



**Western Australian Energy Disputes Arbitrator
Annual Report 2014-2015**

Contact details

The Western Australian Energy Disputes Arbitrator can be contacted via the Economic Regulation Authority.

Office hours	9:00 am to 5:00 pm Monday to Friday (except public holidays)
Office address	Level 4, Albert Facey House 469 Wellington Street PERTH WA 6000
Postal address	PO Box 8469 PERTH BC WA 6849
Telephone	(08) 6557 7900
Fax	(08) 6557 7999
Email	records@erawa.com.au
Website	www.edawa.com.au

© Energy Disputes Arbitrator 2015

This report will be made available in alternative formats on request.

The Western Australian Energy Disputes Arbitrator 2014/15 annual report and previous annual reports are available on the Arbitrator's website www.edawa.com.au

Statement of Compliance

Hon Dr Mike Nahan BEd MS PhD MLA
Minister for Energy
12th Floor, Dumas House
2 Havelock Street
WEST PERTH WA 6005

Dear Minister

Energy Disputes Arbitrator 2014/15 Annual Report

In accordance with section 61 of the *Financial Management Act 2006*, we submit for your information and presentation to Parliament, the Annual Report of the Western Australian Energy Disputes Arbitrator for the financial year ended 30 June 2015.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*, the *Public Sector Management Act 1994* and the Treasurer's Instructions.

Yours sincerely



LJ

Laurie James
Energy Disputes Arbitrator
18 September 2015

Contents

Statement of Compliance	i
From the Arbitrator	1
Overview of the Agency	2
Executive Summary	2
Performance Management Framework.....	7
Agency Performance	8
Significant Issues Impacting the Agency	13
Disclosures and Legal Compliance	14
Financial Statements	15
Certification of Key Performance Indicators	41
Key Performance Indicators.....	42
Formulating the Arbitrator’s Performance Indicators	42
Key Effectiveness Indicators	43
2014/15 Performance – Effectiveness.....	43
Key Efficiency Indicators	44
2014/15 Performance – Efficiency.....	45
Ministerial Directives	47
Other Financial Disclosures.....	47
Governance Disclosures.....	49
Appendix 1 - Other Legislation Impacting the Arbitrator	54

Tables and Figures

Table 1: Review Board Panel members	6
Table 2: Estimates approved by the Minister for 2014/15 and 2015/16	8
Table 3: Summary of Key Performance Indicators	10
Table 4: Standing charges – <i>National Gas Access (WA) (Local Provisions) Regulations 2009</i>	47
Table 5: Standing charges – <i>Gas Supply (Gas Quality Specifications) Regulations 2010</i>	48
Table 6: Standing charges – <i>Gas Services Information Regulations 2012</i>	48
Table 7: Standing charges – <i>Electricity Industry (Arbitrator and Board) Funding Regulations 2009</i>	48
Figure 1: Organisational Chart	3
Figure 2: Arbitrator Costs	9
Figure 3: Electricity Review Board Costs	9

From the Arbitrator



The function of the Western Australian Energy Disputes Arbitrator under the *Energy Arbitration and Review Act 1998* is to hear and determine any disputes which may be referred to arbitration between parties seeking access to electricity infrastructure and the owners of such infrastructure about the terms and conditions and the prices that are applicable for such access.

In addition to my arbitral functions, I have administrative duties, including responsibility for ensuring that appropriate services are available to an Electricity Review Board, if such an

Electricity Review Board is required.

In my administrative capacity, I am responsible to the Minister for Energy, presently the Hon. Mike Nahan, and subject to the *Freedom of Information Act*. In my arbitral capacity, on the other hand, I am not subject to Ministerial direction nor to the operation of the *Freedom of Information Act*.

During the year under review, my original term of office expired on 28 November 2014. Having indicated my willingness to continue to serve, I was re-appointed to that position for a further three years from and including 29 November 2014. I was pleased to receive a letter from the Minister dated 19 November 2014 confirming that Her Excellency the Governor had re-appointed me. Of course, that

appointment by the Governor was made on the recommendation of Minister Nahan and with the consent of the Cabinet.

In October 2014, I attended the Institute of Public Administration Australia 2014 conference titled “the shape of things to come”. This was followed by a research day conducted at Murdoch University. There were a series of most interesting presentations with a focus on building trust amongst citizens in the public administration.

I take this opportunity to thank Pam Herbener, Manager Corporate Services and the other staff at the Economic Regulation Authority, upon whose efficiency and diligence I am reliant. I also wish to record my thanks to the Hon. Mike Nahan in his capacity as Minister for Energy for his continued support throughout the year, particularly in recommending my re-appointment to Her Excellency the Governor.



Laurie James
Energy Disputes Arbitrator

Overview of the Agency

Executive Summary

The Office of the Western Australian Energy Disputes Arbitrator (Arbitrator) is established under the *Energy Arbitration and Review Act 1998*. The Office was set up to resolve disputes between providers of gas pipeline services and other parties seeking access to a regulated gas pipeline. The Arbitrator also has functions under the *Electricity Industry Act 2004* to resolve disputes in relation to the negotiation of contracts and contractual disputes in relation to access to regulated electricity networks.

The Arbitrator also has responsibility for the financial management and provision of administrative support to the Western Australian Electricity Review Board (Review Board) which is also established under the *Energy Arbitration and Review Act 1998*.

There were no matters being considered by the Review Board during the reporting year.

There were no applications lodged with the Arbitrator to resolve disputes during this reporting year.

Operational Structure

The Arbitrator has no supporting organisation, but may, by arrangement, make use of facilities and staff of other Government departments and agencies other than employees of an Electricity Corporation. The Arbitrator has an

arrangement with the Economic Regulation Authority for corporate services.

When required, a consultant is appointed to perform the services of Registrar to facilitate hearings of the Review Board.

Enabling Legislation

The Office of the Arbitrator is established under section 62 of the *Energy Arbitration and Review Act 1998*.

Responsible Minister

The Minister responsible for administering the *Energy Arbitration and Review Act 1998* is the Hon. Dr Mike Nahan BEc MS PhD MLA, LA Treasurer, Minister for Energy, Citizenship and Multicultural Interests.

Organisational Structure

Vision To achieve vigorously competitive energy markets in Western Australia with minimal regulatory oversight.

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

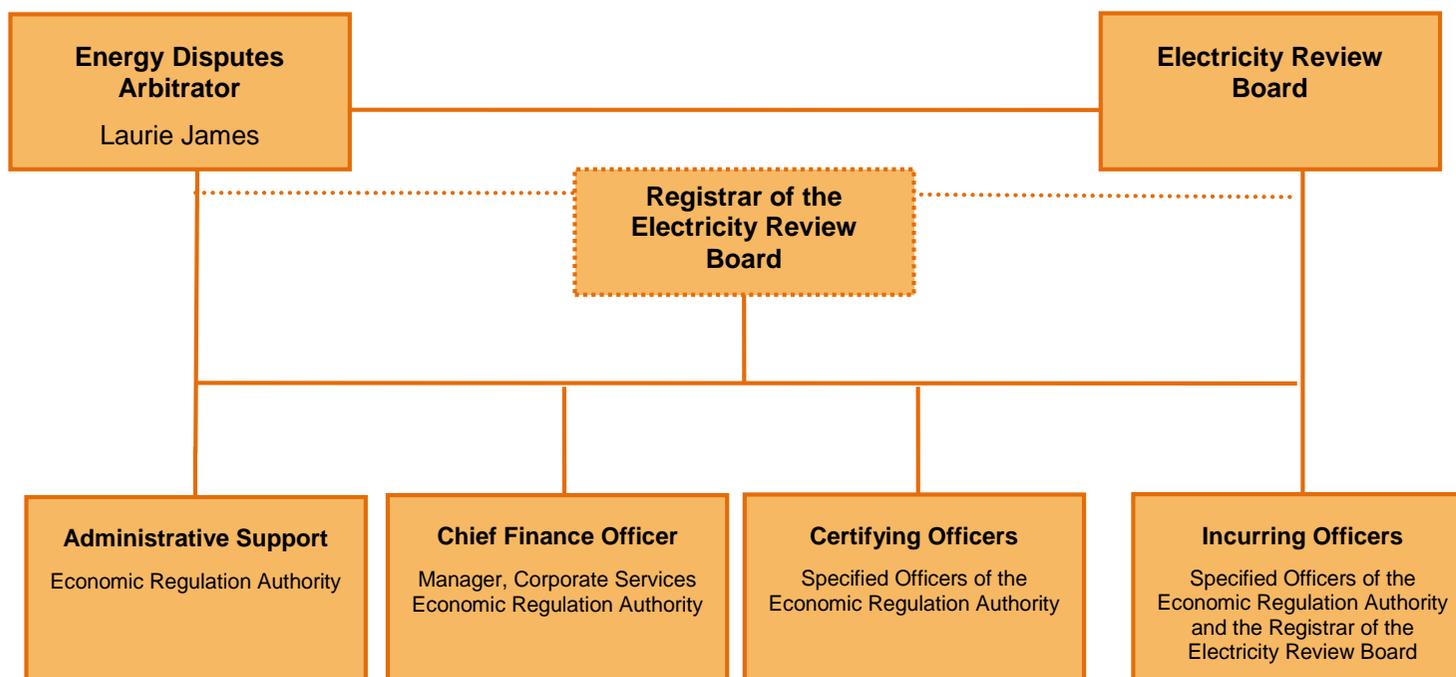
Values

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

Organisational Chart

The following chart represents the organisational structure of the Arbitrator as at 30 June 2015. The Economic Regulation Authority continues to provide corporate services support to the Arbitrator. This support is provided by staff who are not involved in regulatory decision making. Processes are in place to ensure that information about the activities of the Arbitrator and Review Board are not made available to staff of the Economic Regulation Authority outside of the corporate services division.

Figure 1: Organisational Chart



Funding

The Arbitrator is funded through provisions in the *National Gas Access (WA) (Local Provisions) Regulations 2009*, the *Electricity Industry (Arbitrator and Board) Funding Regulations 2009*, the *Gas Supply (Gas Quality Specifications) Regulations 2010* and the *Gas Services Information Regulations 2012*.

Administered Legislation

Gas industry

The functions of the Arbitrator in relation to the gas industry include:

- those conferred under the *National Gas Access (WA) Act 2009* including the arbitration functions under the National Gas Law; and
- regulations under the *Gas Supply (Gas Quality Specifications) Act 2009*.

The Arbitrator may resolve a dispute between a user, or prospective user, and a service provider about one or more aspects of access to a service provided by means of a gas pipeline.

The Arbitrator may also resolve disputes between parties which arise over compensation associated with the use, storage or transportation of broad specification gas.

Electricity Industry

The functions of the Arbitrator in relation to the electricity industry include those conferred under:

- Chapter 10 of the Electricity Networks Access Code 2004; and
- The Electricity Industry (Metering) Code 2012.

The Arbitrator may resolve disputes in relation to proposed or existing contracts for access to regulated electricity networks.

The Arbitrator may also resolve disputes in relation to the obligations of Metering Code participants associated with the measurement of electricity and the provision of metering services, metering installations and standing data and energy data.

Other legislation impacting the Arbitrator

The Arbitrator performs his functions in compliance with other legislation. These are listed in [Appendix 1 - Other Legislation Impacting the Arbitrator](#).

Independence of direction

Section 75 of the *Energy Arbitration and Review Act 1998* 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. The Minister for Energy can only direct the Arbitrator in respect of general policies to be followed by the Arbitrator with regard to administration and financial administration.

The *Energy Arbitration and Review Act 1998* also provides the Arbitrator with financing and immunity provisions.

Support

The Arbitrator does not appoint permanent staff, but public service employees can be assigned to assist the Arbitrator perform his functions. The Arbitrator has an administrative arrangement with the Economic Regulation Authority for the provision of corporate services.

Clients

The Arbitrator's clients are:

- regulated gas and electricity transmission and distribution operators and users;
- gas producers and operators of pipelines in respect of broad specification gas; and
- the Review Board.

Western Australian Electricity Review Board

The Western Australian Electricity Review Board (Review Board) is established under section 50 of the *Energy Review and Arbitration Act 1998* as an appeals body formed from time to time to make determinations and review decisions.

Review Board panel members are nominated by the Minister for Energy and appointed by the Governor. Two panels are established, one for legal practitioners and one for experts.

When required to be constituted, the Review Board comprises a presiding member chosen by the Attorney General from the panel of legal practitioners, and two experts, chosen by the

presiding member from the panel of experts. The Review Board may be separately constituted to hear and determine different appeals.

The Review Board can be constituted to conduct proceedings under:

- The *Electricity Industry Act 2004* including in relation to the Wholesale Electricity Market; and
- The *Gas Services Information Act 2012*.

The Review Board can be constituted to review decisions of:

- The Economic Regulation Authority:
 - regarding access to electricity networks under the Electricity Networks Access Code 2004; and
 - concerning electricity licences and standard form contracts under the *Electricity Industry Act 2004*.
- The Independent Market Operator under the Wholesale Electricity Market Rules and the *Gas Services Information Act 2012*.
- System Management under the Wholesale Electricity Market Rules.
- the Minister for Energy on the coverage of network infrastructure under the *Electricity Industry Act 2004*.

Table 1: Review Board Panel members

Panel Members whose appointment ends 20 September 2015		Panel Members whose appointment ends 5 August 2016	
<i>Legal practitioner</i>	<i>Experts</i>	<i>Legal practitioners</i>	<i>Experts</i>
Mr Graham Castledine	Mr Michael Carr Dr Leslie Farrant Mr Brendan Gaynor Dr Frank Harman Mr Albert Koenig Mr David Lyne Mr Kevan McGill Mr Nenad Ninkov Dr John Williams Mr Ted Woodley	Mr Scott Ellis Mr Adam Bisits Mr Charles Merriam Mr Michael Sweeney Mr Simon Adams	Mr Graham Mathieson Ms Jenny Davis Mr John Collins Mr Mark Johnston Mr Simon Orme

Performance Management Framework

Outcome Based Management Framework

The strategic high-level government goal relevant to the Arbitrator is “greater focus on achieving results in key service delivery areas for the benefit of all Western Australians”. The desired outcome of the activities of the Arbitrator in support of this high-level strategic goal is “the efficient, safe and equitable provision of utility services in Western Australia”.

Although the Arbitrator’s role does not directly contribute to this desired outcome, the services he provides to bodies such as the Review Board are consistent with this outcome.

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

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

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

The Arbitrator’s outcome is achieved by assisting parties to resolve disputes and providing timely and efficient support to the Review Board when it is constituted.

Changes to Outcome Based Management Framework

The Arbitrator’s Outcome Based Management Framework did not change during 2014/15.

Shared Responsibilities with Other Agencies

The Arbitrator did not share any responsibilities with other agencies during this reporting period.

Agency Performance

Energy Disputes Arbitrator

No applications to conduct an Arbitration hearing were lodged in 2014/15. This is consistent with an objective of having no disputes.

Electricity Review Board

There were no applications for review by the Electricity Review Board lodged in 2014/15.

Actual financial results versus approved estimates

Financial targets

In accordance with Section 40 of the *Financial Management Act 2006*, the Arbitrator prepares and submits an annual estimate of expenditure to the Minister for approval. Treasurer's Instructions require that information about the approved annual estimate be included in the annual report. The approved annual estimate is not to form part of the financial statements subject to audit by the Office of the Auditor General.

The following estimates were approved by the Minister for 2014/15.

Table 2: Estimates approved by the Minister for 2014/15

Expenditure Estimate	2014/15
Staff Costs	
Total remuneration including on-costs	\$31,000
Administration Costs	
Supplies and services	\$13,000
Audit fees	\$6,000
Total Annual Estimate	\$50,000

The total expenditure for the ongoing costs of the Arbitrator in 2014/15 was \$50,437.

The Arbitrator does not allow for costs associated with arbitration, review or appeal in the annual estimates. The 2014/15 expenditure does not include any expenditure relating to reviews which is consistent with the previous year.

There has been an increase in expenditure of 2% in 2014/15 over the previous year. The Arbitrator has not been called on to conduct any arbitrations or support the Electricity Review Board with any applications this year, so the increase is mainly due to the Perth consumer price index. There was an additional cost in 2014/15 associated with the Arbitrator's attendance at a

conference. All other expenditure relating to the ongoing costs of the Arbitrator was consistent with previous years.

The following charts provide a comparison of costs over the last three years for the Arbitrator and the Review Board.

Figure 2: Arbitrator Costs

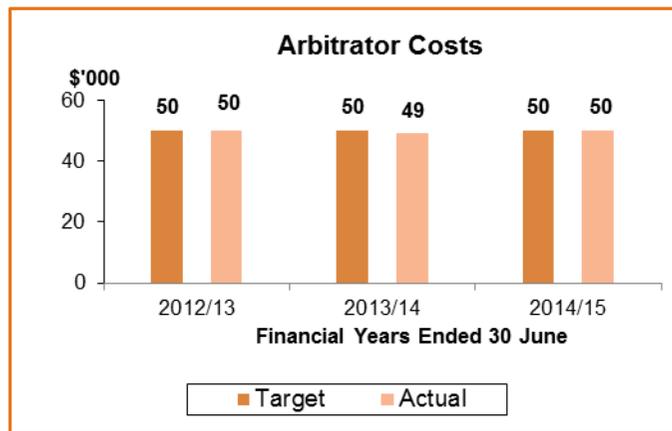
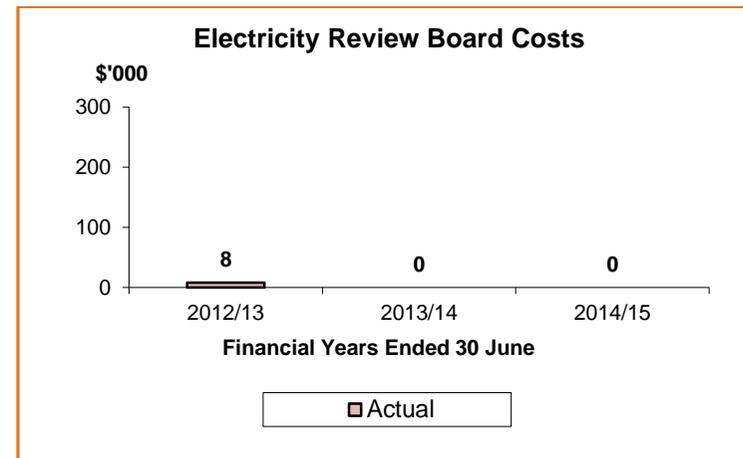


Figure 3: Electricity Review Board Costs



Summary of Key Performance Indicators

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

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

The Arbitrator's outcome is achieved by maintaining a state of readiness for the resolution of disputes and providing timely and efficient support to the Review Board when it is constituted.

Table 3: Summary of Key Performance Indicators

Desired outcome	2014/15	2014/15	Variation
	Target	Actual	+
<p><i>Outcome 1 To provide for resolution of disputes</i> Key Effectiveness Indicator The number of disputes resolved as a proportion of total disputes registered</p>	100%	0% (no disputes)	N/A no disputes
<p><i>Service 1: Arbitration of disputes</i> Key Efficiency Indicator: Average cost per dispute</p>	\$0 (no disputes)	\$0 (no disputes)	\$0
<p><i>Outcome 2 To provide administrative services to the Electricity Review Board for the review of decisions</i> Key Effectiveness Indicator Percentage of Electricity Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes</p>	75%	0%	75%
<p><i>Service 1: Provision of administrative services</i> <i>The survey was not undertaken in 2014/15 as no review board was active during the year</i> Key Efficiency Indicator: Average cost per review application</p>	\$0	\$0	\$0

Maintaining a state of readiness

To facilitate the measurement of the cost efficiency associated with the Arbitrator's availability to address matters arising from the regulation of infrastructure, the concept of a standard unit of regulated infrastructure was established. This is used to recognise and allow for the fact that the size, value and complexity of regulated infrastructure varies from one asset to another. It also recognises that the size, cost and complexity of regulation and arbitration work will vary accordingly.

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

Number of units of regulated infrastructure overlooked

During 2014/15, the Arbitrator had oversight of 22.42 equivalent standard units (\$500 million) of regulated infrastructure, against a target of 21.98. The asset value of gas pipeline infrastructure overlooked by the Arbitrator was reset during the year following the review of the access arrangement for the Mid-West and South-West Gas Distribution System.

The calculation of units of regulated infrastructure does not include the value of generation facilities covered by the wholesale electricity market overlooked by the Arbitrator. No value has been attributed to generation facilities in calculating

the number of units of regulated infrastructure as no such value is available and, it is not cost effective to calculate such a value.

Arbitrator's costs

The cost of the Arbitrator being available to address matters arising from the regulation of infrastructure for 2014/15 was \$50,437 compared to \$49,216 in 2013/14 and \$50,034 in 2012/13. The Arbitrator is able to recover this cost from operators of regulated gas pipelines, electricity networks, producers of broad specification gas and the Independent Market Operator in relation to the Gas Statement of Opportunities and Gas Services Bulletin Board.

Electricity Review Board costs

There were no applications for review underway with the Review Board during the year.

Average cost of overlooking

As a result of the increase in the actual number of units of regulated infrastructure overlooked in 2014/15, the average cost of overlooking an equivalent standard unit of regulated infrastructure decreased slightly from the target of \$2,275 to \$2,249.

Provision of Administrative Services to the Electricity Review Board

To assess satisfaction with the administrative services provided by the Arbitrator to the Review Board, the members of Review Boards active during the year are invited to respond to a survey to rate their satisfaction in relation to:

- venues and facilities;
- timeliness of services; and
- general administrative services.

As no Review Boards were active during the year, the survey was not undertaken.

Significant Issues Impacting the Agency

The following issue may impact the role of the Arbitrator in 2015/16.

On 6 March 2014, the Minister for Energy launched the Electricity Market Review. The Review examines the structures of the electricity generation, wholesale and retail sectors within the South West Interconnected System in Western Australia and the incentives for industry participants to make efficient investments and minimise costs.

In December 2014, phase 1 of the Review was completed and the State Government was provided with an options paper that provided 14 recommendations to combat rising electricity costs and improve market efficiency. On 24 March 2015, the Minister for Energy launched phase 2 of the review which aims to give effect to the Government's preferred reform options to achieve the Review objectives. The Department of Finance's Public Utilities Office is managing phase 2 of the review.

One of the reforms being considered is institutional arrangements relating to the electricity market. This includes a potential reform to replace the Western Australian Energy Disputes Arbitrator and Western Australian Electricity Review Board with more cost-efficient dispute resolution bodies and procedures. Decisions with respect to what reforms will progress is expected to occur progressively over 2015-16 and 2016-17.

Disclosures and Legal Compliance



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

WESTERN AUSTRALIAN ENERGY DISPUTES ARBITRATOR

Report on the Financial Statements

I have audited the accounts and financial statements of the Western Australian Energy Disputes Arbitrator.

The financial statements comprise the Statement of Financial Position as at 30 June 2014, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Arbitrator's Responsibility for the Financial Statements

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

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Arbitrator's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Arbitrator, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Western Australian Energy Disputes Arbitrator at 30 June 2014 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by the Western Australian Energy Disputes Arbitrator during the year ended 30 June 2014.

Controls exercised by the Western Australian Energy Disputes Arbitrator are those policies and procedures established by the Arbitrator to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Arbitrator's Responsibility for Controls

The Arbitrator is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Western Australian Energy Disputes Arbitrator based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Arbitrator complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Opinion

In my opinion, the controls exercised by the Western Australian Energy Disputes Arbitrator are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2014.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2014.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Arbitrator's Responsibility for the Key Performance Indicators

The Arbitrator is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Arbitrator determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Arbitrator's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

Opinion

In my opinion, the key performance indicators of the Western Australian Energy Disputes Arbitrator are relevant and appropriate to assist users to assess the Arbitrator's performance and fairly represent indicated performance for the year ended 30 June 2014.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2014 included on the Arbitrator's website. The Arbitrator's management is responsible for the integrity of the Arbitrator's website. This audit does not provide assurance on the integrity of the Arbitrator's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

GLEN CLARKE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
11 August 2014

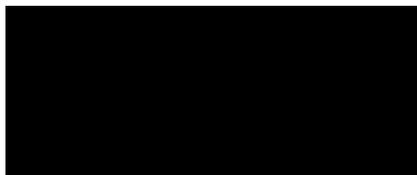
Financial Statements

Certification of Financial Statements

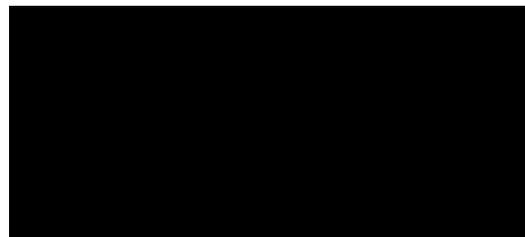
For the year ended 30 June 2015

The accompanying financial statements of the Western Australian Energy Disputes Arbitrator have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2015 and the financial position as at 30 June 2015.

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.



Pam Herbener
CHIEF FINANCE OFFICER
Date: 3 August 2015



Laurie James LLB Hons.
ENERGY DISPUTES ARBITRATOR
Date: 3 August 2015

	Note	2015 \$	2014 \$
Statement of Comprehensive Income			
For the year ended 30 June 2015			
COST OF SERVICES			
Expenses			
Employee benefits expense	4.	31,987	30,605
Supplies and services	5.	12,650	12,911
Other expenses	6.	5,800	5,700
Total cost of services		<u>50,437</u>	<u>49,216</u>
Income			
<i>Revenue</i>			
Regulatory fees	7.	39,408	37,958
Interest revenue	8.	540	506
Total Revenue		<u>39,948</u>	<u>38,464</u>
Total income other than income from State Government		<u>39,948</u>	<u>38,464</u>
NET COST OF SERVICES		<u>10,489</u>	<u>10,752</u>
Income from State Government			
Services received free of charge	9.	11,029	11,315
Total income from State Government		<u>11,029</u>	<u>11,315</u>
SURPLUS/(DEFICIT) FOR THE PERIOD		<u>540</u>	<u>563</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>540</u>	<u>563</u>

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

	Note	2015 \$	2014 \$
Statement of Financial Position			
As at 30 June 2015			
ASSETS			
Current Assets			
Cash and cash equivalents	10.,15.	29,767	27,699
Receivables	11.	8,052	8,220
Other current assets	12.	118	1,273
Total Current Assets		<u>37,937</u>	<u>37,192</u>
TOTAL ASSETS		<u>37,937</u>	<u>37,192</u>
LIABILITIES			
Current Liabilities			
Payables	13.	<u>1,052</u>	847
Total Current Liabilities		<u>1,052</u>	<u>847</u>
TOTAL LIABILITIES		<u>1,052</u>	<u>847</u>
NET ASSETS		<u>36,885</u>	<u>36,345</u>
EQUITY			
Contributed Equity	14.	880,000	880,000
Accumulated surplus/(deficit)	14.	(843,115)	(843,655)
TOTAL EQUITY		<u>36,885</u>	<u>36,345</u>

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

**Statement of Changes in Equity
For the year ended 30 June 2015**

	Note	Contributed Equity \$	Reserves \$	Accumulated surplus/(deficit) \$	Total Equity \$
Balance at 1 July 2013	14.	880,000	-	(844,218)	35,782
Total comprehensive income for the period		-	-	563	563
Transactions with owners in their capacity as owners:					
Capital appropriations		-	-	-	-
Balance at 30 June 2014		880,000	-	(843,655)	36,345
Balance at 1 July 2014		880,000	-	(843,655)	36,345
Total comprehensive income for the period		-	-	540	540
Transactions with owners in their capacity as owners:					
Capital appropriations		-	-	-	-
Balance at 30 June 2015		880,000	-	(843,115)	36,885

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

	Note	2015 \$	2014 \$
Statement of Cash Flows			
For the year ended 30 June 2015			
CASH FLOWS FROM STATE GOVERNMENT			
Capital appropriation		-	-
Net cash provided by State Government		-	-
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits.....		(31,869)	(30,488)
Supplies and services		(379)	(2,865)
GST payments on purchases.....		(758)	(845)
Other payments.....		(5,800)	(5,700)
Receipts			
Regulatory fees		39,443	37,790
Interest received.....		540	506
GST receipts from taxation authority		891	717
Net cash provided by/(used in) operating activities.....	15.	2,068	(885)
Net increase/(decrease) in cash and cash equivalents		2,068	(885)
Cash and cash equivalents at the beginning of period.....		27,699	28,584
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD.....	15.	29,767	27,699

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

Notes to the Financial Statements

For the year ended 30 June 2015

Note 1. Australian Accounting Standards

General

The Arbitrator's financial statements for the year ended 30 June 2015 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The Arbitrator has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Arbitrator cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Arbitrator for the annual reporting period ended 30 June 2015.

Note 2. Summary of significant accounting policies

(a) General statement

The Arbitrator is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

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

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar.

(c) Reporting entity

The reporting entity comprises the Western Australian Energy Disputes Arbitrator.

(d) Contributed equity

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

The transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(e) Income

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Provision of services

Revenue is recognised by reference to the stage of completion of the transaction.

Interest

Revenue is recognised as the interest accrues.

Regulatory fees

Revenue for Standing Charges is recognised at the time the charge is raised on a client as per the *National Gas Access (WA) (Local Provisions) Regulations 2009*, the *Gas Supply (Gas Quality Specifications) Regulations 2010*, the *Gas Services Information Regulations 2012* and the *Electricity Industry (Arbitrator and Board Funding) Regulations 2009*.

(f) Financial instruments

In addition to cash, the Arbitrator has two categories of financial instrument:

- Receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
 - Cash and cash equivalents
 - Receivables
- Financial Liabilities
 - Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(g) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(h) Accrued salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Arbitrator considers the carrying amount of accrued salaries to be equivalent to its fair value.

(i) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Arbitrator will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(j) Payables

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

(k) Superannuation expense

The Arbitrator has an amount included as part of his remuneration, which is deducted from each payment and remitted to a complying superannuation fund.

The Government has no unfunded superannuation liability in respect to the Arbitrator.

(l) Assets and Services received free of charge or for nominal cost

Services received free of charge or for nominal cost, that the Arbitrator would otherwise purchase if not donated, are recognised as income at the fair value of the services where they can be reliably measured. A corresponding expense is recognised for services received.

Services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(m) Comparative figures

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

Note 3. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Arbitrator has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2014 that impacted on the Arbitrator.

AASB 1031

Materiality

This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality not available in IFRSs and refers to guidance on materiality in other Australian pronouncements. There is no financial impact.

AASB 2013-9

Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.

Part B of this omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standards for periods beginning on or after 1 January 2014. It has no financial impact.

AASB 2014-1

Amendments to Australian Accounting Standards

Part A of this Standard consists primarily of clarifications to Accounting Standards and has no financial impact for the Arbitrator.

Part C of this Standard has no financial impact as it removes references to AASB 1031 *Materiality* from a number of Accounting Standards.

Voluntary changes in accounting policy

There were no voluntary changes in accounting policy which have been adopted by the Arbitrator.

Future impact of Australian Accounting Standards not yet operative

The Arbitrator cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Arbitrator has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Arbitrator. Where applicable, the Arbitrator plans to apply these Australian Accounting Standards from their application date.

**Operative for
reporting periods
beginning on/after**

<i>AASB 9</i>	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<i>AASB 2010-7</i>	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Arbitrator has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018

		Operative for reporting periods beginning on/after
<i>AASB 2013-9</i>	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.</i> Part C of this omnibus Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The Arbitrator has not yet determined the application or the potential impact of AASB 9.	1 Jan 2015
<i>AASB 2014-1</i>	<i>Amendments to Australian Accounting Standards</i> Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Arbitrator to determine the application or potential impact of the Standard.	1 Jan 2018
<i>AASB 2014-5</i>	<i>Amendments to Australian Accounting Standards arising from AASB 15</i> This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The Arbitrator has not yet determined the application or the potential impact of the <i>Standard</i> .	1 Jan 2017
<i>AASB 2014-7</i>	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i> This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Arbitrator has not yet determined the application or the potential impact of the Standard.	1 Jan 2018

**Operative for
reporting periods
beginning on/after**

<i>AASB 2014-8</i>	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]</i></p> <p>This Standard makes amendments to AASB 9 <i>Financial Instruments</i> (December 2009) and AASB 9 <i>Financial Instruments</i> (December 2010), arising from the issuance of AASB 9 <i>Financial Instruments</i> in December 2014. The Authority has not yet determined the application of the potential impact of the Standard.</p>	1 Jan 2015
<i>AASB 2015-2</i>	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]</i></p> <p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.</p>	1 Jan 2016
<i>AASB 2015-3</i>	<p><i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i></p> <p>This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.</p>	1 July 2015

Changes in accounting estimates

There were no changes in accounting estimates that will have an effect on the current reporting period.

2015	2014
\$	\$

Note 4. Employee benefits expense

Salary	27,948	28,010
Superannuation - complying superannuation fund ^(a)	2,657	2,595
Other related expenses	1,382	-
	<u>31,987</u>	<u>30,605</u>

(a) Reflects the superannuation paid to the Arbitrator in terms of his contract conditions.

Note 5. Supplies and services

Professional services	11,567	11,956
Communications	656	644
Other	427	311
	<u>12,650</u>	<u>12,911</u>

Note 6. Other expenses

Audit fee ^(a)	5,800	5,700
	<u>5,800</u>	<u>5,700</u>

(a) See also note 20 'Remuneration of auditor'.

Note 7. Regulatory fees

Regulatory fees	39,408	37,958
	<u>39,408</u>	<u>37,958</u>

Note 8. Interest revenue

Interest revenue	540	506
	540	506
	2015	2014
	\$	\$

Note 9. Income from State Government

Services received free of charge from other State Government agencies during the period:

Economic Regulation Authority	11,029	11,315
	11,029	11,315

Note 10. Cash and cash equivalents

Current

Cash at Bank.....	29,767	27,699
	29,767	27,699

Note 11. Receivables

Current

Accrued revenue	8,034	8,069
GST receivable	18	151
Total current	8,052	8,220

There were no allowances made in the current year for the impairment of receivables (2013/14: nil)
The Arbitrator does not hold any collateral or other credit enhancements as security for receivables.

Note 12. Other Assets

Current

Prepayments	118	1,273
Total current	118	1,273

	2015	2014
	\$	\$

Note 13. PayablesCurrent

Trade payables	-	27
Accrued salaries	938	820
Accrued expenses	114	-
Total current	1,052	847

Note 14. EquityContributions by owners

Capital appropriation	880,000	880,000
	880,000	880,000

Accumulated surplus/(deficit)

Balance at start of period	(843,655)	(844,218)
Result for the period	540	563
Balance at end of period	(843,115)	(843,655)
Total Equity at end of period	36,885	36,345

Note 15. Notes to the Statement of Cash Flows**(a) Reconciliation of cash**

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents	29,767	27,699
	29,767	27,699

	2015 \$	2014 \$
(b) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities		
Net cost of services	(10,489)	(10,752)
<u>Non-cash items:</u>		
Services received free of charge	11,029	11,315
<u>(Increase)/decrease in assets:</u>		
Current receivables ^(a)	35	(168)
Other current assets	1,155	(1,229)
<u>Increase/(decrease) in liabilities:</u>		
Current payables ^(a)	205	77
Net GST receipts/(payments) ^(b)	(133)	128
Change in GST in receivables/payables ^(c)	266	(256)
Net cash provided by/(used in) operating activities	<u>2,068</u>	<u>(885)</u>

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, i.e. cash transactions.

(c) This reverses out the GST in receivables and payables.

Note 16. Contingent liabilities and contingent assets

Contingent liabilities

The Arbitrator had no contingent liabilities as at 30 June 2015.

Contingent assets

The Arbitrator had no contingent assets as at 30 June 2015.

Note 17. Events occurring after the end of the reporting period

There were no events occurring after the reporting date that impact on the financial statements.

Note 18. Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the Arbitrator are cash and cash equivalents, receivables and payables. The Arbitrator has limited exposure to financial risks. The Arbitrator's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Arbitrator's receivables defaulting on their contractual obligations resulting in financial loss to the Arbitrator.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at note 18(c) 'Financial instruments disclosure' and note 11 'Receivables'.

Credit risk associated with the Arbitrator's financial assets is minimal because the Arbitrator trades only with recognised, creditworthy third parties. The Arbitrator has policies in place to ensure that services are only provided to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Arbitrator's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when the Arbitrator is unable to meet its financial obligations as they fall due.

The Arbitrator is exposed to liquidity risk through its trading in the normal course of business.

The Arbitrator has appropriate procedures to manage cash flows, including via a Treasurer's Advance, by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Arbitrator's income or the value of its holdings of financial instruments.

The Arbitrator does not trade in foreign currency and is not materially exposed to other price risks.

(b) Categories of financial instruments

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

	2015	2014
	\$	\$
<u>Financial Assets</u>		
Cash and cash equivalents	29,767	27,699
Receivables ^(a)	8,034	8,069
<u>Financial Liabilities</u>		
Financial liabilities measured at amortised cost	1,052	847

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

(c) Financial instrument disclosures**Credit risk**

The following table discloses the Arbitrator's maximum exposure to credit risk and ageing analysis of financial assets. The Arbitrator's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Arbitrator.

The Arbitrator does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

Ageing analysis of financial assets

	Carrying Amount	Not past due and not impaired	Past due but not impaired					Impaired financial assets
			Up to 1 month	1 – 3 months	3 months to 1 year	1-5 years	More than 5 years	
	\$	\$	\$	\$	\$	\$	\$	
2015								
Cash and cash equivalents	29,767	29,767	-	-	-	-	-	
Receivables ^(a)	8,034	8,034	-	-	-	-	-	
	37,801	37,801	-	-	-	-	-	
2014								
Cash and cash equivalents	27,699	27,699	-	-	-	-	-	
Receivables ^(a)	8,069	8,069	-	-	-	-	-	
	35,768	35,768	-	-	-	-	-	

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Liquidity risk and interest rate exposure

The following table details the Arbitrator's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities.

The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate %	<u>Interest rate exposure</u>				Nominal Amount \$	<u>Maturity dates</u>				
		Carrying Amount \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$		Up to 1 month \$	1 – 3 months \$	3 months to 1 year \$	1 – 5 years \$	More than 5 years \$
2015											
<u>Financial Assets</u>											
Cash and cash equivalents	2.70%	29,767	-	29,767	-	29,767	29,767	-	-	-	-
Receivables (a)		8,034	-	-	8,034	8,034	8,034	-	-	-	-
		37,801	-	29,767	8,034	37,801	37,801	-	-	-	-
<u>Financial Liabilities</u>											
Payables		1,052	-	-	1,052	1,052	1,052	-	-	-	-
		1,052	-	-	1,052	1,052	1,052	-	-	-	-

(a) The amount of receivable excludes the GST recoverable from the ATO (statutory receivable).

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate %	<u>Interest rate exposure</u>				Nominal Amount \$	<u>Maturity dates</u>				
		Carrying Amount \$	Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$		Up to 1 month \$	1 – 3 months \$	3 months to 1 year \$	1 – 5 years \$	More than 5 years \$
2014											
<u>Financial Assets</u>											
Cash and cash equivalents	2.81%	27,699	-	27,699	-	27,699	27,699	-	-	-	-
Receivables (a)		8,069	-	-	8,069	8,069	8,069	-	-	-	-
		35,768	-	27,699	8,069	35,768	35,768	-	-	-	-
<u>Financial Liabilities</u>											
Payables		847	-	-	847	847	847	-	-	-	-
		847	-	-	847	847	847	-	-	-	-

(a) The amount of receivable excludes the GST recoverable from the ATO (statutory receivable).

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Arbitrator's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

Carrying amount \$	-100 basis points		+100 basis points	
	Surplus \$	Equity \$	Surplus \$	Equity \$
2015				
<u>Financial Assets</u>				
Cash and cash equivalent	29,767	(298)	298	298
Total Increase/(Decrease)		(298)	298	298

Carrying amount \$	-100 basis points		+100 basis points	
	Surplus \$	Equity \$	Surplus \$	Equity \$
2014				
<u>Financial Assets</u>				
Cash and cash equivalent	27,699	(277)	277	277
Total Increase/(Decrease)		(277)	277	277

Fair Values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Note 19. Remuneration of members of the accountable authority and senior officers**Remuneration of members of the accountable authority**

The number of members of the accountable authority, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

\$	2015	2014
20,001 - 30,000	1	1
	\$	\$
Base remuneration and superannuation	29,667	29,784
The total remuneration of members of the accountable authority	<u>29,667</u>	<u>29,784</u>

The total remuneration includes the superannuation expense incurred by the Arbitrator in respect of members of the accountable authority.

Note 20. Remuneration of auditor

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

	2015	2014
	\$	\$
Auditing the accounts, financial statements and key performance indicators.....	<u>5,700</u>	<u>5,800</u>

Note 21. Schedule of income and expenses by service

The Arbitrator has only one (1) service, which is 'To provide administrative support to the Electricity Review Board'. Therefore there is no need to prepare the Schedule of income and expenses by service. Please refer to the Statement of Comprehensive Income.

Note 22. Related and affiliated bodies

There were no related and/or affiliated bodies requiring disclosure for the year.

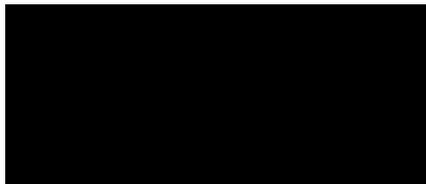
Note 23. Supplementary financial information

There were no write-offs during the financial year.

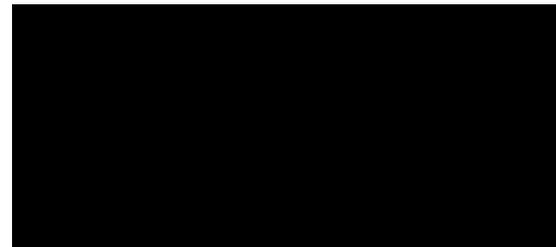
There were no losses through theft or default during the financial year.

Certification of Key Performance Indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Western Australian Energy Disputes Arbitrator's performance, and fairly represent the performance of the Western Australian Energy Disputes Arbitrator for the financial year ended 30 June 2015.



Pam Herbener
CHIEF FINANCE OFFICER
3 August 2015



Laurie James LLB Hons.
ENERGY DISPUTES ARBITRATOR
3 August 2015

Key Performance Indicators

Formulating the Arbitrator's Performance Indicators

The Office of the Arbitrator was established by the *Energy Arbitration and Review Act 1998* and is funded through provisions in the *National Gas Access (WA) (Local Provisions) Regulations 2009*, the *Electricity Industry (Arbitrator and Board Funding) Regulations 2009*, the *Gas Supply (Gas Quality Specifications) Regulations 2010* and the *Gas Services Information Regulations 2012*.

The strategic high-level government goal relevant to the Arbitrator is:

“Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians”.

The desired outcome of the activities of the Arbitrator in support of this high-level strategic goal is:

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

Although the Arbitrator's role does not directly contribute to this desired outcome, the services provided to the Electricity Review Board are consistent with this outcome.

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

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

These programs are facilitated by maintaining a state of readiness for the arbitration of disputes and the review of decisions by the Review Board. The outcome is achieved by assisting parties to resolve disputes and providing timely and efficient support to the Review Board when it is constituted.

The Arbitrator is only required to report in relation to his administrative and management functions. Therefore, the performance indicators have been prepared to comply with section 84(2) of the *Energy Arbitration and Review Act 1998* which states that:

“any requirement under the Treasurer's Instructions (issued under section 78 of the Financial Management Act 2006) that the Arbitrator prepare performance indicators is to be limited to the Arbitrator's management functions (including financial management), and is not to apply to the performance of any function referred to in section 73.”

The Arbitrator's key performance indicators derive from the processes and support that he provides in meeting the objectives set by the enabling legislation, including the *National Gas Access (WA) Act 2009*, the *Electricity Industry Act 2004*

(section 122), the *Gas Supply (Gas Quality Specifications) Act 2009* and the *Gas Services Information Act 2012*.

Key Effectiveness Indicators

Resolution of Disputes

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

Provision of Administrative Services to the Electricity Review Board

The Arbitrator provides administrative support to the Review Board when it is constituted. The effectiveness of this program can be established through a survey of the respective Review Board members who have first-hand experience of the support provided and are best placed to respond as to their level of satisfaction with the services provided by the Arbitrator. As the Review Board was not active during the year, a measure of the Arbitrator's effectiveness is not available.

2014/15 Performance – Effectiveness

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

1. Arbitration of disputes

The target for this measure of effectiveness is 100 per cent. Such an outcome reflects a situation where all disputes that were registered were also resolved during the year. There were no active disputes during the year.

2. Provision of administrative services to the Electricity Review Board

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

The Review Board was not active during the year and therefore the Arbitrator was not required to provide administrative services.

Effectiveness

Desired outcome	Measure	Target	2014/15	2013/14	2012/13
Arbitration of disputes	The number of disputes resolved as a proportion of total disputes registered	100%	n/a (no disputes)	n/a (no disputes)	n/a (no disputes)
Provision of administrative services to the Electricity Review Board for the review of decisions	Percentage of Electricity Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes	75%	n/a (no reviews)	n/a (no reviews)	n/a (no reviews)

Key Efficiency Indicators

Resolution of Disputes

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

Provision of Administrative Services to the Electricity Review Board

The efficiency indicator for the Arbitrator's program of providing administrative services to the Review Board is the average cost per review application before the Review Board during the year. There may be costs incurred in dealing with a particular review application during the year, even though the review is not completed by year's end. The measure ensures that, to the extent that there are review matters active during the year, there will be a measure of the cost associated with the support provided by the Arbitrator to the review process. This is a measure of the cost efficiency of providing administrative services to the Review Board program.

Maintaining a State of Readiness

The efficiency indicator for the Arbitrator's program of maintaining a state of readiness is the average cost per standard unit of regulated infrastructure. This facilitates the measurement of the cost efficiency associated with the Arbitrator's ability to respond to matters brought before him, such as disputes and reviews.

The availability of the Arbitrator to resolve disputes and establish and support a review body when required is an important feature of an efficient regulatory regime. This is implemented by providing parties with assistance in settling disputes and providing owners of regulated infrastructure with an opportunity and means of having regulatory decisions reviewed to ensure that they are fair and reasonable.

The concept of a standard unit of regulated infrastructure is used to recognise and allow for the fact that the scale, value and complexity of regulated infrastructure, including gas pipelines and electricity networks, varies from one asset to another. It also recognises that the cost and complexity of regulation and arbitration work will vary accordingly. For example, the demands placed on the Arbitrator by several smaller regulated assets in one year may be equivalent to those of a single larger piece of regulated infrastructure in another year. To ensure that the units of measurement are reasonably consistent from one year to the next, a standard unit of regulated infrastructure has been defined as one having a capital base value of \$500 million.

It should be noted, however, that the Arbitrator oversees generation facilities covered by the Wholesale Electricity

Market. If the value of these generation facilities were taken into account then the number of units in 2014/15 would far exceed 22.42 units. As the generation facilities overseen by the Arbitrator are owned by both private and public electricity market participants, no readily available value exists that may be ascribed to this infrastructure. Indeed, to ascribe a value to such infrastructure would not be justified, as this would involve significant cost and serve no other purpose. Accordingly, no value has been ascribed to generation facilities, which are therefore not reflected in the 22.42 equivalent standard units of regulated infrastructure.

The Arbitrator's function under the *Gas Supply (Gas Quality Specifications) Act 2009* aligns with the existing key performance indicators of resolution of disputes and maintaining a state of readiness.

2014/15 Performance – Efficiency

The three efficiency indicators for the Arbitrator are:

1. average cost per dispute;
2. average cost per review application; and
3. average cost per standard unit of infrastructure.

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

Efficiency

Service	Performance Indicator	Target	2014/15	2013/14	2012/13
Arbitration of disputes	Average cost per dispute	\$0	\$0	\$0	\$0
Review of regulatory decisions	Average cost per review application	\$0 (no disputes)	\$0 (no disputes)	\$0 (no disputes)	\$7,685
Maintaining a state of readiness	Average cost per standard unit of regulated infrastructure	\$2,275	\$2,249	\$2,239	\$2,275

1. Average cost per dispute

As there were no disputes active or initiated during the 2014/15 financial year, the average cost per dispute is zero. The average cost was zero in 2013/14 as there were no disputes. The target for this indicator is zero, consistent with an objective of having no disputes.

2. Average cost per review application

The indicator represents the average cost per review in the reporting year. There were no applications considered by the Review Board in 2014/15.

The average cost of reviews varies between years related to the amount of work undertaken by the Registrar and Members

of the Review Board in each year. The average cost of reviews was zero in 2014/15 and 2013/14 compared with \$7,685 in 2012/13.

As the costs for review applications are highly dependent on the nature of the review and the actions of the parties to it, a target of zero has been used. The target for this indicator is zero, consistent with an objective of having no applications for review lodged.

3. Average cost per standard unit of infrastructure

The average cost per standard unit of regulated infrastructure oversights in the 2014/15 financial year is the cost necessary to ensure that procedures are in place to address matters that fall within the jurisdiction of the Arbitrator.

The target for this indicator in 2014/15 was \$2,275 based on the Arbitrator's approved budget (\$50,000) divided by the target of standard units of regulated infrastructure. The actual cost was \$2,249 in 2014/15 compared with \$2,239 in 2013/14 and \$2,275 in 2012/13. The decrease in the actual cost against target reflects that the asset value of gas pipeline infrastructure was reset effective from 1 July 2014 following the review of the access arrangement for the Mid-West and South-West Gas Distribution System. This resulted in the actual number of standard units of regulated infrastructure oversights for 2014/15 being 22.42 against a target of 21.98.

Ministerial Directives

Section 75(2) of the *Energy Arbitration and Review Act 1998* provides for the Minister for Energy to give directions in writing to the Arbitrator in relation to general policies to be followed by the Arbitrator in matters of administration, including financial administration. The text of any such direction is required to be included in the Arbitrator's annual report.

No ministerial directives under section 75(2) of the *Energy Arbitration and Review Act 1998* were given to the Arbitrator during the year.

Other Financial Disclosures

Pricing policies of services provided

Expenditure other than that directly associated with the hearing of disputes by the Arbitrator and reviews by the Review Board is funded from regulated industries.

The Arbitrator's expenditure in 2014/15 includes an amount of \$11,029 which is a recognition of services received free of charge from the Economic Regulation Authority. As this is not cash expenditure, it is not subject to a charge on regulated industries.

Gas Industry

The Arbitrator receives 50% of his funding for his gas industry functions through 'standing charges' under the following regulations:

- *National Gas Access (WA) (Local Provisions) Regulations 2009.*

16.7% of funding comes from operators of regulated pipelines. The pipeline operators that are liable for quarterly standing charges, and the percentage of allocation of costs between them, are set out in schedule 1 of the Regulations.

The Regulations require that the annual report includes details of the total amount of standing charges for each person in respect of the financial year to which the annual report relates. This is shown in the table below.

Table 4: Standing charges – National Gas Access (WA) (Local Provisions) Regulations 2009

Service provider	Standing charges (\$)
WA Gas Networks Pty Limited (ATCO)	1,774
Goldfields Gas Transmission	1,331
Southern Cross Pipelines Pty Limited	179
DBNGP (WA) Transmission Pty Limited	3,284
Total	6,568

- *Gas Supply (Gas Quality Specifications) Regulations 2010.*

16.7% of gas industry funding comes from producers of broad specification gas. BHP Billiton is the only producer of broad specification gas.

The Regulations require that the annual report includes details of the total amount of standing charges for each gas producer in respect of the financial year to which the annual report relates. This is shown in the table below.

Table 5: Standing charges – Gas Supply (Gas Quality Specifications) Regulations 2010

Service provider	Standing charges (\$)
BHP Billiton	6,568

- *Gas Services Information Regulations 2012*

The remaining funding of 16.7% comes from the Independent Market Operator in relation to the Gas Statement of Opportunities and the Gas Bulletin Board.

The Regulations require that the annual report includes details of the total core functions costs, the total amount of standing charges and the total determined costs in respect of the financial year to which the annual report relates. This is shown in the table below.

Table 6: Standing charges – Gas Services Information Regulations 2012

Independent Market Operator	Amount (\$)
Core function costs	6,558
Standing charges	6,568
Determined costs	-

Electricity Industry

Funding of the Arbitrator's electricity industry functions has also been arranged through 'standing charges' levied by the Arbitrator on operators of regulated networks. These charges are determined in line with the *Electricity Industry (Arbitrator and Board) Funding Regulations 2009*. The network operators that are liable for quarterly standing charges, and the

percentage of allocation of costs between them, are set out in Schedule 1 of the Regulations.

Included in the funding Regulations is a requirement that the Arbitrator's annual report provides details of the total amount of standing charges for each person in respect of the financial year to which the annual report relates. This information for the year ended 30 June 2015 is listed below.

Table 7: Standing charges – Electricity Industry (Arbitrator and Board) Funding Regulations 2009

Service provider	Standing charges (\$)
Western Power	19,704

Other funding

The *Gas Pipelines Access (Western Australia) Act 2009* and the *Electricity Industry Act 2004* allows the Arbitrator to recover costs incurred in arbitrating disputes. As there were no disputes in 2014/15, no costs were recovered.

The Arbitrator is also able to recover certain costs and expenses of the Review Board for hearings and determinations of the Review Board. The Review Board is able to fix an amount that represents the costs and expenses incurred by it for the hearing and determination of particular proceedings before it, and to assign costs to the parties of the relevant proceedings. The Review Board was not active during 2014/15 so no costs were incurred.

Capital works

There were no major capital works undertaken during 2014/15.

Treasurer's advances

Section 83 of the *Energy Arbitration and Review Act 1998* allows for the Arbitrator to borrow from the Treasurer. As the Arbitrator does not allow for costs associated with arbitration, review or appeal in his annual estimates, application is made for a Treasurer's Advance to fund these functions on an as-needed basis. As there were no arbitrations, reviews or appeals, the Arbitrator did not need to request a Treasurer's Advance in 2014/15.

Employment and Industrial Relations

Under section 64(1) of the *Energy Arbitration and Review Act 1998*, the office of the Arbitrator is assumed to be a tribunal that comes within item 4 of schedule 1 of the *Public Sector Management Act 1994*.

While the *Energy Arbitration and Review Act 1998* allows the Arbitrator to make arrangements to use the services of any public sector officer or employee and to have administrative authority over the officer, no arrangement was in place during 2014/15. The Arbitrator has an arrangement for the provision of corporate services from the Economic Regulation Authority (ERA).

Public Sector Standards

The ERA ensures that information about the Public Sector Commissioner Standards are available to all staff via the ERA's intranet and is incorporated into the ERA's induction and training processes. The ERA had one claim lodged at the end of a recruitment process undertaken during the year which related to the appointment of the successful applicant.

When advice was given to the claimant that a claim could only be about the process, not the outcome, the claim was withdrawn.

Western Australian Code of Ethics

The ERA ensures that staff are aware of the Code of Ethics developed by the Commissioner for Public Sector Standards. As part of the ERA's approach to continuous learning and training, the code of conduct and conflict of interest procedures and processes are available on the intranet, incorporated into the staff training program and discussed regularly at internal staff meetings.

Occupational Health and Safety

The ERA is committed to the provision of a safe work environment, ensuring the health and wellbeing of its employees, contractors and visitors.

Further information on the ERA's commitment of occupational health and safety is reported in the ERA's annual report 2014/15, which is available on the ERA's website at www.erawa.com.au.

Governance Disclosures

Shares in statutory authority

While the office of the Arbitrator is a statutory body, there are no shares for senior officers to hold.

Interests in contracts by senior officers

There were no interests in contracts by senior officers in 2014/15.

Benefits to senior officers through contracts with the office of the Arbitrator

This is not applicable, as no senior officers have received any benefits in the 2014/15 financial year.

Insurance premiums

This is not applicable, as the office of the Arbitrator does not have any directors as defined in Part 3 of the *Statutory Corporations (Liability of Directors) Act 1996*.

Other Legal Requirements

Advertising

Section 175ZE of the *Electoral Act 1907* requires public agencies to include a statement in their annual reports detailing all the expenditure incurred by or on behalf of the public agencies during the reporting period in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising agencies.

The only costs the Arbitrator incurs relates to a market research organisation carrying out an annual survey of stakeholders. In this context, the Arbitrator's stakeholders are respective Review Board members who are best placed to respond as to their level of satisfaction with the services provided by the Arbitrator. As the Review Board was not active during the year, a stakeholder survey was not conducted.

Government Policy Requirements

The Arbitrator does not appoint permanent staff so there is an administrative arrangement in place for the ERA to provide corporate services. The ERA's annual report provides detailed information on complying with Government policy. The following areas of compliance carried out by the ERA apply to compliance obligations of the Arbitrator.

Disability Access and Inclusion Plan

The ERA is committed to take action in accordance with its Disability Access and Inclusion Plan for 2012-16.

Further information about the ERA's Disability Access and Inclusion Plan is available on the ERA's website at www.erawa.com.au.

Compliance with public sector standards and ethical codes

The ERA is committed to ensuring the highest standards of accountability and transparency in all activities. The ERA actively encourages all employees to demonstrate a high level of integrity, consistent with public sector standards and ethical codes, at all times.

The ERA places high priority on ensuring that staff are familiar with human resource management policies and procedures. These policies and procedures are regularly reviewed and updated to ensure they reflect current minimum standards of merit, equity and probity in human resource management activities. Policies and procedures are made available to staff on the intranet.

Compliance with the State Records Act 2000

The records of the Arbitrator are maintained by the ERA as part of the agreement for provision of corporate services. Compliance with the *State Records Act 2000* is carried out by the ERA as part of that agreement.

The Arbitrator undertakes evaluations of its recordkeeping systems in concurrence with the ERA.

A separate Retention and Disposal (R&D) schedule covering the Arbitrator's records (which includes records relating to reviews by the Electricity Review Board) was approved by the State Records Commission on 2 August 2013.

Historically the records of the Arbitrator and Electricity Review Board were managed under the ERA's Recordkeeping Plan (RKP). During the year a separate RKP was developed for the Arbitrator. This RKP was submitted to the State Records Commission and was approved in December 2014.

Risk management and audit program

During the year the ERA undertook an annual audit plan that reviewed:

- Financial Management; and
- Human Resources and Payroll.

The audits undertaken by the ERA ensure that controls are in place for activities relating to the Arbitrator that are undertaken by the ERA's Corporate Services staff.

The Internal Auditor used by the ERA found no findings in relation to Human Resources and Payroll activities and two small low risk recommendations were made in relation to the Financial Management audit.

Public interest disclosures

The ERA has procedures in place to enable a public interest disclosure to be made. These procedures can be used if a person wishes to lodge a public interest disclosure in relation to the Office of the Arbitrator.

Complaints Handling

There are three main areas that can be the source of complaints in the case of the Arbitrator. These relate to:

- Administration;
- matters relating to reviews carried out by the Review Board; and
- matters relating to the arbitration of disputes

Complaints relating to the provision of corporate services provided to the Arbitrator by the ERA are dealt with under the ERA's Code of Conduct.

Complaints relating to the review of decisions and the arbitration of disputes are dealt with through the formal review and arbitration processes.

There were no complaints lodged during the reporting period.

Boards and Committees

The Arbitrator did not participate on any boards or committees during the reporting period.

Publications

During the reporting period, the Arbitrator published his annual report for 2013/14. This report was published on the Arbitrator's website at www.edawa.com.au.

Appendix 1 - Other Legislation Impacting the Arbitrator

- *Corruption and Crime Commission Act 2003*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Equal Opportunity Act 1984*
- *Evidence Act 1906*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Industrial Relations Act 1979*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *State Records Act 2000*
- *Workers' Compensation and Injury Management Act 1981*