



**Western Australian Energy
Disputes Arbitrator**

Annual Report 2011-12

The Western Australian Energy Disputes Arbitrator 2011/12 annual report and previous annual reports are available on the Arbitrator's website www.edawa.com.au.

This report will be made available in alternative formats on request.

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Statement of Compliance



WESTERN AUSTRALIAN **ENERGY DISPUTES ARBITRATOR**

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Our ref D95459

19 September 2012

Hon Peter Collier BA DipEd MLC
Minister for Education; Energy; Indigenous Affairs
10th Floor, Dumas House
2 Havelock Street
WEST PERTH WA 6005

Dear Minister

ENERGY DISPUTES ARBITRATOR 2011/12 ANNUAL REPORT

In accordance with section 61 of the *Financial Management Act 2006*, I submit for your information and presentation to Parliament, the Annual Report of the Energy Disputes Arbitrator for the financial year ended 30 June 2012.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*, the *Public Sector Management Act 1994* and the Treasurer's Instructions.

Yours sincerely

LAURIE JAMES
ENERGY DISPUTES ARBITRATOR

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From the Arbitrator



While I have not been asked to arbitrate on any matters over the past year, there has been activity associated with the work of the Electricity Review Board (**Review Board**).

The Review Board is responsible for reviewing specific decisions of the Economic Regulation Authority. In relation to such reviews, I am responsible for ensuring that appropriate services are available to the Review Board.

Two applications for a review of the Economic Regulation Authority's final decision on the revised access arrangement for the Goldfields Gas Pipeline were underway during the year under provisions in the *Gas Pipelines Access (Western Australia) Act 1998 (Gas Act)*. While the Gas Act has been superseded by the *National Gas Access (WA) Act 2009*, Goldfields Gas Transmission, the operator of the Goldfields Gas Pipeline, lodged its proposed revised access arrangement under the Gas Act.

The Gas Act will therefore apply to the Goldfields Gas Pipeline access arrangement until a revised access arrangement is lodged in 2014.

The Review Board finalised the reviews in April 2012. Details of these reviews are available on the Arbitrator's website www.edawa.com.au.

In my principal role as Arbitrator, I may be called upon to adjudicate the terms, conditions and prices that should apply where there is a dispute between parties seeking access to electricity or gas infrastructure and the owners of such infrastructure. Having no disputes lodged is a desirable outcome indicating that the regulatory regime is working.

In presenting this report, I would like to thank the Registrar of the Electricity Review Board, the Public Utilities Office and the Economic Regulation Authority for their ongoing support.

Overview

Executive Summary

The Office of the Western Australian Energy Disputes Arbitrator (Arbitrator) is established under the *Energy Review and Arbitration Act 2009*. The Office was set up to resolve disputes between providers of gas pipeline services and other parties seeking access to a regulated gas pipeline. The Arbitrator also has functions under the *Electricity Industry Act 2004* to resolve disputes in relation to the negotiation of contracts and contractual disputes in relation to access to regulated electricity networks.

The Arbitrator also has responsibility for the financial management and provision of administrative support to the Western Australian Electricity Review Board (Review Board) which is also established under the *Energy Arbitration and Review Act 1998*.

There were no applications lodged with the Arbitrator to resolve disputes during this reporting year.

Two applications were being considered by the Review Board for a review of the Economic Regulation Authority's Final Decision on the revised access arrangement for the Goldfields Gas Pipeline (application 1 and 2 of 2010).

The Electricity Review Board issued a Decision on 22 November 2011 and a Supplementary Decision on 30 March 2012.

Operational Structure

The Office of the Arbitrator was established in February 1999. The Arbitrator has no supporting organisation, but may, by arrangement, make use of facilities and staff of other Government departments and agencies other than employees of the Electricity Generation Corporation, the Electricity Networks Corporation, the Electricity Retail Corporation or the Regional Power Corporation. The Arbitrator has an arrangement with the Economic Regulation Authority for corporate services.

When required, a consultant is appointed to perform the services of Registrar to facilitate hearings of the Review Board.

Enabling Legislation

The Office of the Arbitrator is established under section 62 of the *Energy Arbitration and Review Act 1998*.

Responsible Minister

The minister responsible for administering the *Energy Arbitration and Review Act 1998* for the reporting year was the Hon. Peter Collier BA DipEd MLC, Minister for Education, Energy and Indigenous Affairs in Western Australia.

Overview

Organisational Structure

Vision ~ To achieve vigorously competitive energy markets in Western Australia with minimal regulatory oversight.

Mission ~ To promote competition in energy markets by seeking the effective and efficient resolution of disputes and facilitating reviews of regulatory decisions relating to energy infrastructure in Western Australia at the lowest practical regulatory cost.

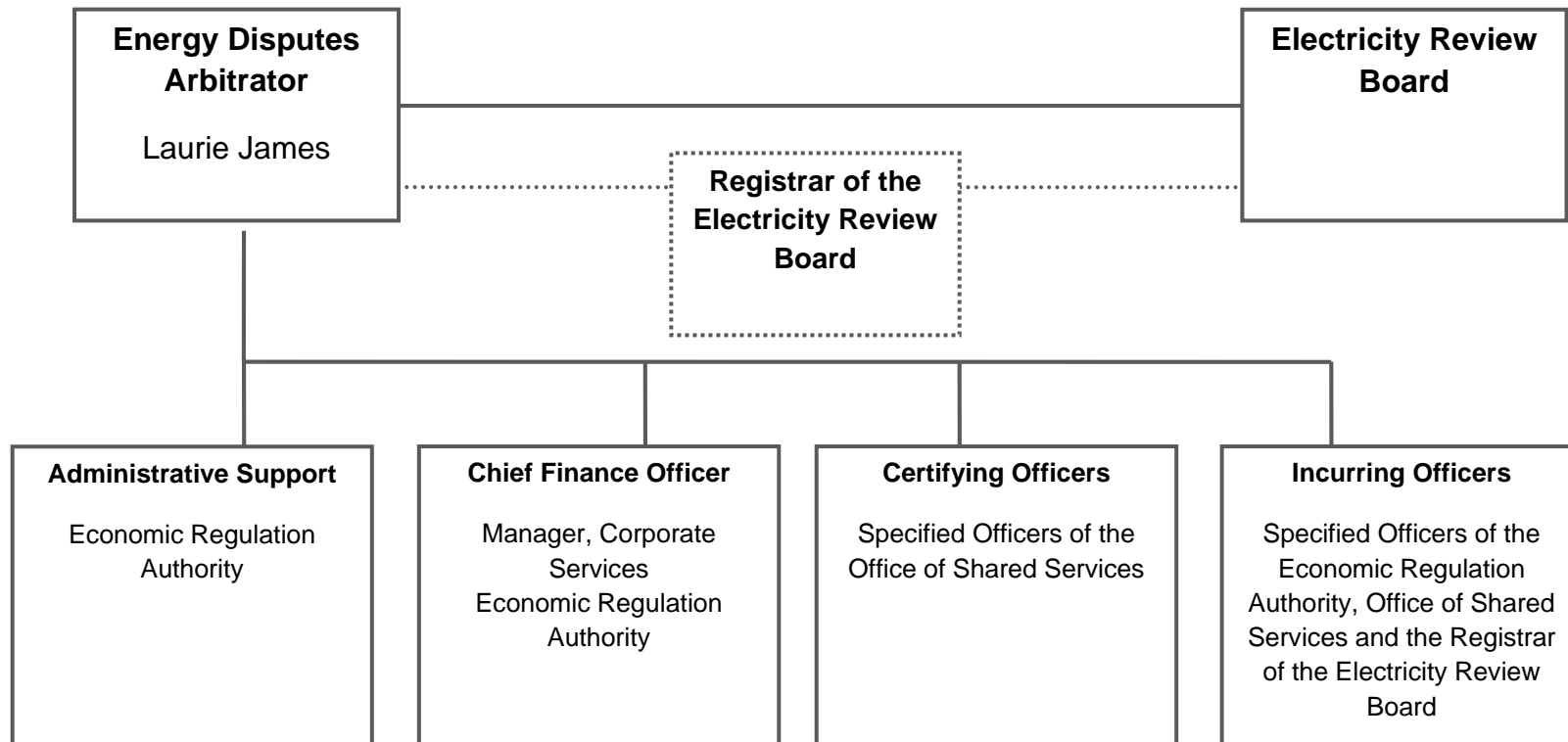
Values

- Promote a competitive market for energy in which customers may choose suppliers, including producers, retailers and traders.
- Prevent abuse of monopoly power.
- Provide for resolution of disputes.
- Provide rights of access to regulated energy infrastructure on conditions that are fair and reasonable for the owners and operators of those assets and persons wishing to use the services provided by the assets.
- Facilitate the development and operation of a market for energy in Western Australia.

Organisational Chart

The following chart represents the organisational structure of the Arbitrator as at 30 June 2012. The Economic Regulation Authority continues to provide corporate services support to the Arbitrator. This support is provided by staff who are not involved in regulatory decision making. Processes are in place to ensure that information about the activities of the Arbitrator and Review Board are not made available to staff of the Economic Regulation Authority outside of the corporate services division.

Figure 1 Organisational Chart



Regulated Infrastructure

The regulated gas and electricity infrastructure to which the Arbitrator's functions relate is wholly located in Western Australia.

At 30 June 2012, there were four regulated gas pipeline systems:

- Dampier to Bunbury Natural Gas Pipeline;
- Goldfields Gas Pipeline;
- Kalgoorlie to Kambalda Pipeline; and
- Mid-West and South-West Gas Distribution Systems.

There is currently only one regulated electricity network, which is Western Power's electricity network in the South West Interconnected System.

The Arbitrator is funded through provisions in the *National Gas Access (WA) (Local Provisions) Regulations 2009* and the *Electricity Industry (Arbitrator and Board) Funding Regulations 2009*. These regulations allow for the costs of the Arbitrator's oversighting role for regulated infrastructure in Western Australia to be recovered from operators of regulated gas pipelines and regulated electricity networks in the State.

Administered Legislation

Gas industry

The Arbitrator's functions relating to access to gas infrastructure are established under the *National Gas Access (WA) Act 2009*.

The functions of the Arbitrator in relation to the gas industry include:

- those conferred under the *National Gas Access (WA) Act 2009* including the arbitration functions under the National Gas Law;
- regulations under the *National Gas Access (WA) Act 2009*; and
- regulations referred to in section 74 of the *Energy Arbitration and Review Act 1998* relating to the functions of hearing and determining disputes.

The Arbitrator may resolve a dispute between a user, or prospective user, and a service provider about one or more aspects of access to a pipeline service provided by means of a gas pipeline.

Electricity Industry

The Arbitrator's functions relating to access to electricity infrastructure are established under the *Electricity Networks Access Code 2004*.

The functions of the Arbitrator in relation to the electricity industry include:

- negotiation of contracts for access to regulated electricity networks (chapter 10 of the *Electricity Networks Access Code 2004*); and
- where agreed by the parties to an access contract, the Arbitrator has jurisdiction to hear contractual disputes (chapter 10 of the *Electricity Networks Access Code 2004*).

The Arbitrator may resolve disputes in relation to the negotiation of contracts for access to regulated electricity networks and contractual disputes in relation to access contracts, where agreed by the parties to the contract.

Other legislation impacting the Arbitrator

The Arbitrator performs his functions in compliance with other legislation. These are listed in [Appendix 1](#).

Independence of direction

Section 75 of the *Energy Arbitration and Review Act 1998* specifies that the Arbitrator is independent of direction or control by the Crown or any minister or officer of the Crown in the performance of his functions. The Minister for Energy can only direct the Arbitrator in respect of general policies to be followed by the

Arbitrator with regard to administration and financial administration.

The *Energy Arbitration and Review Act 1998* also provides the Arbitrator with financing and immunity provisions.

Support

The Arbitrator does not appoint permanent staff, but public service employees can be assigned to assist the Arbitrator perform his functions. The Arbitrator has an administrative arrangement with the Economic Regulation Authority for the provision of corporate services.

As the Economic Regulation Authority's financial management system is sourced through the Office of Shared Services, employees of that office provide a certification service for the payment of invoices on behalf of the Arbitrator.

Clients

The Arbitrator's clients are:

- gas transmission and distribution pipeline owners and users;
- electricity transmission and distribution network owners and users; and

- the Electricity Review Board.

Western Australian Electricity Review Board

The Electricity Review Board (**Review Board**) is established under section 50 of the *Energy Review and Arbitration Act 1998*. The Review Board is an appeals body that is formed from time to time to make determinations and review decisions.

Review Board panel members are nominated by the Minister for Energy and appointed by the Governor. Two panels are established, one for legal practitioners and one for experts.

When required to be constituted, the Review Board comprises a presiding member chosen by the Attorney General from the panel of legal practitioners, and two experts, chosen by the presiding member from the panel of experts. The Review Board may be separately constituted to hear and determine different appeals.

The Review Board can be constituted to review decisions of:

- the Economic Regulation Authority:
 - regarding access to electricity networks under the Electricity Networks Access Code 2004;
 - concerning electricity licences and standard form contracts under the *Electricity Industry Act 2004*;
- the Independent Market Operator under the Wholesale Electricity Market Rules; and
- the Minister for Energy on the coverage of network infrastructure under the *Electricity Industry Act 2004*.

Overview

Table 1 Panel members during the 2011/12 reporting year

| Panel Members whose appointment ends 20 September 2015: | | Panel Members whose appointment ends 5 August 2016 | |
|--|---|--|---|
| <i>Legal practitioner</i> | <i>Experts</i> | <i>Legal practitioners</i> | <i>Experts</i> |
| Mr Graham Castledine | Mr Michael Carr Dr Leslie Farrant Mr Brendan Gaynor Dr Frank Harman Mr Albert Koenig Mr David Lyne Mr Kevan McGill Mr Nenad Ninkov Dr John Williams Mr Ted Woodley | Mr Scott Ellis Mr Adam Bisits Mr Charles Merriam Mr Michael Sweeney Mr Simon Adams | Mr Graham Mathieson Ms Jenny Davis Mr John Collins Mr Mark Johnston Mr Simon Orme |

Performance Management Framework

Outcome Based Management Framework

The strategic high-level government goal relevant to the Arbitrator is “greater focus on achieving results in key service delivery areas for the benefit of all Western Australians”. The desired outcome of the activities of the Arbitrator in support of this high-level strategic goal is “the efficient, safe and equitable provision of utility services in Western Australia”.

Although the Arbitrator’s role does not directly contribute to this desired outcome, the services he provides to bodies such as the Review Board are consistent with this outcome.

The desired outcome for the Arbitrator is the effective and efficient delivery of the following programs:

- arbitration of disputes; and
- provision of administrative services to the Electricity Review Board for the review of decisions.

These programs are facilitated by maintaining a state of readiness for the arbitration of disputes and the review of decisions by the Review Board.

The Arbitrator’s outcome is achieved by assisting parties to resolve disputes and providing timely and efficient support to the Review Board when it is constituted.

Changes to Outcome Based Management Framework

The Arbitrator’s Outcome Based Management Framework did not change during 2011/12.

Shared Responsibilities with Other Agencies

The Arbitrator did not share any responsibilities with other agencies during this reporting period.

Report on Operations

Energy Disputes Arbitrator

No applications to conduct an Arbitration hearing were lodged in 2011/12. This is consistent with an objective of having no disputes.

Electricity Review Board

There were two applications being considered by the Electricity Review Board during the year ended 30 June 2012. The applications are summarised in the following table:

Table 2 Applications under review with the Electricity Review Board in 2011/12

| Application number | Application date | Applicant | Respondent | Status | Nature of application |
|--------------------|------------------|--|--|---|--|
| 1 of 2010 | 19 August 2010 | BHP Billiton Nickel West Pty Ltd | First Respondent - Southern Cross Pipelines Australia Pty Ltd, Southern Cross Pipelines (NPL) Australia Pty Ltd, Alinta DEWAP Pty Ltd and Goldfields Gas Transmission Pty Ltd. Second Respondent - Economic Regulation Authority. | Finalised. Final decision contained in Orders of the Review Board dated 13 April 2012 and 30 April 2012 | Application for review of the decision by the Western Australian Economic Regulation Authority published on 5 August 2010 to approve its own revised access arrangement for the Goldfields Gas Pipeline. |
| 2 of 2010 | 19 August 2010 | Southern Cross Pipelines Australia Pty Limited, Southern Cross Pipelines (NPL) Australia Pty Ltd, Alinta DEWAP Pty Ltd and Goldfields Gas Transmission Pty Ltd | First Respondent - BHP Billiton Nickel West Pty Ltd (ABN 76 004 184 598) Second Respondent - Economic Regulation Authority. | Finalised. Final decision contained in Orders of the Review Board dated 13 April 2012 and 30 April 2012 | Application for review of the decision by the Western Australian Economic Regulation Authority published on 5 August 2010 to approve its own revised access arrangement for the Goldfields Gas Pipeline. |

Application 1/2010 and 2/2010

As outlined in Table 2 above, two applications for a review of the Economic Regulation Authority's decision dated 5 August 2010 regarding the access arrangement for the Goldfields Gas Pipeline were ongoing during the year.

The Review Board constituted to undertake the reviews consisted of:

Chair Perth Barrister, Mr Scott Ellis, of Sir Francis Burt Law Chambers

Members New South Wales engineer Mr Edward Woodley and Perth energy expert Mr Graham Mathieson

Due to the complexity of the matters being considered by the Review Board, a number of Orders extending the time for making a determination were issued during the year.

A number of Directions Hearings were held during the course of proceedings, all of which were presided over by Mr Ellis sitting alone. The hearing of the substantive issues took place before the full Review Board on 17 February 2012.

Actual financial results versus approved estimates

Financial targets

In accordance with Section 40 of the *Financial Management Act 2006*, the Arbitrator prepares and submits an annual estimate of expenditure to the Minister for approval. Treasurer's Instructions require that information about the approved annual estimate be included in the annual report. The approved annual estimate is not to form part of the financial statements subject to audit by the Office of the Auditor General.

The following estimate was approved by the Minister for 2011/12.

Table 3 Estimate approved by the Minister for 2011/12

| | |
|---------------------------------------|----------|
| Ongoing costs | 2011/12 |
| Staff Costs | |
| Total remuneration including on-costs | \$31,000 |
| Administration Costs | |
| Supplies and services | \$13,000 |
| Audit fees | \$6,000 |
| Total Annual Estimate | \$50,000 |

The total expenditure for 2011/12 was \$343,824. Expenditure relating to the ongoing costs of the Arbitrator against the approved annual estimate was \$48,080. The Arbitrator does not allow for costs associated with arbitration, review or appeal in his annual estimates. The total expenditure of the Arbitrator includes an amount of \$295,744 associated with the activities of the Review Board.

The following charts provide a comparison of costs over the last three years for the Arbitrator and the Review Board.

Figure 2 Arbitrator Costs for 2011/12 reporting year

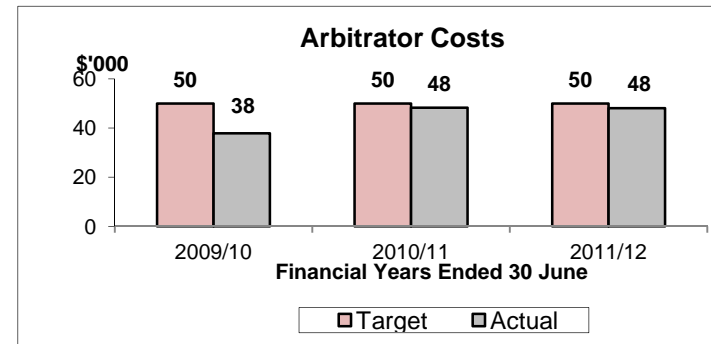
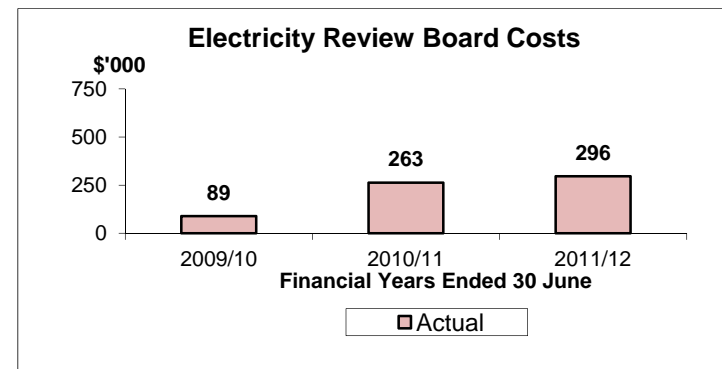


Figure 3 Review Board costs for 2011/12 reporting year



Summary of Key Performance Indicators

The desired outcome for the Arbitrator is the effective and efficient delivery of the following programs:

- resolution of disputes; and
- provision of administrative services to the Review Board for the review of decisions.

The Arbitrator's outcome is achieved by maintaining a state of readiness for the resolution of disputes and providing timely and efficient support to the Review Board when it is constituted.

Table 4 Summary of Key Performance Indicators

| | 2011/12 Target | 2011/12 Actual | Variation |
|---|-------------------|-------------------|-----------------|
| <i>Outcome 1 To provide for resolution of disputes</i> | | | |
| Key Effectiveness Indicator | | | |
| The number of disputes resolved as a proportion of total disputes registered | | | |
| <i>Service 1: Arbitration of disputes</i> | 100% | 0% (no disputes) | N/A no disputes |
| Key Efficiency Indicator: | | | |
| Average cost per dispute | \$0 (no disputes) | \$0 (no disputes) | \$0 |
| <i>Outcome 2 To provide administrative services to the Electricity Review Board for the review of decisions</i> | | | |
| Key Effectiveness Indicator | | | |
| Percentage of Electricity Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes | | | |
| <i>Service 1: Arbitration of disputes</i> | 75% | 100% | 25% |
| Key Efficiency Indicator: | | | |
| Average cost per review application | \$0 | \$171,909 | \$171,909 |

Performance

Maintaining a state of readiness

To facilitate the measurement of the cost efficiency associated with the Arbitrator's availability to address matters arising from the regulation of infrastructure, the concept of a standard unit of regulated infrastructure was established. This is used to recognise and allow for the fact that the size, value and complexity of regulated infrastructure, including pipelines and electricity networks, varies from one asset to another. It also recognises that the size, cost and complexity of regulation and arbitration work will vary accordingly.

For example, the demands placed on the Arbitrator by several smaller regulated assets in one year may be equivalent to those of a single larger piece of regulated infrastructure in another year. To ensure that the units of measurement are reasonably consistent from one year to the next, a standard unit of regulated infrastructure has been defined as one having a capital base value of \$500 million.

Number of units of regulated infrastructure overlooked

During 2011/12, the Arbitrator had oversight of 19.01 equivalent standard units (\$500 million) of regulated infrastructure, against a target of 15.55. The asset value of gas pipeline infrastructure overlooked by the Arbitrator was reset during the year following the review

of the access arrangement for the Dampier to Bunbury Natural Gas Pipeline.

The calculation of units of regulated infrastructure does not include the value of generation facilities covered by the wholesale electricity market overlooked by the Arbitrator. No value has been attributed to generation facilities in calculating the number of units of regulated infrastructure as no such value is available and, it is not cost effective to calculate such a value.

Arbitrator's costs

The cost of the Arbitrator being available to address matters arising from the regulation of infrastructure for 2011/12 was \$48,080 compared to \$48,300 in 2010/11. The Arbitrator is able to recover this cost from operators of regulated gas pipelines and regulated electricity networks.

Electricity Review Board costs

There were two applications for review underway with the Electricity Review Board during the year. The cost of these applications in 2011/12 was \$295,744. The Arbitrator received funding by way of a Treasurer's Advance to pay the costs of review.

Average cost of oversighting

As a result of the increase in the actual number of units of regulated infrastructure oversighting in 2011/12, the average cost of oversighting an equivalent standard unit of regulated infrastructure decreased from \$3,105 in 2010/11 to \$2,530 in 2011/12.

Annual survey of Electricity Review Board members

To assess satisfaction with the administrative services provided by the Arbitrator to the Review Board, the members of the two Review Boards active during the year were invited to respond to a questionnaire over the telephone.

Three members were contacted and each responded to the questionnaire, giving a response rate of 100%.

Members were asked to rate their satisfaction in relation to the services provided by the Arbitrator:

- venues and facilities;
- timeliness of services; and
- general administrative services.

Table 5 Electricity Review Board's satisfaction with venues and facilities

| Satisfaction with venues and facilities | Response rate |
|---|---------------|
| Very satisfied | 100% |
| Satisfied | 0% |
| Neither satisfied or dissatisfied | 0% |
| Dissatisfied | 0% |
| Very dissatisfied | 0% |

Two members commented that they were very satisfied with the venue and facilities provided for conducting hearings, the third member had no comment to make. This is comparable with the comments from members in last year's survey where they commented that an adequate venue was provided by the Arbitrator.

Performance

Table 6 Electricity Review Board's satisfaction with timeliness of services provided

| Satisfaction with timeliness of services provided | Response rate |
|---|---------------|
| Very satisfied | 66.6% |
| Satisfied | 33.3% |
| Neither satisfied or dissatisfied | 0% |
| Dissatisfied | 0% |
| Very dissatisfied | 0% |

The member who responded 'satisfied' stated that the Arbitrator was '*A bit slow on some payments, but it's not really an issue*', indicating that there was some minor slippage of the timeliness of the service in 2011/12.

Table 7 Electricity Review Board's satisfaction with general administrative services provided by the Arbitrator

| General administrative services | Response rate |
|-----------------------------------|---------------|
| Very satisfied | 100% |
| Satisfied | 0% |
| Neither satisfied or dissatisfied | 0% |

| | |
|-------------------|----|
| Dissatisfied | 0% |
| Very dissatisfied | 0% |

For the question regarding overall service provided by the Arbitrator, all three members responded that they were 'very satisfied'. The comments given were that the service has been '*all fine*' and that there were '*no issues*'. The ratings show that the level of satisfaction has been maintained at a high standard in this area as with the other two areas of service.

Comparison to previous surveys

In comparison to previous years, this year's results indicate a slight decrease in the members' satisfaction with the performance of the Arbitrator. Members' responses indicate that there has been a minor slippage with the timeliness of services provided with this service dropping from 100% very satisfied last year compared to 66.6% this year.

Conclusion

Overall, Review Board members were very satisfied with the administrative services provided by the Arbitrator.

Significant Issues Impacting the Arbitrator

The Arbitrator is not aware of any significant issues that will impact his role in 2012/13.

Disclosures and Legal Compliance Audit Opinion



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

WESTERN AUSTRALIAN ENERGY DISPUTES ARBITRATOR

Report on the Financial Statements

I have audited the accounts and financial statements of the Western Australian Energy Disputes Arbitrator.

The financial statements comprise the Statement of Financial Position as at 30 June 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows of the Arbitrator for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Arbitrator's Responsibility for the Financial Statements

The Arbitrator is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Arbitrator determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Arbitrator's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Arbitrator, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Western Australian Energy Disputes Arbitrator at 30 June 2012 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by the Western Australian Energy Disputes Arbitrator during the year ended 30 June 2012.

Controls exercised by the Western Australian Energy Disputes Arbitrator are those policies and procedures established by the Arbitrator to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Arbitrator's Responsibility for Controls

The Arbitrator is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Western Australian Energy Disputes Arbitrator based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Arbitrator complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Opinion

In my opinion, the controls exercised by the Western Australian Energy Disputes Arbitrator are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2012.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2012.

The key performance indicators are the key effectiveness indicators and, the key efficiency indicators that provide information on outcome achievement and service provision.

Arbitrator's Responsibility for the Key Performance Indicators

The Arbitrator is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Arbitrator determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Arbitrator's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

Opinion

In my opinion, the key performance indicators of the Western Australian Energy Disputes Arbitrator are relevant and appropriate to assist users to assess the Arbitrator's performance and fairly represent indicated performance for the year ended 30 June 2012.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and the Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2012 included on the Arbitrator's website. The Arbitrator is responsible for the maintenance and integrity of the Arbitrator's website. I have not been engaged to report on the integrity of the Arbitrator's website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 2 August 2012 to confirm the information included in the audited financial statements presented on this website.

GLEN CLARKE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
2 August 2012

Financial Statements

Certification of Financial Statements

For the year ended 30 June 2012

The accompanying financial statements of the Western Australian Energy Disputes Arbitrator have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2012 and the financial position as at 30 June 2012.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.

Pam Herbener
CHIEF FINANCE OFFICER
30 July 2012

Laurie James LLB Hons.
ENERGY DISPUTES ARBITRATOR
30 July 2012

Disclosures and Legal Compliance

Western Australian Energy Disputes Arbitrator's [Annual Report 2011/12](#)

| | Note | 2012 \$ | 2011 \$ |
|---|------|-------------------------|-------------------------|
| Statement of Comprehensive Income | | | |
| For the year ended 30 June 2012 | | | |
| COST OF SERVICES | | | |
| Expenses | | | |
| Employee benefits expense | 6. | 30,605 | 30,605 |
| Supplies and services | 7. | 308,019 | 274,693 |
| Other expenses | 8. | 5,200 | 5,700 |
| Total cost of services | | <u>343,824</u> | <u>310,998</u> |
| Income | | | |
| <i>Revenue</i> | | | |
| User charges and fees | 9. | 40,248 | 41,541 |
| Interest revenue | 10. | 4,615 | 7,077 |
| Other revenue | 11. | 1,173 | - |
| Total Revenue | | <u>46,036</u> | <u>48,618</u> |
| Total income other than income from State Government | | <u>46,036</u> | <u>48,618</u> |
| NET COST OF SERVICES | | <u>297,788</u> | <u>262,380</u> |
| Income from State Government | | | |
| Resources received free of charge | 12. | 7,832 | 6,759 |
| Total income from State Government | | <u>7,832</u> | <u>6,759</u> |
| SURPLUS/(DEFICIT) FOR THE PERIOD | | <u>(289,956)</u> | <u>(255,621)</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>(289,956)</u> | <u>(255,621)</u> |

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

| | Note | 2012 \$ | 2011 \$ |
|--|---------|------------------|------------------|
| Statement of Financial Position | | | |
| As at 30 June 2012 | | | |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 13.,19. | 26,043 | 207,592 |
| Receivables | 14. | 18,748 | 26,048 |
| Other current assets | 15. | - | 45 |
| Total Current Assets | | 44,791 | 233,685 |
| TOTAL ASSETS | | 44,791 | 233,685 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 16. | 1,965 | 80,903 |
| Amounts due to the Treasurer | 17. | - | 700,000 |
| Total Current Liabilities | | 1,965 | 780,903 |
| TOTAL LIABILITIES | | 1,965 | 780,903 |
| NET ASSETS | | 42,826 | (547,218) |
| EQUITY | | | |
| Contributed Equity | 18. | 880,000 | - |
| Accumulated surplus/(deficit) | 18. | (837,174) | (547,218) |
| TOTAL EQUITY | | 42,826 | (547,218) |

The Statement of Financial Position should be read in conjunction with the accompanying notes.

**Statement of Changes in Equity
For the year ended 30 June 2012**

| | Contributed Equity \$ | Reserves \$ | Accumulated surplus/(deficit) \$ | Total Equity \$ |
|---|-----------------------------|----------------|--|--------------------|
| Balance at 1 July 2010 | - | - | (291,597) | (291,597) |
| Total comprehensive income for the year | - | - | (255,621) | (255,621) |
| Balance at 30 June 2011 | - | - | (547,218) | (547,218) |
| Balance at 1 July 2011 | - | - | (547,218) | (547,218) |
| Total comprehensive income for the year | - | - | (289,956) | (289,956) |
| Transactions with owners in their capacity as owners: | | | | |
| Capital appropriations | 880,000 | - | - | 880,000 |
| Balance at 30 June 2012 | 880,000 | - | (837,174) | 42,826 |

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

| | Note | 2012 \$ | 2011 \$ |
|--|------|------------------|------------------|
| Statement of Cash Flows | | | |
| For the year ended 30 June 2012 | | | |
| CASH FLOWS FROM STATE GOVERNMENT | | | |
| Capital appropriation | | 880,000 | - |
| Net cash provided by State Government | | 880,000 | - |
| Utilised as follows: | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments | | | |
| Employee benefits | | (30,487) | (30,489) |
| Supplies and services | | (381,563) | (189,021) |
| GST payments on purchases | | (30,281) | (8,290) |
| Other payments | | (5,200) | (5,700) |
| Receipts | | | |
| User charges and fees | | 47,548 | 22,588 |
| Interest received | | 5,788 | 7,077 |
| GST receipts from taxation authority | | 32,646 | 8,290 |
| Net cash provided by/(used in) operating activities | 19. | (361,549) | (195,545) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of borrowings | | (700,000) | - |
| Proceeds from Treasurer's Advances | | - | 200,000 |
| Net cash provided by/(used in) financing activities | | (700,000) | 200,000 |
| Net increase/(decrease) in cash and cash equivalents | | (181,549) | 4,455 |
| Cash and cash equivalents at the beginning of period | | 207,592 | 203,137 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | 19. | 26,043 | 207,592 |

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

Disclosures and Legal Compliance

Notes to the Financial Statements

For the year ended 30 June 2012

Note 1. Australian Accounting Standards

General

The Arbitrator's financial statements for the year ended 30 June 2012 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The Arbitrator has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Arbitrator cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Arbitrator for the annual reporting period ended 30 June 2012.

Note 2. Summary of significant accounting policies

(a) General statement

The Arbitrator is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The *Financial Management Act* and the Treasurer's instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

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

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar.

Note 3 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the Arbitrator's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting entity

The reporting entity comprises the Western Australian Energy Disputes Arbitrator.

(d) Contributed equity

AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 Contributions by Owners made to Wholly Owned Public Sector Entities and have been credited directly to Contributed equity.

Disclosures and Legal Compliance

The transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(e) Income

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised for the major business activities as follows:

Provision of services

Revenue is recognised by reference to the stage of completion of the transaction.

Interest

Revenue is recognised as the interest accrues.

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the Arbitrator obtains control over the assets comprising the contributions, usually when cash is received.

User charges and fees

Revenue for Standing Charges is recognised at the time the charge is raised on a client as per the *National Gas Access (WA) (Local Provisions) Regulations 2009* and the *Electricity Industry (Arbitrator and Board Funding) Regulations 2009*.

(f) Leases

The Arbitrator does not have finance or operating lease agreements.

(g) Financial instruments

In addition to cash, the Arbitrator has two categories of financial instrument:

- Receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
 - Cash and cash equivalents
 - Receivables
- Financial Liabilities
 - Payables
 - Amounts due to the Treasurer

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(h) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(i) Accrued Salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are generally settled within a fortnight of the financial year end. The Arbitrator considers the carrying amount of accrued salaries to be equivalent to its fair value.

(j) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Arbitrator will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(k) Payables

Payables are recognised when the Arbitrator becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

(l) Amounts due to the Treasurer

The amount due to the Treasurer is in respect of a Treasurer's Advance. Initial recognition and measurement, and subsequent measurement, is at the amount repayable. Although there is no interest charged, the amount repayable is equivalent to fair value as the period of the borrowing is for less than 12 months with the effect of discounting not being material.

(m) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Provisions - employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual leave

The Arbitrator has no entitlement to annual leave.

Long service leave

The Arbitrator has no entitlement to long service leave.

Superannuation

The Arbitrator has an amount included as part of his remuneration, which is deducted from each payment and remitted to a complying superannuation fund.

The Government has no unfunded superannuation liability in respect to the Arbitrator.

Provisions – other

Employment on-costs

The Arbitrator has no employment on-costs.

(n) Resources received free of charge or for nominal cost

Resources received free of charge or for nominal cost that can be reliably measured are recognised as income at fair value. Where the resource received represents a service that the Arbitrator would otherwise pay for, a corresponding expense is recognised. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(o) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

Disclosures and Legal Compliance

Note 3. Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Arbitrator evaluates these judgements regularly.

Note 4. Key sources of estimation uncertainty

There were no estimates or assumptions made concerning the future, or other key sources of estimation uncertainty at the end of the reporting period that is likely to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Note 5. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Arbitrator has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2011 that impacted on the Arbitrator.

| | |
|---------------------|---|
| <i>AASB 1054</i> | <i>Australian Additional Disclosures</i> This Standard, in conjunction with AASB 2011-1 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project</i> , removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact. |
| <i>AASB 2009-12</i> | <i>Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Int 2, 4, 16, 1039 & 1052].</i> This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact. |

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Int 13]

The amendments to AASB 7 clarify financial instrument disclosures in relation to credit risk. The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is no longer required to be disclosed. There is no financial impact

The amendments to AASB 101 clarify the presentation of the Statement of Changes in Equity. The disaggregation of other comprehensive income reconciling the carrying amount at the beginning and the end of the period for each component of equity can be presented in either the Statement of Changes in Equity or the Notes. There is no financial impact.

AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Int 112, 115, 127, 132 & 1042]

This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Int 2, 112 & 113]

This Standard, in conjunction with AASB 1054, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.

Voluntary changes in accounting policy

There were no voluntary changes in accounting policy which has been adopted by the Arbitrator.

Future impact of Australian Accounting Standards not yet operative

The Arbitrator cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Arbitrator has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Arbitrator. Where applicable, the Arbitrator plans to apply these Australian Accounting Standards from their application date.

Disclosures and Legal Compliance

| | | Operative for reporting periods beginning on/after |
|---------|---|--|
| AASB 9 | <p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The Standard was reissued in December 2010. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p> | 1 Jan 2013 |
| AASB 10 | <p><i>Consolidated Financial Statements</i></p> <p>This Standard supersedes requirements under AASB 127 Consolidated and Separate Financial Statements and Int 112 Consolidation – Special Purpose Entities, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p> | 1 Jan 2013 |
| AASB 11 | <p><i>Joint Arrangements</i></p> <p>This Standard supersedes AASB 131 Interests in Joint Ventures, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p> | 1 Jan 2013 |
| AASB 12 | <p><i>Disclosure of Interests in Other Entities</i></p> <p>This Standard supersedes disclosure requirements under AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 <i>Interests in Joint Ventures</i>. The Standard was issued in August 2011. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p> | 1 Jan 2013 |

| | | |
|--------------|--|------------|
| AASB 13 | <p><i>Fair Value Measurement</i></p> <p>This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. There is no financial impact.</p> | 1 Jan 2013 |
| AASB 119 | <p><i>Employee Benefits</i></p> <p>This Standard supersedes AASB 119 (October 2010). As the Arbitrator does not operate a defined benefit plan, the impact of the change is limited to measuring annual leave as a long-term employee benefit. The resultant discounting of the annual leave benefit has an immaterial impact.</p> | 1 Jan 2013 |
| AASB 127 | <p><i>Separate Financial Statements</i></p> <p>This Standard supersedes requirements under AASB 127 Consolidated and Separate Financial Statements, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p> | 1 Jan 2013 |
| AASB 128 | <p><i>Investments in Associates and Joint Ventures</i></p> <p>This Standard supersedes AASB 128 Investments in Associates, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p> | 1 Jan 2013 |
| AASB 1053 | <p><i>Application of Tiers of Australian Accounting Standards</i></p> <p>This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.</p> | 1 Jul 2013 |
| AASB 2009-11 | <p><i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12]</i></p> <p>[Modified by AASB 2010-7]</p> | 1 Jul 2013 |

Disclosures and Legal Compliance

| | | |
|-------------|--|------------|
| AASB 2010-2 | <p><i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Int 2, 4, 5, 15, 17, 127, 129 & 1052]</i></p> <p>This Standard makes amendments to Australian Accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.</p> | 1 Jul 2013 |
| AASB 2010-7 | <p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p> | 1 Jan 2013 |
| AASB 2011-2 | <p><i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & 1054]</i></p> <p>This Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. There is no financial impact.</p> | 1 Jul 2013 |
| AASB 2011-6 | <p><i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, 128 & 131]</i></p> <p>This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.</p> | 1 Jul 2013 |

| | | |
|--------------|---|------------|
| AASB 2011-7 | <p><i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]</i></p> <p>This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p> | 1 Jan 2013 |
| AASB 2011-8 | <p><i>Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]</i></p> <p>This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.</p> | 1 Jan 2013 |
| AASB 2011-9 | <p><i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]</i></p> <p>This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Arbitrator has not yet determined the application or the potential impact of the Standard.</p> | 1 Jul 2012 |
| AASB 2011-10 | <p><i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]</i></p> <p>This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. There is no financial impact.</p> | 1 Jan 2013 |
| AASB 2011-11 | <p><i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i></p> <p>This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.</p> | 1 Jan 2013 |

Disclosures and Legal Compliance

AASB 2012-1 *Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3 , 7, 13, 140 & 141]* 1 Jul 2013

This Standard establishes and amends reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8. There is no financial impact.

Changes in accounting estimates

There were no changes in accounting estimates that will have an effect on the current reporting period.

| | 2012 | 2011 |
|---|---------------|---------------|
| | \$ | \$ |
| Note 6. Employee benefits expense | | |
| Salary | 28,078 | 28,078 |
| Superannuation - complying superannuation fund ^(a) | 2,527 | 2,527 |
| | <u>30,605</u> | <u>30,605</u> |

(a) Reflects the superannuation paid to the Arbitrator in terms of his contract conditions.

Note 7. Supplies and services

| | | |
|-------------------------------|----------------|----------------|
| Professional services | 11,888 | 15,662 |
| Communications | 2,105 | 1,683 |
| Legal costs | 72,777 | 96,332 |
| Travel | - | 4,814 |
| Electricity Review Board Fees | 219,452 | 153,570 |
| Other | 1,797 | 2,632 |
| | <u>308,019</u> | <u>274,693</u> |

Note 8. Other expenses

| | | |
|--------------------------|--------------|--------------|
| Audit Fee ^(a) | 5,200 | 5,700 |
| | <u>5,200</u> | <u>5,700</u> |

(a) See also note 25 'Remuneration of auditor'.

Note 9. User charges and fees

| | | |
|--------------|---------------|---------------|
| User charges | 40,248 | 41,541 |
| | <u>40,248</u> | <u>41,541</u> |

Note 10. Interest revenue

| | | |
|------------------|--------------|--------------|
| Interest revenue | 4,615 | 7,077 |
| | <u>4,615</u> | <u>7,077</u> |

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| | 2012 \$ | 2011 \$ |
|-------------------------------|--------------|------------|
| Note 11. Other revenue | | |
| Refund of expenditure | 1,173 | - |
| | <u>1,173</u> | <u>-</u> |

Note 12. Income from State Government

Appropriation received during the year:

| | | |
|---------------------------------------|----------|----------|
| Service appropriations ^(a) | 0 | - |
| | <u>0</u> | <u>-</u> |

Resources received free of charge ^(a)

Determined on the basis of the following estimates provided by agencies:

| | | |
|---------------------------------|--------------|--------------|
| - Economic Regulation Authority | 7,832 | 6,759 |
| | <u>7,832</u> | <u>6,759</u> |
| | <u>7,832</u> | <u>6,759</u> |

(a) Assets or services received free of charge or for nominal cost are recognised as revenue at fair value of the assets and/or services that can be reliably measured and which would have been purchased if they were not donated. Contributions of assets or services in the nature of contributions by owners are recognised direct to equity.

Note 13. Cash and cash equivalents

Current

| | | |
|--------------|---------------|----------------|
| Cash at Bank | 26,043 | 207,592 |
| | <u>26,043</u> | <u>207,592</u> |

Note 14. Receivables

Current

| | | |
|----------------------|---------------|---------------|
| Accrued revenue | 11,938 | 10,383 |
| GST receivable | 6,810 | 15,665 |
| Total current | <u>18,748</u> | <u>26,048</u> |

| | 2012 | 2011 |
|--|------|------|
| | \$ | \$ |

There were no allowances made in the current year for the impairment of receivables (2010/11: nil)
The Arbitrator does not hold any collateral as security or other credit enhancements as security for receivables.

Note 15. Other Assets

Current

| | | |
|----------------------|----------|-----------|
| Prepayments | - | 45 |
| Total current | - | 45 |

Note 16. Payables

Current

| | | |
|----------------------|--------------|---------------|
| Trade payables | 240 | - |
| Accrued salaries | 704 | 586 |
| Accrued expenses | 1,021 | 80,317 |
| Total current | 1,965 | 80,903 |

Note 17. Amounts due to the Treasurer

Current

| | | |
|-----------------------------|----------|----------------|
| Amount due to the Treasurer | - | 700,000 |
| | - | 700,000 |

Note 18. Equity

Contributions by owners

| | | |
|-----------------------|----------------|----------|
| Capital appropriation | 880,000 | - |
| | 880,000 | - |

| | 2012 | 2011 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Accumulated surplus/(deficit) | | |
| Balance at start of year | (547,218) | (291,597) |
| Result for the period | (289,956) | (255,621) |
| Balance at end of year | (837,174) | (547,218) |
| Total Equity at end of period | 42,826 | (547,218) |

Note 19. Notes to the Statement of Cash Flows

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | | |
|---------------------------|---------------|----------------|
| Cash and cash equivalents | 26,043 | 207,592 |
| | 26,043 | 207,592 |

Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

| | | |
|----------------------|-----------|-----------|
| Net cost of services | (297,788) | (262,380) |
|----------------------|-----------|-----------|

Non-cash items:

| | | |
|-----------------------------------|-------|-------|
| Resources received free of charge | 7,832 | 6,759 |
|-----------------------------------|-------|-------|

(Increase)/decrease in assets:

| | | |
|------------------------------------|---------|---------|
| Current receivables ^(a) | (1,555) | (4,250) |
| Other current assets | 45 | (45) |

Increase/(decrease) in liabilities:

| | | |
|---------------------------------|----------|--------|
| Current payables ^(a) | (78,938) | 79,074 |
|---------------------------------|----------|--------|

| | | |
|--|-------------------------|-------------------------|
| Net GST receipts/(payments) ^(b) | (2,365) | (8,211) |
| Change in GST in receivables/payables ^(c) | 11,220 | (6,492) |
| Net cash provided by/(used in) operating activities | <u>(361,549)</u> | <u>(195,545)</u> |

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, i.e cash transactions.

(c) This reverses out the GST in receivables and payables.

At the end of the reporting period, the Arbitrator had fully drawn on all financing facilities, details of which are disclosed in the financial statements.

Note 20. Contingent liabilities and contingent assets

Contingent liabilities

The Arbitrator had no contingent liabilities as at 30 June 2012.

Contingent assets

The Arbitrator had no contingent assets as at 30 June 2012.

Note 21. Events occurring after the end of the reporting period

There were no events occurring after the reporting date that impact on the financial statements.

Note 22. Explanatory Statement

This statement provides details of any significant variations between estimates and actual results for 2012 and between the actual results for 2011 and 2012. Significant variations are considered to be those greater than 10% and \$10,000.

Significant variances between estimated and actual result for 2012

| | 2012 Estimate | 2012 Actual | Variance |
|--------------------------------------|------------------|----------------|----------|
| | \$ | \$ | \$ |
| Supplies and services - Review Board | - | 295,738 | 295,738 |

Supplies and services

The Arbitrator provides administrative support to the Review Board. As the Appeals Body under the relevant Acts, the activities of the Review Board cannot be predicted or budgeted for.

Significant variances between actual results for 2011 and 2012

| | 2012 \$ | 2011 \$ | Variance \$ |
|--------------------------------------|------------|------------|----------------|
| <u>Expenses</u> | | | |
| Supplies and services - Review Board | 295,738 | 262,692 | (33,046) |

Supplies and services

The Arbitrator provides administrative support to the Review Board. As the Appeals Body under the relevant Acts, the activities of the Review Board cannot be predicted or budgeted for.

Note 23. Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the Arbitrator are cash and cash equivalents, Treasurer's advances, receivables and payables. The Arbitrator has limited exposure to financial risks. The Arbitrator's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Arbitrator's receivables defaulting on their contractual obligations resulting in financial loss to the Arbitrator.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment as shown in the table at note 23(c) 'Financial instruments disclosure' and note 14 'Receivables'.

Credit risk associated with the Arbitrator's financial assets is minimal because the main receivable is the amount receivable for services (holding account). For receivables other than government, the Arbitrator trades only with recognised, creditworthy third parties. The Arbitrator has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Arbitrator's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when the Arbitrator is unable to meet its financial obligations as they fall due.

The Arbitrator is exposed to liquidity risk through its trading in the normal course of business.

The Arbitrator has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Arbitrator's income or the value of its holdings of financial instruments.

The Arbitrator does not trade in foreign currency and is not materially exposed to other price risks.

(b) Categories of financial instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

| | 2012 | 2011 |
|--|-------------|-------------|
| | \$ | \$ |
| <u>Financial Assets</u> | | |
| Cash and cash equivalents | 26,043 | 207,592 |
| Receivables ^(a) | 11,938 | 10,383 |
| <u>Financial Liabilities</u> | | |
| Financial liabilities measured at amortised cost | 1,965 | 780,903 |

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

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(c) Financial instrument disclosures

Credit risk

The following table discloses the Arbitrator's maximum exposure to credit risk and ageing analysis of financial assets. The Arbitrator's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Arbitrator.

The Arbitrator does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

Aged analysis of financial assets

| | Carrying Amount | - | Past due but not impaired | | | | | Impaired financial assets |
|----------------------------|-----------------|----------------|-------------------------------|---------------|--------------|--------------------|-----------|---------------------------|
| | | | Not past due and not Impaired | Up to 1 month | 1 - 3 months | 3 months to 1 year | 1-5 years | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| 2012 | | | | | | | | |
| Cash and cash equivalents | 26,043 | 26,043 | - | - | - | - | - | |
| Receivables ^(a) | 11,938 | 11,938 | - | - | - | - | - | |
| | 37,981 | 37,981 | - | - | - | - | - | |
| 2011 | | | | | | | | |
| Cash and cash equivalents | 207,592 | 207,592 | - | - | - | - | - | |
| Receivables ^(a) | 10,383 | 10,383 | - | - | - | - | - | |
| | 217,975 | 217,975 | - | - | - | - | - | |

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Liquidity risk and interest rate exposure

The following table details the Arbitrator's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities.

The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

| | Weighted Average Effective Interest Rate % | <u>Interest rate exposure</u> | | | | <u>Maturity dates</u> | | | | | |
|------------------------------|---|-------------------------------|---------------------------|------------------------------|-----------------------------|-----------------------|------------------|-----------------|-----------------------|----------------|-------------------------|
| | | Carrying Amount | Fixed interest rate | Variable interest rate | Non- interest bearing | Nominal Amount | Up to 1 month | 1 - 3 months | 3 months to 1 year | 1 - 5 years | More than 5 years |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2012 | | | | | | | | | | | |
| <u>Financial Assets</u> | | | | | | | | | | | |
| Cash and cash equivalents | 4.71% | 26,043 | - | 26,043 | - | 26,043 | 26,043 | - | - | - | - |
| Receivables (a) | | 11,938 | - | - | 11,938 | 11,938 | 11,938 | - | - | - | - |
| | | 37,981 | - | 26,043 | 11,938 | 37,981 | 37,981 | - | - | - | - |
| <u>Financial Liabilities</u> | | | | | | | | | | | |
| Payables | | 1,965 | - | - | 1,965 | 1,965 | 1,965 | - | - | - | - |
| Amounts due to the Treasurer | | - | - | - | - | - | - | - | - | - | - |
| | | 1,965 | - | - | 1,965 | 1,965 | 1,965 | - | - | - | - |

(a) The amount of receivable excludes the GST recoverable from the ATO (statutory receivable).

Interest rate exposure and maturity analysis of financial assets and financial liabilities

| | Weighted Average Effective Interest Rate % | <u>Interest rate exposure</u> | | | | <u>Maturity dates</u> | | | | | |
|------------------------------|---|-------------------------------|---------------------------|------------------------------|-----------------------------|-----------------------|------------------|-----------------|-----------------------|----------------|-------------------------|
| | | Carrying Amount | Fixed interest rate | Variable interest rate | Non- interest bearing | Nominal Amount | Up to 1 month | 1 - 3 months | 3 months to 1 year | 1 - 5 years | More than 5 years |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2011 | | | | | | | | | | | |
| <u>Financial Assets</u> | | | | | | | | | | | |
| Cash and cash equivalents | 5.00% | 207,592 | - | 207,592 | - | 207,592 | 207,592 | - | - | - | - |
| Receivables (a) | | 10,383 | - | - | 10,383 | 10,383 | - | - | - | - | - |
| | | 217,975 | - | 207,592 | 10,383 | 217,975 | 217,975 | - | - | - | - |
| <u>Financial Liabilities</u> | | | | | | | | | | | |
| Payables | | 80,903 | - | - | 80,903 | 80,903 | - | 80,903 | - | - | - |
| Amounts due to the Treasurer | | 700,000 | - | - | 700,000 | 700,000 | - | - | 700,000 | - | - |
| | | 780,903 | - | - | 780,903 | 780,903 | - | 80,903 | 700,000 | - | - |

(a) The amount of receivable excludes the GST recoverable from the ATO (statutory receivable).

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Arbitrator's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

| | Carrying amount \$ | -100 basis points | | +100 basis points | |
|---------------------------|--------------------------|-------------------|----------------|-------------------|--------------|
| | | Surplus \$ | Equity \$ | Surplus \$ | Equity \$ |
| 2012 | | | | | |
| <u>Financial Assets</u> | | | | | |
| Cash and cash equivalent | 26,043 | (260) | (260) | 260 | 260 |
| Total Increase/(Decrease) | | (260) | (260) | 260 | 260 |
| | | | | | |
| | Carrying amount \$ | -100 basis points | | +100 basis points | |
| | | Surplus \$ | Equity \$ | Surplus \$ | Equity \$ |
| 2011 | | | | | |
| <u>Financial Assets</u> | | | | | |
| Cash and cash equivalent | 207,592 | (2,076) | (2,076) | 2,076 | 2,076 |
| Total Increase/(Decrease) | | (2,076) | (2,076) | 2,076 | 2,076 |

Fair Values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Note 24. Remuneration of members of the accountable authority and senior officers

Remuneration of members of the accountable authority

The number of members of the accountable authority, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

| | 2012 | 2011 |
|---|----------------------|----------------------|
| | \$ | \$ |
| \$ 30,001 - 40,000 | 1 | 1 |
| The total remuneration of members of the accountable authority | <u>30,605</u> | <u>30,487</u> |

The total remuneration includes the superannuation expense incurred by the Arbitrator in respect of members of the accountable authority.

Note 25. Remuneration of auditor

Remuneration payable to the Auditor General in respect of the audit for the current financial year is as follows:

| | 2012 | 2011 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Auditing the accounts, financial statements and key performance indicators | <u>5,500</u> | <u>5,200</u> |

Note 26. Schedule of income and expenses by service

The Arbitrator has only one (1) service, which is 'To provide administrative support to the Electricity Review Board'. Therefore there is no need to prepare the Schedule of income and expenses by service. Please refer to the Statement of Comprehensive Income.

Certification of Key Performance Indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Western Australian Energy Disputes Arbitrator's performance, and fairly represent the performance of the Western Australian Energy Disputes Arbitrator for the financial year ended 30 June 2012.

Pam Herbener
CHIEF FINANCE OFFICER
30 July 2012

Laurie James LLB Hons.
ENERGY DISPUTES ARBITRATOR
30 July 2012

Detailed Key Performance Indicators

Formulating the Arbitrator's Performance Indicators

The Office of the Arbitrator was established by the *Energy Arbitration and Review Act 1998* and funded through provisions in the *National Gas Access (WA) (Local Provisions) Regulations 2009* and the *Electricity Industry (Arbitrator and Board Funding) Regulations 2009*.

The *Energy Arbitration and Review Act 1998* also provides for appropriations by Parliament. The office is supported by the Economic Regulation Authority.

The strategic high-level government goal relevant to the Arbitrator is:

“Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians”.

The desired outcome of the activities of the Arbitrator in support of this high-level strategic goal is:

“The efficient, safe and equitable provision of utility services in Western Australia”.

Although the Arbitrator's role does not directly contribute to this desired outcome, the services he provides to the Electricity Review Board are consistent with this outcome.

The desired outcome for the Arbitrator is the effective and efficient delivery of the following programs:

- arbitration of disputes; and
- provision of administrative services to the Electricity Review Board (Review Board) for the review of decisions.

These programs are facilitated by maintaining a state of readiness for the arbitration of disputes and the review of decisions by the Review Board.

The Arbitrator's outcome is achieved by assisting parties to resolve disputes and providing timely and efficient support to the Review Board when it is constituted.

The Arbitrator is only required to report in relation to his administrative and management functions. Therefore, the performance indicators required to be prepared by the Arbitrator have been prepared to comply with section 84(2) of the *Energy Arbitration and Review Act 1998* which states that:

“any requirement under the Treasurer's Instructions (issued under section 78 of the Financial Management Act 2006) that the Arbitrator prepare performance indicators is to be limited to the Arbitrator's management functions (including financial management), and is not to

apply to the performance of any function referred to in section 73.”

The Arbitrator’s key performance indicators derive from the processes and support that he provides in meeting the objectives set by the enabling legislation, including the *Electricity Industry Act 2004 (section 122)* and the *National Gas Access (WA) Act 2009*.

Key Effectiveness Indicators

Resolution of Disputes

The most meaningful measure of the effectiveness of this first program is the number of disputes resolved as a proportion of total disputes registered. The number of resolved disputes includes disputes withdrawn or extended until the next year or sine die.

Provision of Administrative Services to the Electricity Review Board

The Arbitrator plays an important role in providing administrative support to the Review Board. The effectiveness of this program can be established through a survey of the respective Review Board members who have first-hand experience of the support provided and are best placed to respond as to their level of satisfaction with the services provided by the Arbitrator.

2011/12 Performance – Effectiveness

The two effectiveness indicators for the Arbitrator’s outcome are shown below.

1. Resolution of disputes

The target for this measure of effectiveness is 100 per cent. Such an outcome reflects a situation where all disputes that were registered were also resolved during the year. There were no active disputes during the year.

2. Provision of administrative services to the Electricity Review Board

The Arbitrator’s effectiveness in supporting the Review Board in its review of decisions is measured by determining the percentage of Review Board members involved in reviews of decisions that are satisfied or very satisfied with the way the Arbitrator has provided general administrative support. This includes sourcing accommodation and associated services for hearings and facilitating liaison with the various parties outside the formal hearings process.

There were no new applications lodged during the year. There are two continuing applications. These applications are being conducted by one Review Board consisting of a presiding member and two panel members.

In establishing a reasonable target for the purpose of assessing performance, it was determined that the satisfaction level should be consistent with satisfaction level targets that were agreed and used in the previous annual reports, which is a value of 75 per cent.

In order to assess the three Review Board Members satisfaction with the services provided by the Arbitrator, enquiries were made in three main areas: venues and facilities; timeliness of services; and overall satisfaction

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with the administrative services received. The survey also asked the members if there were any additional services needed in the future. All three Review Board Members responded to the three main questions and no Review Board Member indicated there was a need for any additional services in the future.

The survey results of the three members involved in the two applications continuing during the year indicate that they were either satisfied or very satisfied.

Table 8 Effectiveness survey outcomes

| Desired outcome | Measure | Target | 2011/12 | 2010/11 |
|--|--|--------|--------------------------|--------------------------|
| To provide for the resolution of disputes | The number of disputes resolved as a proportion of total disputes registered | 100% | n/a (no disputes) | n/a (no disputes) |
| To provide administrative services to the Review Board for the review of decisions | Percentage of Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes | 75% | 100% | 100% |

Key Efficiency Indicators

Resolution of Disputes

The efficiency indicator for the Arbitrator’s program of arbitrating disputes is the average cost per dispute during the year. There may be costs incurred in dealing with a particular arbitration matter during any given year, even though the arbitration is not resolved during that year. This measure ensures that, to the extent that there are arbitration matters active during the year, there will be a measure of the cost associated with the determination process. This is a measure of the cost efficiency of providing the arbitration of disputes program.

Provision of Administrative Services to the Electricity Review Board

The efficiency indicator for the Arbitrator’s program of providing administrative services to the Review Board is the average cost per review application before the Review Board during the year. There may be costs incurred in dealing with a particular review application during the year, even though the review is not completed by year’s end. The measure ensures that, to the extent that there are review matters active during the year, there will be a measure of the cost associated with the support provided by the Arbitrator to the review process. This is a measure of the cost efficiency of providing administrative services to the Review Board program.

Maintaining a State of Readiness

This involves maintaining a state of readiness for the resolution of disputes and the review of decisions by the Review Board. As with the resolution of disputes, the availability of the Arbitrator and procedures to establish and support a review body when required is an important feature of an efficient regulatory regime. This is implemented by providing parties with assistance in settling disputes and providing owners of regulated infrastructure with an opportunity and means of having regulatory decisions reviewed to ensure that they are fair and reasonable. The Arbitrator's effectiveness in overseeing the regulated infrastructure is related to his availability to respond to matters brought before him, such as disputes and reviews.

The efficiency indicator for the Arbitrator's program of maintaining a state of readiness is the average cost per standard unit of regulated infrastructure. This facilitates the measurement of the cost efficiency associated with the Arbitrator's availability to address matters arising from the regulation of infrastructure.

2011/12 Performance – Efficiency

The three efficiency indicators for the Arbitrator are:

1. average cost per dispute;
2. average cost per review application; and
3. average cost per standard unit of infrastructure.

The efficiency indicators 1 and 2 are reported as disputes/reviews that are active during the year, regardless

of whether they have been completed. This approach reflects the costs incurred, particularly where a dispute/review spans more than one year.

1. Average cost per dispute

As there were no disputes active or initiated during the 2011/12 financial year, the average cost per dispute is zero. The average cost was zero in 2010/11 as there were no disputes. The target for this indicator is zero, consistent with an objective of having no disputes.

2. Average cost per review application

The indicator represents the average cost per review in the reporting year.

There were no new applications considered by the Board in 2011/12. There are two continuing applications (1 and 2 of 2010) which were lodged during the 2010/11 year. These applications were lodged under the section 39(1) of the *Gas Pipelines Access (Western Australia) Act 1998* (which provision continues to apply by reason of section 28(4) of Schedule 3 of the *National Gas Access (WA) Act 2009*). Application 1/2010 was lodged by BHP Billiton Nickel West Pty Ltd, Application 2/2010 was lodged by Southern Cross Pipelines Australia Pty Limited, Southern Cross Pipelines (NPL) Australia Pty Ltd, Alinta DEWAP Pty Ltd and Goldfields Gas Transmission Pty Ltd. Both applications requested a review of the Economic Regulation Authority's final decision on the revised access arrangement for the Goldfields Gas Pipeline.

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The average cost of reviews was \$147,872 in 2011/12 compared with \$131,349 in 2010/11, \$44,560 in 2009/10, \$17,054 in 2008/09, \$22,639 in 2007/08, \$84,347 in 2006/07 and \$29,086 in 2005/06. The variation in costs between years is related to the amount of work undertaken by the Registrar and Members of the Review Board in each year. It is also noted that the applications dealt with by the Review Board in each year have varied over the period since 2005/06.

As the costs for review applications are highly dependent on the nature of the review and the actions of the parties to it, a target of zero has been used. A zero target in this case is consistent with a desirable outcome of no applications for review having been lodged.

3. Average cost per standard unit of infrastructure

The average cost per standard unit of regulated infrastructure oversights in the 2011/12 financial year is the cost necessary to ensure that procedures are in place to address matters that fall within the jurisdiction of the Arbitrator. This cost was \$2,530 in 2011/12 compared with \$3,105 in 2010/11, \$2,469 in 2009/10, \$3,917 in 2008/09, \$3,502 in 2007/08, \$3,292 in 2006/07 and \$4,204 in 2005/06. The decrease in the average cost per standard unit of regulated infrastructure reflects that during 2011/12 the asset value of gas pipeline infrastructure oversights by the Arbitrator was reset following the review of the access arrangement for the Dampier to Bunbury Natural Gas Pipeline. This resulted in the actual number of standard units of regulated infrastructure oversights for 2011/12 being 19.01 against a target of 15.55. The target cost of

\$3,215 was established on the basis of the Arbitrator's approved budget (\$50,000) divided by the anticipated number of standard units of regulated infrastructure at the beginning of the financial year (15.55 units).

Table 9 Efficiency survey outcomes

| Service | Performance Indicator | Target | 2011/12 | 2010/11 |
|----------------------------------|--|-------------------|-------------------|-------------------|
| Arbitration of disputes | Average cost per dispute | \$0 (no disputes) | \$0 (no disputes) | \$0 (no disputes) |
| Review of regulatory decisions | Average cost per review application | \$0 | \$148,872 | \$131,349 |
| Maintaining a state of readiness | Average cost per standard unit of regulated infrastructure | \$3,215 | \$2,530 | \$3,105 |

Equivalent Standard Units of Infrastructure

During 2011/12, the Arbitrator had oversight of 19.01 equivalent standard units (\$500 million) of regulated infrastructure, against a target of 15.55. During 2011/12 the asset value of gas pipeline infrastructure oversights by the Arbitrator was reset following the review of the access arrangement for the Dampier to Bunbury Natural Gas Pipeline.

The concept of a standard unit of regulated infrastructure is used to recognise and allow for the fact that the scale,

value and complexity of regulated infrastructure, including gas pipelines and electricity networks, varies from one asset to another. It also recognises that the cost and complexity of regulation and arbitration work will vary accordingly.

For example, the demands placed on the Arbitrator by several smaller regulated assets in one year may be equivalent to those of a single larger piece of regulated infrastructure in another year. To ensure that the units of measurement are reasonably consistent from one year to the next, a standard unit of regulated infrastructure has been defined as one having a capital base value of \$500 million.

It should be noted, however, that the Arbitrator overlooks generation facilities covered by the Wholesale Electricity Market. If the value of these generation facilities were taken into account then the number of units in 2011/12 would far exceed 19.01 units. As the generation facilities overlooked by the Arbitrator are owned by both private and public electricity market participants, no readily available value exists that may be ascribed to this infrastructure. Indeed, to ascribe a value to such infrastructure would not be justified, as this would involve significant cost and serve no other purpose. Accordingly, no value has been ascribed to generation facilities, which are therefore not reflected in the 19.01 equivalent standard units of regulated infrastructure.

Other Financial Disclosures

Pricing policies of services provided

Expenditure other than that directly associated with the hearing of disputes and reviews by the Review Board or the Arbitrator is funded from regulated industries.

Gas Industry

Funding of the Arbitrator's gas industry functions has been arranged through 'standing charges' levied by the Arbitrator on operators of the regulated pipelines. These charges are determined in line with regulation 3 of the *National Gas Access (WA) (Local Provisions) Regulations 2009*. Standing charges are levied on operators of pipelines for costs incurred by the Arbitrator, including any costs relating to the Review Board that are not due to a particular review. The pipeline operators that are liable for quarterly standing charges, and the percentage of allocation of costs between them, are set out in schedule 1 of the regulations.

Electricity Industry

Funding of the Arbitrator's electricity industry functions has also been arranged through 'standing charges' levied by the Arbitrator on operators of regulated networks. These charges are determined in line with regulation 4 of the *Electricity Industry (Arbitrator and Board) Funding*

Regulations 2009. Standing charges are levied on operators of networks for costs incurred by the Arbitrator, including any costs relating to the Review Board that are not due to a particular review. The network operators that are liable for quarterly standing charges, and the percentage of allocation of costs between them, are set out in schedule 1 of the regulations.

Annual Reporting

Included in the funding regulations is a requirement that the Arbitrator’s annual report provides details of the total amount of standing charges paid by pipeline operators and network operators in a financial year. This information for the year ended 30 June 2012 is listed in the table below.

Table 10 Standing Charges paid

| Service provider | Standing charges (\$) |
|--------------------------------------|-----------------------|
| WA Gas Networks Pty Limited (ATCO) | \$5,391 |
| Goldfields Gas Transmission | \$4,046 |
| Southern Cross Pipelines Pty Limited | \$543 |
| DBNGP (WA) Transmission Pty Limited | \$9,980 |
| Western Power | \$19,960 |
| Total | \$39,920 |

The *Gas Pipelines Access (Western Australia) Act 2009* and the *Electricity Industry Act 2004* allows the Arbitrator to

recover costs incurred in arbitrating disputes. As there were no disputes in 2011/12, no costs were recovered.

The Arbitrator is also able to recover certain costs and expenses of the Review Board for hearings and determinations of the Review Board. The Review Board is able to fix an amount that represents the costs and expenses incurred by it for the hearing and determination of particular proceedings before it, and to assign costs to the parties of the relevant proceedings. The Review Board issued Supplementary Orders on 30 March 2012 giving parties to Appeal 1/2010 and Appeal 2/2010 liberty to apply in respect to the costs and expenses of the proceedings within 14 days. As none of the parties made an application in relation to costs, the Review Board did not make an Order in relation to costs.

Capital works

There were no major capital works undertaken during 2011/12.

Treasurer’s advances

Section 83 of the *Energy Arbitration and Review Act 1998* allows for the Arbitrator to borrow from the Treasurer. As the Arbitrator does not allow for costs associated with arbitration, review or appeal in his annual estimates, application is made for a Treasurer’s Advance to fund these functions on an as-needed basis. At the beginning of 2011/12, the Arbitrator had a \$700,000 Treasurer’s Advance to fund the activities of the Review Board. An

additional advance of \$180,000 was provided in February 2012.

In June 2012, the Arbitrator received a capital appropriation from Government of \$880,000 which was used to repay the Treasurer's advances.

Governance Disclosures

Shares in statutory authority

While the office of the Arbitrator is a statutory body, there are no shares for senior officers to hold.

Interests in contracts by senior officers

There were no interests in contracts by senior officers in 2011/12.

Benefits to senior officers through contracts with the office of the Arbitrator

This is not applicable, as no senior officers have received any benefits in the 2011/12 financial year.

Insurance premiums

This is not applicable, as the office of the Arbitrator does not have any directors as defined in Part 3 of the *Statutory Corporations (Liability of Directors) Act 1996*.

Disclosures and Legal Compliance

Ministerial Directives

Section 75(2) of the *Energy Arbitration and Review Act 1998* provides for the Minister for Energy to give directions in writing to the Arbitrator in relation to general policies to be followed by the Arbitrator in matters of administration, including financial administration. The text of any such direction is required to be included in the Arbitrator's annual report.

No ministerial directives under section 75(2) of the *Energy Arbitration and Review Act 1998* were given to the Arbitrator during the year.

Other Legal Requirements

Compliance with Public Sector Management Act 1994 Section 31(1)

Under section 64(1) of the *Energy Arbitration and Review Act 1998*, the office of the Arbitrator is assumed to be a tribunal that comes within item 4 of schedule 1 of the *Public Sector Management Act 1994*.

The *Energy Arbitration and Review Act 1998* allows the Arbitrator to make arrangements to use the services, either full-time or part-time, of any public sector officer or employee and for the Arbitrator to have administrative authority over the officer. If this arrangement is put in

place, section 31(1) of the *Public Sector Management Act 1994* applies to the Arbitrator.

No such arrangements were put in place in 2011/12.

Advertising

Section 175ZE of the *Electoral Act 1907* requires public agencies to include a statement in their annual reports detailing all the expenditure incurred by or on behalf of the public agencies during the reporting period in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising agencies.

The only costs the Arbitrator incurs relates to an annual survey of stakeholders. Expenditure of \$1,050 relates to the costs of undertaking the survey in 2010/11. While a survey was undertaken for 2011/12 the work was not completed by the end of the financial year.

Compliance with the State Records Act 2000

The records of the Arbitrator are maintained by the Economic Regulation Authority as part of an agreement for the provision of corporate services from the Economic Regulation Authority (**ERA**).

Compliance with the *State Records Act 2000* is carried out by the ERA as part of that agreement. Further information on this compliance is reported in the ERA's annual report

2011/12, which is available on the ERA's website at www.erawa.com.au.

The Arbitrator undertakes evaluations of its recordkeeping systems in concurrence with the ERA.

The ERA regularly monitors and reviews the effectiveness and efficiency of its electronic document records management system, TRIM. During 2011, the ERA successfully upgraded its electronic document records management system TRIM to version 7.1.

A review of the ERA's functional retention and disposal schedule has begun. The Retention and Disposal Schedule Review Report, for the ERA, was submitted to the State Records Commission in April 2012. The report identified that a separate Schedule is to be developed for records relating to the Energy Disputes Arbitrator which is to be submitted to the State Records Office in April 2013.

The records of the Review Board are managed by the Registrar. At the end of 2011/12 the records of the Review Board relating to appeal 1 and 2 of 2010 were finalised. The records were prepared for storage by a records expert independent of the ERA. These records were transferred to off-site storage in early July 2012.

Complaints Handling

There are three main areas that can be the source of complaints in the case of the Arbitrator. These relate to:

- administration;
- matters relating to reviews carried out by the Review Board; and
- matters relating to the arbitration of disputes.

Complaints relating to the provision of administrative services provided to the Arbitrator by the ERA are dealt with under the ERA's Code of Conduct. Anyone having a serious concern about any member of the ERA in their observance of the Code of Conduct while providing services to the Arbitrator should contact the Chief Executive Officer of the ERA or lodge a complaint via the ERA's website.

There were no complaints lodged on administrative matters during the reporting period.

Complaints relating to the review of decisions and the arbitration of disputes are dealt with through the formal review and arbitration processes.

There were no complaints lodged relating to the review of decisions and the arbitration of disputes during the reporting period.

Boards and Committees

The Arbitrator did not participate on any boards or committees during the year.

Publications

During the reporting year, the Arbitrator published his annual report for 2011/12. This report was published on the EDA's website at www.edawa.com.au.

Occupational Health and Safety

While the *Energy Arbitration and Review Act 1998* allows the Arbitrator to make arrangements to use the services of any public sector officer or employee and to have administrative authority over the officer, no arrangement was in place during 2011/12. The Arbitrator has an arrangement for the provision of corporate services from the ERA.

The ERA is committed to the provision of a safe work environment, ensuring the health and wellbeing of its employees, contractors and visitors.

Further information on the ERA's commitment of occupational health and safety is reported in the ERA's annual report 2011/12, which is available on the ERA's website at www.erawa.com.au.

Disclosures and Legal Compliance

Appendix 1: Other Legislation Impacting the Arbitrator

- *Commercial Arbitration Act 1985*
- *Copyright Act 1968 (Commonwealth)*
- *Corruption and Crime Commission Act 2003*
- *Criminal Code Act Compilation*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Electronic Transactions Act 2003*
- *Equal Opportunity Act 1984*
- *Evidence Act 1906*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Interpretation Act 1984*
- *Limitation Act 1935*
- *Limitation Act 2005*
- *Minimum Conditions of Employment Act 1993*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *State Records Acts 2000*
- *State Records (Consequential Provisions) Act 2000*
- *State Supply Commission Act 1991*
- *Statutory Corporations (Liability of Directors) Act 1996*
- *Workers' Compensation and Injury Management Act 1981*