



OFFICE OF ENERGY

ANNUAL REPORT
2004/05



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STATEMENT OF COMPLIANCE

MINISTER FOR ENERGY

In accordance with Section 62 of the *Financial Administration and Audit Act 1985*, I am pleased to submit for your information and presentation to Parliament the Report of the Office of Energy for the financial year ending 30 June 2005.

The Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985*.

A handwritten signature in black ink, appearing to read 'Anne Nolan'.

Anne Nolan
**Chief Executive Officer
Coordinator Of Energy**

31 August 2005





ANNUAL REPORT CONTENTS

This is a report on the Office of Energy's contribution towards the State Government's operational and financial goals in 2004/05. It presents our strategic projects, outcomes, issues and forward plans supported by performance indicators and financial statements. In doing so, it provides an account of the Office's achievements and challenges.

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This report has been coordinated, designed and published entirely in-house at the Office of Energy.





FROM THE COORDINATOR

The Office of Energy had a successful year in 2004/05. Electricity reform continued its high profile over the year and dominated the work agenda. In addition, the Office's results driven approach has delivered a raft of other significant achievements.

The enactment of electricity industry legislation late in 2003/04 provided the foundation for reform of the industry and paved the way to establish a wholesale electricity market, customer protection mechanisms, independently regulated access to the State's electricity network and licensing arrangements.

In 2004/05 we focused on putting the "flesh on the bones" of this legislation. We now have in place a detailed Electricity Networks Access Code which is the key to enabling private investment in the electricity supply industry and extensive market rules to support establishment of the wholesale electricity market. The threshold at which customers have the option to choose their electricity supplier was also lowered in 2004/05, enabling an additional 10,000 customers to shop around for their electricity.

To accompany increased market customer protection freedoms, measures have been put in place to protect consumers through a Customer Service Code (which specifies what is acceptable behaviour by electricity marketers, distributors and retailers) and a Customer Extended Outage Payment Scheme (recognising the inconvenience of power outages of more than 12 hours). Significant progress has also been made in establishing an Energy Ombudsman and a Network Reliability and Quality of Supply Code.

A significant boost to electricity reform came in May 2005 when Government reintroduced legislation to disaggregate Western Power into four new businesses. It is expected that the *Electricity Corporations Bill 2005* will be passed in Spring 2005. This will open the way for the further development of competition in energy markets.

As mentioned earlier, the Office's successes have not been confined to electricity reform, other notable achievements include:

- Facilitating the timely expansion and guiding the sale of the Dampier to Bunbury Natural Gas Pipeline;
- Commencement of Phase One of the Rural Power Improvement Program with a focus on relatively low cost system enhancements to improve regional power reliability and quality of supply;
- Extending consumer protection and uniform tariffs to people residing in caravan parks;
- Securing a partnership agreement with the Commonwealth to regularise power supply to five remote Aboriginal communities in the Kimberley;
- Developing and implementing a Government agencies demand response program and life support equipment energy subsidy scheme;

- Enhancing understanding of energy systems and greenhouse consequences;
- Influencing the development of the National Energy Efficiency Framework; and
- Improving the flexibility in the usage of renewable remote power generation program funds on the fringe of the electricity grid.

Our achievements over 2004/05 would not have been possible without the strong co-operation and input from the energy industry, local and State Government agencies, local businesses and the community.

Building these partnerships is one of the most rewarding aspects of the work we undertake and we look forward to continuing to develop strong partnerships into 2005/06 and beyond.

I would like to conclude by acknowledging the commitment, enthusiasm and hard work of all Office of Energy staff, which enabled us to successfully deliver another year of outstanding achievement, developing and implementing energy policy in Western Australia.



Anne Nolan
Chief Executive Officer
Coordinator of Energy

SUMMARY

The Office of Energy's role is to lead the development and implementation of policy to meet the State's energy needs. The strategic goals and outcomes which underpin this role are closely aligned with the Government's *Strategic Planning Framework*. The following overviews the Office's achievements in 2004/05 in the context of Government's planning framework.



- The Government's vision is for a Western Australian energy sector which provides lower cost, sustainable, reliable and secure energy. A competitive energy sector which is efficient, open to new entrants and encourages innovation in service and product delivery will help achieve this vision.

Significant progress was made in 2004/05 to establish a framework for a reliable and competitive electricity market, including:

- Reform Legislation – in 2004 the *Electricity Industry Act (2004)* was passed. The *Electricity Corporations Bill 2005* was introduced into Parliament in May 2005. The Industry Act provides a foundation for a competitive market by establishing the legislative basis for the electricity market, access to the electricity network, consumer protection and other competitive requirements. The *Electricity Corporation Bill 2005* is the last legislative step in the reform process, providing the basis to disaggregate Western Power and establish four new businesses;
- Network Reliability and Quality of Supply Code - work began on the Code which will introduce minimum service standards, public performance reporting requirements for network operators and an independent complaints resolution process for small-use customers through the State Energy Ombudsman. The Code will be finalised following public consultation in the second quarter of 2005/06;
- Wholesale Electricity Market – following the commencement of the Top Up and Spill Market in June 2004, the establishment of a wholesale electricity market took a step forward with the gazetting of the Market Rules in October 2004, the Expression of Interest for Reserve Capacity in December 2004 and the Independent Market Operator's establishment also in December 2004;
- The *Electricity Networks Access Code 2004* came into effect in November 2004. The Code provides a framework for governance of third party access to networks to facilitate private investment in the electricity supply industry, which is fundamental to the success of electricity reform. Independent administration and regulation by the Economic Regulation Authority will ensure stringent performance targets and service standards are set and measured;
- Market Power Mitigation – the market dominance of Western Power has required the implementation of measures to attempt to limit Western Power's ability to influence

the market and foster the entry of new players in the electricity industry. Milestones reached include the introduction of the enhanced powers of Direction in November 2004 and a cap imposed on Western Power's investment in new plant in March 2005; and

- Retail Market Competition – release of the *Customer Transfer Code* in December 2004 and reduction of the Contestability threshold to 50MWh level in January 2005 gives more customers the opportunity to 'shop around' for their electricity supply.
- Vital policy work was completed to support the creation of four new business units set to result from disaggregation, including establishment of Service Level Agreements and internal transfer pricing reforms. Comprehensive financial analysis continues to be undertaken and indicates that the objectives of the reform will be facilitated through disaggregation of Western Power. The Office is well prepared to drive the disaggregation process once the *Electricity Corporations Bill 2005* is passed by Parliament.



- Encouraging progress was made in this financial year in raising awareness and reducing the environmental impact of energy supply and use. Increased use of the information programs and products provided by the Sustainable Energy Development Office suggests a growing awareness in the community of the need to protect the environment through more efficient resource use. Importantly, new electricity market arrangements will enable increased participation by renewable energy generators and allow for demand management bids to be made.
- Given the longevity of the built environment, it is pleasing to see the increased adoption of energy efficiency practices in the commercial property industry and increasing use of energy efficient house design in the housing sector. Tools to help improve building energy efficiency are developing rapidly and trials of a new generation national house energy rating software tool, *AccuRate*, are underway in Western Australia.
- In 2004/05 \$5.9 million was provided for renewable energy systems in off grid areas and \$1.3 million was provided in rebates for installation of solar water heaters in 2,736 Western Australian homes. The Solar Water Heater Subsidy Scheme has resulted in displacement of over 12 million kilowatt hours of fossil fuel this year alone.
- A landmark agreement between all Australian Governments was reached in December through the Ministerial Council on Energy on a National Framework for Energy Efficiency. This will extend and accelerate work on appliance, equipment and building efficiency as well as numerous other initiatives to improve energy efficiency across the economy.
- Government agencies continued to set an example with 62 agencies participating in the Energy Smart Government program, delivering a 4.6% reduction in energy consumption.



- The Office is sensitive to the need for equity in the provision of electricity supply to customers, and has a number of projects designed to contribute to improve access to electricity supply.
- The Aboriginal and Remote Communities Power Supply Project aims to provide equitable and reliable power supplies to large, permanent Aboriginal and other remote communities across the State. A joint funding agreement was signed between the State and Commonwealth in May 2005 to subsidise the provision of electricity by Western Power to five remote Aboriginal communities in the Kimberley. This includes upgraded networks and new generators which are expected to be in place in 2006/07.
- A Life Support Equipment Energy Subsidy was introduced in January 2005 and will assist about 1,600 seriously ill people with the cost of operating home based life support equipment.
- An initiative was introduced in 2004/05 placing an obligation on caravan park owners to on-sell power to permanent residents at no more than the residential tariff charged by Western Power. This arrangement also extended State energy concessions to eligible residents of caravan parks (Power Price Parity Scheme). This initiative will be broadened to residents of other group dwelling complexes in 2005/06.
- A key priority of the Office is improving the reliability and quality of electricity supply to households and businesses throughout the State, and this was a significant focus of activity in 2004/05.

A Customer Extended Outage Payment Scheme was announced in March 2005 and took effect from 1 July 2005. This will provide tangible recognition of the inconvenience suffered by customers as a result of extended outages.

The Scheme will be incorporated into a new Network Reliability and Quality of Supply Code on which work began in 2004/05. The Code will be finalised following public consultation in the second quarter of 2005/06. The Code will introduce minimum service standards, public performance reporting requirements for network operators and an independent complaints resolution process for small-use customers through the State Energy Ombudsman. The Energy Ombudsman will provide approximately 1.4 million residential and small business customers with an alternative, impartial and cost-free avenue to handle complaints with their electricity or gas supplier from September 2005.

- Approximately 1,750 lots were converted from overhead to underground power in 2004/05 under the Underground Power Program, and projects to convert a further 5,000 lots commenced in Victoria Park, Shenton Park, City Beach and Gosnells. This work will improve the reliability of power supplies in these areas and also improve the visual amenity of the neighbourhoods.

- The Underground Power Program also evaluated projects to enhance the visual amenity of areas of scenic, heritage or tourist significance in nine regional towns. Projects were completed in Bunbury, Geraldton, Scarborough and Bridgetown during the year.



- Work began to improve regional power reliability and quality of supply to 43,000 customers over four years with Phase One of the Rural Power Improvement Program commencing in August 2004.

Focusing on relatively low cost system enhancements to improve performance, the Rural Power Improvement Program is set to considerably reduce customer supply outages in rural areas of the South West Interconnected System with \$48 million in funding provided equally by the State Government and Western Power over 4 years.

Phase One of the Program is installing reclosers and sectionalisers over a wide area of the network to reduce the impact of faults at a cost of \$14.5 million. In June 2005, the Minister announced details of specific upgrades totalling nearly \$20 million to begin in 2005/06 and 2006/07 under the Program.

- The *Electricity Corporations Bill 2005* will also bring considerable benefits to regional customers by permitting the restructure of Western Power in 2005/06 which will result in the creation of four business units including the Regional Power Corporation.

The Regional Power Corporation will focus solely on the generation, networks and retail requirements of customers outside of the South West Interconnected System, with a regional headquarters and will be focused on being more accessible and responsive to regional customer needs. Western Power has already begun work to establish a Regional Power business unit as a transition to the creation of the Regional Power Corporation.

- Full implementation of the *Electricity Corporations Bill 2005* will also pave the way for the establishment of the Tariff Equalisation Fund which will ensure that the new Regional Power Corporation is able to continue to supply customers under the State-wide uniform electricity tariff. Work to draft the policy and regulatory design of the Tariff Equalisation Fund was carried out throughout 2004/05, and will be completed in 2005/06 to allow the Tariff Equalisation Fund to come into effect with disaggregation.
- The Renewable Remote Power Generation Program continued to excel in regional Western Australia with rebates totalling \$5.9 million provided to install 600kW wind turbines at Hopetoun, Rottnest Island and Bremer Bay along with 275 small renewable energy based power and water pumping systems in regional locations across the State.



ORGANISATIONAL PROFILE

The Office of Energy is a change agent that leads the development and implementation of policy to meet the State's energy needs. It is committed to driving change in a way that achieves improved economic, social and environmental outcomes for Western Australia.

Office of Energy objectives are:

1. Energy Policy Development

To develop energy policies that are flexible and dynamic to meet changing industry and consumer needs throughout Western Australia in the context of international, national and local developments.

2. Energy Supply

To encourage and facilitate industry provision of secure and reliable energy supply to meet the needs of households and businesses in metropolitan, regional and remote areas.

3. Energy Market and Regulatory Arrangements

To have a competitive energy sector that meets business and community needs through an appropriate balance of market and regulatory arrangements.

4. Energy Sustainability

To deliver environmental, economic and social benefits to the Western Australian community by accelerating the transition to sustainable production and use of energy.

5. Office of Energy Capability

To have the Office of Energy recognised as a credible, capable and responsive agency by stakeholders and staff.

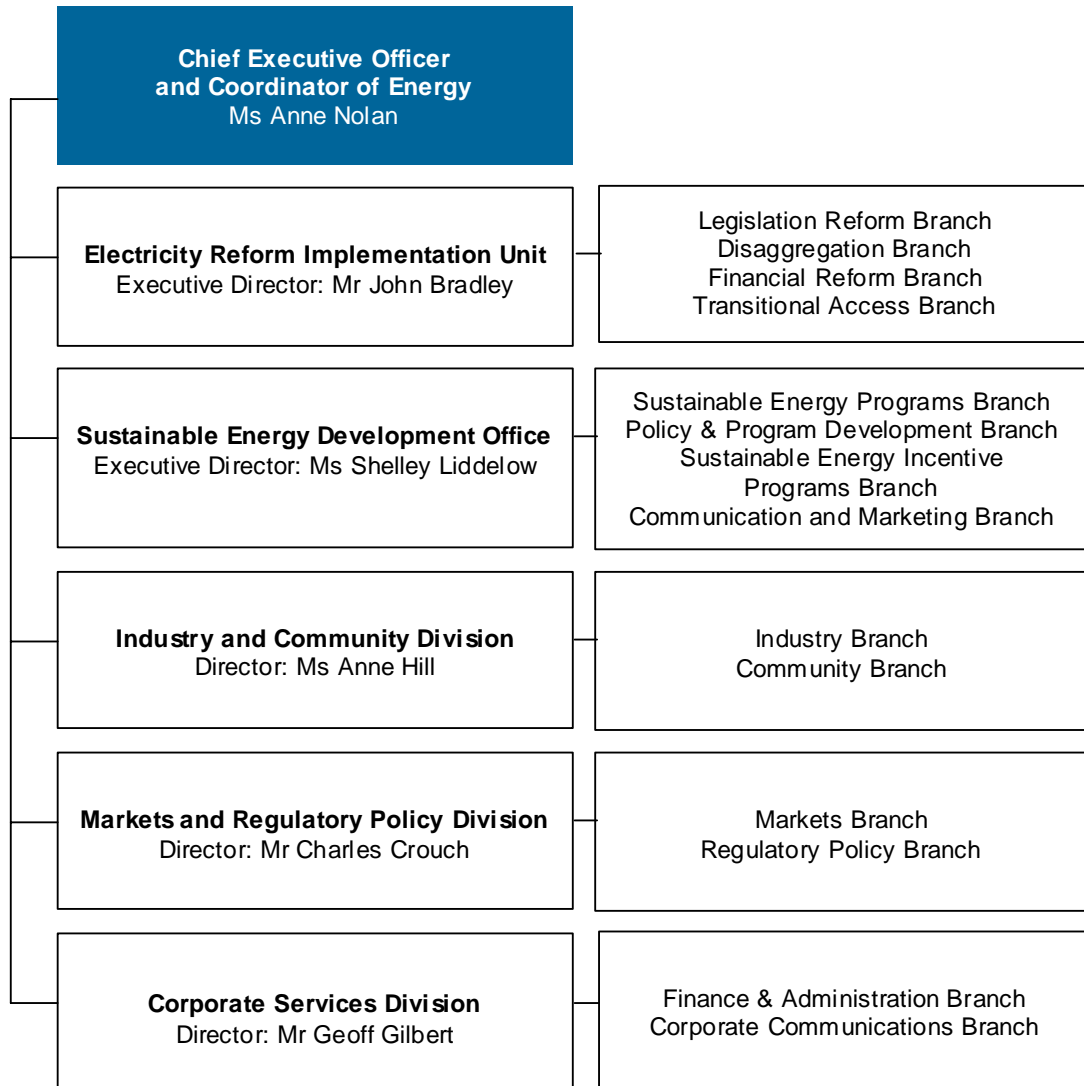
OUR VISION

...lower cost, sustainable, reliable, secure energy for Western Australia's future.

In our vision:

- The Office of Energy is the major driver in achieving an environment where:
 - householders and businesses throughout Western Australia will enjoy a choice of secure, reliable, competitively priced energy products and services;
 - the Western Australian energy sector is competitive and efficient – demonstrated by strong new entrants, services and products;
 - efficient regulation will exist where necessary and will be well accepted and supported; and
 - there is a high level of knowledge, understanding and application of sustainable energy principles and practices by energy suppliers and consumers.
- Stakeholders see the Office of Energy as being accessible, knowledgeable and helpful, and are keen to work with us.
- The Office of Energy is strategic, is proactive, and excels in developing and implementing policy to meet the State's energy needs.
- The Office of Energy is an employer of choice, we:
 - are achievement oriented and focused;
 - are well organised and make best use of resources;
 - invest in building the capability of our staff;
 - enjoy an attractive working environment;
 - are sensitive to the needs of our employees; and
 - lead by example.

ORGANISATIONAL STRUCTURE 2004/05



ENERGY PORTFOLIO 2004/05

Minister for Energy
Hon Alan Carpenter

- Office of Energy (Government Agency)
- Coordinator of Energy (Statutory Position)
- Director of Energy Safety (Statutory Position)
- Sustainable Energy Development Office's Grant Committee (Non-Statutory Advisory Board)
- Electrical Licensing Board (Statutory Board)
- Western Power Corporation (Statutory Corporation Board)

LEGISLATION ADMINISTERED

The principal legislation administered by the Minister for Energy through the Office of Energy is the ***Energy Coordination Act 1994***, which provides for the appointment of a Coordinator of Energy and sets out the functions of this position.

The Coordinator of Energy assists the Minister for Energy in planning and coordinating energy supply in Western Australia.

The Coordinator of Energy advises the Minister on all aspects of energy policy including:

- the energy needs of the State;
- the introduction and encouragement of competition;
- promotion and achievement of open access to transmission and distribution systems, which is an important element in facilitating competition;
- energy policy as a means of helping to achieve other policy objectives of Government;
- ways of achieving greater efficiency in the use of energy; and
- energy sources and methods of use, including renewable energy.

The Coordinator of Energy also sponsors and coordinates energy research development and demonstration, promotes the development of commercial applications of renewable energy and provides support in the resolution of energy related disputes.

Other Acts, in addition to the *Energy Coordination Act 1994*, administered by the Minister for Energy through the Office of Energy include:

Dampier to Bunbury Pipeline Act 1997;
Electricity Act 1945;
Electricity Corporation Act 1994
Electricity Industry Act 2004
Energy Operators (Powers) Act 1979;
Fremantle Electricity Undertaking Agreement Act 1952;
Fremantle Electricity Undertaking (Purchase Moneys) Agreements Act 1952;
Fuel, Energy and Power Resources Act 1972;
Gas Corporation (Business Disposal) Act 1999;
Gas Pipelines Access (Western Australia) Act 1998;
Gas Standards Act 1972;
Kalgoorlie Electric Power and Lighting Corporation Limited Act 1902;
Katanning Electricity Supply Undertaking Acquisition Act 1961;
Liquefied Petroleum Gas Subsidy Act 1980;
Petroleum Products Subsidy Act 1965; and
State Energy Commission (Validation) Act 1978.

LEGISLATION INTRODUCED/IMPLEMENTED IN 2004/05

The following legislative instruments were developed and/or implemented on behalf of the Government during 2004/05:

Energy Coordination (Customer Contracts) Amendment Regulations 2005
Energy Coordination (Ombudsman Scheme) Amendment Regulations 2005
Energy Coordination (Last Resort Supply) Regulations 2005

LEGISLATION AFFECTING OFFICE ACTIVITIES

In the performance of its functions, the Office of Energy complies with the following relevant written laws:

Public and Bank Holidays Act 1972
Salaries and Allowances Act 1975
Industrial Relations Act 1979
Workers Compensation and Rehabilitation Act 1981
Equal Opportunity Act 1984
Occupational Health and Safety Act 1984
Financial Administration and Audit Act 1985
Occupiers Liability Act 1985
Government Employees Superannuation Act 1987
State Supply Commission Act 1991
Freedom of Information Act 1992
Disability Services Act 1994
New Tax System (Goods and Services Tax) Act 1999
State Records Act 2000
Electronic Transactions Act 2002
Public Interests Disclosures Act 2003





REPORT ON OUTCOMES

During 2004/05 the Office of Energy reviewed its role, objectives and strategies and aligned them to the Strategic Planning Framework for the Western Australian Public Sector titled *Better Planning: Better Services*.

The Office of Energy delivers strategic outcomes and achievements through a variety of projects which contribute towards the Government goals of improving the quality of life enjoyed by Western Australians in the broad areas of people and communities, the economy, the environment, the regions and governance.

All Office of Energy projects can be clearly linked to one or more of the Government goals, with the Office having a particularly strong focus on the economy and environment with its services and resources being structured to deliver the following outcomes:

- A policy environment to achieve a competitive and efficient energy sector; and
- An increase in the adoption of renewable energy and energy efficiency.

The following Report on Outcomes documents the strategic outcomes and achievements of the Office of Energy's projects in 2004/05 and the activities planned to deliver continued success in 2005/06.



THE ECONOMY

To develop a strong economy that delivers more jobs, more opportunities and a greater wealth to Western Australians by creating the conditions required for investment and growth.

The following outlines some of the more significant activities that the Office of Energy has driven over 2004/05 to contribute towards the Government's Goals for the Economy. The major focus of this year has been the reform of the electricity industry with the restructure of Western Power, establishment of a Wholesale Electricity Market and supporting industry regulation and consumer protection. The Office also continues to have a key role in facilitating a competitive gas industry.

RESTRUCTURE OF WESTERN POWER

The Office of Energy has the responsibility for the implementation of the disaggregation of Western Power under the guidance of the Commercial Business Steering Committee (chaired by the Office of Energy and comprising of the Chief Executive Officers of the Department of Treasury and Finance and Western Power).

The restructure of Western Power is a significant piece of the electricity reform agenda that will ultimately deliver benefits to customers and the industry, including:

- Competition to encourage lower prices and improved customer services;
- Private sector investment in generation, freeing up Government capital for networks expenditure and other priority areas of Government;
- A dedicated corporate focus on networks services and networks funding requirements to improve service standards and reliability;
- Separate focus on regional electricity supply (i.e. outside the South West Interconnected System) and a transparent funding mechanism to support provision of uniform tariffs;
- Stage Western Australia's economic growth by providing competitively priced energy to commercial and industrial users; and
- Growth of renewable energy, distributed generation and demand side management.

The Office is progressing with the disaggregation of Western Power as quickly as possible, subject to legislation passing through Parliament, with the close involvement of the Corporation, other government agencies and key stakeholders.

The early disaggregation of Western Power will:

- ensure a clear commercial focus for the management and staff of the successor entities;
- improve certainty for investors in the Western Australian electricity market; and
- help to address key customer concerns regarding generation adequacy, networks performance and electricity pricing.

Strategic Outcomes and Achievements

While the disaggregation of Western Power was deferred in February 2004, the Office has continued to work with Western Power to establish a Business Unit Structure. Following the Government's commitment to reintroduce legislation to disaggregate Western Power preparatory arrangements recommenced in full swing. Achievements in 2004/05 include:

- Significant work on policies to progress preparation for disaggregation. This included supporting and providing policy input to commercial reforms undertaken within Western Power, which will support the formal separation of the businesses; and
- The Office redeveloped the required legislation in the form of the *Electricity Corporations Bill 2005*. With the Government's decision in April 2005 to recommence the disaggregation process, this legislation was introduced by the Minister for Energy in May 2005.

Forward Planning for 2005/06

The Office is at an advanced stage in preparation for disaggregation. The major activities planned for 2005/06 to achieve disaggregation include:

- Securing passage of the *Electricity Corporations Bill 2005*;
- Resolving a limited number of outstanding policy issues impacting on the regulatory framework for the successor entities (e.g. detailed arrangements for the Tariff Equalisation Fund);
- Updating financial analysis and Opening Balance Sheets for each of the successor entities;
- Developing robust commercial arrangements between the successor entities including inter-entity agreements such as vesting contracts and shared services agreements;
- Allocating assets, rights and liabilities and preparation of the Transfer Order that will implement the disaggregation transaction;
- Establishing business information management systems to meet the commercial needs and regulatory ring-fencing requirements of each individual entity;
- Finalising corporate governance arrangements for the successor entities and establishing initial corporate services capabilities; and
- Managing human resource arrangements including staff migration, industrial relations and employee issues.

WHOLESALE ELECTRICITY MARKET

A key component of the electricity reform program is the implementation of a wholesale electricity market. The rules governing the market have been developed and have the following objectives:

- to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West Interconnected System;
- to encourage competition among generators and retailers in the South West Interconnected System, including by facilitating efficient entry of new competitors;
- to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- to minimise the long-term cost of electricity supplied to customers within the South West Interconnected System; and
- to encourage the taking of measures to manage the amount of electricity used and when it is used.

Strategic Outcomes and Achievements in 2004/05

In October 2004 the new wholesale electricity market rules (the Market Rules) were promulgated. The Market Rules were developed by the Office of Energy following extensive consultation with industry through the Market Rules Development Group and its seven Expert Teams. Since their promulgation the Market Rules have undergone further refinements to improve them against the key objectives of the market. Changes to the Market Rules were developed through the Transitional Market Advisory Committee, chaired and supported by the Office of Energy. The Transitional Market Advisory Committee is the key industry consultation body in the transitional period leading to effective energy market start, 1 July 2006.

In December 2004, the Independent Market Operator was established. The Independent Market Operator has already commenced administering certain parts of the Market Rules, including the reserve capacity mechanism to ensure that adequate generation capacity is available in the summer of 2007/08. The operation of the Reserve Capacity Mechanism commenced in October 2004 with the Office of Energy on behalf of the Minister requesting Expressions of Interest from prospective generators and demand side management providers.

In early 2005, the Office of Energy on behalf of the Independent Market Operator commenced the most significant implementation task related to the establishment of the wholesale electricity market - the procurement and development of the information systems necessary to support the effective operation and administration of the market (the Market Systems).

The Market Systems were procured through a two-stage process. The first stage of the procurement process involved an Expressions of Interest request. The second stage of the process involved the issue of a Request for Proposals to pre-qualified respondents from the Expressions of Interest stage.

Tenders were evaluated with respect to their technical compliance, as well as against each of the following objectives:

- minimum cost;
- maintaining the efficiency and effectiveness of the market; and
- maintaining the flexibility to adapt to future changes in the market.

The ABB tender was selected based on the proven record of its proposed system. While the system had to be customised to fit the Market Systems requirements, market systems based on the ABB development platforms were either already in operation or in final stages of development.

Forward Planning for 2005/06

The energy trading component of the new market arrangements will commence on 1 July 2006. The Office continues to have an important role in assisting the Independent Market Operator in the procurement and implementation of the Information Technology systems required for the efficient operation and administration of the wholesale electricity market, and the development of the market procedures necessary to operationalise the Market Rules. Industry will continue to be involved in the implementation process through the Market Readiness Committee (and its Working Groups) which will be supported by the Office of Energy.

The Market Readiness Committee will undertake the following tasks:

- Design Audit – reviewing whether the Market Systems design is consistent with the Market Rules;
- Participant Education – assisting market participants during the testing phases of the Market Systems implementation;
- Market Trials – designing the Market Trials and assisting with their execution; and
- Managing and overseeing the development of the Market Procedures.

The Office of Energy is developing Market Procedures for consideration by the Working Groups and the Market Readiness Committee, and approval by the Minister.

ESTABLISHMENT OF A NETWORKS ACCESS CODE

The Networks Access Code (the “Code”) sets out a detailed but high-level framework to govern third party access to covered networks and provides for the independent regulation of network prices and services by the Economic Regulation Authority.

The Code aims to facilitate private investment in the electricity supply industry and to promote competition in the competitive electricity markets which are upstream (e.g. generation) and downstream (e.g. retail) of the networks.

The Code will be independently administered by the Economic Regulation Authority, which will determine appropriate performance benchmarks and service standards and take these into account in approving funding requirements of the Networks Corporation.

Once the Access Arrangement is in place, the Code requires the Economic Regulation Authority to monitor the service provider’s performance against the approved service standard benchmarks and publish a report on this performance each year.

Strategic Outcomes and Achievements in 2004/05

The Electricity Networks Access Code 2004 was gazetted and became effective on 30 November 2004. Full operation of the Code will coincide with the Economic Regulation Authority’s approval of the first Access Arrangement for Western Power’s networks in the South West Interconnected System.

Industry and government stakeholders have provided extensive input into the development and implementation of the Code.

Since the finalisation of the Code, the Office of Energy’s Electricity Reform Implementation Unit has been managing transitional issues for the establishment of the new regime, including:

- Commencing interaction with the Commonwealth for certification of the State’s Access Regime. On 21 June 2005, the Office submitted an application for certification of the Access Code to the National Competition Council; and
- Chairing the Technical Rules Committee which is to provide advice to the Economic Regulation Authority in relation to its role as the technical regulator of the electricity network.

Forward Planning for 2005/06

Key Activities associated with the transition to the new Access Regime include:

- Introducing *Electricity Industry (Access Code Enforcement) Regulations 2005*;
- Securing Commonwealth Certification of the Access Regime; and
- Chairing the Technical Rules Committee.

CUSTOMER PROTECTION FRAMEWORK

The Office of Energy is developing and implementing a coordinated Customer Protection Framework to provide protection, particularly to smaller use customers with the introduction of competition and the new regulatory environment.

Strategic Outcomes and Achievements in 2004/05

The Office established a Western Australian Customer Service Code in December 2004 which specifies acceptable and unacceptable behaviour by an electricity marketer, distributor and retailer.

A further strategic outcome was the establishment of a Western Australian electricity licence regime on 1 January 2005, administered by the Economic Regulation Authority, which ensures that electricity generators, transporters and retailers are technically, financially and managerially capable of undertaking electricity supply.

Forward Planning for 2005/06

Key activities during 2005/06 will include:

- establishment of an Energy Ombudsman in September 2005; and
- establishment of a number of other customer protections including:
 - prescribed form contracts;
 - obligations to connect; and
 - supplier of last resort arrangements.

'TOP UP AND SPILL' MARKET

A Top Up and Spill electricity market is providing an interim step to the establishment of the Wholesale Electricity Market. The Top-Up and Spill (TUAS) balancing market facilitates the participation of independent power producers, including private renewable energy generators, in the local electricity market by allowing them to:

- Purchase 'top-up' energy from Western Power when their production is below the level of their customer demand; and
- Sell 'spill' energy to Western Power when their production exceeds demand.

Strategic Outcomes and Achievements in 2004/05

The TUAS market has been in operation throughout 2004/05, since commencing in June 2004.

The TUAS Consultation Group was constituted by the Minister in January 2005 and its focus is on identifying and resolving issues relating to the TUAS scheme. The Group includes representatives of TUAS users, Western Power and is chaired by the Office of Energy. It meets at 6 weekly intervals.

On 28 June 2005, the Minister for Energy approved a series of amendments to the TUAS Market Rules designed to increase the frequency and scope of the TUAS audit.

Forward Planning for 2005/06

While the Top-Up and Spill market will provide enhanced electricity balancing services, it is not (and was not intended to be) sufficiently effective to support the development of a fully competitive electricity market. It will cease operation when the wholesale electricity market balancing and trading arrangements commence in July 2006.

In the interim, the TUAS Consultation Group is progressing discussion on a number of issues that will impact on the operation of TUAS in the lead up to market start.

RETAIL CONTESTABILITY

From 1 January 2005, the contestability threshold was reduced from 300 MWh to 50 MWh per annum.

This stage of the retail contestability program allows some additional 10,000 customers who use more than 50MWh (approximately \$8,000 of electricity) per annum to choose their electricity retailer.

Strategic Outcomes and Achievements in 2004/05

To support the movement of customers between retailers, the Office of Energy, in consultation with industry participants, developed an *Electricity Industry Customer Transfer Code* to clearly set out:

- Rules for the provision of information relating to contestable customers;
- The process for transferring contestable customers from one retailer to another; and
- Specify the responsibilities and obligations of retailers and network operators in processing and implementing the transfer of contestable customers.

An information brochure was also developed by the Office and sent to all contestable customers in Western Australia informing them of the change to the contestability threshold and providing answers to frequently asked questions.

The Government also agreed to fund an Interval Meter Subsidy Scheme to support the new tranche of retail contestability. The policy for this scheme was developed by the Office and will be implemented by Western Power.

Forward Planning for 2005/06

The Office will monitor the implementation of the Interval Meter Subsidy Scheme and retail competition, which will be encouraged by other Office activities, such as the disaggregation of Western Power.

SALE OF DAMPIER TO BUNBURY NATURAL GAS PIPELINE

The Dampier to Bunbury Natural Gas Pipeline, which brings gas from the North West Shelf to the south west of the State, is a vital element of State infrastructure.

The previous owners of the pipeline faced financial difficulties which prevented them from undertaking much needed expansion of the pipeline. This culminated in the pipeline going into receivership in April 2004.

While existing pipeline carriage obligations were met, receivership made the addition of new capacity even more difficult. A priority for the Government was to facilitate sale of the pipeline to a financially stable owner with the technical ability to expand the pipeline to meet gas demand.

Strategic Outcomes and Achievements in 2004/05

The Office's role in facilitating the sale of the Dampier to Bunbury Natural Gas Pipeline from receivership was to ensure future gas transmission availability.

The Government provided financial assistance to the purchasers of the pipeline in return for commitments to expand the pipeline to facilitate the economic expansion of the State and improve the reliability of electricity supply. A Financial Assistance Agreement was signed in October 2004 between the State and the Dampier to Bunbury Pipeline owners that committed them to:

- Offer all shippers and prospective shippers access to capacity on a non-discriminatory basis on terms and conditions, including price, of the Standard Shipper contract;
- Undertake an initial expansion of 100 TJ per day, investing up to \$400 million in relation to that expansion; and
- Expand and fund that expansion, subject to conditions in the Standard Shipper contract beyond the initial 100 TJ per day.

GAS RETAIL DEREGULATION

Through the Gas Retail Deregulation project, the Office of Energy developed a framework allowing full contestability in the State's gas market, to give all customers, regardless of size, the ability to choose their gas supplier.

Strategic Outcomes and Achievements in 2004/05

The regulatory infrastructure for gas full retail contestability is now fully established. While no new entrants have entered the gas market, the threat of potential competition is providing a good discipline on the current supplier of gas. Responsibility for developing retail market rules for gas was transferred to the Economic Regulation Authority in May 2005. However, the Office will continue to maintain a policy role in this area.

Forward Planning for 2005/06

A priority for 2005/06 will be continuing to developing policies to facilitate competition. A key issue in new market entry and extending competition to all levels of the Western Australian gas market, will be the future of the Moratorium on Western Power which prevents it from entering the below 1 TJ gas market in the absence of full retail contestability in electricity. This Moratorium is subject to review in 2006/07 and may be changed from 2007/08.

ADVISORY ROLE ON ECONOMIC REGULATION OF THE STATE'S GAS AND ELECTRICITY INDUSTRY

The Office of Energy advises Government on policy development and implementation related to the economic regulation of the gas and electricity industry in the State. In addition to advising on legislative instruments, the Office monitors and advises Government on regulatory decision-making and represents Government policy as necessary. Issues dealt with include energy infrastructure access arrangements, gas and electricity licensing, gas retail market arrangements and administrative appeals on related decisions.

Strategic Outcomes and Achievements in 2004/05

During 2004/05, the Office advised on a range of issues, including:

- the making of regulations related to customer contracts, last resort supply arrangements and Ombudsman scheme for the now fully contestable gas retail market in the State;
- the decision of the Minister for Energy for continued coverage of the Goldfields Gas Pipeline under the Gas Pipeline Access Code and the appeal of this decision;
- representing Government policy in the approval of AlintaGas' access arrangement by the Economic Regulation Authority to ensure there is no unnecessary barrier to multiple pipelines interconnecting to the distribution system and the entry of new gas suppliers and competition; and
- representing what the public interest is in relation to various electricity licences being sought from the Economic Regulation Authority.

Forward Planning for 2005/06

This role will continue and its scope will be extended in 2005/06 as Western Power submits an access arrangement under the State's Electricity Access Code.

NATIONAL ENERGY POLICY AGENDA

The Office of Energy is the principal source of advice to and supports Government in its involvement in the Ministerial Council on Energy, as the national policy and governance body for the Australian energy market.

The Office actively participates in the Committee of Senior Officials and the working groups supporting the Council in implementing its national energy policy agenda as embodied in the *Australian Energy Market Agreement 2004*. This agenda includes:

- establishment of the Australian Energy Regulator to enforce economic regulation and the Australian Energy Market Commission to administer rules for the electricity and gas markets at the national level;
- reviewing and enhancing the national regime for third party access to gas pipelines;
- development of a national framework for distribution and retail regulation; and
- enhancing user participation in the energy market, including in policy and regulatory decision-making .

Strategic Outcomes and Achievements in 2004/05

Key milestones in the implementation of the national energy policy agenda in 2004/05 include:

- proclamation of the South Australian legislation establishing the Australian Energy Market Commission;
- operational establishment of the Australian Energy Regulator and Australian Energy Market Commission including the appointments of Commissioners agreed by jurisdictions;
- release of the Productivity Commission's final report on its review of the National Gas Access Regime (Gas Pipelines Access Law and Code) and the development of a Council response to the recommendations in the report;
- release of the Council's high level principles for gas market development and user participation policy statement covering matters such as consumer advocacy and demand side management; and
- development of a best practice model for national regulation of distribution and retail for public consultation in 2005/06.

Forward Planning for 2005/06

The Office of Energy will continue to actively participate in the implementation of the Council's national energy policy agenda. A key milestone for 2005/06 is the conferral of gas related functions to the Australian Energy Regulator and Australian Energy Market Commission.

Western Australia is a participant in the national approach to regulation of gas pipeline access and is committed to conferring functions on the Australian Energy Market

Commission to administer the relevant rules. The Economic Regulation Authority will continue to be the regulator in the State.

The Ministerial Council on Energy's final response to the Productivity Commission's report on the Gas Access Regime is expected in late 2005. Western Australian legislative amendments to confer functions to the Australian Energy Market Commission and implement changes to the Gas Pipelines Access Law agreed by the Council are targeted to be developed early in 2006 for introduction into Parliament around mid-2006.

ELECTRICITY DEMAND MANAGEMENT

The Electricity Demand Management project seeks to develop options for demand management measures to relieve the pressure on the power system during peak demand periods.

Strategic Outcomes and Achievements in 2004/05

A Demand Management Consultative Committee was established and chaired by the Office of Energy to seek advice on demand management options and issues from other Government agencies and energy industry stakeholders. This contributed to the identification of demand management and energy efficiency options that are to be further analysed in 2005/06.

The Office established and managed the Government Agencies Demand Response Program under which all Government agencies developed plans to minimise power use during times of exceptional demand during the summer period of 2004/05.

Government agencies successfully implemented their plans to reduce electricity demand on 23 March 2005 at the request of Western Power, which along with other demand management initiatives led to a significant reduction in peak demand on the day.

Forward Planning for 2005/06

Demand management and energy efficiency options identified by the Demand Management Consultative Committee will be further analysed in 2005/06.

INTER-JURISDICTIONAL EMISSIONS TRADING WORKING GROUP

The Office of Energy is participating in an Inter-Jurisdictional Emissions Trading Working Group, consisting of all States and Territories. The objective of this Working Group is to develop an Emissions Trading Scheme which can be implemented if the Commonwealth does not introduce a national scheme. At this stage, Western Australia has made no commitment to introduce emissions trading.

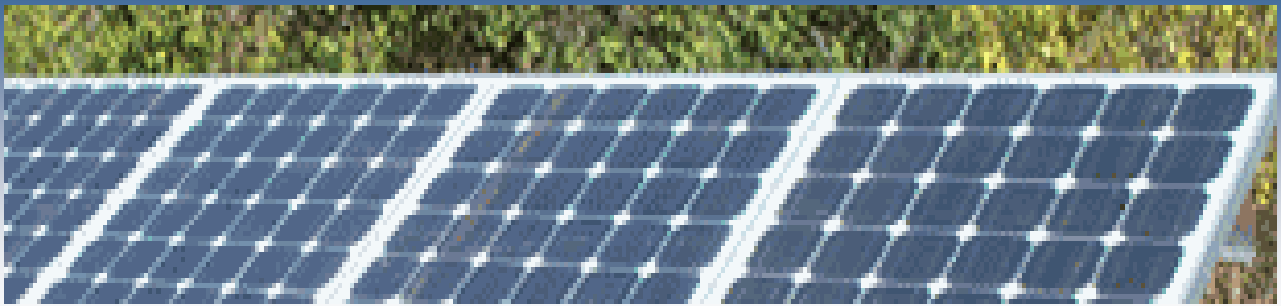
Strategic Outcomes and Achievements in 2004/05

The Working Group has developed ten key principles for a scheme which will form the basis of detailed design work, including economic modelling of the parameters.

Major issues for scheme design include: how emissions permits are to be allocated; what penalties will apply; which sectors of the economy will be covered in the first instance; and how adverse impacts resulting from the scheme should be addressed.

Forward Planning for 2005/06

The Working Group intends to undertake further design work on the key principles with a view to developing a discussion paper on an emissions trading model in 2005/06.



THE ENVIRONMENT

To ensure that Western Australia has an environment in which resources are managed, developed and used sustainably, biological diversity is preserved and habitats are protected.

The Sustainable Energy Development Office within the Office of Energy provides a number of programs to facilitate the adoption of energy efficiency practices and renewable energy. The Office also has a strong policy development role.

NATIONAL FRAMEWORK FOR ENERGY EFFICIENCY

The Ministerial Council on Energy announced a major national program last year – the National Framework for Energy Efficiency. The overall objective of the framework is to improve Australia's energy efficiency and productivity, which will also reduce the environmental impact of energy use.

The Office of Energy, through the Sustainable Energy Development Office, participated in all stages of the development of the framework to ensure that the particular needs of Western Australia could be accommodated. All Australian Governments agreed in December to implement Stage One of the framework within three years.

Stage One comprises a comprehensive package of energy efficiency initiatives encompassing the residential, commercial, government and industrial sectors. It includes appliance, equipment and buildings programs, consumer awareness initiatives, training for trades and professions, engagement of the finance sector and Government energy management programs. With an allocated expenditure of around \$33 million over three years, the various initiatives have the potential to save 50PJ of energy a year by 2015.

Strategic Outcomes and Achievements in 2004/05

Major milestones in Stage One of the National Framework for Energy Efficiency scheme included the development of the Energy Allstars website that identifies high efficiency appliances and equipment. A new generation house energy ratings tool, *AccuRate*, was finalised for trials and work commenced on all the framework initiatives through six working groups that report to the Energy Efficiency Working Group of the Ministerial Council on Energy.

Forward Planning for 2005/06

The framework covers programs where it has been agreed there would be a benefit from national coordination.

It is expected that the appliance and equipment program will be extended and accelerated, minimum building standards will be extended to all categories of dwellings and to commercial buildings and numerous other measures will be progressed. Work is expected to also be undertaken on a possible stage two of the framework to consider the scope for incentives mechanisms to encourage consumer adoption of energy efficiency.

RENEWABLE ENERGY

The Government's election commitments included a renewable energy plan covering a range of initiatives, including a commitment to a target of 6% of electricity on the South West Interconnected System being sourced from renewable energy by 2010. The Office of Energy will also drive the development of a renewable energy strategy to assist and guide the development of Western Australia's renewable energy industry in the medium to long term.

To continue to facilitate the uptake of renewable energy, the Sustainable Energy Development Office is developing a Renewable Energy Handbook. Identifying and navigating a path through the process, along with identifying suitable sites and resources, can be a barrier to renewable energy projects reaching fruition (see also "The Regions").

Strategic Outcomes and Achievements in 2004/05

The Renewable Energy Handbook, which focuses on approval processes required to develop a renewable energy project, is nearing completion. The Handbook will guide applicants of renewable energy projects through the approval process, assist local governments in assessing proposals and provide assistance to people seeking to provide input into the process.

Forward Planning for 2005/06

The Renewable Energy Handbook is expected to be available in September 2005. Commitments made by Government in its new renewable energy plan will be progressed, including the introduction of an urban demonstration project and a Solar Schools program.

ENERGY SMART COMMUNITIES

The Energy Smart Community initiative provides extensive information through a variety of mediums about reducing energy consumption at home. It includes support for house energy ratings tools and other means of encouraging more energy efficient homes.

Strategic Outcomes and Achievements in 2004/05

Western Australia was the first State to participate in the national trials of the second generation software known as *AccuRate*. Completion of the trials during 2005 is expected to result in *AccuRate* being adopted for use in Western Australia in 2006 for new homes and additions and alterations to existing homes.

The Sustainable Energy Development Office continued its involvement with local government during the year through supporting the street lighting project and promoting and hosting community seminars in council premises. A technical and institutional report on street lighting was released and lighting technologies are being monitored in the Town of Mosman Park, City of Subiaco and City of Swan. The project will continue for another year in partnership with the Western Australian Local Government Association and Western Power Corporation.

The Reach for the Stars program, promoting high energy star-rated electrical and gas appliances, continued with training and promotional material provided to 135 stores in the

metropolitan, South West, Wheatbelt, South Coast, North West, Goldfields and Esperance regions. More than 440 retail staff were trained and updated on current developments.

Community seminars continued in the Perth metropolitan area. These were held at the Subiaco Sustainable Demonstration Home, Mundaring and Wanneroo. Approximately 120 people attended the seminars.

During 2004/05, approximately 4,500 calls were received through the Energy Smart Line telephone advisory service. A range of brochures were distributed through the service and also through many local government and community organisations. Brochures and other information on energy efficiency were also made available on the Sustainable Energy Development Office's web site.

Forward Planning for 2005/06

A formal survey of the Energy Smart Line service will be undertaken as well as work for a web based virtual home audit facility. Partnerships with community groups that can further sustainable energy objectives will be investigated.

ENERGY SMART BUSINESSES

Many businesses still consider energy use as a fixed cost, but there are many opportunities to achieve financial savings and increased competitiveness through better energy management.

Strategic Outcomes and Achievements in 2004/05

A survey conducted of businesses and local governments showed that 29% of businesses have implemented energy efficiency measures, and these tended to be within the energy intensive industry sector. Access to relevant information when it is needed, including case studies, is considered important by businesses.

The Energy Smart Directory, a web site database providing access to sustainable energy products and services, increased in popularity during the year and now has more than 300 suppliers listed and an average of around 2000 – 3000 direct website hits each month.

The Sustainable Energy Development Office and the Department of Energy, Utilities and Sustainability (NSW) collaborated to develop a web-based Energy Smart Toolbox to help businesses reduce their energy consumption. The Energy Smart Toolbox brings together a wealth of information, knowledge and resources designed to improve energy efficiency and energy management.

Measures were progressed during the year to improve the energy efficiency of electrical appliances and equipment through participation in the National Appliance and Equipment Energy Efficiency Program of the Ministerial Council on Energy. These include:

- Adoption of a national strategy to reduce equipment electrical standby power consumption (the power consumed by equipment while waiting to perform its primary function);

- Application of Minimum Energy Performance Standards to household air conditioners, thus removing poor performing models from the market; and
- Establishment of ten year strategies to reduce lighting, water heating and gas appliance energy consumption.

The Australian Building Greenhouse Rating Program, a software tool for rating the energy and related greenhouse performance of office buildings, is part of a broader national program that the Office administers in Western Australia. Twenty-five ratings were performed in 2004/05 and there are now twenty accredited assessors in Western Australia.

During the year, the Department of Housing and Works, with the assistance of the Sustainable Energy Development Office, released a revised version of its Office Accommodation Policies that incorporates mandatory requirements for Australian Building Greenhouse Rating assessments and sets minimum levels of performance for Government office leases.

Forward Planning for 2005/06

Ensuring that businesses are aware of the information and guidance available on energy efficiency will be a focus in the coming year. Support for the introduction of minimum standards of energy efficiency for commercial buildings will also be provided as well as ongoing support for appliance efficiency programs and the Australian Buildings Greenhouse Ratings program.

ENERGY SMART GOVERNMENT

The Energy Smart Government policy requires all general Government sector agencies with 25 or more full time staff to reduce annual stationary energy consumption from 2001/02 levels by 12% by 2006/07. Agencies are also required to report their total energy costs, consumption, greenhouse gas emissions and key performance indicator data each year.

Strategic Outcomes and Achievements in 2004/05

Participating State Government agencies achieved a reduction in energy consumption of 4.6% in 2003/04. The combined data for 61 of the 62 agencies participating in the program showed a 6.4% reduction in energy consumption, just exceeding the 6% target for that year. Agencies also reduced energy costs by 3.3% to \$76.1 million and greenhouse gases by 3.6% in 2003/04 relative to the baseline.

Facilitation grants of \$350,000 for 29 projects were approved to assist agencies with the identification and implementation of energy saving initiatives. Over \$1 million of capital advance funding was approved for a good mix of projects that will act as an example to other agencies. A review of completed capital advance projects was initiated during the year and will quantify the actual savings resulting from these projects.

An Energy Smart Trade Expo was held in May 2005 and provided an excellent networking opportunity to bring government agencies and the sustainable energy industry together. A survey of the delegates reflected a high level of satisfaction with the Expo and 85% of those

surveyed indicated that the Expo increased their knowledge of sustainable energy practices and technologies.

During the year a survey of energy management practices in Government agencies was undertaken to provide information that can be used to enhance the operation and delivery of the Energy Smart Government initiative.

Forward Planning for 2005/06

Increasing the uptake of Capital Advances that will enable investment in energy efficiency measures by large agencies will be a focus for the coming year.

For all its Energy Smart activities the Sustainable Energy Development Office will continue to implement a communication and marketing strategy to accelerate change in the way Western Australians perceive and use energy.

SOLAR WATER HEATER SUBSIDY SCHEME

The Government provides an incentive to install solar water heaters to help householders, the environment and the solar water heater manufacturing industry in Western Australia. The Sustainable Energy Development Office administers and promotes this scheme, which provides rebates for the installation of solar water heaters.

Strategic Outcomes and Achievements in 2004/05

The scheme has been well supported by builders of new homes. Rebates totalling \$1.3 million were provided for solar water heaters on 2,736 Western Australian homes in 2004/05. These installations reduce greenhouse gas emissions by 3,775 tonnes per year. A new Solar Water Heater Subsidy Scheme was introduced on 1 June 2005. The new scheme targets gas-boosted solar water heaters, as these systems have the lowest greenhouse emissions of all common hot water systems.

Forward Planning for 2005/06

The new Solar Water Heater Subsidy scheme will continue to operate in 2005/06. The performance of the scheme will be monitored and reviewed as necessary.

ENERGY SUSTAINABILITY

The Office of Energy and Sustainable Energy Development Office is the primary source of policy advice to the Western Australian Government on energy sustainability issues in Western Australia. We are fully committed to developing strategies, programs and policies that result in a coordinated, integrated and high quality service delivery to the communities and businesses of the State.

The Office contributed towards the delivery of the Government's Environment Goal by providing advice in relation to:

- The Productivity Commission Inquiry into the Economic and Environmental Potential of Energy Efficiency;
- The Commonwealth Government's Solar Cities Program;
- Planning issues for a number of proposed renewable energy projects based on the use of biomass;
- The State Greenhouse Strategy, including providing advice on energy related matters and other technical issues;
- An Inter-Jurisdictional Working Group looking at options for a multi state renewable energy target above that required under the Commonwealth's Mandatory Renewable Energy Target;
- The Legislative Assembly Economic and Industry Standing Committee Inquiry into Energy Efficiency and Renewable Energy;
- The Energy Sector Working Group for the State of the Environment Report;
- The Department of the Premier and Cabinet on coal fired power stations, their greenhouse gas emissions and developments in technology;
- Geosequestration of CO₂ for the Western Australian Government submission to the Regulatory Impact Statement released for comment by the Commonwealth Department of Industry, Tourism and Resources;
- An issues paper to guide a strategic review of the national Green Power Scheme;
- A strategy for Government to purchase 5% of its electricity from renewable energy sources;
- A Department of Planning and Infrastructure proposal on the development of a sustainability scorecard for residential development;
- Mandatory Renewable Energy Target issues such as the price of Renewable Energy Certificates, Western Power's Renewable Energy Certificates procurement strategy and related stakeholder concerns;
- A number of strategies for managing commercial, industrial and household energy use and related greenhouse gas emissions; and
- The accuracy and applicability of the greenhouse coefficient for electricity use for Western Australia.



PEOPLE AND COMMUNITIES

To enhance the quality of life and wellbeing of all people throughout Western Australia.

The following provides an indication of the range of policies and programs that the Office of Energy is developing to improve access to reliable and affordable energy.

ABORIGINAL AND REMOTE COMMUNITIES POWER SUPPLY PROJECT

The Government is committed to the regularisation of power supplies in large, permanent Aboriginal and other remote communities in Western Australia. The Aboriginal and Remote Communities Power Supply Project is jointly funded by the Commonwealth and State to improve power supplies in remote Aboriginal communities so that people in those communities enjoy the same level of service and electricity prices as people in other remote Western Australian towns.

Strategic Outcomes and Achievements in 2004/05

A joint funding agreement was negotiated and executed with the Commonwealth in May 2005 for the regularisation of power supply in five remote Aboriginal communities in the Kimberley-Ardayaloon, Beagle Bay, Bidyadanga, Djarindjin-Lombadina and Warmun.

In addition, necessary network upgrades were identified and negotiations commenced on land tenure for new power stations in these communities, which constitute Phase One of the project.

Forward Planning for 2005/06

Tenders will be called by Western Power in August 2005 for the supply of power to the five Kimberley communities in Phase One of the Project, and network upgrades will be commenced by Western Power in early 2006. Communities will be consulted throughout the implementation phase, and educational material will be supplied to assist residents with the transition to a metered power supply.

Negotiations will commence with the Commonwealth early in 2005/06 on Phase Two of the project which will extend the program to ten other remote Aboriginal communities with permanent populations of 200 or more.

NETWORK RELIABILITY AND QUALITY OF SUPPLY CODE

Under the *Electricity Industry Act 2004*, a Network Reliability and Quality of Supply Code (including a Customer Extended Outage Payment Scheme) will be developed specifying electricity service levels, reporting requirements and payments for breaches of standard.

Strategic Outcomes and Achievements in 2004/05

The Office developed and oversaw the introduction of a Customer Extended Outage Payment Scheme requiring Western Power to pay customers \$80 for blackouts lasting longer than 12 hours. The scheme:

- was announced by the Minister for Energy on 31 March 2005 and commencing on 1 July 2005, the extended outage payment scheme recognises the inconvenience caused to customers by blackouts and will make Western Power more accountable for its performance; and
- is consistent with those introduced in other Australian States and has been designed to achieve its objectives at modest expense.

Drafting commenced on a new Network Reliability and Quality of Supply Code (the “Code”). The Code will establish:

- new minimum reliability standards including codification of the Extended Outage Payment Scheme;
- up to date standards for quality of supply;
- extensive public reporting requirements;
- dispute resolution and monitoring through the Ombudsman and the Economic Regulation Authority, consistent with the new market arrangements; and
- The new Code will improve and replace the quality and reliability elements of the existing *Electricity (Supply Standards and System Safety) Regulations 2001*.

Forward Planning for 2005/06

The Code will be finalised following a public consultation process in the second quarter of 2005/06.

POWER PRICE PARITY

The Power Price Parity initiative ensures that standard customer protection arrangements and regulated tariffs apply to people living in residential complexes where they purchase power from the complex manager rather than directly from Western Power. The regulatory mechanism to achieve this is the Government's power to exempt certain suppliers from licensing requirements.

Strategic Outcomes and Achievements in 2004/05

This financial year saw the introduction of conditional licence exemptions for all caravan park owners who on-sell power to permanent residents of caravan parks, requiring them to sell electricity at the uniform tariff rate and to provide information on request to customers about power usage and costs.

The initiative now also gives eligible permanent caravan park residents access to Government energy rebates.

Forward Planning for 2005/06

Licence exemptions for all other residential complexes involving the distribution and on-selling of electricity will be in place before 1 January 2006. The Office of Energy will assist all parties with their transition to the arrangements under the exemptions.

SPECIAL ENERGY REBATES

Special Energy Rebates address the specific needs of those who are financially disadvantaged and are subject to high energy costs. This initiative works to ensure equitable access to affordable electricity supplies and energy rebates for those in genuine need of special financial assistance.

Strategic Outcomes and Achievements in 2004/05

The Life Support Equipment Electricity Subsidy commenced on 1 January 2005 for people dependent on electrically operated, home-based life support equipment. This scheme is administered by the Office of State Revenue.

Forward Planning for 2005/06

The Office of Energy will continue to monitor the rebates system to ensure it is appropriately targeted to deliver assistance to meet the specific energy needs of disadvantaged groups.

Working closely with other Government agencies, the Office will continue to make further improvements in the delivery of energy rebates to the community.

UNDERGROUND POWER PROGRAM

The Underground Power Program contributes to improving the reliability and overall performance of the electricity distribution network, while also delivering other benefits to the community (eg. enhanced visual amenity). Jointly funded by the State, Western Power and local Government, the Underground Power Program oversees the retrospective installation of underground power lines in areas with overhead distribution systems.

Strategic Outcomes and Achievements in 2004/05

Agreements were signed with Local Government Authorities for Major Residential Projects in Victoria Park, Shenton Park, City Beach and Gosnells to convert approximately 5,000 lots to underground power and these projects are underway. During the year, projects were completed in West Nedlands and Mosman Park, providing about 1,750 lots with underground power.

Localised Enhancement Projects were selected for Round Three of the Program in Geraldton, Carnamah, Mt Barker, Guilderton, Bunbury, Lake Grace, Collie, Balingup and Nannup. The Bunbury and Geraldton projects were both completed during the year, as were Round Two projects in Scarborough and Bridgetown.

Forward Planning for 2005/06

Following completion of detailed proposals, agreements are expected to be signed in 2005/06 with Local Government Authorities for the commencement of Round Three Major Residential Projects in Port Hedland, Fremantle, East Nedlands, Churchlands/Wembley Downs and Highgate East. In addition, agreements for Localised Enhancement Projects in Mt Barker, Collie and Balingup are expected to be finalised in 2005/06 so that these projects can commence.

It is expected that the Major Residential Projects in Victoria Park South, Shenton Park and Gosnells will be completed in 2005/06, as will the Localised Enhancement Projects in Mt Barker and Collie.



THE REGIONS

To ensure that regional Western Australia is strong and vibrant.

Many of the programs and much of the policy development work undertaken by the Office of Energy is focused on facilitating the provision of energy supplies and services to meet the needs of and develop strong, vibrant regions.

RURAL POWER IMPROVEMENT PROGRAM

The Rural Power Improvement Program is a \$48 million project to improve power supplies to rural areas on the South West Interconnected System with poor reliability.

The four year program is funded equally by the State Government and Western Power and is in addition to the \$2.3 billion in funds allocated to Western Power over four years to improve the electricity network. It focuses on relatively low-cost system enhancements to improve performance.

Strategic Outcomes and Achievements in 2004/05

The Rural Power Improvement Program Steering Committee is chaired by the Coordinator of Energy and includes representatives from the Department of the Premier and Cabinet (with a regional focus), the Department of Treasury and Finance and Western Power.

Phase One of the Rural Power Improvement Program commenced in August 2004 and works will be completed in early 2006 at a cost of \$14.5 million. It will focus on the installation of reclosers and sectionalisers to reduce the extent and duration of outages.

Works for Phase Two of the program in 2005/06 and 2006/07 were approved in May 2005, and will commence in late 2005. Phase Two focuses on upgrades to specific poor performing distribution feeders.

Customer supply outages in rural areas are expected to fall considerably with implementation of these works. The Rural Power Improvement Program is expected to benefit the families and businesses of approximately 43,000 customers in rural areas.

Forward Planning for 2005/06

Phase One projects will be implemented in 2005/06 and additional projects to be funded by the Program in 2007/08 will be identified, costed and selected in late 2005/06.

ESTABLISHMENT OF THE REGIONAL POWER CORPORATION AND TARIFF EQUALISATION FUND

The restructure of Western Power will result in the establishment of the Regional Power Corporation and the Tariff Equalisation Fund. As a separate corporation, the Regional Power Corporation will be more responsive to customers outside the South West Interconnected System.

The Tariff Equalisation Fund will be established to ensure the new Corporation is able to continue to supply customers under the uniform electricity tariff. The cost of supply to many of the non interconnected systems outside the South West Interconnected System is greater than the revenue received due to the important requirement to maintain the uniform tariff for regional customers.

Under the new arrangements, the Networks Corporation will be required to pay funds into the Tariff Equalisation Fund from monies collected in the South West Interconnected System network. In turn, payments will be made from the Fund to the Regional Power Corporation.

Strategic Outcomes and Achievements in 2004/05

During 2004/05, the Office undertook further development of the regulatory design of the Tariff Equalisation Fund and drafting of the *Electricity Corporations Bill 2005*.

The *Electricity Corporations Bill 2005*, which will permit the restructure of Western Power during 2005/06, requires that the Regional Power Corporation's head office be located outside the South West Interconnected System and that the CEO and a majority of the Board reside outside the South West Interconnected System. It is proposed that the Regional Power Corporation's headquarters would be located in Karratha.

The *Electricity Corporations Bill 2005* also provided for the establishment of a Tariff Equalisation Fund by inserting a new part into the *Electricity Industry Act 2004*.

Western Power is already preparing for this new Corporation by establishing a 'Regional Power' business unit with a more devolved management structure. This structure will see the creation of six new positions, with a strong customer focus in Carnarvon, Broome, Kununurra and Esperance, supported by a senior manager in Karratha.

Forward Planning for 2005/06

The Office will work in 2005/05 to support passage of the *Electricity Corporations Bill 2005*, undertake the restructure of Western Power and the associated establishment of Regional Power Corporation and deliver completion of the policy and regulatory development of the Tariff Equalisation Fund. The Fund will need to commence from the time of disaggregation.

The Office of Energy will work with Western Power to develop a transparent and equitable connection policy to apply to the Regional Power Corporation's non-interconnected systems and to the North West Interconnected System. A set of criteria will be established for considering applications for new or expanded connections, which will allow the public benefits of such connections to be compared with the subsidies required to supply power to

these customers. The policy will seek to balance regional development and social equity objectives with the need to limit the cost burden on electricity users in the South West Interconnected System. It will also address the funding mechanisms for connections that would be in the public interest but which exceed forecast and funded local growth.

RENEWABLE REMOTE POWER GENERATION PROGRAM

The Renewable Remote Power Generation Program is an Australian Government funded initiative implemented by the Sustainable Energy Development Office in partnership with the Australian Greenhouse Office. Funding for the program is based on diesel excise paid for public power generation in 'off-grid' areas of the State.

Strategic Outcomes and Achievements in 2004/05

Rebates totalling \$5.9 million were provided through the program for installing 600kW wind turbines at Hopetoun, Rottnest Island and Bremer Bay and for 275 small renewable energy based power and water pumping systems in regional areas of Western Australia.

Forward Planning for 2005/06

Following negotiations with the Commonwealth, the State has achieved changes to the Renewable Remote Power Generation Program. Rebates can now be provided for fringe-of-grid renewable energy systems and energy efficiency projects off-grid. New sub-programs targeting these areas will be introduced in 2005/06.

REGIONAL ENERGY EFFICIENCY PILOT PROJECT

Regional Energy Efficiency Pilot Project involved a six-month trial of multiple energy efficiency initiatives in Exmouth and Meekatharra.

Strategic Outcomes and Achievements in 2004/05

As part of the project, free compact fluorescent lamps were provided for 250 homes and businesses, subsidies were provided for high efficiency appliances and insulation in 37 homes and energy audits were carried out for 20 businesses. The pilot project was conducted in conjunction with the Shires of Exmouth and Meekatharra and was well received by the residents of both towns.

Forward Planning for 2005/06

Outcomes of the Regional Energy Efficiency Pilot project are being assessed and will assist the development of a broader program targeting energy efficiency in all off-grid areas.

REMOTE POWER POLICY

Commitment has been given to all electricity consumers in regional and remote areas of Western Australia currently served by Western Power (in particular, areas outside the South West Interconnected System) that they will continue to receive an electricity service that is comparable to that provided to customers connected to the South West Interconnected System. This will be achieved through the establishment of an appropriately funded Regional Power Corporation which will focus on providing safe, reliable and secure power to remote towns at the uniform tariff. It will be supported by a new Network Reliability and Quality of Supply Code that will specify service standards.

The Office of Energy has investigated remote power supply policies used elsewhere in Australia and assessed their relevance to Western Australian circumstances. The Office has also specifically examined power supply issues in several remote towns to identify options for improvement.

Strategic Outcomes and Achievements in 2004/05

A risk assessment workshop was held in Esperance to examine power issues in Eucla, which is not served by a licensed supply authority. This brought together representatives of State and Commonwealth Government agencies currently operating the power system in Eucla, the private residents living there and other stakeholders. The aim was to assist participants to make informed decisions on the power supply in Eucla.

A plan to regularise the power supply in Coral Bay was developed and approved by Government. Implementation is underway by Western Power using a state-of-the-art wind-diesel generation plant.

Forward Planning for 2005/06

A Remote Power Policy will be developed for Government's consideration to provide a framework for making decisions on the supply of power to small remote settlements within a regularised power supply.

The Indigenous Action Plan is an initiative of the Ministerial Council for Energy to which Western Australia is contributing. It seeks to develop a National Framework for the delivery of energy services to Indigenous communities in 2006.

ENERGY SMART COMMUNITY

Increased uptake of energy efficient products, best practice energy management and greater use of renewable energy are key objectives in the Sustainable Energy Development Office's Energy Smart strategy to achieve its vision of Western Australians leading the way to a sustainable energy future.

Strategic Outcomes and Achievements in 2004/05

Regional community seminars were held in Carnarvon, Kalgoorlie, Bunbury and Albany. More than 170 people attended the seminars and 800 information kits were distributed to interested stakeholders.

Forward Planning for 2005/06

Undertaking regional community seminars has highlighted the importance of producing a series of selected information kits on the major topics covered in the seminars. Information kits will be available on CD for regional local councils and interested community groups later in 2005.



GOVERNANCE

To govern for all Western Australians in an open, effective and efficient manner that also ensures a sustainable future

The Office of Energy's strategic outcomes in the Economy, the Environment, People and Communities and the Regions in 2004/05 have directly contributed towards Government's Governance Goals. Details of these projects have been included under the appropriate Goal section rather than in this Governance section.

The focus of this section is on governance internally within the Office of Energy.

ENERGY SMART GOVERNMENT - OFFICE OF ENERGY RESULTS

In accordance with the Energy Smart Government policy, the Office of Energy has committed to achieve a 12 per cent reduction in non-transport related energy use by 2006/07, with an 8% reduction targeted for 2004/05.

Both the Office of Energy and Sustainable Energy Development Office have already achieved and exceeded the 2006/07 target. The baseline data and 2004/05 energy use data for the Office of Energy and Sustainable Energy Development Office is shown below.

	Baseline Data	2004/05 Actuals	Variation
Office of Energy (excluding SEDO)			
Energy Consumption	432 GJ	278 GJ	36% saving
Energy Cost	\$18,349	\$12,141	
Greenhouse Gas Emissions (tonnes of CO ₂)	110 tonnes	70 tonnes	
Performance indicators	342 MJ/sqm 8,997 MJ/person	221 MJ/sqm 5,877 MJ/person	
Sustainable Energy Development Office (SEDO)			
Energy Consumption	72 GJ	50 GJ	31% saving
Energy Cost	\$5,490	\$2,182	
Greenhouse Gas Emissions (tonnes of CO ₂)	18 tonnes	13 tonnes	
Performance indicators	168 MJ/sqm 4,231 MJ/person	116 MJ/sqm 2,690 MJ/person	
Office of Energy (including SEDO)			
Energy Consumption	504 GJ	328 GJ	35% saving
Energy Cost	\$23,839	\$14,323	
Greenhouse Gas Emissions (tonnes of CO ₂)	128 tonnes	83 tonnes	
Performance indicators	298 MJ/sqm 7,751 MJ/person	194 MJ/sqm 4,981 MJ/person	

During 2004/05 the Office of Energy and Sustainable Energy Development Office continued a successful energy efficiency awareness campaign and successfully implemented an energy efficiency project.

The project primarily involved improved functionality of light switching, the fitting of new high efficiency lighting and the introduction of voltage reduction units on lighting. The project was funded with a \$1,699 capital advance under the Government Energy Smart Program with an expected payback of 5 years.

The Office of Energy's energy consumption has decreased in 2004/05 relative to the baseline year. Energy consumption was 35 % below the baseline.

Since the base year of 2001/02, total greenhouse emissions avoided through the Office's (including Sustainable Energy Development Office) energy efficiency program is 45 tonnes (CO₂). Cash savings are in the order of \$10,000 per annum.

The savings in 2004/05 compared to 2003/04 are 30 tonnes of CO₂ and \$5,500.

SUSTAINABILITY

In June 2004 the Office appointed a sustainability executive supported by a sustainability team by expanding the role of the Energy Executive and Energy Smart Team.

The team developed the Office's first Sustainability Action Plan consistent with the Sustainability Code of Practice for Government Agencies.

The Office has already:

- a comprehensive commingled recycling system for paper and all conventional dry recyclables in place;
- introduced a sustainability awareness program;
- implemented all 10 recommended steps in the Energy Smart Government Guide; and
- achieved a 4.5 star rating under the Australian Building Greenhouse Tenancy Rating.

GREENHOUSE

Currently the Office of Energy produces 83 tonnes of greenhouse gases from stationary energy use and about 50 tonnes from motor vehicles.

It is proposed to continue reducing the Office's greenhouse emissions as well as offset all the Office's greenhouse gas emissions by 2005/06.

Government renewable energy and energy efficiency incentive programs carried out by the Office avoided approximately 25,000 tonnes of CO₂ for 2004/05.

DISABILITY SERVICES PLAN

Outcome 1. Existing services are adapted to meet the needs of people with disabilities.

Achievements. Client feedback on services provided is sought through various publications, including the Client Service Charter. A Client Feedback System, including complaint resolution, is in place. The resolution process includes an escalation mechanism to ensure that services are adapted where appropriate.

Outcome 2. Access to buildings and facilities is improved.

Achievements. Improvements are made to access for people with disabilities to Governor Stirling Tower by the building managers/owners.

Outcome 3. Information about facilities and services is provided in formats that enhance the communication needs of people with disabilities.

Achievements. Publications produced include advice that they can be made available on request in alternative formats to meet the needs of people with a disability.

Outcome 4. Advice and services are delivered by staff that are aware of and understand the needs of people with disabilities.

Achievements. The Disability Service Plan is included on the Intranet for easy reference.

Outcome 5. Opportunities are provided for people with disabilities to participate in grievance mechanisms and decision-making processes.

Achievements. A Client Feedback System, including complaint resolution, is in place. The resolution process includes an escalation mechanism to ensure that services are adapted where appropriate.

CULTURAL DIVERSITY AND LANGUAGE SERVICES OUTCOMES

A register of staff able to communicate in languages other than English is maintained to assist with client enquiries when required.

YOUTH OUTCOMES

A Graduate Development Program was developed, with the first three graduates commencing in January 2005. They will undertake three placements in the Office and undertake a number of development activities.

The program includes the assignment of a mentor to each graduate. This program supports the Government's youth initiatives.

EVALUATIONS

The Office of Energy did not carry out any formal evaluations in 2004/05.

INFORMATION STATEMENT

The Office has an Information Statement detailing the types of publications available to clients and the procedures for dealing with access to documents under the *Freedom of Information Act 1992*. Copies of the Information Statement are available from the Office.

RECORD KEEPING PLANS

The Office has an approved Record Keeping Plan in accordance with the *State Records Act 2000*. It is proposed to review the efficiency and effectiveness of the Office's record keeping systems and training program in August 2005. Regular training is provided to staff on their record keeping responsibilities and all new staff are briefed on their record keeping responsibilities as part of their induction to the Office.

INFORMATION SECURITY REVIEW

The Office initiated a detailed information security review. The review found that information security awareness among staff seemed to be at a high level and that information security management processes were at an adequate level, although some issues needed reinforcement and strengthening.

The review's recommendations are being implemented.

WEBSITE REDEVELOPMENT

The Office's website was redeveloped using a new content management system to improve the ease of updating content and to assist in meeting record keeping requirements. The redeveloped site also improved the presentation of information for clients.

PROMOTIONS, PUBLIC RELATIONS AND RESEARCH

Details of all promotions, public relations campaigns and research are included in project specific reporting against the Government Goals. Details of all Office of Energy promotional and informative publications are listed in the Appendices.

ADVERTISING AND SPONSORSHIP

In accordance with section 175ZE of the *Electoral Act 1907*, the Office incurred the following expenditure in advertising, market research, polling, direct mail and media advertising.

Advertising

<i>Advertising Agencies</i>	<i>Amount</i>
Atticus Communications	\$4,598
TOTAL	\$4,598

<i>Market Research Organisations</i>	<i>Amount</i>
Colman Brunton	\$42,730
SMEC	\$19,789
TOTAL	\$62,519

<i>Polling Organisations</i>	<i>Amount</i>
	Nil

<i>Direct Mail Organisations</i>	<i>Amount</i>
Hermes Precisa Pty Ltd	\$ 8061
TOTAL	\$ 8061

<i>Media Advertising Organisations</i>	<i>Amount</i>
Marketforce Productions	\$207,376
Construction and Plumbing Magazine	\$4,560
The Finishing Touch Magazine	\$3,978
Housing Industry Association Greensmart Publication	\$1,400
The Starting Point Magazine	\$3,289
TOTAL	\$220,603

Sponsorships

During the year, the Office of Energy, through the Sustainable Energy Development Office sponsored:

- The Sustainable Energy Expo 2005;
- The 2005 Housing Industry Association Greensmart Awards;
- The WA Environment Awards – Energy Efficiency and Eco-Buildings;
- The Master Builders Association Excellence in Construction Awards;
- The Property Council's Commercial Property Conference;
- The Building Designers Association Design Awards – Energy Efficiency Division; and
- Perth Sun Fair.

STAFF ISSUES

Staff Profile

The Office had an average staffing level of 62.8 full time equivalents in the 2004/05 financial year compared with 61 full time equivalents for 2003/04.

Staffing Policies

The Office's staffing policies meet relevant legislative and public sector management requirements including the *Public Sector Management Act 1994*, the Public Sector Standards in Human Resource Management, *Equal Opportunity Act 1984* and *Occupational Safety and Health Act 1984*.

Staff Recruitment

All staff recruitment is performed in accordance with the Public Sector Standards in Human Resource Management and the Approved Procedures under the *Public Sector Management Act 1994*.

Staff Development

The Office of Energy's employee performance management system was reviewed and revised. All staff were provided with the opportunity to input into the review. Once completed, staff were provided with training to assist them in the performance management process.

Staff training and development needs were principally identified through the Management for Performance system which sets both performance and development objectives for staff.

Industrial Relations

Office of Energy staff are employed under the provisions of the *Public Sector Management Act 1994* and employment conditions for staff are as provided by the Public Service Award 1992 and Public Service General Agreement 2004.

There were no industrial relations issues during the year.

Workers' Compensation and Rehabilitation

There were no claims for workers' compensation during the year.

Insurance paid to indemnify Directors

The Office of Energy did not pay any insurance to indemnify any director against liabilities incurred in 2004/05.

Equal Employment Opportunities

The Office's Equal Employment Opportunities and Diversity Management Plan was reviewed and updated. Staff were provided with the opportunity to contribute to the updated plan. The Office's Equity Index for women in management at 30 June 2004 was 74 while the equity index for the public sector was 59. This was an improvement from the Equity Index of 63 as at 30 June 2003.

CORRUPTION PREVENTION

The Office has commenced reviewing the Australian Standard AS8001 *Fraud Corruption and Control* and commenced planning to include the risk of corruption and misconduct in its risk management program.

PUBLIC INTEREST DISCLOSURES

The Office has appointed a Public Interest Disclosure Officer. Procedures relating to public interest disclosures are available on the Office's Intranet.

No public interest disclosures were received during the year.

MINISTERIAL DIRECTIVES

The Office received no Ministerial Directives in 2004/05.

CHANGES WITHIN WRITTEN LAW

There were no changes within written law applicable to the Office in 2004/05.

PRICING POLICIES ON SERVICES

Goods and services are charged out on a full cost recovery basis where cost recovery is appropriate. Public information is provided free of charge.

CAPITAL PROJECTS

The Office did not have any capital projects in 2004/05 other than routine replacement of computers and other office machines.

DECLARATION OF INTERESTS

The Office's Senior Officers had no interests to declare for 2004/05.

COMPLIANCE STATEMENT

Public Sector Standards in Human Resource Management

Method of Monitoring and Assessing Extent of Compliance:

Human resources review recruitment and selection processes for compliance with the Standards prior to them being approved.

The Office of the Public Sector Standards Commissioner performed a climate survey during the year. There were positive responses compared to the Public Sector on lack of favouritism for higher duties, training opportunities and recruitment and selection processes.

Summary of Extent of Compliance:

The Office of Energy had no breach of standards claims lodged during the reporting period.

Code of Ethics and Code of Conduct

Method of Monitoring and Assessing Extent of Compliance:

The Office of the Public Sector Standards Commissioner performed a climate survey during the year. The survey responses to ethics questions were generally highly positive as well as being more positive than the sector as a whole.

Summary of Extent of Compliance:

There has been no evidence or indication that ethical codes have been breached during the reporting period.



Anne Nolan
COORDINATOR OF ENERGY

31 August 2005

OUTPUT PERFORMANCE MEASURES

Output 1: Development and implementation of energy policy

The Government's energy policy seeks to achieve a competitive and efficient energy sector in Western Australia including electricity reform, regional and remote energy services, gas full retail contestability and underground power. The Office of Energy facilitates achievement of the Government's energy policy through energy policy development and implementation.

Measure	Target	Actual	Reasons for Significant Variations between Target and Actual
Quantity			
Items of Ministerial support	1,000	989	
Strategic policies developed	40	35	
Major policy implementation milestones achieved	19	17	
Quality			
Minister's satisfaction rating of support provided	5	N/A	
Minister's satisfaction rating of strategic policies developed	5	N/A	
Minister's satisfaction rating of major policy implementation milestones	5	N/A	
Timeliness			
Percentage of Ministerials completed on time	80%	95%	
Minister's satisfaction rating of timeliness of strategic policies	4	N/A	
Percentage of major policy implementation milestones delivered on time	80%	60%	Delays in getting required legislation passed by Parliament lead to the delays in delivering milestones.

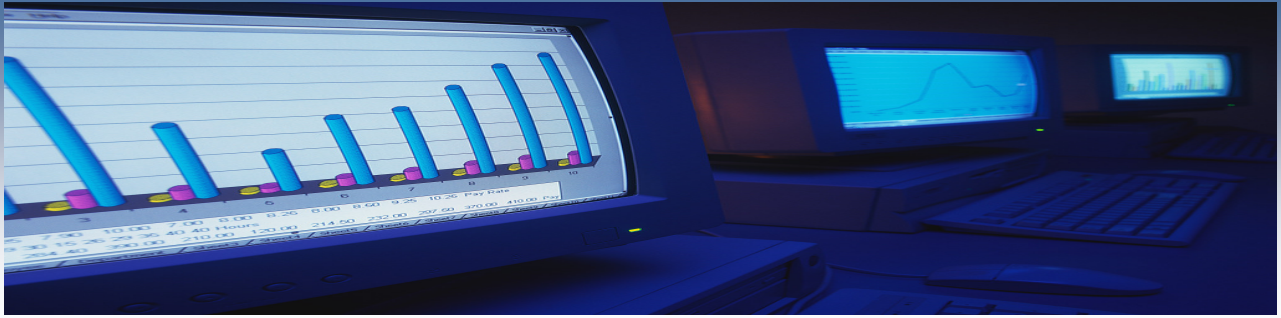
Cost Efficiency Output Measures are reported in the Efficiency Indicators on pages 62 & 63.

Output 2: Development and implementation of sustainable energy policy and programs

The Government's sustainable energy policy seeks to achieve an increase in the adoption of renewable energy and energy efficiency by business, government agencies and the community. The Office of Energy, through the Sustainable Energy Development Office, facilitates achievement of the Government's sustainable energy policy through energy policy and program development and implementation.

Measure	Target	Actual	Reasons for Significant Variations between Target and Actual
Quantity			
Items of Ministerial support	180	130	The number of incentive grants provided is determined by demand which is often difficult to predict from year to year.
Strategic policies developed	7	8	
Major policy implementation milestones achieved	13	21	
Incentive grants provided	1,510	3,060	
Information services provided	3	3	
Quality			
Minister's satisfaction rating of Ministerial support provided	5	N/A	
Minister's satisfaction rating of strategic policies developed	5	N/A	
Minister's satisfaction rating of major policy and program implementation milestones	5	N/A	
Stakeholder satisfaction rating of incentive grants schemes	5	4.3	
Stakeholder satisfaction rating of quality of information and advice services	5	4.2	
Timeliness			
Percentage of Ministerials completed on time	80%	95%	
Minister's satisfaction rating of timeliness of strategic policies developed	4	N/A	
Average time taken to process incentive grant applications	2 weeks	1.9 weeks	
Minister's satisfaction rating of timeliness of information and advice services	4	5	

Cost Efficiency Output Measures are reported in the Efficiency Indicators on pages 62 & 63.



PERFORMANCE INDICATORS

Certification of Performance Indicators for the Year Ended 30 June 2005

I hereby certify that these performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of, and fairly represent the performance of the Office of Energy for the financial year ending 30 June 2005.

A handwritten signature in black ink, appearing to read 'Anne Nolan'.

ANNE NOLAN
COORDINATOR OF ENERGY

15 August 2005

AUDITOR GENERAL'S OPINION



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

OFFICE OF ENERGY
PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2005

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Office of Energy are relevant and appropriate to help users assess the Office's performance and fairly represent the indicated performance for the year ended 30 June 2005.

Scope

The Coordinator of Energy's Role

The Coordinator of Energy is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of effectiveness and efficiency.

Summary of my Role

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the performance indicators.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
30 September 2005

KEY PERFORMANCE INDICATORS

OUTCOMES

Two outcome statements were developed for the Office of Energy during the year aligned to Better Planning: Better Services, the strategic framework for the Western Australian public sector.

Government Strategic Goals	Outcome Statements
To develop a strong economy that delivers more jobs, more opportunities and greater wealth to Western Australians by creating the conditions required for investment and growth.	A policy environment to achieve a competitive and efficient energy sector.
To ensure that Western Australia has an environment in which resources are managed, developed and used sustainably, biological diversity is preserved and habitats protected.	An increase in the adoption of renewable energy and energy efficiency.

EFFECTIVENESS INDICATORS

Outcome 1: A policy environment to achieve a competitive and efficient energy sector

Performance Indicator 1	2004/05 Target	2004/05 Actual
Progress with reform of the Western Australian electricity industry, indicated by the timely achievement of the following milestones:		
– Establishment of Electricity Ombudsman	June 2005	June 2005
– Establishment of Western Australian Customer Service Code	Sept. 2004	Dec. 2004
– Increased competition through reduction in the electricity contestability threshold to 50 MWh per annum	Jan. 2005	Jan. 2005
– Approval of wholesale electricity market rules	Mar. 2005	Oct. 2004
Notes to this performance indicator: Electricity Ombudsman <ul style="list-style-type: none"> The Electricity Ombudsman Scheme required the passage of regulations to support the establishment of that scheme. The Electricity (Ombudsman Scheme) Regulations 2005 were not passed until 24 June 2005. The remaining elements of the Scheme could not be progressed until the necessary legislation was passed. 		

Note to Performance Indicator 1 continued**Customer Service Code**

- At the time that the September 2004 target for Code completion was determined, it was assumed that the Government's electricity reform legislation – the *Electricity Corporations Bill 2003*, *Electricity Industry Bill 2003* and *Electricity Legislation (Transitional and Consequential) Bill 2003* would be enacted. However, due to lack of Opposition support for the restructure of Western Power, two of the three Bills had to be extensively redrafted and amendments introduced into Parliament. This circumstance was outside the control of the Office of Energy. Resources were diverted from the Customer Service Code to the higher Office priority to conclude the matter.

Reduction in the electricity contestability threshold

- The *Electricity Distribution Access Order 2003* was published in the Western Australian Government Gazette on 18 July 2003. This Access Order gives the legal basis to the reduction in the electricity contestability threshold to 50 MWh per annum.
- The reduction in the electricity contestability threshold required the development of a Customer Transfer Code, which provides a robust framework to support customer transfers between retailers, and which was approved by the Minister for Energy on 15 December 2004. This Code was developed by a Customer Transfer Code Development Group which included representation from Government, large electricity users, second tier retailers, sustainable energy industry and Western Power.
- A customer information brochure detailing the changes in the electricity retail market and providing answers to frequently asked questions was distributed to approximately 10,000 Western Power customers (that would be contestable from 1 January 2005) in December 2004.

Wholesale Electricity Market Rules

- Full details reported in Western Australian Government Gazette No.177, 5 October 2004.

Performance Indicator 2	2004/05 Target	2004/05 Actual
Improved regional and remote services, indicated by achievements of the following milestones:		
– Regional Electricity Supply Policy	Dec. 2004	-
– Approval of Western Power Corporation's network extension and expansion policies	Mar. 2005	-
Notes to this performance indicator: Regional Electricity Supply Policy <ul style="list-style-type: none"> This policy was not funded in 2004/05. Approval of Western Power Corporation's network extension and expansion policies <ul style="list-style-type: none"> This activity was superseded by the Electricity Networks Access Code requirements for investment in the electricity network, including the development of a Capital Contributions Policy for the approval of the Economic Regulation Authority. 		

Performance Indicator 3	2004/05 Target	2004/05 Actual
Contestability of the retail gas market, indicated by achievement of the following milestones:		
– A Customer Education Campaign	Sept. 2004	Sept. 2004
Notes to this performance indicator: Customer Education Campaign <ul style="list-style-type: none"> ▪ The Gas Full Retail Contestability (FRC) communication package was developed in consultation with all members of the Customer Protection and Education Working Group (CPEWG). The package contained a letter from the Minister for Energy and six fact sheets to inform customers of the changes brought about by implementation of Gas FRC. 		

Performance Indicator 4	2003/04 Actual	2004/05 Target	2004/05 Actual
Progress with the State Underground Power Program (target 50% of Perth metropolitan homes with underground power by 2010), indicated by the percentage of Perth metropolitan homes with underground power	41%	45%	43%
Notes to this performance indicator: State Underground Power Program <ul style="list-style-type: none"> ▪ Based on information provided by Western Power Networks, this indicator represents the estimated proportion of residences that are currently serviced by underground power. It includes the contribution of the Underground Power Program but its largest component comprises the connection of new residences and sub-divisions, for which underground power is a mandatory requirement. There have been some delays in the underground power program due to labour and material shortages. 			

Outcome 2: An increase in the adoption of renewable energy and energy efficiency

Performance Indicator 1	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Use of renewable energy through incentive programs, indicated by the displacement of fossil fuel. Kilowatt hour of fossil fuel displaced by:				
– Solar Hot Water Subsidy Scheme	1,318,006	4,870,338	13,500,000	10,360,222
– Renewable Remote Power Generation Program (RRPGP) Large Projects	0	3,701,000	2,500,000	1,440,000
– RRPGP – Remote Area Power Supply Program	305,989	297,230	300,000	510,008
– RRPGP – Renewable Energy Water Pumping Program	311,975	254,291	200,000	123,230
– Photovoltaic Rebate Program (PVRP)	46,884	32,903	30,000	16,588
<p>Notes to this performance indicator:</p> <p>It is difficult to predict the uptake of rebates under grant programs each year and hence the fossil fuel displaced by projects completed each year.</p> <p>Solar Hot Water Subsidy Scheme</p> <p>Uptake for the Solar Hot Water Subsidy Scheme was slightly less than expected, partly due to the lengthy construction time for new homes.</p> <p>RRPGP – Large Projects</p> <p>Fossil fuel displaced by large RRPGP projects was lower due to one of the two projects on which the target was based, Bremer Bay, being delayed.</p> <p>RRPGP - Remote Area Power Supply Program</p> <p>Uptake under the Remote Area Power Supply Program was higher than in previous years and included the installation of a few renewable energy systems with capacity above the average for the program, which resulted in an increase in fossil fuel displacement.</p> <p>RRPGP – Renewable Energy Water Pumping Program</p> <p>Applications to the Renewable Energy Water Pumping Program are strongly affected by farming circumstances. Farmers generally had better surface (dam) water supplies compared to previous years when severe drought conditions led many farmers to install bores and associated pumps to supplement their water supplies. The lower uptake compared to previous years may also be an indication that the initial strong demand for renewable energy pumps has now largely been met.</p> <p>Photovoltaic Rebate Program (PVRP)</p> <p>Uptake under the Photovoltaic Rebate Program was lower than in previous years because of decreased demand for these smaller grid connected photovoltaic systems. There is reduced demand as photovoltaic systems are costly and the market for further uptake is limited.</p>				

Performance Indicator 2	2004/05 Target	2004/05 Actual
Adoption of energy efficiency by business, indicated by the number of buildings rated under the Australian Greenhouse Building Rating Program	9	25
Notes to this performance indicator: The new requirement to have a Greenhouse building rating for new government tenancies has boosted rating activity, and as a result the Department of Housing and Works has had a number of its facilities rated which is reflected in the increase in number of ratings this year.		

Performance Indicator 3	2002/03 Actual	2003/04 Target	2003/04 Actual
Adoption of energy efficiency by government agencies, indicated by the following:			
– Percentage reduction in energy usage by State Government agencies (target of 12% reduction against baseline by 2006-07)	2.71%	6%	4.6%
– Percentage of individual agencies meeting target reduction	45%	50%	55%
Notes to this performance indicator: 2003/04 figures have been reported for reference as the 2004/05 figures will not be available until the end of October 2005. The Department of Health has for a number of reasons been slow in accessing program funds and achieving energy reduction targets. All other agencies combined exceeded the 6% target with a reduction of 6.4%.			

EFFICIENCY INDICATORS

Outcome 1: A policy environment to achieve a competitive and efficient energy sector

Performance Indicator 1	Target	Actual
Average cost per item of Ministerial support	\$469	\$1,359
Notes to performance indicator 1 for Outcome 1: The cost of Ministerial support can fluctuate significantly from year to year. This year fewer Ministerials than estimated were provided to the Minister (in part due to the election) with the average cost rising due to the spread of fixed costs over a lower base.		

Performance Indicator 2	Target	Actual
Average cost per strategic policy developed	\$25,028	\$78,160
Notes to performance indicator 2 for Outcome 1: The Office of Energy carried significantly more funds forward from 2003/04 into 2004/05 to meet project commitments. As a consequence, expenditure was stronger than expected in 2004/05. Many of these policies are long term projects and are affected by timing issues. Much of the work and related expenditure may be incurred in the financial year under review, however the item is not included until the financial year in which it is completed.		

Performance Indicator 3	Target	Actual
Average cost of meeting major policy implementation milestones	\$446,990	\$550,528
Notes to performance indicator 3 for Outcome 1: The Office of Energy carried significantly more funds forward from 2003/04 into 2004/05 to meet project commitments resulting in greater expenditure in 2004/05 than the estimates the above targets were based on. Some delays were also experienced in finalisation of milestones. Much of the work and related expenditure may be incurred in the financial year under review, however the item is not included until the financial year in which it is completed.		

Outcome 2: An increase in the adoption of renewable energy and energy efficiency

Performance Indicator 1	Target	Actual
Average cost per item of Ministerial support	\$385	\$875
Notes to performance indicator 1 for Outcome 2: The cost of Ministerial support can fluctuate significantly from year to year. This year fewer Ministerials than estimated were provided to the Minister (in part due to the election) with the average cost rising due to the spread of fixed costs over a lower base.		

Performance Indicator 2	Target	Actual
Average cost per strategic policy developed	\$58,950	\$71,071
Notes to performance indicator 2 for Outcome 2: The Office of Energy carried significantly more funds forward from 2003/04 into 2004/05 to meet project commitments resulting in a greater spend in 2004/05 than the estimates the above targets were based on.		

Performance Indicator 3	Target	Actual
Average cost of meeting major policy and program implementation milestones	\$89,217	\$108,299
Notes to performance indicator 3 for Outcome 2: The Office of Energy carried significantly more funds forward from 2003/04 into 2004/05 to meet project commitments resulting in a greater spend in 2004/05 than the estimates the above targets were based on.		

Performance Indicator 4	Target	Actual
Average value of incentive grants paid	\$2,752	\$2,392
Notes to performance indicator 4 for Outcome 2: The average value of incentive grants paid was less than estimated as one large project was delayed reducing the overall average.		

Performance Indicator 5	Target	Actual
Average cost per information and advice service	\$301,424	\$379,048
Notes to performance indicator 5 for Outcome 2: The average cost per information and advice service was higher than estimated due to the carry forward of additional funds from 2003/04 to 2004/05 relating to communications and marketing commitments. The increased spend in 2004/05 resulted in higher than estimated average cost for information and advice service.		





FINANCIAL STATEMENTS

Certification of Financial Statements for the year ended 30 June 2005

The accompanying financial statements of the Office of Energy have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2005 and the financial position as at 30 June 2005.

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

Geoff Gilbert
DIRECTOR CORPORATE SERVICES
PRINCIPAL ACCOUNTING OFFICER

15 August 2005

Anne Nolan
COORDINATOR OF ENERGY
ACCOUNTABLE OFFICER

15 August 2005

AUDITOR GENERAL'S OPINION



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

OFFICE OF ENERGY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Audit Opinion

In my opinion,

- (i) the controls exercised by the Office of Energy provide reasonable assurance that the receipt and expenditure of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Office at 30 June 2005 and its financial performance and cash flows for the year ended on that date.

Scope

The Coordinator of Energy's Role

The Coordinator of Energy is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Schedule of Expenses and Revenues by Service, Summary of Consolidated Fund Appropriations and Revenue Estimates, and the Notes to the Financial Statements.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
30 September 2005

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2005

	Note	2004-05 \$'000	2003-04 \$'000
COST OF SERVICES			
Expenses from ordinary activities			
Employee expenses	4	4,968	5,498
Supplies and services (a)	5	6,114	7,097
Depreciation expense	6	199	203
Accommodation expenses	7	555	615
Grants and subsidies	8	12,846	12,843
Capital user charge	9	165	256
Carrying amount of non-current assets disposed of	13	4	13
Total cost of services		24,851	26,525
Revenues from ordinary activities			
Revenue from operating activities			
User charges and fees	10	39	83
Commonwealth grants and contributions	11	6,717	5,840
Revenue from non operating activities			
Other revenues from ordinary activities	12	744	1,499
Proceeds on the disposal of non-current assets	13	5	-
Total revenues from ordinary activities		7,505	7,422
NET COST OF SERVICES		17,346	19,103
REVENUES FROM STATE GOVERNMENT			
	14		
Service Appropriation		14,572	23,775
Liabilities assumed by the Treasurer		36	43
Resources received free of charge		98	99
Total revenues from Government		14,706	23,917
CHANGE IN NET ASSETS		(2,640)	4,814
Total changes in equity other than those resulting from transactions with WA State Government as owners		(2,640)	4,814

(a) Administration expenses are included in supplies and services.

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

	Note	2004-05 \$'000	2003-04 \$'000
Current Assets			
Cash assets	15	4,694	8,722
Restricted cash assets	16	2,703	3,305
Receivables	17	2,197	527
Amounts receivable for services	19	166	189
Other assets	18	61	2
Total Current Assets		9,821	12,744
Non-Current Assets			
Receivables	17	1,829	1,414
Amounts receivable for services	19	601	467
Plant, equipment and leasehold improvements	20	340	447
Total Non-Current Assets		2,770	2,328
Total Assets		12,591	15,072
Current Liabilities			
Payables	21	388	604
Amounts due to the Treasurer	22	2,406	1,846
Provisions	23	739	727
Other liabilities	24	-	198
Total Current Liabilities		3,533	3,375
Non-Current Liabilities			
Provisions	23	392	391
Total Non-Current Liabilities		392	391
Total Liabilities		3,925	3,766
Equity	25		
Contributed equity		1,306	1,306
Accumulated surplus/(deficiency)		7,360	10,000
Total Equity		8,666	11,306
TOTAL LIABILITIES AND EQUITY		12,591	15,072

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

STATEMENT OF CASHFLOWS

For the year ended 30 June 2005

	Note	2004-05 \$'000	2003-04 \$'000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriations		14,272	23,448
Capital contributions		0	556
Holding account drawdowns		189	117
Net cash provided by State Government		14,461	24,121
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee costs		(5,116)	(5,457)
Supplies and services		(6,236)	(5,968)
Accommodation		(614)	(615)
Capital user charge		(165)	(256)
GST payments on purchases		(788)	(914)
GST payments to ATO		(98)	(148)
Other payments		(15,152)	(14,896)
Receipts			
User charges and fees		39	83
Commonwealth grants and contributions		6,717	5,840
Other revenues		797	1,820
GST receipts on sales		102	97
GST receipts from Australian Taxation Office		956	725
Net cash provided by/(used in) Operating Activities	26 (b)	(19,558)	(19,689)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current physical assets		4	0
Purchase of non-current physical assets		(97)	(110)
Net cash provided by/(used in) Investing Activities		(93)	(110)
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasurers Advance		560	1,330
Net cash provided by/(used in) Financing Activities		560	1,330
Net increase/(decrease) in Cash Held		(4,630)	5,652
Cash assets at the beginning of the financial year		12,027	6,375
CASH ASSETS AT THE END OF THE FINANCIAL YEAR	26 (a)	7,397	12,027

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

SCHEDULE OF EXPENSES AND REVENUES BY SERVICE

For the year ended 30 June 2005

	Development and Implementation of Energy Policy	Development and Implementation of Sustainable Energy Policy and Programs	Total
	2004-05 \$'000	2004-05 \$'000	2004-05 \$'000
COST OF SERVICES			
Expenses from ordinary activities			
Employee expenses	3,142	1,826	4,968
Supplies and services	4,763	1,351	6,114
Depreciation expense	122	77	199
Accommodation expenses	316	239	555
Grants and subsidies	4,992	7,854	12,846
Capital user charge	101	64	165
Carrying amount of non-current assets disposed of	3	1	4
Total cost of services	13,439	11,412	24,851
Revenues from ordinary activities			
User charges and fees	5	34	39
Commonwealth grants and contributions	-	6,717	6,717
Other revenues from ordinary activities	232	512	744
Proceeds on disposal of non current assets	3	2	5
Total revenues from ordinary activities	240	7,265	7,505
NET COST OF SERVICES	13,199	4,147	17,346
REVENUES FROM STATE GOVERNMENT			
Service appropriations	9,777	4,795	14,572
Liabilities Assumed by the Treasurer	23	13	36
Resources Received Free of Charge	60	38	98
Total Revenues from State Government	9,860	4,846	14,706
CHANGE IN NET ASSETS	(3,339)	699	(2640)

The Outcome structure was changed for 2004-05 and comparative figures for 2003-04 in the new structure are not available

The Schedule of Expenses and Revenues by Service should be read in conjunction with the accompanying notes.

SUMMARY OF CONSOLIDATED FUND APPROPRIATIONS AND REVENUE ESTIMATES

For the year ended 30 June 2005

	Estimate	2004-05 Actual	Variation	2004-05 Actual	2003-04 Actual	Variation
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
DELIVERY OF SERVICES						
Item 37 Net amount appropriated to purchase services	15,056	14,404	(652)	14,404	23,607	(9,203)
Amount Authorised by Other Statutes:						
- Salaries and Allowances Act 1975	168	168	-	168	168	-
Total appropriations provided to deliver services	15,224	14,572	(652)	14,572	23,775	(9,203)
CAPITAL						
Capital Contribution	-	-	-	-	110	(110)
	-	-	-	-	110	(110)
ADMINISTERED TRANSACTIONS						
Amount provided for Administered Grants, Subsidies and Other Transfer Payments	-	1,276	1,276	1,276	-	1,276
	-	1,276	1,276	1,276	-	1,276
GRAND TOTAL	15,224	15,848	624	15,848	23,885	(8,037)
Details of Expenditure by Service						
Development and Implementation of Energy Policy	9,963	13,439	3,476	13,439	-	13,439
Development and Implementation of Sustainable Energy Policy and Programs	6,702	11,412	4,710	11,412	-	11,412
Prior year Services			-		26,525	(26,525)
	16,665	24,851	8,186	24,851	26,525	(1,674)
Less total revenues from ordinary activities	(3,000)	(7,505)	(4,505)	(7,505)	(7,422)	(83)
Net Cost of Services	13,665	17,346	3,681	17,346	19,103	(1,757)
Adjustments (i)	1,559	(2,774)	(4,333)	(2,774)	4,672	(7,446)
Total appropriations provided to deliver services	15,224	14,572	(652)	14,572	23,775	(9,203)
DETAILS OF REVENUE ESTIMATES						
Revenues disclosed as Administered Revenues	-	-	-	-	-	-

(i) Adjustments are related to movements in cash balances and other accrual items such as receivables, payables and superannuation.

The Summary of Consolidated Fund Appropriations, Variances to Budget and Actual should be read in conjunction with the accompanying notes.

This Summary provides the basis for the Explanatory Statement information requirements of Treasurer's Instruction 945, which are set out in Note 33.

NOTES TO THE FINANCIAL STATEMENTS

1. Office mission and funding

On behalf of Government, the Office of Energy leads the development and implementation of policy to meet the State's energy needs. We are committed to doing this in a way that balances economic, social and environmental responsibilities.

The Office of Energy is predominantly funded by Parliamentary appropriations. The Office has a net appropriation agreement, as determined by the Treasurer, pursuant to section 23A of the *Financial Administration and Audit Act 1985*, which provides for retention of moneys for fees, services provided on a fee for service basis and various other revenues. Fees are reviewed each year and the Office determines charges. The financial statements encompass all funds through which the Office controls resources to carry on its functions.

In the process of reporting on the Office of Energy as a single entity, all intra-entity transactions and balances have been eliminated.

2. Significant Accounting Policies

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

General Statement

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

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

Basis of Accounting

The financial statements have been prepared in accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments'.

The statements have been prepared on the accrual basis of reporting using the historical cost convention which for certain assets and liabilities which, as noted, are measured at fair value.

Administered assets, liabilities, expenses and revenues are not integral to the Office of Energy in carrying out its functions and are disclosed in schedules to the financial

statements, forming part of the general purpose financial report of the Office of Energy. The administered items are disclosed on the same basis as is described above for the financial statements of the Office of Energy.

The administered assets, liabilities, expenses and revenues are those which the Government requires the Office of Energy to administer on its behalf. The assets do not render any service potential or future economic benefits to the Office of Energy, the liabilities do not require the future sacrifice of service potential or future economic benefits of the Office of Energy, and the expenses and revenues are not attributable to the Office of Energy.

a) Service Appropriations

Service Appropriations are recognised as revenues in the period in which the Office of Energy gains control of the appropriated funds. The Office of Energy gains control of appropriated funds at the time those funds are deposited into the Office of Energy's bank account or credited to the holding account held at the Department of Treasury and Finance.

b) Contributed Equity

Under UIG 38 "Contributions by Owners Made to Wholly-Owned Public Sector Entities" transfers in the nature of equity contributions must be designated by the Government (owners) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions in the financial statements. Capital contributions (appropriations) have been designated as contributions by owners and have been credited directly to contributed equity in the Statement of Financial Position.

c) Net Appropriation Determination

Pursuant to section 23A of the *Financial Administration and Audit Act 1985*, the Treasurer may make a determination providing for prescribed revenue to be retained by the Office of Energy. Receipts in respect of all revenues recognised in the Statement of Financial Performance are the subject of a net appropriation determination by the Treasurer.

The net appropriation determination allows all prescribed revenues to be retained except for:

- * revenues derived from the sale of real property; and
- * one-off revenues with a value of \$10,000 or more derived from the sale of property other than real property.

In accordance with the determination, the Office of Energy retained \$7.5m in 2005 (\$7.4m in 2004). Retained revenues may only be applied to the services specified in the 2004-2005 Budget Statements.

d) Grants and Other Contributions

Grants, donations, gifts and other non-reciprocal contributions are recognised as revenue when the Office obtains control over the assets comprising the contributions. Control is normally obtained on their receipt.

Contributions are recognised at their fair value. Contributions of service are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

e) Revenue Recognition

Revenue from the sale of goods and disposal of other assets and the rendering of services, is recognised when the Office has passed control of the goods or other assets or delivery of the service to the customer.

f) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Assets acquired at no cost or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Assets costing less than \$1,000 are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

g) Depreciation of Non-Current Assets

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

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

- Plant and Equipment 5 to 7 years
- Office Equipment 3 to 5 years
- Leasehold Improvements 5 years

h) Leases

The Office of Energy has no finance leases. The Office has entered into a number of operating lease arrangements for the rent of office accommodation and for leased motor vehicles, where the lessors effectively retain all the risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

i) Cash

For the purposes of the Statement of Cash Flows, cash includes cash assets and restricted cash assets. These include short-term deposits that are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

j) Accrued Salaries

The accrued salaries suspense account consists of amounts paid annually into a suspense account (refer note 16) over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur in that year instead of the normal 26. No interest is received on this account.

Accrued salaries (refer note 24) represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. The Office considers the carrying amount to be the net fair value.

k) Receivables

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

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubts as to collection exists and in any event where the debt is more than 60 days overdue.

l) Payables

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

m) Amounts Due to the Treasurer

The Office holds a Treasurer's Advance for the purposes of funding the Energy Smart Government program, managed by the Sustainable Energy Development Office (SEDO). This is represented by amounts due or repayable to the Treasurer.

n) Employee benefits

Annual leave

This benefit is recognised at the reporting date in respect to employees' services up to that date and is measured at the nominal amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provisions for employee benefits and is measured at the nominal amounts expected to be paid when the liability is settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provisions for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given, when assessing expected future payments, to expected future wage and salary levels including relevant on costs, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

Staff may contribute to the Pension Scheme, a defined benefits pension scheme now closed to new members, or the Gold State Superannuation Scheme, a defined benefit and lump sum benefit scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme, an accumulation fund. The Office of Energy contributes to this accumulation fund in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. All of these schemes are administered by the Government Employees Superannuation Board (GESB).

The superannuation expense comprises the following elements:

1. change in the unfunded employer's liability in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme; and
2. employer contributions paid to the Gold State Superannuation Scheme and West State Superannuation Scheme.

The superannuation expense does not include payment of pensions to retirees as this does not constitute part of the cost of services provided by the Office in the current year.

A revenue, "Liabilities assumed by the Treasurer" equivalent to 1. is recognised under Revenues from Government in the Statement of Financial Performance as the unfunded liability is assumed by the Treasurer. The GESB makes the benefit payments and is recouped by the Treasurer.

The Office of Energy is funded for employer contributions in respect of the Gold State Superannuation Scheme and the West State Superannuation Scheme. These contributions were paid to the GESB during the year. The GESB subsequently paid the employer contributions in respect to the Gold State Superannuation Scheme to the Consolidated Fund

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

Employee benefit on-costs

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities and expenses. (See notes 4 and 23).

o) Resources Received Free of Charge or For Nominal Value

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

p) Comparative Figures

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

q) Rounding

Amounts in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

3. Services of the Office of Energy

Information about the Office of Energy's services is set out in the Schedule of Expenses and Revenues by Service. Information about the Office of Energy's administered expenses, revenues, assets and liabilities is set out in notes 34 and 35.

The two key services delivered by the Office of Energy are:

Service 1: Development and Implementation of Energy Policy

Service 2: Development and Implementation of Sustainable Energy Policy and Programs

	2004-05	2003-04
	\$'000	\$'000

4. Employee Expenses

Wages and salaries	3,764	4,410
Superannuation	470	470
Long Service Leave	33	185
Annual Leave	348	209
Other related expenses (1)	353	224

Total Employee Expenses	4,968	5,498
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(1) These employee expenses include workers compensation premiums and other employment on-costs associated with the recognition of annual and long service leave liability. The related on-costs liability is included in employee benefits liabilities at Note 23.

5. Supplies and services

Advertising	191	176
Communications	113	141
Consultants and contractors	4,416	5,218
Consumables	61	88
Insurance	61	62
Legal fees	501	420
Motor vehicle expenses	93	77
Repairs and maintenance	10	24
Printing	216	236
Travel	138	289
Other	314	366

Total Supplies and Services	6,114	7,097
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6. Depreciation Expense

Plant and equipment	24	23
Office equipment	95	103
Leasehold improvements	80	77

Total Depreciation	199	203
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7. Accommodation Expenses

Lease rentals and other accommodation	542	603
Repairs and maintenance	12	7
Cleaning and security	1	5

Total Accomodation Expenses	555	615
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	2004-05	2003-04
	\$'000	\$'000

8. Grants and subsidies

Energy Smart Government Facilitation grants	167	371
Remote Area Power Supply (RAPS) rebates	-	512
Sustainable Energy Development Office (SEDO) Grants Committee grants	362	116
Contributions to the Energy Markets Working Group (MCE)	171	112
Contributions to the Energy Efficiency Working Group	202	-
Photovoltaic Rebate Program (PVRP) rebates	30	76
Renewable Remote Power Generation Program (RRPGP) grants	5,670	6,024
Solar Hot Water Incentive Scheme rebates	1,166	530
Energy Smart Community Grants	10	35
Energy and Waste Water Efficiency Education Grants	-	8
Community Partnership Grants - Special Funding Round	27	171
Industry Support Grants	221	61
Other grants/sponsorship/contributions	-	7
Underground Power Project transfer payments (State's contributions)	4,820	4,820

Total Grants and Subsidies	12,846	12,843
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9. Capital user charge

Capital User Charge	165	256
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Total Capital User Charge	165	256
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A capital user charge rate of 8% has been set by the Government and represents the opportunity cost of capital invested in the net assets of the Office used in the provision of services. The charge is calculated on the net assets adjusted to take account of exempt assets. Payment is made to the Department of Treasury and Finance on a quarterly basis.

10. User charges and fees

Fees	39	83
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Total User Charges and Fees	39	83
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11. Commonwealth grants and contributions

Recurrent contributions	6,717	5,840
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Total Commonwealth Grants and Contributions	6,717	5,840
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	2004-05	2003-04
	\$'000	\$'000

12. Other revenues from ordinary activities

Sales of information products and services	-	3
Recoup of services provided to OffGAR	-	17
Contributions by senior officers to the Government Vehicle Scheme (GVS)	20	19
Recoup of program costs	724	1,391
Revenues from Energy in WA Conference	-	69
Other revenue	-	-

Total other revenues from ordinary activities	744	1,499
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13. Net gain/(loss) on disposal of non-current assets

Office Equipment		
Carrying amount	4	13
Less proceeds on disposal	5	-

Net gain/(loss)	1	(13)
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14 Revenues from State Government

a) Appropriation revenue received during the year

Service appropriations	14,572	23,775
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Total appropriation revenue received during the year	14,572	23,775
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Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

b) The following liabilities have been assumed by the Treasurer

Superannuation	36	43
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Total liabilities have been assumed by the Treasurer	36	43
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The assumption of the superannuation liability by the Treasurer is a notional revenue to offset the notional superannuation expense reported in respect of current employees who are members of the pension scheme and current employees who have a transfer benefit under the Gold State Superannuation scheme.

	2004-05	2003-04
	\$'000	\$'000

14 Revenues from State Government (continued)

c) Resources received free of charge

Determined on the basis of the following estimates provided by agencies:

State Solicitor's Office	98	99
Total resources received free of charge	98	99

Where assets or services have been received free of charge or for a nominal consideration, the Department recognises revenues (except where the contributions of assets or services are in the nature of contributions by owners in which case the Department shall make a direct adjustment to equity) equivalent to the fair value of the assets and / or the fair value of those services that can be readily determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.

Total	14,706	23,917
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15 Cash Assets

Operating account	4,692	8,717
Cash on hand	2	5
Total Cash Assets	4,694	8,722

16 Restricted cash assets

Current

Trust Fund balance - SEDO Grants Committee Trust Account [see note 32] (i)	898	827
Trust Fund balance - Commonwealth Programs Trust Account [see note 32] (ii)	1,805	2,305
Accrued salaries suspense account (iii)	-	173
	2,703	3,305

(i) Cash held in the account is restricted in that it is to be used only for the SEDO Grants Committee to provide funding for research, education and exhibition schemes relating to alternative energy development and use.

(ii) Cash held in the account is restricted in that it represents funds provided by the Commonwealth Government which are to be used only for providing grant funding for the conduct of energy related initiatives through the Office of Energy.

(iii) Funds were utilised to fund the 27th pay which occurred in 2004/05.

Total restricted cash assets	2,703	3,305
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	2004-05	2003-04
	\$'000	\$'000

17 Receivables

Current

GST receivable	181	349
Energy Smart Government Returns from Agencies	477	170
Support to agencies	198	
Bremer Bay Wind Project	1,309	
Other debtors	32	8
	2,197	527

Non-current

Energy Smart Government Returns from Agencies	1,829	1,414
	1,829	1,414

Total Receivables	4,026	1,941
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18 Other Assets

Prepayments	61	2
Total Other Assets	61	2

19 Amounts receivable for services

Current	166	189
Non-current	601	467
Total amounts receivable for outputs	767	656

This asset represents the non-cash component of output appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

	2004-05	2003-04
	\$'000	\$'000

20 Plant, equipment and leasehold improvements

Plant and equipment

At cost	377	497
Accumulated depreciation	256	370
	121	127

Office equipment

At cost	138	149
Accumulated depreciation	80	71
	58	78

Leasehold improvements

At cost	393	393
Accumulated amortisation	232	151
	161	242

Total Plant, Equipment and Leasehold Improvements	340	447
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Reconciliations of the carrying amounts of plant, equipment and leasehold improvements at the beginning and end of the current and previous financial year are set out below.

	Plant and equipment \$000	Office equipment \$000	Leasehold Improve- ments \$000	Total \$000
2005				
Carrying amount at start of year	127	78	242	447
Additions	93	4	-	97
Disposals	(4)	-	(1)	(5)
Depreciation and amortisation	(95)	(24)	(80)	(199)
Carrying amount at end of year	121	58	161	340
2004				
Carrying amount at start of year	168	85	299	552
Additions	75	16	19	110
Disposals	(13)	-	-	(13)
Depreciation and amortisation	(103)	(23)	(76)	(202)
Carrying amount at end of year	127	78	242	447

	2004-05	2003-04
	\$'000	\$'000

21 Payables

Trade payables	120	-
GST Payable	37	33
Other accrued creditors	231	571
Total Payables	388	604

22 Amounts due to the Treasurer

Treasurer's Advance	2,406	1,846
Total Amounts due to the Treasurer	2,406	1,846

23 Provisions

Employee Benefits

Current:

Annual leave	358	456
Long service leave	256	271
Other employee benefits (1)	125	-
	739	727

Non-current:

Long service leave	353	391
Other employee benefits (1)	39	-
	392	391

(1) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including superannuation and workers compensation premiums. The liability for such on-costs is included here. The associated expense is included under Other related expenses (under Employee expenses) at Note 4.

The Office of Energy considers the carrying amount of employee benefits to approximate their net fair value.

Employee Benefits Liability

The aggregate employee benefits liability recognised and included in the financial statements is as follows:

Provision for employee benefits:

Current	739	727
Non-current	392	391
Total Provisions	1,131	1,118

	2004-05	2003-04
	\$'000	\$'000

24 Other liabilities

Accrued Salaries	-	198
Total Other Liabilities	-	198

There were no accrued salaries as at 30 June 2005 as the last pay period fell on the last day of the financial year.

25 Equity

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

Contributed equity

Opening Balance	1,306	750
Capital contributions (i)	-	110
Contribution by owner(ii)	-	446
Closing Balance	1,306	1,306

(i) Capital Appropriations have been designated as contributions by owners and are credited directly to equity in the Statement of Financial Position.

(ii) Capital Appropriations have been designated as contributions by owners and are credited directly to equity in the Statement of Financial Position.

Accumulated surplus

Opening balance	10,000	5,186
Change in net assets	(2,640)	4,814
Closing balance	7,360	10,000

	2004-05	2003-04
	\$'000	\$'000

26 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 assets	4,694	8,722
Restricted cash assets	2,703	3,305
Reconciliation of cash	7,397	12,027

b) Reconciliation of the net cost of services to the net cash flows provided by/(used in) operating activities

Net cost of services	(17,346)	(19,103)
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Non-cash items

Depreciation and amortisation expense	199	203
Superannuation liability assumed by the Treasurer	36	43
Resources received free of charge	98	99
(Profit)/loss on disposal of non-current assets	(1)	13

(Increase)/decrease in assets:

Accounts receivable	(2,084)	(1,826)
Other current assets	(59)	-

Increase/(decrease) in liabilities:

Employee benefits	13	381
Accounts payable	(216)	419
Accrued salaries	(198)	82

Net cash used in operating activities	(19,558)	(19,689)
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	2004-05	2003-04
	\$'000	\$'000

27 Commitments for expenditure

a) Lease Commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are payable:

Within one year	354	421
Later than one year and not later than five years	322	750
	676	1,171
Representing:		
Cancellable operating leases	65	76
Non-cancellable operating leases	611	1,095
Total Lease Commitments	676	1,171

b) Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

Within one year	305	365
Later than one year and not later than five years	305	730
Non-cancellable operating lease commitments	610	1,095

The property lease is a non-cancellable lease with a five year term expiring on 30 June 2007, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be reviewed each year to determine any rental value increases.

These commitments are all inclusive of GST.

28 Contingent liabilities

The Office has no contingent liabilities as at 30 June 2005.

29 Events occurring after reporting date

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

	Non Interest bearing	Total
	\$'000	\$'000

30 Financial Instruments

(a) Interest rate risk exposure

The following table details the Office's exposure to interest rate risk as at the reporting date:

2004-05

Financial Assets

Cash resources	4,694	4,694
Restricted cash resources	2,703	2,703
Accounts Receivable	4,026	4,026
Total Financial Assets	11,423	11,423

Financial liabilities

Accounts payable	388	388
Amounts due to the Treasurer	2,406	2,406
Employee benefits	1,131	1,131
Total Financial liabilities	3,925	3,925

Net Financial Assets/Liabilities

7,498 7,498

2003-04

Financial Assets

Cash resources	8,722	8,722
Restricted cash resources	3,305	3,305
Accounts Receivable	1,941	1,941
Total Financial Assets	13,968	13,968

Financial liabilities

Accounts payable	604	604
Amounts due to the Treasurer	1,846	1,846
Accrued salaries	198	198
Employee benefits	1,118	1,118
Total Financial liabilities	3,766	3,766

Net Financial Assets/Liabilities

10,202 10,202

30 Financial Instruments (continued)

b) Credit risk

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Office's maximum exposure to credit risk without taking account of any collateral or other security obtained.

(c) Net fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from the net fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

31 Remuneration of senior officers

The number of senior officers whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, who fall within the following bands is:

	Number of Senior Officers	
	2004-05	2003-04
10,001 - 20,000	-	1
40,001 - 50,000	1	-
60,001 - 70,000	-	2
100,001 - 110,000	-	2
110,001 - 120,000	-	1
120,001 - 130,000	1	-
150,001 - 160,000	3	-
200,001 - 210,000	-	1
250,001 - 260,000	1	-
300,001 - 310,000	1	-
330,001 - 340,000	-	1
Total remuneration of senior officers is (\$000's):	1,184	1,015

The superannuation included here represents the superannuation expense incurred by the Office in respect of senior officers. No senior officers are members of the Pension Scheme.

During 2004/05, one Senior Officer ceased employment and one new Senior Officer was appointed. The figures contained in the table above include termination payments to the Senior Officer who ceased employment.

	2004-05	2003-04
	\$'000	\$'000

32 Trust Accounts

Expenses and revenues of the Trust Accounts are reflected in the Office of Energy's financial statements.

SEDO GRANTS COMMITTEE TRUST ACCOUNT

Purpose: To hold funds for the purpose of allowing the SEDO Grants Committee to carry out its functions.

Opening balance	827	313
Receipts:		
Consolidated Fund contribution	523	250
Funds transferred from MERIWA	-	446
	523	696
Payments:		
Salaries	77	53
Project grants	372	110
Other expenses	3	19
	452	182
Closing balance	898	827

COMMONWEALTH FUNDED INITIATIVES AND PROGRAMS TRUST ACCOUNT

Purpose: To hold funds provided by the Commonwealth Government for the conduct of energy related initiatives by the Office of Energy.

Opening balance	2,305	1,952
Receipts:		
Amounts transferred from State's RAPS funding	-	500
Photovoltaic Rebate program (PVRP)	57	75
Renewable Remote Power Generation Program (RRPGP)	5,730	5,714
	5,787	6,289
Payments:		
PVRP grants	30	76
RRPGP grants	5,851	5,839
Other RRPGP payments	406	21
	6,287	5,936
Closing balance	1,805	2,305

33 Explanatory Statements

	Estimate	2004/05 Actual	Variance
	\$'000	\$'000	\$'000

- a) Significant variances between estimates and actual results for the financial year.

Item 37 Net amount appropriated to purchase services	15,056	14,404	(652)
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The variance of (\$0.652m) is due, in the main, to the transfer of appropriation to an administered item following the establishment of the Independent Market Operator (\$1.276m). Funds totalling \$0.624m were also provided for the alternative energy research and development function previously undertaken by the Minerals and Energy Research Institute of Western Australia, electricity reform implementation and specialist advice relating to the sale of the Dampier to Bunbury Natural Gas Pipeline.

<u>Service 1 Development and Implementation of Energy Policy</u>	9,963	13,439	3,476
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Expenditure in excess of the printed budget estimates occurred as a result of:

The principal reason for the variation was a higher than anticipated level of funds were carried forward into 2004/05 from 2003/04 to meet project commitments mainly relating to electricity reform (\$4.386m although this was offset to some extent by a higher than expected carry forward of funds from 2004/05 to 2005/06) and the Aboriginal and Remote Areas Power Procurement project of \$0.325m.

<u>Service 2 Development and Implementation of Sustainable Energy policy and Programs</u>	6,702	11,412	4,710
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Expenditure in excess of the printed budget estimates occurred as a result of:

The principal reason for the variation was higher than estimated expenditure on rebates under the Renewable Remote Power Generation Program enabled by the additional \$3.717m in Commonwealth funding. In addition, a higher than anticipated level of funds were carried forward into 2004/05 from 2003/04 to meet grant and program commitments totalling \$0.860m.

- a) Significant variances between estimates and actual results for the financial year.

33 Explanatory Statements (continued)

	Estimate	2004/05 Actual	Variance
	\$'000	\$'000	\$'000

REVENUE

3,000

7,505

4,505

Commonwealth funding relating to rebates under the Renewable Remote Power Generation Program was \$3.717m higher than estimated. A service level agreement with the Independent Market Operator provided unbudgeted revenue of \$0.132m. Various other unbudgeted revenue was received during the year.

- b) Significant variances between actual results for the financial year and the previous financial year.

	2004-05 Actual	2003-04 Actual	Variance
	\$'000	\$'000	\$'000

Item 37 Net amount appropriated to purchase services

15,848

23,885

(8,037)

The variance of (\$8.037m) is due, in the main, to supplementary funding in 2003/2004 of \$7,781m provided to the Electricity Reform Implementation Unit and \$0.132m provided to cover the cost of the redundancy payments to a redeployee of the Gas Corporation. A Capital Contribution of \$0.110m was also provided in 2003/2004.

	2004-05	2003-04
	\$'000	\$'000

34 Administered Revenues and Expenses

Expenses

Payments made on behalf of the Gas Corporation	(2)	(40)
Administered appropriations on behalf of the Independent Market Operator	(1,276)	-
Payments to the Consolidated Fund on behalf of the Gas Corporation	(408)	-

Total Expenses	(1,686)	(40)
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Revenues

Revenues made on behalf of the Gas Corporation	28	18
Administered appropriations on behalf of the Independent Market Operator	1,276	-

Total Revenues	1,304	18
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35 Administered Assets and Liabilities

The assets and liabilities detailed below are administered by the Office of Energy on behalf of the Minister for Energy. They represent the residual assets and liabilities resulting from the sale of AlintaGas in December 2000. The accounts of the Gas Corporation were closed during 2004-05 and the net assets transferred to Consolidated Fund.

Current Assets

Cash	-	381
Total current assets	-	381

Total assets	-	381
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Current Liabilities

Amount due to the Treasurer	-	132
Total current liabilities	-	132

Total liabilities	-	132
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36 Impact of Adopting Australian Equivalents to International Financial Reporting

Australia is adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods beginning on or after 1 January 2005. The Office of Energy will adopt these Standards for the first time in the year ended 30 June 2006.

AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to Financial Reporting Standards' requires disclosure of any known or reliably estimate information about the impacts on the financial statements had they been prepared using AIFRSs.

The information provided below discloses the main areas impacted due to the effects of adopting AIFRS. Management have determined the quantitative impacts using their best estimates available at the time of preparing the 30 June 2005 financial statements. These amounts may change in circumstances where accounting standards and/or interpretations applicable to the first AIFRS financial statements are amended or revised.

	30 June 2005 \$'000	1 July 2004 \$'000
a) Reconciliation of total equity as represented under previous AGAAP to that under AIFRS		
Total equity under previous AGAAP	8,666	11,306
Adjustments to accumulated surplus/(deficiency):		
Reduction in annual leave entitlements (i)	11	-
Total equity under AIFRS	8,677	11,306
(i) AASB 119 requires that annual leave that is not expected to be taken within 12 months of the reporting period be recognised at present value using discounted cash flows.		
b) Reconciliation of surplus/(deficit) for the period as presented under previous AGAAP to that under AIFRS:		
Surplus/(deficit) for the period under previous AGAAP	(2,640)	4,814
Reduction in annual leave entitlements (ii)	11	-
Surplus/(deficit) for the period under AIFRS	(2,629)	4,814

(ii) AASB 119 requires that annual leave that is not expected to be taken within 12 months of the reporting period be recognised at present value using discounted cash flows.

c) Statement of Cash Flows

No material impacts are expected from adopting AIFRS with respect to the Statement of Cash Flows



PUBLICATIONS IN 2004/05

Office of Energy

- Energy WA

Electricity Reform Implementation Unit

- Electricity Reform News Issue No.7 July 2004
- Electricity Reform News Issue No. 8 December 2004
- Code of Conduct for the supply of Electricity to Small Use Customers Fact Sheet
- Electricity: Your Power to Choose Fact Sheet

Sustainable Energy Development Office

The following Sustainable Energy Development publications are available from the Energy Smart Line on 1300 658 158 or website at: www.sedo.energy.wa.gov.au. Requests for bulk copies should be directed to 9420 5619.

Funding Programs:

- Photovoltaic Rebate Program
- Renewable Remote Power Generation Program
- Solar Water Heater Subsidy Program
- Energy Smart Government Program
- Sustainable Energy Development Office Grants Committee Program.

Renewable Energy:

- Renewable Remote Power Generation Program
- Renewable Energy Water Pumping Program
- Aboriginal Community, Business and Household Remote Area Power Supply.

Ways to Live Energy Smart:

- Simple Ways To Save Energy
- Energy Efficiency Housing
- Home Insulation
- The First Steps to Summer Cooling
- Ways to Winter Warmth
- Cooking
- Saving Energy in Hot Climates
- Take the Energy Challenge.

Ways to Choose Energy Smart:

- Solar Hot Water Systems
- Choosing a Heater
- Choosing an Air Conditioner
- Choosing a Hot Water System
- Lighting

- *Reach for the Stars* (separate brochures on Energy Smart Clothes Washers and Dryers, Dishwashers, Refrigerators and Freezers, Air Conditioners, Gas Hot Water Systems and Gas Heaters).

Ways to Work Energy Smart:

Energy Smart Government

- Energy Smart Government Report 2003/2004
- Energy Smart Government Report 2002/2003
- Energy Smart Government Working Energy Smart.
- Energy Savings from Computers.

Energy Smart Business

- Australian Building Greenhouse Rating brochure
- Australian Building Greenhouse flyer
- Commercial Lighting
- Commercial Heating, Cooling, Ventilation
- Commercial Refrigeration
- Compressed Air
- Hot Water Systems, Boilers and Waste Heat Systems
- Motors and Variable Speed Drives.

Fact Sheets

- Energy Efficient Homes
- Changes to the Building Codes of Australia.
- Fuel Cells.

BOARDS AND COMMITTEES PARTICIPATED IN 2004/05

Representatives of the Office of Energy participated in the following Boards and Committees:

Aboriginal and Remote Communities Power Supply Steering Committee

Aboriginal Essential Services Steering Committee

Access Code Development Committee

Air Quality Coordinating Committee

Australian Building Greenhouse Rating National Steering Committee

Commercial Business Steering Committee

Coral Bay Task Force

Customer Transfer Code Committee

Dampier to Bunbury Natural Gas Pipeline Corridor Metropolitan Steering Committee

Electricity Industry Reference Group

Electricity Reform Consumer Forum

Electricity Reform Implementation Steering Committee

Energy Efficiency Working Group of the Ministerial Council on Energy:

- National Framework for Energy Efficiency Steering Committee
- National Appliance and Equipment Energy Efficiency Committee
- Gas Appliance and Equipment Energy Efficiency Committee
- Government Energy Efficiency Implementation Group
- Finance Sector Implementation Group
- Buildings Implementation Group
- Commercial and Industrial Capacity Building Implementation Group
- Commercial and Industrial Energy Efficiency Implementation Group
- Trades and Professional Training and Accreditation Implementation Group
- General Consumer Capacity Building Implementation Group.

Environment Protection and Heritage Council and Ministerial Council on Energy Joint Working Group on Energy and Greenhouse Reporting

Financial Modelling Management Team

Gas Pipeline Sale Steering Committee

Greenhouse Interdepartmental Committee

Infrastructure Coordination Committee (Western Australian Planning Commission)

Inter-Jurisdictional Renewable Energy Target Working Group

Market Rules Development Group

Metering Code Expert Team
Ministerial Council on Energy Standing Committee of Officials
NatHERS Management Committee
National Green Power Steering Committee
Observer at Board meetings of REMCo (Retail Energy Market Company)
Property Council of Australia's Sustainable Development Committee
Renewable and Distributed Generation Working Group
Rural Power Improvement Program Steering Committee
State Underground Power Program Steering Committee
Street Lighting Committee
Sustainability Roundtable Education and Community Awareness Committee
Sustainable Buildings and Land Development Partnership Group
Sustainable Energy Development Office Grants Committee
Sustainable Industry Group Steering Committee
Technical Rules Committee
Top Up and Spill Consultative Committee
Town Reserves Regularisation Program Steering Committee
Western Australia State of Environment Report – Energy Sector Working Group.
Western Australia State of Environment Report – Towards Sustainability Working Group