



Economic Regulation Authority



# Annual Report 2021/2022



Economic Regulation Authority

## **Statement of compliance**

### **Hon Mark McGowan MLA**

Treasurer  
11th Floor, Dumas House  
Havelock Street  
West Perth WA 6005

Dear Treasurer

### **Economic Regulation Authority 2021/22 Annual Report**

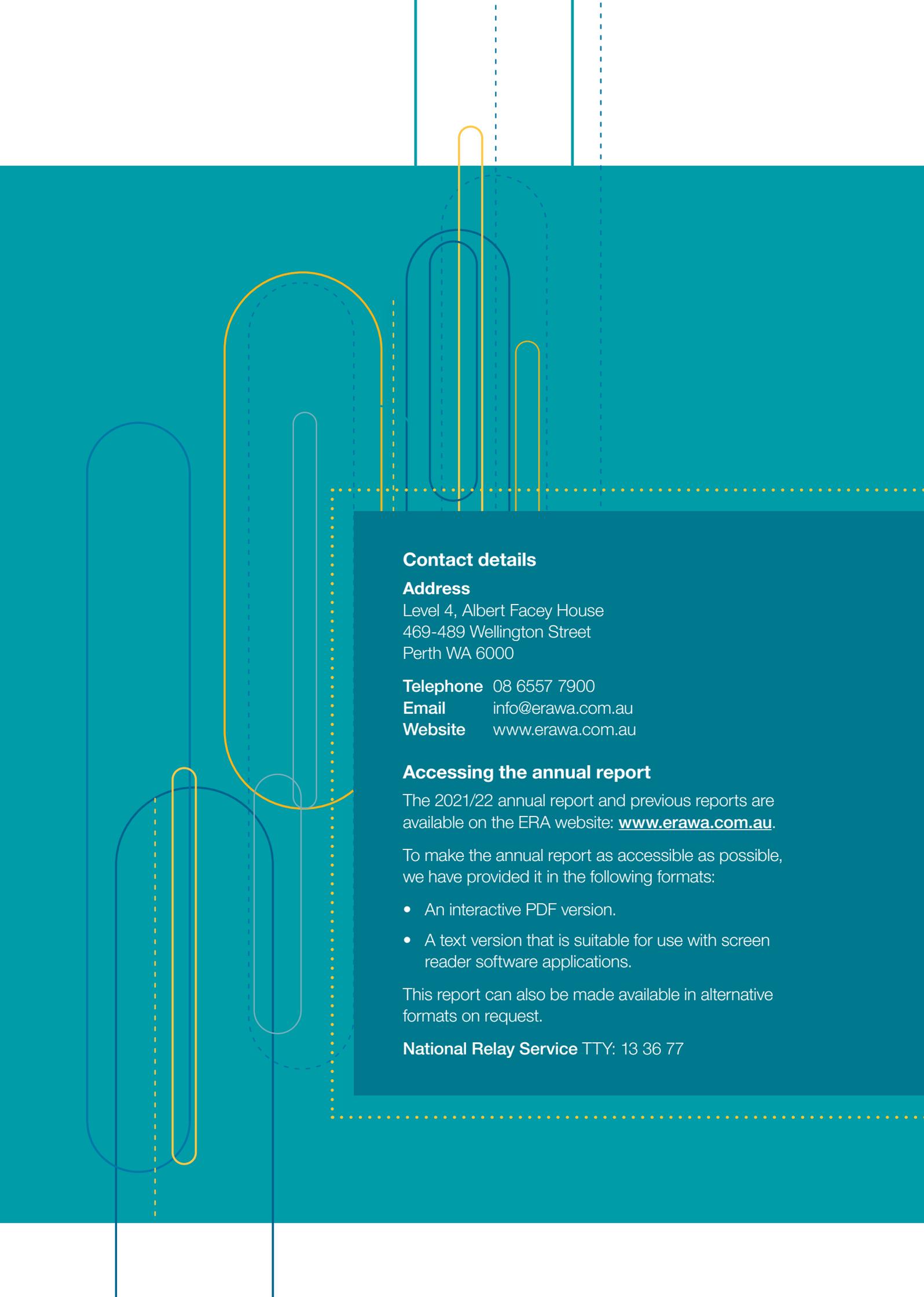
In accordance with section 61 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the annual report of the Economic Regulation Authority for the financial year ended 30 June 2022.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read "Steve Edwell".

**Steve Edwell**  
Chair



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## Accessing the annual report

The 2021/22 annual report and previous reports are available on the ERA website: [www.erawa.com.au](http://www.erawa.com.au).

To make the annual report as accessible as possible, we have provided it in the following formats:

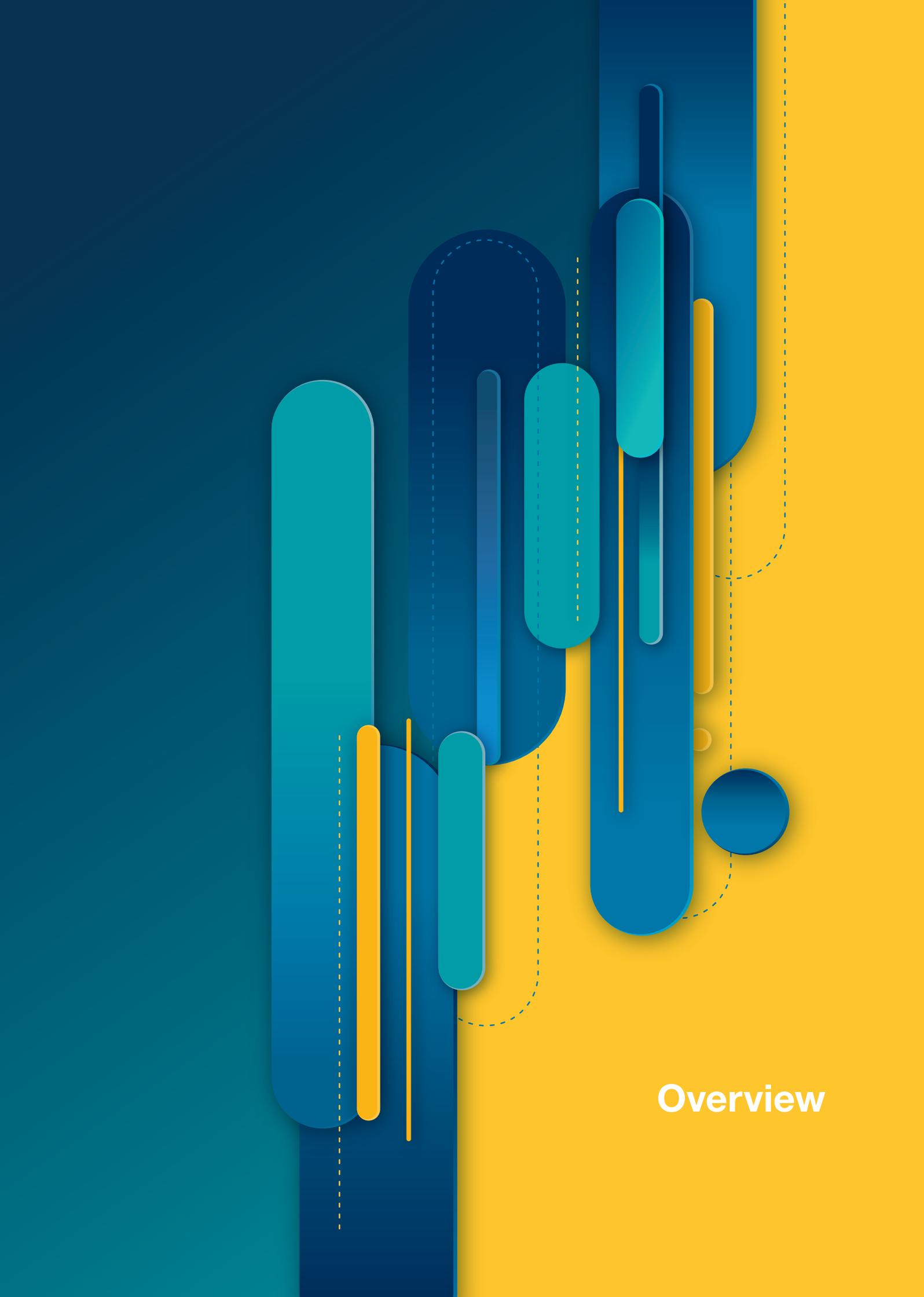
- An interactive PDF version.
- A text version that is suitable for use with screen reader software applications.

This report can also be made available in alternative formats on request.

**National Relay Service TTY:** 13 36 77

# Contents

<b>Statement of compliance</b>	<b>2</b>	<b>Agency performance</b>	<b>17</b>
<b>Contact details</b>	<b>3</b>	Post project reviews	18
<b>Accessing the annual report</b>	<b>3</b>	Energy Markets	18
<b>Contents</b>	<b>4</b>	Regulation and Inquiries	22
<b>Overview</b>	<b>5</b>	Corporate Services	28
Executive summary	6	Office of the CEO	28
About the ERA	8	Key performance indicators	29
Organisational structure	9	Financial performance	30
Our engagement	10	<b>Disclosures and legal compliance</b>	<b>31</b>
Governing Body	11	Independent auditor's report	32-36
Executive team	12	Financial statements	37
Performance management framework	13	Notes to the financial statements	42
<b>Significant issues affecting the agency</b>	<b>14</b>	Certification of key performance indicators	59
Energy reforms and transformation	15	Key performance indicators	60
Rail access reforms	16	Ministerial directives	62
		Other financial disclosures	63
		Governance disclosures	68
		Other legal requirements	69
		Government policy requirements	71
		<b>Appendices</b>	<b>73</b>
		Appendix 1: Legislation	74
		Appendix 2: Senior staff	76
		Appendix 3: Decisions and publications	77



# Overview



## OVERVIEW

# Executive summary

**For this first annual report as Chair, I would like to thank all the stakeholders who have taken the time to discuss economic regulation, business and consumer issues over the year I've been in this role. It is vital that the ERA understands the market challenges of the organisations it regulates, and the concerns of communities whose interests its regulation serves.**

I want the Economic Regulation Authority to be an open and outreaching regulatory agency. Better regulation requires effective engagement with all our stakeholders, so strengthening our links to the business community and consumers is a major focus.

### **A changing energy market**

The Economic Regulation Authority continues to navigate a rapidly changing energy market. Increasing adoption of renewable energy is presenting significant opportunities to reduce carbon emissions and empower electricity users. But it is also challenging the security and reliability of the power system, which has been technically and economically designed around baseload generation. The State Government's commitment to close coal power generation by 2030 sets a firm deadline for the market's shift to primarily renewable energy sources. Yet there are uncertainties around rapidly changing technologies and future electricity demand as

the economy's decarbonisation prompts people to change their behaviour, for example, through continuing uptake of roof top PV, home energy management systems and electric vehicles.

The State Government's Energy Transformation reforms are addressing these challenges, and a new market design is set to take effect in October 2023.

The ERA is supporting a managed transition to a decarbonised electricity market.

In May 2022 the ERA made its decision on the Australian Energy Market Operator's Allowable Revenue, and specifically recognised the importance of adequately funding AEMO's work to implement electricity market reforms, including the new market start in October 2023.

The ERA is currently developing its draft decision on Western Power's fifth access arrangement. Western Power is seeking a revenue allowance of \$7.6 billion over the next five

years. The decision will need to ensure that the Western Power network can efficiently accommodate the changes in energy generation and consumption while maintaining service quality and reliability.

### Protecting consumers and promoting efficient market outcomes

During 2021/22, the ERA has continued to protect consumers and promote efficient market outcomes. For example, we published our annual energy data reports, which track trends in energy markets and performance indicators, with a focus on reliability and customer service. The recommendations we made about Synergy's regulatory scheme resulted in the scheme being amended, which will increase pricing discipline and may reduce costs to energy consumers. In addition, the ERA's introduction of Regulatory Information Notices mean that the ERA has access to more regular data, allowing it to pre-empt issues and see emerging trends that might impact consumers.

The ERA's Utility Services Regulation team also has ongoing responsibilities to ensure providers of water, gas and electricity services to households comply with licence conditions that protect

consumers. The ERA published its 2022 draft gas rate of return instrument in June 2022, which sets the return gas pipeline's can receive on their investment in regulated assets. The ERA decided to change its approach to ensure that the rate of return continues to reflect efficient forward-looking rates. This included extending the term for equity from five to 10 years to align with common investor practice. The ERA will consider public submissions on this change of approach in developing its final decision, which is due for publication in December 2022.

### Preparing for new responsibilities

The ERA is preparing for several new functions assigned under government reform programs that it will undertake in 2022/23, including new rail access regulation functions and expanded compliance and enforcement powers for the wholesale electricity and gas markets.

Combined with the changing energy market this is an exciting time for the ERA. I expect the organisation will meet the challenges ahead in a way befitting its values: integrity, impartiality, excellence and respect.

I thank my fellow Governing Body Members, and farewell Greg Watkinson and Ray Challen who depart their roles as Governing Body Members following 15 and 5 years of service to the ERA respectively. In early 2022, we welcomed Virginia Christie to the Governing Body. Virginia brings a wealth of experience in financial markets and a broad commercial perspective that will be valuable to the Governing Body's decision making process.

Finally, I thank the staff of the ERA's Secretariat. The Secretariat staff consistently demonstrate diligence and expertise, producing high calibre work that is a credit to the organisation.



**Steve Edwell**  
Chair

# About the ERA

## The ERA is Western Australia's independent economic regulator.

Our role is to regulate the gas, electricity and rail industries, and license providers of gas, electricity and water services. We also conduct inquiries into economic matters referred to us by the Treasurer and have regulatory and review roles in the Wholesale Electricity Market and retail gas market.

We aim to ensure that the delivery of water, electricity, gas and rail services in Western Australia is in the long-term interest of consumers. Our functions are designed to maintain a competitive, efficient and fair commercial environment.

We make our decisions independently of industry, government and other interests, and are not subject to government or ministerial directions when carrying out our regulatory functions.

### Purpose

The ERA promotes the interests of Western Australian consumers through independent regulation, analysis and advice, now and into the future.

### Our values

**Excellence:** We seek excellence in everything we do.

**Respect:** We treat everyone fairly and show consideration and regard for others and their views.

**Impartiality:** Our decisions, analysis and advice are independent and unbiased.

**Integrity:** We are honest and trustworthy.

## Governance framework

The ERA is made up of a four-member Governing Body, supported by a Secretariat. The Governing Body is the decision-making authority and performs the functions of the ERA.

## Legislation

The ERA is established by the *Economic Regulation Authority Act 2003*. This Act gives us functions under the following Acts of Parliament:

*Energy Coordination Act 1994*  
*National Gas Access (WA) Act 2009*  
*Railways (Access) Act 1998*  
*Water Services Act 2012*.

For a complete list of Acts under which we have functions or that affect our operations, see Appendix 1.

## Responsible Minister

Although the ERA functions independently of government, it can receive written directions on financial administration matters from the Treasurer.

The ERA provides reports and analysis to the following ministers:

- The Minister for Energy, on the Wholesale Electricity Market, and electricity and gas licensing.
- The Minister for Water, on water licensing.
- The Treasurer, on economic inquiries.

## Funding

The ERA's primary functions are funded by industry, with industry contributions making up around 94 per cent of our funding.

The State Government provides the rest of our funding, supporting the non-scheme pipeline and inquiries function and the review of Synergy's regulatory scheme.

## Organisational structure

**Corporate Services** provides strategic business planning and executive support to the Governing Body and Secretariat.

The **Regulation and Inquiries** division administers and monitors electricity, gas and water licences and protects customers by monitoring the conduct of these industries and administering customer protection instruments for electricity and water.

This division also regulates third-party access to electricity, gas and rail infrastructure, and conducts inquiries into economic matters as requested by the Treasurer.

The **Energy Markets** division monitors the electricity market to ensure participants are operating within the Wholesale Electricity Market Rules and ensures compliance with the Gas Services Information Rules.

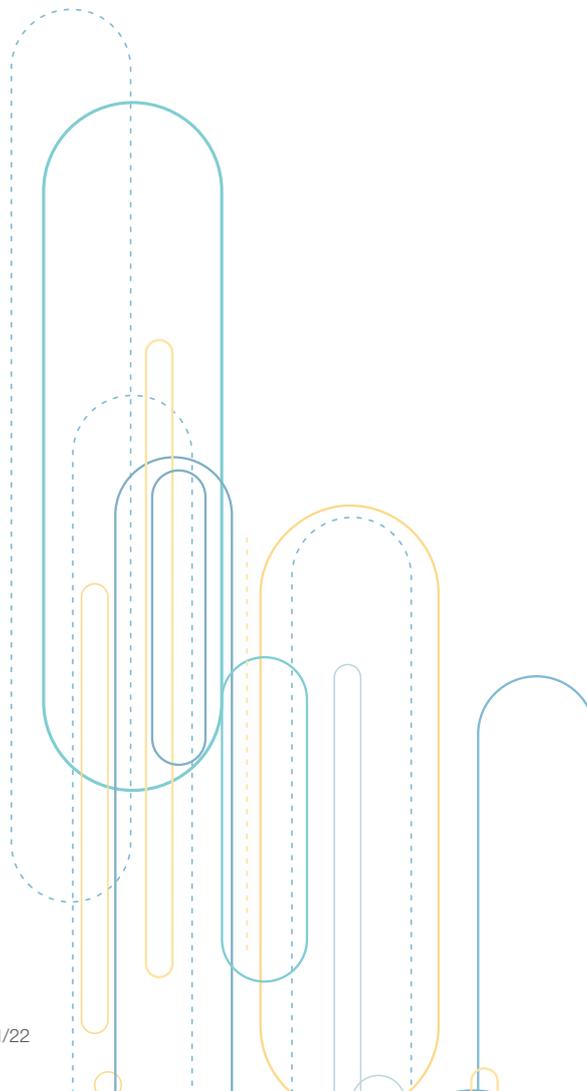
This division investigates alleged breaches of the rules and enforces compliance and is also responsible for amendments to the Gas Retail Market Scheme.

The **Office of the CEO** performs legal and communications functions in support of the CEO, Governing Body and Secretariat.

## Our engagement

**It is vital that the ERA understands the market challenges of the organisations it regulates, and the concerns of communities whose interests its regulation serves. The ERA engages in regular, ongoing contact with and seeks input from stakeholders through a variety of means, including:**

- An approachable, open-door policy of engagement with all stakeholders.
- Stakeholder forums on our wholesale energy market activities and on draft access determinations.
- Inviting and considering submissions from the public on its decisions.
- The Chair meeting with consumers, including at the ERA's Consumer Consultative Committee which meets quarterly with representatives from consumer and industry organisations and greatly assists the ERA's understanding of issues affecting consumers.
- Participating in the Western Australian Advocacy for Consumers of Energy Forum hosted by Energy Policy WA.



## Governing Body

The ERA is overseen by a Governing Body that consists of a full-time Chair and three part-time members.

### Stephen Edwell, Chair

Steve took up the position as Chair of the ERA in August 2021. He is an economist specialising in the energy sector. Steve has many years of professional experience working with the public sector, industry agencies and associations and private industry at the highest levels.

Before joining the ERA, Steve completed a term as Chair of the Energy Transformation Taskforce. He brings to the role extensive experience specialising in the reform and access regulation of utility services, having previously been the inaugural Chair of the Australian Energy Regulator and a member of the ERA governing body from 2006 to 2017.

He has a Bachelor of Commerce (Economics) and a Master of Business Administration.

### Ray Challen, Member

Ray joined the Governing Body in August 2017. Prior to that, he was Coordinator of Energy and head of the Public Utilities Office for five years, during which he led the electricity market reform program.

Ray has worked for 20 years in the downstream energy and public policy sectors, advising both businesses and governments in regulatory policy and market arrangements.

He has a PhD in economics from the University of Western Australia.

### Virginia Christie, Member

Virginia was appointed to the Governing Body in February 2022. She also serves as a Director for the Government Employees Superannuation Fund and is an appointee of the Minister for the Australian Securities and Investments Commission's Insolvency and Disciplinary Committee. Prior to this she has served as a non-executive director for the Chamber of Commerce and Industry WA and Keystart Loans.

Virginia worked for over 20 years at the Reserve Bank of Australia and the Commonwealth Treasury in Canberra. She has also worked in other senior roles, offshore and in Australia.

She has a Bachelor of Economics (Honours) from UWA, a graduate diploma in finance and investment (ASIA) and the Foundations of Directorship from AICD (MAICD).

### Greg Watkinson, Member

Greg was appointed as a member of the ERA's Governing Body in July 2017. Prior to that, he was the ERA's Chief Executive Officer since February 2010.

Greg has worked as an economist in the public sector, including at the Department of Treasury and Finance, and in the areas of macroeconomics, education and social policy.

He has a master's degree in economics.

# Executive team

The Secretariat provides support to the Governing Body and is led by the Chief Executive Officer.

## **Jenness Gardner** *Chief Executive Officer*

Jenness joined the ERA as Chief Executive Officer in November 2017. She has worked extensively in state and commonwealth government, most recently as an Executive Director at the Department of Jobs, Tourism, Science and Innovation. Prior to that, she was with the Department of Commerce.

Jenness has significant experience working in the resources sector leading economic policy and development, commercial negotiations and large-scale project development for Western Australia.

She has an honours degree in economics.

## **Paul Kelly** *Executive Director* *Regulation and Inquiries*

Paul has been with the ERA since it began in 2004. Prior to his current role, Paul was director of the ERA's water division, and he previously worked at the Office of Water Regulation.

Paul has 30 years' experience at senior levels in the public sector. In addition to his role as Executive Director, he also holds the statutory positions of chair of the consultative committees for the reviews of the water, electricity and gas marketing codes of conduct.

Paul has a master's degree in social science.

Paul retired on 30 June 2022 and is succeeded by Sara O'Connor, who formerly held the role of Assistant Director Market Regulations.

## **Rajat Sarawat** *Executive Director* *Energy Markets*

Rajat joined the ERA in January 2012. He has extensive senior management experience in industry reform and regulation, especially in the energy sector. Prior to joining the ERA, Rajat held various senior positions with the Essential Services Commission of South Australia and the Australian Energy Market Commission.

Rajat has significant experience regulating wholesale electricity markets, implementing and reviewing access arrangements for network businesses and undertaking competition reviews and price regulation in the retail energy industry.

Rajat has a science degree and a master's degree in business administration.

## **Pam Herbener** *Director* *Corporate Services*

Pam has been with the ERA since it began in 2004 and has worked in access regulation since 1998. Pam has more than 30 years' management experience across the not-for-profit and local, state and commonwealth government sectors.

She has accrued a breadth of knowledge across finance, compliance, human resources, information technology, record keeping and communications.

# Performance management framework

## Relationship to government goals

The ERA's activities support the government goal of "Investing in WA's Future: Tackling climate action and supporting the arts, culture and sporting sectors to promote vibrant communities."

<b>Government goal</b>	Investing in WA's Future: Tackling climate action and supporting the arts, culture and sporting sectors to promote vibrant communities.
<b>Desired outcome</b>	The efficient, safe and equitable provision of utility services in Western Australia.
<b>Service</b>	Submissions to the ERA Governing Body.

## Shared responsibilities with other agencies

The ERA did not share any responsibilities with other agencies during 2021/22.

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**Significant  
issues affecting  
the agency**

## Energy reforms and transformation

### **The ERA's review of Western Power's fifth access arrangement is taking place during a period of rapid transformation for the energy sector.**

The State Government made significant amendments to the *Electricity Networks Access Code 2004*, which guides the review process, to facilitate the implementation of its Energy Transformation Strategy. The strategy intends to manage the challenges and opportunities brought about by increased renewable generation, distributed energy resources like rooftop solar and batteries, and other new and emerging technologies.

The ERA's review will be guided by the revised Code, the Energy Transformation Strategy and associated emerging challenges and opportunities for the grid, and the independent report into the December 2021 power outages released in March 2022.

In the Wholesale Electricity Market, the ERA is preparing for the introduction of a new market design in October 2023. With this new market comes new functions for the ERA, including increased compliance and enforcement responsibilities and powers.

The ERA is part way through implementing the changes to its Wholesale Electricity Market functions in consultation with the market. These implementation activities will continue in 2022/23 for completion prior to the commencement of the new market design in October 2023.

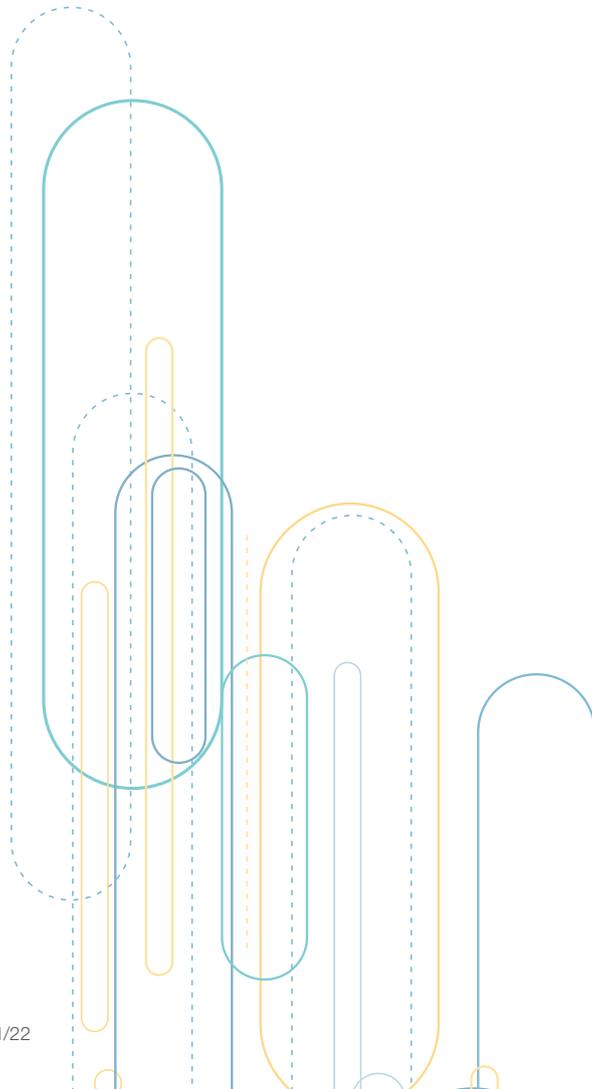
## Rail access reforms

### **The Department of Treasury has been working on changes to the Railways (Access) Code 2000 for a number of years.**

In February 2020, the State Government announced that it had approved a suite of proposed changes intended to accelerate access negotiations and improve the efficiency of the access regime. The reforms include changes to how railway assets are valued and setting tighter timeframes for several regulatory processes. The draft changes to the Code were published in June 2022 and consultation closed on 23 July 2022.

The timing of when Treasury will finalise the reforms and when the new code will commence is yet to be determined. The reforms do not extend to amendments to the *Railways (Access) Act 1998*.

The Act requires the ERA to provide a review of the operation of the Railways (Access) Code 2000 every five years. The most recent review was scheduled to commence in December 2019. The Minister approved the postponement of that review subject to finalisation of the current amendments to the Code.



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**Agency  
performance**

## Post project reviews

The ERA is committed to excellence. Each major project is reviewed upon its completion, to identify issues and opportunities to improve.

## Energy Markets

**The ERA monitors and regulates the Wholesale Electricity Market (WEM) in Western Australia. The WEM consists of private and government-owned companies that generate and sell electricity, and a network operator.**

The Australian Energy Market Operator (AEMO) is the market operator and manages the market and power system operations for the WEM.

The Energy Markets division carries out the regulatory functions for the market, which include monitoring whether the market is operating effectively, monitoring and enforcing compliance with the WEM Rules, and reviewing and approving market parameters.

The Energy Markets' division also undertakes the ERA's compliance and other regulatory functions under the Gas Services Information Rules and the Pilbara Networks Rules and administers amendments to the Gas Retail Market Scheme.

### Energy market reviews

#### Synergy regulatory scheme review

The ERA reviews the effectiveness of the regulatory scheme governing the state-owned electricity company Synergy. The scheme was put in place in 2014 when Synergy and Verve Energy were merged, and intends to ensure that Synergy's generation and retail arms are operated separately to facilitate competition.

The ERA reviewed the scheme's operation over 2018 to 2020, and the final report was tabled in State Parliament by the Minister for Energy on 5 April 2022.

As in previous reviews, the ERA found that the scheme is not effective. This year's review focused on the effectiveness of Synergy's "standard products" regime, which are the products that Synergy must make available for other retailers and generators to buy and sell. The scheme regulates the maximum difference or the spread between the buy and sell prices of standard products.

In its final report, the ERA recommended a reduction in the maximum spread from 20 per cent to 15 per cent in July 2022, and to 10 per cent in July 2023. The phased transition would provide Synergy time to improve its pricing method while still allowing it a reasonable profit.

In May 2022, the Minister for Energy tabled changes to the relevant regulations reducing the maximum spread to 15 per cent. The ERA's next review of the scheme's operation must be provided to the Minister for Energy by 31 December 2023.

### Minimum short-term energy market price review

On 30 September 2021, the ERA published its final report for the 2021 review of the minimum short-term energy market (STEM) price. The minimum STEM price is the lowest price that electricity can be offered into the WEM's balancing market.

This review is a new function for the ERA and must be performed annually.

The ERA observed that the balancing market settled rarely at the current -\$1,000 per Megawatt hour (MWh) minimum STEM price (nine times since market commencement in 2012). The ERA considered the review criteria in the WEM Rules and concluded that the current minimum STEM price is meeting the WEM Rules' objectives. The ERA determined that the current minimum STEM price of -\$1,000 per MWh is appropriate and so will remain unchanged.

The ERA has commenced its 2022 review of the minimum STEM price and published a draft determination on 31 May 2022.

## Determinations

### AEMO's allowable revenue determination

Under the WEM Rules and Gas Services Information rules, the ERA has a role to review and approve the proposed allowable revenue and capital expenditure for AEMO's Western Australian operations. In December 2021, AEMO submitted its expenditure proposal for the next three years, 2022/23 to 2024/25.

The ERA's final determination was published on 31 May 2022. The ERA approved \$142.3 million of allowable revenue for AEMO's WEM operations, which is \$10.1 million or 6.6 per cent less than proposed by AEMO. The ERA also approved \$61.5 million in forecast capital expenditure for the WEM, which is \$10.5 million or 14.6 per cent less than AEMO's proposal.

In its determination, the ERA recognised the importance of AEMO's role delivering the market reform process, with a new market design for the WEM scheduled to be introduced in October 2023.

The ERA's decision approved forecast capital expenditure for all 22 WEM reform projects. Costs not approved related to errors in AEMO's data, over-estimated labour costs, and contingency costs for unsubstantiated project risks.

### Margin values determination

Each year, the ERA must determine the value of three ancillary services for the WEM – spinning reserve, load rejection reserve and system restart services. These services are designed to maintain system frequency in the event of a sudden loss of supply or demand and to restart after a widespread blackout.

As the largest generator in the WEM, Synergy is currently the default provider of these services and is compensated for providing them.

This was the second time the ERA conducted the modelling in house to support the determination. The ERA considered several new factors in this determination, including the planned introduction of the “big battery” in late 2022, the planned retirement of one Muja coal-fired generator in October 2022 and changes to how AEMO intends to manage the fluctuations associated with rooftop solar generation.

The ERA’s determination for 2022/23 was published on 31 March 2022. The ERA determined load rejection reserve costs of \$4.81 million, and so-called “margin values” for the spinning reserve settlement parameters of 11.44 per cent peak and 6.57 per cent off peak. For system restart costs, the ERA approved the contract values provided by the Australian Energy Market Operator.

With the commencement of the new WEM design in October 2023, ancillary services will be provided by market mechanisms and no longer require determination by the ERA.

### Energy price limits determination

Each year, the ERA must determine the energy price limits that will apply in both the balancing and short-term energy markets for the year ahead.

On 24 January 2022, the ERA published its decision for the price limits to apply in 2022. The ERA’s approved price of \$290/MWh is higher than the 2021 price of \$267/MWh. The higher figure is largely due to the ERA’s decision to change how it estimates the heat rates of generators, to more accurately reflect the criteria set in the WEM Rules.

### Ancillary Services requirements

Each year, the Australian Energy Market Operator submits its ancillary services requirements to the ERA for audit and approval. Ancillary services maintain power system security and reliability and ensure that electricity supplies are of acceptable

quality. These services maintain technical characteristics of the power system, including frequency and voltage. The ancillary services requirements are the levels of ancillary services needed to meet the SWIS operating standards and the ancillary services standards.

For 2022/23, the ERA approved all of AEMO’s proposed changes to its ancillary services requirements for 2022/23 except for AEMO’s proposed increase to its peak load following ancillary services requirement.

Load following ancillary services are used to ensure electricity supply and demand are balanced in real time to maintain the frequency of the power system within the SWIS operating standards.

While the ERA did not approve AEMO’s proposed peak load following ancillary services requirement of up to +/-120 MW, it approved retention of the current peak requirement load following services requirement of up to +/-110 MW. This is consistent with the peak load following ancillary services requirement that AEMO stated it will initially implement in 2022/23. The ERA published its decision on 27 June 2022.

### Monitoring and investigations

The ERA monitors participant compliance with the WEM Rules and Gas Services Information Rules. This includes monitoring prices offered by operations of power stations when offering energy into the WEM. The purpose of this monitoring is to identify improvements to the market and ensure that market participants are not behaving in a way that results in the market functioning ineffectively, and so increasing costs for consumers.

The ERA also investigates other non-compliances, mainly in the areas of generator dispatch, generator outage and availability requirements, and bidding obligations.

The ERA will have new compliance and monitoring responsibilities when the new WEM design commences in October 2023.

During 2021/22, the ERA completed 255 investigations of suspected or alleged non-compliance and instructed AEMO to recover approximately \$194,960 of incorrect out-of-merit payments.

In November 2021, the ERA provided its annual report to the Minister for Energy on its own compliance with the WEM Rules. The ERA engaged an independent auditor to assess its compliance.

The auditor confirmed the ERA's overall compliance with the WEM Rules, except for two non-compliances, neither of which resulted in material consequences for any market participants.

One non-compliance involved the inadvertent disclosure of confidential information to a third party, and the ERA has introduced additional controls to prevent future breaches of this nature. The second non-compliance concerned a short delay providing annual budget information to AEMO.

The ERA also provides an annual report to the Minister on AEMO's compliance. The ERA provided its 2020/21 report to the Minister for Energy on 20 April 2022. This report included AEMO's most recent audit reports and details of the ERA's investigations.

The auditor highlighted concerns with the adequacy of AEMO's controls in its System Management business unit. This included deficiencies with AEMO's processes to manage its control documentation and inadequate processes to monitor the effective operation of its controls. The ongoing Energy Transformation Strategy reforms require AEMO to implement large-scale changes to its market operations and power system functions, increasing the risk of non-compliances. AEMO must have adequate processes for its controls to

provide confidence that it is meeting its obligations under both the current market design and when the new market design commences. Given the audit findings, the ERA recommended that AEMO consider enhancing its procedures for controls, including managing control documentation and audit trails and monitoring the effective operation of controls.

### Synergy investigation

In April 2019, the ERA completed an investigation into prices offered by Synergy in the WEM's balancing market, which is a spot market for wholesale electrical energy. The WEM Rules prohibit market participants from pricing above their reasonable expectation of the short run marginal cost of producing electricity, when this behaviour relates to market power.

The ERA investigated nearly 15,000 30-minute trading intervals over the period of 31 March 2016 to 10 July 2017. The ERA found that Synergy offered prices above its reasonable expectation of the short run marginal cost. The ERA also found that Synergy had market power in the balancing market over the investigation period.

The ERA concluded that Synergy's alleged behaviour was a material breach of the WEM Rules and referred the matter to the Electricity Review Board on 31 May 2019.

The Electricity Review Board was convened in November 2019 and the matter was heard in May and June 2021. A determination is yet to be received.

## Regulation and Inquiries

**The Regulation and Inquiries division administers and monitors electricity, gas and water licences, and protects consumers by monitoring the conduct of these industries and administering customer protection instruments for electricity and water.**

The division also regulates third-party access to electricity, gas and rail infrastructure and conducts inquiries into economic matters as requested by the Treasurer.

### Licensing

The ERA administers Western Australia's electricity, gas and water licensing schemes. This includes assessing applications for new licences and licence amendments, transfers and renewals.

#### Licensing activities 2021/22

	New licences	Licence amendments	Licence transfers	Licence surrenders	Licence renewals
<b>Electricity</b>	1	8	-	1	1
<b>Gas</b>	0	-	-	-	2
<b>Water</b>	0	4	-	-	2

The ERA granted one new licence in 2021/22 – electricity retail licence ERL31 to Perdaman Energy Retail Pty Ltd. ERL31 authorises Perdaman Energy to supply small use customers and large use customers connected to the South West Interconnected System.

During 2021/22, the ERA approved amendments to 12 licences, as summarised in the licensing activities table.

The ERA also processed five licence renewals in 2021/22 for companies providing electricity, gas and water services across Western Australia.

#### Licence audits and reviews

Licences are an important tool to protect the rights of consumers and ensure that utility service providers deliver safe and reliable services to customers. The ERA requires licensees to conduct regular, independent audits of the performance of their asset management systems and their compliance with licence obligations.

This year the ERA found that, overall, licensees were meeting their obligations. We granted three licensees a longer period until their next audit or review in recognition of good performance. The ERA reduced the next audit or review period for two licensees in response to poor performance.

In February 2022, the ERA closed a compliance enforcement notice previously issued to Karara Power Pty Ltd, following Karara's completion of the requirements of that notice.

The ERA had issued the notice in February 2021, after an asset management review found that Karara did not have an asset management system in place for its transmission assets. The next audit and review will cover Karara's operations from July 2020 to June 2022 and will assess the effectiveness of Karara's new asset management system.

### Audits and reviews conducted in 2021/22

	Audits	Asset management reviews
Electricity licences	15	8
Gas licences	2	-
Water licences	5	6
<b>Total</b>	<b>22</b>	<b>14</b>

### Gas licence review

In 2021, the ERA commenced a review of the template licences for gas distribution and retail services. On 19 November 2021, we released our final decision, along with the amended gas distribution licence and gas trading licence templates.

The ERA made substantive amendments to the licence templates, including:

- Removing the Compendium of Gas Customer Licence Obligations from the licence itself.
- Requiring licensees to provide at least 10 business days' notice to the ERA if they intend to surrender their licence.
- Restructuring the licences to make them easier to navigate and more accessible to the reader.

All existing licences were replaced with new versions reflecting the changes. The new licences took effect on 25 November 2021.

### Consumer protection

The ERA's consumer protection functions ensure that fundamental protections are in place for electricity, gas and water customers.

### Electricity Code review

The Code of Conduct for the Supply of Electricity to Small Use Customers controls and regulates the conduct of retailers and distributors to residential and small business customers, and covers issues like billing, payment, financial hardship, disconnection and complaints.

Every two or three years, the ERA convenes an independent committee comprised of industry, policy and consumer representatives to review the code.

The 2019 to 2022 review is the most comprehensive Code review ever conducted and has recommended wholesale changes to the Code.

The recommended changes include:

- New protections for customers experiencing family and domestic violence, including privacy protections, a nine-month moratorium on disconnections, and retailer staff training.
- Setting a minimum bill debt of \$300 before a residential customer can be disconnected for non-payment.
- Extending the assistance measures offered to customers experiencing payment difficulties to all customers who request them. This assistance includes payment extensions and instalment plans.
- Better aligning the Code with the National Energy Customer Framework, to match customer protections in Western Australia to the national standard.

The ERA published its draft decision, based on the recommendations contained in the committee's final report, in December 2021. The committee then conducted additional public consultation and will provide further advice to the ERA before changes to the Code are made in late 2022.

### Gas Marketing Code review

The Gas Marketing Code of Conduct regulates and controls the conduct of the holders of trading licences and gas marketing agents, with the objective of protecting customers from undesirable marketing conduct and defining standards of conduct in the marketing of gas to customers.

Every two years, the ERA convenes an independent committee comprised of industry, policy and consumer representatives to conduct a review of the Code.

Following advice from the committee, the ERA published a draft decision in February 2022, and the final decision to repeal and replace the Code in June 2022. Changes include minor administrative changes, and an update to references to services for customers with hearing difficulties to recognise the greater range of services now available to those customers to assist them with accessing information.

The new Code came into effect on 1 July 2022.

### Energy retailer and distributor reports

On 20 January 2022, the ERA released two annual data reports: one covering the distribution of electricity and gas in Western Australia; and the other covering trends in energy retail markets and indicators of electricity and gas retailer performance.

#### *Retailer report*

The annual report on energy retailers included information on disconnections, financial hardship, bill debts, customer complaints and call centre performance.

Throughout 2020/21, the ERA collected monthly data from energy retailers for key performance indicators to monitor the effectiveness of support measures put in place due to the ongoing COVID-19 pandemic.

The customer support measures continued, with some adjustments, throughout 2020/21. The measures included a freeze on electricity prices, providing more time to pay a bill, increased access to instalment plans and financial hardship programs, and pausing disconnections for non-payment of a bill.

By the end of 2020/21, the ERA found that the average residential bill debt for Synergy's non-hardship customers reached its highest level in five years, while Synergy and Horizon Power customers on a hardship program had the highest average bill debts since reporting began in 2016/17.

Gas retailers reported the average bill debt owed by non-hardship residential customers and customers on a hardship program both increased by 46 per cent in 2020/21.

#### *Distributor report*

The report on energy distributors included information on the number of connections on distribution systems, reliability of supply, gas consumption, streetlight repairs and customer complaints. The report covered the 2020/21 year; the report covering the 2021/22 year is expected to be published in January 2023.

Performance reporting obligations apply only to distributors serving small use customers, who are residential or small business customers consuming less than 160 MWh of electricity or 1 terajoule of gas per year.

The 2020/21 report showed a general improvement in both the number and duration of supply interruptions for electricity and gas customers.

Fewer Western Power customers were affected by interruptions longer than 12 hours, and there was an improvement in performance of Horizon Power's rural distribution systems.

Two major interruptions affected ATCO's distribution systems in January and May 2021.

Both Western Power and Horizon Power reported substantial reductions in the number of customer complaints received. Reasons for this included the disconnections moratorium and fewer severe weather events.

## Electricity access

The ERA regulates third-party access to Western Power's transmission and distribution network. Under the *Electricity Networks Access Code 2004*, Western Power must have an access arrangement approved by the ERA. An access arrangement sets the terms and conditions, including prices, for third parties to access monopoly infrastructure.

### Western Power's fifth access arrangement review

Every five years, the ERA must review the access arrangement for Western Power's electricity transmission and distribution network, which covers the South-West of the State. An access arrangement sets the terms and conditions, including prices, for third parties to access a regulated network.

Western Power submitted its proposal on 1 February 2022, for the period 2022 to 2027.

This is the first review conducted under the revised *Electricity Networks Access Code 2004*, which was substantially amended to facilitate the State Government's Energy Transformation Strategy.

The ERA published an issues paper for public consultation in March 2022, which included the following areas of focus:

- Energy transformation, including the growing level of both household and large-scale renewable generation in the grid, and the increased uptake of battery technology.
- Network security and reliability standards.
 

Climate change challenges, including the risks posed to the network by extreme weather events.
- Network safety.
- Tariffs, including new tariff structures designed to encourage use of the network when supply is highest.
- Investment in the network, including the effect on affordability.

The ERA received submissions from 17 stakeholders on the issues paper and Western Power's proposal and has also conducted a number of engagement sessions both online and in regional areas.

The ERA's draft determination will be published in September 2022.

### Preparatory work for the access arrangement review

Prior to Western Power submitting its access arrangement proposal, the ERA was required to prepare a series of preparatory documents under the revised Access Code. The intention of these documents was to streamline the access arrangement review process by setting out how the ERA intended to consider a range of aspects of Western Power's proposal, prior to that proposal being submitted.

The largest of these documents is called the "framework and approach", which was published on 9 August 2021. The framework set out how the ERA intended to approach some elements of the access arrangement prior to Western Power submitting its proposal. This included the services Western Power should offer and mechanisms that would apply during the access arrangement period to encourage Western Power to be efficient and meet service performance standards.

The ERA prepared and published a number of other required guidelines for individual aspects of the access arrangement over the second half of 2021.

### Pilbara networks regulation

On 1 July 2021, the ERA commenced a new role to administer a light-handed regulation scheme for two electricity networks in the Pilbara: Alinta Energy's Port Hedland network and Horizon Power's coastal region. The scheme is intended to facilitate third-party access to the covered networks.

The ERA's actions in 2021/22 included:

- Establishing a panel of independent arbitrators to hear any access disputes.

- Approving ringfencing rules for Alinta Energy and Horizon Power to ensure that vertical integration (a network operator also owning generation or retail assets) does not lead to a reduction in competition in generation and retail markets.
- Determining an initial rate of return for the two networks.
- Establishing a register of relevant stakeholders.

### Gas access

The ERA regulates third-party access to gas pipelines in Western Australia. It also enforces and monitors compliance with the information disclosure and arbitration framework for non-scheme gas pipelines in Western Australia.

#### Gas rate of return instrument review

The gas rate of return instrument is used to determine the allowed rate of return on capital for regulated gas network service providers in Western Australia. The rate of return provides service providers with the funding to pay interest on any loans and give a return on equity to investors.

The instrument is binding, and the ERA must follow its method when determining the rate of return for the three regulated gas pipelines in Western Australia. The ERA is required to review the rate of return instrument and make a new gas rate of return instrument by every four years.

The ERA commenced its 2022 review in July 2021, and after a series of consultative steps, published a draft rate of return instrument on 17 June 2022. The draft instrument is largely the same as the previous 2018 instrument but proposed changes to the term of equity and the inclusion of international companies in the sample used to estimate the equity beta to offset the lower number of listed, comparable companies in Australia.

An independent panel will review the ERA's draft instrument to ensure that it meets the requirements of the National Gas Law. Public submissions will also be received and considered.

The ERA must publish its final instrument by 18 December 2022.

### Regulatory information notices

Over 2021/22, the ERA has developed a process for introducing regulatory information notices for Western Australia's three regulated pipelines – the Goldfields Gas Pipeline, the Dampier to Bunbury Natural Gas Pipeline, and the Mid-West and South-West Gas Distribution Systems.

Regulatory information notices are intended to provide a framework for the regular supply of pipeline information to the ERA, to aid its regulatory functions. This should reduce the amount of information the ERA needs to receive for each five-yearly review of a pipeline's access arrangement, streamlining the review process.

The ERA worked closely with each pipeline operator to agree on the information to be provided, and the format for that information.

The ERA provided final notices to pipeline operators in April 2022, with the first information due in August 2022.

### Non-scheme gas pipelines

A non-scheme gas pipeline is a transmission or distribution pipeline that was unregulated in Western Australia prior to December 2017 but still may provide access to third parties.

Under part 23 of the National Gas Rules, the ERA is responsible for enforcing and monitoring compliance with the non-scheme gas pipeline information disclosure and arbitration framework in Western Australia.

The rules allow a non-scheme gas pipeline operator to apply to the ERA for an exemption from sections of the information disclosure and arbitration framework where relevant exemption criteria are met. The ERA maintains a public register of these exemptions, and any exemptions that are revoked. We approved 14 applications for exemption in 2021/22. No exemptions were revoked.

There were no access disputes referred to arbitration in 2021/22.

## Rail access

In July 2021, the ERA published its annual update to the weighted average cost of capital for regulated rail networks in Western Australia.

In March 2022, the ERA received a request from Australian Western Railroad to appoint an arbitrator to a commercial dispute with Arc Infrastructure over access to certain rail routes. The ERA appointed the Hon Rene Le Miere QC as arbitrator to hear and determine the dispute on 17 March 2022.

On 16 June 2022, the WA Treasury published draft changes to the Railways (Access) Code 2000. The proposed changes include how railway assets are valued and tighter timeframes are prescribed for several regulatory processes. If they proceed as drafted, the changes will likely lead to a significant increase in the ERA's work, including establishing a rail access team.

## Inquiries

The State Government asked the ERA to monitor and report on the prices of beverages affected by the introduction of a container deposit scheme in Western Australia. The scheme, Containers for Change, allows consumers to take empty beverage containers to a refund point to receive a refund of 10 cents per container.

The scheme increases costs for suppliers of beverages, and the ERA measured the extent to which these higher costs were passed through to consumers over the first year of the scheme.

The Treasurer asked the ERA to report on:

- The effect of the scheme on beverage prices.
- The method used by the ERA to assess the effect of the scheme on prices.
- Recommendations to address any adverse effects on prices, and on whether price monitoring should continue beyond the first year of the scheme's operation.

The ERA released a draft report in July 2021, and a final report in February 2022. In the final report, the ERA found that:

- Non-alcoholic beverage prices in the Perth metropolitan area had increased by 13.2 cents per container on average.
- Alcoholic beverage prices in the Perth metropolitan area had increased by 3.9 cents per container on average.
- Regional price changes were similar but more variable due to the smaller data set.

As the total cost of running the scheme during its first year was 12.82 cents per container, the ERA found that, on average, the drink price increases over the first year of the scheme were less than, or very close to, the average scheme cost.

Both the cost of running the scheme, and the average price increases observed, were very similar to those seen in other Australian states with container recycling schemes.

The ERA recommended to the Treasurer that there was no need to continue beverage price monitoring.

## Corporate Services

**The ERA's Corporate Services team provides finance, human resources, information and communications technology, legal and governance services across the ERA.**

In 2021/22, the Corporate Services division supported the induction of two new members to the ERA's Governing Body. Former ERA Chair Nicky Cusworth retired in August 2021 and was replaced by Steve Edwell. Virginia Christie also joined the Governing Body in February 2022.

### Stakeholder survey

The ERA surveyed its stakeholders in July 2021, with 125 people taking part representing industry, consumer groups and government. The majority of respondents (41 per cent) had relationships with the ERA's utility services function and 8 per cent were consumer representatives.

The survey found that 92 per cent of stakeholders were satisfied with the overall performance of the ERA, up from 81 per cent when the survey was last conducted in 2019.

Other areas of significant improvement included stakeholder's ratings of the ERA's performance in minimising regulatory compliance costs, maintaining certainty for the industries we regulate, and achieving a high degree of confidence in decisions. Each of these areas attracted a stakeholder satisfaction rate of over 80%.

In response to the statement "The ERA effectively promotes the awareness of its role to the wider community", stakeholders' satisfaction declined from 51 per cent to 44 per cent between 2019 and 2021. Stakeholders would like the ERA to more proactively communicate its role, particularly to consumers.

### Staff survey

The ERA surveys staff annually, to measure staff satisfaction and identify areas for improvement.

The 2022 survey, conducted in February, found that results had improved against 51 survey statements, remained the same for 12 survey statements, and declined against 14 survey statements.

Areas of high performance included staff belief in the ERA's role and their part in achieving that role, work-life balance and flexibility, and the management of COVID-19 safety issues.

## Office of the CEO

The Office of the CEO supports the CEO function and provides legal and communications support to the ERA.

# Key performance indicators

Under the *Economic Regulation Authority Act 2003*, the ERA's key performance indicators are limited to management functions, including financial management. The ERA has set indicators that measure the administrative performance of the Secretariat.

These key performance indicators are the quantity, quality and timeliness of submissions prepared for the Governing Body, as well as the cost of each submission. These submissions help the Governing Body carry out its functions, including deciding on regulatory matters.

The actual average cost per submission was lower than the target due to the number of submissions being higher than budgeted.

Further details on key performance indicators and variances are provided in the Disclosures and legal compliance section of this report.

## Key performance indicators – Performance against targets 2021/22

	2021/22 target <sup>(1)</sup>	2021/22 actual	Variation
<i>Desired outcome: The efficient, safe and equitable provision of utility services in Western Australia.</i>			
<b>Key effectiveness indicators</b>			
Number of submissions made to the Governing Body	210	231	21
Rating by the Governing Body as to the content, accuracy and presentation of these submissions <sup>(a)</sup>	3	3.04	0.04
Number of submissions provided by the required deadline (%)	100	100	-
Rating by the Governing Body as to their perception of the timeliness of submissions <sup>(a)</sup>	3	3.05	0.05
<b>Key efficiency indicator</b>			
Cost per submission made to the Governing Body	\$73,967	\$60,636	\$13,331

(1) As specified in the budget statements.

(a) Performance is rated as follows by the Governing Body: 1 = well below expectations, 2 = below expectations, 3 = satisfactory, 4 = above expectations, 5 = well above expectations.

## Financial performance

**Regulations and rules allow full cost recovery of the ERA's expenditure for gas, rail and electricity access, WEM, gas market and licensing functions. The Government provides an appropriation to fund the functions of inquiries, non-scheme gas pipelines, and the regulatory scheme relating to the merger of Verve Energy and Synergy.**

The 2021/22 government-published budget estimates allowed expenditure of \$15.533 million. Actual expenditure for 2021/22 was \$14.006 million, or 90 per cent of the budget estimate.

The total cost of the ERA's services was \$1.527 million less than the budget.

The total cost of services is lower due to vacant staff positions and delays in the commencement of projects. These costs have both been impacted by the delay in the commencement of the new Wholesale Electricity Market from October 2022 to October 2023.

Staff vacancies have been further impacted by difficulties in the recruitment of suitable staff in the current tight labour market.

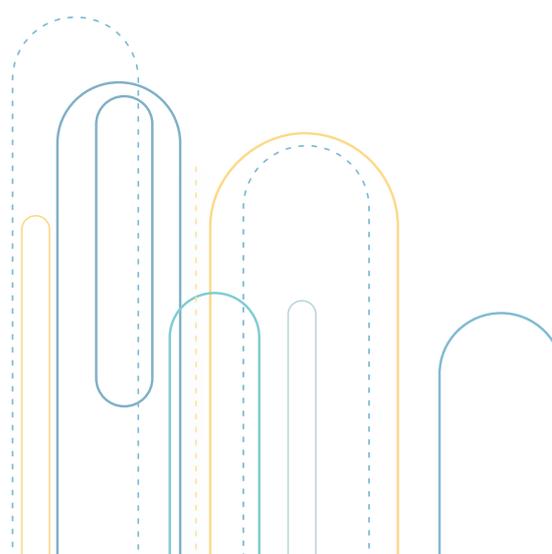
Ongoing reforms to the energy market have delayed the commencement of work on the Electricity Networks Access Code Technical Rules Amendments.

Further details of the ERA's financial performance are presented in the Disclosure and legal compliance section.

### Financial performance – Actual versus budget targets 2021/22 (\$'000)

	2021/22 target \$'000	2021/22 actual \$'000	Variation \$'000
Total cost of services (expense limit)	15,533	14,006	(1,527)
Net cost of services	5,661	4,925	(736)
Total equity	8,752	8,855	103
Approved salary expense level	9,384	8,839	(545)

*The ERA is not required to operate within an agreed working cash limit.*





**Disclosures and  
legal compliance**



## Auditor General

### INDEPENDENT AUDITOR'S REPORT 2022 Economic Regulation Authority

To the Parliament of Western Australia

## Report on the audit of the financial statements

### Opinion

I have audited the financial statements of the Economic Regulation Authority which comprise:

- the Statement of Financial Position at 30 June 2022, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are:

- based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Economic Regulation Authority for the year ended 30 June 2022 and the financial position at the end of that period
- in accordance with Australian Accounting Standards applicable to Tier 2 Entities, the *Financial Management Act 2006* and the Treasurer's Instructions.

### Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

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

### Responsibilities of the Authority for the financial statements

The Authority is responsible for:

- keeping proper accounts
- preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards applicable to Tier 2 Entities, the *Financial Management Act 2006* and the Treasurer's Instructions
- such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authority is responsible for:

- assessing the entity's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Economic Regulation Authority.

#### **Auditor's responsibilities for the audit of the financial statements**

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at

[https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

## **Report on the audit of controls**

### **Opinion**

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Economic Regulation Authority. The controls exercised by the Authority are those policies and procedures established to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

In my opinion, in all material respects, the controls exercised by the Economic Regulation Authority are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2022.

### **The Authority's responsibilities**

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

### **Auditor General's responsibilities**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and were implemented as designed.

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

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

### **Limitations of controls**

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

## **Report on the audit of the key performance indicators**

### **Opinion**

I have undertaken a reasonable assurance engagement on the key performance indicators of the Economic Regulation Authority for the year ended 30 June 2022. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Economic Regulation Authority are relevant and appropriate to assist users to assess the entity's performance and fairly represent indicated performance for the year ended 30 June 2022.

### **The Reporting Officer's responsibilities for the key performance indicators**

The Authority is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control it determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

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

### **Auditor General's responsibilities**

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

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

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

### **My independence and quality control relating to the report on financial statements, controls and key performance indicators**

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

### **Other information**

The Authority is responsible for the other information. The other information is the information in the Economic Regulation Authority's annual report for the year ended 30 June 2022, but not the financial statements, key performance indicators and my auditor's report.

My opinions on the financial statements, controls and key performance indicators do not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, controls and key performance indicators, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and key performance indicators, or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to those charged with governance and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

### **Matters relating to the electronic publication of the audited financial statements and key performance indicators**

This auditor's report relates to the financial statements and key performance indicators of the Economic Regulation Authority for the year ended 30 June 2022 included in the annual report on the Economic Regulation Authority's website. The Economic Regulation Authority's management is responsible for the integrity of the Economic Regulation Authority's website. This audit does not provide assurance on the integrity of the Economic Regulation Authority's website. The auditor's report refers only to the financial statements, controls and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version.



Patrick Arulsingham  
Senior Director Financial Audit  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
7 September 2022

## Financial statements

### Certification of financial statements

For the reporting period ended 30 June 2022

The accompanying financial statements of the Economic Regulation Authority have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2022 and the financial position as at 30 June 2022.

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



Ms Catherine Lewis  
**Chief Finance Officer**

9 September 2022



Mr Stephen Edwell  
**Chair of Accountable Authority**

9 September 2022



Ms Michelle Groves  
**Member of Accountable Authority**

9 September 2022



Ms Virginia Christie  
**Member of Accountable Authority**

9 September 2022

## Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 (\$'000)	2021 (\$'000)
<b>Cost of services</b>			
<b>Expenses</b>			
Employee benefits expenses	2.1	9,862	10,641
Supplies and services	2.2	2,979	4,263
Depreciation and amortisation expenses	4.1, 4.2	50	66
Finance costs	6.2	1	1
Accommodation expenses	2.2	1,023	1,076
Other expenses	2.2	91	72
<b>Total cost of services</b>		<b>14,006</b>	<b>16,119</b>
<b>Income</b>			
Regulatory fees	3.1	9,050	11,996
Interest income	3.3	13	9
Other income	3.3	18	28
<b>Total income</b>		<b>9,081</b>	<b>12,033</b>
<b>Net cost of services</b>		<b>(4,925)</b>	<b>(4,086)</b>
<b>Income from State Government</b>			
Service appropriation	3.2	900	1,988
Income from other public sector entities	3.2	4,037	3,052
Services received	3.2	159	233
<b>Total income from State Government</b>		<b>5,096</b>	<b>5,273</b>
<b>Surplus/(Deficit) for the period</b>		<b>171</b>	<b>1,187</b>
<b>Total comprehensive income for the period</b>		<b>171</b>	<b>1,187</b>

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

## Statement of Financial Position

As at 30 June 2022

	Note	2022 (\$'000)	2021 (\$'000)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6.3	7,755	6,952
Restricted cash and cash equivalents	6.3	38	43
Receivables	5.1	3,687	4,814
Other current assets	5.3	591	199
<b>Total current assets</b>		<b>12,071</b>	<b>12,008</b>
<b>Non-current assets</b>			
Restricted cash and cash equivalents	6.3	189	153
Amounts receivable for services	5.2	399	416
Plant and equipment	4.1	179	213
Right of use assets	4.2	10	21
<b>Total non-current assets</b>		<b>777</b>	<b>803</b>
<b>Total assets</b>		<b>12,848</b>	<b>12,811</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	5.4	1,065	905
Lease liabilities	6.1	3	10
Employee related provisions	2.1(b)	2,488	2,677
<b>Total current liabilities</b>		<b>3,556</b>	<b>3,592</b>
<b>Non-current liabilities</b>			
Lease liabilities	6.1	8	11
Employee related provisions	2.1(b)	429	507
<b>Total non-current liabilities</b>		<b>437</b>	<b>518</b>
<b>Total liabilities</b>		<b>3,993</b>	<b>4,110</b>
<b>Net assets</b>		<b>8,855</b>	<b>8,701</b>
<b>Equity</b>			
Contributed equity		708	725
Accumulated surplus/(deficit)		8,147	7,976
<b>Total equity</b>		<b>8,855</b>	<b>8,701</b>

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

## Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 (\$'000)	2021 (\$'000)
<b>Cash flows from State Government</b>			
Service appropriation		900	1,988
Funds from other public sector entities		3,777	2,333
Holding account drawdown		17	161
<b>Net cash provided by the State Government</b>		<b>4,694</b>	<b>4,482</b>
Utilised as follows:			
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee benefits		(10,094)	(10,114)
Supplies and services		(3,213)	(4,031)
Finance costs		(1)	(1)
Accommodation		(881)	(868)
GST payments on purchases		(400)	(520)
Other payments		(91)	(72)
<b>Receipts</b>			
Regulatory fees		10,398	11,046
Interest received		13	9
GST receipts on sales		40	60
GST receipts from taxation authority		383	405
Other receipts		18	28
<b>Net cash provided by/(used in) operating activities</b>		<b>(3,828)</b>	<b>(4,058)</b>
<b>Cash flows from investing activities</b>			
<b>Payments</b>			
Purchase of non-current assets		(5)	(43)
<b>Net cash provided by/(used in) investing activities</b>		<b>(5)</b>	<b>(43)</b>
<b>Cash flows from financing activities</b>			
<b>Payments</b>			
Principal elements of lease payments		(10)	(26)
Return of monies to consolidated Funds		(17)	-
<b>Net cash provided by/(used in) financing activities</b>		<b>(27)</b>	<b>(26)</b>
Net increase/(decrease) in cash and cash equivalents		834	355
Cash and cash equivalents at the beginning of the period		7,148	6,793
<b>Cash and cash equivalents at the end of the period</b>	6.3	<b>7,982</b>	<b>7,148</b>

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

## Statement of Changes in Equity

For the year ended 30 June 2022

	Note	Contributed equity (\$'000)	Reserves (\$'000)	Accumulated surplus/(deficit) (\$'000)	Total equity (\$'000)
<b>Balance at 1 July 2020</b>		725	-	6,851	7,576
Correction of prior period errors		-	-	(62)	(62)
<b>Restated balance at 1 July 2020</b>		<b>725</b>	-	<b>6,789</b>	<b>7,514</b>
Total comprehensive income for the period		-	-	1,187	1,187
<b>Balance at 30 June 2021</b>		<b>725</b>	-	<b>7,976</b>	<b>8,701</b>
Balance at 1 July 2021		725	-	7,976	8,701
<b>Total comprehensive income for the period</b>		-	-	171	171
Distribution to Owner - Return of unspent capital funds		(17)	-	-	(17)
<b>Balance at 30 June 2022</b>		<b>708</b>	-	<b>8,147</b>	<b>8,855</b>

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

## Notes to the financial statements

for the Year Ended 30 June 2022

### 1. Basis of Preparation

The Economic Regulation Authority (ERA) is a WA government entity, but is independent of direction or control by the State or any Minister or officer of the State in the performance of its functions. However, pursuant to section 28(2) and 28(3) of the *Economic Regulation Authority Act 2003*, the Minister may give directions in writing to the ERA on administration and financial administration matters. It is a not-for-profit entity (as profit is not its principal objective).

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

These annual financial statements were authorised for issue by the Accountable Authority of the ERA in August 2022.

#### Statement of Compliance

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

- 1) The *Financial Management Act 2006 (FMA)*
- 2) The Treasurer's Instructions (TIs)
- 3) Australian Accounting Standards (AASs) – Simplified Disclosures
- 4) where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied

The *FMA* and TIs take precedence over the AASs. Several AASs are modified by TIs to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reporting results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

#### Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case, the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

### Accounting for Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that:

- (a) The amount of GST incurred by the ERA as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- (b) Receivable and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### Contributed equity

Interpretation 1038 *Contributions by Owners to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, as designated as contributions by owners (at the time of, or prior to, transfer) be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI955 *Contributions by Owners made to Wholly-Owned Public Sector Entities* and have been credited directly to Contributed Equity.

### Comparative information

Except where an AAS permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements. AASB 1060 provides relief from presenting comparatives for:

- plant and equipment reconciliations
- right-of-use asset reconciliations.

### Judgements and estimates

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

## 2. Use of our funding

### Expenses incurred in the delivery of services

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

	Notes
Employee benefits expenses	2.1(a)
Employee related provisions	2.1(b)
Other expenditure	2.2

### 2.1(a) Employee benefits expenses

	2022 (\$'000)	2021 (\$'000)
Employee benefits	8,970	9,758
Superannuation - defined contribution plans	892	883
<b>Employee benefits expenses</b>	<b>9,862</b>	<b>10,641</b>
Add: AASB 16 non-monetary benefits	-	-
Less: Employee contributions	-	-
<b>Total employee benefits provided</b>	<b>9,862</b>	<b>10,641</b>

**Employee benefits** include wages and salaries, accrued and paid leave entitlements and paid sick leave, and non-monetary benefits recognised under accounting standards other than AASB 16 (such as cars) for employees.

**Superannuation** is the amount recognised in profit or loss of the Statement of Comprehensive Income. It comprises employer contributions paid to the GSS (concurrent contributions), the WSS, other GESB schemes and other superannuation funds.

**AASB 16 non-monetary benefits** are non-monetary employee benefits, predominantly relating to the provision of vehicle benefits that are recognised under AASB 16 and are excluded from the employee benefits expense.

**Employee contributions** are contributions made to the ERA by employees towards employee benefits that have been provided by the ERA. This includes both AASB 16 and non-AASB 16 employee contributions.

### 2.1(b) Employee related provisions

	2022 (\$'000)	2021 (\$'000)
<b>Current</b>		
<i>Employee benefits provisions</i>		
Annual leave	1,036	1,045
Long service leave	1,445	1,625
	<b>2,481</b>	<b>2,670</b>
<i>Other provisions</i>		
Employment on-costs	7	7
<b>Total current employee related provisions</b>	<b>2,488</b>	<b>2,677</b>
<b>Non-current</b>		
<i>Employee benefits provisions</i>		
Long service leave	428	506
<i>Other provisions</i>		
Employment on-costs	1	1
<b>Total non-current employee related provisions</b>	<b>429</b>	<b>507</b>
<b>Total employee related provisions</b>	<b>2,917</b>	<b>3,184</b>

Provision is made for benefits accruing to employees in respect of annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

**Annual leave liabilities** are classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

**Long service leave liabilities** are unconditional long service leave provisions and are classified as current liabilities as the ERA does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the ERA has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

## DISCLOSURES AND LEGAL COMPLIANCE

The provision for long service leave is calculated at present value as the ERA does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

**Employment on-costs** involve settlements of annual and long service leave liabilities which gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance premiums, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenditure, Note 2.2 (apart from the unwinding of the discount (finance cost))' and are not included as part of the ERA's 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

	2022 (\$'000)	2021 (\$'000)
<b>Employment on-costs provision</b>		
Carrying amount at start of period	8	7
Additional/(reversals of) provisions recognised	-	1
<b>Carrying amount at end of period</b>	<b>8</b>	<b>8</b>

### Key sources of estimation uncertainty – long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the ERA's long service leave provision. These include:

- expected future salary rates
- discount rates
- employee retention rates
- expected future payments.

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision. Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

## 2.2 Other expenditure

	2022 (\$'000)	2021 (\$'000)
<b>Supplies and services</b>		
Communications	168	245
Consultants and contractors	1,928	1,564
Consumables	54	47
Equipment repairs and maintenance	9	18
Legal costs	272	1,902
Travel	5	4
Other supplies and services expenses	543	483
<b>Total supplies and services expenses</b>	<b>2,979</b>	<b>4,263</b>
<b>Accommodation expenses</b>		
Office rental	1,023	1,074
Other accommodation expenses	-	2
<b>Total accommodation expenses</b>	<b>1,023</b>	<b>1,076</b>
<b>Other expenses</b>		
Audit fee	35	36
Minor equipment	55	35
Miscellaneous other expenses	1	-
Expected credit losses expense	-	-
Employment on-costs	-	1
<b>Total other expenses</b>	<b>91</b>	<b>72</b>
<b>Total other expenditure</b>	<b>4,093</b>	<b>5,411</b>

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

**Office rental** is expensed as incurred as Memorandum of Understanding Agreements between the ERA and the Department of Finance for the leasing of office accommodation contain significant substitution rights.

**Repairs, maintenance and cleaning costs** are recognised as expenses as incurred.

**Other operating expenses generally represent the day-to-day running costs incurred in normal operations.**

**Expected credit losses** are recognised for movement in allowance for impairment of trade receivables. Please refer to note 5.1 Receivables for more details.

**Employee on-costs** include workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liabilities is included at note 2.1(b) Employee related provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

### 3. Our funding sources

#### How we obtain our funding

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

	Notes
Regulatory fees	3.1
Income from State Government	3.2
Other revenue	3.3

#### 3.1 Regulatory fees

	2022 (\$'000)	2021 (\$'000)
Standing charges	3,121	3,356
Specific charges	25	319
Licence fees and charges	295	302
Regulatory market fees	5,582	7,962
Water audit cost recovery	27	57
	<b>9,050</b>	<b>11,996</b>

Revenue is recognised for the major business activities as follows:

- Standing charges and Specific charges are recognised over time. Revenue is raised in accordance with the:
  - Economic Regulation Authority (National Gas Access Funding) Regulations 2009*
  - Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012*
  - Economic Regulation Authority (Licensing Funding) Regulations 2014*
  - Economic Regulation Authority (Railways Access Funding) Regulations 2019*
  - Gas Services Information Regulations 2012*
  - Pilbara Networks Access Code*.
- Revenue from annual licence fees is recognised at the time the charge is levied on the licensee. The charges are levied in accordance with the *Economic Regulation Authority (Licensing Funding) Regulations 2014*.
- The ERA also recovers the costs of audits performed under the *Water Services Act 2012*. The revenue is recognised as soon as practical after the incurring of the expense.
- Regulatory fees for the recovery of the costs of the ERA in undertaking its Wholesale Electricity Market functions, in accordance with the Wholesale Electricity Market Rules, is recognised on an accrual basis in the accounting period in which the services are rendered.
- Regulatory fees for the recovery of the costs of the ERA in undertaking its Gas Retail Market function, in accordance with the Gas Retail Market Rules, is recognised on an accrual basis in the accounting period in which the services are rendered.

- Regulatory fees for the recovery of the costs of the ERA in undertaking its Pilbara Networks function, in accordance with the Pilbara Networks Rules, is recognised on an accrual basis in the accounting period in which the services are rendered.

The ERA typically satisfies its performance obligations in relation to regulatory fees when it issues invoices after the end of each quarter.

#### 3.2 Income from State Government

	2022 (\$'000)	2021 (\$'000)
Appropriation received during the period:		
Service appropriation	900	1,988
<b>Total service appropriation</b>	<b>900</b>	<b>1,988</b>

Income received from other public sector entities during the period:

• Regulatory fees		
• Standing charges	3,391	2,869
• Specific charges	498	19
• Licence fees and charges	46	43
• Water audit cost recovery	102	121

<b>Total income received from other public sector entities</b>	<b>4,037</b>	<b>3,052</b>
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Resources received from other State government agencies during the period:

• Services received free of charge	159	233
<b>Total resources received</b>	<b>159</b>	<b>233</b>
<b>Total income from State Government</b>	<b>5,096</b>	<b>5,273</b>

Refer to Note 3.1 for details about the various types of regulatory fees

**Service appropriations** are recognised as income at the fair value of consideration received in the period in which the ERA gains control of the appropriated funds. The ERA gains control of appropriated funds at the time those funds are deposited in the bank account or credited to the holding account held at Treasury.

**Income from other public sector agencies** is recognised as income when the ERA has satisfied its performance obligations under the funding agreement. If there is no performance obligation, income will be recognised when the ERA receives the funds.

**Resources received from other public sector entities** are recognised as income equivalent to the fair value of assets received, or the fair value of services received that can be reliably determined and which would have been purchased if not donated.

## Summary of consolidated account appropriations

For the year ended 30 June 2022

	2022 Budget	2022 Supplementary funding	2022 Revised budget	2022 Actual	2022 Variance
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Delivery of services</b>					
Item 50 Net amount appropriated to deliver services	1,639	-	-	(900)	(900)
Section 25 Transfer of service appropriation	-	-	-	-	-
Amount authorised by other Statutes					
- <i>Salaries and Allowances Act 1975</i>	-	-	-	-	-
<b>Total appropriations provided to deliver services</b>	<b>1,639</b>	<b>-</b>	<b>-</b>	<b>(900)</b>	<b>(900)</b>
<b>Capital</b>					
Capital appropriations	-	-	-	-	-
<b>Total consolidated account appropriations</b>	<b>1,639</b>	<b>-</b>	<b>-</b>	<b>(900)</b>	<b>(900)</b>

### 3.3 Income

	2022 (\$'000)	2021 (\$'000)
Interest – bank <sup>(a)</sup>	13	9
Government vehicle scheme contributions from staff <sup>(b)</sup>	13	17
Miscellaneous revenue	5	11
	<b>31</b>	<b>37</b>

(a) The ERA's bank account does not form part of the consolidated fund.

(b) Income received by the ERA from subleasing of right-of-use assets relates to lease payment received from operating leases. The ERA has leased a number of right-of-use assets from the Department of Finance (DoF), which it subleases out to employees at a subsidised rate. Information on the ERA's leasing arrangements with the DoF can be found in note 2.1(a)."

### 4. Key assets

This section includes information regarding the key assets the ERA utilises to gain economic benefits or assets the ERA utilises for economic benefit or service potential or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Notes
Plant and equipment	4.1
Right-of-use assets	4.2

#### 4.1 Plant and equipment

	Computer equipment	Office equipment	Leasehold improvements	Total
Year ended 30 June 2022	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>1 July 2021</b>				
Gross carrying amount	375	26	218	619
Accumulated depreciation	(373)	(6)	(27)	(406)
<b>Carrying amount at start of period</b>	<b>2</b>	<b>20</b>	<b>191</b>	<b>213</b>
Additions	-	-	-	-
Disposals	360	-	-	360
Accumulated depreciation on Disposals	(360)	-	-	(360)
Depreciation	(2)	(5)	(27)	(34)
<b>Carrying amount at end of period</b>	<b>-</b>	<b>15</b>	<b>164</b>	<b>179</b>
Gross carrying amount	375	26	218	619
Accumulated depreciation	(375)	(11)	(54)	(440)

##### Initial recognition

Items of plant and equipment costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no cost or significantly less than fair value, the cost is valued at its fair value at the date of acquisition. Items of plant and equipment costing less than \$5,000 are immediately expensed directly to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

##### Subsequent measurement

All plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

##### Useful lives

All plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful life: years
Computer equipment	3 to 5 years
Office equipment	5 years
Leasehold Improvements	8 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period and adjustments are made where appropriate.

##### Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

As at 30 June 2022, there were no indications of impairment to plant and equipment.

#### 4.2 Right-of-use assets

Year ended 30 June 2022	Vehicles (\$'000)
<b>1 July 2021</b>	
Gross carrying amount	69
Accumulated depreciation	(48)
<b>Carrying amount at start of period</b>	<b>21</b>
Additions	5
Disposals	27
Accumulated depreciation on Disposals	(27)
Depreciation	(16)
<b>Carrying amount at end of period</b>	<b>10</b>

The ERA has leases for vehicles. The lease contracts are typically for fixed periods of 5 years.

The ERA also has a Memorandum of Understanding with the Department of Finance for the leasing of office accommodation. This is not recognised under AASB 16 because of substitution rights held by the Department of Finance and is accounted for as an expense incurred.

##### Initial recognition

At the commencement date of the lease, the ERA recognises right-of-use assets and a corresponding lease liability for most leases. The right-of-use assets are measured at cost comprising of:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs, including dismantling and removing the underlying asset.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in note 6.1.

The ERA has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

##### Subsequent measurement

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

#### Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

If ownership of the leased asset transfers to the ERA at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in note 4.1.

#### 5. Other assets and liabilities

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

	Notes
Receivables	5.1
Amounts receivable for services	5.2
Other assets	5.3
Payables	5.4

##### 5.1 Receivables

	2022 (\$'000)	2021 (\$'000)
<b>Current</b>		
Trade receivables	1,477	2,966
Accrued revenue	2,039	1,644
GST receivable	171	204
<b>Total current</b>	<b>3,687</b>	<b>4,814</b>
<b>Total receivables at end of the period</b>	<b>3,687</b>	<b>4,814</b>

Trade receivables are initially recognised at their transaction price. The ERA holds the receivables with the objective to collect the cash flows and therefore subsequently measured at amortised cost using the effective interest method.

There is no allowance for impairment of receivables as the ERA is expected to recover all amounts.

##### 5.2 Amounts receivable for services (Holding account)

	2022 (\$'000)	2021 (\$'000)
Non-current	399	416
<b>Total amounts receivable for services at end of period</b>	<b>399</b>	<b>416</b>

Amounts receivable for services represent the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement.

The amounts receivable for services are financial assets at amortised cost, and are not considered impaired (i.e. there is no expected credit loss of the Holding account).

### 5.3 Other assets

	2022 (\$'000)	2021 (\$'000)
<b>Current</b>		
Prepayments	591	199
<b>Total current</b>	<b>591</b>	<b>199</b>
<b>Total other assets at end of period</b>	<b>591</b>	<b>199</b>

### 5.4 Payables

	2022 (\$'000)	2021 (\$'000)
<b>Current</b>		
Trade payables	306	240
Other payables	38	43
Accrued expenses	538	463
Accrued salaries	162	127
GST payable	21	32
<b>Total payables at end of period</b>	<b>1,065</b>	<b>905</b>

Payables are recognised at the amounts payable when the ERA becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 15 to 20 days.

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

## 6. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the ERA.

	Notes
Lease liabilities	6.1
Finance costs	6.2
Cash and cash equivalents	6.3
Commitments	6.4

### 6.1 Lease liabilities

	2022 (\$'000)	2021 (\$'000)
Not later than one year	3	10
Later than one year and not later than five years	8	11
	<b>11</b>	<b>21</b>
Current	3	10
Non current	8	11
	<b>11</b>	<b>21</b>

At the commencement date of the lease, the ERA recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the ERA uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments included by the ERA as part of the present value calculation of lease liability include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options (where these are reasonably certain to be exercised)
- payments for penalties for terminating a lease, where the lease term reflects the ERA exercising an option to terminate the lease
- periods covered by extension or termination options are only included in the lease term by the ERA if the lease is reasonably certain to be extended (or not terminated).

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Variable lease payments, not included in the measurement of lease liability, that are dependent on sales, an index or a rate are recognised by the ERA in profit or loss in the period in which the condition that triggers those payments occurs.

#### Subsequent measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

This section should be read in conjunction with note 4.2.

	2022 (\$'000)	2021 (\$'000)
<b>Lease expenses recognised in the Statement of Comprehensive Income</b>		
Lease interest expense	<b>1</b>	<b>1</b>

## 6.2 Finance costs

	2022 (\$'000)	2021 (\$'000)
<b>Interest expense</b>		
Interest expense on lease liabilities	1	1
<b>Total interest expense</b>	<b>1</b>	<b>1</b>
<b>Total finance costs expensed</b>	<b>1</b>	<b>1</b>

Finance costs include the interest component of lease liability repayments.

## 6.3 Cash and cash equivalents

	2022 (\$'000)	2021 (\$'000)
Cash and cash equivalents	7,755	6,952
Restricted cash and cash equivalents	227	196
<b>Balance at end of period</b>	<b>7,982</b>	<b>7,148</b>

	2022 (\$'000)	2021 (\$'000)
<b>Restricted cash and cash equivalents</b>		
<i>Current</i>		
• Indian Ocean Territories <sup>(a)</sup>	38	43
<i>Non-Current</i>		
• Accrued salaries suspense account <sup>(b)</sup>	189	153

(a) Funds provided by the Commonwealth for services undertaken by the ERA in regards to the Indian Ocean Territories.

(b) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year. This account is classified as non-current for 10 out of 11 years.

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

The accrued salaries suspense account consists of amounts paid annually, from agency appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

## 6.4 Commitments

### 6.4.1 Non-cancellable operating lease commitments

	2022 (\$'000)	2021 (\$'000)
Commitments for minimum lease payments are payable as follows:		
• Within 1 year	659	659
• Later than 1 year and not later than 5 years	-	659
	<b>659</b>	<b>1,318</b>

The ERA recognises the right-of-use assets and corresponding lease liability for all non cancellable operation lease commitments, apart from short term and low value leases and leases for Government office accommodation. Refer to note 6.1.

### 6.4.2 Other expenditure commitments

Other expenditure commitments for operational expenditure contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

	2022 (\$'000)	2021 (\$'000)
Within 1 year	481	327
Later than 1 year and not later than 5 years	76	-
	<b>557</b>	<b>327</b>

The amounts are GST inclusive.

### Judgements made by management in applying accounting policies – operating lease commitments

The ERA has a lease for office accommodation. It has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, the lease has been classified as an operating lease.

## 7. Financial instruments and contingencies

This notes sets out the key risk management policies and measurement techniques of the ERA.

	Notes
Financial instruments	7.1
Contingent assets and liabilities	7.2

### 7.1 Financial instruments

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

	2022 (\$'000)	2021 (\$'000)
<b>Financial assets</b>		
Cash and cash equivalents	7,755	6,952
Restricted cash and cash equivalents	227	196
Financial assets at amortised cost <sup>(a)</sup>	3,915	5,026
<b>Total financial assets</b>	<b>11,897</b>	<b>12,174</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost <sup>(b)</sup>	1,044	873
<b>Total financial liabilities</b>	<b>1,044</b>	<b>873</b>

(a) The amount of financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).

(b) The amount of financial liabilities at amortised cost excludes GST payable to the ATO (statutory payable).

### Measurement

All financial assets and liabilities are carried without subsequent remeasurement.

### 7.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed and, if quantifiable, are measured at the best estimate. The ERA has no contingent assets or contingent liabilities.

## 8. Other disclosures

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

	Notes
Events occurring after the end of the reporting period	8.1
Key management personnel	8.2
Related party transactions	8.3
Remuneration of auditors	8.4
Supplementary financial information	8.5

### 8.1 Events occurring after the end of the reporting period

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

### 8.2 Key management personnel

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

The total fees, salaries, superannuation, non-monetary benefits and other benefits for members of the Governing Body (accountable authority) of the ERA for the reporting period are presented within the following bands:

Compensation band (\$)	2022	2021
60,001 - 70,000 <sup>(a)</sup>	1	-
140,001 - 150,000	2	2
210,001 - 220,000 <sup>(b)</sup>	1	-
420,001 - 430,000	1	-
470,001 - 480,000	-	1

(a) Governing Body member commenced in February 2022.

(b) Governing Body member finished at the ERA in August 2021 and was paid out annual and long service leave entitlements.

No members of the Governing Body are members of the Pension Scheme.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the ERA for the reporting period are presented within the following bands:

Compensation band (\$)	2022	2021
10,001 - 20,000 <sup>(a)</sup>	2	-
20,001 - 30,000 <sup>(a)</sup>	1	-
30,001 - 40,000 <sup>(a)</sup>	1	-
100,001 - 110,000	-	1
140,001 - 150,000	-	1
150,001 - 160,000	-	1
160,001 - 170,000	2	1
180,001 - 190,000	2	1
200,001 - 210,000	-	1
230,001 - 240,000	1	1
240,001 - 250,000	1	1
260,001 - 270,000	1	-
280,001 - 290,000	1	1
390,001 - 400,000	1	1

(a) Employees became part of the senior officers group in May and June 2022.

## DISCLOSURES AND LEGAL COMPLIANCE

No senior officers are members of the Pension Scheme.

The total employment benefits for the members of the accountable authority and senior officers are:

	2022 (\$'000)	2021 (\$'000)
Short-term employee benefits	2,880	2,592
Post-employment benefits	246	223
Other long-term benefits	72	76
<b>Total compensation of key management personnel</b>	<b>3,198</b>	<b>2,891</b>

Total compensation includes the superannuation expense incurred by the ERA in respect of the Governing Body and senior officers. Key management personnel numbers have increased from 13 in 2021 to 17 in 2022.

### 8.3 Related party transactions

The ERA is independent of direction or control by the State, or any Minister or officers of the State in performing its functions. However, under section 28(2) and 28(3) of the *Economic Regulation Authority Act 2003*, the relevant Minister may give direction to the ERA on administration and financial administration matters.

Related parties of the ERA include:

- all Cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- members of the Governing Body and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other agencies and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly owned public sector entities); and
- the Government Employees Superannuation Board (GESB).

### Material transactions with other related parties

Outside of normal citizen type transactions with the ERA, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

### 8.4 Remuneration of auditors

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

	2022 (\$'000)	2021 (\$'000)
Auditing the accounts, financial statements, controls and key performance indicators	36	35

## 8.5 Supplementary financial information

### (a) Indian Ocean Territories

An agreement between the Treasurer and the ERA provided for the retention of moneys received by the ERA from the Commonwealth in respect of the Indian Ocean Territories. Revenue retained pursuant to this agreement is to be applied to the ERA's services. Money received by the ERA in respect of the services provided are credited to the ERA's operating bank account.

	2022 (\$'000)	2021 (\$'000)
Balance at start of period	43	49
Receipts	-	-
Payments	(5)	(6)
<b>Balance at end of period</b>	<b>38</b>	<b>43</b>

### b) Services provided free of charge

During the year, the following services were provided to other agencies free of charge for functions outside the normal operations of the ERA:

	2022 (\$'000)	2021 (\$'000)
W.A. Energy Disputes Arbitrator – administrative support	-	6
	-	<b>6</b>

From 1 July 2021, the ERA no longer provided services to the Energy Disputes Arbitrator.

## 9. Explanatory statements

This section explains variations in the financial performance of the ERA.

	Notes
Explanatory statement for controlled operations	9.1

### 9.1 Explanatory Statement

This explanatory statement explains variations in the financial performance of the ERA undertaking transactions under its own control, as represented by the primary financial statements.

All variances between annual estimates (original budget) and actual results for 2022, and between the actual results for 2022 and 2021 are shown below. Narratives are provided for key major variances, which vary more than 10% from their comparative and that the variation is more than 1% of the dollar aggregate of:

- Total estimated cost of services for the Statements of Comprehensive Income and Statement of Cash Flows of \$155,330; and
- Total estimated assets for the Statement of Financial Position of \$125,000.

## 9.1.1 Statement of Comprehensive Income variances

	Variance note	Estimate 2022	Actual 2022	Actual 2021	Variance between estimate and 2022 actual	Variance between actual results for 2022 and 2021
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Statement of Comprehensive Income</b>						
<b>Expenses</b>						
Employee benefits expense		10,689	9,862	10,641	(827)	(779)
Supplies and services	1, A	3,728	2,979	4,263	(749)	(1,284)
Depreciation and amortisation expense		98	50	66	(48)	(16)
Finance costs		7	1	1	(6)	-
Accommodation expenses		973	1,023	1,076	50	(53)
Other expenses		38	91	72	53	19
<b>Total cost of services</b>		<b>15,533</b>	<b>14,006</b>	<b>16,119</b>		
<b>Income</b>						
Regulatory fees	B	9,787	9,050	11,996	(737)	(2,946)
Interest revenue		51	13	9	(38)	4
Other income		34	18	28	(16)	(10)
<b>Total income other than income from State Government</b>		<b>9,872</b>	<b>9,081</b>	<b>12,033</b>		
<b>NET COST OF SERVICES</b>		<b>(5,661)</b>	<b>(4,925)</b>	<b>(4,086)</b>		
<b>Income from State Government</b>						
Service appropriation	2, C	1,639	900	1,988	(739)	(1,088)
Income from other public sector entities	B	3,706	4,037	3,052	331	985
Resources received		266	159	233	(107)	(74)
<b>Total income from State Government</b>		<b>5,611</b>	<b>5,096</b>	<b>5,273</b>		
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(50)</b>	<b>171</b>	<b>1,187</b>		
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(50)</b>	<b>171</b>	<b>1,187</b>		

Budget has been restated for disclosure purposes to align with the format in the Financial Statements.

**Major estimate and actual (2022) variance narratives**

1. Variances to actual costs were driven by delays in the implementation of reforms in the energy markets, a delay in the Electricity Review Board in handing down a decision in the matter before them and changes to the scope of works required to be undertaken by the ERA in relation to the Pilbara Networks Access Code.
2. The ERA did not drawdown all of its service appropriation in 2022 as the staff time spent on functions funded by appropriation was less than originally budgeted. With a greater percentage of costs for the year being recovered from industry funding the requirement for appropriation to cover costs was reduced.

**Major actual (2022) and comparative (2021) variance narratives**

- A. In 2020/21 the ERA referred a potential breach of the Wholesale Electricity Market Rules by Synergy to the Electricity Review Board (ERB). In pursuing this action significant legal costs were incurred. The ERB is still to hand down its decision on this hearing, accordingly legal fees on the matter were minimal in 2021/22. It is expected that further legal fees will be incurred in 2022/23 when the decision on the matter is handed down.
- B. Legislation allows the ERA to recoup the majority of its costs from industry and other public sector agencies. Regulatory fees vary year to year as the fees are based on the total costs incurred by the ERA and the allocation of staff time spent on each function. The amount of work undertaken for Public Sector entities varies each year and consequently the split of income between the public sector and private entities will vary accordingly. In 2021/22 the ERA began work on Access Arrangement 5 for Western Power. This has resulted in a greater percentage of staff time being allocated to this project resulting in a higher percentage of cost allocation and therefore an increase in income received from other public sector agencies.
- C. There is no correlation between financial years for the amount of service appropriation the ERA receives. The ERA works on a cost recovery model for its funding ratios. The percentage of its costs it recovers from industry funding will be inversely proportionate to the amount it receives from appropriation. In a year where a large percentage of staff time is spent on industry funded functions the level of appropriation will be low. Conversely in a year where the ERA is involved in a complex and time consuming government inquiry a more substantial service appropriation will be received to cover these non industry funded costs.

## 9.1.2 Statement of Financial Position variances

	Variance note	Estimate 2022	Actual 2022	Actual 2021	Variance between estimate and 2022 actual	Variance between actual results for 2022 and 2021
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Statement of Financial Position</b>						
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	1 A	6,412	7,755	6,952	1,343	803
Restricted cash and cash equivalents		50	38	43	(12)	(5)
Receivables	2 B	4,867	3,687	4,814	(1,180)	(1,127)
Amounts receivable for services	3	215	-	-	(215)	-
Other current assets	4, C	184	591	199	407	392
<b>Total current assets</b>		<b>11,728</b>	<b>12,071</b>	<b>12,008</b>		
<b>Non-current assets</b>						
Restricted cash and cash equivalents		178	189	153	11	36
Amounts receivable for services	3	180	399	416	219	(17)
Plant and equipment	5	387	179	213	(208)	(34)
Right of use assets		-	10	21	10	(11)
Intangible assets		-	-	-	-	-
Other non-current assets		27	-	-	(27)	-
<b>Total non-current assets</b>		<b>772</b>	<b>777</b>	<b>803</b>		
<b>TOTAL ASSETS</b>		<b>12,500</b>	<b>12,848</b>	<b>12,811</b>		
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	6, D	200	1,065	905	865	160
Lease liabilities		27	3	10	(24)	(7)
Employee related provisions		2,622	2,488	2,677	(134)	(189)
Other accruals	7	370	-	-	(370)	-
<b>Total current liabilities</b>		<b>3,219</b>	<b>3,556</b>	<b>3,592</b>		
<b>Non-current liabilities</b>						
Lease liabilities		95	8	11	(87)	(3)
Employee related provisions		434	429	507	(5)	(78)
<b>Total non-current liabilities</b>		<b>529</b>	<b>437</b>	<b>518</b>		
<b>TOTAL LIABILITIES</b>		<b>3,748</b>	<b>3,993</b>	<b>4,110</b>		
<b>NET ASSETS</b>		<b>8,752</b>	<b>8,855</b>	<b>8,701</b>		
<b>EQUITY</b>						
Contributed equity		725	708	725	(17)	(17)
Accumulated surplus/(deficit)		8,027	8,147	7,976	120	171
<b>TOTAL EQUITY</b>		<b>8,752</b>	<b>8,855</b>	<b>8,701</b>		

**Major estimate and actual (2022) variance narratives**

1. Cash and cash equivalents were higher than the budget estimate due to the lower than budgeted costs for the June quarter and an increase in the payables liability at year end.
2. As the ERA recovers its costs from industry, the receivables budget was based on anticipated expenditure in the period April to June 2022. With lower than expected expenditure on employee costs and supplies and services in quarter four there is a corresponding reduction in receivables at the quarter end. The lower operating costs have also resulted in an over recovery of fees from the Australian Energy Market Operator for the period. This over recovery will be offset against the budgeted receivable for 2022/23.
3. The original budget for amounts receivable for services was split between current and non-current assets. This was incorrect as the total amount should have been classified as non-current. The actual balance is classified as a non-current asset. The classification of the budget for the asset has now been corrected for forward years.
4. Prepayments for the 2021/22 financial year are higher than budgeted as the 2022/23 annual invoice for the ERA's insurance and energy markets modelling software were both received in June rather than July.
5. The ERA disposed of its computer servers in 2022 and transitioned to the Cloud.
6. The balance of payables will vary depending on the timing of the regulatory work being undertaken and contract terms for consultants involved in the deliverables relating to this work. At year end a number of large invoices were outstanding. This increase in payables against budget is offset against the increased cash balance against budget.
7. The budget for other accruals was incorrect and was transferred to payables after publication of the budget papers.

**Major actual (2022) and comparative (2021) variance narratives**

- A. Cash has increased in 2022 due to a decrease in the amount spent on employee costs and supplies and services. This is in particular for legal costs.
- B. Receivables at year end can vary significantly from year to year. This receivables balance is generated by regulatory fees charged to the market for the recovery of the ERA's costs for quarter four. The ERA's costs in the June quarter of 2022 were significantly less than those of the June 2021 quarter. The receivable balance reflects this reduction in cost recovery from quarter four 2021 to quarter four 2022.
- C. Annual invoices for insurance and modelling software licences were received in June and included in the prepayments balance in 2022. These invoices were not received until July in 2021 therefore did not affect any of the 2021 year end balances.
- D. The increase in Payables from 2021 to 2022 is representative of the increased costs incurred in the month of June 2022. The amount of payables will vary year to year depending on the timing of regulatory work.

## 9.1.3 Statement of Cash Flows variances

	Variance note	Estimate 2022	Actual 2022	Actual 2021	Variance between estimate and 2022 actual	Variance between actual results for 2022 and 2021
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Statement of Cash Flows</b>						
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriation	1, A	1,639	900	1,988	(739)	(1,088)
Funds from other public sector entities	B	3,714	3,777	2,333	63	1,444
Holding account drawdown	C	-	17	161	17	(144)
<b>Net cash provided by State Government</b>		<b>5,353</b>	<b>4,694</b>	<b>4,482</b>		
<b>Utilised as follows:</b>						
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee benefits		(10,891)	(10,094)	(10,114)	797	20
Supplies and services	D	(3,203)	(3,213)	(4,031)	(10)	818
Finance costs		(10)	(1)	(1)	9	-
Accommodation		(988)	(881)	(868)	107	(13)
GST payments on purchases		(327)	(400)	(520)	(73)	120
Other payments		(28)	(91)	(72)	(63)	(19)
<b>Receipts</b>						
Regulatory fees		9,547	10,398	11,046	851	(648)
Interest received		51	13	9	(38)	4
GST receipts on sales		86	40	60	(46)	(20)
GST receipts from taxation authority	2	203	383	405	180	(22)
Other receipts		34	18	28	(16)	(10)
<b>Net cash provided by/(used in) operating activities</b>		<b>(5,526)</b>	<b>(3,828)</b>	<b>(4,058)</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Payments</b>						
Purchase of non-current physical assets		-	(5)	(43)	(5)	38
<b>Net cash provided by/(used in) investing activities</b>		<b>-</b>	<b>(5)</b>	<b>(43)</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Payments</b>						
Principal elements of lease payments		(38)	(10)	(26)	28	16
Return of monies to consolidated Funds		-	(17)	-	(17)	(17)
Net increase/(decrease) in cash and cash equivalents		(211)	834	355		
Cash and cash equivalents at the beginning of period		6,851	7,148	6,793		
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>		<b>6,640</b>	<b>7,982</b>	<b>7,148</b>		

Budget has been restated for disclosure purposes to align with the format in the Financial Statements.

**Major estimate and actual (2022) variance narratives**

1. The ERA did not drawdown all of its service appropriation in 2022 as it had sufficient funds in its bank account.
2. Budget was understated. GST receipts will reflect the level of spending with GST registered suppliers for the year and will vary year on year.

**Major actual (2022) and comparative (2021) variance narratives**

- A. The ERA's approved appropriation in 2022 was \$1.639m. This was for the Government funded functions of Inquiries, Electricity Generation Retail Corporation (EGRC) and Non-Scheme Gas Pipelines. The ERA did not undertake a new inquiry in 2021/22, and work on the EGRC report was completed mid year. As a result actual costs for appropriation funded functions were lower than originally budgeted. A submission to Treasury to reduce the approved appropriation funding to reflect the reduced costs for these functions was completed.
- B. The ERA's regulatory fees vary from year to year as the fees are based on total expenditure and the staff time spent on industry funded functions. The increase in regulatory fees from State Government is due to work commencing on the Western Power access arrangement (AA5). This has resulted in a higher allocation of staff time to the electricity access function and therefore an increase in standing charges for Western Power.
- C. In 2021, capital appropriation was used for leasehold improvements.
- D. There were significant legal costs incurred by the ERA in 2020/21 in defending its position before the Energy Review Board on market participant bidding behaviour. Even though the hearing was completed a year ago, the Board has still not given its decision so further legal costs will be incurred in 2022/23.

### Certification of key performance indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Economic Regulation Authority's performance, and fairly represent the performance of the Economic Regulation Authority for the financial year ended 30 June 2022.



Ms Catherine Lewis  
**Chief Finance Officer**

9 September 2022



Mr Stephen Edwell  
**Chair of Accountable Authority**

9 September 2022



Ms Michelle Groves  
**Member of Accountable Authority**

9 September 2022



Ms Virginia Christie  
**Member of Accountable Authority**

9 September 2022

## Key performance indicators

**The ERA is Western Australia's independent economic regulator. Our role is to regulate the gas, electricity and rail industries, and license providers of gas, electricity, and water services.**

**We also conduct inquiries into economic matters referred to us by the State Government and have a range of regulatory and review roles in the Wholesale Electricity Market and retail gas market.**

We aim to ensure that the delivery of water, electricity, gas and rail services in Western Australia is in the long-term interest of consumers. Our functions are designed to maintain a competitive, efficient and fair commercial environment.

The ERA contributes to the government goal of "Investing in WA's Future: Tackling climate action and support the arts, culture and sporting sectors to promote vibrant communities." Our desired outcome in support of this goal is "the efficient, safe and equitable provision of utility services in Western Australia."

Our role means we cannot achieve this outcome directly but can play a part in its achievement. Our contribution to this goal is embedded in our strategic plan, which states that the ERA's purpose is "to promote the interests of Western Australian consumers through independent regulation, analysis and advice, now and into the future."

Under the *Economic Regulation Authority Act 2003*, the ERA's key performance indicators are limited to management functions, including financial management. The ERA Secretariat prepares submissions that are considered by the Governing Body when making a decision. Our performance indicators are therefore the quality, quantity and cost of those submissions.

### Key effectiveness indicators

The ERA's key effectiveness indicators are:

- Quantity:** The number of submissions made to the ERA Governing Body.
- Quality:** The rating by the ERA Governing Body of the content, accuracy and presentation of these submissions.
- Timeliness:** The percentage of submissions provided by the required deadline.  
The rating by the ERA Governing Body as to their perception of the timeliness of submissions.

### 2021/22 performance – Effectiveness

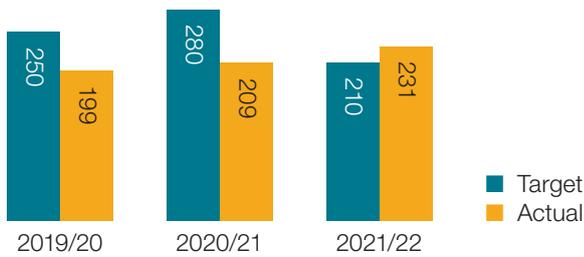
#### Quantity

The Governing Body considered 231 submissions during 2021/22. The Governing Body met 29 times during the year to consider 158 submissions. 73 submissions were reviewed electronically out of session.

The total number of submissions was 10% higher than the 2021/22 target of 210. Submissions to the Governing Body include briefing notes for discussion and the provision of feedback to the Secretariat.

The Governing Body considered 22 submissions more in 2021/22 than they did in 2020/21. The target number of submissions is based on estimates provided by each division at the beginning of the year. The actual and target number of submissions varies on an annual basis due to the cyclical nature of regulation.

### Quantity (Submissions)



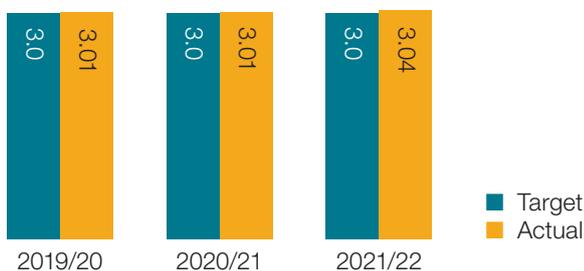
### Quality

At each meeting, the Governing Body considers the relevance, accuracy and readability of the Secretariat’s submissions and provides an overall rating of their satisfaction using a scale of one to five.<sup>1</sup>

The Governing Body rates a submission as 3.0 (satisfactory) if it meets expectations for quality. The target that was set at the beginning of the year was 3.0.

For 2021/22, the average rating for quality of submissions was 3.04. This was slightly over the target and improvement on the 2020/21 rating of 3.01.

### Quality (Submissions)



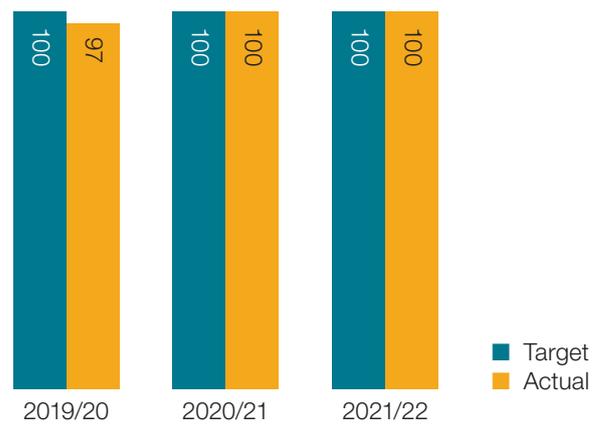
<sup>1</sup> Rating scale: One = well below expectations, two = below expectations, three = satisfactory, four = above expectations and five = well above expectations.

### Timeliness – Legislative deadlines achieved

In 2021/22, 39 of the 231 submissions were for decisions with legislative time limits, compared to 35 out of 209 submissions in 2020/21.

All 39 submissions with legislative deadlines were completed on time.

### Timeliness (Legislative Deadlines achieved) (%)



### Timeliness – Governing Body rating

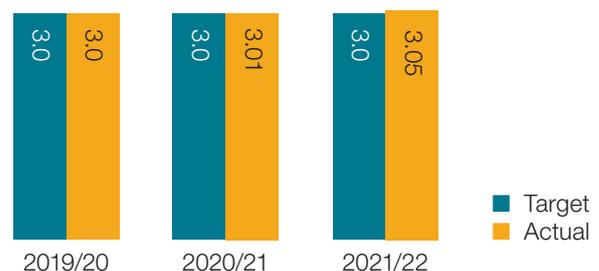
The Secretariat tracks internal deadlines for providing submissions to the Governing Body, in addition to measuring legislative timeframes.

The Governing Body rates each submission for timeliness, using the same scale of one to five used for quality, at each meeting.

The Governing Body rates a submission at 3.0 (satisfactory) if it meets their expectations for timeliness. The target that was set at the beginning of the year was 3.0.

The average rating for timeliness for the year was 3.05, which was slightly above the 2021/22 target of 3.0.

### Timeliness – Governing Body rating



### Key efficiency indicators

The ERA's key efficiency indicator is cost per submission made to the Governing Body. The cost includes staffing costs and any other resources involved in preparing the submission.

#### 2021/22 performance – Efficiency

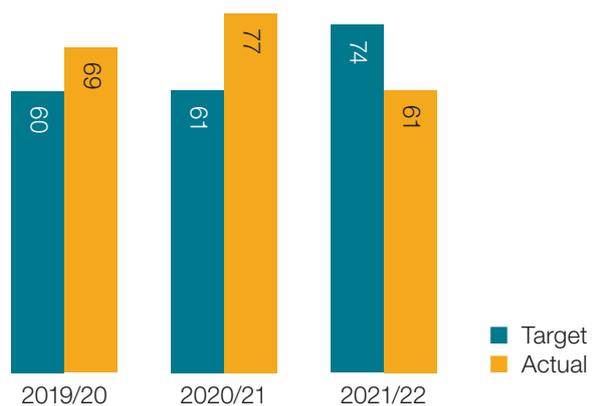
The total cost of the ERA's operations for 2021/22 was \$14.006 million, compared to an expenditure limit of \$15.533 million published in the budget estimates.

There were 231 submissions compared to the target of 210.

The average cost per submission was \$60,636 against the target of \$73,967. The actual average cost per submission was lower than the target due to the number of submissions being higher than expected as a result of additional briefing notes being considered throughout the year and the introduction of workshops between the Governing Body and the Secretariat.

	2019/20 Actual	2020/21 Actual	2021/22 Target	2021/22 Actual
Cost of services (\$ million)	13.758	16.119	15.533	14.006
Number of submissions	199	209	210	231
Average cost of submission (\$000)	69	77	74	61

Average Cost (Per Submission) (\$'000)



## Ministerial directives

**The ERA is independent of direction or control by the State or any Minister or officer of the State in performing its regulatory functions.**

However, under sections 28(2) and 28(3) of the *Economic Regulation Authority Act 2003*, the Treasurer may give direction in writing to the ERA on administration matters. No ministerial directives were received during 2021/22.

## Other financial disclosures

### Pricing policies of services provided

The ERA receives funding from regulated industries. This funding is on a full cost recovery basis.

The following table provides information about the instruments that allow this funding, the types of charges that can be made, and who is to pay.

#### Funding instruments and charges

Instrument	Type of charge	Liability
<i>Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012</i>	Specific charge Standing charge Document fee Interest fee	Regulated electricity networks
<i>Economic Regulation Authority (Licensing Funding) Regulations 2014</i>	Specific charge Standing charge Annual licence fee Interest charge	Gas licensees Water licensees Electricity licensees
<i>Economic Regulation Authority (National Gas Access Funding) Regulations 2009</i>	Specific charge Standing charge Document fee Meeting admission fee Interest charge	Regulated gas pipelines
<i>Economic Regulation Authority (Railways Access Funding) Regulations 2019</i>	Specific charge Standing charge	Regulated railways
Gas Retail Market Procedures	Regulator's fee	Market participants
Gas Services Information Rules	Regulator's fee	Market participants
<i>Water Services Act 2012</i>	Auditor's fee	Water licensees
Wholesale Electricity Market Rules	Regulator's fee	Market participants

**Specific charge:** Pass through of costs associated with an activity carried out for a particular service provider.

**Standing charge:** Calculation of costs to recover salaries and overheads that are not directly attributed to a particular service provider.

**Annual licence fee:** A fee set by the regulations that is charged to a licensee for each licence they hold on the anniversary of the licence grant date.

**Document fee:** Any cost of producing and providing documents prepared by, or on behalf of, the ERA.

**Meeting admission fee:** Any charge for admission to a meeting held by the ERA for the purposes of public consultation.

**Regulator's fee:** Calculation of costs to recover salaries and overhead costs of carrying out our Wholesale Electricity Market Rules and Gas Services Information Rules functions.

**Auditor's fee:** Recovery of costs relating to engaging an independent auditor to undertake audits and reviews of asset management systems operated by water licensees.

**Interest charge:** Payable on any amount not paid within the allowed period of 30 days.

Under an agreement with the Commonwealth, the ERA is responsible for licensing water and electricity utilities on the Christmas and Cocos islands. Applications for licenses are yet to be received. Any costs incurred as a result of pre-lodgment negotiations will be recovered from the Commonwealth Government based on an agreed amount.

## DISCLOSURES AND LEGAL COMPLIANCE

Under an agreement with the Commonwealth, the ERA is responsible for licensing water and electricity utilities on the Christmas and Cocos islands. Applications for licenses are yet to be received. Any costs incurred as a result of pre-lodgment negotiations will be recovered from the Commonwealth Government based on an agreed amount.

Under the instruments allowing charges on regulated electricity, gas and rail industries and the licensing regime, the ERA must disclose the total amount of standing and specific charges paid payable in respect of the financial year to which the annual report relates from each entity in our annual report. This information is provided in the table below.

### Industry charges 2021/22

Service provider	Standing charges \$	Specific charges \$ (inc. GST)
AGL Sales Pty Ltd	18,943.71	0.00
Alcoa of Australia Ltd	7,515.57	0.00
Alinta Co-Generation (Pinjarra) Pty Ltd	7,986.18	0.00
Alinta Co-Generation (Wagerup) Pty Ltd	10,011.25	0.00
Alinta DEWAP Pty Ltd	162,346.05	0.00
Alinta Energy (Chichester) Pty Ltd	1,711.32	0.00
Alinta Energy Transmission (Chichester) Pty Ltd	1,572.43	0.00
Alinta Energy Transmission (Roy Hill) Pty Ltd	8,200.58	0.00
Alinta Sales Pty Ltd	118,497.91	0.00
Amanda Energy Pty Ltd	48.76	0.00
Aquasol Pty Ltd	7.52	0.00
Arc Infrastructure Pty Ltd	64,470.39	0.00
ATCO Gas Australia	789,208.25	0.00
ATCO Power Australia (Karratha) Pty Ltd	2,738.13	0.00
BEI WWF Pty Ltd as Trustee for the WWF Trust	5,133.97	0.00
BHP Nickel West Pty Ltd	275.09	280.80
Bluewaters Power 1 Pty Ltd	6,540.47	2,959.20
Bluewaters Power 2 Pty Ltd	6,540.11	0.00
Bunbury Water Corporation	7,172.90	109.20
Busselton Water Corporation	5,758.05	0.00
Change Energy Pty Ltd	53.42	0.00
City of Kalgoorlie-Boulder	5,342.49	0.00
CleanTech Energy Pty Ltd	48.41	140.40
Collgar Wind Farm Pty Ltd	6,331.90	0.00
DBNGP (WA) Nominees Pty Ltd	1,085,877.31	0.00
EDL NGD (WA) Pty Ltd	1,055.32	0.00
EDWF Holdings 1 Pty Ltd & EDWF Holdings 2 Pty Ltd	2,829.40	0.00
Electricity Generation and Retail Corporation t/a Synergy	270,430.78	171.60
Electricity Networks Corporation	2,351,983.83	547,146.85
Esperance Gas Distribution Company Pty Ltd	96.22	0.00
Esperance Power Station Pty Ltd	504.13	0.00
Flat Rocks One Wind Farm Pty Ltd as trustee for the Flat Rocks Wind Farm One Trust	0.00	3,960.00
Gascoyne Water Co-operative Ltd	66.30	0.00

Service provider	Standing charges \$	Specific charges \$ (inc. GST)
Goldfields Gas Transmission Pty Ltd	440,214.66	2,750.00
Goldfields Power Pty Ltd	3,137.81	0.00
Hamersley Iron Pty Ltd	781.40	0.00
Ipower 2 Pty Ltd & IPower Pty Ltd	6,457.13	0.00
Karara Power Pty Ltd	2,559.25	0.00
Merredin Energy Pty Ltd	2,338.81	0.00
Merredin Project Company Pty Ltd as trustee for the Merredin Project Trust	0.00	4,307.02
Merredin Solar Farm Nominee Pty Ltd	2,852.21	0.00
Mumbida Wind Farm Pty Ltd	1,568.72	0.00
Newgen Neerabup Partnership	9,429.40	0.00
Newgen Power Kwinana Pty Ltd	9,349.54	0.00
North Western Energy Pty Ltd, Pacific Hydro Group Two Pty Ltd & Energis Australia Pty Ltd	4,356.88	0.00
Northern Star (Power) Pty Ltd	41.17	249.60
Ord Irrigation Co-operative Ltd	16.54	0.00
Origin Energy Retail Ltd Total	3,592.19	0.00
Perdaman Energy Retail Pty Ltd t/a Perdaman Energy	0.00	3,719.20
Perth Energy Pty Ltd Total	270.89	109.20
Perth Power Partnership	2,015.36	0.00
Public Transport Authority of Western Australia	64,470.40	0.00
RATCH-Australia Kemerton Pty Ltd	8,841.84	0.00
Regen Power Pty Ltd	0.00	1,368.40
Regional Power Corporation	190,677.15	0.00
Robe River Mining Co Pty Ltd	133.80	0.00
Rottneest Island Authority	200.98	0.00
Roy Hill Infrastructure Pty Ltd	64,470.40	0.00
Shell Energy Retail Pty Ltd	11.80	0.00
Shire of Moora	0.00	5,626.50
South West Irrigation Management Co-operative Ltd	462.05	340.95
South32 Worsley Alumina Pty Ltd	3,265.78	0.00
Southern Cross Pipelines Australia Pty Ltd	59,071.72	0.00
SRV GRSF PTY LTD as Trustee for GRSF Trust	1,140.89	0.00
TEC Desert Pty Ltd and TEC Desert No. 2 Ltd	14,624.25	1,200.50
TEC Hedland Pty Ltd	4,278.67	0.00
The Pilbara Infrastructure Pty Ltd	64,470.40	0.00
Tronox Management Pty Ltd	1,283.50	0.00
Walkaway Wind Power Pty Ltd	2,541.32	0.00
Water Corporation	495,722.82	0.00
Wesfarmers Kleenheat Gas Pty Ltd	57,472.40	373.20
Western Energy Pty Ltd	3,422.66	0.00
Wind Portfolio Pty Ltd	4,348.20	0.00
WR Carpenter No. 1 Pty Ltd	3,299.44	0.00
Yandin WF Pty Ltd as Trustee for Yandin WF Unit Trust	6,109.42	0.00
<b>Totals</b>	<b>6,488,600.00</b>	<b>574,812.62</b>

## Capital works

### Capital works 2021/22

Capital item	Amount \$ (excluding GST)
Office equipment	Nil
Computer hardware	Nil
Leasehold improvements	Nil

## Employment and industrial relations

The ERA's staff are employed under the *Public Service Award 1992* and the *Public Service and Government Officers CSA General Agreement 2019*.

0 industrial disputes were recorded during 2021/22.

At 30 June 2022, the ERA employed 66 public sector staff, four Governing Body members and a Chief Executive Officer.

### Staff numbers by category of employment 2021/22

Employment category	Number of staff at 30 June 2020	Number of staff at 30 June 2021
Permanent full-time	59	49
Permanent part-time	10	9
Part-time measured on an FTE basis	6.9	6.8
Fixed term full-time	2	7
Fixed term part-time	0	1
<b>Total employees</b>	<b>71</b>	<b>66</b>
<b>Total FTE</b>	<b>67.9</b>	<b>62.80</b>

### Staff numbers by gender 2021/22

Employment category	Male	Female	Total
Permanent full-time	26	23	49
Permanent part-time	1	8	9
Part-time measured on an FTE basis	0.90	5.90	6.20
Fixed term full-time	3	4	7
Fixed term part-time	0	1	1
<b>Total employees</b>	<b>30</b>	<b>36</b>	<b>66</b>
<b>Total FTE</b>	<b>29.90</b>	<b>32.90</b>	<b>62.80</b>

## Staff development

In 2021/22, the ERA offered staff a series of training programs, including:

- Effective Communication
- Finance for Non-Finance Manager
- Executive Writing Skills
- Risk Management

## Employee health and wellbeing

This year at the ERA all line managers attended the Workplace Mental Health for Leaders program, delivered by Blooming Minds. A list of resources was published on the ERA's intranet for staff to read on how to manage mental health issues.

The ERA has a contract with PeopleSense to provide confidential counselling services to employees and their family members. PeopleSense provided 20 sessions in 2021/22.

Another popular program that was organised for staff was Coping with Pressure.

In response to the ongoing COVID-19 pandemic, regular updates and safety messages were provided during staff meetings and through emails and the intranet. Staff were encouraged to be vaccinated against COVID and time spent to have the vaccination was considered as work time.

The ERA once again encouraged its staff to have a flu vaccination and reimbursed the costs for the vaccination.

## Workers' compensation

The ERA complies with the requirements of the *Work Health and Safety Act 2020* and the *Workers' Compensation and Injury Management Act 1981*.

Two workers' compensation cases were finalised in 2021/22, one of which one was lodged in the previous financial year.

The OHS Committee regularly reminds staff to report any incidents or hazard and conducts regular inspections of the workplace.

## Unauthorised use of credit cards

Officers hold corporate credit cards where their functions warrant use of this facility. Staff are regularly reminded of the obligations to comply with the ERA's credit card policy.

In 2021/22 there were no unauthorised use of credit cards.

## Governance disclosures

### Board and committee remuneration

Gross remuneration does not include accruals, travel allowance and/or reimbursements, Fringe Benefits Tax or superannuation.

#### Remuneration – ERA Governing Body

Position	Name	Type of remuneration	Period of membership	Gross remuneration in 2021/22 (\$)
<i>Chair (outgoing)</i>	Nicola Cusworth	Annual	01/07/2021 - 06/08/2021	\$207,129
<i>Chair</i>	Stephen Edwell	Annual	09/08/2021 - 30/06/2022	\$343,035
<i>Member</i>	Ray Challen	Annual	01/07/2021 - 30/06/2022	\$132,114
<i>Member</i>	Virginia Christie	Annual	01/02/2022 - 30/06/2022	\$52,406
<i>Member</i>	Greg Watkinson	Annual	01/07/2021 - 30/06/2022	\$132,114
<b>Total</b>				<b>\$866,798</b>

### Shares

As at 30 June 2022, no senior officers, firms of which senior officers are members, or entities which senior officers have substantial interests, had any interest in existing or proposed contracts with the ERA other than normal contracts of employment or service.

## Other legal requirements

### Expenditure on advertising, market research, polling and direct mail

Under Section 175ZE of the *Electoral Act 1907*, all public sector agencies must disclose any expenditure on advertising, market research, polling and direct mail.

#### Expenditure on advertising, market research, polling and direct mail 2021/22

Expenditure	Service provider	Amount
Advertising	State Law Publisher	\$2,589
Advertising	Initiative Media Australia Pty Ltd	\$14,555
Advertising	Seek	\$295
Market research	Advantage Communications & Marketing Pty Ltd	\$3,612
Polling	Nil	Nil
Direct mail	Nil	Nil
Media advertising	Nil	Nil
<b>Total</b>		<b>\$21,051</b>

### Disability Access and Inclusion Plan

The ERA's Disability Access and Inclusion Plan covers the period 2018 to 2022. The plan includes 19 strategies across seven outcomes that intend to ensure that people with disability can equally access and interact with the ERA.

New staff are given an understanding of the plan as part of the ERA's induction program.

### Disability Access and Inclusion Plan outcomes

1. People with disability have the same opportunities as other people to access the services of, and any events organised by, the ERA.
2. People with disability have the same opportunities as other people to access the building and other facilities of the ERA.
3. People with disability receive information from the ERA in a format that will enable them to access the information as readily as other people are able to access it.
4. People with disability receive the same level and quality of service from ERA staff as others.
5. People with disability have the same opportunities as others to make complaints to the ERA.
6. People with disability have the same opportunities as others to participate in any public consultation by the ERA.
7. People with disability have the same opportunities as others to obtain and maintain employment with the ERA.

## Multicultural Policy Framework

More than 60 per cent of the ERA's staff come from culturally diverse backgrounds.

The ERA celebrated Diwali, Harmony Week and Chinese New Year. Information about these events were posted on the intranet to educate staff.

All staff were encouraged to complete the online Diverse WA cultural competency training from the Office of Multicultural Interests.

### Compliance with public sector standards and codes of ethics

The ERA is committed to promoting integrity in official conduct and achieving high standards of compliance with public sector standards, the Public Sector Code of Ethics and the ERA's Code of Conduct.

Staff undertake mandatory training, including:

- accountable and ethical decision-making record keeping
- equal opportunity law
- sharing culture online training module from PSC.

### Public sector standards compliance issues 2021/22

Compliance issues with public sector standards	0
Compliance issues with the Code of Ethics	0
Compliance issues with the ERA Code of Conduct	0

## Record keeping

The ERA submitted a revised Record Keeping Plan (RKP) to the State Records Commission at the end of June 2021. The Commission approved the RKP in November 2021. The efficiency and effectiveness of the ERA's record keeping systems and training program was reviewed during the development of the revised RKP, within the required five-year review cycle. Both were found to be efficient and effective.

All ERA staff receive a records induction as part of the broader induction program. This includes a meeting with the Records Coordinator, an overview of recordkeeping responsibilities under the *State Records Act 2000*, and an introduction to the ERA's records management system.

## Complaints handling

The ERA may receive complaints in four main areas: the administration of the Secretariat, employment, procurement and its regulatory functions.

Administration and employment-related complaints are dealt with under the Western Australian Public Sector Code of Ethics, and the ERA's Code of Conduct and conflict of interest policy.

No complaints were received in 2021/22.

## Government policy requirements

### Substantive equality

The ERA ensures that all people are treated fairly and recognised for diversity. More than 60 per cent of the ERA's staff come from culturally diverse backgrounds.

Principles of equality are reflected in all ERA policies and processes. Every year, new staff are encouraged to undergo training in equal opportunity law, delivered by officers from the Equal Opportunity Commission.

### Occupational safety, health and injury management

The ERA's executive team is committed to providing a safe, healthy and accident-free workplace for staff, contractors and visitors, and complying with the *Work Health and Safety Act 2020* and the *Workers' Compensation and Injury Management Act 1981*.

In 2021/22, with staff continuing to work flexibly due to the pandemic, the ERA provided ergonomic assessments for the home offices of staff when requested.

### Performance against OSH targets in 2021/22

Indicator	2021/22 target	2021/22 actual
Number of fatalities	0	0
Lost time injury/disease incidence rate (%) <sup>3</sup>	0	1.41
Lost time injury severity rate (%) <sup>4</sup>	0	100
Percentage of injured workers returned to work within (%) (i) 13 weeks (ii) 26 weeks	100	0
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities (%)	Greater than or equal to 80	85

<sup>3</sup> This is the number of lost time injury and disease (LTI/D) claims lodged where one day or shift or more was lost from work. The number of employees is the agency's full-time equivalent (FTE) figure. The number of LTI/Ds is divided by the number of employees, then multiplied by 100.

<sup>4</sup> This is a measure of incident or accident prevention and the effectiveness of injury management. The severity rate is the number of severe LTI/Ds (actual or estimated 60 days or more lost from work (divided by the number of LTI/D claims, multiplied by 100.



The image features a vertical gradient background transitioning from dark blue on the left to bright yellow on the right. Overlaid on this are several vertical, rounded rectangular shapes in various shades of blue and yellow. Some shapes are solid, while others have dashed outlines, creating a layered, 3D effect. The shapes vary in width and height, with some extending across the entire width of the page. The overall aesthetic is modern and geometric.

# Appendices

## Appendix 1 Legislation

### Establishing and functional legislation

The ERA was established by the *Economic Regulation Authority Act 2003*. This Act gives us functions to carry out inquiries and other functions under the following Acts of Parliament:

- *Energy Coordination Act 1994*
- *National Gas Access (WA) Act 2009*
- *Railways (Access) Act 1998*
- *Water Services Act 2012*

The ERA Act also allows for the ERA to be given functions under other Acts of Parliament. The enactments that have effect as at 30 June 2022 are:

- *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013*
- *Electricity Industry Act 2004*
- *Electricity Industry (Pilbara Networks) Regulations 2021*
- *Gas Services Information Act 2012*
- *Gas Services Information Regulations 2021*.

### Administered legislation

The ERA administers codes that regulate the conduct of utility service providers:

- *Code of Conduct for the Supply of Electricity to Small Use Customers 2018*
- *Gas Marketing Code of Conduct 2017*
- *Water Services Code of Conduct (Customer Service Standards) 2018*.

### Legislation that allows the ERA to recover costs from industry

- *Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2021*
- *Economic Regulation Authority (Licensing Funding) Regulations 2014*
- *Economic Regulation Authority (National Gas Access Funding) Regulations) 2009*
- *Economic Regulation Authority (Railways Access Funding) Regulations 2019*
- *Electricity Industry (Pilbara Networks) Regulations 2021*
- Gas Services Information Rules (Rule 110A)
- Retail Market Procedures (WA) (Procedure 362B)
- Wholesale Electricity Market Rules (Rule 2.24.5).

### Other legislation affecting the ERA's activities

#### Gas

- *Energy Coordination Regulations 2004*
- *Energy Coordination (Customer Contracts) Regulations 2004*
- *Energy Coordination (Last Resort Supply) Regulations 2005*
- *Energy Coordination (Ombudsman Scheme) Regulations 2004*
- *Energy Coordination (Retail Market Schemes) Regulations 2004*
- *National Gas Access (WA) (Local Provisions) Regulations 2009*
- *National Gas Access (WA) (Part 3) Regulations 2009*.

## Electricity

- *Electricity Corporations Act 2005*
- *Electricity Corporations (Pilbara Prescribed Customers) Order 2021*
- *Electricity Industry (Access Code Enforcement) Regulations 2005*
- *Electricity Industry (Code of Conduct) Regulations 2005*
- *Electricity Industry (Customer Contracts) Regulations 2005*
- *Electricity Industry (Customer Transfer) Code 2016*
- *Electricity Industry (Licence Conditions) Regulations 2005*
- *Electricity Industry (Metering) Code 2012*
- *Electricity Industry (Network Quality and Reliability of Supply) Code 2005*
- *Electricity Industry (Obligation to Connect) Regulations 2005*
- *Electricity Industry (Ombudsman Scheme) Regulations 2005*
- *Electricity Industry (Wholesale Electricity Market) Regulations 2004*
- *Electricity Networks Access Code 2004*
- *Pilbara Networks Access Code*
- *Pilbara Networks Rules.*

## Rail

- *Railways (Access) Code 2000.*

## Water

- *Water Services Regulations 2013.*

## Appendix 2 Senior staff

### Governing Body

Steve Edwell	Chair
Ray Challen	Member
Virginia Christie	Member
Greg Watkinson	Member

### Secretariat

Jenness Gardner	Chief Executive Officer
Danielle Asarpota	Manager Strategic Communications
Lorna Clarke	In-House Lawyer
Sarah Costa	In-House Lawyer
Brenton Panzich	In-House Lawyer
Melissa Rosair-Everingham	In-House Lawyer

### Corporate Services

Pam Herbener	Director Corporate Services
Roshan Fernandes	Manager Human Resources
Catherine Lewis	Manager Finance

### Energy Markets

Rajat Sarawat	Executive Director
Bruce Layman	Chief Economist
Sara O'Connor	Assistant Director Market Regulation
Adrian Theseira	Assistant Director Compliance and Enforcement

### Regulation and Inquiries

Paul Kelly	Executive Director
Jason Dignard	Principal Regulatory Advisor
Robert Pullella	Principal Advisor
Tyson Self	Assistant Director Gas
Boon Tan	Assistant Director Research and Modelling
Jeremy Threlfall	Assistant Director Rail
Elizabeth Walters	Assistant Director Electricity

## Appendix 3 Decisions and publications

Date	Title of notice
<b>July 2021</b>	
2 July 2021	Minimum STEM price review 2021 – Release of draft determination report
6 July 2021	Non-scheme financial reporting requirements – Corrigenda to publication of updated financial reporting templates
6 July 2021	Guideline on the demand management innovation allowance mechanism for Western Power – Consultation paper
6 July 2021	Guideline on multi-function assets for Western Power – Consultation paper
9 July 2021	Decision on licence renewal and approval of standard form contract – GTL10 – Wesfarmers Kleenheat Gas Pty Ltd
9 July 2021	Decision on licence renewal – GDL9 – Wesfarmers Kleenheat Gas Pty Ltd
13 July 2021	Framework and approach for Western Power’s fifth access arrangement review – Publication of submissions
13 July 2021	Amendments to the Western Australian gas retail market scheme – Decision
20 July 2021	2022 gas rate of return instrument review – Engagement process for the review – Position paper
23 July 2021	Western Power’s technical rules – Updated list of exemptions
26 July 2021	Effects of the container deposit scheme on beverages in Western Australia – Publication of draft report
28 July 2021	Pilbara Networks Access Code – Invitation to register for ERA notices
28 July 2021	Determination of 2021 weighted average cost of capital for rail networks – Publication of 2021 determination
29 July 2021	Framework and approach for Western Power’s fifth access arrangement review – Publication of Western Power submission and extension of time for final decision
30 July 2021	Pilbara Network Rules – Invitation to register for ERA notices
31 July 2021	Wholesale Electricity Market Rules and Gas Services Information Rules – Publication of compliance report
<b>August 2021</b>	
2 August 2021	Southern Cross Energy Partnership – Amendments to electricity distribution licence EDL3 and electricity transmission licence ETL4
5 August 2021	Aquasol Pty Ltd – 2021 operational audit and asset management system review
6 August 2021	Western Power’s technical rules – Proposal to amend
9 August 2021	Framework and approach for Western Power’s fifth access arrangement review – Final decision
11 August 2021	Bluewaters Power 1 Pty Ltd – Decision to renew electricity retail licence ERL12
13 August 2021	Robe River Mining Co Pty Ltd – 2021 operational audit and asset management system review
16 August 2021	Guideline on the demand management innovation allowance mechanism for Western Power – Publication of submissions
16 August 2021	Guideline on multi-function assets for Western Power – Publication of submissions
23 August 2021	Pilbara Networks Access Code – Proposed ringfencing rules for covered Pilbara networks
31 August 2021	Effectiveness of the Synergy regulatory scheme review 2018 to 2020 – Republication of discussion paper

## APPENDICES

Date	Title of notice
<b>September 2021</b>	
3 September 2021	Shire of Moora – Licence renewal application
7 September 2021	Determination of Pilbara networks rate of return – Issues paper
7 September 2021	Aqwest – Licence renewal application
10 September 2021	Classification of services provided by batteries owned by Western Power – Consultation paper
14 September 2021	Guideline on the demand management innovation allowance mechanism for Western Power – Decision
14 September 2021	City of Kalgoorlie-Boulder – 2020 operational audit and asset management system review
15 September 2021	Report on the Australian Energy Market Operator’s compliance for 2019/20
21 September 2021	Ringfencing rules for covered Pilbara networks – Publication of submissions
22 September 2021	BHP Nickel West Pty Ltd – Minor amendment to electricity distribution licence EDL2, electricity retail licence ERL2 and water services licence WL52
23 September 2021	Proposed model service level agreement submitted by Horizon Power - Consultation
30 September 2021	Minimum STEM price review 2021 – Release of final determination report
30 September 2021	Determination of Pilbara networks rate of return – Extension of time for submissions
<b>October 2021</b>	
1 October 2021	Water compliance reporting manual 2021
6 October 2021	Harvey Water – Invitation for public submissions – Application to amend water services licence WL31
6 October 2021	Classification of services provided by batteries owned by Western Power – Publication of submissions
15 October 2021	Guideline on Western Power’s capital expenditure and net benefits – Consultation paper
15 October 2021	Guideline on multi-function assets for Western Power – Decision
18 October 2021	Aqwest – Decision to renew water services licence LW2
19 October 2021	Western Power model alternative options contract - Consultation
21 October 2021	Lancelin South Pty Ltd – 2021 operational audit and asset management system review
25 October 2021	Pilbara Networks Rules and Access Code – Establishment of panel of arbitrators
25 October 2021	Determination of Pilbara networks rate of return – Publication of submissions
25 October 2021	Classification of services provided by batteries owned by Western Power – Determination
26 October 2021	Type 1 licence contravention – EIRL2 – Horizon Power
26 October 2021	Hamersley Iron Pty Ltd – Approval of amendments to financial hardship policy
28 October 2021	Western Power – 2020/21 service standard performance report
28 October 2021	Alinta Sales Pty Ltd – ERL6 – 2021 performance audit
29 October 2021	Australian Energy Market Operator allowable revenue and forecast capital expenditure 2022/23 to 2025/26 – Publication of guideline to inform AEMO funding submissions
<b>November 2021</b>	
4 November 2021	Merredin Solar Farm Nominee – 2021 performance audit and asset management system review
4 November 2021	Lancelin South Pty Ltd – Approval of amendments to financial hardship policy
10 November 2021	Goldfields Gas Pipeline annual reference tariff variation – 1 January 2022 – Publication notice
10 November 2021	Benchmark reserve capacity price 2024/25 – Publication of draft determination
11 November 2021	Western Power model alternative options contract – Publication of submissions
11 November 2021	Review of Western Power’s metrology procedure – Extension of time for decision
12 November 2021	Mid-west and South-west Gas Distribution Systems annual reference tariff variation – 1 January 2022 – Publication notice

Date	Title of notice
12 November 2021	Dampier to Bunbury Natural Gas Pipeline annual reference tariff variation – 1 January 2022 – Publication notice
16 November 2021	Wesfarmers Kleenheat Gas Pty Ltd – 2021 electricity performance audit
16 November 2021	Water Corporation – 2021 asset management system review
16 November 2021	Synergy – 2021 performance audit
16 November 2021	SRV GRSF Pty Ltd as Trustee for GRSF Trust – 2021 performance audit and asset management system review
16 November 2021	Report to the Minister on the Economic Regulation Authority's compliance
16 November 2021	Guideline on Western Power's capital expenditure and net benefits – Publication of submissions
18 November 2021	Harvey Water – Publication of submissions – Application to amend water services licence WL31
19 November 2021	Final decision – Gas licence review 2020
24 November 2021	Energy price limits review 2021 – Publication of draft determination
25 November 2021	Horizon Power model service level agreement – Decision
26 November 2021	Proposed metering documents submitted by Peel Renewable Energy - Consultation
26 November 2021	Determination of Pilbara networks rate of return – Final decision
30 November 2021	Western Power metrology procedure – Review of amendments
30 November 2021	Rottneest Island Authority – 2021 operational audit
<b>December 2021</b>	
2 December 2021	Water supply, sewerage and irrigation performance data 2016 to 2021
2 December 2021	Harvey Water – Amendment to water services licence WL31
3 December 2021	Clear Energy Pty Ltd – Publication of financial hardship policy
8 December 2021	CleanTech Energy Pty Ltd – Minor amendments to electricity retail licence ERI24
8 December 2021	2022 gas rate of return instrument review – Discussion paper
9 December 2021	Western Power model alternative options contract – Publication of Western Power's updated proposal
9 December 2021	Electricity Code review 2019 to 2022 – Draft decision
13 December 2021	Esperance Power Station Pty Ltd – 2021 performance audit
14 December 2021	Clear Energy Pty Ltd – Replacement standard form contract
15 December 2021	Western Power metrology procedure – Publication of submissions
15 December 2021	ECCC notice – Public consultation on ERA draft decision to repeal and replace the Electricity Code of Conduct
17 December 2021	Extension of ECCC membership term – 2019-22 Electricity Code review
17 December 2021	Consultation of electricity retail licence application – ERL31 – Perdaman Energy Retail Pty Ltd
17 December 2021	Benchmark reserve capacity price 2024/25 – Publication of final determination
17 December 2021	AEMO allowable revenue and forecast capital expenditure proposal for 2022/23 to 2024/25
17 December 2021	2022 gas rate of return instrument review – Extension of time for submissions
20 December 2021	Guideline on Western Power's capital expenditure and net benefits – Decision
21 December 2021	Peel Renewable Energy metering documents – Extension of time
21 December 2021	2022 gas rate of return instrument review – Appointment of consumer reference group
23 December 2021	Newmont Power Pty Ltd – Minor amendment to electricity distribution and retail licences EDL4 and ERL9

APPENDICES

Date	Title of notice
<b>January 2022</b>	
6 January 2022	Alinta Energy – Amendments to gas and electricity standard form contracts
13 January 2022	Shire of Moora – Decision to renew water services licence WL23 and approve financial hardship policy
19 January 2022	Electricity, gas and water services licences – Amended licence application guidelines
20 January 2022	Annual data reports 2020/21 – Energy retailers and distributors
21 January 2022	Synergy – Minor amendments to electricity generation licence EGL7
21 January 2022	Ringfencing rules for covered Pilbara networks – Decision
24 January 2022	Western Power metrology procedure – Extension of time
24 January 2022	Energy price limits review 2021 – Publication of final determination
24 January 2022	Bunbury Water Corporation (trading as Aqwest) – 2021 asset management system review
25 January 2022	Proposed metering documents submitted by Peel Renewable Energy – Extension of time
28 January 2022	Amanda Energy – 2021 performance audit
28 January 2022	2022 gas rate of return instrument review – Appointment of independent panel
31 January 2022	Wholesale Electricity Market Rules and Gas Services Information Rules – Publication of compliance report
<b>February 2022</b>	
1 February 2022	Western Power’s fifth access arrangement review – Invitation for submissions
7 February 2022	Electricity compliance reporting manual 2022
7 February 2022	Commencement of minimum STEM price review 2022 – Invitation for submissions
8 February 2022	Rottnest Island Authority – 2021 performance audit and asset management system review
8 February 2022	Mumbida Wind Farm Pty Ltd – 2021 performance audit and asset management system review
8 February 2022	Australian Energy Market Operator allowable revenue and forecast capital expenditure 2022/23 to 2024/25 – Issues paper
9 February 2022	Perth Power Partnership – Surrender of electricity generation licence EGL8
9 February 2022	Determination of margin values and Cost_LR parameters for 2022/23 – Invitation for submissions
11 February 2022	2022 gas rate of return instrument review – Extension of deadline for submissions
18 February 2022	NewGen Neerabup Partnership – 2021 performance audit and asset management system review
22 February 2022	Gas Marketing Code Consultative Committee – Appointment of replacement members for 2020 to 2022 term
22 February 2022	2020 gas marketing code review – Publication of submissions
23 February 2022	2022 gas rate of return instrument review – Publication of submissions
24 February 2022	Karara Power Pty Ltd – Closure of compliance enforcement notice
24 February 2022	Effects of the container deposit scheme on beverages in Western Australia – Publication of final report
24 February 2022	ECCC notice – Publication of submissions received on ERA draft decisions
25 February 2022	AEMO allowable revenue and forecast capital expenditure 2022/23 to 2024/25 – Publication of additional documents

Date	Title of notice
<b>March 2022</b>	
1 March 2022	Western Power's technical rules – Updated list of exemptions
1 March 2022	Urban water utilities – National performance report 2020/21
1 March 2022	AEMO allowable revenue and forecast capital expenditure 2022/23 to 2024/25 – Extension of deadline for submissions
4 March 2022	Western Power's fifth access arrangement review – Issues paper
8 March 2022	Walkaway Wind Power Pty Ltd – 2021 performance audit and asset management system review
8 March 2022	GMCCC notice – Publication on ERA draft decision to repeal and replace the Gas Marketing Code of Conduct
15 March 2022	2022 gas rate of return instrument review – Publication of consultation report on debt-raising and debt-hedging costs
16 March 2022	Perdaman Energy Retail Pty Ltd – Decision to approve standard form contract and grant electricity retail licence
17 March 2022	Panel of arbitrators for rail access disputes – Addition to panel
17 March 2022	Dispute referred to the ERA by Australian Western Railroad – Appointment of arbitrator
21 March 2022	Western Power's fifth access arrangement review – Public forum this Friday
22 March 2022	Collgar Wind Farm Pty Ltd – 2021 performance audit and asset management system review
23 March 2022	RATCH-Australia Kemerton Pty Ltd – 2021 performance audit and asset management system review
25 March 2022	Merredin Project Company Pty Ltd – Consultation on licence transfer application
30 March 2022	Margin values and Cost_LR parameters for 2022/23 – Publication of determination
31 March 2022	Australian Energy Market Operator allowable revenue and forecast capital expenditure 2022/23 to 2024/25 – Draft determination
31 March 2022	Athena Water Solutions Pty Ltd – Minor amendment to water services licence and financial hardship policy
<b>April 2022</b>	
4 April 2022	Western Power's fifth access arrangement review – Publication of material from public forum
4 April 2022	Proposed metering documents submitted by Peel Renewable Energy – Decision
4 April 2022	Clear Energy Pty Ltd – 2021 performance audit
4 April 2022	2022 gas rate of return instrument review – Publication of discussion paper on focused consultation
5 April 2022	Esperance Gas Distribution Company Pty Ltd – Amendment to gas standard form contract
5 April 2022	2022 gas rate of return instrument review – Extension of deadline for submissions on consultant report on debt-raising and debt-hedging costs
6 April 2022	Southern Cross Energy Partnership – Invitation for public submissions – Application to amend electricity transmission licence ETL4
6 April 2022	Effectiveness of the Electricity Generation and Retail Corporation regulatory scheme 2018 to 2020 – Publication of report
21 April 2022	Western Power AA5 review – Publication of submissions on issues paper
26 April 2022	2022 gas rate of return instrument review – Publication of submissions on consultant report on debt raising and hedging costs
28 April 2022	Report on the Australian Energy Market Operator's compliance for 2020/21

APPENDICES

Date	Title of notice
<b>May 2022</b>	
9 May 2022	FRWF Stage 1 Pty Ltd – Consultation on electricity generation licence application
9 May 2022	2022 gas rate of return instrument review – Publication of consultant report on the term of the allowed cost of equity
10 May 2022	Change Energy Pty Ltd – 2021 performance audit
11 May 2022	Southern Cross Energy Partnership – Minor amendment to electricity transmission licence ETL4
12 May 2022	2022 gas rate of return instrument review – Publication of submissions to focused consultation
16 May 2022	Shire of Lake Grace – 2021 asset management system review
16 May 2022	Harvey Water – Invitation for public submissions – Application to amend water services licence WL31
18 May 2022	Bluewaters Power 1 Pty Ltd – Licence renewal application – Invitation for submissions (ERL12)
20 May 2022	Western Power’s fifth access arrangement review – Further access arrangement information
20 May 2022	Regen Power Pty Ltd – Consultation on gas trading licence application
24 May 2022	2022 gas rate of return instrument review – Publication of supplementary submission from the Consumer Reference Group to focused consultation
31 May 2022	Minimum STEM Price review 2022 – Release of draft determination report – Invitation for submissions
31 May 2022	Australian Energy Market Operator allowable revenue and forecast capital expenditure 2022/23 to 2024/25 – Determination
<b>June 2022</b>	
2 June 2022	2022 gas rate of return instrument review – Appointment of Independent Panel chair
8 June 2022	FRWF Stage 1 Pty Ltd – Electricity generation licence application – Publication of submissions
9 June 2022	Tronox Management Pty Ltd - 2021 performance audit and asset management system review
10 June 2022	Harvey Water - Minor amendment to water services licence WL31
10 June 2022	Shire of Coolgardie - Licence renewal application – Invitation for submissions
14 June 2022	2020 Gas Marketing Code review - Publication of final decision
17 June 2022	AER Retail Pty Ltd - 2021 performance audit
17 June 2022	2022 gas rate of return instrument review - Publication of draft gas instrument and explanatory statement
21 June 2022	Simply Energy - 2022 performance audit
27 June 2022	Approval of 2022/23 ancillary services requirements
29 June 2022	Call for expressions of interest - Water Code Consultative Committee
30 June 2022	Western Power’s technical rules - Proposals to amend the rules received in 2021/22





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