

# Western Australian Gas Disputes Arbitrator

*Excellence in Regulation*

Annual Report 2002



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## STATEMENT OF COMPLIANCE

**The 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 my Annual Report for the year ended 30 June 2002 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  
**GAS DISPUTES ARBITRATOR**  
30 August 2002

# AUTHORITY SNAPSHOT

## PURPOSE

The office of the Western Australian Gas Disputes Arbitrator (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 has a role as Gas Referee under transitional State legislation.

In addition, the Arbitrator provides administrative support to the Western Australian Gas Review Board that has responsibility for reviewing specified decisions by the Treasurer, Minister for Energy, the 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 the 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; and
- prevent abuse of monopoly power; and
- 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; and
- 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 provided by the Office of Gas Access Regulation (*OffGAR*), headed by the Regulator.

# THE YEAR AT A GLANCE

## OUTPUT 3

Figure 1: Pipelines Oversighted

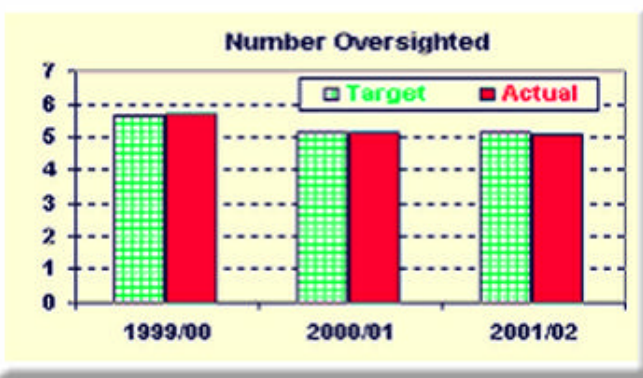
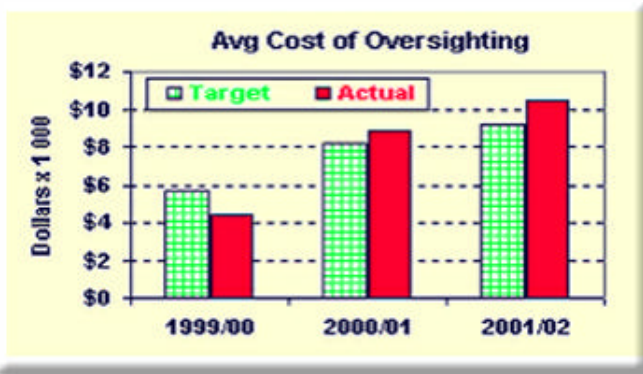


Figure 2: Cost of Output 3



## ACHIEVEMENTS

There were no disputes or reviews of decisions under the legislation during the year. This is a desired outcome, as the gas access regime seeks to minimise the need for arbitration and reviews of decisions. The Arbitrator's role for the year was therefore confined to ensuring that procedures are in place to address disputes that fall within the jurisdiction of the Arbitrator and reviews of decisions by the Gas Review Board.

## INDICATORS

The Arbitrator has three outputs. These are the arbitration of disputes, reviews by the Gas Review Board of specified decisions and the oversighting of pipelines covered by the *National Gas Pipelines Access Code* (the Code). In the time since the office of the Arbitrator was established in 1999 there have been no disputes and only two reviews of decisions by the Board. These two reviews were conducted concurrently. Therefore, the only output for which comparative data are available is that for the Arbitrator's oversighting role.

Figure 1 shows the number of equivalent standard \$500 million pipelines oversighted by the Arbitrator over the past three years. This number has remained reasonably constant, although minor changes have occurred. In particular, "coverage" of the Parmelia Pipeline was revoked on 1 April 2002 with the result that this pipeline ceased to be a regulated pipeline under the Code from that date onward.

Figure 2 shows that the average cost of oversighting an equivalent standard \$500 million pipeline has increased slightly from \$8,900 to \$10,500 per annum in the 2001/02 financial year. The increase in the 2001/02 financial year reflects the effect of accruals and resources received free of charge. The cost shown for 1999/2000 is for part of the year only as the Arbitrator was appointed in September 1999.

Expenditure by the Arbitrator is funded by fees and charges payable by the operators of regulated pipelines. The Arbitrator seeks to break even from year to year. In the 2001/02 financial year, the net cost of services resulted in a small deficit of \$1,000.

# THE YEAR AT A GLANCE

## HIGHLIGHTS

### During the year:

- No disputes were referred to the Arbitrator.
- No reviews were referred to the Gas Review Board.
- Panels of legal practitioners and experts, from which members of the Gas Review Board are selected, remained in place.



## THE ARBITRATOR'S OVERVIEW



My activities have again been largely confined to ensuring that procedures are in place to address disputes that fall within the jurisdiction of the Arbitrator and that services are available to the Gas Review Board in the event of a review of any decision under the *National Third Party Access Code for Natural Gas Pipeline Systems* (the Code).

There were no disputes referred to me during the year in my capacity as Gas Disputes Arbitrator and there have not been any applications for reviews by the Gas Review Board. To have had no such disputes or applications for reviews during the year is a desirable outcome as the gas access regime seeks to minimise such arbitrations and reviews.

A number of disputes were referred to me during the year under the provisions of the *Gas Referee Regulations*, in my capacity as Gas Referee under transitional legislation. Those disputes were adjourned sine die at the request of the parties in December 2001, in order to provide them with an opportunity to reach a commercial settlement in

each instance. To date, the parties have not sought to bring those disputes back before me as Gas Referee. Under the *Gas Pipelines Access (Western Australia) Act 1998*, I may be called upon to adjudicate as to the terms, conditions and/or charges that should apply when there is a dispute between someone who wishes to have access to a gas pipeline and the owner or operator of that pipeline. There are currently two approved Access Arrangements in place, namely for the Mid-West and South-West Gas Distribution Systems and the Tubridgi Pipeline System. To date there have been no disputes submitted to me in my capacity as Arbitrator, although the Board reviewed two decisions in December 2000.

Where an application for review of a decision does arise, I am required to provide staff and support to the Board so that it may undertake its review. The Board, which is only established when required, operates as a tribunal chaired by a legal practitioner and includes two persons from a panel of experts as members. The Governor has appointed panels of legal practitioners and experts from which the Board is drawn.

## THE ARBITRATOR'S OVERVIEW

Finally, I would like to express my appreciation for the support that I have received from the Office of Gas Access Regulation and the Office of Energy and for their ongoing support.



LAURIE JAMES  
**GAS DISPUTES ARBITRATOR**



## THE YEAR'S ACTIVITIES

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* (the Act) that also establishes the office of the Western Australian Independent Gas Pipelines Access Regulator.

The purpose of this regulatory regime is to ensure that the owners or operators of pipelines covered by the *National Third Party Access Code for Natural Gas Pipeline Systems* (the 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 a role of providing staff, services and 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 provides 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 Office of Gas Access Regulation web site [www.offgar.wa.gov.au](http://www.offgar.wa.gov.au).

### ACHIEVEMENTS

The Arbitrator is only called upon if and when a matter requiring attention is raised. While there were no disputes referred to the Arbitrator during the year under the provisions of the Code, a number of disputes were referred to the Arbitrator under the provisions of the *Gas Referee Regulations*. The

Arbitrator's functions include that of Gas Referee under transitional legislation.

The disputes referred to the Arbitrator under the provisions of the *Gas Referee Regulations* were adjourned sine die at the request of the parties in December 2001, to provide them with an opportunity to reach a commercial settlement in each instance. To date, the parties have not sought to bring these disputes back to the Gas Referee for arbitration.

The costs incurred by the Gas Referee in attending to these disputes amounted to \$920. However, in dealing with these matters it became apparent that the *Gas Referee Regulations* did not make provision for the recovery of the Gas Referee's own costs. Since the legislation for the Arbitrator envisages full cost recovery, the inability to recover certain costs under the *Gas Referee Regulations* was referred to the Government.

# THE YEAR'S ACTIVITIES

As the disputes referred to the Gas Referee only sought deferral of consideration of the disputes and did not actually involve arbitration and as there were no other disputes referred to the Arbitrator under the Code or reviews of decisions by the Gas Review Board, the Arbitrator's role during the reporting year was confined to ensuring that procedures are in place to address matters that fall within the jurisdiction of the Arbitrator.

## OUTPUTS AND OUTCOMES

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.

The outputs for the Arbitrator are arbitration of disputes, reviews by the Gas Review Board of specified decisions and the oversighting of pipelines covered by the Code. The disputes to be arbitrated, if

any, are between prospective users of gas pipeline services and gas pipeline service providers. The reviews of decisions by the Gas Review Board are of specified decisions made by the Treasurer, Minister for Energy, the Regulator or the Coordinator of Energy.

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

While there were no arbitrations or reviews of decisions during the reporting year requiring the Arbitrator's attention or that of the Gas Review Board, the Arbitrator maintained a readiness to address any matters in respect of the 5.1 equivalent standard pipelines oversights by the Arbitrator.

Pipelines are measured in terms of their capital value, which for a standard pipeline is \$500 million. The weighting process used also takes into account the level of service estimated to be provided to the regulated pipelines.

The concept of equivalent units of output is used to include both completed and partly completed work in terms of fully completed work. The use of equivalent units of measurement also recognises that pipelines may be regulated for part of the year only.

The cost of oversighting a standard \$500 million gas pipeline in the current reporting year for the Arbitrator was \$10,500 as compared with \$8,900 in the 2000/01 financial year.

## FINANCIAL ACHIEVEMENTS

The total cost of services of the Arbitrator in 2001/02 was \$53,000, which includes the Arbitrator's remuneration, engagement of consultants/contractors and other modest costs associated with office administration. This compares to total cost of services of \$125,000 in 2000/01, a year in which the Gas Review Board was constituted to hear two appeals. The costs of the Gas Review Board, approximately \$78,000, are reflected in the financial statements of the Arbitrator for that year.

# THE YEAR'S ACTIVITIES

The Treasurer approves estimates of the Arbitrator each financial year and, although this sets the limit to which the Arbitrator can incur expenses in the year, this does not necessarily reflect the level to which he can actually expend funds.

However, the actual gross cash expenses of the Arbitrator for 2001/02 (\$46,000) represent a result consistent with the incurring limit approved.

By regulation, the Arbitrator is able to recoup operating expenses from pipeline operators in Western Australia. The Arbitrator seeks to break even from year to year. In the 2001/02 financial year, the net cost of services resulted in a small deficit of \$1,000.

Full details of the operations of the Arbitrator are disclosed in the 2001/02 Financial Statements included in this report.

## METHODS OF ACHIEVEMENT

With the functions of the Arbitrator being very specific, the methods used in performing these functions are substantially prescribed in the legislation.

The *OffGAR* web site provides information on the processes involved and makes provision for the publication of information.

## THE CHALLENGE AHEAD

The main challenge for the Arbitrator is to maintain a high state of readiness in the event that a dispute is lodged for arbitration or a review of a decision is sought.

In either event, 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 *OffGAR* web site.

# REPORT ON OPERATIONS

## ACTIVITIES

In the time since the office of the Arbitrator was established in 1999, no disputes have been lodged for arbitration and only two decisions have been subject to review by the Gas Review Board. Details of the decisions that were reviewed in December 2000 are presented in the Arbitrator's Annual Report for the year ending 30 June 2001.

The activities of the Arbitrator have therefore been largely confined to ensuring that procedures are in place to address matters that fall within the jurisdiction of the Arbitrator.

## Covered 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 2002 there were 5 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.

On 1 April 2002, coverage of the Parmelia Pipeline was revoked with the result that this pipeline was no longer subject to regulation by the Code from that date onward. This reduced the number of covered pipelines from 6 to 5.

## 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:

- the resolution of disputes;
- the review of decisions; and
- the oversighting of pipelines subject to regulation by the Code.

Pipelines oversighted by the Arbitrator are measured in terms of equivalent standard pipelines.

## Equivalent Standard Pipelines

The need to adopt equivalent standard units of measurement arises because:

- the composition of pipelines under regulation varies from one year to the next; and

- the capital value of pipelines can vary from tens of millions of dollars to several billion dollars.

For example, with the revocation of the Parmelia Pipeline, effective from 1 April 2002, the number of pipelines subject to regulation decreased from six to five. For the purposes of determining the number of pipelines oversighted by the Arbitrator during 2001/02, the Parmelia Pipeline was counted as the equivalent of  $\frac{3}{4}$  of a pipeline oversighted.

To achieve consistency over time, it has also been found necessary to adopt the concept of a standard \$500 million dollar pipeline. This means that two pipelines each valued at \$250 million would be reported as the equivalent of one standard \$500 million pipeline. The value of \$500 million is close to the current average value of the pipelines under regulation.

# REPORT ON OPERATIONS

As the methodology used to calculate the indicators in terms of equivalent standard pipelines has been modified in the reporting year, the same methodology has been applied to earlier years for consistency reasons.

## Quantity

There were no applications for arbitration under the Code. The only applications received by the Arbitrator during the reporting year were in his capacity as Gas Referee. However, these applications only sought deferral of consideration of the disputes and did not actually involve arbitration. Accordingly, there were no arbitrations of disputes or reviews of decisions by the Gas Review Board in the reporting year.

That there were no arbitrations or disputes is a desired outcome, as the gas access regime seeks to minimise the need for these. The Arbitrator's only output for the year therefore is the oversighting of the equivalent of 5.1 standard \$500 million pipelines.

## Quantity

	2001/02		2000/01	
	Target	Actual	Target	Actual
Number of disputes resolved	0	0	0	0
Number of reviews undertaken by the Gas Review Board	0	0	0	2
Number of equivalent standard <sup>1</sup> covered pipelines oversighted	5.1	5.1	5.1	5.1

1 A standard pipeline is defined as one having a capital base value of \$500 million.

# REPORT ON OPERATIONS

## Quality

This is measured by the proportion of clients that are satisfied/very satisfied with the arbitration or review processes implemented. As there were no arbitration proceedings and no reviews by the Gas Review Board during the reporting year, it is not possible to establish a quality measure for the Arbitrator's outputs in this year.

There were two reviews determined by the Gas Review Board during the 2000/01 financial year. The quality of the Arbitrator's support was established through interviews with representatives of the two parties to the reviews. The purpose of the interviews was to ascertain the degree of satisfaction with the process and administration of the Gas Review Board, which takes account of the Arbitrator's responsibilities rather than the determinations of the Board. The focus of the interviews on process and administration is necessary since determinations by the Board lie outside the control of the Arbitrator.

Representatives of the parties to the reviews were asked to indicate their degree of satisfaction with three aspects of administration of the Gas Review Board:

- the adequacy of information dissemination and the extent to which the party was kept fully informed about the process;
- the helpfulness, timeliness and overall service of staff acting for the Gas Review Board; and
- overall satisfaction with the administrative process.

Both parties to the review of the decisions indicated that they were satisfied with the administration of the Gas Review Board.

## Quality

	2001/02		2000/01	
	Target	Actual	Target	Actual
Proportion of interested parties satisfied or very satisfied with the arbitration or review processes implemented	75%	n/a	75%	100%

n/a: not applicable; there were no arbitrations or reviews

# REPORT ON OPERATIONS

## Timeliness

As the amount of time required to undertake arbitrations and reviews of decisions varies considerably depending on the complexity of the issues, it is not 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 there have not been any arbitrations or reviews during the reporting year, it is not possible to establish a timeliness measure for the Arbitrator's outputs. However, the Gas Review Board reviewed two decisions during the 2000/01 financial year and the parties to these reviews indicated that they were satisfied with the timeliness of the review processes adopted.

## Timeliness

	2001/02		2000/01	
	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%	100%

n/a: not applicable; there were no arbitrations or reviews

# REPORT ON OPERATIONS

## Cost

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

During the reporting year the Arbitrator incurred costs only in relation to the oversighting of regulated pipelines.

The actual cost per equivalent standard pipeline oversighted of \$10,500 for the reporting year exceeded the target of \$9,100, by 15.4%. This variation reflects differences in the reporting of accrued expenditure as compared with incurred expenditure.

There were no disputes to be arbitrated and no reviews of decisions referred to the Gas Review Board. Actual and target costs for these are shown as zero which is the desired outcome.

The actual cost per equivalent review determined by the Gas Review Board in 2000/01 represents actual expenditure. Further details of the reviews undertaken for that financial year are presented in the Arbitrator's Annual Report for the year ending 30 June 2001.

## Cost

Measure	2001/02		2000/01	
	Target	Actual	Target	Actual
Average cost per equivalent arbitration determined by the Arbitrator	\$0	\$0	\$0	\$0
Average cost per equivalent review determined by the Gas Review Board	\$0	\$0	\$0	\$39,594
Average cost per equivalent standard pipeline oversighted	\$9,100	\$10,500	\$8,200	\$8,900

Financial figures are presented on an accrual basis for the reporting period exclusive of GST for an equivalent standard \$500 million pipeline.



# REPORT ON OPERATIONS

## KEY PERFORMANCE INDICATORS FOR 2001/02

### Statement of Certification

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Western Australian Gas Disputes Arbitrator's performance, and fairly represent the performance of the Western Australian Gas Disputes Arbitrator for the financial year ended 30 June 2002.



LAURIE JAMES  
**GAS DISPUTES ARBITRATOR**

30 August 2002

# REPORT ON OPERATIONS

## AUDITOR GENERAL



**To the Parliament of Western Australia  
WESTERN AUSTRALIAN GAS DISPUTES  
ARBITRATOR  
PERFORMANCE INDICATORS FOR THE YEAR  
ENDED JUNE 30, 2002**

**Matters Relating to the Electronic Presentation  
of the Audited Performance Indicators**

This audit opinion relates to the performance indicators of the Western Australian Gas Disputes Arbitrator for the year ended June 30, 2002 included on the Western Australian Independent Gas Pipelines Access Regulator's web site. The Regulator is responsible for the integrity of the Western Australian Independent Gas Pipelines Access Regulator's web site. I have not been engaged to report on the integrity of this web site. The audit opinion refers only to the performance

indicators named below. It does not provide an opinion on any other information which may have been hyperlinked to or from these performance indicators. If users of this opinion are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited performance indicators to confirm the information included in the audited performance indicators presented on this web site.

### Scope

I have audited the key effectiveness and efficiency performance indicators of the Western Australian Gas Disputes Arbitrator for the year ended June 30, 2002 under the provisions of the *Financial Administration and Audit Act 1985*.

The Arbitrator is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act. No opinion is expressed on the output measures of quantity, quality, timeliness and cost.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the Arbitrator's performance. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

# REPORT ON OPERATIONS

## **Audit Opinion**

In my opinion, the key effectiveness and efficiency performance indicators of the Western Australian Gas Disputes Arbitrator are relevant and appropriate for assisting users to assess the Arbitrator's performance and fairly represent the indicated performance for the year ended June 30, 2002.



D D R PEARSON  
**AUDITOR GENERAL**  
November 15, 2002

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

# REPORT ON OPERATIONS

## Indicators for 2001/02

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 oversight-ed by the Arbitrator.

# REPORT ON OPERATIONS

## Effectiveness

The effectiveness indicators for the Arbitrator's outputs 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 during the year no measure of the Arbitrator's effectiveness is available. However, during the 2000/01 financial year, the Gas Review Board determined two reviews. The effectiveness of the Arbitrator's support was established through interviews with representatives of the two parties to the reviews.

Representatives of the parties to the reviews were asked to indicate their degree of satisfaction with the administration of the Gas Review Board.

Both parties to the review indicated that they were satisfied with the administration of the Gas Review Board.

## Effectiveness

Desired outcome	Percentage of interested parties satisfied or very satisfied with:	Percentage 2001/02	Percentage 2000/01
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	100%
To provide rights of access to gas pipelines on conditions that are fair and reasonable for pipeline service providers and users of pipeline services	The Arbitrator's ability to address matters for pipelines overlooked	n/a	100%

n/a: not applicable as there were no arbitrations or disputes.

# REPORT ON OPERATIONS

## 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 there were no disputes to arbitrate or decisions to review in the 2001/02 financial year, the average cost per dispute is zero. The average cost per dispute was also zero in 2000/01, however, there were two decisions reviewed by the Gas Review Board, the average cost of which was \$39,594. These reviews were undertaken concurrently and the costs were fully met by the parties to the reviews.

The cost per equivalent standard pipeline oversighted for the 2001/02 financial year, which is that necessary to ensure that procedures are in place to address matters that fall within the jurisdiction of the Arbitrator, was \$10,500 as compared with \$8,900 in the previous financial year.

## Efficiency

Output	Performance Indicator	Value 2001/02	Value 2000/01
Arbitration of disputes	Avg cost per dispute	\$0 (no disputes)	\$0 (no disputes)
Review of decisions	Avg cost per review	\$0 (no reviews)	\$39,594
Oversighting of gas pipelines regulated by the Code	Avg cost per equivalent standard pipeline oversighted	\$10,500	\$8,900

# REPORT ON OPERATIONS

## Equivalent Standard Units of Output

The concept of equivalent units of output is used recognising that an appreciable amount of partly completed work may remain at the end of a reporting period. Equivalent units of output measure both completed and partly completed work in terms of fully completed work.

The equivalent units of output concept also applies to the number of regulated pipelines oversighted. A regulated pipeline is defined as one that is "covered" by the *National Gas Pipelines Access Code*. On recommendation of the National Competition Council, the Treasurer decides on whether a pipeline should be covered or not. The use of equivalent units of measurement in the case of output 3 recognises that pipelines may be covered for part of the year only.

For example, with the revocation of the Parmelia Pipeline, effective from 1 April 2002, the number of pipelines subject to regulation decreased from six to five. For the purposes of determining the number

of pipelines oversighted by the Arbitrator during 2001/02, the Parmelia Pipeline was counted as the equivalent of  $\frac{3}{4}$  of a pipeline oversighted.

The concept of a standard pipeline is used recognising that the size, value and complexity of pipelines varies considerably. 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 linear. Precisely the same issue arises in relation to the Arbitrator's recovery of core function costs (eg 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 table below.

The proportions shown in the table have been used for the purposes of weighting the value of pipelines so that the unit of measurement is standardised in terms of \$500 million pipelines.

The efficiency indicator for output 3 is the cost per equivalent covered pipeline oversighted.

# REPORT ON OPERATIONS

Pipeline	Percentage
AlintaGas Networks Pty. Ltd.	20.31%
CMS Gas Transmission of Australia	5.35%
Epic Energy (W) Transmission Pty. Ltd.	49.00%
Goldfields Gas Transmission	18.12%
Sagasco SE Inc.	3.91%
Southern Cross Pipelines Pty. Ltd.	3.31%

## Gas Review Board Proceedings

There were no proceedings before the Gas Review Board in the reporting year, however, the decisions of the Gas Review Board in respect of Appeals 1 and 2 of 2000 are available on the *OffGAR* website [www.offgar.wa.gov.au](http://www.offgar.wa.gov.au).



# GOVERNANCE

## ENABLING LEGISLATION

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

The activities of the Arbitrator are undertaken 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.

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 poli-

cies 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.

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.

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

# GOVERNANCE

## Impacting Legislation

The following written laws impact on the Arbitrator:

*Anti-Corruption Commission Act 1988;*

*Disability Services Act 1993;*

*Electoral Act 1907;*

*Energy Co-ordination Act 1994;*

*Equal Opportunity Act 1984;*

*Financial Administration and Audit Act 1985;*

*Industrial Relations Act 1979;*

*Library Board of Western Australia Act 1951;*

*Minimum Conditions of Employment Act 1993;*

*Occupational Safety and Health Act 1984;*

*Public and Bank Holidays Act 1972;*

*Public Sector Management Act 1994;*

*Salaries and Allowances Act 1975;*

*Superannuation and Family Benefits Act 1938;*

*Workers' Compensation and Rehabilitation Act 1981;* and

*Workplace Agreement Act 1993.*

In some cases, provisions of the *Gas Pipelines Access (Western Australia) Act 1998* may affect application of the above legislation.

The *Freedom of Information Act 1992* has effect on the Arbitrator only in relation to administrative functions.

## ORGANISATIONAL ARRANGEMENTS

The office of the Gas Disputes Arbitrator (the 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. In practice, the Arbitrator has drawn on the staff of the Office of Gas Access Regulation (*OffGAR*) for support.

*OffGAR* is the public sector body that provides support to the Western Australian Independent Gas Pipelines Access Regulator whose position, like that of the Arbitrator, is established by the *Gas Pipelines Access (Western Australia) Act 1998*.

If a conflict of interest were to arise from using *OffGAR* staff, the Arbitrator is able to obtain support elsewhere.

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.

The Executive Director of *OffGAR* has been delegated to the position of Registrar of the Western Australian Gas Review Board. 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 *OffGAR* or the Office of Energy.

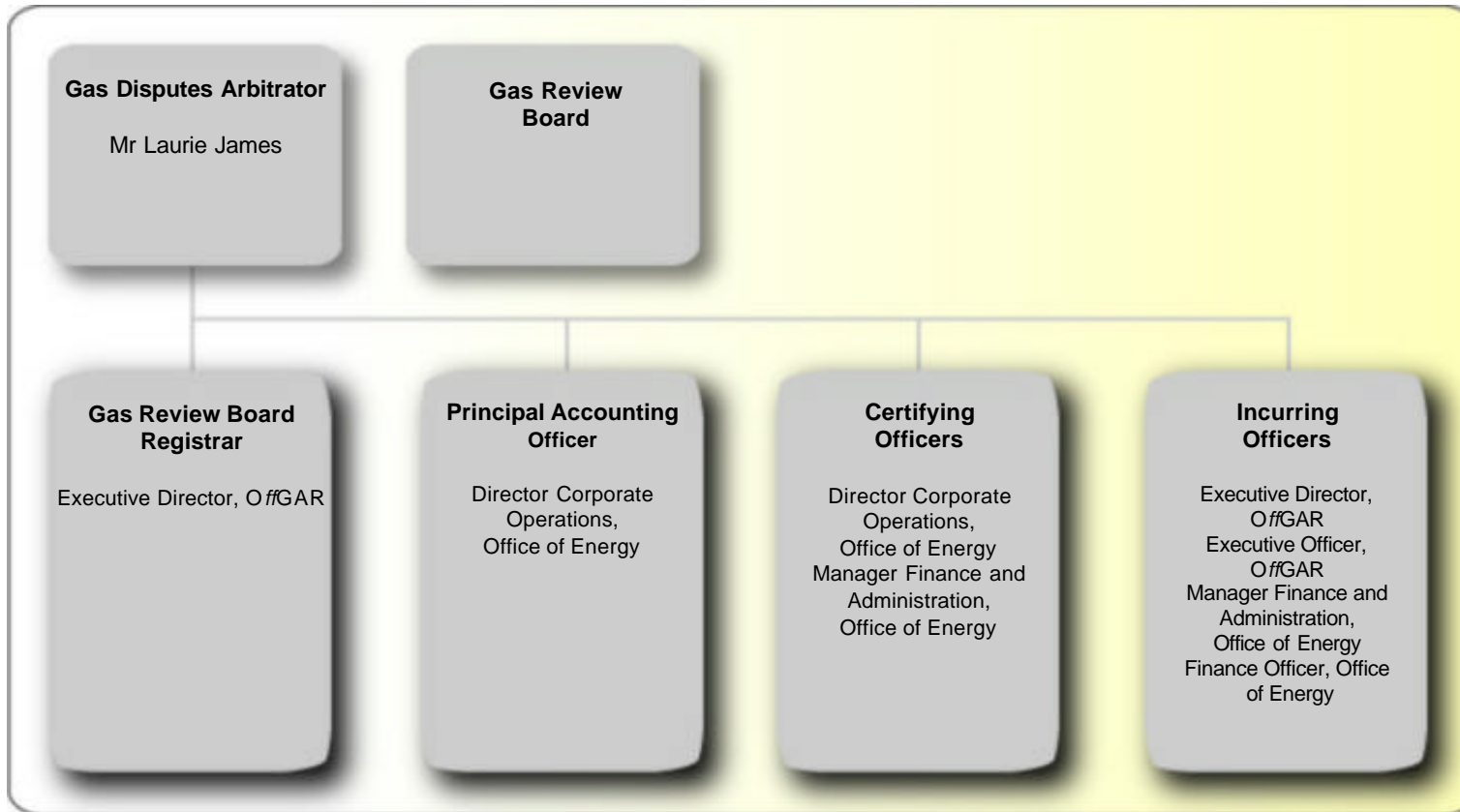
The organisational structure for the Arbitrator and the Gas Review Board as at 30 June 2002 is shown in Figure 3.

## Senior Officers

Mr Laurie James, Gas Disputes Arbitrator

Mr Laurie James was appointed to the position, part-time, on 10 September 1999 for a period of 3 years. Mr James is a Supreme Court barrister and solicitor and chairman of the Western Australian law firm Kott Gunning. He was chairman of the Western Australian Chapter of the Institute of Arbitrators and Mediators Australia between 1990 and 1997. He was also senior vice president of the Law Society of Western Australia from 1995 to 1996 and is currently convenor of its Public Purposes Trust Review Committee.

Figure 3  
**ORGANISATIONAL STRUCTURE,  
DELEGATIONS AND APPOINTMENTS  
at 30 June 2002**



# GOVERNANCE

## Gas Review Board Panels

The Gas Review Board is to constitute:

- 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. The panels are:

## Panel of Legal Practitioners

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

## Panel of Experts

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

## 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.

*OffGAR* 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 *OffGAR* 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.

# GOVERNANCE

## Consultants

Section 81 of the *Gas Pipelines Access (Western Australia) Act 1998* provides for the Arbitrator to engage consultants.

Expenditure on consultancies during 2001/02 is summarised in the following table.

### Expenditure on Consultants for the year ended 30 June 2002

Value of Consultancy	Number of Consultancies Commissioned	Expenditure in 2001/02
Up to \$50,000	4	\$9,147.73
<b>TOTAL</b>	<b>4</b>	<b>\$9,147.73</b>

# GOVERNANCE

## 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 Office of Gas Access Regulation Code of Conduct. The Code of Conduct, which is available in both hard copy form at reception and on the *OffGAR* web site, advises that anyone having a serious concern about the actions of any *OffGAR* member in relation to their observance of the Code of Conduct contact the Executive Director or the Chief Executive Officer of *OffGAR*.

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

There were no formal 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.

## 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 covered 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 covered 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.

## GOVERNANCE

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 Western Australian Independent Gas Pipelines Access Regulator collects the standing charges on behalf of the Arbitrator.

The total amount of standing charges paid by pipeline operators in respect of the costs of the Arbitrator in the year ending 30 June 2002 are presented in the table below.

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 referred to the Arbitrator in 2001/02, no such costs were incurred.

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 such hearings of the Board during the reporting year no costs were incurred.

### Charges Paid By Pipeline Operators for the year ended 30 June 2002

Service Provider	Standing Charges
AlintaGas	\$7,933
CMS Gas Transmission of Australia	\$2,090
Epic Energy (WA) Nominees Pty Ltd	\$19,139
Goldfields Gas Transmission	\$7,078
SAGASCO SE Inc.	\$1,527
Southern Cross Pipelines Pty Ltd	\$1,293
<b>Total</b>	<b>\$39,060</b>

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



# GOVERNANCE

## 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.

Expenditure was incurred by the Arbitrator during the period 1 July 2001 to 30 June 2002 as shown in the following table.

### Electoral Act Disclosure Requirements for the year ended 30 June 2002

Advertising Agencies	nil
Market Research Organisations	
Data Analysis Australia	\$550
Polling Organisations	nil
Direct Mail Organisations	nil
Media Advertising Organisations	nil

Note, Amounts shown include GST

# GOVERNANCE

## 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 2000/01](#)

This publication has been placed on the web site of the Office of Gas Access Regulation and is available for downloading.

## BOARDS AND COMMITTEES

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

# FINANCIAL STATEMENTS AND NOTES

## STATEMENT OF CERTIFICATION

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 2002 and the financial position as at 30 June 2002.

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.



LAURIE JAMES  
**GAS DISPUTES ARBITRATOR**  
30 August 2002



GEOFF GILBERT  
**PRINCIPAL ACCOUNTING OFFICER**  
30 August 2002

# FINANCIAL STATEMENTS AND NOTES

## AUDITOR GENERAL



**To the Parliament of Western Australia  
WESTERN AUSTRALIAN GAS DISPUTES  
ARBITRATOR  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED JUNE 30, 2002**

**Matters Relating to the Electronic Presentation  
of the Audited Financial Statements**

This audit opinion relates to the financial statements of the Western Australian Gas Disputes Arbitrator for the year ended June 30, 2002 included on the Western Australian Independent Gas Pipelines Access Regulator's web site. The Regulator is responsible for the integrity of the Western Australian Independent Gas Pipelines Access Regulator's web site. I have not been engaged to report on the integrity of this web site. The audit opinion refers only to the statements named below.

It does not provide an opinion on any other information which may have been hyperlinked to or from these statements. If users of this opinion are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

### Scope

I have audited the accounts and financial statements of the Western Australian Gas Disputes Arbitrator for the year ended June 30, 2002 under the provisions of the Financial Administration and Audit Act 1985. The Arbitrator is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Arbitrator.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised

by the Arbitrator to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions so as to present a view which is consistent with my understanding of the Arbitrator's financial position, its financial performance and its cash flows.

The audit opinion expressed below has been formed on the above basis.

# FINANCIAL STATEMENTS AND NOTES

## 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 and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and

(ii) the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows and the Notes to 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, 2002 and its financial performance and its cash flows for the year then ended.



D D R PEARSON  
**AUDITOR GENERAL**  
November 15, 2002

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

# FINANCIAL STATEMENTS AND NOTES

## Statement of Financial Performance for the year ended 30 June 2002

	Note	2001/02 \$'000	2000/01 \$'000
<b>COST OF SERVICES</b>			
<b>Expenses from ordinary activities</b>			
Employee Expenses	2	28	87
Supplies and Services	3	24	32
Administration Expenses	4	1	6
<b>Total cost of services</b>		<b>53</b>	<b>125</b>
<b>Revenues from ordinary activities</b>			
User Charges and Fees	5	51	109
Other Revenues from Ordinary Activities	6	1	4
<b>Total revenues from ordinary activities</b>		<b>52</b>	<b>113</b>
<b>NET COST OF SERVICES</b>		<b>1</b>	<b>12</b>
<b>Revenues from Government</b>			
Liabilities Assumed by Other Agencies	7	0	40
Resources Received Free of Charge	8	7	2
<b>Total revenues from Government</b>		<b>7</b>	<b>42</b>
<b>CHANGE IN NET ASSETS</b>		<b>6</b>	<b>30</b>

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

# FINANCIAL STATEMENTS AND NOTES

## Statement of Financial Position as at 30 June 2002

	Note	2001/02 \$'000	2000/01 \$'000
<b>CURRENT ASSETS</b>			
Cash Assets	9	38	41
Receivables	10	9	0
<b>Total Current Assets</b>		<b>47</b>	<b>41</b>
<b>TOTAL ASSETS</b>			
		<b>47</b>	<b>41</b>
<b>CURRENT LIABILITIES</b>			
Payables	11	3	3
Other Liabilities	12	1	1
<b>Total Current Liabilities</b>		<b>4</b>	<b>4</b>
<b>TOTAL LIABILITIES</b>			
		<b>4</b>	<b>4</b>
<b>EQUITY</b>			
Accumulated Surplus	13	43	37
<b>Total Equity</b>		<b>43</b>	<b>37</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			
		<b>47</b>	<b>41</b>

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

# FINANCIAL STATEMENTS AND NOTES

## Statement of Cash Flows for the year ended 30 June 2002

	Note	2001/02 \$'000	2000/01 \$'000
<b>CASH FLOWS FROM GOVERNMENT</b>			
Liabilities assumed by other agencies		0	40
<b>Net cash provided by Government</b>		<b>0</b>	<b>40</b>
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee Costs		(25)	(85)
Superannuation		(3)	0
Supplies, Services and Administration Payments		(18)	(35)
<b>Receipts</b>			
Recoup of costs and interest on account balances		43	113
<b>Net cash provided by/(used in) Operating Activities</b>	<b>14(b)</b>	<b>(3)</b>	<b>(7)</b>
<b>Net increase/(Decrease) in Cash Held</b>			
Cash Assets at the beginning of the financial year		41	8
<b>CASH ASSETS AT THE END OF THE FINANCIAL YEAR</b>	<b>14(a)</b>	<b>38</b>	<b>41</b>

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



# FINANCIAL STATEMENTS AND NOTES

## Notes to the Financial Statements 30 June 2002

---

### 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 Australian 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 12) 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 financial year end. 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 entitlements

##### 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.

# FINANCIAL STATEMENTS AND NOTES

## **Notes to the Financial Statements 30 June 2002**

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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.

# FINANCIAL STATEMENTS AND NOTES

## Notes to the Financial Statements 30 June 2002

	2001/02 \$'000	2000/01 \$'000
<b>2. EMPLOYEE EXPENSES</b>		
Wages and Salaries	25	85
Superannuation	3	2
	<b>28</b>	<b>87</b>
<b>3. SUPPLIES AND SERVICES</b>		
Consultants and Contractors	14	29
Travel	3	0
Other	7	3
	<b>24</b>	<b>32</b>
<b>4. ADMINISTRATION EXPENSES</b>		
Consumables	1	6
	<b>1</b>	<b>6</b>
<b>5. USER CHARGES AND FEES</b>		
Recoup of Costs – Arbitrator	51	31
Recoup of Costs – Western Australian Gas Review Board	0	78
	<b>51</b>	<b>109</b>
<b>6. OTHER REVENUES FROM ORDINARY ACTIVITIES</b>		
Interest earned	1	4
	<b>1</b>	<b>4</b>
<b>7. LIABILITIES ASSUMED BY OTHER AGENCIES</b>		
Office of Energy - Treasurer's Advance Liability Extinguished	0	40
	<b>0</b>	<b>40</b>

# FINANCIAL STATEMENTS AND NOTES

## Notes to the Financial Statements 30 June 2002

	2001/02 \$'000	2000/01 \$'000
<b>8. RESOURCES RECEIVED FREE OF CHARGE</b>		
Resources received free of charge determined on the basis of the following estimates provided by agencies:		
Office of the Auditor General	3	2
Crown Solicitor's Office	4	0
	7	2
<b>9. CASH ASSETS</b>		
Operating Trust Account	38	41
	<b>38</b>	<b>41</b>
<b>10. RECEIVABLES</b>		
Accrued Income	9	0
	<b>9</b>	<b>0</b>
<b>11. PAYABLES</b>		
Amounts payable for goods and services received	3	3
	<b>3</b>	<b>3</b>
<b>12. OTHER LIABILITIES</b>		
Accrued Salaries owing for the 6 working days from 20 June to 30 June 2002 (2001: 6 working days)	1	1
	<b>1</b>	<b>1</b>
<b>13. EQUITY</b>		
Accumulated Surplus/(deficiency)		
Opening balance	37	7
Change in net assets	6	30
<b>Closing balance</b>	<b>43</b>	<b>37</b>

# FINANCIAL STATEMENTS AND NOTES

## Notes to the Financial Statements 30 June 2002

	2001/02 \$'000	2000/01 \$'000
<b>14. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>(a) Reconciliation of Cash</b>		
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	38	41
	<b>38</b>	<b>41</b>
<b>(b) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities</b>		
<b>Net Cost of Services</b>	(1)	(12)
<b>Non-Cash Items</b>		
Resources Received Free of Charge	7	2
<b>(Increase) / Decrease in Assets:</b>		
Receivables	(9)	0
<b>Increase / (Decrease) in Liabilities:</b>		
Accounts Payable	0	2
Accrued salaries	0	1
<b>Net cash provided by/(used in) operating activities</b>	<b>(3)</b>	<b>7</b>
<b>15. CONTINGENT LIABILITIES</b>		
The Arbitrator has no contingent liabilities as at 30 June 2002.		
<b>16. EVENTS OCCURRING AFTER REPORTING DATE</b>		
The Arbitrator is unaware of any event occurring after reporting date that would materially affect the financial statements.		

# FINANCIAL STATEMENTS AND NOTES

## Notes to the Financial Statements 30 June 2002

### 17. FINANCIAL INSTRUMENTS (a) Interest rate risk exposure

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

	2002				2001			
	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
	<u>Financial Assets</u>							
Cash Resources	4.36	38	-	38	5.63	41	-	41
Receivables		-	9	9		-	-	-
<b>Total Financial assets</b>		<b>38</b>	<b>9</b>	<b>47</b>		<b>41</b>	<b>-</b>	<b>41</b>
<u>Financial Liabilities</u>								
Accrued salaries		-	1	1		-	1	1
Payables		-	3	3		-	3	3
<b>Total Financial liabilities</b>		<b>-</b>	<b>4</b>	<b>4</b>		<b>-</b>	<b>4</b>	<b>4</b>
<b>NET FINANCIAL ASSETS</b>		<b>38</b>	<b>5</b>	<b>43</b>		<b>41</b>	<b>(4)</b>	<b>37</b>

# FINANCIAL STATEMENTS AND NOTES

## Notes to the Financial Statements 30 June 2002

	2001/02	2000/01
	\$'000	\$'000

### (b) Credit risk

All financial assets are unsecured. Amounts owing by other government agencies are guaranteed and therefore no credit risk exists in respect of those amounts. In respect of other financial assets the carrying amounts represent the Arbitrator's maximum exposure to credit risk in relation to those assets.

### (c) Net fair value of Financial Instruments

The carrying amounts of financial assets and liabilities recorded in the financial statements are not materially different from their net fair value, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

## 18. REMUNERATION OF ACCOUNTABLE AUTHORITY

The Accountable Authority whose total of fees, salaries, superannuation and other benefits for the financial year, who fall within the following band is:

	2001/02	2000/01
\$20,001 - \$30,000	1	1
<b>Total remuneration of Accountable Authority is:</b>	<b>25</b>	<b>25</b>

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.

## 19. 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.

# FINANCIAL STATEMENTS AND NOTES

## Notes to the Financial Statements 30 June 2002

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### 20. AFFILIATED BODIES

The Gas Review Board is a government affiliated body in that it received administrative funding of nil in 2001/02 (\$78,000 in 2000/01) from the Arbitrator. The Gas Review Board is not subject to operational control by the Arbitrator.

### 21. EXPLANATORY STATEMENTS

Significant variances between actual and prior year actual results.

	2001/02	2000/01	
	Actual	Actual	Variance
	\$,000	\$,000	\$,000
<b>Total cost of operations of the Arbitrator</b>	<b>46</b>	<b>120</b>	<b>-74</b>

During 2000/01 the Gas Review Board was constituted to hear two appeals. The costs of the Gas Review Board (approximately \$78k) are reflected in the financial statements of the Arbitrator.



# ANNUAL ESTIMATES 2001/02

Notes to the Financial Statements 30 June 2002

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## ANNUAL ESTIMATES 2001/02

	Estimate 2001/02 \$'000
<b>OPERATING EXPENSES</b>	
<b>Staff Costs</b>	
Total Remuneration including on-costs	27
<b>Administration Costs</b>	
Total Administration	13
<b>Total Annual Estimates</b>	<b>40</b>

The Annual Estimates for 2001/02 do not form part of the financial statements submitted for audit.

# TERMINOLOGY AND ABBREVIATIONS

A number of terms and commonly used abbreviations have specific meanings within the regulatory framework for natural gas pipelines and in relation to the activities of the Arbitrator. To assist in the reading of this Annual Report, these terms and abbreviations are defined as follows.

## TERMINOLOGY

**Access Arrangement:** a documented arrangement for access to a natural gas pipeline or gas distribution network setting out the general policies of the service provider in relation to the provision of pipeline services, the terms and conditions for a set of standard or "reference" services, and the prices (reference tariffs) for these services.

**Code:** the *National Third Party Access Code for Natural Gas Pipeline Systems*, as contained in schedule 2 of the *Gas Pipelines Access (Western Australia) Act 1998*.

**Covered Pipeline:** a pipeline or part of a pipeline that is subject to regulation under the provisions of the Code.

**Distribution System:** a system or network of gas pipelines established for the transportation of gas typically from a high-pressure gas transmission pipeline to locations of gas consumption.

**Equivalent Standard Pipeline:** a gas pipeline measured on the basis of capital value that is set at \$500 million and:

- is weighted to take into account the level of service estimated to be provided to such a regulated pipeline;
- takes into account completed and partly completed work in terms of fully completed work; and
- recognises that pipelines may be regulated for part of the year only.

**Pipeline:** a gas pipeline or pipeline system.

**Transmission Pipeline:** a gas pipeline used for the transportation of gas typically between a location of gas supply or production to the general location of gas use, but not typically to end users of gas with the exception of very large users of gas that may take gas delivery directly from transmission pipelines.

## ABBREVIATIONS

**OffGAR:** the Office Of Gas Access Regulation.

## CONTACT DETAILS

Contact details for the Western Australian Gas Disputes Arbitrator, the Registrar for the Gas Review Board and the Gas Referee are as follows:

**Location:** Office of Gas Access Regulation  
Level 6, Governor Stirling Tower  
197 St George's Terrace  
PERTH WA 6000

**Postal address:** GPO Box 8469  
PERTH BUSINESS CENTRE WA 6849

**Telephone:** National: (08) 9213 1900  
International: +61 8 9213 1900

**Facsimile:** National: (08) 9213 1999  
International: +61 8 9213 1999

**Email:** [enquiry@offgar.wa.gov.au](mailto:enquiry@offgar.wa.gov.au)

**Web site:** [www.offgar.wa.gov.au](http://www.offgar.wa.gov.au)