ICRC

independent competition and regulatory commission

Annual Report
2014–15

Report 6 of 2015
September 2015

The Independent Competition and Regulatory Commission is a Territory Authority established under the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act). The Commission is constituted under the ICRC Act by one or more standing commissioners and any associate commissioners appointed for particular purposes. Commissioners are statutory appointments and the current Commissioners are Senior Commissioner Malcolm Gray and Commissioner Mike Buckley. We, the Commissioners who constitute the Commission, take direct responsibility for delivery of the outcomes of the Commission.

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

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

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

For information about the basis of preparing the financial information in this annual report, see ‘Note 2’ in attachment 1.

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

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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 2014–2015 has been prepared under section 6(1) of the *Annual Reports (Government Agencies) Act* 2004 and in accordance with the requirements under the Annual Report Directions.

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

We certify that the 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 2014 to 30 June 2015.

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

We note that section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you cause a copy of the Report to be presented before the Legislative Assembly within 15 weeks after of the end of the reporting year.

Yours sincerely,

Mr Malcolm Gray
Senior Commissioner

1 October 2015

Ms Ranjini Nayager
Chief Executive Officer

1 October 2015

Commissioners' preface

Since the terms of the current Commissioners end on 29 February 2016, this is the last preface to the Commission's annual report that we will write. The work program of the Commission over the coming year is covered elsewhere in this report and the future of the Commission beyond that will be in the hands of others. It seems appropriate therefore to use this, our last preface, to reflect on our experiences as Commissioners of the ICRC for the last four and a half years.

We are proud of the work the Commission has done over this period, much of the credit for which belongs to the staff of the Commission rather than ourselves. We are, however, disappointed and frustrated that more of this work has not delivered the benefits to the community of the ACT that we believe it could have.

We begin our reflections by recalling our motivations in taking up appointments as Commissioners of the ICRC before reviewing some of the principal outcomes that have caused us to be leaving our positions feeling disappointed and frustrated. We then identify some of the factors we believe have given rise to these outcomes before suggesting ways in which more benefit might be derived from work of the kind that the Commission has done over the last four and a half years.

Our vision

Although we had occupied positions in the Commonwealth public service at the same time, our paths had not crossed until we met at the Commission's then offices on our first day as newly appointed Commissioners. It is remarkable then that we subsequently discovered that our reasons for accepting appointments to the Commission were so similar. We shared a common vision of how the Commission should operate and of the potential contribution it could make to public policy and administration in the ACT.

The ACT Government confronts the challenge of managing an Australian "city state". The core of this challenge is the provision of services, such as education and health care, that are provided at state level elsewhere in Australia within the resources of a medium sized Australian city. In addition, the ACT Government must manage a significant program of capital works and is expected to contribute to the development of national policy through its participation in the ministerial committees that operate under the Council of Australian Governments (COAG) as well as being a member of the COAG. All these additional responsibilities put the ACT Government under great pressure. One of the consequences of this is that the proliferation of immediate issues confronting the government tend to receive the lion's share of the limited resources available to government. Matters that would benefit from a strategic focus tend instead to be dealt with as a succession of short term, brush fire issues.

The vision we, as incoming Commissioners, shared was that the ICRC was uniquely placed to help address this problem. The economic work undertaken by the Commission has a natural medium-term focus, for example setting water prices over a five-year time horizon. In undertaking this work, the Commission naturally develops expertise that can be applied to a variety of other matters. The ACT also has a resource that the Commission's structure is well placed to exploit, namely a pool of retired or semi-retired people with extensive experience of a variety of government and private sector roles at a senior level. Taking up an appointment as a Commissioner of the ICRC offers such people a chance to make a contribution to a city in which they may have spent a good proportion of their lives and in which they may be planning to live in retirement. This was certainly an opportunity we both welcomed when appointed to the ICRC.

Within the first eight months of our term, the Commission received two references with a marked strategic focus and took on a new role that offered the chance to contribute to policy development in a different way. The first reference required the Commission to look into the provision of secondary water, essentially non potable water, in the ACT. The second was the latest in the regular five yearly cycle of references to determine the price of water and sewerage services in the ACT. The new role was to conduct the recently established annual inventory of greenhouse gases attributable to the ACT. Each of these, while apparently offering the ICRC the chance to contribute in exactly the way we had hoped, ended in outcomes that contributed to the feelings of frustration and disappointment with which we approach the end of our terms. It is worth looking at them each in turn.

Secondary water

The first reference, while primarily concerned with the provision of secondary water, raised much wider issues about the way the ACT sources its water and the policies that are used to facilitate and support that activity. Among the conclusions to emerge from that inquiry were that:

- the provision of water from the dams and network of water treatment facilities and reticulation pipelines owned by Icon Water (as it is now called) is by far the cheapest way to supply water to the ACT;
- the development of Icon Water's infrastructure had not been well managed, with critical decisions taken in haste in a crisis atmosphere;
- stormwater harvesting was largely untested as a supplement to Icon Water's supply when that supply was depleted; and
- reductions in demand for water had already reached the ten year target set and further reductions now would serve no useful purpose.

The key recommendation of the review was that the ACT needed to develop the framework and institutional structures to support a strategic and adaptive approach to the management of its water resources to replace the existing piecemeal approach, where individual elements, such as dam construction, stormwater harvesting and water conservation polices, are managed independently of each other. The inquiry concluded that failure to implement such a framework would result in excessive expense and no lessening of the likelihood of the ACT being caught in another water supply crisis. While not providing detailed recommendations, the inquiry report identified examples of jurisdictions elsewhere in Australia that had adopted such an approach and outlined how the ACT might follow their example without creating substantial new bureaucratic structures.

Outcomes

Three years after the final secondary water report was published, the ACT still lacks a holistic, adaptive, strategic framework for managing its water resources. The most recent published water strategy document continues the piecemeal approach of its predecessors, with arbitrary targets still being preferred to clear identification of objectives and hard analysis of the effectiveness and efficiency of alternative means of meeting those targets.[1] While the stormwater harvesting schemes

[1] http://www.environment.act.gov.au/water/water-strategies-and-plans/act_water_strategy

proposed for Weston Creek and Tuggeranong have been put on hold, the scheme in North Canberra continues to develop with aquifer storage now being added.

As the North Canberra scheme prepares to sell harvested stormwater for playing field irrigation, little thought appears to have been given to the impact of these sales on the price of water from Icon Water. Since Icon Water's costs are largely fixed, that is do not vary much with the quantity of water it is called upon to supply, reductions in the volume of water supplied must be accompanied by increases in the price of water if the Icon Water's revenue is to remain sufficient to cover its costs. As long as Icon Water maintains the capacity to meet the demand for water, and it does so comfortably at present, providing alternatives sources of supply increases the price of the water supplied by Icon Water.

Water and Sewerage Services Review

When considering the second reference, for a determination of the prices of the water and sewerage services, the failure of the price direction operating in the 2008–13 regulatory period to produce the anticipated outcomes meant that the Commission had to rethink its approach. In undertaking this review the Commission adopted three principal priorities, namely to:

- develop a clear understanding of what the regulatory regime could and could not achieve and devise a regulatory regime that took account of the specific characteristics of the regulated entity, Icon Water;
- ensure that the ACT community paid no more for its water and sewerage services than prudent and efficient delivery of those services cost; and
- ensure that the provider of those services, Icon Water, remained financially healthy.

In pursuing the first of these objectives, the Commission was at pains to distinguish those responsibilities that the Commission could reasonably be expected to accept from those that were the proper preserve of the board and shareholders of Icon Water. In the course of conducting this analysis, the Commission identified elements in the governance arrangements for Icon Water that it thought could be improved and it drew these to the attention of government. The Commission was also at pains to distinguish the regulatory approach appropriate to a publicly owned, monopoly provider of essential services, the customers of which are also its beneficial shareholders, from that appropriate to an entity that is wholly or partly privately owned.

In pursuing the second, the Commission identified shortcomings in Icon Water's management of its recurrent and capital budget and in the regulatory regime that had been previously employed. In its submission in response to the Commission's draft report, Icon Water introduced significant improvements to its budget management and presented a more coherent picture of its operations to the Commission.

In its draft report, the Commission introduced a rolling six year time horizon, refreshed every two years, for the assessment of Icon Water's capital and recurrent budget, a process the Commission named the biennial recalibration of the pricing model. This was done to ensure that the Commission stayed in touch with any changes in the Icon Water's operating environment and priorities and to provide Icon Water with regular feedback from the regulator on its evolving planned responses. A major issue in the preceding regulatory period had been the Commission's inability to respond to sharp changes in Icon Water's operating environment in a timely fashion, leaving Icon Water without any information about the likely approach of the regulator to the changes in its budget that the changes in circumstances had forced Icon Water to make.

In pursuing the third of the objectives outlined above, the Commission identified inadequacies in the regulatory regime previously employed. These inadequacies meant that it was far from obvious whether the cost of capital as previously determined by the Commission would be sufficient to allow Icon Water to meet its financial obligations, including paying a reasonable return to its shareholders. In response, the Commission made changes to the process for determining the cost of capital that made it simpler, more transparent and related it more directly to the financing costs that Icon Water actually incurred. This provided greater assurance that the revenue requirement determined for Icon Water would actually prove to be sufficient to allow it to meet its financial obligations.

In determining prices that would satisfy the third objective, the Commission encountered particular difficulty because of the uncertainty surrounding the level of water sales likely to be achieved following the ending of the Millennium drought and the lifting of water restrictions. In response, the Commission adopted a conservative forecast of water sales for the first two years of the regulatory period and undertook to revisit the issue in its first biennial recalibration of the pricing model.

Outcomes

In response to the Commission's comments on the governance arrangements for Icon Water, the ACT Government commissioned a review of these arrangements by Mr Bruce Cohen. Mr Cohen reported in December of 2013, recommending the adoption of the principal suggestion made by the Commission, namely that the 50 per cent interest in ActewAGL held by Icon Water should be separated from its wholly owned water and sewerage business and held by a different entity.[2] The government responded to the Cohen report in March 2015, rejecting the recommendation that businesses be separated on the grounds of cost. The response gave no consideration to the benefits to be gained from the separation and the possibility that these would have outweighed the costs incurred.

Despite the lengths to which the Commission had gone to ensure the financial viability of Icon Water and improve the environment in which it undertook its financial planning, Icon Water lodged an application for review of the Commission's price direction by an Industry Panel, appointed by the Treasurer pursuant to the process laid down in the ICRC Act. The key outcomes of the Panel review were analysed by the Commission in its comment on the process[3]. For present purposes, it suffices to note that the outcome of the Panel's deliberations was to undo the reforms that the Commission had introduced to improve regulatory outcomes and largely to return to the regulatory model that had performed so poorly in 2008–13.

Because completion of the performance audit of the Commission’s review of water and sewerage services by the Auditor General was delayed, an audit unaccountably commenced before the process subject to audit had been completed, the Industry Panel was not appointed until April 2014, almost a year into the regulatory period, and did not report until May 2015, almost two years into the regulatory period. This meant that the Commission's price direction operated for the first two years of the regulatory period, giving an opportunity to observe how the Commission's price direction operated in practice, including in respect of the biennial recalibration process.

[2] Review of Institutional Arrangements for ACTEW Corporation Limited, December 2013.
[3] Regulated water and sewerage services, The Industry Panel process: Outcomes and prospects, ICRC Report 3 of 2015, May 2015.

In 2013–14, the first year of operation of the Commission's price direction, Icon Water's water and sewerage services business made a profit from normal operations of $40 million.[4] This was higher than in any other year since the formation of ActewAGL in 2001. This was partly attributable to the boost in water sales resulting from 2013–14 being generally warmer and dryer in the ACT than any year since the ending of the Millennium drought in 2010–11. It did, however, serve to demonstrate that the Commission's price direction would deliver strong profits when business conditions were favourable to Icon Water, as it was designed to do. In 2014–15, climate conditions have not been as supportive of high water sales as in the previous year. Nevertheless, the Commission expects that, while falling short of record levels, Icon Water's water and sewerage services business will still register a solid profit in 2014–15. Clearly, these figures provide no evidence that operation of the Commission's price direction has had a detrimental effect on Icon Water's financial viability.

In November 2014, the first of the biennial calibrations provided in the Commission's price direction commenced. Unfortunately, it was ended prematurely on 18 February 2015 by an order from the Industry Panel suspending parts of the Commission's price direction. In the period before the suspension took effect, however, useful work was done, demonstrating the value of the biennial recalibration process.

The recalibration process began with the Commission submitting a request for information to Icon Water at the end of October 2014 with a response required by the end of November. In the lead up to the provision of the request, Icon Water and the Commission worked to develop a form of information request that would meet the Commission's requirements while imposing minimum regulatory burden on Icon Water. The process worked smoothly with both the request and the response being provided ahead of schedule.

Unfortunately, the premature end to the recalibration meant that the Commission was only able to complete preliminary analysis of the data provided by Icon Water and was, therefore, unable to complete the determination of the prices for water and sewerage services that would have taken effect for 2015–16 and 2016–17 under the Commission's price direction. The availability of the data did, however, influence the prices that will actually apply in those years because analysis of that data by the Industry Panel changed its view of the capital allowances that should be determined for Icon Water. In spite of this use made of the recalibration data by the Industry Panel, the Panel still concluded that the recalibration process was unnecessary.

The other important activity that took place during the foreshortened recalibration process was further work on water sales forecasting by the Commission. As mentioned above, having concluded that there was insufficient basis for a forecast based on statistical analysis in its final report in 2013, the Commission undertook to return to the question in the first biennial recalibration when more data from the period since the lifting of water restrictions would be available. In April 2015 the Commission released the second of two Technical Reports that developed a new methodology for forecasting water sales in the ACT.[5] The analysis described in these reports identified a stable relationship between water sales and climatic variables post July 2006. Applying this methodology the Commission presented forecasts for water sales from 2014–15 to 2016–17. The forecast indicates that water sales, under average climatic conditions, will remain below 40 GL per annum.

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[4] The $40 million profit from normal operations excludes that portion of Icon Water's profit derived from its receipt of so called gifted assets. Such gifted assets usually consist of bundles of water and sewerage infrastructure assets created by a developer in the course of a development project and passed to Icon Water, which assumes ongoing responsibility for operation and maintenance.

[5] http://www.icrc.act.gov.au/wp-content/uploads/2015/04/Report-2-of-2015-Water-Demand-Forecasting-Final-Technical-Paper.pdf.

Over this period, however, the percentage of water sales at the lower, tier 1 tariff will increase to more that 62 per cent of sales, from 56.7 per cent of sales in 2013–14.

This analysis, which suggests that developments in the volume and structure of demand for water will put upward pressure on prices, stands in stark contrast to the much more optimistic picture presented by the Industry Panel. The Panel's analysis concludes that there will be a sharp increase in water sales, sustained through the next three years over which the Panel's price direction runs. This leads the Panel to conclude that a small real reduction in water prices is warranted. The Commission considers the Panel's analysis to be seriously flawed and is fearful that Icon Water's financial performance and profitability is likely to be less than forecast over the next few years and that water prices in the ACT will need to increase substantially in July 2018 if Icon Water's financial future is to be secured.[6]

Greenhouse gas inventory

Shortly after we assumed our current roles, the Commission was approached by the then Environment and Sustainable Development Department, now Environment and Planning Directorate (EPD), to complete the first four of the newly mandated, annual greenhouse gas inventories for the ACT. The then recently passed *Climate Change and Greenhouse Gas Reduction Act 2010* required, at section 12(1), that:

> For each financial year, the Minister must ask an independent entity to prepare a report about greenhouse gas emissions and the targets mentioned in part 2 for the year.

As an example of an "independent entity", the Act gives "independent competition and regulatory commission".

In securing cabinet approval for the new bill, budget funding of $835,000 had also been obtained to cover the cost of conducting the inventory for the first four years. The initial approach to the Commission was an enquiry as to whether the Commission would be prepared to undertake the inventory for the amount of budget funding obtained. The Commission was at pains to point out to the Department that, since this was a new task initially requiring the development of a methodology, there was inevitably uncertainty about the volume of resources that would be required to complete the task. The Commission pointed out that the Department needed to make a clear decision about whether it wished to bear the risk of budgeted resources proving inadequate or whether it wished to transfer that risk to the Commission. To make the choice clear the Commission offered to undertake the task for the funding obtained, regardless of the actual cost, or to undertake the task and bill the actual cost, with the Department guaranteeing to meet that cost.

The Department decided on the former option and a service level agreement (SLA) was concluded on that basis. The SLA also provided that, towards the end of its term, there be a joint review of the agreement with a view to extending it for a further term.

Outcomes

It turned out that the cost of completing the inventories was well within the budget funding. This caused some complaint by the Department, but the Commission pointed out that the sum offered had been determined by the Department not the Commission and that the Commission had offered

[6] A detailed analysis of the Panel's water sales forecasts and the implications of their being overly optimistic is provided in the Commission's comment paper. It should be noted that since that paper was produced final figures for water sales in 2014-15 have become available. These show actual water sales in the ACT at 39.2 GL against a Panel forecast of 43.2GL.

to undertake the work at actual cost. In recognition of the generosity of the sum provided, the Commission did, however, undertake a significant amount of related work outside the scope of the original SLA.

Another source of friction was that the Commission was required to make independent determinations of a number of items identified in the Act, including, but not restricted to, the volume of greenhouse gas emissions to be attributed to the ACT. Since the government had set targets for many of these items, these determinations were politically sensitive. The situation was further complicated by some of the items, for example, for the proportion of energy from renewable sources consumed in the ACT, not being measured in the course of completing an inventory. This meant, in the first instance at least, that additional calculations outside the scope of the inventory itself needed to be undertaken. These additional calculations were not covered by the methods for determining a methodology for the inventory itself in section 11 of the Act. Uncertainty about how to deal with the problems this created was a source of further friction between the Commission and the Department.

Through discussions between the Minister, EPD and the Commission conducted through 2013, the problems caused by the lack of a mechanism under the Act for determining a methodology for measuring the renewable energy proportion were finally recognised. By the beginning of 2014 it had been agreed between the Minister and the Commission that the Commission would provide the Minister with advice on a methodology for determining the renewable energy proportion that was consistent with the way the ACT's greenhouse gas emissions were measured. Subsequently, the Commission was approached by the Office of the Commissioner for the Environment (OCE) for advice about how to relate the results of the emissions inventory to the targets in the government's Action Plan 2 (AP2).[7] It was agreed with the Minister that this too would be the subject of advice from the Commission.

In August 2014, the Commission briefed EPD on its progress in achieving a unified methodology for dealing with the emissions inventory, the renewable energy proportion and the AP2 targets. While it was agreed that the approaches being developed looked promising, it was noted that they were rather different from those previously employed. As such, it was agreed that it was too late to adopt these approaches for the upcoming 2011–12 inventory due in September 2014. The Commission undertook to do further development work and report to the Minister at a subsequent stage.

On 1 September 2014, the Commission received a circular email originating in EPD advising all recipients that the Directorate was issuing a request for tender for the completion of future greenhouse gas inventories and had advertised in the *Canberra Times* of 30 August. The Commission had not been advised that EPD was abandoning the arrangement provided for in the SLA for review with a review to extension nor given any reason why EPD had decided to walk away from the SLA.

Although the Commission was clearly not pleased by the way this was handled by EPD, indicating as it does a lack of good faith on the part of the Directorate, of more fundamental concern is whether the contract arrangements now set in place by EPD to have the inventory carried out by a commercial consultant meet the terms of the Act to have the inventory undertaken by an "independent entity". As recent determinations of regulated retail electricity prices for the ACT demonstrate, environmental measures are accounting for a greater share of the price of energy. In these circumstances, surely the community is entitled to an independent assessment of the impact of these increasingly costly measures on the volume of greenhouse gas emissions attributable to the ACT. The Chief Minister has recently committed the Territory to an upgraded target of 100 per cent

[7] http://www.environment.act.gov.au/__data/assets/pdf_file/0006/581136/AP2_Sept12_PRINT_NO_CROPS_SML.pdf.

of electricity from renewable resources by 2025.[8] Is it too cynical to suppose that an announcement that a target has been met would have more credibility coming from an "independent entity" than from the Directorate charged with developing the policies for achieving it?

The Commission provided its last greenhouse gas inventory to the Minister on 16 September 2014. In a more recent development, the Minister has asked that the Commission no longer provide its quarterly report on the feed-in tariff. Consequently, the Commission's reporting on the operation of the ACT's feed-in tariff scheme concluded with the release of the June Quarter 2015 report. This work is now managed in-house by EPD.

Reasons for these outcomes

The role and structure of the Commission is unusual. While the Commission has staff employed under the *Public Sector Management Act* 1994 and looks superficially like any other small bureaucratic unit, the Commission is actually constituted by its Commissioners who are statutory officers. *The Independent Competition and Regulatory Commission Act* 1997 (ICRC Act) gives the Commissioners certain powers and requires those powers to be exercised in certain ways. The Commission is not an administrative unit of government like a directorate, capable of being brought into or out of existence by the making of administrative arrangements orders by the Chief Minister. Although appointed by executive government, once appointed Commissioners are expected to exercise the authority vested in them independently of executive government and in conformity with the principles laid down in the ICRC Act. Although subject to ultimate oversight by the Legislative Assembly, Commissioners are largely asked to look to their own consciences in discharging responsibilities under the Act. The responsibility thus placed on Commissioners, particularly in the exercise of their quasi-judicial functions, is considerable.

Based on our experience as Commissioners over the half four and a half years, it seems to us that the nature and role of the Commission is not well understood outside the Commission. It is not well understood, for example, that, unlike most of the colleagues in government with whom we work, our first responsibility is not to a Minister, but is to discharge the duties for which the ICRC Act makes us responsible. Because this makes our priorities different from theirs, it seems to us that some of our colleagues have taken the extreme view that this means that the objectives of the Commission must necessarily conflict with those of their Minister and their Directorate.

What is sometimes forgotten in all this is that the Commission only exists because the government wishes it to. There are certain policy objectives which require a body like the Commission in order to achieve. Governments may wish that certain decisions be taken at arm's length from executive government and that responsibility for those decisions be taken by others.

Two more practical reasons why involvement by the Commission may not always be welcomed are that the Commission is seen as expensive and that our advice is difficult to deal with.

It is clear from comparisons we have made with consulting companies doing similar work that the cost of unit of Commission resource is not unduly high. In fact, we estimate that contracting in similar resource from a private consultant would cost the ACT two to three times as much as making that same resource available from the Commission. This is one of the reasons why we have tried to build up the internal capabilities of the Commission and to use consultants only when a required skill

[8] http://www.cmd.act.gov.au/open_government/inform/act_government_media_releases/barr/2015/canberra-to-be-100-renewable-by-2025.

set is not available internally. This, however, is only half the story. The other half is concerned with the methods the Commission has used in going about its work.

During the early months of our appointments, it became apparent to us that there were many inefficiencies in the manner of the Commission's operations. Some of these could be traced to aspects of the Commission's history. The scale, number of Commissioners, and extent of the work program had varied markedly over time. This has mitigated against the development of efficient work practices consistently applied. We set about changing this by improving resource management and governance within the Commission. Over time this has yielded both a leaner and more capable organisation. The area where most resources were expended and where there was, therefore, the scope for greatest gain required deeper and more profound change. This was in the approach that had traditionally been taken to the regulation of water and sewerage services.

We have described above our efforts to secure change in this area, in large part directed at reducing the substantial cost of this regulatory task. Again as described above, these efforts have not to date been successful and the ACT community continues to suffer the burden of a regulatory apparatus that is far more expensive than need be. It is to be deeply regretted that those who have complained loudest about the costs of that regulation have also been in the forefront of the efforts to frustrate worthwhile change directed at reducing those costs.

In regard to the concern that the Commission's advice may be difficult to deal with, we should first note that, if a matter is referred to the Commission, it is generally because it has not proved amenable to analysis by others. In addition, the Commission has a strong preference for identifying the underlying causes of a problem and recommending methods to tackle them rather than supplying a band aid for what may prove to be a festering sore.

As an example, consider the approach taken in the secondary water review. The Commission had cause to be critical of some of the decisions about the management of the ACT water resources taken during the drought. However, rather than simply recommend that decisions be taken better in the future, the Commission asked why the decision-making had been poor. This was traced to the lack of a strategic framework for the management of the Territory's water resources and a failure to identify threats and possible responses in a timely fashion. The Commission recommended that such an approach be developed on the principle that a crisis anticipated is a crisis avoided. As noted earlier, this advice has not been accepted.

We believe that part of the reason why the Commission's advice is not accepted is that providing sound strategic advice is not enough, mechanisms to ensure its timely and thorough consideration are also required. Too often such advice gets considered in a context where there are a number of more pressing matters for government. In addition, the advice may not be couched in a form that is easy for a cabinet to deal with. To avoid such an outcome, perhaps the process of considering Commission advice could become more deliberative. Rather than government feeling that Commission advice is something to which it must respond, "Yes" or "No", the possibility of responding, "Well, perhaps, but tell us more about how this bit would work", could also be possible. To use a buzz-word of the present age, perhaps Commission advice to government could become a more interactive experience for both sides.

Possibilities for change

Among the many useful recommendations of the Grant Review of the ACT's water and sewerage services pricing framework are the suggestions for more and more regular communication between government and the Commission.[9] The Commission endorses these recommendations and believes these ideas could be developed further than outlined in the Grant Review. Closer relations could be extended, not just to the responsible Minister, but to all ministers and their directorates. As has been emphasised above, the Commission has an essentially different character to a directorate so that communication between the Commission and a directorate will, in essential ways, be different from communication between directorates. Such communication will, for example, need to take place in a way that protects the Commission's independence and the role of directorates in providing advice to their ministers. It is to be hoped, however, that ministers, directorates and the Commission share the common objective of securing the best outcome for the ACT community and that this could form the basis for such increased communication.

The Grant Review recommends some formal changes to the relationship between the government and Commission. The Commission believes these could usefully be complemented by some less formal changes designed to increase the quality and quantity of information flowing between ministers, directorates and the Commission. These might be developed through direct discussion between the parties and encompass both regular opportunities to share information and specific mechanisms tailored to dealing with specific issues or recommendations of the Commission.

One gain from such arrangements would be that the community derives more benefit, more often from the analytical work done by the Commission. The formal process of review and report, while designed to protect the Commission's independence and ensure transparency in the Commission's operations, can be inflexible.

For example, it may be that a recommendation made by the Commission, while having some attractions for government, also has features that, nevertheless, cause it to be rejected by government. One of the reasons for such a rejection may be that ministers and their directorates, lacking the familiarity with the issues possessed by the Commission as a result of the analysis it has undertaken, are not able to see how the recommendation can be refined to make it acceptable. It may also be the case that the Commission, operating as it does at arm's length from government, did not anticipate the particular difficulties for government that its recommendation would present. Such a situation would seem ripe for dialogue directed at overcoming the difficulties for government and delivering the benefits that the Commission's recommendation may have brought.

In addition to improving the way recommendations from formal reviews are handled, the Commission has often suggested, including in our preface to the 2013–14 Annual Report, that the Commission be given a wider range of work. The current review of red tape aimed at reducing the regulatory burden on businesses in the ACT is one example where the Commission's expertise might have usefully been deployed. In addition to the direct benefits of such involvement by the Commission, it may also help to break down the barriers to effective communication between ministers, directorates and the Commission noted above.

The Commission provided a substantive submission to the Grant Review. The Commission agrees with the principal recommendations and findings of the Review report. It is undoubtedly the case that the current arrangements impose a high cost regulatory framework with unnecessarily long timeframes that is unsuitable for a small jurisdiction such as the ACT.

[9] http://apps.treasury.act.gov.au/water-and-sewerage-pricing-framework-review.

Commissioners' preface

As noted earlier, this is the last occasion on which we will present the Commission's Annual Report. With this context we can only endorse the Grant Report observation that:

> Assuming that the current regulatory framework is to be maintained it will be essential that the Commission is both better prepared and better equipped to conduct its next pricing review.

Malcolm Gray	Mike Buckley
Senior Commissioner	Commissioner

Part B Organisational overview and performance

B.1 Organisational overview

We provide advice on a range of matters referred to us, for example, on secondary water options for the territory and the racing industry in the territory. In addition, we exercise determinative functions in relation to pricing of some government regulated activities, competitive neutrality and licence conditions for some utilities. We also have various monitoring responsibilities, including over utility licence holders. The *Independent Competition and Regulatory Commission Act* 1997 (ICRC Act) and the *Utilities Act* 2000 (Utilities Act) together set out our functions and objectives in detail.

We have been established amongst other things to:

- promote effective competition in the interests of consumers;
- facilitate an appropriate balance between efficiency and environmental and social considerations;
- ensure non-discriminatory access to monopoly and near-monopoly infrastructure;
- encourage the provision of safe, reliable, efficient and high-quality utility services at reasonable prices;
- minimise the potential for misuse of monopoly power in the provision of utility services;
- promote ecologically sustainable development in the provision of utility services; and
- protect the interests of consumers.

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

Commissioners provide guidance on the broad policies, priorities and strategies of the Commission and that the affairs of the Commission are managed in an efficient and effective way and provide thought leadership in regulatory economics. Commissioner's remuneration is determined by the ACT Remuneration Tribunal.

The backgrounds of Commissioners in 2014–15 are as follows:

Malcolm Gray was appointed as Senior Commissioner of the Commission in March 2011 for a term of 5 years. Malcolm was a lecturer of economics in the United Kingdom, United States and Australia, has been in senior positions in the Commonwealth Public Service, including a period in the Prime Minister's Office, and was Group Economist at CRA Ltd, now Rio Tinto Ltd. Malcolm served on the board of the National Electricity Market Management Company (NEMMCO) from 2002 to 2009 and was Chair of The Gambling and Racing Commission from 2004 to 2012.

Mike Buckley was appointed as Commissioner in March 2011 for a term of 5 years. Mike has held senior positions in the Commonwealth Treasury including work on competition policy and business taxation reform and was Treasury's senior representative in London from 1997 to 2000. Mike managed gas and electricity infrastructure regulation in the Australian Competition and Consumer Commission and the Australian Energy Regulator.

We are ethical and professional in everything we do each and every time. We do this by ensuring that our decisions are based on sound professional advice, that our processes are transparent and that we efficiently and prudently manage our resources.

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

We, collectively and as individuals, seek to:

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

Looking back: 2014–15

2014–15 marked the trough in the Commission's cyclical work program in terms of activities performed in accordance with the ICRC Act. The Commission completed annual price determinations for Icon Water's water and sewerage services prices and regulated electricity tariffs for ActewAGL in June 2015 but did not commence or complete any inquiry activities.

The Commission's work load associated with the Utilities Act was greater than it has been in recent years but this increased level of activity is unlikely to continue. In 2014–15 the Commission issued a licence to TransGrid to provide electricity transmission services in the ACT. The Commission also varied the water and sewerage service licence held by ACTEW Corporation to accommodate its change of name to Icon Water Limited. The Commission also provided advice on new and amended technical codes which followed the enactment of the *Utilities (Technical Regulation) Act* 2014. This Act established a separate legislative framework for technical regulation. The Commission, however, retained the Commission's role in determining utility licence conditions and in the setting of the levy or licence fee the utility must pay to defray the cost of technical regulation. The Commission will also continue to produce the Utility Licence Annual Report. Going forward the Commission would like to involve the Technical Regulator more closely in this work and believes that the transfer of this function to Access Canberra will assist this outcome.

The Commission also concluded its involvement in preparing the ACT's greenhouse gas inventory report and reporting on the electricity feed-in scheme activity. Following amendments to the enabling legislation, these tasks will now be performed by the Environment and Planning Directorate.

The Commission's work program will build during the course of 2015–16 with the commencement of a review of the structure of Icon Water's water and sewerage service tariffs. The Commission also anticipates receiving a terms of reference for an inquiry into small customer retail electricity prices to commence in late 2015.

The Commission's priorities are to:

- Develop its capacity to undertake utility price determinations on a more streamlined, timely and transparent basis; and
- Engage with the Technical Regulator to better integrate technical and economic regulation of the ACT's infrastructure assets.

The challenges facing the Commission are centred on staff retention and skill development given the cyclical nature of the Commission's work program. Losing functions such as reporting on greenhouse gas emissions and renewable energy related matters will not assist the Commission to address this challenge.

Establishing an effective community consultation program as part of the review of Icon Water's water and sewerage service tariffs will also be a challenge. The Commission expects, however, that this task will be supported by Icon Water.

The Commission also expects that the Government consideration of the recommendations of the Grant Review will provide an opportunity to make amendments to the ICRC Act which could also assist the Commission to perform its responsibilities in a more efficient and effective fashion.

B.2 Performance analysis

B.2.1 Regulated water and sewerage services price adjustment 2015–16

In June 2015 we determined new maximum prices for Icon Water's water, sewerage and miscellaneous services to apply from 1 July 2015. The price adjustment was made in accordance with the Substituted Price Direction: Regulated Water and Sewerage Services, 1 July 2013 to 30 June 2018.

B.2.2 Retail electricity price reset

In June 2015 we determined the maximum average price adjustment for ActewAGL Retail's basket of regulated retail electricity tariffs to apply from 1 July 2015. The price adjustment was made in accordance with the Price Direction: Standing offer prices for the supply of electricity to small customers 1 July 2014 to 30 June 2017.

B.2.3 Water demand modelling

In January and April 2015 we published technical papers on forecasting water demand in the ACT. The papers presented a new econometric water sales forecasting model developed by the Commission for future use in determining Icon Water's water sales volumes when setting water prices.

B.2.4 2015 biennial water and sewerage services price recalibration

We started the 2015 biennial price recalibration process under the Price Direction: Water and Sewerage Services 1 July 2013 to 30 June 2019 in October 2014 by requesting Icon Water to provide updated information on its expected capital and operating expenditure and demand for its services for the period commencing 1 July 2015. In December 2014 the Commission published the information provided by Icon Water on its website. The biennial process was suspended by the Industry Panel in February 2015.

B.2.5 Feed-in-tariff reports

The *Utilities (Electricity Feed-in Code) Determination 2012* (FiT Code – D2012-154) sets out practices and standards for the operation of a scheme for feed-in from renewable energy generators to the electricity network. The scheme was established under the Electricity *Feed-in (Renewable Energy Premium) Act* 2008 (FiT Act) During 2014–15, the Commission meet its feed-in tariff advice annual reporting obligation through the release of the following reports (FiT Report) to the Minister:

- ACT Electricity Feed-in Scheme Activity Summary to 30 June 2014 (August 2014)
- ACT Electricity Feed-in Scheme Activity Summary to 30 September 2014 (November 2014)
- ACT Electricity Feed-in Scheme Activity Summary to 31 December 2014 (April 2015)
- ACT Electricity Feed-in Scheme Activity Summary to 31 March 2015 (June 2015)

During 2014–15, amendments (A2015-20) were made to the FiT Act whereby the Minister may now seek information and report on similar data to that already reported by the Commission in its FiT reports. The explanatory statement to the amending bill noted that the amended reporting requirement is 'intended to replace the current quarterly reporting requirements in the Utilities (Electricity Feed-in Code) issued under the Utilities Act 2000'.

The amendments came into effect on 16 June 2015. The Commission's final FiT report, for the quarter ending 30 June 2015, was due in September 2015.

B.2.6 Utility licence annual report

Under section 25(2)(d) of the *Utilities Act* 2000 (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 commission monitors these reports and may formally verify the data provided and question utilities about its accuracy where it appears anomalous or inconsistent. We have set out a summary of the utility licence annual reports received in 2014–15 in Attachment 4 – Utility Licence Annual Report 2013–14 summary.

B.3 Scrutiny

There were no reports on the Commission produced by entities charged with responsibility for scrutiny for 2014–2015.

B.4 Risk management

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

As a management tool, risk management is used by us to identify and manage the potential cost and performance/technical risks to our statutory obligations, to take a proactive and structured approach to manage negative outcomes, respond to them if they occur, and identify potential opportunities that may be hidden in the situation. The risk management approach and plan operationalise these management goals.

B.5 Internal audit

The Commission is a small organisation, and the establishment of a formal internal audit committee of the type envisaged in the 2014–15 Annual report directions is not appropriate for us. We are committed and attentive to the need for strong controls to identify and manage our risks, as well as developing a strong risk management culture within our organisation. Whilst our CEO is responsible for implementing the systems and controls, including a methodology for internal review and for the identification and management of risk across our organisation relevant to our nature, scale and size, we promote an approach that sees active risk management as the responsibility of all Commission staff.

B.6 Fraud prevention

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

B.7 Work health and safety

In the Commission our approach to workplace health and safety is that it is a shared responsibility between our staff, our CEO and Commissioners.

Ensuring we have a working environment that is healthy and safe for all who work at the Commission is a high priority for us. Our monthly Commission Meeting, and our fortnightly operational team meetings, have workplace health and safety as a standing agenda item and any safety concerns are discussed in an open, transparent and supportive manner. Given our size and open approach to identifying and managing any workplace safety issues or concerns we did not have an elected Health and Safety Representative in 2014–15. Staff did however, have access to consultative committee forums which are the primary mechanism for consultation on all workplace issues, including workplace safety.

In 2014–15 we again coordinated and funded a vaccination program for staff to receive an annual influenza vaccination. This initiative was well supported by staff.

During 2014–15 no notices were issued to us 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 resource management

This year we have continued our workforce planning and human resource management strategy of maintaining a core of permanent staff with the specialist skills and experience necessary to meet our objective of delivering positive public administration and policy outcomes for the ACT community at minimum cost. Our areas of professional expertise include regulatory economics and regulatory law and policy and we are committed to building sustainable internal resources to deliver on our responsibilities efficiently and effectively.

Our workforce strategy of engaging additional specialist skills through contract staff and consultants on an as-needs basis for specific projects was again implemented in 2014–15. This particular strategy enables us to respond effectively when references or other requests require additional capacity, and provides us with the flexibility to respond to emergent workforce capability challenges in an efficient manner.

Given our size (4 full time staff and two part-time commissioners) and the specialist nature of our functions we have not implemented any specific employment strategies for apprenticeships, traineeships or for people with a disability. In 2014–15 none of our staff have identified themselves as people with a disability, however, we provide ongoing support to the workplace needs of all staff and commissioners.

Given the small size of the Commission, the provision of length of service, levels, age and other reportable data may breach our commitment to and protection of the privacy of staff.

Workforce recruitment and separation data was either not supplied or due to a small sample size, the data was not statistically valid or reliable.

B.9 Ecologically sustainable development

We did not receive any requests for staff to assist in the preparation of the Statement of the Environment Report. We are not aware of any investigations carried out by the Commissioner for Sustainability and the Environment in relation to the activities of the Commission.

Table 1 sets out the Commission's operational consumption of resources.

Table 1 Sustainable development performance – current (2014–15) and previous financial year (2013–14)

Indicator as at 30 June 2015	Unit	Current FY	Previous FY	Percentage change
Agency staff and area				
Agency staff	FTE	4	8	
Workplace floor area	Area (m²)	330	330	0
Stationary energy usage				
Electricity use	Kilowatt	2418.48	28,229	
Renewable electricity use	Kilowatt	0	0	0
Natural gas use	Megajoules	0	0	0
Transport fuel usage				
Total number of vehicles	Number	0	0	n/a
Total kilometres travelled	Kilometres	0	0	n/a
Fuel use – Petrol	Kilolitres	0	0	n/a
Fuel use – Diesel	Kilolitres	0	0	n/a
Fuel use – Liquid Petroleum Gas	Kilolitres	0	0	n/a
Fuel use – Compressed Natural Gas (CNG)	Kilolitres	0	0	n/a
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	44	91	
Recycled content of paper purchased	Percentage	75	Data not captured	
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 paper)	Litres	25x240–litre bins	36x240–litre bins	
Organic material recycled	Litres	0	0	0
Greenhouse gas emissions				
Emissions from stationary energy	Tonnes	19.9		
Emissions from transport	Tonnes			
Total emissions	Tonnes	19.9		

Part C Financial management reporting

C.1 Financial management analysis

C.1.1 General overview

Objectives

The Independent Competition and Regulatory Commission (the Commission) has responsibilities for a broad range of regulatory and utility administrative matters. We have responsibility under the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act) for regulating and advising government on pricing and other matters for monopoly, near-monopoly and ministerially declared regulated industries, providing advice on competitive neutrality complaints and government-regulated activities. We also have responsibility for arbitrating infrastructure access disputes under the ICRC Act.

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

We also have a statutory role under the *Electricity Feed-in (Renewable Energy Premium) Act 2008* in providing advice to the minister relevant to the determination of the premium rate payable by electricity suppliers to renewable energy generators, and in monitoring compliance with the Electricity Feed-in Scheme through licence conditions for electricity suppliers and for ActewAGL Distribution. In 2011–12, we were also asked as an independent entity to prepare annual reports on greenhouse gas emissions and targets under the *Climate Change and Greenhouse Gas Reduction Act 2010*.

The Commission also concluded its involvement in preparing the ACT's greenhouse gas inventory report and reporting on the electricity feed-in scheme activity. Following amendments to the enabling legislation, these tasks will now be performed by the Environment and Planning Directorate.

Our objectives and functions are set out in section 7 of the ICRC Act and section 3 of the Utilities Act. We operate on a reasonable cost recovery basis.

Risk management

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

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

Comments on each of these areas are below.

Consultant risk

- The probability of non-performance under contracts for expert advice is considered low. We manage this risk by using whole of life contract management principles including close oversight of performance under the contract. There have been no incidents of contractual non-performance in 2014–15.

Operational risk

- Operational risk arises from inadequate internal processes, people and systems, or from external events such as non-performance under contracts. We have instituted policies and procedures that proactively manage third-party risk through continuous evaluation of risk factors across the decision continuum. The cyclical nature of our work has placed and continues to place pressure on our people.
- We face the organisational risk of sustainability and our reliance on a few staff increases the risk of loss of organisational capacity and knowledge when those staff utilise leave under relevant work place agreements or seek opportunities elsewhere.
- A key operational risk in the 2015–16 financial year arises from the completion of the terms of appointment of both Senior Commissioner Gray and Commissioner Buckley. This increases the operational risk of loss of business continuity.

Information risk

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

Workplace safety and related employee risks

- Workplace risks are managed as an ongoing priority. Management has close oversight of employee work practices, and office facilities. Responsibility for occupational health and safety representation is a shared responsibility. We have a fire warden and a first aid officer.
- During 2014–15, no occupational health and safety incidents or dangerous occurrences were notified. We provide a high level of support for staff and we promote sustainable work–family balance practices.

Credit or default risk

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

C.1.2 Financial performance

The following financial information is based on audited financial statements for 2013–14 and 2014–15, and the forward estimates contained in the 2015–16 Budget Statements.

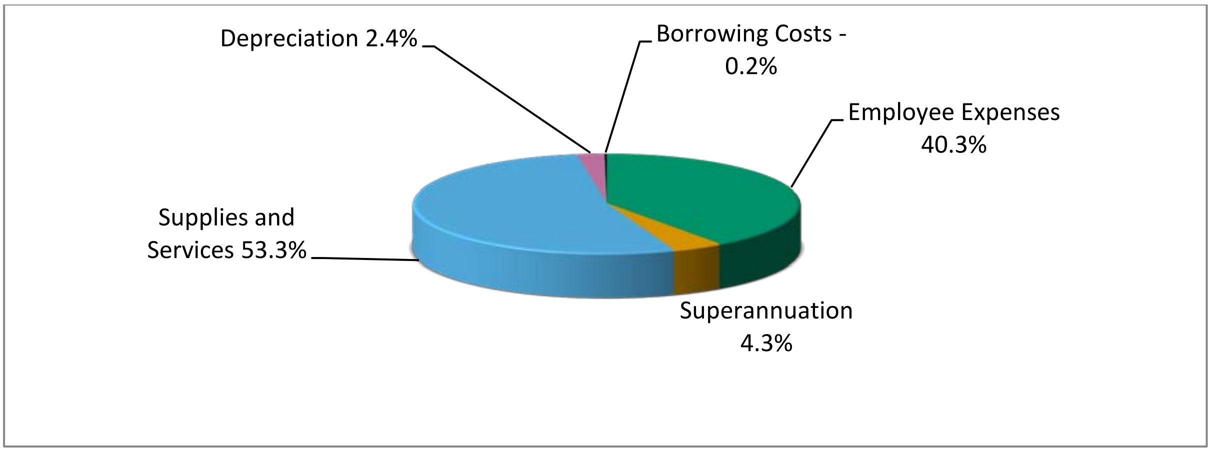
Total expenditure

Components of expenditure

Figure 1 shows the components of our expenditure for 2014–15. The main components of ordinary expenditure were:

- Supplies and Services of $1.177 million (53.3 per cent); and
- Employee Expenses of $0.890 million (40.3 per cent).

Figure 1 Components of Expenditure 2014–15



Comparison to budget

Total expenditure was $2.209 million and was $0.278 million (14.4 per cent) higher than the budget. The higher than budgeted result relates to Commission activities that are not recurrent, making it difficult to determine the cost of services each year or activities where the costs are not able to be determined until after the budget process is completed. The main cause of the 2014–15 variance relates to Professional Service payments for advice on technical regulation and legislation; and Utilities Act - external payments to Environment and Planning Development (EPD) and ACT Civil and Administrative Tribunal (ACAT). As the Commission principally operates on a cost recovery basis, these additional costs had a negligible impact on the operating result.

Comparison to 2013–14 actual expenditure

Total expenditure was $2.209 million and was $0.255 million (10.3 per cent) lower than the 2013–14 actual result. The decreased expenditure is largely attributed to the Commission having less deliverables, with greenhouse gas annual reports being completed in November 2014 and the Retail Electricity Price Determination for Small Franchise Customers 2014–17 being completed in the prior year. As a result of the reduced activity levels, employees on temporary contracts have not been extended or renewed and permanent positions have not been filled when vacated.

Future trends

For 2015–16 expenditure is expected to decrease further with Commission activities essentially limited to its normal recurrent regulatory activities. More generally, expenditure may vary over the forward estimates for activities that are not performed on an annual basis, including unanticipated references or other requests for Commission services from government and non-government sources.

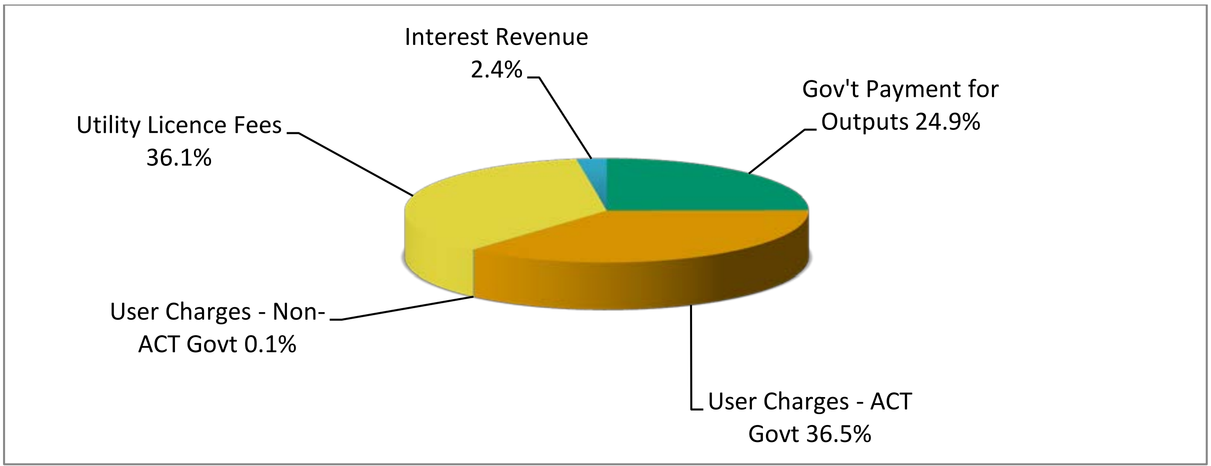
Total Income

Components of income

Figure 2 shows the components of our income for 2014–15. The main components of income were:

- Government Payment for Outputs (GPO) of $0.534 million (24.9 per cent) recognised for our energy industry regulatory activities;
- User Charges - ACT Government of $0.783 million (36.5 per cent) were recognised for the following activities:
    - a purchase agreement with the Chief Minister, Treasury and Economic Development Directorate for services under the ICRC Act;
    - a service level agreement with the Environment and Planning Directorate for reporting and analytical advice in relation to the *Climate Change and Greenhouse Reduction Act 2010*;
    - Biennial Water and Waste Water Pricing review; and
    - 5 Year Water and Waste Water Pricing review Industry Panel costs.
- Utility Licence Fees of $0.774 million (36.1 per cent) were recognised for regulatory activities for water, sewerage and gas transmission utilities under the *Utilities Act 2000* (Utilities Act). These fees cover our reasonable costs, and the regulation costs of technical regulation and the ACAT which are recoverable under the Utilities Act.

Figure 2 Components of Income 2014–15



Comparison to budget

Income for the year was $2.144 million and was $0.161 million (8.1 per cent) higher than budget. The variance in income to budget mainly relates to:

- User Charges - ACT Government being $0.305 million (63.8 per cent) higher than budget. This variance primarily relates to the biennial price review for Regulated Water and Sewerage Services. As this is not an annual activity and had not been performed by the Commission previously, the costs to be recovered were uncertain when the budget was prepared; and
- Fees being $0.131 million (14.5 per cent) lower than budget. This result primarily relates to the budget being based on recovering historic regulatory costs. The determination for fees is completed annually in September (4 months after the budget process is completed) with estimated and actual fees collected on behalf of EPD and ACAT varying significantly each year, making accurate projections difficult.

Comparison to 2013–14 actual income

Total income in 2014–15 was $2.144 million, a decrease of $0.440 million (17.0 per cent) from the 2013–14 result. The variance in income to the prior year primarily relates to:

- Government Payment for Outputs (GPO) were $0.128 million (31.5 per cent) higher due to the Commission drawing the full allowable amount of GPO in order to meet the cyclical funding requirements of its regulatory activities under the *Utilities Act 2000*;
- User Charges – Non-ACT Government were $0.714 million (99.8 per cent) lower due to the Retail Electricity Price Determination for Small Franchise Customers 2015–17 not being an annually recurrent activity; and
- Utility Licence Fees were $0.135 million (21.1 per cent) higher due to upwards revision of estimated costs recovered for EPD and ACAT (based on 2013–14 actual costs).

Future trends

For 2015–16, income is expected to decrease further with minimal activity being performed by the Commission outside of its normal recurrent regulatory activities. 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

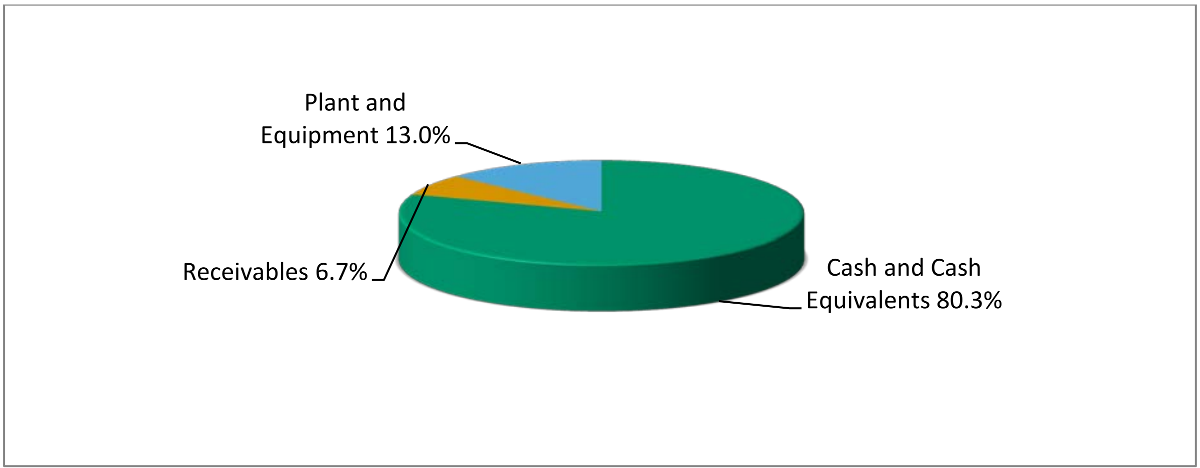
Total assets

Components of total assets

Figure 3 shows the components of our Total Assets as at 30 June 2015. The components were:

- Cash and Cash Equivalents of $2.148 million (80.3 per cent);
- Receivables of $0.178 million (6.7 per cent); and
- Plant and Equipment of $0.348 million (13.0 per cent).

Figure 3 Total assets, as at 30 June 2015



Comparison to budget

At 30 June 2015, Total Assets amounted to $2.674 million. This is $0.442 million (14.2 per cent) lower than the budget. The variance to budget mainly relates to:

- Receivables being $0.284 million (61.5 per cent) lower than budget. The lower than budgeted result relates to the Commission's activities not being annually recurrent and it being difficult to determine the value of services to be recovered each year. The Commission has also increased the regularity of invoicing to recover costs more quickly and to reduce its receivables balance.

Comparison to 2013–14 actuals

Our Total Asset position is $2.674 million, which is almost unchanged from the 2013–14 actual of $2.669 million.

Liquidity

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

Table 2 – Current ratio

Description	Prior year actual $'000 2013–14	*Current year budget $'000 2014–15*	Current year actual $'000 2014–15	*Forward year budget $'000 2015–16*	*Forward year budget $'000 2016–17*	*Forward year budget $'000 2017–18*
Current assets	2,270	*2,761*	2,326	*2,121*	*2,231*	*2,340*
Current liabilities	973	*1,065*	1,040	*832*	*849*	*865*
Current ratio	2.3:1	2.6:1	2.2:1	2.5:1	2.6:1	2.7:1

Our current ratio of 2.2:1 shows we are in a strong financial position. It is necessary for the Commission to maintain a high level of liquidity due to the cost recovery model we principally operate under, where significant expenditure can be required to perform an activity and those costs may not be recovered for an extended period of time.

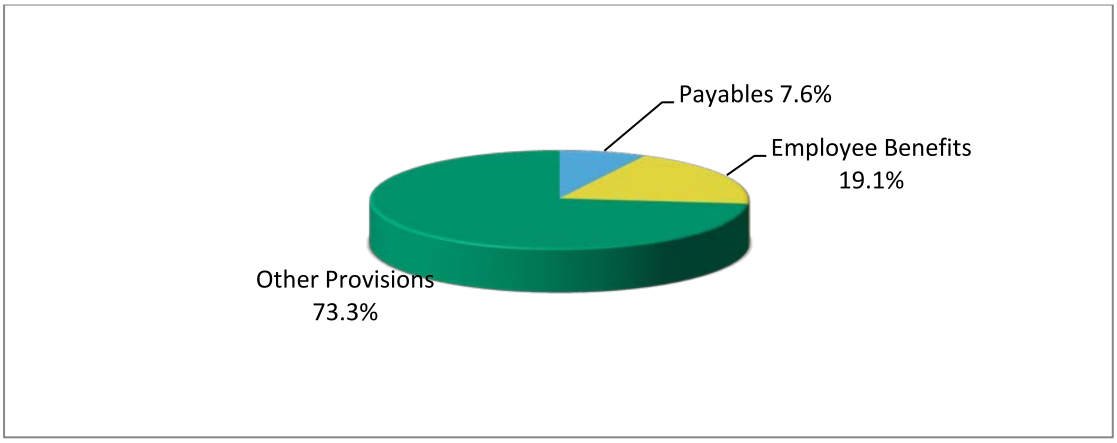
C.1.4 Total liabilities

Components of total liabilities

Figure 4 shows the components of our Total Liabilities as at 30 June 2015. The components were:

- Other Provisions of $0.820 million (73.3 per cent);
- Employee Benefits of $0.214 million (19.1 per cent); and
- Payables of $0.085 million (7.6 per cent).

Figure 4 Total Liabilities As At 30 June 2015



Comparison to budget

Our Total Liabilities of $1.120 million is close to the 2014–15 budget of $1.152 million.

Comparison to 2014–15 actuals

Our Total Liabilities of $1.120 million is close to the 2013–14 actual of $1.151 million.

C.2 Financial statements

We have prepared financial statements for 2014–15 in accordance with the relevant accounting standards. The statements were independently audited as required by the *Financial Management Act 1996*, ACT Accounting Standards, and the Chief Minister's 2014–15 Annual Report Directions. The audit opinion, financial statements and accompanying notes to the statements are set out in Attachment 1.

C.3 Capital works

The Commission does not have a capital works program.

C.4 Asset management

The Commission does not have assets of the kind listed in the ACT Government's Asset Management Strategy for which it is responsible.

We are located on Level 8, 221 London Circuit where we occupy less than half of the floor. The Commission currently employs 4 staff and 2 Commissioners who combined occupy 330^{2}m of office space.

C.5 Government contracting

Table 3 sets out information relating to the Commission's procurement and contracting activities for 2014–15. The contracts in table 3 relate to goods and services provided to the Commission in 2014–15 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 (NI2015-207) 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 2014–15

Contract title	Provide Regulatory Analysis/Advice Services	Accounting and Financial Management Services	Market Data Agreement
Procurement method-ology	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	62,480.00 (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	11/11/2014 (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	01/05/2015	31/03/2018	31/12/2025[10]

[10] 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 Financial Year Ended 30 June 2015

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 2015 and also fairly reflects the judgements exercised in preparing the Statement of Performance for the financial year ended 30 June 2015.

Ms Ranjini Nayager
Chief Executive Officer
Independent Competition and Regulatory Commission
13 August 2015

Phone: 02 6205 0799 • Fax: 02 6207 5887 • Web: www.icrc.act.gov.au • Level 8, 221 London Circuit, Canberra City ACT 2601 • PO Box 161, Civic Square ACT 2608

Statement of performance for the year ended 30 June 2015

Statement of intent accountability indicators	Original target 2014–15	Actual result 2014–15	%Variance from original target	Explanation of material variances
Water and sewerage services pricing	Biennial Recalibration[1]	Not achieved	100%	The Industry Panel suspended the biennial recalibration process.
Retail electricity pricing	Price adjustment	Achieved	-	
ACT Electricity Feed-in tariff summary	1 Annual Report	4 quarterly reports	-	
Utilities compliance and performance	1 Report[2]	1 Report	-	
Greenhouse gas emissions and targets	1 Report[3]	1 Report	-	
Utility licence fees (water, wastewater, and energy sector utilities not subject to energy industry levy)	1 Determination[4]	1 Determination	-	
Utility levies (energy sector)	3 Determinations[5]	3 Determinations	-	
Advice on referred matters	Subject to receipt of references	N/A	-	No references were received in 2014–15.

Explanation of accountability indicators for the year ended 30 June 2015

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

Notes

1. The Industry Panel, constituted by the Treasurer when Actew (Icon Water) appealed the Commission's 2013 decision, suspended the Commission's biennial recalibration process on 18 February 2015. At the time of the suspension, all milestones in the biennial recalibration had been met and the process was on track to deliver its outcome within the required timeframe. On 19 May 2015, the Industry Panel substituted a new price direction for water and sewerage prices.

2. The Commission published the utilities licence annual report for the 2012–13 year in the Commission's 2013–14 Annual Report.

3. As required by the *Climate Change and Greenhouse Gas Reduction Act 2010* and a Service Level Agreement with the Environment and Planning Directorate, the Commission prepared its final annual report for the Minister.

4. The Commission determined the annual licence fee payable by certain licensed utilities under the *Utilities Act 2000* for the year ending 30 June 2015 in 2014–15 and collected those fees accordingly.

5. The Chief Executive of the Commission made three determinations under Part 3A of the *Utilities Act 2000* for the 2014–15 financial year on 1 October 2014. These determinations are used to impose a levy on energy utilities to recover the amount of the ACT's national regulatory costs, and local regulatory costs, in relation to energy industry sectors.

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

Part D Notices of non compliance

D.1 Dangerous substances

This section is not applicable to the Commission.[11]

D.2 Medicines, poisons and therapeutic goods

This section is not applicable to the Commission.[12]

Part E Education and training

E.1 Investigation of complaints

This section is not applicable to the Commission.[13]

E.2 Teacher quality institute

This section is not applicable to the Commission.[14]

Part F Health

F.1 Mental health

This section is not applicable to the Commission.[15]

F.2 Tobacco compliance testing

This section is not applicable to the Commission.[16]

[11] Part 4 *Annual Report (Government Agencies) Notice 2015* (NI2015-207), p34.
[12] Ibid.
[13] Ibid, p36.
[14] Ibid.
[15] Ibid.
[16] Ibid.

Part G Gambling and racing

This section is not applicable to the Commission.[17]

Part H Ministerial and Director-General directions

This section is not applicable to the Commission.[18]

Part I Public land management plans

This section is not applicable to the Commission.[19]

Part J Third party insurance

This section is not applicable to the Commission.[20]

Part K Victims of crime

This section is not applicable to the Commission.[21]

Part L Waste minimisation contraventions

This section is not applicable to the Commission.[22]

[17] Ibid, p37
[18] Ibid.
[19] Ibid, p38.
[20] Ibid.
[21] Ibid, p39.
[22] Ibid.

Part M Community engagement and support

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

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

In 2014–15, we released a technical paper to assist the ACT community in understanding the consequences of the decision of the Industry Panel who set water and sewerage services prices for the ACT.

We continued to support local not for profit charities.

Part N Justice and community safety

N.1 Bushfire risk management

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

N.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 our functions and the legislation which governs and forms the basis of our 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. We have also set out a 'submissions' link on our home page where members of the public have access to information in relation preparing and submitting submissions to the Commission when we are undertaking reviews and investigations.

Categories of documents

The Commission holds the following categories of documents:

- 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 our website and/or the ACT Legislation Register. Alternatively, members of the public can request a soft or hard copy of the document without charge.

Our office is located at Level 8, 221 London Circuit, Canberra City. The office is wheelchair accessible. It is only 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, we make a variety of decisions under the *ICRC Act* and *Utilities Acts*. 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 our website, while our notifiable and disallowable instruments are available on the ACT Government's legislation website. In addition, our policies on how we treat confidential and personal information under the ICRC Act and its determined disclosure guidelines are available on our website under 'access to information'.

Section 79 statement

During 2014–15, the Commission did not receive any requests for access to information under the FOI Act.

N.3 Human rights

The *Human Rights Act* 2004 (Human Rights Act), whilst not explicitly mentioned in the ICRC Act or the Utilities Act, imposes a duty on the Commission (as an ACT Government instrumentality) to interpret all Territory laws consistently with those human rights enshrined in the Human Rights Act. The civil and political rights recognised under Part 3 of the Human Rights Act and the economic, social and cultural rights under Part 3A create a benchmark that our decisions must uphold.

The Commission's objectives set out under section 7 of the ICRC Act and section 3 of the Utilities Act outlines that we must consider the rights and interests of consumers and the community when making decisions under those Acts. The Commission's regulation of licensed utilities in the Territory is also important in maintaining the provision of essential services to the ACT community. Access to a number of these services is a basic human right.

During the reporting period, staff participated in a number of activities relating to the awareness and education of human rights principles. To celebrate the Human Rights Act's 11th birthday, staff participated in the '11 Years in 11 Minutes Over 11 Weeks Challenge'. Legal staff also undertook training in human rights related areas such as ethics and discrimination.

N.4 Legal services direction

We are required to report on our compliance with legal services directions set out under the *Law Officers Act 2011*.

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

During 2014–15, we were not involved in any litigation or proceedings before the courts. In relation to inquiries, we were involved in, or were the subject of, three matters:

- Water and Sewerage Pricing Framework Review (Grant Review);
- Industry Panel Review of the Price Direction: Regulated Water and Sewerage Services 2013–2019; and

- an ACT Ombudsman's review.

We complied with the obligations set out in the *Law Officer (Model Litigant) Guidelines 2010 (No 1)* in relation to the above three matters.

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

During 2014–15, we sought legal services from the ACT Government Solicitor on two occasions. We outsourced a third matter for legal advice. We also sought to confirm with the ACT Government Solicitor's office our compliance with clause 1.4 of the *Law Officers (General) Legal Services Directions 2012 (NI2012-292)* as we have two managerial staff that hold legal qualifications.

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Part O Public sector standards and workforce profile

O.1 Culture and behaviour

Being a small organisation, we foster an open culture and value the provision of frank and fearless advice internally and externally. We promote ethical behaviour and the prevention of fraud and corruption through general awareness training for staff and as a component of our induction process. Topics covered at induction also include the ACTPS Code of Conduct, values and signature behaviours. The promotion of ethical behaviour is also delivered as a component of the Respect, Equity and Diversity training embedded in our induction process.

We also implemented the ACT Public Service (ACTPS) Values and Signature behaviours and the ACTPS Code of Conduct, which are set out documentation available to staff.

O.2 Public interest disclosure

The *Public Interest Disclosure Act* 2012 (the Act) provides a mechanism for any member of the public, including ACT Public Servants, to report wrongdoings in the ACTPS (otherwise known as whistle blowing). We have adopted the Public Interest Disclosure Guidelines 2013 (guidelines), issued by the Commissioner for Public Administration to facilitate the making of disclosures, and have operated in accordance with the guidelines throughout 2014–15.

Our Designated Disclosure Officer (DDO (NI2015-162)) is a Senior Executive Responsible for Business Integrity Risk (SERBIR). The Commission Executive or our DDO deal with all disclosures received. During the 2014–15 reporting year we did not receive or investigate a disclosure under the Act. There were no Ombudsman recommendations tabled in the 2014–15 reporting year that required the Commission or its staff to take remedial action.

O.3 Workforce profile

Workforce recruitment and separation data was either not supplied or due to a small sample size the data was not statistically valid or reliable.

Part P Territory records

The Commission's Records Management Program is currently being developed and is scheduled to be completed and submitted to the Director of Territory Records by 30 June 2016.

The Commission has adopted practices which meet the document retention and disposal requirements and the file registry requirements of the ACT Government. The Commission's records management practices are embedded in the Commission's business continuity plans, risk management plans, internet policy and processes and administrative procedures.

The Commission's Office Manager is the senior officer responsible for records management within the Commission. Appropriate training and resources are made available to all staff in the Commission.

Table 4 sets out the Commission's approved Records Disposal Schedule.

Table 4 Approved Records Disposal Schedule for Commission

Records Disposal Schedule Name	Effective	Year and No.
Territory Records (Records Disposal Schedule - Independent Competition and Regulation Records) Approval 2006 (No 1)	31 January 2006	NI2006-28

Attachment 1 – Financial statements and audit report[23]

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 2015

Independent Competition and Regulatory Commission Balance Sheet as at 30 June 2015

Independent Competition and Regulatory Commission Statement of Changes in Equity for the year ended 30 June 2015

Independent Competition and Regulatory Commission Cash Flow Statement for the year ended 30 June 2015

Independent Competition and Regulatory Commission Statement of Appropriation for the year ended 30 June 2015

Independent Competition and Regulatory Commission Notes to and forming part of the financial statements for the year ended 30 June 2015

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

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT AUDIT REPORT

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the Independent Competition and Regulatory Commission (the Commission) for the year ended 30 June 2015 have been audited. These comprise the operating statement, balance sheet, statement of changes in equity, cash flow statement, statement of appropriation and accompanying notes.

Responsibility for the financial statements

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

The auditor's responsibility

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

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

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

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

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

Electronic presentation of the audited financial statements

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

Independence

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

Audit opinion

In my opinion, the financial statements of the Commission for the year ended 30 June 2015:

(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 Commission as at 30 June 2015 and results of its operations and cash flows for the year then ended.

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

Malcolm Prentice
Acting Director, Financial Audits
14 August 2015

Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2015

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 2015 and the financial position of the Commission on that date.

Ms Ranjini Nayager
Chief Executive Officer
Independent Competition and Regulatory Commission

12 August 2015

Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2015

Statement by the Chief Finance Officer

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the Independent Competition and Regulatory Commission's accounts and records and fairly reflect the financial operations of the Commission for the year ended 30 June 2015 and the financial position of the Commission on that date.

Mr Scott Hickey
Chief Finance Officer
Independent Competition and Regulatory Commission

12 August 2015

Independent Competition and Regulatory Commission
Operating Statement
For the Year Ended 30 June 2015

	Note No.	Actual 2015 $'000	Original Budget 2015 $'000	Actual 2014 $'000
Income				
Revenue				
Government Payment for Outputs	4	534	548	406
User Charges - ACT Government	5	783	478	773
User Charges - Non-ACT Government	5	1	-	715
Fees	6	774	905	639
Interest	7	52	52	51
Total Revenue		2,144	1,983	2,584
Total Income		**2,144**	**1,983**	**2,584**
Expenses				
Employee Expenses	8	890	896	1,216
Superannuation Expenses	9	94	128	143
Supplies and Services	10	1,177	857	1,049
Depreciation	11	52	50	52
Borrowing Costs	12	(4)	-	4
Total Expenses		**2,209**	**1,931**	**2,464**
Operating (Deficit)/Surplus		**(65)**	**52**	**120**
Total Comprehensive Income		**(65)**	**52**	**120**

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

Independent Competition and Regulatory Commission
Balance Sheet
As at 30 June 2015

	Note No.	Actual 2015 $'000	Original Budget 2015 $'000	Actual 2014 $'000
Current Assets				
Cash and Cash Equivalents	14	2,148	2,299	1,838
Receivables	15	178	462	432
Total Current Assets		**2,326**	**2,761**	**2,270**
Non-Current Assets				
Plant and Equipment	16	348	355	399
Total Non-Current Assets		**348**	**355**	**399**
Total Assets		**2,674**	**3,116**	**2,669**
Current Liabilities				
Payables	17	85	179	60
Employee Benefits	18	195	261	286
Other Liabilities	19	-	-	83
Other Provisions	20	760	625	544
Total Current Liabilities		**1,040**	**1,065**	**973**
Non-Current Liabilities				
Employee Benefits	18	19	29	14
Other Provisions	20	60	58	64
Total Non-Current Liabilities		**79**	**87**	**78**
Total Liabilities		**1,120**	**1,152**	**1,051**
Net Assets		**1,554**	**1,964**	**1,618**
Equity				
Accumulated Funds		1,554	1,964	1,618
Total Equity		**1,554**	**1,964**	**1,618**

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 2015

	Accumulated Funds Actual 2015 $'000	Total Equity Actual 2015 $'000	Original Budget 2015 $'000
Balance at 1 July 2014	1,618	1,618	1,912
Comprehensive Income			
Operating (Deficit)/Surplus	(65)	(65)	52
Total Comprehensive Income	**(65)**	**(65)**	**52**
Balance at 30 June 2015	**1,554**	**1,554**	**1,964**

	Accumulated Funds Actual 2014 $'000	Total Equity Actual 2014 $'000
Balance at 1 July 2013	1,498	1,498
Comprehensive Income		
Operating Surplus	120	120
Total Comprehensive Income	**120**	**120**
Balance at 30 June 2014	**1,618**	**1,618**

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 2015

	Note No.	Actual 2015 $'000	Original Budget 2015 $'000	Actual 2014 $'000
Cash Flows from Operating Activities				
Receipts				
Government Payment for Outputs		534	548	406
Fees		830	905	505
User Charges - ACT Government		737	478	1,143
User Charges - Non-ACT Government		209	-	461
Interest Received		52	52	55
Goods and Services Tax Collected from Customers		137	-	115
Goods and Services Tax Input Credits from the Australian Taxation Office		7	-	-
Other		-	86	-
Total Receipts from Operating Activities		**2,506**	**2,069**	**2,685**
Payments				
Employee		976	880	1,168
Superannuation		95	112	143
Supplies and Services		1,024	965	1,367
Goods and Services Tax Remitted to the Australian Taxation Office		-	-	1
Goods and Services Tax Paid to Suppliers		101	101	122
Total Payments from Operating Activities		**2,196**	**2,058**	**2,801**
Net Cash Inflows/(Outflows) from Operating Activities	23(b)	**310**	**11**	**(116)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**310**	**11**	**(116)**
Cash and Cash Equivalents at the Beginning of the Reporting Period		1,838	2,288	1,954
Cash and Cash Equivalents at the End of the Reporting Period	23(a)	**2,148**	**2,299**	**1,838**

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 2015

	Original Budget 2015 $'000	Total Appropriated 2015 $'000	Appropriation Drawn 2015 $'000	Appropriation Drawn 2014 $'000
Government Payment for Outputs	548	548	534	406
Total Appropriation	**548**	**548**	**534**	**406**

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 the Total Appropriated and the Appropriation Drawn is due to changes in economic parameters during 2014-15 which reduced the funds the Commission was permitted to draw down.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note Index

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 1 Objectives of the Independent Competition and Regulatory Commission

Operations and Principal Activities

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

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

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

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

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

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

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

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies

(a) Basis of Preparation

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

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

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

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

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

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

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

The Commission is an individual reporting entity.

(b) The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the Commission for the year ended 30 June 2015 together with the financial position of the Commission as at 30 June 2015.

(c) Comparative Figures

Budget Figures

The *Financial Management Act 1996* requires the statements to facilitate a comparison with the Statement of Intent. All references to "Original Budget" refer to the budget figures presented in the Statement of Intent and these figures have not been adjusted to reflect supplementary appropriation or appropriation instruments.

Prior Year Comparatives

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

(d) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of "-" represents zero amounts or amounts rounded down to zero. Column totals may not add due to figures being rounded to the nearest thousand dollars.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies - Continued

(e) Revenue Recognition

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

• Government Payment for Outputs (GPO) are recognised as revenues when the Commission gains control over the funding. Control over appropriated funds is normally obtained upon the receipt of cash;

• User charges are recognised when the stage of completion of the services at the reporting date can be measured reliably and the costs of rendering those services can be measured reliably. In the event that at the reporting date the stage of completion cannot be reliably measured, but the cost of rendering the services can be reliably measured and the costs are recoverable, revenue is recognised to the extent of recoverable costs incurred; and

• Utility licence fees are collected from entities providing water and wastewater services and gas transmission services, to recover the reasonable costs incurred by the Commission, the Environment and Planning Directorate (EPD) 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. It is the Commission's practice to make adjustments to the fees in the following year if the actual costs incurred at the end of the financial year vary from the original estimate. The Commission recognises Utility Licence Fees in its financial statements based on its revised end of year estimate, as this recognises future fee adjustments for any over or under collection of fees identified in the current financial year.

Significant judgements and assumptions are included in the estimation of revenue recognised as User Charges and Utility Licence Fees. The Commission estimates the amount of revenue to be recognised for User Charges and Utility Licence Fees using an activity based costing model. The Commission's model determines 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. Further information about Revenue estimates is provided in Note 2(u) Significant Accounting Judgements and Estimates - Revenue and Revenue Received in Advance.

(f) Taxation

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

(g) Current and Non-Current Items

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

(h) Cash and Cash Equivalents

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

(i) Receivables

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

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

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

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies - Continued

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

(k) Borrowing Costs
Borrowing costs are expensed in the period in which they are incurred.

(l) Measurement of Plant and Equipment After Initial Recognition
The Commission measures plant and equipment at cost.

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

Depreciation for non-current assets is determined as follows:

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

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

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

Any identified impairment losses for plant and equipment are recognised as an expense in the Operating Statement with a corresponding adjustment to the carrying value for plant and equipment.

The Commission measures plant and equipment at cost; assets are considered to be impaired when there are indicators that the recoverable value of the asset is less than the carrying value.

(o) Payables
Payables are a financial liability and 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. Amounts are usually settled within 30 days after the invoice date.

Payables include Trade Payables and Accrued Expenses.

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

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

(p) Leases
The Commission has entered into operating leases.

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

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies - Continued

(q) Employee Benefits

Employee benefits include:

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

• 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.

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 and long service leave payments are estimated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Annual leave liabilities have been estimated on the assumption they will be wholly settled with three years. In 2014-15 the rate used to estimate the present value of future payments is 101.0% (100.9% in 2013-14) .

In 2014-15, the rate used to estimate the present value of future payments for long service leave is 104.2% (103.5 % in 2013-14).

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

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

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. Further information about this estimate is provided in Note 2(u) Significant Accounting Judgements and Estimates.

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.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies - Continued

(r) Superannuation

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

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

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

The ACT Government's Superannuation Provision Account recognises the total Territory superannuation liability for CSS and PSS. Comsuper and external schemes recognise the superannuation liability for the PSSAP and other schemes respectively.

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

(s) Insurance

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

(t) Budgetary Reporting

Explanations of major variances between the 2014-15 original budget and the 30 June 2015 actual results are discussed in Note 27 Budgetary Reporting.

The definition of 'major variances' is provided in Note 2(u) Significant Accounting Estimates and Judgements – Budgetary Reporting.

Original budget refers to the original budgeted financial statements presented in the Statement of Intent. The 2014-15 budget numbers have not been audited.

Budgetary reporting is disclosed for the financial statements with the exception of Statement of Changes in Equity, as relevant line items are included in other financial statements.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies - Continued

(u) Significant Accounting Estimates and Judgements

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

Employee Benefits

Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for 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. Further information on this estimate is provided in Note 2(q) Employee Benefits and Note 3 Changes in Accounting Estimates.

Revenue and Revenue Received in Advance

Significant judgements have been applied in estimating Revenue and Revenue Received in Advance. The Commission provides agreed services on a cost recovery basis and where payments for these services are received in advance, consideration of the percentage of the services completed is required. The Commission estimates the percentage of the services completed based on costs incurred compared to the budget for the agreed services with the uncompleted proportion being recorded in Other Liabilities as Revenue Received in Advance. Consideration is also given to whether the agreed budget for the services continues to be a reasonable estimate of the cost for providing the services. Further information is provided in Note 2(e) Revenue Recognition.

Utility Licence Fees and Regulatory Costs

Significant judgements have been applied in estimating Utility Licence Fees and Regulatory Costs. Fees charged to utility providers are calculated on the basis of the estimated costs expected to be incurred by the Commission, the Environment and Planning Directorate (EPD) and the ACT Civil and Administrative Tribunal (ACAT) in undertaking their respective utility regulatory activities. Adjustments are made to fees recognised at the end of each financial year based on revised estimated costs. Any variance between the estimate and the actual figures is recognised as an adjustment against revenue in the following year. Further information is provided in Note 2(e) Revenue Recognition.

Budgetary Reporting

Significant judgements have been applied in determining what variances are considered as 'major variances' requiring explanations in Note 27 Budgetary Reporting. Variances are considered to be major variances if both of the following criteria are met:

• 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

• The variances (original budget to actual) are greater than plus (+) or minus (-) 10% for the budget for the financial statement line item.

Further information on this is provided in Note 2(t) Budgetary Reporting.

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

It has been assessed that 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.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 3 Changes in Accounting Estimates

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

As disclosed in Note 2(q) Employee Benefits, annual and long service leave liabilities that do not fall due within the next 12 months are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the reporting date.

The rate used to estimate the present value of the long service leave payments increased from 103.5% in 2013-14 to 104.2% in 2014-15. This change has resulted in a increase to the estimated long service leave liability and related expense of $371.

The rate used to estimate the present value of annual leave payments increased from 100.9% in 2013-14 to 101.0% in 2014-15. This change has resulted in a increase to the estimated annual leave liability and related expense of $91.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 4 Government Payment for Outputs

	2015 $'000	2014 $'000
Revenue from the ACT Government		
Government Payment for Outputs [(a)]	534	406
Total Government Payment for Outputs	**534**	**406**

Government Payment for Outputs (GPO) meets 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 Commission's GPO for 2014-15 is greater than 2013-14, due to the Commission identifying in 2014-15 a need to draw the full allowable amount of GPO each year in order to meet the cyclical funding requirements of its regulatory activities under the *Utilities Act 2000.*

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 5 User Charges

	2015 $'000	2014 $'000
User Charges – ACT Government		
General Government Sector [(a)]	458	641
Public Trading Enterprises [(b)]	324	132
Total User Charges – ACT Government	**783**	**773**
User Charges – Non-ACT Government		
Service Revenue [(c)]	1	715
Total User Charges – Non-ACT Government	**1**	**715**
Total User Charges for Services	**784**	**1,488**

User Charges – Revenue derived by providing services to ACT Government and Non-ACT Government entities. These services are provided under purchase agreements with the Chief Minister, Treasury and Economic Development Directorate for activities under the *Independent Competition and Regulatory Commission Act 1997*, and for monitoring and reporting services under the *Climate Change and Greenhouse Gas Reduction Act 2010*. The services also include provision of commissioned advice, and the conduct of referred inquiries for which costs are recovered. For details on how the Commission recognises revenue and revenue received in advance, see notes 2(e) and 2(u).

a) The decrease in revenue from General Government Sector entities is due to the 4 year service agreement with the Environment and Planning Directorate (EPD) for greenhouse gas annual reports being completed in November 2014.

b) The increase in revenue from Public Trading Enterprises is due to the Commission commencing work on the biennial price review for Regulated Water and Sewerage Services. The biennial price review was aborted at the direction of the industry panel.

c) The reduction in service revenue from Non-ACT Government entities in 2014-15 relates to the Retail Electricity Price Determination for Small Franchise Customers 2014-17 being completed in 2013-14.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 6 Fees

	2015 $'000	2014 $'000
Revenue from Regulatory Activities		
Fees	774	639
Total Fees	**774**	**639**

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

The $135,000 increase in Fees in 2014-15 is due to the annual reconciliation of estimated and actual costs of technical regulation activities for EPD, ACAT and the Commission, with 2014 accrued revenue being adjusted downwards to reflect prior year adjustments. The Commission adjusts the annual fee determination each year for any under or over collection of prior year fees (compared to actual costs incurred), with prior year differences recognised as revenue adjustments in the current year. In the *Utilities (Annual Licence Fees Determination 2014-15) Notice 2014* , 2013-14 actual regulatory costs are identified as $763,948.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 7 Interest

	2015 $'000	2014 $'000
Revenue from Non-ACT Government Entities		
Interest Revenue on Cash at Bank	52	51
Total Interest Revenue from Non-ACT Government Entities	**52**	**51**
Total Interest Revenue	**52**	**51**

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 8 Employee Expenses

	2015 $'000	2014 $'000
Wages and Salaries	942	1,163
Annual Leave Expense	(21)	4
Long Service Leave Expense	(38)	44
Fringe Benefits Tax	7	5
Total Employee Expenses	**890**	**1,216**

The reduction in Total Employee Expenses of $326,000 in 2014-15 is reflective of the cyclical nature of the Commission's activities. Due to the Commission presently having a minimal workload, employees on temporary contracts have not been extended or renewed and permanent positions are not being filled when vacated. As employees leave the Commission annual leave and long service leave entitlements have been paid out as Wages and Salaries or transferred to other ACT Government entities. The impact of entitlements paid out or transferred are reflected in the negative Annual Leave and Long Service Leave Expenses.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 9 Superannuation Expenses

	2015 $'000	2014 $'000
Superannuation Contributions - Defined Benefit Schemes	7	47
Superannuation Contributions - Defined Contribution Schemes	87	96
Total Superannuation Expenses	**94**	**143**

The reduction in superannuation contributions of $49,000 reflects the Commission's reduction in staff and reduced employee expenses.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 10 Supplies and Services

	2015 $'000	2014 $'000
Information and Communication Technology	84	85
Office Rental and Operating Costs	185	171
Printing and Publishing	0	18
Professional Services [a]	140	175
Stationery	5	11
Subscriptions, Membership and Conferences	37	32
Utilities Act - External Administration Costs [b]	646	456
Workers Compensation Premium [c]	7	33
Other	74	67
Total Supplies and Services	**1,177**	**1,049**

Total Supplies and Services expenditure increased by $128,000 in 2014-15.

a) Professional Services costs decreased by $35,000 in 2014-15. This reduction in costs is reflective of the Commission's reduced activity levels.

b) In 2014-15 an additional $190,000 has been recorded for Utilities Act - External Administration costs. These costs relate to utility regulatory activities in relation to water, sewerage, and gas transmission utilities performed by the Environment and Planning Directorate (EPD), and the ACT Civil and Administrative Tribunal's (ACAT) reasonable costs and are based on the actual costs for 2013-14 and 2014-15 estimates provided by these entities for the *Utilities (Annual Licence Fees Determination 2014-15) Notice 2014*. See note 2(u).

c) The reduction in Workers Compensation Premium of $26,000 reflects the Commission's reduction in staff and reduced employee expenses for 2014-15 and a credit for excess premium paid in 2013-14.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 11 Depreciation

	2015 $'000	2014 $'000
Depreciation		
Office Furniture and Equipment	52	52
Total Depreciation	**52**	**52**

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 12 Borrowing Costs

	2015 $'000	2014 $'000
Borrowing costs		
Finance Cost on Make Good [a]	(4)	4
Total Borrowing Costs	**(4)**	**4**

a) The finance cost on Make Good reflects the unwinding of the present value calculation of the Commission's Make Good obligation for its office accommodation. The negative expense for 2015 reflects the impact on the estimated Make Good costs of a reduction in the Consumer Price Index (CPI) and 10 year Australian Government bond rates.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 13 Auditor's Remuneration

	2015 $'000	2014 $'000
Audit Services		
Audit Fees for Audit Services Performed by the ACT Audit Office	24	24
Total Audit Fees	**24**	**24**

Audit fees relate to financial audit services provided by the ACT Audit Office. The Commission did not engage the ACT Audit Office to provide any other services.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 14 Cash and Cash Equivalents

	2015 $'000	2014 $'000
Cash at Bank	2,148	1,838
Total Cash and Cash Equivalents	**2,148**	**1,838**

The Commission had one bank account in 2014-15 and this account was with Westpac Banking Corporation, being the ACT Government's preferred provider of bank services. As part of these arrangements, the Commission received interest revenue on these accounts. The $310,000 increase in cash during 2014-15 primarily relates to the Commission reducing its receivables by $254,000.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 15 Receivables

	2015 $'000	2014 $'000
Current Receivables		
Trade Receivables	-	34
Accrued Revenue [(a)]	178	388
Net Goods and Services Tax Receivable	-	10
Total Current Receivables	**178**	**432**
Total Receivables	**178**	**432**

a) The $178,000 in accrued revenue only relates to 2014-15 activities and includes: Regulated Water and Sewerage Services - 2015-16 Price Adjustment; Retail Electricity Price Recalibration 2015-16; and the Industry Panel's Substituted Price Direction for Regulated Water and Sewerage Services 1 July 2013 to 30 June 2018. No receivables from 2014 are owing.

Ageing of Receivables

		Past Due			
	Not Overdue $'000	Less Than 30 Days $'000	30 to 60 Days $'000	Greater Than 60 Days $'000	Total $'000
2015					
Not Impaired[(1)]					
Receivables	178	-	-	-	178
Impaired					
Receivables	-	-	-	-	-
2014					
Not Impaired[(1)]					
Receivables	432	-	-	-	432
Impaired					
Receivables	-	-	-	-	-

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

Additional Guidance

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

Classification of ACT Government/Non-ACT Government Receivables	2015 $'000	2014 $'000
Receivables with ACT Government Entities		
Accrued Revenue	90	133
Total Receivables with ACT Government Entities	**90**	**133**
Receivables with Non-ACT Government Entities		
Trade Receivables	-	34
Accrued Revenue	88	254
Accrued Interest	-	-
Net Goods and Services Tax Receivable	-	10
Total Receivables with Non-ACT Government Entities	**88**	**298**
Total Receivables	**178**	**432**

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 16 Plant and Equipment

	2015 $'000	2014 $'000
Plant and Equipment		
Office Furniture and Equipment at Cost [(a)]	510	509
Less: Accumulated Depreciation	(162)	(110)
Total Written Down Value of Plant and Equipment	**348**	**399**

	2015 $'000	2014 $'000
Reconciliation of Plant and Equipment		
Carrying Amount at the Beginning of the Reporting Period	399	451
Depreciation	(52)	(52)
Carrying Amount at the End of the Reporting Period	**348**	**399**

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 2015

Note 17 Payables

	2015 $'000	2014 $'000
Current Payables		
Trade Payables	26	31
Net Goods and Services Tax Payable [(a)]	33	-
Accrued Expenses	26	29
Total Current Payables	**85**	**60**
Total Payables	**85**	**60**

a) The $33,000 Goods and Services Tax Payable relates to the Business Activity Statement for the quarter ending 30 June 2015. At 30 June 2014 Goods and Services Tax Input Tax Credits of $10,000 were recognised in receivables.

Payables are aged as follows:		
Not Overdue	85	60
Overdue for Less than 30 Days	-	-
Overdue for 30 to 60 Days	-	-
Overdue for More than 60 Days	-	-
Total Payables	**85**	**60**

Classification of ACT Government/Non-ACT Government Payables

Payables with ACT Government Entities		
Trade Payables	-	1
Accrued Expenses	24	24
Total Payables with ACT Government Entities	**24**	**25**
Payables with Non-ACT Government Entities		
Trade Payables	26	30
Net Goods and Services Tax Receivable [(a)]	33	-
Accrued Expenses	2	5
Total Payables with Non ACT Government Entities	**61**	**35**
Total Payables	**85**	**60**

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 18 Employee Benefits

	2015 $'000	2014 $'000
Current Employee Benefits		
Annual Leave [(a)]	92	113
Long Service Leave [(a)]	56	98
Accrued Salaries and Superannuation [(b)]	47	74
Total Current Employee Benefits	**195**	**286**
Non-Current Employee Benefits		
Long Service Leave	19	14
Total Non-Current Employee Benefits	**19**	**14**
Total Employee Benefits	**214**	**300**

Estimate of when Leave is Payable	2015 $'000	2014 $'000
Estimated Amount Payable within 12 Months		
Annual Leave	73	97
Long Service Leave	20	32
Accrued Salaries and Superannuation	47	74
Total Employee Benefits Payable within 12 Months	**140**	**203**
Estimated Amount Payable after 12 Months		
Annual Leave	19	16
Long Service Leave	55	81
Total Employee Benefits Payable after 12 Months	**74**	**97**
Total Employee Benefits	**214**	**300**

a) The decrease in Annual Leave and Long Service Leave is mainly due to staff movements and leave entitlements being paid out or transferred to other ACT Government entities.

b) The decrease in Accrued Salaries and Superannuation costs corresponds with the reduction in Commission activities and the reduction in staffing.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 19 Other Liabilities

	2015 $'000	2014 $'000
Current Other Liabilities		
Revenue Received in Advance [a]	-	83
Total Other Liabilities	**-**	**83**

a) Revenue Received in Advance related to the provision of greenhouse gas annual reports and analytical advice under a purchase agreement with the EPD, due to the agreed payment schedule not aligning with the timing of the deliverables. All agreed services under the purchase agreement with EPD were completed in 2014-15 and all payments have now been recognised as income. See Note 5 - User Charges.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 20 Other Provisions

	2015 $'000	2014 $'000
Current Other Provisions		
Provision for Utilities Regulation Costs	760	544
Total Current Other Provisions	**760**	**544**
Non-Current Other Provisions		
Provision for Make Good	60	64
Total Non-Current Other Provisions	**60**	**64**
Total Other Provisions	**821**	**608**

Provision for Utilities Regulation Costs

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

	2015 $'000	2014 $'000
Reconciliation of the Provision for Utilities Regulation Costs		
Provision for Utilities Regulation Costs at the Beginning of the Reporting Period	544	900
Increase in Provision for Annual Licence Fee Determination - Current Year Estimate	808	743
Annual Licence Fee Determination - Prior Years Adjustment	21	(265)
Reduction in Provision for Commission Regulatory Costs	(128)	(177)
Reduction in Provision for EPD Payments and Trade Creditors	(483)	(593)
Reduction in Provision for ACAT Payments and Trade Creditors		(65)
Provision for Utilities Regulation Costs as at the End of the Reporting Period	**760**	**544**

Provision for Make Good

On 1 October 2011 the Australian Capital Territory entered into a lease agreement for office space to be used by the Commission. There are clauses within the lease agreement which require the Australian Capital Territory upon cessation of the tenancy, to return the office space to the condition it was in before it was leased (this is referred to as 'make good'). The ACT Government Accommodation Framework requires agencies to account for fit-outs and Australian Accounting Standard AASB 116 Property, Plant and Equipment paragraph 16(c) requires the cost of dismantling and removal of items (also known as Make Good) to be included.

	2015 $'000	2014 $'000
Reconciliation of the Provision for Make Good		
Provision for Make Good at the Beginning of the Reporting Period	64	60
(Decrease)/Increase in Provision due to unwinding of discount	(4)	4
Provision For Make Good as at the End of the Reporting Period	**60**	**64**

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

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.

The majority of the Commission's financial assets are held in floating interest rate arrangements. However, the Commission has no financial liabilities that are subject to a floating interest rate. This means that the Commission's only exposure is to movements in interest receivable. The weighted average interest rate decreased from 3.14 percent for the year ended 30 June 2014 to 3.09 percent for the year ended 30 June 2015, with actual interest received consistent to 2013-14 allowing for differences in the average cash balance.

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).

Nearly all receivables consist of fees charged to ACT Government entities and other entities with strong credit histories. These agencies and entities are generally required by legislation to pay the fees charged by the Commission.

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

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

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

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

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

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

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:

	Carrying Amount 2015 $'000	Fair Value 2015 $'000	Carrying Amount 2014 $'000	Fair Value 2014 $'000
Financial Assets				
Cash and Cash Equivalents	2,148	2,148	1,838	1,838
Receivables	178	178	432	432
Total Financial Assets	**2,326**	**2,326**	**2,270**	**2,270**
Financial Liabilities				
Payables	85	85	60	60
Total Financial Liabilities	**85**	**85**	**60**	**60**

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 21 Financial Instruments - Continued

The following tables set out the Commission's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2014 and 30 June 2015. All financial assets which have a floating interest rate or are non-interest bearing will mature in one year or less. All financial assets and liabilities appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2015

Financial Instruments	Note	Weighted Average Interest Rate	Floating Interest Rate $'000	Fixed Interest maturing in: 1 Year or Less $'000	Over 1 Year to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets								
Cash and Cash Equivalents	14	3.09%	2,148	-	-	-	-	2,148
Receivables	15		-	-	-	-	178	178
Total Financial Assets			**2,148**	-	-	-	**178**	**2,326**
Financial Liabilities								
Payables	17		-	-	-	-	85	85
Total Financial Liabilities			**-**	**-**	**-**	**-**	**85**	**85**
Net Financial Assets			**2,148**	-	-	-	**93**	**2,241**

2014

Financial Instruments	Note	Weighted Average Interest Rate	Floating Interest Rate $'000	Fixed Interest maturing in: 1 Year or Less $'000	Over 1 Year to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets								
Cash and Cash Equivalents	14	3.14%	1,838	-	-	-	-	1,838
Receivables	15		-	-	-	-	432	432
Total Financial Assets			**1,838**	-	-	-	**432**	**2,270**
Financial Liabilities								
Payables	17		-	-	-	-	60	60
Total Financial Liabilities			-	-	-	-	**60**	**60**
Net Financial Assets			**1,838**	-	-	-	**372**	**2,210**

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 21 Financial Instruments - Continued

		2015 $'000	2014 $'000
Carrying Amount of Each Category of Financial Asset and Financial Liability			
Financial Assets			
Loans and Receivables Measured at Amortised Cost	Note 15	178	432
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost	Note 17	85	60

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

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

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 22 Commitments

	2015 $'000	2014 $'000
Operating Lease Commitments - Plant and Equipment		
Non-Cancellable operating lease commitments are payable as follows:		
Within one year	5	4
Later than one year but not later than five years	13	1
Total Operating Lease Commitments - Plant and Equipment	**18**	**5**

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:

	2015 $'000	2014 $'000
Within one year	83	49
Later than one year but not later than five years	152	-
Total Other Commitments	**236**	**49**

All of the Commission's Other Commitments relate to outsourced accounting services. The Commission outsources accounting services due the diversity of accounting services required and the Commission not having the internal expertise or staff to perform these functions.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 23 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.

	2015 $'000	2014 $'000
Total Cash and Cash Equivalents Recorded in the Balance Sheet	2,148	1,838
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	**2,148**	**1,838**

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

	2015 $'000	2014 $'000
Operating (Deficit)/Surplus	(65)	120
Add Non-Cash Items		
Depreciation of Plant and Equipment	52	52
Borrowing Costs	(4)	4
Cash Before Changes in Operating Assets and Liabilities	**(17)**	**176**
Changes in Operating Assets and Liabilities		
Decrease in Receivables	254	316
Increase/(Decrease) in Payables	25	(116)
(Decrease)/Increase in Employee Benefits	(86)	32
(Decrease) in Other Liabilities	(83)	(168)
Increase/(Decrease) in Other Provisions	217	(356)
Net Changes in Operating Assets and Liabilities	**327**	**(292)**
Net Cash Inflows/(Outflows) from Operating Activities	**310**	**(116)**

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 24 Waivers, Impairment Losses and Write-offs

No waivers, impairment losses or write-offs have occurred during the reporting period for the Commission (2013-14: Nil).

Note 25 Contingent Liabilities

There are no known contingent liabilities as at 30 June 2015 (2013-14: Nil).

Note 26 Events Occurring After Balance Date

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

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 27 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.

Note: # in the Line Item Variance % column represents a variance that is greater than 999 per cent or less than -999 per cent.

Operating Statement Line Items	Actual 2015 $'000	Original Budget 2015 $'000	Variance $'000	Variance %
Fees [a]	774	905	(131)	-14%
User Charges - ACT Government [b]	783	478	305	64%
Supplies & Services [c]	1,177	857	320	37%

Variance Explanations

a) Fees - The lower than budgeted result of $131,000 relates to the budget being based on recovering historic regulatory costs. The determination for fees is completed annually in September (4 months after the budget process is completed) and estimated and actual fees collected on behalf of the Environment and Planning Directorate's (EPD) and the ACT Civil and Administrative Tribunal's (ACAT) vary significantly each year, making accurate projections difficult.

b) User Charges - ACT Government - The higher than budgeted result of $305,000 relates to the biennial price review for Regulated Water and Sewerage Services. As this is not an annual activity and had not been performed by the Commission previously, it was unclear when the budget was prepared of the resources needed to perform the activity and the revenue that would be recovered.

c) Supplies and Services - The higher than budgeted result of $320,000 relates to Commission activities that are not recurrent, making it difficult to determine the cost of services each year or activities where the costs are not able to be determined until after the budget process is completed. The main cause of the 2014-15 variance relates to Professional Service payments for advice on technical regulation and legislation; and Utilities Act external administration payments to EPD and ACAT. As the Commission principally operates on a cost recovery basis, these additional costs have had a negligible impact on the operating result.

Balance Sheet Line Items	Actual $'000	Original Budget $'000	Variance $'000	Variance %
Receivables [d]	178	462	(284)	-61%
Payables [e]	85	179	(94)	-53%
Employee Benefits - Current [f]	195	261	(66)	-25%
Other Provisions - Current [g]	760	625	135	22%
Employee Benefits - Non Current [h]	19	29	(10)	-34%

Variance Explanations

d) Receivables - The lower than budgeted result of $284,000 relates to the Commission's activities not being annually recurrent and it being difficult to determine the value of services to be recovered at 30 June each year. The Commission has also been progressively invoicing for services while activities are being performed to minimise the receivables balance.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 27 Budgetary Reporting - Continued

e) Payables - The lower than budgeted result of $94,000 relates to many of the Commission's activities not being annually recurrent and it being unclear when the budget was prepared of the timing and resources needed to perform the activities. In 2014 $65,000 was included for amounts payable to the ACT Civil and Administrative Tribunal's (ACAT) for utilities regulation, however in 2015 there was less certainty of the amount payable and so an allowance for these costs is included in Other Provisions - Current.

f) The lower than budgeted Employee Benefits - Current of $66,000 is reflective of the cyclical nature of the Commission's activities. Due to the Commission presently having a minimal workload, employees on temporary contracts have not been extended or renewed and permanent positions are not being filled when vacated. As employees leave the Commission, annual leave and long service leave entitlements have been paid out as Wages and Salaries or transferred to other ACT Government entities.

g) The higher than budgeted Other Provisions of $135,000 relates to amounts owing to ACAT for utilities regulation costs being not being recognised in payables in 2015 due to less certainty of the amount payable.

h) The lower than budgeted Employee Benefits - Non Current of $10,000 is reflective of the cyclical nature of the Commission's activities. Due to the Commission presently having a minimal workload, employees on temporary contracts have not been extended or renewed and permanent positions are not being filled when vacated. As employees leave the Commission long service leave entitlements have been paid out as Wages and Salaries or transferred to other ACT Government entities.

Statement of Changes in Equity	**Actual $'000**	**Original Budget $'000**	**Variance $'000**	**Variance %**

These line items are covered in other financial statements variance explanations

Cash Flow Statement Line Items	**Actual $'000**	**Original Budget $'000**	**Variance $'000**	**Variance %**
User Charges - ACT Government [i]	737	478	259	54%
User Charges - Non ACT Government [j]	209	-	209	#
Employee Payments [k]	976	880	96	11%

Variance Explanations

i) The higher than budgeted User Charges - ACT Government of $259,000 relates to the biennial price review for Regulated Water and Sewerage Services. As this is not an annual activity and had not been performed by the Commission previously, it was unclear when the budget was prepared of the revenue that would be generated by this activity.

j) The higher than budgeted User Charges - Non ACT Government of $209,000 is due to payment being received in 2014-15 for the Retail Electricity Price Determination for Small Franchise Customers 2014-17, that was finalised in 2013-14.

k) The higher than budgeted Employee Payments of $96,000 is reflective of the cyclical nature of the Commission's activities. Due to the Commission presently having a minimal workload, employees on temporary contracts have not been extended or renewed and permanent positions are not being filled when vacated. Annual leave and long service leave entitlements have been paid out when employees have ceased employment with the Commission and the ACT Government.

Attachment 2 – Section 9 reporting requirements

Section 9 of the *Independent Competition and Regulatory Commission Act* 1997 (ICRC Act) sets out specific reporting requirements we must address in our 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

We undertake investigations under Part 3 of the ICRC Act. During 2014–15, we did not undertake any investigations.

Final reports and special reports

- Review of the Independent Competition and Regulatory Commission's 2013 Price Direction for Regulated Water and Sewerage Services in the ACT – Final Report – April 2015.[24]

Price directions

- Substituted Price Direction – Regulated Water and Sewerage Services 1 July 2013 to 30 June 2018 – April 2015.[25]

[24] Note: this final report was presented by the *Industry Panel Review of the Price Direction: Regulated Water and Sewerage Services 2013-2019*, not by the Commission, however reference to the final report is included in this attachment as it was presented under section 21 of the ICRC Act, and hence reportable under section 9.

[25] Note: this price direction was determined by the *Industry Panel Review of the Price Direction: Regulated Water and Sewerage Services 2013-2019*, not by the Commission, however reference to the price direction is included in this attachment as it was determined under Part 4 of the ICRC Act, and hence reportable under section 9.

Access agreements

Our responsibilities for access agreements, in relation to infrastructure facilities, are set out in Part 5 of the ICRC Act. During 2014–15, we did not provide advice on any proposed access agreements and no access agreements were notified to us.

Arbitration of disputes

Part 6 of the ICRC Act provides for the referral of disputes to us in relation to an access regime for arbitration. During 2014–15, no disputes were referred to us.

Notices issued under section 41

Section 41 of the ICRC Act provides that we can, by written notice, require a person to give us information or a document that may assist us in exercising our functions. During 2014–15, we 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 the *Utilities Act* 2000 (Utilities Act) in 2014–15:[26]

- variation of licence (NI2014-631);
- approval of standard customer contracts (NI2014-634, NI2015-309);
- determination of licence fees (NI2014-469);
- determination of energy industry levy (NI2014-471, NI2014-472 and NI2014-473);
- grant of licence (NI2015-87);
- revocation of industry code (DI2015-178);
- utility licence annual reporting under section 25(2)(d) of the Utilities Act;[27] and
- ACT electricity feed-in scheme summary reporting under the *Utilities (Electricity Feed-in Code) Determination 2012* (DI2012-154).[28]

[26] Note: Notifiable (NI) and disallowable (DI) instruments are available at the ACT Legislation website at http://www.legislation.act.gov.au/.
[27] See Attachment 4 – Utility Licence Annual Report 2013-14 summary.
[28] See Attachment 5 – Commission's publications 2014-15.

Attachment 3 – *Annual Reports (Government Agencies) Notice 2015* (NI2015-207) compliance index

Attachment 4 – Utility Licence Annual Report 2013–14 summary

1 Introduction

Under section 25(2)(d) of the *Utilities Act* 2000 (Utilities Act or the Act) a licensed utility must provide, in accordance with any written requirements of the Independent Competition and Regulatory Commission (Commission), an annual report for each financial year in relation to:

- the exercise of its functions under the Utilities Act; and
- compliance with the conditions of its licence.

This attachment summarises the Utility Licence Annual Reports (ULAR) provided by licensed utilities. Licensed utilities operating during 2013–14[29] in the Australian Capital Territory (ACT) included:

- electricity distribution and connection (ActewAGL Electricity);
- gas distribution and connection (ActewAGL Gas);
- gas transmission (EAPL); and
- water and sewerage services (Icon Water).[30]

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;
- 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 the *Utilities (Technical regulation) Act* 2014.[31]

The Commission monitors compliance through an analysis of the ULAR. Each July the Commission serves licensed utilities with a spreadsheet of questions relating to the performance of the utility over the previous twelve months. The utility licences require licensees to return the completed

[29] TransGrid electricity transmission became a licensed utility on 24 February 2015 and is therefore not included in this summary. TransGrid will be included in the ULAR framework from the 2014-15 reporting year.

[30] During the reporting year Icon Water was known as 'ACTEW Corporation' or 'ACTEW Water'. ACTEW Corporation's name was amended on their utility licence on 2 December 2014 to Icon Water. As this summary is finalised post 2 December 2014, and to avoid confusion for the current reader, reference is made to the utility's current name, Icon Water.

[31] Whilst compliance with technical codes and the *Utilities (Technical Regulation) Act* 2014 is a licence requirement, the responsibility to monitor, and report on, technical compliance falls under the technical regulator.

questionnaires no later than 1 October. On receipt of the completed information requests, the Commission assesses the material for compliance with the relevant obligations and conditions.

The industry and technical codes established under the Utilities Act provide for self regulation and reporting by the utilities of their compliance with code obligations. The Commission may formally verify the data provided and will question utilities about its accuracy where it appears anomalous or inconsistent.

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. Section 3 provides a broad overview of utility compliance with the industry codes, Parts 7 and 8 of the Utilities Act and advice sought from other ACT government directorates. Sections 3, 4 and 5 set out in more detail the compliance of the licensed utilities with the Consumer Protection Code and environmental considerations.

2 Compliance overview

As part of the review of utility compliance the Commission required information from utilities regarding their compliance with:

- licence conditions;
- the Utilities Act; and
- industry codes.

As was the case in 2012–13, licensees did not report any material breaches of their regulatory requirements in 2013–14.

2.1 Customer service

The Commission examined each utility’s compliance with Schedule 1 (Minimum Service Standards) of the Consumer Protection Code. The Consumer Protection Code sets out a number of rights and protections for customers. Schedule 1 includes standards for customer connection times, responding to complaints and notification of problems or concerns, and planned and unplanned interruptions to utility services.

In 2013–14, all utility network providers reported high compliance with the service standards for customer connection times.

Each licensed utility provided figures for complaints received, planned and unplanned interruptions and responses to complaints and notification of problems. This information is set out for each licensed utility in sections 3, 4 and 5 below.

2.2 Rebates paid under Consumer Protection Code

The Consumer Protection Code specifies 5 minimum service standards. Where a utility fails to reach a minimum service standard customers are entitled to a rebate.

Table 1 summarises the payment of rebates for failure to meet minimum service standards in 2012–13 and 2013–14. In 2013–14, $2,800 in rebates was paid compared to $4,270 in 2012–13.

Table 1 Payment of performance rebates, 2012–13 and 2013–14

Utility	2012–13			2013–14		
	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)	10	58	2,670	0	0	0
Icon Water (sewerage)	0	0	0	0	0	0
ActewAGL Distribution (electricity)	0	32	1,600	0	56	2,800
ActewAGL Distribution (gas)	0	0	0	0	0	0
Total	10	90	4,270	0	56	2,800

Under clause 11 of the Consumer Protection Code, utilities are required to inform customers of the minimum service standards and of their entitlement to a rebate if the standards are not met. The Code requires this information be provided in the customer contract, or for energy customers, in the statement of rights and responsibilities provided to customers under the Code. The 2013–14 figures in Table 1 show that all rebates were paid without receiving a claim.

2.3 Network operations

Part 7 of the Utilities Act places obligations on network operators to take reasonable steps to minimise inconvenience to landowners and damage to property when undertaking network operations. The Act specifies minimum notice requirements to land holders and also requires network operators to restore property affected by the work of the utility.

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 3.1, 4.1 and 5.1 below.

To consider compliance with a utility's obligations with respect to network performance under Division 7.3, the Commission requires information regarding network operations on public or private land and the notice provided to landholders. This included 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 landholder where network operations are required in 'urgent circumstances'.[32] Information on work occurring in urgent circumstances was first included in the 2012–13 ULAR so the Commission could gain an appreciation of the scale of the utilities employing the 'exception' to commission works without adhering to notice requirements. This is the second year the Commission has requested information on work performed in urgent circumstances. Collection of data over the coming years will show whether there is a need to seek a reduction or more explanation on the 'urgent circumstances' work. It is also important to note that the Commission has received no complaints (nor complaints through ACT directorates) that work undertaken in urgent circumstances is of a concern to consumers. The Commission will continue to collect the data as it has done for the last two years and monitor any trends or issues that may arise.

[32] Utilities Act, sections 109(5), 110(8), 110A(2) and 111(6).

2.4 Network protection[33]

Part 8 of the Utilities Act sets out utilities' obligations to promote the protection of networks including prohibition of, and steps to prevent, potential unauthorised interference with a network facility.[34]

For 2013–14, the Commission required information regarding protection of networks to monitor the exercise of the utilities' functions under Part 8 of the Utilities Act. Utilities were asked to report the number of interferences and Network Protection Notices issued under section 125 of the Act to remedy or avoid potential interference. Both ActewAGL Gas and ActewAGL Electricity reported nil network interferences. Icon Water reported 147 (up from 62 in 2012–13) and 77 (down from 108) interferences for water and sewerage respectively.

Other sections under Part 8 of the Act cover industry specific network protection considerations such as meter bypass, unauthorised connection and abstraction, and contamination. The Commission put certain industry specific questions to each of the utilities. ActewAGL Electricity and ActewAGL Gas reported no instances of network protection concern. Icon Water reported 12 cases of unauthorised network connections to the water network including meter bypass, removal of meter and unapproved connections. For sewerage, one instance of an unauthorised network connection occurred. Icon Water also reported one instance of sewerage system contamination relating to a trade waste discharge.

2.5 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 for setting an alternative to the default point as the network boundary. The Gas Network Boundary Code sets the boundary at the point of supply (i.e. alternative boundaries are not permitted for gas).

The Commission asked utilities whether any alternative boundaries had been agreed on (between the utility and customer) during 2013–14. As was the case in 2012–13, none of the utilities reported making alternative network boundaries, nor had the Commission received any notifications of agreed alternative boundaries during the year.

This area of monitoring will cease for the 2014–15 reporting year (or possibly from 2015–16), as under the *Utilities (Technical Regulation) Act* 2014 network boundary codes will be transitioned to technical codes. The Commission anticipates this will occur sometime during 2015 and therefore monitoring compliance with network boundary codes will no longer be the responsibility of the Commission.

2.6 Environmental performance

Network losses refer to the difference in the amount of electricity, 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.

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[33] Part 8 of the Utilities Act has been moved to the *Utilities (Technical Regulation) Act* 2014 as of 1 March 2015, and hence falls within the technical regulators responsibilities from the 2014-15 reporting year.
[34] Utilities Act Section 24.

Unaccounted for gas is reported to have decreased from 2.19 per cent of sales in 2012–13 to 1.91 per cent in 2013–14. In 2013–14, the percentage of unaccounted for water decreased to 5.2 per cent from 6.4 per cent in 2012–13.

The Commission does not gather data on electricity network losses as it is not specifically required by ActewAGL Electricity Distribution's utility licence. Instead, this data is gathered and reported on by the Australian Energy Market Operator.

2.7 ACT directorates

Each year the Commission invites ACT 'regulators' including the Office of Regulatory Services (ORS), the ACT Civil and Administrative Tribunal (ACAT), ACT Health and the Environment Protection Authority (EPA) to comment on the performance and compliance of the licensed utilities in the Territory. This section sets out the responses received from those agencies.

The ORS reported that it received no formal complaints regarding the marketing activities of utilities or their agents. However, there were 28 informal complaints or enquiries received regarding essential services in general. Of these 28, four enquiries did relate to the marketing activities of utilities. The ORS reports they advised the enquirers to formally raise their concerns with the provider in order to resolve the complaints and to contact the ORS if that was not successful. No further contact was received. The ORS also reported that they received some inquiries relating to invoice billing by utilities and that these enquiries were forwarded on to the ACAT.

The ACAT reported that there were no industry-wide compliance issues in 2013–14 relating to gas and electricity supply. The ACAT reported no material compliance issues with respect to water supply in 2013–14.

ACT Health advised that it had not recorded any complaints from the public or any organisation about the operation of Icon Water drinking water services in 2013–14. Icon Water is required to report incidents to the Chief Health Officer within set timeframes under the *Public Health (Drinking Water) Code of Practice 2007*. Icon Water made 11 notifications of adverse events during 2013–14 and ACT Health was satisfied with the incident responses undertaken.

The Commission made two formal requests for information from the Environment and Protection Authority (through EPD), however they did not provide a response.

3 Water and Sewerage

Icon Water supplied 44,488 ML[35] of water to the ACT during 2013–14. This was a small increase on the 43,988 ML of water supplied to the ACT during 2012–13. Residential use as a proportion of total water supplied to the ACT increased to 69.7 per cent in 2013–14, up from 67.3 per cent in 2012–13. The total volume of water supplied to Queanbeyan for 2013–14 was 4,243 ML, up from 3,851 ML for 2012–13.

[35] Minor variations in reported figures by the Commission for total water supplied to the ACT may arise due to differences in the basis Icon Water employs to determine the total.

3.1 Customer service

Water supply complaints

In 2013–14, Icon Water received 499 complaints about water supply to premises in the ACT, a decrease from the previous year. Table 2 lists the categories of complaints received by Icon Water over the past three years.

Table 2 Complaints, water supply 2011–12 to 2013–14

Complaint item	2011–12	2012–13	2013–14	Change in current year from previous year (number)
Water quality	131	121	187	+66
Water supply reliability	48	36	15	-21
Property damage / restoration of property	78	82	62	-20
Accounts / billing / retail[1]	49	62	66	+4
Metering / meter reading	97	85	69	-16
Failure to provide, or insufficient, notice	47	42	19	-23
Unplanned interruptions	27	44	5	-39
Other network[2]	73	110	76	-34
Total	550	582	499	-83

1. 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.
2. 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.

Sewerage service complaints

In 2013–14, 244 complaints were received in relation to sewerage services. This was a decrease on the previous year levels, although only sewage odour, failure to provide notice and other networks categories accounted for the decrease, with all other categories increasing on the previous year. Table 3 sets out the complaints relating to sewerage services. The main areas of complaints remained property damage and accounts and billing.

Table 3 Complaints, sewerage services 2011–12 – 2013–14

Complaint item	2011–12	2012–13	2013–14	Change in current year from previous year (number)
Sewage odour	6	14	4	-10
Sewerage services reliability and quality	30	22	35	+13
Property damage / restoration of property	85	61	106	+45
Accounts / billing / retail[1]	71	61	66	+5
Failure to provide, or insufficient, notice	3	7	5	-2
Unplanned interruptions	0	0	0	-
Other networks[2]	95	87	28	-59
Total sewerage services	290	252	244	-8

1. 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.
2. Other network complaints incorporates categories: reimbursement assessment, safety/health, other, damage/fault our asset, notices offended, driving/parking, service request not met, failed to reply, telephone service poor.

3.2 Planned and unplanned interruptions to services

Table 4 compares the number of planned and unplanned interruptions to Icon Water's water services for 2012–13 and 2013–14. The number of planned interruptions decreased by 3,013 and the number of unplanned interruptions decreased by 293 compared to those reported in 2012–13.

Table 4 Planned and unplanned interruptions to services, water supply, 2012–13 and 2013–14

Interruptions to water supply services	2012–13	2013–14	Change in current year from previous year (number)
Planned interruptions to services	3,893	880	-3,013
Instances where licensee did not provide at least 2 days' notice of the planned interruption to each of the premises affected	5	0	-5
Instances where supply was not restored within 12 hours of the initial interruption	0	0	-
Average water supply interruption duration[1] (minutes)	14	39.1	+25.1
Total interruption faced by an average customer[2] (minutes per property)	0.51	0.21	-0.30
Unplanned interruptions to services	758	489	-293
Instances where supply was not restored within 12 hours of the initial interruption	0	0	0
Average water supply interruption duration[3] (minutes)	148	148	21.3

As was the case in 2012–13, Icon Water reported no planned interruptions to sewerage services in 2013–14, and reported all interruptions as unplanned. Table 5 shows the number of unplanned interruptions increased by 437 to 1,634 in 2013–14 compared to the previous year. The number of sewer main breaks and chokes also increased in 2013–14.

Table 5 Planned and unplanned interruptions to services, sewerage services, 2012–13 and 2013–14

Unplanned interruptions items	2012–13	2013–14	Change in current year from previous year (number)
Total number of unplanned interruptions	1,197	1,634	+437
Instances where supply was not restored within 12 hours of the initial interruption	0	0	-
Sewer main breaks and chokes	1,344	1,844	+500
Sewer main breaks and chokes caused by tree roots	1,166	1,672	+506
Property connection sewer main breaks and chokes	1,192	1,629	+437
Property connection sewer main breaks and chokes caused by tree roots	1,034	1,425	+391

3.3 24-hour emergency telephone service

Icon Water's utility licence requires them to maintain a 24-hour emergency telephone service. Icon Water reported four outages to the service, three of which were under one minute and another of 11 minutes.

3.4 Customer safety net arrangements

Under the Consumer Protection Code, a utility is not permitted to disconnect water supply or withdraw sewerage services for failure to pay an account. However, it may restrict the water flow sufficient for essential uses only. Icon Water did not restrict the water flow to any customer for failure to pay an account in 2013–14. Icon Water also did not discharge any customer debt under the direction of the ACAT under section 180(1) of the Utilities Act.

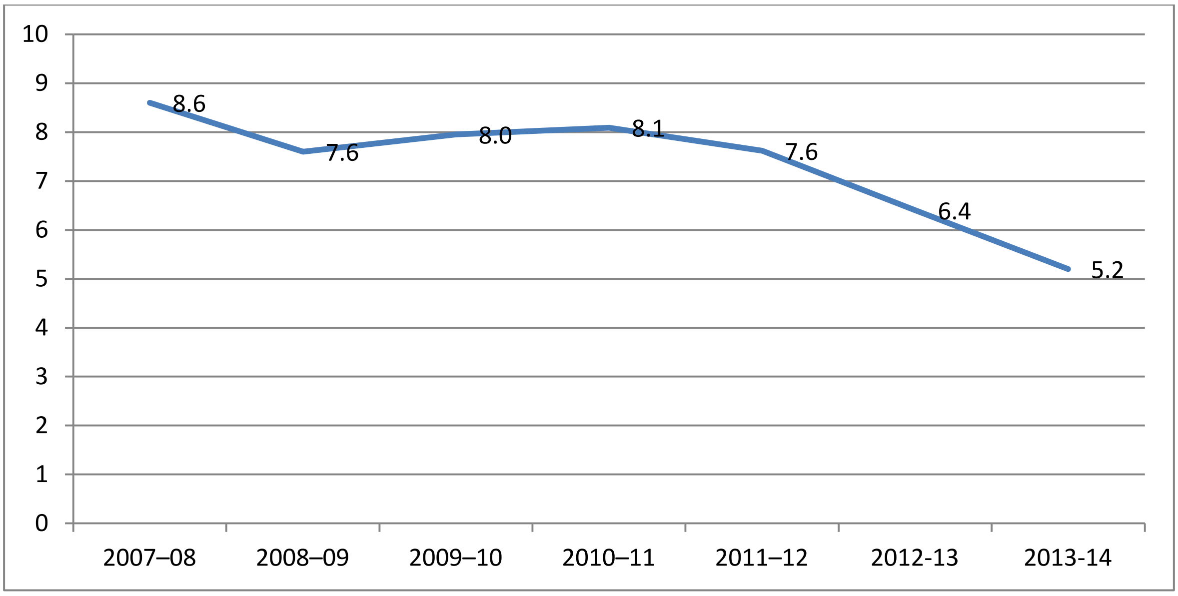
3.5 Unaccounted for water

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.

Water extracted from the river system for consumption purposes reduces the natural flow rate of the river system. The greater the amount of unaccounted for water, the greater the amount of water that needs to be extracted to meet demand, leaving less water available to meet the environmental needs of the river system.

Figure 1 shows the annual quantity of unaccounted for water in the ACT, as a proportion of total volume of water supplied by Icon Water from 2007–08 to 2013–14. The percentage of unaccounted for water has continued to decrease over the past year, from 6.4 per cent to 5.2 per cent, the lowest rate recorded in the past 7 years.

Figure 5 Unaccounted-for-water, proportion of total volume, Icon Water, 2007–08 to 2013–14



4. Electricity Distribution

ActewAGL Electricity Distribution supplies electricity network services to customers in the ACT in relation to connection and metering of premises, emergency response, maintenance of quality and reliability of supply and meter reading and maintenance.

4.1 Customer Service

Customer Complaints

ActewAGL Electricity received 444 complaints in 2013–14, an increase of 30% on the previous year. Table 6 shows complaints relating to network operations increased by 65 per cent, with the majority of the increase attributable to noise concerns, site restoration and the timing of work.

Table 6 Customer Complaints, electricity distribution, ActewAGL Distribution, 2012–13 and 2013–14

Complaint item	2012–13	2013–14	Change in current year from previous year (number)
Connection/disconnection	9	11	+2
Notice of work and outages	145	168	+23
Network operations	114	188	+74
Meters and meter reading	8	5	–3
Customer Service	19	15	–4
Fees and charges	0	1	+1
Network and service quality	28	35	+7
Other	19	21	+2
Total	342	444	+98

Planned and unplanned interruptions to services

Table 7 compares the number of planned and unplanned interruptions to ActewAGL Electricity services in from 2011–12 to 2013–14. During 2013–14, planned interruptions increased slightly while unplanned interruptions more than doubled. The Consumer Protection Code requires ActewAGL Electricity to give customers at least 4 days notice of planned interruptions to services. Although planned interruptions remained relatively steady, the number of instances of insufficient notice of 4 days increased by 218. ActewAGL Electricity is required to restore electricity supply within 12 hours of the interruption. It failed to meet this requirement in 18 instances.

Table 7 Planned and unplanned interruptions to services, electricity distribution, 2011–12, 2012–13 and 2013–14

	2011–12	2012–13	2013–14	Change in current year from previous year (number)
Planned interruptions to services	1,555	1,317	1,330	+13
Times licensee did not provide at least 4 days notice	156	159	377	+218
Times supply not restored within 12 hours of the initial interruption	0	0	2	+2
Unplanned interruptions to services	822	1,070	2,365	+1,295
Times supply not restored within 12 hours of the initial interruption	-	-	18	+18

Response to notification of network problem or concern

In 2013–14, ActewAGL Electricity received 7,331 notifications of network problems, a decrease of more than 8 per cent from 2012–13. Of these notifications 155 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 Consumer Protection Code requires responses to serious notifications within 6 hours and 48 hours for minor problems.

5 Gas Distribution

ActewAGL Gas Distribution supplies natural gas network services to customers in the ACT and is responsible for maintenance, upgrade and extension of the network, connections, supply continuity, meter reading and responding to enquiries and complaints relating to gas network management.

At 30 June 2014, ActewAGL Gas's network comprised of 3,870 km of medium-pressure and 270 km of high-pressure mains, a total pipeline length of 4,140 km. In 2013–14, ActewAGL Gas distributed 7,617 TJ of gas to 120,938 delivery point identifiers.

5.1 Customer Complaints

Customer Service

ActewAGL Gas received 42 complaints in 2013-14 as shown in Table 8, a decrease of 8 from the previous year. Complaints were spread across six categories: billing, damage, restoration, customer service, meter and new connection. All complaints were responded to in the required timeframe.

Table 8 Customer Complaints, gas distribution, ActewAGL Distribution, 2011–12 – 2013–14

Complaint and notification response item	2011–12	2012–13	2013–14	Change in current year from previous year (number)
Total number of complaints	24	50	42	-8
Number responded to in 20 business days	24	50	42	
Number of notifications of network problems or concerns about licensee's network received	2,036	2,163	2,302	+139
Notifications likely to affect public heath, or cause damage to person/property	238	15	168	+153
Number of responses not made within 6 hours	0	0	0	-
Notifications not likely to affect public heath, or cause damage to person or property	1,798	1,932	2,134	+134
Number of responses not made within 48 hours	222	266	225	-41

Planned and unplanned interruptions to services

Table 9 details the number of planned and unplanned interruptions to gas services from 2011–12 to 2013–14. The number of planned interruptions to services remained high but steady in 2013–14. After a large increase in planned interruptions in 2012–13, ActewAGL Gas submitted that 4,007 of the planned interruptions were for network operations, the vast majority of these being aged meter work. ActewAGL Gas has confirmed that the similar high level of unplanned interruptions for 2013–14 relates to the ongoing work with 'aged meter replacements and meter set overhauls'.

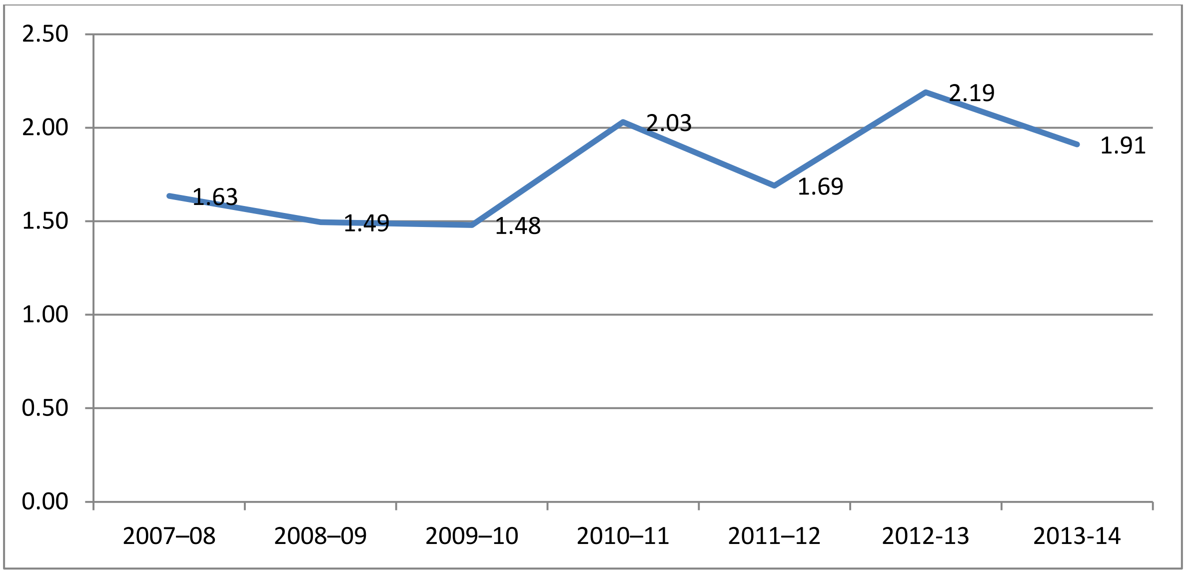
Table 9 Planned and unplanned interruptions to services, gas distribution, 2011–12, 2012–13 and 2013–14

Interruption Item	2011–12	2012–13	2013–14	Change (number)
Planned interruptions to services	2,572	4,179	4,231	+52
Instances where licensee did not provide at least 4 days' notice of the planned interruption to each of the premises affected	0	0	0	-
Instances where supply was not restored within 12 hours of the initial interruption	0	0	0	-
Unplanned interruptions to services	76	47	37	-10
Instances where supply was not restored within 12 hours of the initial interruption	0	0	0	0
Burst or leaking pipes that affected public health, or were causing, or likely to cause, substantial damage or harm to people or property	238	15	168	+153

5.2 Unaccounted for Gas

Gas network losses mainly arise through leakages. ActewAGL Gas reports annually to the Commission on the amount of unaccounted for gas lost from its network. Figure 2 summarises ActewAGL Gas's unaccounted for gas as a proportion of total gas entering its network from 2007–08 to 2013–14. In 2013–14 unaccounted for gas decreased to 1.91 per cent from 2.19 per cent reported in 2012–13. For 2014–15 ActewAGL Gas has scheduled a five year leakage survey across all gas distribution assets.

Figure 6 Unaccounted for gas, proportion of gas entering the distribution network (%), gas distribution, ActewAGL Gas Distribution, 2007–08 to 2013–14



6 Gas transmission

The ACT receives its gas through the Moomba to Sydney gas pipeline, which is owned by the Australian Pipeline Trust and operated by East Australian Pipeline Limited (EAPL). The ACT accommodates a 6 km section of that pipeline, with EAPL licensed under the Utilities Act to carry out the transmission operation.

The Eastern Gas Pipeline is used solely for transmission of gas through a small section of the Territory. The Pipeline does not service any customers directly. During 2013–14 EAPL did not enter private land to undertake operations and EAPL did not record any complaints from customers.

Attachment 5 – Commission's publications 2014–15

Reports

Report 6 of 2014:	Final Report – ACT Greenhouse Gas Inventory Report 2011–12 (September 2014)
Report 7 of 2014:	Annual Report 2013–14 (September 2014)
Report 1 of 2015:	Technical Paper – Water Demand Forecasting – Biennial Recalibration 2015 (January 2015)
Report 2 of 2015:	Final Technical Paper – Water Demand Forecasting (April 2015)
Report 3 of 2015:	Regulated Water and Sewerage Services – The Industry Panel Process: Outcomes and Prospects (May 2015)
Report 4 of 2015:	Regulated Water and Sewerage Services – 2015–16 Price Adjustment (June 2015)
Report 5 of 2015:	Final Decision – Retail Electricity Price Recalibration 2015–16 (June 2015)

ACT Electricity Feed-in Scheme summary reports

ACT Electricity Feed-in Scheme Summary Report (1 March 2009 – 30 June 2014) (September 2014)

ACT Electricity Feed-in Scheme Summary Report (1 March 2009 – 30 September 2014) (December 2014)

ACT Electricity Feed-in Scheme Summary Report (1 March 2009 – 31 December 2014) (April 2015)

ACT Electricity Feed-in Scheme Summary Report (1 March 2009 – 31 March 2015) (June 2015)

Glossary and Abbreviations

ABN	Australian Business Number
ACAT	ACT Civil Administrative Tribunal
ACT	Australian Capital Territory
ACTPS	ACT Public Service
CEO	Chief Executive Officer
CPC	Consumer Protection Code
DI	Disallowable instrument
DDO	Designated Disclosure Officer
EAPL	East Australian Pipeline Limited
EPD	Environment and Planning Directorate
EPA	Environment Protection Authority
FOI	Freedom of information
FOI Act	*Freedom of Information Act* 1989
FTE	Full-time equivalent
FY	Financial year
GPO	General payment for outputs
Human Rights Act	*Human Rights Act* 2004
ICRC	Independent Competition and Regulatory Commission
ICRC Act	*Independent Competition and Regulatory Commission Act* 1997
ML	Megalitre
MLA	Member of the Legislative Assembly
NEMMCO	National Electricity Market Management Company
NERL	National Energy Retail Law
NI	Notifiable instrument
ORS	Office of Regulatory Services

SERBIR	Senior Executive Responsible for Business Integrity Risk
TJ	Terajoule
ULAR	Utility Licence Annual Report
Utilities Act	*Utilities Act* 2000

Alphabetical index