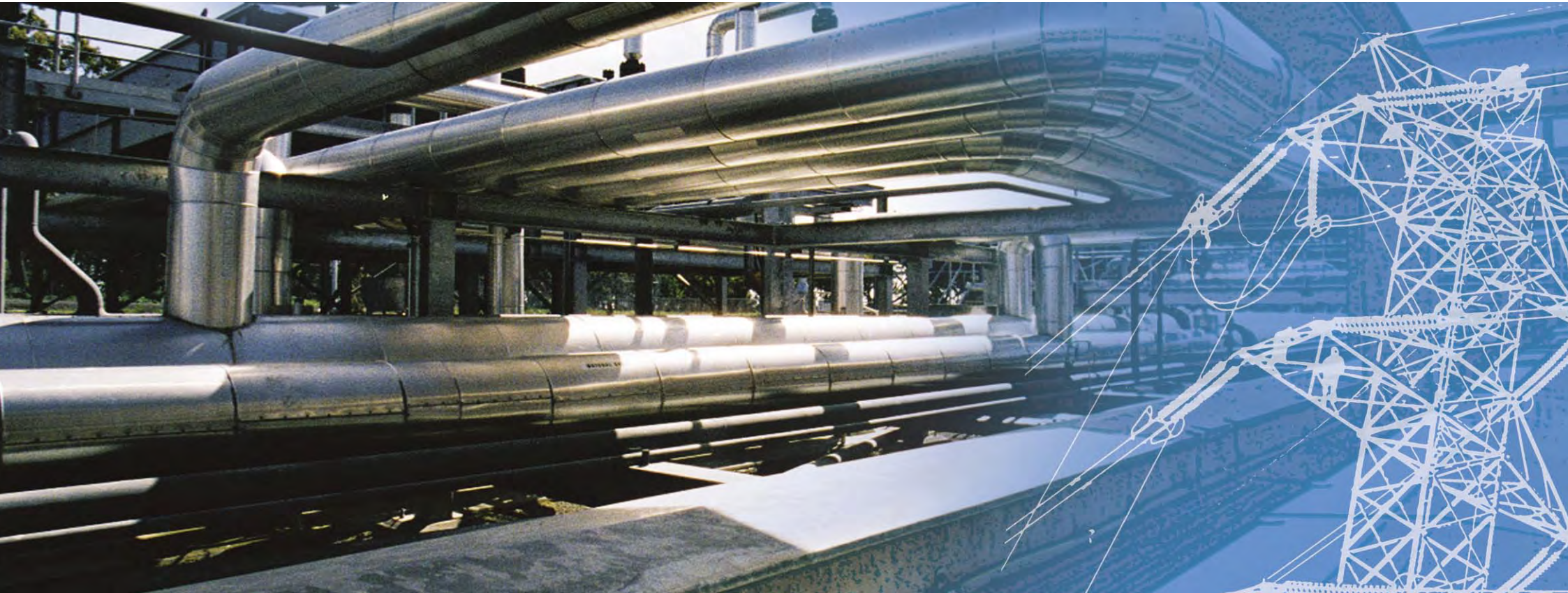


Annual Report 2004-05



Western Australian Gas Disputes Arbitrator



Western Australia



Western Australian Gas Disputes Arbitrator

Hon. Alan J Carpenter MLA
Minister for State Development;
Energy

In accordance with section 66 of the *Financial Administration and Audit Act 1985*, I hereby submit the Western Australian Gas Disputes Arbitrator's Annual Report for the year ended 30 June 2005 for your information and presentation to Parliament.

The Annual Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985* and Treasurer's Instructions.



LAURIE JAMES LLB Hons.
GAS DISPUTES ARBITRATOR

31 August 2005

Annual Report 2004-05

This report describes the functions and operations of the Western Australian Gas Disputes Arbitrator, including the activities of the Gas Review Board, for the year ended 30 June 2005.

Administrative support was provided jointly by the Economic Regulation Authority (ERA) and the Department of Treasury and Finance. The ERA is the regulatory agency for electricity, gas, rail and water in Western Australia.

The report can be viewed online at the ERA's website www.era.wa.gov.au.

The Gas Disputes Arbitrator can be contacted at the Economic Regulation Authority:

Office address

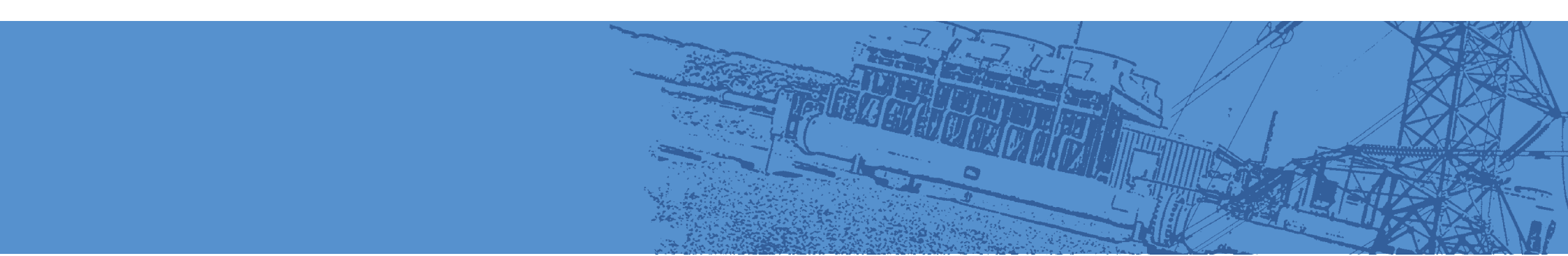
Level 6
Governor Stirling Tower
197 St Georges Terrace
Perth WA 6000

Postal address

GPO Box 8469
Perth Business Centre
Perth WA 6849

Contact details

Phone: (08) 9213 1900
Fax: (08) 9213 1999
Website: www.era.wa.gov.au



Contents

Agency Overview	4	Human Resource Policies	32
Vision, Mission and Objectives	5	Funding	33
Maps	6	Compliance	35
Year-at-a-glance	7	Financial Statements	36
The Arbitrator's Overview	8	Certification of Financial Statements	36
Issues and Trends	9	Independent Audit Opinion	37
Outcomes and Services	11	Statement of Financial Performance	39
Report on Operations	12	Statement of Financial Position	40
Performance	14	Statement of Cash Flows	41
Key Performance Indicators	18	Notes to the Financial Statements	42
Indicators for 2004-2005	20		
Governance	26		
Organisational Arrangements	28		

Agency Overview

Role

The office of the Arbitrator is established under the *Gas Pipelines Access (Western Australia) Act 1998* (the Act) to provide for the resolution of disputes, if any, between providers of gas pipeline services and prospective users of gas pipelines. The Act is part of nationally consistent legislation that provides for the regulation of “covered” gas pipeline systems, including arbitration of disputes in relation to the terms and conditions for gas transportation services.

The Arbitrator is scheduled to have responsibility for resolving disputes between prospective users and operators of regulated electricity networks. Parties to an electricity network access contract may also utilise the services of the Arbitrator to resolve contractual disputes. These functions of the Arbitrator will commence following approval by the Economic Regulation Authority (ERA) of an Access Arrangement that will facilitate third party access to electricity transmission and distribution networks under the *Electricity Networks Access Code 2004*.

The Arbitrator also has the role of providing administrative support to meet the needs of the Gas Review Board, which functions as an appeals body under the *National Third Party Access Code for Natural Gas Pipeline Systems (Gas Code)* and *Electricity Industry Act 2004*.

The Arbitrator’s responsibilities for dispute resolution in respect of the “Top-Up-and-Spill” (TUAS) market for electricity commenced in July 2004. The TUAS market allows members to purchase “top-up” energy from Western Power when their production is below the level of their customer demand, and to sell “spill” energy to Western Power when their production exceeds demand. This market operates as an alternative to and is an extension of the existing electricity balancing arrangements under the *Electricity Transmission Regulations 1996* and *Electricity Distribution Regulations 1997*.

The TUAS market – and the Arbitrator’s role – will cease with the commencement of the wholesale electricity market scheduled for 1 July 2006.

Information relating to the services of the Arbitrator is maintained on the ERA website www.era.wa.gov.au.

Clients

The clients of the Arbitrator are gas pipeline owners, electricity network owners, pipeline and network users and other interested parties.

Support

The Arbitrator does not employ staff, but the Arbitrator may, by agreement, make use of government staff. Administrative services are currently provided by the ERA and the Department of Treasury and Finance. The Arbitrator also provides support to the Gas Review Board when constituted.

Vision, Mission and Objectives

Vision

The Arbitrator's vision is to achieve vigorously competitive energy markets in Western Australia with minimal regulatory oversight.

Mission

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

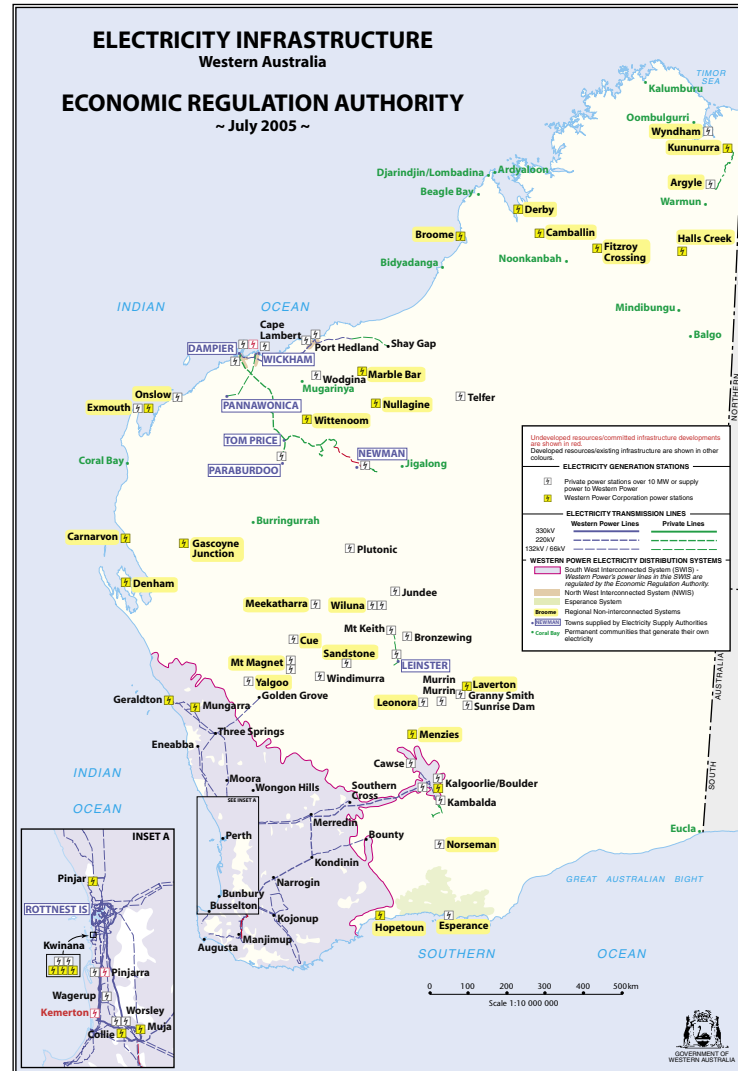
Objectives

The Arbitrator's principal objectives are to:

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

Maps

The maps on this page show the gas pipelines and electricity networks for which the Arbitrator provides dispute resolution services.





Year-at-a-glance

7

- At the beginning of the year, the Arbitrator was given jurisdiction to resolve disputes arising in the Top-Up-and-Spill (TUAS) market for electricity balancing services. The TUAS market allows members to purchase “top-up” energy from Western Power when their production is below the level of their customer demand, and to sell “spill” energy to Western Power when their production exceeds demand. “Balancing” is the process for meeting supply and consumption deviations from contracted electricity supply. No disputes were lodged with the Arbitrator for resolution in respect of this function.
- Four applications to the Gas Review Board were carried forward from the 2003-04 year. These applications were lodged in January 2004 and related to the Access Arrangement approved by the Regulator for the Dampier to Bunbury Natural Gas Pipeline in December 2003. Of these, three applications were discontinued.
- A new application relating to the Minister for Energy’s decision to not revoke coverage of the Goldfields Gas Pipeline was lodged in July 2004. This application has now also been discontinued.

The Arbitrator's Overview



The year under review has been characterised largely by the efficiency and effectiveness of the Gas Review Board's activities.

The Board has responsibility for reviewing specified decisions by the Minister or the Economic Regulation Authority.

It performs the functions of the Appeals Body under the *National Third Party Access Code for Natural Gas Pipeline Systems* (the Code).

In relation to the review of certain decisions under the gas access regime, I have responsibility to ensure that appropriate services are available to the Gas Review Board for the review of these decisions.

Under the Code, I may be called upon to adjudicate as to the terms, conditions and/or charges that should apply when there is a dispute between a prospective user of a pipeline and the owner of that pipeline. There were no such disputes during the year. To me, this demonstrates that the system is working well. However parties always have recourse to my services, so they can pursue such disputes resolution, if necessary.

Five applications were with the Gas Review Board (Board) for review during the year. Four applications were lodged during the previous financial year and one was lodged in July 2004. Three applications were discontinued, with the remaining two applications remaining afoot at the end of the 2004-05 year.

One of the remaining two applications was discontinued in July 2005 by consent of the parties, and the remaining application is expected to be resolved during the first half of the new financial year.

The applications for review have placed a considerable workload on the Board during the year. Details of hearing dates, determinations, notices and documents filed are posted to the Economic Regulation Authority website www.era.wa.gov.au.

Since the beginning of the 2004-05 period, I have also been responsible for resolving disputes in the new electricity market for "Top-Up-and-Spill" balancing services. This market is an interim measure designed to cease once the new wholesale electricity

market comes into being on 1 July 2006. No disputes under this new function were notified.

The forthcoming year is likely to be the last where gas continues to be my predominant function; the Government's electricity industry reforms will confer a number of new functions upon me, particularly in arbitrating access disputes relating to electricity. I am committed to the achievement of a competitive electricity market in my new functions.

Finally, I would like to express my appreciation to the Registrar for the Gas Review Board, and to the Economic Regulation Authority and the Department of Treasury and Finance for their ongoing support.



LAURIE JAMES
GAS DISPUTES ARBITRATOR

Issues and Trends

Government is increasingly recognising the need for independent regulation of natural monopoly utilities to serve the long-term interests of consumers in relation to price, quality and reliability of goods and services.

This has seen the establishment in Western Australia of the Economic Regulation Authority to bring together gas, rail, water and electricity regulation.

At the end of the year under review, the Federal Ministerial Council on Energy (Council) was considering its response to a number of reviews into the *National Third Party Access Code for Natural Gas Pipelines Systems*. It is anticipated that the Council will recommend a number of changes to the Gas Access Regime and these changes have the potential to impact on the Economic Regulation Authority's economic regulatory responsibilities for gas pipelines and consequently, the Arbitrator's functions.

Challenges for the Arbitrator will be posed by new functions arising from the State Government's reforms of the electricity industry.

The Arbitrator has a role in resolving disputes arising under the interim TUAS market. However, this role has not shown itself to be substantial, and will end with the replacement of the TUAS market by the wholesale electricity market on 1 July 2006.

With the commencement of the new *Electricity Networks Access Code 2004*, and the obligation on the Economic Regulation Authority to approve an Access Arrangement for Western Power's network in the South West Interconnected System, the Arbitrator's new functions are likely to be more substantial. Following the approval of an Access Arrangement, the Arbitrator will have two functions. The first of these relates to dispute resolution between parties negotiating an access contract for electricity transmission and distribution services, and the second relates to dispute resolution under an access contract. Both new roles have the potential to lead to a greater "take up" of the Arbitrator's services.

Achievements

As discussed in more detail in the Report on Operations, five applications were with the Gas Review Board for review during the year. Four applications were lodged during the previous financial year and one was lodged in July 2004. Three applications were discontinued, with the remaining two applications programmed to be dealt with in the first half of 2005-06.

One of the remaining two applications has since been discontinued by consent of the parties, with the remaining application due for resolution during the first half of the new financial year.

Methods of Achievement

The methods used in performing the functions of the Arbitrator are prescribed in the legislation. The arbitration function is carried out in accordance with industry best practice. Likewise, the review function of the Board is carried out in accordance with normal court procedures, as provided for by the legislation.

Issues and Trends *continued*

The Economic Regulation Authority's website www.era.wa.gov.au provides up-to-date information on the proceedings.

Outlook

The main challenge for the Arbitrator is to maintain a high state of readiness to deal with any disputes lodged for arbitration or applications made for the Gas Review Board to review decisions.

Outcomes and Services

Administrative procedures are reviewed on an ongoing basis and improvements are made, including updating information on services through the ERA website.

In any case, administrative procedures need to be in place to deal with disputes and reviews in the shortest possible time consistent with a high degree of cost efficiency.

Outcome

The desired outcome for the Arbitrator is the effective and efficient:

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

Programs

The programs for the Arbitrator are the:

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

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

Regulated Infrastructure

The Arbitrator's functions relate to regulated infrastructure, including natural gas pipelines that are wholly located in Western Australia and Western Power's electricity networks in the South West Interconnected System. Natural gas pipelines are regulated by the *National Third Party Access Code for Natural Gas Pipeline Systems* and electricity networks are regulated by the *Electricity Networks Access Code 2004*.

At 30 June 2005, there were five regulated (covered) pipelines in Western Australia as follows:

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

Disputes arbitrated, if any, are between prospective users, users and service providers of regulated infrastructure and market operators (TUAS market-related functions). The review of decisions by the Board relate to decisions made by the Minister for Energy and the Economic Regulation Authority.

Report on Operations

Premises

After previously seeking suitable public premises to facilitate the hearing and determination of appeals before the Gas Review Board, on 15 September 2004, the Arbitrator was successful in securing suitable premises at Level 9, London House, 216 St George's Terrace, Perth.

At the time of taking up occupancy, the premises were partly fitted out and since then have been furnished suitably so as to accommodate the Gas Review Board, bearing in mind that the Board has only a limited life span.

The premises are subject to a short-term lease with a number of options. The current option expires in October 2005 and it is not likely that the premises will be needed beyond October 2005.

Applications for Review

Application No. 1 of 2004 - Epic Energy

Epic Energy (WA) Transmission Pty Ltd appealed elements of the Access Arrangement drafted and approved by

the Independent Gas Pipelines Access Regulator (Regulator) after his decision not to approve the revised Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline. This application was fully prepared and went through the full interlocutory process, with a number of directions and substantial interlocutory applications being made prior to the substantive hearing.

The substantive hearing commenced before the full Gas Review Board on 11 October 2004.

This hearing, along with the hearings of Application Nos. 2, 3 and 4 of 2004, were scheduled to continue until approximately the end of November 2004.

The substantive hearing of Application No. 1 of 2004 continued until 20 October 2004, when it was adjourned pending a possible resolution of the matter.

Application No. 1 of 2004 was eventually discontinued on 8 November 2004, with costs reserved.

On 20 April 2005, the Gas Review Board issued orders in relation to costs for appeals 1, 2 and 4 with the effect being that each party was to bear its own costs and no party was required to pay the Board's costs.

Applications No. 2 and 4 of 2004 - Northwest Shelf Gas Pty Ltd

The North West Shelf Gas applications also relating to the Regulator's decision on the Dampier to Bunbury Natural Gas Pipeline Access Arrangement were the subject of a number of Gas Review Board directions and were scheduled for a substantive hearing at the conclusion of Application No. 3 of 2004 (in or about November 2004).

These applications were discontinued by the Gas Review Board with the consent of all parties on 29 April 2005.

Application No. 3 of 2004 - Western Power Corporation

The Western Power Corporation application also relates to the Regulator's decision on the Dampier to Bunbury Natural Gas Pipeline Access Arrangement. The application is now in a substantially modified and amended form from that of the original application.

This application is still on foot and has been the subject of a number of directions hearings and directions made by the Gas Review Board since the adjournment of the substantive hearing of Application No. 1 of 2004.

The following directions hearings and directions of the Gas Review Board are relevant: 1 November 2004; 25 November 2004; 2 February 2005; 4 February 2005; 15 February 2005; and 1 June 2005.

The previously listed dates for the substantive hearing of this application have been vacated by the Gas Review Board.

The application has been adjourned *sine die* and the matter will be re-listed for a further directions hearing on a date two weeks after the Economic Regulation Authority issues its Final Decision on the proposed revisions to the Dampier to Bunbury Natural Gas Pipeline Access Arrangement.

Application No. 5 of 2004 - Southern Cross Pipelines (Australia) Pty Ltd and Others

This application was filed on 21 July 2004 and involved an application for review of the Minister's decision not to revoke coverage of the Goldfields Gas Pipeline.

In August 2004, a Presiding Member of the Gas Review Board was appointed in accordance with the provisions of the *Gas Pipelines Access (Western Australia) Act 1998*. Subsequently, in September 2004, the expert members of the Board were appointed by the Presiding Member in accordance with the provisions of the same Act.

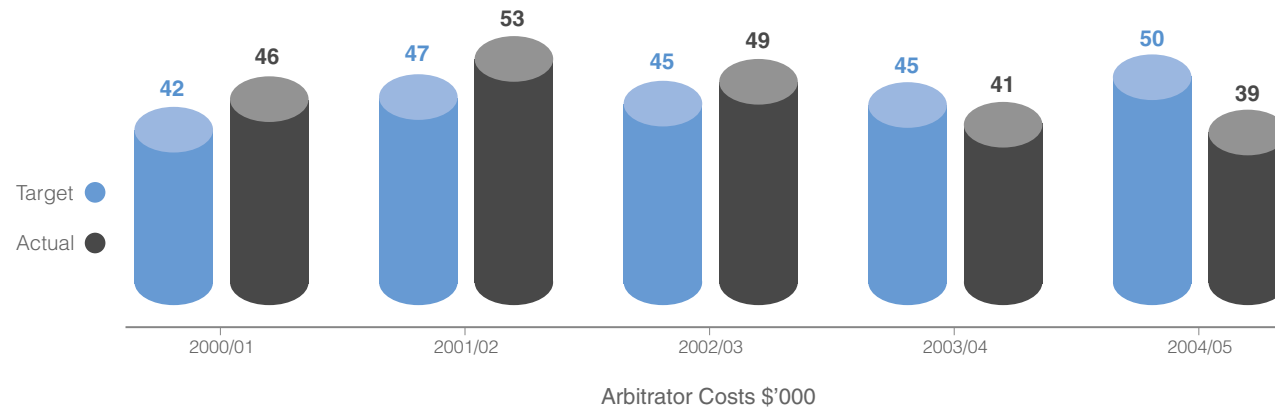
The application has been the subject of a number of directions hearings namely: 2 November 2004; 20 December 2004; and 6 April 2005.

This application was listed for substantive hearing and determination by the Gas Review Board on 31 October 2005 for a period of four weeks, but was discontinued with the consent of all parties in July 2005.

Performance

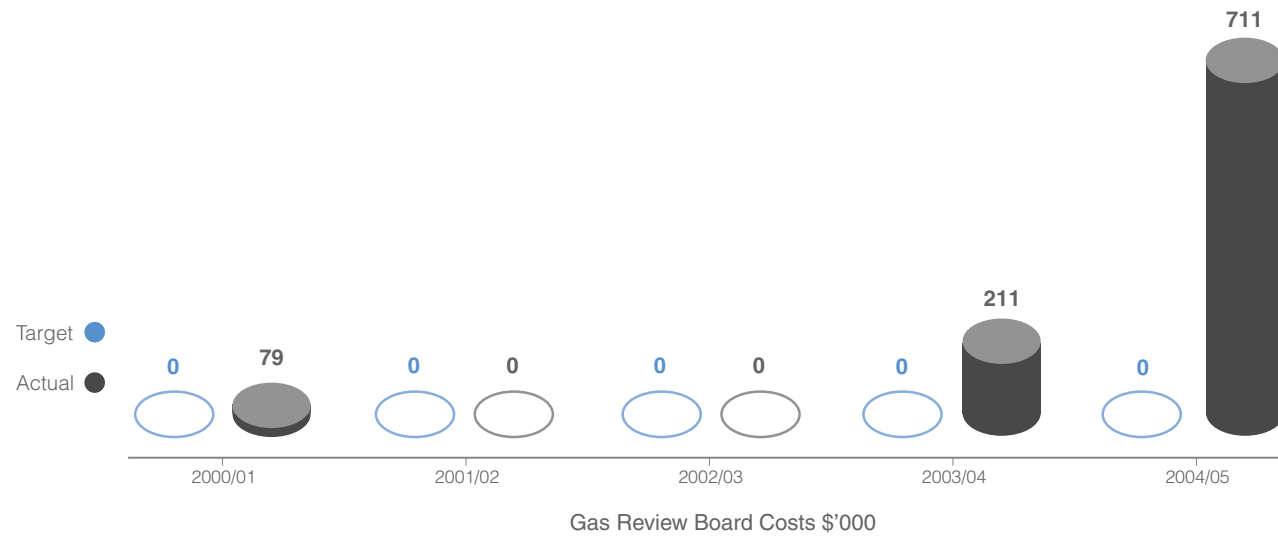
The cost of the oversighting role of the Arbitrator for regulated infrastructure in Western Australia has decreased from \$41,000 in 2003-04 to \$39,000 in 2004-05.

The Arbitrator is able to recover \$28,000 of this cost from operators of regulated pipelines in Western Australia.



The total cost of the four appeals before the Gas Review Board was \$211,000 for the period to 30 June 2004. The total cost for the five appeals before the Gas Review Board at 30 June 2005 was \$711,000.

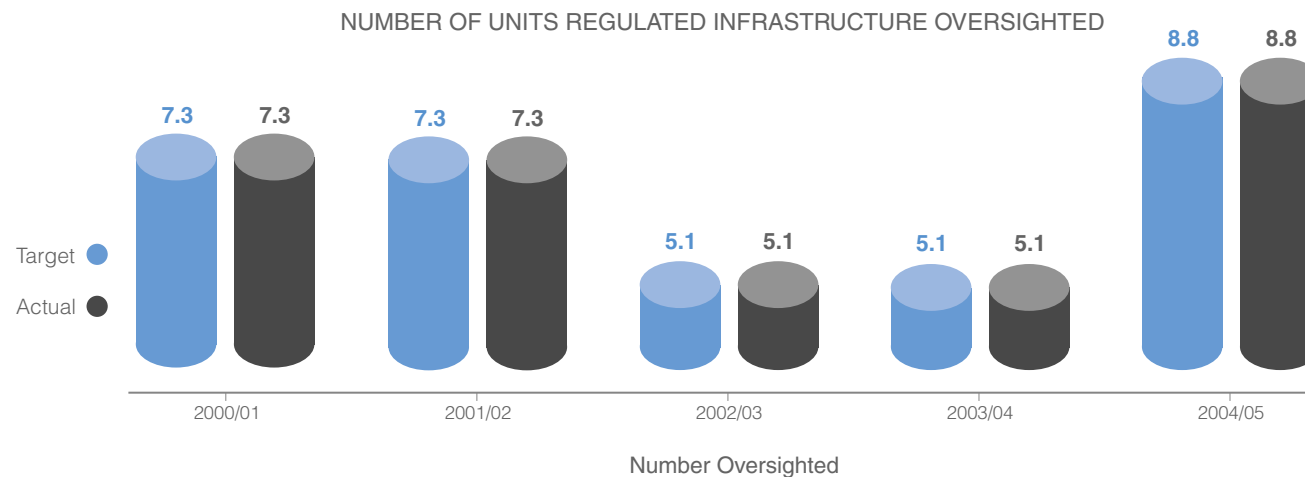
The only previous occasion when the Gas Review Board was established, its costs to conduct two reviews in the year ending 30 June 2001 amounted to \$79,000.



Performance *continued*

Number of Units of Regulated Infrastructure Oversighted

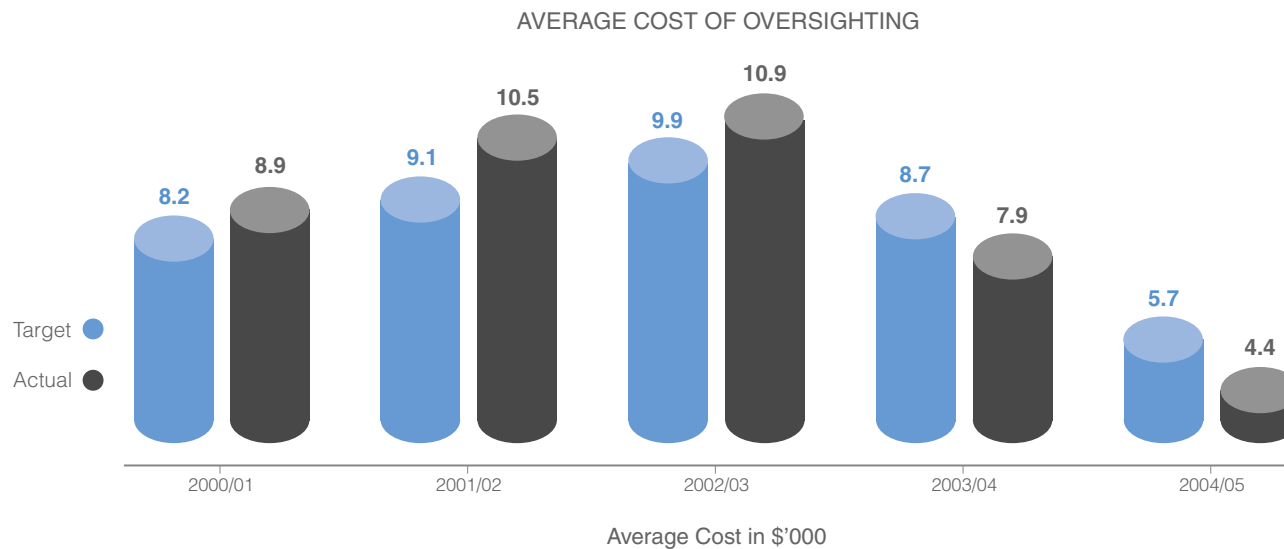
The number of equivalent standard units (\$500 million) of regulated infrastructure for which the Arbitrator has responsibility is 8.8. This has increased from the previous two years due to the additional oversight of the electricity infrastructure which effectively commenced, albeit in a limited capacity, on 30 November 2004.



Average Cost of Oversighting

The average cost of oversighting an equivalent standard unit of regulated infrastructure has decreased from \$7,900 in 2003-04 to \$4,400 in 2004-05.

This is due to the total number of units increasing from 5.1 to 8.8 units, which was complemented by a small decrease in total costs for this oversighting role decreasing from \$41,000 in 2003-04 to \$39,000 in 2004-05.



Key Performance Indicators

STATEMENT OF CERTIFICATION

I hereby certify that the accompanying performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of the Western Australian Gas Disputes Arbitrator (Arbitrator) and fairly represent the performance of the Arbitrator for the financial year ended 30 June 2005.



LAURIE JAMES
GAS DISPUTES ARBITRATOR

31 August 2005

Independent Audit Opinion

To the Parliament of Western Australia
WESTERN AUSTRALIAN GAS DISPUTES ARBITRATOR
PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2005

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Western Australian Gas Disputes Arbitrator are relevant and appropriate to help users assess the Arbitrator's performance and fairly represent the indicated performance for the year ended 30 June 2005.

Scope

The Arbitrator's Role

The Arbitrator is responsible for developing and maintaining proper records and systems for preparing performance indicators. The performance indicators consist of key indicators of effectiveness and efficiency.

Summary of my Role

As required by the *Financial Administration and Audit Act 1985*, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the performance indicators.



D D R PEARSON
AUDITOR GENERAL

14 October 2005

4th Floor Dumas House, 2 Havelock Street, West Perth 6005 Western Australia
Tel: 08 9222 7500 Fax: 08 9322 5664

Indicators for 2004-05

Treasurer's Instruction 904 sets out that at least one key effectiveness indicator is required for each government-desired outcome and one key efficiency indicator for each service (or cost effectiveness indicator, in the absence of an appropriate efficiency indicator). Government-desired outcomes are achieved through the delivery of services and these are in the nature of outputs and programs.

The office of the Gas Disputes Arbitrator (Arbitrator) is established through provisions within the *Gas Pipelines Access (Western Australia) Act 1998* and funded through provisions in the *Gas Pipelines Access (Western Australia) (Funding) Regulations 1999*. The *Gas Pipelines Access (Western Australia) Act 1998* also makes provision for appropriations by Parliament. The office has been supported jointly through the Department of Treasury and Finance and the Economic Regulation Authority (ERA).

The Government goal for the ERA is:

To develop a strong economy that delivers more jobs, more opportunities

and greater wealth to Western Australians by creating the conditions required for investment and growth.

The desired outcome is:

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

While the services provided by the Arbitrator are different to those of the ERA, the services are sufficiently related to share a common high level Government goal and desired outcome. As the services provided by the Arbitrator comprise a number of related but non-standardised services, these are referred to as programs.

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

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

These programs are facilitated by maintaining a state of readiness for the

arbitration of disputes and the review of decisions by the Gas Review Board.

The Arbitrator's outcome is achieved by the Arbitrator assisting parties in resolving disputes and providing timely and efficient support to the Gas Review Board when it is constituted from time-to-time.

The Arbitrator is only required to report in relation to his administrative/management functions. Therefore the performance indicators required to be prepared by the Arbitrator have been prepared to comply with section 84(2) of the *Gas Pipelines Access (Western Australia) Act 1998* which states that:

"any requirement under the Treasurer's Instructions (issued under section 58 of the Financial Administration and Audit Act 1985) that the Arbitrator prepare performance indicators is to be limited to the Arbitrator's management functions (including financial management), and is not to apply to the performance of any function referred to in section 73."

The Arbitrator's key performance indicators derive from the processes and support that he provides in meeting the objectives set by the enabling legislation, including the *Electricity Industry Act 2004* (section 122) and the *Gas Pipelines Access (Western Australia) Act 1998* (the Preamble).

EFFECTIVENESS

Resolution of Disputes

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

Provision of Administrative Services to the Gas Review Board

The Arbitrator plays an important role in providing administrative support to the Gas Review Board. The effectiveness of this program can be established through a survey of the respective Gas Review Board members who have first hand experience of the support provided and are best placed to

respond as to their level of satisfaction with the services provided by the Arbitrator.

EFFICIENCY

Resolution of Disputes

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

Provision of Administrative Services to the Gas Review Board

The efficiency indicator for the Arbitrator's program of providing administrative services to the Gas Review Board is the average cost per review application before the Gas Review Board during the year. There may be costs incurred in dealing with a particular

review application during the year, even though the review is not completed by year's end. This is in contrast to the efficiency indicator published in 2003-04, which was the average cost per completed review. The new measure ensures that, to the extent that there are review matters active during the year, there will be a measure of the cost associated with the support provided by the Arbitrator to the review process. This is a measure of the cost efficiency of providing administrative services to the Gas Review Board program.

Maintaining a State of Readiness

This involves maintaining a state of readiness for the resolution of disputes and the review of decisions by the Gas Review Board. As with the resolution of disputes, the availability of the Arbitrator and procedures to establish and support a review body when required, is an important feature of an efficient regulatory regime. This is implemented by providing parties with assistance in the settlement of disputes and providing owners of regulated infrastructure with an opportunity and means of having regulatory decisions reviewed to

Indicators for 2004-05 *continued*

ensure that they are fair and reasonable. The Arbitrator's effectiveness in overseeing the regulated infrastructure is related to his availability to respond to matters brought before him, such as disputes and reviews.

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

2004-05 Performance - Effectiveness

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

1. Resolution of disputes

The target for this measure of effectiveness is 100 per cent. Such an outcome reflects a situation where all disputes that were registered were also resolved during the year.

There were no active disputes during the year.

2. Provision of administrative services to the Gas Review Board

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

The survey of Gas Review Board members revealed that there was a high level of satisfaction with the support provided by the Arbitrator during the 2004-05 year. This provides evidence that the Arbitrator has been effective in providing the required administrative services.

Three appeals were discontinued during the year and at year's end two remained. One was adjourned *sine die* and the other was discontinued in July 2005.

Although the Arbitrator's role does not directly contribute to the desired outcome of the provision of efficient, safe and equitable utility services in Western Australia, the services he provides to bodies such as the Gas Review Board are consistent with this outcome.

In establishing a reasonable target for the purpose of assessing performance, it was determined that the satisfaction level should be consistent with satisfaction level targets that were agreed and used in the 2003-04 annual report, which is a value of 75 per cent.

The survey results indicate that the satisfaction level targets were exceeded. This was a pleasing result, given the extremely demanding workload of the Gas Review Board.

EFFECTIVENESS

Desired outcome	Measure	Target	2004-05	2003-04
To provide for the resolution of disputes	The number of disputes resolved as a proportion of total disputes registered	100%	n/a (no disputes)	n/a (no disputes)
To provide administrative services to the Gas Review Board for the review of decisions	Percentage of Gas Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes	75%	80%	n/a*

n/a - Not applicable

* Note that this performance measure was first introduced in 2004-05.

2004-05 Performance - Efficiency

The three efficiency indicators for the Arbitrator are:

1. Average cost per dispute.
2. Average cost per review application.
3. Average cost per standard unit of infrastructure.

The efficiency indicators 1 and 2 are now reported as disputes/reviews that are on foot during the year, regardless of whether they have been completed. This approach better reflects the costs incurred, particularly where a dispute/review spans more than one year.

1. *Average cost per dispute*

As there were no disputes initiated during the 2004-05 financial year, the average cost per dispute is zero. The average cost was also zero in 2003-04. The target for this indicator is zero, consistent with an objective of having no disputes.

2. *Average cost per review application*

As previously mentioned above, the efficiency indicator 2 has been changed from that published in

2003-04. The indicator has been refined to represent the average cost per review in the reporting year. This measure is in contrast to that used previously, which was held to be the average cost per completed review.

Four review applications were lodged in January 2004 that remained before the Gas Review Board during 2004-05. These related to the Independent Gas Pipelines Access Regulator's final decision on the proposed Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline. The Regulator's final decision was published on 30 December 2003. The average cost for each review was \$142,252 in 2004-05 compared with \$51,693 in 2003-04.

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

3. *Average cost per standard unit of infrastructure*

The average cost per standard unit of regulated infrastructure overlooked in the 2004-05 financial year is that cost necessary to ensure that procedures are in place to address matters that fall within the jurisdiction of the Arbitrator. This cost was \$4,400 compared with \$7,900 in the previous financial year. So the improvement to this efficiency indicator is explained by the addition of electricity assets to the Arbitrator's oversight role, increasing the number of standard units of regulated infrastructure. The target of \$5,700 was established on the basis of the Arbitrator's approved budget (\$50,000) divided by the anticipated number of standard units of regulated infrastructure at the beginning of the financial year (8.8 units).

EFFICIENCY

Service	Performance Indicator	Target	2004-05	2003-04
Arbitration of disputes	Average cost per dispute	\$0 (no disputes)	\$0 (no disputes)	\$0 (no disputes)
Review of regulatory decisions	Average cost per review application	\$0 (no reviews)	\$142,252	\$51,693
Maintaining a state of readiness	Average cost per standard unit of regulated infrastructure	\$5,700	\$4,400	\$7,900

Equivalent Standard Units of Infrastructure

The concept of a standard unit of regulated infrastructure is used to recognise and allow for the fact that the size, value and complexity of regulated infrastructure, including pipelines and electricity networks, varies from one asset to another. It also recognises that the size, cost and complexity of regulation and arbitration work will vary accordingly.

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

Governance

Enabling Legislation

The office of the Gas Disputes Arbitrator (the Arbitrator) is established under section 62 of the *Gas Pipelines Access (Western Australia) Act 1998* (the Act).

Gas Industry

The gas activities of the Arbitrator fall within a national regulatory framework that ensures consistency in regulation across all Australian jurisdictions. The national regulatory framework is established by uniform legislation enacted by Australian governments and referred to as the Gas Pipelines Access Law (included as schedules 1 and 2 of the Act).

The National Third Party Access Code for Natural Gas Pipeline Systems (the Code), which is schedule 2 of the Act, establishes the regulatory regime. Section 6 of the Code specifies many of the functions of the Arbitrator.

Electricity Industry

The Arbitrator's dispute resolution functions in the electricity industry commenced in July 2004. These functions related to the "Top-Up-and-Spill" (TUAS) market for electricity. The TUAS market allows members to purchase "top-up" energy from Western Power when their production is below the level of their customer demand, and to sell "spill" energy to Western Power when their production exceeds demand.

The TUAS market – and the Arbitrator's role – will cease with the commencement of the wholesale electricity market scheduled for 1 July 2006.

Since 1 January 2005, the *Electricity Industry Act 2004* has imposed additional functions on the Arbitrator. These new functions involve providing services and support to the Gas Review Board (Board) to hear and determine matters related to the electricity industry.

The Board may review a decision of:

- the ERA concerning the grant, amendment or transfer of an electricity supply licence;
- the ERA, as to terms and conditions to include in an electricity supply licence;
- the ERA to refuse to approve proposed standard form contracts for electricity supply licensees;
- the ERA to approve or not approve an access arrangement submitted under the *Electricity Networks Access Code 2004*;
- the ERA, as to ring fencing obligations of a network service provider; and
- the Minister for Energy that an electricity network be "covered" under the *Electricity Networks Access Code 2004*.

The process for the Board hearing applications for review of decisions by the ERA and the Minister under the Electricity Industry Act 2004 reflects the process set out in the *Gas Pipelines Access (Western Australia) Act 1998*.

Following the commencement of the wholesale electricity market on 1 July 2006, the Board will also perform certain determination and review functions relating to the conduct of market participants.

Independence of Direction

Section 75 of the Act specifies that the Arbitrator is independent of direction or control by the Crown or any Minister or officer of the Crown in the performance of the Arbitrator's functions. The Minister can only direct the Arbitrator in respect of general policies to be followed by the Arbitrator in matters of administration, including financial administration, and may not constrain the Arbitrator with respect to the performance of the Arbitrator's functions.

Gas Review Board

Section 50(1) of the Act establishes the Gas Review Board as an appeals body. The Board constitutes:

- a presiding member, chosen by the Attorney General from a panel of legal practitioners; and
- two experts, chosen by the presiding member from a panel of experts.

The Board may be separately constituted to hear and determine different appeals. Section 56 of the Act requires the Arbitrator to provide the Board with its requirements for staff, services and support.

Responsible Minister

The Minister responsible for the administration of the *Gas Pipelines Access (Western Australia) Act 1998* and the *Electricity Industry Act 2004* is the Hon. Alan Carpenter MLA, Minister for Energy in Western Australia.

Impacting Legislation

The Arbitrator must comply with all relevant legislation, in particular:

Gas Pipelines Access (Western Australia) Act 1998

Electricity Industry Act 2004

Organisational Arrangements

The office of the Gas Disputes Arbitrator was established in February 1999.

The Arbitrator has no supporting organisation, but may make use of staff of other government departments and agencies, other than Western Power Corporation and the Gas Corporation. Until 1 January 2004, the Arbitrator had entered into an arrangement to make use of the staff of the Office of Gas Access Regulation (*OffGAR*) for support.

On 1 January 2004, *OffGAR* was subsumed by the Economic Regulation Authority (ERA). As of that date, the ERA has provided support to the Arbitrator to the extent that there is no conflict of interest. The Arbitrator entered into an arrangement with the Department of Treasury and Finance on 1 April 2004 to provide support not able to be provided by the ERA. This was due to a conflict of interest arising as a result of an application having been lodged for review of the Regulator's decision to approve his own access arrangement for the Dampier to Bunbury Natural Gas Pipeline.

The Arbitrator may, by instrument, delegate the performance of some functions to a person who is, in the Arbitrator's opinion, competent to perform those functions.

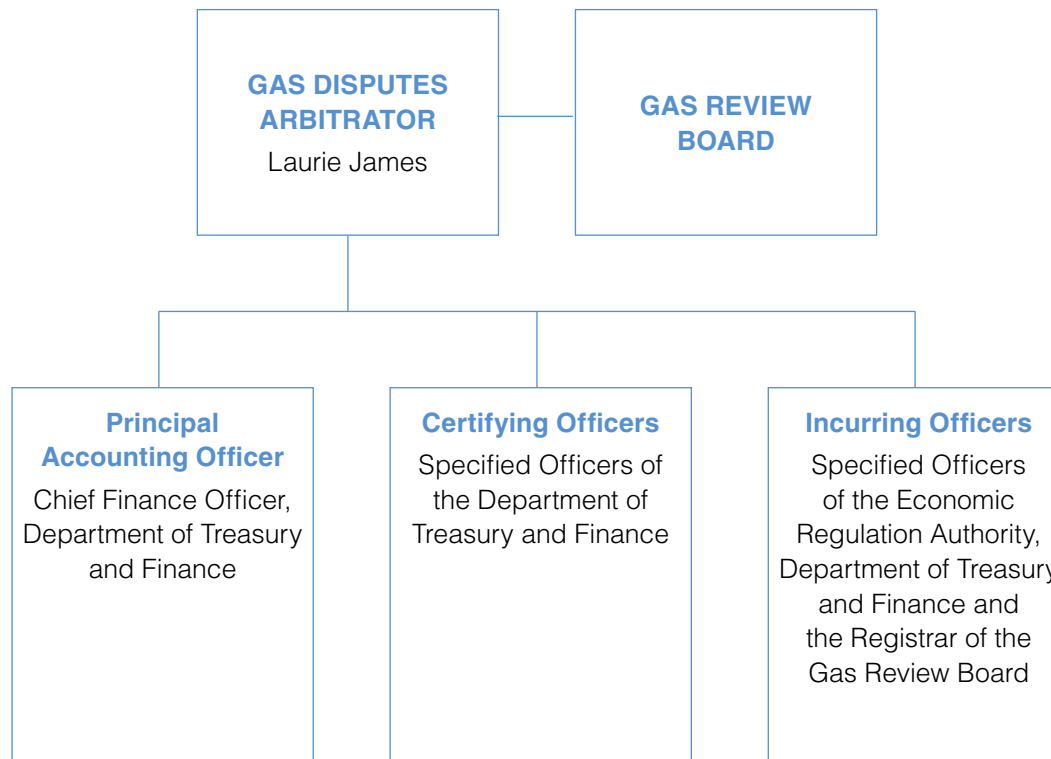
Initially, the function of Registrar to the Gas Review Board was by agreement with the Executive Director of *OffGAR*. However, as mentioned earlier, with an application having been lodged for review of the Regulator's decision to approve his own access arrangement for the Dampier to Bunbury Natural Gas Pipeline, it became necessary for the functions of the Registrar to be outsourced. Following a call for expressions of interest on 30 September 2003, Mr James Saunders of the Western Australian law firm Kott Gunning Lawyers was appointed as Registrar.

In accordance with *Treasurer's Instructions*, the Arbitrator has also appointed a Principal Accounting Officer, Certifying Officers and Incurring Officers. The persons appointed are employees of either the ERA or the Department of Treasury and Finance.

The organisational structure for the Arbitrator and the Gas Review Board as at 30 June 2005 is shown in the following pages.

Organisational Structure and Appointments

at 30 June 2005



Organisational Arrangements *continued*

Senior Officers

Mr Laurie James was appointed to the position of Gas Disputes Arbitrator in a part-time capacity on 10 September 1999 for a period of three years. He remained in the position from September 2002 in an acting capacity, and was reappointed in April 2003 for a further five years.

Mr James is a Supreme Court barrister and solicitor and chairman of the Western Australian law firm, Kott Gunning Lawyers. He was Chairman of the Western Australian Chapter of the Institute of Arbitrators and Mediators Australia between 1990 and 1997 and is currently national Senior Vice-President of that Institute.

He was also senior Vice-President of the Law Society of Western Australia from 1995 to 1996 and is currently Deputy Chairman (WA) of the Construction and Infrastructure Law Committee of the Business Law Section of the Law Council of Australia.

Gas Review Board Panels

The Gas Review Board constitutes:

- a presiding member, chosen by the Attorney General from a panel of legal practitioners; and
- two experts, chosen by the presiding member from a panel of experts.

The Board may be separately constituted to review separate decisions.

The Governor appointed a panel of legal practitioners and a panel of experts on 4 April 2000 for a period of five years, and updated some members of the panels on 23 December 2003 for a period of five years. The current panels are:

Panel of Legal Practitioners

End Date **4 April 2005**

Mr Stewart Bogle
Mr Jon Carson
Mr Chris Humphry
Mr Charles Kennedy Scott Merriam
Mr Chris Stevenson

End Date **23 December 2008**

Mr Ashley Graham Castledine
Mr Robert Michael Edel
Mr Angus William Morrison Jones

Panel of Experts

End Date

Mr Malcolm Clark
 Mr Barry Ellis
 Mr Andy Gilmour
 Mr Ken Hodgkin
 Mr Stuart Hohnen
 Mr Dennis Kirk-Burnnand
 Mr Murray Meaton
 Mr Garry O'Meally
 Mr David Pack
 Mr Ashley Renney

4 April 2005

End Date

Mr Albert De Geest
 Mr Kit Handyside
 Dr Frank Harman
 Mr Max Kimber
 Mr Frank Oliver
 Mr Jon Ranney
 Dr John Williams
 Mr Michael Williams
 Mr Andy Wilkinson
 Mr Ted Woodley

23 December 2008

Expenditure on Consultants for the year ended 30 June 2005

Value of Consultancy	Number of Consultancies Commissioned	Expenditure in 2004-05
Up to \$50,000	1	\$2,831
TOTAL	1	\$2,831

Code of Conduct

All public sector officers and consultants providing services to the Arbitrator are bound by the Western Australian Public Sector Code of Ethics.

The Economic Regulation Authority has established a Code of Conduct that applies to all employees, including those employees and consultants providing services to the Arbitrator. The Code of Conduct provides for the ethical principles of justice, respect for persons and responsible care, and affirms that the ERA and the Arbitrator believes and upholds the values of teamwork, leadership, research and development and encouragement.

Human Resource Policies

The Arbitrator does not employ staff. Officers of other public service agencies providing services to the Arbitrator are employed in accordance with the human resource policies of the employing agencies.

Consultants

Section 81 of the *Gas Pipelines Access (Western Australia) Act 1998* provides for the Arbitrator to engage consultants separate from the Gas Review Board. Expenditure on consultancies during 2004-05 is summarised in the accompanying table.

Complaints Handling

There are three main areas that may be the source of complaints in the case of the Arbitrator. These relate to administration, matters relating to reviews carried out by the Gas Review Board and matters relating to the arbitration of disputes.

Complaints handling relating to administration are dealt with under the ERA's Code of Conduct. The Code of Conduct, which is available on the ERA's website or in hardcopy form at the ERA's reception, advises that anyone having a serious concern about the actions of any member of the ERA in providing services to the Arbitrator in their observance of the Code of Conduct should contact the General Manager of the ERA.

Staff and consultants to the ERA are also provided with documentation that expands on the Code of Conduct and sets out relevant policies in some detail including the handling of complaints on administrative matters.

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

Complaints relating to the review of decisions and the arbitration of disputes are matters dealt with through the formal review and arbitration processes. There were no complaints lodged relating to the review of decisions and the arbitration of disputes.

Funding

Expenditure other than that directly associated with the hearing of arbitrations by the Arbitrator and reviews undertaken by the Gas Review Board has traditionally been funded by charges payable by the operators of regulated pipelines, in accordance with provisions of the *Gas Pipelines Access (Western Australia) (Funding) Regulations 1999* (Funding Regulations). Since January 2005, 50 per cent of the Arbitrator's core function costs have been funded by these operators.

As from 1 January 2005, the Arbitrator acquired significant additional functions under the *Electricity Industry Act 2004*. These new functions include providing services and support to the Gas Review Board to hear and determine matters related to the electricity industry.

While industry funding arrangements have not been put into place in respect of the Arbitrator's electricity functions, the *Gas Pipelines Access (Western Australia) Act 1998* makes provisions for appropriations from Parliament.

Funding of the Arbitrator's gas industry functions has been arranged through "standing" charges levied by the Arbitrator on operators of regulated pipelines. These charges are determined in accordance with regulation 3 of the Funding Regulations. Standing charges are levied on operators of pipelines in respect of costs incurred by the Arbitrator, including any costs that relate to the Gas Review Board, that are not directly attributable to a particular review.

The pipeline operators that are liable for standing charges and the percentage allocations of costs between these pipeline operators are set out in schedule 1 of the Funding Regulations.

The total amount of standing charges paid by pipeline operators in respect of the costs of the Arbitrator in the year ending 30 June 2005 are presented in the following table.

Charges Paid by Pipeline Operators for the year ended 30 June 2005

Service Provider	Standing Charges	Charges levied but not yet received
AlintaGas Networks Pty Ltd	\$4,432	\$2,017
Epic Energy (WA) Transmission Pty Ltd	\$9,456	\$4,303
Goldfields Gas Transmission	\$3,915	\$1,782
SAGASCO SE Inc.	\$625	\$285
Southern Cross Pipelines Pty Ltd	\$521	\$237
Total	\$18,949	\$8,624

Note: Figures based on payments received from pipeline operators by the ERA and transferred to the Arbitrator.

Funding *continued*

In accordance with regulation 4 of the Funding Regulations, standing charges are assessed at the end of each calendar quarter for each pipeline operator.

Section 30 of schedule 1 of the Gas Pipelines Access (Western Australia) Act 1998 makes provision for the Arbitrator to recover costs incurred in arbitration of an access dispute. As there were no access disputes in 2004-05, no costs were incurred.

The Funding Regulations enable the Arbitrator to recover certain costs and expenses of the Gas Review Board in connection with the hearing and determination of proceedings before the Board. Regulation 9 provides for the Board to fix an amount that represents the costs and expenses incurred by the Board in connection with the hearing and determination of particular proceedings before it, and to assign costs to the parties to the relevant proceedings.

As the Board made no orders as to its own costs in respect of appeals 1, 2 and 4 during 2004-05, none of the costs of the Board were recovered by the Arbitrator.

Treasurer's Advances

Section 83 of the *Gas Pipelines Access (Western Australia) Act 1998* allows for the Arbitrator to borrow from the Treasurer. As the Arbitrator does not allow for costs associated with arbitration, review or appeal in his annual estimates, application is made for a Treasurer's Advance to fund any of these functions when required. The Arbitrator currently has a \$1.8 million Treasurer's Advance to fund the activities of the Gas Review Board.

Compliance

The Arbitrator has no supporting organisation as such. Details of compliance relate solely to the office of the Arbitrator.

Shares in Subsidiary Bodies

Treasurer's Instruction 903 requires details of shares in any subsidiary body of the statutory authority held as a nominee or held beneficially by a Senior Officer of the statutory authority. There are no such shares.

Interest in Existing or Proposed Contracts

Treasurer's Instruction 903 requires particulars of any interest in any existing or proposed contract which a Senior Officer, or a firm of which a Senior Officer is a member, or an entity in which a Senior Officer has a substantial financial interest, has made with the statutory authority or any related or affiliated body. There are no such interests.

Electoral Act Disclosure Requirements

Section 175ZE of the *Electoral Act 1907* requires public agencies to include a statement in their annual reports detailing

all the expenditure incurred by or on behalf of the public agencies during the reporting period in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising agencies.

No expenditure was incurred by the Arbitrator during the period 1 July 2004 to 30 June 2005.

Directions Given

Section 75(2) of the Gas Pipelines Access (Western Australia) Act 1998 provides for the Minister to give directions in writing to the Arbitrator in relation to general policies to be followed by the Arbitrator in matters of administration, including financial administration. The text of any such direction is required to be included in the Arbitrator's Annual Report.

No directions under section 75(2) of the *Gas Pipelines Access (Western Australia) Act 1998* were given to the Arbitrator during the year.

The following public document was issued by the Arbitrator during the reporting year:

Publications

- Annual Report 2003-04

This publication was placed on the Economic Regulation Authority's website and is available for downloading.

Boards and Committees


The Arbitrator did not participate on any Boards or Committees during the year.

Certification of Financial Statements

for the year ended 30 June 2005

The accompanying financial statements of the Gas Disputes Arbitrator have been prepared in compliance with the provisions of the *Financial Administration and Audit Act 1985* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2005 and the financial position as at 30 June 2005.

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



PRINCIPAL ACCOUNTING OFFICER

29 August 2005



ACCOUNTABLE AUTHORITY

29 August 2005



Independent Audit Opinion

37

To the Parliament of Western Australia

WESTERN AUSTRALIAN GAS DISPUTES ARBITRATOR
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Audit Opinion

In my opinion,

- (i) the controls exercised by the Western Australian Gas Disputes Arbitrator provide reasonable assurance that the receipt and expenditure of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Arbitrator at 30 June 2005 and its financial performance and cash flows for the year ended on that date.

Scope

The Arbitrator's Role

The Arbitrator is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the *Financial Administration and Audit Act 1985* (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to the Financial Statements.

Independent Audit Opinion *continued*

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term “reasonable assurance” recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.



D D R PEARSON
AUDITOR GENERAL

14 October 2005

4th Floor Dumas House, 2 Havelock Street, West Perth 6005 Western Australia
Tel: 08 9222 7500 Fax: 08 9322 5664

Statement of Financial Performance

for the year ended 30 June 2005

39

	Note	2004-05 \$'000	2003-04 \$'000
COST OF SERVICES			
Expenses from ordinary activities			
Employee expenses	2	29	34
Supplies and services	3	594	219
Accommodation expenses	4	150	-
Total cost of services		773	253
Revenues from ordinary activities			
Revenue from operating activities			
User charges and fees	5	19	39
Revenues from non-operating activities			
Interest revenue	6	27	7
Other revenues from ordinary activities	7	-	1
Total revenues from ordinary activities		46	47
NET COST OF SERVICES		727	206
REVENUES FROM STATE GOVERNMENT			
Service appropriation	8	-	20
Resources received free of charge		6	2
Total revenues from State Government		6	22
CHANGE IN NET ASSETS		(721)	(184)
Total changes in equity other than those resulting from transactions with WA State Government as owners		(721)	(184)

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

Statement of Financial Position

as at 30 June 2005

	Note	2004-05 \$'000	2003-04 \$'000
Current Assets			
Cash assets	9	945	323
Receivables	10	16	40
Total Current Assets		961	363
TOTAL ASSETS			
		961	363
Current Liabilities			
Payables	11	19	-
Amount due to the Treasurer	12	1,800	500
Total Current Liabilities		1,819	500
Total Liabilities			
		1,819	500
EQUITY			
Accumulated surplus/(deficiency)	13	(858)	(137)
Total Equity		(858)	(137)
TOTAL LIABILITIES AND EQUITY			
		961	363

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

Statement of Cash Flows

for the year ended 30 June 2005

41

	Note	2004-05 \$'000	2003-04 \$'000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriations		-	20
Net cash provided by State Government		-	20
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee costs		(29)	(34)
Supplies and services		(576)	(218)
Accommodation expenses		(150)	-
GST payments on purchases		(72)	-
Receipts			
User charges and fees		41	21
GST receipts from ATO		81	-
Other receipts		27	-
Net cash provided by/(used in) Operating Activities	14(b)	(678)	(231)
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasurer's Advance		1,300	500
Net cash provided by/(used in) Financing Activities		1,300	500
Net increase/(decrease) in Cash Held			
		622	289
Cash assets at the beginning of the financial year		323	34
CASH ASSETS AT THE END OF THE FINANCIAL YEAR	14(a)	945	323

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

Notes to the Financial Statements

for the year ended 30 June 2005

1 Significant accounting policies

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated these policies are consistent with those adopted in the previous year.

General statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary the application, disclosure, format and wording. The *Financial Administration and Audit Act 1985* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, Statements of Accounting

Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect, is disclosed in individual notes to these financial statements.

Basis of accounting

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

(a) Service Appropriation

Service Appropriations are recognised as revenues in the

period in which the Arbitrator gains control of the appropriated funds. The Arbitrator gains control of the appropriated funds at the time those funds are deposited into the Arbitrator's bank account.

(b) Contributed Equity

Under UIG 38 "Contributions by Owners Made to Wholly-Owned Public Sector Entities" transfers in the nature of equity contributions must be designated by the Government (owners) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions in the financial statements. Capital contributions (appropriations) and non-discretionary transfers of net assets from other government agencies have been designated as contributions by owners and have been credited directly to Contributed Equity in the Statement of Financial Position.

(c) Interest

Interest revenue is recognised when the interest has been credited to the bank account.

(d) Leases

The Arbitrator has entered into a number of operating lease arrangement for office accommodation where the lessors effectively retain all of the risks and benefits incident to ownership of the items held under the operating lease. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the term of the lease as this is representative of the pattern of benefits to be derived from the leased property.

(e) Cash

For the purposes of the Statement of Cash Flows, cash includes cash assets.

(f) Receivables

Receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubts as to collection exists and in any event where the debt is more than 60 days overdue.

(g) Amounts due to the Treasurer

The Arbitrator holds a Treasurer's Advance for the purpose of funding the Gas Review Board to facilitate the deliberation of appeals. This is represented by amounts due or repayable to the Treasurer.

(h) Payables

Payables, including accruals not yet billed, are recognised when the Arbitrator becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days.

Notes to the Financial Statements *continued*

for the year ended 30 June 2005

(i) Employee Benefits

Annual leave

The Arbitrator has no entitlement to annual leave.

Long service leave

The Arbitrator has no entitlement to long service leave.

Superannuation

The Arbitrator has an amount included as part of his remuneration, which is deducted from each payment and remitted to a complying superannuation fund. The Government has no unfunded superannuation liability in respect of the Arbitrator.

(j) Revenue recognition

Revenue from the rendering of services is recognised when the Arbitrator has passed delivery of the service to the customer.

Revenue from the recovery of costs through standing charges is recognised when the pipeline operators are charged quarterly.

(k) Comparative Figures

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

(l) Rounding

Amounts in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

	2004-05 \$'000	2003-04 \$'000
2 Employee expenses		
Salaries	27	27
Other Related expenses	2	7
	29	34
3 Supplies and services		
Communication	4	1
Consultants and contractors	26	26
Consumables	23	-
Legal costs	55	2
Travel	2	3
Gas Review Board fees	465	179
Other	19	8
	594	219
4 Accommodation expenses		
Office accommodation rental	142	-
Other accommodation expenses	8	-
	150	-
5 User charges and fees		
Standing charges	19	39
	19	39

Notes to the Financial Statements *continued*

for the year ended 30 June 2005

	2004-05 \$'000	2003-04 \$'000
6 Interest revenue		
Interest	27	7
	27	7
7 Other revenues from ordinary activities		
Other revenue	-	1
	-	1
8 Revenues from State Government		
Appropriation revenue received during the year:		
Service appropriations (a)	-	20
	-	20
Resources received free of charge		
Determined on the basis of the following estimates provided by agencies		
Department of Justice - legal service charges	6	2
	6	2
Total Revenues from State Government	6	22
(a) Service appropriations reflect the full price paid for services purchased by the Government.		
9 Cash assets		
Operating Account	945	323
	945	323

	2004-05 \$'000	2003-04 \$'000
10 Receivables		
Accounts receivable for services supplied	4	8
Accrued revenue	-	11
Goods and Services Tax receivable – ATO	12	21
	16	40
11 Payables		
Accrued expenses	19	-
	19	-
12 Amount due to the Treasurer		
Treasurer's Advance	1,800	500
	1,800	500
13 Equity		
Accumulated deficiency		
Opening balance	(137)	47
Change in net assets	(721)	(184)
Closing balance	(858)	(137)

Notes to the Financial Statements *continued*

for the year ended 30 June 2005

	2004-05 \$'000	2003-04 \$'000
14 Notes to the Statement of Cash Flows		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash assets	945	323
	945	323
(b) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities		
Net cost of services	(727)	(206)
Non-cash items		
Resources received free of charge	6	2
(Increase)/decrease in assets:		
Receivables	15	(24)
Increase/(decrease) in liabilities:		
Accrued salaries	1	-
Payables	18	(2)
Other liabilities	-	(1)
Change in GST in receivables/payable	(72)	-
Net GST receipts/(payments)	81	-
Net cash used in operating activities	(678)	(231)

15 Financial instruments

(a) Interest rate risk exposure

The following table details the Arbitrator's exposure to interest rate risk as at the reporting date:

	Weighted average interest rate %	Variable interest rate \$'000	Non-interest bearing \$'000	Total \$'000
2005				
Financial assets				
Cash resources	4.75	945	-	945
Accounts receivable		-	16	16
		945	16	961
Financial liabilities				
Accounts payable		-	19	19
		-	19	19
2004				
Financial assets	4.75	323	40	363
Financial liabilities		-	500	500

(b) Credit risk

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Arbitrator's maximum exposure to credit risk without taking account of any collateral or other security obtained.

(c) Net fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from the net fair values.

Notes to the Financial Statements *continued*

for the year ended 30 June 2005

16 Remuneration of Accountable Authority

The number of members of the Accountable Authority whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, who fall within the following bands is:

	2004-05	2003-04
	\$'000	\$'000
\$20,001 - 30,000	1	1
Total remuneration of the members of the Accountable Authority is:	27	27

The superannuation included here represents the superannuation expense incurred by the Accountable Authority in respect of members.

No members of the Accountable Authority are members of the Pension Scheme.

17 Remuneration of the Auditor

Remuneration to the Auditor General:	5	4
Auditing the accounts, financial statements and performance indicators	5	-

18 Commitments for expenditure

(a) Lease Commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are payable:

Within one year	45	-
	45	-

The property lease is a non-cancellable lease expiring on 14 October 2005, with rent payable monthly in advance.

19 Contingent liabilities

The Arbitrator has no contingent liabilities as at 30 June 2005.

20 Events occurring after reporting date

The Arbitrator is unaware of any event occurring after reporting date that would materially affect the financial statements.

21 Explanatory statements

(i) Significant variances between estimate and actual results for the financial year.

	2004-05 Estimate \$'000	2004-05 Actual \$'000	Variance \$'000
Total cost of operations of the Arbitrator	50	773	723

The main reason for the higher costs in comparison to the estimate was the need to support the Gas Review Board effective from 1 January 2004.

(ii) Significant variances between actual and prior year actual results.

	2004-05 Actual \$'000	2003-04 Actual \$'000	Variance \$'000
Total cost of operations of the Arbitrator	773	253	520

The main reason for the higher costs in comparison to the prior year was the need to support the Gas Review Board effective from 1 January 2004.

22 Adoption of International Accounting Standards

The Arbitrator is adopting international accounting standards in compliance with AASB 1 'First-Time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)'.

- (a) The Arbitrator has determined that there will be no adjustment to equity under AIFRS presentation as compared to that disclosed under AGAAP.
- (b) The adoption of AIFRS will not have any impact on the reporting on the deficit reported for the period.



Acknowledgements:

Some of the graphic design images in this report were created from photographs provided by Alinta Ltd and Western Power Corporation.