



Western Australian Energy Disputes Arbitrator  
**Annual Report 2016-2017**

Hon Ben Wyatt MLA  
Minister for Energy

**Energy Disputes Arbitrator 2016/17 Annual Report**

In accordance with section 61 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Western Australian Energy Disputes Arbitrator for the financial year ended 30 June 2017.

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

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## Overview

### About Laurie James, the Arbitrator

Laurie is a Supreme Court barrister and solicitor and is Senior Partner and In-House Counsel at the Western Australian law firm Kott Gunning. His areas of practice include administrative law, construction law and alternative dispute resolution.

Laurie has extensive background experience in arbitration, having held the position of Chairman of the Western Australian Chapter of the Institute of Arbitrators and Mediators Australia between 1990 and 1997 and in 2013/2014 and National President of that institute from 1995 to 1996 and again from 2006 to 2008.

Laurie is a graded Arbitrator with the Institute of Arbitrators and Mediators Australia and a registered Adjudicator, Conciliator and Mediator with that Institute. Laurie is also a member of, or affiliated to, the following organisations:

- Life Fellow of the Institute of Arbitrators and Mediators Australia, now of the Resolution Institute and a Past Co-Chair of its Western Australian Chapter 2015/2017.
- Convenor of Western Australian Dispute Resolution (WADRA) Inc.
- Member of the Australian Institute of Judicial Administration.
- Member of the Law Council of Australia and Past National Chairman of the Construction and Infrastructure Law Committee.

Laurie was reappointed to the role of Arbitrator in 2016, having held the position since his first appointment in 1999.

### Purpose of the Arbitrator

The Western Australian Energy Disputes Arbitrator (Arbitrator) provides a disputes resolution service:

- in relation to the negotiation of contracts and contractual disputes in relation to access to regulated electricity networks.
- between users, or prospective users, and providers of gas pipeline services and other parties seeking access to regulated gas pipelines.
- between a gas producer and the operator of a pipeline that is subject to a pipeline impact agreement.
- between parties associated with the use, storage or transportation of broad specification gas.

The services provided by the Arbitrator relate to infrastructure located in Western Australia.

There is one electricity network, Western Power's network in the South West interconnected system.

There are four regulated gas pipeline systems:

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

The Arbitrator also has responsibility for the financial management and provision of administrative support to the Western Australian Electricity Review Board (Review Board).

## 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.

## Executive Summary

### Year in review



In my capacity as the Western Australian Energy Disputes Arbitrator under the *Energy Arbitration and Review Act 1998*, I hear and determine disputes referred to arbitration between the parties seeking access to electricity infrastructure and the owners of such infrastructure about the terms and conditions applicable to such access. In my previous report, I referred to one such arbitration commencing on 21 June 2016. That arbitration was concluded on 31 October 2016 and there are no current arbitrations.

In my previous report, I mentioned that the State Government intended to bring the functions of the Western Australian Energy Disputes Arbitrator to an end as at 30 June 2017, but that did not in fact eventuate and I am continuing to function in that role.

In addition to my duties in the conduct of arbitrations, in which I am of course entirely independent, I have a range of administrative duties, subject to the direction of the Minister for Energy. That includes the provision of support to the Review Board, before which there are presently a number of proceedings. The Review Board

is constituted by appointments from a panel of experts and a panel of legal practitioners, with the legal practitioner to be the presiding member. Her Excellency the Governor approved the appointment of a number of experts and legal practitioners to these panels, those appointments being notified in the [Government Gazette on 5 August 2016](#).

During the year under review, I have received great support and assistance from my Registrar, Adrian Malkovic, and Pam Herbener, the Director Corporate Services and other helpful staff at the Economic Regulation Authority. I record my appreciation of those services during 2016/2017, upon which I continue to rely.

Laurie James LLB Hons  
Energy Disputes Arbitrator

## Operational Structure

The Arbitrator does not have a supporting organisation, 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 (ERA) for the provision of corporate services.

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 ERA outside of the corporate services division.

When required, a consultant is appointed to perform the services of Registrar to facilitate hearings of the Review Board. Mr Adrian Malkovic, a Manager in the Litigation support team at the State Solicitor's Office, is currently appointed as Registrar.

## Clients

The Arbitrator's clients are:

- regulated gas and electricity transmission and distribution operators and users.
- gas producers and operators of pipelines in respect of broad specification gas.
- the Western Australian Review Board.

### ***Western Australian Review Board***

The Review Board is an appeals body 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 of Western Australia. Two panels are established, one for legal practitioners and one for experts.

The Review Board can be constituted to conduct proceedings under:

- the *Electricity Industry Act 2004* including in relation to the Wholesale Electricity Market.
- the *Gas Services Information Act 2012*.

The Review Board can be constituted to review decisions of:

- the ERA:
  - 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 Australian Energy Market Operator (AEMO) relating to the Wholesale Electricity Market Rules and the *Gas Services Information Act 2012*.
- System Management under the Wholesale Electricity Market Rules.
- the Minister for Energy on the coverage of network infrastructure under the *Electricity Industry Act 2004*.

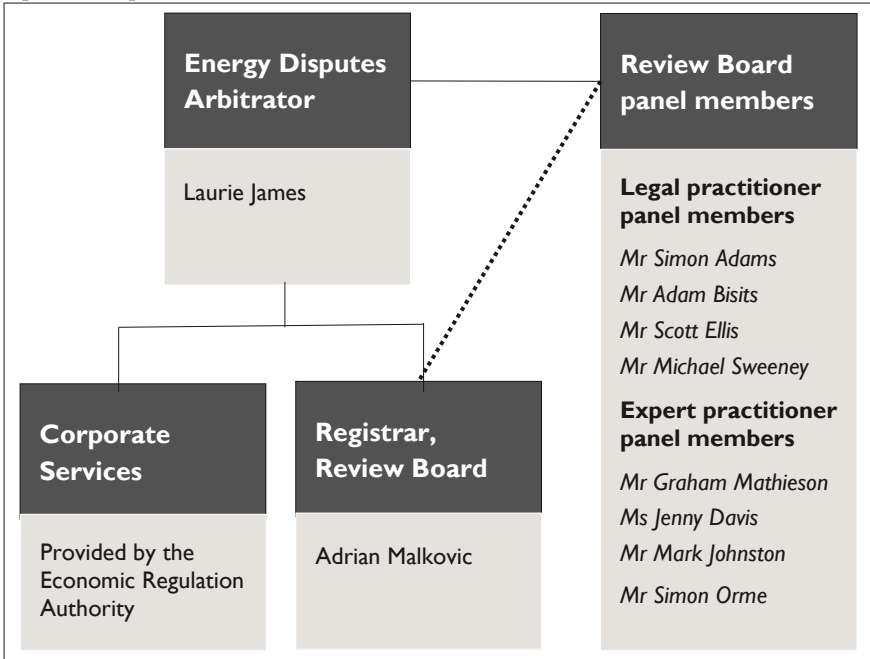
When required to be constituted, the Review Board comprises a presiding member chosen by the Attorney General from the panel of legal practitioners, and two experts, chosen by the presiding member from the panel of experts.

The Review Board may be separately constituted to hear and determine different appeals.

### Organisational Chart

The following chart represents the organisational structure of the Arbitrator as at 30 June 2017.

Figure 1: Organisational structure of the Arbitrator



### Responsible Minister

Honourable Ben Wyatt MLA

Treasurer; Minister for Finance; Energy; Aboriginal Affairs.

### 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.

### Funding

The Arbitrator is funded through provisions in the National Gas Access (WA) (Local Provisions) Regulations 2009, the Electricity Industry (Arbitrator and Board) Funding Regulations 2009, the Gas Supply (Gas Quality Specifications) Regulations 2010 and the Gas Services Information Regulations 2012.

### Enabling Legislation

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

The Western Australian Review Board is established under section 50 of the *Energy Arbitration and Review Act 1998*.

### Functional Legislation

- *National Gas Access (WA) Act 2009* including arbitration functions under the National Gas Law
- Gas Supply (Gas Quality Specifications) Regulations 2010
- Electricity Networks Access Code 2004



- Electricity Industry (Metering) Code 2012

*Compliance legislation*

- *Corruption and Crime Commission Act 2003*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Equal Opportunity Act 1984*
- *Evidence Act 1906*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *State Records Act 2000*
- *Workers' Compensation and Injury Management Act 1981*

## Performance Management Framework

### *Relationship to Government Goals*

As part of the outcome based management framework required of public sector agencies, the Arbitrator's services strive to achieve an overarching desired outcome, which in turn is mapped to a whole of government goal.

Table 1: Arbitrator's relationship with whole of government goal

Strategic High Level Government Goal	Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians
Agency Desired Outcome	The efficient, safe and equitable provision of utility services in Western Australia
Agency Services	Assisting parties to resolve disputes and providing timely and efficient support to the Review Board when it is constituted

Although the Arbitrator's role does not directly contribute to the agency 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
- provision of administrative services to the 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.

### *Changes to Outcome Based Management Framework*

The Arbitrator's Outcome Based Management Framework did not change during 2016/17.

### *Shared responsibilities with other Agencies*

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

## Agency Performance

### Energy Disputes Arbitrator

One application to conduct an Arbitration hearing, lodged in 2015/16, was completed.

### Electricity Review Board

One application for review by the Review Board, lodged in 2015/16, was ongoing during 2016/17.

Three applications for review were lodged in May and June 2017.

These reviews had not commenced by the end of the reporting period.

### Actual financial results versus approved estimates

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 estimates were approved by the Minister for 2016/17.

Table 2: Estimates approved by the Minister for 2016/17

Expenditure estimate	2016/17
Remuneration including On-Costs	\$31,000
Supplies and Services	\$13,000
Audit fees	\$6,000
Total annual estimate	\$50,000
Total expenditure for the ongoing costs of the Arbitrator for 2016/17	\$51,119

The Arbitrator does not allow for costs associated with arbitration, review or appeal in the annual estimates. The 2016/17 expenditure in Table 2 does not include any expenditure relating to reviews or arbitration which is consistent with the previous year.

There has been a decrease in expenditure of 1% in 2016/17 over the previous year for the Arbitrator's oversight function.

The Arbitrator has been called on to conduct one arbitration at a cost of \$2,200 that was charged to the parties of the dispute. The Review Board has been conducting a review during the year which was lodged in 2015/16 and is ongoing.

The cost of the Review Board in 2016/17 was \$50,515. Three further applications for review were lodged in May and June 2017 but a Review Board was not constituted at the end of the reporting period. All other expenditure relating to the ongoing costs of the Arbitrator was consistent with previous years.

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

Figure 2: Arbitrator Costs

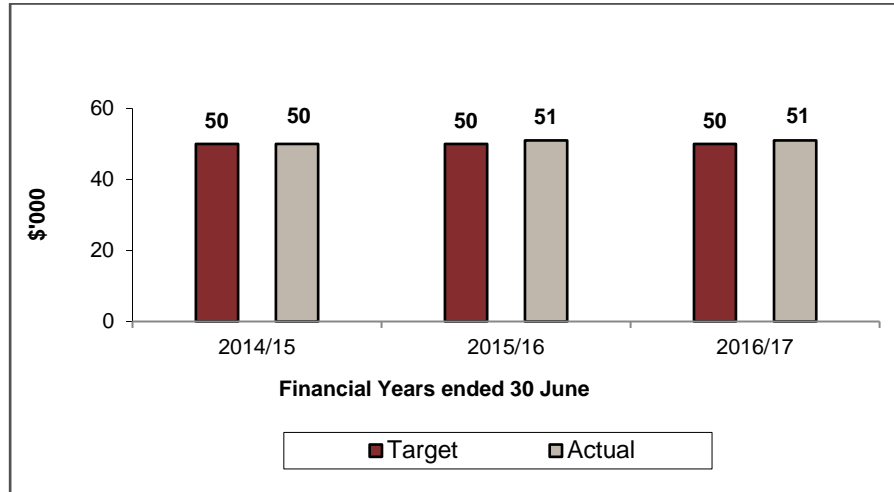
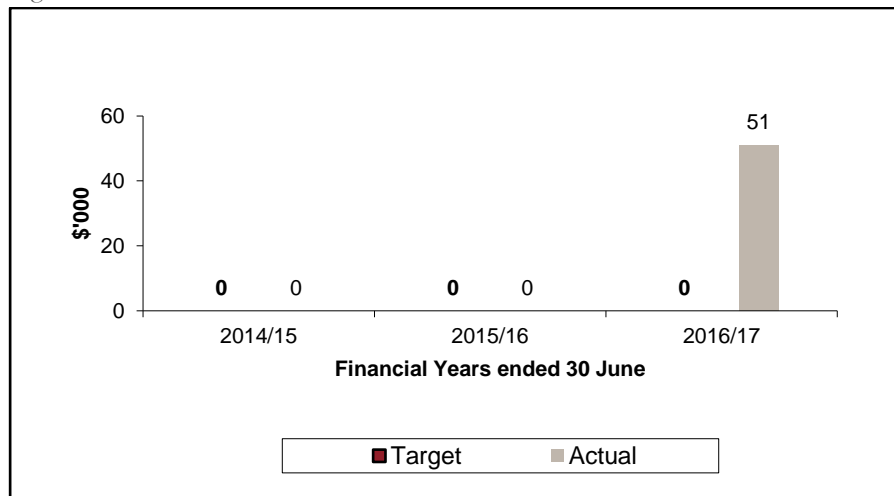


Figure 3: Review Board Costs



In 2016/17, the Department of Treasury approved a continuation of a Treasurer's Advance of \$100,000 received in 2015/16 for the Review Board to continue to undertake the review lodged in May 2016.

### Summary of Key Performance Indicators

The desired outcome for the Arbitrator is the effective and efficient delivery of a dispute resolution service and provision of administrative services to the Review Board.

Table 3: Provision of a dispute resolution service

Key Performance Indicator	Target	Actual	Variation +
Key effectiveness indicator: The number of disputes resolved as a proportion of total disputes registered	100%	100%	
Key efficiency indicator: Average cost per dispute	\$0 (no disputes)	\$2,200	+\$2,200

Table 4: Provision of administrative services to the Review Board

Key Performance Indicator	Target	Actual	Variation +
Key effectiveness indicator: Percentage of review board members satisfied or very satisfied with the services provided by the arbitrator in support of review processes	75%	100%	+25%
Key efficiency indicator: Average cost per review application	\$0	\$50,515	+\$50,515

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.

### ***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 recognises and allows for the fact that the size, value and complexity of regulated infrastructure 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 is defined as one having a capital base value of \$500 million.

### ***Number of units of regulated infrastructure overlooked***

During 2016/17, the Arbitrator had oversight of 22.63 equivalent standard units (\$500 million) of regulated infrastructure, against a target of 22.63.

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 2016/17 was \$51,119 compared to \$51,429 in 2015/16 and \$50,437 in 2014/15. The Arbitrator is able to recover this cost from operators of regulated gas pipelines, electricity networks, producers of broad specification gas and the Wholesale Electricity Market in relation to the Gas Statement of Opportunities and Gas Services Bulletin Board.

### ***Review Board costs***

The Review Board was constituted during the year to undertake a review lodged in May 2016. The Arbitrator does not allow for reviews in his annual budget. A Treasurer's Advance of \$100,000 was received in 2015/16 to fund the review. The cost of the review in 2016/17 was \$50,515. The review had not concluded at the end of the financial year.

Three further reviews were lodged in May and June 2017 but a Review Board was not constituted to undertake these reviews.

### ***Average cost of oversighting***

The actual number of units of regulated infrastructure overlooked in 2016/17 did not increase over the previous year. The actual cost was \$2,259 against a target of \$2,209.

### ***Provision of administrative services to the Review Board***

To assess satisfaction with the administrative services provided by the Arbitrator to the Review Board, the members of Review Boards active during the year are invited to respond to a survey to rate their satisfaction in relation to:

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

A survey of Review Board Members was undertaken in May 2017. All three members were very satisfied with the services provided by the Arbitrator.

## Significant Issues Impacting the Arbitrator

There are no significant issues that will impact the Arbitrator in 2017/18.

In 2015/16 I reported that reforms being considered by the Western Australian Government included abolishing the Arbitrator and the Review Board. I have been advised that this reform is not being actively pursued in 2017/18.

## Disclosures and Legal Compliance



### Auditor General

#### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

WESTERN AUSTRALIAN ENERGY DISPUTES ARBITRATOR

#### Report on the Financial Statements

##### Opinion

I have audited the financial statements of the Western Australian Energy Disputes Arbitrator which comprise the Statement of Financial Position as at 30 June 2017 the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2017 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

##### Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Arbitrator in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Responsibility of the Arbitrator 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, the *Financial Management Act 2006* 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.

In preparing the financial statements, the Arbitrator is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Arbitrator.

##### Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

I communicate with the Arbitrator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### Report on Controls

##### Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Western Australian Energy Disputes Arbitrator. The controls exercised by the 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 (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, 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 2017.

##### The Arbitrator's Responsibilities

The Arbitrator is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

**Auditor General's Responsibilities**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

**Limitations of Controls**

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

**Report on the Key Performance Indicators**

**Opinion**

I have undertaken a reasonable assurance engagement on the key performance indicators of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2017. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, 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 2017.

**The 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 internal control as the Arbitrator determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Arbitrator is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

**Auditor General's Responsibility**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

**My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators**

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators**

This auditor's report relates to the financial statements and key performance indicators of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2017 included on the Arbitrator's website. The Arbitrator's management is responsible for the integrity of the Arbitrator's website. This audit does not provide assurance on the integrity of the Arbitrator's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

DON CUNNINGHAME  
 ACTING DEPUTY AUDITOR GENERAL  
 Delegate of the Auditor General for Western Australia  
 Perth, Western Australia  
 26 July 2017



## Certification of Financial Statements

For the year ended 30 June 2017

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 2017 and the financial position as at 30 June 2017.

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**

Date: 25 July 2017

Laurie James LLB Hons.  
**Energy Disputes Arbitrator**

Date: 25 July 2017

## Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017	2016
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
		\$	\$
Employee benefits expense .....	4.	30,604	30,722
Supplies and services .....	6.	67,430	15,007
Other expenses .....	7.	5,800	5,700
<b>Total cost of services</b>		<b>103,834</b>	<b>51,429</b>
<b>Income</b>			
<i>Revenue</i>			
Regulatory fees .....	9.	51,119	51,429
Interest revenue .....	10.	1,759	509
Other revenue .....	11.	2,200	-
<b>Total revenue</b>		<b>55,078</b>	<b>51,938</b>
<b>Total income other than income from State Government</b>		<b>55,078</b>	<b>51,938</b>
<b>NET COST OF SERVICES</b>		<b>(48,756)</b>	<b>509</b>
<b>Income from State Government</b>			
Services received free of charge .....	12.	12,482	12,321
<b>Total income from State Government</b>		<b>12,482</b>	<b>12,321</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(36,274)</b>	<b>12,830</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(36,274)</b>	<b>12,830</b>

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

## Statement of Financial Position

As at 30 June 2017

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents .....	13. 19.	125,233	129,566
Receivables .....	14.	26,349	20,820
Other current assets .....	15.	121	24
<b>Total current assets</b>		<b>151,703</b>	<b>150,410</b>
<b>TOTAL ASSETS</b>		<b>151,703</b>	<b>150,410</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables .....	16.	38,262	695
Amount due to the Treasurer .....	17.	100,000	100,000
<b>Total current liabilities</b>		<b>138,262</b>	<b>100,695</b>
<b>TOTAL LIABILITIES</b>		<b>138,262</b>	<b>100,695</b>
<b>NET ASSETS</b>		<b>13,441</b>	<b>49,715</b>
<b>EQUITY</b>			
Contributed equity .....	18.	880,000	880,000
Accumulated surplus/(deficit) .....	18.	(866,559)	(830,285)
<b>TOTAL EQUITY</b>		<b>13,441</b>	<b>49,715</b>

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 2017

	Note	Contributed equity \$	Reserves \$	Accumulated surplus/(deficit) \$	Total equity \$
<b>Balance at 1 July 2015</b>	18.	880,000	-	(843,115)	36,885
Total comprehensive income for the period		-	-	12,830	12,830
Transactions with owners in their capacity as owners:					
Capital appropriations		-	-	-	-
<b>Balance at 30 June 2016</b>		<u>880,000</u>	<u>-</u>	<u>(830,285)</u>	<u>49,715</u>
<b>Balance at 1 July 2016</b>		880,000	-	(830,285)	49,715
Total comprehensive income for the period		-	-	(36,274)	(36,274)
Transactions with owners in their capacity as owners:					
Capital appropriations		-	-	-	-
Total		-	-	-	13,441
<b>Balance at 30 June 2017</b>		<u>880,000</u>	<u>-</u>	<u>(866,559)</u>	<u>13,441</u>

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

## Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Capital appropriation.....		-	-
<b>Net cash provided by State Government.....</b>		<u>-</u>	<u>-</u>
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits .....		(30,487)	(31,660)
Supplies and services .....		(17,595)	(2,011)
GST payments on purchases.....		(5,858)	(823)
Other payments.....		(5,800)	(5,700)
<b>Receipts</b>			
Regulatory fees .....		49,451	38,719
Interest received.....		1,759	509
Other revenue.....		2,200	-
GST receipts from taxation authority.....		<u>1,997</u>	<u>765</u>
<b>Net cash provided by/(used in) operating activities</b>	19.	<u><b>(4,333)</b></u>	<u><b>(201)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Treasurer's Advance.....		-	100,000
<b>Net cash provided by/(used in) financing activities</b>		<u>-</u>	<u><b>100,000</b></u>
Net increase/(decrease) in cash and cash equivalents.....		(4,333)	99,799
Cash and cash equivalents at the beginning of period.....		<u>129,566</u>	<u>29,767</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD .....</b>	19.	<u><b>125,233</b></u>	<u><b>129,566</b></u>

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

# Notes to the Financial Statements

For the year ended 30 June 2017

## ***Note 1. Australian Accounting Standards***

### *General*

The Arbitrator's financial statements for the year ended 30 June 2017 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 2017.

## ***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 2006* 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.

### **(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.

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. 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.

*Regulatory 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, the Gas Supply (Gas Quality Specifications) Regulations 2010, the Gas Services Information Regulations 2012 and the Electricity Industry (Arbitrator and Board Funding) Regulations 2009.

**(f) 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.

**(g) Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, 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.

**(h) Accrued salaries**

Accrued salaries (see note 16 'Payables') represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are 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.

**(i) 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.

**(j) Payables**

Payables are recognised at the amounts payable 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.

**(k) 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, are 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 less than 12 months with the effect of discounting not being material.

**(l) Superannuation expense**

Superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income. 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.

**(m) Assets and services received free of charge or for nominal cost**

Services received free of charge or for nominal cost, that the Arbitrator would otherwise purchase if not donated, are recognised as income at the fair value of the services where they can be reliably measured. A corresponding expense is recognised for services received.

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

**(n) Comparative figures**

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



### ***Note 3. 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, or adopted for annual reporting periods beginning on or after 1 July 2016 that impacted on the Arbitrator.

#### *AASB 1057 Application of Australian Accounting Standards*

This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.

#### *AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1,2,3,5,7,11,110,119, 121,133,134,137 & 140]*

These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012-2014 Cycle in September 2014, and editorial corrections. The Arbitrator has determined that the application of the Standard has no financial impact.

#### *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]*

This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in

AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.

#### *AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]*

The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.

#### *Voluntary changes in accounting policy*

There were no voluntary changes in accounting policy 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* or by an exemption from TI 1101. By virtue of a limited exemption, the Arbitrator has early adopted AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Where applicable, the Arbitrator plans to apply the following Australian Accounting Standards from their application date.

**Operative for reporting periods beginning on/after**

AASB 9	<i>Financial Instruments</i>						1 Jan 2018
	<p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p>						
AASB 1058	<i>Income of Not-for-Profits Entities</i>						1 Jan 2019
	<p>This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, or a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p>						
AASB 2010-7	<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 &amp; 1038 and Int 2, 5, 10, 12, 19 &amp; 127]</i>						1 Jan 2018
	<p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p>						

**Operative for reporting periods beginning on/after**

AASB 2014-1	<i>Amendments to Australian Accounting Standards</i>	Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Arbitrator to determine the application or potential impact of the Standard.	1 Jan 2018
AASB 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i>	This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Arbitrator has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.	1 Jan 2017
AASB 2016-8	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.	1 Jan 2019

*Changes in accounting estimates*

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

	2017	2016
	\$	\$
<b><i>Note 4. Employee benefits expense</i></b>		
Salary.....	27,949	28,057
Superannuation - complying superannuation fund (a).....	2,655	2,665
Other related expenses.....	-	-
	<b><u>30,604</u></b>	<b><u>30,722</u></b>

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

***Note 5. Compensation of key management personnel***

The Arbitrator has determined that key management personnel include the Responsible Minister and the Energy Disputes Arbitrator. However, the Arbitrator is not obliged to compensate the Responsible Minister and therefore disclosures in relation to Ministers' compensation may be found in the Annual Report on State Finances.

Total compensation for key management personnel, comprising members of the accountable authority, of the Arbitrator for the reporting period are presented within the following bands:

***Compensation of members of the accountable authority***

***Compensation Band (\$)***

	2017	2016
	\$	\$
30,001-40,000.....	1	1
Short-term employment benefits.....	27,949	28,057
Post-employment benefits.....	2,655	2,665
Other long-term benefits.....	-	-
Termination benefits.....	-	-
<b>Total compensation of key management personnel</b>	<b><u>30,604</u></b>	<b><u>30,722</u></b>

	2017	2016
	\$	\$
<b><i>Note 6. Supplies and services</i></b>		
Professional services.....	13,469	12,862
Communications.....	674	674
Legal costs.....	8,631	732
Electricity Review Board Fees .....	44,084	-
Other.....	<u>572</u>	<u>739</u>
	<b><u>67,430</u></b>	<b><u>15,007</u></b>

***Note 7. Other expenses***

Audit fee <sup>(a)</sup> .....	5,800	5,700
	<b><u>5,800</u></b>	<b><u>5,700</u></b>

(a) See also note 23 'Remuneration of auditor'.

***Note 8. Related Party Transactions***

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.

Related parties of the Arbitrator include:

- the Arbitrator and his close family members, and their controlled or jointly controlled entities;
- the Minister and his close family members, and their controlled or jointly controlled entities;
- other departments and public sector entities, including related bodies included in the whole of government consolidated financial statements;
- associates and joint ventures, that are included in the whole of government consolidated financial statements.

*Significant transactions with government related entities:*

Significant transactions include:

- services received free of charge (Note 12)
- audit fee (Note 23)
- legal costs (included in Note 6)
- regulatory fees (included in Note 9)

*Significant balances with government related entities at year end include:*

- amount due to the Treasurer (Note 17)
- accrued revenue receivable (included in Note 14)

*Material transactions with related parties*

The Arbitrator had no material related party transactions with Ministers, or any close family members or any controlled or jointly controlled entities.

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>Note 9. Regulatory fees</b>		
Regulatory fees .....	51,119	51,429
	<u>51,119</u>	<u>51,429</u>
<b>Note 10. Interest revenue</b>		
Interest revenue - bank .....	1,759	509
	<u>1,759</u>	<u>509</u>

<b>2017</b>	<b>2016</b>
\$	\$

***Note 11. Other Revenue***

Arbitration hearing .....	2,200	-
	<u>2,200</u>	<u>-</u>

***Note 12. Income from State Government***

Services received free of charge from other State Government agencies during the period:

Economic Regulation Authority .....	12,482	12,321
	<u>12,482</u>	<u>12,321</u>

***Note 13. Cash and cash equivalents***

Current

Cash at Bank .....	125,233	129,566
	<u>125,233</u>	<u>129,566</u>

***Note 14. Receivables***

Current

Receivables .....	337	-
Accrued revenue .....	22,075	20,744
GST receivable .....	3,937	76
<b>Total current</b>	<u>26,349</u>	<u>20,820</u>

There were no allowances made in the current year for the impairment of receivables (2015/16: nil)

The Arbitrator does not hold any collateral or other credit enhancements as security for receivables.

***Note 15. Other Assets***

Current

Prepayments .....	121	24
<b>Total current</b>	<u>121</u>	<u>24</u>

	<b>2017</b>	<b>2016</b>
	\$	\$

***Note 16. Payables***

Current

Trade payables.....	36,102	695
Accrued salaries.....	117	-
Accrued expenses.....	<u>2,043</u>	-
<b>Total current</b>	<b><u>38,262</u></b>	<b><u>695</u></b>

***Note 17. Amounts due to the Treasurer***

Current

Amount due to the Treasurer.....	100,000	100,000
	<b><u>100,000</u></b>	<b><u>100,000</u></b>

***Note 18. Equity***

Contributions by owners

Capital appropriation .....	880,000	880,000
	<b><u>880,000</u></b>	<b><u>880,000</u></b>

Accumulated surplus/(deficit)

Balance at start of period.....	(830,285)	(843,115)
Result for the period.....	<u>(36,274)</u>	12,830
<b>Balance at end of period</b>	<b><u>(866,559)</u></b>	<b><u>(830,285)</u></b>

**Total Equity at end of period**

<b><u>13,441</u></b>	<b><u>49,715</u></b>
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<b>2017</b>	<b>2016</b>
\$	\$

***Note 19. Notes to the Statement of Cash Flows***

(a) 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 .....	125,233	129,566
	<u>125,233</u>	<u>129,566</u>
(b) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities		
Net cost of services .....	(48,756)	509
<u>Non-cash items:</u>		
Services received free of charge .....	12,482	12,321
<u>(Increase)/decrease in assets:</u>		
Current receivables <sup>(a)</sup> .....	(1,668)	(12,710)
Other current assets .....	(97)	94
<u>Increase/(decrease) in liabilities:</u>		
Current payables <sup>(a)</sup> .....	37,567	(357)
Net GST receipts/(payments) <sup>(b)</sup> .....	3,861	58
Change in GST in receivables/payables <sup>(c)</sup> .....	<u>(7,722)</u>	<u>(116)</u>
Net cash provided by/(used in) operating activities	<u><b>(4,333)</b></u>	<u><b>(201)</b></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.

Overview	Executive Summary	Agency performance	Significant issues	Disclosures and legal compliance	Other Financial Disclosures	Governance disclosures	Legal Requirements
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## Note 20. Contingent liabilities and contingent assets

### *Contingent liabilities*

The Arbitrator had no contingent liabilities as at 30 June 2017.

### *Contingent assets*

The Arbitrator had no contingent assets as at 30 June 2017.

## 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. Financial instruments

### (a) Financial risk management objectives and policies

Financial instruments held by the Arbitrator are cash and cash equivalents, receivables, payables and a Treasurer's Advance. 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 allowance for

impairment as shown in the table at note 22(c) 'Financial instruments disclosure' and note 14 'Receivables'.

Credit risk associated with the Arbitrator's financial assets is minimal because the Arbitrator trades only with recognised, creditworthy third parties. The Arbitrator has policies in place to ensure that services are only provided 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 via a Treasurer's Advance, 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>2017</b>	<b>2016</b>
\$	\$

**(b) Categories of financial instruments**

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

Financial assets

Cash and cash equivalents.....	125,233	129,566
Receivables <sup>(a)</sup> .....	22,412	20,744

Financial liabilities

Financial liabilities measured at amortised cost .....	138,262	100,695
--------------------------------------------------------	---------	---------

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

### (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.

#### Ageing analysis of financial assets

	Carrying Amount \$	Not past due and not impaired \$	Past due but not impaired					Impaired financial assets \$
			Up to 1 month \$	1 – 3 months \$	3 months to 1 year \$	1-5 years \$	More than 5 years \$	
			2017					
Cash and cash equivalents	125,233	125,233	-	-	-	-	-	-
Receivables <sup>(a)</sup>	22,412	22,075	337	-	-	-	-	-
	<b>147,645</b>	<b>147,308</b>	<b>337</b>	-	-	-	-	-
2016								
Cash and cash equivalents	129,566	129,566	-	-	-	-	-	-
Receivables <sup>(a)</sup>	20,744	20,744	-	-	-	-	-	-
	<b>150,310</b>	<b>150,310</b>	-	-	-	-	-	-

(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>				Nominal Amount	<u>Maturity dates</u>					
		Carrying Amount	Fixed Interest rate	Variable interest rate	Non-interest bearing		Up to month	1 – 3 months	3 months to 1 year	1 – 5 years	More than 5 years	
												\$
2017												
<u>Financial assets</u>												
Cash and cash equivalents	1.98%	125,233	-	125,233	-	125,233	125,233	-	-	-	-	-
Receivables (a)		22,412	-	-	22,412	22,412	22,412	-	-	-	-	-
		<b>147,645</b>	<b>-</b>	<b>125,233</b>	<b>22,412</b>	<b>147,645</b>	<b>147,645</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u>Financial liabilities</u>												
Payables		38,262	-	-	38,262	38,262	38,262	-	-	-	-	-
Amount due to the Treasurer		100,000	-	-	100,000	100,000	-	-	100,000	-	-	-
		<b>138,262</b>	<b>-</b>	<b>-</b>	<b>138,262</b>	<b>138,262</b>	<b>38,262</b>	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

(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
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2016											
<u>Financial assets</u>											
Cash and cash equivalents	2.26%	129,566	-	129,566	-	129,566	129,566	-	-	-	-
Receivables <sup>(a)</sup>		20,744	-	-	20,744	20,744	20,744	-	-	-	-
		<b>150,310</b>	-	<b>129,566</b>	<b>20,744</b>	<b>150,310</b>	<b>150,310</b>	-	-	-	-
<u>Financial liabilities</u>											
Payables		695	-	-	695	695	695	-	-	-	-
Amount due to the Treasurer		100,000	-	-	100,000	100,000	-	-	100,000	-	-
		<b>100,695</b>	-	-	<b>100,695</b>	<b>100,695</b>	<b>695</b>	-	<b>100,000</b>	-	-

(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
	\$	\$	\$	\$	\$
2017					
<u>Financial assets</u>					
Cash and cash equivalent	125,233	(1,252)	(1,252)	1,252	1,252
<b>Total Increase/(Decrease)</b>		<b>(1,252)</b>	<b>(1,252)</b>	<b>1,252</b>	<b>1,252</b>
			-100 basis points		+100 basis points
	Carrying amount	Surplus	Equity	Surplus	Equity
	\$	\$	\$	\$	\$
2016					
<u>Financial assets</u>					
Cash and cash equivalent	129,566	(1,296)	(1,296)	1,296	1,296
<b>Total Increase/(Decrease)</b>		<b>(1,296)</b>	<b>(1,296)</b>	<b>1,296</b>	<b>1,296</b>

### 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.

2017	2016
\$	\$

***Note 23. Remuneration of auditor***

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

Auditing the accounts, financial statements and key performance indicators	<u>5,800</u>	<u>5,800</u>
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***Note 24. 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.

***Note 25. Related and affiliated bodies***

There were no related and/or affiliated bodies requiring disclosure for the year.	-	-
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***Note 26. Supplementary financial information***

There were no write-offs during the financial year.	-	-
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There were no losses through theft or default during the financial year.	-	-
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## 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 2017.

Pam Herbener  
**Chief Finance Officer**  
Date: 25 July 2017

Laurie James LLB Hons.  
**Energy Disputes Arbitrator**  
Date: 25 July 2017

## Formulating the Arbitrator's Performance Indicators

The Office of the Arbitrator was established by the *Energy Arbitration and Review Act 1998* and is funded through provisions in the National Gas Access (WA) (Local Provisions) Regulations 2009, the Electricity Industry (Arbitrator and Board Funding) Regulations 2009, the Gas Supply (Gas Quality Specifications) Regulations 2010 and the Gas Services Information Regulations 2012.

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 provided to 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 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 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, performance indicators 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 *National Gas Access (WA) Act 2009*, the *Electricity Industry Act 2004* (section 122), the *Gas Supply (Gas Quality Specifications) Act 2009* and the *Gas Services Information Act 2012*.

### 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 indefinitely.

### ***Provision of Administrative Services to the Review Board***

The Arbitrator provides administrative support to the Review Board when it is constituted. 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.

#### ***2016/17 Performance – Effectiveness***

The two effectiveness indicators for the Arbitrator’s outcome are the:

- arbitration of disputes.
- provision of administrative services to the Review Board.

#### *Arbitration 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 was one dispute lodged in June 2016, which the Arbitrator dismissed on 31 October 2016.

#### *Provision of administrative services to the 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.

Table 5: Effectiveness

Desired outcome	Arbitration of disputes	Provision of administrative services to the Review Board for the review of decisions
Measure	The number of disputes resolved as a proportion of total disputes registered	Percentage of Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes
Target	100%	75%
2016/17	100%	100%
2015/16	0% <sup>1</sup>	0% <sup>2</sup>
2014/15	n/a (no disputes)	n/a (no reviews)

<sup>1</sup> One dispute was lodged but no disputes were resolved

<sup>2</sup> One review was lodged but the Review Board was not constituted

## 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 arbitration process. This is a measure of the cost efficiency of providing the arbitration of disputes program.

### ***Provision of Administrative Services to the 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***

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 ability to respond to matters brought before him, such as disputes and reviews.

The availability of the Arbitrator to resolve disputes and 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 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 oversees 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 2016/17 would far exceed 22.63 units. As the generation facilities overseen 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 22.63 equivalent standard units of regulated infrastructure.

The Arbitrator's function under the *Gas Supply (Gas Quality Specifications) Act 2009* aligns with the existing key performance indicators of resolution of disputes and maintaining a state of readiness.

### ***2016/17 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.

Table 6 : Efficiency

Service	Performance indicator	Target	2016/17	2015/16	2014/15
Arbitration of disputes	Average cost per dispute	\$0	\$2,200	\$0	\$0
Review of regulatory decisions	Average cost per review application	\$0	\$50,515	\$0	\$0
Maintaining a state of readiness	Average cost per standard unit of regulated infrastructure	\$2,209	\$2,259	\$2,272	\$2,249

### 1. *Average cost per dispute*

An application for arbitration (dispute) was lodged in June 2016 and dismissed in October 2016. The costs of this arbitration was \$2,200. The average cost was zero in 2015/16 as there were no disputes lodged. 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. An application for review, lodged in May 2016, was still underway at the end of 2016/17.

The average cost of reviews varies between years related to the amount of work undertaken by the Registrar and Members of the Review Board in each year. The average cost of reviews in 2016/17 was \$50,515 compared to zero for the last three years when there were no reviews lodged.

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. This target is consistent with an objective of having no applications for review lodged.

### 3. *Average cost per standard unit of infrastructure*

The average cost per standard unit of regulated infrastructure oversights in the 2016/17 financial year is the cost necessary to ensure that procedures are in place to address matters that fall within the jurisdiction of the Arbitrator.

The target for this indicator in 2016/17 was \$2,209 based on the Arbitrator's approved budget (\$50,000) divided by the target of 22.63 standard units of regulated infrastructure. The actual cost was \$2,259 in 2016/17 compared with \$2,272 in 2015/16 and \$2,249 in 2014/15.

## 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 Financial Disclosures

### Pricing policies of services provided

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

The Arbitrator's expenditure in 2016/17 includes an amount of \$12,482 which is a recognition of services received free of charge from the ERA.

### *Gas industry*

The Arbitrator receives 50% of his funding for his gas industry functions through 'standing charges' under the following regulations:

#### *National Gas Access (WA) (Local Provisions) Regulations 2009*

16.7% of funding comes from operators of regulated pipelines. 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.

The Regulations require that the annual report includes details of the total amount of standing charges for each person in respect of the financial year to which the annual report relates. This is shown in the table below.

Table 7: Standing charges – National Gas Access (WA) (Local Provisions) Regulations 2009

Service Provider	Standing Charges (\$)
WA Gas Networks Pty Limited (Atco)	2,301

Goldfields Gas Transmission	1,727
Southern Cross Pipelines Pty Limited	232
DBNGP (WA) Transmission Pty Limited	4,260
<b>Total</b>	<b>8,520</b>

#### *Gas Supply (Gas Quality Specifications) Regulations 2010*

16.7% of gas industry funding comes from producers of broad specification gas. BHP Billiton is the only producer of broad specification gas.

The Regulations require that the annual report includes details of the total amount of standing charges for each gas producer in respect of the financial year to which the annual report relates. This is shown in the following table.

Table 8: Standing charges – Gas Supply (Gas Quality Specifications) Regulations 2010

Service Provider	Standing Charges (\$)
BHP Billiton	8,520

#### *Gas Services Information Regulations 2012*

The remaining funding of 16.7% comes from the AEMO in relation to the Gas Statement of Opportunities and the Gas Bulletin Board.

The Regulations require that the annual report includes details of the total core functions costs, the total amount of standing charges and the total determined costs in respect of the financial year to which the annual report relates. The amount received from AEMO is shown in the table below.

Table 9: Standing charges – Gas Services Information Regulations 2012

Australian Energy Market Operator	Amount (\$)
Core Function Costs	8,520
Standing Charges	8,520
Determined Costs	-

### ***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 the Electricity Industry (Arbitrator and Board) Funding Regulations 2009. 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.

Included in the funding Regulations is a requirement that the Arbitrator’s annual report provides details of the total amount of standing charges for each person in respect of the financial year to which the annual report relates. This information for the year ended 30 June 2017 is listed below.

Table 10: Standing charges – Electricity Industry (Arbitrator and Board) Funding Regulations 2009

Service Provider	Standing Charges (\$)
Western Power	25,559

### **Other funding**

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

arbitrating disputes. There was one dispute in 2016/17, the costs of that dispute were \$2,200 which was recovered from the parties.

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 was active during 2016/17 but the review was not completed. There was expenditure of \$50,515 relating to the Review Board. The Review Board has not yet decided whether to award costs.

### ***Capital works***

There were no major capital works undertaken during 2016/17.

### ***Treasurer’s Advance***

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. In anticipation of the costs associated with the review that was lodged in May 2016, the Arbitrator received a Treasurer’s Advance of \$100,000 in 2015/16. This Treasurer’s Advance was continued in 2016/17.

### **Employment and Industrial Relations**

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

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 2016/17. The Arbitrator has an arrangement for the provision of corporate services from the ERA.

### ***Public Sector Standards***

The ERA ensures that information about the Public Sector Commissioner Standards are available to all staff via the ERA's intranet and is incorporated into the ERA's induction and training processes. The ERA has not had a claim lodged against the Public Sector Standards in 2016/17.

### ***Western Australian Code of Ethics***

The ERA ensures that staff are aware of the Code of Ethics developed by the Commissioner for Public Sector Standards. As part of the ERA's approach to continuous learning and training, the code of conduct and conflict of interest procedures and processes are available on the intranet, incorporated into the staff training program and discussed regularly at internal staff meetings.

### ***Occupational Health and Safety***

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 to occupational health and safety is reported in the ERA's annual report 2016/17, which is available on the ERA's website at [www.erawa.com.au](http://www.erawa.com.au).

## **Governance Disclosures**

### **Shares in statutory authority**

While 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 2016/17.

### **Benefits to senior officers through contracts with the Arbitrator**

This is not applicable, as no senior officers have received any benefits in the 2016/17 financial year.

### **Insurance premiums**

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



## Other Legal Requirements

### 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 a market research organisation carrying out an annual survey of stakeholders. In this context, the Arbitrator's stakeholders are respective Review Board members who are best placed to respond as to their level of satisfaction with the services provided by the Arbitrator. The Review Board was surveyed in May 2017 at a cost of \$452.00.

## Government Policy Requirements

The Arbitrator does not appoint permanent staff so there is an administrative arrangement in place for the ERA to provide corporate services. The ERA's annual report provides detailed information on complying with Government policy. The following areas of compliance carried out by the ERA apply to compliance obligations of the Arbitrator:

### Disability Access and Inclusion Plan

The ERA is committed to take action in accordance with its Disability Access and Inclusion Plan for 2013/14 to 2017/18.

Further information about the ERA's Disability Access and Inclusion Plan is available on the ERA's website at [www.erawa.com.au](http://www.erawa.com.au).

## Compliance with public sector standards and ethical codes

The ERA is committed to ensuring the highest standards of accountability and transparency in all activities. The ERA actively encourages all employees to demonstrate a high level of integrity, consistent with public sector standards and ethical codes, at all times.

The ERA places high priority on ensuring that staff are familiar with human resource management policies and procedures. These policies and procedures are regularly reviewed and updated to ensure they reflect current minimum standards of merit, equity and probity in human resource management activities. Policies and procedures are made available to staff on the intranet.

## Compliance with the *State Records Act 2000*

The records of the Arbitrator are maintained by the ERA as part of the agreement for provision of corporate services. Compliance with the *State Records Act 2000* is carried out by the ERA as part of that agreement.

The Arbitrator undertakes evaluations of its recordkeeping systems in concurrence with the ERA. The Arbitrator does have a separate Record Keeping Plan and Retention and Disposal schedule covering the Arbitrator's records (which includes records relating to reviews by the Review Board).

## 2016/17 Internal Audit program

During the year the ERA undertook an annual audit plan that reviewed:

- Human Resource and Payroll.

- Records Management.
- Financial Management.

The audits undertaken by the ERA ensure that controls are in place for activities relating to the Arbitrator that are undertaken by the ERA's corporate services staff.

The Internal Auditor used by the ERA made the following observations during the audits undertaken in 2016/17:

### ***Human Resource and Payroll Audit***

This audit identified four minor risks one of which is yet to be addressed related to documenting a procedure. The auditor concluded that overall the ERA is performing at a high standard of compliance for the areas of human resources and payroll examined.

### ***Recordkeeping Audit***

This audit found one medium risk and two low risks which have all been addressed. The auditor concluded that:

- Overall, the ERA's records management system is well documented and managed. The Record Keeping Plan meets the criteria required by the State Records Office.
- The electronic records management system (HPRM8) is well established with appropriate controls over access and is logical and intuitive in relation to its use.

### ***Financial Management Audit***

This audit found one medium risk and one low risk, which will be addressed in 2017/18.

## Public interest disclosures

The ERA has procedures in place to enable a public interest disclosure to be made. These procedures can be used if a person wishes to lodge a public interest disclosure in relation to the Arbitrator.

There were no disclosures lodged during the reporting period.

## Complaints handling

There are three main areas that can be the source of complaints relating to the Arbitrator:

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

Complaints relating to the provision of corporate services provided to the Arbitrator by the ERA are dealt with under its Code of Conduct.

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 during the reporting period.

## Boards and Committees

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

## Publications

During the reporting period, the Arbitrator published his annual report for 2016/17 and direction orders relating to the activities of the Review Board. The report and orders were published on the Arbitrator's website at [www.edawa.com.au](http://www.edawa.com.au).



**Western Australian Energy Disputes Arbitrator**

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