk Management Policy and Framework, the Commission has a Business Continuity Plan, a Risk Management Policy and Guidelines that includes a risk register to ensure there are processes for identifying risks, assessing opportunities to improve performance and ensure appropriate actions are taken to avoid or reduce the chance of loss. The Commission's risk register is reviewed on an annual basis, as the Commission's size and stable operating environment, do not result in significant or rapid changes to the Commission's risk profile.

The Chief Executive Officer and Senior Commissioner have broad responsibility for overseeing risk management in the Commission.

C.1.2 Financial performance

The following financial information is based on audited financial statements for 2015–16 and 2016–17, and the forward estimates contained in the 2017–18 Budget Statements.

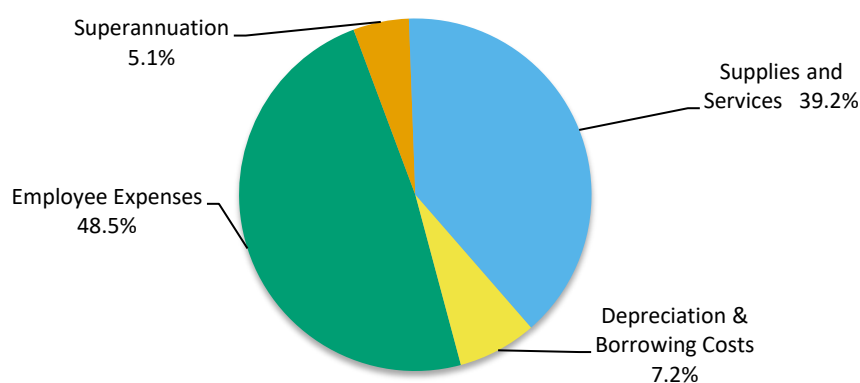
Total Expenditure

Components of Expenditure

Figure 1 shows the components of the Commission's expenditure for 2016–17. The main components of ordinary expenditure were:

- Employee Expenses of **\$0.824 million** (48.5 per cent); and
- Supplies and Services of **\$0.666 million** (39.2 per cent).

Figure 1 Components of Expenditure 2016–17



Comparison to Budget

Total expenditure was **\$1.699 million** and was consistent with the budget (\$1.728 million).

Comparison to 2015–16 Actual Expenditure

Total expenditure was **\$1.699 million** and was **\$0.244 million** (16.8 per cent) higher than the 2015–16 actual result. The increased expenditure mainly relates to Supplies and Services and is reflective of the cyclical nature of the Commission's activities, with the Commission having an increased workload in 2016–17. Due to the increase in activities, the Commission engaged a consultant to provide expert technical advice on the review of Icon Water Limited's (Icon) water and sewage tariffs, the price direction for standing offer prices for the supply of electricity to small customers, and the investigation and price determination for regulated water and sewerage services.

Future Trends

For 2017–18 expenditure is expected to increase with the Commission receiving a terms of reference from the Treasurer in December 2016 for the investigation into, and price direction determination for, regulated water and sewerage services provided by Icon in the ACT for the period from 1 July 2018 to 30 June 2023. More generally, expenses may vary over the forward estimates for activities that are not performed on an annual basis,

including unanticipated references or other requests for Commission services from government and non-government sources.

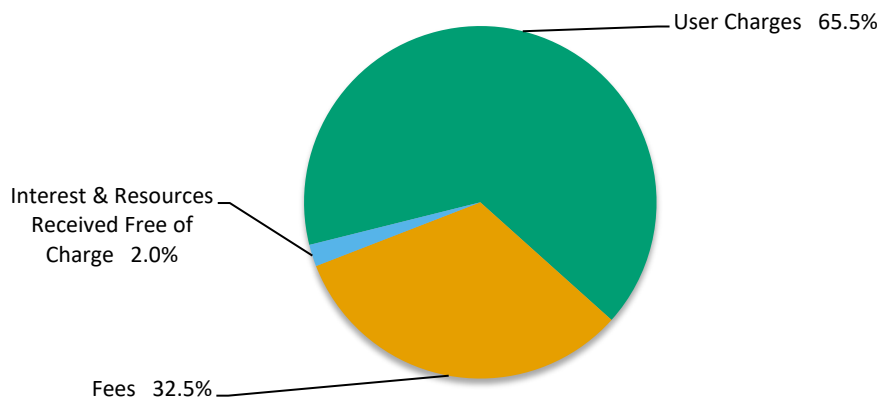
Total Income

Components of Income

Figure 2 shows the components of the Commission's income for 2016–17. The main components of income were:

- User Charges of **\$1.047 million** (65.5 per cent) were recognised for:
 - the purchase agreement with the Chief Minister, Treasury and Economic Development Directorate for services under the ICRC Act (\$0.397 million);
 - the price direction for standing offer prices for the supply of electricity to small customers (\$0.396 million);
 - the investigation and price determination for regulated water and sewerage services (\$0.254 million); and
- Fees of **\$0.519 million** (32.5 per cent) were recognised for water, sewerage and gas transmission regulatory activities under the Utilities Act.

Figure 2 Components of Income 2016–17



Comparison to Budget

Income for the year was **\$1.598 million** and was **\$0.179 million** (10.1 per cent) lower than budget. The variance in income to budget mainly relates to:

- Controlled Recurrent Payments (CRP) being **\$0.312 million** (100 per cent) lower than budget. In 2016–17 the Commission did not draw down funds from its CRP appropriation, as it was able to fund the associated energy regulatory activities from its cash reserves; partially offset by,
- User Charges being **\$0.251 million** (31.5 per cent) higher than budget. This was mainly due to the work performed on the investigation into, and price determination for regulated water and sewerage services provided by Icon in the ACT for the period from 1 July 2018 to 30 June 2023.

Comparison to 2015–16 Actual Income

Total income in 2016–17 was **\$1.598 million**, an increase of **\$0.207 million** (14.8 per cent) from the 2015–16 actual result. The increase in income relates to User Charges being **\$0.660 million** (170.5 per cent) higher than 2015–16 mainly due to the price direction for standing offer prices for the supply of electricity to small customers (\$0.396 million), and the investigation and price determination for regulated water and sewerage services (\$0.254 million).

This was partially offset by:

- Controlled Recurrent Payments being **\$0.260 million** (100.0 per cent) lower, due to the Commission funding the associated energy regulatory activities from its cash reserves; and,
- Fees being \$0.194 million (27.2 per cent) lower due to the Commission spending less time on the review of Icon's water and sewerage tariffs.

Future Trends

For 2017–18 income is expected to increase with the Commission receiving a terms of reference from the Treasurer in December 2016 for the investigation into, and price direction determination for, regulated water and sewerage services provided by Icon in the ACT for the period from 1 July 2018 to 30 June 2023. More generally, income may vary over the forward estimates for activities that are not performed on an annual basis, including unanticipated references or other requests for Commission services from government and non-government sources.

C.1.3 Financial Position

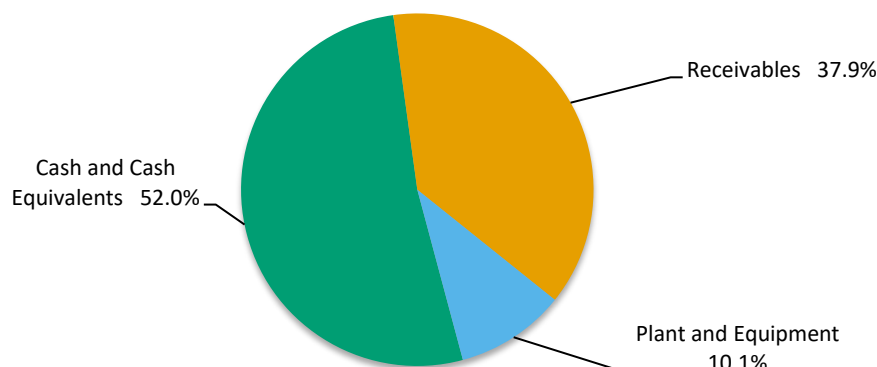
Total Assets

Components of Total Assets

Figure 3 shows the components of our Total Assets at 30 June 2017. The components were:

- Cash and Cash Equivalents of **\$0.902 million** (52.0 per cent);
- Receivables of **\$0.658 million** (37.9 per cent); and
- Plant and Equipment of \$0.175 million (10.1 per cent).

Figure 3 Total assets at 30 June 2017



Comparison to Budget

At 30 June 2017, Total Assets were **\$1.735 million**. This is **\$0.256 million** (12.9 per cent) lower than the budget. The lower than budgeted result is mainly due to the Commission not drawing on its Controlled Recurrent Payments appropriation, instead funding the associated energy regulatory activities from its cash reserves.

Comparison to 2015–16 Actuals

At 30 June 2017, Total Assets were **\$1.735 million**, which is **\$0.081 million** (4.5 per cent) lower than the 2015–16 actual of **\$1.816 million**. The decrease in Total Assets mainly relates to the Commission not drawing down on its Controlled Recurrent Payments appropriation, as discussed in Comparison to Budget above.

Liquidity

A common indicator used to measure liquidity is the current ratio, which compares the ability to fund short-term liabilities from short-term cashable assets. A ratio of less than 1:1 may indicate a reliance on future revenue streams to meet short-term debts. Table 2 shows the Commission’s liquidity position.

Table 2 Current Ratio

Description	Prior year actual \$'000 2016	Current year budget \$'000 2017	Current year actual \$'000 2017	Forward year budget \$'000 2018	Forward year budget \$'000 2019	Forward year budget \$'000 2020
Current assets	1,520	1,745	1,560	1,465	1,551	1,638
Current liabilities	229	277	245	233	233	233
Current ratio	6.6:1	6.3:1	6.4:1	6.3:1	6.7:1	7:1

At 30 June 2017, the current ratio was 6.4:1 and shows the Commission is in 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.

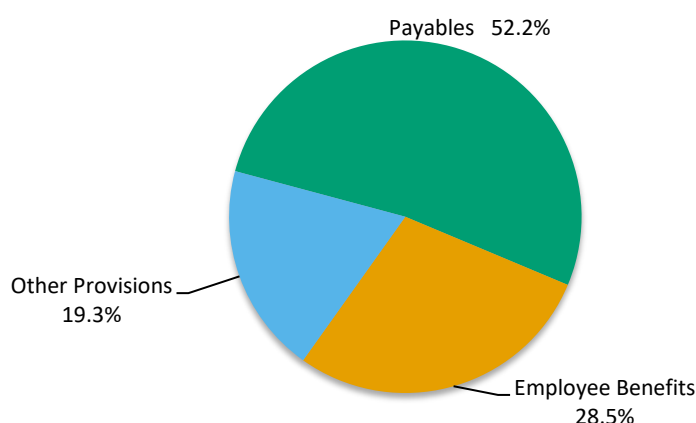
C.1.4 Total Liabilities

Components of Total Liabilities

Figure 4 shows the components of the Commission's Total Liabilities as at 30 June 2017. The components were:

- Employee Benefits of **\$0.099 million** (28.5 per cent);
- Other Provisions of **\$0.067 million** (19.3 per cent); and
- Payables of \$0.181 million (52.2 per cent).

Figure 4 Total Liabilities at 30 June 2017



Comparison to Budget

At 30 June 2017, Total Liabilities were **\$0.347 million**. This is **\$0.030 million** (7.9 per cent) lower than the budget. The lower than budgeted result mainly relates to staff movements

Part C: Financial management reporting

during the year, with Employee Benefits either being paid out or no longer recognised as liabilities.

Comparison to 2016–17 Actuals

At 30 June 2017, Total Liabilities were **\$0.347 million**, which is consistent with the 2015–16 actual of **\$0.326 million**.

C.2 Financial statements

The Commission has prepared financial statements for 2016–17 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 2016–17 Annual Report Directions. The audit opinion, financial statements and accompanying notes to the statements are set out in Appendix 1.

C.3 Capital works

The Commission does not have a capital works program.

C.4 Asset management

For the financial year ended 30 June 2017, the Commission had plant and equipment of a total written down value of \$175,000. This consisted of office furniture and equipment. The Commission is located on Level 8, 221 London Circuit where it occupies less than half of the floor.

C.5 Government contracting

Table 3 sets out information relating to the Commission's procurement and contracting activities for 2016–17. The contracts in Table 3 relate to goods and services provided to the Commission in 2016–17 with a value of \$25,000 or more. The information is obtained from the ACT Contract Register and is available at <http://www.procurement.act.gov.au/contracts>. As per the annual reports direction the information has not been reformatted. All three contractors in Table 3 are small to medium business enterprises.

Table 3 Procurement and contracting activities for the Commission for 2016–17

Contract title	Contract for Economic Advice	Accounting and Financial Management Services	Market Data Agreement
Procurement methodology	Single Select	Single Select	Single Select
Procurement type	Consultancy	Services (non-consultancy)	Services (non-consultancy)
Exemption from quotation and tender	Yes	Yes	Yes
Contractor name	Economic Insights Pty Ltd	Niche Advantage Pty Ltd	ICAP Brokers Pty Ltd
Contract amount	231,000.00 (Total value of this particular contract only)	284,625.00 (Total value of this particular contract only)	26,400.00 / year (Total value of this particular contract only)
Execution date	27/09/2016 (Contract Execution date may differ from contract commencement date)	05/03/2015 (Contract Execution date may differ from contract commencement date)	01/05/2012 (Contract Execution date may differ from contract commencement date)
Expiry date	26/09/2017	31/03/2018	31/12/2025 ⁸
Small to medium enterprise	Yes	Yes	Yes

⁸ The ICAP contract operates on a rolling month-by-month contract. ACT Procurement Services inserted the date of 31 December 2025 due to a clerical recording requirement.

C.6 Statement of performance



ICRC
independent competition and regulatory commission

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

Statement of Performance for the Year Ended 30 June 2017

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 2017 and also fairly reflects the judgements exercised in preparing the Statement of Performance for the year ended 30 June 2017.

Michael Rawstron
Chief Executive Officer
Independent Competition and Regulatory Commission
11 August 2017

Table 4 Statement of performance for the year ended 30 June 2016

Statement of intent accountability indicators	Original target 2016–17	Actual result 2016–17	%Variance from original target	Explanation of material variances
Water and sewerage services pricing ¹	Price adjustment, undertaking, completion of tariff review, and new terms of reference.	Achieved. Water prices adjusted for 2017–18, tariff review completed and new terms of reference received.	–	
Retail electricity pricing ²	Undertaking and completion of a price investigation	Achieved. Draft and final reports issued. Price direction notified.	–	
Utilities compliance and performance ³	1 Report	1 Report	–	
Utility licence fees (water, sewerage services and certain energy sector utilities not subject to energy industry levy) ⁴	1 Determination	1 Determinations	–	
Utility levies (energy sector) ⁵	3 Determinations	3 Determinations	–	
Advice on referred matters ⁶	Subject to receipt of references	No references were received	–	

Explanation of accountability indicators for the year ended 30 June 2017

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

Notes

1. A new terms of reference was received on 13th December 2016 for an investigation into regulated water and sewerage services for the regulatory period 1 July 2018 to 30 June 2023. The Commission released an issues paper on 31 March 2017. The Commission adjusted the maximum prices Icon Water Ltd (Icon Water) can charge for its regulated water, sewerage and miscellaneous services in 2017–18 on 29 May 2017. This was in accordance with the *Substituted Price Direction for Regulated Water and Sewerage Services 1 July 2013 to 30 June 2018* made by the Industry Panel.
2. Terms of Reference were received on 22 June 2016 for an investigation into the supply of electricity to small customers on standard retail contracts for the regulatory period 1 July 2017 to 30 June 2020. The Commission released an issues paper on 24 October 2016 and announced its draft decision on 28 March 2017 and the final decision on 7 June 2017. Copies of the Commission's reports are available from its website.

Part C: Financial management reporting

3. Licensed utilities providing certain infrastructure services provide annually to the Commission details of how they met their non-technical licence conditions, relevant laws, industry codes and other relevant regulatory obligations. The Commission publishes a report on the utilities' annual submission as an attachment to the Commission's Annual Report.
4. On 30 September 2016, the Commission determined the annual licence fee payable by certain licensed utilities under the *Utilities Act 2000* for the year ending 30 June 2017 and collected those fees accordingly.
5. The Chief Executive Officer of the Commission made three determinations under Part 3A of the *Utilities Act 2000* for the 2016–17 financial year on 29 September 2016. These determinations are used to impose a levy on energy utilities to recover the amount of the ACT's national regulatory costs and local regulatory costs in relation to energy industry sectors.
6. The Commission may receive references under Part 3 of the *Independent Competition and Regulatory Commission Act 1997*.

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

C.6.1 Report of factual findings



AUDITOR-GENERAL AN OFFICER
OF THE ACT LEGISLATIVE ASSEMBLY 

REPORT OF FACTUAL FINDINGS

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

To the Members of the ACT Legislative Assembly

Review opinion

I am providing an **unqualified review opinion** on the statement of performance of the Independent Competition and Regulatory Commission for the year ended 30 June 2017.

During the review no matters were identified which indicate that the results of the accountability indicators reported in the statement of performance are not fairly presented in accordance with the *Financial Management Act 1996*.

Basis for the review opinion

The review was conducted in accordance with the Australian Auditing Standards. I have complied with the requirements of the Accounting Professional and Ethical Standards 110 *Code of Ethics for Professional Accountants*.

I believe that sufficient evidence was obtained during the review to provide a basis for the review opinion.

Responsibility for preparing and fairly presenting 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 2016*; 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.

Responsibility for the review of the statement of performance

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2016*, I am responsible for issuing a report of factual findings on the statement of performance of the Independent Competition and Regulatory Commission.

As required by Australian Auditing Standards, the auditors:

- applied professional judgement and maintained scepticism;
- identified and assessed the risks of material misstatements due to error or fraud* and implemented procedures to address these risks so that sufficient evidence was obtained to form a review opinion; and
- reported the scope and timing of the review and any significant deficiencies in reporting practices identified during the review to the Chief Executive Officer.

(*The risk of not detecting material misstatements due to fraud is higher than the risk due to error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal controls.)

Limitations on the scope of the review

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

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

This review 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;
- adequacy of controls implemented by the Independent Competition and Regulatory Commission; or
- integrity of reviewed statement of performance presented electronically or information hyperlinked to or from the statement of performance. Assurance can only be provided for the printed copy of the reviewed statement of performance.

Ajay Sharma
Acting Director, Financial Audits
11 August 2017

Part D Notices of non-compliance

D.1 Dangerous substances

This section is not applicable to the Commission.

D.2 Medicines, poisons and therapeutic goods

This section is not applicable to the Commission.

Part E Chief Minister, Treasury and Economic Development

E.1 Tobacco compliance testing

This section is not applicable to the Commission.

Part F Education and training

F.1 Investigation of complaints

This section is not applicable to the Commission.

F.2 Teacher Quality Institute

This section is not applicable to the Commission.

Part G Health

G.1 Mental health

This section is not applicable to the Commission.

Part D to O not applicable

Part H Gambling and racing

This section is not applicable to the Commission.

Part I Ministerial and director-general directions

This section is not applicable to the Commission.

Part J Public land management plans

This section is not applicable to the Commission.

Part K Third party insurance

This section is not applicable to the Commission.

Part L Victims of crime

This section is not applicable to the Commission.

Part M Waste minimisation conventions

This section is not applicable to the Commission.

Part O: This section is not applicable to the Commission.

Part N Community engagement and support

Part N is reported on under whole of government reporting in the Chief Minister, Treasury and Economic Development Directorate Annual Report 2016–17.

Part O Justice and community safety

O.1 Bushfire risk management

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

O.2 Freedom of information

The *Freedom of Information Act 1989* (FOI Act) creates the right for anyone to obtain access to documents or information held by the Commission. This right is subject to a range of exemptions that protect the legitimate interests of the ACT Government and third parties who deal with the ACT Government.

The ICRC Act and the Utilities Act also require the Commission to publish all decisions, submissions to inquiries, reports, draft reports and reasons for our decisions. Guidelines about information access and confidentiality are available on our website (www.icrc.act.gov.au).

Section 7 statement

The Commission is required to publish information concerning its functions and documents under section 7 of the FOI Act.

Organisational functions and powers

Section B.1 of this report summarises the Commission's functions and the legislation which governs and forms the basis of its statutory powers.

Public participation in decision making

The Commission has an 'access to information' link under 'about us' on our web page. The link contains an FOI Fact Sheet and Request Form. The Commission also provides a 'submissions' link on its home page where members of the public have access to information in relation to preparing and submitting submissions to the Commission when the Commission is undertaking reviews and investigations.

Categories of documents

The Commission holds the following categories of documents:

Part O: Justice and community safety

- documents available on request and without charge;
- documents that may be available under the FOI Act; and
- documents exempt under the FOI Act.

These documents are available on the Commission's website and/or the ACT Legislation Register. Alternatively, members of the public can request a soft or hard copy of the document without charge.

The Commission's office is located at Level 8, 221 London Circuit, Canberra City. The office is wheelchair accessible. It is a short walk from the city bus station and there is public parking close by.

Section 8 statement

In accordance with the Commission's functions outlined in Section B.1 in this report, the Commission makes a variety of decisions under the ICRC Act and Utilities Act. In making these decisions the Commission may follow documented processes or create documents related to how the decision was made. All public information that the Commission produces is made available on its website, while its notifiable and disallowable instruments are available on the ACT Government's legislation website. In addition, the Commission's policies on how confidential and personal information under the ICRC Act is treated and determined disclosure guidelines are available on the Commission's website under 'access to information'.

Section 79 statement

During 2016–17, the Commission did not receive any requests for access to information under the FOI Act.

O.3 Human rights

The *Human Rights Act 2004* imposes a duty on the Commission (as an ACT Government instrumentality) to interpret the ICRC Act and Utilities Act, as far as possible and consistent with the operation of those Acts, in a way that is compatible with the human rights enshrined in the *Human Rights Act 2004*.

O.4 Legal services directions

The Commission is required to report on its compliance with legal services directions set out under the *Law Officers Act 2011*.

Law Officer (Model Litigant) Guidelines 2010 (No 1) (NI2010-88)

During 2016–17, the Commission was not involved in any litigation proceedings before the courts.

Part O: This section is not applicable to the Commission.

Community engagement and support

Law Officers (General) Legal Services Directions 2012 (NI2012-292)

Under clause 1.1 of the *Law Officers (General) Legal Services Directions 2012* (Legal Services Direction) all Territory legal work is to be performed by the Government solicitor. During 2016–17, we sought legal services from the ACT Government Solicitor on two occasions.

Part P Public sector standards and workforce profile

P.1 Culture and behaviour

The Commission is a small organisation and therefore an open and collaborative workplace that values critical thinking is essential to its effective operation. Staff are encouraged to be open and respectful and are provided with the Commission's induction handbook as well being made aware of the ACT Public Service Induction Manual and the courses provided as part of the ACTPS training calendar. These resources alert staff to the behavioural standards expected of them. Topics covered by these resources include the ACTPS Code of Conduct, values and the Respect, Equity and Diversity framework.

P.2 Public interest disclosure

The *Public Interest Disclosure Act 2012* provides a mechanism for any member of the public, including ACT Public Servants, to report wrongdoings in the ACTPS. The Commission follows the *Public Interest Disclosure Guidelines 2013*, issued by the Commissioner for Public Administration. The Commission's Designated Disclosure Officer (DDO (N12015-162)) or the Commission's CEO investigate all disclosures received.

During 2016–17 no disclosures were received.

P.3 Workforce profile

The following table shows the Commission's workforce profile as at 30 June 2017.

Table 5 2016–17 Workforce profile⁹

EBA Classification	Male	Female	Total
ASO4	1		1
ASO5	2		2
ASO6		1	1
SOGC	1		1
SOGB	1	1	2
SOGA	2		2
Total	7	2	9

⁹ The table does not include senior executive positions.

Part Q Territory records

Part Q is reported on under whole of government reporting in the Chief Minister, Treasury and Economic Development Directorate Annual Report 2016–17.

Appendix 1 Financial statements and audit report¹⁰

- Auditor's opinion on the financial statements
- Statement of responsibility – Chief Executive Officer
- Statement of responsibility – Chief Financial Officer
- Independent Competition and Regulatory Commission Operating Statement for the year ended 30 June 2017
- Independent Competition and Regulatory Commission Balance Sheet as at 30 June 2017
- Independent Competition and Regulatory Commission Statement of Changes in Equity for the year ended 30 June 2017
- Independent Competition and Regulatory Commission Cash Flow Statement for the year ended 30 June 2017
- Independent Competition and Regulatory Commission Statement of Appropriation for the year ended 30 June 2017
- Independent Competition and Regulatory Commission Notes to and forming part of the financial statements for the year ended 30 June 2017
- 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 2017
- 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 2017
- Independent Competition and Regulatory Commission Appendix C – Impact of accounting standards issued but yet to be applied forming part of Note 2 of the financial statements for the year ended 30 June 2017

¹⁰Please visit our website for an accessible version of the Commission's financial statements set out in this attachment.

INDEPENDENT AUDIT REPORT

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

To the Members of the ACT Legislative Assembly

Audit opinion

I am providing an **unqualified audit opinion** on the financial statements of the Independent Competition and Regulatory Commission for the year ended 30 June 2017. The financial statements comprise the operating statement, balance sheet, statement of changes in equity, cash flow statement, statement of appropriation and accompanying notes.

In my opinion, the financial statements:

- (i) are presented in accordance with the *Financial Management Act 1996*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the Independent Competition and Regulatory Commission and results of its operations and cash flows.

Basis for the audit opinion

The audit was conducted in accordance with the Australian Auditing Standards. I have complied with the requirements of the Accounting Professional and Ethical Standards 110 *Code of Ethics for Professional Accountants*.

I believe that sufficient evidence was obtained during the audit to provide a basis for the audit opinion.

Responsibility for preparing and fairly presenting 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 financial statements so that they are free from material misstatements, whether due to error or fraud; and

- assessing the ability of the Independent Competition and Regulatory 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.

Responsibility for the audit of the financial statements

Under the *Financial Management Act 1996*, I am responsible for issuing an audit report that includes an independent audit opinion on the financial statements of the Independent Competition and Regulatory Commission.

As required by Australian Auditing Standards, the auditors:

- applied professional judgement and maintained scepticism;
- identified and assessed the risks of material misstatements due to error or fraud and implemented procedures to address these risks so that sufficient evidence was obtained to form an audit opinion. The risk of not detecting material misstatements due to fraud is higher than the risk due to error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal controls;
- obtained an understanding of internal controls to design audit procedures for forming an audit opinion;
- evaluated accounting policies and estimates used to prepare the financial statements and disclosures made in the financial statements;
- evaluated the overall presentation and content of the financial statements, including whether they present the underlying transactions and events in a manner that achieves fair presentation;
- reported the scope and timing of the audit and any significant deficiencies in internal controls identified during the audit to the Chief Executive Officer; and
- assessed the going concern* basis of accounting used in the preparation of the financial statements.

(*Where the auditor concludes that a material uncertainty exists which cast significant doubt on the appropriateness of using the going concern basis of accounting, the auditor is required to draw attention in the audit report to the relevant disclosures in the financial statements or, if such disclosures are inadequate, the audit opinion is to be modified. The auditor's conclusions on the going concern basis of accounting are based on the audit evidence obtained up to the date of this audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.)

Limitations on the scope of the audit

An audit provides a high level of assurance about whether the financial statements are free from material misstatements, whether due to fraud or error. However, an audit cannot provide a guarantee that no material misstatements exist due to the use of selective testing,

limitations of internal control, persuasive rather than conclusive nature of audit evidence and use of professional judgement in gathering and evaluating evidence.

An audit does not provide assurance on the:

- reasonableness of budget information included in the financial statements;
- prudence of decisions made by the Independent Competition and Regulatory Commission;
- adequacy of controls implemented by the Independent Competition and Regulatory Commission; or
- integrity of audited financial statements presented electronically or information hyperlinked to or from the financial statements. Assurance can only be provided for the printed copy of the audited financial statements.



Ajay Sharma
Acting Director, Financial Audits
14 August 2017

**Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2017**

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 2017 and the financial position of the Commission on that date.

Michael Rawstron
Chief Executive Officer
Independent Competition and Regulatory Commission
9 August 2017

**Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2017**

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 accounts and records and fairly reflect the financial operations of the Commission for the year ended 30 June 2017 and the financial position of the Commission on that date.

Scott Hickey

Chief Finance Officer

Independent Competition and Regulatory Commission

9 August 2017

Independent Competition and Regulatory Commission
Operating Statement
For the Year Ended 30 June 2017

	Note No.	Actual 2017 \$'000	Original Budget 2017 \$'000	Actual 2016 \$'000
Income				
Controlled Recurrent Payments	4	-	312	260
Fees	5	519	639	713
User Charges	6	1,047	796	387
Interest	7	28	30	27
Resources Received Free of Charge	8	4	-	4
Total Income		1,598	1,777	1,391
Expenses				
Employee Expenses	9	824	943	790
Superannuation Expenses	10	87	102	81
Supplies and Services	11	666	632	528
Depreciation	12	121	51	52
Borrowing Costs	13	2	-	5
Total Expenses		1,699	1,728	1,455
Operating (Deficit)/Surplus		(101)	49	(64)
Total Comprehensive (Deficit)/Income		(101)	49	(64)

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

Independent Competition and Regulatory Commission
Balance Sheet
At 30 June 2017

	Note No.	Actual 2017 \$'000	Original Budget 2017 \$'000	Actual 2016 \$'000
Current Assets				
Cash and Cash Equivalents	15	902	1,656	1,365
Receivables	16	658	89	155
Total Current Assets		1,560	1,745	1,520
Non-Current Assets				
Plant and Equipment	17	175	246	296
Total Non-Current Assets		175	246	296
Total Assets		1,735	1,991	1,816
Current Liabilities				
Payables	18	181	74	46
Employee Benefits	19	64	203	183
Total Current Liabilities		245	277	229
Non-Current Liabilities				
Employee Benefits	19	35	32	32
Other Provisions	20	67	68	65
Total Non-Current Liabilities		102	100	97
Total Liabilities		347	377	326
Net Assets		1,388	1,614	1,490
Equity				
Accumulated Funds		1,388	1,614	1,490
Total Equity		1,388	1,614	1,490

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 2017

	Accumulated Funds Actual 2017 \$'000	Total Equity Actual 2017 \$'000	Original Budget 2017 \$'000
Balance at 1 July 2016	1,490	1,490	1,565
<i>Comprehensive Income</i>			
Operating (Deficit)/Surplus	(101)	(101)	49
Total Comprehensive (Deficit)/Income	(101)	(101)	49
Balance at 30 June 2017	1,389	1,389	1,614

	Accumulated Funds Actual 2016 \$'000	Total Equity Actual 2016 \$'000
Balance at 1 July 2015	1,554	1,554
<i>Comprehensive Income</i>		
Operating (Deficit)	(64)	(64)
Total Comprehensive (Deficit)	(64)	(64)
Balance at 30 June 2016	1,490	1,490

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

Independent Competition and Regulatory Commission
Cash Flow Statement
For the Year Ended 30 June 2017

	Note No.	Actual 2017 \$'000	Original Budget 2017 \$'000	Actual 2016 \$'000
Cash Flows from Operating Activities				
Receipts				
Controlled Recurrent Payments		-	312	260
Fees		794	639	612
User Charges		397	796	509
Interest Received		28	30	27
Goods and Services Tax Collected from Customers		44	-	51
Goods and Services Tax Input Credits from the Australian Taxation Office		17	-	69
Other		-	45	-
Total Receipts from Operating Activities		1,280	1,822	1,528
Payments				
Employee		934	943	790
Superannuation		92	104	83
Supplies and Services		655	666	559
Goods and Services Tax Remitted to the Australian Taxation Office		2	-	46
Goods and Services Tax Paid to Suppliers		61	-	74
Total Payments from Operating Activities		1,743	1,713	1,552
Net Cash (Outflows)/Inflows from Operating Activities	22(b)	(463)	109	(23)
Net (Decrease)/Increase in Cash and Cash Equivalents		(463)	109	(23)
Cash and Cash Equivalents at the Beginning of the Reporting Period		1,365	1,547	1,388
Cash and Cash Equivalents at the End of the Reporting Period	22(a)	902	1,656	1,365

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

**Independent Competition and Regulatory Commission
Statement of Appropriation
For the Year Ended 30 June 2017**

	Original Budget 2017 \$'000	Total Appropriated 2017 \$'000	Appropriation Drawn 2017 \$'000	Appropriation Drawn 2016 \$'000
Controlled Recurrent Payments	312	312	-	260
Total Appropriation	312	312	-	260

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

Column Heading Explanations

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

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

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

Variance between 'Total Appropriated' and 'Appropriation Drawn'

The difference between 'Total Appropriated' and 'Appropriation Drawn' is mainly due to the Commission using its accumulated cash reserves to fund the cost of energy regulatory activities instead of drawing on its CRP appropriation. The cost of energy regulatory activities in 2016-17 that the appropriation was provided for was \$243,000.

Independent Competition and Regulatory Commission
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017
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Independent Competition and Regulatory Commission

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2017

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:

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

The Commission also has a statutory role under the Electricity Feed-In (Renewable Energy Premium) Act 2008 in providing advice to the Minister relevant to the determination of the premium rate payable by National Energy Retail Law (NERL) retailers supplying electricity to renewable energy generators, and in monitoring compliance with the Electricity Feed-In Scheme through the Electricity Feed-In Code 2012 for NERL retailers.

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

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

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

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

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 2017**

Note 3 Change In Accounting Estimates

The Commission had the following change in accounting estimates during the reporting period.

Revision of Useful Lives

The Commission reviewed the useful life of its plant and equipment at the end of the reporting period. This review resulted in the useful life of the Commission's office fitout being reduced from 10 years to 8 years. The decision to reduce the useful life of the Commission's office fitout was influenced by the ACT Government's announcement that it is intending to establish new government office blocks in Civic and Dickson. Both buildings are expected to be ready for occupation by the ACT Public Service in 2020. This change in estimated useful life increased depreciation and amortisation expenses in 2016-17 by \$69,000. For further details see Note 12 Depreciation.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2017

Note 4 Controlled Recurrent Payments

	2017	2016
	\$'000	\$'000
Revenue from the ACT Government		
Controlled Recurrent Payments ^(a)	-	260
Total Controlled Recurrent Payments	-	260

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* in relation to prescribed electricity and gas distribution and National Energy Retail Law (NERL) retailers supplying energy who are subject to the energy industry levy.

a) The estimated cost of regulatory activities that could have been funded by CRP in 2016-17 was \$243,000. The Commission used its cash reserves to fund these activities instead of drawing on its 2016-17 CRP appropriation.

Note 5 Fees

	2017	2016
	\$'000	\$'000
Revenue from Regulatory Activities		
Utility Licence Fees ^(a)	519	713
Total Fees	519	713

Utility Licence Fees are collected by the Commission under the *Utilities Act 2000* to cover the Commission's, the Technical Regulator's and the ACT Civil and Administrative Tribunal's (ACAT) reasonable costs for utility regulatory activities in relation to water, sewerage, and gas transmission utilities. In accordance with the accounting policy described in Appendix B - Note 5, the above fees only include the fee income relating to the Commission's own activities.

Further details on the total utility licence fees collected and disbursed by the Commission under the *Utilities Act 2000* are

a) The decrease in Utilities Licence Fees of \$194,000 mainly results from the review of Icon's water and sewerage services tariffs, not being conducted on an annual basis so the costs recovered for utilities regulatory activities can fluctuate significantly from year to year depending on the work being performed.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2017

Note 6 User Charges

	2017	2016
	\$'000	\$'000
User Charges – ACT Government		
General Government Sector ^(a)	397	387
Public Trading Enterprises ^(b)	254	-
	<hr/>	<hr/>
Total User Charges – ACT Government	651	387
User Charges – Non-ACT Government		
Service Revenue ^(c)	396	-
	<hr/>	<hr/>
Total User Charges – Non-ACT Government	396	-
	<hr/>	<hr/>
Total User Charges for Services	1,047	387
	<hr/> <hr/>	<hr/> <hr/>

User Charges relates to revenue derived by providing services to ACT Government and Non-ACT Government entities.

a) General Government Sector revenue relates to a purchase agreement with the Chief Minister, Treasury and Economic Development Directorate for certain activities performed under the ICRC Act. This revenue was consistent with the prior year.

b) The revenue in 2016-17 (\$254,000) relates to the Commission's investigation into, and making of a price direction for regulated water and sewerage services provided by Icon Water Limited for the period 1 July 2018 to 30 June 2023.

c) The revenue in 2016-17 (\$396,000) relates to the Commission's price determination for the standing offer prices for the supply of electricity to small customers who consume less than 100MWh of electricity over any period of 12 consecutive months. The price direction is for the period 1 July 2017 to 30 June 2020.

Note 7 Interest

	2017	2016
	\$'000	\$'000
Revenue from Non-ACT Government Entities		
Interest Revenue on Cash at Bank	28	27
	<hr/>	<hr/>
Total Interest Revenue from Non-ACT Government Entities	28	27
	<hr/>	<hr/>
Total Interest Revenue	28	27
	<hr/> <hr/>	<hr/> <hr/>

**Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2017**

Note 8 Resources Received Free of Charge

	2017	2016
	\$'000	\$'000
Revenue from ACT Government Entities		
Legal Services	4	4
Total Resources Received Free of Charge	<u><u>4</u></u>	<u><u>4</u></u>

Note 9 Employee Expenses

	2017	2016
	\$'000	\$'000
Annual Leave Expense ^(a)	(45)	(9)
Fringe Benefits Tax ^(b)	17	8
Long Service Leave Expense ^(c)	(72)	32
Wages and Salaries ^(d)	915	751
Workers' Compensation Insurance Premium	8	8
Total Employee Expenses	<u><u>824</u></u>	<u><u>790</u></u>

a) The negative Annual Leave Expenses relate to staff movements. In 2016-17 two employees resigned from the Commission and another employee retired.

b) The increase (\$9,000) in Fringe Benefits Tax in 2016-17 relates to travel and accommodation costs paid for the Senior Commissioner. The Senior Commissioner resides interstate and travels to the ACT to conduct meetings with staff and stakeholders for the effective accomplishment of official business. The ACT Remuneration Tribunal's determination 12 of 2016 clarifies that these travel costs are costs of the Commission.

c) The negative Long Service Leave Expense in 2016-17 mainly relates to staff movements. In 2016-17 two employees resigned from the Commission and another employee retired.

d) The increase in Wages and Salaries (\$164,000) mainly relates to entitlements (Annual Leave and Long Service Leave) being paid to staff when they ceased their employment with the Commission, and additional staff being employed due to the Commission's increasing work load.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2017

Note 10 Superannuation Expenses

	2017	2016
	\$'000	\$'000
Superannuation Contributions - Defined Contribution Schemes	87	81
Total Superannuation Expenses	87	81

Note 11 Supplies and Services

	2017	2016
	\$'000	\$'000
Audit Fees	26	25
Information and Communication Technology	80	89
Office Rental and Operating Costs ^(a)	141	179
Printing and Stationery	13	12
Professional Services ^(b)	299	150
Recruitment Costs	20	10
Subscriptions, Membership and Conferences	32	31
Other	56	31
Total Supplies and Services	666	528

a) The reduction in Office Rental and Operating Costs mainly relates to the Public Trustee sharing the Commission's office space for approximately six months and contributing \$42,000 to costs for this period.

b) The increase in Professional Services (\$149,000) mainly relates to technical advice relating to the review of water tariffs, the price determination for small electricity consumers and the investigation and price determination for regulated water and sewage services.

Note 12 Depreciation

	2017	2016
	\$'000	\$'000
Depreciation		
Office Furniture and Equipment ^(a)	121	52
Total Depreciation	121	52

a) The increase in Depreciation (\$69,000) relates to a reduction in the remaining useful life of the Commission's Office Furniture and Equipment by 2 years. The decision to reduce the useful life of the Commission's Office Furniture and Equipment was influenced by the ACT Government's announcement that it is intending to establish new government office blocks in Civic and Dickson. Both buildings are expected to be ready for occupation by the ACT Public Service in 2020. For further information refer Note 3 - Change in Accounting Estimates.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2017

Note 13 Borrowing Costs

	2017	2016
	\$'000	\$'000
Borrowing costs		
Finance Cost on Make Good	2	5
Total Borrowing Costs	<u><u>2</u></u>	<u><u>5</u></u>

Note 14 Auditor's Remuneration

	2017	2016
	\$'000	\$'000
Audit Services		
Audit Fees for Audit Services Performed by the ACT Audit Office	26	25
Total Audit Fees	<u><u>26</u></u>	<u><u>25</u></u>

No other services were provided by the ACT Audit Office.

Note 15 Cash and Cash Equivalents

	2017	2016
	\$'000	\$'000
Cash at Bank ^(a)	902	1,365
Total Cash and Cash Equivalents	<u><u>902</u></u>	<u><u>1,365</u></u>

The Commission managed two bank accounts in 2016-17 with Westpac Banking Corporation, being the ACT Government's preferred provider of bank services. 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 24.

a) The reduction of Cash at Bank (\$463,000) is mainly due to the Commission using its accumulated cash reserves to fund the cost of energy regulatory activities instead of drawing on its CRP appropriation, and the cost of activities performed in 2016-17 not being recovered during the year. For further details refer Note 4 - Controlled Recurrent Payments and Note 16 - Receivables.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2017

Note 16 Receivables

	2017	2016
	\$'000	\$'000
Current Receivables		
Accrued Revenue ^(a)	655	155
Net Goods and Services Tax Receivable	3	-
	658	155
Total Receivables	658	155

a) The increase (\$500,000) in accrued revenue mainly relates to outstanding recoveries for costs associated with the price determination for small electricity consumers (\$396,000), and the investigation and price determination for regulated water and sewage services (\$254,000).

No receivables are past due or impaired.

Classification of ACT Government/Non-ACT Government Receivables

Receivables with ACT Government Entities

Accrued Revenue	259	155
	259	155
Total Receivables with ACT Government Entities	259	155

Receivables with Non-ACT Government Entities

Accrued Revenue	396	-
Net Goods and Services Tax Receivable	3	-
	399	-
Total Receivables with Non-ACT Government Entities	399	-
Total Receivables	658	155

Note 17 Plant and Equipment

	2017	2016
	\$'000	\$'000
Plant and Equipment		
Office Furniture and Equipment at Cost ^(a)	509	509
Less: Accumulated Depreciation	(334)	(213)
	175	296
Total Written Down Value of Plant and Equipment	175	296

Reconciliation of Plant and Equipment

Carrying Amount at the Beginning of the Reporting Period	296	348
Depreciation	(121)	(52)
	175	296
Carrying Amount at the End of the Reporting Period	175	296

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

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2017

Note 18 Payables

	2017	2016
	\$'000	\$'000
Current Payables		
Trade Payables	19	13
Utilities Licence Fees	120	-
Accrued Expenses	42	33
Total Payables^(a)	<u>181</u>	<u>46</u>

a) The increase (\$135,000) in payables mainly relates to the over collection of Utilities Licence Fees in 2016-17 for activities performed under the Utilities Act. Where the Commission over estimates the fees to cover the costs of its regulatory activities, the difference is deposited back into the Third Party Monies (see Note 24) bank account or offset against the following years fees payable to the Commission.

Payables are aged as follows:

Not Overdue	181	46
Total Payables	<u>181</u>	<u>46</u>

Classification of ACT Government/Non-ACT Government Payables

Payables with ACT Government Entities

Trade Payables	5	-
Accrued Expenses	26	26
Total Payables with ACT Government Entities	<u>31</u>	<u>26</u>

Payables with Non-ACT Government Entities

Trade Payables	14	13
Utilities Licence Fees	120	-
Accrued Expenses	16	7
Total Payables with Non ACT Government Entities	<u>150</u>	<u>20</u>
Total Payables	<u>181</u>	<u>46</u>

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2017

Note 19 Employee Benefits

	2017	2016
	\$'000	\$'000
Current Employee Benefits		
Annual Leave ^(a)	38	83
Long Service Leave ^(b)	-	75
Accrued Salaries and Superannuation	26	25
	<u>64</u>	<u>183</u>
Non-Current Employee Benefits		
Long Service Leave	35	32
	<u>35</u>	<u>32</u>
Total Employee Benefits	<u><u>98</u></u>	<u><u>215</u></u>
Estimate of when Leave is Payable		
Estimated Amount Payable within 12 Months		
Annual Leave	38	78
Long Service Leave	-	24
Accrued Salaries and Superannuation	26	25
	<u>64</u>	<u>127</u>
Estimated Amount Payable after 12 Months		
Annual Leave	-	5
Long Service Leave	35	82
	<u>35</u>	<u>88</u>
Total Employee Benefits	<u><u>98</u></u>	<u><u>215</u></u>

a) The reduction (\$45,000) in Annual Leave mainly relate to staff departures. In 2016-17 two employees resigned from the Commission and another employee retired.

b) The reduction (\$75,000) in Long Service Leave mainly relates to staff departures (as detailed above). The Commission currently has no staff entitled to take Long Service Leave within the next 12 months.

Note 20 Other Provisions

Provision for Make Good

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

	2017	2016
	\$'000	\$'000
Reconciliation of the Provision for Make Good		
Provision for Make Good at the Beginning of the Reporting Period	65	60
Increase in Provision due to Unwinding of Discount	2	5
Provision for Make Good as at the End of the Reporting Period	<u><u>67</u></u>	<u><u>65</u></u>

Independent Competition and Regulatory Commission

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2017

Note 21 Financial Instruments

Interest Rate Risk

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

Most of the Commission's financial assets are held in floating interest rate arrangements. The Commission has no financial liabilities that are subject to a floating interest rate. This means that the Commission's only exposure is to movements in interest receivable. The weighted average interest rate decreased from 2.81 percent for the year ended 30 June 2016 to 2.46 percent for the year ended 30 June 2017.

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

Sensitivity Analysis

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

Credit Risk

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

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. 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.

Price Risk

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

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

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2017

Note 21 Financial Instruments - Continued

Fair Value of Financial Assets and Liabilities

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

	Note No.	Carrying Amount 2017 \$'000	Fair Value 2017 \$'000	Carrying Amount 2016 \$'000	Fair Value 2016 \$'000
Financial Assets					
Cash and Cash Equivalents	15	902	902	1,365	1,365
Receivables	16	658	658	155	155
Total Financial Assets		1,560	1,560	1,520	1,520
Financial Liabilities					
Payables	18	181	181	46	46
Total Financial Liabilities		181	181	46	46

		2017 \$'000	2016 \$'000
Carrying Amount of Each Category of Financial Asset and Financial Liability			
Financial Assets			
	Note No.		
Loans and Receivables Measured at Amortised Cost	16	658	155
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost	18	181	46

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

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2017

Note 22 Cash Flow Reconciliation

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

	2017	2016
	\$'000	\$'000
Total Cash and Cash Equivalents Recorded in the Balance Sheet	902	1,365
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	<u>902</u>	<u>1,365</u>
 (b) Reconciliation of Operating (Deficit) to Net Cash Inflows from Operating Activities.		
Operating (Deficit)	(101)	(64)
 Add Non-Cash Items		
Depreciation of Plant and Equipment	121	52
Borrowing Costs	2	5
Cash Before Changes in Operating Assets and Liabilities	<u>22</u>	<u>(7)</u>
 Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	(503)	23
Increase/(Decrease) in Payables	135	(39)
(Decrease)/Increase in Employee Benefits	(116)	1
Net Changes in Operating Assets and Liabilities	<u>(484)</u>	<u>(15)</u>
Net Cash (Outflows) from Operating Activities	<u>(463)</u>	<u>(23)</u>

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2017

Note 23 Commitments

	2017	2016
	\$'000	\$'000
Operating Lease Commitments - Plant and Equipment		
Non-cancellable operating lease commitments are payable as follows:		
Within one year	3	6
Later than one year but not later than five years	4	13
Later than five years	1	-
Total Operating Lease Commitments - Plant and Equipment	9	19

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

Other Commitments

Other Commitments contracted at reporting date that have not been recognised as liabilities, are payable as follows:

Within one year	66	86
Later than one year but not later than five years	-	66
Total Other Commitments	66	152

All of the Commission's Other Commitments relate to outsourced accounting services. The Commission outsources accounting services due the Commission not having the internal expertise or staff to perform these functions, and the nature, scale and size of the Commission not making it economically feasible to employ staff directly to provide these services.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2017

Note 24 Third Party Monies

The Commission holds the following third party monies:

	2017	2016
	\$'000	\$'000
Utility Licence Fees		
Balance at the Beginning of the Reporting Period	580	760
Cash Receipts		
- East Australian Pipeline Limited	-	64
- Icon Water Limited	1,249	1,341
- TransGrid (NSW Electricity Networks Operations Pty Ltd)	322	105
- Interest Received	7	24
Cash Payments		
- Independent Competition and Regulatory Commission	(794)	(612)
- ACT Civil and Administrative Tribunal (ACAT).	(237)	(153)
- Environment and Planning Directorate (technical regulation)	-	(602)
- Access Canberra (technical regulation)	(1,030)	(348)
- East Australian Pipeline Limited	(46)	
Balance at the End of the Reporting Period	53	580

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; and
- (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 2017

Note 25 Budgetary Reporting

The following are brief explanations of major line item variances between budget estimates and actual outcomes. Variances are considered to be major variances if **both** of the following criteria are met:

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

Operating Statement Line Items	Actual 2017 \$'000	Original Budget 2017 \$'000	Variance \$'000	Variance %
Controlled Recurrent Payments ^(a)	-	312	(312)	-100%
Fees ^(b)	519	639	(120)	-19%
User Charges ^(c)	1,047	796	251	32%
Employee Expenses ^(d)	824	943	(119)	-13%

Variance Explanations

- a) The budget variance relates to the Commission funding energy regulatory activities from its accumulated cash reserves, instead of drawing down funds from its CRP appropriation.
- b) The budget variance is reflective of Commission activities not being annually recurrent. As these activities are not annually recurrent, it is difficult to predict the value of costs to be recovered and the timing of those recoveries.
- c) The budget variance mainly relates to the Commission making greater progress in 2016-17 on the investigation and price direction for regulated water and sewage services provided by Icon Water Limited for the period 1 July 2018 to 30 June 2023, than was originally anticipated.
- d) The budget variance relates to staff leaving the Commission and difficulties in finding applicants with relevant experience to fill vacant budgeted positions.

Balance Sheet Line Items	Actual \$'000	Original Budget \$'000	Variance \$'000	Variance %
Cash and Cash Equivalents ^(e)	902	1,656	(754)	-46%
Receivables ^(f)	658	89	569	639%
Plant and Equipment ^(g)	175	246	(71)	-29%
Payables ^(h)	181	74	107	145%
Employee Benefits - Current ⁽ⁱ⁾	64	203	(139)	-68%

Variance Explanations

- e) The budget variance mainly relates to the Commission using its accumulated cash reserves to fund the cost of energy regulatory activities instead of drawing on its CRP appropriation, and the cost of activities performed in 2016-17 not being recovered during the year.

Independent Competition and Regulatory Commission

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2017

Note 25 Budgetary Reporting - Continued

f) The budget variance relates to unanticipated delays in invoicing for costs associated with the investigation into and price direction for regulated water and sewage services, and the price direction for the supply of electricity to small customers.

g) The budget variance mainly relates to the Commission revising the estimated useful life of its office furniture and equipment down by 2 years, as it is anticipated the Commission will be relocated to a different office location in 2020. This revision was not anticipated in the budget.

h) The budget variance mainly relates to the over collection of Utilities Licence Fees in 2016-17 for activities performed under the Utilities Act. Where the Commission over estimates the fees to cover the costs of its regulatory activities, the difference is deposited back into the Third Party Monies (see Note 24) bank account or offset against the following years fees payable to the Commission.

i) Employee Benefits - Current: The budget variance of \$139,000 mainly relates to employees who ceased their employment with the Commission. The staff movements were not anticipated when the budget was prepared.

Statement of Changes in Equity	Actual \$'000	Original Budget \$'000	Variance \$'000	Variance %
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These line items are covered in other financial statements variance explanations

Cash Flow Statement Line Items	Actual \$'000	Original Budget \$'000	Variance \$'000	Variance %
Controlled Recurrent Payments ^(j)	-	312	(312)	-100%
Fees ^(k)	794	639	155	24%
User Charges ^(l)	397	796	(399)	-50%

Variance Explanations

j) The budget variance relates to the unanticipated funding of energy regulatory activities from the Commission's accumulated cash reserves, instead of drawing down funds from its CRP appropriation.

k) The budget variance relates to the recovery of utilities licence fees relating to 2015-16 regulatory activities that were not anticipated during the 2016-17 budget process.

l) The budget variance is reflective of Commission activities not being annually recurrent. As these activities are not annually recurrent, it is difficult to predict the value of costs to be recovered and the timing of those recoveries.

Independent Competition and Regulatory Commission

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2017

Note 26 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.

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) KEY MANAGEMENT PERSONNEL

A.1 Compensation of Key Management Personnel

Compensation by the Commission to KMP is set out below.

	2017
	\$'000
Short-term employee benefits	326
Post employment benefits	29
Other long-term benefits	-
Termination benefits	-
Total Compensation by the Commission to KMP	355

A.2 Transactions with Key Management Personnel

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

Independent Competition and Regulatory Commission
APPENDIX A - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS
FORMING PART OF NOTE 2 OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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

These general-purpose financial statements have been prepared to comply with Australian Accounting Standards as required by the FMA. The financial statements have been prepared in accordance with:

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

ACCRUAL ACCOUNTING

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

CURRENCY

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

INDIVIDUAL REPORTING ENTITY

The Commission is an individual reporting entity.

REPORTING PERIOD

These financial statements state the financial performance, changes in equity and cash flows for the year ended 30 June 2017 together with the financial position of the Commission at 30 June 2017.

COMPARATIVE FIGURES

Budget Figures

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2016-17 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.

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 2017

Comparative Figures - Continued

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 2016-17 financial statements have been prepared on a going concern basis as the Commission has been funded in the 2017-18 Budget and Budget Papers include forward estimates for the Commission.

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 2017

SIGNIFICANT ACCOUNTING POLICIES – INCOME

Note 4 – Controlled Recurrent Payments

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

Effective from 1 July 2016 the term appropriation for the provision of outputs (or Government Payment for Outputs) was replaced with the term Controlled Recurrent Payments to better reflect the nature of this type of appropriation.

Note 5 – Fees

Utilities Licence Fees

Utility licence fees are collected from utilities providing water and wastewater services, electricity and gas transmission services to recover the reasonable costs incurred by the Commission, the Technical Regulator and the ACT Civil and Administrative Tribunal (ACAT) in discharging their respective regulatory responsibilities. These fees are collected under the *Utilities Act 2000*. The fees are based on the estimated cost of regulatory activities for the financial year, which are adjusted based on revised end of year estimates and any over or under collection of fees identified in the current financial year. It is the Commission's practice to make adjustments to the fees in the following year if the actual costs incurred at the end of the financial year vary from the original estimate. The Commission only records fee income relating to its own activities in its operating statement. Fees received by the Commission and ultimately transferred to the Technical Regulator and ACAT are not recorded as income (or expenses) by the Commission, as the Commission does not control the future economic benefits embodied in the fees. Information on utility licence fees collected and paid to the Technical Regulator and ACAT is included in Note 24 Third Party Monies.

Note 6 – User Charges

Rendering of Services

Revenue from rendering of services is recognised when at the stage of completion the transaction reporting date and costs of rendering services can be measured reliably.

Note 7 – Interest

Interest revenue is recognised using the effective interest method.

Note 8 – Resources Received Free Of Charge

Resources received free of charge are recorded as a revenue and as an expense in the Operating Statement at fair value. The revenue is separately disclosed under resources received free of charge, with the expense being recorded in the line item to which it relates. Goods and services received free of charge from ACT Government agencies are recorded as resources received free of charge, whereas goods and services received free of charge from entities external to the ACT Government are recorded as donations.

Service that are received free of charge are only recorded in the Operating Statement if they can be reliably measured and would have been purchased if not provided to the Commission free of charge.

Significant Accounting Judgements and Estimates - User Charges and Fees.

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

Independent Competition and Regulatory Commission
APPENDIX B – SIGNIFICANT ACCOUNTING POLICIES
FORMING PART OF NOTE 2 OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

SIGNIFICANT ACCOUNTING POLICIES – EXPENSES

Note 9 – Employee Expenses

Employee benefits include:

- short-term employee benefits such as wages and salaries, annual leave loading, and applicable on-costs, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the services;
- other long-term benefits such as long service leave and annual leave; 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 19 Employee Benefits for accrued wages and salaries, and annual and long service leave).

Note 10 – Superannuation Expenses

The Commission receives funding for superannuation payments as part of the Controlled Recurrent Payments. The Commission makes fortnightly payments to the Territory Banking Account to extinguish its superannuation liability for employees who are members of the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). This payment does not include the CSS and PSS productivity component which is paid directly to the Commonwealth Superannuation Corporation (CSC) by the Commission. The CSS and PSS are defined benefit superannuation plans meaning that the defined benefits received by employees are based on the employee's years of service and average final salary.

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

The Commission's accruing superannuation liability obligations are expensed as they are incurred.

Superannuation Liability Recognition

The superannuation liability for the Territory's relevant share of the employer financial portion of entitlements of all employees participating in the CSS and PSS schemes who become Territory employees with effect on or after 1 July 1989 is recognised at a total Territory level in the Chief Minister, Treasury and Economic Development Commission's Superannuation Provision Account.

The ACT Government reimburses the CSC annually for the Territory's share of the employer superannuation benefits paid to entitled Territory employees who are, or were members of the CSS and PSS. These reimbursement payments are made from the Superannuation Provision Account.

Note 11 – Supplies And Services

Insurance

The Commission ensures major risks are insured through the ACT Insurance Authority. The excess payable, under this arrangement, varies depending on each class of insurance held.

Repairs and Maintenance

Maintenance expenses, which do not increase the service potential of an asset, are expensed.

Operating Leases

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

**Independent Competition and Regulatory Commission
APPENDIX B – SIGNIFICANT ACCOUNTING POLICIES
FORMING PART OF NOTE 2 OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

Note 12 – Depreciation

Depreciation is applied to physical assets such as plant and equipment.

All depreciation is calculated after first deducting any residual value which remains for each asset.

Depreciation for noncurrent assets is determined as follows:

	Depreciation/Amortisation Method	Useful Life Years
Plant and Equipment	Straight Line	8

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

Note 13 - Borrowing Costs

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

SIGNIFICANT ACCOUNTING POLICIES – ASSETS

ASSETS – CURRENT AND NON-CURRENT

Assets are classified as current or non-current in the Balance Sheet and in the relevant notes. 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.

Note 15 – Cash and Cash Equivalents

Cash includes cash at bank and cash on hand.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 16 – Receivables

Accounts Receivables

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

Impairment Losses – Receivables

The allowance for impairment losses represents the amount of trade receivables and other receivables the Commission estimates will not be paid. The allowance for impairment losses is based on objective evidence and a review of overdue balances. The factors that the Commission considers as objective evidence of impairment include:

- (a) becoming aware of financial difficulties of debtors;
- (b) becoming probable that the debtor will not make payment;
- (c) default payments; or
- (d) debts more than 90 days overdue.

The amount of the allowance is recognised in the Operating Statement. The allowance for impairment losses is written-back against the receivables account when the Commission ceases action to collect the debt as it considers that it will cost more to recover the debt than the debt is worth.

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 2017

Note 16 – Receivables Continued

The total receivables comprise of fees and user charges receivables. An assessment has been undertaken at the end of financial year to determine collectability by debt recovery measures and/or payment by instalments, or where appropriate, recognition of impairment loss in the financial statements.

Note 17 – Plant And Equipment

Acquisition and Recognition of Plant and Equipment

Plant and equipment is initially recorded at cost.

Where property, plant and equipment is acquired at no cost, or minimal cost, cost is its fair value as at the date of acquisition. Property, plant and equipment with a minimum value of \$5,000 (ex GST) is capitalised.

Measurement of Property, Plant and Equipment After Initial Recognition

The Commission measures plant and equipment at cost. For disclosures concerning assets useful life see Appendix B-Note 12 Depreciation.

Impairment of Assets

The Commission assesses, at each reporting date, whether there is any indication that an asset may be impaired. Assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

Note 18 – 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 and Accrued Expenses.

Note 19 – Employee Benefits

Employee Benefits are listed in Appendix B - Note 9 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.

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 2017

Note 19 – Employee Benefits Continued

Annual leave liabilities have been estimated on the assumption that they will be wholly settled within three years. In 2016-17 the rate used to estimate the present value of future annual leave payments is 99.8% (101.4% in 2015-16).

In 2016-17, the rate used to estimate the present value of future payment for long service leave 103.4% (114.7% in 2015-16).

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 seven 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, a 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 Commission has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service

Significant Judgements and Estimates – Employee Benefits

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

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 May 2014. The assessment by an actuary is performed every 5 years. However, it may be performed more frequently if there is a significant contextual change in the parameters underlying the 2014 report. The next actuarial review is expected to be undertaken by May 2019.

SIGNIFICANT ACCOUNTING POLICIES – OTHER NOTES

Note 25 – Budgetary Reporting

Significant Accounting Judgements and Estimates – Note 25: BUDGET REPORTING

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; and
- 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
APPENDIX C – IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO
BE APPLIED
FORMING PART OF NOTE 2 OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The Independent Competition and Regulatory Commission does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting Standards will be adopted from their application date.

- **AASB 15 Revenue from Contracts with Customers** (application date 1 Jan 2018 for for-profit entities, 1 Jan 2019 for not-for-profit entities);

AASB 15 is the new standard for revenue recognition. It establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 111 *Construction Contracts* and AASB 118 *Revenue*. The Independent Competition and Regulatory Commission is currently assessing the impact of this standard and has identified there could be a potential impact on the timing of the recognition of revenue for user charges. At this stage the Independent Competition and Regulatory Commission is not able to estimate the impact of this new standard on its financial statements. The Independent Competition and Regulatory Commission will make a more detailed assessment of the impact over the next 12 months.

- **AASB 16 Leases** (application date 1 Jan 2019)

AASB 16 is the new standard for leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset value is low. At this stage the Independent Competition and Regulatory Commission is not able to estimate the impact of this new standard on its financial statements. The Independent Competition and Regulatory Commission will make a more detailed assessment of the impact over the next 12 months.

- **AASB 1058 Income of Not-for-Profit Entities** (application date 1 Jan 2019)

This standard clarifies and simplifies the income recognition requirements that apply to not-for-profit entities in conjunction with AASB 15 *Revenue from Contracts with Customers*. These standards supersede all the income recognition requirements relating to private sector not-for-profit entities, and the majority of income recognition requirements relating to public sector not-for-profit entities, previously in AASB 1004 *Contributions*. At this stage the Independent Competition and Regulatory Commission is not able to estimate the impact of this new standard on its financial statements. The Independent Competition and Regulatory Commission will make a more detailed assessment of the impact over the next 12 months.

- **AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities [AASB 9 & 15]** (application date 1 Jan 2019)

This standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those standards to particular transactions and other events. The amendments to AASB 9 address the initial measurement and recognition of non-contractual receivables arising from statutory requirements (including taxes, rates and fines). The amendments to AASB 15 address the following aspects of accounting for contracts with customers: identifying a contract with a customer; identifying performance obligations; and allocating the transaction price to performance obligations. The Independent Competition and Regulatory Commission will assess the impact of this implementation guidance on its financial statements over the next 12 months.

It has been assessed that other new and revised accounting standards and interpretations issued by the Australian Accounting Standards Board that apply to future reporting periods will not have a material financial impact on the Commission's future financial statements.

Appendix 2 Section 9 reporting requirements

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

- (a) investigations;
- (b) final reports and special reports;
- (c) price directions;
- (d) advice about proposed access agreements;
- (e) the number of access agreements notified;
- (f) arbitration disputes;
- (g) determinations of arbitration disputes;
- (h) number of notices issued under section 41;
- (i) general use by the Commission of information and documents obtained as a result of notices issued under section 41; and
- (j) any other functions exercised by the commission.

Investigations

The Commission undertakes investigations under Part 3 of the ICRC Act.

Retail electricity

On 22 June 2016, the Commission received terms of reference from the Treasurer to undertake an investigation and determine a price direction for *standing offer prices for the supply of electricity to small customers 1 July 2017 to 30 June 2020*.

The terms of reference are available at <http://www.legislation.act.gov.au/di/2016-138/default.asp>.

The Commission completed the investigation and determined a price direction for *standing offer prices for the supply of electricity to small customers 1 July 2017 to 30 June 2020* in June 2017.

Water and sewerage services

On 14 December 2016, the Commission received terms of reference from the Treasurer to undertake an investigation and determine a price direction for *water and sewerage services provided by Icon Water* for the period 1 July 2018 to 30 June 2013.

The terms of reference are available at <http://www.legislation.act.gov.au/di/2016-297/default.asp>.

The investigation and determination of the final price direction will be completed in May 2018.

Final reports and special reports

The Commission issued one final report during 2016–17:¹¹

Report 6 of 2017: Final Report – standing offer prices for the supply of electricity to small customers from 1 July 2017 (June 2017)

Price directions

The Commission determined one price direction during 2016–17:

Report 7 of 2017: Price Direction – standing offer prices for the supply of electricity to small customers 1 July 2017 to 30 June 2020 (June 2017)

Access agreements

The Commission’s responsibilities for access agreements, in relation to infrastructure facilities, are set out in Part 5 of the ICRC Act. During 2016–17, The Commission did not provide advice on any proposed access agreements and no access agreements were notified.

Arbitration of disputes

Part 6 of the ICRC Act provides for the referral of disputes to the Commission in relation to an access regime for arbitration. During 2016–17, no disputes were referred to the Commission.

Notices issued under section 41

Section 41 of the ICRC Act provides that the Commission can, by written notice, require a person to give it information or a document that may assist it in exercising its functions. During 2016–17, the Commission did not issue any notices under section 41.

Other functions exercised by the Commission

Section 8(1)(g) of the ICRC Act sets out other functions of the Commission. The Commission exercised the following functions under Utilities Act in 2016–17:¹²

- determination of energy industry levy (NI2016-548, NI2016-549 and NI2016-550);
- determination of licence fees (NI2016-551);
- approval of standard customer contract (NI2017-301); and
- utility licence annual reporting under section 25(2)(d) of the Utilities Act;¹³

¹¹ Note: ‘Final report’ under section 9 refers to formal final reports issued under section 21 of the ICRC Act.

¹² Note: Notifiable (NI) and disallowable (DI) instruments are available at the ACT Legislation website at <http://www.legislation.act.gov.au/>.

¹³ See Appendix 4 Utility licence annual report 2015-16 summary

Appendix 3 *Annual Reports (Government Agencies)* **Notice 2017 (NI2017-280) compliance statement**

The Commission must comply with the 2017 Annual Report Directions (the Directions). The Directions are found at the ACT Legislation Register: www.legislation.act.gov.au.

This Compliance Statement indicates the subsections, under the five Parts 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 records keeping of annual reports. The Commission complies with all subsections of Part 1 under the Directions.

In compliance with Section 13 Feedback, Part 1 of the Directions, contact details for the Commission are provided within the 2016–17 Annual Report to provide readers with the opportunity to provide feedback.

Part 2 Directorate and public sector body annual report requirements

The requirements within Part 2 of the Directions are mandatory for all directorates and public sector bodies and the Commission complies with all subsections. The information that satisfies the requirements of Part 2 is found in the 2016–17 Annual Report as follows:

- A. Transmittal Certificate, see page 1
- B. Organisational Overview and Performance, inclusive of all subsections, see page 2
- C. Financial Management Reporting, inclusive of all subsections, see page 12

Part 3 Reporting by exception

The Commission has no information to report by exception under Part 3 of the Directions for the 2016–17 reporting period.

Part 4 Directorate and public sector body specific annual report requirements

The following subsections of Part 4 of the 2017 Directions are applicable to the Commission and can be found within the 2016–17 Annual Report:

Appendix 2: Section 9 reporting requirements.

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 (that was requested from the

relevant coordinating directorates) is reported in the one place for all ACT Public Service directorates, as follows:

N. Community Engagement and Support, see the annual report of Chief Minister, Treasury and Economic Development Directorate;

O. Justice and Community Safety, including all subsections O.1 – O.4, see the annual report of the Justice and Community Safety Directorate; and

Q. Territory Records, see the annual report of Chief Minister, Treasury and Economic, Development Directorate.

ACT Public Service Directorate annual reports are found at the following web address:
http://www.cmd.act.gov.au/open_government/report/annual_reports

As required by Australian Auditing Standards, the ACT Audit Office checks financial statements included in annual reports (and information accompanying financial statements) for consistency with previously audited financial statements. This includes checking the consistency of statements of performance with those statements previously reviewed (where a statement of performance is required by legislation).

Appendix 4 Utility licence annual report 2015–16 summary¹⁴

1 Introduction

Under section 25(2)(d) of the Utilities Act, licensed utilities in the ACT report annually to the Commission in relation to the exercise of their functions under the Act, and their compliance with the conditions of their licence. The annual report provided by a licensed utility to the Commission is referred to as the 'Utility Licence Annual Report' (ULAR). The Commission prepares an internal monitoring report that reviews (or monitors) the ULARs received from licensed utilities. For inclusion in the Commission's annual report, this attachment summarises the report that monitors ULARs submitted to the Commission by licensed utilities.

Licensed utilities operating during 2015–16 year in the Territory include:

- Water and sewerage services (Icon Water);
- Electricity distribution, connection and transmission services (ActewAGL Electricity);
- Gas distribution and connection services (ActewAGL Gas);
- Electricity transmission (TransGrid); and
- Gas transmission (EAPL).

1.1 The reporting framework

The Utilities Act provides a framework under which the Commission regulates certain aspects of the provision of utility services in the ACT. To provide a utility service in the Territory, a utility must be licensed. The Commission is responsible for the licensing process and monitoring the compliance of licensees with their legislative and licence obligations. The obligations for licensees originate from a number of sources including:

- the Utilities Act;
- the Utilities (Technical Regulation) Act 2014 (UTR Act);
- conditions imposed by the utility licence;
- industry codes determined by the Commission under Part 4 of the Utilities Act; and
- technical codes determined by the technical regulator under Part 3 of the UTR Act.

1.2 Outline of the summary

Section 2 of this summary outlines the regulatory framework licensed utilities must comply with and how the Commission monitors compliance. It also provides a broad overview of

¹⁴ While the annual report relates to the Commission's functions for 2016-17, the ULAR is reported by utilities for 2015-16 in October 2016 of the annual report year period. Any references to figures in this summary are 2015-16 figures unless otherwise specified.

utility compliance with the industry codes, Part 7 of the Utilities Act and advice sought from other ACT government directorates. Sections 3–7 set out in detail the compliance of the licensed utilities with the Consumer Protection Code and environmental considerations.

2 Compliance overview

The licences of all utilities under the Utilities Act contain the obligation to notify the Commission of any material breaches, and to provide a brief statement to the Commission that explains the circumstances of, and reasons for the non-compliance, consequences of the non-compliance and measures that the licensee will put in place to rectify non-compliance. In addition, the Commission requested information on utilities' compliance and performance from other regulators and ACT directorates.

Based on the information provided, there were no material breaches of the licence, nor any major non-compliance issues with the Utilities Act and industry codes in 2015–16.

However, there were instances when one or more utility has not completely fulfilled the specific licencing requirements/condition. For example: 95 per cent of the water network met flow requirements as per agreement with the ACT Fire Brigade (5 per cent or about 110 km of mains did not meet requirements); most utilities made a summary of the ULAR publicly available (EAPL made only annual report available on website, ActewAGL had not made a summary publicly available); and one instance of non-conformances with the ActewAGL Gas's network operation standards was reported. Explanations of the circumstances of, and reasons for these instances and measures that the licensees outlined to rectify are provided in section 3 to section 7 of this summary.

2.1 Network operations

Part 7 of the Utilities Act places obligations on network operators to take all reasonable steps to minimise inconvenience to landowners and damage to property when undertaking network operations. The Act specifies minimum notice requirements to land-holders about the proposed operations and also requires network operators to restore affected property as soon as practicable.

To assess compliance with the notice and land restoration requirements, the Commission considers the number of complaints made against each utility regarding the performance of its network operations. Complaints received by each network licensee in relation to these concerns are set out in sections 4, 5 and 6.

To consider compliance with utility's obligations with respect to network performance under Division 7.3 of the Act, the Commission requires information on network operations on public or private land and notice to land-holders. This includes specifics regarding the number of network operations, tree lopping or other work performed in urgent circumstances. Utilities are permitted to enter land without giving notice to the land-holder where network operations are required in 'urgent circumstances'¹⁵.

¹⁵ *Utilities Act 2000*, ss 109(5), 110(8), 110A(2) and 111(6).

In 2014–15, Icon Water reported that 564 and 1,561 unplanned interruptions occurred for water and sewerage respectively, whilst in 2015–16 year, 561 and 1,697 such interruptions occurred respectively. ActewAGL Gas reported carrying out operations in urgent circumstances on 1,747 occasions in 2015–16, 16 per cent less than reported for 2014–15. ActewAGL Electricity carried out operations to public or private land in urgent circumstances. As was the case for the previous three reporting periods, details of the incidents related to entry to public and private land in urgent circumstances was not recorded.

Table 1 Network operations carried out in urgent circumstances 2012–13 to 2015–16

Utility	Indicator reported for entrance to land in urgent circumstances	2012–13 (no.)	2013–14 (no.)	2014–15 (no.)	2015–16 (no.)	Change from the previous year
Icon Water (water)	Unplanned Interruptions	758	489	564	561	-3
Icon Water (sewerage)	Unplanned Interruptions	1,197	1,634	1,561	1,697	+136
ActewAGL Distribution (electricity)	Unrecorded	–	–	–	–	-
ActewAGL Distribution (gas)	All corrective work called in by public or emergency services as urgent including gas escapes at company mains, customer service or meter control valves	1,085	1,764	2,085	1,747	-338

Icon Water’s (sewerage) entry to land in urgent circumstances increased from 1,561 in 2014–15 to 1,697 in 2015–16. Icon Water (water) and ActewAGL Gas have seen 0.53 per cent and 16.21 per cent decrease respectively of their entry to land in urgent circumstances. Although ActewAGL Electricity does not record detailed information on each entry to land in urgent circumstances, it does record instances in which emergency tree lopping services are provided. Contrary to the 151 occurrences of emergency tree lopping in urgent circumstances in 2013–14, the ActewAGL Electricity reported that no emergency tree lopping services have taken place in 2014–15 and 2015–16 years.

2.2 Network Boundary Codes

The electricity and water and sewerage Network Boundary Codes require notification to be given to the Technical Regulator and the Commission of any agreement between the utility and land-holder setting an alternative network boundary. The Gas Network Boundary Code 2013 sets the boundary at the point of supply removing the option of setting an alternative boundary for gas.

It was noted in the 2013–14 ULAR that this area of monitoring would cease from the 2014–15 reporting year as under the UTR Act network boundary codes are to be transitioned into technical codes and therefore not within the Commission’s jurisdiction. However, the technical regulator has not finalised the drafts of the new boundary codes. Therefore the Commission will continue to monitor compliance until the network boundary codes are made as technical codes under the UTR Act.

As with the past three years, none of the utilities reported making alternative network boundaries in 2015–16, nor did the Commission receive any notifications of agreed alternative boundaries.

2.3 Rebates paid under Consumer Protection Code

Schedule 1 of the Consumer Protection Code (CPC) specifies five minimum service standards covering connection times, response to customer complaints, response time of a problem or concern, notice period, duration of the planned interruptions, and restoration times of unplanned interruptions. If a utility fails to maintain a minimum service standard, customers or consumers are entitled to apply for a rebate within three months of the incident of non-compliance and be paid by an Obligated Provider.

Table 2 summarises the rebates paid to customers for failure to meet minimum service standards from 2013–14 to 2015–16 years. Icon Water reported it paid one rebate in 2014–15 and no rebate was paid in 2015–16 year. ActewAGL Electricity reported 46 rebates in 2014–15 in relation to ‘no or inadequate notice of planned outages’ and other instances, and the utility has paid 65 rebates to customers in 2015–16 in relation to ‘failure to notify of planned interruption to supply’¹⁶ and other incidents. As in the past reporting periods, ActewAGL Gas paid no rebates.

Table 2 Payment of performance rebates, 2015–16

Utility	2013–14			2014–15			2015–16		
	Number of claims made (no.)	Number of rebates paid (no.)	Value of rebates (\$)	Number of claims made (no.)	Number of rebates paid (no.)	Value of rebates (\$)	Number of claims made (no.)	Number of rebates paid (no.)	Value of rebates (\$)
Icon Water (water)	0	0	0	0	1	50	0	0	0
Icon Water (sewerage)	0	0	0	0	0	0	0	0	0
ActewAGL Distribution (electricity)	0	56	2,800	0	46	2,567	-	65	3,250
ActewAGL Distribution (gas)	0	0	0	0	0	0	0	0	0
Total	0	56	2,800	0	47	2,617	0	65	3,250

2.4 Environmental Performance

Throughout the ULAR, the term network losses refer to the difference in the amount of gas or water entering a network and the amount exiting the network for consumption. Network losses are referred to as unaccounted for gas and unaccounted for water.

In 2015–16, the percentage of unaccounted for water increased from 7.8 per cent in 2014–15 to 8.5 per cent. The amount of gas lost from the ActewAGL’s gas distribution network

¹⁶ The licensee received no claim for a rebate in 2014–15. The utility reported it received claims for a rebate during 2015–16 period, but how many claims did it receive was not supplied.

(unaccounted for gas) in 2015–16 was 208 TJ from a base of 10,200 TJ. The percentage of unaccounted for gas increased to 2.03 per cent from 1.5 per cent in 2014–15.

The Commission does not obtain data on electricity network losses as the submission of this data is not a requirement under ActewAGL Electricity's utility licence. It is understood this data is obtained and reported on by the Australian Energy Market Operator.

2.5 Publication of summary of the ULAR

It is a requirement under each utility licence that a summary of each utility's ULAR is made publicly available.¹⁷ The Commission clarified with licensed utilities that it is a summary of the ULAR that is to be published annually. Some utilities (for instance EAPL) have misunderstood this requirement to refer to the utility's general annual report and have made their annual report available on their websites instead of the summary of the UL

Icon Water and TransGrid have reported that their ULAR is available on their website. EAPL has reported its adherence to the requirement, however has referred to its general annual report. ActewAGL Electricity and Gas has not made a summary of the 2014–15 ULAR publicly available on ActewAGL website. It was reported that the ULAR would be supplied if the utility receives a request.

The 2016–17 ULAR (and further correspondence from the Commission) will seek to clarify the requirements on utilities to make the ULAR (or a summary of it) available on their website each year.

2.6 ACT Government Directorates

Every year the Commission invites relevant ACT Government directorates (Access Canberra, the ACAT, and ACT Health) to comment on the performance and compliance of the licensed utilities during the year in the Territory. In 2015–16, the Commission also invited a response from the EPA and ACT Asbestos Response Taskforce (Taskforce) as they have had interaction with the utilities relating to disconnection of services.

Access Canberra reported that in 2015–16, it had received four formal complaints and 25 enquiries regarding activities of utilities or services in general. The complaints were related to connection requirements for embedded generation, trade waste requirements and faulty utility unit delivery. It is apparent from the Access Canberra response, the majority of enquiries (60 per cent) related to disputes regarding invoice billing (and hence likely retail related). Access Canberra advised enquirers to raise the dispute in writing with the utility and to contact the ACAT Energy and Water unit for assistance if they were unable to reach a solution.

With regards to the environmental performance of utilities or their agents in 2015–16, there were five incidents reported to Access Canberra through the EPA. Access Canberra stated that the utilities holding Environmental Authorisations under *the Environment Protection Act 1997* have complied with the conditions of their authorisation.

¹⁷ Clause 7.5, which is common across all licences.

The ACAT reported that there were no industry-wide or specific compliance issues in 2015–16 relating to gas and electricity supply, although it did note an increase in the number of complaints received from residents of apartment complexes about the operation of common hot water systems. According to ACAT the increase in the number of complaints from customers about the operation of the common boiler hot water systems in their apartment complexes might be related to the increase in the number of large apartment complexes in Canberra. These observations, whilst potential, are not supported with any data reported in ACAT response.

The number of complaints reported in ULAR 2014–15 relating to transfers between Origin Energy and EnergyAustralia has dropped substantially indicating billing system issues may have been resolved in 2015–16 year. The ACAT reported one matter of concerns about a breach of a statutory obligation in relation to reconnection of a gas service after it has been withdrawn. A letter was sent to both the retailer and the distributor reminding their statutory obligation under section 179(2)(b) of the Utilities Act.

ACT Health reported that it had not received any complaints about the operation of Icon Water for the 2015–16 period. Icon Water is required to report specified incidents or events to the Chief Health Officer or another nominated person within set timeframes under the *Public Health (Drinking Water) Code of Practice 2007*. Icon Water made two notifications of adverse incidents during 2015–16 year. ACT Health was satisfied that these notifications were issued within the required time and the subsequent investigations were conducted appropriately.

The Taskforce reported that it arranged the disconnection of services to premises through Icon Water, ActewAGL Gas, and ActewAGL Electricity and the Taskforce received cooperation and positive responses from all licensed utilities in 2015–16. The Taskforce did not have any contact with the EAPL and TransGrid.

3 Water and Sewerage

Icon Water supplied 46,121 ML of water to the ACT during 2015–16 (total of 50,400 ML to the ACT and Queanbeyan). This was an increase on the 42,938 ML of water supplied to the ACT during 2014–15 (total of 46,904 ML to the ACT and Queanbeyan). Residential use, as a proportion of total water supplied to the ACT, decreased slightly from 68.6 per cent to 67.8 per cent. The total volume of water supplied to Queanbeyan for 2015–16 was 4,279 ML, a slight increase from 3,966 ML in 2014–15.

3.1 Customer Service

Water Supply Complaints

In 2015–16, Icon Water received 621 complaints about water supply to premises in the ACT, 18 per cent increase from the previous year. Table 3 lists the eight categories of complaints received by Icon Water over the past five years. Increases were recorded for all but ‘water supply reliability’ and ‘property damage/ restoration’ complaint categories.

Water quality complaints continue to feature prominently, accounting for 33.8 per cent of all complaints in 2015–16. However, the observed difference between the numbers of

water quality complaints in 2015–16 and 2014–15 years was not significant. Among water quality complaints, approximately 19 complaints were accounted for dirty water incidents due to tanker issues in Harrison/ Gungahlin area. The issue was addressed with standpipe customers.

According to the Icon Water’s ULAR, the increase of complaints in the ‘accounts / billing’ category relates to the 'bill too high' (increased from 51 complaints in 2014–15 to 70 complaints in 2015–16) where the customer did not understand the increase in usage. This was addressed by increasing staff education and making tools available on website to facilitate customers understand how they use water and how use of water can be monitored by reading their meter regularly.

The number of complaints in water supply reliability remains the same as 2014–15.

Table 3 Complaints, water supply 2011–12 to 2015–16

Complaint item	2011–12 (no.)	2012–13 (no.)	2013–14 (no.)	2014–15 (no.)	2015–16 (no.)	Change in current year from previous year (no.)
Water quality	131	121	187	204	210	+6
Water supply reliability	48	36	15	2	2	0
Property damage / restoration of property	78	82	62	64	62	-2
Accounts / billing / retail ¹⁸	49	62	66	53	75	+22
Metering / meter reading	97	85	69	74	93	+19
Failure to provide, or insufficient, notice	47	42	19	26	37	+11
Unplanned interruptions	27	44	5	19	24	+5
Other network ¹⁹	73	110	76	80	118	+38
Total	550	582	499	522	621	+99

Sewerage service complaints

In 2015–16, 293 complaints were received in relation to sewerage services, which was 1 per cent increase from the previous year. Despite an increase in total number of sewerage service complaints, a decrease in complaints was reported in most complaint categories. The number of complaints notably increased (41 per cent) in accounts, billing and retail, it remained one of the main areas of complaint, together with property damage.

¹⁸ Icon Water does not separately record complaints for ‘accounts, billing and retail’ for water and sewerage for 2012–13 onwards. The total category has been split evenly across water and sewerage.

¹⁹ Other network category includes: water pressure, water hammer/noisy pipes, driving/parking, other, damage/fault our asset, safety/health, water leak, service request not met, noise/unsightly, information wrong, staff rude, work faulty, reimbursement assessment.

Table 4 Complaints, sewerage services 2011–12 to 2015–16

Complaint item	2011–12 (no.)	2012–13 (no.)	2013–14 (no.)	2014–15 (no.)	2015–16 (no.)	Change in current year from previous year (no.)
Sewage odour	6	14	4	20	13	-7
Sewerage services reliability and quality	30	22	35	43	41	-2
Property damage / restoration of property	85	61	106	132	124	-8
Accounts / billing / retail ²⁰	71	61	66	53	75	+22
Failure to provide, or insufficient, notice	3	7	5	1	1	0
Unplanned interruptions	0	0	0	0	0	0
Other networks ²¹	95	87	28	41	39	-2
Total sewerage services	290	252	244	290	293	+3

Responses to complaints within the required time frame

Minimum service standard 2 of the CPC requires Icon Water to respond to a customer complain within 20 business days. Icon Water responded to 99.07 per cent of water supply complaints and 95.91 per cent of sewerage service complaints within the 20 business day required time frame.

3.2 Planned and unplanned interruptions to services

Table 5 compares the number of planned and unplanned interruptions to Icon Water's water services from 2012–13 to 2015–16. The number of planned interruptions increased by 14,376 and the number of unplanned interruptions increased by 101 compared to those reported in 2015–16. Icon Water reported that the substantial increase in planned interruptions was due to a 'large meter replacement program'.

²⁰ Icon Water does not separately record complaints for 'accounts, billing and retail' for water and sewerage from 2012–13 onwards. The total category has been split evenly across water and sewerage.

²¹ Other network complaints incorporates several categories: reimbursement assessment, safety/health, other, damage/fault our asset, notices offended, driving/parking, service request not met, failed to reply, telephone service poor.

Table 5 Planned and unplanned interruptions to services, water supply, 2012–13 to 2015–16

Interruptions to water supply services	2012–13 (no.)	2013–14 (no.)	2014–15 (no.)	2015–16 (no.)	Change in current year from previous year (no.)
Planned interruptions to services	3,893	880	2,555	16,931	+14,376
Instances where licensee did not provide at least 2 days' notice of the planned interruption to each of the premises affected	5	0	1	0	-1
Instances where supply was not restored within 12 hours of the initial interruption	0	0	0	0	0
Average water supply interruption duration (minutes)	14	39.1	19	22.8	+4
Total interruption faced by an average customer (minutes per property)	0.51	0.21	0.39	2.28	+2
Unplanned interruptions to services	758	489	564	665	+101
Instances where supply was not restored within 12 hours of the initial interruption	0	0	0	0	0
Average water supply interruption duration (minutes)	148	148	114.7	115.3	+1

As was the case for the past three reporting periods, Icon Water reported no planned interruptions to sewerage services in 2015–16, and reported all interruptions as unplanned. This is due to the nature of the service. Table 6 shows the number of unplanned interruptions increased by 136 to 1,697 (8.71 per cent increase) in 2015–16 compared to the previous year.

In all instances of planned and unplanned interruptions, supply was restored within 12 hours of the initial interruption. The duration of average water supply interruption slightly increased in 2015–16, 4 minutes and 1 minute average increase for planned and unplanned interruptions respectively.

Table 6 Unplanned interruptions to services, sewerage services, 2012–13 to 2015–16

Unplanned interruptions	2012–13 (no.)	2013–14 (no.)	2014–15 (no.)	2015–16 (no.)	Change in current year from previous year (no.)
Number of unplanned interruptions ²²	1,197	1,634	1,561	1,697	+136
Instances where supply was not restored within 12 hours of the initial interruption	0	0	0	0	0
The total number of sewer main breaks and chokes ²³	1,344	1,844	1,678	1,778	+100
Sewer main breaks and chokes caused by tree roots	1,166	1,672	1,536	1,639	+103
The total number of property connection sewer breaks and chokes	1,192	1,629	1,552	1,694	+142
Property connection sewer breaks and chokes caused by tree roots	1,034	1,425	1,385	1,476	+91

3.3 Compliance with the agreement with the ACT Fire Brigade

Icon Water reported that 95 per cent of network met the water flow requirements in 2015–16 as per the agreement with the ACT Fire Brigade. Icon Water claimed that this analysis considers an extreme case, in that it applies a very high peak day demand assumption in addition to the fire flow requirements, as required by the standards. The five per cent of mains which do not meet requirements represent about 110 km of mains. A large proportion of these mains are unlined and they are programmed for renewal as part of the capital works program.

3.4 24 hour emergency telephone service

In 2015–16, Icon Water reported two outages to the service, including a contact centre offline following a feeder fault and a network shutdown to address the crypto locker (virus) outbreak.

3.5 Customer safety net arrangements

Under the CPC, utilities are not permitted to disconnect water supply or withdraw sewerage services for failure to pay an account. However, it may restrict the water flow to amounts sufficient for essential uses only. Icon Water did not report any disconnection of water supply or restriction on the water flow or withdrawal of sewerage services for failure to pay an account in 2015–16.

The response of the ACAT on the performance and compliance of the licensed utilities in 2015–16, reported no issues in relation to the disconnection, withdrawal and restriction of water and sewerage services.

²² Number of unplanned interruptions is the total figure of interruptions. The category ‘number of unplanned interruptions’ does not add up to the total due to how Icon Water records and reports its interruptions. For example, 1,778 interruptions of sewer main breaks and chokes includes interruptions classed as breaks and those also classed as chokes. An interruption may be classed as both. There is also the potential for a choke and not have an interruption to service. The Commission is in correspondence with Icon Water to look at creating a clearer set of reporting figures to avoid doubling up in the figures.

²³ Includes sewer chokes, bursts and leaks in the reticulation, pressure and trunk mains.

3.6 Unaccounted for water

Water network losses arise mainly through water lost or wasted through leakages, bursts or evaporation from open-air treatment and storage facilities. Icon Water reports annually to the Commission on the amount of unaccounted for water in its network. This amount may be due to factors other than strictly physical water losses, such as metering irregularities.

Figure 1 Unaccounted for water, proportion of total volume 2007–08 to 2015–16

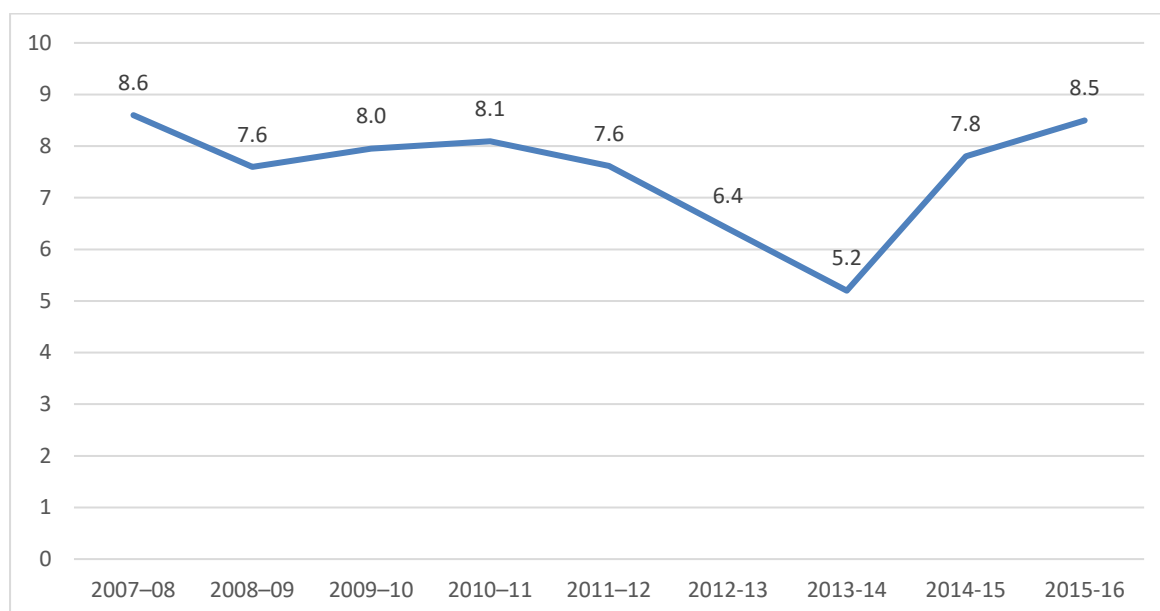


Figure 1 shows the annual quantity of unaccounted for water in the ACT as a proportion of the total volume of water supplied by Icon Water from 2007–08 to 2015–16. The percentage of unaccounted for water increased from 5.2 per cent in 2013–14 to 7.8 per cent in 2014–15 to 8.5 per cent in 2015–16.

Icon Water reported taking the following measures to minimise unaccounted water from its water network:

- Valve and hydrant inspection program;
- Planned large meter replacement program;
- Planned 20mm meter replacement and service connection upgrade program;
- Distribution mains replacement program;
- Metered standpipe management program and standpipe testing; and
- Replacement of Icon Water operations and maintenance standpipes with metered standpipes.

4 Electricity Distribution

4.1 Customer Service

Customer complaints

Table 7 shows the number of customer complaints relating to electricity distribution over the past four years. The numbers of customer complaints received in different complaint items were grouped into eight broad categories.

Table 7 Customer complaints, electricity distribution 2012–13 to 2015–16

Complaint item	2012–13 (no.)	2013–14 (no.)	2014–15 (no.)	2015–16 (no.)	Change in current year from previous year (no.)
Connection/disconnection	9	11	21	18	-3
Notice of work and outages	145	168	153	233	+80
Network operations	114	188	217	195	-22
Meters and meter reading	8	5	19	90	+71
Customer Service	19	15	25	45	+20
Fees and charges	0	1	7	35	+28
Network and service quality	28	35	23	84	+61
Other ²⁴	19	21	26	96	+70
Total	342	444	491	796	305

ActewAGL Electricity received 796 complaints in 2015–16, 62 per cent higher than the previous year (491). ActewAGL Electricity noted in correspondence to the Commission that this complaint volume variation is reflective of a number of factors, including:

- major organisational restructure and change in work practices as a result of the AER determination²⁵ in early 2015 and other regulatory changes, for example up front capital charging for meters;
- restructured complaints management team and improved complaint recognition, categorisation and recording process; and,
- increasing consumer awareness and vigilance related to the utility sector.

ActewAGL Electricity reported that the AER determination drove major organisational restructuring and a change in work practices and planning of ActewAGL Electricity's Program of Works. The utility chose to reduce approximately 30 per cent of its workforce, and within their Program of Works prioritise system safety and system reliability. This meant that other works that did not impact on safety or reliability were allocated a lower priority. ActewAGL Electricity also noted that the restructure of staff resulting from the AER's decision included the complaints management team itself, which ActewAGL Electricity has stated gave it an 'opportunity to build on its focus of continuous improvement and customer experience

²⁴ Miscellaneous, vehicle driving and feed-in-tariff.

²⁵ <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/actewagl-determination-2014-19>.

which has led to a greatly improved complaint recognition and recording processes'. Given ActewAGL Electricity's 62 per cent increase in complaints for the 2015–16 year, the Commission will be examining closely the level of complaints received during 2016–17. This will indicate if the increase in complaints recorded for the 2015–16 year is a one-off reflecting improved complaints recognition, or whether there has been a step increase in complaints caused by other factors thus requiring further investigation.

Table 7 shows that 'notice of work and outages' received the highest number of complaints in this reporting period. Longer duration of power outages and short outage notice periods were the two main causes reported for the rise of complaints under this category in 2015–16 year. According to ActewAGL Electricity, the rise by 79 of 'outage too long' complaints stemmed from a shift in complaint categorisation to better reflect the customer's complaint. For example, a complaint about a lengthy planned interruption was originally recorded under 'timing of work' in 2014–15, but was now recorded under 'outage too long' in 2015–16.

'Meters and meter reading' and 'network and service quality' were two other major sources of noticeable increases in numbers of complaints in 2015–16. ActewAGL Electricity has noted that 'up front capital charging for meters introduced on the 1st July 2015 saw a rise in fee related complaints throughout the year' and that these charges 'drove an increased complaint count for approximately 12 months after introduction'. Noting this, the Commission will monitor the recorded level of complaints in 2016–17 ULAR to evaluate whether the increase in complaints in 2015–16 is temporary due to the capital charging of meters and not due to other matters. Furthermore, the Commission will be closely monitoring complaints to ActewAGL Electricity about network and service quality as these have seen a significant increase notwithstanding that the utility prioritised system reliability for the 2015–16 year in its Program of Works.

The number of complaints in 'network operations' fell 10 per cent (or by 22) in 2015–16. Less complaints with 'damage to property' and 'timing of work' accounted for the decrease in complaints in this category. Although as ActewAGL Electricity noted above, complaints about lengthy planned interruptions were originally recorded under 'timing of work' in 2014–15, but were now recorded under 'outage too long' in 2015–16. Therefore the reduction in the 'timing of work' category is in part due to re-categorising complaints. It is worth noting that 'outage too long' (a stand-alone sub-category falling within the broader 'Notice of work and outages' primary category) rose from 13 in 2014–15 to 92 in 2015–16.

ActewAGL Electricity stated that an increase in consumer awareness is a reason for the significant increase in complaints for the 2015–16 year:

Consumers are becoming more sensitive to events and aware of dispute resolution processes and utilising these avenues to register dissatisfaction and seek resolution. As noted in the 2016 Australian Consumer Law survey, sectors where consumers were more likely to take action to resolve problems included utilities, finding 89% of consumers with a problem would take direct action (source: <http://consumerlaw.gov.au/australian-consumer-survey/>). For example; 'outage too long' complaints lifted by 79 [year on year]; [ActewAGL Distribution] noting [*sic*] this trend has been repeated in FY16/17. This corresponds to media coverage of planned

work and seasonality experienced by the ACT with very cold winters (45% of complaints received in May and June) and hot summers (28% of complaints received in January and February). In January 2016, both WIN news and the Canberra Times carried stories regarding planned work occurring during school holidays and hot weather (source: <http://www.canberratimes.com.au/act-news/canberra-life/canberra-water-park-big-splash-left-without-power-during-hot-summer-day-20160119-gm8u1s.html>)

[ActewAGL Distribution] notes increasing consumer awareness and vigilance related to the Utility sector including price sensitivity and increasing expectations of continuity of supply will result in ongoing lifts in complaint volume. [ActewAGL Distribution] continues to work to identify trends and systemic issues related to complaints. As part of our commitment to continuous improvement we are working to strengthen our consultation program with all our customer segments, optimise our work practices and increase our understanding and use of operational technology to drive efficiencies and transparency. While being cognisant of the need to change, we are also working with regulators to influence and make them aware of the impacts their changes are having on the end consumer.

ActewAGL Electricity further noted that it:

monitors its complaint demographics and is constantly working to understand the key drivers. Benchmarking performed by [ActewAGL Distribution] using publicly available information (via AER RIN reports) sees [ActewAGL Distribution] reporting fewer complaints per 1000 customers compared to a Distributor similar in size and geography in the National Energy Market (TasNetworks).

ActewAGL Electricity suggests that complaint increases are expected to continue for the current regulatory period, with a peak anticipated around the end of 2018–19 when the current major regulatory changes have had approximately twelve months to bed down. Due to this expected increase in complaints, the Commission will be taking a particular focus on ActewAGL Electricity for the upcoming 2016–17 ULAR report and beyond.

4.2 Planned and unplanned interruptions to services

Table 8 compares the number of planned and unplanned interruptions to ActewAGL's electricity services from 2011–12 to 2015–16 years. Planned interruptions decreased by 25.28 per cent compared to 2014–15, while unplanned interruptions decreased by 21.10 per cent. The number of failures to provide at least 4 days' notice of these interruptions decreased by 81.87 per cent maintaining consistency with overall decline of planned interruptions. ActewAGL Electricity is required to restore electricity supply within 12 hours of the interruption. Electricity supply was restored within 12 hours in 99.46 per cent instances of planned interruption and 97.39 per cent instances of unplanned interruption.

Table 8 Planned and unplanned interruptions to electricity distribution services, 2011–12 to 2015–16

	2011–12 (no.)	2012–13 (no.)	2013–14 (no.)	2014–15 (no.)	2015–16 (no.)	Change in current year from previous year (no.)
Planned interruptions to services	1,555	1,317	1,330	1,479	1,105	-374
Times licensee did not provide at least 4 days' notice	156	159	377	298	54	-244
Times supply not restored within 12 hours of the initial interruption	0	0	2	4	6	+2
Unplanned interruptions to services	822	1,070	2,365	2,331	1,839	-492
Times supply not restored within 12 hours of the initial interruption	-	-	18	19	48	+29

4.3 Response to notification of network problem or concern

In 2015–16, ActewAGL Electricity received 7,840 notifications of network problems, a decrease of 5.53 per cent from the 2014–15 year. Of these notifications, 92 related to network damage, faults or problems likely to affect public health, cause or potentially cause substantial harm or damage (serious notifications) including electric shock and lines down. The CPC requires responses to serious notifications within six hours and 48 hours for minor problems. In 2015–16, eight responses were not made within six hours and ActewAGL Electricity failed to respond within 48 hours to minor problems on five occasions.

4.4 24 hour emergency telephone service

In 2015–16, the licensee reported no outage to the emergency telephone service.

4.5 Environmental Performance

The licence requires ActewAGL Electricity to report annually to the Commission on measures to reduce network losses and the greenhouse gas emissions. The utility reported that embedded generation and demand side management, circuit breakers with minimum SF6 quantities, and a power factor correction program were key strategies to minimise losses of electrical power in the licensee's electricity network in 2015–16.

5 Gas Distribution

At 30 June 2016, the ActewAGL Gas network comprised of 3,813 km of medium pressure and 261 km of high pressure mains- a total pipeline length of 4,074 km. In 2015–16, ActewAGL Gas distributed 8,529TJ of gas to 127,143 delivery point identifiers.

During 2015–16 ActewAGL Gas entered landholders' property 8,023 times to conduct network operations. There were a small number of complaints (5 out of 8,023 entry) about any inconvenience or damage to landholders' property resulting from network operations.

5.1 Customer Service

ActewAGL Gas received 66 complaints in 2015–16, 40 per cent increase compared to the previous year. The reason for this increase includes the rise of service complaints relating to the customers hot water not being relit after an aged meter change, an increase in billing complaints and issues relating to the gas meter. The three highest complaints recipient categories in 2015–16 were supply, meter and billing. All complaints were responded to in the required timeframe (within 20 business days).

The number of notifications of network problems dropped by 659 in 2015–16. The number of notifications relating to damage to, or a fault or problem with the network likely to affect public health or cause damage decreased from 215 in 2014–15 to 164 in 2015–16, representing 8 per cent of network notifications. All notifications likely to affect public health or cause damage were responded within six hours in line with the requirements of the CPC Minimum Service Standard 4 with regards to serious notifications. The number of minor notifications (unlikely to affect public health or cause damage) decreased by 24.39 per cent, to 1,884 in 2015–16 from 2,492 in 2014–15. Sixteen per cent of all notifications related to other problems or concerns not likely to affect public health, or cause damage to person or property were not responded within 48 hours.

Table 9 Customer Complaints, gas distribution 2011–12 to 2015–16

Complaint and notification response item	2011–12 (no.)	2012–13 (no.)	2013–14 (no.)	2014–15 (no.)	2015–16 (no.)	Change from previous year (no.)
Total number of complaints	24	50	42	45	66	+21
Number responded to in 20 business days	24	50	42	45	66	+21
Number of notifications of network problems or concerns about Licensee's network received	2,036	2,163	2,302	2,707	2,048	-659
Notifications likely to affect public health, or cause damage to person/property	238	15	168	215	164	-51
Number of responses of the notifications not made within 6 hours	0	0	0	0	0	0
Notifications related to other problems or concerns not likely to affect public health, or cause damage to person or property	1,798	1,932	2,134	2,492	1,884	-608
Number of responses of these notifications not made within 48 hours	222	266	225	390	306	-84

5.2 24 hour emergency telephone service

In 2015–16, the licensee reported no outage to the emergency telephone service. White pages, yellow pages, customer bills, website, television, newspaper advertisements and brochures were used for public awareness on the ways in which public can contact the utility for reporting escapes of gas.

5.3 Network operation standards

There was one instances of non-compliance with the ActewAGL Gas's network operation standards in 2015–16. The Ken Cameron and Associates, Periodical Audit Report on the Safety and Operating Plan (March 2016) identified this non-conformances. The report was provided to EPSDD in May 2016.

5.4 Planned and unplanned interruptions to services

Table 10 details the amount of planned and unplanned interruptions to gas services from 2011–12 to 2015–16. The number of planned interruptions increased by 137 per cent, from 3,385 in 2014–15 to 8,023 in 2015–16.

Aged meter replacement programme is the primary contributor to the increase. Groups of meters are replaced dependent on their age and in-service life cycle testing results. In 2014–15, 2,561 aged meters were replaced representing 76% of the planned interruptions. For 2015–16, 7,143 aged meters were changed representing 89% of the planned interruption. Discounting the meter replacement numbers shows that the planned interruptions (for other reasons) from 2014–15 to 2015–16 rose from 824 to 880.

In 2015–16 unplanned interruptions increased by 115 per cent from 2014–15, ending the downward trend of the past three years. However, as only 28 instances of unplanned interruptions were reported in 2015–16, no reliable conclusion can be drawn about the number of interruptions given that this number is statistically insignificant.

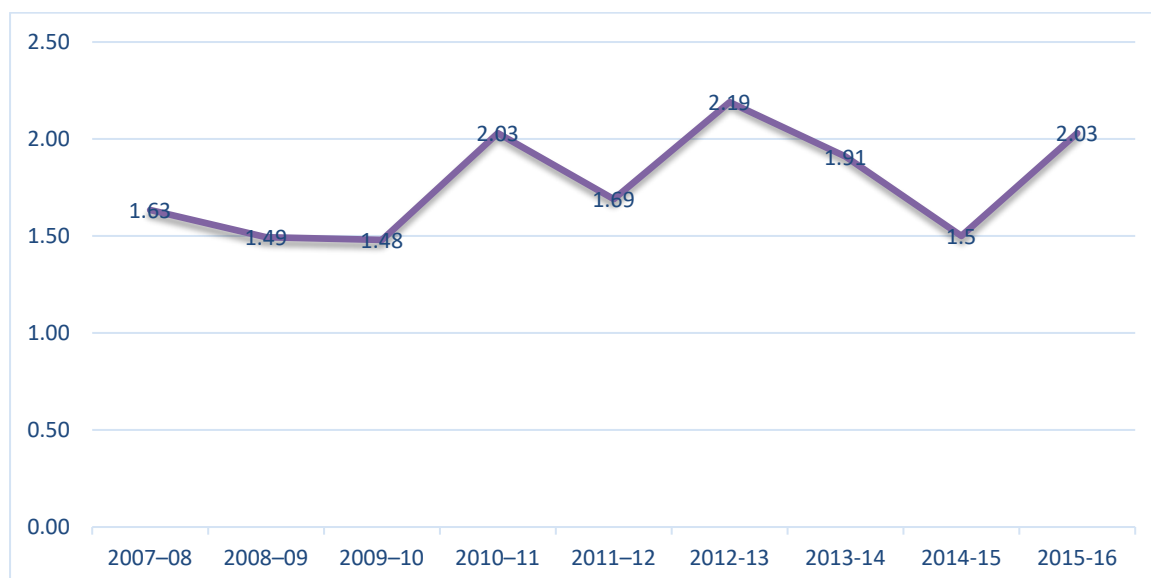
Table 10 Planned and unplanned interruptions to gas distribution services 2011–12 to 2015–16

Interruption Item	2011–12 (no.)	2012–13 (no.)	2013–14 (no.)	2014–15 (no.)	2015–16 (no.)	Change from previous year (no.)
Planned interruptions to services	2,572	4,179	4,231	3,385	8,023	+4,638
Instances where licensee did not provide at least 4 days' notice of the planned interruption to each of the premises affected	0	0	0	0	0	0
Instances where supply was not restored within 12 hours of the initial interruption	0	0	0	0	0	0
Unplanned interruptions to services	76	47	37	13	28	+15
Instances where supply was not restored within 12 hours of the initial interruption	0	0	0	0	0	0

5.6 Unaccounted for Gas

Figure 2 summarises ActewAGL Gas's unaccounted for gas as a proportion of total gas entering its network from 2007–08 to 2014–15. The amount of gas lost from the licensee's gas distribution network (unaccounted for gas) in 2015–16 was 208 TJ from a base of 10,200 TJ. Unaccounted for gas increased to 2.03 per cent from 1.5 per cent in 2014–15.

Figure 2 Unaccounted for gas, proportion of total volume entering the distribution network 2007–08 to 2015–16



ActewAGL Gas has planned to initiate a five year leakage survey rolling program across all gas distribution assets and conduct reviews of major receipt station metering and large customer metering accuracy to minimise gas losses in the 2016–17 year.

6 Electricity Transmission

TransGrid has been carrying out licensed electricity transmission in the ACT since 24 February 2015. In the 2015–16 year, TransGrid reported a significant change in the ownership as NSW Electricity Networks entered into an agreement with the NSW Government for the lease of TransGrid.

TransGrid reported that there were no material breaches of the licence or any applicable law, code of practice, directions and guidelines. TransGrid has, from time to time, undertaken audits of the services and operations in the Territory primarily based around its key management systems, in relation to health and safety, environment, asset management and quality. In addition, assurance reviews were conducted by the corporate risk and audit function on behalf of the asset owner.

The bulk of regulation that TransGrid is subject to under its licence is technical, which is dealt with by the technical regulator and not covered in this report. TransGrid reported that the utility was compliant to the technical and prudential criteria that it was required to meet as a condition of being granted the licence.

TransGrid reported entering landholders’ property to undertake network operations 56 times during the 2015–16 year. The results of routine inspections indicated the necessity of performing non-routine maintenance in accordance with TransGrid business practices for the operation and maintenance of a safe and reliable transmission grid.

No network operations were conducted in urgent circumstances. Besides, TransGrid did not fail in any instances to provide written notice to landholders of the proposed network operations, and received no complaints from other utilities.

TransGrid reported that strict environmental controls were in place as an environmental impact assessment is carried out for all of their work. It received two complaints in 2015–16, one complaint regarding noise generated from the Canberra Substation, and the second complaint regarding failure to notify of acoustics works being undertaken in the area around the same substation. Further, all property and waste material is removed from site, unless requested by the property owner, and any damage is repaired in accordance with the environmental impact assessment and environmental rules.

For making authorised persons aware of their obligations and entry restrictions under the Utilities Act, TransGrid has ensured the inclusion of Utilities Act obligations in the corporate compliance management system, and responsibility of meeting Utilities Act obligations were allocated to the relevant management.

7 Gas Transmission

The ACT receives its gas through two points of gas transmission supply: the Moomba to Sydney gas pipeline (intersection at Gungahlin North) and the Eastern Gas Pipeline (intersection at Fyshwick). The pipelines are operated by Eastern Australian Pipeline Limited (EAPL). EAPL is licensed under the Utilities Act to carry out the transmission operation.

In 2015–16, the quantity of gas EAPL transferred from the gas transmission network to the gas distribution network at the North Watson Custody Transfer Station decreased to 3117.1 TJ from 4050.1 TJ in 2014–15. There were no incidents reported that affected the gas transmission network.

EAPL did not report any material breach or non-compliance with any terms of the licence. The Utility has undertaken annual compliance audit of its Pipeline Management System by an external audit firm. The auditor has certified all pipelines.

It was reported that network operations were conducted in accordance with easement guidelines- registered with DP490019, AS2885.3 and the APA Group's Operational Environmental Management Plan (OEMP). During 2015–16 EAPL entered into two sites where it undertook network operations 14 times. Four site inspections and three valve servicing were required in each site. EAPL did not receive any complaints about any inconvenience, loss or damage to property resulting from network operations. No entry into landholders' property was made in the previous year to undertake network operations. The licensee did not carry out any tree related activities in urgent circumstances under section 110(8).

In 2015–16, the licensee reported no outage to the emergency telephone service. Right of way signage and landowner annual awareness were used to ensure publicity on the ways in which the public can contact the licensee for reporting escapes of gas.

The utility reported that authorised persons were made aware of their obligations and entry restrictions under the Utilities Act. Authorised pipeline patrol officers were required to undergo formal induction and training programs on APA Group procedures.

As was noted in relation to TransGrid, the bulk of regulation that EAPL is subject to is technical, which is dealt with by the technical regulator and not covered in the ULAR.

Appendix 5 Commission's publications 2016–17²⁶

- Report 5 of 2016: Draft Report – Tariff Review 2016 (September 2016)
- Report 6 of 2016: Annual Report 2015–16 (October 2016)
- Report 1 of 2017: Draft Report – Standing offer prices for the supply of electricity to small customers from 1 July 2017 (March 2017)
- Report 2 of 2017: Proposed Price Direction – Standing offer prices for the supply of electricity to small customers 1 July 2017 to 30 June 2020 (March 2017)
- Report 3 of 2017: Final Report – Tariff Structure Review 2016–17 Regulated water and sewerage services (March 2017)
- Report 4 of 2017: Issues Paper – Regulated water and sewerage services prices 2018–2023 (March 2017)
- Report 5 of 2017: Regulated water and sewerage services 2017–18 price adjustment (June 2017)
- Report 6 of 2017: Final Report – Standing offer prices for the supply of electricity to small customers from 1 July 2017 (June 2017)
- Report 7 of 2017: Price Direction – Standing offer prices for the supply of electricity to small customers 1 July 2017 to 30 June 2020 (June 2017)

²⁶ <http://www.icrc.act.gov.au/report-paper/>

Glossary and abbreviation

ABN	Australian Business Number
ACAT	ACT Civil Administrative Tribunal
ACT	Australian Capital Territory
AER	Australian Energy Regulator
AER RIN	Australian Energy Regulator Regulatory Information Notice
ASO4	Administrative Services Office Level 4
ASO5	Administrative Services Office Level 5
ASO6	Administrative Services Office Level 6
ACTPS	ACT Public Service
CEO	Chief Executive Officer
CNG	Compressed natural gas
CPC	Consumer Protection Code
CRP	Controlled Recurrent Payments
DI	Disallowable instrument
DDO	Designated Disclosure Officer
EAPL	East Australian Pipeline Limited
EPSDD	Environment Planning and Sustainability Development Directorate ²⁷
EPA	Environment Protection Authority
FOI	Freedom of information
FOI Act	<i>Freedom of Information Act 1989</i>
FTE	Full-time equivalent
FY	Financial year
GPO	General payment for outputs
Human Rights Act	<i>Human Rights Act 2004</i>

²⁷ EPSDD was also referred to as EPD during the 2016-17 year.

ICER	International Committee of Energy Regulators
ICRC	Independent Competition and Regulatory Commission
ICRC Act	<i>Independent Competition and Regulatory Commission Act 1997</i>
LPG	Liquid Petroleum Gas
ML	Megalitre
MLA	Member of the Legislative Assembly
NEMMCO	National Electricity Market Management Company
NERL	National Energy Retail Law
NSW	New South Wales
NI	Notifiable instrument
OECD	Organisation for Economic Co-operation and Development
ORS	Office of Regulatory Services
PO	Post Office
SERBIR	Senior Executive Responsible for Business Integrity Risk
SOGA	Senior Officer Grade A
SOGB	Senior Officer Grade B
SOGC	Senior Officer Grade C
TJ	Terajoule
ULAR	Utility Licence Annual Report
Utilities Act	<i>Utilities Act 2000</i>
UTR Act	<i>Utilities (Technical Regulation) Act 2014</i>

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