




Government of Western Australia
Energy Policy WA

Annual Report 2019-20





Working together for a
brighter energy future.

Energy Policy WA

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Welcome

Acknowledgement of Country

Energy Policy WA acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community.

We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

About this report

Energy Policy WA is pleased to present its inaugural Annual Report, following its establishment under section 56 of the *Financial Management Act 2006* as a sub-department of the Department of Mines, Industry Regulation and Safety (DMIRS) on 5 September 2019.

This report details our operational and financial performance from 5 September 2019 to 30 June 2020.

Accessibility

We are committed to providing accessible services to our stakeholders. As such, this report is available online and in alternative formats upon requests.

Feedback

We welcome feedback and questions on this Annual Report. You can contact us via email – info@energy.wa.gov.au.

Statement of compliance

HON BILL JOHNSTON MLA
MINISTER FOR ENERGY

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit, for your information and presentation to Parliament, the Annual Report of Energy Policy WA for the period ended 30 June 2020.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



Kate Ryan

Executive Director
Energy Policy WA

15 October 2020





Executive summary

As we reflect on Energy Policy WA's first year of operation, the words challenging, exciting, productive and rewarding come to mind.

The Annual Reports of agencies across the Western Australian public sector will no doubt describe the challenges they faced during 2019-20 as a result of the COVID-19 pandemic, and Energy Policy WA is no exception. While acknowledging the devastating effect of the pandemic on lives and the economy, our reaction to this challenge taught us valuable lessons about the resilience of our systems and staff, as well as our staff and leadership team's strong commitment to our work program.

I believe such dedication was partly driven by the excitement of Energy Policy WA being established on 5 September 2019 as a standalone sub-department, under the umbrella of DMIRS. This milestone reflected government's acknowledgement of the complexity of the energy portfolio and its key role in delivering positive outcomes for our economy and consumers.

With the establishment of our new agency came the move to our new premises, right in the middle of the pandemic. Moving is frequently listed within the top five most stressful life events one can experience, and

our move was not without its challenges, but good project management and collaboration with other relevant government agencies saw us refit our new premises and move in just three months.

As with any new agency in its first year of operation, establishing our governance arrangements has been a key area of focus this year. In late 2019, all staff contributed to the development of Energy Policy WA's inaugural Strategic Plan, helping capture, in our vision and values, our commitment to delivering positive outcomes for all Western Australians.

A number of Energy Policy WA corporate policies and procedures, including our own Code of Conduct, were settled during the financial year. This work is still in progress and the completion of our suite of governance documents is one of our main priorities for the 2020-21 financial year.

The pandemic, our departmental restructure and our office relocation did not deter our focus on delivering on our commitments to government. In spite of all the challenges we faced, 2019-20 was a productive and rewarding year for Energy Policy WA.

We delivered on all our commitments in support of the Energy Transformation Taskforce, tasked with implementing the Energy Transformation Strategy – the Western Australian Government's program of work to enable the transition to low emissions and distributed energy sources. This included the delivery of the Distributed Energy Resources Roadmap, which is an Australian-first plan to better integrate technologies, such as rooftop solar and batteries, into our electricity system.

We also achieved major milestones in several major projects beyond the Energy Transformation Strategy, including the development and passage of legislation for the first-ever regulatory framework for access to the North West Interconnected System in the Pilbara region.

In addition to the completion of policy and regulatory projects, emergency management was a key area of focus during the financial year, which started with work to improve our resilience to potential cyber security attacks, followed by the bushfire season, tropical cyclones and COVID-19.

It is fair to say that we would have been unable to achieve these and many other milestones without the valuable collaboration of our project partners and the wide range of government, industry and consumer stakeholders that have provided input into our work.

Collaboration, consultation and information sharing were at the core of our business operations throughout the year, and they proved to be critical in enabling us to do our job.

I would like to thank all those who have contributed to our achievements over the past year and, in particular, our very capable and committed staff.

I look forward to another exciting, productive, rewarding and (hopefully) less challenging 2020-21, as we continue to work together for a brighter energy future.



Kate Ryan

Executive Director
Energy Policy WA

“Collaboration, consultation and information sharing were at the **core of our business operations throughout the year**, and they proved to be critical in enabling us to do our job.”



1. Overview



1. Overview

Our establishment

On 5 September 2019, in recognition of the need for an energy policy agency with a direct reporting line to the Minister for Energy, the Western Australian Government established Energy Policy WA as a standalone sub-department of DMIRS.

Energy Policy WA was established to deliver the functions, and with the staff and other resources, of the Department of Treasury's Public Utilities Office and Energy Transformation Implementation Unit.

Under the *Financial Management Act 2006*, Energy Policy WA has its own appropriation and division in the State Budget, and is responsible for the preparation of its own Annual Report to Parliament.

For the most part Energy Policy WA operates independently from DMIRS, in accordance with powers delegated by the Director General of DMIRS to the Executive Director of Energy Policy WA under section 33 of the *Public Sector Management Act 1994*. Energy Policy WA also undertakes procurement of goods and services under DMIRS's partial exemption from section 19(1) of the *State Supply Commission Act 1991*.

Energy Policy WA is currently the only sub-department in the Western Australian public service.

Responsible Minister

The responsible Minister for Energy Policy WA is the Hon Bill Johnston MLA, Minister for Energy.

Our functions

Energy Policy WA is responsible for the delivery of energy policy advice to the Minister for Energy to assist government in making well-informed decisions that contribute to the supply of secure, reliable, sustainable and affordable energy services to Western Australian households and businesses.

Energy Policy WA provides advice to the Minister for Energy on all aspects of energy policy, including in relation to issues affecting energy consumers, such as electricity and gas prices; the operation of wholesale and retail energy markets; the arrangements for generators, retailers and large consumers to connect to electricity grids and gas pipelines; the licensing of energy sector participants; the supply of energy services to regional and remote areas; emerging technologies and their impact on the energy sector and consumers;

Our vision:

“to be a world class energy agency, leading Western Australia’s energy future.”

the medium to long-term need for energy infrastructure investment in the State; energy efficiency; clean energy and climate change, including collaboration in the development of the State's Renewable Hydrogen Strategy; and national energy policy matters.

As part of this role, Energy Policy WA supports the delivery of the Western Australian Government's Energy Transformation Strategy by the Energy Transformation Taskforce. The Energy Transformation Strategy comprises government's work program to respond to the challenges, and make the most of the opportunities, presented by the rapid transformation being experienced by the energy sector as a result of the unprecedented uptake of large-scale renewable generators and distributed energy resources (such as rooftop solar and household batteries).

Our values:



Integrity



Leadership



Excellence



Collaboration



People

The Energy Transformation Strategy is being delivered under three work streams.

- Distributed Energy Resources, which involves the development of a Distributed Energy Resources Roadmap to support the ongoing uptake of technologies such as rooftop solar and household batteries in a way that benefits both consumers and the energy sector.
- Whole of System Planning, which aims to deliver a long-term plan for the South West Interconnected System (the largest electricity system in the State) to assist in the transition to a lower emissions economy, identify the best options for investment in our power system, and inform the work of policy-makers and regulators.
- Foundation Regulatory Frameworks, which involves the modernisation of the regulatory framework governing the operation of the market for the wholesale trade of electricity in the South West Interconnected System, and the access of generators to Western Power's electricity grid.

In collaboration with the Department of Treasury, Energy Policy WA oversees the activities of the State-owned electricity corporations (Western Power, Synergy and Horizon Power).

Energy Policy WA is the Chair of the State Underground Power Steering Committee responsible for the management of the State Underground Power Program, and is also responsible for supporting the Coordinator of Energy (the Executive Director of Energy Policy WA) in performing statutory functions under the *Energy Coordination Act 1994*, including the management of fuel, gas and electricity supply disruptions.

Our Strategic Plan

The setting of a clear direction for Energy Policy WA was a key deliverable for the sub-department immediately following its establishment.

Our inaugural Strategic Plan, covering the period 2019 to 2021, enabled us to align our priorities with those of the Minister for Energy, and to clearly communicate our mandate

to government, industry and community stakeholders. Importantly, it also enabled us to start shaping our identity and culture, and to create a common purpose for all Energy Policy WA staff.

Our vision – **to be a world class energy agency, leading Western Australia's energy future** – reflects the drive and ambition of a young agency.

So does our purpose, which is to **deliver innovative and quality advice and initiatives that shape the energy sector for the benefit of Western Australians now and into the future.**

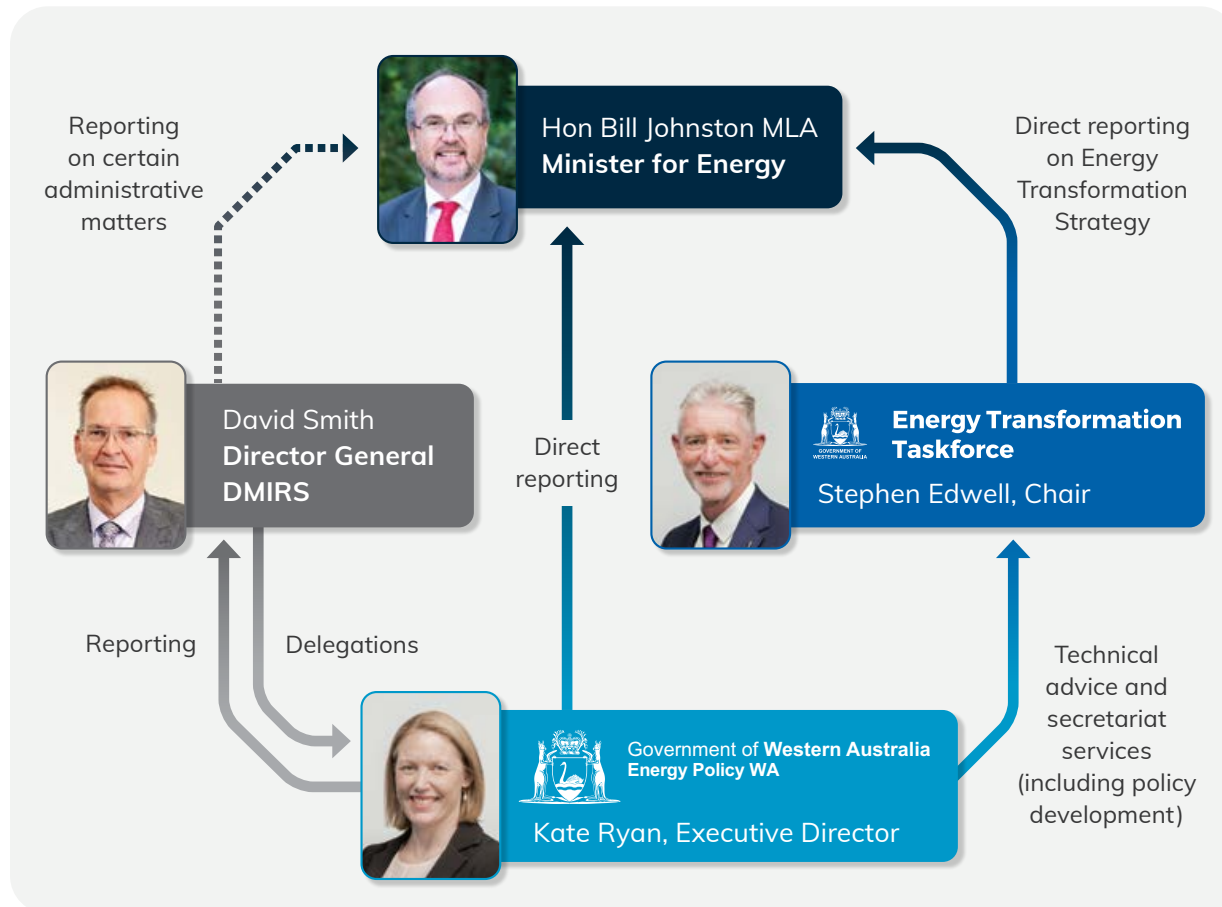
As part of our planning process, we identified four strategic focus areas to assist us in fulfilling our purpose and vision.

- Improving outcomes for Western Australia's energy customers.
- Leading Western Australia's energy transition.
- Engaging with strategic partners.
- Developing our people and culture.

Our values – **integrity, leadership, excellence, collaboration and people** – describe who we are as an organisation and underpin the delivery of projects under our four strategic focus areas.

Our reporting arrangements

As shown in the chart below, our reporting arrangements reflect Energy Policy WA's establishment as a sub-department, and our role in supporting the Energy Transformation Taskforce.



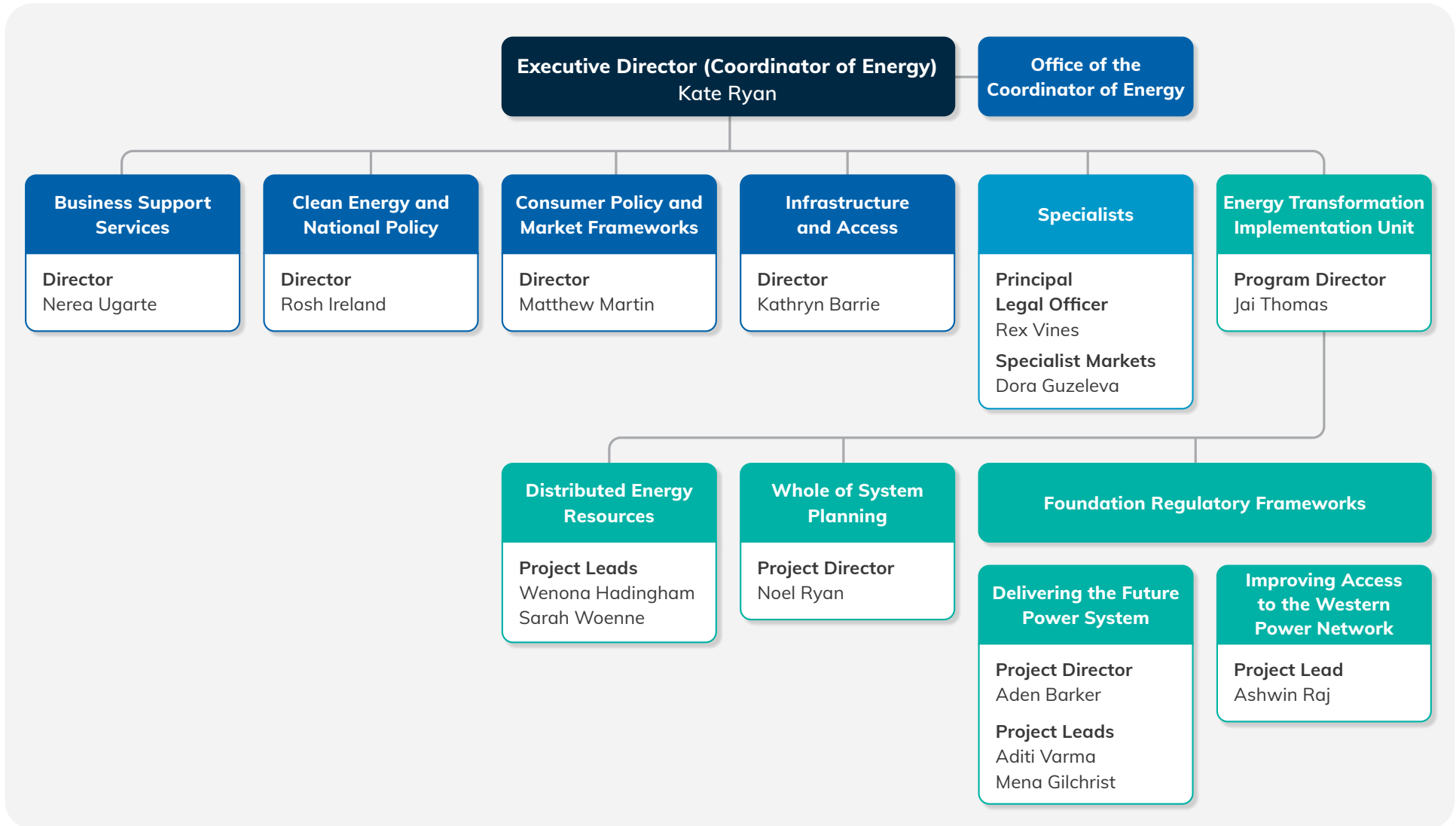
Energy Policy WA reports directly to the Minister for Energy on the performance of its functions as described in this Overview. Administratively, as a sub-department of DMIRS, Energy Policy WA also reports to the Director General of DMIRS.

In addition, Energy Policy WA provides secretariat, energy policy development and technical advisory services to the Energy Transformation Taskforce, which was established by the Hon Bill Johnston MLA, Minister for Energy in May 2019 to deliver the Western Australian Government's Energy Transformation Strategy.

The Energy Transformation Taskforce reports directly to the Minister for Energy and comprises five members.

- Stephen Edwell, Independent Chair
- Michael Court, Department of Treasury, Deputy Chair
- Brett Sadler, Department of the Premier and Cabinet
- Kate Ryan, Energy Policy WA
- Katharine McKenzie, Office of the Minister for Energy

Our organisational structure



Our organisational structure includes four operational areas.

- **Clean Energy and National Policy**, responsible for the development of policy advice on clean energy technologies, energy efficiency and national energy policy matters.
- **Consumer Policy and Market Frameworks**, responsible for the development of policy advice on wholesale and retail energy market frameworks and consumer related matters.
- **Infrastructure and Access**, responsible for the development of policy advice on electricity and gas networks, and the management of fuel, gas and electricity supply disruptions.
- **Energy Transformation Implementation Unit**, responsible for the provision of secretariat, energy policy development and technical advisory services to the Energy Transformation Taskforce.

These operational areas are supported by three support areas.

- **Business Support Services**, responsible for the provision of corporate services to Energy Policy WA, and the oversight of Energy Policy WA's arrangements with the Department of Finance for the provision of financial, human resources, information technology, occupational safety and health, recordkeeping and Freedom of Information services.
- **Office of the Coordinator of Energy**, responsible for the provision of executive support services to the Executive Director and the Executive Leadership Team of Energy Policy WA.
- **Specialists**, responsible for the provision of specialist legal and technical advice to Energy Policy WA.



Introducing our Executive Leadership Team

The Executive Leadership Team is Energy Policy WA's main governing body. It supports the Executive Director in providing strategic guidance to, and overseeing the operation of, the sub-department. It also ensures Energy Policy WA's observance of all legal and other government compliance requirements.

The Executive Leadership Team includes the following members:

- **Kate Ryan** – Executive Director (Chair)
- **Nerea Ugarte** – Director, Business Support Services
- **Rosh Ireland** – Director, Clean Energy and National Policy
- **Matthew Martin** – Director, Consumer Policy and Market Frameworks
- **Kathryn Barrie** – Director, Infrastructure and Access
- **Jai Thomas** – Program Director, Energy Transformation
- **Aden Barker** – Project Director, Future Power System Delivery
- **Noel Ryan** – Project Director, Whole of System Planning



*Energy Policy WA's Executive Leadership Team.
Pictured back row: (L-R) Aden Barker, Matthew Martin, Noel Ryan, Rosh Ireland, Kathryn Barrie.
Front row: Jai Thomas, Kate Ryan and Nerea Ugarte.*

Administered legislation

- *Dampier to Bunbury Pipeline Act 1997*
- *Electricity Corporations Act 2005*
- *Electricity Industry Act 2004 (except Parts 9A and 9B)*
- *Electricity Transmission and Distribution Systems (Access) Act 1994*
- *Energy Arbitration and Review Act 1998*
- *Energy Coordination Act 1994 (except Parts 2 and 3)*
- *Energy Corporations (Transitional and Consequential Provisions) Act 1994*
- *Energy Operators (Powers) Act 1979*
- *Fuel, Energy and Power Resources Act 1972*
- *Gas Corporation (Business Disposal) Act 1999*
- *Gas Services Information Act 2012*
- *Gas Supply (Gas Quality Specifications) Act 2009 (except Part 5, Division 2)*
- *National Gas Access (WA) Act 2009*
- *State Energy Commission (Validation) Act 1978*





2. Significant issues impacting us

Our first year of operation was a remarkable one.

COVID-19 pandemic

The COVID-19 pandemic tested our business continuity arrangements, the capacity of our emergency management and business support services to rapidly respond to a potential business disruption, and our staff's adaptability and resilience.

While being a small agency comes with its challenges, our size enabled us to promptly implement arrangements (in collaboration with the Department of Finance) to enable our staff to work from home in a safe manner.

Our staff embraced the opportunities presented by new technologies and software to progress their work, continue their engagement with stakeholders and, importantly, remain connected with the business and work colleagues.

An average of 90% of Energy Policy WA's workforce worked from home over a six-week period and delivered on key milestones and projects.

With the Coordinator of Energy (Executive Director of Energy Policy WA) having responsibility for the management of fuel, gas and electricity supply disruptions,

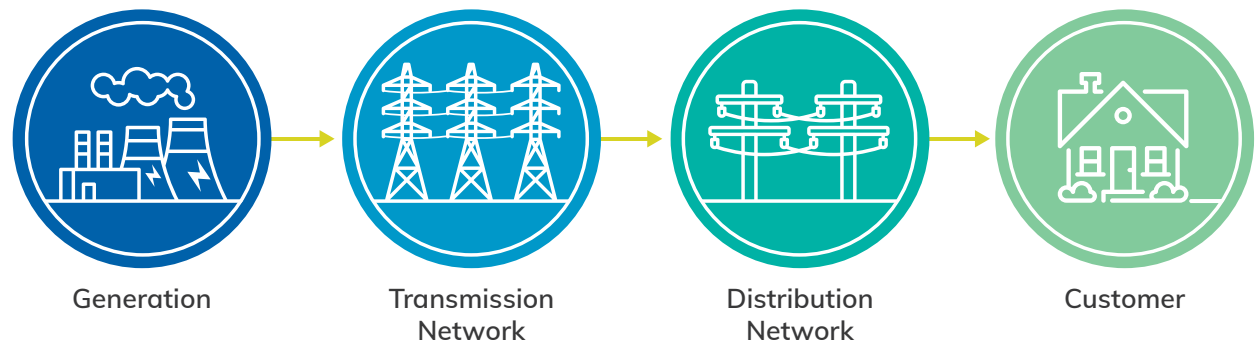
Energy Policy WA proactively maintained contact with industry to anticipate and manage emerging issues that could threaten the security of energy supply as a result of the pandemic.

The economic and financial impacts associated with the pandemic were also a significant area of focus for us. Energy Policy WA worked closely with the Department of Treasury, the Department of Communities and the State-owned electricity corporations to develop measures to assist households and small businesses experiencing financial difficulty as a result of the pandemic.

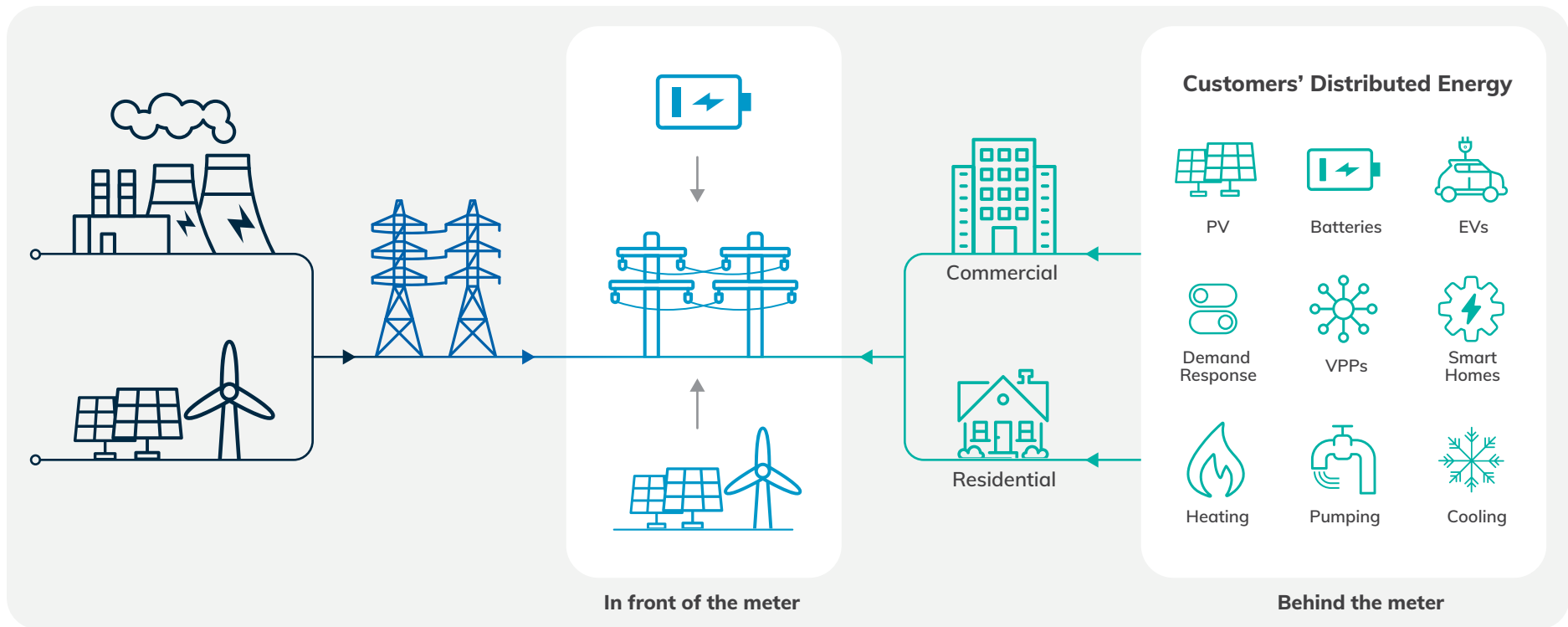
The energy transformation

Our energy system is changing at an unprecedented rate. This has resulted in many of the energy sector's legislative and governance arrangements, which were established decades ago, becoming obsolete.

Traditionally, electricity has been supplied to consumers through a linear supply chain of generation, transmission, distribution and retail of electricity. This traditional supply chain was characterised by large electricity generators, located some distance from demand centres, and a system of high voltage transmission power lines to deliver electricity into the low voltage distribution system to which customers are connected.



Traditional electricity supply chain



New electricity supply chain

In recent years, we have experienced an unprecedented transition in the way electricity is supplied and used. More households and small businesses than ever are installing solar and battery systems to take control of their electricity bills. In fact, over a quarter of Western Australian households have already installed a solar system. At the same time, large-scale renewable generators are supplying an increasing amount of our electricity needs.

Large and small-scale renewables offer great opportunities for low-cost, low-emissions energy. However, the intermittent and uncontrolled nature of these energy sources is presenting challenges in maintaining the security, reliability and affordability of the power system, particularly in the South West Interconnected System.

In recognition of these challenges and opportunities, the State Government established the Energy Transformation

Taskforce to deliver its two-year program of work under the Energy Transformation Strategy – supported by Energy Policy WA.

The establishment of Energy Policy WA has resulted in the strengthening of government's energy policy, market and regulatory development capability. The energy sector's ongoing rapid transformation will continue to call on this capability to ensure the ongoing evolution of the energy regulatory environment to keep up with the pace of change.

3. Our performance



3. Our performance

Key highlights

During our first ten months of operation, Energy Policy WA delivered on our commitment to government to implement several major reform initiatives, including those under the umbrella of the Energy Transformation Taskforce.

Distributed Energy Resources Roadmap

Distributed energy resources are small-scale devices connected to local electricity distribution grids that can either use, generate or store electricity (such as rooftop solar and battery systems). While distributed energy resources present opportunities for consumers and the energy system, the speed and scale of the uptake of these technologies also pose serious risks to the security, reliability and affordability of electricity supply.

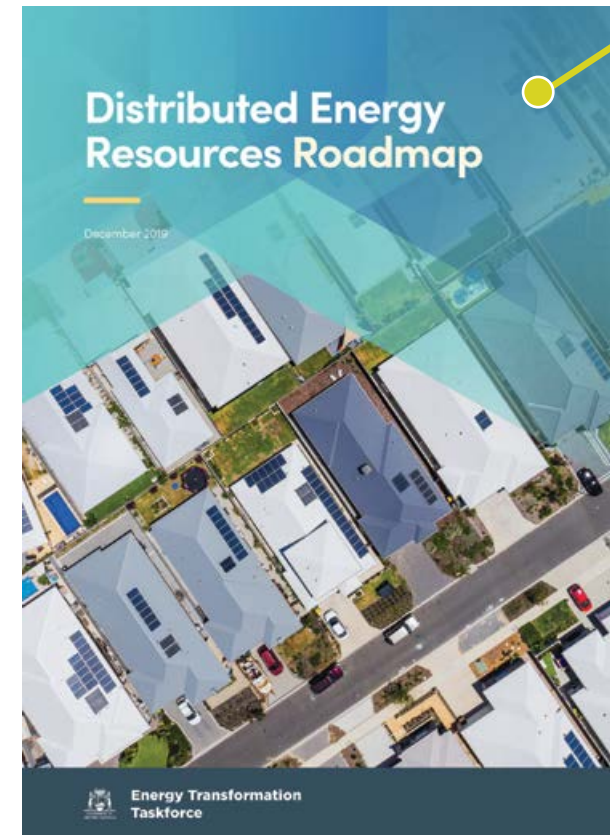
Energy Policy WA supported the Energy Transformation Taskforce in developing a Distributed Energy Resources Roadmap, the first-ever produced in Australia. The Roadmap outlines changes to policies, regulations,

technical requirements and customer protections to support the integration of Distributed Energy Resources into the South West Interconnected System in a way that benefits both consumers and the electricity system.

The Roadmap contains a total of 36 recommended actions, including proposed technology pilots, to achieve the vision of distributed energy resources becoming integral to the safety, reliability and efficiency of the electricity system, while providing value to all electricity customers.

The Roadmap was published on 4 April 2020.

To watch a short video on the DER Roadmap go to brighterenergyfuture.wa.gov.au



The Distributed Energy Resources Roadmap, published in April 2020.

Foundation Regulatory Frameworks – Delivering the Future Power System

Energy Policy WA supported the Energy Transformation Taskforce in undertaking a wide ranging review of the regulatory framework governing the operation of the market for the wholesale trade of electricity in the South West Interconnected System.

The objective of the review is to enhance the security, reliability and affordability of our power system by improving the operation of the market for the wholesale trade of electricity.

As part of this work, during 2019-20 Energy Policy WA produced and published 14 information papers outlining the Energy Transformation Taskforce's policy positions on discrete aspects of the regulatory framework under review. We also produced 11 papers outlining proposed amendments to regulations and rules.

Foundation Regulatory Frameworks – Improving Access to the Western Power Network

Electricity grids have a limited capacity to transmit electricity. In the past, the framework for accessing Western Power's network was based on an 'unconstrained model', where

generators sought to enter into contractual arrangements with Western Power to feed electricity into the grid up to an agreed threshold (network capacity), even if that threshold was rarely reached. This has resulted in capacity in many parts of the network being fully contracted, but greatly underutilised. In these areas of the network, new generators seeking to connect to the grid on an unconstrained basis would have to bear the cost of augmenting the network, which can cost hundreds of millions of dollars, for capacity that may rarely be used.

Energy Policy WA is supporting the Energy Transformation Taskforce in developing a 'constrained model' for generators to access Western Power's network. Under this model, generators will 'share' network capacity and allow the electricity system operator to curtail their output when the network is congested in order to maintain the safe and secure operation of the power system. The implementation of a constrained model will facilitate the more equitable and efficient use of Western Power's electricity grid by generators.

As part of this work, during 2019-20 Energy Policy WA produced and published three information papers for the Energy Transformation Taskforce.





Whole of System Plan

The Whole of System Plan presents forecasts of electricity supply and demand under four different scenarios covering a 20-year period. The purpose of this work is to inform policy and regulatory decision making, and to identify electricity infrastructure investment needs.

During the reporting period, Energy Policy WA brought the inaugural Whole of System Plan for the South West Interconnected System close to completion, and released two information papers on modelling scenarios, methodology and assumptions as part of the work program undertaken for the Energy Transformation Taskforce.

The Whole of System Plan has been developed in close collaboration with key stakeholders, including Western Power and the Australian Energy Market Operator. The plan was published on 12 October 2020.

Access Code review

The Electricity Networks Access Code provides the framework for the regulation of electricity grids in Western Australia, including the arrangements for third parties (such as electricity generators, retailers and large users) to connect to regulated grids,

the oversight of investment in electricity network infrastructure to ensure its efficiency, and the determination of prices for network connection and use.

When the Access Code was drafted in 2004, electricity supply followed the linear model outlined in section 2 of this Annual Report. The drafting of the Access Code did not foresee the substantial technological developments that would transform our electricity system over the following decades.

Energy Policy WA is supporting the Energy Transformation Taskforce in delivering the largest package of changes to the Access Code since its inception. These changes seek to maximise the utilisation of existing network infrastructure; improve the process to regulate the terms and conditions of access to electricity grids (including prices); and increase opportunities for new technologies to reduce the need for investment in costly electricity network infrastructure and to contribute to the safe, reliable and affordable operation of the electricity system.

Public consultation on the first tranche of proposed changes to the Access Code was conducted during May and June 2020. The Electricity Networks Access Code Amendments (No. 2) 2020 were gazetted on 18 September 2020.

Pilbara Electricity Reforms

The Electricity Industry Amendment Bill 2019 (now *Electricity Industry Amendment Act 2020*) was introduced into Parliament on 27 November 2019 and received Royal Assent on 2 April 2020. The legislation, developed by Energy Policy WA, establishes the first-ever framework for the regulation of the connection to, and use of, designated electricity network assets in the Pilbara by third parties (such as generators, retailers and large electricity users). Once implemented, the new regulatory framework will support economic growth and the development of the Pilbara by improving the efficiency and effectiveness of electricity services in the region.

Standalone Power Systems

The Amendment Act also included amendments to facilitate the use of energy storage devices and Standalone Power Systems in Western Power's network. Standalone Power Systems operate independently from the electricity grid. They generally consist of a small renewable energy generator, battery storage and a backup generator.

In addition to improving reliability of supply and reducing bushfire risks, these systems can provide a cost-effective alternative to the traditional model of electricity supply in regional remote areas.

Energy consumer advocacy

In the second half of 2019, Energy Policy WA established a new consumer advocacy role, supported by a dedicated funding allocation in the 2019-20 State Budget. The advocacy role provides consumers with a voice in the framing of energy policy.

Energy Policy WA established the Western Australian Advocacy for Consumers of Energy Forum. Chaired by the Coordinator of Energy (Energy Policy WA's Executive Director), the Forum brings together a range of representative consumer bodies from across Western Australia to streamline the process of providing consumer input into consultation on energy sector matters. The Forum held its inaugural meeting on 30 June 2020.

Energy Policy WA is also administering the Western Australian Advocacy for Consumers of Energy Grants program, which will assist in funding consumer advocacy and research. During the reporting period, Energy Policy WA developed the program guidelines, which were published in July 2020. The first grant application round opened in August 2020.

Clean Energy Future Fund

Energy Policy WA supported the Department of Water and Environmental Regulation to establish and conduct the first round of applications to the Clean Energy Future Fund (CEFF). The CEFF makes funding available to innovative clean energy projects that deliver value for money through achieving significant reductions of greenhouse gas emissions or lead to the broad adoption of clean energy technology.


Energy Policy WA is represented on the CEFF Executive Group that assesses the applications and makes recommendations to the Minister for Environment and the Minister for Energy on which projects should receive funding. The first funding round closed on 13 July 2020.

Emergency management

2019-20 was a particularly busy year for our Emergency Management team.

In November 2019, Energy Policy WA participated in a national cyber security exercise designed to test the maturity of cyber security arrangements adopted by electricity sector participants nationwide, and the ability of states and territories to mitigate a potential cyber security attack.





During the bushfires affecting Yanchep and the Eyre Highway over the 2019-20 summer, and the aftermath of the Category 3 Tropical Cyclone Damien in February 2020, Energy Policy WA worked with key stakeholders to manage risks to the supply of energy to consumers. We also engaged with other response agencies to ensure a coordinated approach to the restoration of supply of essential services, including the availability of fuel to emergency service responders.

Our Emergency Management team also played a key role during the COVID-19 pandemic, including facilitating the entry of critical energy sector workers into Western Australia in consultation with the Western Australian Police Force.

Stakeholder engagement

Consistent with our value of collaboration, Energy Policy WA held approximately 40 stakeholder workshops, information and consultation sessions during 2019-20.

Around half of these sessions were attended by between 100 and 350 people, and from March 2020 many of these moved to a virtual format.

Energy Policy WA also undertook public and targeted consultation with government, industry and consumer stakeholders to inform the delivery of policy advice and projects.

The agency maintained several working groups, with a broad range of stakeholder representation, to provide input into the development and implementation of reform initiatives, including the following.

- The Program Implementation Coordination Group was established to facilitate the collaborative, coordinated and timely implementation of the Energy Transformation Strategy. Membership includes the Chair of the Energy Transformation Taskforce and senior representatives from the Australian Energy Market Operator, Western Power and Energy Policy WA.
- The Strategic Consultative Group, which was originally established by the Public Utilities Office to inform its Wholesale Electricity Market Reform work program and was maintained by Energy Policy WA. Membership includes the Chair of the Energy Transformation Taskforce, Alinta Energy, the Australian Energy Council, the Australian Energy Market Operator, the Clean Energy Council, Horizon Power, Simcoa, Summit Southern Cross Power, Synergy, the WA Independent Power Association and Western Power.

- The Transformation Design and Operation Working Group, which provides a forum for stakeholders to offer expert and detailed technical input into the Energy Transformation Strategy work streams.
- The WEM Reform Implementation Group, a stakeholder forum to consult on the operational implementation of proposed reforms to the market for the wholesale trade of electricity in the South West Interconnected System.
- The Behind the Meter Code Working Group, which will develop a first draft code of conduct for providers of behind the meter energy services, such as solar power purchase agreements.

Energy Policy WA delivered and implemented a communications plan to support the launch of the Distributed Energy Resources Roadmap by the Energy Transformation Taskforce, including the development of the Brighter Energy Future site (www.brighterenergyfuture.wa.gov.au).

In conjunction with Synergy and Horizon Power, Energy Policy WA developed a communications program to support the transition of new rooftop solar owners onto modern pricing arrangements that better reflect the value of the electricity generated by their systems.

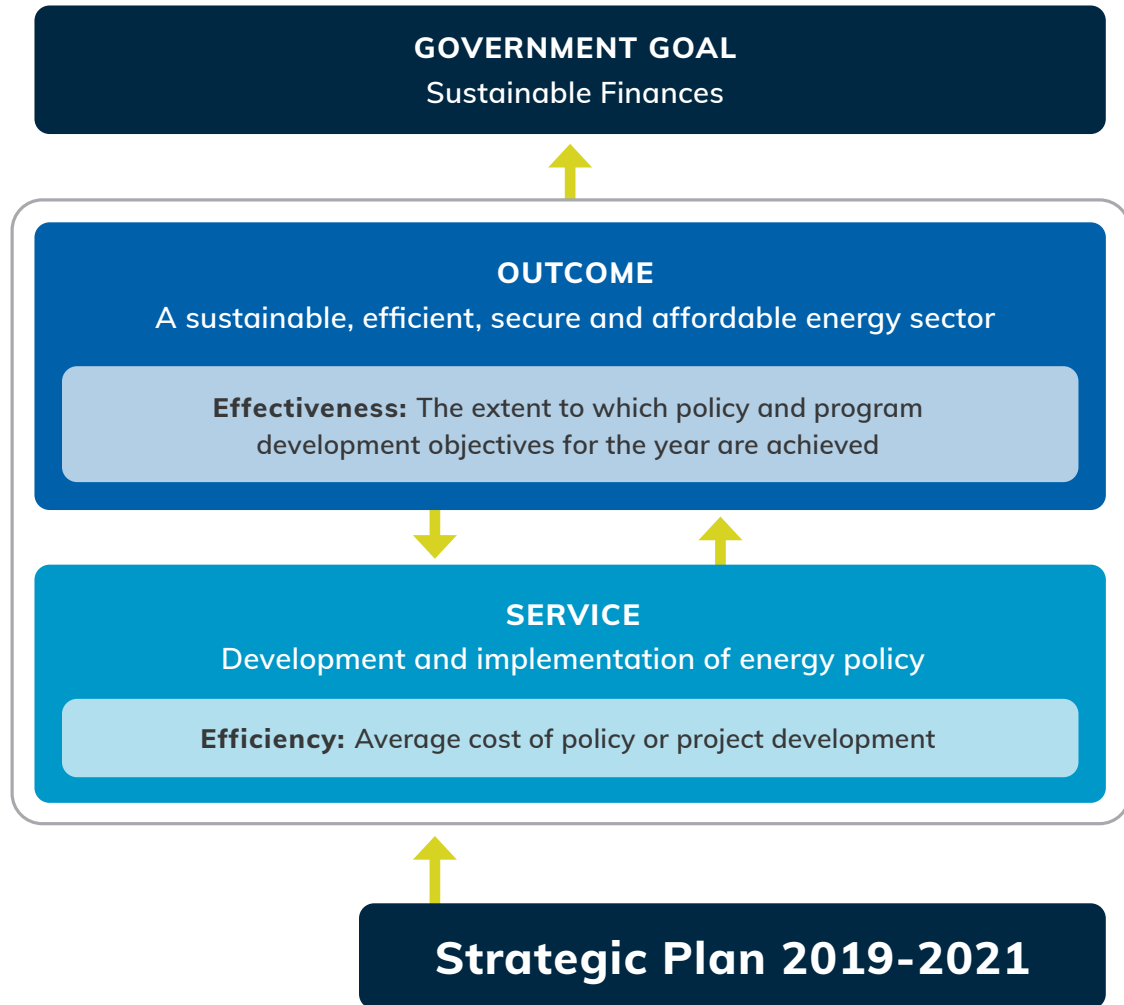
Performance management framework

Outcome-Based Management Performance

There are five government goals that guide the development of policies, programs and services by Western Australian government agencies. Given the variety and diversity of public agencies in Western Australia, not all government goals are equally applicable to all agencies.

As shown in the diagram, Energy Policy WA contributes to the government goal of 'sustainable finances' by developing and implementing energy policy that contributes to the sustainability, efficiency, security and affordability of the energy sector.

Energy Policy WA's performance is measured by one key effectiveness indicator and one key efficiency indicator. These Key Performance Indicators were transferred to Energy Policy WA by the Department of Treasury on 26 February 2020. Performance targets were not transferred with the Key Performance Indicators, with Energy Policy WA to roll-out its first annual performance targets in 2020-21.





Key effectiveness indicator

Energy Policy WA's key effectiveness indicator measures the extent to which policy and program development objectives for the year are achieved.

Results are calculated by monitoring the priorities set for a year. If the Government's priorities change, for example if there is a Ministerial request to undertake a new policy project or cease working on an existing priority, this is considered in determining the number of items completed as planned. The results are presented as a percentage of planned priorities completed.

During the period 5 September 2019 to 30 June 2020, Energy Policy WA achieved a rate of completion of planned policy and program development of 96%.

Key effectiveness indicator	2019-20 Target*	2019-20 Actual
The extent to which policy and program development objectives for the year are achieved.	100%	96%

* Department of Treasury target for the Public Utilities Office and Energy Transformation Implementation Unit (Energy Policy WA's predecessors), as per the 2019-20 State Budget.

Key efficiency indicator

Energy Policy WA's key efficiency indicator measures the average cost of policy and project activities that are significant in nature, requiring considerable investment of time and effort. This indicator measures the efficiency of Energy Policy WA in performing its role on an average cost per unit basis.

During the period 5 September 2019 to 30 June 2020, Energy Policy WA's average cost of policy and project development activities was \$20,933.

Key efficiency indicator	2019-20 Target*	2019-20 Actual
Average cost of policy/project development activities	\$25,730	\$20,933

* Department of Treasury target for the Public Utilities Office and Energy Transformation Implementation Unit (Energy Policy WA's predecessors), as per the 2019-20 State Budget.

Shared responsibilities with other agencies

Energy Policy WA worked with its partners, Western Power and the Australian Energy Market Operator, to support the Energy Transformation Taskforce in delivering the Energy Transformation Strategy.

Other key stakeholders assisting in the delivery of the Energy Transformation Strategy included the Department of the Premier and Cabinet, the Department of Treasury and the State-owned electricity corporations Synergy and Horizon Power.

During the reporting period, Energy Policy WA welcomed four staff placements from Synergy, two from Horizon Power and one from Western Power to assist in the implementation of the Energy Transformation Strategy.

Energy Policy WA has shared responsibilities with Western Power to administer the State Underground Power Program, and with the Department of Treasury to oversee the performance of the State-owned electricity corporations (Western Power, Synergy and Horizon Power).

Energy Policy WA supported the delivery of services by the Department of Water and Environmental Regulation by providing assistance in the design and launch of the Clean Energy Future Fund.





4. Our People

Our staff profile

Our people are key to our success, and we proudly uphold our value of respecting and supporting each other.

Our staff profile shows a good balance of employment across age groups, as well as gender balance in senior management roles.

22% of our staff have elected to work on a part-time basis, evidence of Energy Policy WA's commitment to making flexible work arrangements available to its employees.

With 26% of Energy Policy WA's staff having been born outside Australia, Energy Policy WA is committed to maintaining an inclusive workplace where all people have equal access to employment and development opportunities.

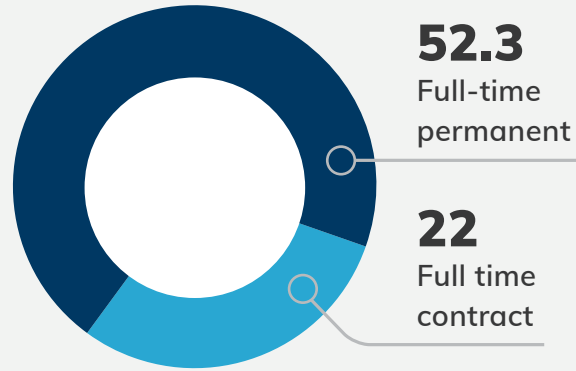
At present, the agency does not have any staff that identify as being of Aboriginal and Torres Strait Island origin or having a disability.

As at 30 June 2020, 31% of our staff were employed on a temporary basis, reflecting Energy Policy WA's time limited funding to undertake energy sector reform initiatives in support of the Energy Transformation Taskforce, which is scheduled to conclude in May 2021.

Full Time Equivalent Position:

 **74.3 FTEs**

*excludes Government Trading Enterprise placements



7 GTE Placements during the period

22% of staff work part time hours
*based on headcount

Staff Diversity

0%
Disability

0%
Aboriginal

26%
country of birth outside of Australia

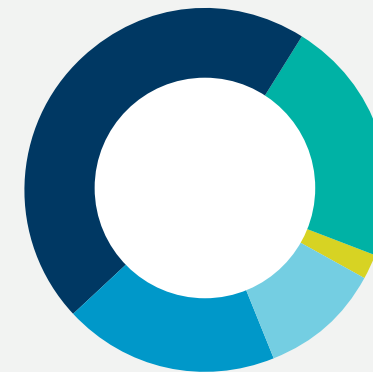


68%
of women in the workforce



48%
of women in management
*Level 8 equivalent and above

Age profile



- 11%** 55+ years
- 19%** 45-54 years
- 46%** 35-44 years
- 22%** 25-34 years
- 2%** Under 25

Disability access and inclusion

Energy Policy WA is committed to improving access to its information, services and facilities for people with disability.

In light of Energy Policy WA's office move from the David Malcolm Justice Centre to 66 St Georges Terrace in June 2020, Energy Policy WA decided to schedule the development of its Disability Access and Inclusion Plan for the 2020-21 financial year. This will enable Energy Policy WA to better assess opportunities to improve access to its current building, facilities and in-house events.

Occupational safety, health and injury management

Energy Policy WA and its Executive Leadership Team are committed to providing a safe and healthy work environment, and to maintaining the safety, health and wellbeing of all employees and visitors as far as reasonably practicable.

Consistent with this commitment, during the reporting period Energy Policy WA developed the following:

- Occupational Safety and Health Statement
- Occupational Safety and Health Policy
- Occupational Safety and Health Committee Terms of Reference
- First Aid Policy and Procedures
- Injury Management Policy and Guidelines

During the reporting period, Energy Policy WA made preparations to undertake two internal Expressions of Interest processes to appoint staff members to Occupational Safety and Health and First Aid Officer roles. The roles were internally advertised in July 2020.

Energy Policy WA encourages open, honest and effective consultation and communication between managers, employees and Safety and Health Representatives, with the view to achieving a common understanding of occupational safety and health issues. The Occupational Safety and Health Committee, which will commence in the 2020-21 financial year, will play an important role in facilitating consultation and cooperation between employees and Energy Policy WA. The Committee's meeting minutes will be available to employees on our intranet site – Energiser.

During 2019-20, Energy Policy WA ensured its compliance with injury management requirements under the *Workers' Compensation and Injury Management Act 1981*. Energy Policy WA received no workers' compensation claims and there were no employees on return to work plans.

Energy Policy WA's performance against indicators for fatalities, lost time injury and disease, return to work, and training of managers and supervisors was as follows.

Indicator	Results
Number of fatalities	0
Lost time injury/disease incidence rate	0%
Lost time injury/disease severity rate	0%
Percentage of injured workers returned to work within 13 weeks	N/A
Percentage of injured workers returned to work within 26 weeks	N/A
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	57%

Focus on mental health and wellbeing

Our staff are our most important asset and looking after their wellbeing, both physical and mental, has been a key area of focus for Energy Policy WA, particularly during the difficult and uncertain times experienced during the year.

In May 2020, we engaged an external consultant to conduct a staff survey as a general 'health check' for staff and the business in the context of the establishment of Energy Policy WA and the COVID-19 pandemic. The survey achieved a response rate of 91.55%, showing the high level of engagement of our staff.

Importantly, the majority of respondents reported a positive level of wellbeing working both from home and in the office during the COVID-19 pandemic. Most of those who worked remotely noted that this arrangement positively affected their productivity and wellbeing. Staff also indicated that their managers are great role models and are open to their ideas and concerns. Staff indicated their view that open communication is encouraged in the agency, and reported a high level of commitment to Energy Policy WA's values.

In June 2020, the Executive Leadership Team endorsed Energy Policy WA's participation in the 15 Minute Exercise Challenge program, which encourages staff to exercise at least 15 minutes a day, and provides staff with useful information on health issues. The program was launched in July 2020.

Our intranet was also used to make physical and mental health information available to employees.

Energy Policy WA provides a free flu vaccination program to staff, as well as a free and confidential Employee Assistance Program service to all its employees and immediate family members. During the reporting period, the service was accessed by one staff member.

Developing our people

Energy Policy WA is committed to the development of its employees. As a newly established agency, Energy Policy WA is in the process of undertaking a full review of its own Performance and Development Framework to facilitate the ongoing development of employees' knowledge, skills and capabilities. The review, which will aim to more clearly link individual performance

*“Our staff are our **most important asset** and looking after their wellbeing, both physical and mental, has been a **key area of focus** for Energy Policy WA.”*

with Energy Policy WA's strategic objectives and values, is scheduled to be completed in 2020-21.

Through its current Performance and Development Framework, Energy Policy WA is also identifying capability gaps, and training and development opportunities to inform the preparation of a staff training and development plan in 2020-21.

During the pandemic, and recognising that many in-person training opportunities have been postponed or moved to a virtual format, staff were encouraged to undertake online training.

Energy Policy WA encourages knowledge sharing through regular whole-of-office meetings where the agency's directorates are invited to share information on their areas of expertise and projects.

5. Governance

Governance Committees

As a new agency, Energy Policy WA is in the process of refining its governance arrangements and implementing Committees to provide support and guidance to the Executive Leadership Team.

The Executive Leadership Team meets at least once a month. The number of meetings increased during the COVID-19 pandemic to facilitate business continuity and the safety and wellbeing of staff.

Committee	Role	Outcomes over 2019-20
Executive Leadership Team	<ul style="list-style-type: none"> • Provide direction in setting the agency's key strategic goals and outcomes for its strategic plan. • Oversee the agency's operational plans and work programs to deliver its key strategic goals and outcomes. • Ensure the agency's workplace is based on a culture of strong ethics and integrity. • Ensure the agency has effective systems and policies for managing its workforce in a fair, transparent and equal manner. • Ensure the effectiveness of the agency's programs and services, accountability and efficiency in the management of its finances. • Ensure communication is open, accessible and responsive. • Ensure good governance and management of material risks. 	<ul style="list-style-type: none"> • Executive Leadership Team established and Terms of Reference approved. • Strategic Plan 2019-21 developed and approved. • Dashboard reporting framework established to oversee the delivery of strategic goals and outcomes. • Organisational values developed and approved. • Code of Conduct approved. • Six corporate policies, procedures and guidelines reviewed and approved, including risk management framework. • Integrity snapshot undertaken in accordance with government's Integrity Strategy for WA Public Authorities. • Staff wellbeing initiatives approved and implemented. • Commenced development of Governance Checklist, aligned to the Public Sector Commission's Good Governance Guide. • Established channels for communication with staff, including weekly emails, an intranet and a newsletter. • Business Continuity Plan in response to the pandemic developed and implemented.

Committee	Role	Outcomes over 2019-20
Occupational Safety and Health Committee	<ul style="list-style-type: none"> • Perform functions as prescribed in the <i>Occupational Safety and Health Act 1994 (s40)</i> and tasks that may be delegated to the Committee by Energy Policy WA. • Enable and assist consultation and cooperation between employees and Energy Policy WA. • Keep itself informed about occupational safety and health standards and matters across the public sector. • Provide advice to Energy Policy WA on identified or emerging occupational safety and health matters. • Provide a forum in which occupational safety and health issues may be reviewed, discussed and recommendations made for resolution if required. • Review and consider matters referred to it by Human Resource or Safety and Health Representatives, or the Department of Finance's Occupational Safety and Health team and make recommendations to the Executive Leadership Team on matters not able to be resolved at the local level. • Review hazards, incidents and injury reports received within the agency, workplace inspection reports and related health, safety and wellness reports provided by the Department of Finance's Occupational Safety and Health team or Energy Policy WA's Human Resources team and make recommendations as required. 	<ul style="list-style-type: none"> • Terms of Reference developed. • The Committee is in the process of being established. • Ergonomic assessments for all staff.



Internal audit

In accordance with the requirement for agencies to have an Internal Audit Committee independently chaired by a suitably qualified person who is not employed within the agency (Treasurer's Instruction 1201 – Internal Audit), auditing of Energy Policy WA's operations was under DMIRS's Risk and Audit Committee established during the reporting period.

Project management

Energy Policy WA prides itself on its delivery of quality advice to the Minister for Energy and the completion of projects on time and within budget.

To do so, we established a new project planning and management framework using the Smartsheet platform. This framework enables the Executive Leadership Team and the Energy Transformation Taskforce to regularly monitor progress of strategic projects being undertaken by the agency, as well as its budget situation, associated emerging issues, and the strategies implemented to manage project risks.

Business Continuity Plan

Development and maintenance of a Business Continuity Plan for Energy Policy WA was a priority during the reporting period, with the plan activated in March 2020 in response to the COVID-19 pandemic.

During the 2020-21 financial year, Energy Policy WA will be assessing the lessons learned from the pandemic and making improvements to the plan in consultation with staff and relevant stakeholders.

Risk management

In accordance with Treasurer's Instruction 825 – Risk Management and Security, in 2019-20 Energy Policy WA developed a risk management framework and project risk registers. The agency also commenced the preparation of its strategic risk register, which was endorsed by the Executive Leadership Team in October 2020.

Risk management has been integrated into our strategic and project planning processes and is monitored on an ongoing basis.

Freedom of Information

In 2019-20, Energy Policy WA developed its Freedom of Information Statement.

No Freedom of Information requests were received or processed during the reporting period.

Public Interest Disclosures

No Public Interest Disclosures were received during the reporting period. Energy Policy WA's Public Interest Disclosure Procedures will be completed in 2020.

Ethics, accountability and integrity

Consistent with Public Sector Standards and the Western Australian Government's commitment to reinforce ethics, accountability and integrity in the public sector, Energy Policy WA developed its inaugural Code of Conduct. All employees are required to formally endorse their commitment to abide by the agency's Code of Conduct.

Energy Policy WA also developed a range of corporate policies, procedures and practices that support and maintain the ethical standards, behaviours and values expected from staff, including the Hospitality, Gifts and Benefits Policy.

Energy Policy WA is yet to develop several corporate policies and procedures. As an interim measure, the agency operates under policies from the Department of Treasury, the Department of Finance and DMIRS, as appropriate.

Energy Policy WA undertook an integrity snapshot in accordance with government's Integrity Strategy for WA Public Authorities, which will be reviewed in 2020-21, as well as a review of its Hospitality, Gifts and Benefits Register to identify potential emerging issues.

During the reporting period, there were no formal grievances or breaches of Public Sector Standards.

Record keeping

Energy Policy WA is in the process of developing its Record Keeping Plan, and associated policies, procedures and training program, in close consultation with the Department of Finance, which provides record keeping services to Energy Policy WA.

While the Record Keeping Plan is being developed, Energy Policy WA is operating under the Department of Finance's plan.

6. Legal and financial disclosures

Ministerial directives

No ministerial directives were received during the reporting period.

Pricing policies of services provided

Energy Policy WA does not charge fees or charges for services rendered.

Capital works

Energy Policy WA incurred \$97,000 in the fit out of its new premises.

Act of Grace payments

No Act of Grace payments were made during the reporting period.

Unauthorised use of credit cards

Energy Policy WA officers hold corporate credit cards where their functions warrant the use of this facility.

One employee inadvertently used a corporate credit card for the purchase of goods at a supermarket with a value of \$18.60. The matter was not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount as soon as it was discovered, and that the nature of the expenditure was characteristic of an honest mistake and not material.

Disclosure	Amount
Number of instances the Western Australian Government Purchasing Cards have been used for personal purposes	1
Aggregate amount of personal use expenditure for the reporting period	\$18.60
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	\$0
Aggregate amount of personal use expenditure settled after the period (after 5 working days)	\$18.60
Aggregate amount of personal use expenditure remaining unpaid at the end of the reporting period	0
Number of referrals for disciplinary action instigated by the notifiable authority during the reporting period	0

Expenditure on advertising, market research, polling and direct mail

Section 175ZE of the *Electoral Act 1907* requires public agencies to report details of expenditure to organisations providing services in relation to advertising, market research, polling, direct mail and media advertising.

Energy Policy WA incurred the following expenditure.

Concept	Organisation	Amount
Advertising	Initiative Media	\$3,318
Direct electronic mail	Vision 6	\$1,684
TOTAL		\$5,002

Board and Committee remuneration

During the reporting period, Energy Policy WA incurred \$334,160 in remunerating the Chair of the Energy Transformation Taskforce.

7. Financial statements



Audit Opinion



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

ENERGY POLICY WA

Report on the financial statements

Opinion

I have audited the financial statements of Energy Policy WA which comprise the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of Energy Policy WA for the period ended 30 June 2020 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for opinion

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

Responsibility of the Executive Director for the financial statements

The Executive Director is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Executive Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility for the audit of the financial statements

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

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

Report on controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by Energy Policy WA. The controls exercised by the Sub-Department are those policies and procedures established by the Executive Director to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

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

In my opinion, in all material respects, the controls exercised by Energy Policy WA are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the period ended 30 June 2020.

The Executive Director's responsibilities

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

Auditor General's responsibilities

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

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

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

Limitations of controls

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

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Audit Opinion

Report on the key performance indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of Energy Policy WA for the period ended 30 June 2020. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of Energy Policy WA are relevant and appropriate to assist users to assess the Sub-Department's performance and fairly represent indicated performance for the period ended 30 June 2020.

The Executive Director's responsibility for the key performance indicators

The Executive Director is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Executive Director determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

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

Auditor General's responsibility

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the entity's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

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

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

My independence and quality control relating to the reports on controls and key performance indicators

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

Matters relating to the electronic publication of the audited financial statements and key performance indicators

This auditor's report relates to the financial statements and key performance indicators of Energy Policy WA for the period ended 30 June 2020 included on the Sub-Department's website. The Sub-Department's management is responsible for the integrity of the Sub-Department's website. This audit does not provide assurance on the integrity of the Sub-Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version of the financial statements and key performance indicators.



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

Certification of Financial Statements

For the reporting period ended 30 June 2020

The accompanying financial statements of Energy Policy WA have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2020 and the financial position as at 30 June 2020. The sub-department commenced operation on 5 September 2019.

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



Rudolph Gracias
Chief Finance Officer
6 October 2020



Kate Ryan
Executive Director, Energy Policy WA
7 October 2020

Statement of Comprehensive Income

For the period from 5 September 2019 to 30 June 2020

	Notes	2020 (\$000)
COST OF SERVICES		
Expenses		
Employee benefits expense	2.1(a)	7,481
Supplies and services	2.3	7,051
Depreciation and amortisation expense	4.1.1, 4.2	18
Finance costs	6.2	2
Accommodation expenses	2.4	668
Grants and subsidies	2.2	3,852
Other expenses	2.5	130
Total cost of services		19,202
Revenue and Income		
<i>Revenue</i>		
Other revenue	3.2	673
Total Revenue		673
Total income other than income from State Government		673
NET COST OF SERVICES		(18,529)

	Notes	2020 (\$000)
Income from State Government		
Service appropriation	3.1	20,565
Services received free of charge	3.1	1,268
Total income from State Government		21,833
SURPLUS FOR THE PERIOD		3,304
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,304

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

Statement of Financial Position

As at 30 June 2020

	Notes	2020 (\$000)
ASSETS		
Current Assets		
Cash and cash equivalents	6.3	10,064
Receivables	5.1	273
Other current assets	5.2	2
Total Current Assets		10,339
Non-Current Assets		
Restricted cash and cash equivalents	6.3	90
Property, plant and equipment	4.1	99
Right-of-use assets	4.2	31
Total Non-Current Assets		220
TOTAL ASSETS		10,559
LIABILITIES		
Current Liabilities		
Payables	5.3	4,067
Lease Liabilities	6.1	17
Employee related provisions	2.1(b)	1,656
Total Current Liabilities		5,740

	Notes	2020 (\$000)
Non-Current Liabilities		
Lease Liabilities	6.1	14
Employee related provisions	2.1(b)	434
Total Non-Current Liabilities		448
TOTAL LIABILITIES		6,188
NET ASSETS		
EQUITY		
Contributed equity	8.7	1,067
Accumulated surplus/(deficit)		3,304
TOTAL EQUITY		4,371

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

Statement of Changes in Equity

For the period from 5 September 2019 to 30 June 2020

	Notes	Contributed equity (\$000)	Accumulated surplus/(deficit) (\$000)	Total equity (\$000)
Balance at 5 September 2019		-	-	-
Surplus/(deficit)			3,304	3,304
Total comprehensive income for the period		-	3,304	3,304
Transactions with owners in their capacity as owners:	8.7			
Transfer of net assets from Department of Treasury		1,067	-	1,067
Total		1,067	-	1,067
Balance at 30 June 2020		1,067	3,304	4,371

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

Statement of Cash Flows

For the period from 5 September 2019 to 30 June 2020

	Notes	2020 (\$'000)
CASH FLOWS FROM STATE GOVERNMENT		
Service appropriation		20,565
Net cash provided by State Government		20,565
Utilised as follows:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Employee benefits		(5,302)
Supplies and services		(4,328)
Finance costs		(2)
Accommodation		(653)
Grants and subsidies		(836)
GST payments on purchases		(522)
Other payments		(69)
Receipts		
GST receipts on sales		2
GST receipts from taxation authority		327
Other receipts		22
Net cash provided by/(used in) operating activities		(11,361)

	Notes	2020 (\$'000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments		
Purchase of non-current assets		(97)
Net cash provided by/(used in) investing activities		(97)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments		
Principal elements of lease (2019 – finance lease) payments		(14)
Net cash provided by/(used in) financing activities		(14)
Net increase/(decrease) in cash and cash equivalents		9,093
Cash balance transferred from Department of Treasury		1,061
Cash and cash equivalents at the beginning of the period		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6.3	10,154

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

Notes to the Financial Statements

1. Basis of preparation

The sub-department is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The sub-department is a not-for-profit entity (as profit is not its principal objective). As Energy Policy WA was established on 5 September 2019, no annual estimates for 2019-20 were published.

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

These annual financial statements were authorised for issue by the Accountable Authority of the sub-department on 6 October 2020.

Statement of compliance

These general purpose financial statements are prepared in accordance with:

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

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

Basis of preparation

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

Judgements and estimates

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

Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to, transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by *TI 955 Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

Notes to the Financial Statements

2. Use of our funding

Expenses incurred in the delivery of services

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

	Notes	2020 (\$000)
Employee benefits expense	2.1(a)	7,481
Employee related provisions	2.1(b)	2,090
Grants and subsidies	2.2	3,852
Supplies and services	2.3	7,051
Accommodation expenses	2.4	668
Other expenditure	2.5	130

2.1(a) Employee benefits expense

	2020 (\$000)
Employee Benefits	6,862
Superannuation – defined contribution plans	619
Total employee benefits expenses	7,481
Add: AASB 16 Non-monetary benefit	17
Less: Employee Contributions	(9)
Net employee benefits	7,489

Employee Benefits: Include wages, salaries and social contributions, accrued and paid leave entitlements and paid sick leave, profit-sharing and bonuses; and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for employees.

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

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

Notes to the Financial Statements

2.1(b) Employee related provisions

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

	2020
	(\$000)
Current	
<u>Employee benefits provisions</u>	
Annual leave ^(a)	741
Long service leave ^(b)	912
	1,653
<u>Other provisions</u>	
Employment on-costs ^(c)	3
Total current employee related provisions	1,656
Non-current	
<u>Employee benefits provisions</u>	
Long service leave ^(b)	433
<u>Other provisions</u>	
Employment on-costs ^(c)	1
Total non-current employee related provisions	434
Total employee related provisions	2,090

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

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

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

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

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

Notes to the Financial Statements

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

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses, Note 2.5 (apart from the unwinding of the discount (finance cost))' and are not included as part of the sub-department's 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

	2020
	(\$000)
<u>Employment on-costs provision</u>	
Carrying amount at start of period	-
Additional/(reversals of) provisions recognised	4
Payments/other sacrifices of economic benefits	-
Unwinding of the discount	-
Carrying amount at end of period	4

Key sources of estimation uncertainty – long service leave

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

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

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

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

Notes to the Financial Statements

2.2 Grants and subsidies

	2020 (\$000)
<u>Recurrent</u>	
Contributions to the Australian Energy Market Commission	836
Contributions to the Council of Australian Governments Energy Council Work Program	195
<u>Capital</u>	
Contributions to Western Power for the State Underground Power Program	2,821
Total grants and subsidies	3,852

Transactions in which the sub-department provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant expenses'. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

2.3 Supplies and services

	2020 (\$000)
Supplies and services	
Communications	11
Consultants	368
Contractors	2,916
Service provided by State government agencies	1,269
Repairs and maintenance	12
Consumables	31
Travel	17
Legal costs	2,256
Other	171
Total supplies and services expenses	7,051

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

Notes to the Financial Statements

2.4 Accommodation expenses

	2020
	(\$000)
Accommodation expenses	
Lease rentals ^(a)	653
Repairs and maintenance	15
Total accommodation expenses	668

(a) Includes lease rental payment to the Department of Finance.

Accommodation expenses include:

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

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

2.5 Other expenses

	2020
	(\$000)
Other expenses	
Minor purchases	125
Employment on-costs	4
Other	1
Total other expense	130

Other expenses:

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

Minor Purchases includes purchases of minor equipment with a value of less than \$5,000.

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

Notes to the Financial Statements

3. Our funding sources

How we obtain our funding

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

	Notes	2020 (\$000)
Income from State Government	3.1	21,833
Other Revenue	3.2	673

3.1 Income from State Government

	2020 (\$000)
Appropriation received during the period:	
Service appropriation	20,565
	20,565
Services received free of charge from other State Government agencies during the period:	
Department of Finance	1,226
Department of Justice	42
Total services received	1,268
Total income from State Government	21,833

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

Service appropriations fund the net cost of services delivered. Appropriation revenue comprises the following:

- Cash component.

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

3.2 Other Revenue

	2020 (\$000)
Recoups	651
Government Vehicle Scheme (GVS)	9
Other	13
Total other revenue	673

Other Revenue

Revenue from Recoups and Government Vehicle Scheme (GVS) are recorded as other revenue and is recognised in the accounting period in which the relevant performance obligations has been satisfied.

Notes to the Financial Statements

4. Key assets

Assets the sub-department utilises for economic benefit or service potential

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

	Notes	2020 (\$000)
Plant and equipment	4.1	99
Right-of-use assets	4.2	31
Total key assets		130

4.1 Property, plant and equipment

Period ended 30 June 2020	Office Equipment	Office Fit-out	Total
	(\$000)	(\$000)	(\$000)
Gross carrying amount	-	-	-
Accumulated depreciation	-	-	-
Accumulated impairment loss	-	-	-
Carrying amount at start of period	-	-	-
Additions	-	97	97
Transfers ^(a)	5	-	5
Other disposals	-	-	-
Impairment losses ^(b)	-	-	-
Impairment losses reversed ^(b)	-	-	-
Depreciation	(1)	(2)	(3)
Carrying amount at 30 June 2020	4	95	99
Gross carrying amount	5	97	102
Accumulated depreciation	(1)	(2)	(3)
Accumulated impairment losses	-	-	-

(a) During the reporting period, one office equipment was transferred from the Department of Treasury amounting to \$5,000 due to the Machinery of Government (MOG) changes.

(b) Recognised in the Statement of Comprehensive Income. Where an asset measured at cost is written-down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.

Notes to the Financial Statements

Initial recognition

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

Assets transferred as part of a machinery of government change are transferred at their fair value.

4.1.1 Depreciation and impairment

Charge for the period

	Notes	2020 (\$000)
Depreciation		
Office Equipment	4.1	1
Office Fitout	4.1	2
Total depreciation for the period		3

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

Finite useful lives

All Property, plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and investment properties.

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

Asset	Useful life
Office Equipment	5 to 10 years
Office Fit-out	3 to 25 years or remaining lease term, whichever is lower

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

The contractual commitments relating to Office Fit-out is \$249,400 as at 30 June 2020.

Notes to the Financial Statements

Impairment

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

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

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

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

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

4.2 Right-of-use assets

	2020
	(\$'000)
Right-of-use-assets	
Vehicles	31
Net carrying amount at 30 June 2020	31

There is no addition to right-of-use assets during the 2019-20 reporting period.

Initial recognition

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

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

This includes all leased assets other than investment property ROU assets, which are measured in accordance with AASB 140 'Investment Property'.

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

Notes to the Financial Statements

Subsequent Measurement

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

Depreciation and impairment of right-of-use assets

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

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

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

The following amounts relating to leases have been recognised in the statement of comprehensive income:

	2020
	(\$000)
Vehicles	15
Total right-of-use asset depreciation	15

	2020
	(\$000)
Lease interest expense (included in Finance cost)	2
Expenses relating to variable lease payments not included in lease liabilities (included in administrative expenses)	-
Short-term leases (included in Other Expenditure)	-
Low-value leases (included in Other Expenditure)	-
Income from subleasing right-of-use assets	-
Gains or losses arising from sale and leaseback transactions	-

The total cash outflow for leases in 2019-20 was \$14,610.

The sub-department's leasing activities and how these are accounted for:

The sub-department has leases for vehicles, office and residential accommodations.

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

From 5 September 2019, the sub-department recognises leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.

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

Notes to the Financial Statements

5. Other assets and liabilities

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

	Notes	2020 (\$000)
Receivables	5.1	273
Other current assets	5.2	2
Payables	5.3	4,067

5.1 Receivables

	2020 (\$000)
<u>Current</u>	
GST receivable	273
Total current receivables	273

5.2 Other current assets

	2020 (\$000)
<u>Current</u>	
Purchase Leave - Debit position	2
Total other current assets	2

5.3 Payables

	2020 (\$000)
<u>Current</u>	
Trade payables	325
Accrued salaries	91
Accrued expenses	3,651
Total current payables	4,067

Payables are recognised at the amounts payable when the sub-department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

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

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

Notes to the Financial Statements

6. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the sub-department.

	Notes
Leases	6.1
Finance costs	6.2
Cash and cash equivalents	6.3

6.1 Leases

	2020 (\$000)
Current	17
Non-current	14
	31

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

Lease payments included by the sub-department as part of the present value calculation of lease liability include:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;

- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options (where these are reasonably certain to be exercised);
- Payments for penalties for terminating a lease, where the lease term reflects the sub-department exercising an option to terminate the lease.

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

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

Variable lease payments, not included in the measurement of lease liability, that are dependent on sales are recognised by the sub-department in profit or loss in the period in which the condition that triggers those payments occurs.

This section should be read in conjunction with note 4.2.

Subsequent Measurement

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

Notes to the Financial Statements

6.2 Finance costs

	2020
	(\$000)
Lease interest expense	2
Finance costs expensed	2

'Finance costs' includes the interest component of lease liability repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time payable to State Fleet.

6.3 Cash and cash equivalents

	2020
	(\$000)
Cash and cash equivalents	10,064
Restricted cash and cash equivalents – Accrued salaries suspense account ^(a)	90
Balance at end of period	10,154

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

For the purpose of the statement of cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand which are subject to insignificant risk of changes in value.

7. Financial instruments and Contingencies

	Notes
Financial instruments	7.1
Contingent assets and liabilities	7.2

7.1 Financial instruments

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

	2020
	(\$000)
<u>Financial assets</u>	
Cash and cash equivalents	10,154
Financial assets at amortised cost ^(a)	-
Total financial assets	10,154
<u>Financial liabilities</u>	
Financial liabilities at amortised cost ^(b)	4,098
Total financial liabilities	4,098

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

(b) The amount of financial liabilities at amortised cost excludes GST payable to the ATO (statutory payable).

Notes to the Financial Statements

7.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed and, if quantifiable, are measured at best estimate. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

The sub-department has no contingent assets and liabilities to report for the financial period 2019-20.

8. Other disclosures

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

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

8.1 Events occurring after the end of the reporting period

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

8.2 Initial application of Australian Accounting Standards

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

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* for annual reporting periods on or after 1 July 2019. Under the new model, an entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service and is based upon the transfer of control rather than transfer of risks and rewards.

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

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

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

Notes to the Financial Statements

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

The sub-department was created on 5 September 2019 and the related balances associated with AASB 15 and AASB 1058 were transferred from Department of Treasury.

The sub-department adopts the modified retrospective approach on transition to AASB 15 and AASB 1058. Under this transition method, the sub-department applies the standards retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.

Refer to Note 3.1 and 3.2 for the revenue and income accounting policies adopted from 5 September 2019.

There is no effect of adopting AASB 15 and AASB 1058.

(b) AASB 16 Leases

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

The sub-department applies AASB 16 *Leases* from 5 September 2019 using the modified retrospective approach. As permitted under the specific transition provisions, comparatives are not restated. The cumulative effect of initially applying this Standard is recognised as an adjustment to the opening balance of accumulated surplus/(deficit).

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

The sub-department was created on 5 September 2019 and the related balances associated with AASB 16 Leases were transferred from Department of Treasury.

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

- a) right-of-use assets and lease liabilities in the Statement of Financial Position, initially transferred from the Department of Treasury on the date the sub-department was created;
- b) depreciation of right-of-use assets and interest on lease liabilities in the Statement of Comprehensive Income; and
- c) the total amount of cash paid as principal amount, which is presented in the cash flows from financing activities, and interest paid, which is presented in the cash flows from operating activities, in the Statement of Cash Flows.

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

Notes to the Financial Statements

8.3 Key management personnel

The sub-department has determined key management personnel to include cabinet ministers and senior officers of the sub-department. The sub-department does not incur expenditures to compensate Ministers and those disclosures may be found in the *Annual Report on State Finances*.

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

Compensation band (\$)	2020
\$170,001 - 180,000	3
\$180,001 - 190,000	1
\$190,001 - 200,000	1
\$210,001 - 220,000	1
\$280,001 - 290,000	1
	2020
	(\$000)
Total compensation of senior officers	1,407

Total compensation includes the superannuation expense incurred by the sub-department in respect of senior officers.

8.4 Related party transactions

The sub-department is a wholly owned public sector entity that is controlled by the State of Western Australia.

Related parties of the sub-department include:

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

Material transactions with related parties

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

Notes to the Financial Statements

8.5 Related and affiliated bodies

The sub-department has no related or affiliated bodies.

8.6 Remuneration of auditors

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

	2020
	(\$000)
Auditing the accounts, financial statements, controls, and key performance indicators	17
	17

8.7 Equity

	2020
	(\$000)
Contributed equity	
Balance at start of period	-
<i>Transfer of net assets from other agencies:</i>	
Transfer from Department of Treasury due to Machinery of Government Change	1,067
Total contributions by owners	1,067
Balance at end of period	1,067

8.8 Supplementary financial information

(a) Write-offs

There were no write-offs during the reporting period.

(b) Losses through theft, defaults and other causes

There were no losses through theft, defaults and other causes during the reporting period.

(c) Gifts of public property

There were no gifts of public property provided by the sub-department during the reporting period.

Photo acknowledgements

Energy Policy WA would like to thank those who have generously made their photography available for use in this report.

Selina Staples, Energy Policy WA

- p3 Christmas lights
- p14 Executive Leadership Team
- p27 Energy Policy WA staff #1
- p28 Energy Policy WA staff #2

Alinta Energy

- p5 Newman Battery
- p21 North Quay, Fremantle

Synergy

- p2 Albany windfarm sunset
- p26 Pipelines
- p34 Sunset power lines
- p63 Muja Operations

Tourism Western Australia

- p37 St Georges Terrace

Western Power

- p4 Power line
- p7 Solar panel installation
- p15 Sub-station
- p16 Lights over Yagan Square
- p21 Western Power Control Centre
- p23 Food truck lights

Stock images

- Cover Light bulbs
- p8 Perth and Elizabeth Quay
- p13 Power lines
- p19 Albany windfarm





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