



ANNUAL REPORT 2018-2019

WESTERN AUSTRALIAN ENERGY DISPUTES ARBITRATOR

www.edawa.com.au

Hon Bill Johnston MLA
Minister for Energy

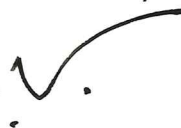
Energy Disputes Arbitrator 2018/19 Annual Report

In accordance with section 61 of the *Financial Management Act 2006*, I hereby 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 2019.

My appointment to the position of Acting Energy Disputes Arbitrator did not occur until 12 February 2020 and I am therefore not personally aware of any activity that occurred during the 2018/19 financial year. I have reviewed the content of the annual Report with my Chief Finance Officer and to the best of my knowledge, information and belief this Annual Report accurately reflects the activity of the office of the Energy Disputes Arbitrator for 2018/19.

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

A handwritten signature in black ink, appearing to read 'Kevin Stewart', with a stylized flourish extending from the end.

Kevin Stewart
Acting Energy Disputes Arbitrator

The Western Australian Energy Disputes Arbitrator
can be contacted via:

Telephone: (08) 6557 7900

Email: arbitrator@edawa.com.au

Website: www.edawa.com.au

Postal address: PO Box 8469 PERTH BC WA 6849

© Energy Disputes Arbitrator 2019

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

CONTENTS

Overview	3	Legal Requirements	32
Year in review	3	Annual Estimates	32
Executive Summary	4	Advertising	32
Highlights	4	Recordkeeping	32
Role of the Arbitrator	4	Complaints handling	32
Role of the Electricity Review Board	5		
Organisational Structure	5		
About the Arbitrator	6		
Electricity Review Board Panels	6		
Agency Performance	7		
Agency Performance 2017/18	7		
Financial performance	8		
Significant Issues	10		
Disclosures and Legal Compliance	11		
Auditor's Opinion	11		
Certification of Financial Statements	13		
Statement of Comprehensive Income	14		
Statement of Financial Position	15		
Statement of Changes in Equity	16		
Statement of Cash Flows	17		
Notes to the Financial Statements	18		
Certification of Key Performance Indicators	25		
Key Performance Indicators	26		
Other Financial Disclosures	30		
Pricing policies of services provided	30		
Other funding	31		
Treasurer's Advance	31		
Capital works	31		
Employment and Industrial Relations	31		

OVERVIEW

Overview

Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

Year in review

Mr Laurie James held the Office of the Western Australian Energy Disputes Arbitrator in 2018-19. Mr James resigned from the office on 25 July 2019 due to ill health.

Mr Kevin Stewart was appointed as the Acting Western Australian Energy Disputes Arbitrator on 12 February 2020.

The Electricity Review Board was constituted in 2018-19 to consider seven applications for review of decisions made by the Economic Regulation Authority. The Applications were subsequently dismissed.

An application for orders was lodged by the Economic Regulation Authority on 31 May 2019. No action had been taken at the end of the financial year to constitute a review board.

The Economic Regulation Authority provided administrative support to the Office of the Western Australian Arbitrator during 2018-19.



Kevin Stewart
Acting Energy Disputes Arbitrator

EXECUTIVE SUMMARY

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

Highlights

The Electricity Review Board finalised its review of Applications 1 to 7 of 2017 concerning decisions of the Economic Regulation Authority about Western Power's Technical Rules.

Role of the Arbitrator

The Energy Disputes Arbitrator provides a disputes resolution service:

- In relation to the negotiation of contracts and contractual disputes in relation to access to regulated electricity networks.
- Between users, or prospective users, and providers of gas pipeline services and other parties seeking access to regulated gas pipelines.
- Between a gas producer and the operator of a pipeline that is subject to a pipeline impact agreement.
- Between parties associated with the use, storage or transportation of broad specification gas.

The services provided by the Arbitrator relate to infrastructure located in Western Australia:

- Western Power's electricity network in the South West
- Dampier to Bunbury Natural Gas Pipeline
- Goldfields Gas Pipeline
- Kalgoorlie to Kambalda Pipeline
- Mid-West and South-West Gas Distribution Systems
- Macedon Gas Field.

The Arbitrator also has responsibility for the financial management and provision of administrative support to the Review Board.

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 about administration and financial administration.

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.

Legislation

Enabling Legislation

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

EXECUTIVE SUMMARY

Overview

Executive Summary

Agency Performance

Significant Issues

Disclosures and Legal Compliance

Other Financial Disclosures

Legal Requirements

The Western Australian Review Board is established under section 50 of the *Energy Arbitration and Review Act 1998*.

Functional Legislation

- *National Gas Access (WA) Act 2009* including arbitration functions under the National Gas Law
- Gas Supply (Gas Quality Specifications) Regulations 2010
- *Gas Services Information Act 2012*
- *Electricity Industry Act 2004*
- Electricity Networks Access Code 2004
- Electricity Industry (Metering) Code 2012

Responsible Minister

The Hon Bill Johnston MLA, Minister for Energy.

Funding

The Arbitrator is funded through provisions in the:

- National Gas Access (WA) (Local Provisions) Regulations 2009
- Electricity Industry (Arbitrator and Board) Funding Regulations 2009
- Gas Supply (Gas Quality Specifications) Regulations 2010
- Gas Services Information Regulations 2012.

Role of the Electricity Review Board

The Review Board is an appeals body formed when required to make determinations and review decisions.

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

The Review Board can be constituted to review decisions of:

- The ERA:
 - Regarding access to electricity networks under the Electricity Networks Access Code 2004.
 - Concerning electricity licences and standard form contracts under the *Electricity Industry Act 2004*.
- The Australian Energy Market Operator (AEMO) relating to 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*.

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.

Organisational Structure

The Arbitrator does not have a supporting organisation, but public service employees can be assigned to assist the Arbitrator perform his functions. The Arbitrator has an administrative arrangement with the ERA for the provision of corporate services.

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 is not made available to ERA staff outside of the corporate services division.

EXECUTIVE SUMMARY

Overview

Executive Summary

Agency Performance

Significant Issues

Disclosures and Legal Compliance

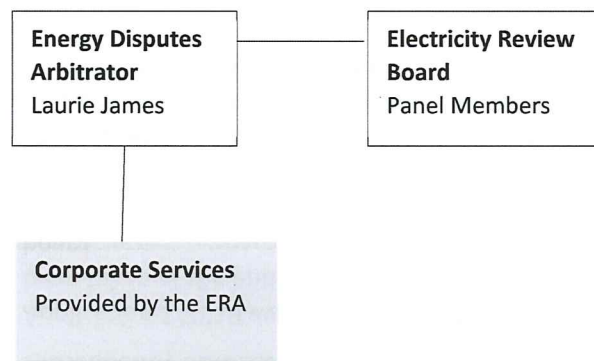
Other Financial Disclosures

Legal Requirements

Organisational Chart

The following chart represents the organisational structure of the Arbitrator as at 30 June 2019.

Figure 1: Organisational structure of the Arbitrator



About the Arbitrator

Laurie James was reappointed to the role of Arbitrator in 2017 for a further three years, having held the position since his first appointment in 1999. Mr James resigned from the role on 25 July 2019. The Office of the Arbitrator was vacant until 12 February 2020 when Mr Kevin Stewart was appointed to the role.

Electricity Review Board Panels

The current Electricity Review Board panels were appointed on 1 January 2018 for a term of two years.

Table 1: Members of the Electricity Review Board

Legal Panel	Expert Panel
<ul style="list-style-type: none">• Ms Donna Charlesworth• Ms Eva Lin• Mr Michael Sweeney• Mr Scott Ellis• Mr Simon Adams	<ul style="list-style-type: none">• Ms Jenny Davis• Mr Mark Johnston• Ms Sally McMahon• Mr Simon Orme• Mr Warren Harding

AGENCY PERFORMANCE

- Overview
- Executive Summary
- Agency Performance**
- Significant Issues
- Disclosures and Legal Compliance
- Other Financial Disclosures
- Legal Requirements

Agency Performance 2018/19

Energy Disputes Arbitrator

No applications for arbitration of disputes were received in 2018/19.

Electricity Review Board

Seven applications for review lodged in May and June 2017 were finalised in 2018/19. The applicant had requested the Review Board consider Application 7/2017 first. This application related to the conduct of Applications 1 to 6 of 2017. The Applications were subsequently dismissed.

Application 1/2019 was lodged on 31 May 2019. No action had been taken at the end of the financial year to constitute a review board.

Summary of Key Performance Indicators

The desired outcome for the Arbitrator is the effective and efficient delivery of a dispute resolution service and provision of administrative services to the Review Board.

Table 2: Provision of a dispute resolution service

Key Performance Indicator	Target	Actual
Key effectiveness indicator: The number of disputes resolved as a proportion of total disputes registered	100%	0 (no disputes)
Key efficiency indicator: Average cost per dispute	\$0 (no disputes)	\$0

Table 3: Provision of administrative services to the Review Board

Key Performance Indicator	Target	Actual
Key effectiveness indicator: Percentage of Review Board members satisfied or very satisfied with the services provided by the arbitrator in support of review processes	75%	100%
Key efficiency indicator: Average cost per review application	\$0	\$12,099

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.

Maintaining a state of readiness

To enable 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 recognises and allows 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 is defined as one having a capital base value of \$500 million.

AGENCY PERFORMANCE

- Overview
- Executive Summary
- Agency Performance
- Significant Issues
- Disclosures and Legal Compliance
- Other Financial Disclosures
- Legal Requirements

Number of units of regulated infrastructure oversighted

During 2018/19, the Arbitrator had oversight of 27.62 equivalent standard units of regulated infrastructure, which exceeded the target of 22.63.

The calculation of units of regulated infrastructure does not include the value of generation facilities covered by the Wholesale Electricity Market oversighted 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.

Average cost of oversighting

The Arbitrator's costs for 2018/19 were \$52,376 against a budget of \$50,000. The actual number of units of regulated infrastructure overseen in 2018/19 increased over the previous year. In 2018/19 the Economic Regulation Authority issued its final decision on Western Power's proposed Access Arrangement. That decision increased the value of the asset base for Western Power's transmission and distribution networks. This resulted in the actual number of standard units of regulated infrastructure being reset to 27.62. The actual cost was \$1,896 in 2018/19 against a target of \$2,209.

Provision of administrative services to the 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
- general administrative services.

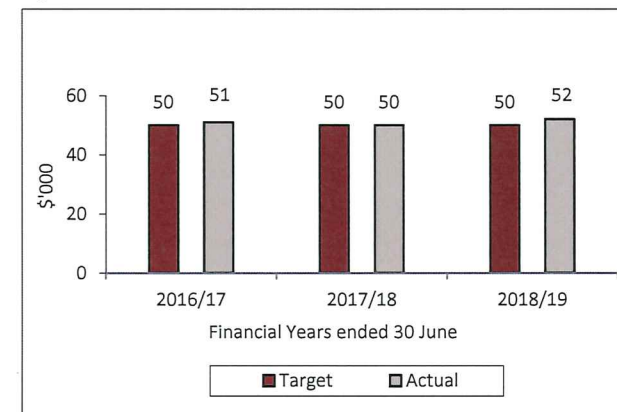
A survey of Review Board Members was undertaken in April 2019. The Presiding Member of the Review Board was the only Member active during the year. The Presiding Member was very satisfied with the services provided.

Financial performance

The Arbitrator does not include costs associated with arbitration, review or appeal in the annual estimates. The 2018/19 expenditure in Figure 2 does not include any expenditure relating to reviews or arbitration which is consistent with the previous year.

The cost of the Arbitrator being available to address matters arising from the regulation of infrastructure for 2018/19 was \$52,376 compared to \$50,494 in 2017/18 and \$51,118 in 2016/17. There was a slight increase in expenditure in 2018/19 over the previous year for the Arbitrator's oversight function.

Figure 2: Arbitrator Costs



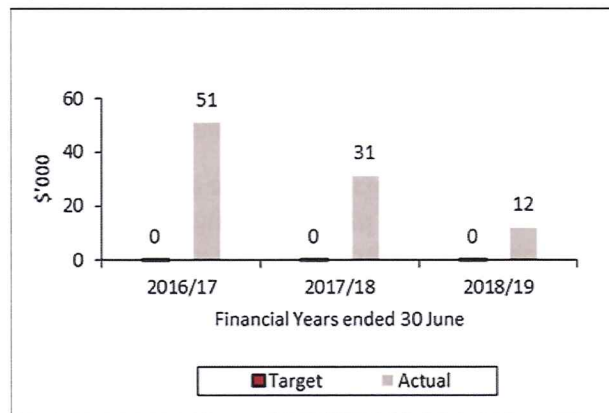
AGENCY PERFORMANCE

- Overview
- Executive Summary
- Agency Performance
- Significant Issues
- Disclosures and Legal Compliance
- Other Financial Disclosures
- Legal Requirements

The Review Board constituted to hear Application 1 to 7/2017 finalised its review during the year. The cost of the Review Board was \$12,099 in 2018/19 which was a decrease from \$31,025 in 2017/18.

A Treasurer's Advance of \$100,000 was received in 2015/16 to fund the cost of Application 1/2016. The cost of this application was \$77,211 and the Treasurer's Advance was fully repaid in 2018/19. The total cost of Application 1 to 7/2017 over two financial years was \$16,428 which was funded from cash at bank.

Figure 3: Review Board costs



Changes to Outcome Based Management Framework

The Arbitrator's Outcome Based Management Framework did not change during 2018/19.

Shared responsibilities with other Agencies

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

SIGNIFICANT ISSUES

Overview

Executive Summary

Agency Performance

Significant Issues

Disclosures and Legal Compliance

Other Financial Disclosures

Legal Requirements

The Energy Disputes Arbitrator resigned on 25 July 2019, which meant while the end-of-year reporting was completed the annual report was not able to be tabled in Parliament by the due date.

Mr Kevin Stewart was appointed as Acting Energy Disputes Arbitrator on 12 February 2020.

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

Auditor's Opinion



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

WESTERN AUSTRALIAN ENERGY DISPUTES ARBITRATOR

Report on the Financial Statements

Opinion

I have audited the financial statements of the Western Australian Energy Disputes Arbitrator which comprise the Statement of Financial Position as at 30 June 2019 the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2019 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

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

Responsibility of the Arbitrator 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, the *Financial Management Act 2006* 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.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Arbitrator.
- Conclude on the appropriateness of the Arbitrator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Arbitrator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Western Australian Energy Disputes Arbitrator. The controls exercised by the 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 (the overall control objectives).

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

In my opinion, in all material respects, the controls exercised by 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 2019.

The Arbitrator's Responsibilities

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

Auditor General's Responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board.

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

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

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

Limitations of Controls

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

Report on the Key Performance Indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2019. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of 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 2019.

The 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 internal control as the Arbitrator determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

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

Auditor General's Responsibility

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

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

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

My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

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

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

This auditor's report relates to the financial statements and key performance indicators of the Western Australian Energy Disputes Arbitrator for the year ended 30 June 2019 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.


PATRICK ARULSINGHAM
ACTING ASSISTANT AUDITOR GENERAL
TECHNICAL AND AUDIT SUPPORT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
25 February 2020

DISCLOSURES AND LEGAL COMPLIANCE

- Overview
- Executive Summary
- Agency Performance
- Significant Issues
- Disclosures and Legal Compliance**
- Other Financial Disclosures
- Legal Requirements

Certification of Financial Statements

For the reporting period ended 30 June 2019

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 reporting period ended 30 June 2019 and the financial position as at 30 June 2019.

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



Pam Herbener
Chief Finance Officer

25 February 2020



Kevin Stewart
Acting Energy Disputes Arbitrator

25 February 2020

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

Statement of Comprehensive Income For the year ended 30 June 2019

	Note	2019 \$	2018 \$
COST OF SERVICES			
Expenses			
Employee benefits expense	2.1	30,487	30,018
Supplies and services	2.2	28,188	45,701
Other expenses	2.2	5,800	5,800
Total cost of services		64,476	81,519
Income			
Revenue			
Regulatory fees	3.1	52,382	50,507
Interest revenue	3.3	997	1,096
Total revenue		53,380	51,603
Total income other than income from State Government		53,380	51,603
NET COST OF SERVICES		(11,096)	(29,916)
Income from State Government			
Services received free of charge	3.2	14,600	12,583
Total income from State Government		14,600	12,583
SURPLUS/(DEFICIT) FOR THE PERIOD		3,505	(17,333)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,505	(17,333)

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

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

Statement of Financial Position

As at 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	5.1	46,215	74,249
Receivables	4.1	30,927	27,674
Other current assets	4.2	132	24
Total current assets		77,274	101,947
TOTAL ASSETS		77,274	101,947
LIABILITIES			
Current liabilities			
Payables	4.3	480	5,839
Amount due to the Treasurer	4.4	-	100,000
Total current liabilities		480	105,839
TOTAL LIABILITIES		480	105,839
NET ASSETS		76,794	(3,892)
EQUITY			
Contributed equity	7.6	957,181	880,000
Accumulated surplus/(deficit)		(880,387)	(883,892)
TOTAL EQUITY		76,794	(3,892)

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

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

Statement of Changes in Equity For the year ended 30 June 2019

	Note	Contributed equity	Reserves	Accumulated surplus/(deficit)	Total equity
		\$	\$	\$	\$
Balance at 1 July 2017	7.6	880,000	-	(866,559)	13,441
Total comprehensive income for the period		-	-	(17,333)	(17,333)
Transactions with owners in their capacity as owners:					
Capital appropriations		-	-	-	-
Balance at 30 June 2018		880,000	-	(883,892)	(3,892)
Balance at 1 July 2018	7.6	880,000	-	(883,892)	(3,892)
Total comprehensive income for the period		-	-	3,505	3,505
Transactions with owners in their capacity as owners:					
Capital appropriations		77,181	-	-	77,181
Balance at 30 June 2019		957,181	-	(880,387)	76,794

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

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM STATE GOVERNMENT			
Capital appropriation		77,181	-
Net cash provided by State Government		77,181	-
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(30,777)	(29,728)
Supplies and services		(18,763)	(65,735)
GST payments on purchases		(1,943)	(3,117)
Other payments		(5,800)	(5,800)
Receipts			
Regulatory fees		48,631	45,827
Interest received		997	1,096
GST receipts from taxation authority		2,440	6,473
Net cash provided by/(used in) operating activities		(5,215)	(50,985)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Treasurer's Advance		(100,000)	-
Net cash provided by/(used in) financing activities		(100,000)	-
Net increase/(decrease) in cash and cash equivalents		(28,034)	(50,985)
Cash and cash equivalents at the beginning of the period		74,249	125,233
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	5.1	46,215	74,249

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

DISCLOSURES AND LEGAL COMPLIANCE

Notes to the Financial Statements

1. Basis of preparation

The Western Australian Energy Disputes Arbitrator is independent of industry, government, or other interests and is not subject to State or Ministerial direction in carrying out its functions. However, under section 75 of the *Energy Arbitration and Review Act 1998*, the relevant Minister may give directions in writing to the Arbitrator on administration and financial administration matters. It is a not-for-profit entity (as profit is not its principal objective).

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

These financial statements were authorised for issue by the Accountable Authority of the Arbitrator in February 2020.

Statement of compliance

These general purpose financial statements have been prepared in accordance with:

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

The *Financial Management Act 2006* and the Treasurer's Instructions take precedence over the AAS. Several AAS are modified by the instructions to vary application, disclosure format and wording. Where modification is required and has had a

material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

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

Judgements and estimates

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

Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior, to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI955

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

Contributions by Owners made to Wholly Owned Public Sector Entities and have been credited directly to Contributed Equity.

The transfers 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.

2. Use of our funding

Expenses incurred in the delivery of services

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

	Notes	2019 \$	2018 \$
Employee benefits expenses	2.1	30,487	30,018
Other expenditure	2.2	33,988	51,501
2.1 Employee benefits expenses			
Wages and salaries		27,482	27,414
Superannuation		2,645	2,604
Total employee benefits expenses		30,487	30,018

Wages and salaries: The Arbitrator only receives a salary as he is not entitled to annual or long service leave.

Superannuation: The Arbitrator has an amount included as part of his remuneration which is deducted from each payment and remitted to a complying superannuation fund. The Government has no unfunded superannuation liability in respect of the Arbitrator.

	Notes	2019 \$	2018 \$
2.2 Other expenditure			
Supplies and services			
Professional services		12,843	14,085
Communications		-	182
Legal costs		2,520	1,632
Electricity Review Board Fees		12,099	29,182
Other		726	620
Total supplies and services expenses		28,188	45,701
Other			
Audit fee		5,800	5,800
Total other expenses		5,800	5,800
Total other expenditure		33,988	51,501

Supplies and services:

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

Other expenditure:

Other expenditure generally represents the day-to-day running costs incurred in normal operations.

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

	Notes	2019 \$	2018 \$
--	-------	------------	------------

3. Our funding sources

Funding

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

Regulatory fees	3.1	52,382	50,507
Income from State Government	3.2	14,600	12,583
Other revenue	3.3	997	1,096

3.1 Regulatory fees

Regulatory fees	52,382	50,507
	52,382	50,507

Regulatory fees are recognised and measured at the fair value of consideration received or receivable. Standing Charges (Regulatory fees) are recognised at the time the charge is raised on a client in accordance with the:

National Gas Access (WA) (Local Provisions) Regulations 2009;
Gas Supply (Gas Quality Specifications) Regulations 2010;
Gas Services Information Regulations 2012; and
Electricity Industry (Arbitrator and Board Funding) Regulations 2009

	Notes	2019 \$	2018 \$
--	-------	------------	------------

3.2 Income from State Government

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

State Solicitor's Office	2,520	-
Economic Regulation Authority	12,080	12,583
Total income from State Government	14,600	12,583

3.3 Other revenue

Interest - bank	997	1,096
	997	1,096

The Arbitrator's bank account does not form part of the consolidated fund. Revenue is recognised as the interest accrues.

4 Other assets and liabilities

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

Receivables	4.1	30,927	27,674
Other current assets	4.2	132	24
Payables	4.3	480	5,839
Amount due to the Treasurer	4.4	-	100,000

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

	Notes	2019 \$	2018 \$
4.1 Receivables			
<i>Current</i>			
Receivables		7,704	5,038
Accrued revenue		23,139	22,055
GST receivable		84	581
Total receivables		30,927	27,674
Receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net receivables is equivalent to fair value as it is due for settlement within 30 days.			
4.2 Other assets			
<i>Current</i>			
Prepayments		132	24
Total current		132	24
Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.			
4.3 Payables			
<i>Current</i>			
Trade payables		363	670
Accrued expenses		-	4,762
Accrued salaries		117	407
Total current		480	5,839
Balance at end of period		480	5,839

	Notes	2019 \$	2018 \$
Payables are recognised at the amounts payable 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.			
Accrued salaries represent the amount due to the Arbitrator but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight after the reporting period. The Arbitrator considers the carrying amount of accrued salaries to be equivalent to its fair value.			
4.4 Amount due to the Treasurer			
Amount due to the Treasurer		-	100,000
		-	100,000
The amount due to the Treasurer is in respect of a Treasurer's Advance. This amount is payable within 12 months after the reporting period. Although no interest is charged on the outstanding amount, the carrying amount is equivalent to fair value.			
5 Financing			
This section sets out the material balances and disclosures associated with the financing and cashflows of the Arbitrator.			
5.1 Cash and cash equivalents			
Cash and cash equivalents		46,215	74,249
Balance at end of period		46,215	74,249
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.			

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

	Notes	2019 \$	2018 \$
6 Financial instruments and contingencies			
Financial instruments	6.1		
Contingent assets and liabilities	6.2		
6.1 Financial instruments			
The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:			
<i>Financial assets</i>			
Cash and cash equivalents		46,215	74,249
Receivables ^(a)		30,843	27,092
Total financial assets		77,058	101,342
<i>Financial liabilities</i>			
Financial liabilities at amortised cost		480	105,839
Total financial liability		480	105,839

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

6.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate. The Arbitrator has no contingent assets or contingent liabilities.

7 Other disclosures

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

	Notes
Events occurring after the end of the reporting period	7.1
Initial application of Australian Accounting Standards	7.2
Key management personnel	7.3
Related party transactions	7.4
Remuneration of auditors	7.5
Equity	7.6

7.1 Events occurring after the end of the reporting period

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

7.2 Initial application of Australian Accounting Standards

AASB 9 Financial instruments

AASB 9 *Financial instruments* replaces AASB 139 *Financial instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Arbitrator applied AASB 9 prospectively with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies, but no adjustments to amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Arbitrator has not restated the comparative information which continues to be reported under AASB 139.

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

The effect of adopting AASB 9 as at 1 July 2018 was assessed as not material, and so no adjustment was required to be recognised directly in accumulated surplus.

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Arbitrator's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Arbitrator's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact to the Arbitrator. The following are the changes in the classification of the Arbitrator's financial assets:

- Receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as financial assets at amortised cost beginning 1 July 2018.
- The Arbitrator did not designate any financial assets as at fair value through P/L.

In summary, upon the adoption of AASB 9, the Arbitrator had the following required (or elected) reclassifications as at 1 July 2018:

AASB 9 category

		Amortised cost \$	Fair value through OCI \$	Fair Value through P/L \$
AASB 139 category				
	\$			
<i>Loans and receivables</i>				
Receivables	5,038	5,038	-	-
Accrued revenue		22,055	-	-
		<u>27,093</u>	<u>-</u>	<u>-</u>

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Arbitrator's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

Upon adoption of AASB 9, the effect was not considered to be material, so no adjustment was made.

7.3 Key management personnel

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

The total fees, salaries, superannuation, non-monetary benefits and other benefits for the Arbitrator for the reporting period are presented within the following band:

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

Compensation band (\$)	2019	2018
30,001 - 40,000	1	1
	2019	2018
	\$	\$
Total compensation of the Arbitrator	30,487	30,018

Total compensation includes the superannuation expense incurred by the Arbitrator. The Arbitrator is not a member of the Pension Scheme.

7.4 Related party transactions

The Arbitrator is independent of direction or control by the State, or any Minister or officers of the State in performing its 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.

Related parties of the Arbitrator include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- the Arbitrator and his close family members, and their controlled or jointly controlled entities; and
- other departments and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly owned public sector entities).

Material transactions with other related parties

Outside of normal citizen type transactions, there were no other related party transactions that involved the Arbitrator and/or his close family members and/or their controlled or jointly controlled entities.

7.5 Remuneration of auditors

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

	2019	2018
	\$	\$
Auditing the accounts, financial statements, controls and key performance indicators	5,887	5,800
7.6 Equity		
Contributed equity		
Balance at start of period	880,000	880,000
<i>Contributions by owners</i>		
Capital appropriation	77,181	-
Total contributions by owners	957,181	880,000
<i>Distributions to owners</i>	-	-
Total distributions to owners		
Balance at end of period	957,181	880,000

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

Certification of Key Performance Indicators

For the year ended 30 June 2019

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 2019.



Pam Herbener
Chief Finance Officer

25 February 2020



Kevin Stewart
Acting Energy Disputes Arbitrator

25 February 2020

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

Key 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:

"A quality environment with liveable and affordable communities and vibrant regions".

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, 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."

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.

DISCLOSURES AND LEGAL COMPLIANCE

- Overview
- Executive Summary
- Agency Performance
- Significant Issues
- Disclosures and Legal Compliance
- Other Financial Disclosures
- Legal Requirements

2018/19 Performance – effectiveness

Arbitration of Disputes

The number of disputes resolved as a proportion of total disputes registered

The target for this effectiveness indicator is 100% which assumes that all disputes lodged will be resolved. There were no disputes lodged in 2018/19.

Provision of administrative services to the Electricity Review Board

Percentage of Electricity Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes

The Arbitrator's effectiveness in supporting the Review Board in its review of decisions is measured by determining the percentage of Electricity Review Board members involved in reviews of decisions that are satisfied or very satisfied with the services provided by the Arbitrator in support of review processes.

The target for this effectiveness indicator is that 75% of Electricity Review Board members will be satisfied with the support provided by the Arbitrator. The Presiding Member¹ of the Review Board constituted during 2018/19 for Application 1-7/2017 was surveyed and was very satisfied with the venue and facilities provided and the timeliness of services provided.

Desired outcome	Arbitration of disputes	Provision of administrative services to the Electricity Review Board for the review of decisions
Measure	The number of disputes resolved as a proportion of total disputes registered	Percentage of Electricity Review Board members satisfied or very satisfied with the services provided by the Arbitrator in support of review processes
Target	100%	75%
2018/19	n/a (no disputes)	100%
2017/18	n/a (no disputes)	100%
2016/17	100%	100%

¹ While three members were appointed to this Review Board, only the Presiding Member was active.

DISCLOSURES AND LEGAL COMPLIANCE

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Government Disclosures
Legal Requirements

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.

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.

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 2018/19 would far exceed 27.62 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 27.62 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.

2018/19 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

DISCLOSURES AND LEGAL COMPLIANCE

been completed. This approach reflects the costs incurred, particularly where a dispute/review spans more than one year.

Table 4: Efficiency Indicators – 2018/19 performance

Service	Arbitration of disputes	Review of regulatory decisions	Maintaining a state of readiness
Performance Indicator	Average cost per dispute	Average cost per review application	Average cost per standard unit of regulated infrastructure
Target	\$0	\$0	\$2,209
2018/19	\$0	\$12,099	\$1,896
2017/18	\$0	\$15,513	\$2,231
2016/17	\$2,200	\$50,515	\$2,259

1. Average cost per dispute

There were no disputes active during 2018/19 so no costs were incurred. The target for this efficiency indicator is \$0 consistent with an objective of having no disputes.

2. Average cost per review application

This indicator represents the average cost per review in the reporting year. An application for review, lodged in May and June 2017 (Application 1-7/2017), was completed in October 2018.

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 in 2018/19 was \$12,099 compared to \$15,513 in 2017/18.

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 oversighted in the 2018/19 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 2018/19 was \$2,209 based on the Arbitrator's approved budget (\$50,000) divided by the target of 22.63 standard units of regulated infrastructure. In 2018/19 the Economic Regulation Authority issued its final decision on Western Power's proposed Access Arrangement. That decision increased the value of the asset base for Western Power's transmission and distribution networks. This resulted in the actual number of standard units of regulated infrastructure being reset to 27.62. The actual cost was \$1,896 in 2018/19 compared with \$2,231 in 2017/18.

OTHER FINANCIAL DISCLOSURES

- Overview
- Executive Summary
- Agency Performance
- Significant Issues
- Disclosures and Legal Compliance
- Other Financial Disclosures**
- Legal Requirements

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 by regulated industries.

The Arbitrator recognises that support services from the ERA and the State Solicitor's Office are provided free of charge. The cost that has been recognised for those services in 2018/19 is \$14,600.

Gas industry

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

National Gas Access (WA) (Local Provisions) Regulations 2009

One-third of this 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.

Table 5: Standing charges – *National Gas Access (WA) (Local Provisions) Regulations 2009*

Service provider	Standing charges (\$)
WA Gas Networks Pty Limited (Atco)	2,357.78
Goldfields Gas Transmission	1,769.43
Southern Cross Pipelines Pty Limited	237.44
DBNGP (WA) Transmission Pty Limited	4,364.66
Total	8,729.31

Gas Supply (Gas Quality Specifications) Regulations 2010

One-third of gas industry funding comes from producers of broad specification gas. BHP Billiton is the only producer of broad specification gas in Western Australia.

Table 6: Standing charges – *Gas Supply (Gas Quality Specifications) Regulations 2010*

Service provider	Standing charges (\$)
BHP Billiton	8,729.28

Gas Services Information Regulations 2012

The remaining third of the funding comes from the Australian Energy Market Operator in relation to the Gas Statement of Opportunities and the Gas Bulletin Board.

Table 7: Standing charges – *Gas Services Information Regulations 2012*

Australian Energy Market Operator	Amount (\$)
Core function costs	8,729.28
Standing charges	8,729.28
Determined costs by the Electricity Review Board	-

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.

OTHER FINANCIAL DISCLOSURES

Overview
Executive Summary
Agency Performance
Significant Issues
Disclosures and Legal Compliance
Other Financial Disclosures
Legal Requirements

Table 8: Standing charges – *Electricity Industry (Arbitrator and Board) Funding Regulations 2009*

Service provider	Standing charges (\$)
Western Power	26,187.86

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. There were no costs in 2018/19.

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 completed Application 7/2017 but no order relating to costs was made.

Treasurer's Advance

Section 83 of the *Energy Arbitration and Review Act 1998* allows for the Arbitrator to borrow from the Treasurer. The Arbitrator received a Treasurer's Advance of \$100,000 in 2015/16 which was fully repaid in 2018/19.

Capital works

There were no major capital works undertaken during 2018/19.

Employment and Industrial Relations

Under section 64(1) of the *Energy Arbitration and Review Act 1998*, 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 2018/19. The Arbitrator has an arrangement for the provision of corporate services from the ERA.

Occupational Health and Safety

As the Arbitrator did not have administrative authority over any staff in 2018/19, no occupational health and safety issues existed.

LEGAL REQUIREMENTS

Annual Estimates

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.

The following estimates were approved by the Minister for 2018/19.

Table 9: Estimates approved by the Minister for 2018/19

Expenditure estimate	2017/18
Remuneration including on-costs	\$31,000
Supplies and services	\$13,000
Audit fees	\$6,000
Total annual estimate	\$50,000
Total expenditure for the ongoing costs of the Arbitrator for 2018/19	\$52,376

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. The Review Board was surveyed in April 2019 at a cost of \$285.00.

Recordkeeping

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. The Arbitrator does have a separate Record Keeping Plan and Retention and Disposal schedule covering the Arbitrator's records (which includes records relating to reviews by the Review Board).

Complaints handling

There are three main areas that can be the source of complaints relating to the Arbitrator:

- administration
- matters relating to reviews carried out by the Review Board
- 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 its 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.




WESTERN AUSTRALIAN
ENERGY DISPUTES ARBITRATOR

PO Box 8469, Perth BC WA 6849

 (08) 6557 7900

 records@erawa.com.au

 www.edawa.com.au