



Economic Regulation Authority



# Annual Report 2022/23

[erawa.com.au](http://erawa.com.au)

## Acknowledgement of Country

At the ERA we value our cultural diversity and respect the traditional custodians of the land and waters on which we live and work.

We acknowledge their continuing connection to culture and community, their traditions and stories. We commit to listening, continuously improving our performance and building a brighter future together.

## Contact details

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## Accessing the annual report

The 2022/23 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 ensured this PDF is accessible, including providing alternative text descriptions for all images.

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

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

*Front cover: Image representing Western Australia, with Perth on the left hand side and images representing regional WA on the right hand side. Other elements included in the image represent the industries the ERA regulates including electricity, gas, water and rail.*

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## Statement of compliance

### Hon Rita Saffioti MLA

Treasurer

11th Floor, Dumas House

Havelock Street

West Perth WA 6005

Dear Treasurer

### Economic Regulation Authority 2022/23 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 2023.

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,



**Steve Edwell**

Chair

7 September 2023



**In the 2022/23 financial year, the ERA's work programme has been dominated by the energy transformation.**

Rapid decarbonisation of electricity supply and the electrification of the broader economy is presenting significant challenges for utility regulation. The essential issue is how to support the achievement of Government low carbon policy targets and the reliability and security of the electricity system by an appropriate allocation of risk and cost between utilities and electricity users.

We have worked hard to understand impacts of this energy revolution on the organisations we regulate and the broader economic context. We take our role in the protection of consumers seriously; we have a responsibility to make sure our regulatory decisions fully consider their needs.

## Chair's foreword

Throughout the year we have continued to strengthen our connections with business, industry, consumers and the community, which is fundamental to the ERA being a strong and effective regulator. We practice a culture of openness and transparency and empower our people to proactively engage with our diverse stakeholders. We are looking at new ways to perform our work across the sectors we regulate.

A feature of the year was our final determination of Western Power's fifth access arrangement (AA5). This decision has set Western Power's allowable revenue for the period 2023-2027. Our determination to allow revenue of \$9.1 billion was significantly influenced by higher financing costs and transformation related network investment.

Our approach to engagement was exemplified through our process of testing Western Power's expenditure proposal. Over almost two years, we spoke directly to stakeholders through online forums and industry consultation events and travelled to regional locations to understand their concerns, and we adopted innovative approaches to the access arrangement process. This meant we resolved a number of issues that had been outstanding for some years; such as reliability of supply in regional areas, streetlighting and new generation network connection.

We endeavoured to balance the need for the electricity network to facilitate the energy transformation with protecting consumers from rising costs, some of which were difficult to quantify. To achieve this, we identified new ways to provide funding for critical initiatives such as standalone power systems, undergrounding power in metropolitan areas and expanding the transmission network.

Throughout 2022/23 the ERA continued to monitor the functioning of energy markets and utility providers' compliance with their licence and economic regulatory requirements.

In November 2022, the Electricity Review Board (ERB) upheld our allegation that Synergy had exercised market power between April 2016 and July 2017. In June 2023, we had reached a settlement agreement with Synergy on its Market Rule contravention. The settlement, approved by the ERB, will see Synergy pay \$30 million, to be distributed to eligible non-contestable residential customers as a \$28 bill credit for residential electricity customers serviced by Western Power's network.

In February 2023, a new electricity customer code came into effect following the most comprehensive review of the Code of Conduct for the Supply of Electricity to Small Use Customers ever undertaken. The new Code

introduces specific protections for victims of family and domestic violence and broadens the availability of payment management assistance.

Other highlights of the year included:

- a review of the Wholesale electricity market
- a determination on the methodology for estimating the allowable rate of return for gas transmission and distribution service providers
- a determination of allowable expenditure for the Australian Energy Market Operator's functions in Western Australia
- 34 operational audits and 27 performance audits across a range of utility service provider licensees
- our annual utility service provider data reports
- draft guidelines and procedures relating to the trading of electricity in the Wholesale Electricity market.

The year ahead will bring further significant change for the ERA and the WA energy market. The new electricity market design will take effect from 1 October 2023, bringing with it new monitoring and compliance responsibilities for the ERA. We're working closely with energy market participants and other stakeholders to prepare for these changes.

In August 2022, we welcomed a new member to our Governing Body, Michelle Groves. Michelle has a strong background in public administration and regulation and has a particular focus on consumer engagement. Michelle champions a broad context to our regulatory decisions and will enhance our commitment to genuine stakeholder engagement.

I thank my fellow Governing Body members, Virginia Christie and Michelle Groves, for their commitment and expert input during the year. Together, with our CEO Jenness Gardner, we're positioning the ERA to respond to a changing regulatory arena and will communicate our strategic approach when we release our new Strategic Plan in late 2023.

I also thank the staff of the ERA Secretariat, capably and enthusiastically led by Jenness. Our staff are experts who are committed to our purpose; they work with each other in a respectful and collaborative way to consistently produce the highest quality analysis and advice. They are a credit to themselves and our organisation as a whole. With them, I am confident that we are ready and able to meet any future challenges coming our way.



**Steve Edwell**  
Chair of the ERA

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# About us

## Our role and responsibilities

The ERA is Western Australia's independent economic regulator.

Our role is to regulate the electricity, gas 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. Through our monitoring, compliance and enforcement work, we aim to provide businesses and consumers with confidence that utilities markets operate efficiently and effectively. Our functions are designed to maintain a competitive and fair commercial environment.

## Governance structure

The ERA is made up of a three-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, 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 regular 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

Around 94 per cent of the ERA's funding comes from industry contribution which covers our primary functions. The State Government provides the rest of our funding, supporting the non-scheme pipeline and inquiries functions and the review of Synergy's regulatory scheme.



# Our year in numbers

**3** new licences  
were granted

**4** licence  
amendments  
were granted



**1** licence  
renewed

**1** licence  
transferred

**10** licences  
surrendered

**16**

energy retailer standard form  
contracts approved or amended



**34**

operational  
performance audits  
were completed



**213**

compliance  
investigations  
were completed



**27**

asset management  
system reviews were  
completed



**138**

notices were  
published



**22**

Governing Body  
meetings were held



**123**

items were considered  
in meetings

**70**

items were considered  
outside of meetings

# Significant issues for 2022/23

## Synergy investigation and Electricity Review Board proceedings

In April 2019, the ERA completed an investigation into the prices Synergy was offering for its electricity in the balancing market, which is a part of the Wholesale Electricity Market. 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 Electricity Review Board (ERB) was convened in November 2019 and the matter was heard in May and June 2021.

On 25 November 2022, the ERB found that for 11,012 trading intervals between 16 April 2016 and 10 July 2017, Synergy offered its generation into the energy market based on inflated costs and that these price offers related to Synergy's market power.

The determination reaffirms the expectation that all electricity market participants consider compliance with the market rules to be a core element of management and Board governance.

On 27 June 2023, the ERA and Synergy announced they had reached an agreement to settle the matter. Synergy will pay the sum of \$30 million for its contravention of the WEM rules. As part of the agreement the ERA sought that the \$30 million be paid directly to Synergy's eligible residential customers as an energy bill credit in September 2023.

## Energy transformation

The energy sector is currently undergoing a period of rapid transformation, from a reliance on traditional fossil fuel generation sources to increased renewable generation and other new technologies. The challenges and opportunities of the transformation must be managed to maintain network reliability and security.

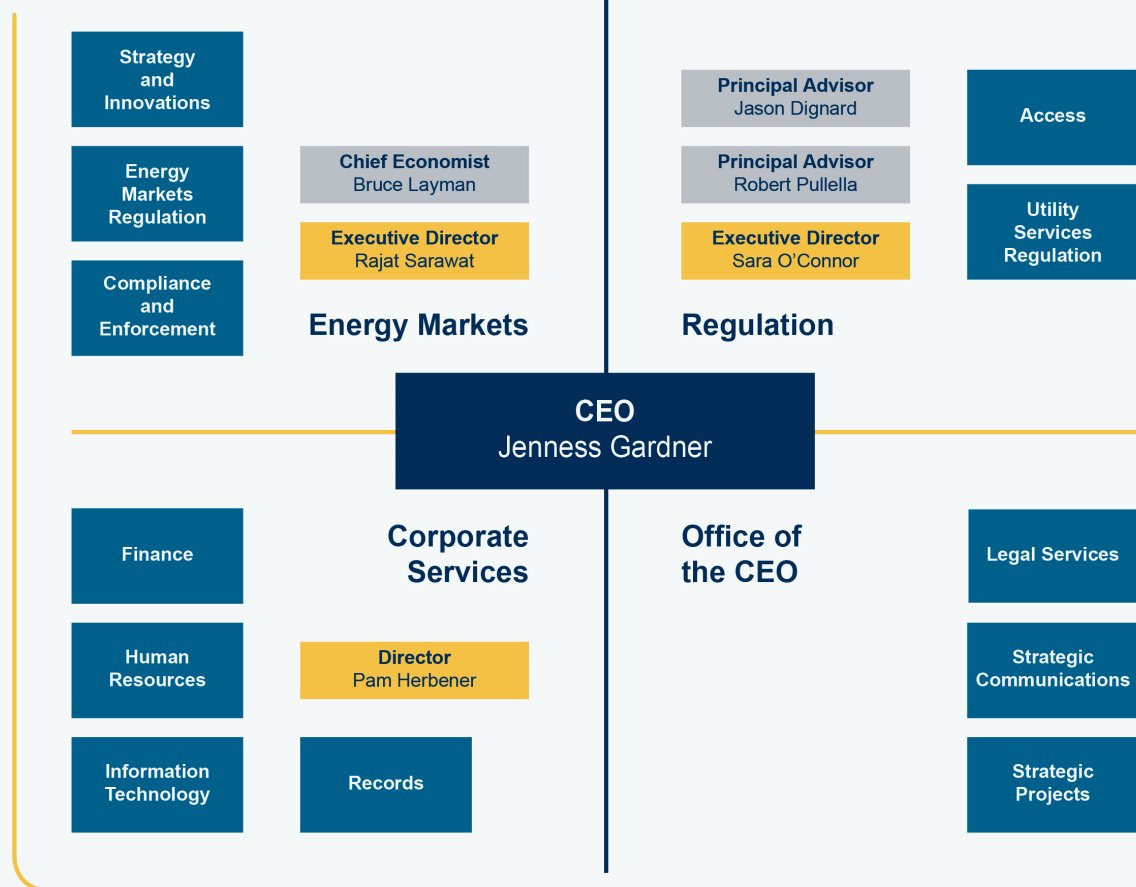
In October 2023, the newly re-designed market for the Wholesale Electricity Market will start. The ERA is implementing the changes necessary to prepare for market start and the new compliance and enforcement responsibilities the ERA will take on.

# Organisational structure

## Governing Body



## Secretariat



## Governing body



**Steve 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.



**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).



**Michelle Groves**  
*Member*

Michelle was appointed to the Governing Body of the ERA in August 2022. She is also Commissioner and Deputy Chair of Energy Safe Victoria (ESV). Michelle was the CEO of the Australian Energy Regulator (AER) for 15 years. Prior to this she worked for the National Competition Council, the Australian Competition and Consumer Commission and the Western Australian Government. She has a Bachelor of Arts from UWA, a Bachelor of Laws from UWA and a Master of Laws from Melbourne University.

## Corporate Executive

### 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. 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 and is an AICD company directors course graduate.

### Sara O'Connor

#### *Executive Director Regulation*

Sara joined the ERA as an Assistant Director in April 2017 and was promoted to Executive Director in April 2022. Prior to joining the ERA, Sara was a director of a small consultancy firm in Perth. For over three decades Sara has held various senior positions in the regulated utility sector both in the United Kingdom and in Western Australia. She has worked for three regulators, OFWAT and OFGEM in the UK and now the ERA. Sara has also experienced the other side of the regulatory fence working for regulated service providers in the UK and Horizon Power, Western Power, Synergy and ATCO Gas Australia in WA. Her experience covers water, electricity and gas. Sara has an honours degree in Business (Economics).



ERA Corporate Executive members, (L-R) Jenness Gardner, Rajat Sarawat, Sara O'Connor and Pam Herbener.

### 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.



## **Divisions**

### **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 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.

### **Regulation**

The Regulation division licences electricity, gas and water service providers. It protects customers by ensuring service providers comply with their licences and by administering customer protection instruments that service providers must comply with. This division also regulates third-party access to electricity, gas and rail infrastructure.

### **Corporate Services**

The ERA's Corporate Services team provides finance, human resources, information and communications technology, and governance services across the ERA. This division also provides strategic business planning and audit and risk management support to the Governing Body and Secretariat.

### **Office of the CEO**

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

# Performance management framework

## Relationship to government goals

The following table illustrates the relationship between the ERA's services, the desired outcomes and the relevant government goal. The key effectiveness indicators measure the extent of impact of the delivery of services on the achievement of desired outcomes. The key efficiency indicators monitor the relationship between the service delivered and the resources used to produce the service.

Government goal	Desired outcome	Service
Investing in WA's Future: Tackling climate action and supporting the arts, culture and sporting sectors to promote vibrant communities.	The efficient, safe and equitable provision of utility services in Western Australia.	1. Submissions to the Economic Regulation Authority Governing Body

## Shared responsibilities with other agencies

The ERA did not share any responsibilities with other agencies during 2022/23.

# Our strategic direction

In March 2023, the ERA published a Statement of Strategic Intent 2023-2025. This document sets out how the new Governing Body intends to operate.

## Purpose

As the State's independent economic regulator, our purpose is to benefit all Western Australians by promoting strong economic outcomes through effective regulation and decision making.

## Values

The ERA's values are:



**Integrity:** Our decisions and advice are based on transparent, unbiased and rigorous analysis. We do this in a way that is professional, ethical and accountable.



**Excellence:** Our people are experts and we are passionate about delivering high quality outcomes. We take pride in what we do and how we contribute to the economy and to the community.



**Trust:** We are trusted to be impartial and treat others in an equitable, respectful and inclusive manner. Industry and consumers trust us to be fair and even-handed when making decisions.

## Strategic objectives

The ERA's strategic objectives are:



### Embrace change

- Proactively explore solutions to the challenges facing regulated markets.
- Be open and curious about new ways of achieving the best possible outcomes.



### Openly engage and communicate

- Remain informed and aware of stakeholder views through meaningful consultation.
- Communicate decisions clearly and appropriately for the audience.
- Be transparent, unbiased and inclusive.



### Enable well-functioning markets

- Provide strong, evidence based regulatory decisions and advice.
- Consider the context of our decisions, both today and in the future.
- Enable markets to innovate and adopt new technologies.



### Strengthen organisational culture

- Enhance our people's capacity to be highly competent, adaptable and resilient.
- Cultivate a culture of innovation and regulatory excellence.

These strategic objectives are used to organise the remainder of the Annual Report.



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# Embrace change

## Energy market reviews

### Wholesale Energy Market review

In November 2022, the Minister for Energy tabled in Parliament the report on the triennial review of the effectiveness of the Wholesale Electricity Market (WEM). The review found that improvements to market mechanisms will be required to facilitate efficient investment in renewable generation and battery storage as conventional thermal generation leaves the electricity market and the economy decarbonises.

As more renewables enter the market, renewable facilities' profitability is expected to decline. The revenue available for battery storage declines with the addition of each new storage facility to the energy market. The review recommended measures will be needed to account for the contribution that any resources make towards meeting emission reduction goals.

The ERA's analysis also identified a risk to the reliability of the South West Interconnected System arising from the market price signals not suitably incentivising investment in flexible capacity as and when required to maintain system reliability. The State Government's review of the reserve capacity mechanism is likely to address this matter.

### Changes to the market power mitigation framework

Amendments to the WEM Rules were gazetted on 31 March 2023, giving effect to Energy Policy WA's new market power mitigation framework. The new market power mitigation measures require the ERA to:

- Commence ex-ante screening of market participants to identify those that are likely to have market power
- Undertake ex-post monitoring of offers
- Determine if inefficient market outcomes have occurred due to 'irregular' price offers.

On 21 June 2023, the ERA published draft guidelines and procedures for consultation with stakeholders. The guidelines assist market participants to understand and implement the general trading obligations, which apply in the new WEM to all energy and Essential System Services (ESS) market offers. The procedures outline our and market participants' obligations for monitoring offers in the market and the process we follow when deciding if the supplementary ESS mechanism would bring about better market outcomes. After considering feedback from stakeholders, the ERA will publish the guidelines and procedures prior to the start of the new WEM in October 2023.

The ERA conducted its last determination on administered ancillary service costs (spinning reserve and load rejection reserve) prior to commencement of the new market on 1 October 2023. It is in the process of developing offer price caps for Frequency Co-optimised Essential System Services (FCESS) markets that will replace the existing administered pricing mechanisms and update the load following ancillary services markets. We have also commenced developing monitoring and surveillance tools for the real time market. The real-time market includes an Energy market and the five new FCESS markets and replaces the existing balancing market.

## Code reviews

### Review of the *Code of Conduct for the Supply of Electricity to Small Use Customers*

Every two years, the Electricity Code Consultative Committee (ECCC) reviews the *Code of Conduct for the Supply of Electricity to Small Use Customers*.

This was the most comprehensive review of the Electricity Code ever undertaken and has included extensive comparison with the customer protections in the National Energy Customer Framework in the National Electricity Market and the introduction of new provisions for customers experiencing family and domestic violence.

The Code commenced on 20 February 2023 and requires that electricity retailers, including Synergy and Horizon Power, must:

- Publish a family violence policy and implement measures to protect the privacy of customers experiencing family and domestic violence.
- Train staff on how to identify customers who may be affected by family and domestic violence and provide assistance to those customers.
- Not disconnect customers who are affected by family and domestic violence for a period of nine months.
- Extend assistance in managing payments to all customers who request it (not just customers in financial hardship or experiencing payment difficulties), including payment extensions and instalment plans.
- Set a minimum bill debt of \$300 before a residential customer can be disconnected for non-payment.
- Provide targeted support and additional flexibility for customers on pre-payment meters, who are usually located in remote areas.

As part of the implementation of the Code's new protections, we reviewed and updated its Financial Hardship Policy Guidelines, Electricity Compliance Reporting Manual and Retail Licence Performance Reporting Handbook to ensure retailers were informed about and supported to comply with their new obligations.

### **Review of the *Water Services Code of Conduct (Customer Service Standards) 2018***

The ERA has commenced a review of the *Water Services Code of Conduct (Customer Service Standards) 2018* and published a consultation paper on proposed amendments in April 2023. The Water Code sets the standards of conduct for water licensees that supply drinking water and sewerage services to customers in the areas of billing, payment, connection, metering, financial hardship, and complaints. The potential reforms and amendments have been identified by the ERA or have been proposed by licensees, customer representative organisations or government agencies.

### **Inquiries**

The ERA has no active economic inquiries. The ERA cannot self-generate an inquiry – it must be asked to do so by the Treasurer.

# Openly engage and communicate

## Committees and reference groups

### ERA Consumer Consultative Committee

The ERA Consumer Consultative Committee (ERACCC) meets quarterly and includes representatives from a range of consumer and industry organisations. Participation in the Committee allows members to inform the ERA about issues that affect both the groups they represent and consumers more generally. In addition, the Committee is able to inform consumers about the work of the ERA.

#### ERACCC MEMBERSHIP 2022/23

Organisation	Membership
Chamber of Commerce and Industry of Western Australia	Member
Chamber of Minerals and Energy Western Australia	Member
Consumer Credit Legal Service (Western Australia)	Member
Ethnic Communities Council (Western Australia)	Member
Financial Counsellors' Association	Member
Pastoralists and Graziers Association	Member
Property Council of Australia (Western Australia)	Member
Regional Chambers of Commerce and Industry (Western Australia)	Member
UnionsWA	Member
Western Australian Council of Social Service	Member
Western Australian Farmers Federation	Member
Western Australian Local Government Association	Member
Suresh Rajan (independent advocate)	Member
Department of Mines, Industry Regulation and Safety (Consumer Protection division)	Observer
Energy and Water Ombudsman	Observer
Energy Policy WA	Observer

Topics considered by ERACCC during 2022/23 included:

- Western Power access arrangement 5
- results of 2021 ERA Stakeholder Survey
- best practice engagement with consumers and consumer representatives
- Statement of Strategic Intent
- energy retailer and distributor data reports
- new customer protections in the Electricity Code
- Energy Review Board determination on Synergy matter
- Switched On – energy consumers guide
- streetlight tariffs
- energy transition
- Disability and Access Inclusion Plan.

### **Consumer Reference Group – Gas Rate of Return Instrument**

As part of the consultation process for the 2022 gas rate of return instrument review, the ERA formed a Consumer Reference Group (CRG). The CRG was made up of five members and included members with expertise in economics, regulations, energy markets and consumer protection.

The CRG provided direct and ongoing feedback to us during the gas instrument review process to represent broad consumer perspectives. This input helped to balance service provider input into the process. The CRG advocated strongly for all consumers, including future consumers.

### **Water Code Consultative Committee**

During 2022/23, the Water Code Consultative Committee (WCCC) provided advice to the ERA on matters relating to the review of the *Water Services Code of Conduct (Customer Service Standards) 2018*. Members of the WCCC are appointed following a public expression of interest process. The WCCC is made up of three industry representatives, three representatives from consumer organisations, two government agency representatives and a non-voting chairperson and executive officer.

### **Electricity Code Consultative Committee**

The Electricity Code Consultative Committee (ECCC) reviewed the *Code of Conduct for the Supply of Electricity to Small Use Customers* and presented its findings to the ERA. The ECCC is a statutory committee appointed and chaired by the ERA and includes consumer, industry, and government representatives.

### **Consultation events**

#### **Western Power access arrangement 5 public forum (27 September 2022)**

We hosted a public forum to inform and discuss the key issues and amendments contained in the draft decision on Western Power's fifth access arrangement. Over 50 attendees listened to representatives from both the ERA and Western Power and had the opportunity to ask questions and provide feedback.

#### **Streetlighting workshop (25 October 2022)**

As an independent body, the ERA is well placed to facilitate conversations between market participants, government and consumer representatives on certain issues. The ERA facilitated a meeting between local governments, Western Power and Synergy to resolve issues relating to streetlighting. Attendees committed to a range of actions to overcome barriers and achieve outcomes.

### **Gas Advisory Board presentation (27 October 2022)**

The ERA presented to the Gas Advisory Board (GAB) on the ERA's processes around Gas Services Information (GSI) Rule compliance monitoring and enforcement. The presentation outlined the ERA's compliance functions and responsibilities under the GSI Rules and provided a summary of the alleged breaches and investigations completed during the period 1 July 2021 to 30 June 2022.

### **Energy markets forum (10 November 2022)**

The ERA presented the changes to the ERA's compliance and monitoring obligations resulting from the Energy Transformation Strategy reforms and the regulatory guidance documentation that the ERA will develop to support industry. The forum also provided an opportunity to share and discuss analysis of WEM design effectiveness for incentivising efficient investments to meet decarbonisation goals.

### **WA Advocacy for Consumers of Energy Forum (2 May 2023)**

The ERA presented and invited discussion of its decision on Western Power's fifth access arrangement to the WA ACE Forum, which is coordinated by Energy Policy WA and brings together energy consumer advocates to share consumers views and contribute to WA's energy debate.

## Regional engagement

During the review of Western Power's access arrangement, the ERA engaged directly with regional customers to better understand their customer experience and concerns. This followed the Independent Review of Christmas 2021 Power Outages, which highlighted that some customers, particularly in regional areas, are receiving a poor level of service. Network performance data provided to the ERA by Western Power also indicated this is the case. Customers said, "extended power outages for regional communities have multiple impacts, [including] heating and cooling of homes, schools, and businesses."

This engagement with regional customers also showed that the service standard incentive mechanism in the Access Code is difficult for customers to understand and is a blunt tool to address pockets of poor service. The ERA addressed these issues in its decision on Western Power's access arrangement by simplifying the reliability benchmarks and raising the benchmark for rural long feeders to align with the standard prescribed in the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005*. In addition, funding was included for Western Power to develop and trial a strategy to improve regional reliability. We will also require Western Power to provide more detailed annual reports on its reliability performance in the regions and its plans to improve reliability for those customers.

# Enable well-functioning markets

## Determinations

### AEMO Allowable Revenue and Forecast Capital Expenditure

The Australian Energy Market Operator's (AEMO) expenditure must only include costs which would be incurred by a prudent provider of the services provided by AEMO in performing its functions, acting efficiently, to achieve the lowest practicably sustainable cost of performing AEMO's functions.

In determining this the ERA applies a two-part test: should AEMO be performing an activity (prudence) and is AEMO performing an activity at the lowest practicable and sustainable cost (efficiency). AEMO's expenditure is recovered from the market via market fees.

In May 2022, the ERA published its final determination for the 2022 to 2025 period. In April 2023, AEMO submitted a funding proposal seeking an additional \$47.11 million in forecast capital expenditure. The majority of this applies to cost overruns in the WEM reform program commenced in the previous allowable revenue period. The ERA published a draft determination on 19 July 2023. AEMO anticipates making an additional in period funding submission in early 2024 for both forecast capital expenditure and operational expenditure. AEMO must provide a proposal

for its next three-year allowable revenue period in October 2024.

### Electricity access

The ERA is responsible for regulating third party access to covered electricity networks in Western Australia.

There are two access regimes:

- Full access regulation under the *Electricity Networks Access Code 2004* – The Western Power Network is the only network covered under this Code.
- Light handed regulation under the *Pilbara Networks Access Code* – The ERA is required to approve ringfencing rules and the initial WACC for the Alinta Energy Port Hedland network and the Horizon Power coastal network.

In addition, under the *Electricity Industry (Metering) Code 2012* some network service providers are required to have certain documents approved by the ERA.

### Western Power Access Arrangement 5

The ERA completed its review of Western Power's access arrangement for the period 2022 to 2027. The access arrangement sets out the terms and conditions, including prices, for third parties seeking to access the Western Power network.

The decision approved \$9 billion in funding for Western Power over the next five years. The decision provided operating cost expenditure of \$2 billion and capital expenditure of \$3.9 billion. This is an increase of 33% on Western Power's actual expenditure over the past five years.

The decision included \$1 billion in increased revenue to provide Western Power with a commercial rate of return in response to recent increases in interest rates and inflation.

The ERA has also implemented a two per cent per annum productivity factor that requires Western Power to deliver operating efficiencies consistent with other network operators in Australia.

This funding responds to ongoing growth of the network as well as the challenges from a rapidly evolving low carbon electricity system. Particular initiatives enabled by the expenditure approval include:

- installing standalone power systems
- digitising the distribution network
- completing the roll out of advanced meters
- undergrounding power
- maintaining and improving reliability, particularly in the regions.



The arrangement also introduces new arrangements for:

- replacing street lighting
- managing new connections to the network
- setting tariffs for electric vehicle charging stations.

The ERA is concerned about Western Power's ability to efficiently undertake its ambitious expenditure program given the resource constraints across the broader economy. The access arrangement included mechanisms to protect customers from paying for work programs that are not undertaken because of resource limitations whilst incentivising Western Power to quicken the pace of the transformation if it is able. We will continue to monitor and engage with Western Power to ensure that the initiatives are delivered.

### **2023/24 Price List for the Western Power Network**

In May 2023, the ERA published a determination that amended Western's Power's proposed 2023/24 price list. Western Power's proposed price list resulted in an average increase in network tariffs of 7.43 per cent, in line with the average increase in network tariffs forecast in our final decision on the fifth access arrangement published on 31 March 2023. However, Western Power

proposed increasing streetlight tariffs by 43.85 per cent. This was significantly above the level of charge indicated in the final decision.

Taking account of concerns raised by streetlight customers that the proposed increase had not been justified and insufficient notice had been given for such a large increase, the ERA moderated the proposed increase to 7.5 per cent. The proposed increase is in line with the ERA's forecast of the average increase in network charges for 2023/24. We are working with Western Power and streetlight customers to review and establish the allocation of costs for streetlight services and develop a transitional price path to achieve a cost reflective tariff prior to Western Power submitting its 2024/25 price list. This will ensure customers are informed well in advance of future price lists of any increases that may be required.

Western Power's network tariffs are charged to users of the network including electricity retailers (such as Synergy), generators and some very large industrial customers connected to the transmission network. Electricity retailers decide how to pass on the network charges to their customers. Most residential customers and business customers who use less than 50 MWh of electricity each year are supplied by Synergy and are

on a capped retail tariff set by the State Government. The State Budget released on 11 May 2023 stated that regulated retail tariffs would increase by 2.5 per cent and regulated retail streetlight tariffs for the South West Interconnected System would increase by 4.8 per cent for the year 2023/24.

### **Compliance**

The ERA has compliance and enforcement functions set by the Wholesale Electricity Market (WEM) Rules and the Gas Services Information (GSI) Rules. The number of WEM Rules the ERA must monitor has increased by around 50 per cent over recent years.

The ERA monitors participant compliance with the WEM Rules and GIS Rules. This includes monitoring prices offered by operators 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.

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



## NON-COMPLIANCE INVESTIGATIONS 2022/23

Investigation activities	1 July 2022 to 30 June 2023
Alleged breaches recorded	195
Investigations completed	213
• Relating to WEM Rules	136
• Relating to GSI Rules	77
Finding:	
• Low risk breach, no further action	173
• No breach, no further action	40

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

During 2022/23, we completed 213 investigations of suspected or alleged noncompliance and instructed AEMO to recover approximately \$186,211 of incorrect out-of-merit payments.

In November 2022, the ERA provided its annual report to the Minister for Energy on its own compliance with the WEM Rules.

## Licensing

The ERA is responsible for licensing electricity, gas and water service providers, which involves:

- Issuing licences for electricity generation, transmission, distribution and retail, gas distribution and trading, and water services.
- Approving standard form contracts and financial hardship policies.
- Review and amending the *Code of Conduct for the Supply of Electricity to Small Use Customers*, *Gas Marketing Code of Conduct* and *Water Services Code of Conduct (Customer Service Standards)*.
- Monitoring and reporting to the Minister of Energy on electricity and gas licensing and Minister for Water, on water licensing.
- Operational and performance audits and asset management system reviews of licensees.

In 2022/23, we processed more licence surrenders than usual due to the State Government increasing the electricity generation licence exemption from 30 MW to 100 MW. This meant more licensed generators fell under the exemption and were able to surrender their licences. We also processed the surrender of the gas distribution and trading licences held by the

companies that supplied gas to the town of Esperance; gas supply has now ceased in Esperance and customers were transitioned to electrical appliances.

We approved a substantial number of amendments to energy retailers' standard form contracts (16). This was to align the contracts with changes made by the State Government to the regulations that apply to these contracts and the changes made by the ERA to the *Code of Conduct for the Supply of Electricity to Small Use Customers*.

In 2022/23, we granted three new licences, amended four licences, renewed one licence and granted one licence transfer and 10 surrenders. In addition, 34 operational and performance audits and 27 asset management system reviews were completed. This included:

- performance audit of Alinta Energy's gas trading licence
- operational audit of the Water Corporation's water services licence.
- performance audit of Origin Energy's gas trading licence.
- performance audit of ATCO's gas distribution licence.
- performance audit of AGL's gas trading licence.

- asset management system review of the Rottnest Island Authority's water services licence.

### Utility services reports and data

Throughout the year the ERA collects data from energy retailers and distributors. On 30 January 2023, we released two annual data reports covering the 2021/22 financial year: 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. We also collect water, sewerage and irrigation performance data.

#### Retailer report

The annual energy retailer report included information on payment difficulties, customer debt, hardship programs, disconnections and reconnections and customer service.

In 2021/22, COVID-19 pandemic support measures continued to influence the experiences of residential customers. These measures included electricity and gas suppliers temporarily halting disconnections, increased access to instalment plans and hardship programs and residential customer electricity credits.

The number of electricity customers in hardship has returned to the levels observed prior to pandemic assistance measures and the number of gas customers in hardship is the highest ever reported. This increase appears due to the debt accrued by some customers while the pause in electricity and gas disconnections was in place. However, most hardship customers were successful in completing their repayment plan.

Average residential bill debt for non-hardship customers has increased for both electricity and gas retailers. At 30 June 2022, Synergy customers' average debt reached \$766, its highest level in six years, and Horizon Power customers' average debt reached \$974. Average bill debt for customers in hardship programs also remained higher than pre-pandemic levels.

#### Distributor report

The annual energy distributor report included information on system reliability, number of connections, gas consumption, streetlight repairs and customer complaints. 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 one terajoule of gas per year.

Western Power's reliability performance deteriorated in 2021/22 compared to the previous year. Overall, there was a seven per cent increase in customers experiencing extended interruptions (longer than 12 hours). Poor levels of service in some parts of Western Power's network was a particular area of focus in the ERA's review of Western Power's access arrangement. We will continue to monitor reliability, especially in the regions, through the access arrangement period which extends through to 2027.

Other energy distributors have generally met reliability standards. The gas distribution networks have consistently high reliability, with less than 0.1 per cent of ATCO's customers and none of Kleenheat or Esperance Power Station's customers experiencing an outage in the reporting period.

#### Water, sewerage and irrigation performance data

We publish consolidated performance data of water and sewerage supply schemes with less than 10,000 connections, and the State's three licensed irrigators covering a six-year period. This data was published in December 2022. Performance data for the 11 Western Australian water and sewerage supply schemes with over 10,000 connections is published by the Bureau of Meteorology.

## Gas access

The ERA approves and monitors compliance of access arrangements for three fully regulated pipelines in Western Australia: The Dampier to Bunbury Natural Gas Pipeline, Goldfields Gas Pipeline and the Mid-West and South-West Gas Distribution Systems. Access arrangements provide the prices and terms and conditions under which third party users can access the regulated pipelines to transport and receive gas. During 2022/23, we made decisions on the proposed reference services for the Goldfields Gas Pipeline and Mid-West and South-West Gas Distribution Systems for the next access arrangement periods commencing on 1 January 2025.

We also administer a light regulation framework to the Kalgoorlie to Kambalda Pipeline and enforce and monitor compliance with the information disclosure and arbitration framework for around 78 non-scheme gas pipelines.

## Gas Rate of Return Instrument review

The gas rate of return instrument is used to estimate the allowed rate of return for regulated gas transmission and distribution 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.

We conducted a detailed review of the gas rate of return instrument throughout 2021 and 2022. This review involved multiple rounds of consultation, workshops, the establishment of a Consumer Reference Group and the review of the draft determination by an independent panel of experts. The final Gas Rate of Return instrument was published on 16 December 2022.

## Rail access

In February 2020, the State Government announced that it would implement a suite of proposed changes intended to accelerate access negotiations and improve the efficiency of the access regime. When the reforms come into effect the ERA will be responsible for additional functions.

We are required to review the rail code every five years, and a review was due to commence in September 2019. We have placed this project on hold until the new regime is in place to avoid the unnecessary review of a system that will soon change.

In 2022/23, we updated the membership of the panel of arbitrators for rail access disputes and approved updated costs for routes provided by Arc Infrastructure to Cooperative Bulk Handling (CBH). This enables the audit of Arc's revenues associated with the regulated Access Agreement between Arc and CBH.

# Strengthen organisational culture

## Staff

In 2022/23, the ERA welcomed 21 new staff. New staff were provided with a comprehensive induction process which included one-on-one meetings with senior staff including the CEO.

The ERA prides itself on providing staff with opportunities to develop into highly skilled professionals who are widely considered experts in their fields. Our staff completed a range of training and professional development opportunities in areas including:

- Effective Stakeholder Engagement
- Project Management Fundamentals
- Introduction to Emotional Intelligence
- Acknowledge This! And Acknowledge That! training to support better understanding and authentically acknowledging Aboriginal culture.

The ERA maintains corporate memberships with relevant organisations such as the Australian Institute of Energy. We routinely send our staff to build their networks at industry conferences, such as the Energy in WA conference and the Utility Regulator's Forum. During 2022/23, the ERA sponsored events including the Australian Gender Economics Workshop in February 2023.

Like many organisations across the public and private sectors the ERA has faced labour market pressures. During 2022/23, we farewelled 20 staff who moved onto new opportunities. We thank them for their considerable contributions to the ERA, celebrate their success and look forward to crossing paths with them again in the future.



*I have been working in Australia for the past 35+ years, it's the first-time experienced a workplace promotes diversity, equity and demonstrates respect to all staff at all levels. I am so proud to be here! Happy Lunar New Year!*

**WEI, SENIOR ANALYST**

In conjunction with the McCusker Centre for Citizenship we hosted six interns. The interns came to the ERA from a range of degrees and worked closely with ERA staff on projects to support the activities of the organisation and provide interns with experience working in a modern public sector agency.



*Interning at the ERA has welcomed several new opportunities and is a joy. I've learnt a lot and expanded my skills, also knowing I'm making a difference in the community.*

**VARDA, INTERN**

## Staff survey

We survey staff every year to gauge staff satisfaction and to identify areas for improvement.

Overall, the November 2022 survey results were positive although there was some decrease in positivity of results from the previous survey. Overall, 73 per cent of staff indicated they are satisfied with their jobs and more than 82 per cent said if they had the choice again, they would choose to work at the ERA. Lower-level staff (Level 1-7) reported higher levels of satisfaction than staff of level 8 and above.

Other areas of strengths for the ERA evident in the staff survey results include:

- over 95 per cent of staff who responded believe that the Secretariat has a clear role
- over 91 per of staff who responded are satisfied with the level of flexible working arrangements on offer

- over 87 per cent of staff who responded believe that staff at all levels show care, respect and consideration for each other.

### Staff events

The ERA holds regular staff events to create connection, support organisational culture and celebrate the causes that are important to our staff. During 2022/23 events held included:

- Go Pink! Breast Cancer fundraiser and morning tea which raised more than \$1000 to fund breast cancer research.
- Diwali and Lunar New Year 2023 morning tea, where staff celebrated the rich cultural backgrounds of our staff.
- Monthly Coffee Roulette which encourages staff to get to know their colleagues from across the organisation.
- International Day for the Elimination of Racial Discrimination and Harmony Day, where our staff reflected on the work there is still to do to make sure all people are respected and included.
- International Women's Day morning tea and discussion which provided staff an opportunity to reflect on ingrained bias and what the ERA can do to contribute to gender equality.

- Reconciliation Week 2023 Virtual Breakfast viewing and morning tea where our staff took time to think about what they can do to support reconciliation and build relationships with the Aboriginal community.



*So grateful for everyone at the Economic Regulation Authority for engaging in small conversations in the kitchen, about big things that matter. Grateful to Michelle Groves for her encouragement and energy. Thankyou Jenness Gardner and Danielle Asarpota for letting me speak.*

**DEVIKA, SENIOR REGULATORY ANALYST ON INTERNATIONAL WOMEN'S DAY**

To maintain connection between staff while also embracing hybrid work options the ERA has implemented online initiatives including:

- "60 seconds with..." interviews with staff
- Pet Spotlight celebrating the pets that bring so much joy to our staff
- "Watch parties" (chat rooms where staff listening to the same webinar and can exchange thoughts) on a range of topics.

The ERA employee run Social Club continued to be active during 2022/23 and ran a number of events including an easter egg hunt, ice cream bars and the 2022 Christmas Party.

### Employee health and wellbeing

The ERA has a contract with PeopleSense to provide confidential counselling services to employees and their family members. PeopleSense provided 11 sessions in 2022/23.

We have offered staff the opportunity to participate in the following health and wellness initiatives during 2022/23:

- free flu vaccination
- meditation classes
- skin checks.

# Agency performance

## 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. These submissions help the Governing Body carry out its functions, including deciding on regulatory matters.

During 2022/23 the number of submissions provided to the Governing Body was below the target by 4%.

The timeliness value has matched the quality value of 3.41. Historically, the Governing Body gives consideration to the rating of submissions for quality but not timeliness. The Secretariat automatically applies the quality rating to the timeliness rating. Moving forward, the Governing Body will continue to focus on quality and the Secretariat will apply a rating of 3 - satisfactory for timeliness unless the Governing Body determine a different rating value.

The actual average cost per submission was lower than the target due to the costs being lower 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 2022/23

	2022/23 target <sup>1</sup>	2022/23 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	200	193	(7)
Rating by the Governing Body as to the content, accuracy and presentation of these submissions	3.0	3.4	0.4
Number of submissions provided by the required deadline (%)	100	100	-
Rating by the Governing Body as to their perception of the timeliness of submissions	3.0	3.4	0.4
<b>Key efficiency indicator</b>			
Cost per submission made to the Governing Body	\$78,400	\$75,072	(\$3,328)

(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.

<sup>1</sup> As specified in the Budget Statements.



## Financial performance

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

The 2022/23 Government published budget estimates allowed expenditure of \$15.68 million. Actual expenditure for 2022/23 was \$14.489 million or 92% per cent of the budget estimate. Total cost of services is lower than the budget: 60% of the underspend is due to employee benefits expense resulting from the inability to fill vacant positions in a timely manner.

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

### FINANCIAL PERFORMANCE – ACTUAL VERSUS BUDGET TARGETS 2022/23 (\$'000)

	<b>2022/23 Target \$'000</b>	<b>2022/23 Actual \$'000</b>	<b>Variation \$'000</b>
Total cost of services (expense limit)	15,680	14,489	(1,191)
Net cost of services	5,605	4,232	(1,373)
Total equity	8,705	10,329	1,624
Approved salary expense level	9,656	9,412	(244)

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

# Disclosures and legal compliance

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# Independent auditor's report



Auditor General

## INDEPENDENT AUDITOR'S REPORT

2023

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 2023, 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 2023 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.

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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 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 misstatements, 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 the State's financial reporting framework (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 the State's financial reporting framework during the year ended 30 June 2023.

#### 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 Engagement 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 2023. 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 Authority's performance and fairly represent indicated performance for the year ended 30 June 2023.

#### The Authority'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 controls as the Authority 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 Authority is responsible for identifying key performance indicators that are relevant and appropriate, having regard to their purpose in accordance with Treasurer's Instructions 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 management 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 ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, the Office of the Auditor General maintains a comprehensive system of quality management 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 2023, 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**

The auditor's report relates to the financial statements and key performance indicators of the Economic Regulation Authority for the year ended 30 June 2023 included in the annual report on the Authority's website. The Authority's management is responsible for the integrity of the Authority's website. This audit does not provide assurance on the integrity of the 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  
24 August 2023

## Financial statements

### Certification of financial statements

For the reporting period ended 30 June 2023

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 2023 and the financial position as at 30 June 2023.

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.



Mr Kevin Parry  
**Chief Finance Officer**

23 August 2023



Mr Steve Edwell  
**Chair of Accountable Authority**

23 August 2023



Ms Virginia Christie  
**Member of Accountable Authority**

23 August 2023



Ms Michelle Groves  
**Member of Accountable Authority**

23 August 2023

## Statement of comprehensive income

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Cost of services</b>			
<b>Expenses</b>			
Employee benefits expenses	2.1	10,307	9,862
Supplies and services	2.3	3,166	2,979
Depreciation and amortisation expenses	4.1, 4.2	49	50
Finance costs	6.2	1	1
Accommodation expenses	2.3	905	1,023
Grants and subsidies	2.2	5	-
Other expenses	2.3	56	91
<b>Total cost of services</b>		<b>14,489</b>	<b>14,006</b>
<b>Income</b>			
Regulatory fees	3.1	9,998	9,050
Interest income	3.3	233	13
Other income	3.3	26	18
<b>Total income</b>		<b>10,257</b>	<b>9,081</b>
<b>Net cost of services</b>		<b>(4,232)</b>	<b>(4,925)</b>
<b>Income from State Government</b>			
Service appropriation	3.2	1,657	900
Income from other public sector entities	3.2	4,030	4,037
Services received	3.2	19	159
<b>Total income from State Government</b>		<b>5,706</b>	<b>5,096</b>
<b>Surplus/(deficit) for the period</b>		<b>1,474</b>	<b>171</b>
<b>Total comprehensive income for the period</b>		<b>1,474</b>	<b>171</b>

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

## Statement of financial position

As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6.3	8,910	7,755
Restricted cash and cash equivalents	6.3	36	38
Receivables	5.1	3,542	3,687
Other current assets	5.3	640	591
<b>Total current assets</b>		<b>13,128</b>	<b>12,071</b>
<b>Non-current assets</b>			
Restricted cash and cash equivalents	6.3	229	189
Amounts receivable for services	5.2	399	399
Plant and equipment	4.1	146	179
Right of use assets	4.2	72	10
Other current assets	5.3	16	-
<b>Total non-current assets</b>		<b>862</b>	<b>777</b>
<b>Total assets</b>		<b>13,990</b>	<b>12,848</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	5.4	677	1,065
Lease liabilities	6.1	14	3
Employee related provisions	2.1(b)	2,490	2,488
<b>Total current liabilities</b>		<b>3,181</b>	<b>3,556</b>
<b>Non-current liabilities</b>			
Lease liabilities	6.1	59	8
Employee related provisions	2.1(b)	421	429
<b>Total non-current liabilities</b>		<b>480</b>	<b>437</b>
<b>Total liabilities</b>		<b>3,661</b>	<b>3,993</b>
<b>Net assets</b>		<b>10,329</b>	<b>8,855</b>
<b>Equity</b>			
Contributed equity		708	708
Accumulated surplus/(deficit)		9,621	8,147
<b>Total equity</b>		<b>10,329</b>	<b>8,855</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 2023

	Note	2023 \$'000	2022 \$'000
<b>Cash flows from State Government</b>			
Service appropriation		1,657	900
Funds from other public sector entities		4,403	3,777
Holding account drawdown		-	17
<b>Net cash provided by the State Government</b>		<b>6,060</b>	<b>4,694</b>
Utilised as follows:			
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee benefits		(10,258)	(10,094)
Supplies and services		(3,639)	(3,213)
Finance costs		(1)	(1)
Grants and subsidies		(5)	-
Accommodation		(905)	(881)
GST payments on purchases		(446)	(400)
Other payments		(56)	(91)
<b>Receipts</b>			
Regulatory fees		9,801	10,398
Interest received		208	13
GST receipts on sales		62	40
GST receipts from taxation authority		362	383
Other receipts		26	18
<b>Net cash provided by/(used in) operating activities</b>		<b>(4,851)</b>	<b>(3,828)</b>
<b>Cash flows from investing activities</b>			
<b>Payments</b>			
Purchase of non-current assets		-	(5)
<b>Net cash provided by/(used in) investing activities</b>		<b>-</b>	<b>(5)</b>
<b>Cash flows from financing activities</b>			
<b>Payments</b>			
Principal elements of lease payments		(16)	(10)
Return of monies to consolidated Funds		-	(17)
<b>Net cash provided by/(used in) financing activities</b>		<b>(16)</b>	<b>(27)</b>
Net increase/(decrease) in cash and cash equivalents		1,193	834
Cash and cash equivalents at the beginning of the period		7,982	7,148
<b>Cash and cash equivalents at the end of the period</b>	6.3	<b>9,175</b>	<b>7,982</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 2023

	Note	Contributed equity \$'000	Reserves \$'000	Accumulated surplus/(deficit) \$'000	Total equity \$'000
Balance at 1 July 2021		725	-	7,976	8,701
Total comprehensive income for the period		-	-	171	171
Distribution to Owner - Return of unspent capital funds		(17)	-	-	(17)
<b>Balance at 30 June 2022</b>		<b>708</b>	<b>-</b>	<b>8,147</b>	<b>8,855</b>
Balance at 1 July 2022		708	-	8,147	8,855
Total comprehensive income for the period		-	-	1,474	1,474
<b>Balance at 30 June 2023</b>		<b>708</b>	<b>-</b>	<b>9,621</b>	<b>10,329</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 2023

### 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 2023.

#### 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 - Simplified Disclosures
- 4) where appropriate, those Australian Accounting Standards paragraphs applicable for not-for-profit entities have been applied.

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

#### Basis of preparation

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

- (a) 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) receivables 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 Australian Accounting Standard 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)
Grants and subsidies	2.2
Other expenditure	2.3

#### 2.1(a) Employee benefits expenses

	2023 (\$'000)	2022 (\$'000)
Employee benefits	9,333	8,970
Superannuation - defined contribution plans	974	892
<b>Employee benefits expenses</b>	<b>10,307</b>	<b>9,862</b>
Add: AASB 16 non-monetary benefits (not included in employee benefits expense)	-	-
Less: Employee contributions (per note 3.3 Other income)	-	-
<b>Total employee benefits provided</b>	<b>10,307</b>	<b>9,862</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

	2023 (\$'000)	2022 (\$'000)
<b>Current</b>		
<i>Employee benefits provisions</i>		
Annual leave	1,002	1,036
Long service leave	1,481	1,445
	<b>2,483</b>	<b>2,481</b>
<i>Other provisions</i>		
Employment on-costs	7	7
<b>Total current employee related provisions</b>	<b>2,490</b>	<b>2,488</b>
<b>Non-current</b>		
<i>Employee benefits provisions</i>		
Long service leave	420	428
<i>Other provisions</i>		
Employment on-costs	1	1
<b>Total non-current employee related provisions</b>	<b>421</b>	<b>429</b>
<b>Total employee related provisions</b>	<b>2,911</b>	<b>2,917</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.

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 2.3 (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'.

	2023 (\$'000)	2022 (\$'000)
<b>Employment on-costs provision</b>		
<i>Carrying amount at start of period</i>	8	8
<i>Additional/(reversals of) provisions recognised</i>	-	-
<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 Grants and subsidies**

	2023 (\$'000)	2022 (\$'000)
<i>Recurrent</i>		
Australian Gender Economics Workshop	5	-
<b>Total grants and subsidies</b>	<b>5</b>	<b>-</b>

Transactions in which the ERA provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant or subsidy expenses'. These payments or transfers are recognised at fair value at the time of the transaction and are recognised as an expense in the reporting period in which they are paid. They include transactions such as grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

The ERA is not responsible for administering a government subsidy scheme.

## **2.3 Other expenditure**

	2023 (\$'000)	2022 (\$'000)
<b>Supplies and services</b>		
Communications	151	168
Consultants and contractors	1,460	1,928
Consumables	46	54
Equipment repairs and maintenance	12	9
Legal costs	795	272
Travel	76	5
Other supplies and services expenses	626	543
<b>Total supplies and services expenses</b>	<b>3,166</b>	<b>2,979</b>
<b>Accommodation expenses</b>		
Office rental	905	1,023
<b>Total accommodation expenses</b>	<b>905</b>	<b>1,023</b>
<b>Other expenses</b>		
Audit fee	36	35
Minor equipment	20	55
Miscellaneous other expenses	-	1
Expected credit losses expense	-	-
Employment on-costs	-	-
<b>Total other expenses</b>	<b>56</b>	<b>91</b>
<b>Total other expenditure</b>	<b>4,127</b>	<b>4,093</b>

**Supplies and services** expenses 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 income	3.3

#### 3.1 Regulatory fees

	2023 (\$'000)	2022 (\$'000)
Standing charges	2,942	3,121
Specific charges	19	25
Licence fees and charges	277	295
Regulatory market fees	6,695	5,582
Water audit cost recovery	65	27
	<b>9,998</b>	<b>9,050</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, are 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, are 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, are 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

	2023 (\$'000)	2022 (\$'000)
Appropriation received during the period:		
Service appropriation	1,657	900
<b>Total service appropriation</b>	<b>1,657</b>	<b>900</b>
Income received from other public sector entities during the period:		
Regulatory fees		
Standing charges	3,747	3,391
Specific charges	86	498
Licence fees and charges	46	46
Water audit cost recovery	151	102
<b>Total income received from other public sector entities</b>	<b>4,030</b>	<b>4,037</b>
Resources received from other State government agencies during the period:		
• Services received free of charge	19	159
<b>Total resources received</b>	<b>19</b>	<b>159</b>
<b>Total income from State Government</b>	<b>5,706</b>	<b>5,096</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 2023

	2023 Budget (\$'000)	2023 Supplementary Funding (\$'000)	2023 Revised Budget (\$'000)	2023 Actual (\$'000)	2023 Variance (\$'000)
<b>Delivery of services</b>					
Item 50 Net amount appropriated to deliver services	1,657	-	1,657	1,657	-
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>1,657</b>	<b>-</b>	<b>1,657</b>	<b>1,657</b>	<b>-</b>
<b>Capital</b>					
Capital appropriations	-	-	-	-	-
<b>Total consolidated account appropriations</b>	<b>1,657</b>	<b>-</b>	<b>1,657</b>	<b>1,657</b>	<b>-</b>

### 3.3 Other income

	2023 (\$'000)	2022 (\$'000)
Interest - bank <sup>(a)</sup>	233	13
Government vehicle scheme contributions from staff <sup>(b)</sup>	14	13
Miscellaneous revenue	12	5
	<b>259</b>	<b>31</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 payments 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 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 (\$'000)	Office equipment (\$'000)	Leasehold improvements (\$'000)	Total (\$'000)
<b>1 July 2022</b>				
Gross carrying amount	15	26	218	259
Accumulated depreciation	(15)	(11)	(54)	(80)
<b>Carrying amount at start of period</b>	<b>-</b>	<b>15</b>	<b>164</b>	<b>179</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(5)	(28)	(33)
<b>Carrying amount at end of period</b>	<b>-</b>	<b>10</b>	<b>136</b>	<b>146</b>
Gross carrying amount	15	26	218	259
Accumulated depreciation	(15)	(16)	(82)	(113)

#### 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 direct 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
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 to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the class of asset.

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 2023, there were no indications of impairment to plant and equipment.

## 4.2 Right-of-use assets

Year ended 30 June 2023	Vehicles (\$'000)
Carrying amount at start of period	10
Additions	78
Depreciation	(16)
Carrying amount as at end of period	72

The ERA has leases for vehicles. The lease contracts are vary between 5 and 6 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 as 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

	2023 (\$'000)	2022 (\$'000)
<b>Current</b>		
Trade receivables	1,717	1,477
Accrued revenue	1,647	2,039
GST receivable	178	171
<b>Total current</b>	<b>3,542</b>	<b>3,687</b>
<b>Total receivables at end of the period</b>	<b>3,542</b>	<b>3,687</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)

	2023 (\$'000)	2022 (\$'000)
Non-current	399	399
<b>Total receivables at end of the period</b>	<b>399</b>	<b>399</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

	2023 (\$'000)	2022 (\$'000)
<b>Current</b>		
Prepayments	640	591
<b>Total current</b>	<b>640</b>	<b>591</b>
<b>Non-current</b>		
Prepayments	16	-
<b>Total non-current</b>	<b>16</b>	<b>-</b>
<b>Total other assets at end of period</b>	<b>656</b>	<b>591</b>

## 5.4 Payables

	2023 (\$'000)	2022 (\$'000)
<b>Current</b>		
Trade payables	111	306
Other payables	37	38
Accrued expenses	306	538
Accrued salaries	217	162
GST payable	6	21
<b>Total payables at end of period</b>	<b>677</b>	<b>1,065</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

	2023 (\$'000)	2022 (\$'000)
Not later than one year	14	3
Later than one year and not later than five years	56	8
Later than five years	3	-
	<b>73</b>	<b>11</b>
Current	14	3
Non current	59	8
	<b>73</b>	<b>11</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.

	2023 (\$'000)	2022 (\$'000)
<b>Lease expenses recognised in the Statement of Comprehensive Income</b>		
Lease interest expense	1	1

#### 6.2 Finance costs

	2023 (\$'000)	2022 (\$'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

	2023 (\$'000)	2022 (\$'000)
Cash and cash equivalents	8,910	7,755
Restricted cash and cash equivalents	265	227
<b>Balance at end of period</b>	<b>9,175</b>	<b>7,982</b>

	2023 (\$'000)	2022 (\$'000)
<b>Restricted cash and cash equivalents</b>		
<i>Current</i>		
• Indian Ocean Territories <sup>(a)</sup>	36	38
<i>Non-Current</i>		
• Accrued salaries suspense account <sup>(b)</sup>	229	189

(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 into a Treasurer's special purpose 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

	2023 (\$'000)	2022 (\$'000)
Commitments for minimum lease payments are payable as follows:		
• Within 1 year	-	659
• Later than 1 year and not later than 5 years	-	-
	<b>-</b>	<b>659</b>

The ERA has not yet signed a memorandum of understanding for its accommodation lease for 2023-24 and the out years so it does not currently have an lease commitment.

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:

	2023 (\$'000)	2022 (\$'000)
Within 1 year	580	481
Later than 1 year and not later than 5 years	135	76
	<b>715</b>	<b>557</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 note 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:

	2023 (\$'000)	2022 (\$'000)
<b>Financial assets</b>		
Cash and cash equivalents	8,910	7,755
Restricted cash and cash equivalents	265	227
Financial assets at amortised cost <sup>(a)</sup>	3,763	3,915
<b>Total financial assets</b>	<b>12,938</b>	<b>11,897</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost <sup>(b)</sup>	671	1,044
<b>Total financial liabilities</b>	<b>671</b>	<b>1,044</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 (\$)	2023	2022
510,001 - 520,000	1	-
420,001 - 430,000	-	1
210,001 - 220,000	-	-
150,001 - 160,000	1	-
140,001 - 150,000	-	2
130,001 - 140,000 <sup>(a)</sup>	1	-
60,001 - 70,000 <sup>(b)</sup>	-	1
10,001 - 20,000 <sup>(c)</sup>	1	-
0 - 10,000 <sup>(c)</sup>	1	-

(a) Governing Body member commenced in August 2022.

(b) Governing Body member commenced in February 2022.

(c) Governing Body members finished at the ERA in July 2023.

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 (\$)	2023	2022
400,001 - 450,000	1	-
350,001 - 400,000	-	1
250,001 - 300,000	3	2
200,001 - 250,000	1	2
150,001 - 200,000	3	4
100,001 - 150,000	2	-
50,001 - 100,000 <sup>(a)</sup>	1	-
0 - 50,000 <sup>(b)</sup>	-	4

(a) Employee finished at the ERA in October 2022.

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

No senior officers are members of the Pension Scheme.

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

	2023 (\$'000)	2022 (\$'000)
Short-term employee benefits	2,734	2,880
Post-employment benefits	264	246
Other long-term benefits	78	72
<b>Total compensation of key management personnel</b>	<b>3,076</b>	<b>3,198</b>

Total compensation includes the superannuation expense incurred by the ERA in respect of the Governing Body and senior officers.

### 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).
- 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:

	2023 (\$'000)	2022 (\$'000)
Auditing the accounts, financial statements, controls and key performance indicators	40	36

#### 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.

	2023 (\$'000)	2022 (\$'000)
Balance at start of period	38	43
Receipts	-	-
Payments	(2)	(5)
<b>Balance at end of period</b>	<b>36</b>	<b>38</b>

##### (b) Write-offs

During the financial year, the following amounts were written off the ERA's books under the authority of:

	2023 (\$'000)	2022 (\$'000)
The accountable authority	6	-
The Minister	-	-
The Treasurer	-	-
	<b>6</b>	<b>-</b>

## 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 2023, and between the actual results for 2023 and 2022 are shown below. Narratives are provided for key major variances, which vary more than 10% from their estimates or comparative and that the variation is more than 1% of the:

Total cost of services for the previous year for the Statement of comprehensive income and Statement of cash flows (i.e. 1% of \$14,006,000).

Total assets for the previous year for the Statement of financial position (i.e. 1% of \$12,848,000).

### 9.1.1 Statement of Comprehensive Income variances

	Variance note	Estimate 2023 (\$'000)	Actual 2023 (\$'000)	Actual 2022 (\$'000)	Variance between estimate and 2023 actual (\$'000)	Variance between actual results for 2023 and 2022 (\$'000)
<b>Statement of Comprehensive Income</b>						
<b>Expenses</b>						
Employee benefits expense	1, A	11,019	10,307	9,862	(712)	445
Supplies and services	2	3,546	3,166	2,979	(380)	187
Depreciation and amortisation expense		97	49	50	(48)	(1)
Finance costs		7	1	1	(6)	-
Accommodation expenses	B	973	905	1,023	(68)	(118)
Grants and subsidies		-	5	-	5	5
Other expenses		38	56	91	18	(35)
<b>Total cost of services</b>		<b>15,680</b>	<b>14,489</b>	<b>14,006</b>		
<b>Income</b>						
Regulatory fees	C	9,990	9,998	9,050	8	948
Interest revenue	3, D	51	233	13	182	220
Other income		34	26	18	(8)	8
<b>Total income other than income from State Government</b>		<b>10,075</b>	<b>10,257</b>	<b>9,081</b>		
<b>NET COST OF SERVICES</b>		<b>(5,605)</b>	<b>(4,232)</b>	<b>(4,925)</b>		
<b>Income from State Government</b>						
Service appropriation	E	1,657	1,657	900	-	757
Income from other public sector entities	4	3,733	4,030	4,037	297	(7)
Resources received	5, F	266	19	159	(247)	(140)
<b>Total income from State Government</b>		<b>5,656</b>	<b>5,706</b>	<b>5,096</b>		
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>51</b>	<b>1,474</b>	<b>171</b>		
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>51</b>	<b>1,474</b>	<b>171</b>		

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

#### **Major estimate and actual (2023) variance narratives**

1. Variances to actual costs were driven by the tight labour market and the inability to fill vacant roles in a timely manner.
2. The variance was a result of delays in projects mainly due to the reduced staffing to commence and manage the projects when required.
3. The ERA is able to retain any earnings on its bank account and with the recent increases in interest rates from 0.1% to 3.8%, the interest earned is greater than the estimate.
4. 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 and this was finished in 2022/23. 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.
5. The anticipated Resources Received Free of charge reduced as more legal work was performed in house and not by the State Solicitors Office and the Albert Facey Office fit out asset ended its depreciable life. This asset is held in the Department of Finance books and on charges the appropriate depreciation as Resources Free of Charge to the ERA.

#### **Major actual (2023) and comparative (2022) variance narratives**

- A. During 2023 Public Sector wages increased by 3% as well as a one off Cost of Living bonus which resulted in salaries increasing above the previous year.
- B. The ERA Accommodation expense decrease is a result of the fit out being fully depreciated which is part of the Department of Finance Free of charge expense.
- C. 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 varies each year and consequently the split of income between the public sector and private entities will vary accordingly. This year private sector work was greater than the previous year.
- D. The ERA is able to retain any earnings on its bank account and with the recent increases in interest rates, the interest earned is greater than previous years.
- E. 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.
- F. The reduction in State Solicitor fees and Depreciation provided by the State Solicitor and the Department of Finance has resulted in the reduction in Resources free of charge.



### 9.1.2 Statement of Financial Position variances

	Variance notes	Estimate 2023 (\$'000)	Actual 2023 (\$'000)	Actual 2022 (\$'000)	Variance between estimate and 2023 actual (\$'000)	Variance between actual results for 2023 and 2022 (\$'000)
<b>Statement of Financial Position</b>						
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	1, A	6,763	8,910	7,755	2,147	1,155
Restricted cash and cash equivalents		43	36	38	(7)	(2)
Receivables	2	4,815	3,542	3,687	(1,273)	(145)
Amounts receivable for services		-	-	-	-	-
Other current assets	3	175	640	591	465	49
<b>Total current assets</b>		<b>11,796</b>	<b>13,128</b>	<b>12,071</b>		
<b>Non-current assets</b>						
Restricted cash and cash equivalents		183	229	189	46	40
Amounts receivable for services	0	416	399	399	(17)	-
Plant and equipment	4	220	146	179	(74)	(33)
Right of use assets		-	72	10	72	62
Other non-current assets		25	16	-	(9)	16
<b>Total non-current assets</b>		<b>844</b>	<b>862</b>	<b>777</b>		
<b>TOTAL ASSETS</b>		<b>12,640</b>	<b>13,990</b>	<b>12,848</b>		
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables	B	766	677	1,065	(89)	(388)
Lease liabilities		10	14	3	4	11
Employee related provisions	5	2,713	2,490	2,488	(223)	2
Other accruals		12	-	-	(12)	-
<b>Total current liabilities</b>		<b>3,501</b>	<b>3,181</b>	<b>3,556</b>		
<b>Non-current liabilities</b>						
Lease liabilities		-	59	8	59	51
Employee related provisions		434	421	429	(13)	(8)
<b>Total non-current liabilities</b>		<b>434</b>	<b>480</b>	<b>437</b>		
<b>TOTAL LIABILITIES</b>		<b>3,935</b>	<b>3,661</b>	<b>3,993</b>		
<b>NET ASSETS</b>		<b>8,705</b>	<b>10,329</b>	<b>8,855</b>		
<b>EQUITY</b>						
Contributed equity		725	708	708	(17)	-
Accumulated surplus/(deficit)		7,980	9,621	8,147	1,641	1,474
<b>TOTAL EQUITY</b>	6, C	<b>8,705</b>	<b>10,329</b>	<b>8,855</b>		

#### **Major estimate and actual (2023) 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 chargeable hours so the requirement for the Service Appropriation was reduced but due to the timing the ERA was unable to reduce the claim with the Department of Treasury.
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. Additionally, the number of outstanding invoices has reduced.
3. Prepayments for the 2022/23 financial year are higher than budgeted as the 2022/23 annual invoices for the ERA's insurance & energy markets modelling software were both received in June rather than July.
4. The ERA disposed of its computer servers in 2022 and transitioned to the Cloud so there is a reduction in the asset value compared to the estimate.
5. The leave provision has reduced as a result of larger than anticipated staff turnover.
6. Equity increased from the estimate due to the additional revenue received over and above the expenses.

#### **Major actual (2023) and comparative (2022) variance narratives**

- A. Cash has increased in 2022/23 due to a decrease in the amount spent on employee costs and supplies and services and the retention of the Service Appropriation for 2022-23.
- B. The decrease in Payables from 2022 to 2023 is representative of the decrease in expenses for Western Power Access Arrangement 5. The amount of payables will vary year to year depending on the timing of regulatory work.
- C. The growth from the previous year was due to the Service Appropriation which was taken in full in 2022/23 compared to the previous year when only the portion required was taken.

### 9.1.3 Statement of Cash Flows variances

	Variance notes	Estimate 2023 (\$'000)	Actual 2023 (\$'000)	Actual 2022 (\$'000)	Variance between estimate and 2023 actual (\$'000)	Variance between actual results for 2023 and 2022 (\$'000)
<b>Statement of Cash Flows</b>						
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriation	A	1,657	1,657	900	-	757
Funds from other public sector entities	1, B, D	3,741	4,403	3,777	662	626
Holding account drawdown		-	-	17	-	(17)
<b>Net cash provided by State Government</b>		<b>5,398</b>	<b>6,060</b>	<b>4,694</b>		
<b>Utilised as follows:</b>						
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee benefits	2	(11,058)	(10,258)	(10,094)	800	(164)
Supplies and services	3, C	(3,246)	(3,639)	(3,213)	(393)	(426)
Finance costs		(11)	(1)	(1)	10	-
Grants and subsidies		-	(5)	-	(5)	(5)
Accommodation		(988)	(905)	(881)	83	(24)
GST payments on purchases	4	(327)	(446)	(400)	(119)	(46)
Other payments		(28)	(56)	(91)	(28)	35
<b>Receipts</b>						
Regulatory fees		9,975	9,801	10,398	(174)	(597)
Interest received	5, D	51	208	13	157	195
GST receipts on sales		60	62	40	2	22
GST receipts from taxation authority	6	229	362	383	133	(21)
Other receipts		34	26	18	(8)	8
<b>Net cash provided by/(used in) operating activities</b>		<b>(5,309)</b>	<b>(4,851)</b>	<b>(3,828)</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Payments</b>						
Purchase of non-current physical assets		-	-	(5)	-	5
<b>Net cash provided by/(used in) investing activities</b>		<b>-</b>	<b>-</b>	<b>(5)</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Payments</b>						
Principal elements of lease payments		(37)	(16)	(10)	21	(6)
Return of monies to consolidated Funds		-	-	(17)	-	17
Net increase/(decrease) in cash and cash equivalents		52	1,193	834		
Cash and cash equivalents at the beginning of period		6,937	7,982	7,148		
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>		<b>6,989</b>	<b>9,175</b>	<b>7,982</b>		

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

#### **Major estimate and actual (2023) variance narratives**

1. The ERA is funded through a regulatory fee system which involves some public sector entities. During 2022/23 time allocations used to calculate the fee increased for the public sector agencies mainly as a result of the Energy Review Board investigation.
2. Employee benefits were lower than the estimate due to the inability to fill vacant positions in a timely manner due to the tight labour market.
3. The estimate for Supplies and Services did not anticipate the impact of the Synergy Investigation on legal costs.
4. The GST Payments on purchases corresponds with the amount of taxable items procured. The additional legal costs for the Synergy Investigation increased the amount of GST paid.
5. The ERA is able to retain any earnings in its bank account and with the recent increases in interest rates, the interest earned is greater than previous years and the estimate.
6. 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 (2023) and comparative (2022) variance narratives**

- A. The ERA's approved appropriation is 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. During 2022-23 it was expected that June expenditure was going to be higher so the full appropriation was taken.
- B. The Service costs to public sector agencies varies with the amount of work required during the year. The 2022/23 year had additional work on the Synergy inquiry which was charged to the appropriate agencies.
- C. 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 more than a year ago, the Board did not make its decision until early 2023 so further legal costs were incurred in 2022/23.
- D. The ERA is able to retain any earnings on its bank account and with the recent increases in interest rates from 0.1% to 3.8%, the interest earned is greater than previous years and the estimate.

### **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 2023.



Mr Kevin Parry  
**Chief Finance Officer**

23 August 2023



Mr Steve Edwell  
**Chair of Accountable Authority**

23 August 2023



Ms Virginia Christie  
**Member of Accountable Authority**

23 August 2023



Ms Michelle Groves  
**Member of Accountable Authority**

23 August 2023

# 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 by maintaining 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.”

As embedded in our strategic plan we contribute to this goal through our purpose “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.

## 2022/23 performance – Effectiveness

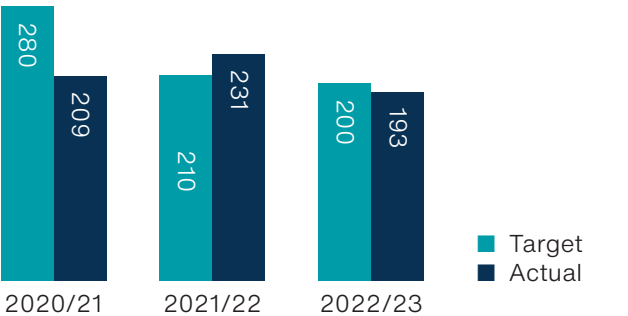
### Quantity

The Governing Body considered 193 submissions during 2022/23. The Governing Body met 22 times during the year and considered 123 submissions and a further 70 submissions were reviewed out of session electronically.

The total number of submissions were 193 to the 2022/23 target of 200. 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)



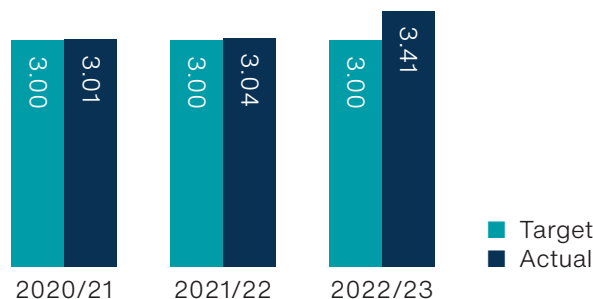
## Quality

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 2022/23, the average rating for quality of submissions was 3.41. This was a 13.6% improvement over the target and 12.2% improvement on the 2021/22 rating of 3.04.

### QUALITY (SUBMISSIONS)



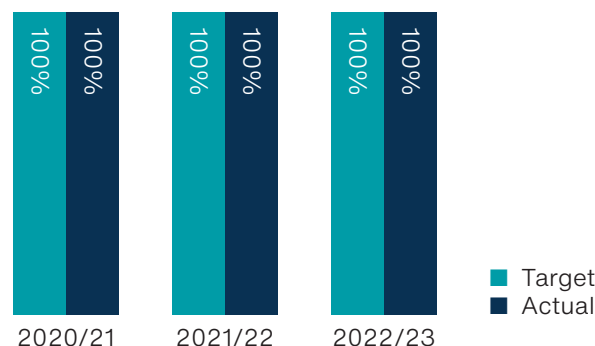
<sup>1</sup> Rating scale: One = well below expectations, two = below expectations, three = satisfactory, four = above expectations and five = well above expectations.

## Timeliness – Legislative deadlines achieved

In 2022/23, 46 of the 193 submissions were for decisions with legislative time limits, compared to 39 out of 231 submissions in 2021/22.

All submissions with legislative deadlines were completed on time.

### TIMELINESS (LEGISLATIVE DEADLINES ACHIEVED)



## Timeliness – Governing Body rating<sup>2</sup>

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

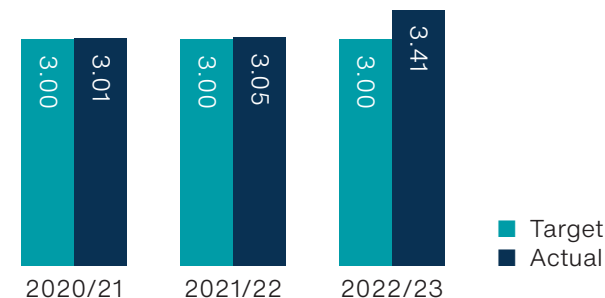
The Governing Body rates each submission for timeliness, using the same scale of one to five used for quality, at each meeting.

<sup>2</sup> Timeliness rating is assessed with the quality rating. The Governing Body will be reconsidering the valuation process.

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 3.41, which was above the 2022/23 target of 3.0.

### TIMELINESS – GOVERNING BODY RATING



## Key efficiency indicator

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.

## 2022/23 performance – Efficiency

The total cost of the ERA's operations for 2022/23 was \$14.489 million, compared to an expenditure limit of \$15.680 million published in the budget estimates.



## Ministerial directives

The reduced expenditure is a result of the tight labour market and the inability to retain staff.

There were 193 submissions compared to the target of 200.

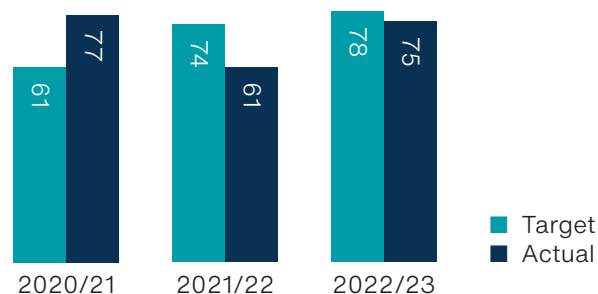
The average cost per submission was \$75,072 against the target of \$78,400. The actual average cost per submission was lower than the target due to reduced employee benefits expenditure resulting from the tight labour market and the inability to retain staff in this market and general underspends in Supplies and Services and Accommodation.

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 2022/23.

	2020/21 Actual	2021/22 Actual	2022/23 Target	2022/23 Actual
Cost of services (\$ million)	16.119	14.007	15.680	14.489
Number of submissions	209	231	200	193
Average cost of submission (\$'000)	77	61	78.4	75.1

### AVERAGE COST (PER SUBMISSION)



# Other financial disclosures

## Pricing policies of services provided

The ERA receives funding from regulated industries. This funding is on a full cost recovery basis. Appendix 3 provides information about the instruments that allow this funding, the types of charges that can be made, and who is to pay.

## Capital works

The ERA had no capital works expenditure in 2022/23.

### CAPITAL WORKS 2022/23

	Amount \$'000 (exc 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*.

There were no industrial disputes recorded during 2022/23.

At 30 June 2023, the ERA employed 64 public sector staff, three Governing Body members and a Chief Executive Officer.

### STAFF NUMBERS BY CATEGORY OF EMPLOYMENT 2022/23

Employment category	Number of staff at 30 June 2022	Number of staff at 30 June 2023
Permanent full-time	49	52
Permanent part-time	9	4
Part-time measured on an FTE basis	6.8	4.2
Fixed term full-time	7	6
Fixed term part-time	1	2
<b>Total employees</b>	<b>66</b>	<b>64</b>
<b>Total FTE</b>	<b>62.8</b>	<b>62.2</b>

### STAFF NUMBERS BY GENDER 2022/2023

Employment category	Male	Female	Total
Permanent full-time	26	26	52
Permanent part-time	0	4	4
Part-time measured on an FTE basis	0.8	3.4	4.2
Fixed term full-time	3	3	6
Fixed term part-time	1	1	2
<b>Total employees</b>	<b>30</b>	<b>34</b>	<b>64</b>
<b>Total FTE</b>	<b>29.8</b>	<b>32.4</b>	<b>62.2</b>

Note: figures do not include staff on periods of extended leave.

## 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*.

No compensation cases were filed in 2022/23 and no cases were finalised.

# Other legal requirements

## Unauthorised use of credit cards

Officers of the ERA hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations annually under the ERA's credit card policy, two employees inadvertently utilised the corporate credit card for 1) parking at an event that they were not attending in an official capacity and 2) a taxi fare. The matter was not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount, and, that the nature of the expenditure was immaterial and characteristic of an honest mistake.

## UNAUTHORISED USE OF CREDIT CARDS 2022/23

	2023 \$
Number of instances the Western Australian Government Purchasing Cards have been used for personal purposes	2
Aggregate amount of personal use expenditure for the reporting period	44.48
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	Nil
Aggregate amount of personal use expenditure settled after the period (after 5 working days)	44.48
Aggregate amount of personal use expenditure remaining unpaid at the end of the reporting period	Nil
<b>Number of referrals for disciplinary action instigated by the notifiable authority during the reporting period</b>	<b>Nil</b>

## 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 2022/23

Expenditure	Service provider	Amount
Advertising	State Law Publisher	\$5,576.49
Advertising	Department of the Premier and Cabinet	\$13,157.54
Advertising	Initiative Media Australia Pty Ltd	\$5,305.79
Market research	Nil	Nil
Direct mail	Nil	Nil
Media advertising	Nil	Nil
<b>Total</b>		<b>\$24, 039.82</b>

## Disability access and inclusion plan outcomes

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

In early 2023, we commenced work on a new plan. While development of this plan is being finalised, the ERA continues to report on progress against the previous DAIP.

### 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.

### Compliance with public sector standards and ethical codes

The ERA is committed to promoting integrity and 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
- risk management
- sharing culture online training module from Public Sector Commission.

### PUBLIC SECTOR STANDARDS COMPLIANCE ISSUES 2022/2023

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

### Recordkeeping plans

The current ERA Record Keeping Plan is compliant with the requirements of the *State Records Act 2000*. All our staff are provided with a comprehensive records induction as part of the broader induction program.

### Complaints handling

The ERA may receive complaints in relation to 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 2022/23.

# Government policy requirements

## Workplace 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.

### PERFORMANCE AGAINST WORKPLACE SAFETY AND HEALTH TARGETS IN 2022/23

Indicator	2022/23 target	2022/23 actual
Number of fatalities	0	0
Lost time injury/disease incidence rate (%) <sup>[1]</sup>	0	0
Lost time injury severity rate (%) <sup>[2]</sup>	0	N/A
Percentage of injured workers returned to work within: (%)	100%	N/A
1. 13 weeks		
2. 26 weeks		
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities (%)	Greater than or equal to 80%	90%

[1] 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.

[2] 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 Work Health and Safety Committee meets regularly, conducts regular inspections of the workplace and regularly reminds staff to report any incidents or hazard.

## Board and committee remuneration

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

### RENUMERATION 2022/23 – ERA GOVERNING BODY

Position	Name	Type of remuneration	Period of membership	Gross remuneration in 2022/23 (\$)
Chair	Stephen Edwell	Annual	1/07/22 – 30/06/23	421,945
Member	Virginia Christie	Annual	1/07/22 – 30/06/23	135,644
Member	Michelle Groves	Annual	1/08/22 – 30/06/23	122,665
Member	Ray Challen	Annual	1/07/22 – 30/07/22	12,983
Member	Greg Watkinson	Annual	1/07/22 – 3/07/22	3,063
<b>Total</b>				<b>696,300</b>

## Shares

As at 30 June 2023, 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.

## Conflict of Interest

The ERA Code of Conduct and Fraud and Corruption Control Plan requires all employees to ensure that their private interests do not conflict, or appear to conflict, with our professional duties.

Where a conflict of interest (whether actual, potential or perceived) is identified, strict procedures must be followed, including declaration to the Director Corporate Services. Where necessary, steps are put in place to ensure employees with interests in external parties are not involved in making any decisions in relation to that party.

The ERA published a Statement of business ethics on its website which sets out the expected standards for doing business with the ERA, including the ethical standards we

uphold.

## WA Multicultural Policy Framework

The ERA Multicultural Plan aligns with the WA Multicultural Policy Framework and sets out actions for the ERA to take to contribute to the policy priorities:

- harmonious and inclusive communities
- culturally responsive policies, programs and services
- economic, social, cultural, civic and political participation.

All staff were encouraged to complete the online cultural competency as part of their induction process.

More than 42 per cent of our staff come from culturally diverse backgrounds. We celebrated a variety of events throughout the year that represent the diverse cultural backgrounds of our staff including Diwali, Lunar New Year and Harmony Week.

## Substantive equality

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

# Appendices

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# Appendix 1: Enabling legislation

The ERA was established by the *Economic Regulation Authority Act 2003*. This Act gives us the function to carry out economic 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's Act also allows for the ERA to be given functions under other Acts of Parliament. The enactments that currently have effect are:

- *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013*
- *Electricity Industry Act 2004*
- *Energy Industry (Rule Change Panel) Regulations 2016*
- *Gas Services Information Act 2012*
- *Electricity Industry (Pilbara Networks) Regulations 2021*

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

- *Code of Conduct for the Supply of Electricity to Small Use Customers 2022*
- *Gas Marketing Code of Conduct 2017*
- *Water Services Code of Conduct (Customer Services Standards) 2018*

The following pieces of legislation allow the ERA to recover funding from the industries we regulate:

- *Economic Regulation Authority (Railways Access Funding) Regulations 2019*
- *Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012*
- *Economic Regulation Authority (Licensing Funding) Regulations 2014*
- *Economic Regulation Authority (National Gas Access Funding) Regulations 2009*
- *Wholesale Electricity Market Rules (Rule 2.24.5)*
- *Gas Services Information Rules (Rule 110A)*
- *Retail Market Procedures (WA) (Procedure 362B)*

Other legislation affecting the ERA's activities:

- *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 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.*
- *Railways (Access) Code 2000*
- *Water Services Regulations 2013*

# Appendix 2: Decisions and publications

## DECISIONS AND PUBLICATIONS 2022/23

Date	Document
<b>July 2022</b>	
1/7/2022	Notice - Western Power's fifth access arrangement review - Consultation
8/7/2022	Notice - 2022 Consumer Price Index adjustments - Electricity Networks Access Code 2004
19/7/2022	Notice - Northern Star (Power) Pty Ltd - Surrender of electricity distribution licence EDL4 and electricity retail licence ERL9
19/7/2022	Notice - Western Power's technical rules - Updated list of exemptions
20/7/2022	Notice - Gas compliance reporting manual 2022
21/7/2022	Notice - FRWF Stage 1 Pty Ltd - Decision to grant electricity generation licence
25/7/2022	Notice - Gas access arrangement guideline - Publication of revised guideline
28/7/2022	Notice - Bluewaters Power 1 Pty Ltd - Decision to renew electricity retail licence ERL12
28/7/2022	Notice - Western Power's fifth access arrangement review - Publication of submissions
29/7/2022	Notice - Triennial review of the effectiveness of the Wholesale Electricity Market 2022 - Release of Discussion paper - Invitation for submissions
31/7/2022	Notice - Wholesale Electricity Market Rules and Gas Services Information Rules - Publication of Compliance Report
<b>Aug 2022</b>	
1/8/2022	Notice - Peel Renewable Energy Pty Ltd - 2022 performance audits and asset management system review
4/8/2022	Notice - Determination of 2022 Weighted Average Cost of Capital for rail networks - Publication of 2022 determination
9/8/2022	Notice - 2019 Audit and review guidelines - Amendments to section on confidential information
23/8/2022	Notice - Minimum STEM price review 2022 - Release of final determination report
24/8/2022	Notice - 2022 Gas rate of return instrument - Publication of Independent Panel report and extension of deadline for submissions
25/8/2022	Notice - Wesfarmers Kleenheat Gas Pty Ltd - 2022 performance audit
29/8/2022	Notice - Aqua Ferre (Muchea) Pty Ltd (trading as Muchea Water) - 2022 Operational audit and asset management system review
30/8/2022	Notice - Guideline on Australian Energy Market Operator's allowable revenue and forecast capital expenditure - Consultation
30/8/2022	Notice - Merredin Project Company Pty Ltd - Decision on electricity generation licence transfer application
<b>Sept 2022</b>	
6/9/2022	Notice - Water Code Consultative Committee - Appointment of members for 2022-2025 term
9/9/2022	Notice - Western Power's fifth access arrangement review - Draft Decision
14/9/2022	Notice - 2022 gas rate of return instrument review - Publication of submissions on the 2022 Draft gas instrument and the Independent Panel Report
15/9/2022	Notice - Reference service proposal for the Mid-West and South West Gas Distribution Systems - Invitation for public submissions
16/9/2022	Notice - FRWF Stage 1 Pty Ltd - Minor amendment to electricity generation licence EGL31
16/9/2022	Notice - Landfill Gas and Power Pty Ltd - Surrender of electricity retail licence ERL11

Date	Document
21/9/2022	Notice - Publication of Guideline for regulatory financial reporting on the Australian Energy Market Operator's Western Australian services and functions
27/9/2022	Notice - Publication of ECCC Advice on ERA draft decision - Electricity Code review 2019 to 2022
29/9/2022	Notice - Proposal guideline for Australian Energy Market Operator's allowable revenue funding submission - Consultation
<b>Oct 2022</b>	
5/10/2022	Notice - Benchmark reserve capacity price 2025/26 - Publication of Draft determination - Invitation for public submissions
11/10/2022	Notice - BEI WWF Pty Ltd as Trustee for the WWF Trust 2022 - Performance audit and asset management system review
12/10/2022	Notice - Panel of Arbitrators for Rail Access Disputes - Update of panel members
17/10/2022	Notice - AGL Sales Pty Ltd - 2022 performance audit
20/10/2022	Notice - Reference service proposal for the Mid-West and South-West Gas Distribution Systems - Publication of submissions
28/10/2022	Notice - Publication of Guideline to inform the Australian Energy Market Operator's funding proposal
31/10/2022	Notice - Alinta Cogeneration (Pinjarra) Pty Ltd - 2022 performance audit and asset management system review
31/10/2022	Notice - Alinta Cogeneration (Wagerup) Pty Ltd - 2022 performance audit and asset management system review
<b>Nov 2022</b>	
4/11/2022	Notice - Alinta DEWAP Pty Ltd - 2022 performance audit and asset management system review
4/11/2022	Notice - Karara Power Pty Ltd - 2022 performance audit and asset management system review
4/11/2022	Notice - South32 Worsley Alumina Pty Ltd - 2022 performance audit and asset management system review
4/11/2022	Notice - Western Power's fifth access arrangement review - Publication of material from draft decision public forum
7/11/2022	Notice - Synergy - Type 1 licence contravention
8/11/2022	Notice - Western Power - 2021/22 Service Standard Performance Report
10/11/2022	Notice - Goldfield Gas Pipeline (GGP) Annual Reference Tariff Variation - 1 Jan 2023 - Publication Notice
11/11/2022	Notice - Yandin WF Pty Ltd as Trustee for Yandin WF Unit Trust - 2022 performance audit and asset management system review
14/11/2022	Notice - Dampier to Bunbury Natural Gas Pipeline (DBNGP) Annual Reference Tariff Variation - 1 Jan 2023 - Publication Notice
14/11/2022	Notice - Reference service proposal for the Mid-West and South West Gas Distribution Systems - Decision
15/11/2022	Notice - Gascoyne Water Cooperative Ltd - 2022 operational audit and asset management system review
15/11/2022	Notice - Publication of report on the Economic Regulation Authority's compliance for 2021/22
15/11/2022	Notice - Western Power's fifth access arrangement review - Western Power's response to the draft decision
18/11/2022	Notice - Synergy - Minor amendments to electricity generation licence EGL7
22/11/2022	Notice - ATCO Gas Australia Pty Ltd - 2022 performance audit
25/11/2022	Notice - TEC Hedland Pty Ltd - 2022 performance audit and asset management system review
28/11/2022	Notice - NewGen Power Kwinana Pty Ltd - 2022 asset management system review

Date	Document
29/11/2022	Notice - Electricity Review Board finds Synergy's pricing behaviour in breach of the market rules
29/11/2022	Notice - Mid-West and South-West Gas Distribution Systems Annual Reference Tariff Variation - 1 Jan 2023 - Publication Notice
30/11/2022	Notice - Publication of Triennial review of the effectiveness of the Wholesale Electricity Market 2022
<b>Dec 2022</b>	
2/12/2022	Notice - Energy Price Limits 2022 - Publication of Draft determination – Invitation for public submissions
5/12/2022	Notice - Origin Energy Retail Limited - 2022 performance audit
6/12/2022	Notice - Flat Rocks One Wind Farm Pty Ltd - Surrender of electricity generation licence EGL31
8/12/2022	Notice - Publication ERA final decision - New Code of Conduct for the Supply of Electricity to Small Use Customers 2022
8/12/2022	Notice - Water supply, sewerage and irrigation performance data 2017 to 2022
13/12/2022	Notice - Rottnest Island Authority - 2022 Asset management system review
16/12/2022	Notice - 2022 gas rate of return instrument review - Publication of final gas instrument and explanatory statement
19/12/2022	Notice - Western Power's fifth access arrangement review - Publication of submissions
20/12/2022	Notice - Alcoa of Australia Pty Ltd - 2022 performance audit and asset management system review
21/12/2022	Notice - Benchmark Reserve Capacity Price 2025/26 - Publication of Final determination
22/12/2022	Notice - Goldfields Power Pty Ltd - 2022 performance audit and asset management system review
23/12/2022	Notice – Market power mitigation - Publication of draft offer construction guidelines – Invitation for public submissions
<b>Jan 2023</b>	
3/1/2023	Notice - Electricity and gas compliance reporting manuals 2023
3/1/2023	Notice - Standard form contracts approved for three licensees - AGL Sales Pty Ltd, Electricity Generation and Retail Corporation (t/a Synergy) and Wesfarmers Kleenheat Gas Pty Ltd
4/1/2023	Notice - Southern Cross Energy Partnership - 2022 performance audit and asset management system review
6/1/2023	Notice - Standard form contract - Perdaman Energy Retail Pty Ltd
11/1/2023	Notice - Walkaway Wind Power Pty Ltd - Surrender of electricity generation licence EGL2
16/1/2023	Notice - Water Corporation - 2022 Operational audit
19/1/2023	Notice - CleanTech Energy Pty Ltd (t/a Delorean Energy Retail) - Minor amendment to electricity retail licence ERL24
19/1/2023	Notice - Western Power's fifth access arrangement review - Further access arrangement information on revised proposal
20/1/2023	Notice - Determination of Margin Values and Cost_LR parameters for 2023/24 - Invitation for submissions
23/1/2023	Notice - Energy Price Limits 2022 - Publication of Final determination
24/1/2023	Notice - Financial Hardship Policy Guidelines for electricity licences
30/1/2023	Notice - Annual data reports 2021/22 - Energy retailers and distributors
31/1/2023	Notice - Wholesale Electricity Market Rules and Gas Services Rules - Publication of Compliance Report

Date	Document
<b>Feb 2023</b>	
3/2/2023	Notice - Mumbida Wind Farm Pty Ltd - Surrender of electricity generation licence EGL24
10/2/2023	Notice - Esperance Gas Distribution Company Pty Ltd - 2022 performance audit
10/2/2023	Notice - Reference service proposal for the Goldfields Gas Pipeline - Invitation for public submissions
10/2/2023	Notice - Standard form contract - Origin Energy Retail Ltd
14/2/2023	Notice - Esperance Power Station Pty Ltd - 2022 asset management system review
21/2/2023	Notice - Alcoa of Australia Limited - Surrender of electricity generation licence EGL14
22/2/2023	Notice - Perth Energy Pty Ltd - Approval of amendments to standard form contracts
22/2/2023	Notice - Regional Power Corporation (t/a Horizon Power) - Approval of amendments to standard form contract
23/2/2023	Notice - IPower Pty Ltd and IPower 2 Pty Ltd (t/a Simply Energy) - Approval of amendments to standard form contract
23/2/2023	Notice - Ocean Reef Renewable Energy Pty Ltd - Consultation on electricity distribution and retail licence applications
24/2/2023	Notice - Change Energy Pty Ltd - Approval of amendments to standard form contract
<b>March 2023</b>	
1/3/2023	Notice - Alinta Sales Pty Ltd - Approval of amendments to standard form contract
1/3/2023	Notice - Western Power's technical rules - Updated list of exemptions
8/3/2023	Notice - Alinta Sales Pty Ltd - 2022 performance audit
14/3/2023	Notice - Electricity Compliance Reporting Manual 2023
17/3/2023	Notice - Reference service proposal for the Goldfields Gas Pipeline - Publication of submission
17/3/2023	Notice - Regional Power Corporation (trading as Horizon Power) - Consultation on proposed amendment to Electricity Integrated Regional Licence EIRL2
24/3/2023	Notice - Water, sewerage and irrigation licence performance reporting handbook - Amendment to section 9.2 of the hand-book
27/3/2023	Notice - Perth Energy Pty Ltd - 2022 performance audit
30/3/2023	Notice - Margin Values and Cost_LR parameters for 2023/24 - Publication of Determination
31/3/2023	Notice - Esperance Power Station Pty Ltd and Esperance Gas Distribution Company Pty Ltd - Surrender of gas distribution licence GDL10 and gas trading licence GTL11
31/3/2023	Notice - Western Power's fifth access arrangement review - Final Decision
<b>April 2023</b>	
13/4/2023	Notice - Alinta Sales Pty Ltd - Approval of amendments to electricity standard form contract
14/4/2023	Notice - Urban water utilities - National performance report 2021/22
17/4/2023	Notice - Gas distribution and trading licences annual performance reporting - 2023 Handbooks and datasheets
20/4/2023	Notice - Consultation Paper: 2023 Review of the Water Services Code of Conduct (Customer Service Standards) 2018 - Invitation for submissions

Date	Document
21/4/2023	Notice - Shire of Gnowangerup - 2022 Asset management system review
26/4/2023	Notice - Electricity retail licences annual performance reporting - 2023 Handbook and datasheets
27/4/2023	Notice - 2023/24 Price list for the Western Power network - Publication of Western Power's proposed price list
28/4/2023	Notice - Australian Energy Market Operator in period capital expenditure funding application received - Publication of application for increased capital expenditure
28/4/2023	Notice - Busselton Water Corporation - 2022 Operational audit and asset management system review
28/4/2023	Notice - Origin Energy Retail Ltd - Approval of minor amendment to standard form contract
<b>May 2023</b>	
2/5/2023	Notice - Electricity distribution licences annual performance reporting - 2023 Handbook and datasheets
17/5/2023	Notice - 2023/24 Price List for the Western Power Network - Publication of determination
19/5/2023	Notice - Eglinton Village Energy Pty Ltd - Consultation on electricity distribution and retail licence applications
22/5/2023	Notice - Alinta Sales Pty Ltd - Publication of amended financial hardship policy
24/5/2023	Notice - Ocean Reef Renewable Energy Pty Ltd - Decision to grant electricity distribution and retail licences and approve standard form contract
30/5/2023	Notice - AEMO - Amendments to the Western Australian gas retail market scheme
30/5/2023	Notice - New financial hardship policy guidelines for electricity retailers
31/5/2023	Notice - Consultation paper: 2023 Review of the Water Services Code of Conduct (Customer Service Standards) 2018 - Extension to consultation period
31/5/2023	Notice - Determination of WACC (2023) for rail networks - Publication of draft determination
<b>June 2023</b>	
2/6/2023	Notice - Regional Power Corporation (trading as Horizon Power) - Amendment to electricity integrated regional licence EIRL2
6/6/2023	Notice - Ocean Reef Renewable Energy Pty Ltd - Publication of financial hardship policy
6/6/2023	Notice - Ord Hydro - 2022 performance audit and asset management system review
9/6/2023	Notice - Western Power - Type 1 licence contravention



# Appendix 3: Funding instruments and charges

## 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
<i>Gas Retail Market Procedures</i>	Regulator's fee	Market participants
<i>Gas Services Information Rules</i>	Regulator's fee	Market participants
<i>Water Services Act 2012</i>	Auditor's fee	Water licensees
<i>Wholesale Electricity Market Rules</i>	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-lodgement 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 2022/23

Service provider	Standing charges \$	Specific charges \$ (inc. GST)
AGL Sales Pty Ltd	26,430.56	0.00
Alcoa of Australia Ltd	5,974.98	0.00
Alinta Co-Generation (Pinjarra) Pty Ltd	9,363.08	0.00
Alinta Co-Generation (Wagerup) Pty Ltd	11,737.28	0.00
Alinta DEWAP Pty Ltd	7,614.85	0.00
Alinta Energy (Chichester) Pty Ltd	2,006.57	0.00
Alinta Energy Transmission (Chichester) Pty Ltd	1,752.94	0.00
Alinta Energy Transmission (Roy Hill) Pty Ltd	9,434.46	0.00
Alinta Sales Pty Ltd	134,588.59	0.00
Amanda Energy Pty Ltd	79.28	0.00
Aqua Ferre (Muchea) Pty Ltd	26.13	0.00
Aquasol Pty Ltd	53.85	0.00
Arc Infrastructure Pty Ltd	121,046.78	0.00
ATCO Gas Australia Pty Ltd	746,742.50	0.00
ATCO Power Australia (Karratha) Pty Ltd	3,210.19	0.00
BEI WWF Pty Ltd as Trustee for the WWF Trust	6,019.11	0.00
BHP Nickel West Pty Ltd	332.80	0.00
Blue Star Energy Pty Ltd	5.26	0.00
Bluewaters Power 1 Pty Ltd	7,668.10	1,719.20
Bluewaters Power 2 Pty Ltd	7,667.69	0.00
Bunbury Water Corporation	9,512.92	0.00
Busselton Water Corporation	7,726.25	0.00
Change Energy Pty Ltd	67.16	0.00
City of Kalgoorlie-Boulder	7,043.25	0.00

Service provider	Standing charges \$	Specific charges \$ (inc. GST)
CleanTech Energy Pty Ltd	79.72	140.40
Collgar Wind Farm Pty Ltd	7,423.58	0.00
DBNGP (WA) Nominees Pty Ltd	936,137.58	0.00
EDL NGD (WA) Pty Ltd	1,237.27	0.00
EDWF Holdings 1 Pty Ltd & EDWF Holdings 2 Pty Ltd	3,317.20	0.00
Eglinton Village Energy Pty Ltd	0.00	4,725.00
Electricity Generation and Retail Corporation t/a Synergy	300,643.94	171.60
Electricity Networks Corporation	2,596,597.50	94,491.05
Esperance Gas Distribution Company Pty Ltd	86.54	0.00
Esperance Power Station Pty Ltd	462.49	0.00
Flat Rocks One Wind Farm Pty Ltd as trustee for the Flat Rocks Wind Farm One Trust	0.00	2,911.20
Gascoyne Water Co-operative Ltd	86.91	0.00
Goldfields Gas Transmission Pty Ltd	379,510.18	0.00
Goldfields Power Pty Ltd	3,678.79	0.00
Hamersley Iron Pty Ltd	1,027.42	0.00
Ipower 2 Pty Ltd & IPower Pty Ltd	8,837.12	0.00
Karara Power Pty Ltd	2,853.05	0.00
Merredin Energy Pty Ltd	2,742.04	0.00
Merredin Project Company Pty Ltd as trustee for the Merredin Project Trust	2,524.17	124.80
Merredin Solar Farm Nominee Pty Ltd	549.97	0.00
Mumbida Wind Farm Pty Ltd	1,162.03	0.00
Newgen Neerabup Partnership	11,055.11	0.00
Newgen Power Kwinana Pty Ltd	10,961.49	0.00
North Western Energy Pty Ltd, Pacific Hydro Group Two Pty Ltd & Energis Australia Pty Ltd	4,906.36	0.00
Northern Star (Power) Pty Ltd	13.28	0.00
Ocean Reef Renewable Energy Pty Ltd	0.00	5,153.60
Origin Energy Retail Ltd	4,522.53	0.00
Perth Energy Pty Ltd	598.07	0.00

Service provider	Standing charges \$	Specific charges \$ (inc. GST)
Perth Power Partnership	387.58	0.00
Public Transport Authority of Western Australia	121,046.78	0.00
RATCH-Australia Kemerton Pty Ltd	10,366.25	0.00
Regen Power Pty Ltd	0.00	4,631.60
Regional Power Corporation	39,917.13	156.00
Robe River Mining Co Pty Ltd	176.47	0.00
Rottnest Island Authority	231.70	0.00
Roy Hill Infrastructure Pty Ltd	121,046.78	0.00
Shell Energy Retail Pty Ltd	23.85	0.00
South West Irrigation Management Co-operative Ltd	602.49	413.00
South32 Worsley Alumina Pty Ltd	3,828.82	0.00
Southern Cross Pipelines Australia Pty Ltd	50,925.88	0.00
SRV GRSF PTY LTD as Trustee for GRSF Trust	1,337.59	0.00
TEC Desert Pty Ltd and TEC Desert No. 2 Ltd	16,836.99	156.00
TEC Hedland Pty Ltd	5,016.34	0.00
The Pilbara Infrastructure Pty Ltd	121,046.78	0.00
Tronox Management Pty Ltd	1,504.79	0.00
Walkaway Wind Power Pty Ltd	1,712.12	0.00
Water Corporation	660,719.45	0.00
Wesfarmers Kleenheat Gas Pty Ltd	69,233.55	0.00
Western Energy Pty Ltd	4,012.75	0.00
Wind Portfolio Pty Ltd	5,097.85	0.00
WR Carpenter No. 1 Pty Ltd	3,868.28	0.00
Yandin WF Pty Ltd as Trustee for Yandin WF Unit Trust	7,162.75	0.00
<b>Totals</b>	<b>6,653,221.89</b>	<b>114,793.45</b>





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