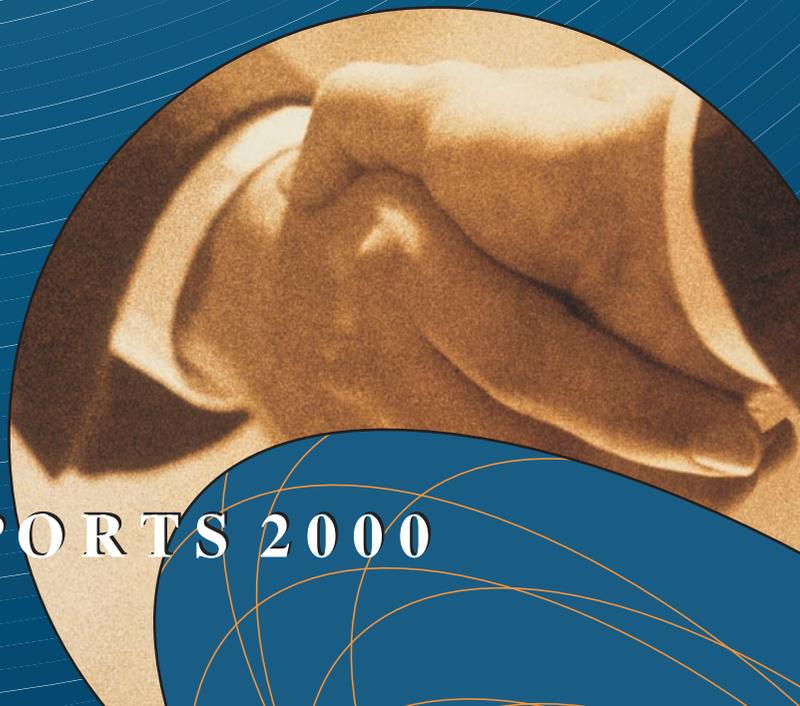




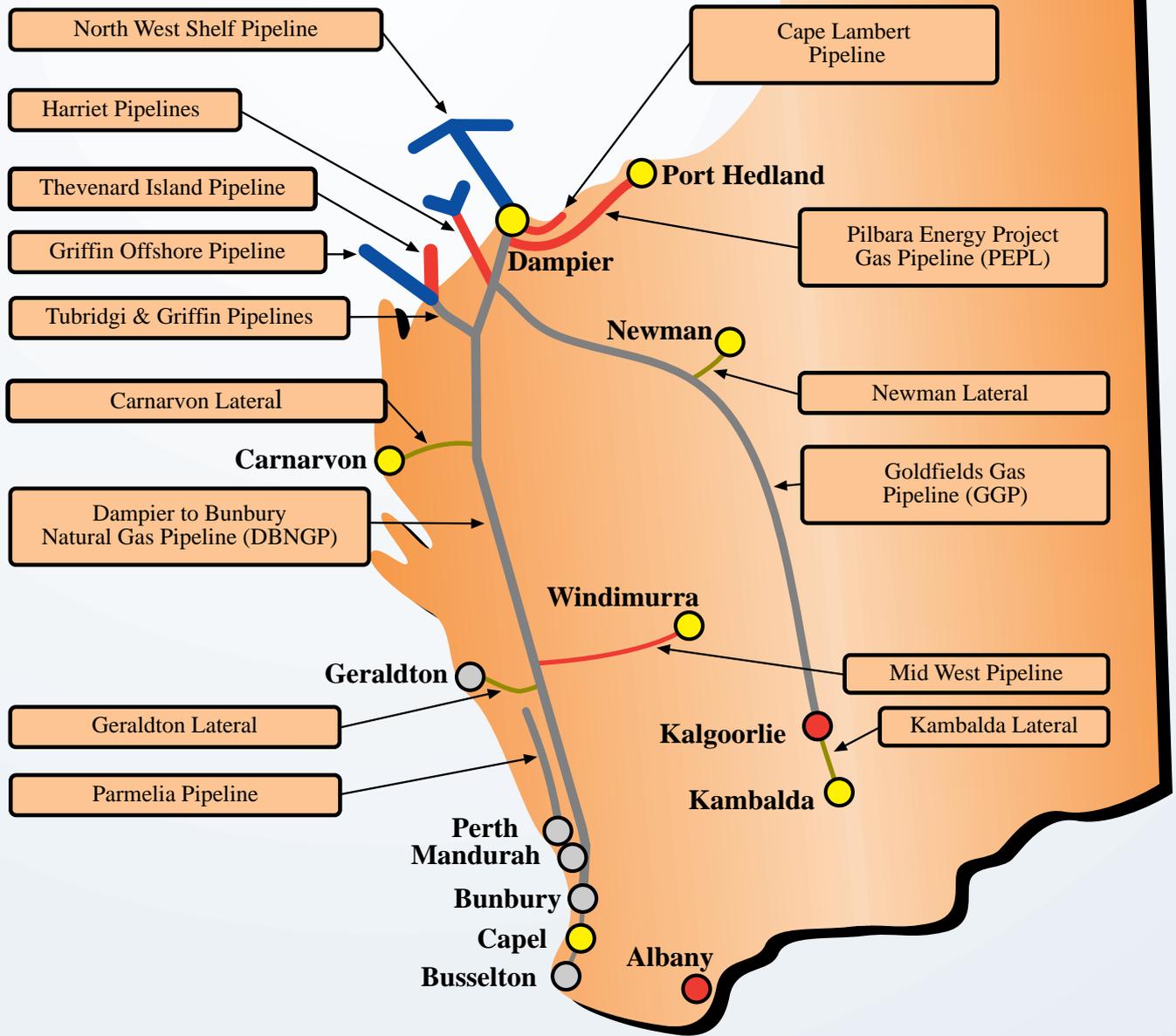
Independent Gas Pipelines Access Regulator
Gas Disputes Arbitrator



ANNUAL REPORTS 2000



NATURAL GAS PIPELINES *Western Australia*



	Pipelines Covered by Code		Covered Gas Distribution Systems
	Pipelines Not Covered by Code		Not Covered Gas Distribution Systems
	Offshore Raw Gas Pipelines		No Distribution Systems

About This Document

This document contains the Annual Reports of:

- The Independent Gas Pipelines Access Regulator; and
- The Gas Disputes Arbitrator.

These statutory bodies are established under the Gas Pipelines Access (Western Australia) Act 1998 (GPAA). They are independent of Government in the performance of their respective regulatory functions.

The legislation promotes competition in gas markets by providing for gas suppliers and traders to have access to pipelines to transport gas on fair and reasonable terms.

REGULATOR

The Independent Gas Pipelines Access Regulator approves conditions and charges set by pipeline service providers for the use of their pipelines to take gas from suppliers to customers.

ARBITRATOR

The Gas Disputes Arbitrator adjudicates when a prospective user of a gas pipeline disputes the conditions or charges set by the service provider. The Arbitrator also provides administrative support to the Gas Review Board.

OFFICE OF GAS ACCESS REGULATION (*OffGAR*)

The Office of Gas Access Regulation is the public sector body headed by the Regulator that provides secretariat support to the Regulator and Arbitrator.

The Regulator and the Arbitrator are not public servants, but each must report under the Financial Administration and Audit Act 1985.

THE MISSION OF THE OFFICE OF GAS ACCESS REGULATION

To promote free and fair trade in gas by facilitating the effective and efficient regulation of access to gas pipelines wholly located in Western Australia at the lowest practicable regulatory cost.

**ANNUAL REPORT 1999/2000
INDEPENDENT GAS PIPELINES ACCESS
REGULATOR**

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GAS DISPUTES
ARBITRATOR**

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- ❑ The Regulator issued his Draft and Final Decisions on the proposed Access Arrangement for AlintaGas's Mid-West and South-West Gas Distribution Systems.
- ❑ The Regulator issued his Draft Decision on the proposed Access Arrangement for the Parmelia Pipeline.
- ❑ The Regulator issued his Draft Decisions on applications to waive ring fencing obligations for the Parmelia Pipeline and the Tubridgi Pipeline System.
- ❑ Proposed Access Arrangements were submitted to the Regulator for:
 - the Dampier to Bunbury Natural Gas Pipeline;
 - the Goldfields Gas Pipeline; and
 - the Tubridgi Pipeline System.The Regulator progressed consideration of these proposals during the year.
- ❑ The Office of Gas Access Regulation published six Issues Papers to assist public consultation on proposals submitted to the Regulator.
- ❑ Under the National Third Party Access Code for Natural Gas Pipeline Systems (the Code), the Minister for Energy revoked coverage of:
 - the Beharra Springs to Parmelia Pipeline;
 - the Kalgoorlie, Leinster and Mt Keith laterals of the Goldfields Gas Pipeline; and
 - the Karratha to Cape Lambert Pipeline.
- ❑ Mr Laurie James was appointed as Gas Disputes Arbitrator.
- ❑ The Governor appointed members to panels of legal practitioners and experts. The Gas Review Board will be drawn from the panels if there are any applications for review of decisions.
- ❑ New charging arrangements were implemented through regulations. They enable the Regulator and the Gas Review Board to charge the gas pipeline industry and others for their activities. The recovery of costs by the Arbitrator is directly provided for by the Legislation.
- ❑ Penalties were introduced, through regulations, for non-compliance with the legislation.
- ❑ The Office of Gas Access Regulation prepared and published its Code of Conduct for staff.
- ❑ About one hundred and eighty items were posted on the Office of Gas Access Regulation web site. The site greatly assisted public consultation, averaging about 14,000 hits per month.
- ❑ Two Public Forums were held as part of the public consultation processes to consider Draft Decisions issued by the Regulator.

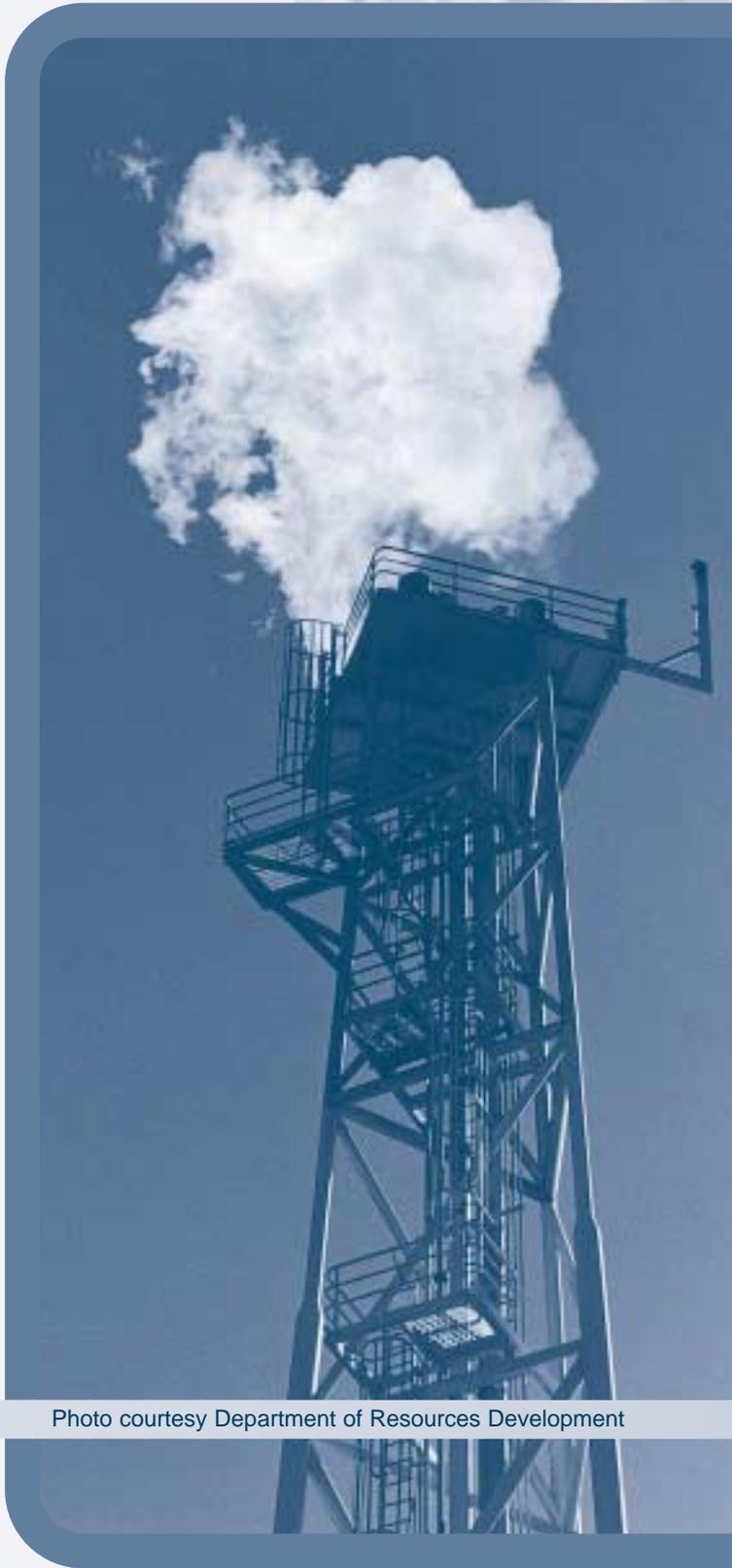


Photo courtesy Department of Resources Development



ANNUAL REPORT 1999/2000 INDEPENDENT GAS PIPELINES ACCESS REGULATOR

Letter of Transmittal

**Hon Colin Barnett MLA
Minister for Energy**

In accordance with Section 66 of the Financial Administration and Audit Act 1985, I hereby submit my Annual Report for the year ended 30 June 2000 for your information and presentation to Parliament.

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



**DR KEN MICHAEL AM
INDEPENDENT GAS PIPELINES ACCESS
REGULATOR
CHIEF EXECUTIVE OFFICER, OFFICE OF
GAS ACCESS REGULATION**

31 August 2000



This has been my first full year as Independent Gas Pipelines Access Regulator, and the first full year's operation of the Office of Gas Access Regulation.

It has been a very busy year both because of the significant demands placed on us in establishing a new agency and those attributable to the introduction of a modern regulatory regime. These activities involved simultaneously establishing internal organisational and administrative policies and procedures while at the same time introducing a complex regulatory regime that seeks to balance the competing interests of owners and users of gas pipelines.

At the start of the financial year and while setting up permanent office premises, we implemented a project based management and financial system to control the regulatory work which was building rapidly at the time. Other administrative systems and internal arrangements, including a document management system, a Workplace Agreement, a risk management plan and a Code of Conduct, were developed and successively put in place. In relation to the regulatory work of the agency, we faced an intensive period developing the regulatory approaches for assessing proposed Access Arrangements and overseeing third party access to gas pipelines covered by the legislation.

The regulatory regime involves a high degree of public consultation and seeks a high level of transparency. The calling of public submissions, holding public forums and consideration of the issues raised are major parts of the assessment process. To facilitate these public consultation processes we have made extensive use of the Internet and developed a comprehensive web page providing useful background information and easy access to all documentation including public submissions and transcripts. The response to this service has been very positive with Internet users selecting about 14,000 units of information (on average) per month for the ten months to the end of the financial year for which information is available.

Public consultation processes were well in progress early in the financial year for two proposed Access Arrangements lodged towards the end of the last financial year. Three further proposed Access Arrangements were lodged during the financial year together with two applications to waive ring fencing obligations. Issues papers were published to assist public consultation in all these cases. By the end of the financial year I had issued two Draft Decisions and one Final Decision on Access Arrangements together with two Draft Decisions on ring fencing applications.

This first full year has involved developing a sound basis on which decisions are made to ensure fair treatment for those impacted by the regulatory arrangements. There was a pressing need to develop understandings with pipeline service providers and others on how to deal with matters of confidentiality. There has also been a need to undertake detailed financial, economic and tariff related studies as input to decisions on proposed Access Arrangements. One of my priorities as Regulator is to maximise flexibility for pipeline owners while ensuring that the interests of consumers and service providers are addressed. I place great importance on promoting competition, encouraging economic development and determining reference tariffs that are of value to users while maintaining a reasonable rate of return to pipeline owners. Extensive consultation with interested parties is vital to this process and it has been a major aspect of the work during the year.

The Regulator has the responsibility of ensuring that third parties can access pipelines on fair and reasonable terms. This means that gas users can make their own arrangements with the supplier of their choice and contract the most competitive gas supply through an Access Arrangement approved by the Regulator.

The challenge to the Regulator is to administer the legislation without being overly intrusive. This means providing the necessary guidance without unduly restricting innovation and incurring excessive costs. There is active debate in Australia and elsewhere over measures such as incentive regulation and benchmarking, including the most appropriate form of price control. The issues are complicated by the application of the legislation across a wide range of pipeline systems, large and small.

Decisions of the Regulator are subject to review by both owners of pipelines and other interested parties in circumstances where the Regulator imposes obligations on those providing pipeline services. This emphasises the need on the part of the Regulator to carefully consider all of the issues involved and determine an appropriate balance of interests between the parties before being faced with the requirement to take any such action.

A system of industry charges under new regulations was introduced during the year to replace the interim arrangements of public funding. All costs related to the Regulator's activities are now recovered fully from the owners of gas pipelines covered by the regulatory regime. This involved the preparation of regulations to permit the introduction of fees and charges. The accounting system has been adapted to this new regime. The end result, however, is that the Regulator and *OffGAR* are now self-funding. This is in line with the intention of the Council of Australian Governments' Natural Gas Pipelines Access Agreement.

The results for the year have involved a considerable effort in not only establishing a new office, but also in introducing a new regulatory regime for Western Australia. As such a very heavy workload has fallen on the small team of the Office of Gas Access Regulation. The team has responded with dedication, professionalism, enthusiasm and hard work. I thank the staff of *OffGAR* for their help in this demanding first year.



DR KEN MICHAEL AM

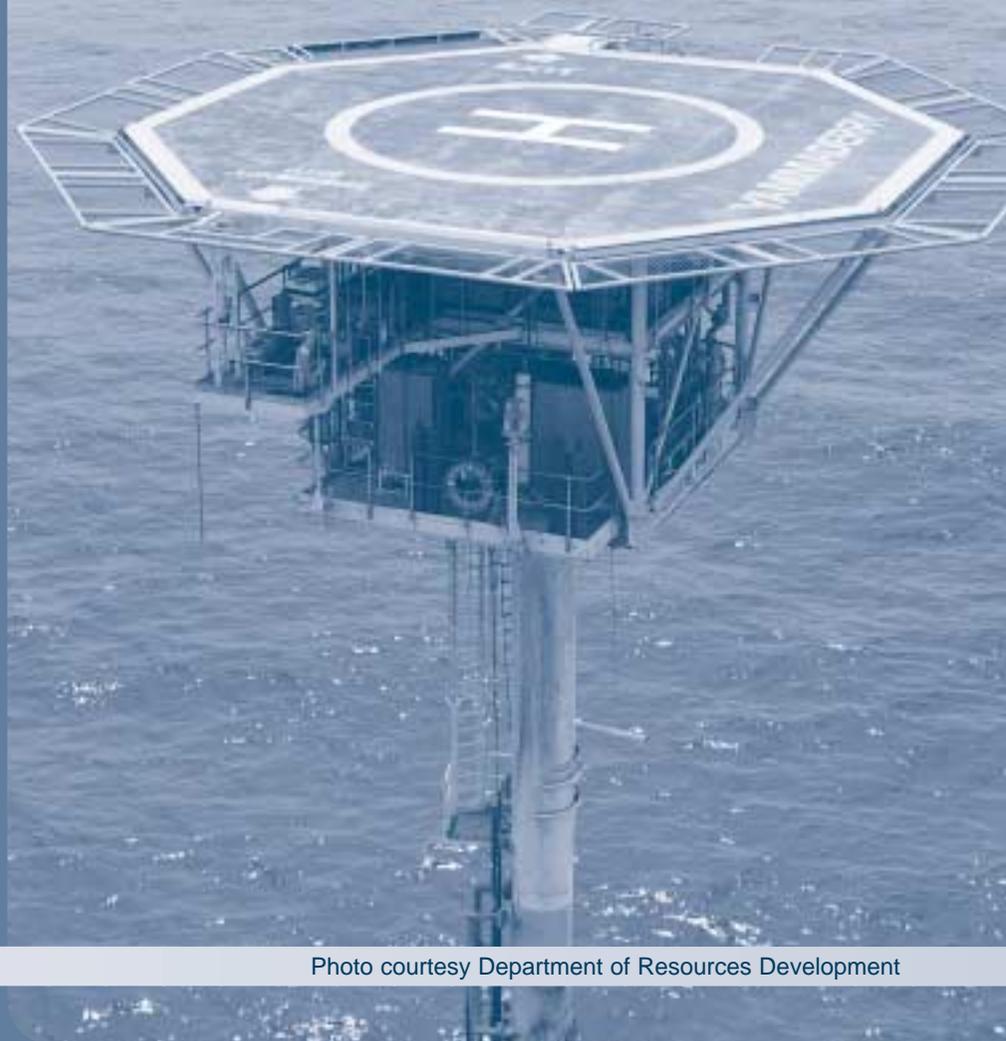


Photo courtesy Department of Resources Development

Enabling Legislation

The position of Western Australian Independent Gas Pipelines Access Regulator (the Regulator) is established under Section 27 of the Gas Pipelines Access (Western Australia) Act 1998 (GPAA).

The Regulator is appointed by the Governor and the position is not an office in the Public Service.

The GPAA also establishes the related position of Gas Disputes Arbitrator (the Arbitrator) and the Gas Review Board, to deal with disputes and appeals.

Section 42 of the GPAA requires officers from the Public Service to be appointed or made available to enable the Regulator to perform his or her functions.

Accordingly, the Office of Gas Access Regulation has been established under the Public Sector Management Act 1994 as the public sector entity which, through Section 27(4) of the GPAA, includes the Regulator as its chief employee. A chief employee under the Public Sector Management Act is equivalent to a Chief Executive Officer, but is not a member of the Senior Executive Service.

Section 37 of the GPAA specifies that the Regulator is independent of direction or control by the Crown or any Minister or officer of the Crown in the performance of his functions. While the Minister may give directions to the Regulator, these may relate only to general policies to be followed in matters of administration (including financial administration) and may not constrain the Regulator in the performance of his functions.

The National Third Party Access Code for Natural Gas Pipeline Systems (the Code)

The Code was agreed by all Australian Governments in 1997. It is included as a Schedule of the Gas Pipelines Access (Western Australia) Act 1998. Its aims include:

- providing rights of access to natural gas pipelines on conditions that are fair and reasonable for their owners and to those wishing to use pipeline services;
- promoting a competitive market for natural gas in which customers may choose suppliers, including producers, retailers and traders;
- preventing abuse of monopoly power; and
- providing for resolution of disputes.

The decision on whether a Western Australian pipeline system should be covered by the Code lies with the WA Minister for Energy on the recommendation of the National Competition Council.

Within 90 days of a pipeline being determined as covered under the Code, the service provider must submit a proposed Access Arrangement to the Regulator who then has six months to give approval. There are provisions for extending these times.

Core provisions of the Code include:

- enabling access to gas pipelines on fair and reasonable commercial terms and conditions;
- establishing reference tariffs for standard (reference) services, using a uniform process and established principles. Reference tariffs apply unless the service provider and user agree on other arrangements;
- ensuring that sufficient information is provided to users for them to judge the fairness of the tariff;
- facilitating the trading of unused pipeline capacity and providing a fair basis for making new capacity available;
- promoting competition in upstream (exploration and production) and downstream (retail and trading) gas markets;
- ensuring the monopoly component of a pipeline business is ring fenced from components of the business operating in competitive markets; and
- provision of dispute resolution and appeal mechanisms.

The GPAA makes the Gas Pipelines Access Law (included as Schedules 1 and 2 of the Act) a law of Western Australia. The National Third Party Access Code for Natural Gas Pipeline Systems (the Code) is included in the GPAA as Schedule 2. The Code specifies many of the functions of the Regulator.

The Gas Pipelines Access (Western Australia) (Funding) Regulations 1999 under the GPAA, gazetted on 14 January 2000, empower the Regulator to charge gas pipeline operators and others for his activities.

Responsible Minister

The Minister responsible for the administration of the Gas Pipelines Access (Western Australia) Act 1998 is the Hon. Colin Barnett MLA, Minister for Energy.

Workers' Compensation and Rehabilitation Act 1981; and

Workplace Agreement Act 1993.

The Freedom of Information Act 1992 impacts on the Regulator only in relation to his administrative functions.

Impacting Legislation

The following written laws impact on the Regulator as chief employee of the Office of Gas Access Regulation:

Anti-Corruption Commission Act 1988;

Disability Services Act 1993;

Electoral Act 1907;

Equal Opportunity Act 1984;

Financial Administration and Audit Act 1985;

Government Employees Superannuation Act 1987;

Industrial Relations Act 1979;

Library Board of Western Australia Act 1951;

Minimum Conditions of Employment Act 1993;

Occupational Safety and Health Act 1984;

Public and Bank Holidays Act 1972;

Public Sector Management Act 1994;

Salaries and Allowances Act 1975;

Superannuation and Family Benefits Act 1938;

Dr Ken Michael AM holds the position of Regulator and heads the Office of Gas Access Regulation (*OffGAR*).

OffGAR operates under the Regulator's budget and provides secretariat support to him. In practice, *OffGAR* also provides secretariat support to the Arbitrator and is able to extend its secretariat services to the Gas Review Board unless there is a conflict of interest.

Reporting and Structure

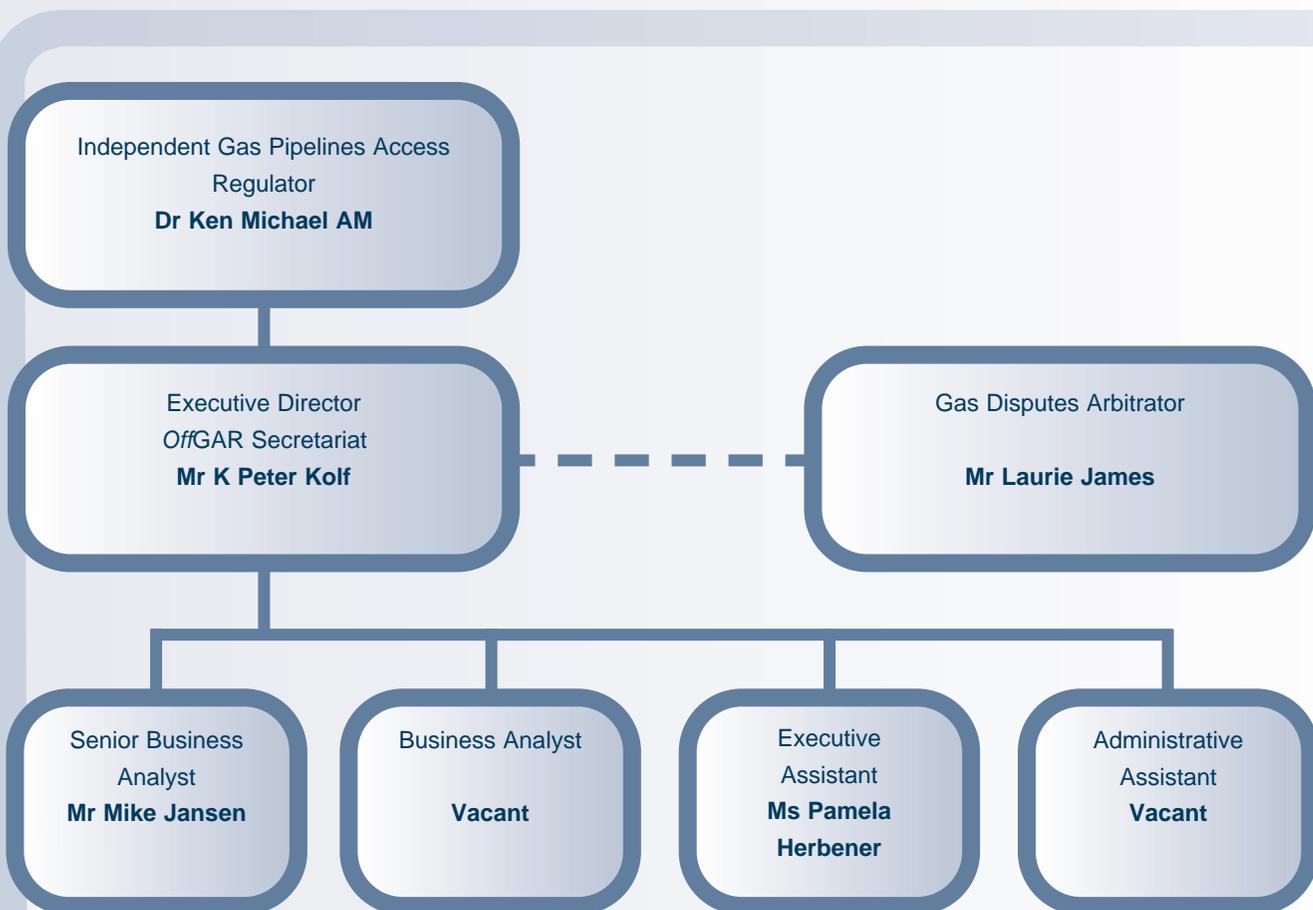
The following chart shows the reporting and support arrangements, together with the permanent staff of *OffGAR*, as at 30 June 2000.

Vision

A highly competitive natural gas market in Western Australia with minimum regulatory oversight of third party access to gas pipelines.

Mission

To promote free and fair trade in gas by facilitating the effective and efficient regulation of access to gas pipelines wholly located in Western Australia at the lowest practicable regulatory cost.





Permanent and contract staff: from left to right Peter Kolf, Mike Jansen, Julie McGowan, Kathy Jones, Michael Soltyk, Philip Brown (standing), Robert Pullella, Pamela Herbener, Dr Ken Michael.

Table 1

Summary of Employees by Category

Position Title	Classification	Number of Employees 1999/00	Number of Employees 1998/1999
Executive Director	Level 9	1	1
Senior Business Analyst	Level 6	1	1
Business Analyst	Level 4	Vacant	1
Executive Assistant	Level 3	1	Vacant
Administrative Assistant	Level 2	Vacant	Vacant

As at 30 June 2000, an additional Business Analyst and Senior Business Analyst and two secretarial staff were employed on a temporary basis. Mr Robert Pullella whose nominal permanent position is the vacant level 4 Business Analyst position was acting in the temporary level 6 Senior Business Analyst position.

Corporate Services

*Off*GAR has entered into a Service Level Agreement with the Office of Energy for the provision of corporate services particularly; financial services, human resource management and advice on administrative and general management matters.

Outcome and Outputs

Outcome: To facilitate a market for gas, prevent abuse of monopoly power, promote competition, and provide rights of access to gas pipelines.

Outputs: The outputs for the Regulator are the Access Arrangements approved during a period and the ongoing regulatory oversight of gas pipelines covered by the Code.

Effectiveness: The successful operation of approved Access Arrangements is the main indicator of effectiveness. This can be assessed by reference to surveys of interested parties.

Budget

In 1999, the Minister for Energy approved the incurring of \$1.555 million expenditure under Section 47(3) of the GPAA, for the 1999/2000 financial year. A Treasurer's Advance was approved for this amount.

Regulations to recover costs from the industry took effect on 14 January 2000. Costs are recoverable in arrears.

Project Based Management

In order to effectively manage the assessment of approved Access Arrangements a project based management and costing system was developed and implemented. From the outset it was known that there was a need to be able to analyse the income and expenditure on a project by project basis.

The intent of the project based management system is to have available detailed product costs for each Access Arrangement being assessed. It also extends to any work undertaken in respect of arbitrations and appeals. The information provides for project planning, time scheduling, cost estimating, financial recording and monthly reporting.

This has been developed internally but work is underway to move the system to within the provisions of the Service Level Agreement.

As part of the project based management system a comprehensive time keeping system has also been implemented in order to maintain proper time records of those directly involved in providing services to pipeline service providers.

Human Resource Policies

Staffing policies adopted by the Regulator, including recruitment and staff development, are consistent with those of the Office of Energy.

The GPAA provides for the Regulator to agree arrangements with public sector agencies other than Western Power and AlintaGas to make use of their employees or the facilities of the agency. The use of specialist employees in this way, together with the use of consultants as indicated below, is necessary to enable the Regulator and the small supporting agency, *Off*GAR, to deal with the wide range of complex topics faced.

Disability Services Plan

The Disability Services Plan adopted by *Off*GAR is consistent with that of the Office of Energy as it pertains to functions of its head office. The Plan will be tailored to meet the requirements of the parties being serviced by *Off*GAR.

Access Arrangements

Access Arrangements document the terms and conditions, including reference tariffs for standard services, on which gas pipeline service providers agree to make access available to pipeline users. These arrangements impact on the business effectiveness of both providers and users of gas pipelines and affect the State's economy.

Consultants Register

The GPAA provides for the Regulator to engage consultants. Since the supporting agency (*OffGAR*) has few permanent staff and the nature of the tasks are complex and specialised, the agency relies heavily on consultants. With State Supply Commission approval, a consultancy register was established through a tendering process. Consultants on the register may be used under the tendered terms and conditions for two years from December 1999. As at 30 June 2000, there were 26 consultants on the register.

Work areas in which consultancies have been assigned include:

- analysis and assistance in the preparation of regulatory decisions;
- expert legal, regulatory, financial, economic and technical advice on proposed Access Arrangements;
- internal audit, risk management and accounting systems development; and
- human resources and other specialised administrative assistance and advice.

Expenditure on consultancies is summarised in Table 2.

Risk Management

Early in the financial year, *OffGAR* undertook an analysis of risks that could apply to the operations of the agency. As a result, it was decided that a risk management policy should be adopted and a matrix of risks,

ranked according to the impact and likelihood of the risk, was developed. A strategic plan is in place to continue to monitor and control the risks identified. The process taken is consistent with the requirements of Treasurer's Instruction 109.

Code of Conduct

As a new, small agency *OffGAR* initially relied on the Office of Energy Code of Conduct. During the year *OffGAR* developed and adopted its own Code of Conduct. It provides for the ethical principles of justice, respect for persons and responsible care. The intention is to develop the Code of Conduct further over time.

The Code of Conduct affirms that *OffGAR* believes and upholds the values of teamwork, leadership, research and development and encouragement. *OffGAR* employees and its consultants are also bound by the Western Australian Public Sector Code of Ethics.

Information Statements

During the 1999/00 financial year, *OffGAR* issued an information brochure that outlines the structure and function of gas access regulation in Western Australia.

The *OffGAR* web site (www.offgar.wa.gov.au) contains comprehensive coverage of all material received and issued by *OffGAR* in relation to Access Arrangements. All information issued by *OffGAR* is available for purchase from the office or can be downloaded from the web free of charge.

Table 2

Consultancy Expenditure and Commitments Made in the Year Ended 30 June 2000

Value of Consultancy	Number of Consultancies Commissioned	Expenditure in 1999/00	Commitment to Expenditure in 2000/01
Up to \$50,000	66	\$405,232.13	\$155,701.94
Over \$50,000	5	\$201,041.30	\$133,070.15
Total	71	\$606,273.43	\$288,772.09

The Regulator is responsible for the regulation of access to all gas pipelines in the State covered by the National Third Party Access Code for Natural Gas Pipeline Systems (the Code).

The main function of the Regulator is to approve Access Arrangements (including reference tariffs) proposed by pipeline service providers under the Code. The Regulator has the power to impose his own Access Arrangement if agreement cannot be reached on the one submitted by the service provider. If the Regulator imposes an Access Arrangement the service provider, or anyone adversely affected by the decision who made a submission to the public consultation process, may apply to the Gas Review Board for a review of the Regulator's decision.

Access Arrangements include the conditions and charges, specifically reference tariffs, under which the service provider agrees to provide access to the user. For any specific user, the reference tariffs apply unless a mutually agreed alternative is negotiated. Pipeline service providers can offer tariffs that are less than the reference tariff, provided they do not result in higher charges for other users. There is no provision for tariffs of reference services to be negotiated that are greater than the reference tariff. Contractual arrangements between a pipeline service provider and an asso-

ciated company require specific approval by the Regulator.

The Regulator may also require additional information to be included in an Information Package, which the service provider is required to make available to prospective users.

The Regulator is empowered to waive some of the minimum ring fencing obligations required by the Code or he may impose additional ring fencing obligations.

The Regulator has powers only in relation to gas pipelines wholly located within Western Australia and covered by the Code. His powers extend to transmission pipelines (the Australian Competition and Consumer Commission regulates these elsewhere in Australia) as well as to distribution pipelines. Coverage under the Code is determined by the State's Minister for Energy on the recommendation of the National Competition Council.

Details of the functions for which the Regulator can charge are contained in Schedule 2 of the Gas Pipelines Access (Western Australia) (Funding) Regulations 1999. In essence, they cover the activities needed for the Regulator to consider and approve proposed Access Arrangements and related matters under the Code.

The following is a summary of:

- proposed Access Arrangements lodged with the Regulator for assessment; and
- covered pipelines oversighted by the Regulator; during the financial year.

Number of proposed Access Arrangements under consideration at the beginning of the year.	2
Number of proposed Access Arrangements lodged during the financial year.	3
Number of proposed Access Arrangements for which assessments were in progress at the end of the financial year.	5
Number of equivalent ¹ proposed Access Arrangements assessed in the financial year.	3.4
Number of equivalent covered pipelines oversighted ² by the Regulator in the financial year.	6.6

1 The concept of equivalent units of output is used recognising that the approval of each Access Arrangement for every covered pipeline involves many months of work with the result that a considerable amount of partly completed work can remain at the end of a reporting period. "Equivalent units of output" measures both completed and partly completed work in terms of fully completed work.

2 The outputs of the Regulator include the oversighting of covered gas pipelines in respect of which the Regulator may be called upon to provide services. These services are wide ranging, varied and numerous and their composition is likely to vary from year to year. The services include granting waivers of ring fencing obligations or imposing additional ring fencing obligations, granting extensions of time for parties to meet specified time limits, approving competitive tender approaches for determining reference tariffs, undertaking public consultations on any relevant matter and enforcement where breaches of the legislation arise.

The operations of the Regulator and *OffGAR* for the period covered by this report relate to the principal output of approving fair and reasonable Access Arrangements for gas pipelines.

The following activities have been undertaken during the 1999/2000 financial year. Table 3 summarises the status of the approval process.

Table 3

Status of Pipelines under the code as at 30 June 2000

Pipeline or Pipeline System	Status
Mid-West and South-West Gas Distribution Systems – Access Arrangement.	Final Decision issued 30 June 2000 (Final Approval granted 18 July 2000).
Dampier to Bunbury Natural Gas Pipeline – Access Arrangement.	Lodged 15 December 1999, Draft Decision expected in the first half of the forthcoming financial year.
Goldfields Gas Pipeline – Access Arrangement.	Lodged 15 December 1999. Draft Decision expected in the first half of the forthcoming financial year.
Kalgoorlie to Kambalda Pipeline – Access Arrangement.	Due date for lodgement extended to 1 December 2000.
Parmelia Pipeline – Access Arrangement.	Lodged 7 May 1999. Draft Decision issued 27 October 1999. Final Decision expected in the first half of the forthcoming financial year.
Parmelia Pipeline – application to waive ring fencing obligations.	Lodged 31 March 2000. Draft Decision issued 22 May 2000. Final Decision expected September 2000.
Tubridgi Pipeline – Access Arrangement.	Lodged 21 October 1999. (Draft Decision issued 7 August 2000.)
Tubridgi Pipeline – application to waive ring fencing obligations.	Lodged 31 March 2000. Draft Decision issued 22 May 2000. Final Decision expected September 2000.



AlintaGas Mid-West and South-West Gas Distribution Systems

A major area of activity this financial year has been the consideration of the proposed Access Arrangement for AlintaGas's main distribution systems for the Mid-West (Geraldton and Eneabba areas) and South-West (Metropolitan, Mandurah, Harvey, Bunbury and Busselton areas).

Under transitional arrangements in the Code, the previous arrangements for access to the Mid-West and South-West Gas Distribution Systems were deemed approved until 1 January 2000. A new Access Arrangement was approved on 18 July 2000. However, the AlintaGas systems remain subject to the deregulation timetable summarised in Table 4. Until January 2002 this allows access by customers who take over 100 TJ per year from one connection point to one site. On that date, the threshold will reduce to 1 TJ per year and this quantity restriction will be lifted completely six months later, in July 2002.

A proposed Access Arrangement for the AlintaGas distribution systems was lodged on 30 June 1999. The steps taken to assess it during this financial year were:

- OffGAR published an Issues Paper on 7 July 1999 to assist public consultation. Submissions on the proposed Access Arrangement were invited. In response to requests from interested parties and to assist them in preparing more comprehensive submissions, the Regulator granted an extension of time for submissions on 19 August 1999. Twelve submissions were received from ten sources.

- The Regulator issued his Draft Decision, not to approve the proposed Access Arrangement, on 14 March 2000. This followed two further extensions of time under the Code to enable the proposed arrangement to be considered more comprehensively. The Draft Decision gave extensive feedback on changes the Regulator required, and his reasons for them.
- Following the release of the Draft Decision, a further period of public consultation is required under the Code and submissions, closing on 5 May 2000, were invited. A public forum was held to consider the issues raised in the Regulator's Draft Decision to assist this consultation. Fourteen submissions were received from eleven sources.
- The Regulator issued his Final Decision, not to approve the proposed Access Arrangement, on 30 June 2000. AlintaGas was given until 14 July 2000, in which to change the proposed arrangement to incorporate the requirements of the Regulator. A revised Access Arrangement was submitted by AlintaGas on the 13 July 2000 and final approval was given by the Regulator on 18 July 2000.

The decision not to approve the proposed Access Arrangement was primarily based on an assessment of the cost base and related matters. On this assessment, average tariffs would be some 4 per cent less over the five years of the Access Arrangement than with AlintaGas's proposal. The decision also required distribution tariff margins for residential and small business customers to provide scope for competition between gas traders at the retail level.

Table 4

Timetable for Access to the AlintaGas Distribution Systems and to the Dampier to Bunbury Natural Gas Pipeline (DBNGP)

Current	Any eligible customer taking gas at the rate of at least 100TJ per year in a period of 12 consecutive months, transported through a single metered connection to the AlintaGas distribution systems or the DBNGP for consumption on one site, can contract direct with any gas supplier
From 1 January 2002	Any eligible customer taking gas at the rate of at least 1TJ per year in a period of 12 consecutive months, transported through a single metered connection to the AlintaGas distribution systems or the DBNGP for consumption on one site, will be able to contract direct with any gas supplier
From 1 July 2002	Any gas customer will be able to contract directly with any gas supplier

Note: Once the Regulator approves an Access Arrangement for the DBNGP, access to this pipeline will only be subject to this timetable in relation to its servicing of AlintaGas's areas of operation.

The Final Decision acknowledges AlintaGas's advice on the effect of GST on reference tariffs and noted the 9.3% increase estimated as the net impact of the tax on these tariffs.

Dampier to Bunbury Natural Gas Pipeline

Under transitional arrangements in the Code, the previous arrangements for access to the Dampier to Bunbury Natural Gas Pipeline (DBNGP) were deemed approved until 1 January 2000. A new, approved Access Arrangement is required as soon as possible after that date. Since the new proposed Access Arrangement was not lodged until 15 December 1999, and is expected to take about 12 months to assess, the Government introduced regulations which extended the arrangements applying before 1 January 2000 until such time as the Regulator gives final approval to the new Access Arrangement.

However, access to this pipeline remains subject to the timetable summarised in Table 4. Until January 2002, customers who take over 100TJ per year from one connection point to one site have access to the pipeline. On that date, the threshold will reduce to 1 TJ per year and this quantity restriction will be lifted completely six months later, in July 2002.

The steps taken this financial year towards approving a new Access Arrangement, following receipt of the proposal from Epic Energy were:

- Public submissions were invited on the proposed Access Arrangement.
- OffGAR published an Issues Paper on 12 January 2000 to assist those preparing public submissions.
- Following requests from interested parties two extensions of time were granted to extend the closing date for submissions, which finally closed on 17 March 2000. Thirty-one submissions were received, from twenty-four sources.
- Submissions previously held to contain confidential information were made public on 20 April 2000 and a further call for submissions was made. It was necessary for the Regulator to obtain independent legal advice on the confidentiality status of the submissions held before taking this step. The closing date for submissions on the second occasion was 12 May 2000.
- Sixteen submissions were made public from five sources.
- Analysis of the proposed Access Arrangement for the DBNGP is continuing. The Regulator's Draft Decision is expected in the first half of the forthcoming financial year.

Transitional Access Arrangements

Under the Council of Australian Governments' Natural Gas Pipelines Access Agreement, transitional provisions were agreed to retain the existing access arrangements for the Dampier to Bunbury Natural Gas Pipeline, the Goldfields Gas Pipeline and the AlintaGas Mid-West and South-West Gas Distribution Systems until 1 January 2000. New Access Arrangements are being developed under the Code to apply as soon as possible from that date.

Existing gas distribution franchises and licences were also agreed to be retained until 1 July 2002, although with the sale of AlintaGas new licences are expected to be issued on 1 July 2000. AlintaGas also had until 1 July 2002 to bring the ring fencing of its distribution and trading businesses into line with the requirements of the Code, but the Gas Corporation (Business Disposal) Act 1999 allows this to be brought forward to a date at which the Minister considers the disposal of the Gas Corporation to be substantially complete.

A gas trading franchise and a ten-year distribution franchise are retained for AlintaGas's Kalgoorlie distribution system.

Other transmission pipelines were deemed to be covered by the Code from the date it came into effect in Western Australia – 9 February 1999 when the GPAA was enacted. Some pipeline owners applied successfully to have this coverage revoked. Distribution systems, other than the AlintaGas Mid-West and South-West Systems are not covered.



Compressor Station on the DBNGP

Process followed by the Regulator - Access Arrangements

When a pipeline is determined as covered by the Code, the service provider must obtain the Regulator's approval of an Access Arrangement. The proposal must be submitted within 90 days of coverage and six months is allowed for the approval process. There are provisions for extensions of time.

Before formally lodging a proposed Access Arrangement, pipeline service providers are encouraged to have the OffGAR Secretariat carry out an informal compliance check of the documents.

Once the proposed Access Arrangement is lodged formally, the normal process is:

- OffGAR publishes an Issues Paper;
- public submissions on the proposal are called;
- submissions are normally treated as public documents and are made available on the web site;
- after assessing the proposed Access Arrangement against the provisions of the Code, the Regulator issues a Draft Decision, including details of any changes he requires and the reasons for them;
- further public submissions are called;
- if there is sufficient interest a public forum is held to consider the Regulator's Draft Decision;
- the Regulator issues a Final Decision; and
- final approval is given after required amendments (if any) to the Access Arrangement are approved.

Reference Tariff Principles under the Code

The Code requires Reference Tariffs to be based on the efficient cost of providing the reference services to which they apply. They should enable higher profits to result from improved performance, giving a market-based incentive to improve efficiency and promote efficient market growth.

Flexibility is provided to use reference tariff policies designed for the specific needs of each pipeline system.

Reference Tariffs are calculated to provide enough revenue over time to cover the costs of the services provided. This Total Revenue can be determined on the basis of:

Cost of Service: the Total Revenue covers a rate of return plus depreciation on assets (Capital Base) together with operating, maintenance and other non-capital costs; or

Internal Rate of Return (IRR): Total Revenue provides an acceptable IRR, based on forecast costs and sales; or

Net Present Value (NPV): Total Revenue provides a NPV of zero using an acceptable discount rate and based on forecast costs and sales.

The Code sets out principles for establishing the Capital Base, for determining the Rate of Return and for applying an incentive mechanism.

For a new pipeline, Reference Tariffs can be determined by a competitive tender process approved by the Regulator.

Goldfields Gas Pipeline

Under transitional arrangements in the Code, the previous arrangements for access to the Goldfields Gas Pipeline were deemed approved until 1 January 2000. A new, approved Access Arrangement is required as soon as possible after that date.

As the proposed Access Arrangement was not lodged until 15 December 1999, and is expected to take about 12 months to assess, the third party access provisions of the Goldfields Gas Pipelines Agreement Act 1994 will continue to apply until such time as the Regulator gives final approval to the new Access Arrangement.

The steps taken toward approving a new Access Arrangement, following its lodgement by Goldfields Gas Transmission Pty Ltd on 15 December 1999, were:

- *OffGAR* published an Issues Paper on 11 January 2000, to assist discussion.
- Public submissions were invited on the proposed Access Arrangement. This process closed on 3 March 2000. Two extensions of time were granted under the Code to assist the consultation process. Eleven submissions were received.
- Analysis of the proposal has continued. The Regulator's Draft Decision is expected in the first half of the forthcoming financial year.

Kalgoorlie to Kambalda Lateral

The owners of the Kalgoorlie to Kambalda lateral to the Goldfields Gas Pipeline, Southern Cross Pipelines Australia Pty Ltd, sought to have coverage of the lateral by the Code revoked. On recommendation by the National Competition Council, revocation was refused by the Minister. While that matter was under consideration, the Regulator granted extensions of time for the lodging of an Access Arrangement.

Following a request for a further substantial extension of time to lodge the Access Arrangement, public submissions were called but none were received. In the absence of any objections, the Regulator granted an extension of time, deferring the requirement for lodging a proposed Access Arrangement until 1 December 2000.

Parmelia Pipeline Access Arrangement

The Parmelia Pipeline, owned by CMS Gas Transmission Australia (CMS), was deemed to be covered by the Code from the date of enactment of the GPAA. A proposed Access Arrangement was lodged on 7 May 1999. Activities this financial year in relation to the proposed Access Arrangement were:

- continued receipt of public submissions on the arrangement;
- a further extension of time was made under the Code on 6 July 1999 to assist the consultation process;
- a Draft Decision, not to approve the proposed

Access Arrangement, was issued on 27 October 1999;

- further public submissions were invited in the knowledge of the Draft Decision;
- eight submissions were received from seven sources;
- a public forum was held, to consider the issues raised by the Regulator's Draft Decision; and
- analysis continues with a Final Decision expected to be issued in the first half of the forthcoming financial year.

The Draft Decision not to approve the proposed Access Arrangement was primarily based on the view that assumptions in the proposal on the rate of return, initial capital base and gas throughput should be revised.

Parmelia Pipeline Ring Fencing Arrangements

On 31 March 2000, CMS applied to the Regulator for a waiver of some ring fencing obligations. The Code gives the Regulator some discretion to waive minimum ring fencing obligations or impose additional obligations. It sets time limits for the consideration process.

Action taken in response to this application was:

- public submissions were invited on 7 April 2000 and closed on 8 May 2000;
- an Issues Paper was published by OffGAR on 20 April 2000 to assist public discussion;

Revocation of Coverage from the Code

The Code provides for the owners of pipelines covered by the Code to apply for the cover to be revoked, so that those pipelines then operate outside the Code. The decision on Western Australian pipelines lies with the State Minister for Energy, on the advice of the National Competition Council. Neither the Regulator nor OffGAR are part of this process.

The Minister revoked coverage of the following pipelines during the financial year:

Kalgoorlie, Leinster and Mt Keith laterals (of the Goldfields Gas Pipeline)	15 July 1999
Karratha to Cape Lambert Pipeline	8 October 1999
Beharra Springs to Parmelia Pipeline	3 September 1999

Minimum Ring Fencing Requirements of the Code

The Code requires pipeline service providers to ring fence the pipeline services from any other business operated by the same owner (eg gas production, supply or gas retail or other business in a competitive market). The pipeline operation must be a separate legal entity with its own accounts. It must not share marketing staff with gas production, supply or gas retail operations. Any cost sharing between the business components must be fair and reasonable. Confidential information about users or prospective users of the pipeline must not be used for other purposes or disclosed.

The Regulator has some discretion to waive the minimum ring fencing obligations or to add obligations.

- two submissions were received;
- the Regulator issued a Draft Decision on 22 May 2000 and invited further public submissions to be lodged early in the new financial year; and
- a Final Decision is expected to be issued in September 2000.

The Draft Decision was not to issue the requested waiver since it was concluded that the submitted application did not meet the requirements of the Code. However, additional information was sought from CMS, to be provided during the second round public submission period. The additional information will be taken into account in the Final Decision.

Tubridgi Pipeline System Access Arrangements

The Tubridgi Pipeline System comprises the Tubridgi Pipeline and the Griffin Pipeline, which run parallel to each other. An application was made to the National Competition Council (NCC) to revoke coverage under the Code of the Tubridgi Pipeline but, on recommendation by the NCC, the Minister did not revoke coverage. Subsequently, and after several extensions of time, a proposed Access Arrangement was lodged on 21 October 1999 on behalf of the Tubridgi Joint Venture Parties, for the Tubridgi Pipeline System.

OffGAR published an Issues Paper on 30 October 1999, to assist public submissions. Public submissions were invited on 5 November 1999 and the period for these closed on 10 December 1999. Five submissions were received.

In setting priorities for consideration of this and other pipeline applications, it was decided to extend the time for assessment of the proposed Access Arrangement into the next financial year. A Draft Decision was issued on 7 August 2000.

Tubridgi Pipeline System Ring Fencing Arrangements

On 31 March 2000, Origin Energy applied to the Regulator for the waiver of ring fencing obligations for the Tubridgi Pipeline System.

Action taken in response to this application was:

- public submissions were invited on 7 April 2000 and closed on 8 May 2000;
- an Issues Paper was published by OffGAR on 19 April 2000 to assist public discussion, but no submissions were received;
- the Regulator issued a Draft Decision on 22 May

Process followed by the Regulator – Ring Fencing Obligations

Pipeline operators may apply to the Regulator for the waiving of ring fencing requirements as provided for in the Code. The procedures followed by the Regulator on receipt of such an application are similar to those used in considering proposed Access Arrangements, but the Code is more restrictive on timing.

The steps followed are typically: publish Issues Paper, invite submissions, issue Draft Decision, invite further submissions, issue Final Decision.

Changes made to the Code

The Code forms part of the uniform "Gas Pipelines Access Law" under the Natural Gas Pipelines Access Agreement entered into between all States and Territories and the Commonwealth in November 1997. The agreement allows for changes to be made to the Code on recommendation of the National Gas Pipelines Advisory Committee. For changes affecting core provisions of the Code the agreement of all relevant Ministers is required. For other changes, two thirds of relevant Ministers must agree.

The first changes under these arrangements were agreed by Ministers in late 1999. They were gazetted in Western Australia on 7 January 2000, to amend the Code under Western Australian law. The changes are of an administrative nature and do not significantly affect the practical application of the Code.

2000 and invited further public submissions to be lodged early in the new financial year; and

- a Final Decision is expected to be issued in September 2000.

The Draft Decision was not to issue the requested waiver since it was concluded that the submitted application did not meet the requirements of the Code. However, additional information was sought from Origin Energy, to be provided during the second round public submission period. The additional information will be taken into account in the Final Decision.

New Funding Arrangements

During the year, regulations were developed to enable the Regulator to charge fees to the industry for the services he provides. This follows the intent of the Council of Australian Governments' Natural Gas Pipelines Access Agreement and replaces interim funding by the Government.

The Gas Pipelines Access (Western Australia) (Funding) Regulations 1999 under the GPAA were gazetted on 14 January 2000.

The regulations empower the Regulator to seek payment for standing charges, apportioned between pipeline operators, and for service charges for the Regulator's activities specific to particular pipelines. The Regulator may also charge for publications, for admission to meetings held as part of public consultation and for the lodgement of notifications of a dispute.

Schedule 2 of the regulations details the functions for which service charges are payable and defines who is liable to pay these charges.

The Regulator is now fully self-funding from industry sources. Future Government assistance will be required for working capital.

The regulations also require that the total amounts of fees and charges imposed are to be detailed in the Annual Report. This information is summarised in Table 5 and includes amounts received by the Regulator on behalf of the Arbitrator.

Introduction of Penalties

The Gas Pipeline Access (Western Australia) Regulations 2000 were gazetted on 2 May 2000. Among other things, they introduced civil penalty provisions for breaches of the gas access legislation. The penalties relate to regulatory or conduct provisions defined in the legislation including preventing or hindering access or not complying with the requirements of the Code in other respects.

Table 5

Fees and Charges paid by Service Providers in the year ended 30 June 2000

Service Provider	Standing Charges	Service Charges
AlintaGas	\$36,505.98	\$43,184.57
CMS Gas Transmission of Australia	\$9,616.30	\$6,586.51
Epic Energy (WA) Nominees Pty Ltd	\$88,074.50	\$5,720.00
SAGASCO	\$7,027.98	\$15,397.30
Goldfields Gas Transmission	\$32,569.60	Nil
Southern Cross Pipelines Pty Ltd	\$5,949.52	Nil
Service Charges outstanding at 30 June 2000		\$60,895.43
Document, Admission & Lodgement Fees		\$350.00

Web Site

Good communication and the dissemination of information is central to effective regulation of access to gas pipelines. *OffGAR* has therefore placed considerable emphasis on having an effective web site on the Internet. All notices are made available on the site (located at www.offgar.wa.gov.au). Lengthy documents such as proposed Access Arrangements, Access Arrangement Information, Issues Papers, Submissions from interested parties, Draft Decisions, Final Decisions and Final Approvals are available for downloading.

The web page provides information on the legislation, the structure and operation of the Western Australian bodies dealing with access issues, documents on the public register, publications and information about public consultation.

Information received by the Regulator is made public unless it is determined to be confidential. No document received is made available to another party unless it is

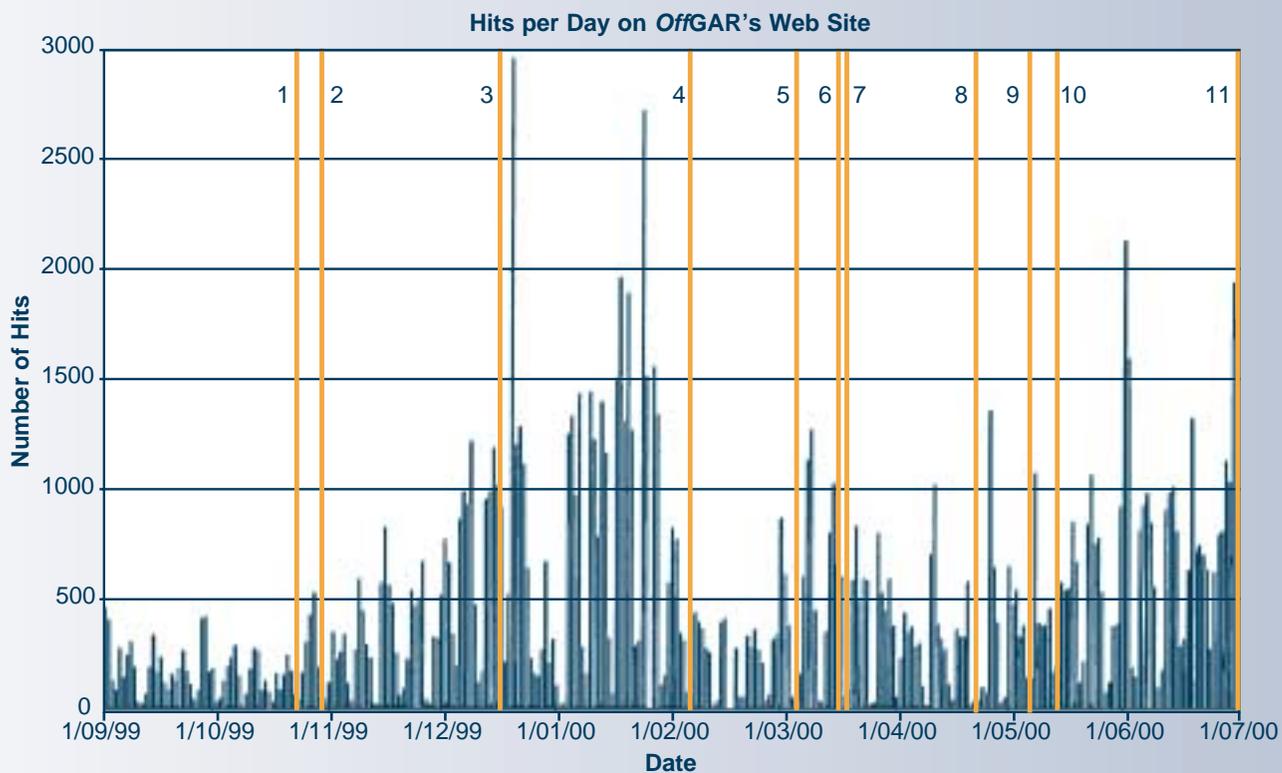
publicly available or is made available to a specific person with the express permission of the originator.

Matters of general interest are made public unless confidential or commercially sensitive.

Feedback on the web site has been very positive. For the last ten months of the financial year for which information is available it averaged around 14,000 hits per month with the peak recorded in March 2000 at 28,000 hits (see Figure 1 overleaf). A hit is defined as the acquisition by an Internet user of a unit of information such as downloading a document or scrolling to a new page.

Table 6 summarises the information placed on the web site during the year.

Figure 1



Notes detailing particular events indicated by the coloured vertical lines shown on the above chart are given below.

- 1 Tubridgi Gas Pipeline System proposed Access Arrangement submitted and placed on the OffGAR web site.
- 2 Parmelia Pipeline Draft Decision issued and placed on the web site.
- 3 Dampier to Bunbury Natural Gas Pipeline (DBNGP) and Goldfields Gas Pipeline (GGP) Access Arrangements submitted and placed on the web site.
- 4 Original closing date for public submissions on the DBNGP and GGP proposed Access Arrangements.
- 5 Closing date for public submissions on the GGP proposed Access Arrangement.
- 6 Draft Decision issued for the AlintaGas Mid-West and South-West Gas Distribution Systems proposed Access Arrangement and placed on the web site.
- 7 Closing date for public submissions on DBNGP proposed Access Arrangement.
- 8 Second round of public consultation for DBNGP Access Arrangement commenced.
- 9 Closing date for public submissions on the AlintaGas Draft Decision.
- 10 Second round of public consultation for the DBNGP Access Arrangement ended.
- 11 AlintaGas Final Decision issued and placed on the web site.

Table 6

Items Posted on the *OffGAR* Web Site for the Financial Year Ended 30 June 2000

Pipeline System	Submissions Received	Public Consultations Held	Publications Posted	Other Notices	Total
AlintaGas Distribution Systems	25	1	3	9	38
Dampier to Bunbury Natural Gas Pipeline	46	2	1	10	59
Goldfields Gas Pipeline	11	1	1	7	20
Kalgoorlie to Kambalda Pipeline		1		3	4
Parmelia Pipeline	16	1	3	16	36
Tubridgi Pipeline System	5	2	3	12	22
Karratha to Cape Lambert Pipeline				1	1
TOTAL	103	8	11	58	180

Compliance with Public Sector Management Act Section 31(1) for the Year ended 30 June 2000

In the administration of the Office of Gas Access Regulation, I have complied with the Public Sector Standards in Human Resource Management and the Western Australian Public Sector Code of Ethics.

Since this agency was established only recently, the Office of Energy Code of Conduct was initially adopted and applied. During the financial year, the Office of Gas Access Regulation developed and adopted its own Code of Conduct. I confirm compliance with these Codes of Conduct.

Procedures are in place to ensure ongoing compliance and to further develop the Code of Conduct.

No Breach of Standard Applications were made during the financial year.



DR KEN MICHAEL AM
CHIEF EXECUTIVE OFFICER
OFFICE OF GAS ACCESS REGULATION
31 August 2000

Senior Officers

The Senior Officers in the Office of Gas Access Regulation comprise:

Dr Ken Michael AM, Independent Gas Access Regulator and Chief Employee of *OffGAR*

Dr Michael has a Bachelor of Engineering degree with first class honours from the University of Western Australia and is a Doctor of Philosophy from the University of London. He was formerly Commissioner of Main Roads, Western Australia and in 1993/1994 was concurrently Public Service Commissioner. Dr Michael is the Pro-Chancellor of the University of Western Australia, the Chairman of the Board of Trustees of the Western Australian Museum and the former Chairman of Commissioners of the City of Albany. Dr Michael was appointed to his position in June 1999 having acted in it since February 1999.

Mr K Peter Kolf, Executive Director, *OffGAR*

Mr Kolf has a Master of Economics degree from Adelaide University and a Bachelor of Commerce degree with honours from the University of

Melbourne. His career includes the positions of Senior Manager with the Western Australian Office of Energy, Director, Airfare Economics with the Independent Air Fares Committee (responsible for regulating airfares under the two airlines policy) and Manager, Pricing Policy, Telecom Australia. Mr Kolf was appointed to his position in June 1999 having been acting in it since February 1999.

Shares in Subsidiary Bodies

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

Interest in Existing or Proposed Contracts

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

Table 7

	Performance Measures			
	Access Arrangements Approved		Covered Pipelines Oversighted	
	Target	Actual	Target	Actual
Quantity				
Number of equivalent Access Arrangements approved or covered pipelines oversighted.	3.9	3.4	6.5	6.6
Quality				
Proportion of interested parties satisfied or very satisfied with the agency's activities in "helping to secure rights of access to natural gas pipelines".	75%	64%	75%	64%
Timeliness				
Average time taken (months).	12	14	n/a	n/a
The proportion of interested parties satisfied or very satisfied with the agency responding to issues in a timely manner.	75%	46%	75%	46%
Cost				
Average regulatory cost per equivalent unit of output.	\$311,000	\$260,000	\$127,000	\$112,000

n/a: not applicable.

Electoral Act Disclosure Requirements

In accordance with disclosure requirements of Section 175ZE of the Electoral Act the following expenditure was incurred during the period 1 July 1999 and 30 June 2000 on:

Advertising Agencies	nil
Market Research Organisations	nil
Polling Organisations	nil

Direct Mail Organisations nil

Media Advertising Organisations - Marketforce Productions \$24,613.

Directions Given

No Directions were given to the Independent Gas Pipelines Access Regulator under Section 37(2) of the GPAA during the year.

Performance Measures

Treasurer's Instruction 904 requires information to be provided on the quantity, quality, timeliness and costs of the agency's outputs. Table 7 on page 27 summarises these items and they are discussed further below.

Quantity: The formal outputs of the agency are the number of Access Arrangements approved and the number of pipelines or pipeline systems covered by the Code and oversighted by the Regulator in the financial year. Although no Access Arrangements were granted final approval during the reporting year, the approval process was well advanced in respect of many Access Arrangements. One Final Decision was issued on the Access Arrangement for the AlintaGas Mid-West and South-West Gas Distribution Systems and four Draft Decisions were issued. Draft Decisions were issued for the Parmelia Pipeline and the AlintaGas Distribution Systems. Two further Draft Decisions were issued in respect of applications for waiver of ring fencing obligations. Final approval for the AlintaGas Distribution Systems was granted on 18 July 2000.

Taking into consideration the amount of work in progress at the end of the financial year, it is estimated that 3.4 equivalent Access Arrangements were approved and 6.6 equivalent pipelines or pipeline systems were oversighted by the Regulator.

Quality: This is measured by the proportion of interested parties who are satisfied/very satisfied with the assessment of Access Arrangements and the oversighting of covered pipelines or pipeline systems. A survey of interested parties indicated that 64% were satisfied or very satisfied with the agency's activities in "helping to secure rights of access to natural gas pipelines". Further details of responses from interested parties surveyed are given in Figure 2 and Table 8.

Timeliness: This is measured by the percentage of projects completed within standard time. Since no Access Arrangements were approved there is no direct measure. However, the Regulator's first Final Decision was issued after a period of exactly 12 months, which is comfortably within the time taken by other Australian Regulators. In addition, the survey of interested parties indicated that the proportion satisfied or very satisfied with the agency responding to issues in a timely manner was

43%. The proportion of respondents that were neither satisfied nor dissatisfied was 37%.

Cost: This is measured by the average regulatory cost per approved Access Arrangement and the average cost per pipeline or pipeline system oversighted by the Regulator in the financial year. On the basis of the number of equivalent Access Arrangements approved, the fully allocated cost per approved Access Arrangement is approximately \$260,000. Similarly, the average cost per pipeline or pipeline system oversighted by the Regulator is \$112,000.

On a per unit of gas basis, the average cost of the Regulator's activities in 1999/00 is estimated at 0.7 cents per gigajoule transported on covered pipelines located in Western Australia. This compares with an average cost of gas paid by Western Australian residential customers in 1996/97 of \$15.09 per gigajoule and \$7.64 per gigajoule for commercial and industrial customers. The financial year 1996/97 is the most recent year for which both residential and commercial/industrial customer information was published for Western Australia by the Australian Gas Association.

Figure 2

Survey of Interested Parties

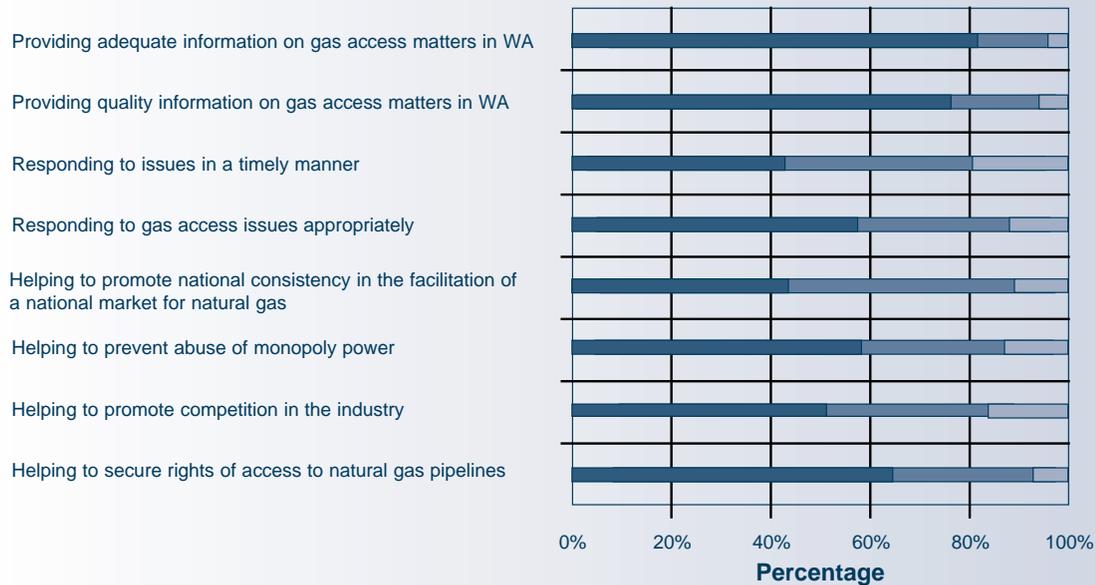


Table 8

Responses to Survey of Interested Parties

The Office of Gas Access Regulation is:	or Very Satisfied
1. Providing <i>adequate</i> information on gas access matters in WA	83.5%
2. Providing <i>quality</i> information on gas access matters in WA	74.1%
3. Responding to issues in a timely manner	43.0%
4. Responding to gas access issues appropriately	56.2%
5. Helping to promote national consistency in the facilitation of a national market for natural gas	44.6%
6. Helping to prevent abuse of monopoly power	58.1%
7. Helping to promote competition in the industry	51.9%
8. Helping to secure rights of access to natural gas pipelines	64.2%
Proportion Satisfied	

Publications

In addition to the Annual Report, the following publications were issued by the Office of Gas Access Regulation during the 1999/2000 year:

Issues Paper - To Assist with Submissions on the Proposed Access Arrangement - AlintaGas Mid-West and South-West Distribution Systems.

Issues Paper - To Assist with Submissions on the Proposed Access Arrangement - Tubridgi Pipeline System.

Issues Paper - To Assist with Submissions on the Proposed Access Arrangement - Goldfields Gas Pipeline.

Issues Paper - To Assist with Submissions on the Proposed Access Arrangement - Dampier to Bunbury Natural Gas Pipeline.

Issues Paper - To Assist with Submissions on the Waiver of Ring Fencing Arrangements for the Parmelia Gas Pipeline.

Issues Paper - To Assist with Submissions on the Waiver of Ring Fencing Arrangements for the Tubridgi Pipeline System.

Draft Decision: Proposed Access Arrangement - Mid-West and South-West Gas Distribution Systems.

Draft Decision: Proposed Access Arrangement - Parmelia Pipeline.

Draft Decision: Waiver of Ring Fencing Obligations - Parmelia Pipeline.

Draft Decision: Waiver of Ring Fencing Obligations - Tubridgi Pipeline System.

Final Decision: Proposed Access Arrangement - Mid-West and South-West Gas Distribution Systems.

Regulation of Gas Transmission in Western Australia, by Dr Ken Michael AM.

Trends in Gas Access Regulation in Western Australia, by Dr Ken Michael AM.

Code of Conduct.

All publications have been placed on the web site and are available for downloading

Boards and Committees

Neither the Independent Gas Pipelines Access Regulator nor the staff of the Office of Gas Access Regulation participated in Boards and Committees during the year.



Turbine hall at Kwinana Power Station - a major gas user

Photo courtesy Western Power

KEY PERFORMANCE INDICATORS FOR THE REGULATOR

Certification of Performance Indicators

The accompanying Performance Indicators are based on proper records and fairly represent the performance of the Western Australian Independent Gas Pipelines Access Regulator for the year ended 30 June 2000.



DR KEN MICHAEL AM

**INDEPENDENT GAS PIPELINES ACCESS
REGULATOR**

**CHIEF EXECUTIVE OFFICER, OFFICE OF
GAS ACCESS REGULATION**

31 August 2000

To the Parliament of Western Australia**Western Australian Independent Gas Pipelines Access Regulator
Performance Indicators for the year ended June 30, 2000****Scope**

I have audited the key effectiveness and efficiency performance indicators of the Western Australian Independent Gas Pipelines Access Regulator for the year ended June 30, 2000 under the provisions of the Financial Administration and Audit Act 1985.

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

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

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

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Western Australian Independent Gas Pipelines Access Regulator are relevant and appropriate for assisting users to assess the Regulator's performance and fairly represent the indicated performance for the year ended June 30, 2000.



D D R PEARSON
AUDITOR GENERAL
October 31, 2000

Effectiveness

Desired Outcome:

The desired Outcome is:

- To facilitate a national market for natural gas.
- To prevent abuse of monopoly power.
- To promote competition.
- To provide rights of access to natural gas pipelines.

Percentage of interested parties satisfied or very satisfied that consider the Agency has helped to:

- Promote national consistency to assist the facilitation of a national market for natural gas¹.
- Prevent abuse of monopoly power².
- Promote competition³.
- Provide rights of access to natural gas pipelines⁴.

Percentage

- 44.6%
- 58.1%
- 51.9%
- 64.2%

Note for Effectiveness Indicators:

To determine the effectiveness of OffGAR in achieving the legislated desired outcomes, a survey was undertaken sampling representative stakeholders of the regulatory process. The population of stakeholders equals 165 for all aspects considered in the survey.

The following table provides additional information regarding the respondents to the survey instrument.

Note	Respondents	Response Rate	Standard Error Rate
1	101	61%	6.1%
2	104	63%	5.8%
3	105	64%	5.7%
4	106	64%	5.6%

Efficiency

Output 1

Approved Access Arrangements

- Cost per equivalent Access Arrangement assessed. \$260,000
- Time per equivalent Access Arrangement assessed. 14 months

Output 2

Oversight of gas pipelines

- Cost per equivalent covered gas pipeline oversighted. \$112,000

EXPLANATORY NOTES ON KEY PERFORMANCE INDICATORS

The derivation of the Regulator’s key performance indicators is indicated in the following table and explanatory notes are provided where appropriate.

Desired Outcome ¹	Output	Effectiveness Indicators	Efficiency Indicators
<p>The desired Outcome is:</p> <ul style="list-style-type: none"> To facilitate a national market for natural gas. To prevent abuse of monopoly power. To promote competition. To provide rights of access to natural gas pipelines. 	<p>Output 1</p> <p>Approved Access Arrangements</p>	<p>The percentage of interested parties² that consider the Agency has helped to⁶:</p> <ul style="list-style-type: none"> promote national consistency to assist the facilitation of a national market for natural gas; prevent abuse of monopoly power; promote competition; and provide rights of access to natural gas pipelines. 	<p>Cost per equivalent³ Access Arrangement assessed⁵.</p> <p>Time per equivalent Access Arrangement assessed.</p>
	<p>Output 2</p> <p>Oversighting⁴ of gas pipelines located in Western Australia that are covered by the National Third Party Access Code for Natural Gas Pipeline Systems (the Code).</p>	<p>The percentage of interested parties² that consider the Agency has helped to⁶:</p> <ul style="list-style-type: none"> promote national consistency to assist the facilitation of a national market for natural gas; prevent abuse of monopoly power; promote competition; and provide rights of access to natural gas pipelines. 	<p>Cost per equivalent³ covered pipeline oversighted⁵.</p>

- 1 The desired outcome is taken from the Gas Pipelines Access (WA) Act 1998. This is listed in the preamble to the legislation. It is set at a national level, being based on the uniform national framework for access to natural gas pipelines. However, gas pipelines in Western Australia are not connected to the national system.
- 2 Interested parties are members of the target population comprising prospective users of gas pipelines, pipeline service providers, gas producers, gas traders or users of gas that have expressed an interest with the Agency to be kept informed on gas access regulatory matters. The target population is the same for all of the Regulator's outputs.
- 3 The concept of equivalent units of output is used recognising that the approval of each Access Arrangement for every covered pipeline involves many months of work with the result that a considerable amount of partly completed work will remain at the end of a reporting period. "Equivalent units of output" measures both completed and partly completed work in terms of fully completed work. The "equivalent units of output" concept is also appropriate in the case of covered pipelines oversighted. This recognises that pipelines may be covered by the Code for part of the year only.
- 4 The outputs of the Regulator include the oversighting of covered gas pipelines in respect of which the Regulator may be called upon to provide services. These services are wide ranging, varied and numerous and their composition is likely to vary from year to year. The services include granting waivers of ring fencing obligations or imposing additional ring fencing obligations, granting extensions of time for parties to meet specified time limits, approving competitive tender approaches for determining reference tariffs, undertaking public consultations on any relevant matter and enforcement where breaches of the legislation arise. The specific services provided by the Regulator during the reporting year are discussed more fully under the section "Activities of the Regulator" in this report.
- 5 The cost per equivalent output is derived from the financial reporting system that generates the financial statements of this report.
- 6 A survey of interested parties, conducted by an independent consultant, was commissioned with the identity of respondents not being disclosed to the Agency.

FINANCIAL STATEMENTS FOR THE REGULATOR

Statement of Certification

The accompanying financial statements of the Western Australian Independent Gas Pipelines Access Regulator have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the year ended 30 June 2000 and the financial position as at 30 June 2000.

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



DR KEN MICHAEL AM
ACCOUNTABLE AUTHORITY
31 August 2000



GEOFF GILBERT
PRINCIPAL ACCOUNTING OFFICER
31 August 2000

To the Parliament of Western Australia

**Western Australian Independent Gas Pipelines Access Regulator
Financial Statements for the year ended June 30, 2000**

Scope

I have audited the accounts and financial statements of the Western Australian Independent Gas Pipelines Access Regulator for the year ended June 30, 2000 under the provisions of the Financial Administration and Audit Act 1985.

The Regulator is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Regulator.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Western Australian Independent Gas Pipelines Access Regulator to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions so as to present a view which is consistent with my understanding of the Regulator's financial position, the results of its operations and its cash flows.

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

Audit Opinion

In my opinion,

- (i) the controls exercised by the Western Australian Independent Gas Pipelines Access Regulator provide reasonable assurance that the receipt, expenditure and investment of moneys and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the Operating Statement, Statement of Financial Position and Statement of Cash Flows and the Notes to and forming part of the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions, the financial position of the Regulator at June 30, 2000 and the results of its operations and its cash flows for the year then ended.



D D R PEARSON
AUDITOR GENERAL
October 31, 2000



OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2000

	Note	1999/00 \$'000	1998/99 \$'000
COST OF SERVICES			
Operating Expenses			
Salaries	2	421	107
Superannuation	3	28	0
Depreciation	4	24	7
Administration Expenses	5	943	317
Accommodation Expenses	6	63	42
Grants, Subsidies and Transfer Payments	7	22	3
		1,501	476
Operating Revenue			
User Charges, Fees, Recoups and Interest	8	331	4
		331	4
		1,170	472
REVENUES FROM GOVERNMENT			
Appropriations	9	0	754
Resources Received Free of Charge	10	66	18
Liabilities assumed by the Treasurer	11	28	0
		94	772
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS			
		-1,076	300

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2000

	Note	1999/00 \$'000	1998/99 \$'000
CURRENT ASSETS			
Cash	12	753	476
Accounts Receivable	13	63	18
Other Current Assets	14	5	0
		821	494
NON-CURRENT ASSETS			
Property, Plant and Equipment	15	79	53
		900	547
CURRENT LIABILITIES			
Accounts Payable	16	66	211
Accrued Salaries	17	12	7
Borrowings (Treasurer's Advance)	18	1,555	0
Employee Entitlements	19	30	18
		1,663	236
NON-CURRENT LIABILITIES			
Employee Entitlements	19	14	11
		14	11
		1,677	247
EQUITY			
Accumulated Surplus	20	-777	300
		-777	300
		900	547

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2000

	Note	1999/00 \$'000	1998/99 \$'000
CASH FLOWS FROM GOVERNMENT			
Appropriations			750
<i>Net Cash Provided by Government</i>	9		750
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Salaries and related costs		-401	-71
Administration		-1,027	-102
Accommodation	6	-63	-42
Grants, Subsidies & Transfer payments	7	-22	-3
Receipts			
User Charges, Fees, Recoups and Interest		286	4
<i>Net Cash used in Operating Activities</i>	23	-1,227	-214
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of non-current assets		-51	-60
<i>Net Cash used in Investing Activities</i>		-51	-60
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings (Treasurer's Advance)	18	-1,555	0
<i>Net cash used in Financing Activities</i>		-1,555	0
		277	476
<i>Net increase in cash held</i>			
<i>Cash at the beginning of the reporting period</i>		476	0
<i>Cash at the end of the reporting period</i>	24	753	476

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2000

1. Statement of Accounting Policies

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

a) General

i) The financial statements are prepared in accordance with the Financial Administration and Audit Act 1985.

ii) Subject to the exceptions noted in these accounting policies, the financial statements have been drawn up on the basis of historical cost principles.

iii) The accrual basis of accounting is being applied.

iv) The financial statements constitute a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary the application, disclosure, format and wording. The Financial Administration and Audit Act 1985 and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector together with the need for greater disclosure and also to satisfy accountability requirements.

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

b) Valuation of Non-Current Assets

Certain non-current assets may be revalued from time to time as disclosed in the financial statements. Any increments have been taken to assets revaluation reserve. Any decrements have been offset against previous increments (if any) charged against profits. Other assets are fixed at cost.

c) Leased Assets

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

d) Depreciation (and amortisation) of non-current assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their future economic benefits.

Depreciation is provided on the straight-line basis, using rates which are reviewed annually. Useful lives for each class of depreciable asset are:

Office Equipment	5 years
Computer Hardware	3 years

e) Employee Entitlements

i) Annual and Long Service Leave

These entitlements are calculated at current remuneration rates. A liability for long service leave is recognised after an officer has completed four years of service.

ii) Superannuation

Staff may contribute to the Superannuation and Family Benefits Act Scheme, a defined benefits pension scheme now closed to new members, or the Gold State Superannuation Scheme, a defined benefit and lump sum benefit scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992.

The liability for superannuation charges incurred under the Superannuation and Family Benefits Act pension scheme, together with the pre-transfer service liability for employees who transferred to the Gold State Superannuation Scheme, are provided for at reporting date.

The liabilities for superannuation charges under the Gold State Superannuation Scheme and the West State Superannuation Scheme are extinguished by quarterly payment of employer contributions to the Government Employees Superannuation Board.

The Regulator has an amount included as part of a salary package, which is deducted and remitted to his nominated complying fund each fortnight. The Government has no unfunded superannuation liability in respect of the Regulator.

The note disclosure required by paragraph 51(e) of AAS 30 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The Government Employees Superannuation Board's records are not structured to provide the information for the Authority. Accordingly, deriving the information for the Authority is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

f) Revenue

Revenue is received through the recoup of costs, levying of standing charges, service charges and fees to pipeline owners (in accordance with the Gas Pipelines Access (WA) (Funding) Regulations 1999) and interest on account balances. Revenues are fully described in the operating statement.

g) Funding

Funding of the Authority for the year ended 30 June 2000 was through a Treasurer's Advance and, whether recurrent or capital, are repayable by the Authority to the Treasurer and are recognised as liabilities (Borrowings). The Authority received funding through the Office of Energy as an Administered Item of that agency for the 1998/99 financial year.

h) Accounts Receivable, Accounts Payable, Accrued Salaries and Borrowings

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

Collectability of accounts receivable is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubts as to collection exists.

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

Borrowings are recognised and carried at the amount of net proceeds received. Interest is recognised as it becomes payable.

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. The Authority considers the carrying amount approximates net fair value.

i) Resources Received Free of Charge or For Nominal Value

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

j) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial instruments are determined on the following bases:

* Monetary financial assets and liabilities not traded in an organised financial market – cost basis carrying amounts of accounts receivable, accounts payable and accruals (which approximates net market value);

* Fixed rate borrowings and leave liabilities – current risk adjusted market rates.

	1999/00	1998/99
	\$'000	\$'000
2 Salaries		
Salaries, annual leave and long service leave paid	398	78
Employer superannuation contributions on behalf of the Regulator	9	0
Change in annual leave entitlements	11	29
Change in long service leave entitlements	3	0
	421	107
3 Superannuation		
Total expense for the year	28	0
4 Depreciation		
Furniture and Equipment	10	2
Computer Equipment	14	5
	24	7
5 Administration Expenses		
Operating Lease Rentals (Motor Vehicles)	11	1
Other Expenses incurred during the year	866	298
Resources received free of charge	66	18
	943	317
Administration expenses refer to Travel, Communication, Services and Contracts and Asset Maintenance Costs		
6 Accommodation Expenses		
Operating Lease Rentals and Fittings	63	42
	63	42

	1999/00	1998/99
	\$'000	\$'000
7 Grants, Subsidies and Transfer Payments		
Grants - transfers to the Gas Disputes Arbitrator	22	3
	22	3
8 User Charges, Fees, Recoups and Interest		
Recoup of Operating Costs, Standing Charges, Service Charges and Fees	312	0
Miscellaneous Revenue/Interest Received on Account Balances	17	4
Contributions by Senior Officers to the Executive Vehicle Scheme	2	0
	331	4
9 Funding		
Appropriations	0	754
	0	754
10 Resources Received Free of Charge		
Resources Received Free of Charge has been determined on the basis of the following estimates provided by agencies		
Office of the Auditor General - Audit Services	4	0
Office of Energy - Accounting Services	0	18
Crown Solicitors Office - Legal Services	62	0
	66	18
11 Liabilities Assumed by the Treasurer		
Superannuation	28	0
	28	0
12 Cash		
Operating Account	753	476
Cash on hand	0	0
	753	476

	1999/00	1998/99
	\$'000	\$'000
13 Accounts Receivable		
Accounts Receivable	63	18
The carrying amount of Accounts Receivable approximates their Net Fair Values	63	18
14 Other Current Assets		
Prepayments	5	0
	5	0
15 Property, Plant and Equipment		
Furniture and Equipment		
At Cost	54	32
Accumulated Depreciation	12	2
	42	30
Computer Hardware		
At Cost	56	28
Accumulated Depreciation	19	5
	37	23
Total		
At Cost	110	60
Accumulated Depreciation	31	7
	79	53
16 Accounts Payable		
Amounts payable for goods and services received	66	211
	66	211
The carrying amount of Accounts Payable approximates their Net Fair Values		
17 Accrued Salaries		
Amounts owing for the six working days from 25 June	12	7
	12	7
Accrued Salaries Suspense Account is represented by a Cash Balance and is therefore equivalent to the Net Fair Value.		

	1999/00	1998/99
	\$'000	\$'000
18 Borrowings (Treasurer's Advance)		
Amounts repayable for Treasurer's Advance	1,555	0
	1,555	0
The carrying amount of the Treasurer's Advance is a cash amount and is therefore equivalent to the Net Fair Value.		
19 Employee Entitlements		
Current Liabilities		
Liability for Annual Leave	30	18
Liability for Long Service Leave	0	0
	30	18
Non-Current Liabilities		
Liability for Long Service Leave	14	11
	44	29
Total Employee Entitlements	44	29
The carrying amount of Employee Entitlements is equivalent to the Net Fair Value.		
20 Accumulated Surplus		
Equity represents the residual interest in the net assets of the Authority. The Government holds the equity interest in the Authority on behalf of the community.		
Balance at the beginning of the year	300	0
Change in the net assets resulting from operations	-1,077	300
Balance at end of the year	-777	300
21 Lease Commitments		
At balance date, the Authority had the following operating lease commitments:		
Not later than one year	67	33
Later than one year and not later than two years	59	65
Later than two years and not later than five years	0	98
Later than five years	0	0
	126	196

	1999/00	1998/99
	\$'000	\$'000

22 Remuneration and Retirement Benefits of Senior Officers of the Accountable Authority

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

	1999/00	1998/99
20,000 - 30,000		2
90,000 - 100,000	1	
120,000 - 130,000	1	

The total remuneration of Senior Officers of the Accountable Authority is:	213	47
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Retirement Benefits of Senior Officers

The following amounts in respect of retirement benefits for senior officers became payable for the financial year:

Notional contributions to Gold and West State Superannuation Scheme:	10	0
Contributions to other Superannuation Schemes	9	0

No Senior Officers of the Accountable Authority are members of the Superannuation and Family Benefits Act Scheme.

	1999/00	1998/99
	\$'000	\$'000

23. Reconciliation of net cash used in operating activities to net cost of services

For the purposes of the Statement of Cash Flows, 'cash' has been deemed to include cash on hand, Trust Fund balances and amounts held in suspense.

Net cash used in operating activities	-1,227	-214
Decrease/(Increase) in employee entitlement	-15	-29
Decrease/(Increase) in accounts payable	145	-211
Decrease/(Increase) in accrued salaries	-5	-7
Depreciation	-24	-7
Increase/(Decrease) in accounts receivable	45	14
Increase/(Decrease) in other current assets	5	0
Resources Received Free of Charge	-66	-18
Liabilities assumed by the Treasurer	-28	0
Net cost of services	-1,170	-472

24 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, 'cash' includes cash on hand and in banks and investments in money market instruments. Cash at the beginning of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash resources	753	476
	753	476

25 Additional Financial Instruments Disclosures

(a) Interest Rate Risk Exposure

The Authority's exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments are:

	2000				1999			
	Weighted Average Effective Interest Rate %	Floating Interest rate \$'000	Non Interest bearing \$'000	Total \$'000	Weighted Average Effective Interest Rate %	Floating Interest rate \$'000	Non Interest bearing \$'000	Total \$'000
<u>Assets</u>								
Cash Resources	5.85	753	0	753	4.7	476	0	476
Accounts Receivable	N/A	0	63	63	N/A			
Other Current Assets	N/A	0	5	5	N/A			
Total Financial Assets	N/A	<u>753</u>	<u>68</u>	<u>821</u>	N/A	<u>476</u>	<u>0</u>	<u>476</u>
<u>Liabilities</u>								
Accounts payable	N/A	0	66	66	N/A		211	211
Accrued salaries	N/A	0	12	12	N/A		7	7
Employee Entitlements	N/A	0	44	44	N/A		29	29
Treasurer's Advance	N/A	0	1,555	1,555	N/A			
Total Financial Liabilities		<u>0</u>	<u>1,677</u>	<u>1,677</u>		<u>0</u>	<u>247</u>	<u>247</u>
Net Financial Assets (Liabilities)		<u>753</u>	<u>(1,609)</u>	<u>(856)</u>		<u>476</u>	<u>(247)</u>	<u>229</u>

(b) Credit Risk

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

(c) Net Fair Value of Financial Instruments

The carrying amounts of cash at bank, accounts receivable, accrued salaries and employee entitlements are considered to reflect their net fair value.

26 Contingent Liabilities

The Regulator has no contingent liabilities as at 30 June 2000.

27 Events Occurring After Reporting Date

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

28 Explanatory Statement

- (a) There is no significant variance between Estimates and Actual Results for the Financial Year.
- (b) 1999/2000 is the first full year of operation for the Authority, comparison between actual results for the year and those of the immediately preceding year are not meaningful.

29 Segment Information

The Regulator operates within a single industry segment, being the Energy sector in Western Australia.

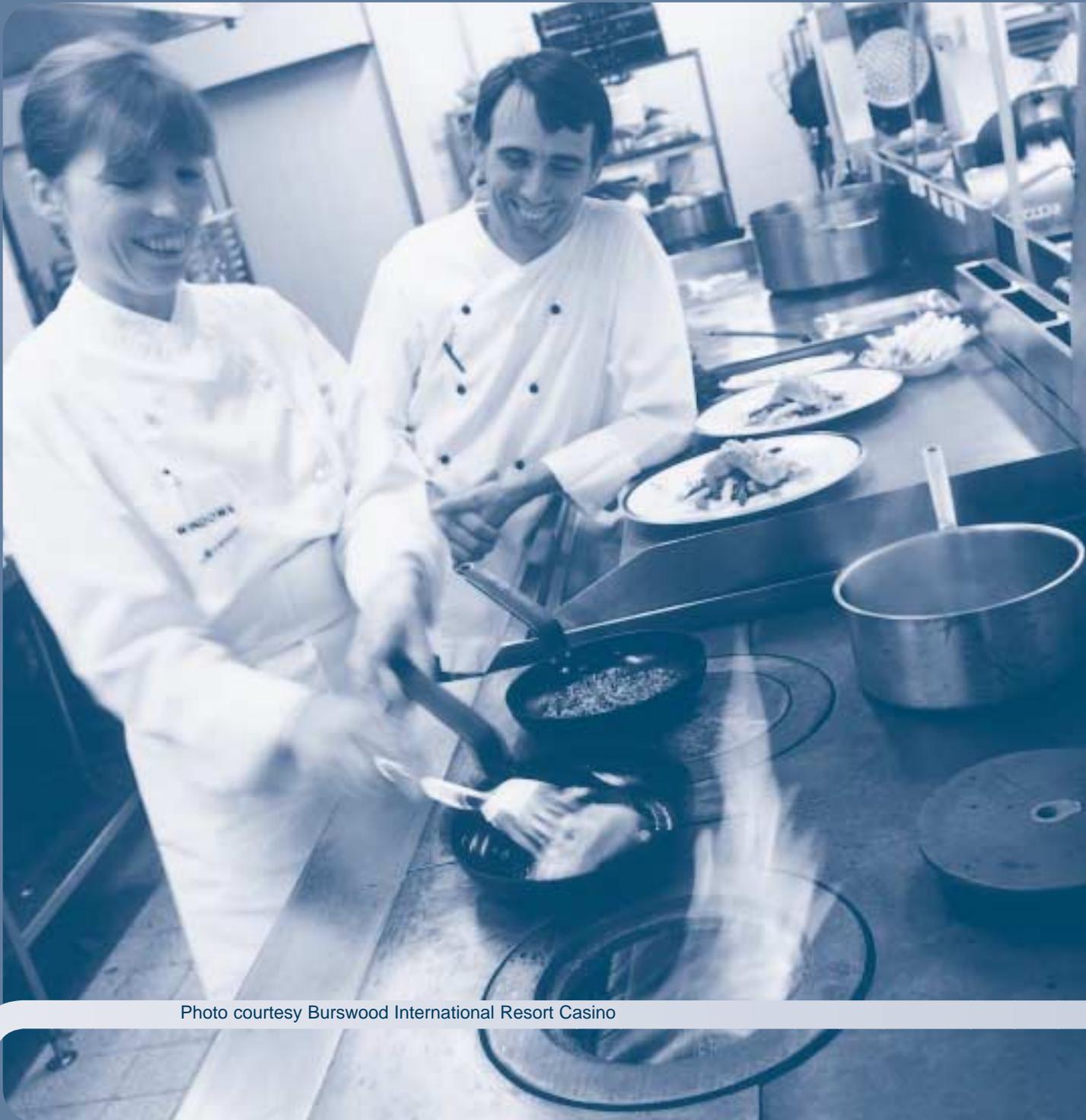


Photo courtesy Burswood International Resort Casino



ANNUAL REPORT 1999/2000 GAS DISPUTES ARBITRATOR

Letter of Transmittal

Hon Colin Barnett MLA

Minister for Energy

In accordance with Section 66 of the Financial Administration and Audit Act 1985, I hereby submit my Annual Report for the year ended 30 June 2000 for your information and presentation to Parliament.

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



LAURIE JAMES
GAS DISPUTES ARBITRATOR
31 August 2000



Since my appointment to the position of Arbitrator in September 1999, my activities have been confined to ensuring that procedures are in place to address disputes that fall within the jurisdiction of the Arbitrator under the National Third Party Access Code for Natural Gas Pipeline Systems (the Code). In addition, my activities extend to ensuring that services are available to the Gas Review Board in the event that a review is triggered of any decisions subject to review.

The position of Arbitrator itself is only called upon to adjudicate when there is a dispute between someone who wishes to have access to a gas pipeline and the owner or operator of that pipeline, as to the conditions or charges which apply. No such disputes have arisen since my appointment.

The Arbitrator is also required to provide staff and support to the Gas Review Board, which is able to review decisions by the Minister for Energy, the Independent Gas Pipelines Access Regulator or the Coordinator of Energy.

The Board, which is only established when required, would operate as a tribunal chaired by a legal practitioner and include two gas industry experts as members. Should more than one appeal be concurrent, the Board may exist as more than one tribunal. The Governor has appointed panels of legal practitioners and experts from which the Board may be drawn.

The Gas Pipelines Access (Western Australia) Act 1998, which establishes the position of Gas Disputes Arbitrator, allows for arrangements to be put in place with other government agencies for the use of public service employees to assist me. The Office of Gas Access Regulation has so far provided this assistance. This is an appropriate arrangement provided there is no conflict of interest which generally would be the case other than where the Gas Review Board is reviewing a decision of the Regulator.

I thank the staff of *OffGAR* for their support and extend this to agencies such as the Office of Energy who provide support through *OffGAR*.

The first Access Arrangement was approved on 18 July 2000 for the Mid-West and South-West Gas Distribution Systems. Other Access Arrangements are in the process of being approved and are expected to become operational in the near future. The new Access Arrangements when approved will replace the transitional access regimes that are being phased out. Hopefully, there will be few disputes from prospective users of gas pipelines, but in any event, appropriate arrangements are in place to resolve disputes and review decisions where this is provided for by the legislation.

A handwritten signature in dark ink, appearing to read 'LJ', with a horizontal line extending to the right.

LAURIE JAMES
GAS DISPUTES ARBITRATOR

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

The Arbitrator is appointed by the Governor and the position is not to be an office in the public service. The Arbitrator may be part-time.

The GPAA also establishes the related position of Independent Gas Pipelines Access Regulator (the Regulator) to regulate access to gas pipelines.

Section 75 of the GPAA specifies that the Arbitrator is independent of direction or control by the Crown or any Minister or officer of the Crown in the performance of his functions. While the Minister may give directions to the Arbitrator, these may relate only to general policies to be followed in matters of administration (including financial administration) and may not constrain the Arbitrator's performance of his functions.

The Arbitrator may engage consultants and by agreed arrangement with public sector agencies, other than Western Power and AlintaGas, make use of public sector employees or the facilities of the agency. When using public sector employees, the Arbitrator has the status of chief employee under the Public Sector Management Act 1994 in relation to them, taking precedence over the requirements of their normal employers.

Section 50(1) of the GPAA establishes the Gas Review Board as an appeals body. Section 56 of the GPAA requires the Arbitrator to provide the Board with its requirements for staff, services and support.

The Gas Review Board is to constitute:

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

The Board may be separately constituted to review specific decisions by the Minister for Energy, the Independent Gas Pipelines Access Regulator or the Coordinator of Energy as provided for in legislation.

The GPAA makes the Gas Pipelines Access Law (included as Schedules 1 and 2 of the Act) a law of Western Australia. The National Third Party Access Code for Natural Gas Pipeline Systems (the Code) is included in the GPAA and is thereby made legal in

Western Australia. The GPAA, which includes the Gas Pipelines Access Law, specifies powers and functions dealt with in Western Australia by the Arbitrator and the Gas Review Board.

The Gas Pipelines Access (Western Australia) (Funding) Regulations 1999 under the GPAA provide for the Gas Review Board to charge for the costs and expenses incurred in hearing and making a determination. The monies are to be handled through the Arbitrator's accounts.

The GPAA enables the Arbitrator to undertake functions (relating to access and pricing) in the transitional role of Gas Referee under Regulations made under Section 100 of the Gas Corporation Act 1994 and Section 51 of the Dampier to Bunbury Pipeline Act 1997.

Responsible Minister

The Minister responsible for the administration of the Gas Pipelines Access (Western Australia) Act 1998 is the Hon. Colin Barnett MLA, Minister for Energy.

Impacting Legislation

The following written laws impact on the Arbitrator. In some cases the application of the legislation may be impacted on by the provisions of the Gas Pipelines Access (WA) Act 1998.

Anti-Corruption Commission Act 1988;

Disability Services Act 1993;

Electoral Act 1907;

Energy Co-ordination Act 1994;

Equal Opportunity Act 1984;

Financial Administration and Audit Act 1985;

Government Employees Superannuation Act 1987;

Industrial Relations Act 1979;

Library Board of Western Australia Act 1951;

Minimum Conditions of Employment Act 1993;

Occupational Safety and Health Act 1984;

Public and Bank Holidays Act 1972;

Public Sector Management Act 1994;

Salaries and Allowances Act 1975;

Superannuation and Family Benefits Act 1938;

Workers' Compensation and Rehabilitation Act 1981;
and

Workplace Agreement Act 1993.

The Freedom of Information Act 1992 impacts on the Arbitrator only in relation to his administrative functions.



Photo courtesy Department of Resources Development

The Arbitrator has no supporting organisation as such. However, by arrangement with government departments and agencies, other than Western Power and AlintaGas, the Arbitrator may make full-time or part-time use of their staff. Salaries and allowances relative to this use are to be paid from the Arbitrator’s budget and the Arbitrator assumes the legal status of chief employee of a public sector body in relation to particular sections of the Public Sector Management Act 1994. In practice, the Arbitrator has drawn on the staff of the Office of Gas Access Regulation (*OffGAR*) in this way.

The Arbitrator has adopted the human resources policies and Code of Conduct of *OffGAR* in the use of *OffGAR* staff.

Mission

To promote free and fair trade in gas by facilitating the effective and efficient regulation of access to gas pipelines wholly located in Western Australia at the lowest practicable regulatory cost.

The Arbitrator addresses this through seeking the effective resolution of disputes and provision for review of decisions at the lowest practicable cost.

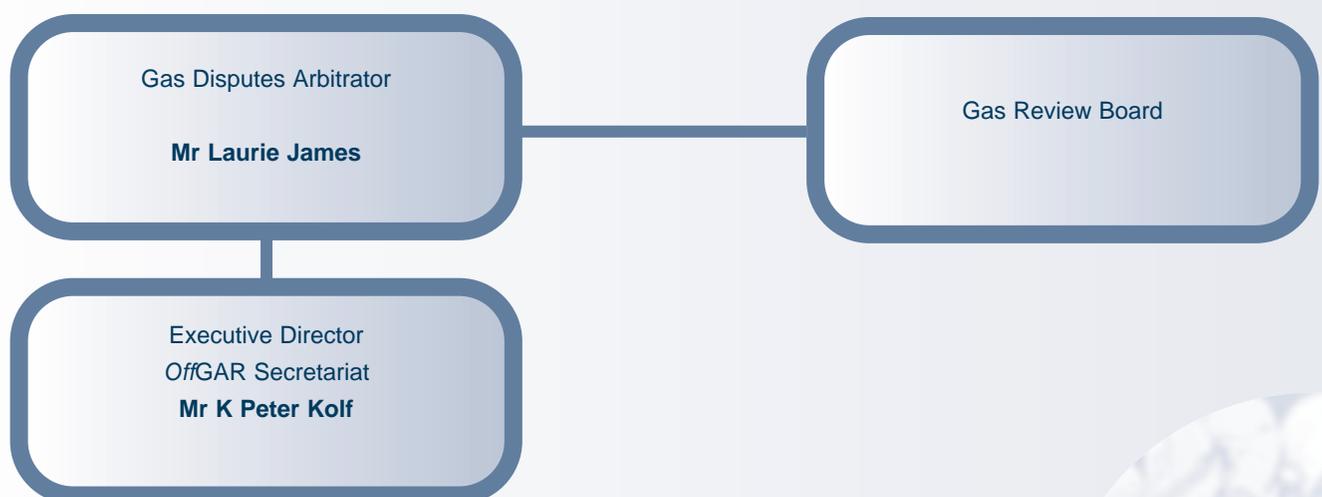
Outcomes and Outputs

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

- resolution of disputes;
- reviews of decisions; and
- a readiness to address any matters relating to the Arbitrator’s functions in respect of pipelines oversighted by the Arbitrator.

Outputs: The outputs for the Arbitrator are arbitration of disputes, reviews of specified decisions by the Gas Review Board and the oversighting of pipelines covered by the Code. The disputes resolved by the Arbitrator are between gas pipeline service providers and prospective users of the service. The reviews of decisions by the Gas Review Board are decisions made by the Minister for Energy, the Regulator or the Coordinator of Energy.

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



The Arbitrator's functions are broadly defined in Schedules 1 and 2 of the GPAA. These Schedules contain the National Third Party Access Code for Natural Gas Pipeline Systems (the Code) and together constitute the Gas Pipelines Access (Western Australia) Law, which embodies the agreed nation-wide legislation on gas access. More specifically, the Arbitrator's functions are:

- to hear and determine disputes (concerned with proposals for the distribution or transportation of gas or physical connection to gas pipeline systems) between prospective users of gas pipelines and service providers, as set out in the Code. Regulations can be issued to prescribe additional functions as provided for by Section 74 of the GPAA;
- to fulfil the transitional role of Gas Referee under legislation which applied before the GPAA was enacted. These functions relate to access and pricing and are addressed by regulations made under Section 100 of the Gas Corporation Act 1994 and Section 51 of the Dampier to Bunbury Pipeline Act 1997; and

- to provide staff, services and support to meet the requirements of the Gas Review Board.

The Gas Review Board functions as the Appeals Body under the Code and has a review function under the Energy Coordination Act 1994. It is responsible for reviewing specific decisions by the Minister for Energy, the Regulator or the Coordinator of Energy as provided for under the following legislation:

- Part 6 of Schedule 1 of the Gas Pipelines Access (WA) Act 1998;
- Schedule 2 of the GPAA (the National Third Party Access Code for Natural Gas Pipeline Systems); and
- Division 8 of the Energy Coordination Act 1994.

During the financial year, the main focus of the Arbitrator was to establish the disputes resolution and review procedures provided for by Western Australian law. A summary of the activities is presented below.

Appointment of Arbitrator

Mr Laurie James was appointed as part-time Arbitrator on 10 September 1999. Mr James is a Supreme Court barrister and solicitor.

Gas Review Board Panels

The Gas Review Board is to constitute:

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

The Board may be separately constituted to review separate decisions.

The Governor appointed a panel of legal practitioners and a panel of experts on 4 April 2000. In the event of a dispute, the Gas Review Board will be created from members of these panels. More than one Board may be established at any one time if there is more than one appeal.

Members have been appointed to the panels for five years. The panels are:

Panel of Legal Practitioners

Mr Stewart Bogle

Mr Jon Carson

Mr Chris Humphry

Mr Charles Kennedy Scott Merriam

Mr Rohan Skea

Mr Chris Stevenson

Panel of Experts

Mr Dennis Kirk-Burnnand

Mr Malcolm Clark

Mr Barry Ellis

Mr Andy Gilmour

Mr Ken Hodgkin

Mr Stuart Hohnen

Mr John Kuehne

Mr Murray Meaton

Mr Garry O'Meally

Mr David Pack

Mr Ashley Renney

Mr Michael Solyk

Immunity is conferred on any member of the Board for any act or omission, in good faith and in the exercise of official powers or functions.

Outputs

As summarised in the following table, there were no disputes or reviews of decisions requiring the Arbitrator's attention. There was a need, however, for systems and processes to be established and to be available in the event that the Arbitrator is called upon to provide services.

Number of disputes lodged	0
Number of reviews lodged for consideration by the Gas Review Board	1
Number of reviews undertaken by the Gas Review Board	0
Number of equivalent pipelines or pipeline systems oversighted ¹	6.6

¹ The outputs of the Arbitrator include the oversighting of covered gas pipelines in respect of which the Arbitrator may be called upon to provide services. These services are the arbitration of disputes and the provision of administrative support to the Gas Review Board in the event that an application for review of a decision by the Minister for Energy, Regulator or Coordinator of Energy is lodged.

Senior Officers

The Arbitrator is the only Senior Officer. Mr Laurie James was appointed to the position, part-time, on 10 September 1999. Mr James is a Supreme Court barrister and solicitor and Chairman of the Western Australian law firm Kott Gunning. He was Chairman of the WA Chapter of the Institute of Arbitrators and Mediators Australia between 1990 and 1997. He was also Senior Vice President of the Law Society of WA from 1995 to 1996 and is currently convenor of its Public Purposes Trust Review Committee.

Shares in Subsidiary Bodies

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

Interest in Existing or Proposed Contracts

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

Electoral Act Disclosure Requirements

In accordance with disclosure requirements of Section 175ZE of the Electoral Act, the Arbitrator incurred no expenditure during the period 1 July 1999 and 30 June 2000 on:

Advertising Agencies

Market Research Organisations

Polling Organisations

Direct Mail Organisations

Media Advertising Organisations

Directions Given

No Directions were given to the Gas Disputes Arbitrator under Section 75(2) of the GPAA during the period 1 July 1999 to 30 June 2000.

Output Measures

Treasurer's Instruction 904 requires information to be provided on the quantity, quality, timeliness and costs of the agency's output.

Quantity: The formal outputs of the Arbitrator are the number of disputes resolved, the number of reviews undertaken and the number of pipelines or pipeline systems oversighted by the Arbitrator in the financial year. There were no applications for arbitration during the 1999/2000 financial year. There was one application for a review of a decision, but this review did not proceed because the application was not lodged within the time allowed by the legislation.

Quality: This is measured by the proportions of clients who are satisfied/very satisfied with the arbitration or review processes implemented. Since there were no disputes or reviews the activities of the Arbitrator were not visible to clients and therefore could not be measured. However, systems and processes have been established that are available in the event that the Arbitrator is called upon to provide services.

Timeliness: Measured by the percentage of outputs completed within standard time. Since there were no disputes or reviews, this could not be measured. However, panels were established from which the Gas Review Board can be formed and the process is ready to respond when called upon.

Cost: Measured by the average cost for resolving disputes, reviewing decisions and by the average cost per equivalent pipeline oversighted by the Arbitrator. Since there were no disputes or reviews during the financial year the cost per unit of these outputs was zero. All of the costs of the Arbitrator are therefore in the nature of an overhead and attributed to the cost per equivalent pipeline oversighted by the Arbitrator in the financial year.

Publications

Other than the Annual Report, no publications were issued by the Arbitrator.

Boards and Committees

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

KEY PERFORMANCE INDICATORS FOR THE ARBITRATOR

Certification of Performance Indicators

The accompanying Performance Indicators are based on proper records and fairly represent the performance of the Western Australian Gas Disputes Arbitrator for the year ended 30 June 2000.



LAURIE JAMES
GAS DISPUTES ARBITRATOR
31 August 2000

To the Parliament of Western Australia

**Western Australian Gas Disputes Arbitrator
Performance Indicators for the year ended June 30, 2000**

Scope

I have audited the key effectiveness and efficiency performance indicators of the Western Australian Gas Disputes Arbitrator for the year ended June 30, 2000 under the provisions of the Financial Administration and Audit Act 1985.

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

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

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

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Western Australian Gas Disputes Arbitrator are relevant and appropriate for assisting users to assess the Arbitrator's performance and fairly represent the indicated performance for the year ended June 30, 2000.



D D R PEARSON
AUDITOR GENERAL
October 23, 2000

Report on Performance Indicators

The following key performance indicators are reported for auditing purposes.

Effectiveness

Desired Outcome:	Percentage of interested parties satisfied or very satisfied with:	Percentage
To provide for the resolution of disputes	<ul style="list-style-type: none"> The administration of arbitration processes 	n/a
To provide rights of access to natural gas pipelines on conditions that are fair and reasonable for pipeline service providers and users of pipeline services.	<ul style="list-style-type: none"> The administration of review process 	n/a

n/a not applicable as this could not be measured since no arbitrations or reviews were held.

Efficiency

Output 1

Arbitration of disputes	<ul style="list-style-type: none"> Average cost per dispute¹ 	\$0
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Output 2

Review of decisions	<ul style="list-style-type: none"> Average cost per review¹ 	\$0
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Output 3

Oversighting of gas pipelines located in Western Australia that are covered by the National Third Party Access Code for Natural Gas Pipeline Systems (the Code)	<ul style="list-style-type: none"> Average cost per equivalent pipeline oversighted 	\$3,670
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Notes to the Efficiency Indicators:

1. Cost per unit of output is zero owing to there being no such outputs for the year.

EXPLANATORY NOTES ON KEY PERFORMANCE INDICATORS

The derivation of the Arbitrator’s key performance indicators is indicated in the following table and explanatory notes are provided where appropriate.

Desired Outcomes ¹	Outputs	Effectiveness Indicators	Efficiency Indicators
To provide for the resolution of disputes.	Output 1 Arbitration of disputes	The percentage of interested parties ² who are satisfied/very satisfied with the arbitration process ⁶ .	Cost per dispute.
To provide rights of access to natural gas pipelines on conditions that are fair and reasonable for pipeline service providers and users of pipeline services.	Output 2 Review of decisions	The percentage of interested parties ² who are satisfied/very satisfied with the review process ⁶ .	Cost per review.
<ul style="list-style-type: none"> To provide for the resolution of disputes. To provide rights of access to natural gas pipelines on conditions that are fair and reasonable for pipeline service providers and users of pipeline services. 	Output 3 Oversighting ⁴ of gas pipelines located in Western Australia that are covered by the National Third Party Access Code for Natural Gas Pipeline Systems (the Code)	<ul style="list-style-type: none"> The percentage of interested parties² who are satisfied/very satisfied with the arbitration process⁶. The percentage of interested parties who are satisfied/very satisfied with the review process⁶. 	Cost per equivalent ³ covered pipeline oversighted ⁵ .

1 The desired outcomes are taken from the Gas Pipelines Access (WA) Act 1998. These are listed in the preamble to the legislation. They are set at a national level, being based on the uniform national framework for access to natural gas pipelines. However, gas pipelines in Western Australia are not connected to the national system.

2 Interested parties are members of the target population comprising prospective users of gas pipelines, pipeline service providers, gas producers, gas traders or users of gas that have expressed an interest with the Agency to be kept informed on gas access regulatory matters. The target population is the same for all of the Arbitrator’s outputs.

3 The concept of equivalent units of output is used recognising that pipelines may be covered by the Code for part of the year only.

4 The outputs of the Arbitrator include the oversighting of covered gas pipelines in respect of which the Arbitrator may be called upon to provide services. These services are the arbitration of disputes and the provision of administrative support to the Gas Review Board in the event that an application for review of a decision by the Minister for Energy, Regulator or Coordinator of Energy is lodged.

5 The cost per equivalent output is derived from the financial reporting system that generates the financial statements of this report.

6. A survey of interested parties, conducted by an independent consultant, was commissioned with the identity of respondents not being disclosed to the Agency.

FINANCIAL STATEMENTS FOR THE ARBITRATOR

Statement of Certification

The accompanying financial statements of the Western Australian Gas Disputes Arbitrator have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the period 7 September 1999 to 30 June 2000 and the financial position as at 30 June 2000.

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



LAURIE JAMES
ACCOUNTABLE AUTHORITY
31 August 2000



GEOFF GILBERT
PRINCIPAL ACCOUNTING OFFICER
31 August 2000

To the Parliament of Western Australia

**Western Australian Gas Disputes Arbitrator
Financial Statements for the year ended June 30, 2000**

Scope

I have audited the accounts and financial statements of the Western Australian Gas Disputes Arbitrator for the year ended June 30, 2000 under the provisions of the Financial Administration and Audit Act 1985.

The Arbitrator is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Arbitrator.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Arbitrator to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions so as to present a view which is consistent with my understanding of the Arbitrator's financial position, the results of its operations and its cash flows.

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

Audit Opinion

In my opinion,

- (i) the controls exercised by the Western Australian Gas Disputes Arbitrator provide reasonable assurance that the receipt, expenditure and investment of moneys and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the Operating Statement, Statement of Financial Position and Statement of Cash Flows and the Notes to and forming part of the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions, the financial position of the Arbitrator at June 30, 2000 and the results of its operations and its cash flows for the year then ended.



D D R PEARSON
AUDITOR GENERAL
October 23, 2000

**OPERATING STATEMENT FOR THE PERIOD 7 SEPTEMBER 1999 TO
30 JUNE 2000**

	Note	1999/00 \$'000
COST OF SERVICES		
Operating Expenses		
Salaries	2	21
Administration Expenses	3	4
<i>Total Cost of Services</i>		25
Operating Revenue		
Recoup of costs and interest on account balances	4	8
<i>Total Operating Revenue</i>		8
<i>Net Cost of Services</i>	10	17
REVENUES FROM GOVERNMENT		
Operational funding	5	22
Resources Received Free of Charge	17	2
<i>Total Revenues from Government</i>		24
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS		7

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2000

	Note	1999/00 \$'000
CURRENT ASSETS		
Cash	6	8
<i>Total Current Assets</i>		8
		<i>Total Assets</i>
		8
CURRENT LIABILITIES		
Accrued Salaries	7	1
<i>Total Current Liabilities</i>		1
		<i>Total Liabilities</i>
		1
EQUITY		
Accumulated surplus	8	7
<i>Total Equity</i>		7
<i>Total Liabilities and Equity</i>		8

**STATEMENT OF CASH FLOWS FOR THE PERIOD 7 SEPTEMBER 1999 TO
30 JUNE 2000**

	Note	1999/00 \$'000
REVENUES FROM GOVERNMENT		
Operational funding		22
<i>Net Cash Provided by Government</i>		22
 Utilised as follows:		
 CASH FLOWS FROM OPERATING ACTIVITIES		
 Payments		
Salaries and related costs		-20
Administration		-2
 Receipts		
Recoup of costs and interest on account balances		8
<i>Net Cash used in Operating Activities</i>	10	-14
 <i>Net Increase in Cash Held</i>		 8
 <i>Cash at the beginning of the reporting period</i>		 0
 <i>Cash at the end of the reporting period</i>	 11	 8

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2000

1. Statement of Accounting Policies

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

a) General

i) The financial statements are prepared in accordance with the Financial Administration and Audit Act 1985.

ii) Subject to the exceptions noted in these accounting policies, the financial statements have been drawn up on the basis of historical cost principles.

iii) The accrual basis of accounting is being applied.

iv) The financial statements constitute a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary the application, disclosure, format and wording. The Financial Administration and Audit Act 1985 and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector together with the need for greater disclosure and also to satisfy accountability requirements.

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

b) Valuation of Non-Current Assets

Certain non-current assets may be revalued from time to time as disclosed in the financial statements. Any increments have been taken to assets revaluation reserve. Any decrements have been offset against previous increments (if any) charged against profits. Other assets are fixed at cost.

c) Leased Assets

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

d) Depreciation (and amortisation) of non-current assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their future economic benefits.

Depreciation is provided on the straight-line basis, using rates which are reviewed annually. Useful lives for each class of depreciable asset are:

Office Equipment	5 years
Computer Hardware	3 years

e) Employee Entitlements

i) Annual and Long Service Leave

These entitlements are calculated at current remuneration rates. A liability for long service leave is recognised after an officer has completed four years of service.

ii) Superannuation

At the reporting date, the Arbitrator was ineligible to contribute to the Superannuation and Family Benefits Act scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme, a defined benefit lump sum scheme now also closed to new members. The Arbitrator has an amount included as part of a retainer, which is deducted from each payment and remitted to a complying fund. The Government has no unfunded superannuation liability in respect of the Arbitrator.

f) Revenue

The costs of the Arbitrator's operations are recoupable in the event of an arbitration being undertaken. These and other revenues are fully described in the operating statement.

g) Funding

Funding of the Authority for the year ended 30 June 2000 was through OffGAR and was recognised as revenue in the period in which the authority gained control of the funds.

h) Accounts Receivable, Accounts Payable, Accrued Salaries and Borrowings

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

Collectability of accounts receivable is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubts as to collection exist.

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

Borrowings are recognised and carried at the amount of net proceeds received. Interest is recognised as it becomes payable.

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. The Authority considers the carrying amount approximates net fair value.

i) Resources Received Free of Charge or For Nominal Value

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

j) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial instruments are determined on the following bases:

* Monetary financial assets and liabilities not traded in an organised financial market – cost basis carrying amounts of accounts receivable, accounts payable and accruals (which approximates net market value);

* Fixed rate borrowings and leave liabilities – current risk adjusted market rates.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
7 SEPTEMBER 1999 TO 30 JUNE 2000**

	1999/00
	\$'000
2 Salaries	
Salaries	20
Employer superannuation contributions on behalf of the Arbitrator	1
	21
3 Administration Expenses	
Expenses incurred during the year	4
	4
4 User Charges and Fees	
Recoup of Costs and interest on account balances	8
	8
5. Operational funding	
Operational funding	22
	22
6 Cash	
Operating Account	8
	8
7 Accrued Salaries	
Amounts owing for the 6 working days from 25 June to 30 June 2000.	1
	1

Accrued Salaries Suspense Account is represented by a Cash Balance and is therefore equivalent to the Net Fair Value

1999/00

\$'000

8 Accumulated surplus

Equity represents the residual interest in the net assets of the Authority. The Government holds the equity interest in the Authority on behalf of the community.

Balance at the beginning of the year	0
Change in the Net Assets resulting from Operations	7
Balance at end of the year	7

9 Remuneration and Retirement Benefits of Senior Officers of the Accountable Authority

The number of Senior Officers whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, fall within the following bands are:

	1999/00
20,000 – 30,000	1

The total remuneration of senior officers is: **20**

Retirement Benefits of Senior Officers

Amounts in respect of retirement benefits for the Arbitrator became payable for the financial year:

Contributions to Superannuation Schemes other than Gold State or West State (GESB) Schemes	1
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10 Reconciliation of net cash used in Operating Activities to Net Cost of Services

For the purposes of the Statement of Cash Flows, ‘cash’ has been deemed to include Cash on Hand, Trust Fund Balances and amounts held in Suspense.

Net cash used in operating activities	-14
Decrease/(Increase) in accrued salaries	-1
Resources Received Free of Charge	-2
Net cost of services	-17

11 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, ‘cash’ includes Cash on Hand and in banks and investments in money market instruments. Cash at the beginning of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash resources	8
	8

12 Additional Financial Instruments Disclosures

(a) Interest Rate Risk Exposure

The Authority's exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments are:

	Weighted Average Effective Interest Rate %	Floating Interest rate \$'000	Fixed interest rate maturities			Non Interest bearing \$'000	Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000		
30 June 2000							
<u>Assets</u>							
Cash Resources	5.85	8	0	0	0	0	8
Total Financial Assets		8	0	0	0	0	8
<u>Liabilities</u>							
Accrued salaries	N/A	0	0	0	0	1	1
Total Financial Liabilities		0	0	0	0	1	1
Net Financial Assets (Liabilities)		8	0	0	0	(1)	7

(b) Credit Risk

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

(c) Net Fair Value of Financial Instrument

The carrying amounts of cash at bank, accounts receivable, accrued salaries and employee entitlements are considered to reflect their net fair value.

13 Contingent Liabilities

The Arbitrator has no contingent liabilities as at 30 June 2000.

14 Events Occurring After Reporting Date

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

15 Explanatory Statement

- a) There is no significant variance between Estimates and Actual Results for the Financial Year.
- b) 1999/2000 is the first year of operation for the Authority, there is no comparison between actual results for the year and those of the immediately preceding year.

16 Segment Information

The Arbitrator operates within a single industry segment, being the Energy sector in Western Australia.

**1999/00
\$'000**

17 Resources received Free of Charge

Resources Received Free of Charge has been determined on the basis of the following estimates provided by agencies:

Office of the Auditor General - Audit Services	2
	2

Contact Details

Independent Gas Access Regulator

Gas Disputes Arbitrator

can be contacted through

Office of Gas Access Regulation

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

Postal Address: GPO Box 8469 Perth Business Centre WA 6849

Telephone: 61 8 9213 1900 Facsimile: 61 8 9213 1999

Email: enquiry@offgar.wa.gov.au

Website: <http://www.offgar.wa.gov.au/>



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