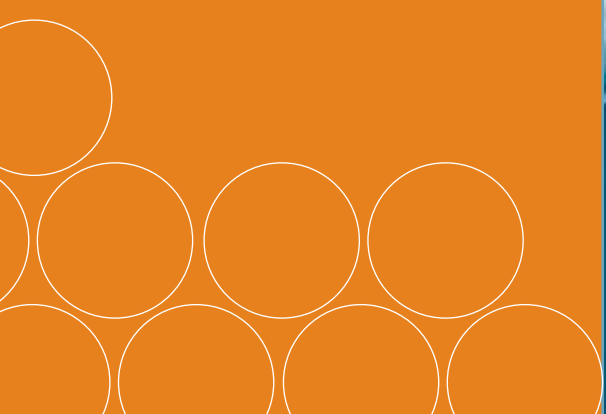
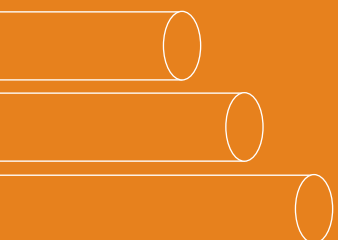




Gas Disputes Arbitrator

ANNUAL REPORT 2003-04





Western Australian Gas Disputes Arbitrator

Hon Eric Ripper BA, Dip Ed, MLA Treasurer of Western Australia

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 2004 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*.

A handwritten signature in black ink, appearing to read 'LJ', written over a light blue background.

MR LAURIE JAMES
GAS DISPUTES ARBITRATOR
31 August 2004

ANNUAL REPORT 2003-04

This report describes the functions and operations of the Western Australian Gas Disputes Arbitrator for the year ended 30 June 2004.

Administrative support was provided by the Office of Gas Access Regulation for the period 1 July to 31 December 2003. Since then, the Economic Regulation Authority, which is the new regulatory agency for gas, rail, water and electricity in Western Australia, has provided support.

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

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

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197 St George's Terrace
Perth WA 6000

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Perth Business Centre
Perth WA 6849

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AGENCY OVERVIEW

Purpose

The office of the Western Australian Gas Disputes Arbitrator is established under nationally consistent legislation to provide for the resolution of disputes, if any, between providers of gas pipeline services and prospective users of gas pipelines. The Arbitrator also had a role as Gas Referee under transitional State legislation until 30 December 2003.

In addition, the Arbitrator provides administrative support to the Western Australian Gas Review Board that has responsibility for reviewing specified decisions by the Treasurer, the Economic Regulation Authority (formerly the Western Australian Independent Gas Pipelines Access Regulator) or the Coordinator of Energy.

Mission

The mission of the Arbitrator is to promote free and fair trade in gas by seeking the effective and efficient resolution of disputes and to make provision for reviews of decisions on access to pipelines wholly located in Western Australia at the lowest practical regulatory cost.

Objectives

The Arbitrator's principal objectives are to:

- promote a competitive market for natural gas in which customers may choose suppliers, including producers, retailers and traders;
- prevent abuse of monopoly power;
- provide rights of access to natural gas pipelines on conditions that are fair and reasonable for the owners and operators of gas transmission and distribution pipelines and persons wishing to use the services of those pipelines;
- provide for resolution of disputes; and
- facilitate the development and operation of a national market for natural gas.

Vision

The Arbitrator's vision is to achieve a vigorously competitive natural gas market in Western Australia with minimal regulatory oversight.

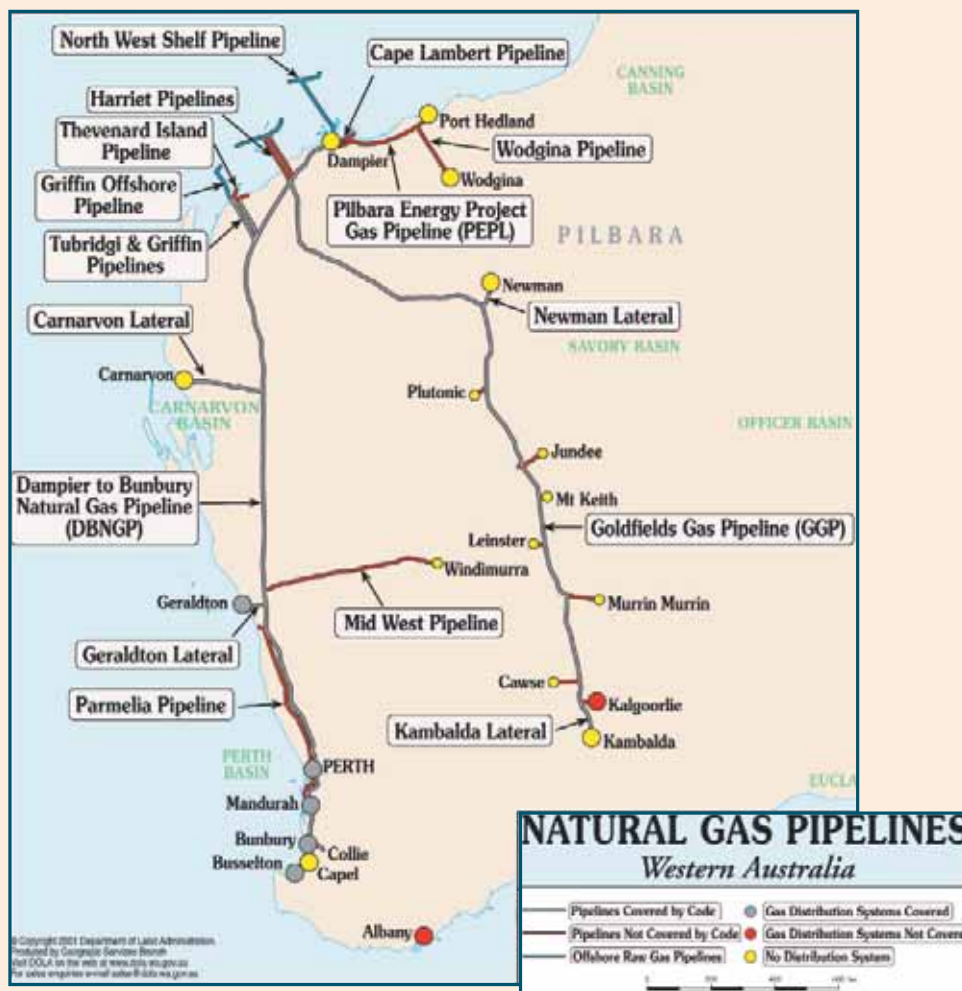
Clients

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

Support

The Arbitrator does not employ staff. However, the Arbitrator may, by agreement, make use of government staff and has made use of services formerly provided by the Office of Gas Access Regulation. Since 1 January 2004, these services have been provided by the Economic Regulation Authority and the Department of Treasury and Finance.

HIGHLIGHTS



Map supplied by the Department of Land Information, P316 www.landonline.com.au

- A dispute was referred to the Gas Disputes Arbitrator in his capacity as Gas Referee. These proceedings were, however, discontinued.
- On 14 January 2004, three applications were lodged with the Arbitrator for the review of a decision by the Independent Gas Pipelines Access Regulator to issue his own access arrangement for the Dampier to Bunbury Natural Gas Pipeline.
- A further application for review of the Regulator’s decision was lodged by North West Shelf Gas on 28 January 2004.
- The Gas Review Board was established on 11 February 2004 to hear and determine the above appeals.
- The Economic Regulation Authority was established on 1 January 2004 to replace the previous regulatory areas of gas, rail and water. The Authority now provides support to the Arbitrator.

THE ARBITRATOR'S OVERVIEW



This year has seen a higher level of activity in some of my functions as Gas Disputes Arbitrator.

A dispute was referred to me in my capacity as Gas Referee under transitional legislation relating to the Dampier to Bunbury Natural Gas Pipeline (DBNGP). I arranged several conferences starting in October 2003, but proceedings were brought to an end with the issuing of an approved access arrangement for the DBNGP on 30 December 2003.

The transitional legislation ceased to have effect following the approval of the access arrangement. On 13 January 2004, I notified the parties to the proceedings that I would take no further action unless otherwise advised. It is unlikely that these proceedings will be revived.

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.

Four applications for review were lodged during the year. These comprised appeals by Epic Energy (WA) Nominees Pty Ltd and Epic Energy (WA) Transmission Pty Ltd, North West Shelf Gas Pty Ltd and Western Power Corporation against the decision of the Regulator to approve his own access arrangement for the DBNGP. The fourth appeal was lodged by North West Shelf Gas Pty Ltd after the Regulator amended his decision on 12 January 2004.

The Gas Review Board was established to determine the four appeals with the Presiding Member, Mr Robert Edel, being appointed on 11 February 2003. Dr Frank Harman and Mr Max Kimber were later appointed from the panel of experts as members of the Board. However, Mr Kimber resigned on 21 May 2004, being subsequently replaced by Mr Ted Woodley. The appeal hearings are scheduled to be completed by November 2004.

Details of hearing dates, determinations, notices and documents filed are posted to the Economic Regulation Authority website www.era.wa.gov.au.

Mr James Saunders from Kott Gunning Lawyers was appointed to the position of Registrar for the Gas Review Board.

I also have responsibility for ensuring that procedures are in place to address disputes that fall within the jurisdiction of the Arbitrator. Under the *National Third Party Access Code for Natural Gas Pipeline Systems* (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.

Finally, I would like to express my appreciation for the support that I have received from the former Office of Gas Access Regulation and the Office of Energy until 31 December 2003. I would also like to express my thanks to the new Economic Regulation Authority and the Department of Treasury and Finance for their ongoing support.

LAURIE JAMES
GAS DISPUTES ARBITRATOR

OUTCOMES AND OUTPUTS

Outcomes

The desired outcomes for the Arbitrator are the effective and efficient:

- resolution of disputes;
- provision of administrative services to the Gas Review Board (Board) for the review of decisions; and
- oversighting of gas pipelines covered by the Code.

Outputs

The outputs for the Arbitrator are the number of:

- disputes arbitrated;
- reviews conducted by the Gas Review Board; and
- regulated gas pipelines oversighted.

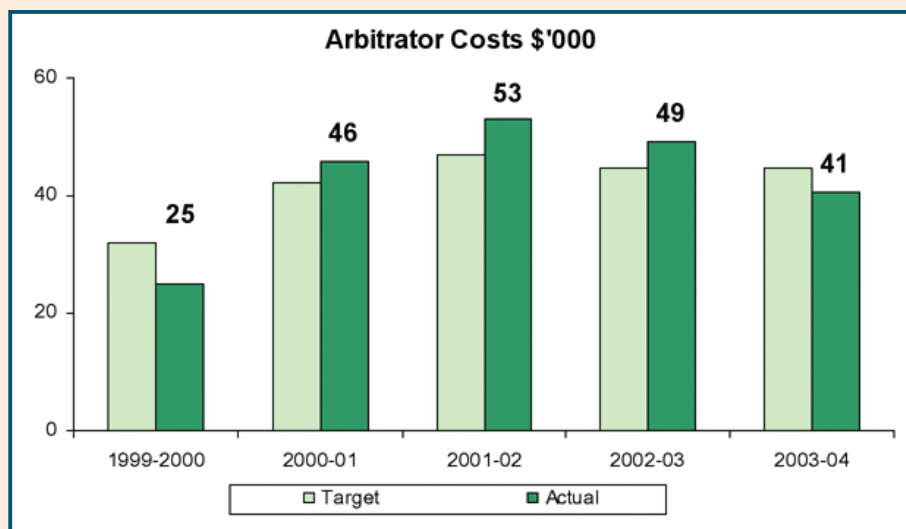
Disputes arbitrated, if any, are between prospective users of gas pipeline services and gas pipeline service providers. The review of decisions by the Board relate to decisions made by the Treasurer, the Independent Gas Pipelines Access Regulator (Regulator) or the Coordinator of Energy.

There are currently five regulated pipelines in Western Australia. It should be noted that since 1 January 2004, the functions of the Regulator were transferred to the Economic Regulation Authority (Authority).

Indicators

Given that the Gas Review Board proceedings have yet to be completed and the dispute that was referred to the Gas Referee was discontinued, no meaningful performance indicators are available for these activities.

However, performance indicators are reported for the Arbitrator's oversighting role. Performance indicators for the current uncompleted work by the Board will be reported in next year's Annual Report.

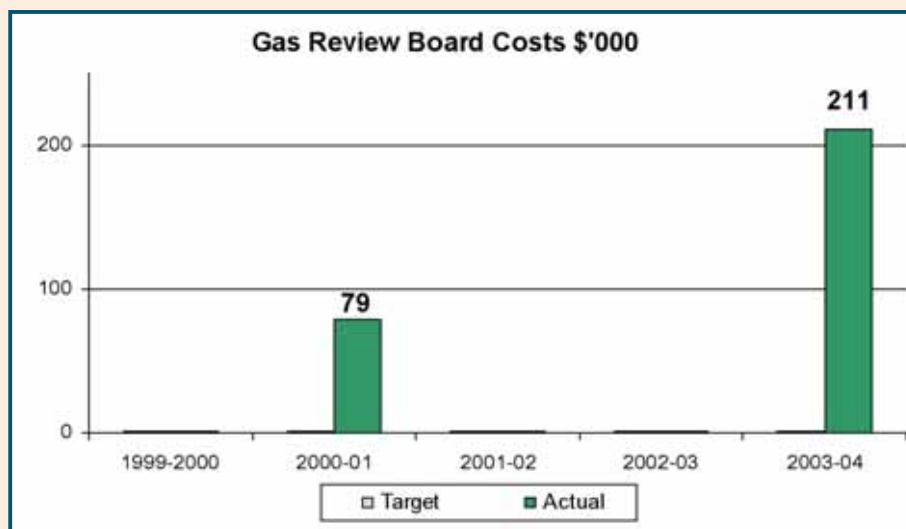


Arbitrator Costs

The cost of the oversighting role of the Arbitrator for five covered pipelines in Western Australia has decreased from \$49,000 in 2002-03 to \$41,000 in 2003-04.

The Arbitrator also incurred costs of \$1,000 in his role as Gas Referee during the year.

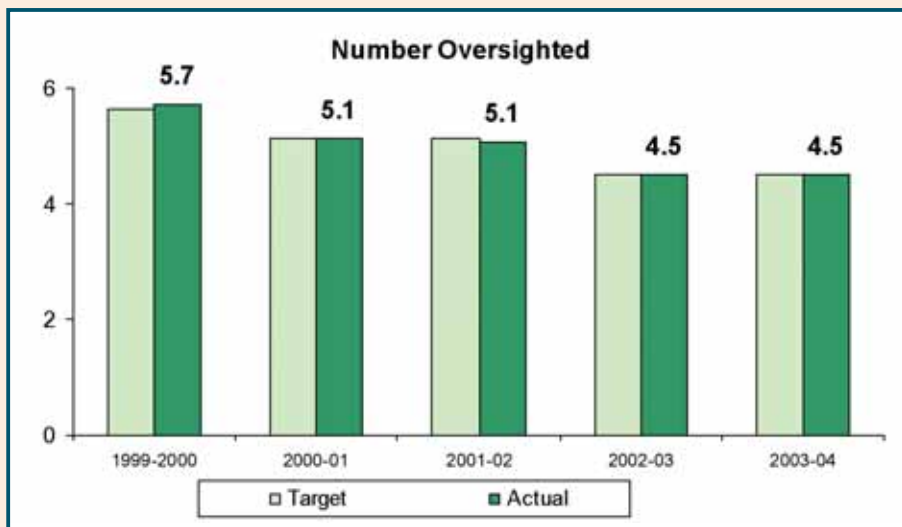
The Arbitrator recovered \$46,000 from operators of regulated pipelines in Western Australia, resulting in a net surplus of \$4,000.



Gas Review Board Costs (to date)

The total cost of the four appeals currently before the Gas Review Board was \$211,000 for the period to 30 June 2004. The remaining cost is for other administrative services. The cost of these appeals is expected to be recovered from the parties to the appeals.

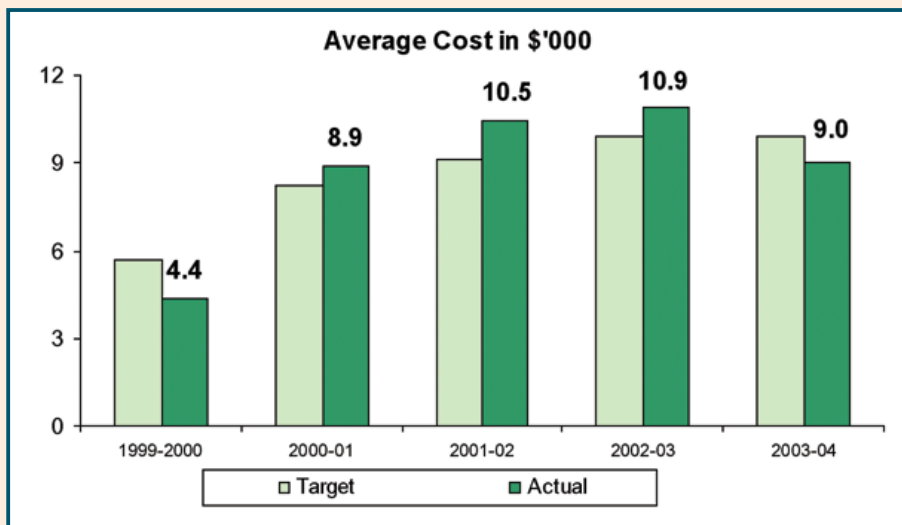
The only previous occasion when the Gas Review Board was established, its costs to conduct two reviews in the year ending 30 June 2001 amounted to \$79,000.



Number of Regulated Pipelines Oversighted

The number of equivalent standard \$500 million regulated pipelines for which the Arbitrator has responsibility is 4.5. This is unchanged from 2002-03.

(The concept of equivalent standard \$500 million regulated pipelines is explained on page 10)



Average Cost of Oversighting

The average cost of oversighting an equivalent standard pipeline has decreased from \$10,900 in 2002-03 to \$9,000 in 2003-04.

This is due to the total costs for this oversighting role decreasing from \$49,000 in 2002-03 to \$41,000 in 2003-04.

ISSUES AND TRENDS

The main function of the Arbitrator is to hear and determine disputes between prospective users of regulated gas pipelines and owners or operators of those pipelines in relation to the terms and conditions for gas transportation services.

The role of the Arbitrator is part of a broader regulatory regime established under the *Gas Pipelines Access (Western Australia) Act 1998* (Act).

The purpose of this regulatory regime is to ensure that the owners or operators of pipelines regulated by the *National Third Party Access Code for Natural Gas Pipeline Systems* (Code) provide gas transportation services on terms and conditions and at prices that are fair and reasonable.

Successful regulation ensures that the owners of gas pipelines have the necessary economic incentives to provide pipeline services and undertake investment to develop the pipeline infrastructure of the State.

As a result, regulation supports competition amongst suppliers of natural gas to Western Australian businesses and households, and facilitates access of businesses and households to natural gas as a source of energy.

The Arbitrator also has the role of providing support to meet the requirements of the Gas Review Board, which functions as an appeals body under the Code and has a review function under the *Energy Coordination Act 1994*.

In addition, the Act provided for the Arbitrator to undertake functions (relating to access and pricing) in the transitional role of Gas Referee under regulations made under section 51 of the Dampier to Bunbury Pipeline Act 1997.

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

PLANNED ACHIEVEMENTS

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 review of decisions by the Gas Review Board.

In either case, administrative procedures need to be in place to deal with these matters in the shortest possible time consistent with a high degree of cost efficiency.

Administrative procedures are reviewed on an ongoing basis and improvements are made including updating information on services through the Authority's website.

ACTUAL ACHIEVEMENTS

As discussed in more detail in the report on operations below, one dispute was lodged with the Arbitrator in his capacity as the Gas Referee. The proceedings in respect of this dispute were discontinued after several conferences had been held.

In addition, four applications for review of a decision were lodged with the Board. At the end of the financial year these were still at an early stage with hearings scheduled to be completed in November 2004.

FINANCIAL ACHIEVEMENTS

Estimates of the Arbitrator's expenditure are approved by the Treasurer each financial year.

The total cost of the Gas Disputes Arbitrator in 2003-04 was \$41,000. This includes costs such as the Arbitrator's remuneration and administration. The equivalent cost in 2002-03 was \$49,000.

The Arbitrator is able to recoup operating expenses from operators of regulated pipelines in Western Australia. The Arbitrator recovered \$46,000 in 2003-04.

The cost incurred by the Arbitrator in his role as Gas Referee during the year was less than \$1,000.

The cost of the Gas Review Board that was established to hear and determine the four appeals lodged during the year was \$211,000. The cost of these appeals is expected to be recovered from the parties to the appeals.

Full details of the operations of the Arbitrator are disclosed in the 2003-04 financial statements at the end of this report.

Section 83 of the Act 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. In March 2004, the Treasurer approved an Advance of \$20,000 to fund the Gas Referee and \$500,000 to fund the Gas Review Board.

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.

The Authority's website www.era.wa.gov.au provides up-to-date information on the processes involved.

THE CHALLENGE AHEAD

The main challenge for the Arbitrator is to continue to provide support to the Board for the current appeals being heard and to maintain a high state of readiness in the event that other disputes are referred or applications for review are lodged.

Administrative procedures need to be in place to deal with these matters in the shortest possible time consistent with a high degree of cost efficiency.

Administrative procedures are reviewed on an ongoing basis and improvements are made including updating information on services through the Authority's website www.era.wa.gov.au.

REPORT ON OPERATIONS

During the year, one dispute was referred to the Gas Disputes Arbitrator in his capacity as Gas Referee. Several conferences were held, but the proceedings came to an end when the Independent Gas Pipelines Access Regulator (Regulator) issued his own access arrangement for the Dampier to Bunbury Natural Gas Pipelines (DBNGP) on 30 December 2003.

The transitional arrangements that made provision for the Arbitrator's role as Gas Referee ceased to have effect from the time that an access arrangement was approved by the Regulator.

The Gas Referee notified the parties on 13 January 2004 that he would take no further action unless advised otherwise. While the proceedings are in abeyance, it is considered unlikely that they will be revived.

Four applications were lodged during the year for review by the Gas Review Board of the Regulator's decision to issue his own access arrangement for the DBNGP. These comprised appeals by Epic Energy (WA) Nominees Pty Ltd and Epic Energy (WA) Transmission Pty Ltd, North West Shelf Gas Pty Ltd and Western Power Corporation.

North West Shelf Gas Pty Ltd lodged a fourth appeal when the Regulator amended his decision on 12 January 2004.

The Board was established under Mr Robert Edel to hear and determine these appeals. Dr Frank Harman and Mr Max Kimber were later appointed from the panel of experts as members of the Board. However, Mr Kimber resigned on 21 May 2004 and was replaced by Mr Ted Woodley on 4 June 2004.

Appeal hearings are due to be completed by November 2004.

REGULATED PIPELINES

The Arbitrator's functions relate to natural gas pipelines that are wholly located in Western Australia and that are regulated by the Code. At 30 June 2004, 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.

PERFORMANCE MEASURES

Treasurer's Instruction 904 requires information to be provided on the quantity, quality, timeliness and cost of the Arbitrator's outputs. The Arbitrator has three outputs:

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

Quantity

There were no applications for arbitration under the Code this year. One application was received by the Arbitrator in his capacity as Gas Referee. These proceedings are in abeyance and are unlikely to be revived.

Four appeals are currently before the Gas Review Board with hearings due to be completed in November 2004.

An important aspect of the Arbitrator’s function is the overseeing role. In order to enable meaningful comparisons of the scope and costs of overseeing to be made between years, the concept of a standard \$500 million pipeline has been used.

QUANTITY				
	2003-04		2002-03	
	Target	Actual	Target	Actual
Number of disputes resolved	0	0	0	0
Number of reviews completed by the Gas Review Board	0	0	0	0
Number of equivalent standard * covered pipelines oversighted	4.5	4.5	4.5	4.5

*A standard pipeline is defined as one having a capital base value of \$500 million. This means that if two pipelines are oversighted for the duration of one year with each pipeline being valued at \$250 million, then this would be reported as the equivalent of one standard pipeline having been oversighted for the year.

Quality

Quality is measured by the proportion of clients that are satisfied or very satisfied with the arbitration processes implemented or the services provided to the Gas Review Board by the Arbitrator to facilitate the review of decisions.

The effectiveness of adequate resolution of disputes and the review of decisions can be assessed by reference to surveys of relevant interested parties.

In the above cases, no decisions were made to resolve the dispute and the appeals process is at an early stage.

When the appeals are completed, a survey will be done to assess the performance of the Arbitrator in the administration of this process, and results will be included in next year's Annual Report.

As no arbitration proceedings or reviews were completed during the year, no suitable quality measure for the Arbitrator's outputs is available.

QUALITY				
	2003-04		2002-03	
	Target	Actual	Target	Actual
Proportion of interested parties satisfied or very satisfied with the arbitration or review process implemented	75%	n/a	75%	n/a
n/a not applicable as there were no arbitrations or disputes completed.				

Timeliness

As the amount of time required to undertake arbitrations and reviews of decisions varies considerably depending on the complexity of the issues involved, it is not currently possible to establish benchmarks such as standard times.

The timeliness of the Arbitrator’s support is therefore established through interviews with representatives of the parties to the disputes or reviews.

As no arbitrations or reviews were completed during the year, no suitable timeliness measure is available.

TIMELINESS				
	2003-04		2002-03	
	Target	Actual	Target	Actual
Proportion of representatives of the parties to disputes or reviews satisfied or very satisfied with the timeliness of the respective administrative processes	75%	n/a	75%	n/a
n/a not applicable as there were no arbitrations or disputes completed.				

Cost

Three performance indicators are defined for the cost of outputs. These are the average cost per arbitration, the average cost per review and the average cost per equivalent standard pipeline oversighted.

The actual cost per equivalent standard pipeline oversighted was \$9,000 compared to a target of \$9,900.

No disputes or reviews were completed during the year. Actual and target costs for these are shown as zero which is the desired outcome.

COST				
	2003-04		2002-03	
	Target	Actual	Target	Actual
Average cost * per arbitration determined by the Arbitrator	\$0	\$0	\$0	\$0
Average cost * per review determined by the Gas Review Board	\$0	\$0	\$0	\$0
Average cost * per equivalent standard pipeline oversighted	\$9,900	\$9,000	\$9,900	\$10,900

* Financial figures based on actual expenditure for the reporting period.

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 for the year ended 30 June 2004.



LAURIE JAMES
GAS DISPUTES ARBITRATOR

31 August 2004

Independent Audit Opinion

To the Parliament of Western Australia

GAS DISPUTES ARBITRATOR PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2004

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 June 30, 2004.

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 financial statements.



**DDR PEARSON
AUDITOR GENERAL**

November 1, 2004

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

Indicators for 2003-04

The Arbitrator's key performance indicators derive from the objectives set by the enabling legislation, the *Gas Pipelines Access (Western Australia) Act 1998*. The Preamble to this legislation states:

"The Commonwealth, the States of New South Wales, Victoria, Queensland, South Australia, Western Australia and Tasmania, the Northern Territory and the Australian Capital Territory agreed in November 1997 to the enactment of legislation in the Commonwealth and those States and Territories so that a uniform national framework applies for third party access to all gas pipelines that —

- (a) facilitates the development and operation of a national market for natural gas; and
- (b) prevents abuse of monopoly power; and
- (c) promotes a competitive market for natural gas in which customers may choose suppliers, including producers, retailers and traders; and
- (d) provides rights of access to natural gas pipelines on conditions that are fair and reasonable for both service providers and users; and
- (e) provides for resolution of disputes."

While these objectives are set at a national level, gas pipelines in Western Australia do not currently extend beyond this State.

The desired outcomes for the Arbitrator are the effective and efficient:

- resolution of disputes;
- provision of administrative services to the Gas Review Board for the review of decisions; and
- ability to address any matters relating to the Arbitrator's functions for pipelines oversights by the Arbitrator.

Effectiveness

The effectiveness indicators for the Arbitrator's outcomes are indicated by the percentage of those involved in arbitrations or reviews of decisions that are satisfied or very satisfied in the way the Arbitrator has helped to:

- provide for the resolution of disputes;
- provide administrative services to the Gas Review Board for the review of decisions; and
- provide rights of access to gas pipelines.

For the purposes of determining the effectiveness of the Arbitrator in achieving the desired outcomes, a survey of those involved in arbitrations or reviews of decisions would be undertaken.

As there were no arbitrations or reviews completed during the year no measure of the Arbitrator's effectiveness is available.

EFFECTIVENESS

Desired outcome	Percentage of interested parties satisfied or very satisfied with:	Percentage 2003-04	Percentage 2002-03
To provide for the resolution of disputes	The administration of arbitration processes	n/a	n/a
To provide administrative services to the Gas Review Board for the review of decisions	The administration of review processes	n/a	n/a
To provide rights of access to gas pipelines	The Arbitrator's ability to address matters for pipelines oversighted	n/a	n/a
n/a not applicable as there were no arbitrations or disputes completed.			

Efficiency

The efficiency indicators for the Arbitrator are:

- Output 1: Average cost per dispute.
- Output 2: Average cost per review.
- Output 3: Average cost per equivalent standard pipeline oversighted.

As no disputes or reviews were completed in the 2003-04 financial year, the average cost for each of these is zero. The average cost was also zero in 2002-03.

The cost per equivalent standard pipeline oversighted in the 2003-04 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 \$9,000 compared with \$10,900 in the previous financial year.

EFFICIENCY			
Output	Performance Indicator	2003-04	2002-03
Arbitration of disputes	Average cost per dispute	\$0 (no disputes)	\$0 (no disputes)
Review of decisions	Average cost per review	\$0 (no reviews)	\$0 (no reviews)
Oversighting of regulated gas pipelines	Average cost per equivalent standard pipeline oversighted	\$9,000	\$10,900

Equivalent Standard Units of Output

The concept of a standard pipeline is used to recognise and allow for the fact that the size, value and complexity of pipelines varies from one to another and the size, cost and complexity of regulation and arbitration work will vary accordingly.

For example, the demands placed on the Arbitrator by several smaller pipelines in one year may be equivalent to those of a single larger pipeline in another year. To ensure that the units of measurement are reasonably consistent from one year to the next, a standard pipeline has been defined as one having a capital base value of \$500 million. The value of \$500 million is close to the current average value of the pipelines under regulation.

While the capital base value of a pipeline is an indicator of the likely demands that will be placed on the Arbitrator by that pipeline, it is important to recognise that the relationship between value and the demands placed on the Arbitrator will not be directly proportional.

The same issue arises in relation to the Arbitrator's recovery of core function costs (e.g. overheads including the Arbitrator's remuneration) from providers of regulated pipeline services. In that case, a non-linear relationship has been established between the capital base value and the amount to be recovered from each provider of regulated pipeline services that takes into account, as much as reasonably possible, the level of service expected to be provided to each regulated pipeline.

This non-linear relationship is used to determine the proportion of core function costs to be contributed by each provider of regulated pipeline services. The resulting proportions are prescribed for each provider in the *Gas Pipelines Access (Western Australia) (Funding) Regulations 1999*.

The actual proportions given in the Funding Regulations are presented in the following table.

Pipeline	Percentage
AlintaGas Networks Pty Ltd	23.39
Epic Energy (WA) Transmission Pty Ltd	49.90
Goldfields Gas Transmission	20.66
SAGASCO SE Inc	3.30
Southern Cross Pipelines Pty Ltd	2.75

GOVERNANCE

ENABLING LEGISLATION

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

Uniform National Framework

The 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, which is schedule 2 of the Act, establishes the regulatory regime. Section 6 of the Code specifies many of the functions of the Arbitrator.

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 Referee

The Act also provides for the Arbitrator to undertake functions (relating to access and pricing) in the transitional role of Gas Referee through regulations made under section 100 of the *Gas Corporation Act 1994* and section 51 of the *Dampier to Bunbury Pipeline Act 1997*.

The Arbitrator's transitional role of Gas Referee under section 100 of the *Gas Corporation Act 1994* ceased on 18 July 2000 when the Western Australian Independent Gas Pipelines Access Regulator approved the access arrangement for the AlintaGas Mid-West and South-West Gas Distribution Systems.

The Arbitrator's transitional role of Gas Referee under section 51 of the *Dampier to Bunbury Pipeline Act 1997* also ceased on 30 December 2003 when the Regulator approved the access arrangement for the Dampier to Bunbury Natural Gas Pipeline.

Gas Review Board

Section 50(1) of the Act establishes the Gas Review Board as an appeals body. The Gas Review Board (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* is the Hon Eric Ripper MLA, Treasurer of Western Australia.

Impacting Legislation

The Arbitrator must comply with all relevant legislation.

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 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. As of that date, the Authority has provided support to the Arbitrator to the extent that there is no conflict of interest.

A conflict of interest has, however, arisen as a result of the applications for review to the Board of the decision by the Regulator on 30 December 2003 to approve his own access arrangement for the DBNGP. Accordingly, the Arbitrator has made arrangements with the Western Australian Department of Treasury and Finance for the provision of support.

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

By agreement with the Western Australian Independent Gas Pipelines Access Regulator, the Executive Director of *OffGAR* acted in the position of Registrar of the Board until 31 December 2003.

With the establishment of the Authority on 1 January 2004, this role was delegated to the General Manager of the Authority.

However, with an application having been lodged for review of the Regulator's decision to approve his own access arrangement for the DBNGP, it became appropriate for the function of the Registrar to be outsourced. Accordingly, Mr James Saunders of the Western Australian law firm Kott Gunning Lawyers was appointed as Registrar to deal with this matter.

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

The organisational structure for the Arbitrator and the Gas Review Board as at 30 June 2004 is shown in the next page.

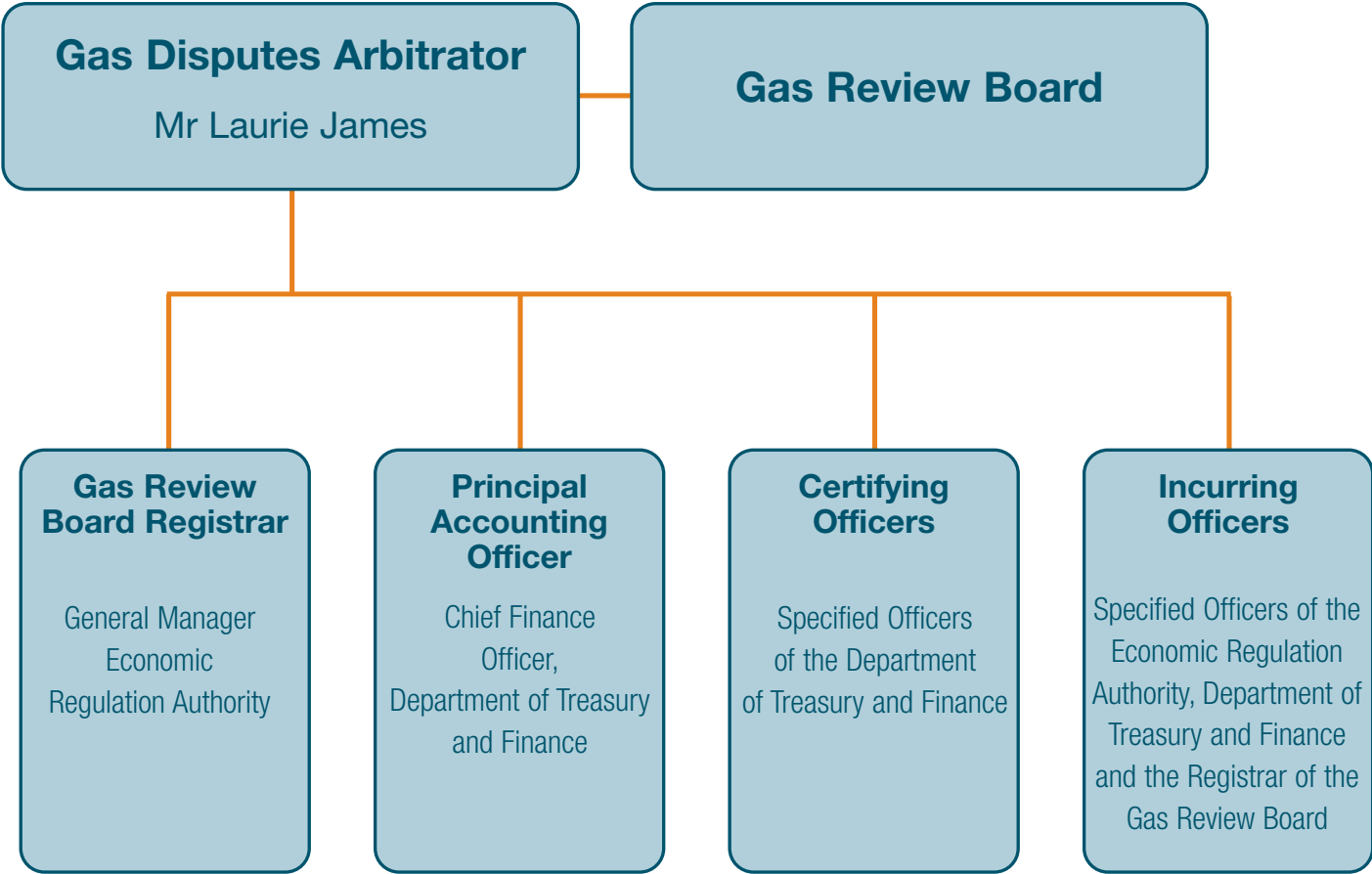
Senior Officers

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 and Vice-Chairman of the Western Australian Chapter.

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.

ORGANISATION STRUCTURE AND APPOINTMENTS AS AT 30 JUNE 2004



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 the panels on 23 December 2003 for a period of five years.

The panels are:

Panel of Legal Practitioners

End Date

Mr Stewart Bogle	4 April 2005
Mr Jon Carson	"
Mr Chris Humphry	"
Mr Charles Kennedy Scott Merriam	"
Mr Chris Stevenson	"
Mr Ashley Graham Castledine	23 Dec 2008
Mr Robert Michael Edel	"
Mr Angus William Morrison Jones	"

Panel of Experts

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
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

End Date

4 April 2005
"
"
"
"
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23 Dec 2008
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"

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 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 Authority 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. Expenditure on consultancies during 2003-04 is summarised in the table below.

Expenditure on Consultants for the year ended 30 June 2004		
Value of Consultancy	Number of Consultancies Commissioned	Expenditure in 2003-04
Up to \$50,000	2	\$3,861
TOTAL	2	\$3,861

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 Authority's Code of Conduct. The Code of Conduct, which is available in both hardcopy form at reception and on the Authority's website, advises that anyone having a serious concern about the actions of any member of the Authority in relation to their observance of the Code of Conduct should contact the General Manager of the Authority.

Staff and consultants to the Authority 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 this year.

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 is 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), gazetted 14 January 2000.

Payments to the Arbitrator by operators of regulated pipelines comprise standing charges 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 particular pipeline systems.

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 2004 are presented in the following table.

CHARGES PAID BY PIPELINE OPERATORS for the year ended 30 June 2004

Service Provider	Standing Charges
AlintaGas Networks Pty Ltd	\$9,485
Epic Energy (WA) Transmission Pty Ltd	\$20,235
Goldfields Gas Transmission	\$8,378
SAGASCO SE Inc	\$1,338
Southern Cross Pipelines Pty Ltd	\$1,115
Total	\$40,551

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

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 completed by the Arbitrator in 2003-04, no costs were incurred.

As the Arbitrator was called upon to act in the transitional role of *Gas Referee under section 51 of the Dampier to Bunbury Pipeline Act 1997* until 30 December 2003 at which time this transitional legislation ceased to apply, an amount of less than \$1,000 was incurred by the Arbitrator.

As the relevant regulations did not provide for the recovery of these costs from the parties to the dispute, this amount has been met from consolidated revenue.

The Funding Regulations enable the Arbitrator to recover the cost and expenses of the Gas Review Board in connection with the hearing and determination of proceedings before it. 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 there were no hearings completed during the reporting year, no costs were recovered.

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.

In March 2004, the Treasurer approved an advance of \$20,000 to fund the Gas Referee and \$500,000 to fund 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 2003 to 30 June 2004.

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.

PUBLICATIONS

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

- Annual Report 2002-03

This publication has been placed on the Authority's website and is available for downloading.

BOARDS AND COMMITTEES

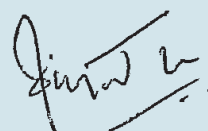
The Arbitrator did not participate on any Boards or Committees during the year.

FINANCIAL STATEMENTS

CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of the Western Australian 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 2004 and the financial position as at 30 June 2004.

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.



Gerald Jayasinghe
PRINCIPAL ACCOUNTING OFFICER

Date: 26 August 2004



Laurie James
ACCOUNTABLE AUTHORITY

Date: 26 August 2004

Independent Audit Opinion

To the Parliament of Western Australia

WESTERN AUSTRALIAN GAS DISPUTES ARBITRATOR

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

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 June 30, 2004 and its financial performance and cash flows for the year ended on that date.

Scope

The Arbitrator's Role

The Arbitrator's 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.

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 financials 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.



DDR PEARSON
AUDITOR GENERAL

November 1, 2004

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 2004

	Note	2003-04 \$'000	2002-03 \$'000
COST OF SERVICES			
Expenses from ordinary activities			
Employee expenses	2	34	28
Supplies and services	3	34	19
Administration expenses	4	185	2
Total cost of services		253	49
Revenues from ordinary activities			
User charges and fees	5	47	47
Other revenues from ordinary activities	6	0	1
Total revenues from ordinary activities		47	48
NET COST OF SERVICES		206	1
REVENUES FROM STATE GOVERNMENT			
Output appropriations	7	20	0
Resources received free of charge	8	2	5
Total revenues from State Government		22	5
CHANGE IN NET ASSETS		(184)	4
Total changes in equity other than those resulting from transactions with the Western Australian State Government as owner		(184)	4

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

Statement of Financial Position

As at 30 June 2004

	Note	2003-04 \$'000	2002-03 \$'000
Current Assets			
Cash assets	9	323	34
Receivables	10	40	16
Total Current Assets		363	50
Total Assets		363	50
Current Liabilities			
Payables	11	0	2
Amounts due to the Treasurer	12	500	0
Other liabilities	13	0	1
Total Current Liabilities		500	3
Total Liabilities		500	3
NET ASSETS		(137)	47
Equity			
Accumulated surplus	14	(137)	47
TOTAL EQUITY		(137)	47

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

Statement of Cash Flows

For the year ended 30 June 2004

	Note	2003-04 \$'000	2002-03 \$'000
CASH FLOWS FROM STATE GOVERNMENT			
Output appropriations		20	0
Net cash provided by State Government		20	0
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee costs		(34)	(25)
Superannuation		0	(3)
Supplies, services and administration payments		(218)	(17)
Receipts			
User charges and fees		21	41
Net cash provided by/(used in) Operating Activities	15 (b)	(231)	(4)
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasurer's Advance		500	0
Net cash provided by/(used in) Financing Activities		500	0
Net increase/(Decrease) in Cash Held		289	(4)
Cash assets at the beginning of the financial year		34	38
CASH ASSETS AT THE END OF THE FINANCIAL YEAR	15 (a)	323	34

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

Notes to, and forming part of, the Financial Statements

For the year ending 30 June 2004

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 Australian 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.

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

(a) Accrued Salaries

Accrued salaries (refer note 13) represent the amount due to the Arbitrator but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the end of the financial year. The Arbitrator considers the carrying amount to be the net fair value.

(b) Receivables

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

(c) 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.

d) Employee benefits

Annual leave

The Arbitrator has no entitlement of Annual Leave.

Long service leave

The Arbitrator has no entitlement of 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.

(e) Resources Received Free of Charge or For Nominal Value

Resources received free of charge or for nominal value which can be reliably measured are recognised as revenues and as assets or expenses as appropriate at fair value.

(f) Comparative Figures

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

(g) Rounding

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

(h) Revenue Recognition

Revenue from the recovery of costs is recognised quarterly when the Western Australian Independent Gas Pipelines Access Regulator charges pipeline operators on behalf of the Arbitrator.

(i) Output Appropriations

Output Appropriations are recognised as revenues in the period in which the Arbitrator gains control of the appropriated funds. The Arbitrator gains control of appropriated funds at the time those funds are deposited into the Arbitrator's bank account or credited to the holding account held at the Department of Treasury and Finance.

(j) Amounts due to the Treasurer

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

**(k) The impact of adopting International Accounting Standards
How the transition to Australian equivalents to International Financial Reporting Standards is being managed.**

The Gas Disputes Arbitrator (GDA) has not considered it necessary to establish a project team or steering team due to the low impact of IFRS upon its accounting policy.

Instead Financial Services staff have been assessing and monitoring the impact of IFRS upon the date of each IFRS milestone. The first being as of 1 July 2004, with the need to determine opening balances. It has been determined that GDA has adequate Accounting Information Systems to collect the necessary information to comply with IFRS. The results of this review have concluded that the impact is very insignificant.

Notes to the Financial Statements

For the year ending 30 June 2004

	2003-04 \$'000	2002-03 \$'000
2 Employee expenses		
Wages and salaries	27	25
Other staffing costs	7	3
	34	28
3 Supplies and services		
Services and contracts	27	9
Travel	3	2
Other	4	8
	34	19
4 Administration expenses		
Consultancy fees and Board members' costs	185	2
	185	2
5 User charges and fees		
Recoup of costs - Arbitrator	47	47
	47	47
6 Other revenues from ordinary activities		
Interest on account balances	0	1
	0	1
7 Output appropriations		
Appropriations - Recurrent	20	0
	20	0

	2003-04 \$'000	2002-03 \$'000
8 Resources received free of charge		
Resources received free of charge determined on the basis of the following estimates provided by agencies:		
Office of the Auditor General	0	4
Crown Solicitor's Office	2	1
	2	5
Commencing with the 2003-04 audit, the Office of the Auditor General will be charging a fee for auditing the accounts, financial statements and performance indicators. The fee for the 2003-04 audit (\$4,400) will be due and payable in the 2004-05 financial year.		
9 Cash assets		
Operating Account	323	34
	323	34
10 Receivables		
GST receivable	21	16
Other debtors	19	0
	40	16
11 Payables		
Amounts payable for goods and services received	0	2
	0	2
12 Amounts due to the Treasurer		
Treasurer's Advance	500	0
	500	0
13 Other liabilities		
Accrued salaries owing for the 7 working days in 2003	0	1
	0	1

	2003-04 \$'000	2002-03 \$'000
14 Equity		
Accumulated surplus		
Opening balance	47	43
Change in net assets	(184)	4
Closing balance	(137)	47

15 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	323	34
	323	34

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

Net Cost of Services	(206)	(1)
Non-Cash Items		
Resources received free of charge	2	5
(Increase) / Decrease in Assets		
Receivables	(24)	(7)
Increase / (Decrease) in Liabilities		
Accounts payable	(2)	(1)
Other liabilities	(1)	-
Net cash used in Operating Activities	(231)	(4)

16 Contingent Liabilities

The Arbitrator has no contingent liabilities as at 30 June 2004.

17 Events occurring after reporting date

The Arbitrator is not aware of any event occurring after reporting date that would materially affect the financial statements.

18 Financial instruments**(a) Interest rate risk exposure**

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

	2004				2003			
	Weighted average effective interest rate %	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000	Weighted average effective interest rate %	Floating interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets								
Cash Assets	4.75	323	0	323	4.25	34	0	34
Receivables	na	0	40	40	na	0	16	16
Total financial assets		323	40	363		34	16	50
Financial liabilities								
Amounts due to Treasurer	na	0	500	500	na	0	0	0
Payables	na	0	0	0	na	0	3	3
Total financial liabilities		0	500	500		0	3	3
Net financial assets		323	(460)	(137)		34	13	47

2003-04
\$'0002002-03
\$'000**(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, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

19 Remuneration of Accountable Authority

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

	2003-04	2002-03		
\$20,000 - \$30,000	1	1		
Total remuneration of the Accountable Authority			27	28

The superannuation included here represents the superannuation expense incurred by the Arbitrator in respect of the Accountable Authority. The Accountable Authority is not a member of the Pension Scheme.

20 Supplementary information

There have been no assets or other public property written off during the financial year, neither have there been instances of losses through theft, default or other causes during the financial year.

21 Explanatory statements

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

	2003–04 Estimate \$'000	2003–04 Actual \$'000	Variance \$'000
<i>Total cost of operations of the Arbitrator</i>	40	253	213

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

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

	2003–04 Actual \$'000	2002–03 Actual \$'000	Variance \$'000
<i>Total cost of operations of the Arbitrator</i>	253	49	204

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