



ICRC

independent competition and regulatory commission

Annual Report
2013–14

Report 7 of 2014
September 2014

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

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

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

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

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

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

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

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Part A: Transmittal Certificate

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 2013-2014 has been prepared under section 6(1) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with the requirements under the Annual Report Directions.

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

We certify that the attached annual report is an honest and accurate account and that all material information on the operations of the Independent Competition and Regulatory Commission during the period 1 July 2013 to 30 June 2014 has been included.

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 3 months of the end of the financial year.

Yours sincerely,

Mr Malcolm Gray
Senior Commissioner

18 September 2014

Ms Ranjini Nayager
Chief Executive Officer

18 September 2014

Commissioner's Foreword

Financial year 2013-14 was a demanding one for the Commission. Throughout this period and into the current financial year, the Commission's investigation of and price direction for water and sewerage services has been under review. The issues raised by these processes of review are discussed towards the end of this foreword. In spite of the time and energy consumed by these processes, the Commission achieved a number of worthwhile outcomes in 2013-14. These included the issuing of a price direction for regulated retail electricity prices in the ACT, producing the greenhouse gas emissions inventory for 2010-11, making substantial further progress in developing an improved framework for monitoring the greenhouse gas emissions of the Territory, a review of the Commission's role in monitoring licence conditions for utilities operating under the ACT Utilities Act, and determining an annual reset for water and sewerage prices in the ACT.

Regulated retail electricity prices

The report on standing offer prices for the supply of electricity to small customers for the period 1 July 2014 to 30 June 2017 was a major task for the Commission. The draft and final reports involved a thorough review of all aspects of the Commission's methodology for determining regulated retail electricity prices.

The Commission undertook this inquiry in the context of governments in other Australian jurisdictions moving to deregulate retail electricity prices for small customers and the report prepared by the Australian Energy Market Commission (AEMC) titled *Advice on best practice retail price methodology*. The Commission also had to address the uncertainty surrounding the removal of the price on carbon.

In the draft report the Commission addressed in detail the question of whether a competition allowance, as defined by the AEMC, should be included in the regulated retail price in the ACT. The rationale for a competition allowance, as outlined by the AEMC, is that the higher electricity prices in the near term that would result would encourage other retailers to enter the ACT market. This increased competition, it is argued, would deliver a flow of benefits to consumers, including lower prices in the medium term. The Commission's analysis of the likely operation of the ACT electricity market without a competition allowance concluded that:

- The evolution of prices will be driven by the same forces as in the recent past, with the prospect of ACT prices remaining the lowest in Australia
- Large customers will continue to make extensive use of negotiated contract tariffs
- Small customers will continue to enjoy a useful range of choice of tariffs, both regulated and unregulated.

In the case of the introduction of a competition allowance we found that

- It is highly probable that retail electricity prices will be higher for some indefinite period into the future

- The prospective welfare gains in the longer term are highly uncertain as to timing and magnitude.

This position was confirmed in the Final Report. We also acknowledged that the National Electricity Market is in a continuing state of development and that conclusions that are sound now will not necessarily be so in years to come. For this reason, the Commission recommended that the situation be kept under review.

The Commission's Final Decision included a contingent pricing mechanism to deal with the uncertainty associated with the removal of the price on carbon. This involved the determination of two maximum average percentage price changes for retail electricity prices for 2014-15. The first included the legislated price on carbon while the second excluded any price on carbon from the energy purchase cost. The first was to apply from 1 July 2014, the second from the date on which the legislation removing the price on carbon came into effect.

This approach removed any uncertainty about ACT retail electricity prices for customers on a standing offer contract and ensured that removal of the price on carbon would be correctly reflected in retail electricity prices from the earliest possible time. The approach was also designed to assist ActewAGL Retail to minimise its administrative costs. The Commission approved the two schedules of tariffs for standing offer customers for 2014-15 on 13 June 2014.

In the event, the legislation removing the price on carbon took effect from 17 July 2014, but ActewAGL Retail chose to introduce the without-carbon prices retrospectively from 1 July, with bills issued after 1 August reflecting the new pricing. Customers who received bills between 1 July and 1 August were charged the higher, with-carbon price for electricity consumed from 1 July. Those customers will be receiving a rebate on their next bill. With the removal of the carbon price, retail electricity tariffs decreased on average by 7.3 per cent relative to their level on 30 June 2014.

Greenhouse gas emissions

The Commission issued its third Greenhouse Gas Inventory for the ACT, covering 2010-11, in September within the prescribed time frame. Elements in the ACT inventory are drawn from the national inventory and timing of release of the ACT inventory is largely determined by the availability of the national inventory. The inventory showed that total emissions, including those from land use, land use change and forestry, grew by 1.4 percent in 2010-11. Electricity consumption remained by far the most important contributor to ACT emissions, accounting for 61 per cent of emissions.

In preparing each inventory the Commission considers whether it should update its advice to the Minister on the methodology the Minister must determine for the conduct of the inventory. The Commission had determined that, following the completion of the 2010-11 inventory, it should reconsider the methodology it had been using for the calculation of the percentage of ACT electricity consumption drawn from renewable sources, the renewable energy percentage or REP. The need for such a review was given added impetus by the ACT government announcing on 5 November 2013 that, in line with the actions foreshadowed in Action Plan 2, the government was determining a new REP target of 90 per cent by 2020.

Commissioner's foreword

In an exchange of correspondence between the Minister and the Commission, the Minister requested that the Commission review its methodology for calculating the REP, paying particular attention to ensuring consistency between that methodology and the methodology used to estimate greenhouse gas emissions attributable to the ACT. The Minister also accepted the Commission's offer to extend the framework to provide estimates of impact of the actions identified in Action Plan 2. This work was a major focus for the Commission in the latter part of 2013-14, with the results expected to be reported in the first quarter of 2014-15.

Licence conditions for regulated utilities

In 2013-14, the Commission published its final stand alone annual *Compliance and Performance Report*, covering 2011-12. This report presents a wide range of data from electricity, gas and water utilities licensed by the Commission. In 2012-13, the National Energy Customer Framework came into effect, with responsibility for the licensing of electricity retailers transferring to the Australian Energy Regulator. This removal of a group of entities from the regulatory oversight of the Commission prompted us to reconsider the data we collect from licensed utilities and the use we make of it.

In respect of the conditions attaching to their licences, the ACT largely operates a system of self regulation. The utilities are aware of the obligations that their licence conditions place on them and the responsibility for discharging those obligations is left with them. There is no enforcement regime. In this situation, the principal objective of the Commission collecting data on compliance and performance is to provide a public record of the extent of compliance of the utilities with their licence conditions. In pursuit of this objective, the Commission is now collecting a smaller amount of data from utilities, which is more directly related to their compliance with their licence conditions and Commission's statutory responsibility for overseeing that compliance.

The Commission also concluded that a more appropriate and timely way to report on utilities compliance was through an attachment to the Commission's annual report. Consequently, attachment 5 to this Annual Report for 2013-14 provides the licensed utilities' performance data for 2012-13. In announcing this change of practice, the Commission would also like to take the opportunity to make clear that it welcomes comment from the public, the customers of the utilities, on any aspect on the utilities' performance relevant to the Commission's oversight responsibilities.

In addition to better discharging its oversight responsibilities, this change is also intended to reduce the compliance costs of utilities consistent with other actions by the Commission to better align utility licence fees to the costs actually incurred by regulators (the ACT Civil and Administrative Tribunal, the Technical Regulator and ourselves) in meeting their obligations under the Utilities Act 2000.

Water and sewerage services price reset

The price direction made by the Commission in June 2013 provided for an adjustment to be made in the prices of water and sewerage services from 1 July 2014 to cover the increase in the CPI and to pass through any changes in specified taxes applying to ACTEW. Over the relevant period the CPI increased by 2.56 per cent and, in the 2014 budget, the ACT

government increased the water abstraction charge and the utility network infrastructure tax. Taking account of these changes, the Commission approved increases in the 2014-15 maximum prices of 3.71 per cent for water and 2.72 per cent for sewerage services. Water prices increased by more than sewerage services prices because the water abstraction charge only applies to water.

Other activities

Through 2013-14, the Commission was involved in a number of other activities. The Commission provided comment on cabinet submissions that affected us or where we had particular subject matter knowledge or expertise. The Commission set licence fees and provided the parameters for the determination of the energy levy. These fees, paid by the licensed utilities in the ACT, cover the cost of the continuing regulatory activities of the Commission, the ACT Civil and Administrative Tribunal and the Technical Regulator. In undertaking this work, the Commission developed a new levy model, providing greater assurance of data integrity and consistency between annual levy determinations. Members of the Commission attended the biannual meetings of state and territory regulators, which provide a useful forum for the sharing of ideas, approaches and experiences. The Commission continued its program of continuing improvement in its internal governance and management procedures and practices. Among other activities during 2013-14, the Commission approved a new Fraud Policy and Control Plan, introduced procedures for dealing with public interest disclosures, approved a comprehensive package of policies and procedures for dealing with freedom of information requests, and introduced a new risk strategy action plan.

We have also been undertaking a major review of our website, which is one of our principal means of communicating with stakeholders, particularly the wider community beyond the regulated entities. Our website also serves as a reference source for current and past reports and determinations. The effective functioning of our website is, therefore, important both to the Commission itself and our stakeholders. In November 2009, the Online and Communications Council endorsed WCAG 2.0, requiring all Australian, state and territory government websites to conform to the guidelines to meet WCAG 2.0 Level A by December 2012. The Secretaries' ICT Governance Board extended the requirement for Australian Government agencies to conform to WCAG 2.0 Level AA standard by December 2014. A particular focus of our review has been to establish internal standards and procedures to ensure that documents placed on our website meet these requirements. Given the prevalence of graphical and mathematical material in some Commission reports, this is not a trivial task.

The Commission receives quarterly data about installations, energy generated and payments made under the ACT feed-in tariff and publishes a quarterly feed-in tariff summary report consolidating this information. Early in 2013-14 concerns emerged about the quality of the data going into this report. Since then, the Commission has worked closely with ActewAGL to improve the quality of this data, eliminating inconsistencies of coverage and ensuring that generation and payments data are telling a consistent story. The Commission anticipates that the results of this work will be published in the first quarter of 2014-15.

Commissioner's foreword

A particular challenge for the Commission, which came into sharper focus in 2013-14, is managing resources against the major fluctuations in the demand for its services. Over the three financial years since the current commissioners took up their appointments in early 2011, the reference workload of the Commission has varied from three running simultaneously in 2011-12 to a brief period in 2013-14 when the Commission had no current references. Because of the timing of major references for water and sewerage services and regulated retail electricity prices, the Commission is entering a period when its workload will be relatively light.

In the face of this varying workload, the Commission tries to maintain a degree of flexibility in its staffing arrangements. The Commission also considers it important to maintain a core of experienced staff, particularly to tackle the larger and more sensitive references. Striking a balance between these competing requirements is not easy. This variation in workload has been a recurring problem throughout the Commission's history. At various times, various ideas have been put forward about making alternative uses of the Commission's analytical capacities and its experience in consulting the community at times when its references workload is light. To date, nothing concrete has emerged from these ideas.

One result of this varying workload is that the cost accounting methods that the Commission uses to assess the costs to be recovered from regulated entities must be robust enough to maintain the reasonableness of such charges in the face of these variations. Through 2013-14, the Commission became concerned about the capacity of our current cost accounting methods to deal with this issue. We have commenced a review of those methods and that work is ongoing.

The future of the Commission

It will be apparent from the preceding discussion that the Commission needs to maintain a reasonably close correspondence between its available resources and the anticipated calls on those resources. In such circumstances large, unanticipated calls on Commission resources are likely to cause problems, endangering deadlines and putting staff under strain. Such an unanticipated call on resources occurred when, following completion of the Commission's review of water and sewerage service prices in 2012-13, it has been necessary to continue to devote resources to this matter as a consequence of the performance audit of the review by the Auditor General. In accordance with ICRC Act, the Commission's responsibilities in the Industry Panel review task have been limited thus far.

The performance audit placed a considerable burden on Commission resources. This burden manifested itself in a number of forms. First, as a consequence of the decision by the Auditor General to commence the process after the release of the Commission's draft report, the Commission was distracted from the production of the final report. Second, aspects of the conduct of the performance audit more closely resembled a review of the merits of the Commission's decision. As a consequence considerable Commission resource was spent, largely unsuccessfully, in attempting to educate the Audit Office on the theory and practice of utility regulation. Third, shortcomings in the audit report meant that the Commission needed to produce a substantive response to that report, which was submitted to the Speaker of the Legislative Assembly.

The Commission's response to the audit report is addressed in section C.5 of this annual report, more detail is available in the Commission's response document on the Commission's website. It is, however, worth reiterating here that the Commission rejects the principal conclusion of the audit report, namely that the administrative and communication processes associated with the 2013 water and sewerage services pricing process were inefficient and ineffective. In short the audit report did not identify the criteria by which it judged efficiency and effectiveness, nor did the analysis and evidence provided in the report support its conclusions.

The ACT has a safe and reliable supply of water and sewerage services and electrical energy. This reflects past investment in these services, the competence of the suppliers and the operation of the regulatory framework. In making a price direction the Commission must have regard to the protection of consumers from abuses of monopoly power. The Commission also engages with the technical regulator and the ACAT in respect of industry and technical codes which are primarily concerned with public safety, network reliability and security, and consumer protection. In respect of the regulatory framework the Commission seeks to ensure that these regulations achieve their objectives at the minimum cost to the community.

In restraining the monopoly power of a utility service provider the Commission is also required to consider the efficient operation of the utility so as to align prices with efficient costs while also considering environmental and social obligations. In respect of ActewAGL Retail's electricity tariffs, the Commission has, over a number of years, developed a cost index which has allowed the Commission to approve price changes that take proper account of movements in the retailer's operating costs. The process is also highly transparent and, in the Commission's view, superior to practices in other jurisdictions. As a consequence of this, the ACT electricity consumer has access to some of the lowest retail electricity prices in Australia. At the same time ActewAGL Retail is a profitable business. The fact that small ACT electricity customers are not switching retailers in large numbers does not mean that they are worse off than consumers in jurisdictions where such switching is more common.

The Commission's determination of water and sewerage service prices is currently being reviewed by an Industry Panel. The ICRC Act provides that a price direction of the Commission may be reviewed. The Commission accepts that its task in making a price direction is quasi-judicial and that a review process is, therefore, generally appropriate. The need for a review process is clearest where utilities are owned by private investors and decisions by the Commission could adversely affect their legitimate business interests.

ACTEW is a public company owned by the ACT government. The Commission gave considerable thought to the consequences of government ownership of ACTEW and the implications of that for ACTEW's cost of capital and prices. The terms of reference for the inquiry explicitly required the Commission to consider 'the ability of the price path to match revenue recovery requirements to the consumer benefits accrued from the water security program'. In addressing this requirement the Commission was required to consider ACTEW's actual debt structure and its debt servicing obligations. As a consequence of this analysis the Commission made some significant changes to the methodology it uses to determine water and sewerage services prices. The Commission did, however, retain the basic building blocks approach for establishing efficient costs. As with the Commission's approach to determining

electricity prices the methodology uses assumptions underpinning the modelling that are transparent and reflect a thorough consideration of the relevant economic literature.

The Commission's view, based on public comments by ACTEW, is that the price direction is working as designed. Prices increases have been kept at or near inflation, the community is using more water, although still significantly below pre-drought levels, while ACTEW's profitability has exceeded that anticipated in the Commission's Final Report. The Commission will be able to better assess whether ACTEW is operating on a stable and predictable cost path once it completes its biennial review of ACTEW's operations in early 2015. Whether this biennial review proceeds to completion will, however, be determined by the conclusions reached by the Industry Panel.

In response to the Auditor General's performance audit report the Government announced that there will be a review of the ICRC Act. The Commission welcomes that decision. The Act in broad terms has been in place since 1997. Competition policy and practice has evolved since that time and it is appropriate to reconsider how the Territory can best achieve competition policy objectives. For example, the arbitration and access dispute resolution provisions included when the Act was introduced have not been used. In addition, the Commission's role in reviews of competitive neutrality complaints and government regulated activity has been very limited.

The principal activity of the Commission under the ICRC Act is the conduct of reviews in response to industry references and the development of price directions for a specified utility service. Given this, the Commission considers it is questionable whether the objectives of the ICRC Act properly reflect our principal activity and that consideration could be given to incorporating the objectives of the Utilities Act in the ICRC Act.

The Commission's experience is that the basic framework within which industry references are dealt with is sound. An industry reference is initiated by the relevant minister. The inquiry is conducted in accordance with terms of reference and these are a disallowable instrument. The conduct of the inquiry is subject to the provisions of the ICRC Act. The alternative is to codify this framework in the Act, specifying the industries subject to a price direction and the factors the Commission must take into account in making the price direction. The Auditor General's recommendations appear to favour such an approach.

The Commission notes that this approach would be resource intensive. Experience in other areas, such as the regulation of energy transmission and distribution, is that rules need to be frequently updated. Such activity involves a substantial cost and flexibility and adaptability are lost. There are, however, a number of technical amendments which could be made to improve the operation of the inquiry processes of the Commission.

We note that Industry Panel reviews of Commission decisions are only available in the context of a price direction. As noted previously, this is appropriate where infrastructure is owned by private investors. It also needs to be recognised that, while consumers can, in theory, seek a review of a price direction if, for example, they believe the Commission has set prices too high, in practice they are discouraged from doing so because of the cost involved for an applicant in challenging a decision. In effect, it is only the utility or its shareholder who is likely to seek a review. In the context of the proposed review of the ICRC Act, the Commission's view is that consideration should be given to providing that an

Industry Panel only be able to vary a price direction for a publicly owned utility when the Panel has concluded that the price direction as it stands would undermine the utility's financial viability and/or its capacity to deliver safe and reliable services in accordance with its licence conditions.

Conclusion

The financial year 2013-14 was both a busy and a productive one for us. The financial year 2014-15 has only just begun, but promises to be an interesting one. As a record of our past work and a foretaste of what the future may hold, we present this Annual Report to all our stakeholders.

Part B Performance Reporting

B.1 Organisational Overview

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

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

We have been established amongst other things to:

- promote effective competition in the interests of consumers;
- 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 committed to providing better administrative and public policy outcomes for the ACT community. 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 prudently manage our resources.

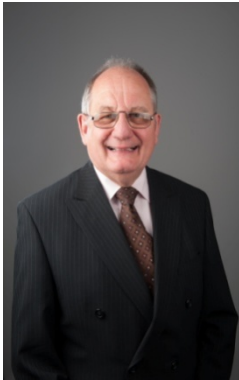
We, collectively and as individuals, seek to:

- 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.

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 ACT Legislative Assembly to represent the interests of all stakeholders.

Our commissioners determine the broad policies, priorities and strategies of the Commission, ensure that the affairs of the Commission are managed in an efficient and effective way and in accordance with relevant legislation and provide leadership in the application of regulatory economics to the issues dealt with by the Commission.

Our Commissioners in 2013–14 were:



Malcolm Gray was appointed as Senior Commissioner of the Commission in March 2011 for a term of 5 years. Malcolm worked as an academic economist in the United Kingdom, United States and Australia, has held 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 – 2009 and was Chairman of The Gambling and Racing Commission during 2004 – 2012.



Mike Buckley was appointed as Commissioner in April 2011 for a term of 5 years. Mike's professional career includes senior Commonwealth public service positions in Treasury and extensive national utility regulation in the Australian Competition and Consumer Commission and the Australian Energy Regulator.

B.2 Performance Analysis

B.2.1 Water

Work done in financial year 2013-14 culminated in our June 2014 price adjustment for maximum prices for ACTEW's water, sewerage services, and miscellaneous services to apply from 1 July 2014. This price adjustment was made in accordance with the Price Direction: Regulated Water and Sewerage Services, 1 July 2013 to 30 June 2019.

B.2.2 Energy

Electricity price investigation and price determination

On 2 February 2014 the Acting Treasurer issued a reference under the ICRC Act to us for a price direction for the supply of electricity to certain small customers for the period commencing 1 July 2014 and ending 30 June 2017. In 2013-14 we released five reports related to the price investigation as set out in Table 1. As part of the price investigation, we also held a public hearing on 10 April 2014. Our work culminated in the release of the final report and price direction on 13 June 2014.

Table 1 Electricity price investigation reports issued in 2013-14

Report	Date released
Issues paper	4 October 2013
Draft report	14 February 2014
Proposed price direction	14 February 2014
Final report	13 June 2014
Price Direction	13 June 2014

Electricity Feed-in-Tariff

The *Electricity Feed-in Code* sets out practices and standards for the operation of the scheme for feed-in from renewable energy generators to the electricity network. The scheme was established under the *Electricity Feed-in (Renewable Energy Premium) Act 2008*. We meet our feed-in tariff advice annual reporting through the release of four reports, three of which are quarterly summaries.

During 2013-14, we released three quarterly reports on connection activity and tariff payments under the Electricity Feed-in Scheme for renewable energy generators. We did not release a fourth quarter's summary report as anomalies present in the data provided by the relevant entities required further investigation. A revised report covering the remaining quarters for the period was released in early 2014-15.

Greenhouse Gas Inventory

We provided the 2010-11 Greenhouse Gas Inventory Report to the Minister for the Environment in September 2013. The Greenhouse Gas Inventory Report provides estimates

of the amount of greenhouse gas emissions in the ACT based on a methodology set out by the *Climate Change and Greenhouse Gas Reduction Act 2010*. The Report revealed that the ACT's total carbon dioxide equivalent (CO₂-e) emissions, excluding emissions from land use, land-use change and forestry, were 4,458 kilo-tonnes. This represented a 40 per cent increase in emissions from 1990 levels and a 1.4 per cent increase from 2009–10 levels.

During the 2013-14 financial year, we also commenced on the 2011-12 Greenhouse Gas Inventory Report, which will be provided to the Minister in September 2014.

B.2.3 Financial Performance

Total expenditure was \$2.464 million and was \$0.301 million (13.9 percent) higher than the budget. The higher than budgeted result is largely attributed to the Retail Electricity Price Determination for Small Retail Customers 2014-17, with additional employees engaged to deliver this activity. Our budget figures are historically based and do not reflect changes for activities that are performed on a non-annual basis due to operating predominantly on a cost recovery basis.

Future Trends

For the year 2014-15, expenditure is expected to decrease with the completion of the Retail Electricity Price Determination for Small Retail Customers 2014-17. Our costs for utilities regulatory activities are expected to be consistent with 2013-14. 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 our services from government and non-government sources.

B.2.4 Components of Income

In 2013-14, the main components of income were:

- Government Payment for Outputs (GPO) of \$0.406 million (15.7 percent) recognised for our energy industry regulatory activities;
- User Charges - ACT Government of \$0.773 million (29.9 percent) were recognised for the following activities:
 - a purchase agreement with the Treasury 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 Gas Reduction Act 2010*;
 - Biennial Water and Sewerage Services Pricing review; and
 - Water and Sewerage Services Pricing review panel costs.
- User Charges – Non-ACT Government of \$0.715 million (27.7 percent) for the Retail Electricity Price Determination for Small Retail Customers 2014-17; and

Part B: Performance Reporting

- Utility Licence Fees of \$0.639 million (24.7 percent) were recognised for regulatory activities for water, sewerage and gas transmission utilities under the Utilities Act. These Fees cover our reasonable costs, the costs of technical regulation performed by the Environment and Planning Directorate (EPD) and the cost of the ACT Civil and Administrative Tribunal (ACAT).

Revenue for the year was \$2.584 million and was \$0.303 million (13.3 percent) higher than budget.

Future Trends

For the year 2014-15, revenue is expected to decrease with the completion of the Retail Electricity Price Determination for Small Retail Customers 2014-17 and reporting and analytical advice in relation to the *Climate Change and Greenhouse Gas Reduction Act 2010* being completed in 2014-15. Revenue arising from the regulation of utilities and discharge of our other statutory responsibilities is expected to remain relatively constant. More generally, revenue may vary over the forward estimates for activities that are not performed on an annual basis, including unanticipated references or other requests for our services from government and non-government sources.

B.3 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) 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 2013-14, we invited public comment for our retail electricity franchise tariff investigation in the form of a public hearing and submissions from interested parties. Notification of the consultation process was made through advertisement in the print media and on our website.

We received eight submissions on the issues paper and five submissions on the draft report during the consultation process. Consideration of the submissions was made as part of the final report and price direction. We did not receive any registrations from the community to attend the public hearing held at the Commission's office.

We also continued to support local not-for-profit charities including Anglicare ACT, the Doris Women's Refuge and Cerebral Palsy Alliance.

B.4 Ecologically Sustainable Development

Table 2 Sustainable development performance 2012-2013 and 2013-2014

Indicator as at 30 June	Unit	2012-13	2013-14	Percentage change
Agency staff and area				
Agency staff	FTE	8	8.6	7.5
Workplace floor area	Area (m ²)	330 ² m	330 ² m	0
Stationary energy usage				
Electricity use ¹	Kilowatt hours	21,334	28,229	22.6
Renewable electricity use	Kilowatt hours	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 (LPG)	Kilolitres	0	0	n/a
Fuel use – Compressed Natural Gas (CNG)	Kilolitres	0	0	n/a
Water usage				
Water use	Kilolitres	Data not available as building is leased	Data not available as building is leased	n/a
Resource efficiency and waste				
Reams of paper purchased	Reams	180 reams	91 reams	(49.5)
Recycled content of paper purchased	Percentage	0	0	0%
Waste to landfill	Litres	Data not captured	Data not captured	n/a
Co-mingled material recycled	Litres	0	0	n/a
Paper & Cardboard recycled (incl. secure paper)	Litres	36x240- litre bins	36x240- litre bins	0%
Organic material recycled	Litres	0	0	n/a
Greenhouse gas emissions				
Emissions from stationary energy use	Tonnes CO ₂ -e	22.6	29.9	32.3
Emissions from transport	Tonnes CO ₂ -e	0	0	n/a
Total emissions	Tonnes CO ₂ -e	22.6	29.9	32.3

1. Based on usage in 221 London Circuit apportioned by Net Lettable Area.

Part C Governance and accountability reporting

C.1 Internal Accountability

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

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

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

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

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

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

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

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

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

Our Standing Commissioner's role includes:

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

Our CEO's role includes:

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

C.2 Risk Management and Internal Audit

Our approach to risk management is outlined in section F.1 (Financial Management Analysis).

We are committed to ongoing improvement in our approach to risk management and the risks identified in section F.1 are actively monitored and managed and continue to be assessed as low-level.

The Commission is a small organisation, and the establishment of a formal internal audit committee of the type envisaged in the Annual Report Directions 2013–14 is not appropriate for us. We are committed and attentive to the need for strong and appropriate 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. In accordance with whole of government policy, we commissioned an external audit of our taxation accounting processes.

C.3 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. Our Senior Commissioner and CEO maintain regular oversight of activities and principal transactions.

C.4 Legislative Assembly Inquiries and Reports

We were not the subject of a review by a Legislative Assembly committee in 2013–14. We participated in Legislative Assembly Estimates Committee and Public Accounts Committee reviews of Budget estimates for the period to 30 June 2014.

C.5 Auditor-General and Ombudsman Reports

The Auditor-General gave an unqualified opinion on our financial statements and statement of performance. Our unqualified audited financial statements for 2013–14 appear in attachment 1.

During 2013–14, we were not the subject of any complaint to or investigation by the ACT Ombudsman.

During the 2013-14 financial year the Auditor-General completed a performance audit of the water and sewerage services pricing process of which the Commission was an auditee.

Table 3 Details of the report

Office	Report Title	Date Tabled
ACT Auditor General	Report 2/2014: The Water and Sewerage Pricing Process	8 April 2014

We produced a comprehensive response to the Auditor-General’s report, Report 3 of 2014: Response to the ACT Auditor-General’s Office Performance Audit – The Water and Sewerage Pricing Process. The response can be accessed at <http://www.icrc.act.gov.au/report-paper/>. Our responses to the Auditor-General’s report are summarised below in Table 4.

Table 4 Implementation status of ACT Auditor-General Report on the Water and Sewerage Pricing Process

Recommendation	Response	Implementation/status/outcome
Overall recommendation: The ACT Government should review the water and sewerage price setting framework including legislative, governance and administrative arrangements.	The Commission does not consider that the conclusions and findings presented in the audit report constitute a sound basis on which to institute a review.	Implementation and outcome are a matter for the ACT Government.
1. The ACT Government should review the Treasurer’s responsibilities and implement mechanisms to further mitigate (and if possible eliminate) conflicts in roles with respect to the water and sewerage pricing process	Recommendation 1 suggests the ACT Government review the Treasurer’s role in the water and sewerage services pricing process. For the reasons given in section 7.1 of the Commission’s response ¹ to the Auditor-General’s report the Commission considers this unnecessary.	Implementation and outcome are a matter for the ACT Government.

¹ ICRC Report 3 2014, April 2014, ‘Response to the ACT Auditor General’s Office Performance Audit – The Water and Sewerage Pricing Process’. Available on the Commission’s website at <http://www.icrc.act.gov.au/report-paper/>.

Recommendation	Response	Implementation/status/outcome
2. The ICRC Chief Executive Officer should not undertake the role of General Counsel for the ICRC.	For the reasons given in section 7.2 of the Commission's response to the Auditor-General's report, the Commission does not accept the basis of the recommendation. As an independent statutory authority the efficient and effective management of the CEO is a matter for Commissioners to determine.	The Commission did not implement this recommendation.
3. The ACT Government should address the issues associated with the potential invalidity of the current price direction.	The Commission does not agree with Recommendation 3. The current price determination is valid. The Commission's view is that the interpretations and findings of the audit report do not identify any issues requiring to be addressed by government.	Implementation and outcome are a matter for the ACT Government, however the Commission notes the Independent Competition and Regulatory Commission (Water and Sewerage Price Direction) Act 2014.
4. The ACT Government should review and amend the Independent Competition and Regulatory Commission Act 1997 to clarify the relationship between Part 3 (Investigations) and Part 4 (Price directions) of the Act.	The Commission agrees in part with Recommendation 4. There is clearly a case for removing the doubts about the legislative intention that have been raised in connection with sections 15, 16 and section 20 of the ICRC Act. However, the Commission does not consider that the interpretations and findings presented in the audit report provide sound reasons for a broader review and amendment of Parts 3 and 4 of the ICRC Act alone. Although the case is not made in the report, the Commission considers that a thorough review of the whole of the ICRC Act may be worthwhile.	Implementation and outcome are a matter for the ACT Government.
<p>5. The ACT Government, in consultation with key stakeholders, should develop a set of principles for the conduct of water and sewerage pricing investigations in the ACT. The principles should include:</p> <p>a) a requirement to clearly identify the nature and purpose of stakeholder consultation documents prepared by the ICRC. At a minimum, the principles should require that a draft report and proposed price direction must comply with, and represent, any requirements of a final report and final price direction;</p> <p>b) guidance with respect to the prioritisation of objectives that are sought from the water and sewerage pricing investigation;</p> <p>c) guidance with respect to administrative processes to be conducted as part of the investigation, in order to facilitate open and timely communication of key issues, findings and conclusions at early stages of the process;</p> <p>d) protocols for the provision of information required, including outlining the type and nature of information to be provided by ACTEW as the regulated entity; and</p> <p>e) protocols for the resolution of disputes between the regulator and the utility being regulated during a water and sewerage price investigation, specifically with respect to disputes in relation to administrative processes associated with the investigation.</p>	<p>The Commission notes that the principles identified by the Auditor-General could be addressed as part of the announced review of the ICRC Act.</p> <p>The Commission questions the need to restrict its consultation to key stakeholders, whoever they may be.</p> <p>The Commission also notes that the principles as presented are likely to limit the capacity of the Commission to deal with emerging issues and thereby limits its effectiveness and value to the community. The formulaic approach proposed is also likely to require the completion of processes which are of limited value thus adding to costs and limiting the flexibility of the Commission to devote resources to matters of greater significance.</p>	Implementation and outcome are a matter for the ACT Government.

Part C: Governance and accountability reporting

Recommendation	Response	Implementation/status/ outcome
<p>6. The ICRC, for all future water and sewerage pricing review investigations, should develop and implement:</p> <p>a) detailed internal procedural guidance. This should include guidance on communication and consultation processes with stakeholders, including ACTEW; and</p> <p>b) rigorous project planning, monitoring and reporting procedures.</p>	<p>The Commission agrees in part with Recommendation 6. Following its release of the draft report on water and sewerage services, the Commission reviewed its internal processes for producing that report and instituted changes to improve the management of the production of the final report. Since then the Commission has continued to develop and document its project management procedures for the efficient and effective operation of the Commission. However, the Commission itself will determine the scope and coverage of the mechanisms required.</p>	<p>Ongoing</p>
<p>7. The ACT Government should provide more detailed guidance to ACT Government entities, specifically territory-owned corporations and statutory authorities, on protocols during the caretaker period.</p>	<p>Recommendation 7 is a matter for government and the Commission makes no comment.</p>	<p>Implementation and outcome are a matter for the ACT Government.</p>

Part D Legislation based reporting

D.1 Public interest disclosure

We have adopted the Guidelines for Public Interest Disclosure issued by the Commissioner for Public Administration to facilitate the making of disclosures.

During 2013–14, we did not receive any public interest disclosures, nor were we involved in any incident involving public interest disclosure.

D.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 requires us 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).

D.2.1 Section 7 Statement

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

D.2.2 Organisational functions and powers

Section B.1 of this report summarises our functions and summarises the legislation which governs and forms the basis of our statutory powers.

D.2.3 Public participation in decision making

Section B.3 of this report outlines how we engage with the community in carrying out our activities.

D.2.4 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

Part D: Legislation based reporting

- documents exempt under the FOI Act.

Many of 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.

D.2.5 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 the Utilities Act. In making these decisions we may follow documented processes or create documents related to how the decision was made. To promote transparent decision-making, these documents may be made available on request, subject to any exemption under the FOI Act. 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.

D.2.6 Section 79 statement

During 2013–14, we did not receive any requests for access to information under the FOI Act.

D.3 Human Rights Act

The *Human Rights Act 2004* (Human Rights Act) does not impose any direct obligation upon our functions under the ICRC Act or the Utilities Act. However the Human Rights Act imposes a clear 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.

We recognise the importance of taking human rights into consideration when making decisions. This is bolstered by our objectives set out under section 7 of the ICRC Act and section 3 of the Utilities Act. Under these sections we consider the rights and interests of consumers and the community when making decisions under those Acts.

Part 4 of the Human Rights Act requires us to interpret our functions and obligations under Territory law consistently with the Human Rights Act. The civil and political rights recognised under Part 3 and the economic, social and cultural rights under Part 3A create a benchmark that our decisions must uphold. Our regulatory oversight of licensed utilities in the Territory is important in maintaining the provision of essential services to the ACT community. Access to a number of these services is a basic human right.

D.4 Territory Records Act

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

Our approved records disposal schedule is found on the ACT Legislation Register². We hold no records subject to Part 3 (Access to records) of the Territory Records Act³.

Table 5 Records Disposal Schedule

Records Disposal Schedule Name	Effective	Year and No.
Territory Records (Records Disposal Schedule – Independent Competition and Regulatory Records) Approval 2006 (No 1)	3 February 2006	2006-28

D.5 Legal Services Guidelines

We are required to report on our compliance with two directions under the *Law Officers Act 2011*.

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

During 2013–14, we were not involved in any litigation.

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

During 2013-14 we complied with the *Law Officers (General) Legal Services Directions 2012* (Direction). Where the need arose for outsourcing certain legal work, we consulted the Solicitor-General who noted the unique status of the Commission in terms of our independence and our regulatory functions.

D.6 Notices of Non-compliance

The Commission has not committed an infringement offence nor do we engage in activities that come within the ambit of section 200 of the *Dangerous Substances Act 2004*.

D.7 Bushfire Risk Management

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

² Territory Records (Records Disposal Schedule—Independent Competition and Regulation Records) Approval 2006 (No. 1) Notifiable instrument NI2006–28.

³ Part 3, section 26 of the *Territory Records Act 2002* provides that a record of an agency is open to public access under the Act if 20 years has lapsed since the record, or the original of which it is a copy, came into existence.

D.8 Commissioner for the Environment

During 2013–14, the Office of the Commissioner for Sustainability and the Environment sought our assistance in relation to the measurement of greenhouse gas emissions against Action Plan 2 (AP2) targets. This assistance was provided in the context of the Commissioner’s *Implementation Status Report* on the execution of the ACT Government’s climate change policies.

Part E Human Resources Management Reporting

E.1 Human Resources 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. Our areas of professional expertise include regulatory economics and regulatory law and policy and we are committed to sustainably building 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-needed basis for specific projects was again implemented in 2013-14. 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.

The program we piloted in 2012-13 to provide graduates, or recent graduates, from the region with the opportunity to work with the Commission was successful and we ran it again in 2013-14. This year the program provided the opportunity for two recent graduates to work with our experienced professionals and further develop their technical knowledge and acquire practical workplace experience in their areas of expertise.

Key components of our objective to deliver better public administration and policy outcomes for the ACT community include consistent delivery of high-quality outputs in a transparent and consultative way. Our overriding human resource goal supporting this objective is to remain, as far as possible, an employer of choice that attracts and retains high-calibre staff. We leverage our small-scale, independent and specialist technical skill requirements as an organisational attraction and retention strategy. Our work program and projects provide opportunities for our staff to develop a broad range of experience and to take substantial responsibility for outcomes we have responsibility for.

Given our size 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 2013-14, 20% of our staff headcount have identified themselves as people with a disability and we provide ongoing support to these staff members' workplace needs.

E.2 Learning and Development

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

All of our Senior Officers hold post-graduate qualifications and we provide both support and the opportunity for our staff members to undertake self-directed learning so their knowledge remains current in their area of specific technical expertise. In addition to supporting our staff members' pursue their own development needs we again ran our program to provide graduates, or recent graduates, from the region with the opportunity to work with the Commission. This year we had two recent graduates work with us and they were provided with coaching and mentoring by our senior staff to further develop the technical knowledge they gained at university and provided the opportunity to apply their technical expertise in a practical workplace environment.

In 2013–2014 we again invited external speakers to present to our staff and extended an invitation to the wider ACT Public Service to participate in these seminars with us. Guest speakers this year included senior regulatory economists from the Australian Competition and Consumer Commission (ACCC) and the NSW Government's Independent Pricing and Regulatory Tribunal (IPART). These seminars were well received and drew attendees from several ACT Government directorates and agencies, and also included attendees from the Commonwealth Ombudsman. We will again look to run this seminar series in 2014-15 as it is a highly relevant and effective way of providing development to our small and highly specialised workforce.

Our CEO also continues to play a pivotal role in creating a positive learning environment in the workplace. The CEO does this by supporting ongoing personal and professional development for Commission staff and maximising the opportunity for professional development activities to be shared and embed back in the workplace. Our annual performance development planning process provides the opportunity for staff to identify their individual learning and development objectives for the coming year and the achievement of their learning objectives is discussed with the CEO as part of the annual performance review process.

E.3 Work Health and Safety

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

Ensuring we have a working environment that is healthy and safe for all Commission staff 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 2013–14. Staff did however, have access to consultative committee forums which are the primary mechanism for consultation on all workplace issues, including workplace safety.

During the year we engaged a new Employee Assistance Service Provider (EAP) so all our staff and Commissioners had 24-hour access to critical incident management and psychological support services. Staff also had access to a specific Health and Well-being initiative provided under our Enterprise Agreement. Our health and wellbeing initiative

supports staff who undertake health promotion activities in their own time with a one-off payment to assist with costs of the activity. This initiative recognises the benefits in maintaining a healthy and productive workforce.

In 2013–14 we again coordinated and funded a vaccination program for staff to receive an annual influenza vaccination. This initiative was well supported by staff. We also reviewed arrangements in our Commission boardroom and made modifications to our boardroom chairs to make them height adjustable. This upgrade to our boardroom chairs was done to improve ergonomics in recognition of the considerable time our team spend in the boardroom working on projects.

In February 2014 staff from the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) Safety Support Team raised concerns with our CEO about a safety matter relating to the building we, and the Safety Support Team, occupy. The CMTEDD Safety Support Team, on behalf of the ACT Government tenancies in the building, advised the regulator of their concerns about the safety matter in accordance with Part 3 Section 38 of the *Work Health and Safety Act 2011*. The CMTEDD Safety Support Team coordinated investigations with the building managers on behalf of the ACT Government tenancies and fortunately, the matter was resolved with no adverse outcomes.

During 2013-14 no notices were issued to us under Part 10 of the *Work Health and Safety Act 2011* during 2013–14. 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*.

E.4 Workplace Relations

In 2013-14 employment conditions for our staff were outlined in the *ACT Public Sector Treasury Directorate Enterprise Agreement 2011-2013*. During the reporting period we did not have any individual or group Special Employment Arrangements (SEA) in place nor did we have any staff with Australian Workplace Agreements (AWA) that were active, terminated or lapsed.

E.5 Staffing Profile

Tables 6 to 14 provide details of our staffing profile at 30 June 2014.

It should be noted that headcount data represents paid headcount at 30 June 2014 and includes a staff member who separated from the Commission in May 2014 and received their final separation payment in the last pay in June 2014.

Part E: Human Resources Management Reporting

Table 6 FTE and Headcount by gender

	Female	Male	Total
Full-time equivalent	3.6	5.6	8.6
Headcount	3	7	10
Percentage of workforce (based on headcount)	30.0%	70.0%	100.0%

Table 7 Headcount by classification and gender

Classification group	Female	Male	Total
Administrative officers	2	1	3
Executive officers	1	0	1
Senior officers	0	6	6
Total	3	7	10

Table 8 Headcount by employment category by gender,

Employment category	Female	Male	Total
Casual	0	0	0
Permanent full-time	1	5	6
Permanent part-time	0	0	0
Temporary full-time	2	1	3
Temporary part-time	0	1	1
Total	3	7	10

Table 9 FTE and headcount by division/branch

Division/branch	FTE	Headcount
Independent Competition and Regulatory Commission	8.6	10
Total	8.6	10

Table 10 Headcount by division/branch and employment type

Agency	Permanent	Temporary	Casual
Independent Competition and Regulatory Commission	6	4	0
Total	6	4	0

Table 11 Headcount by age group and gender

Age group	Female	Male	Total
Under 25	0	1	1
25-34	1	1	2
35-44	1	2	3
45-54	0	1	1
55 and over	1	2	3

Table 12 Headcount by length of service, generation and gender

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

Note: the following information provides detail to the birth years for the generational groups presented in the foregoing table.

Generation	Birth Years covered	Generation	Birth years covered
Pre-Baby Boomers	prior to 1946	Generation X	1965 to 1979 inclusive
Baby Boomers	1946 to 1964 inclusive	Generation Y	from 1980 and onwards

Table 13 Average length of service by gender (headcount)

	Female	Male	Total
Average years of service	4.0	4.0	4.0

Table 14 Headcount by Diversity group

	Headcount	Percentage of agency workforce
Aboriginal and/or Torres Strait Islander	0	0.0%
Culturally and linguistically diverse	0	0.0%
People with a disability	2	20.0%

Note: Employees may identify with more than one of the diversity groups.

Part F Financial management reporting

F.1 Financial Management Analysis

F.1.1 General Overview

Objectives

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 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*.

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.

F.1.2 Risk Management

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

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

Comments on each of these areas are below.

Consultant Risk

- The probability of risks associated with non-performance under contracts for expert advice materialising is considered low. We manage this risk by using whole of life contract management principles including close oversight of performance under the contract. There have been no incidents of contractual non-performance in 2013-14.

Operational Risk

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

Information Risk

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

Workplace Safety and Related Employee Risks

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

During 2013-14, no occupational health and safety incidents or dangerous occurrences were notified. We provide a high level of support for staff and we promote sustainable work-family balance practices.

Credit or Default Risk

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

assessed and developed financial risk management strategies consistent with our strategies, priorities, policies and in consideration of our nature, scale and size.

F.1.3 Financial Performance

The following financial information is based on audited financial statements for 2012-13 and 2013-14, and the forward estimates contained in the 2014-15 Budget Statements.

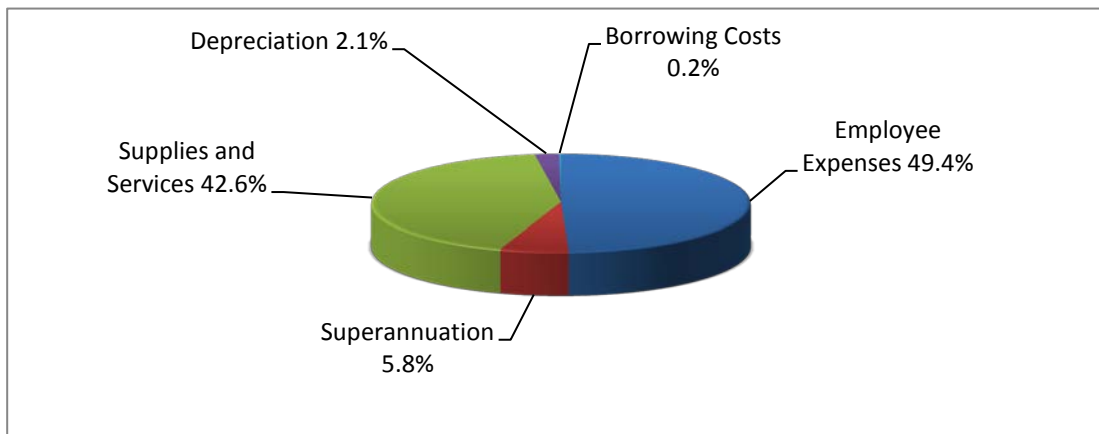
Total Expenditure

Components of Expenditure

Figure 1 shows the components of our expenditure for 2013-14. The main components of ordinary expenditure were:

- Supplies and Services of \$1.049 million (42.6 percent); and Employee Expenses of \$1.216 million (49.4 percent).

Figure 1: Components of Expenditure 2013-14



Comparison to Budget

Total expenditure was **\$2.464 million** and was **\$0.301 million** (13.9 percent) higher than the budget. The higher than budgeted result is largely attributed to the Retail Electricity Price Determination for Small Retail Customers 2014-17, with additional employees engaged to deliver this activity. Our budget figures are historically based and do not reflect changes for activities that are performed on a non annual basis due to the Commission operating predominantly on a cost recovery basis.

Comparison to 2012-13 Actual Expenditure

Total expenditure was **\$2.464 million** and was **\$1.238 million** (33.4 percent) lower than the 2012-13 actual result. The decreased expenditure is largely attributed to the Water and Sewerage Services pricing review being completed in 2012-13, resulting in a reduction in Employee and Consultancy expenses.

Future Trends

For the year 2014-15, expenditure is expected to decrease with the completion of the Retail Electricity Price Determination for Small Retail Customers 2014-17. Our costs for utilities regulatory activities are expected to be consistent with 2013-14. 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.

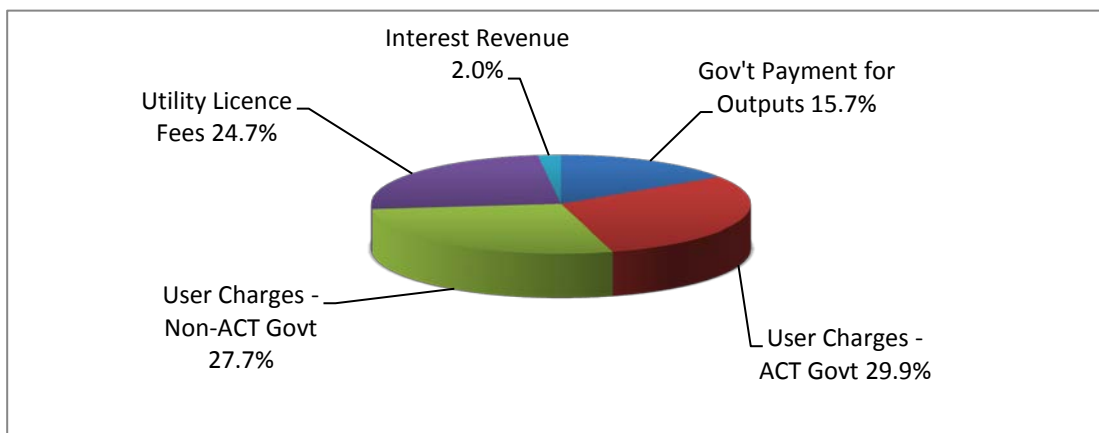
Total Income

Components of Income

Figure 2 shows the components of our income for 2013-14. The main components of income were:

- Government Payment for Outputs (GPO) of **\$0.406 million** (15.7 percent) recognised for our energy industry regulatory activities;
- User Charges - ACT Government of **\$0.773 million** (29.9 percent) were recognised for the following activities:
 - a purchase agreement with the CMTEDD for services under the ICRC Act;
 - a service level agreement with the Environment and Sustainable Development Directorate for reporting and analytical advice in relation to the *Climate Change and Greenhouse Gas Reduction Act 2010*;
 - Biennial Water and Sewerage Services pricing review; and
 - Water and Sewerage Services pricing review panel costs;
- User Charges – Non-ACT Government of **\$0.715 million** (27.7 percent) for the Retail Electricity Price Determination for Small Retail Customers 2014-17; and
- Utility Licence Fees of **\$0.639 million** (24.7 percent) were recognised for regulatory activities for water, sewerage and gas transmission utilities under the Utilities Act . These Fees cover our reasonable costs, the costs of technical regulation performed by EPD and the cost of the ACAT.

Figure 2: Components of Income 2013-14



Comparison to Budget

Revenue for the year was **\$2.584 million** and was **\$0.303 million** (13.3 percent) higher than budget. The variance in revenue to budget mainly relates to:

- Government Payment for Outputs being **\$0.120 million** (22.8 percent) lower than budget, with costs associated with the Retail Electricity Price Determination for Small Retail Customers 2014-17 being recovered as User Charges – Non-ACT Government; and
- User Charges - ACT Government being **\$0.327 million** (29.7 percent) lower than budget. This variance primarily relates to the non recurrent and unpredictable nature of the activities we performed and our budget figure for ACT Government User charges unadjusted for activities performed on an ad hoc basis; and
- User Charges – Non-ACT Government of **\$0.715 million** higher than budget. This result primarily relates to the Retail Electricity Price Determination for Small Retail Customers 2014-17, which has historically been recovered through the Energy Levy and included in the Commission’s Government Payment for Outputs.

Comparison to 2012-13 Actual Income

Total revenue in 2013-14 was **\$2.584 million**, a decrease of **\$1.419 million** (35.4 percent) from the 2012-13 result. The variance in revenue to the prior year primarily relates to:

- Government Payment for Outputs were **\$0.112 million** (21.6 percent) lower due to fees associated with the cost of the Retail Electricity Price Determination for Small Retail Customers 2014-17 being recovered as User Charges – Non-ACT Government; and
- User Charges - ACT Government were **\$1.727 million** (69.1 percent) lower due to the completion of the Water and Sewerage Services pricing review in 2012-13;
- User Charges – Non-ACT Government were **\$0.715 million** higher due to the completion of the Retail Electricity Price Determination for Small Retail Customers 2014-17; and
- Utility Licence Fees were **\$0.294 million** (31.5 percent) lower due to estimated cost recoveries for technical regulation being revised downwards based on the 2013-14 actual costs.

Future Trends

For the year 2014-15, revenue is expected to decrease with the completion of the Retail Electricity Price Determination for Small Retail Customers 2014-17 and reporting and analytical advice in relation to the *Climate Change and Greenhouse Gas Reduction Act 2010* being completed in 2014-15. Revenue arising from the regulation of utilities and discharge of our other statutory responsibilities is expected to remain relatively constant. More generally, revenue may vary over the forward estimates for activities that are not performed on an annual basis, including unanticipated references or other requests for our services from government and non-government sources.

F.1.4 Financial Position

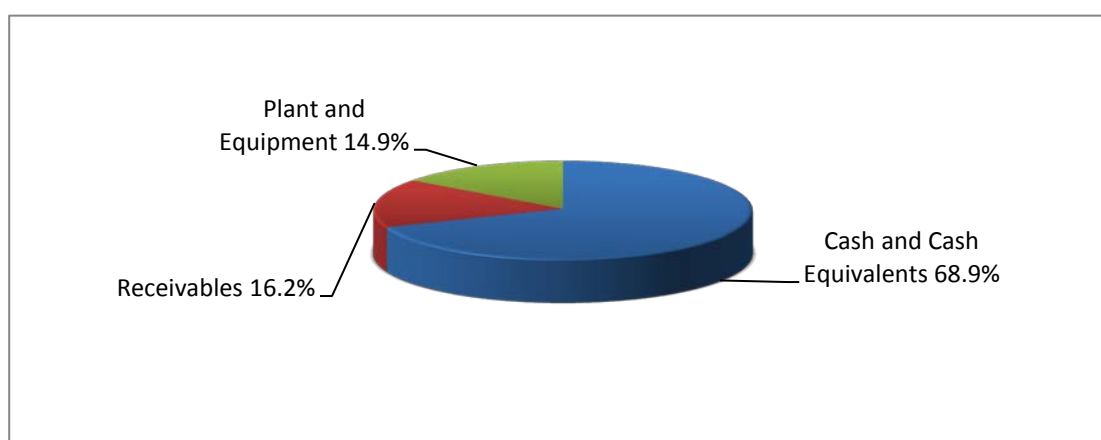
Total Assets

Components of Total Assets

Figure 3 shows the components of our Total Assets as at 30 June 2014. The main components were:

- Cash and Cash Equivalents of \$1.838 million (68.9 percent);
- Receivables of \$0.432 million (16.2 percent); and
- Plant and Equipment of \$0.399 million (14.9 percent).

Figure 3: Total assets, as at 30 June 2014



Comparison to Budget

At 30 June 2014, Total Assets amounted to **\$2.669 million**. This is **\$0.991 million** (27.1 percent) lower than the budget position. The variance to budget mainly relates to:

- Cash and Cash Equivalents are **\$0.342 million** (15.7 percent) lower than budget, which is consistent with our lower than budgeted Liabilities; and
- Receivables are **\$0.598 million** (58.1 percent) lower than budget. Due mainly to the issuing of interim invoices for services provided to recover costs more quickly.

Comparison to 2012-13 Actuals

Our Total Asset position is **\$0.484 million** (15.4 percent) lower than 30 June 2013. The main items contributing to the variance are:

- Receivables were **\$0.316 million** (42.2 percent) lower and this primarily relates to payments being received for the Water and Sewerage Services pricing review; and
- Plant and Equipment was **\$0.052 million** (11.5 percent) lower and this relates to annual depreciation.

Liquidity

A common indicator used to measure liquidity is the current ratio, which compares the ability to fund short-term liabilities from short-term cashable assets. A ratio of less than 1:1 may indicate a reliance on future revenue streams to meet short-term debts. Table 15 shows our liquidity position.

Table 15 Current Ratio

Description	Prior year actual \$'000 2012-13	Current year budget \$'000 2013-14	Current year actual \$'000 2013-14	Forward year budget \$'000 2014-15	Forward year budget \$'000 2015-16	Forward year budget \$'000 2016-17
Current assets	2,702	3,210	2,270	2,761	2,891	3,018
Current liabilities	1,580	1,826	973	1,065	1,087	1,104
Current ratio	1.7:1	1.8:1	2.3:1	2.6:1	2.7:1	2.7:1

Our current ratio of 2.3:1 for the financial year is higher than the budgeted current ratio of 1.8:1. We expect our liquidity position to continue to strengthen over the next 12 months.

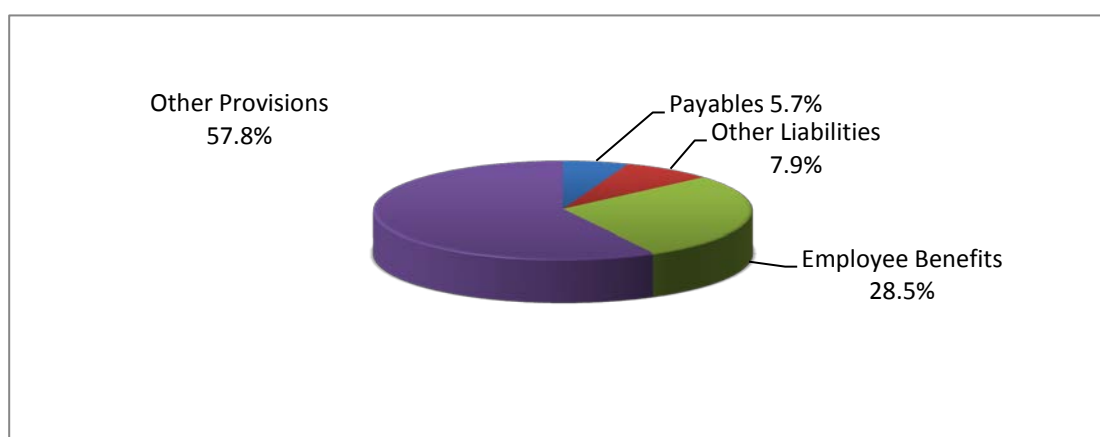
Total Liabilities

Components of Total Liabilities

Figure 4 shows the components of our Total Liabilities as at 30 June 2014. The main components were:

- Other Provisions of **\$0.608 million** (57.8 percent); and
- Employee Benefits of **\$0.300 million** (28.5 percent).

Figure 4: Total Liabilities as at 30 June 2014



Comparison to Budget

Our Total Liabilities for the year ended 30 June 2014 were **\$0.853 million** (44.8 percent) lower than budget. The main items that contributed to this variance were:

- Payables **\$0.932 million** (94.0 percent) lower than budget, with amounts owing to third parties for utilities regulation recognised in Other Provisions;
- Other Liabilities **\$0.471 million** (85.0 percent) lower than budget, with payments for Greenhouse Gas Inventory reporting being recognised based on the purchase agreements stage of completion; and
- Other Provisions **\$0.551 million** higher than budget, with amounts owing to third parties in relation to utilities regulation being transferred from payables to other provisions.

Comparison to 2012-13 Actuals

Our Total Liabilities were **\$0.604 million** (36.5 percent) lower than 30 June 2013. The main items that contributed to this variance were:

- Total Payables were **\$0.116 million** (65.9 percent) lower reflecting the annual reduction in Supplies and Services expenditure and the earlier receipt and payment of invoices reducing accruals;
- Other Liabilities were **\$0.168 million** (66.9 percent) lower due to the purchase agreement for greenhouse gas annual reports and analytical advice progressing towards completion requiring revenue received in advance to be reduced and recognised as Income (User charges); and
- Other Provisions were **\$0.352 million** (36.7 percent) lower due to estimated amounts owed to EDP for technical regulation being revised downwards based on 2013-14 actual costs.

F.2 Financial Statements

We have prepared financial statements for 2013-14 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 2013-14 Annual Report Directions. The audit opinion, financial statements and accompanying notes to the statements are in Attachment 1.

F.3 Capital Works

The Commission does not have a capital works program.

F.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 employs 8 staff and 2 Commissioners and consultants who combined occupy 330²m of office space.

F.5 Government Contracting

The Commission contracted the services of two consultants during 2013-14. These services are set out in Table 15. We worked with the consultants in relation to the services provided to ensure efficient and effective outcomes.

We have complied with the quotation and tender thresholds laid out in the *Government Procurement Regulation 2007* and submitted all relevant contracts for review by the Government Procurement Board. We did not have any contracts exceeding \$200,000.00 for the procurement of goods and services or \$25,000.00 for works.

To the extent reasonably possible and in accordance with the contractor agreement, we have sought to confirm all contractors have complied with their employee and industrial relations obligations.

Table 15 lists consultants and contractors involved in our operations in 2013–14. It lists only contractors and consultants external to the ACT Government.

Table 15 Contractor and consultant services, 2013–14

Consultant/contractor		
ARUP Pty Ltd	Consulting services for regulatory cost analysis	\$47,339.54
Niche Advantage Pty Ltd	Consulting services for financial accounting and reporting services	\$73,325.22

F.6 Statement of Performance

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

In 2013–14, we met all but one of our performance measures. The statement of performance, the auditor's opinion and statements of responsibility are included in attachment 2 of this annual report.

Attachment 1 – Financial statements and audit report

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 2014**

**Independent Competition and Regulatory Commission-
Balance Sheet as at 30 June 2014**

**Independent Competition and Regulatory Commission-
Statement of Changes in Equity for the year ended 30 June
2014**

**Independent Competition and Regulatory Commission-
Cash Flow Statement for the year ended 30 June 2014**

**Independent Competition and Regulatory Commission-
Statement of Appropriation for the year ended 30 June
2014**

**Independent Competition and Regulatory Commission-
Notes to and forming part of the financial statements for
the year ended 30 June 2014**



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 2014 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.

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T 02 6207 0833 F 02 6207 0826 E actauditorgeneral@act.gov.au W www.audit.act.gov.au

Electronic presentation of the audited financial statements

Those viewing an electronic presentation of the financial statements should note that the audit does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from this report. If users of the report 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 2014:

- (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 2014 and the 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.

Bernie Sheville
Director, Financial Audits
29 August 2014

**Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2014**

Statement of Responsibility

In my opinion, the financial statements are in agreement with the Independent Competition and Regulatory Commission's (the Commission) accounts and records and fairly reflect the financial operations of the Commission for the year ended 30 June 2014 and the financial position of the Commission on that date.

Ms Ranjini Nayager
Chief Executive Officer
Independent Competition and Regulatory Commission

27 August 2014

**Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2014**

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 2014 and the financial position of the Commission on that date.

Mr Scott Hickey
Chief Finance Officer
Independent Competition and Regulatory Commission

27 August 2014

Independent Competition and Regulatory Commission
Operating Statement
For the Year Ended 30 June 2014

	Note No.	Actual 2014 \$'000	Original Budget 2014 \$'000	Actual 2013 \$'000
Income				
<i>Revenue</i>				
Government Payment for Outputs	4	406	526	518
User Charges - ACT Government	5	773	1,100	2,500
User Charges - Non-ACT Government	5	715	-	-
Fees	6	639	603	933
Interest	7	51	52	52
<i>Total Revenue</i>		<u>2,584</u>	<u>2,281</u>	<u>4,003</u>
Total Income		<u>2,584</u>	<u>2,281</u>	<u>4,003</u>
Expenses				
Employee Expenses	8	1,216	746	1,527
Superannuation Expenses	9	143	66	164
Supplies and Services	10	1,049	1,301	1,885
Depreciation	11	52	50	54
Borrowing Costs	12	4	-	2
Other Expenses	13	-	-	70
Total Expenses		<u>2,464</u>	<u>2,163</u>	<u>3,702</u>
Operating Surplus		<u>120</u>	<u>118</u>	<u>301</u>
Total Comprehensive Income		<u>120</u>	<u>118</u>	<u>301</u>

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

Independent Competition and Regulatory Commission
Balance Sheet
As at 30 June 2014

	Note No.	Actual 2014 \$'000	Original Budget 2014 \$'000	Actual 2013 \$'000
Current Assets				
Cash and Cash Equivalents	15	1,838	2,180	1,954
Receivables	16	432	1,030	748
Total Current Assets		2,270	3,210	2,702
Non-Current Assets				
Plant and Equipment	17	399	450	451
Total Non-Current Assets		399	450	451
Total Assets		2,669	3,660	3,153
Current Liabilities				
Payables	18	60	992	176
Employee Benefits	19	286	280	253
Other Liabilities	20	83	554	251
Other Provisions	21	544	-	900
Total Current Liabilities		973	1,826	1,580
Non-Current Liabilities				
Employee Benefits	19	14	21	15
Other Provisions	21	64	57	60
Total Non-Current Liabilities		78	78	75
Total Liabilities		1,051	1,904	1,655
Net Assets		1,618	1,756	1,498
Equity				
Accumulated Funds		1,618	1,756	1,498
Total Equity		1,618	1,756	1,498

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 2014**

	Accumulated Funds Actual 2014 \$'000	Total Equity Actual 2014 \$'000	Original Budget 2014 \$'000
Balance at 1 July 2013	1,498	1,498	1,638
<i>Comprehensive Income</i>			
Operating Surplus	120	120	118
Total Comprehensive Income	120	120	118
Balance at 30 June 2014	1,618	1,618	1,756

	Accumulated Funds Actual 2013 \$'000	Total Equity Actual 2013 \$'000
Balance at 1 July 2012	1,197	1,197
<i>Comprehensive Income</i>		
Operating Surplus	301	301
Total Comprehensive Income	301	301
Balance at 30 June 2013	1,498	1,498

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 2014

	Note No.	Actual 2014 \$'000	Original Budget 2014 \$'000	Actual 2013 \$'000
Cash Flows from Operating Activities				
Receipts				
Government Payment for Outputs		406	526	518
Fees		505	603	699
User Charges - ACT Government		1,143	1,000	2,598
User Charges - Non-ACT Government		461	-	-
Interest Received		55	52	52
Goods and Services Tax Collected from Customers		115	-	225
Other		-	86	-
Total Receipts from Operating Activities		2,685	2,267	4,092
Payments				
Employee		1,168	741	1,552
Superannuation		143	64	164
Supplies and Services		1,367	1,286	1,636
Goods and Services Tax Remitted to the Australian Taxation Office		1	-	18
Goods and Services Tax Paid to Suppliers		122	101	194
Total Payments from Operating Activities		2,801	2,192	3,564
Net Cash Inflows/(Outflows) from Operating Activities	24(b)	(116)	75	528
Cash Flows from Investing Activities				
Receipts				
Proceeds from Sale of Plant and Equipment		-	-	5
Total Receipts from Investing Activities		-	-	5
Payments				
Purchase of Plant and Equipment		-	-	340
Total Payments from Investing Activities		-	-	340
Net Cash (Outflows) from Investing Activities		-	-	(335)
Net Increase/(Decrease) in Cash and Cash Equivalents		(116)	75	193
Cash and Cash Equivalents at the Beginning of the Reporting Period		1,954	2,105	1,760
Cash and Cash Equivalents at the End of the Reporting Period	24(a)	1,838	2,180	1,954

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 2014**

	Original Budget 2014 \$'000	Total Appropriated 2014 \$'000	Total Appropriation Drawn 2014 \$'000	Appropriation Drawn 2013 \$'000
Government Payment for Outputs	526	532	406	518
Total Appropriation	526	532	406	518

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

Column Heading Explanations

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

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

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

Variance between 'Total Appropriated' and 'Appropriation Drawn'

The Commission's Total Appropriation for energy regulation activities under the *Utilities Act 2000* is based on a historic value that is adjusted annually for movements in the wage price index. The Commission's actual Appropriation requirements change each year due to fluctuations in energy regulation activities as well as the extent of other services provided by the Commission in any given year (the Commission operates on a cost recovery basis and allocates overhead costs across all activities based on the proportion of time directly allocated to each activity). The variation in Appropriation Drawn for 2013-14 is primarily attributed to the cost of the Retail Electricity Price Determination for Small Franchise Customers 2014-17 being recognised as User Charges - Non-ACT Government (2012-13: \$124,000 was funded from GPO)

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Note 1 Objectives of the Independent Competition and Regulatory Commission

Operations and Principal Activities

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

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

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

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

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

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

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

Note 2 Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

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

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

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

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

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

The Commission is an individual reporting entity.

(b) The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the Commission for the year ended 30 June 2014 together with the financial position of the Commission as at 30 June 2014.

(c) Comparative Figures

Budget Figures

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

Prior Year Comparatives

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

(d) Rounding

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

Note 2 Summary of Significant Accounting Policies - Continued

(e) Revenue Recognition

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

- 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 Sustainable Development Directorate (ESDD) and the ACT Civil and Administrative Tribunal (ACAT) in undertaking their respective regulatory activities. These fees are collected under the *Utilities Act 2000*. The fees are based on the estimated cost of regulatory activities for the financial year. It is the Commission's practice to make adjustments to the fees in the following year if the actual costs incurred at the end of the financial year vary from the original estimate. The Commission recognises Utility Licence Fees in its financial statements based on its revised end of year estimate, as this recognises future fee adjustments for any over or under collection of fees identified in the current financial year.

(f) 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 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.

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.

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

(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.

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 payments is calculated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows. In 2013-14, the rate used to estimate the present value of future payments for long service leave is 103.5% (101.3% in 2012-13) and the present value of annual leave is 100.9% (102.5% in 2012-13).

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

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

Annual leave and long service leave liabilities are classified as current liabilities in the Balance Sheet where there are no unconditional rights to defer the settlement of the liability for at least 12 months. 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.

(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.

Note 2 Summary of Significant Accounting Policies - Continued

(r) Superannuation - Continued

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) Significant Accounting Estimates and Judgements

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

Employee Benefits

Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for employee benefits requires a consideration of the future wage and salary levels, experience of employee departures and periods of service. The estimate also includes an assessment of the probability that employees will meet the minimum service period required to qualify for long service leave and that on-costs will become payable. Further information on this estimate is provided in Note 2(q) Employee Benefits and Note 3 Changes in Accounting Estimates and Correction of Prior Period Error.

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.

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 Sustainable Development Directorate (ESDD) and the ACT Civil and Administrative Tribunal (ACAT) in undertaking their respective utility regulatory activities. Adjustments are made to fees recognised at the end of each financial year based on revised estimated costs. Any variance between the estimate and the actual figures is recognised as an adjustment against revenue in the following year (see also note 2(e) Revenue Recognition).

Note 2 Summary of Significant Accounting Policies - Continued

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

It is expected 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.

Note 3 Changes in Accounting Estimates and Correction of Prior Period Error

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 101.3% in 2012-13 to 103.50% in 2013-14. This change has resulted in a increase to the estimated long service leave liability and related expense of \$1,726.

The rate used to estimate the present value of annual leave payments decreased from 102.5% in 2012-13 to 100.9% in 2013-14. This change has resulted in a decrease to the estimated annual leave liability and related expense of \$1,786.

Correction of Prior Period Error for Operating Lease Commitments

At 30 June 2013, the Commission reported Operating Lease Commitments of \$41,000 relating to Information and Communication Technology equipment leased from Shared Services ICT. During the preparation of the current year's financial statements it was identified that the value of these commitments was overstated due to a calculation error and the correct value of Operating Lease Commitments was \$14,000. This error had no impact on the Commission's Operating result, Balance Sheet or Cash Flow Statement.

Restatement of Operating Lease Commitments as a result of the Error

	Actual 2013 \$'000	Correction of Error Adj \$'000	Restated Actual 2013 \$'000
Operating Lease Commitments - Plant and Equipment			
Non-Cancellable operating lease commitments are payable as follows:			
Within one year	27	(18)	9
Later than one year but not later than five years	14	(9)	5
Total Operating Lease Commitments - Plant and Equipment	41	(27)	14

Note 4 Government Payment for Outputs

	2014 \$'000	2013 \$'000
Revenue from the ACT Government		
Government Payment for Outputs ^(a)	406	518
Total Government Payment for Outputs	<u><u>406</u></u>	<u><u>518</u></u>

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 regulatory activities in 2013-14 were lower than 2012-13 due to costs associated with the Retail Electricity Price Determination for Small Franchise Customers 2014-17 being classified as User Charges. This type of regulatory cost has historically been classified as GPO and recovered by the ACT Government through the Energy Levy (2012-13: \$124,000 was funded from GPO), but is now directly recovered by the Commission from the energy provider.

Note 5 User Charges

	2014 \$'000	2013 \$'000
User Charges – ACT Government		
General Government Sector ^(a)	641	736
Public Trading Enterprises ^(b)	132	1,764
Total User Charges – ACT Government	773	2,500
User Charges – Non-ACT Government		
Service Revenue (Non-ACT Government) ^(c)	715	-
Total User Charges – Non-ACT Government	715	-
Total User Charges for Services	1,488	2,500

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 and Treasury 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 2011*. 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(t).

a) The decrease in revenue from General Government Sector entities was due to activities relating to the Greenhouse Gas Abatement Scheme being finalised in 2012-13 and a reduction in revenue recognised under the Purchase Agreement with ESDD for greenhouse gas annual reports and analytical advice.

b) The decrease in revenue from Public Trading Enterprises was due to the Commission completing the Determination for ACTEW Regulated Water and Sewerage Services Prices for 2014-15 in 2013-14. This activity was performed on a cost recovery basis.

c) The service revenue from Non-ACT Government entities in 2013-14 relates to the Retail Electricity Price Determination for Small Franchise Customers 2014-17. These costs have historically been collected through the Energy Levy and which has then been paid to the Commission as GPO (2012-13: \$124,000 was included in GPO).

Note 6 Fees

	2014	2013
	\$'000	\$'000
Revenue from Regulatory Activities		
Fees	639	933
Total Fees	<u><u>639</u></u>	<u><u>933</u></u>

Utility Licence Fees are collected under the *Utilities Act* to cover the Commission's, the Environment and Sustainable Development Directorate's (ESDD), and the ACT Civil and Administrative Tribunal's (ACAT) reasonable costs for utility regulatory activities in relation to water, sewerage, and gas transmission utilities. For details on how the Commission recognises revenue see notes 2(e) and 2(t).

The \$294,000 decrease in Fees is primarily due to the estimated cost of technical regulation activities (performed by ESDD) for 2013-14 being revised downwards to reflect the 2012-13 cost, with the 2013-14 Fees also being decreased for the over estimate of costs in 2012-13.

Note 7 Interest

	2014 \$'000	2013 \$'000
Revenue from Non-ACT Government Entities		
Interest Revenue on Cash at Bank	51	52
Total Interest Revenue from Non-ACT Government Entities	<u>51</u>	<u>52</u>
Total Interest Revenue	<u><u>51</u></u>	<u><u>52</u></u>

Note 8 Employee Expenses

	2014	2013
	\$'000	\$'000
Wages and Salaries ^(a)	1,163	1,544
Annual Leave Expense ^(b)	4	39
Long Service Leave Expense ^(c)	44	(60)
Fringe Benefits Tax	5	4
Total Employee Expenses	1,216	1,527

a) The decrease in Wages and Salaries is due to a reduction of Commission activity due to completion of the ACTEW Regulated Water and Sewerage Services 2014-15 Price Determination in 2013-14 and no voluntary redundancy payments in 2013-14 (Voluntary redundancy payments in 2012-13, \$134,000).

b) The decrease in the Annual Leave Expense is due to staff using annual leave at a rate similar to the annual accrual, with leave patterns returning to normal with the completion of the ACTEW Regulated Water and Sewerage Services 2014-15 Price Determination in 2013-14.

c) The increase in Long Service Leave Expense is mainly due to the Commission recognising leave provisions for staff that transferred to the Commission from other ACT Government entities. The negative expense in 2012-13 related to a reduction in leave provision associated with the payout of Long Service Leave entitlements for three employees who accepted voluntary redundancies.

Note 9 Superannuation Expenses

	2014	2013
	\$'000	\$'000
Superannuation Contributions - Defined Benefit Schemes	47	54
Superannuation Contributions - Defined Contribution Schemes	96	110
Total Superannuation Expenses	143	164

The reduction in superannuation contributions of \$21,000 reflects lower staff numbers due to voluntary redundancies in 2012-13.

Note 10 Supplies and Services

	2014	2013
	\$'000	\$'000
Advertising	2	3
Information and Communication Technology	85	73
Office Rental and Operating Costs	171	201
Printing and Publishing	18	29
Professional Services ^(a)	175	548
Stationery	11	9
Subscriptions, Membership and Conferences	32	53
Utilities Act - External Administration Costs ^(b)	456	812
Workers Compensation Premium	33	20
Other	65	137
Total Supplies and Services	1,049	1,885

Total Supplies and Services expenditure reduced by \$836,000 in 2013-14. The main contributors to this reduction were:

a) The \$373,000 decrease in Professional Services costs due to the completion of the ACTEW Regulated Water and Sewerage Services 2014-15 Price Determination.

b) The \$356,000 decrease in Utilities Act - External Administration costs is due to the estimated costs of technical regulation activities being lower in 2013-14. The 2013-14 estimate reflects the reduction in ESDD's actual costs for 2012-13, which were lower than the original estimate provided.

Note 11 Depreciation

	2014 \$'000	2013 \$'000
Depreciation		
Office Furniture and Equipment	52	54
Total Depreciation	<u><u>52</u></u>	<u><u>54</u></u>

Note 12 Borrowing Costs

	2014 \$'000	2013 \$'000
Borrowing costs		
Finance Cost on Make Good ^(a)	4	2
Total Borrowing Costs	<u>4</u>	<u>2</u>

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

Note 13 Other Expenses

	2014	2013
	\$'000	\$'000
Other Expenses		
Losses from the Disposal of Assets ^(a)	-	70
Total Other Expenses	<u>-</u>	<u>70</u>

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

Note 14 Auditor's Remuneration

	2014 \$'000	2013 \$'000
Audit Services		
Audit Fees Paid to the ACT Auditor-General's Office	24	23
Total Audit Fees	<u>24</u>	<u>23</u>

Auditor's remuneration consists of financial audit services provided by the ACT Auditor-General's Office. The Commission did not engage the ACT Auditor-General's Office to provide any other services.

Note 15 Cash and Cash Equivalents

	2014	2013
	\$'000	\$'000
Cash at Bank	1,838	1,954
Total Cash and Cash Equivalents	<u>1,838</u>	<u>1,954</u>

The Commission held bank accounts with the Commonwealth Bank and Westpac Banking Corporation during 2013-14 (due to changes in whole of government banking arrangements, with Westpac becoming the preferred provider) and as part of these arrangements, the Commission received interest revenue on these accounts. The reduction in cash during 2013-14 primarily relates to the payment of costs associated with preparing greenhouse gas annual reports and analytical advice under a purchase agreement with ESDD and payment received in previous periods before the services were rendered.

Note 16 Receivables

	2014 \$'000	2013 \$'000
Current Receivables		
Trade Receivables	34	4
Accrued Revenue ^(a)	388	723
Accrued Interest	-	4
Net Goods and Services Tax Receivable	10	18
Total Current Receivables	432	748
Total Receivables	432	748

a) The decrease in accrued revenue is due to payment being received for the Secondary Water review. This year's balance principally relates to the biennial review of Water and Sewerage Services Prices and the Price Direction for the Supply of Electricity to Franchise Customers.

Ageing of Receivables

	Not Overdue \$'000	Past Due			Total \$'000
		Less Than 30 Days \$'000	30 to 60 Days \$'000	Greater Than 60 Days \$'000	
2014					
Not Impaired⁽¹⁾					
Receivables	432	-	-	-	432
Impaired					
Receivables	-	-	-	-	-
2013					
Not Impaired⁽¹⁾					
Receivables	748	-	-	-	748
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	2014 \$'000	2013 \$'000
Receivables with ACT Government Entities		
Accrued Revenue	133	723
Total Receivables with ACT Government Entities	133	723
Receivables with Non-ACT Government Entities		
Trade Receivables	34	4
Accrued Revenue	254	-
Accrued Interest	-	4
Net Goods and Services Tax Receivable	10	18
Total Receivables with Non-ACT Government Entities	298	25
Total Receivables	432	748

Note 17 Plant and Equipment

	2014	2013
	\$'000	\$'000
Plant and Equipment		
Office Furniture and Equipment at Cost ^(a)	509	510
Less: Accumulated Depreciation	(110)	(59)
Total Written Down Value of Plant and Equipment	<u>399</u>	<u>451</u>

	2014	2013
	\$'000	\$'000
Reconciliation of Plant and Equipment		
Carrying Amount at the Beginning of the Reporting Period	451	530
Additions ^(b)	-	49
Disposals ^(b)	-	(74)
Depreciation	(52)	(54)
Carrying Amount at the End of the Reporting Period	<u>399</u>	<u>451</u>

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

b) The additions and disposals of Office Furniture and Equipment in 2012-13 were due to the replacement of office fit-out elements that were identified as not fit for purpose (see note 13).

Note 18 Payables

	2014 \$'000	2013 \$'000
Current Payables		
Trade Payables ^(a)	31	135
Accrued Expenses	29	41
Total Current Payables	<u>60</u>	<u>176</u>
Total Payables	<u>60</u>	<u>176</u>

a) The \$104,000 decrease in Trade Payables is mainly due to payment of amounts owing at the end of 2012-13 to the ACT Civil and Administrative Tribunal (ACAT) for utilities regulation costs and payment of amounts owing to consultants providing regulatory advice.

Payables are aged as follows:

Not Overdue	60	176
Overdue for Less than 30 Days	-	-
Overdue for 30 to 60 Days	-	-
Overdue for More than 60 Days	-	-
Total Payables	<u>60</u>	<u>176</u>

Classification of ACT Government/Non-ACT Government Payables

Payables with ACT Government Entities

Trade Payables	1	62
Accrued Expenses	24	35
Total Payables with ACT Government Entities	<u>25</u>	<u>97</u>

Payables with Non-ACT Government Entities

Trade Payables	30	73
Accrued Expenses	5	6
Total Payables with Non ACT Government Entities	<u>35</u>	<u>79</u>
Total Payables	<u>60</u>	<u>176</u>

Note 19 Employee Benefits

	2014	2013
	\$'000	\$'000
Current Employee Benefits		
Annual Leave ^(a)	113	108
Long Service Leave ^(a)	98	54
Accrued Salaries and Superannuation ^(b)	74	90
Total Current Employee Benefits	286	253
Non-Current Employee Benefits		
Long Service Leave	14	15
Total Non-Current Employee Benefits	14	15
Total Employee Benefits	300	268

Estimate of when Leave is Payable	2014	2013
	\$'000	\$'000
Estimated Amount Payable within 12 Months		
Annual Leave	97	108
Long Service Leave	32	24
Accrued Salaries and Superannuation	74	90
Total Employee Benefits Payable within 12 Months	203	222
Estimated Amount Payable after 12 Months		
Annual Leave	16	-
Long Service Leave	81	45
Total Employee Benefits Payable after 12 Months	97	45
Total Employee Benefits	300	268

a) The increase in Annual Leave and Long Service Leave is mainly due to the Commission recognising leave provisions for staff that transferred to the Commission from other ACT Government entities.

b) The decrease in Accrued Salaries and Superannuation costs corresponds with a reduction in the intensity of Commission activities, resulting in reduced time commitments for the Commissioners who are paid on a per diem basis.

Note 20 Other Liabilities

	2014	2013
	\$'000	\$'000
Current Other Liabilities		
Revenue Received in Advance ^(a)	83	251
Total Other Liabilities	83	251

a) Revenue Received in Advance relates to the provision of greenhouse gas annual reports and analytical advice under a purchase agreement with the ESDD, due to the agreed payment schedule not aligning with the timing of the deliverables. The reduction of \$168,000 in Revenue Received in Advance corresponds with the stage of completion of the purchase agreement with ESDD and the payments received.

Note 21 Other Provisions

	2014 \$'000	2013 \$'000
Current Other Provisions		
Provision for Utilities Regulation Costs	544	900
Total Current Other Provisions	544	900
Non-Current Other Provisions		
Provision for Make Good	64	60
Total Non-Current Other Provisions	64	60
Total Other Provisions	608	960

Provision for Utilities Regulation Costs

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

	2014 \$'000	2013 \$'000
Reconciliation of the Provision for Utilities Regulation Costs		
Provision for Utilities Regulation Costs at the Beginning of the Reporting Period	900	857
Increase in Provision for Annual Licence Fee Determination - Current Year Estimate	743	905
Decrease in Provision for Annual Licence Fee Determination - Prior Years Adjustment	(265)	(208)
Reduction in Provision for Commission Regulatory Costs	(177)	(93)
Reduction in Provision for ESDD Payments and Trade Creditors	(593)	(501)
Reduction in Provision for ACAT Payments and Trade Creditors	(65)	(60)
Provision for Utilities Regulation Costs as at the End of the Reporting Period	544	900

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.

	2014 \$'000	2013 \$'000
Reconciliation of the Provision for Make Good		
Provision for Make Good at the Beginning of the Reporting Period	60	57
Increase in Provision due to unwinding of discount	4	3
Increase in Provision due to leases commenced during financial year	-	-
Provision For Make Good as at the End of the Reporting Period	64	60

Note 22 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 increased from 2.97 percent for the year ended 30 June 2013 to 3.14 percent for the year ended 30 June 2014, with interest received consistent to 2012-13 due to 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.

Note 22 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	Fair Value	Carrying Amount	Fair Value
	2014	2014	2013	2013
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	1,838	1,838	1,954	1,954
Receivables	432	432	748	748
Total Financial Assets	2,270	2,270	2,702	2,702
Financial Liabilities				
Payables	60	60	176	176
Total Financial Liabilities	60	60	176	176

Note 22 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 2013 and 30 June 2014. 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.

		Fixed Interest maturing in:							
		Weighted Average Interest Rate	Floating Interest Rate \$'000	Over 1			Non- Interest Bearing \$'000	Total \$'000	
				1 Year or Less \$'000	Year to 5 Years \$'000	Over 5 Years \$'000			
Financial Instruments	Note								
2014									
Financial Assets									
Cash and Cash Equivalents	15	3.14%	1,838	-	-	-	-	1,838	
Receivables	16		-	-	-	-	432	432	
Total Financial Assets			1,838	-	-	-	432	2,270	
Financial Liabilities									
Payables	18		-	-	-	-	60	60	
Total Financial Liabilities			-	-	-	-	60	60	
Net Financial Assets			1,838	-	-	-	372	2,210	
2013									
Financial Assets									
Cash and Cash Equivalents	15	2.97%	1,954	-	-	-	-	1,954	
Receivables	16		-	-	-	-	748	748	
Total Financial Assets			1,954	-	-	-	748	2,702	
Financial Liabilities									
Payables	18		-	-	-	-	176	176	
Total Financial Liabilities			-	-	-	-	176	176	
Net Financial Assets			1,954	-	-	-	572	2,526	

Note 22 Financial Instruments - Continued

		2014	2013
		\$'000	\$'000
Carrying Amount of Each Category of Financial Asset and Financial Liability			
Financial Assets			
Loans and Receivables Measured at Amortised Cost	Note 16	432	748
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost	Note 18	60	176

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

Fair Value Hierarchy

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

Note 23 Commitments

	2014 \$'000	Restated ^a 2013 \$'000
Operating Lease Commitments - Plant and Equipment		
Non-Cancellable operating lease commitments are payable as follows:		
Within one year	4	9
Later than one year but not later than five years	1	5
Total Operating Lease Commitments - Plant and Equipment	<u>5</u>	<u>14</u>

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

a) The 2013 amounts have been restated for the \$27,000 error set out in Note 3 relating to the recognition of Operating Lease Commitments.

Note 24 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.

	2014 \$'000	2013 \$'000
Total Cash and Cash Equivalents Recorded in the Balance Sheet	1,838	1,954
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	1,838	1,954

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

Operating Surplus	120	301
Add Non-Cash Items		
Depreciation of Plant and Equipment	52	54
Borrowing Costs	4	2
Losses from the Disposal of Assets	-	70
Cash Before Changes in Operating Assets and Liabilities	176	427
Changes in Operating Assets and Liabilities		
Decrease in Receivables	316	280
(Decrease) in Payables	(116)	(4)
Increase/(Decrease) in Employee Benefits	32	(18)
(Decrease) in Other Liabilities	(168)	(200)
(Decrease)/Increase in Other Provisions	(356)	43
Net Changes in Operating Assets and Liabilities	(292)	101
Net Cash (Outflows)/Inflows from Operating Activities	(116)	528

Note 25 Waivers, Impairment Losses and Write-offs

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

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

No waivers, impairment losses or write-offs have occurred during the reporting period for the Commission (2012-13: Nil).

Note 26 Contingent Liabilities

There are no known contingent liabilities as at 30 June 2014 (2012-13: Nil).

Note 27 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.

Attachment 2 – Statement of performance

Auditor’s opinion on the statement of performance

Statement of responsibility

**Independent Competition and Regulatory Commission –
Statement of non-financial performance for the year ended
30 June 2014**



AUDITOR-GENERAL AN OFFICER
OF THE ACT LEGISLATIVE ASSEMBLY 

REPORT OF FACTUAL FINDINGS

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

To the Members of the ACT Legislative Assembly

Report on the statement of performance

The statement of performance of the Independent Competition and Regulatory Commission (the Commission) for the year ended 30 June 2014 has been reviewed.

Responsibility for the statement of performance

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

The auditor's responsibility

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

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

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

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

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

Electronic presentation of the statement of performance

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

Independence

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

Review opinion

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the Commission for the year ended 30 June 2014, are not fairly present in accordance with the *Financial Management Act 1996*.

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

Bernie Sheville
Director, Financial Audits
29 August 2014



ICRC
Independent competition and regulatory commission

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

Statement of Performance for the Financial Year Ended 30 June 2014

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 2014 and also fairly reflects the judgements exercised in preparing the Statement of Performance for the financial year ended 30 June 2014.

Ms Ranjini Nayager
Chief Executive Officer
Independent Competition and Regulatory Commission
18 August 2014



ICRC

Independent competition and regulatory commission

Statement of performance for the year ended 30 June 2014

Statement of intent accountability indicators	Original target 2013–14	Actual result 2013–14	%Variance from original target	Explanation of material variances
Water and retail electricity pricing	Annual price adjustments ¹	Achieved	–	
Feed-in tariff advice	1 Annual Report ²	3 quarterly reports	25%	The Commission withheld releasing the final quarterly report due to anomalies in the data provided by relevant utilities until those data anomalies were resolved.
Utilities compliance and performance	1 Report ³	1 Report	-	
Greenhouse gas emissions and targets	1 Report ⁴	1 Report	–	
Utility licence fees (water, wastewater, and energy sector utilities not subject to energy industry levy)	1 Determination ⁵	1 Determination	-	
Utility levies (energy sector)	3 Determinations ⁶	3 Determinations	–	
Advice on referred matters:	Subject to receipt of references	1 Report	–	Released final report and price direction for the supply of electricity for certain small customers in June 2014.

Attachment 3 – Specific reporting requirements

Section 9 of the Independent Competition and Regulatory Commission 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
- (j) Any other functions exercised by the commission.

Investigations

On 20 September 2013, the Treasurer issued a reference to us for a price direction for standing offer prices for the supply of electricity to franchise customers by ActewAGL Retail for the period commencing 1 July 2014. These terms of reference were amended to update terminology in line with the National Energy Customer Framework on 2 February 2014.

We conducted the investigation under Part 3 of the ICRC Act. As part of the price investigation, the Commission scheduled one public hearing. We did not receive any registrations to appear at the hearing and no members of the public attended. At the conclusion of the investigation we provided the final report and price direction as set out under the heading 'Final reports and special reports' below.

Final reports and special reports

We published one final report in 2013-14 under Part 3 of the ICRC Act being Report 4 of 2014 'Final Report – Standing offer for the prices for the supply of electricity to small customers from 1 July 2014 to 30 June 2017.' The report is available on the Commission's website at <http://www.icrc.act.gov.au/wp-content/uploads/2013/10/Retail-Electricity-Price-Direction-FINALv2.pdf>.

We did not deliver any special reports under section 22 of the ICRC Act during 2013-14.

Price directions

We determined one price direction in 2013-14 under Part 4 of the ICRC Act being Report 5 of 2014 'Price Direction – Standing offer for the prices for the supply of electricity to small customers from 1 July 2014 to 30 June 2017.' The report is available on the Commission's website at <http://www.icrc.act.gov.au/report-paper/>.

Access agreements

Our responsibilities for access agreements, in relation to infrastructure facilities, are set out in Part 5 of the ICRC Act. During 2013–14, 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 2013–14, 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 2013–14, we did not issue any notices under section 41.

Competitive neutrality complaints

We did not investigate or receive a competitive neutrality compliant reference under section 19B of the ICRC Act.

Attachment 4 – Compliance index

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Attachment 5 – Utility Licence Annual Report 2012-13 summary

1 Introduction

Licensed utilities providing certain infrastructure services report annually to the Independent Competition and Regulatory Commission (Commission) in their 'Utility Licence Annual Report' (ULAR). Attachment 5 of the Commission's annual report for 2013-14 provides a summary of the information provided by licensed utilities in their 2012-13 ULAR regarding their compliance with non-technical licence conditions, relevant laws, industry codes and other regulatory obligations.⁴ The technical component of the ULAR is reported on in the Environment and Planning Directorate's annual report.

1.1 Outline

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 2000 (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.

1.2 Regulatory 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. Four licensed utilities operated in the ACT in 2012-13:

- Electricity distribution and connection (ActewAGL Electricity Distribution);
- Gas distribution and connection (ActewAGL Gas Distribution);
- Gas transmission (East Australia Pipeline Ltd); and
- Water and sewerage services (ACTEW Corporation).

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;
- conditions imposed by the utility licence;

⁴ While the annual report relates to the Commission's functions for 2013-14, the ULAR is reported by utilities for 2012-13 in October 2013 of the annual report year period. Any references to figures in this summary are 2012-13 figures unless otherwise specified.

- industry codes made by the Commission under Part 4 of the Utilities Act; and
- technical codes made by the technical regulator under Part 5 of the Utilities Act.

The Utilities Act imposes obligations on licensees associated with network operation and protection and separate conditions including compliance with local and national legislation,

Part 4 of the Utilities Act empowers the Commission to make codes dealing with industry matters such as⁵:

- service standards;
- protection of customers and consumers;
- provision of utility services;
- termination or interruption of utility services; and
- disconnection from a network.

This summary sets out the monitoring of compliance with the network boundary codes and the Consumer Protection Code.

- Part 5 of the Utilities Acts allows the creation of technical codes dealing with⁶:
- protection of network integrity;
- protection of health and safety;
- connection of customer' premises to a network;
- design and performance of a network;
- protection public and private property and the environment; and
- emergency planning.

As noted above, compliance with technical codes is monitored by the technical regulator and can be found in the Environment and Planning Directorate's annual report.

1.3 Monitoring compliance

The Commission monitors compliance through an analysis of the ULAR.

Under section 25(2)(d) of the Utilities Act the Commission requires each licensed utility to report on:

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

Each July the Commission serves each licensed utility 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 questionnaires no later than 1 October. For 2012-13, the return date was extended to 30 November 2013 due to a number of

⁵ Utilities Act s 55.

⁶ Utilities Act s 64.

amendments made to the reporting templates for that year. On receipt of the completed information requests, the Commission assesses the material for compliance with the relevant obligations and conditions.

Prior to 2012-13, the Commission published a Compliance and Performance Report. With the establishment of the National Energy Customer Framework on 1 July 2012, responsibility for regulation of energy retailers transferred to the AER. Following this change, the Commission reconsidered its approach to compliance and performance reporting under the Utilities Act. The Commission has reduced the scope of the data collected and simplified the reporting.

1.4 Integrity and the provision of data

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 does not formally verify the data provided but will question utilities about its accuracy where it appears anomalous or inconsistent with information obtained by other means.

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 the 2011–12 reporting year, licensees did not report any breaches of their regulatory requirements for 2012–13 that the Commission considered material.

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 2012–13, 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.

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 2011–12 and 2012–13. In 2012–13, \$4,270 in rebates was paid compared to \$2,470 in 2011-12. ACTEW paid 65% of all rebates whilst ActewAGL Electricity Distribution paid the remaining 35%. ActewAGL Gas Distribution paid no rebates.

Although rebates paid in 2012–13 increased by 72% from the previous year, the average rebate paid fell from \$49.40 in 2011-12 to \$47.44 in 2012-13. As in previous years, rebate claims remained low compared to rebates paid.

Table 1 Payment of performance rebates, 2011-12 and 2012-13

Utility	2011-12			2012-13		
	Number of claims made (no.)	Number of (no.)	Value of rebates (\$)	Number of claims made (no.)	Number of rebates paid (no.)	Value of rebates (\$)
ACTEW Corporation (water)	1	1	50	10	58	2,670
ACTEW Corporation (sewerage)	0	0	0	0	0	0
ActewAGL Distribution (electricity)	0	48	2,400	0	32	1,600
ActewAGL Distribution (gas)	0	0	0	0	0	0
Total	1	50	2470	1	90	4,270

The fact that that rebate claims remain low suggests that the majority of rebates were paid without receiving a claim. While the code requirement to pay a rebate does not depend on a claim being lodged, the low level of claims may indicate that consumers are not aware of their rights. Clause 11 of the Consumer Protection Code requires utilities to inform customers of the minimum service standards and rebate entitlements. The Commission is reviewing the effectiveness of this clause and alternative ways of ensuring that consumer are aware of rebate entitlements.

2.3 Network operations

Part 7 of the Utilities Act requires network operators⁷ to take reasonable steps to minimise inconvenience to landowners and damage to property when undertaking network operations. The utilities must give land holders sufficient notice and restore property affected by any work undertaken. To monitor the utilities' compliance with these requirements, the Commission considered the number of complaints made regarding network operations. Complaints received by the utilities are assessed in sections 3.1, 4.1 and 5.1.

The information provided by the licensed utilities in the ULAR was consistent with utility compliance with network performance obligations.

⁷ Each of the licensed utilities are network operators.

Utilities are permitted to enter land without giving notice to the landholder where network operations are required in 'urgent circumstances'.⁸ For the year 2012-13 the Commission has extended the information required from utilities to cover network operations on public or private land such as number of network operations, tree lopping or other work performed in urgent circumstances.

The additional information regarding work in urgent circumstances was requested to examine the frequency that utilities were employing the exception to provide notice to landholders. That is, was the exception of 'urgent circumstances' potentially being misused to facilitate ease of entry? The Commission notes the Utilities Act provides no definition of 'urgent circumstances' to guide the use of these provisions and the utilities are effectively permitted to self-monitor the use of the exception.

The utilities provided differing responses to these questions. For example, regarding network operations on public or private land in urgent circumstances ACTEW provided the number of unplanned interruptions. ActewAGL Gas classified all corrective work notified by the public or emergency services as 'urgent work.' ActewAGL Electricity Distribution reported that such entries to land were made however, were not recorded. With regards to tree lopping under section 110 of the Act, ActewAGL Electricity Distribution performed work without notice under urgent circumstances 203 times. The Commission will continue to monitor the use of these sections and notes the classification of 'urgent circumstances' remains undefined in the Act or any subordinate laws.⁹

2.4 Network protection

Part 8 of the Utilities Act sets out utilities' network protection obligations.¹⁰ These obligations relate generally to interference with networks such as unauthorised abstraction of the service and contamination of water and sewerage. Utilities reported the number of interferences and Network Protection Notices issued under the Act.¹¹ Both ActewAGL Gas and ActewAGL Electricity reported nil network interferences. ACTEW reported 62 and 108 interferences for water and sewerage respectively. ACTEW reported issuing 34 and 61 Network Protection Notices for water and sewerage respectively, ActewAGL Electricity Distribution reported 512 notices (including notices to clear vegetation) and ActewAGL Gas Distribution reported nil.

Part 8 of the Act also contains industry specific network protection considerations such as meter bypass, unauthorised connection and abstraction, and contamination. The Commission gathered industry specific information from each of the utilities. ActewAGL Electricity Distribution and ActewAGL Gas Distribution reported no instances of network protection concern. ACTEW reported one meter bypass dealt with under urgent circumstances and one instance of unauthorised contamination of the sewerage network. The unauthorised contamination involved a blockage caused by a neglected grease arrestor located in a hotel. The problem was addressed and the owner requested to regularly clean

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

⁹ Whilst the Commission can monitor the use of the applicable sections, defining 'urgent circumstances' or the requirement for utilities to report annually on the use of 'urgent circumstances' sections in the act should be considered in any future amendments to the legislation.

¹⁰ Section 24.

¹¹ Section 125.

and maintain the facility. ACTEW did not pursue prosecution for either of these infringements. The data supplied by the licensed utilities is consistent with compliance with their network protection obligations.

2.5 Network boundary codes

Network Boundary codes define the boundary between a distribution network and transmission network, other distribution networks or customer premises. In late May, 2013 the suite of Network Boundary codes were amended. The electricity and water codes now require notification to the Technical Regulator and the Commission of any agreement between utilities and land holders of alternative network boundaries other than the boundary set by the code. The gas code set the boundary at the point of supply and no alternative boundary is permitted.

The Commission asked the utilities whether any alternative boundaries had been agreed upon subsequent to the new codes coming into effect. None of the utilities answered in the affirmative nor has the Commission received any notifications of agreed alternative boundaries. The Commission notes the new codes were only in effect for the last two months of the reporting year however, the Commission will consider investigating the matter further if the same results are reported for the full 2013-14 year. The returned reports indicate the utilities have either altogether ceased negotiating alternative network boundaries with customers or are in breach of the relevant industry network boundary code by not notifying.

2.6 Environmental performance

Network losses refer to the difference in the amount of electricity, gas, or water recorded by utilities entering a network, and the amount of each recorded exiting the network for consumption. Network losses are referred to as unaccounted for gas and unaccounted for water.

Unaccounted for water and gas are dealt with below in sections 3.5 and 5.2 respectively. The Commission did not gather data on electricity network losses for compliance purposes as it is not specifically required by the ActewAGL Electricity Distribution licence.¹²

2.7 Other ACT directorates

The Commission sought advice from other regulatory entities in the ACT including the Office of Regulatory Services (ORS), the ACT Civil and Administrative Tribunal (ACAT), ACT Health and the Environment Protection Authority (EPA) regarding utility compliance.

The ORS received one formal complaint about the market activities of utilities or their agents during 2012–13. The ORS received a further 29 enquiries regarding a range of matters including billing, overcharging, debt recovery and customer service. These enquiries were resolved easily and did not require further investigation.

¹² The Commission does collect data from third party sources, e.g. the Australian Energy Market Operator, for other purposes, e.g. preparing the greenhouse gas emissions inventory for the Territory.

The ACAT reported no industry-wide compliance issues in 2012–13 in the energy or water sectors. The ACAT reported a 20% increase in utility complaint applications since 2011-12. The ACAT suggested this increase may be attributable to increasing consumer awareness of the mechanisms available to resolve disputes and deterioration in the effective management of complaints by the utilities.

ACT Health advised that it had not recorded any complaints in 2012–13 regarding the operation of licensed utilities.

The EPA reported that utilities holding Environmental Authorisations under the Environment Protection Act 1997 complied with the conditions of their authorisation during 2012–13.

3 Water and Sewerage

ACTEW provides water and sewerage connection to ACT customers. ACTEW's water assets currently include four dams, two water treatment plants and over 3000km of water and sewerage mains and Australia's largest inland sewage plant.

ACTEW supplied 47,838 ML of water in 2012-13 this was a 14.5 per cent increase over the previous year.¹³ The proportion of overall water supplied to residential water users, however, declined to 61.9 per cent of supply in 2012-13 from 65 per cent in 2011-12.

3.1 Customer service

Customer complaints

In 2012–13, ACTEW received 573 complaints about water supply to premises in the ACT, an increase from the previous year. Table 2 lists the types and numbers of complaints received by ACTEW over the past two years. Complaints about water quality again featured prominently in 2012–13. Areas of increased complaints included unplanned interruption, metering and meter reading and other network complaints.

¹³ This figure is required under schedule 1 clause 2.3 of the utility licence and relates to total water supplied under the licence for 2012-13. This includes bulk water supplied to Queanbeyan City Council. This supply figure differs from the volume of water supplied to ACT consumers that is used by the Commission in setting regulated water prices for the ACT.

Table 2 Complaints, water supply 2011-12 and 2012-13

Complaint item	2011-12	2012-13	Change (number)
Water quality	131	121	-10
Water supply reliability	48	36	-12
Property damage / restoration of property	78	82	+4
Accounts / billing / retail	49	62	+13
Metering / meter reading	97	85	-12
Failure to provide, or insufficient, notice	47	42	-5
Unplanned interruptions	27	44	+17
Other network	73	110	+37
Total	550	573	32

Due to double counting in some categories, the total number of complaints provided by ACTEW does not accurately reflect the number of complaints reported by category. The list appears to be outdated due to changes made to ACTEW's systems. To address the issue, the Commission has consulted with ACTEW with a view to updating the categories of complaints for future ULAR.

Sewerage service complaints

In 2012-13, ACTEW received 252 complaints about sewerage services, a reduction of 13.1 per cent on the number received in 2011-12. The categories of property damage and accounts, billing and retail experienced the largest improvements however they remained the largest categories of complaints in 2012-13.

Table 3 Complaints, sewerage services 2011-12 and 2012-13

Complaint item	2011-12	2012-13	Change (number)
Sewage odour	6	14	+8
Sewerage services reliability and quality	30	22	-8
Property damage / restoration of property	85	61	-24
Accounts / billing / retail	71	61	-10
Failure to provide, or insufficient, notice	3	7	+4
Unplanned interruptions	0	0	0
Other networks	95	87	-8
Total sewerage services	290	252	-37

3.2 Planned and unplanned interruptions to services

Table 4 compares the number of planned and unplanned interruptions to ACTEW's water services for 2011-12 and 2012-13. In 2012-13, the number of planned interruptions decreased by 2,918 and the number of unplanned interruptions increased by 293. ACTEW attributed the drop in planned interruptions to the meter replacement program being completed in 2012-13. In 2011-12 the meter replacement program saw 5,735 meters replaced, whereas only 2,854 meters were replaced in 2012-13.

Table 4 Planned and unplanned interruptions to services, water supply, 2011-12 and 2012-13

	2011-12	2012-13	Change (number)
Planned interruptions to services	6,811	3,893	-2,918
Instances where licensee did not provide at least 2 days' notice of the planned interruption to each of the premises affected	0	5	5
Instances where supply was not restored within 12 hours of the initial interruption	0	0	0
Average water supply interruption duration ¹ (minutes)	19.1	14	-5.1
Total interruption faced by an average customer ² (minutes per property)	0.71	0.51	-0.20
Unplanned interruptions to services	465	758	293
Instances where supply was not restored within 12 hours of the initial interruption	0	0	0
Average water supply interruption duration ³ (minutes)	126.7	148	21.3

In 2012-13 ACTEW reported 5 premises experienced planned interruptions to water supply without two business days notice required by Minimum Service Standard 4. These instances of insufficient notice occurred in January, 2013 as a result of a public holiday being counted as a business day. ACTEW has considered the failure and is looking to improve associated processes.

As was the case in 2011-12, ACTEW reported no planned interruptions to sewerage services in 2012-13. Table 5 shows the number of unplanned interruptions decreased by 69 to 1,197 in 2012-13. The number of sewer main breaks and chokes remained steady in 2012-13.

Table 5 Planned and unplanned interruptions to services, sewerage services, 2011-12 and 2012-13

Unplanned interruptions items	2011-12	2012-13	Change (number)
Total number of unplanned interruptions	1,266	1,197	-69
Instances where supply was not restored within 12 hours of the initial interruption	1	0	-1
Sewer main breaks and chokes	1,336	1,344	8
Sewer main breaks and chokes caused by tree roots	1,189	1,166	-23
Property connection sewer main breaks and chokes	1,256	1,192	-64
Property connection sewer main breaks and chokes caused by tree roots	1,089	1,034	-55

3.3 24-hour emergency telephone service

ACTEW's utility licence requires it to maintain a 24-hour emergency telephone service.¹⁴ ACTEW reported one instance of non-compliance. A system failure was detected on 22 August, 2013 where incoming calls were directed to an engaged signal. This problem continued for a period of 30 hours and was resolved on 23 August, 2013.

¹⁴ Utility License, Schedule Clause 1.

3.4 Customer safety net arrangements

Under the Consumer Protection Code, ACTEW is not permitted to disconnect water supply or withdraw sewerage services for failure to pay an account. However, it may restrict the water flow to be sufficient for essential uses only. ACTEW did not restrict the water flow to any customer for failure to pay an account in 2012–13.

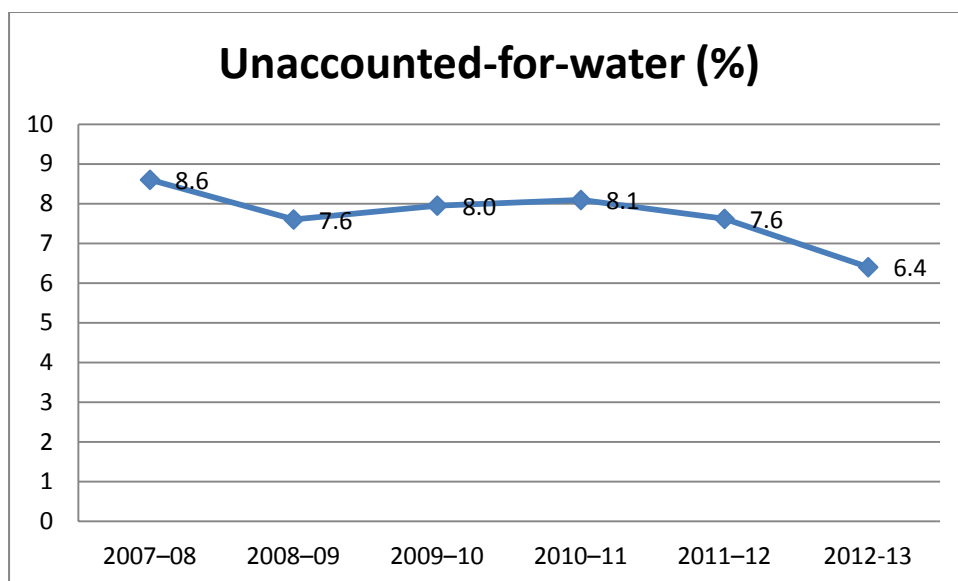
ACTEW reported one instance of customer debt discharge directed by ACAT under section 180(1) of the Utilities Act.

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. This amount may be due to factors other than strictly physical water losses.

Figure 1 shows the annual quantity of unaccounted for water in the ACT, as a proportion of total volume of water supplied by ACTEW from 2007–08 to 2012–13. The percentage of unaccounted for water has continued to decrease, from 7.6 per cent to 6.4 per cent, the lowest rate recorded in the past 6 years.

Figure 1 Unaccounted-for-water, proportion of total volume, ACTEW Corporation, 2007–08 to 2012–13



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 Distribution received 342 complaints in 2012-13, a decrease of 111 from 2011–12. Complaints concerning failure to provide notice or provision of sufficient notice represented 39% of complaints in 2012-13, an increase of 5% from 2011-12. Complaints of insufficient notices of work and the timing of planned interruptions to the network have also emerged as a publically reported issue during the heat waves in early 2014. The Commission will continue to monitor this area.

ActewAGL Electricity Distribution received less complaints overall however complaints were largely concentrated in categories regarding outage notices and work performed by ActewAGL. Almost 98% of complaints were responded to within 20 days.

Planned and unplanned interruptions to services

Table 6 compares the number of planned and unplanned interruptions to ActewAGL Electricity Distribution services in 2011–12 and 2012–13. During 2012–13, planned interruptions decreased and unplanned interruptions increased. The Consumer Protection Code requires ActewAGL give at least 4 days notice of planned interruptions. Although planned interruptions decreased by 238, the number of instances of insufficient notice remained steady.

Unplanned interruptions increased by 248 to 1,070 in 2012-13 and ActewAGL Electricity Distribution achieved full compliance with requirements for restoration of services.

Table 6 Planned and unplanned interruptions to services: electricity distribution, 2011-12 and 2012-13

	2011-12	2012-13	Change (number)
Planned interruptions to services	1,555	1,317	-238
Times licensee did not provide at least 4 days notice	156	159	3
Times supply not restored within 12 hours of the initial interruption	0	0	-
Unplanned interruptions to services	822	1,070	248
Times supply not restored within 12 hours of the initial interruption	-	-	-

Response to notification of network problem or concern

In 2012-13, ActewAGL Electricity Distribution received 7,988 notifications of network problems, a decrease of more than eight per cent. Of these notifications 209 were serious

notifications¹⁵ to which ActewAGL Electricity Distribution must respond within six hours. The Commission is unable to monitor ActewAGL Electricity Distribution's compliance with this standard as ActewAGL does not keep relevant records. The Commission notes the importance of this data and will correspond with ActewAGL Electricity Distribution on the requirement for this data in its ULAR.

Failure to respond to notifications of network problems in the relevant time frame under the Consumer Protection Code entitles the customer to a rebate of \$60.00 per day until a response is received (to a maximum of \$300.00 at which point the notification may be renewed). For these reasons the Commission will require ActewAGL Electricity Distribution to record response times for notification of network problems in order to monitor the instances consumers are entitled to a rebate. This will also assist the analysis of rebates as explored in section 2.2, to the extent that the Commission will be in a position to assess whether rebates granted reflect the instances of failure to respond to notifications.

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 2013, ActewAGL Gas Distribution's network was comprised of 3,819 km of medium-pressure and 256 km of high-pressure mains, a total pipeline length of 4,075 km. In 2012–13, ActewAGL Gas Distribution distributed 8,334 TJ of gas to 116,352 delivery point identifiers.

5.1 Customer Complaints

Customer Service

ActewAGL Gas Distribution received 16 complaints in 2012-13 as shown in Table 7. All complaints were responded to in the required timeframe.

The number of notifications of network problems received by ActewAGL Gas Distribution increased by 127 in 2012-13 as detailed in Table 7. In 2012-13, the number of serious notifications¹⁶ decreased by 223 and minor notifications increased to 1,932. ActewAGL Gas Distribution continued with full compliance with regards to serious notifications response time however the number of responses to minor notifications outside the Code's required response time increased.

¹⁵ A serious notification is one related to network damage, faults or problems likely to affect public health, cause or potentially cause substantial harm or damage.

¹⁶ Serious notifications are those likely to affect public health or cause damage.

Table 7 Customer Complaints, gas distribution, ActewAGL Distribution, 2011-12 and 2012-13

Complaint and notification response item	2011-12	2012-13	Change (number)
Total number of complaints	24	16	-8
Number responded to in 20 business days	24		
Number of notifications of network problems or concerns about licensee's network	2,036	2,163	+127
Notifications likely to affect public health, or cause damage to person/property	238	15	-223
Number of responses not made within 6 hours	0	0	-
Notifications not likely to affect public health, or cause damage to person or property	1,798	1,932	+134
Number of responses not made within 48 hours	222	266	+44

Planned and unplanned interruptions to services

Table 8 details the amount of planned and unplanned interruptions to gas services in 2011-12 and 2012-13. Planned interruptions increased by 1,607 in 2012-13. ActewAGL Gas Distribution submitted that 4,007 of the planned interruptions were for network operations, the vast majority of these being aged meter work. Unplanned interruptions decreased by 29 in 2012-13. The amount of burst or leaking pipes likely to affect public health or cause damage decreased from 238 the previous year to 15 in 2012-13.

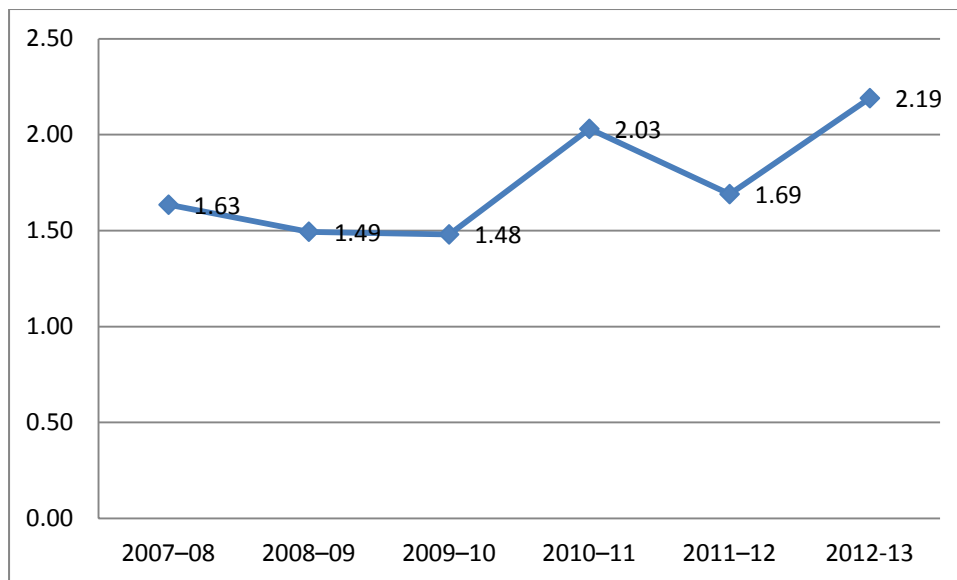
Table 8 Planned and unplanned interruptions to services, gas distribution, 2011-12 and 2012-13

Interruption Item	2011-12	2012-13	Change (number)
Planned interruptions to services	2,572	4,179	1,607
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	-
Unplanned interruptions to services	76	47	-29
Instances where supply was not restored within 12 hours of the initial interruption	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	-223

5.2 Unaccounted for Gas

Figure 2 summarises ActewAGL Gas Distribution's unaccounted for gas as a proportion of total gas entering its network from 2007-08 to 2012-13. In 2012-13 unaccounted for gas increased to 2.19 per cent from 1.69 per cent reported in 2011-12. 2012-13 network losses recorded ActewAGL Gas Distribution's highest percentage of unaccounted for gas over the last 6 regulatory years.

Figure 2 Unaccounted for gas, proportion of gas entering the distribution network (%), gas distribution, ActewAGL Gas Distribution, 2007–08 to 2012–13



For 2013-14 ActewAGL Gas Distribution has scheduled a five year leakage survey across all gas distribution assets. Specific actions to address gas loss during 2013-14 include:

- improvements in construction techniques to reduce the likelihood of gas leaks;
- leakage surveys to identify areas in need of rehabilitation or other action;
- review of network receipt meters to ensure correct accounting; and
- reduction of inventory during major operations activities that may require a release of gas.

Despite the upwards trend in unaccounted for gas, the Commission notes the strategies reported by ActewAGL Gas Distribution to decrease gas losses have remained the same and recommends development in this area.

Attachment 6 – Commission’s publications 2013-14

Papers and Reports

- Report 7 of 2013: Final Report – ACT Greenhouse Gas Inventory Report (September 2013)
- Report 8 of 2013: Annual Report 2012-13 (September 2013)
- Report 9 of 2013: Issues Paper – Retail Prices for Franchise Electricity Customers from 1 July 2014 (October 2013)
- Report 10 of 2013: Licensed Electricity, Gas, Water and Sewerage Services – Compliance and Performance Report for 2011-12 (August 2013)
- Report 1 of 2014: Draft Report – Standing Offer Prices for the Supply of Electricity to Small Customers 1 July 2014 to 30 June 2017 (February 2014)
- Report 2 of 2014: Proposed Price Direction – Standing Offer Prices for the Supply of Electricity to Small Customers 1 July 2014 to 30 June 2017 (February 2014)
- Report 3 of 2014: Response to the ACT Auditor General’s Office Performance Audit – The Water and Sewerage Pricing Process (April 2014)
- Report 4 of 2014: Final Report – Standing offer prices for the supply of electricity to small customers from 1 July 2013 to 30 June 2017 (June 2014)
- Report 5 of 2014: Price Direction – Standing offer prices for the supply of electricity to small customers from 1 July 2014 to 30 June 2017 (June 2014)

ACT Electricity Feed-in Scheme summary reports

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

ACT Electricity Feed-in Scheme Summary Report (1 March 2009 – 30 June 2013)

ACT Electricity Feed-in Scheme Summary Report (1 March 2009 – 30 September 2013)

Glossary and Abbreviations

ACAT	ACT Civil Administrative Tribunal
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
AEMC	Australian Energy Market Commission
AP2	Action Plan 2
AWA	Australian Workplace Agreements
CEO	Chief Executive Officer
CMTEDD	Chief Minister, Treasure and Economic Development Directorate
CO ₂ -e	carbon dioxide equivalent
CPC	Consumer Protection Code
EPD	Environment and Planning Directorate
FOI Act	<i>Freedom of Information Act 1989</i>
FTE	full-time equivalent
Human Rights Act	<i>Human Rights Act 2004</i>
ICRC Act	<i>Independent Competition and Regulatory Commission Act 1997</i>
IPART	Independent Pricing and Regulatory Tribunal
NEMMCO	National Electricity Market Management Company
NERL	National Energy Retail Law
SEA	Special Employment Arrangements
Utilities Act	<i>Utilities Act 2000</i>

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