



Economic Regulation Authority

ANNUAL REPORT 2019 | 20



Economic Regulation Authority

WESTERN AUSTRALIA

Statement of compliance

Hon. Ben Wyatt MLA

Treasurer
11th Floor, Dumas House
Havelock Street
West Perth WA 6005

Dear Treasurer

Economic Regulation Authority 2019/20 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 Economic Regulation Authority for the financial year ended 30 June 2020.

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,

Nicola Cusworth
Chair

2019 | 20

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Accessing the annual report

The 2019/20 annual report and previous reports are available on the ERA's website:

www.erawa.com.au.

To make the annual report as accessible as possible, we have provided it in the following formats:

- An interactive PDF version.
- A text version that is suitable for use with screen reader software applications.

This report can also be made available in alternative formats on request.

National Relay Service TTY: 13 36 77

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VALUES

EXCELLENCE: We seek excellence in everything we do.

RESPECT: We treat everyone fairly and show consideration and regard for others and their views.

IMPARTIALITY: Our decisions, analysis and advice are independent and unbiased.

INTEGRITY: We are honest and trustworthy.



PURPOSE

The purpose of the ERA is to promote the interests of Western Australian consumers through independent regulation, analysis and advice, now and into the future.

OVERVIEW

EXECUTIVE SUMMARY

It is impossible to begin a discussion of the challenges and achievements of 2019/20 without first discussing the COVID-19 pandemic.



Although Western Australia ended 2019/20 in a far better position than most jurisdictions, the effects of the pandemic on the State's economy have been significant.

Before the pandemic hit, the Economic Regulation Authority had observed a steady and concerning increase in the number of electricity customers experiencing difficulty paying their bills over the past few years, with Western Australia having the highest reported disconnection rate in the country in 2018/19.

With COVID-19 causing widespread job losses and economic contraction, it is highly likely that all of the hardship indicators that the ERA monitors will have deteriorated further in 2019/20.

However, we have observed that Western Australia's energy retailers have been pragmatic and compassionate in their response to this crisis so far, with strong direction from the State

Government. They have worked with their customers to mitigate the effects of the economic downturn on those household and business customers most badly affected.

Like many organisations, the ERA had to quickly adapt to changes in the way we worked, with almost all staff working from home for a period of around three months. I commend the ERA Secretariat for its positive, practical and rapid response to the challenges posed by COVID-19.

From the Governing Body's perspective, the timeliness and quality of the ERA's work was sustained in the weeks of home-based work, which is a credit to our staff.

One of the ERA's main focuses this year was engaging with the Government's Energy Transformation Strategy. The Strategy aims to manage the increasing contribution of intermittent renewable

generation to Western Australia's energy network, and its implementation will add to and alter the ERA's functions.

Technological change, and particularly the transition to renewable energy, is creating challenges across the energy sector as network operators and traditional generators face competition from new entrants and sources of energy.

This also poses a challenge for regulators as the market outgrows the systems established to regulate it. The Energy Transformation Strategy will help by updating the regulatory structures.

Other notable achievements for the year include an extraordinary amount of work for our gas access team, with two access arrangement reviews for gas pipelines completed, and another commenced. Access arrangements set the terms and conditions, including prices, that third parties pay to access

a monopoly network. They are an important part of ensuring that essential infrastructure in Western Australia is operated fairly and efficiently.

The ERA published its final decision for ATCO's Mid-West and South-West Gas Distribution Systems in November 2019, and for the Goldfields Gas Pipeline in December 2019. A review for the Dampier to Bunbury Natural Gas Pipeline began in January 2020.

In November 2019, the Electricity Review Board was convened to consider the ERA's findings from an investigation of Synergy's pricing behaviour in the Wholesale Electricity Market. The ERA concluded that there was a breach of the market rules.

Two directions hearings have since been held, resulting in orders for both the ERA and Synergy to prepare and file further papers. These hearings will extend well into 2020/21, but it is pleasing to see progress on this matter.

In January 2020, the ERA released three reports on the overall performance of the electricity, gas and water licensing schemes. The ERA found that Western Australia's licensing schemes were mostly operating as intended and providing customers with necessary protections.

The ERA recommended some changes to the licensing schemes, including:

- For water, changes to the *Water Services Act 2012* to ensure that rental tenants receive the same level of customer protection as owner-occupiers.
- For electricity and gas, merging the three regulatory instruments that provide customer protections into a single energy code. This would simplify the regulatory process and ensure consistent protections for customers.

The ERA's energy market monitoring activities continued in 2019/20, with 300 investigations completed into alleged non-compliance with the market rules.

The ERA instructed the Australian Energy Market Operator to recover approximately \$141,000 of incorrect out-of-merit payments.

I finish by congratulating the ERA's passionate and committed staff for their achievements this year in difficult circumstances and extending my thanks to the industry and government stakeholders with whom we work regularly.



Nicky Cusworth
Chair

ABOUT THE ERA

The ERA is Western Australia's independent economic regulator.

Our role is to regulate the gas, electricity and rail industries, and license providers of gas, electricity and water services. We also conduct inquiries into economic matters referred to us by the Treasurer, provide support to the independent Rule Change Panel, and have regulatory and review roles in the Wholesale Electricity Market and retail gas market.

We aim to ensure that the delivery of water, electricity, gas and rail services in Western Australia is in the long-term interest of consumers. Our functions are designed to maintain a competitive, efficient and fair commercial environment.

We make our decisions independently of industry, government and other interests, and are not subject to government or ministerial directions when carrying out our regulatory functions.

Governance framework

The ERA is made up of a three-member Governing Body, supported by a Secretariat. The Governing Body is the decision-making authority and performs the functions of the ERA.

Legislation

The ERA is established by the *Economic Regulation Authority Act 2003*. This Act gives us functions under the following Acts of Parliament:

- *Energy Coordination Act 1994*
- *National Gas Access (WA) Act 2009*
- *Railways (Access) Act 1998*
- *Water Services Act 2012*.

For a complete list of Acts under which we have functions or that affect our operations, see Appendix 1.

Responsible Minister

Although the ERA functions independently of government, it can receive written directions on financial administration matters from the Treasurer.

The ERA provides reports and analysis to the following ministers:

- The Minister for Energy, on the Wholesale Electricity Market, and electricity and gas licensing.
- The Treasurer, on economic inquiries.
- The Minister for Water, on water licensing.

Funding

The ERA's primary functions are funded by industry, with industry contributions making up around 90 per cent of our funding. The State Government provides the rest of our funding, supporting the inquiries function and our review of Synergy's regulatory scheme.

ORGANISATION STRUCTURE

The ERA Secretariat has three divisions.

Corporate Services provides strategic business planning and executive support to the Governing Body and Secretariat.

The **Regulation and Inquiries** division administers and monitors electricity, gas and water licences and protects customers by monitoring the conduct of these industries and administering customer protection instruments for electricity and water.

This division also regulates third-party access to electricity, gas and rail infrastructure, and conducts inquiries into economic matters as requested by the Treasurer.

The **Energy Markets** division monitors the electricity market to ensure participants are operating within the Wholesale Electricity Market Rules and ensures compliance with the Gas Services Information Rules.

This division investigates alleged breaches of the rules and enforces compliance and is also responsible for amendments to the Gas Retail Market Scheme.

The ERA also provides support to the independent Rule Change Panel.

The ERA has a Consumer Consultative Committee, which meets quarterly and includes representatives from consumer and industry organisations. The Committee greatly assists the ERA's understanding of issues affecting consumers.

Governing Body

The ERA is overseen by a Governing Body that consists of a full-time Chair and two part-time Members.

NICOLA CUSWORTH

Chair

Nicky took up her position as Chair of the ERA in July 2016. Before joining the ERA, Nicky was Deputy Director General at the former Department of State Development, and previously worked for the Department of Treasury and Finance and the Chamber of Commerce and Industry of Western Australia.

Nicky has extensive experience in economic policy and analysis and has participated in projects including the electricity market review and mineral royalty rate analysis. Nicky has a degree in philosophy, politics and economics from Oxford University.

RAY CHALLEN

Member

Ray joined the Governing Body in August 2017. Prior to that, he was Coordinator of Energy and head of the Public Utilities Office for five years, during which time he led the electricity market reform program.

Ray has worked for 20 years in the downstream energy and public policy sectors, advising both businesses and governments in regulatory policy and market arrangements. He has a PhD in economics from the University of Western Australia.

GREG WATKINSON

Member

Greg was appointed as a member of the ERA's Governing Body in July 2017. Prior to that, he was the ERA's Chief Executive Officer since February 2010.

Greg has worked as an economist in the public sector, including at the Department of Treasury and Finance and in the areas of macroeconomics, education and social policy. He has a master's degree in economics.

Executive team

The Secretariat provides support to the Governing Body and is led by the Chief Executive Officer.

JENNESS GARDNER

Chief Executive Officer

Jenness joined the ERA as Chief Executive Officer in November 2017. She has worked extensively in state and commonwealth government, most recently as an Executive Director at the Department of Jobs, Tourism, Science and Innovation. Prior to that, she was with the Department of Commerce.

Jenness has significant experience working in the resources sector leading economic policy development, commercial negotiations and large-scale project development for the State. She has an honours degree in economics.

PAUL KELLY

Executive Director, Regulation and Inquiries

Paul has been with the ERA since it began in 2004. Prior to his current role, Paul was director of the ERA's water division, and he previously worked at the Office of Water Regulation.

Paul has almost 30 years' experience at senior levels in the public sector. In addition to his role as Executive Director, he also holds the statutory positions of chair of the consultative committees for the reviews of the water, electricity and gas marketing codes of conduct. Paul has a master's degree in social science.

RAJAT SARAWAT

Executive Director, Energy Markets

Rajat joined the ERA in January 2012. He has extensive senior management experience in industry reform and regulation, especially in the energy sector. Prior to joining the ERA, Rajat held various senior positions with the Essential Services Commission of South Australia and the Australian Energy Market Commission.

Rajat has significant experience regulating wholesale electricity markets, implementing and reviewing access arrangements for network businesses and undertaking competition reviews and price regulation in the retail energy industry. Rajat has a science degree and a master's degree in business administration.

PAM HERBENER

Director, Corporate Services

Pam has been with the ERA since it began in 2004 and has worked in access regulation since 1998. Pam has more than 30 years' management experience across the not-for-profit and local, state and commonwealth government sectors.

She has accrued a breadth of knowledge across finance, compliance, human resources, information technology, recordkeeping and communications.

PERFORMANCE MANAGEMENT FRAMEWORK

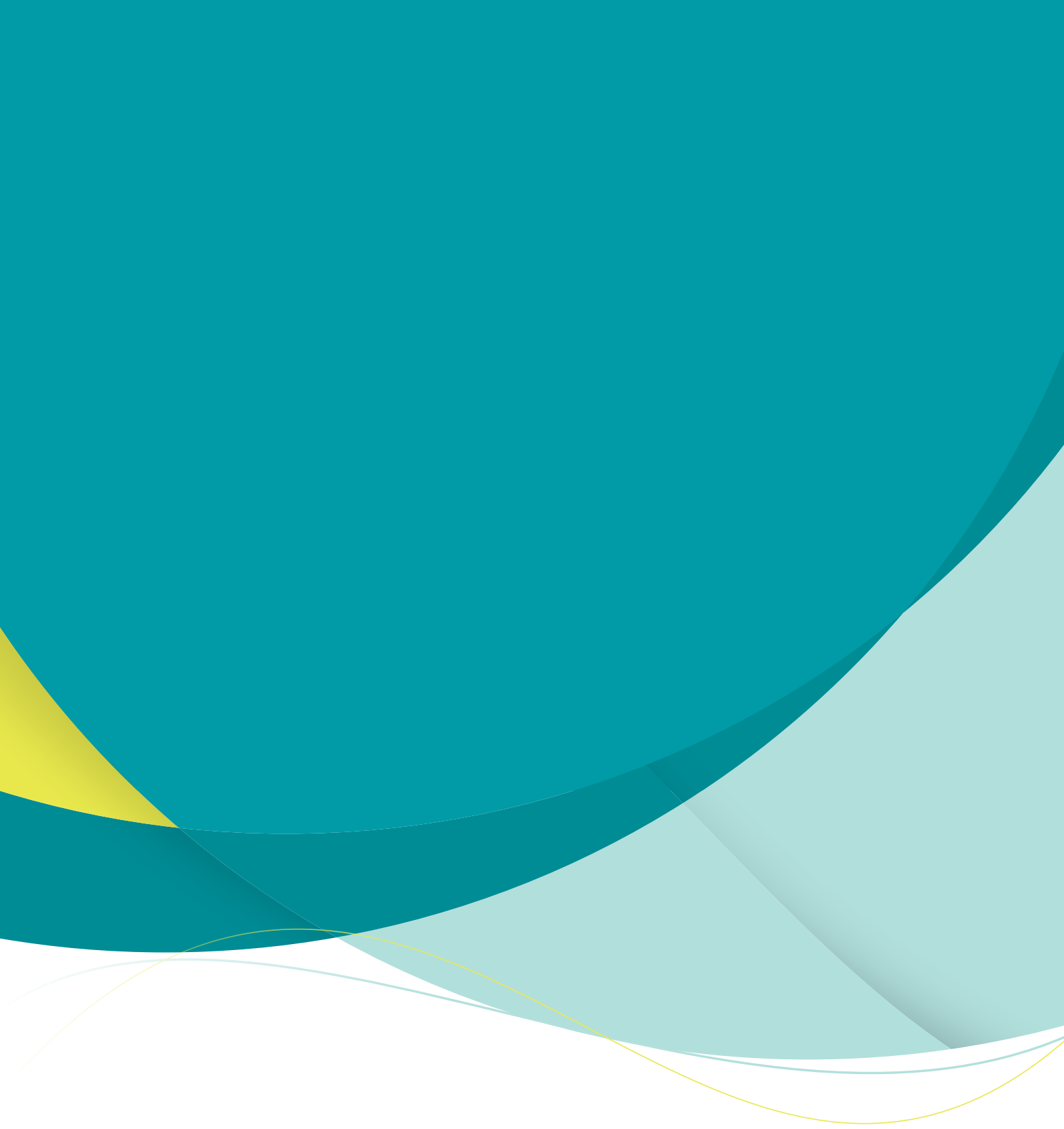
Relationship to government goals

The ERA's activities support the government goal of "Better places: A quality environment with liveable and affordable communities and vibrant regions."

Government goal	Better places: A quality environment with liveable and affordable communities and vibrant regions
Desired outcome	The efficient, safe and equitable provision of utility services in Western Australia
Service	Submissions to the ERA Governing Body

Shared responsibilities with other agencies

The ERA did not share any responsibilities with other agencies during 2019/20.



AGENCY PERFORMANCE

COVID-19

The ERA's functions in 2019/20 were mostly unaffected by the COVID-19 pandemic. Like many companies, the ERA converted to mostly home-based work from mid-March 2020, with staff returning to the office in June 2020.

The ERA prepared a return to work plan, setting the expectations for staff to work from home if experiencing any flu-like symptoms, discouraging physical contact such as handshakes, and committing to high standards of hygiene and social distancing for the office.

The ERA has been monitoring the financial hardship data provided by utility licensees, and expects to see a sharp increase in the number of customers experiencing financial hardship in the latter part of 2019/20 and in 2020/21. The State Government has set clear expectations for retailers to follow, including a moratorium on disconnections and increases to hardship payments.

As the pandemic emerged, the ERA wrote to licensed utility providers and participants in the wholesale electricity and gas markets, asking companies to identify any regulatory hurdles that may limit their ability to respond to the crisis. The

ERA also extended deadlines for licensees that had already commenced, or were about to commence, audits and reviews, to accommodate the need for social distancing and in recognition of the need to focus on the provision of essential services.

The commencement of the State's container deposit scheme, for which the ERA has a price monitoring role, was delayed by the onset of COVID-19, but has been rescheduled to October 2020.



ENERGY REFORM PROCESS

The ERA spent considerable time in 2019/20 working with the Energy Transformation Implementation Unit, which is delivering the Government's Energy Transformation Strategy.

The Strategy aims to ensure that Western Australia's energy market can adapt to the structural challenges brought about by increased renewable generation and the integration of emerging technologies such as batteries.

Implementation of the Strategy will substantially add to and alter the functions of the ERA's Energy Markets division, including new review and reporting requirements, changes to the way we monitor compliance, and additional enforcement powers for non-compliance.

Implementation of the Strategy will also substantially add to and alter the functions of the ERA's electricity access team, following expected changes to the *Electricity Networks Access Code 2004*, including new review and reporting requirements, and changes to the way we review Western Power's access arrangement.

ENERGY MARKETS

The ERA monitors and regulates the Wholesale Electricity Market (WEM) in Western Australia. The WEM consists of private and government-owned companies that generate and sell electricity, and a network operator.

The Australian Energy Market Operator (AEMO) is the market operator and manages the market and power system operations for the WEM.

The Energy Markets division carries out the regulatory functions for the market, which include monitoring whether the market is operating effectively, monitoring and enforcing compliance with the market rules, and reviewing and approving market parameters.

Annual report to the Minister

Each year, the ERA provides a report to the Minister for Energy on how effectively the WEM is meeting its objectives.

These objectives are:

- Promoting the economically efficient, safe and reliable production and supply of electricity and electricity-related services.
- Encouraging competition among generators and retailers, including facilitating the entry of new competitors.
- Avoiding discrimination against particular energy options and technologies.
- Minimising the long-term cost of electricity supplied to customers.
- Encouraging measures to manage the amount of electricity used and when it is used.

At the time of reporting, the ERA was part-way through its review of the market for 2018/19. We published an issues paper in November 2019, which stated:

- The ERA's preliminary view is that the WEM is not fully meeting any of its objectives and only clearly achieving supply of electricity that is safe and secure.
- The State Government is addressing many of the challenges to the effective operation of the WEM in its Energy Transformation Strategy.
- The ERA's review process will focus on issues that are unlikely to be addressed through the reform process, including a lack of overall coordination in the market.

Energy market reviews

In April 2020, the ERA commenced a review of the market rules that aim to improve the availability of generators and released an issues paper to assist public consultation. The ERA's report will be published by the end of 2020.

In May 2020, the ERA suspended its review of the methods used to set the annual benchmark reserve capacity price and energy price limits. The benchmark reserve capacity price is used to compensate generators for making their capacity available and the energy price limits are the price caps that limit the movement of electricity prices in the wholesale markets.

The ERA suspended this review after identifying considerable overlap with the work of the Energy Transformation Strategy, particular in the areas of market power mitigation and the introduction of a constrained network access regime.

The ERA will continue with a review of the market procedure used by AEMO to calculate the benchmark reserve capacity price.

Monitoring and investigations

The ERA monitors participant compliance with the Wholesale Electricity Market Rules and Gas Services Information Rules. This includes monitoring prices offered by operators of power stations when offering energy into the WEM. The purpose of this monitoring is to identify improvements to the market and ensure that market participants are not behaving in a way that results in the market functioning ineffectively.

The ERA also investigates other non-compliances, mainly in the areas of generator dispatch, generator outage and availability requirements, and bidding obligations.

During 2019/20, the ERA completed 300 investigations of suspected or alleged non-compliance and instructed AEMO to recover approximately \$141,000 of incorrect out-of-merit payments.

Synergy investigation

In April 2019, the ERA completed an investigation into prices offered by Synergy in the WEM's balancing market, which is a spot market for wholesale electrical energy. The market rules prohibit market participants from pricing above their reasonable expectation of the short run marginal cost of producing electricity, when this behaviour relates to market power.

The ERA investigated nearly 15,000 30-minute trading intervals over the period of 31 March 2016 to 10 July 2017. The ERA found that, for most of those intervals, Synergy offered prices above its reasonable expectation of the short run marginal cost. The ERA also found that Synergy had market power in the balancing market over the investigation period.

The ERA concluded that Synergy's alleged behaviour was a material breach of the market rules and referred the matter to the Electricity Review Board (ERB) on 31 May 2019. The ERA's application to the ERB contains an order seeking a civil penalty.

The ERB was convened in November 2019, and directions hearings were held in December 2019 and June 2020. The ERA has been working to provide the ERB and Synergy with supplemental case material as the matter proceeds towards a hearing. The matter is expected to continue into 2021.

Compliance with the market rules

The ERA reports annually to the Minister for Energy on AEMO's compliance with the market rules. This year's report, released in February, found 32 matters of non-compliance, most of which were matters of technical non-compliance with no material consequences or risks.

The report contained discussion of two more substantial issues. The first was AEMO's payments made to generators supplying system restart services. Payments are dependent on the availability of the facilities to perform the service. There were some instances where AEMO did not recover payments for non-performance. AEMO has improved controls for managing these contracts and will recover any over-payments from the previous 12 months through the settlement adjustments process.

The second matter concerned the incorrect charging of market fees since 2006. Market fees are charged to participants to fund AEMO's market and power system services and the ERA's regulatory functions. The calculation in the settlements software did not comply with the method specified in the market rules. AEMO estimated that the maximum amount overcharged to an individual participant was \$242,000 and the maximum amount undercharged was \$907,000. The software error was fixed in October 2019.

In July 2019, the ERA published details of a warning issued to AEMO after investigating AEMO's self-reported non-compliant allocation of certified reserve capacity in August 2016. AEMO can allocate certified reserve capacity to a participant only if it has been provided with evidence to support the level of capacity sought for the participant's generation facility. AEMO allocated certified reserve capacity to two participants without having this evidence. The ERA issued a warning because AEMO knowingly breached the market rules in circumstances that were avoidable. AEMO has implemented revised processes and controls to prevent this from happening again.

In December 2019, the ERA provided its annual report to the Minister for Energy on the ERA's own compliance with the market rules. The ERA engaged an independent auditor to assess its compliance. The auditor found that the ERA was compliant with the market rules, except for two events of inadvertently released confidential information. The auditor concluded that there were no adverse consequences from these disclosures. The ERA disclosed these errors on its website as soon as the investigation was complete.

Rule Change Panel support

The Rule Change Panel is an independent body established on 24 November 2016 under the *Energy Industry (Rule Change Panel) Regulations 2016*. The Rule Change Panel administers the rule change process and makes decisions on rule change proposals for the Wholesale Electricity Market Rules and Gas Services Information Rules.

The ERA provides secretariat support to the Rule Change Panel, including an executive officer and supporting staff who are the first point of contact for stakeholders. The Rule Change Panel and the ERA are separate entities, and the Rule Change Panel and ERA Governing Body have no involvement in each other's decisions.

The Rule Change Panel publishes its own annual Activities Report, which is **available on its website**. The Activities Report 2019/20 provides information on:

- The Rule Change Proposals approved in 2019/20, and those still under consideration at the end of the year.
- The consultation processes undertaken during 2019/20.
- The Rule Change Panel's other activities in 2019/20.
- The Rule Change Panel's key performance indicators for 2019/20.

REGULATION AND INQUIRIES

The Regulation and Inquiries division administers and monitors electricity, gas and water licences, and protects consumers by monitoring the conduct of these industries and administering customer protection instruments for electricity and water.

The division also regulates third-party access to electricity, gas and rail infrastructure and conducts inquiries into economic matters requested by the Treasurer.

Licensing

The ERA administers Western Australia’s electricity, gas and water licensing schemes. This includes assessing applications for new licences and licence amendments, transfers and renewals.

Licensing highlights 2019/20

	New licences	Licence amendments	Licence transfers	Licence surrenders	Licence renewals
Electricity	<ul style="list-style-type: none"> Alinta Energy (Chichester) (integrated regional – generation and retail) Enwave WA (distribution and retail) Goldfields Power (distribution) Metro Power Company trading as Wholesale Direct Electricity (retail) 	<ul style="list-style-type: none"> Alinta Energy Transmission (Chichester) (integrated regional - add distribution) 	Nil	<ul style="list-style-type: none"> Community Electricity (retail) 	Nil
Gas	Nil	Nil	Nil	Nil	<ul style="list-style-type: none"> Perth Energy (trading) Alinta Energy (trading)
Water	<ul style="list-style-type: none"> Aqua Ferre (Muchea) trading as Muchea Water (potable water) TMC Witchcliffe (non-potable water and sewerage) 	Nil	Nil	Nil	Nil

In November 2019, the ERA granted a water services licence to TMC Witchcliffe Pty Ltd, to provide non-potable water and sewerage services to the Witchcliffe Ecovillage south of Margaret River. Also in November, the ERA approved the renewal of Perth Energy’s gas trading licence.

In February 2020, the ERA granted a water services licence to Aqua Ferre (Muchea) Pty Ltd, trading as Muchea Water. Muchea Water is licensed to supply potable water services to residential customers in the Riverside Development, located north-east of the Muchea town site, and to commercial customers in the nearby Muchea Employment Node development.

In March 2020, the ERA granted an electricity retail licence to Metro Power Company Pty Ltd, trading as Wholesale Direct Energy, to supply electricity to large use customers in the South West Interconnected System. Also in March, the ERA granted an electricity distribution licence and retail licence to Enwave WA Pty Ltd. Enwave will operate a microgrid within the Peel Business Park, supplying electricity to commercial and industrial customers.

In June 2020, the ERA granted an electricity distribution licence to Goldfields Power Pty Ltd. Goldfields Power already held generation and retail licenses. The distribution licence covers the distribution of energy through Goldfields Power’s system by third parties. Also in June, the ERA approved the renewal of Alinta Energy’s gas trading licence.

Water licence review

In April 2020, the ERA completed a full review of the template water licence, as part of ensuring that it maintains a best practice licensing regime.

The ERA made several changes to the licensing template, including:

- Requiring sewerage service providers to enter into a Memorandum of Understanding with the Department of Health.

- Requiring licensees that intend to supply drinking water to residential customers to submit a financial hardship policy for the ERA’s approval.
- Giving the ERA the power to direct a licensee to amend standard terms or conditions of service if they are not in the public interest.

As a result of the review, the ERA amended all 22 water licences to incorporate the amendments. The new licences took effect on 1 May 2020.

Licence audits and reviews

Licences are an important tool to protect the rights of consumers and ensure that utility service providers deliver safe and reliable services to customers. The ERA requires licensees to conduct regular, independent audits of the performance of their asset management systems and their compliance with licence obligations.

This year the ERA found that, overall, licensees were meeting their obligations and improving their asset management. We granted 10 licensees a longer period until the next audit or review in recognition of good performance. The ERA did not reduce the next audit or review period for any licensees.

In response to the COVID-19 pandemic, the ERA extended deadlines for licensees that had already commenced, or were about to commence, audits and reviews, to accommodate the need for social distancing and in recognition of the need to focus on essential services.

Audits and reviews conducted in 2019/20

	Audits	Asset management reviews
Electricity licences	12	7
Gas licences	8	1
Water licences	7	8
Total	27	16

Licensing scheme performance reports

In January 2020, the ERA released three reports on the overall performance of the electricity, gas and water licensing schemes. The ERA found that Western Australia's licensing schemes were mostly operating as intended and providing customers with adequate protections.

The ERA recommended some changes to the licensing schemes, including:

- For water, changes to the *Water Services Act 2012* to ensure that rental tenants receive the same level of customer protection as owner-occupiers.
- For electricity and gas, merging the three regulatory instruments that provide customer protections into a single energy code. This would simplify the regulatory process and ensure consistent protections for customers.

Changes to compendium of gas licence obligations

In November 2019, the ERA published an amended Compendium of Gas Customer Licence Obligations. The Compendium forms part of all gas licences and regulates the conduct of retailers and distributors supplying gas to residential and small business customers.

The amendments bring the Compendium in line with the Code of Conduct for the Supply of Electricity to Small Use Customers and are intended to strengthen protections for small use gas customers and ensure that, to the extent possible, electricity and gas customers receive the same level of protection.

All gas licences were amended to include the updated Compendium in December 2019.

Consumer protection

The ERA's consumer protection functions ensure that fundamental protections are in place for electricity, gas and water customers.

Gas marketing code of conduct

In September 2019, the ERA completed a review of the Gas Marketing Code of Conduct 2017, which regulates and controls the conduct of gas retailers and gas marketing agents to protect customers from undesirable marketing conduct.

The ERA is required to review the code every two years, with advice from the Gas Marketing Code Consultative Committee. The Committee is comprised of representatives from consumer and government representatives and gas retailers.

The amendments strengthen protections for customers requiring interpreter services and require retailers to inform customers on how they can find information on eligibility for concessions. The amendments also reduce the regulatory burden for licensees by removing the requirement to provide certain safety information after changes to national standards that made distributors responsible for ensuring that customers receive appropriate safety information.

The amendments to the code took effect on 1 January 2020.

Energy retailers and distributors reports

In March 2020, the ERA released its annual data reports covering the distribution and sale of electricity and gas in Western Australia.

The 2018/19 reports include data on financial hardship, disconnections and reconnections, market size and share, supply reliability, complaints resolution, call centre performance and streetlight repairs.

Retailers report

There has been a steady increase in the number of electricity customers struggling to pay their bills in recent years. In 2018/19, 13.4 per cent of residential electricity customers were granted more time to pay their bills, and 6.7 per cent were paying off debt under instalment plans. Both were the highest proportions recorded in the past six years.

The average bill debt for electricity customers on a hardship program increased from \$475 in 2017/18 to \$551 in 2018/19. Western Australia had the highest reported disconnection rate in the country, at 2 per cent.

Other notable findings from the energy retailer data report included:

- Alinta Energy's share of the gas market has rapidly declined from 96 per cent in 2013/14 to 63.2 per cent in 2018/19, reflecting the growth in competition in the gas retail market.
- The number of residential and business gas customers on an instalment plan has grown for the past five years, while the average bill debt declined in 2018/19.

Distributors report

The larger electricity distributors improved their reliability in 2018/19. The number of customer premises affected by extended interruptions on the Western Power distribution system was the lowest in the six years to 2018/19. The number of premises affected by more than the allowed number of interruptions was also the lowest over this period. Horizon Power met the Network Quality and Reliability Code's outage duration standards for rural systems for the first time in six years.

Electricity access

The ERA regulates third-party access to Western Power's transmission and distribution network. Under the *Electricity Networks Access Code 2004*, Western Power must have an access arrangement approved by the ERA. An access arrangement sets the terms and conditions, including prices, for third parties to access monopoly infrastructure.

Western Power's model service level agreement

In 2019/20, the ERA commenced a review of Western Power's model service level agreement (MSLA), which details the metering services that Western Power provide, and the terms and conditions it must offer. This is the first review of the MSLA since it was first drafted in 2006.

The ERA published a consultation paper in March 2020, detailing its initial findings and seeking input from Western Power's customers. The submissions received greatly informed the ERA's understanding of how metering services worked in practice.

The ERA published its draft findings on the proposed MSLA in June 2020. We expect to make a final decision in the first quarter of 2020/21.

The ERA's draft findings were that some changes were needed to the MSLA to comply with the *Electricity Industry (Metering) Code 2012*. These included amending the processes for requesting services and changing the meter reading schedule and clarifying Western Power's obligations and responsibilities for delivering metering services.

Gas access

The ERA regulates third-party access to gas pipelines in Western Australia. It also enforces and monitors compliance with the information disclosure and arbitration framework for non-scheme gas pipelines in Western Australia.

Mid-West and South-West Gas Distribution Systems

The Mid-West and South-West Gas Distribution Systems are owned by ATCO Gas Australia. ATCO's network is the largest reticulated gas network in Western Australia, covering Perth, Mandurah, Geraldton, Eneabba, Bunbury, Busselton, Harvey, Pinjarra, Kemerton and Capel.

ATCO submitted its proposed revisions to the access arrangement for the gas distribution systems in August 2018. The ERA released its final decision in November 2019. ATCO's revised access arrangement commenced on 1 January 2020 and will run until 31 December 2024.

Gas demand and customer numbers over the five years of the access arrangement are expected to be relatively flat, with residential consumption expected to decline as customers replace gas use with solar-generated electricity.

Under the ERA's decision, the average cost for residential customers to access ATCO's network will go up in real terms by 5.77 per cent in 2020, and around 0.5 per cent each year following from 2021 to 2024. This charge makes up around 30 per cent of the average household gas bill.

Goldfields Gas Pipeline

The Goldfields Gas Pipeline is a 1,378 kilometre transmission pipeline that extends from Yarraloola in the Pilbara to Kalgoorlie, serving mainly industrial customers. The 47 kilometre Newman Lateral is also part of the pipeline.

Pipeline operator Goldfields Gas Transmission (GGT) submitted proposed revisions to the access arrangement for the pipeline in December 2018. The ERA released its final decision in December 2019. The new access arrangement commenced on 1 January 2020 and will run until 31 December 2024.

The ERA substantially reduced the tariff increases proposed by GGT in its initial submission. For example, the increase in toll tariffs proposed initially by GGT was 21.55 per cent. In the ERA's final decision, the increase in toll tariffs was set at 3.75 per cent.

Dampier to Bunbury Natural Gas Pipeline

The Dampier to Bunbury Natural Gas Pipeline is a transmission pipeline that extends approximately 1,600 kilometres from Dampier in the Pilbara through to Perth and Bunbury in the South-West region.

Pipeline operator DBP submitted proposed revisions to the access arrangement for the pipeline in January 2020, for the period 2021 to 2025.

The ERA released an issues paper to enable public consultation in March 2020 and will release a draft decision in mid-2020.

Non-scheme gas pipeline exemptions

A non-scheme gas pipeline is a transmission or distribution pipeline that was unregulated in Western Australia prior to December 2017 but still may provide access to third parties.

Under part 23 of the National Gas Rules, the ERA is responsible for enforcing and monitoring compliance with the non-scheme gas pipeline information disclosure and arbitration framework in Western Australia.

The rules allow a non-scheme gas pipeline operator to apply to the ERA for an exemption from sections of the information disclosure and arbitration framework where relevant exemption criteria are satisfied. The ERA maintains a public register of these exemptions, and any exemptions that are revoked. We approved one application for exemption during 2019/20. No exemptions were revoked.

No access disputes were referred to arbitration during 2019/20.

Rail access

In August 2019, the ERA published its final determination for the Weighted Average Cost of Capital (WACC) for rail networks for both 2018 and 2019. The WACC is used to establish the annual capital costs of a regulated railway.

In September 2019, the ERA approved amended segregation arrangements for The Pilbara Infrastructure. Segregation arrangements separate a railway operator's access-related functions from its other functions.

In March 2020 and May 2020, the ERA updated the panel from which arbitrators may be appointed to oversee rail access disputes. The ERA is required to maintain a panel of people who can act as arbitrators in the event of a dispute between an access seeker and a railway operator.

As a result of these updates, the panel has been expanded by two, and now includes three female arbitrators. The updates were guided by recommendations from the Institute of Arbitrators and Mediators Australia and the Perth Centre for Energy and Resources Arbitration.

In June 2020, the ERA approved amendments to Arc Infrastructure's costing principles and over-payment rules. These documents establish the way in which costs are determined and enable the monitoring of revenue received by the railway owner.

Inquiries

The Treasurer has asked the ERA to monitor and report on the prices of beverages affected by the introduction of a container deposit scheme in Western Australia. The scheme will allow consumers to take empty beverage containers to a refund point to receive a refund of 10 cents per container.

The scheme will increase costs for suppliers of beverages in containers. The ERA will be measuring the effect this has on prices for consumers. The scheme was due to commence on 2 June 2020, but was delayed until October 2020 due to the COVID-19 pandemic.

The ERA will report to the Treasurer on:

- The effect of the scheme on beverage prices.
- The method the ERA uses to assess the effect of the scheme on prices.
- Recommendations to address any adverse effects on prices and on whether price monitoring should continue.

The ERA will release a draft report after the scheme has operated for six months and a final report, including recommendations, after the scheme has operated for 12 months.

CORPORATE SERVICES

The ERA's Corporate Services team provides finance, human resources, information technology (IT), legal and governance services across the ERA.

The Chief Executive Officer and Corporate Services team managed the transition to mostly home-based work due to the COVID-19 pandemic. Some paper-based finance processes were digitised to support this transition. The ERA's IT infrastructure supported the move to home-based work, and Microsoft Teams was rolled out to all staff to enable video calls and conferencing.

The Corporate Services division also managed the refurbishment of the ERA office in May 2020, which was required to accommodate new staff.

The annual staff survey was conducted in November 2019. More than 60 per cent of staff participated in the survey. The survey results mostly indicated improvement from the previous year's survey, but highlighted some dissatisfaction about how changes were communicated across the Secretariat.

Records management

This year, the Corporate Services staff performed the first audit and inventory stock take of the ERA's offsite records collection. The audit included the records that the ERA inherited from the former Offices of Rail, Water, and Gas Regulation and the Office of Energy.

The ERA has slowly moved to working electronically, with no new physical files created since 2017. The ERA's hardcopy records collection stood at over 5,500 files, roughly 17 per cent of which were housed onsite.

Over 73 per cent of the original offsite collection was disposed of as it was either ephemeral or could legally be disposed of under the *General Disposal Authority for State Government Information* with minimal assessment required. This equated to nearly 800 archive boxes.

KEY PERFORMANCE INDICATORS

Under the *Economic Regulation Authority Act 2003*, the ERA's key performance indicators are limited to management functions, including financial management. The ERA has set indicators that measure the administrative performance of the Secretariat.

These key performance indicators are the quantity, quality and timeliness of submissions prepared for the Governing Body, as well as the cost of each submission. These submissions help the Governing Body carry out its functions, including deciding on regulatory matters.

The actual average cost per Governing Body submission was higher than the target due to the number of submissions being lower than budgeted.

Further details on key performance indicators and variances are provided in the Disclosures and legal compliance section.

Key performance indicators – Performance against targets 2019/20

	2019/20 target	2019/20 actual	Variation
<i>Desired outcome: The efficient, safe and equitable provision of utility services in Western Australia.</i>			
Key effectiveness indicators			
Number of submissions made to the Governing Body	250	199	(51)
Rating by the Governing Body as to the content, accuracy and presentation of these submissions	3	3.01	0.01
Number of submissions provided by the required deadline (%)	100	97	(3)
Rating by the Governing Body as to their perception of the timeliness of submissions	3	3.01	0.01
Key efficiency indicator			
Cost per submission made to the Governing Body (\$)	59,968	69,136	9,168

FINANCIAL PERFORMANCE

Regulation and rules allow full cost recovery of the ERA's expenditure for gas, electricity and rail access, Wholesale Electricity Market, gas markets and licensing functions. The Government provides an appropriation to fund the functions of inquiries, non-scheme gas pipelines and review of the regulatory scheme covering the merger of Verve and Synergy.

The 2019/20 Government budget estimates allowed expenditure of \$14.992 million. Actual expenditure for 2019/20 was \$13.758 million, or 91.8 per cent of the budget estimate.

Included in the ERA's total cost of services was a budget of \$413,667 for the independent Rule Change Panel, established by the *Energy Industry (Rule Change Panel) Regulations 2016*. The costs of the Rule Change Panel against this budget totaled \$412,580. The ERA recovers these costs from AEMO. Any shortfall or surplus is recovered in the next financial year.

The total cost of the ERA's service was \$1.234 million less than budget. Salaries were lower than expected as the recruitment process for some positions occurred in the second half of 2019/20. Two positions were not filled as the container deposit scheme was postponed until October 2020 and accordingly the ERA's inquiry into the effect of this scheme on beverage prices has been delayed.

Further details of the ERA's financial performance are presented in the Disclosures and legal compliance section.

Actual financial performance versus budget targets 2019/20 (\$000)

	2019/20 target	2019/20 actual	Variation
Total cost of services (expense limit)	14,992	13,758	(1,234)
Net cost of services	2,676	863	(1,813)
Total equity	4,998	7,576	2,578
Approved salary expense level	9,477	8,864	(613)

The ERA is not required to operate within an agreed working cash limit.



SIGNIFICANT ISSUES AFFECTING THE AGENCY

COVID-19

The ERA has been monitoring the economic implications of the COVID-19 pandemic and the response of energy retailers in Western Australia to customers experiencing considerable financial hardship.

The ERA's 2018/19 energy retailer data report, published in March 2020, showed a steady increase in the number of electricity customers experiencing difficulty paying their bills. Western Australia had the highest reported disconnection rate in the country in 2018/19.

With COVID-19 causing widespread job losses and economic uncertainty, it is highly likely that all hardship indicators that the ERA monitors will have increased in 2019/20.

Western Australia's energy retailers have been pragmatic and compassionate in their response to COVID-19 so far, with strong direction from the State Government.

The ERA will also continue to follow medical and government advice to protect employees and stakeholders and minimise the spread of COVID-19.

Energy transformation

The State Government's Energy Transformation Strategy was released in March 2020. The Energy Transformation Taskforce is charged with delivering the Strategy, which intends to manage the challenges and opportunities brought about by increased renewable generation, distributed energy resources like rooftop solar and batteries, and other new and emerging technologies.

The Taskforce's work covers three work streams:

- Whole of System Planning
- Foundation Regulatory Frameworks
 - Improving Access to the South West Interconnected System
 - Delivering the Future Power System
- Distributed Energy Resources.

Implementation of the Strategy is expected to alter and add to the ERA's functions and responsibilities, particularly in the areas of electricity access regulation, energy market regulation, and energy market compliance and enforcement.

The ERA Secretariat has been working closely with the Energy Transformation Implementation Unit and Energy Policy WA to understand the practical implications of the proposed changes and to ensure the ERA has sufficient resources to carry out its new functions.

Pilbara electricity regulation

Legislation enabling the introduction of a regulatory system for the North West Interconnected System (NWIS) passed through State Parliament on 2 April 2020. The NWIS comprises both public and private electricity generation, transmission and distribution assets in the Pilbara, including Port Hedland and Karratha.

On 1 May 2020, the Minister delayed the planned commencement date of the reforms from 1 July 2020 to 1 January 2021 to allow for further consultation and the development of subsidiary legislation.

It is still unclear what the ERA's long-term role will be in the regulation of the NWIS, but it is likely to include determination of an initial Weighted Average Cost of Capital, approval of documents including guidelines, and administration of a pool of arbitrators.

Rail access reforms

The ERA has been working with the Department of Treasury on changes to the *Railways (Access) Code 2000* and *Railways (Access) Act 2000* for a number of years.

In February 2020, the State Government announced that it had approved a suite of proposed changes intended to accelerate access negotiations and improve the efficiency of the access regime.

The reforms include changes to how railway assets are valued and prescribing tighter timeframes for a number of regulatory processes. Railway networks in the Pilbara will be exempt from the regime until an access proposal is received.

The revised access regime is expected to be in place by August 2021. The ERA is required to review the rail code every five years, and the most recent review was due to commence in September 2019. However, the ERA has placed this project on hold until the new regime is in place to avoid the unnecessary review of a system that will soon change.

Synergy investigation

In April 2019, the ERA completed its investigation into Synergy's pricing behavior in the Wholesale Electricity Market over the period of 31 March 2016 to 10 July 2017. The ERA concluded that there was a breach of the market rules.

The ERA referred the matter to the Electricity Review Board (ERB) for determination in May 2019, and the ERB was convened in November 2019.

Two directions hearings have been held, resulting in orders for both the ERA and Synergy to prepare and file further papers. The timeline of the hearings is likely to extend into 2021.



DISCLOSURES AND LEGAL COMPLIANCE



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

ECONOMIC REGULATION AUTHORITY
Report on the financial statements

Opinion

I have audited the financial statements of the Economic Regulation Authority which comprise the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Summary of Consolidated Account Appropriations 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 Economic Regulation Authority for the year ended 30 June 2020 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 Responsibility for the Audit of the Financial Statements section of my report. I am independent of the Authority 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 Authority for the financial statements

The Authority 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 Authority 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 Authority is responsible for assessing the entity'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 Authority.

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.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of my auditor's report.

Report on controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Economic Regulation Authority. The controls exercised by the Authority are those policies and procedures established by the Authority 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 Economic Regulation Authority 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 2020.

The Authority's responsibilities

The Authority 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 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 non-compliance 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 Economic Regulation Authority for the year ended 30 June 2020. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and 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 Economic Regulation Authority are relevant and appropriate to assist users to assess the Authority's performance and fairly represent indicated performance for the year ended 30 June 2020.

The Authority's responsibility for the key performance indicators

The Authority 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 Authority 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 Authority 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 entity'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 Economic Regulation Authority for the year ended 30 June 2020 included on the Authority's website. The Authority's management is responsible for the integrity of the Authority's website. This audit does not provide assurance on the integrity of the Authority'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 contact the entity to confirm the information contained in the website version of the financial statements and key performance indicators.



SANDRA LABUSCHAGNE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
09 September 2020

Financial statements

Certification of financial statements

For the reporting period ended 30 June 2020

The accompanying financial statements of the Economic Regulation Authority 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 reporting period ended 30 June 2020 and the financial position as at 30 June 2020.

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

Ms Catherine Lewis
Chief Finance Officer

7 September 2020

Ms Nicola Cusworth
Chair of Accountable Authority

7 September 2020

Dr Ray Challen
Member of Accountable Authority

7 September 2020

Mr Greg Watkinson
Member of Accountable Authority

7 September 2020

Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	2020 (\$'000)	2019 (\$'000)
COST OF SERVICES			
Expenses			
Employee benefits expense	2.1	9,862	9,237
Supplies and services	2.2	2,655	2,962
Depreciation and amortisation expense	4.1.1, 4.2, 4.3	96	57
Finance costs	6.2	1	-
Accommodation expenses	2.2	1,109	1,120
Other expenses	2.2	35	35
Total cost of services		13,758	13,411
Income			
<i>Revenue</i>			
Regulatory fees	3.1	12,836	11,660
Interest revenue	3.3	29	51
Other revenue	3.3	30	196
Total revenue		12,895	11,907
Total income other than income from State Government		12,895	11,907
NET COST OF SERVICES		(863)	(1,504)
Income from State Government			
Service appropriation	3.2	2,439	2,056
Services received free of charge	3.2	268	288
Total income from State Government		2,707	2,344
SURPLUS/(DEFICIT) FOR THE PERIOD		1,844	840
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,844	840

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

Statement of Financial Position

As at 30 June 2020

	Note	2020 (\$'000)	2019 (\$'000)
ASSETS			
Current assets			
Cash and cash equivalents	6.3	6,626	4,181
Restricted cash and cash equivalents	6.3	49	53
Receivables	5.1	3,131	3,438
Amounts receivable for services	5.2	232	315
Other current assets	5.3	209	210
Total current assets		10,247	8,197
Non-current assets			
Restricted cash and cash equivalents	6.3	118	88
Amounts receivable for services	5.2	345	292
Plant and equipment	4.1	206	53
Right of use assets	4.2	61	-
Intangible assets	4.3	-	4
Other non-current assets	5.3	2	3
Total non-current assets		732	440
TOTAL ASSETS		10,979	8,637
LIABILITIES			
Current liabilities			
Payables	5.4	656	636
Lease liabilities	6.1	27	-
Employee related provisions	2.1(b)	2,257	1,929
Total current liabilities		2,940	2,565
Non-current liabilities			
Lease liabilities	6.1	34	-
Employee related provisions	2.1(b)	429	340
Total non-current liabilities		463	340
TOTAL LIABILITIES		3,403	2,905
NET ASSETS		7,576	5,732
EQUITY			
Contributed equity	8.6	725	725
Accumulated surplus/(deficit)		6,851	5,007
TOTAL EQUITY		7,576	5,732

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 2020

	Note	Contributed equity (\$'000)	Reserves (\$'000)	Accumulated surplus/(deficit) (\$'000)	Total equity (\$'000)
Balance at 1 July 2018	8.6	725	-	4,167	4,892
Total comprehensive income for the period		-	-	840	840
Distribution to Owner - Return of unspent capital funds		-	-	-	-
Balance at 30 June 2019		725	-	5,007	5,732
Balance at 1 July 2019	8.6	725	-	5,007	5,732
Total comprehensive income for the period		-	-	1,844	1,844
Distribution to Owner - Return of unspent capital funds		-	-	-	-
Balance at 30 June 2020		725	-	6,851	7,576

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 2020

	Note	2020 (\$'000)	2019 (\$'000)
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		2,439	2,056
Holding account drawdowns		30	-
Net cash provided by State Government		2,469	2,056
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(9,370)	(9,042)
Supplies and services		(2,650)	(2,662)
Finance costs		(1)	-
Accommodation		(900)	(924)
GST payments on purchases		(370)	(372)
Other payments		(35)	(35)
Receipts			
Regulatory fees		13,176	11,723
Interest received		29	51
GST receipts on sales		44	88
GST receipts from taxation authority		293	268
Other receipts		30	196
Net cash provided by/(used in) operating activities		246	(709)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current physical assets		(199)	-
Net cash provided by/(used in) investing activities		(199)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Repayment lease liability		(45)	-
Net cash provided by/(used in) funding activities		(45)	-
Net increase/(decrease) in cash and cash equivalents		2,471	1,347
Cash and cash equivalents at the beginning of the period		4,322	2,975
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	6.3	6,793	4,322

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

Summary of consolidated account appropriations

For the year ended 30 June 2020

	2020 Budget estimate	2020 Supplementary funding	Revised budget	2020 Actual	2020 Variance
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Delivery of services					
Item 50 Net amount appropriated to deliver services	2,439	-	2,439	2,439	-
Section 25 Transfer of service appropriation	-	-	-	-	-
Amount authorised by other Statutes					
- <i>Salaries and Allowances Act 1975</i>	-	-	-	-	-
Total appropriations provided to deliver services	2,439	-	2,439	2,439	-
Capital					
Capital appropriations	-	-	-	-	-
GRAND TOTAL	2,439	-	2,439	2,439	-

No supplementary income was received by the ERA

Notes to the financial statements

For year ended 30 June 2020

1. Basis of Preparation

The Economic Regulation Authority is a WA government entity, but is independent of direction or control by the State or any Minister or officer of the State in the performance of its functions. However, pursuant to section 28(2) and 28(3) of the *Economic Regulation Authority Act 2003*, the Minister may give directions in writing to the ERA on administration and financial administration matters. It is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities has been included in the 'Overview' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the ERA in September 2020.

Statement of Compliance

These general purpose financial statements have been prepared in accordance with:

- 1) The *Financial Management Act 2006*;
- 2) The Treasurer's Instructions (TIs);
- 3) Australian Accounting Standards (AAS) - Reduced Disclosure Requirements;
- 4) Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer's Instructions take precedence over the AASs. Several AASs are modified by TIs to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reporting results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case, the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Contributed equity

AASB Interpretation 1038 *Contributions by Owners 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 TI955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

2. Use of our funding

Expenses incurred in the delivery of services

This section provides additional information about how the ERA's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the ERA in achieving its objectives and the relevant notes are:

	Notes	2020 (\$'000)	2019 (\$'000)
Employee benefits expenses	2.1(a)	9,862	9,237
Employee related provisions	2.1(b)	2,686	2,269
Other expenditure	2.2	3,799	4,117

2.1(a) Employee benefits expenses

	2020 (\$'000)	2019 (\$'000)
Employee benefits	9,029	8,445
Superannuation - defined contribution plans	833	792
Total employee benefits expenses	9,862	9,237
Add: AASB 16 non-monetary benefits	-	-
Less: Employee contributions	-	-
Net employee benefits	9,862	9,237

Employee benefits: Includes wages and salaries, accrued and paid leave entitlements, and non-monetary benefits (such as cars) for employees.

Superannuation: The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds.

AASB 16 Non-monetary benefits: Non-monetary employee benefits, that are employee benefits expenses, predominantly relate to the provision of vehicle benefits and are measured at the cost incurred by the ERA.

2.1(b) Employee related provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

	2020 (\$'000)	2019 (\$'000)
Current		
<i>Employee benefits provisions</i>		
Annual leave ^(a)	818	665
Long service leave ^(b)	1,433	1,259
	<u>2,251</u>	<u>1,924</u>
<i>Other provisions</i>		
Employment on-costs ^(c)	6	5
Total current employee related provisions	<u>2,257</u>	<u>1,929</u>
Non-current		
<i>Employee benefits provisions</i>		
Long service leave ^(b)	428	339
<i>Other provisions</i>		
Employment on-costs ^(c)	1	1
Total non-current employee related provisions	<u>429</u>	<u>340</u>
Total employee related provisions	<u>2,686</u>	<u>2,269</u>

(a) **Annual leave liabilities:** Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

(b) **Long service leave liabilities:** Unconditional long service leave provisions are classified as current liabilities as the ERA does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the ERA has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

The provision for long service leave is calculated at present value as the ERA does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(c) **Employment on-costs:** The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenditure, Note 2.2 (apart from the unwinding of the discount (finance cost))' and are not included as part of the ERA's 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

	2020 (\$'000)	2019 (\$'000)
Employment on-costs provision		
Carrying amount at start of period	6	6
Additional/(reversals of) provisions recognised	1	-
Carrying amount at end of period	<u>7</u>	<u>6</u>

Key sources of estimation uncertainty – long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the ERA's long service leave provision. These include:

- Expected future salary rates;
- Discount rates;
- Employee retention rates; and
- Expected future payments.

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision. Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

2.2 Other expenditure

	2020 (\$'000)	2019 (\$'000)
Supplies and services		
Communications	158	169
Consultants and contractors	188	179
Professional services	1,027	1,564
Other staffing costs	143	176
Consumables	142	66
Legal costs	655	371
Motor vehicle	32	98
Travel	35	60
Other	275	279
Total supplies and services expenses	2,655	2,962
Accommodation expenses		
Rentals ^(a)	1,085	1,064
Repairs and maintenance	24	56
Total accommodation expenses	1,109	1,120
Other		
Audit fee	34	34
Write-offs	-	-
Expected credit losses expense	-	-
Employment on-costs	1	1
Total other expenses	35	35
Total other expenditure	3,799	4,117

(a) Included within rental costs are variable lease payments and low value leases of up to \$5,000. This amount also includes lease payments for Government Office accommodation properties. Refer to note 6.1 for short-term and low value leases expense.

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

Rental expenses include:

- i) Short-term leases with a lease term of 12 months or less;
- ii) Low-value leases with an underlying value of \$5,000 or less; and
- iii) Lease payments for government office accommodation properties, recognised in the period in which the event or condition that triggers those payments occurs.

Repairs, maintenance and cleaning costs are recognised as expenses as incurred.

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Expected credit losses is an allowance of trade receivables and is measured at the lifetime expected credit losses at each reporting date. The ERA has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Please refer to note 5.1 Movement in the allowance for impairment of trade receivables.

Employee on-costs includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liabilities is included at note 2.1(b) Employee related provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

3. Our funding sources

How we obtain our funding

This section provides additional information about how the ERA obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the ERA and the relevant notes are:

	Notes	2020 (\$'000)	2019 (\$'000)
Regulatory fees	3.1	12,836	11,660
Income from State Government	3.2	2,707	2,344
Other revenue	3.3	59	247
		12,836	11,660

	2020 (\$'000)	2019 (\$'000)
Standing charges	6,044	5,209
Specific charges	462	654
Licence fees and charges	338	316
Regulatory market fees	5,917	5,254
Water audit cost recovery	75	227
	12,836	11,660

3.1 Regulatory fees

Until 30 June 2019, regulatory fees were recognised and measured at the fair value of consideration received or receivable. From 1 July 2019, revenue is recognised for the major business activities as follows:

- Standing charges and Specific charges are recognised over time. Revenue is raised in accordance with the:
 - Economic Regulation Authority (National Gas Access Funding) Regulations 2009;*
 - Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012;*
 - Economic Regulation Authority (Licensing Funding) Regulations 2014; and*
 - Economic Regulation Authority (Railways Access Funding) Regulations 2019.*
- Revenue from annual licence fees is recognised at the time the charge is levied on the licensee. The charges are levied in accordance with the *Economic Regulation Authority (Licensing Funding) Regulations 2014.*
- The ERA also recovers the costs of audits performed under the *Water Services Act 2012*. The revenue is recognised as soon as practical after the incurring of the expense.

- Regulatory fees for the recovery of the costs of the ERA in undertaking its Wholesale Electricity Market functions, in accordance with the Wholesale Electricity Market Rules, is recognised on an accrual basis in the accounting period in which the services are rendered.
- Regulatory fees for the recovery of the costs of the ERA in undertaking its Gas Retail Market function, in accordance with the Gas Retail Market Rules, is recognised at the time the charge is raised.
- Regulatory fees for the recovery of the costs of the ERA in undertaking its Gas Services Information function, in accordance with the *Gas Services Information Regulations 2012*, is recognised at the time the charge is raised.

The ERA typically satisfies its performance obligations in relation to regulatory fees when it issues invoices after the end of each quarter.

3.2 Income from State Government

	2020 (\$'000)	2019 (\$'000)
Appropriation received during the period:		
Service appropriation	2,439	2,056
	2,439	2,056
Services received free of charge from other State Government agencies during the period:		
Department of Finance - Depreciation of initial leasehold improvements	209	196
State Solicitor's Office - Legal Services	21	47
Department of the Premier and Cabinet - Finance System licence & support	38	45
Total services received	268	288
Total income from State Government	2,707	2,344

Service appropriations are recognised as income at the fair value of consideration received in the period in which the ERA gains control of the appropriated funds. The ERA gains control of appropriated funds at the time those funds are deposited in the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset).

The application of AASB 15 and AASB 1058 from 1 July 2019 has had no impact on the treatment of income from the State Government.

3.3 Other revenue

	2020 (\$'000)	2019 (\$'000)
Interest - bank ^(a)	29	51
Government vehicle scheme contributions from staff	20	26
Miscellaneous revenue	10	170
	59	247

(a) The ERA's bank account does not form part of the consolidated fund.

Other revenue is recognised as income at the fair value when received it becomes due and payable.

4. Key assets

Assets the ERA utilises for economic benefit or service potential

This section includes information regarding the key assets the ERA utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Notes	2020 (\$'000)	2019 (\$'000)
Plant and equipment	4.1	206	53
Right-of-use assets	4.2	61	-
Intangibles	4.3	-	4
Total key assets		267	57

4.1 Plant and equipment

	Computer equipment \$'000	Office equipment \$'000	Leasehold improvements \$'000	Total \$'000
Year ended 30 June 2020				
At 30 June 2019				
Open net book amount	49	4	-	53
Adjustment for change in accounting policy - AASB 16(a)	-	-	-	-
Restated opening net book amount	49	4	-	53
1 July 2019				
Gross carrying amount	375	33	-	408
Accumulated depreciation	(327)	(28)	-	(355)
Carrying amount at start of period	48	5	-	53
Additions	-	13	186	199
Disposals	-	-	-	-
Depreciation	(38)	(6)	(2)	(46)
Carrying amount at 30 June 2020	10	12	184	206
Gross carrying amount	375	30	186	591
Accumulated depreciation	(364)	(18)	(2)	(384)

Initial recognition

Items of plant and equipment costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no cost or significantly less than fair value, the cost is valued at its fair value at the date of acquisition. Items of plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

Subsequent measurement

All plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

4.1.1 Depreciation and impairment

Charge for the period

	Notes	2020 (\$'000)	2019 (\$'000)
<i>Depreciation</i>			
Computer equipment	4.1	38	45
Office equipment	4.1	6	7
Leasehold Improvements	4.1	2	-
Vehicles	4.1	46	-
Total depreciation for the period		92	52

As at 30 June 2020, there were no indications of impairment to plant and equipment.

All surplus assets at 30 June 2020 have either been classified as assets held for sale or have been written off.

Finite useful lives

All plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful life: years
Computer equipment	3 to 5 years
Office equipment	5 years
Leasehold Improvements	10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period and adjustments are made if appropriate.

Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

4.2 Right-of-use assets

	2020 (\$'000)	2019 (\$'000)
Right-of-use assets		
Vehicles	94	-
Accumulated Depreciation	(33)	-
Net carrying amount at 30 June 2020	61	-

Additions to right-of-use assets during the 2020 financial year were \$32,718.

Initial recognition

Right-of-use assets are measured at cost including the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs, including dismantling and removing the underlying asset.

The ERA has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

Subsequent measurement

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

If ownership of the leased asset transfers to the ERA at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in note 4.1.1.

The following amounts relating to leases have been recognised in the Statement of Comprehensive Income.

	2020 (\$'000)	2019 (\$'000)
Vehicles	46	-
Total right-of-use asset depreciation	46	-
Lease interest expense	1	-
Expenses relating to variable lease payments not included in lease liabilities	-	-
Short-term leases	-	-
Low-value leases	-	-

The total cash outflow for leases accounted for under AASB 16 in 2020 was \$44,574.

The ERA has leases for vehicles and office accommodation.

The ERA has entered into a Memorandum of Understanding Agreement (MOU) with the Department of Finance for the leasing of office accommodation. This is not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.

Up to 30 June 2019, the ERA classified leases as either finance leases or operating leases. From 1 July 2019, the ERA recognises leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in note 6.1.

4.3 Intangible assets

	Computer software \$'000
Year ended 30 June 2020	
1 July 2019	
Gross carrying amount	46
Accumulated amortisation	(42)
Carrying amount at start of period	4
Additions	-
Amortisation expense	(4)
Carrying amount at 30 June 2020	-

Initial recognition

Intangible assets are initially recognised at cost. For assets acquired at significantly less than fair value, the cost is their fair value at the date of acquisition.

Acquisitions of intangible assets costing \$5,000 or more are capitalised. Costs incurred below \$5,000 are immediately expensed directly to the Statement of Comprehensive Income

Subsequent measurement

The cost model is applied for subsequent measurement of intangible assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

4.3.1 Amortisation and impairment

Charge for the period

	2020 (\$'000)	2019 (\$'000)
Computer software	4	5
Total amortisation for the period	4	5

As at 30 June 2020, there were no indications of impairment to intangible assets. The ERA held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the ERA have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

The estimated useful life for the ERA's computer software is 3 to 5 years. This software is not integral to the operation of any related hardware.

Impairment of intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually or when an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in Note 4.1.1.

5. Other assets and liabilities

This section sets out those assets and liabilities that arose from the ERA's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Notes	2020 (\$'000)	2019 (\$'000)
Receivables	5.1	3,131	3,438
Amounts receivable for services	5.2	577	607
Other assets	5.3	211	213
Payables	5.4	656	636

5.1 Receivables

	2020 (\$'000)	2019 (\$'000)
Current		
Trade receivables	1,181	1,577
Accrued revenue	1,833	1,776
GST receivable	117	85
Total current	3,131	3,438
Total receivables	3,131	3,438

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

5.2 Amounts receivable for services (Holding account)

	2020 (\$'000)	2019 (\$'000)
Current	232	315
Non-current	345	292
Balance at end of period	577	607

Amounts receivable for services represent the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement.

Amounts receivable for services are considered not impaired (i.e. there is no expected credit loss of the Holding account).

5.3 Other assets

	2020 (\$'000)	2019 (\$'000)
Current		
Prepayments	209	210
Total current	209	210
Non-current		
Prepayments	2	3
Total non-current	2	3
Balance at end of period	211	213

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

5.4 Payables

	2020 (\$'000)	2019 (\$'000)
Current		
Trade payables	135	371
Other payables	50	53
Accrued expenses	361	177
Accrued salaries	110	35
Balance at end of period	656	636

Payables are recognised at the amounts payable when the ERA 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.

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight after the reporting period. The ERA considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (see note 6.3 'Restricted cash and cash equivalents') consists of amounts paid annually, from agency appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

6. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the ERA.

	Notes
Lease liabilities	6.1
Finance costs	6.2
Cash and cash equivalents	6.3
Commitments	6.4
Non-cancellable operating lease commitments	6.4.1
Other expenditure commitments	6.4.2

6.1 Lease liabilities

	2020	2019
	(\$'000)	(\$'000)
Current	27	-
Non current	34	-
	61	-

The ERA measures a lease liability, at the commencement date, at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the ERA uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments included by the ERA as part of the present value calculation of lease liability include:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options (where these are reasonably certain to be exercised);
- Payments for penalties for terminating a lease, where the lease term reflects the ERA exercising an option to terminate the lease.

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Periods covered by extension or termination options are only included in the lease term by the ERA if the lease is reasonably certain to be extended (or not terminated).

This section should be read in conjunction with note 4.2.

Subsequent measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

6.2 Finance costs

	2020	2019
	(\$'000)	(\$'000)
Lease interest expense	1	-
Finance costs expensed	1	-

Finance costs include the interest component of lease liability repayments.

6.3 Cash and cash equivalents

	2020	2019
	(\$'000)	(\$'000)
Cash and cash equivalents	6,626	4,181
Restricted cash and cash equivalents		
• accrued salaries suspense account ^(a)	118	88
• Indian Ocean Territories ^(b)	49	53
	6,793	4,322

(a) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year. This account is classified as non-current for 10 out of 11 years.

(b) Funds provided by the Commonwealth for services undertaken by the ERA in regards to the Indian Ocean Territories.

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

6.4 Commitments

6.4.1 Non-cancellable operating lease commitments

	2020	2019
	(\$'000)	(\$'000)
Commitments for minimum lease payments are payable as follows:		
• Within 1 year	659	717
• Later than 1 year and not later than 5 years	1,318	2,022
Balance at end of period	1,977	2,739

From 1 July 2019, the ERA has recognised the right-of-use assets and corresponding lease liability for all non-cancellable operation lease commitments, apart from short term and low value leases and leases for Government office accommodation. Refer to note 6.1.

6.4.2 Other expenditure commitments

Other expenditure commitments for operational expenditure

contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

	2020 (\$'000)	2019 (\$'000)
Within 1 year	764	653
Later than 1 year and not later than 5 years	-	62
	<u>764</u>	<u>715</u>

The amounts are GST inclusive.

Judgements made by management in applying accounting policies - operating lease commitments

The ERA has a lease for office accommodation. It has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, the lease has been classified as an operating lease.

7. Financial instruments and contingencies

	Note
Financial instruments	7.1
Contingent assets and liabilities	7.2

7.1 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:

	2020 (\$'000)	2019 (\$'000)
Financial assets		
Cash and cash equivalents	6,626	4,181
Restricted cash and cash equivalents	167	141
Financial assets at amortised cost ^(a)	3,591	3,960
Total financial assets	<u>10,384</u>	<u>8,282</u>
Financial liabilities		
Financial liabilities at amortised cost	656	636
Total financial liabilities	<u>656</u>	<u>636</u>

(a) The amount of financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).

7.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed and, if quantifiable, are measured at the best estimate. The ERA has no contingent assets or contingent liabilities.

8. Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	8.1
Initial application of Australian Accounting Standards	8.2
Key management personnel	8.3
Related party transactions	8.4
Remuneration of auditors	8.5
Equity	8.6
Supplementary financial information	8.7
Explanatory statement	8.8

8.1 Events occurring after the end of the reporting period

There were no events occurring after the end of the reporting period.

8.2 Initial application of Australian Accounting Standards

(a) AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 *Revenue* for annual reporting periods on or after 1 January 2019. Under the new model, an entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer and is based upon the transfer of control rather than transfer of risks and rewards.

AASB 15 focuses on providing sufficient information to the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Revenue is recognised by applying the following five steps:

- Identifying contracts with customers;
- Identifying separate performance obligations;
- Determining the transaction price of the contract;
- Allocating the transaction price to each of the performance obligations;
- Recognising revenue when or as each performance obligation is satisfied.

Revenue is recognised either over time or at a point in time. Any distinct goods or services are separately identified and any discounts or rebates in the contract price are allocated to the separate elements.

In addition, income other than from contracts with customers are subject to AASB 1058 *Income of Not-for-Profit Entities*. Income recognition under AASB 1058 depends on whether such a transaction gives rise to liabilities or a contribution by owners related to an asset (such as cash or another asset) recognised by the ERA.

The ERA adopts the modified retrospective approach on transition to AASB 15 and AASB 1058. No comparative information is restated under this approach, and the ERA recognises the cumulative effect of initially applying the standards as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application (1 July 2019).

Under this transition method the ERA applies the standards retrospectively only to contracts that are not completed at the date of initial application.

Refer to notes 3.1, 3.2 and 3.3 for the revenue and income accounting policies adopted from 1 July 2019.

The effect of adopting AASB 15 and AASB 1058 as at 1 July 2019 was assessed as not material, and so no adjustment was required to be recognised.

(b) AASB 16 Leases

AASB 16 *Leases* supersedes AASB 117 *Leases and related Interpretations*. AASB 16 primarily affects lessee accounting and provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

The ERA applies AASB 16 *Leases* from 1 July 2019 using the modified retrospective approach. As permitted under the specific transition provisions, comparatives are not restated. The cumulative effect of initially applying this standard is recognised as an adjustment to the opening balance of accumulated surplus/(deficit).

The main changes introduced by this standard include identification of a lease within a contract and a new lease accounting model for lessees that require lessees to recognise all leases (operating and finance leases) on the Statement of Financial Position as right-of-use assets and lease liabilities, except for short term leases (lease terms of 12 months or less at commencement date) and low-value assets (where the underlying asset is valued less than \$5,000). The operating lease and finance lease distinction for lessees no longer exists.

Under AASB 16, the ERA takes into consideration all operating leases that were off balance sheet under AASB 117 and recognises:

- Right-of-use assets and lease liabilities in the Statement of Financial Position, initially measured at the present value of future lease payments, discounted using the incremental borrowing rate (2.5%) on 1 July 2019.
- Depreciation of right-of-use assets and interest on lease liabilities in the Statement of Comprehensive Income.
- The total amount of cash paid as principal amount, which is presented in the cash flows from financing activities, and interest paid, which is presented in the cash flows from operating activities, in the Statement of Cash Flows.

In relation to leased vehicles that were previously classified as finance leases, their carrying amount before transition is used as the carrying amount of the right-of-use assets and the lease liabilities as of 1 July 2019.

The ERA measures concessionary leases that are of low value terms and conditions at cost of inception. There is no financial impact as the ERA is not in possession of any concessionary leases at the date of transition.

The right-of-use assets are assessed for impairment at the date of transition and the ERA has not identified any impairments to its right-of-use assets.

On transition, the ERA has elected to apply the following practical expedients in the assessment of their leases that were previously classified as operating leases under AASB 117:

- A single discount rate has been applied to a portfolio of leases with reasonably similar characteristics;
- The ERA has relied on its assessment of whether existing leases were onerous in applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. The ERA has adjusted the right-of-use asset at 1 July 2019 by the amount of any provisions included for onerous leases recognised in the Statement of Financial Position at 30 June 2019;
- Where the lease term at initial application ended within 12 months, the ERA has accounted for these as short-term leases;
- Initial indirect costs have been excluded from the measurement of the right-of-use asset;
- Hindsight has been used to determine if the contracts contained options to extend or terminate the lease.

The ERA has not reassessed whether existing contracts are, or contained a lease at 1 July 2019. The requirements of paragraphs 9-11 of AASB 16 are applied to contracts that came into existence post 1 July 2019.

a. Measurement of lease liabilities

Operating lease commitments disclosed as at 30 June 2019	2,739
Less:	
Government accommodation leases not recognised as a liability	2,646
Restated operating lease commitments disclosed at 30 June 2019	93
Discounted using incremental borrowing rate at date of initial application ¹	91
Add:	
Finance lease liabilities recognised as at 30 June 2019	-
Less:	
Short term leases not recognised as liability	-
Low value leases not recognised as liability	-
Lease liabilities recognised at 1 July 2019	91
Current lease liabilities	50
Non-current lease liabilities	41

¹ The WATC incremental borrowing rate was used for the purposes of calculating the lease transition opening balance.

8.3 Key management personnel

The ERA has determined key management personnel to include cabinet ministers, Governing Body members and senior officers of the ERA. The ERA does not incur expenditure to compensate Ministers and those disclosures may be found in the *Annual Report on State Finances*.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for members of the Governing Body (accountable authority) of the ERA for the reporting period are presented within the following bands:

Compensation band (\$)	2020	2019
140,001 - 150,000	2	2
470,001 - 480,000	1	1

No members of the Governing Body are members of the Pension Scheme.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the ERA for the reporting period are presented within the following bands:

Compensation band (\$)	2020	2019
140,001 - 150,000	2	-
180,001 - 190,000	1	1
200,001 - 210,000	1	1
210,001 - 220,000	-	1
250,001 - 260,000	2	1
260,001 - 270,000	1	-
270,001 - 280,000	-	2
280,001 - 290,000	1	-
380,001 - 390,000	-	1
400,001 - 410,000	1	-

No senior officers are members of the Pension Scheme.

The total employment benefits for the members of the accountable authority and senior officers are:

	2020 (\$'000)	2019 (\$'000)
Total compensation of key management personnel	2,914	2,564

Total compensation includes the superannuation expense incurred by the ERA in respect of the Governing Body and senior officers. Key management personnel numbers have increased from ten in 2019 to twelve in 2020 with the addition of two senior staff members to the Corporate Executive team.

8.4 Related party transactions

The ERA is independent of direction or control by the State, or any Minister or officers of the State in performing its functions. However, under section 28(2) and 28(3) of the *Economic Regulation Authority Act 2003*, the relevant Minister may give direction to the ERA on administration and financial administration matters.

Related parties of the ERA include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- members of the Governing Body and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other agencies and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly owned public sector entities); and
- the Government Employees Superannuation Board (GESB).

Material transactions with other related parties

Outside of normal citizen type transactions with the ERA, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled or jointly controlled entities.

8.5 Remuneration of auditors

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

	2020 (\$'000)	2019 (\$'000)
Auditing the accounts, financial statements, controls and key performance indicators	34	34

8.6 Equity

	2020 (\$'000)	2019 (\$'000)
Contributed equity		
Balance at start of period	725	725
<i>Contributions by owners</i>		
Capital appropriation	-	-
Total contributions by owners	725	725
<i>Distributions to owners</i>	-	-
Total contributions to owners	-	-
Balance at end of period	725	725

8.7 Supplementary financial information

(a) Indian Ocean Territories

An agreement between the Treasurer and the ERA provided for the retention of moneys received by the ERA from the Commonwealth in respect of the Indian Ocean Territories. Revenue retained pursuant to this agreement is to be applied to the ERA's services. Money received by the ERA in respect of the services provided are credited to the ERA's operating bank account.

	2020 (\$'000)	2019 (\$'000)
Balance at start of period	53	58
Receipts	-	-
Payments	(4)	(5)
Balance at end of period	49	53

(b) Write-offs

There were no write-offs by the accountable authority during the financial year.

	2020 (\$'000)	2019 (\$'000)
Standing charge	-	1
	-	1

(c) Invoices not raised for minor amounts

During the financial year, invoices were not raised for Standing charges where the amount was less than \$5 or for interest on overdue invoices where the amount was less than \$5.

Invoices not raised for Standing charges in 2019-20 \$49.87

Invoices not raised for Standing charges in 2018-19 \$66.28

Invoices not raised for overdue invoices in 2019-20 \$51.14

Invoices not raised for overdue invoices in 2018-19 \$61.42

(d) Services provided free of charge

During the year, the following services were provided to other agencies free of charge for functions outside the normal operations of the ERA:

	2020 (\$'000)	2019 (\$'000)
W.A. Energy Disputes Arbitrator - administrative support	16	12
	16	12

8.8 Explanatory Statement

All variances between estimates (original budget) and actual results for 2020, and between the actual results for 2020 and 2019 are shown below. Narratives are provided for key major variances, which are generally greater than 10% and \$1 million:

8.8.1 Statement of Comprehensive Income variances

	Variance note	Estimate 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000	Variance between estimate and 2020 actual \$'000	Variance between actual results for 2020 and 2019 \$'000
Statement of Comprehensive Income						
Expenses						
Employee benefits expense		10,716	9,862	9,237	(854)	625
Supplies and services		3,125	2,655	2,962	(470)	(307)
Depreciation and amortisation expense		675	96	57	(579)	39
Finance costs		75	1	-	(74)	1
Accommodation expenses		343	1,109	1,120	766	(11)
Other expenses		58	35	35	(23)	-
Total Cost of services		14,992	13,758	13,411		
Income						
<i>Revenue</i>						
Regulatory fees	A	12,233	12,836	11,660	603	1,176
Interest revenue		50	29	51	(21)	(22)
Other revenue		33	30	196	(3)	(166)
Total revenue		12,316	12,895	11,907		
Total income other than income from State Government		12,316	12,895	11,907		
NET COST OF SERVICES		(2,676)	(863)	(1,504)		
Income from State Government						
Service appropriation		2,439	2,439	2,056	-	383
Services received free of charge		266	268	288	2	(20)
Total income from State Government		2,705	2,707	2,344		
SURPLUS/(DEFICIT) FOR THE PERIOD		29	1,844	840		
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		29	1,844	840		

Budget has been restated for disclosure purposes to align with the format in the Financial Statements.

Major actual (2020) and comparative (2019) variance narratives

A. The ERA recoups its costs from industry (refer to note 3.1). This revenue varies from year to year as the regulatory fees are based on total expenditure and the staff time spent on industry funded functions. Overall expenditure was higher in 2020 than in 2019, and a higher percentage of staff time was spent on industry funded functions, resulting in an increase in revenue.

8.8.2 Statement of Financial Position variances

All variances between estimates (original budget) and actual results for 2020, and between the actual results for 2020 and 2019 are shown below. Narratives are provided for key major variances, which are generally greater than 10% and \$1 million.

	Variance notes	Estimate 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000	Variance between estimate and 2020 actual \$'000	Variance between actual results for 2020 and 2019 \$'000
Statement of Financial Position						
ASSETS						
Current assets						
Cash and cash equivalents	1,A	2,901	6,626	4,181	3,725	2,445
Restricted cash and cash equivalents		58	49	53	(9)	(4)
Receivables		3,623	3,131	3,438	(492)	(307)
Amounts receivable for services		17	232	315	215	(83)
Other current assets		138	209	210	71	(1)
Total current assets		<u>6,737</u>	<u>10,247</u>	<u>8,197</u>		
Non-current assets						
Restricted cash and cash equivalents		118	118	88	-	30
Amounts receivable for services		275	345	292	70	53
Plant and equipment	2	2,179	206	53	(1,973)	153
Right of use assets		-	61	-	61	61
Intangible assets		-	-	4	-	(4)
Other non-current assets		2	2	3	-	-
Total non-current assets		<u>2,574</u>	<u>732</u>	<u>440</u>		
TOTAL ASSETS		<u>9,311</u>	<u>10,979</u>	<u>8,637</u>		
LIABILITIES						
Current liabilities						
Payables		350	656	636	306	20
Lease liabilities		532	27	-	(505)	27
Employee related provisions		1,824	2,257	1,929	433	328
Total current liabilities		<u>2,706</u>	<u>2,940</u>	<u>2,565</u>		
Non-current liabilities						
Lease liabilities	3	1,319	34	-	(1,285)	34
Employee related provisions		284	429	340	145	89
Total non-current liabilities		<u>1,603</u>	<u>463</u>	<u>340</u>	<u>(1,140)</u>	<u>123</u>
TOTAL LIABILITIES		<u>4,309</u>	<u>3,403</u>	<u>2,905</u>	<u>(906)</u>	<u>498</u>
NET ASSETS		<u>5,002</u>	<u>7,576</u>	<u>5,732</u>		
EQUITY						
Contributed equity		725	725	725	-	-
Accumulated surplus/(deficit)	4,B	4,273	6,851	5,007	2,578	1,844
TOTAL EQUITY		<u>4,998</u>	<u>7,576</u>	<u>5,732</u>		

Major estimate and actual (2020) variance narratives

1. Cash and cash equivalents are higher than the budget estimate. This was mainly because the budget anticipated more expenditure against employee benefits and supplies and services. The delay in advertising some new positions, and the postponing of the State Government's Container Deposit Scheme, have contributed to the difference between the budget and actual.
2. and 3.
At the time of the budget estimates, AASB 16 required the ERA to recognise its accommodation lease as a right of use asset and a liability. In May 2020, the Department of Treasury advised the ERA that Government Office Accommodation inter-agency agreements do not fall under the scope of AASB 16. The ERA's office accommodation agreement is now not reported on the statement of financial position for actuals or budgeting purposes and is reflected as an expense as incurred.
4. The accumulated surplus exceeded the budget as revenue was higher than expected due to a higher percentage of staff time being spent on industry funded functions, and employee benefits and supplies and expenses were less than expected due to delays in recruitment and postponement of projects due to COVID-19.

Major actual (2020) and comparative (2019) variance narratives

- A. Cash increased by \$2.4 million in 2020. This was due to an increase in appropriation, and an increase in revenue from regulatory fees as a greater percentage of staff time was spent on industry funded functions.
- B. The ERA's surplus was \$1.8 million more in 2020 than in 2019 as revenue was higher than expected due to a greater percentage of staff time being spent on industry funded functions. Delays in the recruitment of staff and the postponement of projects resulted in lower costs in employee expenses and supplies and services which also contributed to this increase.

8.8.3 Statement of Cash Flows variances

All variances between estimates (original budget) and actual results for 2020, and between the actual results for 2020 and 2019 are shown below. Narratives are provided for key major variances, which are generally greater than 10% and \$1 million.

	Variance notes	Estimate 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000	Variance between estimate and 2020 actual \$'000	Variance between actual results for 2020 and 2019 \$'000
Statement of Cash Flows						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation		2,439	2,439	2,056	-	383
Holding account drawdowns		315	30	-	(285)	30
Net cash provided by State Government		<u>2,754</u>	<u>2,469</u>	<u>2,056</u>		
Utilised as follows:						
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits	1	(10,754)	(9,370)	(9,042)	1,384	(328)
Supplies and services		(2,812)	(2,650)	(2,662)	162	12
Finance costs		(75)	(1)	-	74	(1)
Accommodation		(368)	(900)	(924)	(532)	24
GST payments on purchases		(325)	(370)	(372)	(45)	2
Other payments		(47)	(35)	(35)	12	-
Receipts						
Regulatory fees	A	12,194	13,176	11,723	982	1,453
Interest received		55	29	51	(26)	(22)
GST receipts on sales		84	44	88	(40)	(44)
GST receipts from taxation authority		209	293	268	84	25
Other receipts		18	30	196	12	(166)
Net cash provided by/(used in) operating activities		<u>(1,821)</u>	<u>246</u>	<u>(709)</u>		
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current physical assets		(315)	(199)	-	116	(199)
Net cash provided by/(used in) investing activities		<u>(315)</u>	<u>(199)</u>	<u>-</u>		
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments						
Repayment lease liability		-	(45)	-	(45)	(45)
Net increase/(decrease) in cash and cash equivalents		618	2,471	1,347		
Cash and cash equivalents at the beginning of period		3,301	4,322	2,975		
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		<u>3,919</u>	<u>6,793</u>	<u>4,322</u>		

Budget has been restated for disclosure purposes to align with the format in the Financial Statements.

Major estimate and actual (2020) variance narratives

1. The Economic Review Committee approved an increase in ERA's salary cap to allow it to employ new staff to cover additional regulatory functions the ERA had been given. There was a delay in advertising some of the new positions, and two positions were not filled as the State Government's Container Deposit Scheme was postponed until October 2020. This resulted in lower than expected expenditure.

Major actual (2020) and comparative (2019) variance narratives

- A. The ERA's regulatory fees vary from year to year as the fees are based on total expenditure and the staff time spent on industry funded functions. Regulatory fees revenue increased from \$11.723 million in 2019 to \$13.176 million in 2020 due to overall expenditure being higher in 2020 than in 2019, and a greater percentage of staff time was spent on industry funded functions, this resulted in an increase in revenue.

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 Economic Regulation Authority's performance, and fairly represent the performance of the Economic Regulation Authority for the financial year ended 30 June 2020.



Ms Catherine Lewis
Chief Finance Officer

7 September 2020



Ms Nicola Cusworth
Chair of Accountable Authority

7 September 2020



Dr Ray Challen
Member of Accountable Authority

7 September 2020



Mr Greg Watkinson
Member of Accountable Authority

7 September 2020

KEY PERFORMANCE INDICATORS

The ERA is Western Australia's independent economic regulator. Our role is to regulate the gas, electricity and rail industries, and license providers of gas, electricity and water services. We also conduct inquiries into economic matters referred to us by the State Government, provide support to the independent Rule Change Panel, and have a range of regulatory and review roles in the Wholesale Electricity Market and retail gas market.

We aim to ensure that the delivery of water, electricity, gas and rail services in Western Australia is in the long-term interest of consumers. Our functions are designed to maintain a competitive, efficient and fair commercial environment.

The ERA contributes to the government goal of "Better places: A quality environment with liveable and affordable communities and vibrant regions." Our desired outcome in support of this goal is "the efficient, safe and equitable provision of utility services in Western Australia."

Our role means we cannot achieve this outcome directly but can play a part in its achievement. Our contribution to this goal is embedded in our strategic plan, which states that the ERA's purpose is "to promote the interests of Western Australian consumers through independent regulation, analysis and advice, now and into the future."

Under the *Economic Regulation Authority Act 2003*, the ERA's key performance indicators are limited to management functions, including financial management. The ERA Secretariat prepares submissions that are considered by the Governing Body when making a decision. Our performance indicators are therefore the quality, quantity and cost of those submissions.

Key effectiveness indicators

The ERA's key effectiveness indicators are:

Quantity: Number of submissions made to the ERA Governing Body.

Quality: Rating by the ERA Governing Body of the content, accuracy and presentation of these submissions.

Timeliness: Percentage of submissions provided by the required deadline.

Rating by the ERA Governing Body of their perception of the timeliness of submissions.

2019/20 performance – Effectiveness

Quantity

The submission process was revised by the Governing Body in June 2018. Briefing notes rather than formal submissions are now presented to the Governing Body in the early stages of the decision-making process. This change to process has reduced the number of submissions being rated by the Governing Body since June 2018.

The Governing Body considered 199 submissions during 2019/20. The Governing Body met 19 times during the year to consider 103 of the submissions and reviewed 96 submissions electronically out of session.

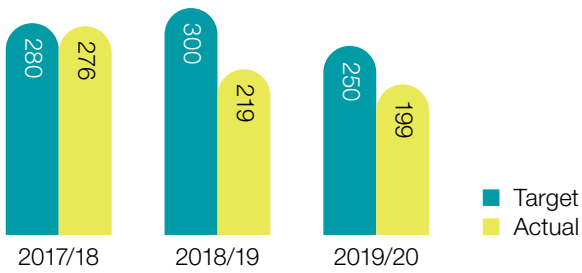
The total number of submissions was lower than the 2019/20 target of 250. The number of submissions was lower for a number of reasons. For example, the ERA relaxed deadlines for utility licence audits and reviews due to the COVID-19 pandemic, resulting in fewer reports for the Governing Body's endorsement. Some utility licence applications were also withdrawn due to COVID-19.

The ERA did not receive a new inquiry in 2019/20 as expected, following completion of the business licensing inquiry in February 2019. A new inquiry would generate a number of submissions, including an agreed scope, issues paper, and draft and final reports.

Compared to the previous financial year, there was a 9 per cent decrease in the number of submissions provided to the Governing Body.

The target number of submissions is based on estimates provided by each division at the beginning of the year. The actual and target number of submissions varies on an annual basis due to the cyclical nature of regulation.

Quantity (Submissions)



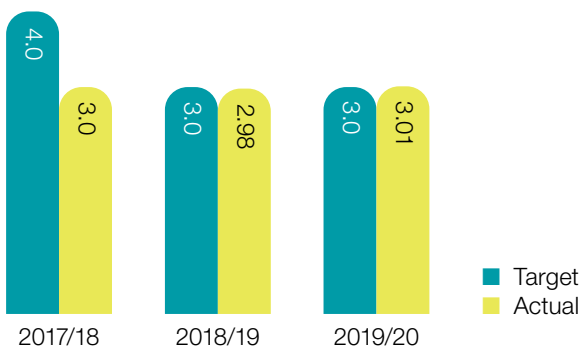
Quality

At each meeting, the Governing Body considers the relevance, accuracy and readability of the Secretariat’s submissions and provides an overall rating of their satisfaction using a scale of one to five.¹

The Governing Body rates a submission as 3.0 (satisfactory) if it meets expectations for quality. The target that was set at the beginning of the year was 3.0.

For 2019/20, the average rating for quality of submissions was 3.01. This was slightly over the target.

Quality (Submissions)



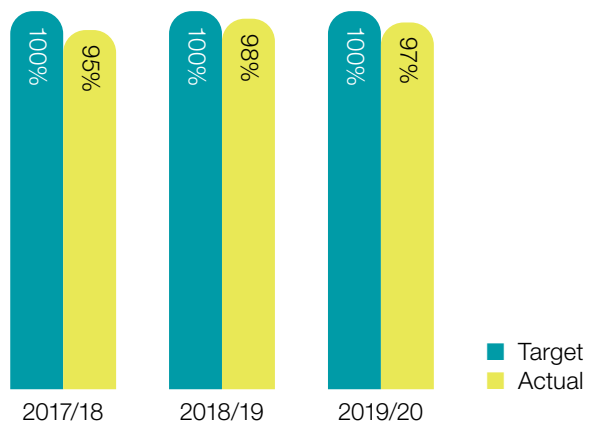
Timeliness – Legislative deadlines achieved

In 2019/20, 39 of the 199 submissions were for decisions with legislative time limits, compared to 43 out of 219 submissions in 2018/19.

Thirty-eight out of the 39 submissions with legislative deadlines were completed on time (or 97 per cent).

The decision that did not meet its timeline was the final decision on the access arrangement review for the Mid-West and South-West Gas Distribution Systems. The deadline for making this decision was 11 November 2019. The decision was published four days after the deadline on 15 November 2019.

Timeliness (Legislative deadlines achieved) (%)



Timeliness – Governing Body rating

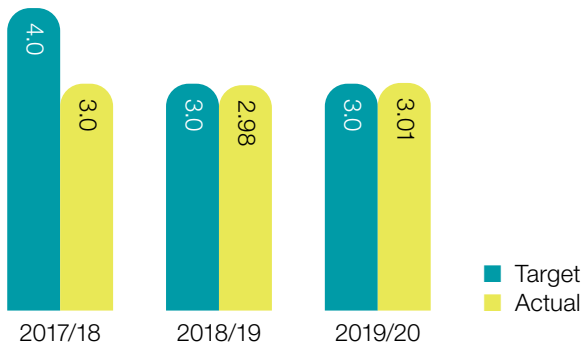
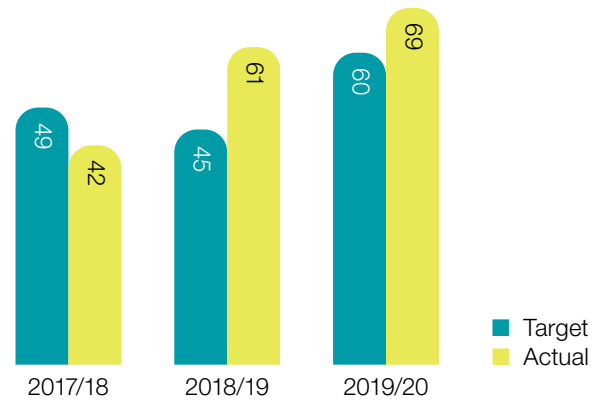
The Secretariat tracks internal deadlines for providing submissions to the Governing Body, in addition to measuring legislative timeframes.

The Governing Body rates each submission for timeliness, using the same scale of one to five used for quality, at each meeting.

The Governing Body rates a submission at 3.0 (satisfactory) if it meets their expectations for timeliness. The target that was set at the beginning of the year was 3.0.

The average rating for timeliness for the year was 3.01, which was slightly above the 2019/20 target of 3.0.

¹ one = well below expectations, two = below expectations, three = satisfactory, four = above expectations and five = well above expectations

Timeliness – Governing Body rating**Average cost (Per submission) (\$000)****Key efficiency indicator**

The ERA's key efficiency indicator is cost per submission made to the Governing Body. The cost includes staffing costs and any other resources involved in preparing the submission.

2019/20 performance – Efficiency

The total cost of the ERA's operations for 2019/20 was \$13.758 million, compared to an expenditure limit of \$14.992 million published in the budget estimates. There were 199 submissions compared to the target of 250.

The average cost per submission was \$69,136 against the target of \$59,968. The actual average cost per submission was higher than the target due to the number of submissions being lower than budgeted.

MINISTERIAL DIRECTIVES

The ERA is independent of direction or control by the State or any Minister of officer of the State in performing its regulatory functions.

However, under section 28(2) and 28(3) of the *Economic Regulation Authority Act 2003*, the Treasurer may give direction in writing to the ERA on administration matters. No ministerial directives were received during 2019/20.

	2017/18 actual	2018/19 actual	2019/20 target	2019/20 actual
Cost of services (\$ million)	11.488	13.411	14.992	13.758
Number of submissions	276	219	250	199
Average cost of submission (\$000)	42	61	60	69

OTHER FINANCIAL DISCLOSURES

Pricing policies of services provided

The ERA receives funding from regulated industries. This funding is on a full cost recovery basis.

The following table provides information about the instruments that allow this funding, the types of charges than can be made, and who is to pay.

Instrument	Type of charge	Liability
<i>Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012</i>	Specific charge Standing charge Document fee Interest fee	Regulated electricity networks
<i>Economic Regulation Authority (Licensing Funding) Regulations 2014</i>	Specific charge Standing charge Annual licence fee Interest charge	Gas licensees Water licensees Electricity licensees
<i>Economic Regulation Authority (National Gas Access Funding) Regulations 2009</i>	Specific charge Standing charge Document fee Meeting admission fee Interest charge	Regulated gas pipelines
<i>Economic Regulation Authority (Railways Access Funding) Regulations 2019</i>	Specific charge Standing charge	Regulated railways
Gas Retail Market Procedures	Regulator's fee	Market participants
Gas Services Information Rules	Regulator's fee	Market participants
<i>Water Services Act 2012</i>	Auditor's fee	Water licensees
Wholesale Electricity Market Rules	Regulator's fee	Market participants

Specific charge: Pass through of costs associated with an activity carried out for a particular service provider.

Standing charge: Calculation of costs to recover salaries and overheads that are not directly attributed to a particular service provider.

Annual licence fee: A fee set by the regulations that is charged to a licensee for each licence they hold on the anniversary of the licence grant date.

Document fee: Any cost of producing and providing documents prepared by, or on behalf of, the ERA.

Meeting admission fee: Any charge for admission to a meeting held by the ERA for the purposes of public consultation.

Regulator's fee: Calculation of costs to recover salaries and overhead costs of carrying out our Wholesale Electricity Market Rules and Gas Services Information Rules functions. This fee includes the costs of the independent Rule Change Panel.

Auditor's fee: Recovery of costs relating to engaging an independent auditor to undertake audits and reviews of asset management systems operated by water licensees.

Interest charge: Payable on any amount not paid within the allowed period of 30 days.

Under an agreement with the Commonwealth, the ERA is responsible for licensing water and electricity utilities on the Christmas and Cocos islands. Applications for licenses are yet to be received. Any costs incurred as a result of pre-lodgement negotiations will be recovered from the Commonwealth Government based on an agreed amount.

From 1 July 2019, the ERA has been able to recover the costs of its rail access functions from market participants, under the *Economic Regulation Authority (Railways Access Funding) Regulations 2019*.

Under the instruments allowing charges on regulated electricity and gas industries and the licensing regime, the ERA must disclose the total amount of standing and specific charges paid or payable in respect of the financial year to which the annual report relates from each entity in our annual report. This information is provided in the table below.

Service provider	Standing charges \$	Specific charges \$ (inc. GST)
AGL Sales Pty Ltd	16,069.50	-
Alcoa of Australia Ltd	7,631.85	-
Alinta Co-generation (Pinjarra) Pty Ltd	8,109.74	-
Alinta Co-generation (Wagerup) Pty Ltd	10,166.14	-
Alinta DEWAP Pty Ltd	6,599.23	-
Alinta Energy (Chichester) Pty Ltd	-	4,525.70
Alinta Energy Transmission (Chichester) Pty Ltd	1,526.20	401.80
Alinta Energy Transmission (Roy Hill) Pty Ltd	8,194.67	-
Alinta Sales Pty Ltd	180,191.76	-
Amanda Energy Pty Ltd	37.40	-
Aqua Ferre (Muchea) Pty Ltd t/a Muchea Water	-	7,472.90
Aqwest-Bunbury Water Corporation	8,035.87	-
Arc Infrastructure	72,556.78	1,908.50
ATCO Gas Australia Pty Ltd	1,068,855.20	182,199.16
ATCO Power Australia (Karratha) Pty Ltd	2,780.49	-
BHP Billiton Nickel West Pty Ltd	145.49	-
Blue Star Energy Pty Ltd	5.25	-
Bluewaters Power 1 Pty Ltd	6,641.66	-
Bluewaters Power 2 Pty Ltd	6,641.29	-
Busselton Water Corporation	5,088.46	-
Change Energy	29.63	-
City of Kalgoorlie-Boulder	5,902.65	-
CleanTech Energy Pty Ltd	38.85	-
Collgar Wind Farm Pty Ltd	5,972.24	-
DBNGP (WA) Nominees Pty Ltd	1,455,594.84	257,167.90
Emu Downs Wind Farm Joint Venture	2,317.07	-
Energy Developments Ltd	1,071.65	-
Enwave WA Pty Ltd	-	5,913.00
ERM Power Retail Pty Ltd	5.31	-
Esperance Gas Distribution Company Pty Ltd	137.85	-
Esperance Power Station Pty Ltd	695.39	-
Future Grid Energy Pty Ltd t/a FutureGrid Energy	-	3,290.00
Gascoyne Water Co-operative Ltd	84.37	-
Goldfields Gas Transmission Pty Ltd	590,098.16	12,830.40
Goldfields Power Pty Ltd	3,186.15	105.70

Service provider	Standing charges \$	Specific charges \$ (inc. GST)
Hamersley Iron Pty Ltd	1,185.78	-
Harvey Water (SWIMCO)	506.68	-
Horizon Power	35,974.78	-
IPower2 Pty Ltd and IPower Pty Ltd	5,685.97	-
Karara Power Pty Ltd	2,488.88	-
Merredin Energy Pty Ltd	2,375.00	-
Merredin Solar Farm Nominee Pty Ltd	2,896.33	-
Metro Power Company Pty Ltd	-	7,605.70
Moama Lifestyle Villages Pty Ltd	-	45.30
Mumbida Wind Farm Pty Ltd	1,592.98	-
NewGen Neerabup Partnership Pty Ltd	9,575.29	-
NewGen Power Kwinana Pty Ltd	9,494.18	-
Newmont Power Pty Ltd	40.44	-
Ord Irrigation Co-operative Ltd	124.02	-
Origin Energy Pty Ltd	5,722.54	-
Pacific Hydro Ltd	4,273.87	-
Perth Energy Pty Ltd	212.10	120.80
Perth Power Partnership	3,548.00	-
Public Transport Authority	72,556.80	-
RATCH-Aust Kemerton Pty Ltd	8,978.64	-
Robe River Mining Co Pty Ltd	155.37	-
Rottnest Island Authority	323.59	-
Roy Hill Infrastructure Pty Ltd	72,556.82	-
South32 Worsley Alumina Pty Ltd	3,316.31	-
Southern Cross Energy Partnership	14,563.38	542.60
Southern Cross Pipelines Pty Ltd	79,184.37	-
SRV GRSF Pty Ltd	289.63	-
Synergy (Electricity Generation and Retail Corporation)	267,360.54	-
TEC Hedland Pty Ltd	4,344.87	-
The Pilbara Infrastructure Pty Ltd	72,556.80	2,256.24
TMC Witchcliffe Pty Ltd	-	7,450.90
Tronox Management Pty Ltd	1,303.35	-
Walkaway Wind Power Pty Ltd	2,580.64	-
Water Corporation	557,335.41	-
Wesfarmers Kleenheat Gas Pty Ltd	77,785.66	-
Western Energy Pty Ltd	3,157.01	-
Western Power	1,106,005.75	13,000.00
Wind Portfolio Pty Ltd	3,765.24	-
WR Carpenter No 1 Pty Ltd	3,350.49	-
Yandin WF Pty Ltd as T/F Yandin WF Unit Trust	6,203.95	-
Totals	5,917,782.60	506,836.60

Capital works

Much of the ERA's office refurbishment, which took place in May 2020, is classified as capital works.

Capital works 2019/20 (\$000)

Capital item	Amount \$ (excluding GST)
Office equipment	13
Computer hardware	Nil
Leasehold improvements	186

Employment and industrial relations

The ERA's staff are employed under the Public Service Award 1992 and the Public Service and Government Officers SCA General Agreement 2017.

No industrial disputes were recorded during 2019/20.

At 30 June 2020, the ERA employs 68 public sector staff, three Governing Body members, three Rule Change Panel members and a Chief Executive Officer.

Staff numbers by category of employment 2019/20

Employment category	Number of staff at 30 June 2019	Number of staff at 30 June 2020
Permanent full-time	52	55
Permanent part-time	2	6
Part-time measured on an FTE basis	2	4.5
Fixed term full-time	5	6
Fixed term part-time	1	1
Total employees	60	68
Total FTE	58	65.5

Employment category	Male	Female	Total
Permanent full-time	27	28	55
Permanent part-time	0	6	6
Part-timed measured on an FTE basis	0	4.5	4.5
Fixed term full-time	2	4	6
Fixed term part-time	0	1	1
Total employees	29	39	68
Total FTE	29	36.5	65.5

Staff development

In 2019/20, ERA staff were offered a series of training programs that focused on leadership and management skills, including:

- Presentation and communication skills.
- Leading without a title.
- Effective people management.
- Developing self-confidence and assertiveness skills.
- Crucial conversations.

From March 2020 onward, all training was offered online due to the COVID-19 pandemic.

The ERA continued its participation in the successful inter-agency government mentoring program coordinated by the Department of Finance, which is now in its 15th year. Ten staff are participating in the 2020 program, either as mentors or mentees.

The ERA has joined a graduate program in partnership with the Department of Mines, Industry Regulation and Safety, Department of Jobs, Tourism, Science and Innovation and Department of Primary Industries and Regional Development. The ERA graduate will have the opportunity to rotate through some of these agencies as well as different areas of the ERA, and to participate in training with the Public Sector Commission.

Employee health and wellbeing

The wellbeing of staff is critical to creating a productive and efficient workplace. In 2019/20, human resource staff organised the following initiatives to improve health and wellbeing:

- Meditation training.
- Ergonomic assessments.
- Improved end of travel facilities to encourage riding to work.
- Mindfulness.

Workplace flu vaccinations could not take place as planned, as staff were working from home due to the COVID-19 pandemic. Instead, staff were encouraged to attend their local chemist to receive a flu vaccination and forward the receipt to human resources for reimbursement.

The ERA was assessed by the Cancer Council WA as a silver-rated Healthier Workplace, which is an organisation that has a growing commitment to workplace health and wellbeing. Human Resources staff also received training through the Workplace Health Coordinator program.

The ERA has a contract with PeopleSense to provide confidential counselling to employees and their family members. PeopleSense provided 19 sessions to staff in 2019/20.

Workers' compensation

The ERA complies with the requirements of the *Occupational Safety and Health Act 1984* and the *Workers' Compensation and Injury Management Act 1981*.

There were no workers' compensation claims during 2019/20 and no outstanding workers' compensation claims from prior periods. Training in injury management and workers' compensation was provided to line managers.

An injury management process is available to all staff on the intranet.

Unauthorised use of credit cards

Officers hold corporate credit cards where their functions warrant use of this facility. Staff are regularly reminded of the obligations to comply with our credit card policy.

In 2019/20, there was no unauthorised use of credit cards.

GOVERNANCE DISCLOSURES

Board and committee remuneration

Gross remuneration does not include accruals, travel allowance and/or reimbursements, Fringe Benefits Tax or superannuation.

ERA Governing Body

Position	Name	Type of remuneration	Period of membership	Gross remuneration in 2019/20
Chair	Nicola Cusworth	Annual	01/07/2019 - 30/06/2020	370,966
Member	Greg Watkinson	Annual	01/07/2019 - 30/06/2020	131,723
Member	Ray Challen	Annual	01/07/2019 - 30/06/2020	131,723
Total				634,412

Rule Change Panel

Position	Name	Type of remuneration	Period of membership	Gross remuneration in 2019/20
Chair	Peter Kolf	Annual	01/07/2019 - 30/06/2020	75,987
Member	Shaun Dennison	Annual	01/07/2019 - 30/06/2020	41,792
Member	Roland Sleeman	Annual	01/07/2019 - 30/06/2020	41,792
Total				159,571

Shares

As at 30 June 2020, no senior officers, firms of which senior officers are members, or entities which senior officers have substantial interests, had any interest in existing or proposed contracts with the ERA other than normal contracts of employment or service.

OTHER LEGAL REQUIREMENTS

Expenditure on advertising, market research, polling and direct mail

Under Section 175ZE of the *Electoral Act 1907*, all public sector agencies must disclose any expenditure on advertising, market research, polling and direct mail.

Expenditure	Service provider	Amount (\$)
Advertising	State Law Publisher Initiative	2,994.07 8,956.79
Market research	NA	Nil
Polling	NA	Nil
Direct mail	NA	Nil
Media advertising	NA	Nil
Total		11,950.86

Disability Access and Inclusion Plan

The ERA's Disability Access and Inclusion Plan covers the period 2018 to 2022. The plan includes 19 strategies across seven outcomes that intend to ensure that people with disability can equally access and interact with the ERA.

New staff are given an understanding of the plan as part of the ERA's induction program.

Disability Access and Inclusion Plan outcomes

1. People with disability have the same opportunities as other people to access the services of, and any events organised by, the ERA.
2. People with disability have the same opportunities as other people to access the building and other facilities of the ERA.
3. People with disability receive information from the ERA in a format that will enable them to access the information as readily as other people are able to access it.
4. People with disability receive the same level and quality of service from ERA staff as others.
5. People with disability have the same opportunities as others to make complaints to the ERA.
6. People with disability have the same opportunities as others to participate in any public consultation by the ERA.
7. People with disability have the same opportunities as others to obtain and maintain employment with the ERA.

Compliance with public sector standards and codes of ethics

The ERA is committed to promoting integrity in official conduct and achieving high standards of compliance with Public Sector Standards, the Public Sector Code of Ethics and the ERA's Code of Conduct.

Staff undertake mandatory training including:

- Public sector introduction (for staff new to the sector).
- Accountable and ethical decision-making.
- Recordkeeping.
- Equal opportunity law.

A detailed induction program is organised for new staff where the grievance and public interest disclosure processes are explained. New staff are required to declare any conflicts of interest and existing staff are encouraged to review any declared conflicts each year.

Public sector standards compliance issues 2019/20

Compliance issues with public sector standards	0
Compliance issues with the Code of Ethics	0
Compliance issues with the ERA Code of Conduct	1

In 2019/20, the ERA conducted an investigation into one employee's compliance with the ERA Code of Conduct. The employee was found to have breached the sections of the code on conflicts of interest, and gifts and benefits, by undertaking external employment without written approval. The ERA accepted the employee's resignation with immediate effect.

Recordkeeping

The ERA completed the statutory five-yearly review of its Recordkeeping Plan in November 2019. The review identified that the current plan needs revising, mainly due to the ERA working more electronically since the last review. Given the electricity reforms currently being proposed by Government and the impact these will have on the functions and operations of the ERA, we informed the State Records Commission that a revised plan would be submitted before July 2021. However, it is likely that this date may need to be extended, given the impact of COVID-19 and delays to the reform program.

All ERA staff receive a records induction as part of the broader induction program. This includes a meeting with the Records Coordinator, an overview of recordkeeping responsibilities under the *State Records Act 2000*, and an introduction to the ERA's records management system.

Complaints handling

The ERA may receive complaints in three main areas: the administration of the Secretariat, employment, and its regulatory functions.

Administration and employment-related complaints are dealt with under the Western Australian Public Sector Code of Ethics, and the ERA's Code of Conduct and conflict of interest policy

GOVERNMENT POLICY REQUIREMENTS

Substantive equality

The ERA ensures that all people are treated fairly and recognised for diversity. More than 60 per cent of the ERA's staff come from culturally diverse backgrounds.

Principles of equality are reflected in all ERA policies and processes. Every year, new staff are encouraged to undergo training in equal opportunity law, delivered by officers from the Equal Opportunity Commission.

Occupational safety, health and injury management

The ERA's executive team is committed to providing a safe, healthy and accident-free workplace for staff, contractors and visitors, and complying with the *Occupational Safety and Health Act 1984* and *Workers' Compensation and Injury Management Act 1981*.

In 2019/20, the ERA expanded the membership of the Occupational Safety and Health (OSH) Committee, which is made up of employee and management representatives. The OSH Committee regularly inspects the workplace and presents a report to the executive on issues to be addressed. The ERA also undertook an independent assessment of OSH and injury management functions and is in the process of implementing the recommendations.

From mid-March to mid-June 2020, ERA staff mostly worked from home due to the COVID-19 pandemic and the refurbishment of the office. The OSH Committee provided valuable advice and feedback on both the refurbishment project and the formation of the ERA's post-COVID return to work plan.

All staff were offered online ergonomic assessments to ensure their home offices were set up safely.

Performance against OSH targets in 2019/20

Indicator	2019/20 target	2019/20 actual
Number of fatalities	0	0
Lost time injury/disease incidence rate	0	0
Lost time injury severity rate	0	0
Percentage of injured workers returned to work within (i) 13 weeks (ii) 26 weeks	Greater than or equal to 80% return to work within 26 weeks	N/A
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	Greater than or equal to 80%	85%



APPENDICES

APPENDIX 1 LEGISLATION

Establishing and functional legislation

The ERA was established by the *Economic Regulation Authority Act 2003*. This Act gives us the function to carry out inquiries and other functions under the following Acts of Parliament:

- *Energy Coordination Act 1994*
- *National Gas Access (WA) Act 2009*
- *Railways (Access) Act 1998*
- *Water Services Act 2012*.

The ERA Act also allows for the ERA to be given functions under other Acts of Parliament. The enactments that have effect as at 30 June 2020 are:

- *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013*
- *Electricity Industry Act 2004*
- *Energy Industry (Rule Change Panel) Regulations 2016*
- *Gas Services Information Act 2012*.

Administered legislation

The ERA administers codes which regulate the conduct of utility service providers:

- *Code of Conduct for the Supply of Electricity to Small Use Customers 2018*
- *Gas Marketing Code of Conduct 2017*
- *Water Services Code of Conduct (Customer Services Standards) 2018*.

Legislation that allows the ERA to recover costs from industry

- *Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012*
- *Economic Regulation Authority (Licensing Funding) Regulations 2014*
- *Economic Regulation Authority (National Gas Access Funding) Regulations 2009*
- *Economic Regulation Authority (Railways Access Funding) Regulations 2019*
- *Gas Services Information Rules (Rule 110A)*
- *Retail Market Procedures (WA) (Procedure 362B)*
- *Wholesale Electricity Market Rules (Rule 2.24.5)*

Other legislation affecting the ERA's activities

Gas

- *Energy Coordination Regulations 2004*
- *Energy Coordination (Customer Contracts) Regulations 2004*
- *Energy Coordination (Last Resort Supply) Regulations 2005*
- *Energy Coordination (Ombudsman Scheme) Regulations 2004*
- *Energy Coordination (Retail Market Schemes) Regulations 2004*
- *National Gas Access (WA) (Local Provisions) Regulations 2009*
- *National Gas Access (WA) (Part 3) Regulations 2009*

Electricity

- *Electricity Corporations Act 2005*
- *Electricity Industry (Access Code Enforcement) Regulations 2005*
- *Electricity Industry (Code of Conduct) Regulations 2005*
- *Electricity Industry (Customer Contracts) Regulations 2005*
- *Electricity Industry (Customer Transfer) Code 2016*
- *Electricity Industry (Licence Conditions) Regulations 2005*
- *Electricity Industry (Metering) Code 2012*
- *Electricity Industry (Network Quality and Reliability of Supply) Code 2005*
- *Electricity Industry (Obligation to Connect) Regulations 2005*
- *Electricity Industry (Ombudsman Scheme) Regulations 2005*
- *Electricity Industry (Wholesale Electricity Market) Regulations 2004*
- *Electricity Networks Access Code 2004*

Rail

- *Railways (Access) Code 2000*

Water

- *Water Services Regulations 2013*

APPENDIX 2 SENIOR STAFF

Governing Body

Nicky Cusworth	Chair
Ray Challen	Member
Greg Watkinson	Member

Secretariat

Jenness Gardner	Chief Executive Officer
Sarah Costa	A/Legal Coordinator
Natalie Warnock	Manager Strategic Communications

Corporate Services

Pam Herbener	Director Corporate Services
Roshan Fernandes	Manager Human Resources
Catherine Lewis	Manager Finance

Energy Markets

Rajat Sarawat	Executive Director
Bruce Layman	Chief Economist
Manuel Arapis	Assistant Director Strategic Projects
Jake Flynn	A/Assistant Director Compliance and Enforcement
Sara O'Connor	Assistant Director Market Regulation

Rule Change

Stephen Eliot	Executive Officer
Jenny Laidlaw	Assistant Director Rule Change

Regulation and Inquiries

Paul Kelly	Executive Director
Jason Dignard	Principal Regulatory Advisor
Robert Pullella	Principal Advisor
Paul Reid	Assistant Director Utility Services Regulation
Tyson Self	Assistant Director Gas
Boon Tan	Assistant Director Research and Modelling
Jeremy Threlfall	Assistant Director Rail
Elizabeth Walters	Assistant Director Electricity

APPENDIX 3 DECISIONS AND PUBLICATIONS

Date	Title of notice
July 2019	
9 July 2019	City of Kalgoorlie-Boulder – 2018 operational audit and asset management system review
10 July 2019	Hamersley Iron Pty Ltd – Approval of amendments to financial hardship policy
22 July 2019	Investigation of AEMO's non-compliant allocation of certified reserve capacity
25 July 2019	Stakeholder survey 2019 - Publication of results
25 July 2019	Busselton Water Corporation - 2019 Operational audit and asset management system review
26 July 2019	Energy price limits 2019 – Final decision
26 July 2019	Effect of the container deposit scheme on beverage prices - Data about beverage prices in regional and remote Western Australia
26 July 2019	Application to revoke Technical Rule temporary exemption granted to Western Power for Meadow Springs zone substation - Release of final decision
30 July 2019	Esperance Gas Distribution Company Pty Ltd - 2019 performance audit
31 July 2019	Wholesale Electricity Market and Gas Services Information Rules - Compliance report
31 July 2019	Proposed revised access arrangement for the Goldfields Gas Pipeline - Draft decision
August 2019	
12 August 2019	EIRL10 - Alinta Energy Transmission (Chichester) Pty Ltd – Licence amendment
12 August 2019	Approval of AEMO's 2019/20 ancillary service requirements
14 August 2019	Amendments to the financial hardship policy guidelines for electricity and gas licences
16 August 2019	Gascoyne Water Co-operative Limited - 2019 Audit and review
19 August 2019	BHP Billiton Nickel West Pty Ltd - 2019 performance audit and asset management system review
21 August 2019	Updated list of exemptions to Western Power's Technical Rules
22 August 2019	Determination of WACC (2018 and 2019) for rail networks - Publication of final determination
26 August 2019	Proposed amendments to the Gas Compendium - Draft decision
28 August 2019	Amendments to the Western Australian Gas Retail Market Scheme - Decision
29 August 2019	Decision to grant Electricity Integrated Regional Licence No. 11 to Alinta Energy (Chichester) Pty Ltd
September 2019	
9 September 2019	The Pilbara Infrastructure proposed revised segregation arrangements - Approval of amended arrangements
10 September 2019	Goldfields Gas Pipeline - Quarterly reference tariff variation - 1 October 2019
13 September 2019	TEC Desert Pty Ltd and TEC Desert No. 2 Pty Ltd (t/a Southern Cross Energy Partnership) - Minor amendment to electricity distribution licence EDL3
13 September 2019	Gas Marketing Code of Conduct 2018 review - Final decision
October 2019	
1 October 2019	Water licence review 2019 – Draft decision
2 October 2019	Moama Lifestyle Villages Pty Ltd - Cancellation of water services licence WL40
9 October 2019	Lancelin South Pty Ltd - 2019 operational audit and asset management system review
10 October 2019	Western Power access arrangement – 2018/19 service standard performance report
21 October 2019	Ord Irrigation Cooperative Ltd - 2019 operational audit and asset management system review
31 October 2019	Light regulation gas pipelines - Publication of financial reporting guidelines

Date	Title of notice
November 2019	
1 November 2019	Decision to grant water services licence 50 and approval of financial hardship policy - TMC Witchcliffe Pty Ltd
4 November 2019	Amendments to the Compendium of Gas Customer Licence Obligations - Final decision
4 November 2019	AGL Sales Pty Ltd - 2019 performance audit
5 November 2019	Wesfarmers Kleenheat Gas Pty Ltd - 2019 performance audit
7 November 2019	Annual report to the Minister for Energy on the effectiveness of the Wholesale Electricity Market - Issues paper
8 November 2019	Perth Energy Pty Ltd - Licence renewal application and amended standard form contract
8 November 2019	Emu Downs Wind Farm Joint Venture - 2019 performance audit and asset management system review
11 November 2019	Synergy - 2019 performance audit - Gas trading licence
15 November 2019	Proposed revised access arrangement for the Mid-West and South-West Gas Distribution Systems - Final decision and access arrangement
15 November 2019	Dampier to Bunbury Natural Gas Pipeline - Reference tariff variation - 1 January 2020
29 November 2019	Lancelin South Pty Ltd - Approval of amendments to financial hardship policy
December 2019	
2 December 2019	Perth Energy Pty Ltd - Decision to renew gas trading licence GTL12 and approve amended standard form contract
3 December 2019	Report to the Minister on the Economic Regulation Authority's compliance
5 December 2019	Mid-West and South-West Gas Distribution Systems - Reference tariff variation - 1 January 2020
9 December 2019	Hamersley Iron Pty Ltd - 2019 operational audit and asset management system review
10 December 2019	ATCO Gas Australia Pty Ltd - 2019 performance audit
16 December 2019	Benchmark reserve capacity price for the 2022/23 capacity year - Final decision
18 December 2019	Amendment of gas licences - Insertion of amended Compendium of Gas Customer Licence Obligations
19 December 2019	Rottnest Island Authority - 2019 performance audit and asset management system review
19 December 2019	Proposed revised access arrangement for the Goldfields Gas Pipeline - Final decision
19 December 2019	Alinta DEWAP Pty Ltd - 2019 performance audit and asset management system review
January 2020	
15 January 2020	EDL NGD (WA) Pty Ltd - 2019 performance audit and asset management system review
17 January 2020	Water supply, sewerage and irrigation performance data 2014 to 2019
23 January 2020	GTL10 – Wesfarmers Kleenheat Gas Pty Ltd – Approval of minor amendments to standard form contract -
24 January 2020	Western Power's technical rules - Updated list of exemptions
24 January 2020	Western Energy Pty Ltd - 2019 performance audit and asset management system review
28 January 2020	ERM Power Retail Pty Ltd - 2019 performance audit
30 January 2020	Annual reports on the operation of the electricity and gas licensing schemes and licensees' compliance with the schemes
30 January 2020	Annual report on the operation of the water licensing scheme and licensees' compliance with the scheme
31 January 2020	Wholesale Electricity Market Rules and Gas Services Information Rules - Compliance report

Date	Title of notice
February 2020	
3 February 2020	Alinta Energy Transmission (Roy Hill) Pty Ltd - 2019 performance audit and asset management system review
5 February 2020	Origin Energy Retail Ltd - 2019 performance audit
6 February 2020	Wholesale Electricity Market and Gas Service Information Rules - Report on the Australian Energy Market Operator's compliance for 2018/19
24 February 2020	Muchea Water - Decision to grant water services licence and approve financial hardship policy
March 2020	
3 March 2020	Urban water utilities - National performance report 2018/19
4 March 2020	Alinta Sales Pty Ltd - 2019 performance audit
5 March 2020	Metro Power Company Pty Ltd (trading as Wholesale Direct Electricity) - Decision to grant electricity retail licence
5 March 2020	Enwave WA Pty Ltd - Decision to grant electricity distribution and retail licences and approve standard form contract
17 March 2020	Proposed revised access arrangement for the Dampier to Bunbury Natural Gas Pipeline - Issues paper
18 March 2020	Review of Western Power's Model Service Level Agreement - Consultation paper
25 March 2020	Perth Energy Pty Ltd (Gas trading licence GTL12) - 2019 performance audit
30 March 2020	Synergy - (Electricity retail licence ERL1) - 2019 performance audit
31 March 2020	Ancillary service parameters: Margin peak and offpeak and Cost_LR for 2020/21 - Determination
April 2020	
1 April 2020	NewGen Power Kwinana - 2019 performance audit
8 April 2020	Consultation on application for electricity distribution licence - Goldfields Power Pty Ltd
15 April 2020	Rottnest Island Authority - 2019 operational audit and asset management system review
17 April 2020	Shire of Lake Grace - 2019 asset management system review
20 April 2020	Water licence review 2019 – Final decision
22 April 2020	Western Power's regulatory test application for the Picton South staged 132kV conversion - Issues paper
24 April 2020	2020 review of incentives to improve the availability of generators – Issues paper
28 April 2020	Southern Energy WA Pty Ltd - 2019 performance audit
May 2020	
18 May 2020	Review of the methods used to calculate the benchmark reserve capacity price and energy price limits - Suspension of the method reviews
20 May 2020	Alinta Sales Pty Ltd - GTL9 - Licence renewal application and amended standard form contract
22 May 2020	Synergy - Type 1 licence contravention
27 May 2020	Water Compliance Reporting Manual 2020

Date	Title of notice
June 2020	
3 June 2020	Goldfields Power Pty Ltd – Decision to grant electricity distribution licence
8 June 2020	Electricity Compliance Reporting Manual 2020
9 June 2020	Arc Infrastructure – Amended costing principles and over-payment rules
15 June 2020	Western Power access arrangement – Minor amendments to access arrangement
15 June 2020	2020/21 price list for the Western Power Network – Determination
16 June 2020	Western Power’s regulatory test application for the Picton South staged 132kV conversion – Withdrawal of application
16 June 2020	Review of Western Power’s Model Service Level Agreement – Draft findings
16 June 2020	Gas Compliance Reporting Manual 2020
23 June 2020	Synergy - Type 1 licence contravention
24 June 2020	ATCO Gas Australia Pty Ltd - 2020 asset management system review
30 June 2020	Alinta Sales Pty Ltd - Decision to renew gas trading licence GTL9 and approve amended standard form contract



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