

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

Objectives

The Independent Competition and Regulatory Commission (the Commission) has responsibilities for a range of regulatory matters under the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act), the *Utilities Act 2000* (Utilities Act) and the *Electricity (Greenhouse Gas Emissions) Act 2004*.

Section 7 of the ICRC Act provides for the functions of the Commission in relation to ministerially declared regulated industries. These cover matters such as pricing regulation, access arrangements, utilities regulation, and competitive neutrality complaints. The ICRC Act sets out the Commission's objectives as:

- promoting effective competition in the interests of consumers;
- facilitating an appropriate balance between efficiency and environmental and social considerations; and
- ensuring non-discriminatory access to monopoly and near-monopoly infrastructure.

The Utilities Act provides for the regulation of electricity, natural gas, water, and sewerage utility services. In discharging its responsibilities under this legislation, the Commission's objectives centre on:

- encouraging the provision of safe, reliable, efficient and high-quality utility services at reasonable prices;
- minimising the potential for misuse of monopoly power in the provision of utility services and promoting competition in the provision of utility services;
- encouraging long-term investment, growth and employment in utility services; and
- protecting the interests of consumers.

The *Electricity (Greenhouse Gas Emissions) Act 2004* establishes the ACT's Greenhouse Gas Abatement Scheme the purpose of which is to reduce greenhouse gas emissions associated with the production and use of electricity, and to encourage participation in activities to offset the production of greenhouse gas emissions. The Commission is the scheme regulator.

2008-09 Priorities

The strategic and operational issues to be pursued in 2008-09 include:

- overseeing new pricing arrangements for water and wastewater services from 1 July 2008;
- overseeing new pricing arrangements for retail electricity from 1 July 2008;
- determining electricity sector benchmarks for, and reporting on compliance with, the Greenhouse Gas Abatement Scheme in the ACT;
- monitoring and reporting on utility compliance and performance under the Utilities Act; and

- working cooperatively with the national regulatory body, the Australian Energy Regulator, to put in place orderly arrangements for the transfer of regulatory responsibilities in the energy sector as agreed under the COAG Australian Energy Market Agreement.

Estimated Employment Level

2007-08 Budget		2007-08 Est. Outcome	2008-09 Budget
6	Staffing (FTE)	6	5

Changes to Appropriation

Changes to Appropriation					
	2007-08	2008-09	2009-10	2010-11	2011-12
Government Payment for Outputs	Est. Out.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
2007-08 Budget	-	-	-	-	-
2008-09 Budget Policy Adjustments					
Implementation of Energy Industry Levy - Compliance and Regulation	-	471	485	499	514
2008-09 Budget	-	471	485	499	514

Independent Competition and Regulatory Commission Operating Statement

2007-08 Budget \$'000		2007-08 Est.Outcome \$'000	2008-09 Budget \$'000	Var %	2009-10 Estimate \$'000	2010-11 Estimate \$'000	2011-12 Estimate \$'000
Income							
Revenue							
0	Government Payment for Outputs	0	471	#	485	499	514
1,090	Taxes Fees and Fines	2,110	516	-76	531	547	563
0	User Charges - Non ACT Government	604	0	-100	0	0	0
839	User Charges - ACT Government	839	844	..	871	876	904
46	Interest	82	47	-43	47	27	27
1,975	Total Revenue	3,635	1,878	-48	1,934	1,949	2,008
Gains							
0	Total Gains	0	0	-	0	0	0
1,975	Total Income	3,635	1,878	-48	1,934	1,949	2,008
Expenses							
742	Employee Expenses	447	511	14	522	573	575
151	Superannuation Expenses	71	75	6	77	77	77
1,054	Supplies and Services	3,089	1,255	-59	1,284	1,248	1,305
13	Depreciation and Amortisation	13	13	-	13	13	0
0	Other Expenses	0	14	#	14	14	14
1,960	Total Ordinary Expenses	3,620	1,868	-48	1,910	1,925	1,971
15	Operating Result	15	10	-33	24	24	37

Independent Competition and Regulatory Commission Balance Sheet

Budget as at 30/6/08 \$'000		Est.Outcome as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000	Var %	Planned as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000	Planned as at 30/6/12 \$'000
Current Assets							
796	Cash and Cash Equivalents	1,619	1,653	2	1,697	1,741	1,785
227	Receivables	48	48	-	48	48	48
1,023	Total Current Assets	1,667	1,701	2	1,745	1,789	1,833
Non Current Assets							
39	Property, Plant and Equipment	39	26	-33	13	0	0
39	Total Non Current Assets	39	26	-33	13	0	0
1,062	TOTAL ASSETS	1,706	1,727	1	1,758	1,789	1,833
Current Liabilities							
374	Payables	573	572	..	572	572	572
239	Employee Benefits	97	102	5	103	103	103
2	Income Tax Payable	0	0	-	0	0	0
615	Total Current Liabilities	670	674	..	675	675	675
Non Current Liabilities							
13	Employee Benefits	7	14	100	20	27	34
13	Total Non Current Liabilities	7	14	100	20	27	34
628	TOTAL LIABILITIES	677	688	2	695	702	709
434	NET ASSETS	1,029	1,039	1	1,063	1,087	1,124
REPRESENTED BY FUNDS EMPLOYED							
434	Accumulated Funds	1,029	1,039	1	1,063	1,087	1,124
434	TOTAL FUNDS EMPLOYED	1,029	1,039	1	1,063	1,087	1,124

**Independent Competition and Regulatory Commission
Cash Flow Statement**

2007-08 Budget \$'000		2007-08 Est.Outcome \$'000	2008-09 Budget \$'000	Var %	2009-10 Estimate \$'000	2010-11 Estimate \$'000	2011-12 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
0	Cash from Government for Outputs	0	471	#	485	499	514
1,090	Taxes, Fees and Fines	1,760	516	-71	531	547	563
839	User Charges	1,443	844	-42	871	876	904
46	Interest Received	82	47	-43	47	27	27
83	Other Revenue	83	83	-	86	86	86
2,058	Operating Receipts	3,368	1,961	-42	2,020	2,035	2,094
Payments							
880	Related to Employees	505	575	14	592	643	645
1,047	Related to Supplies and Services	2,732	1,254	-54	1,283	1,247	1,304
98	Other	98	98	-	101	101	101
2,025	Operating Payments	3,335	1,927	-42	1,976	1,991	2,050
33	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	33	34	3	44	44	44
33	NET INCREASE/(DECREASE) IN CASH HELD	33	34	3	44	44	44
763	CASH AT BEGINNING OF REPORTING PERIOD	1,586	1,619	2	1,653	1,697	1,741
796	CASH AT THE END OF THE REPORTING PERIOD	1,619	1,653	2	1,697	1,741	1,785

Independent Competition and Regulatory Commission Statement of Changes in Equity

Budget as at 30/6/08 \$'000		Est.Outcome as at 30/6/08 \$'000	Planned as at 30/6/09 \$'000	Var %	Planned as at 30/6/10 \$'000	Planned as at 30/6/11 \$'000	Planned as at 30/6/12 \$'000
419	Opening Balance	1,014	1,029	1	1,039	1,063	1,087
	Accumulated Funds						
15	Operating Result for the Period	15	10	-33	24	24	37
	Reserves						
15	Total Income And Expense For The Period	15	10	-33	24	24	37
	Transactions Involving Equity Holders Affecting Accumulated Funds						
434	Closing Balance	1,029	1,039	1	1,063	1,087	1,124

Notes to the financial statements

Significant variations are as follows:

Operating Statement

- government payment for outputs: the increase of \$0.471 million in the 2008-09 Budget from the 2007-08 estimated outcome represents the introduction of the energy industry levy, which replaces the utility licence fees for energy sector (electricity and gas) distribution and supply services from 2008-09 onwards.
- taxes, fees and fines:
 - the increase of \$1.020 million in 2007-08 estimated outcome from the original budget relates to the collection of unbudgeted license fees; and
 - the decrease of \$1.594 million in the 2008-09 Budget from the 2007-08 estimated outcome is attributable to the introduction of the energy industry levy for local regulatory costs.
- user charges – non ACT Government: the increase of \$0.604 million in the 2007-08 estimated outcome from the original budget and the decrease of \$0.604 million in the 2008-09 Budget from the 2007-08 estimated outcome represents the recovery of costs for the water pricing review.
- interest:
 - the increase of \$0.036 million in 2007-08 estimated outcome from the original budget is attributable to a higher level of cash reserves; and
 - the decrease of \$0.035 million in the 2008-09 Budget from the 2007-08 estimated outcome is attributable to the anticipated lower cash reserves.

- employee expenses: the decrease of \$0.295 million in the 2007-08 estimated outcome from the original budget is attributable to lower than expected staffing levels through part of the financial year due to difficulties with filling positions.
- supplies and services expenses:
 - the increase of \$2.035 million in 2007-08 estimated outcome from the original budget is due to an increase in overall regulatory compliance costs, and to the costs of consultants used in the water pricing review; and
 - the decrease of \$1.834 million in the 2008-09 Budget from the 2007-08 estimated outcome is attributable to the introduction of the energy industry levy and the consequent change in funding arrangements for the Essential Services Consumer Council and the technical regulator, the ACT Planning and Land Authority.

Balance Sheet

- cash and cash equivalents: the increase of \$0.823 million in the 2007-08 estimated outcome from the original budget is mainly due to the flow on effects of higher cash reserves from operations reflected in the 2006-07 audited result.
- receivables: the decrease of \$0.179 million in 2007-08 estimated outcome from the original budget is attributable to a higher level of collections from debtors.
- payables: the increase of \$0.199 million in 2007-08 estimated outcome from the original budget is due to increased consultant costs in relation to the water pricing review.
- current and non-current employee benefits:
 - the decrease of \$0.147 million in 2007-08 estimated outcome from the original budget reflects the departure of a number of employees during the year who had accrued large benefits; and
 - the increase of \$0.012 million in 2008-09 Budget from the 2007-08 estimated outcome reflects the normal accrual of long service leave and annual leave entitlements.

Statement of Changes in Equity

Variations in the statement are explained in the notes above.