



Office of Energy

Annual Report 2003/04





## STATEMENT OF COMPLIANCE

### MINISTER FOR ENERGY

In accordance with Section 62 of the *Financial Administration and Audit Act 1985*, I hereby submit for your information and presentation to Parliament the Report of the Office of Energy for the financial year ending 30 June 2004.

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



Anne Nolan  
CHIEF EXECUTIVE OFFICER  
COORDINATOR OF ENERGY

31 August 2004

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# COORDINATOR'S FOREWORD



The year 2003/04 was significant both for the evolution of the energy sector in Western Australia and the Office of Energy.

Whilst it is difficult to focus on just a few of the policy initiatives in which the Office has undertaken the lead role in developing and implementing over the year, I would like to make special mention of a few of our more significant achievements. Two large scale initiatives that stand out as worthy of mention are the progress made in pursuing electricity reform and the establishment of full gas retail contestability in Western Australia.

Other notable achievements of the Office were the introduction of a program to improve the reliability of the electricity network in rural and regional areas (the Rural Power Improvement Program), the progress made in improving power supplies to remote Aboriginal communities and continued pursuit and refinement of the Office's range of programs to accelerate the transition to sustainable production and use of energy in Western Australia.

I believe these achievements clearly illustrate the Office's drive towards its vision of lower cost, sustainable and reliable energy for Western Australia's future.

Substantial change in the policy framework for the electricity and gas sector was achieved in 2003/04. The gas market is now fully contestable down to the individual household. A more competitive gas market and the associated establishment of consumer protection measures for residential and small gas customers will ensure cost competitive and quality services to all consumers.

The cornerstone of fundamental reform of the electricity industry was set with the tabling of comprehensive energy reform legislation in Parliament in October 2003. The *Electricity Industry Act 2004* was passed by Parliament in April 2004 paving the way for the establishment of a wholesale electricity market, customer protection mechanisms, an independent regulated Access Code for the State's electricity networks and licensing arrangements to facilitate new market entry. Whilst the restructuring of Western Power into four new businesses did not proceed, the commitment to reform is well entrenched.

Progress on implementing a range of energy reform initiatives is also well advanced. Significantly, a Top Up and Spill market for electricity was put in place in mid 2004, a forerunner of the wholesale electricity market to be established in 2006. There has been extensive interaction and consultation with industry on developing and implementing the rules for the wholesale market, the access and customer codes and licensing arrangements.

Without the cooperation and input from the energy industry, as well as others in government and the community more broadly, we could not have achieved the significant strides in energy sector reform that we have made in Western Australia in 2003/04.

We look forward to further building our relationships with industry and the community in 2004/05.

Finally, I would like to acknowledge and thank the dedication and enthusiasm of all Office of Energy staff in embracing the challenge of leading the development and implementation of energy policy in Western Australia.

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

Anne Nolan  
CHIEF EXECUTIVE OFFICER  
COORDINATOR OF ENERGY

# HIGHLIGHTS IN 2003/04

## Strategic Planning Framework for the Western Australian Public Sector, *Better Planning: Better Services.*

The Office of Energy contributes to the Government's broader goals and strategic outcomes as outlined in the strategic planning framework for the Western Australian Public Sector titled *Better Planning: Better Services*. Highlights of the work of the Office of Energy in 2003/04 contributing to relevant Government goals and strategic outcomes are outlined below.

### PEOPLE AND COMMUNITIES

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#### GOAL 1:

***TO ENHANCE THE QUALITY OF LIFE AND WELLBEING  
OF ALL PEOPLE THROUGHOUT WESTERN AUSTRALIA***

#### STRATEGIC OUTCOMES

1. Contributing factors to social and economic disadvantage in our community addressed.
2. A society where Indigenous Australians have greater economic and social opportunities and the capacity to determine their own lives.
3. A society that recognises the varying contribution of its diverse population, and is able to respond effectively to the needs of its diverse population.

#### Highlights in 2003/04

- Negotiations were substantially completed with the Commonwealth for the joint funding of the supply of power to five pilot communities under the Aboriginal and Remote Communities Power Supply Project. A tender process was conducted for electricity generation in these communities. The project will significantly improve the power supply to large, permanent and remote Aboriginal communities, which will in turn provide considerable ongoing social, environmental health and economic benefits. This project also contributes to Goals 4 and 5.
- In collaboration with Western Power, the Rural Power Improvement Program was developed to significantly reduce the number and duration of power supply outages experienced by customers on rural distribution feeders. The first phase of the program will deliver noticeable improvements to some 25,000 rural customers on the South West Interconnected System. This program also contributes to Goal 4.
- A scheme was developed to ensure permanent caravan park residents pay the same price for power as other householders, and are entitled to similar subsidies. The changes are expected to be in place by November 2004.
- A review of the Seniors' Air Conditioning Rebate was commenced in collaboration with the Department of Health, Office of Seniors' Interests, Disability Services Commission, Western Power and the Department of Treasury and Finance to determine the effectiveness of the scheme in assisting those in need.



## THE ECONOMY

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### **GOAL 2:**

***TO DEVELOP A STRONG ECONOMY THAT DELIVERS MORE JOBS, MORE OPPORTUNITIES AND GREATER WEALTH TO WESTERN AUSTRALIANS BY CREATING THE CONDITIONS REQUIRED FOR INVESTMENT AND GROWTH***

### **STRATEGIC OUTCOMES**

1. New jobs and employment growth.
2. An environment that encourages education, skills and the development of creativity for competitive advantage.
3. Plentiful and diversified employment opportunities for Indigenous peoples to support Indigenous economic growth.
4. Increased gross household income.
5. Greater economic infrastructure that facilitates new development.
6. Industrial development and investment that builds on Western Australia's strengths.
7. Strong research and development capacity in an environment that encourages innovation.
8. Appropriate and competitive pricing regimes for land, infrastructure (such as roads, rail and ports), services and utilities.
9. An environment that encourages diversification, investment and exports for economic growth whilst ensuring that community and global environmental and social goals are met.
10. A positive economic position that encourages business and consumer confidence.
11. All Western Australians sharing in the benefits of economic growth.

### **Highlights in 2003/04**

- Introduction of increased competition in electricity will ensure efficient pricing and improve service. The Office is driving the development of a competitive electricity market including the development of:
  - market rules for the wholesale electricity market;
  - customer protection measures setting out responsibilities and obligations of electricity retailers and network operators supplying electricity to customers consuming less than 160 MWh;
  - an electricity network access code governing access to Western Power's wires; and
  - mechanisms to ensure that all participants are able to compete fairly.
- The *Electricity Industry Act 2004*, passed in April 2004, provides a framework for the establishment of a wholesale electricity market, new electricity network access regime and consumer protection framework.
- A comprehensive framework for full retail contestability of the WA gas market was developed and implemented. The structure for full retail contestability is largely completed and now awaits the entry of additional gas suppliers. This structure will allow all WA gas customers, regardless of size, to be able to choose their own gas supplier, delivering more competitive prices and better service to gas consumers. A range of potential gas suppliers have been encouraged to consider becoming suppliers in the newly competitive gas market.
- The Office of Energy is the principal source of advice to the Government on the implications of decisions made by the independent Economic Regulation Authority on gas pipeline regulation and made a number of submissions during 2003/04 to the Economic Regulation Authority.
- The Office of Energy made a submission to the Productivity Commission's review of the National Access Code, which will have a significant impact on gas regulation in Western Australia.

- The Office has been actively encouraging the sales process and initiatives to facilitate capacity expansions on the Dampier to Bunbury Natural Gas Pipeline. Resolution of these issues will allow gas supplies to the South West to be increased and enable economic development. This also contributes to Goal 4.
- The Office developed advice on whether the Goldfields Gas Pipeline, should remain covered by the National Access Code and recommended continue coverage.
- The Office of Energy, through the Sustainable Energy Development Office, participated in the development of a National Framework for Energy Efficiency, including commissioning modelling studies of the economic potential of increased energy efficiency. Modelling showed significant potential for additional energy efficiency gains across all sectors.
- A Fuel Diversity in Power Generation Policy Statement was developed, this policy focuses on ensuring that all fuels should be able to compete on their own merits for fuelling power generation and that this should be a foundation stone in the Government's power procurement processes.

## THE ENVIRONMENT

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### GOAL 3:

***TO ENSURE THAT WESTERN AUSTRALIA HAS AN ENVIRONMENT  
IN WHICH RESOURCES ARE MANAGED, DEVELOPED AND USED SUSTAINABLY,  
BIOLOGICAL DIVERSITY IS PRESERVED AND HABITATS PROTECTED***

### STRATEGIC OUTCOMES

1. Effective contributions to global efforts to reduce Greenhouse emissions.
2. Effective waste avoidance, resource recovery and waste management.
3. Sustainable energy sources are developed.

### Highlights in 2003/04

- Rebates were provided through the Renewable Remote Power Generation Program to support the construction of a 3.6MW wind farm at Esperance, a 600kW wind turbine at Hopetoun and 381 small renewable energy based power and water pumping systems.
- Changes were made to the Solar Water Heater Subsidy scheme in February 2003 which have helped to substantially increase the uptake of solar hot water systems on new homes in Western Australia. Rebates were provided for 1,300 solar hot water systems during 2003/04.
- The Sustainable Energy Development Office, through its representative on the National Appliance and Equipment Energy Efficiency Committee, assisted the Ministerial Council on Energy introduce minimum energy efficiency standards that apply to the sale of air conditioners and fluorescent lamp ballasts.
- The education package for primary school students, titled "Going With The Flow: Mission Energy, Water and Wastewater" was provided to eight schools in the Kimberley region and is being used in the 2004 school year. The education package promotes the efficient use of energy and water resources, and was specifically designed to complement the changes in the delivery of power and water services to Aboriginal communities.
- The Office of Energy actively participated in an inter-jurisdictional examination of an emissions trading regime. The aim of this participation is to develop options which will allow Western Australia to manage greenhouse gas emissions in the most efficient way, minimising economic costs while meeting environmental obligations.





## THE REGIONS

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### **GOAL 4:**

***TO ENSURE THAT REGIONAL WESTERN AUSTRALIA IS STRONG AND VIBRANT***

#### **STRATEGIC OUTCOMES**

1. Enhanced Government decision-making based on a thorough understanding of regional issues.
2. Effective government service delivery to regions that is responsive to the needs of diverse communities.
3. Improved regional infrastructure.
4. Diversified regional economies.
5. Enhanced regional investment.
6. Fair pricing for regional residents and businesses.
7. Enhanced quality of regional lifestyles.

#### **Highlights in 2003/04**

- As a result of power procurement processes facilitated by the Office of Energy, new power stations were commissioned in Meekatharra, Mt Magnet, Cue, Yalgoo, Wiluna, Sandstone and Esperance, and a Power Purchase Agreement was signed that will result in a new power station in Exmouth.
- As a direct consequence of the agreement for power supply in Esperance, a 340 km gas pipeline was constructed from Kambalda to Esperance, and with the granting of gas trading and gas distribution licences to BRW Power Generation (Esperance) Pty Ltd, reticulated natural gas will become available in Esperance.
- The Office of Energy developed a draft Regional Electricity Supply Policy that aims to reduce the problems of obtaining new or enhanced electricity connections in regional areas. The Regional Electricity Supply Committee consulted with regional stakeholders on the draft Regional Electricity Supply Policy (Western Power's Systems). Agreement was reached with local authorities and regional development commissions on the Defined Areas of Reticulated Electricity in 28 isolated towns. This Policy also contributes to Goal 2, and is under consideration by Government.
- Support for energy efficiency and renewable energy in regional areas was further facilitated through a special regional funding round of the Sustainable Energy Development Office Grants Committee, which provided over \$300,000 in funds to implement a range of projects.
- Rebates of almost \$6 million were paid for renewable energy systems in regional areas of Western Australia as part of the Renewable Remote Power Generation Program. This investment has assisted in the growth of regional businesses supplying and installing the systems. Quality of life for people living in remote areas has been enhanced through the installation of renewable energy power systems, which provide 24 hour power, better quality electricity supplies and reduced fuel and maintenance costs.

## GOVERNANCE

### GOAL 5:

***TO GOVERN FOR ALL WESTERN AUSTRALIANS IN AN OPEN, EFFECTIVE AND EFFICIENT MANNER  
THAT ALSO ENSURES A SUSTAINABLE FUTURE***

### STRATEGIC OUTCOMES

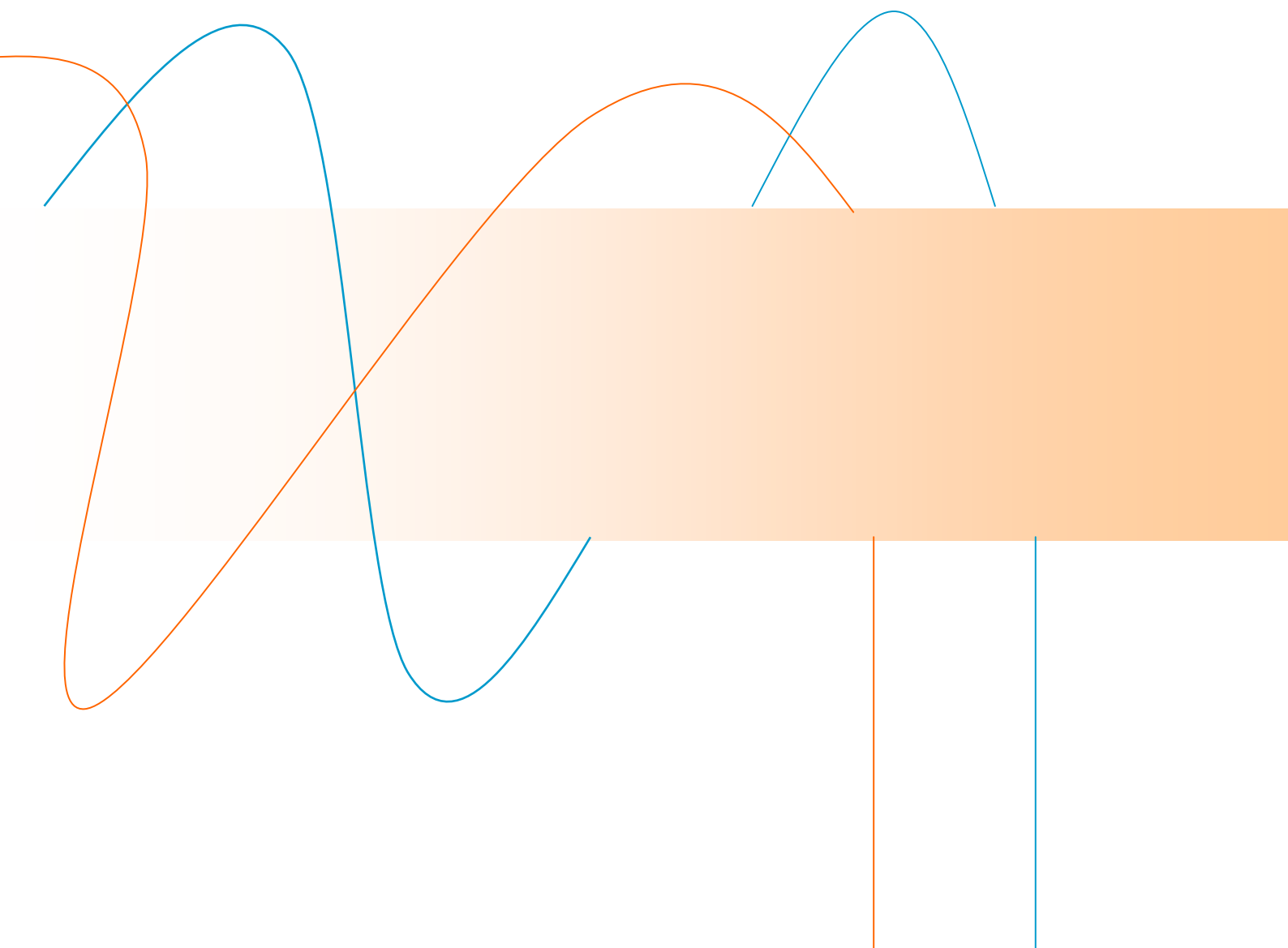
1. Coordinated, integrated, high quality service delivery to the community.
2. Whole-of-government approaches to planning decision-making and resource allocation.
3. Sustainability considerations inform planning and decision-making.
4. Effective partnerships with Federal and Local Governments, the private sector and the wider community.
5. Influence over Commonwealth policy and resource allocation for the benefit of Western Australia.
6. An efficient Government sector that provides value for money service delivery.
7. Reduced 'red tape' and compliance costs.
8. Appropriate and competitive pricing regimes for public goods and services.

### Highlights in 2003/04

- Western Australia needs to be cognisant of national energy policy developments. The Office of Energy actively participates in national energy policy forums ensuring that WA is aware of the issues and that the key issues reflect WA concerns. The Office of Energy participated in development of :
  - the Australian Energy Regulator; and
  - the Australian Energy Markets Commission (AEMC).

Whilst Western Australia's Economic Regulation Authority will continue to regulate the energy industry in Western Australia, the gas industry in WA will come within the scope of the AEMC.

- The Office of Energy facilitated the implementation of an embryonic electricity market with the establishment of a Top Up and Spill (TUAS) energy arrangement. An interim arrangement, TUAS provides an opportunity for Independent Power Producers, in particular Renewable Generators, to compete on a level playing field with larger generators.
- The first whole-of-government report on stationary energy consumption, cost and associated greenhouse gas emission arising from Government operations for 2002/03 was produced in October. It showed a reduction of 2.7% in total agency energy use, with 28 agencies reducing their energy use by more than 5%.
- The Energy Smart Government program approved facilitation grants totalling more than \$350,000, and capital advances of more than \$1.6 million to assist agencies with the identification and implementation of energy saving projects and initiatives.
- As a result of a review of the electricity tariffs paid by Government agencies in regional areas, all State Government Trading Enterprises and general government agencies will now pay the same electricity tariffs as all other similar sized businesses in regional areas.
- Approximately 3,750 properties in East Victoria Park/Carlisle and Subiaco North were connected to underground power under the State Program. Power lines were also undergrounded for about one kilometre along West Coast Highway, Scarborough.
- Agreements were signed for the first two Round 3 Major Residential Projects for undergrounding of power for the Town of Victoria Park (Victoria Park South) and City of Subiaco (Shenton Park). Implementation of these projects will commence early in 2004/05.



THE OFFICE OF ENERGY

# OFFICE OF ENERGY PROFILE

During 2003/04 the Office of Energy reviewed its role, objectives and strategies and aligned them to the Strategic Planning Framework for the WA Public Sector titled *Better Planning: Better Services*.

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

Office of Energy objectives are:

## 1. Energy Policy Development

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

## 2. Energy Supply

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

## 3. Energy Market and Regulatory Arrangements

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

## 4. Energy Sustainability

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

## 5. Office of Energy Capability

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

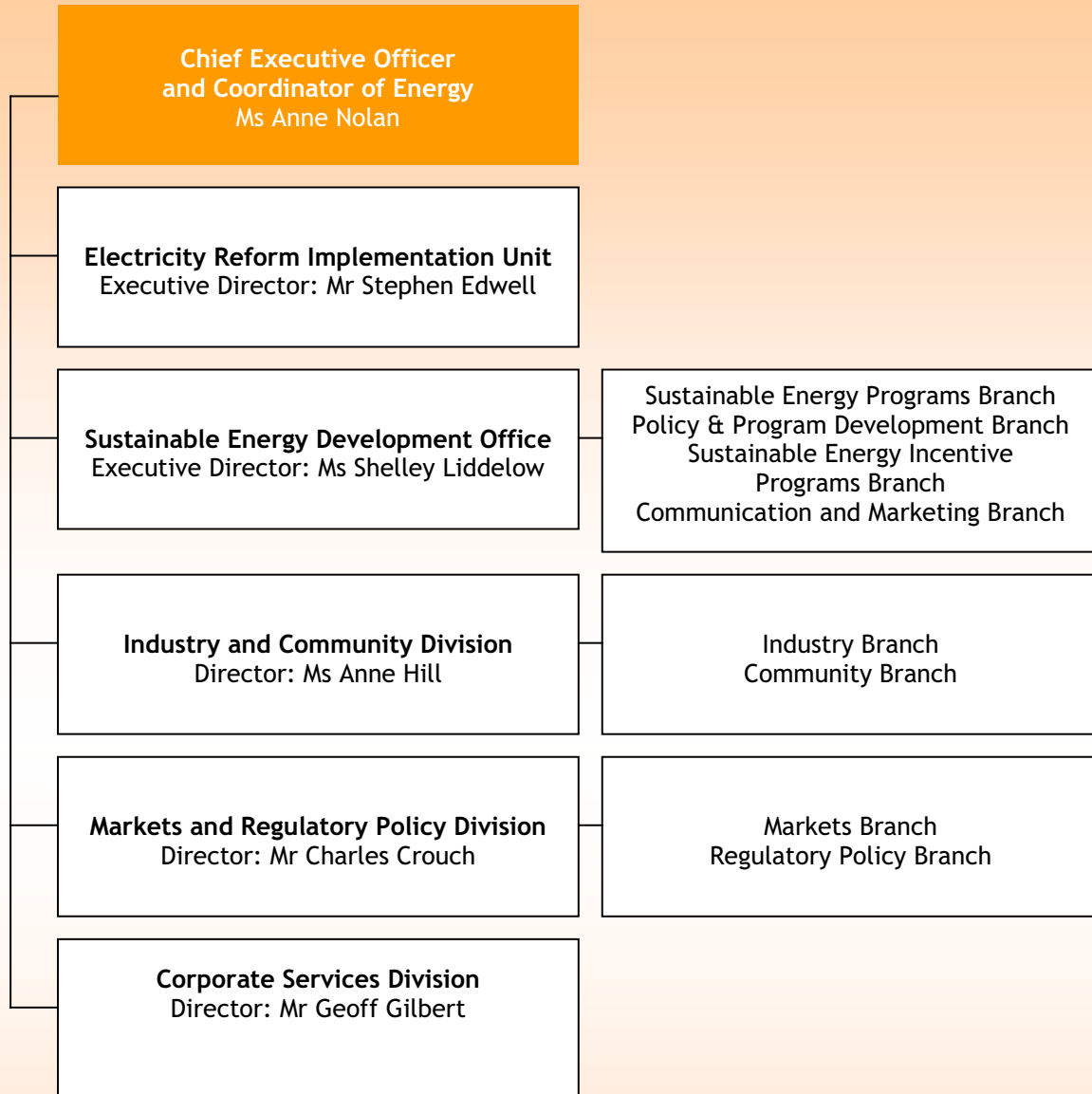
### Our Vision

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

In our vision:

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

## ORGANISATIONAL STRUCTURE (2003/04)



## ENERGY PORTFOLIO (2003/04)

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

**Minister for Energy**  
Hon Eric S Ripper

## LEGISLATION ADMINISTERED

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

The Coordinator of Energy assists the Minister for Energy in planning and coordinating energy supply in Western Australia and authorises and licences the provision of electricity to the public from suppliers other than Western Power.

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

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

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

Other Acts administered include the:

*Dampier to Bunbury Pipeline Act 1997;*  
*Electricity Act 1945 (Section 7 only);*  
*Energy Operators (Powers) Act 1979 (Sections 55 only);*  
*Energy Corporations (Transitional and Consequential Provisions) Act 1994;*  
*Fremantle Electricity Undertaking Agreement Act 1952;*  
*Fremantle Electricity Undertaking (Purchase Moneys) Agreements Act 1952;*  
*Fuel, Energy and Power Resources Act 1972;*  
*Gas Corporation (Business Disposal) Act 1999;*  
*Gas Pipelines Access (Western Australia) Act 1998;*  
*Gas Standards Act 1972;*  
*Kalgoorlie Electric Power and Lighting Corporation Limited Act 1902;*  
*Katanning Electricity Supply Undertaking Acquisition Act 1961;*  
*Liquefied Petroleum Gas Subsidy Act 1980;*  
*Petroleum Products Subsidy Act 1965; and*  
*State Energy Commission (Validation) Act 1978.*

### Legislation Introduced/Implemented

The following legislative matters were developed and/or implemented on behalf of the Government during 2003/04.

*Energy Legislation Amendment Act 2003*

*Energy Coordination Regulations 2004*

*Energy Coordination (Customer Contracts) Regulations 2004*

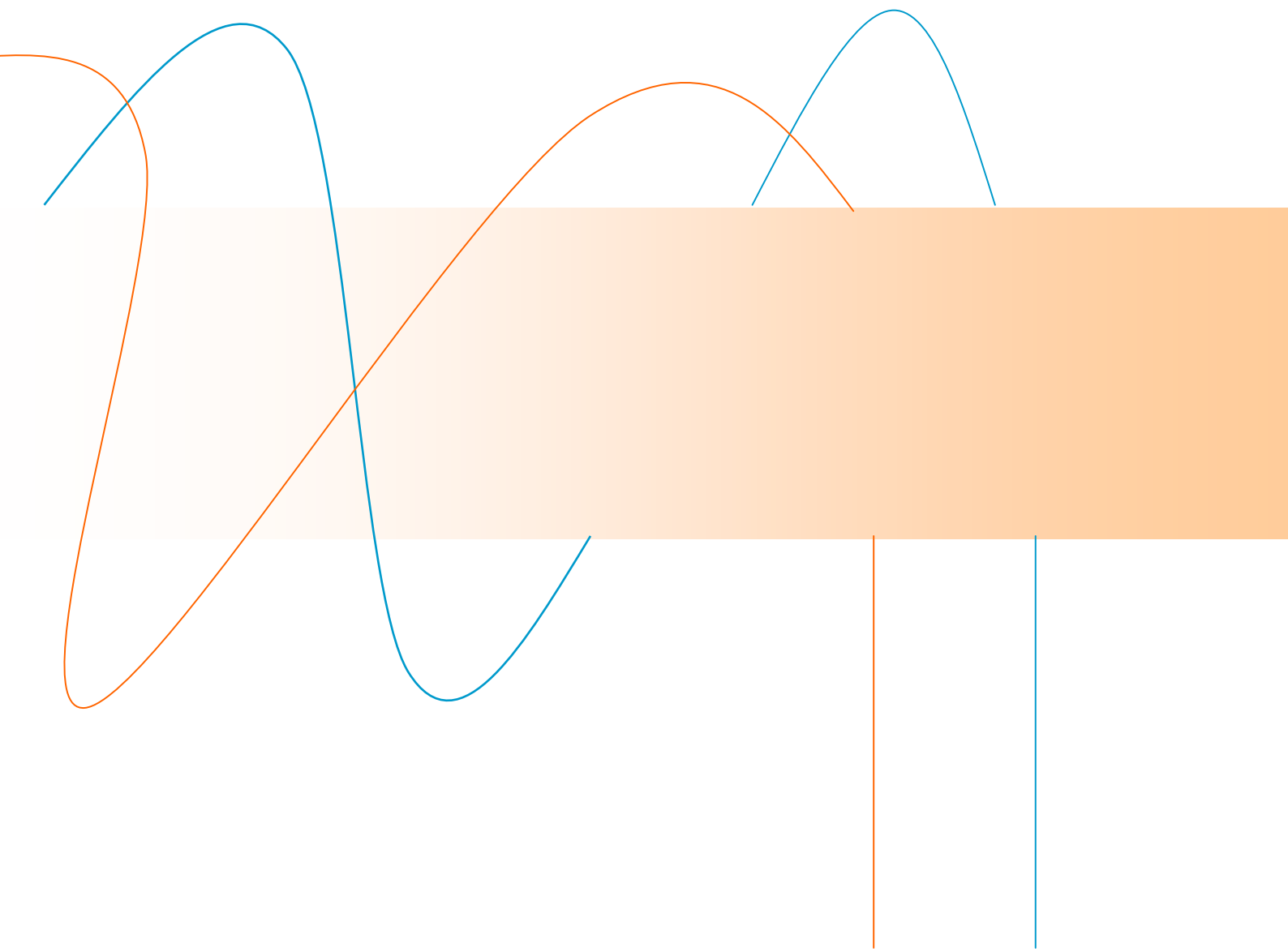
*Energy Coordination (Ombudsman Scheme) Regulations 2004*

*Energy Coordination (Retail Market Schemes) Regulations 2004*

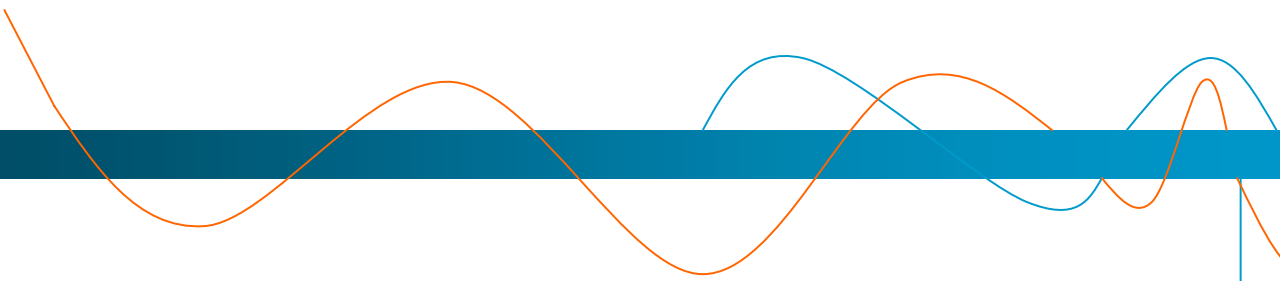
*Electricity Industry Act 2004*

*Electricity Legislation (Amendments and Transitional) Bill*

*Electricity Corporations Bill*



OUTPUT DELIVERY



**OUTCOME:** The desired outcome of the Office of Energy for 2003/04 is the WA community and energy users benefit from government's energy policy, regulatory framework and grants programs.

## **OUTPUT 1: ENERGY POLICY, INFORMATION AND REGULATORY SERVICES**

These services include:

- provision of policy advice to the Government and to the Minister for Energy on energy-related issues;
- energy policy implementation projects;
- regulatory services to the energy sector in Western Australia; and
- provision of unbiased information to industry and to the Western Australian community on energy-related matters.

### **PROVISION OF POLICY ADVICE TO THE GOVERNMENT AND TO THE MINISTER FOR ENERGY ON ENERGY-RELATED ISSUES**

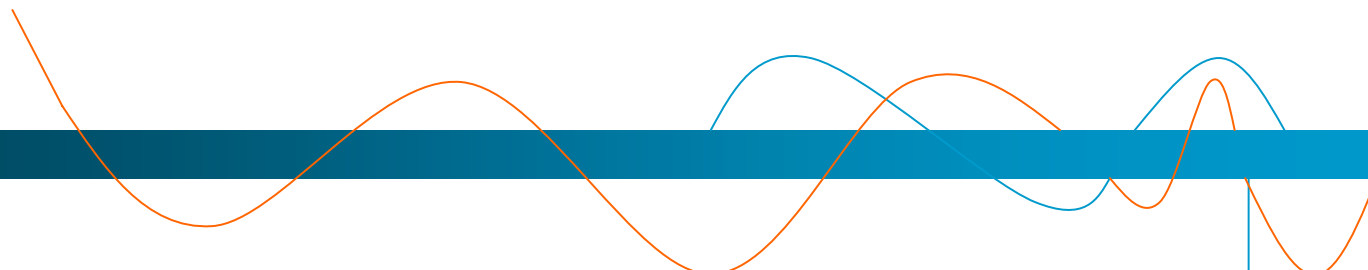
#### **Ministerial Council on Energy**

The Ministerial Council on Energy (MCE) commenced in June 2001 under the auspices of the Council of Australian Governments to provide coordinated policy leadership on energy issues. The Office of Energy actively participated in MCE forums and provided advice to the Minister for Energy on MCE matters. The Coordinator of Energy is the Western Australian Government representative on the MCE Standing Committee of Officials.

The Office of Energy worked closely with the MCE, participating in its five working groups and developing a series of recommendations for further energy reform. The Office of Energy participated fully in those issues directly relevant to Western Australia and maintained a watching brief on those not directly relevant, such as the National Electricity Market. Key issues reviewed during the period include:

- legislation establishing the Australian Energy Regulator (AER) and Australian Energy Markets Commission (AEMC);
- voting rules on MCE issues;
- staffing the AER and AEMC; and
- development of an Intergovernmental Agreement on national energy market reform.





The Sustainable Energy Development Office provided advice in respect to the MCE Energy Efficiency Working Group and provides a representative on the steering committee developing a National Framework for Energy Efficiency, the steering committee for the National Appliance and Equipment Energy Efficiency Program and the NatHERS Technical Advisory Committee. The Steering Committee developing a National Framework for Energy Efficiency has released an issues paper and undertaken consultation with a targeted group of stakeholders.

### National Third Party Access Code for Natural Gas Pipelines

Third Party access to monopoly infrastructure is an important to increasing competition in the energy sector. The Productivity Commission's Review of the National Access Code applying to gas pipelines has the potential to have a strong influence on future development of regulation. Accordingly the Office of Energy made a significant submission to the Review and provided advice to the Government on the implications of the draft report, which was released in December 2003.

The Office of Energy also made a submission to the Economic Regulation Authority on Alinta's proposed second access arrangement in May 2004.

The National Competition Council released its final recommendation for continued coverage of the Goldfields Gas Pipeline under the Code in March 2004. The Office of Energy completed its preparation of advice to the Minister on coverage at the end of 2003/04 and the Minister made his decision in early July 2004 that it should remain covered.

### Sustainable Energy Policy

The Sustainable Energy Development Office provided advice to the Minister for Energy, Government, the Office of Energy and other government agencies on a range of technical and policy issues, including analysis of the greenhouse impact of various energy sources and technologies; the potential interaction of waste management strategies with the development of renewable energy sources; national energy efficiency initiatives; infrastructure and transport planning processes arising from the *Dialogue with the City* process; the Mandatory Renewable Energy Target; the State Sustainability Strategy and the draft State Greenhouse Strategy; Green Power; wind power project planning issues; energy and greenhouse intensity of production and the potential implications of electricity restructuring for sustainable energy options and energy-related greenhouse gas emissions.

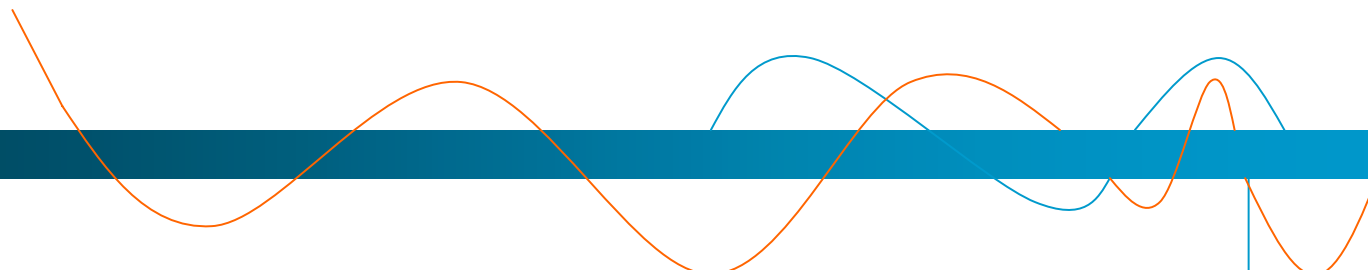
### Greenhouse Policy

Energy related greenhouse issues maintained a high profile over the year. Stationary energy is the largest contributor to the State's greenhouse emissions and as a consequence, the Office of Energy has had a key role in the development of greenhouse policy.

The Sustainable Energy Development Office represents the Minister for Energy on the Greenhouse Task Force, which is charged with developing a greenhouse strategy for Western Australia. Advice has also been provided to the Task Force on energy related greenhouse issues. A draft Greenhouse Strategy for Western Australia was released in December 2003 and a final strategy will be released soon.

### Renewable Energy

In addition to providing facilitating grants that help to increase the supply of renewable energy, the Office of Energy supported programs that drive an increase in demand for renewable energy and projects that support renewable energy development in Western Australia.



The Sustainable Energy Development Office, on behalf of the Government of Western Australia, made representation to the Commonwealth Government for an increase in the Mandatory Renewable Energy Target and other changes of benefit to WA projects. The Commonwealth adopted many of the recommendations made in the Western Australian Government's submission to the MRET review, including greater transparency in the creation of Renewable Energy Certificates and simplifying accreditation requirements for wood waste.

The Green Power scheme is also supported in Western Australia through the Sustainable Energy Development Office, which participates in a National Steering Group providing oversight for the program. Green Power sales in Western Australia, while still small, increased by 70 percent in the twelve months to March 2004. In collaboration with Western Power, the Sustainable Energy Development Office helped to secure funding required to complete the Narrogin Integrated Wood Plant. This funding will progress the facility to proof of concept status. The Sustainable Energy Development Office also worked with the Department of Planning and Infrastructure to develop guidelines for the development of wind farms. The Planning Bulletin will assist project proponents and local authorities in quantifying and assessing the benefits of wind farm proposals.

### Regional Energy Supply Policy

A number of initiatives/policies were developed to improve the delivery of energy services to regional and remote communities. These included:

- specific power supply initiatives for various towns/communities including Bremer Bay, Coral Bay, Eucla, Jerramungup, Ravensthorpe, Rottnest Island, Widgiemooltha and Windy Harbour; and the Aboriginal communities of Ardyaloon, Beagle Bay, Bidyadanga, Djarindjin/Lombadina and Warmun. Some initiatives remain under development, and others have commenced implementation;
- measures to improve power reliability in sparsely settled rural areas of the South West Interconnected System, including the Rural Power Improvement Program, which will deliver relatively low cost minor system improvements with measurable impact on rural customers' access to reliable power;
- a Regional Electricity Supply Policy to underpin transparent and equitable processes for assessing applications for power supply in remote towns and to address the problems associated with the cost of connections for regional businesses; and
- investigation of the feasibility of extending gas reticulation to regional towns, and facilitation of a commercial proposal to install gas reticulation in Esperance.

### Consumer Issues

The Office of Energy placed significant focus on consumer issues in 2003/04, addressing a number of consumer policy issues including:

- evaluation of the impact of power costs on people dependent on home based life support equipment;
- the implementation of power price equity for permanent caravan park residents;
- review of the eligibility criteria for the Seniors' Air Conditioning Rebate;
- proposals to place power lines underground as part of the State Underground Power Program;
- the implications of development approval requirements for underground power in regional towns; and
- providing competitive neutrality for Government Trading Enterprises and agencies in regional areas through a uniform power tariff.



## Western Power

The Office has a role in reviewing the activities and performance of Western Power and advising the Minister on these matters. Specific aspects addressed during the year included:

- the review of commercial agreements proposed to be entered into by Western Power, including regional power purchase agreements, gas supply contracts and regional diesel fuel supply contracts;
- the feasibility and effectiveness of power generation proposals to increase generation capacity in the South West Interconnected System;
- options for improving reliability performance in rural areas of the South West Interconnected System;
- maintaining electricity supply security in the context of expected DBNGP gas transport constraints, including investigation of alternative gas transport and storage options; and
- under legislation, Western Power Corporation's Statement of Corporate Intent and Strategic Development Plan represent the formal agreement between the Corporation and its shareholder in relation to its strategic priorities, service delivery requirements to consumers, along with its operational and commercial performance targets. The Minister for Energy, supported by the Office of Energy, placed particular emphasis on the development of the 2004/05 Statement of Corporate Intent and the 2004/5 to 2007/08 Strategic Development Plan to establish a clear strategic direction for the Corporation. This will help ensure Western Power focuses on key priorities, including ensuring the reliability and quality of supply; facilitating electricity reform; and achieving more efficient and effective service delivery.

## Other Advice

- Government released a fuel diversity policy statement to clarify its commitment to a fair and open competitive market for fuels for power generation, that will in turn contribute to reliable, competitively priced electricity. Advice was also provided on the potential implications of new greenhouse gas management requirements for the relative competitiveness of coal and gas fired power generation that may in turn affect the future electricity market.
- The Commonwealth released a major energy policy statement entitled "Securing Australia's Energy Future" in June 2004. This statement covered a range of energy issues, with a particular focus on the environmental aspects of energy use. It proposed additional funds for areas such as clean fuel and sequestration technology. The Office of Energy provided advice to the Minister and Premier upon release.
- The Office of Energy actively participated in an examination by State jurisdictions of options for emissions trading for the stationary energy sector. A draft options paper was received from consultants which examined various options and criteria for assessing emissions trading schemes.

## IMPLEMENTATION PROJECTS

### Full Retail Contestability in the WA Gas Market

The Office of Energy took a strong lead role in developing a comprehensive framework for full retail contestability in the WA gas market. This work was done in close consultation with industry and consumer representatives. As at the end of 2003/04, the structure for full retail contestability (FRC) was largely completed, providing the essential infrastructure to allow all WA gas customers, regardless of size, to choose their own gas supplier.

This project:

- implemented practical gas FRC in Western Australia via the REMCo Retail Market Scheme; and
- implemented several new mechanisms to protect small use customers in the new competitive gas market:
  - o the Gas Industry Ombudsman;
  - o the Gas Marketing Code of Conduct; and
  - o the Regulations for customer contracts.

It is now possible for new companies to enter the gas market in Western Australia, and to offer to sell gas to any gas consumer, including residential and small business customers. This framework for the future for the Western Australian gas market will maximise efficiency, encourage the development of new products, and improve service delivery to customers. The new customer protection measures are designed to ensure that competition benefits residential and small business customers.

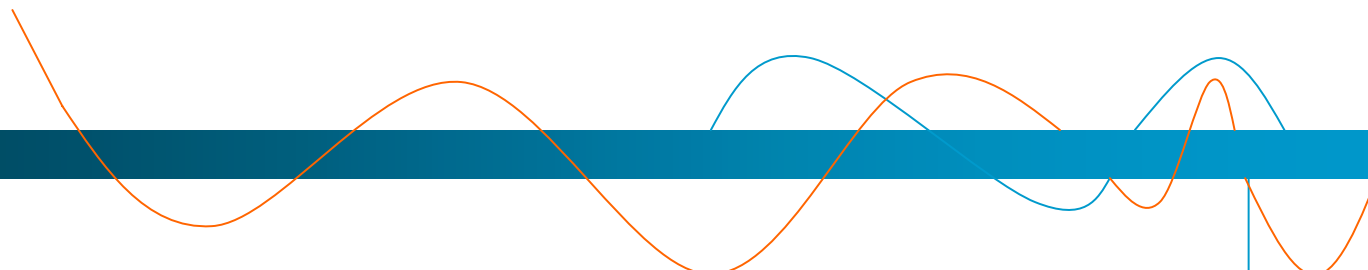
### Electricity Reform

Western Australia is committed to improving the competitiveness and efficiency of its electricity sector, given the significance of this sector to the economy. Following the approval of the Electricity Reform Task Force recommendations to reform the Western Australian electricity industry by Cabinet in November 2002, the Electricity Reform Implementation Unit (ERIU) was established within the Office of Energy in early 2003. In July 2003, the Electricity Reform Implementation Steering Committee approved the detailed Project Implementation Plan. The plan provides a robust administrative tool for monitoring progress, addressing issues and consulting with stakeholders. As part of the roll out of the plan, a number of briefings were held with stakeholders within the metropolitan and regional areas.

A key to the success of the implementation agenda has been the establishment of comprehensive communication and consultation processes employed to engage stakeholders. This has involved the establishment of 18 committees, forums and working groups to provide input to various elements of the reform implementation program. These groups have been established drawing upon industry, Government, regional and community representatives. The establishment of a strong consultation and effective communication strategy has been a significant achievement. Regular newsletters and information packages such as fact sheets have been important tools in communicating objectives and progress on the reform process.

A significant milestone in reforming the electricity industry occurred in October 2003 when the Government tabled comprehensive energy reform legislation in the Parliament. This legislation mandated major changes to the State's electricity sector including the restructure of Western Power, establishment of a wholesale electricity market, customer protection mechanisms, establishment of an independently regulated Access Code for the State's electricity networks and licensing arrangements to facilitate new market entry.

The opposition parties have not supported that part of the legislative package, which was the means to restructure Western Power. However, there was bipartisan support for the Electricity Industry Bill, which enabled the remaining reforms to proceed. On 30 April 2004, the *Electricity Industry Act 2004* was passed by Parliament.



Whilst the restructure of Western Power has been suspended, the Government remains committed to electricity reform and implementation of a range of initiatives is well advanced. The Office of Energy continues to be instrumental in the development of this framework to create a more competitive and efficient industry.

Reliability of supply is the key component of the Government's market reform policy. Another significant element of the electricity reform work agenda is the establishment of a competitive market framework that will facilitate easy entry for new entrants, including renewable generators. This will be undertaken on a staged basis. Following is a summary of the progress achieved in relation to these major steps towards a reformed electricity sector.

### *Top Up and Spill (TUAS)*

The first stage of progression towards a wholesale market for electricity was the establishment of a Top Up and Spill (TUAS) arrangement which was successfully implemented on 25 June 2004. TUAS is a transitional facility that has been developed to enhance energy balancing to small renewable energy providers, in particular. TUAS also enables some limited trading in electricity to occur. The new balancing arrangement assists renewable generators to compete on a level playing field with larger generators by enabling them to manage load balancing requirements and also to trade on a limited basis on arrangements similar to how the market will ultimately work.

TUAS is important because it:

- promotes renewable energy;
- provides an important transition towards the wholesale electricity market and has been designed to have as much similarity as possible with future energy balancing market; and
- ensures that the market opportunities of the reduced contestability level from January 2005 can be shared by independent power producers.

The establishment of this scheme is illustrative of the Government's resolve to progress electricity reform.

### *New Market Framework*

The longer term objective of the Government's electricity reform program is to establish a competitive wholesale electricity market for the South West Interconnected System. New market arrangements will be in place by mid 2006. Late in 2003, a detailed market design, market rules, and governance arrangements were developed, consistent with the recommendations of the Electricity Reform Task Force. These underwent a public consultation process during December 2003/January 2004.

However, these market arrangements were based on Western Power being structurally separated into four new successor entities and subsequently have been revised to better suit an environment where Western Power continues in the short term to be vertically integrated.

The direction of the reform agenda was realigned in mid 2004, the objectives underpinning this agenda realignment were:

- maintain reliability of supply;
- maintain momentum towards development of a competitive market;
- deliver a clear path forward to Western Power and industry;
- ensure continuing industry support for and confidence in the reform process;
- minimise cost of implementation; and
- retain flexibility for future evolution of the market.

As a consequence, the design of the wholesale market was revised. The Wholesale Interim Market Design now has the following key features:

- bilateral contracts;
- a short term energy market which will be a week ahead market with energy traded mostly through bilateral contracts;
- a reserve capacity mechanism to secure adequate capacity to meet the next period of peak demand; and
- establishment of an Independent Market Operator to be responsible for market operation and procurement of secure generation capacity.

The modified market rules have undergone extensive stakeholder and public consultation.

### *Electricity Networks Access Code 2004 (Access Code)*

Fair and equal access to the electricity network is a prerequisite to effective competition in the generation and retail sectors of the industry.

The Office of Energy has been developing a new Access Code, in consultation with industry. The new Access Code, which will be independently regulated by the Economic Regulation Authority, will be in place by around October 2004. The Access Code is designed as a “second generation” access regime. That is, its development has been influenced by experiences with access to electricity networks in other jurisdictions, and the uniform Gas Pipelines Access Law.

Significant flexibility and non-prescription has been built into the draft Access Code. Whilst the Access Code requires the owner of a regulated network to submit a proposed Access Arrangement, and sets out the required elements of an acceptable Access Arrangement, the focus is on only prescribing the objectives which must be achieved by each element. Provided that the Economic Regulation Authority is satisfied that the objectives of each element are met, the proposed Access Arrangement must be approved. To assist parties, the Office has developed a number of “model” policies, which can be included by a network owner in a proposed Access Arrangement. These can also be used by the Economic Regulation Authority as a benchmark in the assessment of a proposal that differs from the model policies.

A significant milestone was the public consultation on the Access Code conducted during April/May 2004. Notices were published in local and national newspapers. A public forum was held in early May. In the lead up to the public consultation process, a series of meetings and briefings were held with industry.

Finalisation of the Code is on track for implementation and obtaining certification by the National Competition Council will be a key task for the Office during 2004/05.

### *Electricity Reform and Sustainable Energy*

In October 2003, the Minister for Energy announced a multi-million dollar package of new sustainable energy initiatives, in preparation for the transition to the new wholesale electricity market.

In addition to the electricity reform program opening up a more competitive electricity market and providing new opportunities for independent renewable energy producers, a number of initiatives were identified which will also assist small renewable energy producers to compete in electricity supply. These initiatives include:

- a new \$6 million subsidy to renewable energy generators;
- an opportunity for the renewable energy sector to supply Western Power with a further 100,000 renewable energy credits (RECS) - worth \$8 million;
- a subsidy for new meters for small customers wanting to switch to renewable energy; and
- an obligation upon all energy retailers to disclose greenhouse gas emissions on power bills.



The \$6 million special subsidy will assist new independent renewable generation projects before the establishment of the wholesale electricity market. The subsidy is in the form of one cent per kWh of energy produced and last for three years per project or until mid-2007, whichever is sooner.

The combination of these initiatives, and the planned reforms to the electricity industry, will allow WA to properly harness its renewable energy resources. There are many renewable energy projects that are faced with structural and market barriers. Addressing these issues is a key objective of electricity reform.

### Customer Service Code

The development of the first ever Western Australian Customer Service Code was well progressed during 2003/04. The Code will establish minimum service standards for the supply of electricity to customers who consume less than 160Mwh per year. This key component to the electricity reform agenda will cover issues such as connection, disconnection, billing, payment, marketing procedures, dispute resolution and ways in which information is to be presented to customers.

The Office has been developing the Code in consultation with industry, Government and consumer groups both in the metropolitan and regional areas. A consultation process will be conducted during 2004/05.

The next 12 months is already set to result in a number of key milestones for electricity reform. The development of the wholesale electricity market, implementation of the Electricity Network Access Code and consumer protections will be the key focus of 2004/05. The Office will continue to consult with all stakeholders through public forums, the established committee structure and public consultation processes. The Electricity Reform Implementation Unit's website will also continue to have current information for stakeholders to access at [www.eri.energy.wa.gov.au](http://www.eri.energy.wa.gov.au).

### Energy Smart Government

The 2002/03 Energy Smart Government report produced by the Sustainable Energy Development Office showed an average 2.71% reduction in energy use across the 62 agencies participating in the program. Although this is less than the 5% interim target that was set, it is a very encouraging result given that agencies had just 12 months in which to establish their energy monitoring and reporting systems at the same time as implementing energy saving measures. Forty-one agencies reported a reduction in energy use, of which 28 achieved or exceeded the first year's energy reduction target of 5%.

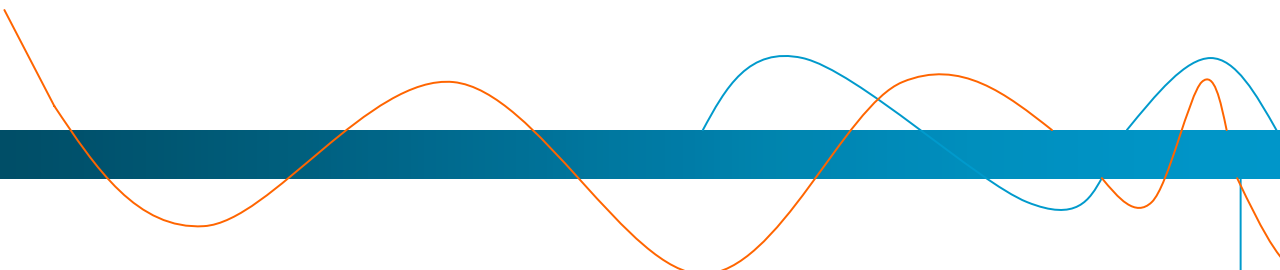
The Energy Smart Government policy requires participating State Government agencies to reduce their non-transport energy consumption by 12 per cent by 2006/2007. The whole-of- government position for 2002/03 is summarised in the following table.

Total Government Position

	Baseline	2002/03	Saving
Energy Consumption (GJ)	2 781 990	2 706 702	2.71%
Energy Cost (\$m)	77.9	77.4	
Greenhouse Gas Emissions (tonnes of CO <sub>2</sub> )	524 527	529 943	

A survey of energy management practices in government agencies will provide the Sustainable Energy Development Office with valuable information to enhance the service to agencies and indicate agencies' progress in adopting the principles of the Energy Smart Government program.

Work on an energy efficiency trade expo was also started. This will provide an ideal opportunity to bring government and industry together in an open and informative format.



A pilot performance contracting project that was implemented at the Department of Land Information (previously Department of Land Administration - DOLA) Midland facility with the assistance of the Office of Energy, Departments of Treasury and Finance, Housing and Works, and Planning and Infrastructure has completed its first year. The project guaranteed a 15% reduction in energy consumption and energy costs and preliminary data suggests an outstanding result with energy consumption being reduced by over 25% and the energy costs savings exceeding 15%. These savings are in addition to energy cost savings of around 20% that the Department of Land Information had achieved in the five years before the contract had started.

Facilitation grants are available for agencies for projects that identify energy saving opportunities or assist agencies report their energy use. All of the funding available was allocated to 28 projects during 2003/04. A review of the funding procedures was undertaken and improvements to the process have been implemented.

The demand for capital advances increased during the year with \$1.6m allocated to 9 agencies. Capital advances are repayable as interest free advances for energy saving capital projects with a 5-year or less simple payback. The predicted savings in energy costs from these projects is expected to be around \$380,000 per annum.

### Energy Smart Community

The Sustainable Energy Development Office continued to expand the successful Energy Smart Community program. The objective of the program is to facilitate reduction of energy consumption within Western Australian households and increased uptake of renewable energy. Further information on initiatives undertaken is provided below under Provision of Information.

### Energy Smart Business

Energy Smart Business projects, including the Energy Smart Directory, the Australian Greenhouse Building Rating tool and National Appliance and Equipment Energy Efficiency initiatives, were consolidated and promoted over 2003/04.

The Sustainable Energy Development Office collaborated with SEDA NSW and SEAV Vic to produce a report on emissions regulations and abatement methods for a range of cogeneration technologies. A number of case studies were also developed to show the potential benefits of installing cogeneration.

The Australian Building Greenhouse Rating program was officially launched by the Minister for Energy, in July 2003. The Australian Building Greenhouse Rating is part of a broader national program that the Sustainable Energy Development Office administers in Western Australia and is a software tool for rating the energy and related greenhouse performance of office buildings.

It is encouraging that the Property Council of Australia WA supports the program's implementation. The program allows owners of planned new buildings to demonstrate their commitment to social responsibility and sustainability by entering into an agreement to design, build and operate new buildings to a specified star rating level. The City of Gosnells has entered into such an agreement for their new civic centre "The Agonis" by committing to a 4.5 star Australian Building Greenhouse Rating.

Through its representative on the National Appliance and Equipment Energy Efficiency Committee, the Sustainable Energy Development Office progressed measures to improve the energy efficiency of electrical appliances and equipment. These measures include the star-rating labelling program for whitegoods that allows consumers to consider energy efficiency when making a purchase; Minimum Energy Performance Standards which prohibit the sale of poor performing models of selected equipment types; and a national strategy to reduce equipment electrical standby power consumption (the power consumed by equipment while waiting to perform its primary function).



## Aboriginal and Remote Communities Power Supply Project

The Government is keen to improve living standards in remote communities through the establishment of reliable, safe and cost efficient electricity at the uniform tariff. As a consequence the Office drove negotiations throughout the year with the Commonwealth on an Electricity Supply Funding Agreement for the Phase 1 communities of Ardyaloon, Beagle Bay, Bidadanga, Djarindjin/Lombardina and Warmun. It is expected this will be finalised by October 2004.

A tender process was conducted for an independent power producer to provide power generation services for the Phase 1 communities. Work has commenced on securing land tenure for the new power stations and network connections to the communities. Western Power was contracted to undertake power asset audits in the communities and design the necessary distribution network upgrades. A decision was taken to use pre-paid meters in the communities to assist residents to manage their power costs.

Office of Energy staff visited the communities on several occasions, as well as briefing ATSIC/ATSIS officers in regular contact with the communities. All the communities and the ATSIC Regional Council were kept informed of progress and consulted on matters of policy and process on a regular basis, and have shown continued support for the Project.

## Electricity, Water and Wastewater Efficiency Education Program

As part of Government's desire to improve the quality and reliability of utilities in Aboriginal communities, power and water supply arrangements are being regularised in remote communities and Aboriginal Town Reserves. Among other changes, this will lead to households being individually billed for their own use of these services rather than through various community payment arrangements.

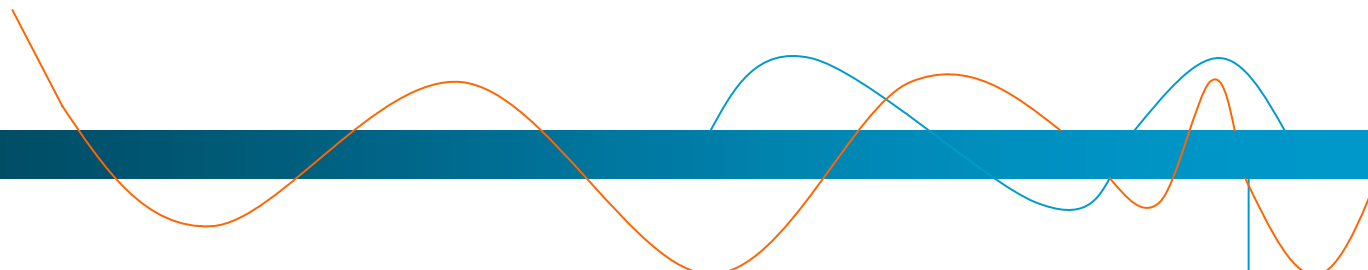
To assist residents of these communities to better manage their use of power and water in this new environment, the Electricity, Water and Wastewater Efficiency Education Program has been developed to explain how the services are delivered, and how they can be used safely and efficiently.

The Office of Energy led the development and production of student workbooks and teacher resources to deliver "Going with the Flow: Mission Energy, Water and Wastewater", the school component of the education package. Eight Kimberley schools agreed to trial the program in 2004. These include schools in all the Phase 1 communities in the Aboriginal and Remote Community Power Supply Project, and other schools with students from those communities and Aboriginal town reserves where power and water supply arrangements are being regularised. These student workbooks and teacher resources have been especially designed to meet the needs of teachers and students in remote communities. These resources have been very well received.

The objectives of the education package are to reduce energy and water consumption in participating schools by 5% and sustain this reduction for a 3-year period. In communities, a reduction of 10% has been set for energy. Arrangements have been made to undertake baseline energy efficiency audits of the participating schools and communities so that the effectiveness of the education package can be later assessed.

## Regional Power Procurement

The Office of Energy concluded its involvement in the Regional Power Procurement Process in December 2003, following the signing of the Exmouth Power Purchase Agreement in September 2003.



The Office had been closely involved in the procurement process that resulted in new power stations commencing operation in November 2003 in Cue, Meekatharra, Mt Magnet, Sandstone, Wiluna and Yalgoo, and in Esperance in March 2004. The new Exmouth power station will be commissioned in 2005.

Regional Power Procurement has already yielded significant cost savings in power generation, and will improve reliability and environmental aspects of electricity supplies in these regions.

### **Rural Power Improvement Program**

The Office of Energy identified a need to find a solution to reliability problems being experienced in sparsely settled rural areas, while recognising that maintenance priorities necessarily favour more densely populated areas in an environment of limited funds. The Office worked closely with Western Power to develop a low cost program to improve power supplies in rural areas of the South West Interconnected System with a history of poor reliability. The Minister for Energy announced the Rural Power Improvement Program on 24 May 2004.

The Program is specifically designed to address problems where the high cost of remediation work on the network is difficult to justify under Western Power's normal prioritisation process because of the relatively few customers affected. It will be jointly funded by the State and Western Power.

The Program will identify the distribution lines that have proven to be most susceptible to outages. The first phase will commence early in 2004/05 with the installation of auto-reclosers and section switches. These devices will not reduce the number of faults on the line, but by assisting the isolation and quick location of faults, will limit the number of customers affected and reduce the time required to find and repair faults.

The Coordinator of Energy will chair a Committee responsible for assessing and prioritising distribution upgrade projects to be undertaken under the Program. The committee will also have representatives from Western Power, the Department of Treasury and Finance and the Regional Policy Unit of the Department of the Premier and Cabinet. The role of the Committee is to take an independent view of the areas of greatest need, and identify where the Program funds will do the most good.

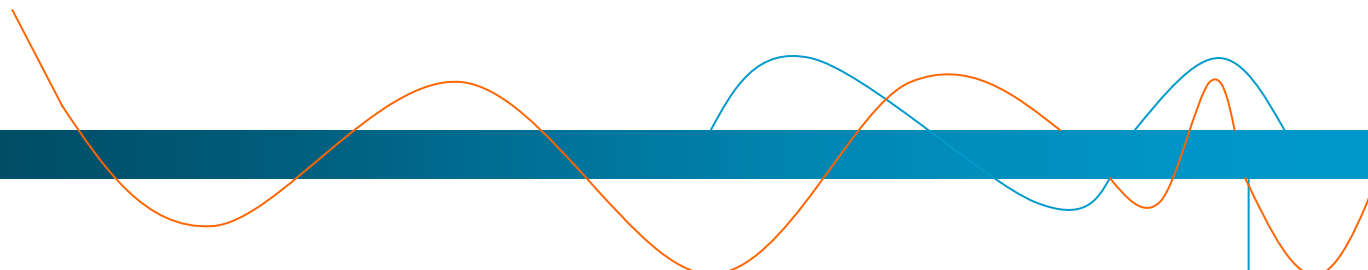
### **Competitive Neutrality for Government Business Enterprises and Agencies**

Following a review of the continued appropriateness of differential power pricing for Government business enterprises and agencies in regional areas, the Office of Energy recommended that the uniform tariff be extended to these organisations. This will mean that Government agencies and businesses will pay the same price for power as other businesses in regional areas. These lower prices will improve competitiveness and eliminate anomalies that result in agencies paying different power prices depending on location and the premises in which they operate. It will also remove the disadvantage suffered by some businesses which locate within the premises of, and purchase power from, Government organisations other than Western Power. This tariff amendment was implemented through the 2004/05 Budget following approval by Government.

### **Power Price Equity for Permanent Caravan Park Residents**

Permanent residents of caravan parks generally purchase their power from the park owner, who in turn purchases power from suppliers such as Western Power. This has meant that park residents have not had the protection of regulated power prices or the benefits of Government energy subsidies, because they are not direct customers of Western Power. In some cases, this has meant that park residents have had to pay significantly more for power than people living in other forms of housing.

To eliminate this inequity, the Government has taken action to ensure that people who choose to live in caravan parks pay the same power prices as other Western Australians.



The Office of Energy has commenced working with Western Power to establish systems to enable permanent residents of caravan parks to receive the same pensioner energy subsidies and air conditioning subsidies as are available to direct customers. Regulations will be introduced to prevent caravan park owners charging their tenants more for power than the uniform residential tariff charged by Western Power.

## REGULATORY SERVICES

During 2003/04, a total of 33 regulatory actions (gas and electricity approvals) were undertaken by the Office of Energy.

### Gas Licensing

Responsibility for gas licensing was transferred to the Economic Regulation Authority from 19 March 2004. The licensing regime provided a stable framework for industry and ensured customer protection through technical, safety and commercial standards for operators in areas such as future development planning, performance monitoring, asset management, connection of new customers and third party access.

There are six distribution and six trading licenses in Western Australia.

### Gas Approvals

The approval of the Coordinator of Energy is required for gas undertakings. This ensures that gas undertakings meet the required technical and safety standards and that customers and other stakeholders are protected.

During 2003/04, 13 gas approvals were issued by the Office of Energy.

### Electricity Approvals

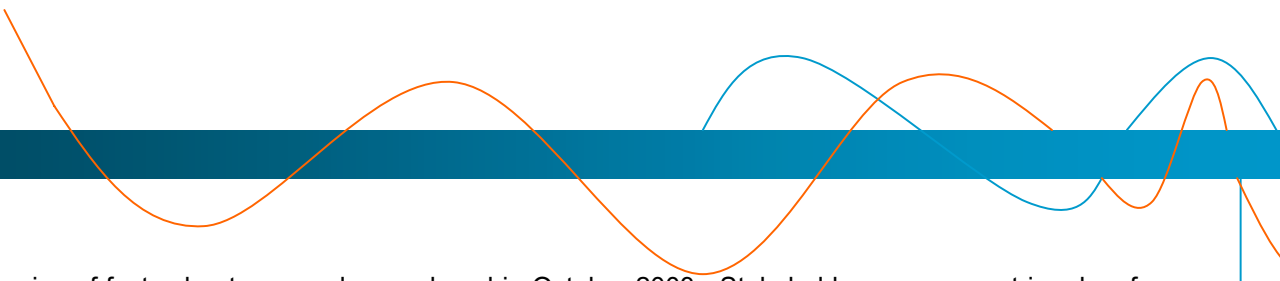
The approval of the Coordinator of Energy is required for various private sector electricity infrastructures. This ensures that connections to the electricity grid are in accordance with technical and safety standards and do not damage the integrity of the system.

During 2003/04, there were 20 electricity approvals issued by the Office of Energy.

## PROVISION OF INFORMATION

### Electricity Reform Publications

Seven editions of the "Electricity Reform News", a publication designed to inform all stakeholders of developments in the Western Australian electricity industry, were released during 2003/04.



A series of facts sheets were also produced in October 2003. Stakeholder engagement is a key focus of the electricity reform implementation process and to provide stakeholder groups with information on the electricity reform process, eight Fact Sheets were developed that provide an overview of the key issues including:

- sustainable energy;
- large and small businesses and the benefits expected to be received from the reform process;
- impact of the electricity reform process on small customers;
- reliability of supply; and
- the impact of reform upon regional areas of WA.

To provide regular updates on the reform process, a monthly status report was posted to the ERIU website at [www.eri.energy.wa.gov.au](http://www.eri.energy.wa.gov.au).

### Gas Talk

Three editions of “Gas Talk”, a publication designed to inform users and other stakeholders of developments in the Western Australian gas market, were released.

### Energy Western Australia Conference

The Office of Energy will be conducting its regular Energy Western Australia Conference in November 2004. Planning for this Conference commenced during 2003/04 and was well advanced by the end of the financial year. The conference will promote the discussion and dissemination of energy related issues and policies relevant to Western Australia. Typically, these conferences are well supported and attract around 250 attendees at middle to senior management level. The Conference will provide excellent opportunities for the Minister for Energy to promote the Government's energy policies to a targeted audience.

### Energy Smart Community

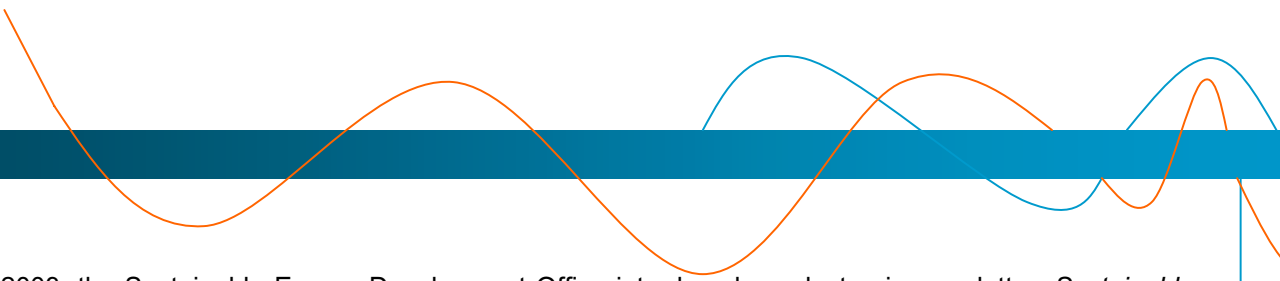
Approximately 4,368 calls were received through the Energy Smart telephone service. The Sustainable Energy Development Office's range of brochures, including the new 2003/04 fact sheets series, is distributed through the service and also through many local government and community organisations.

In addition the Sustainable Energy Development Office:

- developed partnerships and training with major retail appliance chains throughout Western Australia on the *Reach for the Stars* Program, which promotes high energy star-rated electrical and gas appliances;
- developed a partnership with Local Government to investigate methods of improving street lighting energy efficiency in Western Australia, and participated in the successful completion and promotion of the City of Subiaco's Sustainable Demonstration Home;
- expanded House Energy Rating Software (HERS) initiatives, in particular the *FirstRate* software tool. The Building Code of Australia (BCA) energy efficient measures amendment was successfully introduced on 1 July 2003, with the HERS an integral part of the implementation; and
- the majority of the Community and Local Government Special Funding round projects were implemented and successfully completed.

### Energy Smart Public Communication

The Sustainable Energy Development Office has established a communication and marketing strategy to accelerate change in the way Western Australians perceive and use energy. The strategy is aimed at encouraging and assisting industry, Government and communities to operate in ways that are economically, environmentally and socially sustainable.



In 2003, the Sustainable Energy Development Office introduced an electronic newsletter, *Sustainable Energy Matters*, to provide up-to-date information on its activities and what is happening in the sustainable energy industry in Western Australia. This newsletter is distributed to 1,800 stakeholders each month.

A major initiative has been the introduction of community seminars held in Perth and in regional areas. A series of business seminars have also been conducted during the year focused on ways to reduce energy consumption.

### Energy Smart Business

The Sustainable Energy Development Office's Energy Smart Directory that brings suppliers of sustainable energy products and services together with potential customers continued to be popular with over 240 suppliers listed and an average of around 1,400 site visits each month.

The Directory is a web-based database that includes details of organisations providing sustainable energy solutions for business, government and the wider community in Western Australia. The Directory can be accessed at [www.energysmartdirectory.com](http://www.energysmartdirectory.com)

The energy efficient technologies brochures developed for the small business sector were promoted and distributed through the Sustainable Energy Development Office's Energy Smart Line.

### Sponsorship

During the year the Sustainable Energy Development Office sponsored:

- the 2004 Housing Industry Association Greensmart Awards;
- Sustainable Energy Expo;
- the WA Environment Awards – in particular the categories Energy Efficiency and Eco-Building, Infrastructure and Services;
- the Property Council's Commercial Property Conference;
- the 2003 Building Designers Association Design Awards, Energy Efficiency Division;
- the 2004 Master Builders Association Excellence in Construction Awards – Sustainable Energy section;
- an Energy Smart segment on Channel Seven's Nuts and Bolts program; and
- Perth Sun Fair.

### Energy, Water and Wastewater Efficiency Education Project

"Going with the Flow: Mission Energy, Water and Wastewater" is a package for primary school students to support the Energy, Water and Wastewater Efficiency Education Project. The Project has been introduced to assist Aboriginal people to manage their energy and water use in communities where the delivery of these services is being made consistent with the services available in regional towns. "Going with the Flow" was produced and provided to eight Kimberley schools for trialling in the 2004 school year.

### Energy Resources and Infrastructure Map

A new edition of the Energy Resources and Infrastructure Map was published in March 2004, and is also available as a downloadable version on the Office of Energy website.

### Beyond the Grid

Two editions of Beyond the Grid were published, in December 2003 and June 2004. This newsletter provides information on new regional electricity and gas initiatives in Western Australia.

# OBM PERFORMANCE MEASURES FOR OUTPUT 1

The actual results of Output 1 measures against targets reported in the 2003/04 State budget papers are outlined in the following table.

Measure	Target	Actual	Reasons for significant variations
<b>Quantity</b>			
Energy policy implementation projects	35	51	Additional energy policy implementation projects were undertaken relating to electricity reform and sustainable energy initiatives.
Regulatory actions (approvals, authorisations, inspections, licences, court/disciplinary proceedings)	4	33	It was expected that there would be 4 gas trading and distribution licenses issued during the year. However 5 were issued. There were also 28 gas or electricity authorisations approved during the year, which were not included in the target as they are difficult to predict.
Incidences of policy and other advice to the Minister for Energy and Government	1,200	1,336	
Incidences of industry and community information provision	140	139	
<b>Quality</b>			
Minister for Energy's satisfaction with policy implementation projects	75%	90%	
Minister for Energy's satisfaction with policy and other advice provided	75%	90%	
Industry and community satisfaction with information provided	75%	90%	
<b>Timeliness</b>			
Minister for Energy's satisfaction with timeliness of energy policy implementation projects	75%	90%	
Regulatory actions completed where required within statutory timeframes	95%	82%	
Policy and other advice provided to the Minister for Energy within requested timeframes	90%	86%	
Industry and community satisfaction with timeliness of information services and products	75%	88%	
<b>Cost (Efficiency)</b>			
Average cost per energy policy implementation project	\$159,082	\$129,572	The lower average cost per project is a reflection of the higher number of projects managed during the year.
Average cost per regulatory action	\$4,237	\$4,386	
Average cost per policy and other advice provided to the Minister for Energy and Government	\$1,776	\$3,288	The higher average cost per policy advice reflects the complex nature and effort required to provide that advice, particularly on electricity reform matters.
Average cost per incidence of industry and community information	\$12,512	\$8,325	Fewer staff involved in information provision resulted in a lower average cost for each incidence.

## OUTPUT 2: GRANT AND COMMUNITY PROGRAMS MANAGEMENT

This includes programs such as:

- the Photovoltaic Rebate Program;
- the Renewable Remote Power Generation Program;
- the Solar Water Heater Subsidy;
- the Sustainable Energy Development Office Grants Committee to support renewable energy and energy efficiency; and
- the State Underground Power Program.

### Photovoltaic Rebate Program

The Sustainable Energy Development Office administers and promotes this Commonwealth Government program in Western Australia. The Photovoltaic Rebate Program provides rebates of \$4 per Watt for new photovoltaic systems serving households and community buildings. The photovoltaic systems can be grid-connect or stand-alone. The maximum rebate is \$4,000 for a household application and \$8,000 for a community application.

Rebates with a total value of \$76,000 were paid for 13 grid-connect systems, involving the installation of 19 kW of photovoltaic modules.

### Renewable Remote Power Generation Program

The Sustainable Energy Development Office administers and promotes the Renewable Remote Power Generation Program in Western Australia.

The Renewable Remote Power Generation Program provides rebates for renewable energy systems replacing diesel generation in 'off-grid' areas. The objectives of the program are to:

- help in providing an effective electricity supply to remote users;
- assist the development of the Australian renewable energy industry;
- help meet the energy infrastructure needs of indigenous communities; and
- lead to long-term greenhouse gas reductions.

The program is a Commonwealth Government funded initiative. Funding is equal to the excise paid on diesel used for public electricity generation off-grid in Western Australia from 2000/01 to 2003/04. For 2002/03 a total of \$24.89 million in relevant excise was paid.

Renewable Remote Power Generation Program funding is available for large individual projects (with a rebate value greater than \$550,000), programs providing rebates for multiple small projects of a similar nature, and for industry support projects.

The Renewable Remote Power Generation Program funding totaling \$1.69 million was paid for a 3.6MW wind farm at Esperance and a 600kW wind turbine at Hopetoun. Funding of \$850,000 was provided to support industry support projects carried out by the Research Institute for Sustainable Energy located at Murdoch University.



### Remote Area Power Supply Program

The Remote Area Power Supply Program started in July 2001 and provides rebates of 55 per cent of the cost of renewable energy systems serving Aboriginal communities, businesses and households in off-grid areas of Western Australia. The Remote Area Power Supply Program is jointly funded by the Commonwealth, through the Renewable Remote Power Generation Program, and by the State, using funding previously committed to the Renewable Energy RAPS Rebate program. The maximum rebate available is \$550,000.

85 rebates, with a total value of \$2.26 million were paid under the Remote Area Power Supply Program. A total of 173 kW of photovoltaic modules and 6 kW of wind turbines were installed.

### Renewable Energy Water Pumping Program

This program provides rebates on the cost of the renewable energy components of solar pumps and windmills used instead of diesel pumps in off-grid areas. The maximum rebate available is \$20,000 for pastoral and community applications and \$10,000 for all other sites.

266 rebates, with a total value of \$972,000, were paid under the Renewable Energy Water Pumping Program. This involved the installation of 239 solar pumps and 58 windmills.

### Solar Water Heater Subsidy

The Sustainable Energy Development Office administers and promotes Western Australia's State funded Solar Water Heater Subsidy scheme. The scheme aims to increase the adoption of the most energy efficient hot water systems and assist the industry to increase its market share, particularly in the new home market. Rebates are available to householders for gas-boosted or electric-boosted solar hot water systems.

\$526,000 was paid in rebates for 1,300 systems. Changes made to the scheme in February 2003 have led to a substantial increase in the uptake of Government rebates and have helped to substantially increase the uptake of solar hot water systems on new homes in Western Australia.

### Sustainable Energy Development Office's Grants Committee

The Sustainable Energy Development Office's Grants Committee is a funding body that supports the development and promotion of renewable energy and energy efficiency.

The Sustainable Energy Development Office's Grants Committee funding had two components:

- energy education, demonstration and promotional activities, which are funded from the Sustainable Energy Development Office Grants Committee Trust Account; and
- energy research and development projects, which are funded from the Minerals and Energy Research Institute of Western Australia (MERIWA) Energy Account.

In June 2004, MERIWA divested its energy research funding to the Sustainable Energy Development Office. Prior to this process being completed, the Sustainable Energy Development Office's Grants Committee recommended energy research projects to MERIWA for grants, which were funded from MERIWA's Energy Account, but administered by the Sustainable Energy Development Office.

The Grants Committee invites formal applications in February and August each year. The Grants Committee evaluated 86 funding applications to a value of nearly \$3 million.

Grant agreements were signed for 17 projects to a value of approximately \$390,000 and agreements for a further 12 projects valued at approximately \$360,000 are being negotiated.





The Grants Committee facilitated a Special Regional Funding Round, which supported sustainable energy projects in regional areas. Grant agreements were signed for eight projects with a value of approximately \$320,000.

### State Underground Power Program

A significant proportion of power outages are caused by storm or tree damage to overhead connections to premises, so underground power provides better reliability for customers. After severe storms, network crews can therefore concentrate on major faults and restoring power to whole areas rather than having to spend much of their time dealing with fallen wires on people's properties. Underground power also improves the aesthetic appearance of residential and commercial areas with the removal of distribution lines, allowing street and garden trees to grow to their full height and natural shape rather than being severely pruned to avoid overhead lines.

Planning requirements now stipulate that power in all new subdivisions is placed underground to maximise reliability, safety and suburban amenity. The State Underground Power Program complements this requirement by assisting local councils to place existing overhead power lines underground. The Office of Energy chairs the Steering Committee that selects proposals from local councils for funding assistance to install underground power for their ratepayers. The Office also issues guidelines for councils wishing to apply for funds, and manages the evaluation and contract negotiation process to implement successful projects.

Approximately 2,000 properties in East Victoria Park/Carlisle and approximately 1,750 properties in Subiaco North were connected to underground power in 2003/04 under Round 2 Major Residential Projects in the State Underground Power Program. Power lines were also undergrounded for about one kilometre along West Coast Highway, Scarborough under Round 2 of the Localised Enhancement Project element of the Program.

Ten proposals were approved this year under Round 3 of the Major Residential Projects, from over seventy applications. This part of the Program aims to provide underground power to a substantial number of households within a local area. The successful projects were: City Beach (Cambridge), Victoria Park South (Victoria Park), Gosnells North (Gosnells), Nedlands East (Nedlands), Fremantle (Fremantle), Highgate East (Vincent), Shenton Park (Subiaco), Port Hedland (Port Hedland), Churchlands/Wembley Downs (Stirling), Como East (South Perth).

Agreements were signed for the first two Round 3 Major Residential Projects for the Town of Victoria Park (Victoria Park South) and City of Subiaco (Shenton Park). Implementation of these projects will commence early in 2004/05. Agreements for the remaining Round 3 projects are being developed with the relevant councils.

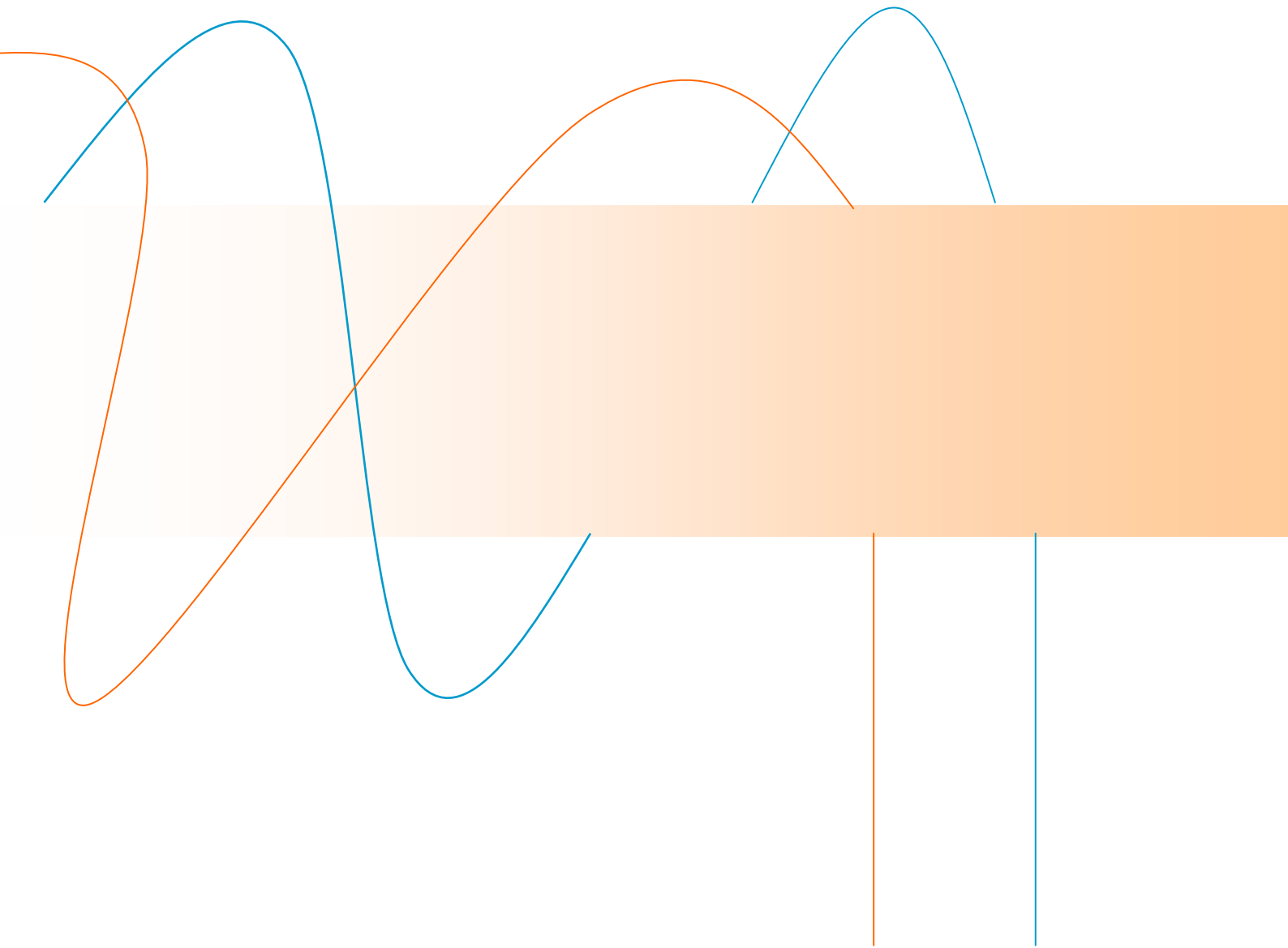
Fifty-five proposals were received for Round 3 of the Localised Enhancement Projects, from 40 local governments. The successful projects will be announced in the first quarter of 2004/05. These projects are aimed at improving streetscapes in areas with significant heritage, tourism or other local significance.

The completion of the Round 2 projects brings to 30,000 the number of households and businesses connected to underground power under the Program since it commenced, at a total cost of \$122 million, of which \$57 million has been funded by the State and Western Power. Underground power now supplies 41% of Perth households and 17% of non-metropolitan properties. The aim is for 50% of Perth households to be connected to underground power by 2010, with a corresponding improvement in regional towns.

## OBM PERFORMANCE MEASURES FOR OUTPUT 2

The actual results of Output 2 measures against targets reported in the 2003/04 State budget papers are outlined in the following table.

Measure	Target	Actual	Reasons for significant variations
<b>Quantity</b>			
Transfer payments paid	3	3	
Grants approved	1,230	1,744	Increased promotion of sustainable energy grants programs resulted in increased take-up of grants, including the Solar Hot Water Heater Subsidy, Renewable Energy Water Pumping scheme, Remote Renewable Power Generation Programs and Energy Smart Government Grants.
Grant applications administered	1,230	1,872	Increased promotion of sustainable energy grants programs resulted in increased take-up of grants, including the Solar Hot Water Heater Subsidy, Renewable Energy Water Pumping scheme, Remote Renewable Power Generation Programs and Energy Smart Government Grants.
Community program implementations managed	7	4	
<b>Quality</b>			
Satisfaction of the relevant Board with the administration of grants	75%	94%	
Satisfaction of key stakeholders with management of community programs	75%	N/A	Survey of councils involved in the State Underground Power Project will be conducted during Round 3 of the Project in the first half of 2004/05.
<b>Timeliness</b>			
Average time for processing grant applications	2 weeks	1.71 weeks	
<b>Cost (Efficiency)</b>			
Average value per transfer payments	\$1,604,333	\$1,606,667	
Average value per grants	\$2,956	\$5,481	Increased take up of larger Energy Smart grants programs and Remote Renewable Power Generation (RRPGP) grants have increased the average value of grants paid.
Average cost per grant applications administered	\$859	\$577	The higher number of grant applications resulted in lower average cost per administration.
Average cost per community program managed	\$26,716	\$67,670	The lower number of community programs managed resulted in a higher average management cost per program.



CORPORATE ISSUES



# CORPORATE ISSUES

## Corporate Services Support

From 1 July 2003, corporate services support was provided by the Department of Treasury and Finance. Delivery of these services was facilitated through a Service Level Agreement, signed by the CEOs of both agencies. This initiative has resulted in savings of \$250 000 per annum.

## Strategic Planning

A strategic planning workshop was held during December 2003. A new Strategic Plan 2004 – 2008, aligned to the Strategic Planning Framework for the WA Public Sector, *Better Planning: Better Services*, was produced following the workshop.

## Disability Services Plan Implementation

Achievements against the Disability Service Plan are outlined below.

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

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

*Outcome 2.* Access to buildings and facilities is improved.

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

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

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

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

*Achievements.* The Disability Service Plan was promoted to staff and is included on the Intranet for easy reference.

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

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

## Internal Audit

Internal audit focussed on key risks and controls. The Internal Audit Committee was provided with reports of results of internal audit reviews, and oversaw actions arising from those reviews.



## Risk Management

The risk management database was updated to reflect new activities and risk management strategies.

## Code of Conduct

During 2003/04 the Office of Energy Code of Conduct was reviewed and redrafted. All Office of Energy staff were provided with the opportunity to comment on the redrafted Code of Conduct and changes were made as a result of their feedback. The revised Code of Conduct provides practical guidelines to assist staff when confronted by ethical issues and was launched at a presentation for all staff. The presentation was used as an opportunity to discuss ethical issues relevant to the Office of Energy.

## Public Interest Disclosures

A Public Interest Disclosure Officer was appointed and procedures developed and implemented for handling public interest disclosures. The Office of Energy received no public interest disclosures during the reporting period.

## Management of Residual CASE Issues

The Office continued to administer the residual assets, liabilities and residual project and operational matters of the Perth International Centre for the Application of Solar Energy (CASE) pending its formal winding up.

## Establishment of Economic Regulation Authority

Parts of the Gas Pipelines Access (Western Australia) Act 1998, which established the Office of the WA Independent Gas Pipelines Access Regulator was repealed at 31 December 2003, as a consequence of the passage of the Economic Regulation Authority Act 2003.

The functions of the Office of the Gas WA Independent Pipelines Access Regulator were transferred to the new Economic Regulation Authority from 1 January 2004.

The Office of Energy continued to provide support to the WA Independent Gas Pipelines Access Regulator, including preparation of the final financial statements, up until its cessation. Support and advice was also provided in ensuring smooth transition of the functions into the Economic Regulation Authority.

In addition, the functions of Gas Trading and Distribution licensing were transferred from the Office of Energy to the Economic Regulation Authority in March 2004.

## FINANCE AND ADMINISTRATION

### Operating Expenses

The total cost of services of the Office in 2003/04 was \$26.525 million, including transfer payments, expenditure on capital items, non-cash costs and grants payments. This compares to total cost of services of \$24.697 million in 2002/03.

Full details are disclosed in the 2003/04 Financial Statements included in this report.



## Asset Management

The Office has assets with a written down value of \$447 000 as at 30 June 2004, compared with a written down value of assets of \$552 000 as at 30 June 2003. Assets are replaced as required under an asset replacement plan.

## Gas Corporation Wind Up

The Office continued to administer the residual assets and liabilities of the Gas Corporation, including bank account maintenance and compliance with reporting requirements.

## Financial Management Information Reporting

Monthly financial management information reports were provided by Department of Treasury and Finance as part of the Service Level Agreement to provide transactional corporate services support to the Office. Reports improved during the year to better meet the needs of cost centre managers and external stakeholders.

## Pricing Policy

The licensing fees for gas distributors and traders are set in accordance with the provisions of the *Energy Coordination (Licensing Fees) Regulations 1999*. The functions relating to gas distribution and trading licensing transferred to the Economic Regulation Authority on 19 March 2004.

Other goods and services are generally charged out on a full cost of service basis.

# HUMAN RESOURCE MANAGEMENT

## Staffing Levels

The Office had an average staffing level of 61 full time equivalents (FTE's) in the 2003/04 financial year compared with 60.64 FTE's for 2002/03. Total salary costs were \$5.498 Million.

## Staffing Policies

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

## Staff Changes

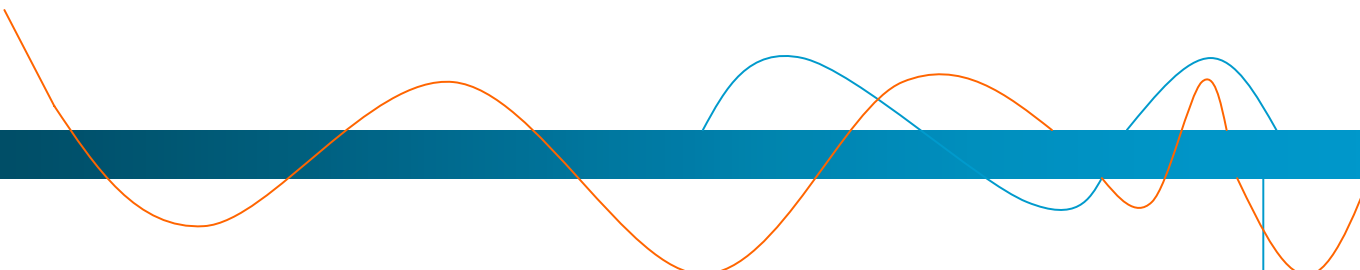
All staff recruitment is performed in accordance with the Public Sector Standards in Human Resource Management and the Approved Procedures under the *Public Sector Management Act 1994*. The number of recruitment exercises for the year numbered 24, compared with 40 for the preceding year.

## Staff Development

Staff training and development needs were principally identified through the Office of Energy's Employee Performance Agreement system.

## Payroll and Human Resource Information Management Systems

With the assistance of Department of Treasury and Finance, the Office changed payroll service providers during November 2003 to January 2004, moving to Concept Personnel/Payroll Services.



Staff were trained in the self-service Web-based kiosk, where they can review personal and payroll related details.

### Industrial Relations

All Office of Energy staff are employed under the provisions of the *Public Sector Management Act 1994*. All Office of Energy staff are covered by the Public Service General Agreement 2002. There were no major industrial relations issues during the year.

### Staff Leave Management

Staff leave liability was monitored to ensure that the Office of Energy liability continued at a reasonable level. A comprehensive audit of staff leave entitlements was conducted during March 2004.

### Graduate Program

Work was undertaken to develop a Graduate Program within the Office of Energy commencing in 2005. Graduate opportunities were advertised in May 2004 with offers expected to be made to successful applicants in August 2004.

### Workers' Compensation and Rehabilitation

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

## INFORMATION SYSTEMS

### Records Management

A Record Keeping Plan was submitted and approved by the State Records Commission in November 2003. This Plan will assist in meeting the compliance requirements of the *State Records Act 2000*.

Training is provided to staff on an ongoing basis and includes briefings on the compliance requirements of the *State Records Act 2000*, induction training for all new staff on their obligations under the *State Records Act 2000* and the operation of records management within the Office.

### Information Systems Security

In order to improve the security of the Office of Energy computer network, improved firewall protection was implemented.

Through a Service Level Agreement, the Department of Treasury and Finance provide Information Systems support, including LAN and WAN monitoring and management of security issues.

Review and update of the Office's IT Disaster Recovery Plan was completed during the year.

## ELECTORAL ACT DISCLOSURE REQUIREMENTS

In accordance with the disclosure requirements of Section 175ze of the *Electoral Act 1907*, the Office of Energy incurred expenditure during the period 1 July 2003 to 30 June 2004 on the following:

<i>Advertising Agencies</i>	<i>Amount</i>
CPR Communications & PR	\$2,200
<b>TOTAL</b>	<b>\$2,200</b>

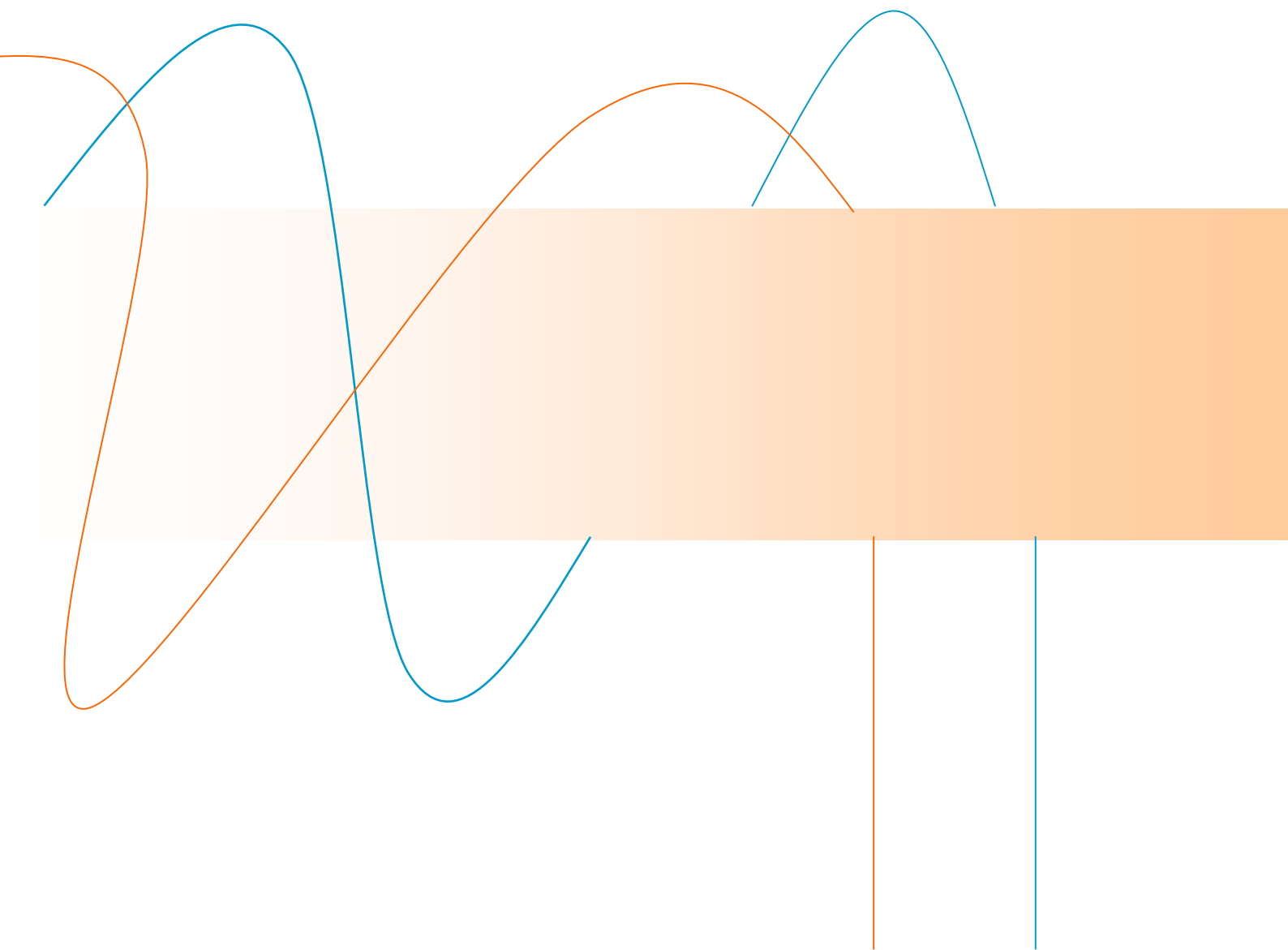
<i>Market Research Organisations</i>	<i>Amount</i>
Market Equity	\$34,745
<b>TOTAL</b>	<b>\$34,745</b>

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

<i>Direct Mail Organisations</i>	<i>Amount</i>
Post Data	\$2,449
<b>TOTAL</b>	<b>\$2,449</b>

<i>Media Advertising Organisations</i>	<i>Amount</i>
Marketforce Productions	\$122,491
The Plumbing Magazine	\$1,659
The Finishing Touch	\$3,273
Architect and Builder Magazine	\$1,045
Designing WA Magazine	\$795
Dowerin Field Day Program	\$620
<b>TOTAL</b>	<b>\$129,883</b>





PUBLIC SECTOR STANDARDS  
and Code Ethics / Code of Conduct  
COMPLIANCE REPORT

## PUBLIC SECTOR STANDARDS IN HUMAN RESOURCE MANAGEMENT

### Summary of Extent of Compliance

During 2003/04 there were no breach claims lodged under any of the Public Sector Standards in Human Resource Management.

## CODE OF ETHICS AND CODE OF CONDUCT

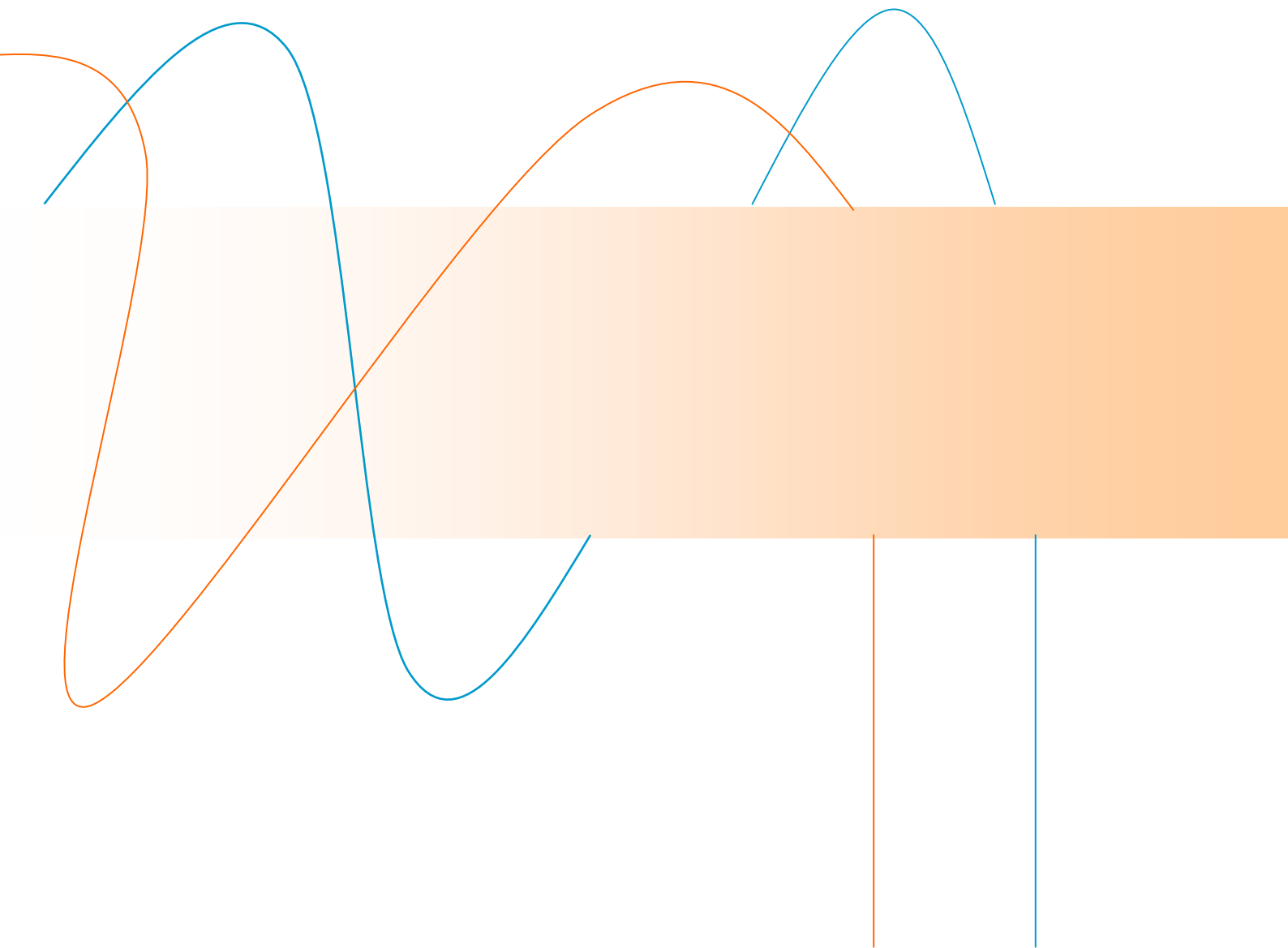
### Summary of Extent of Compliance

During 2003/04 the Office of Energy Code of Conduct was reviewed and redrafted. All Office of Energy staff were provided with the opportunity to comment on the redrafted Code of Conduct and changes were made as a result of their feedback. The revised Code of Conduct provides practical guidelines to assist staff when confronted by ethical issues and was launched at a presentation for all staff. The presentation was used as an opportunity to discuss ethical issues relevant to the Office of Energy.

There were no complaints lodged relating to non-compliance with ethical codes during 2003/04.



Anne Nolan  
**COORDINATOR OF ENERGY**



## FINANCIAL STATEMENTS AND PERFORMANCE INDICATORS

# AUDITOR GENERAL OPINION



AUDITOR GENERAL

## INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

### OFFICE OF ENERGY

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

#### Audit Opinion

In my opinion,

- (i) the controls exercised by the Office of Energy provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Office at June 30, 2004 and its financial performance and cash flows for the year ended on that date.

#### Scope

##### *The Coordinator of Energy's Role*

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

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to the Financial Statements.

##### *Summary of my Role*

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

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

D D R PEARSON  
AUDITOR GENERAL  
September 30, 2004

## CERTIFICATION OF FINANCIAL STATEMENTS

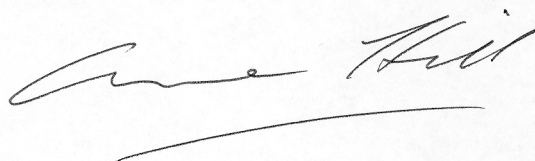
The accompanying financial statements of the Office of Energy have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2004 and the financial position as at 30 June 2004.

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



Geoff Gilbert  
DIRECTOR CORPORATE SERVICES  
**PRINCIPAL ACCOUNTING OFFICER**

12 August 2004



Anne Hill  
A/COORDINATOR OF ENERGY  
**ACCOUNTABLE OFFICER**

12 August 2004

# STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2004

	Note	2003/04 \$'000	2002/03 \$'000
<b>COST OF SERVICES</b>			
<b>Expenses from ordinary activities</b>			
Employee expenses	4	5,498	4,723
Supplies and services	5	6,654	3,924
Depreciation and amortisation expense	6	203	190
Administration expenses	7	443	512
Accommodation expenses	8	615	447
Grants, subsidies and transfer payments	9	12,843	14,700
Capital user charge	10	256	169
Carrying amount of assets disposed	14	13	32
<b>Total cost of services</b>		<b>26,525</b>	<b>24,697</b>
<b>Revenues from ordinary activities</b>			
User charges and fees	11	83	44
Commonwealth grants and contributions	12	5,840	9,159
Other revenues from ordinary activities	13	1,499	922
<b>Total revenues from ordinary activities</b>		<b>7,422</b>	<b>10,125</b>
<b>NET COST OF SERVICES</b>		<b>19,103</b>	<b>14,572</b>
<b>REVENUES FROM STATE GOVERNMENT</b>			
Output appropriations	15	23,775	15,053
Liabilities assumed by the Treasurer		43	32
Resources received free of charge		99	124
<b>Total revenues from Government</b>		<b>23,917</b>	<b>15,209</b>
<b>CHANGE IN NET ASSETS</b>		<b>4,814</b>	<b>637</b>

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

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2004

	Note	2003/04 \$'000	2002/03 \$'000
<b>Current Assets</b>			
Cash assets	16	8,722	3,955
Restricted cash assets	17	3,305	2,265
Receivables	18	527	115
Amounts receivable for Outputs	20	189	117
Other assets	19	2	2
<b>Total Current Assets</b>		<b>12,744</b>	<b>6,454</b>
<b>Non-Current Assets</b>			
Restricted cash assets	17	0	155
Receivables	18	1,414	0
Amounts receivable for Outputs	20	467	329
Plant, equipment and leasehold improvements	21	447	552
<b>Total Non-Current Assets</b>		<b>2,328</b>	<b>1,036</b>
<b>TOTAL ASSETS</b>		<b>15,072</b>	<b>7,490</b>
<b>Current Liabilities</b>			
Payables	22	604	185
Amounts due to the Treasurer	23	1,846	516
Provisions	24	724	444
Accrued salaries	25	198	116
<b>Total Current Liabilities</b>		<b>3,372</b>	<b>1,261</b>
<b>Non-Current Liabilities</b>			
Provisions	24 (a)	394	293
<b>Total Non-Current Liabilities</b>		<b>394</b>	<b>293</b>
<b>Total Liabilities</b>		<b>3,766</b>	<b>1,554</b>
<b>EQUITY</b>	26		
Contributed equity		1,306	750
Accumulated surplus/(deficiency)		10,000	5,186
<b>Total Equity</b>		<b>11,306</b>	<b>5,936</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>15,072</b>	<b>7,490</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 2004

	Note	2003/04 \$'000	2002/03 \$'000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Output appropriations		23,448	15,053
Capital contributions		556	663
Holding account drawdowns		117	0
<b>Net cash provided by State Government</b>		<b>24,121</b>	<b>15,716</b>
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee costs		(5,038)	(4,768)
Superannuation		(419)	(364)
Supplies and services		(6,583)	(3,956)
Capital user charge		(256)	(169)
GST payments on purchases		(914)	(517)
GST payments to ATO		(148)	0
Other payments		(14,896)	(15,691)
<b>Receipts</b>			
User charges and fees		83	28
Commonwealth grants and contributions		5,840	9,159
Other revenues		1,820	852
GST receipts on sales		97	128
GST receipts from Australian Taxation Office		725	389
<b>Net cash provided by/(used in) Operating Activities</b>	27 (b)	<b>(19,689)</b>	<b>(14,909)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of non-current physical assets		(110)	(170)
<b>Net cash provided by/(used in) Investing Activities</b>		<b>(110)</b>	<b>(170)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Treasurers Advance		1,330	516
<b>Net cash provided by/(used in) Financing Activities</b>		<b>1,330</b>	<b>516</b>
<b>Net increase/(decrease) in Cash Held</b>		<b>5,652</b>	<b>1,153</b>
Cash assets at the beginning of the financial year		6,375	5,222
<b>CASH ASSETS AT THE END OF THE FINANCIAL YEAR</b>	27 (a)	<b>12,027</b>	<b>6,375</b>

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



# OUTPUT SCHEDULE OF EXPENSES AND REVENUES

for the year ended 30 June 2004

	Output 1 Energy policy, information and regulatory services		Output 2 Grants and community programs		Output Total	
	2003/04 \$'000	2002/03 \$'000	2003/04 \$'000	2002/03 \$'000	2003/04 \$'000	2002/03 \$'000
<b>COST OF SERVICES</b>						
<b>Expenses from ordinary activities</b>						
Employee expenses	4,611	4,329	887	394	5,498	4,723
Supplies and services	6,300	3,597	354	327	6,654	3,924
Depreciation and amortisation expense	166	174	37	16	203	190
Administration expenses	376	469	67	43	443	512
Accommodation expenses	497	410	118	37	615	447
Grants, subsidies and transfer payments	306	0	12,537	14,700	12,843	14,700
Capital user charge	209	155	47	14	256	169
Carrying amount of assets disposed	11	29	2	3	13	32
<b>Total cost of services</b>	<b>12,476</b>	<b>9,163</b>	<b>14,049</b>	<b>15,534</b>	<b>26,525</b>	<b>24,697</b>
<b>Revenues from ordinary activities</b>						
User charges and fees	83	44	0	0	83	44
Commonwealth grants and contributions	0	0	5,840	9,159	5,840	9,159
Other revenues from ordinary activities	774	864	725	58	1,499	922
<b>Total revenues from ordinary activities</b>	<b>857</b>	<b>908</b>	<b>6,565</b>	<b>9,217</b>	<b>7,422</b>	<b>10,125</b>
<b>NET COST OF SERVICES</b>	<b>11,619</b>	<b>8,255</b>	<b>7,484</b>	<b>6,317</b>	<b>19,103</b>	<b>14,572</b>
<b>REVENUES FROM STATE GOVERNMENT</b>						
Output appropriations	17,083	8,061	6,692	6,992	23,775	15,053
Liabilities Assumed by the Treasurer	39	29	4	3	43	32
Resources Received Free of Charge	91	114	8	10	99	124
<b>Total Revenues from State Government</b>	<b>17,213</b>	<b>8,204</b>	<b>6,704</b>	<b>7,005</b>	<b>23,917</b>	<b>15,209</b>
<b>CHANGE IN NET ASSETS</b>	<b>5,594</b>	<b>-51</b>	<b>-780</b>	<b>688</b>	<b>4,814</b>	<b>637</b>

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

# SUMMARY OF CONSOLIDATED FUND APPROPRIATIONS & REVENUE ESTIMATES

for the year ended 30 June 2004

	Estimate \$'000	2003/04 Actual \$'000	Variation \$'000	2003/04 Actual \$'000	2002/03 Actual \$'000	Variation \$'000
<b>PURCHASE OF OUTPUTS</b>						
Item 42 Net amount appropriated to purchase outputs	15,733	23,607	7,874	23,607	14,894	8,713
Amount Authorised by Other Statutes:						
- Salaries and Allowances Act 1975	168	168	0	168	159	9
<b>Total appropriations provided to deliver outputs</b>	<b>15,901</b>	<b>23,775</b>	<b>7,874</b>	<b>23,775</b>	<b>15,053</b>	<b>8,722</b>
<b>CAPITAL</b>						
Item 130 Capital Contribution	110	110	0	110	154	(44)
	110	110	0	110	154	(44)
<b>GRAND TOTAL OF APPROPRIATIONS</b>	<b>16,011</b>	<b>23,885</b>	<b>7,874</b>	<b>23,885</b>	<b>15,207</b>	<b>8,678</b>
<b>Details of Expenditure by Outputs</b>						
Energy policy, information and regulatory services	9,468	12,476	3,008	12,476	9,164	3,312
Grant and community programs management	9,692	14,049	4,357	14,049	15,533	(1,484)
Total Cost of Outputs	19,160	26,525	7,365	26,525	24,697	1,828
Less operating revenues	(3,168)	(7,422)	(4,254)	(7,422)	(10,125)	2,703
Net Cost of Outputs	15,992	19,103	3,111	19,103	14,572	4,531
Adjustments **	(91)	4,672	7,763	4,672	481	4,191
<b>Total appropriations provided to deliver outputs</b>	<b>15,901</b>	<b>23,775</b>	<b>7,874</b>	<b>23,775</b>	<b>15,053</b>	<b>8,722</b>
<b>Capital expenditure to meet equity needs</b>						
Purchase of non-current physical assets	227	110	(117)	110	235	(125)
Adjustments for other funding sources (Holding Account drawings)	(117)	(117)	0	(117)	(69)	(48)
Adjustments for internal funds and balances	0	(26)	(26)	(26)	(38)	12
<b>Appropriation for Capital contribution</b>	<b>110</b>	<b>(33)</b>	<b>(143)</b>	<b>(33)</b>	<b>128</b>	<b>(161)</b>

\*\* Adjustments are related to movements in cash balances and other accrual items such as receivables, payables and superannuation.  
The Summary of Consolidated Fund Appropriations, Variances to Budget and Actual should be read in conjunction with accompanying notes.  
This summary provides the basis for the Explanatory Statement information requirements of TI 945, which are set out in Note 35

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2004

## 1. Office mission and funding

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

The Outcome for the Office of Energy is that the WA community and energy users benefit from government's energy policy, regulatory framework and grants programs.

The Office of Energy is predominantly funded by Parliamentary appropriations. The Office has a net appropriation agreement, as determined by the Treasurer, pursuant to section 23A of the Financial Administration and Audit Act 1985, which provides for retention of moneys for licensing fees, services provided on a fee for service basis and various other revenues. In 2003-2004, these include gas distribution and trading licenses and service level agreement payments from client agencies. Fees are reviewed each year and the Office determines charges with a view to working towards full cost recovery. The financial statements encompass all funds through which the Office controls resources to carry on its functions.

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

## 2. Significant accounting policies

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

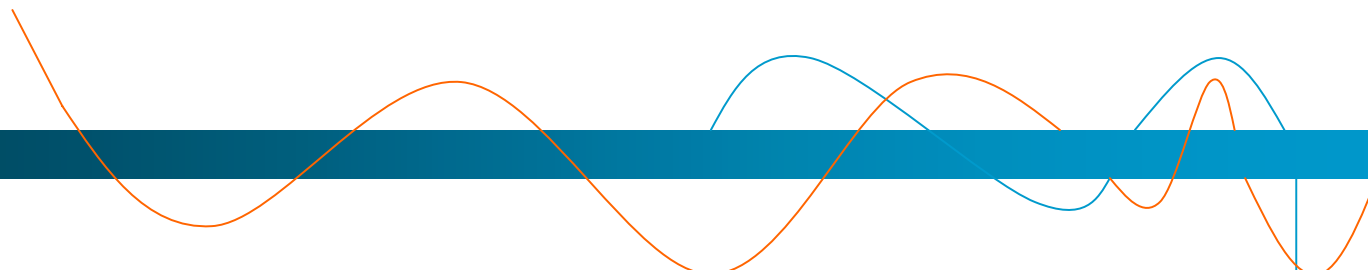
### General Statement

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

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

### Basis of accounting

The financial statements have been prepared in accordance with Australian Accounting Standard AAS 29.



The statements have been prepared on the accrual basis of reporting using the historical cost convention.

Administered assets, liabilities, expenses and revenues are not integral to the Office in carrying out its functions and are disclosed in schedules to the financial statements, forming part of the general purpose financial report of the Office. The administered items are disclosed on the same basis as is described above for the financial statements of the Office. The administered assets, liabilities, expenses and revenues are those which the Government requires the Office to administer on its behalf. The assets do not render any service potential or future economic benefits to the Office, the liabilities do not require the future sacrifice of service potential or future economic benefits of the Office, and the expenses and revenues are not attributable to the Office.

#### **a) Output Appropriations**

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

#### **b) Contributed Equity**

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

#### **c) Net Appropriation Determination**

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

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

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

Prescribed revenues include moneys received other than from taxes, royalties and Commonwealth general purpose grants.

Retained revenues may only be applied to the outputs specified in the 2003-2004 Budget Statements.

#### **d) Grants and Other Contributions**

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

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

### **e) Revenue Recognition**

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

### **f) Acquisition of Assets**

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

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

### **g) Depreciation of Non-Current Assets**

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

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

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

### **h) Leases**

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

### **i) Cash**

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

### **j) Accrued Salaries**

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

Accrued salaries (refer note 25) represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. The Office considers the carrying amount to be the net fair value.

### **k) Receivables**

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

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

### **l) Payables**

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

### **m) Amounts Due to the Treasurer**

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

### **n) Employee entitlements**

#### Annual leave

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

#### Long service leave

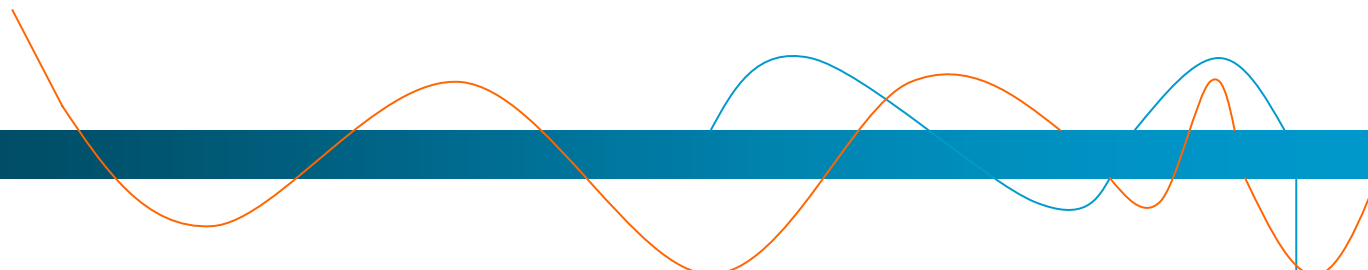
The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provisions for employee benefits and is measured at the nominal amounts expected to be paid when the liability is settled. The liability for long service leave expected to be settled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

#### Superannuation

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

The superannuation expense comprises the following elements:

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

- 
- 2) employer contributions paid to the Gold State Superannuation Scheme and West State Superannuation Scheme.

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

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

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

#### Employee benefit on-costs

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities and expenses. (See notes 4 and 24).

#### **o) Resources Received Free of Charge or For Nominal Value**

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

#### **p) Comparative Figures**

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

#### **q) Rounding**

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

### **3. Outputs of the Office**

Information about the Office's outputs and the expenses and revenues which are reliably attributable to those outputs is set out in the Output Schedule. Information about expenses, revenues, assets and liabilities administered by the Office is provided in the Statement of Administered Expenses and Revenues and Statement of Administered Assets and Liabilities at Note 36.

The two Outputs delivered by the Office are:

**Output 1:** Energy policy, information and regulatory services

**Output 2:** Grants and community programs

	2003/04	2002/03
	\$'000	\$'000

#### 4. Employee expenses

Wages and salaries	4,804	4,227
Superannuation	470	396
Other related expenses (1)	224	100
	<b>5,498</b>	<b>4,723</b>

(1) These employee expenses include workers compensation premiums and other employment on-costs associated with the recognition of annual and long service leave liability. The related on-costs liability is included in employee benefits liabilities at Note 24.

#### 5. Supplies and services

Consultants and contractors	5,218	2,650
Printing	236	115
Travel	289	155
Legal fees	420	443
Motor vehicle expenses	77	100
Advertising	176	192
Insurance	62	79
Other	176	190
	<b>6,654</b>	<b>3,924</b>

#### 6. Depreciation and amortisation expense

Plant and equipment	23	18
Office equipment	103	97
Leasehold improvements	77	75
	<b>203</b>	<b>190</b>

#### 7. Administration expenses

Communications	113	95
Consumables	222	306
Maintenance	24	111
Corporate services support	84	0
	<b>443</b>	<b>512</b>

#### 8. Accommodation expenses

Lease rentals and other accommodation	615	447
	<b>615</b>	<b>447</b>



	2003/04	2002/03
	\$'000	\$'000

## 9. Grants, subsidies and transfer payments

Energy Smart Government Facilitation (formerly FEEU) grants	371	265
Remote Area Power Supply (RAPS) rebates	512	416
Sustainable Energy Development Office (SEDO) Grants Committee grants	116	113
Contributions to the Energy Markets Working Group (MCE)	112	0
Contributions to the Energy Management Task Force (E2G2)	0	99
Photovoltaic Rebate Program (PVRP) rebates	76	132
Renewable Remote Power Generation Program (RRPGP) grants	6,024	8,613
Solar Hot Water Incentive Scheme rebates	530	192
Energy Smart Community Grants	35	0
Energy and Waste Water Efficiency Education Grants	8	0
Community Partnership Grants-Special Funding Round	171	0
Industry Support Grants	61	0
Other grants/sponsorship/contributions	7	50
Underground Power Project transfer payments (State's contributions)	4,820	4,820
	<b>12,843</b>	<b>14,700</b>

## 10. Capital user charge

Capital user charge	256	169
	<b>256</b>	<b>169</b>

A capital user charge rate of 8% has been set by the Government for 2003/04 and represents the opportunity cost of capital invested in the net assets of the Office used in the provision of outputs. The charge is calculated on the net assets adjusted to take account of exempt assets. Payment is made to the Department of Treasury and Finance.

## 11. User charges and fees

Fees	83	44
	<b>83</b>	<b>44</b>

## 12. Commonwealth grants and contributions

Recurrent contributions	5,840	9,159
	<b>5,840</b>	<b>9,159</b>

	2003/04	2002/03
	\$'000	\$'000

### 13. Other revenues from ordinary activities

Sales of information products and services	3	49
Recoup of services provided to OffGAR	17	65
Contributions by senior officers to the Government Vehicle Scheme (GVS)	19	16
Recoup of program costs	1,391	738
Revenues from Energy in WA Conference	69	0
Other revenue	0	54
	<b>1,499</b>	<b>922</b>

### 14. Carrying amount of assets disposed

Carrying amount of non-current assets disposed of	13	32
	<b>13</b>	<b>32</b>

### 15. Revenues from State Government

#### a Appropriation revenue received during the year

Output appropriations	23,775	15,053
	<b>23,775</b>	<b>15,053</b>

#### b Liabilities assumed by the Treasurer

Superannuation	43	32
	<b>43</b>	<b>32</b>

#### c Resources received free of charge

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

Office of the Auditor General	0	18
Crown Solicitor's Office	99	106
	<b>99</b>	<b>124</b>

	<b>23,917</b>	<b>15,209</b>
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### 16. Cash assets

Operating Account	8,717	3,950
Cash on hand	5	5
	<b>8,722</b>	<b>3,955</b>

	2003/04	2002/03
	\$'000	\$'000

## 17. Restricted cash assets

### Current

SEDO Grants Committee Trust Account (see note 33)	827	313
Commonwealth Programs Trust Account (see note 33)	2,305	1,952
Accrued salaries suspense account	173	0
	<b>3,305</b>	<b>2,265</b>

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

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

### Non-current

Accrued salaries suspense account	0	155
	<b>3,305</b>	<b>2,420</b>

## 18. Receivables

### Current

GST receivable	349	111
Energy Smart Government – returns from agencies	170	0
Other debtors	8	4
	<b>527</b>	<b>115</b>

### Non-current

Energy Smart Government – returns from agencies	1,414	0
	<b>1,941</b>	<b>115</b>

## 19. Other assets

Prepayments	2	2
	<b>2</b>	<b>2</b>

## 20. Amounts receivable for Outputs

Current	189	117
Non-current	467	329
	<b>656</b>	<b>446</b>

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

	2003/04	2002/03
	\$'000	\$'000

## 21. Plant, equipment and leasehold improvements

Plant and equipment		
At cost	497	518
Accumulated depreciation	370	350
	<b>127</b>	<b>168</b>
Office equipment		
At cost	149	151
Accumulated depreciation	71	66
	<b>78</b>	<b>85</b>
Leasehold improvements		
At cost	393	374
Accumulated amortisation	151	75
	<b>242</b>	<b>299</b>
	<b>447</b>	<b>552</b>

Reconciliations of the carrying amounts of plant, equipment and leasehold improvements at the beginning and end of the current and previous financial year are set out below.

	Plant and equipment \$000	Office equipment \$000	Leasehold improvements \$000	Total \$000
<b>2004</b>				
Carrying amount at start of year	168	85	299	<b>552</b>
Additions	75	16	19	<b>110</b>
Disposals	(13)	0	0	<b>(13)</b>
Depreciation and amortisation	(103)	(23)	(76)	<b>(202)</b>
Carrying amount at end of year	127	78	242	<b>447</b>
<b>2003</b>				
Carrying amount at start of year	284	106	374	<b>764</b>
Additions	170	0	0	<b>170</b>
Reclass to be inline with asset category	(189)	(3)	0	<b>(192)</b>
Depreciation and amortisation	(97)	(18)	(75)	<b>(190)</b>
Carrying amount at end of year	168	85	299	<b>552</b>

	2003/04	2002/03
	\$'000	\$'000

## 22. Payables

GST Payable	33	17
Other accrued creditors	571	168
	<b>604</b>	<b>185</b>

## 23. Amounts due to the Treasurer

Treasurers advance	1,846	516
	<b>1,846</b>	<b>516</b>

## 24. Provisions

### Employee Benefits

#### Current:

Annual leave	453	298
Long service leave	271	146
	<b>724</b>	<b>444</b>

### 24. (a)

#### Non-current:

Annual leave	3	0
Long service leave	391	293
	<b>394</b>	<b>293</b>

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

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

### Employee Benefits Liability

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

Provision for employee benefits:		
Current	724	444
Non-current	394	293
	<b>1,118</b>	<b>737</b>

## 25. Other liabilities

Accrued salaries owing for the 9 working days from 18 to 30 June 2004 (2003: 7 days)

	198	116
	<b>198</b>	<b>116</b>

	2003/04	2002/03
	\$'000	\$'000

## 26. Equity

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

### Contributed equity

Opening balance	750	247
Capital contributions	110	154
Contribution by owner	446	349
<b>Closing balance</b>	<b>1,306</b>	<b>750</b>

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

### Accumulated surplus

Opening balance	5,186	4,549
Change in net assets	4,814	637
<b>Closing balance</b>	<b>10,000</b>	<b>5,186</b>

## 27. Notes to the Statement of Cash Flows

### (a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash assets	8,722	3,955
Restricted cash assets	3,305	2,420
	<b>12,027</b>	<b>6,375</b>

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

<b>Net cost of services</b>	<b>(19,103)</b>	<b>(14,572)</b>
Non-cash items:		
Depreciation and amortisation expense	203	190
Superannuation liability assumed by the Treasurer	43	32
Resources received free of charge	99	124
(Profit)/loss on disposal of non-current assets	13	32
<b>(Increase)/decrease in assets:</b>		
Accounts receivable	(1,826)	(129)
Other current assets	0	11
<b>Increase/(decrease) in liabilities</b>		
Employee entitlement	381	(411)
Accounts payable	419	(156)
Accrued salaries	82	(30)
<b>Net cash used in operating activities</b>	<b>(19,689)</b>	<b>(14,909)</b>

	2003/04	2002/03
	\$'000	\$'000

## 28. Commitments for expenditure

### a) Lease commitments

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

Within one year	421	619
Later than one year and not later than five years	750	1,708
	<b>1,171</b>	<b>2,327</b>

Representing:

Cancellable operating leases	76	91
Non-cancellable operating leases	1,095	2,236
	<b>1,171</b>	<b>2,327</b>

### b) Non-cancellable operating lease commitments:

Within one year	365	559
Later than one year and not later than five years	730	1,677
	<b>1,095</b>	<b>2,236</b>

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

These commitments are all inclusive of GST.

## 29. Contingent liabilities

The Office has no contingent liabilities as at 30 June 2004.

## 30. Events occurring after reporting date

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

	2003/04	2002/03
	\$'000	\$'000

### 31. Financial instruments

#### (a) Interest rate risk exposure

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

	2004			2003		
	Weighted average effective interest rate %	Non interest bearing \$'000	Total \$'000	Weighted average effective interest rate %	Non interest bearing \$'000	Total \$'000
<b>Assets</b>						
Cash resources	N/A	8,722	8,722	N/A	3,955	3,955
Restricted cash resources	N/A	3,305	3,305	N/A	2,420	2,420
Accounts receivable	N/A	1,941	1,941	N/A	115	115
<b>Total financial assets</b>	N/A	<b><u>13,968</u></b>	<b><u>13,968</u></b>	N/A	<b><u>6,490</u></b>	<b><u>6,490</u></b>
<b>Liabilities</b>						
Accounts payable	N/A	604	604	N/A	185	185
Amounts due to the Treasurer	N/A	1,846	1,846	N/A	516	516
Accrued salaries	N/A	198	198	N/A	116	116
Employee benefits	N/A	1,118	1,118	N/A	737	737
<b>Total financial liabilities</b>	N/A	<b><u>3,766</u></b>	<b><u>3,766</u></b>	N/A	<b><u>1,554</u></b>	<b><u>1,554</u></b>
<b>Net Financial Assets (Liabilities)</b>		<b><u>10,202</u></b>	<b><u>10,202</u></b>		<b><u>4,936</u></b>	<b><u>4,936</u></b>

#### (b) Credit risk

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

#### (c) Net fair value of financial instruments

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



	2003/04	2002/03
	\$'000	\$'000

### 32. Remuneration of senior officers

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

	2003/04 Number of senior officers	2002/03 Number of senior officers
10,001 - 20,000	1	0
30,001 - 40,000	0	1
40,001 - 50,000	0	1
60,001 - 70,000	2	0
80,001 - 90,000	0	1
90,001 - 100,000	0	1
100,001 - 110,000	2	0
110,001 - 120,000	1	1
140,001 - 150,000	0	1
170,001 - 180,000	0	1
200,001 - 210,000	1	0
210,001 - 220,000	0	1
330,001 - 340,000	1	0
Total remuneration of senior officers is (\$'000's):	<b>1,015</b>	<b>896</b>

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

During 2003/04, two Senior Officers ceased employment and one new Senior Officer commenced employment with the Office. The figures contained in the table above include termination payments to those Senior Officers who ceased employment.

	2003/04	2002/03
	\$'000	\$'000

### 33. Trust Accounts

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

#### SEDO GRANTS COMMITTEE TRUST ACCOUNT

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

<b>Opening balance</b>	<b>313</b>	<b>242</b>
Receipts:		
Consolidated Fund contribution	250	250
Funds transferred from MERIWA	446	0
	<b>696</b>	<b>250</b>
Payments:		
Salaries	53	60
Project grants	110	113
Other expenses	19	6
	<b>182</b>	<b>179</b>
<b>Closing balance</b>	<b>827</b>	<b>313</b>

#### COMMONWEALTH FUNDED INITIATIVES AND PROGRAMS TRUST ACCOUNT

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

<b>Opening balance</b>	<b>1,952</b>	<b>1,601</b>
Receipts:		
Amounts transferred from State's RAPS funding	500	500
For Photovoltaic Rebate Program (PVRP)	75	86
For Renewable Remote Power Generation Program (RRPGP)	5,714	9,072
	<b>6,289</b>	<b>9,658</b>
Payments:		
PVRP grants	76	132
Other PVRP payments	0	13
RRPGP grants	5,839	8,613
Other RRPGP payments	21	407
Expenditures for Christmas & Cocos Islands Power Project	0	142
	<b>5,936</b>	<b>9,307</b>
<b>Closing balance</b>	<b>2,305</b>	<b>1,952</b>

### 34. Adoption of International Accounting Standards

The Office of Energy (OOE) is adopting international accounting standards in compliance with AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (IFRS).

AASB 1 requires an opening balance sheet under IFRS to be stated as at 1 July 2004 and the restatement of the financial statements for the reporting period to 30 June 2005 on an IFRS basis. These financial statements will be presented as comparatives in the first annual financial statements prepared on an IFRS basis for the period ending 30 June 2006.

AASB 1047 Disclosing the impacts of Adopting Australian Equivalents to International Financial Reporting Standards requires financial reports for periods ending on or after 30 June 2004 to disclose:

1. How the transition to Australian equivalents to IFRSs is being managed:

OOE has not considered it necessary to establish a project team or steering committee due to the low impact of IFRS upon its accounting policy. The Manager Finance and Administration has been assessing and monitoring the impact of IFRS. There is a need to determine opening balances as at 1 July 2004. It has been determined that the Department of Treasury and Finance has adequate Accounting Information Systems to collect the necessary information on behalf of the Office of Energy to comply with IFRS. The impact on the Office of Energy of the transition to IFRS is low.

2. Key differences in accounting policies expected to arise from adopting Australian equivalents to IFRS:

The Office of Energy has identified that the most significant key difference will relate to Accounting Standard AASB 119, Employee Benefits requires Employee Entitlement Provisions, which have to be valued under a discounted cash flow basis. On behalf of the Office of Energy, The Department of Treasury and Finance has arranged PriceWaterhouseCoopers Actuaries to provide these calculations.

### 35. Explanatory Statements

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

		<u>2003/04</u>	
	Estimate	Actual	Variance
	\$'000	\$'000	\$'000
<b><u>OUTPUT 1</u></b>			
<b><i>Energy policy, information and regulatory services</i></b>	9,468	12,476	3,008

Expenditure in excess of the printed budget estimates in Output 1 occurred as a result of:

i) a larger than anticipated amount being carried forward from the 2002/03 financial year to fund projects which had not been completed or for which commitments had been made (\$2,560,000 carried forward compared with \$1,776,000 budgeted). Funds carried forward included \$60,000 for the Gas Retail Deregulation Project, \$50,000 for management of Gas Corporation residual assets and liabilities, \$710,000 to fund the ongoing work of the Electricity Reform Implementation Unit and \$520,000 for the Aboriginal and Remote Communities Power Procurement Project; and

ii) supplementary funding was provided during the year for the following:

- \$7,781,000 for the Electricity Reform Implementation Unit. These funds were approved by Cabinet Decision in June 2003. Because the Cabinet Decision was taken after the publication of the printed estimates, drawing on these funds was facilitated through a Supplementary Funding provision. There were no conditions attached to these funds and an amount of \$4,386,000 remained unspent at 30 June 2004; and
- \$132,000 was provided to cover the cost of the redundancy payment to a redeployee of the Gas Corporation. There were no conditions attached to these funds and no funds remained unspent at 30 June 2004.

## **OUTPUT 2**

### ***Grant and community programs management***

	<b><u>2003/04</u></b>	
<b>Estimate</b>	<b>Actual</b>	<b>Variance</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>9,692</b>	<b>14,049</b>	<b>4,357</b>

Expenditure in excess of the printed budget estimates in Output 2 occurred as a result of:

i) a larger than anticipated amount being carried forward from the 2002/03 financial year to fund projects which had not been completed or for which commitments had been made (\$3,107,000 carried forward compared with \$307,000 budgeted). Funds carried forward included , \$135,000 for the Energy Smart Business Program, \$427,000 for the Energy Smart Government Program, \$149,000 for the Energy Smart Community Program, \$53,000 for promotion of SEDO programs, \$238,000 for the SEDO Grants Committee Special Funding Round, \$695,000 for the Solar Hot Water Incentive Scheme, \$313,000 in the SEDO Grants Committee Trust Account, \$51,000 in unreleased Photovoltaic Rebate Program (PVRP) funds and \$1,901,000 in unreleased Remote Renewable Power Generation Program (RRPGP) funds; and

ii) \$3,400,000 in excess of funds budgeted was provided by the Commonwealth Government to fund projects relating to the Remote Regional Power Generation Program. Not all of the additional funds provided were fully expended at 30 June 2004. Expenditure from the Commonwealth programs is offset by a commensurate receipt of funds for the programs.

## **REVENUE**

<b>3,168</b>	<b>7,422</b>	<b>4,254</b>
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\$3,400,000 in revenue in excess of the printed budget estimates was received to progress Commonwealth grants and rebates programs which operate through the Sustainable Energy Development Office (SEDO), \$446,000 was transferred from the Minerals and Energy Research Institute of WA (MERIWA) to the SEDO Grants Committee Trust Fund, \$678,000 was recouped for various programs, \$69,000 of seed capital was returned from the WA Energy Conference, approximately \$40,000 was recouped by SEDO from sales of information products and services and \$17,000 was recouped for service provision to the Office of Gas Access Regulation.

**b) Significant variances between actual and prior year actual results.**

**OUTPUT 1**

***Energy policy, information and regulatory services***

\$7,781,000 in supplementary funding was provided for the Electricity Reform Implementation Unit during 2002/04. \$4,386,000 of this remained unspent at 30 June 2004.

**REVENUE**

The significant decrease in revenue mainly reflects the decrease in funding provided by the Commonwealth Government to SEDO for the RRPGR grants program (\$9.1m in 2002/03, reduced to \$6.4m in 2003/04).

<u>2003/04</u>	<u>2002/03</u>	
Actual	Actual	Variance
\$'000	\$'000	\$'000

12,476	9,164	3,312
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7,422	10,125	-2,703
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# STATEMENT OF ADMINISTERED CASH FLOWS

for the year ended 30 June 2004

		GENERAL NOT ATTRIBUTED OUTPUTS	
	Note	2003/04 \$'000	2002/03 \$'000
<b>ADMINISTERED EXPENSES AND REVENUES</b>			
<b>Expenses</b>			
Payments made on behalf of the Gas Corporation		(40)	(33)
Payments to Consolidated Fund		<u>0</u>	<u>(380)</u>
<i><b>Total administered expenses</b></i>		<b>(40)</b>	<b>(413)</b>
<b>Revenues</b>			
Revenues received on behalf of the Gas Corporation		<u>18</u>	<u>21</u>
<i><b>Total administered revenue</b></i>		<b>18</b>	<b>21</b>

# STATEMENT OF ADMINISTERED ASSETS AND LIABILITIES

as at 30 June 2004

		GENERAL NOT ATTRIBUTED OUTPUTS	
	Note	2003/04 \$'000	2002/03 \$'000
<b>ADMINISTERED ASSETS AND LIABILITIES</b>			
The assets and liabilities detailed below are administered by the Office of Energy on behalf of the Minister for Energy. They represent the residual assets and liabilities resulting from the sale of AlintaGas in December 2000			
<b>CURRENT ASSETS</b>			
Cash		381	364
<i>Total current assets</i>		<b>381</b>	<b>364</b>
<b>Total assets</b>		<b>381</b>	<b>364</b>
<b>CURRENT LIABILITIES</b>			
Amount due to the Treasurer		132	0
Provisions		0	94
<i>Total current liabilities</i>		<b>132</b>	<b>94</b>
<b>Total liabilities</b>		<b>132</b>	<b>94</b>



# AUDITOR GENERAL OPINION



AUDITOR GENERAL

## INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

### OFFICE OF ENERGY PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2004

#### Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Office of Energy are relevant and appropriate to help users assess the Office's performance and fairly represent the indicated performance for the year ended June 30, 2004.

#### Scope

##### *The Coordinator of Energy's Role*

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

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

#### *Summary of my Role*

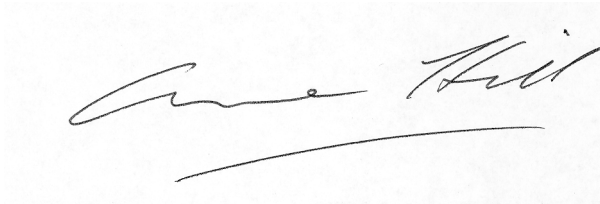
As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

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

D D R PEARSON  
AUDITOR GENERAL  
September 30, 2004

## CERTIFICATION OF PERFORMANCE INDICATORS 2003/2004

I certify that these performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of, and fairly represent the performance of, the Office of Energy for the financial year ending 30 June 2004.

A handwritten signature in black ink, appearing to read 'Anne Hill', with a long horizontal flourish underneath.

**ANNE HILL**  
**A/COORDINATOR OF ENERGY**

12 August 2004

# PERFORMANCE INDICATORS

## Outcomes

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

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

## Preamble

Different forms of performance indicators are reported against the two outcomes.

### ***A policy environment to achieve a competitive and efficient energy sector.***

The WA energy sector is currently undergoing significant reform. Changes are required to government's energy policy framework to meet the emerging needs of an increasingly competitive energy market. These changes seek to facilitate new entrants into the energy market and make the energy market more efficient.

The Minister for Energy establishes the energy policy parameters and agrees with the Coordinator of Energy the priorities for each financial year. The role of the Office of Energy is to develop and implement the required changes to government's energy policy framework in a timely manner. Performance indicators are therefore the timely achievement by the Office of Energy of milestones required to facilitate a competitive and efficient energy sector.

Once appropriate policy and regulatory parameters are in place, performance indicators will be developed to report the direct outcomes of the reforms implemented.

### ***An increase in the adoption of renewable energy and energy efficiency.***

Direct outcomes can be reported from programs managed by the Sustainable Energy Development Office, Office of Energy. The programs seek to achieve displacement of fossil fuel energy by renewable energy and improved energy efficiency.

## EFFECTIVENESS INDICATORS

### Outcome 1:

### A policy environment to achieve a competitive and efficient energy sector

Performance Indicator No. 1	Target 2003/04	Actual 2003/04
Progress with reform of the Western Australian electricity industry indicated by achievement of the following milestones:		
• Reform legislation introduced to Parliament	November 2003	October 2003
• Disaggregation of Western Power	June 2004	Not completed
• Top Up and Spill regime operational	June 2004	June 2004
<p><b>Notes to this performance indicator</b></p> <p>The Office of Energy's Electricity Reform Implementation Unit provides support to the Electricity Reform Steering Committee in implementing reforms for the Western Australian electricity industry. The reforms involve establishing a competitive electricity industry through the establishment of a Wholesale Electricity Market while protecting consumers with the establishment of an Ombudsman and implementation of a Customer Service Code. The reforms also aim to improve reliability and security of supply and remove major impediments to independent renewable energy generators entering the market.</p> <p>A key element of the reform program was the disaggregation or restructure of Western Power. Due to the lack of support from opposition parties within the Legislative Council, the requisite legislation to enable the restructure of Western Power was unsuccessful. As a result Western Power was not disaggregated by June 2004.</p>		

Performance Indicator No. 2	Target 2003/04	Actual 2003/04
Contestability of the retail gas market indicated by the achievement of the following milestones:		
• Gas Industry Ombudsman scheme operational	May 2004	May 2004
• Other customer protection measures (Marketing Code of Conduct, Standard Contracts) operational	May 2004	May 2004
<p><b>Notes to this performance indicator</b></p> <p>The Office of Energy conducted the gas retail deregulation project to implement full retail contestability to the Western Australian gas market. The gas retail deregulation project provides a framework for the future allowing new entrants to the gas market, placing downward pressure on prices and encouraging industry participants to increase their efficiency to remain competitive.</p>		

Performance Indicator No. 3	Target 2003/04	Actual 2003/04
Regularisation of power supply arrangements in large permanent remote Aboriginal communities indicated by the achievement of the following milestones:		
<ul style="list-style-type: none"> <li>Target communities infrastructure audit completed</li> </ul>	March 2004	March 2004
<ul style="list-style-type: none"> <li>Competitive tender process for power generation completed</li> </ul>	May 2004	May 2004
<b>Notes to this performance indicator</b> The Office of Energy is managing a program to regularise power supply arrangements in large permanent remote Aboriginal communities. Competitive tendering for power generation will result in more efficient delivery of power supplies to these communities. This program is jointly funded by the Commonwealth and State.		

Performance Indicator No. 4	Target 2003/04	Actual 2003/04
Improved rural power reliability indicated by the achievement of the following milestone:		
<ul style="list-style-type: none"> <li>Development of specific program to improve power reliability in rural areas of the south west interconnected system</li> </ul>	May 2004	May 2004
<b>Notes to this performance indicator</b> The Office of Energy developed and is supervising the rural power improvement program leading to increased reliability through the use of auto re-closers and specific distribution upgrades. Western Power is responsible for actual implementation of the work.		

Performance Indicator No. 5	Actual 2003/04
Progress with the State Underground Power Program (target 50% of Perth metropolitan homes with underground power by 2010) indicated by percentage of Perth metropolitan homes with underground power	41%
<b>Notes to this performance indicator</b> The Office of Energy chairs the State Underground Power Program Steering Committee. Efficiency gains through this program include a reduction in maintenance resulting from the overhead wires system being replaced with underground wires and an improvement in community amenity.	

## Outcome 2:

### An increase in the adoption of renewable energy and energy efficiency

Performance Indicator No. 1	Actual 2002/03	Target 2003/04	Actual 2003/04
Increased adoption of renewable energy through grants programs indicated by the displacement of fossil fuel. Kilowatt hour of fossil fuel displaced by:			
<ul style="list-style-type: none"> <li>Solar Hot Water Subsidy Scheme</li> </ul>	1 318 006	3 750 000	4 870 338
<ul style="list-style-type: none"> <li>Renewable Remote Power Generation Program (RRPGP) - Large Projects</li> </ul>	0	9 500 000	To be reported when data available
<ul style="list-style-type: none"> <li>RRPGP – Remote Area Power Supply Program</li> </ul>	305 989	290 000	297 230
<ul style="list-style-type: none"> <li>RRPGP – Renewable Energy Water Pumping Program</li> </ul>	311 975	200 000	254 291
<ul style="list-style-type: none"> <li>Photovoltaic Rebate Program (PVRP)</li> </ul>	46 884	30 000	32 903

#### Notes to this performance indicator.

The Sustainable Energy Development Office (SEDO) administers the above State and Commonwealth Government funded programs in Western Australia. These indicators are based on installed capacity of systems the subject of a rebate under these programs and standard modelling.

**Solar Hot Water Subsidy Scheme:** This performance indicator is derived from the number of solar hot water systems for which rebates are paid during the year, and the estimated kWh's of fossil fuels displaced by each system over one year. Estimates of kWh's displaced are calculated from SEDO's 'Running Costs & Greenhouse Gas Emissions (Hot Water Systems)' publication. For new solar hot water systems replacing existing hot water systems, estimates of kWh's displaced are based on the types of hot water systems being replaced as reported by applicants. For new solar hot water systems on new homes, an average kWh displacement figure is used, based on the market share of different types of hot water systems as reported by the Australian Bureau of Statistics, which is 60% gas, 25% electric and 15% solar.

**Renewable Remote Power Program:** For large renewable energy systems (with a total cost > \$1m) this performance indicator is based on systems that are completed each financial year (construction of the systems and the provision of funding can stretch over multiple financial years) and on the estimated output of the renewable energy systems over a one year period, as provided in applications to the program and checked by SEDO. For the Remote Area Power Supply Program this performance indicator is based on installed renewable energy power systems that have received rebates during the given financial year and on the estimated output of the renewable energy systems over a one year period, as provided in applications to the program and checked by SEDO. For the Renewable Energy Water Pumping Program this performance indicator is based on the rated capacity of installed renewable energy water pumping systems that have received rebates during the given financial year using a standard formula for calculating the output of photovoltaic systems.

**Photovoltaic Rebate Program:** This performance indicator is determined from the rated capacity of installed photovoltaic power systems that have received rebates during the given financial year, using a standard formula for calculating the output of photovoltaic systems. Level of performance is limited by the reduced amount of Commonwealth funds available for this program.

**All programs:** For all programs only the kWh displacement over a one-year period is reported for each renewable energy system receiving a rebate during a given financial year, such that a comparison can be made between performance indicators for different financial years. However, the renewable energy systems will continue to displace kWh's over their lifetime, which is typically from 10 to 20 years.

Performance Indicator No. 2	Target 2002/03	Actual 2002/03
Increased adoption of energy efficiency by government agencies indicated by the following:		
<ul style="list-style-type: none"> <li>Average percentage reduction in energy usage against 2001/02 baseline of all participating agencies (targets 2002/03 - 5%, 2003/04 - 6%, 2004/05 - 8%, 2005/06 - 10%, 2006/07 - 12% - See <a href="http://www1.sedo.energy.wa.gov.au/pages/energy_smart_gov.asp">http://www1.sedo.energy.wa.gov.au/pages/energy_smart_gov.asp</a>).</li> <li>Percentage of individual agencies meeting target reduction</li> </ul>	5%	2.71%
	50%	45%
<p><b>Notes to this performance indicator.</b>            SEDO administers the Energy Smart Government program including the provision of repayable grants for the installation of energy saving equipment, the provision of non-repayable grants for energy audits and the provision of advice and assistance to participating agencies. This performance indicator is derived from the performance of participating agencies against the energy reduction targets under the Energy Smart Government program as reported in the Energy Smart Government Annual Report.</p> <p>As agency information is not available until September/October there is a 12-month lag with this performance indicator. Although the actual average energy reduction of 2.71% was below the 2002/03 target of 5%, agencies had only twelve months in which to establish their energy monitoring and reporting systems at the same time as implementing energy saving initiatives.</p>		

Performance Indicator No. 3	Actual 2002/03	Target 2003/04	Actual 2003/04
Increased adoption of energy efficiency by the community is indicated by the percentage of new houses approved under the House Energy Rating Scheme.	0.5%	8%	9.66%
<p><b>Notes to this performance indicator.</b>            SEDO administers in WA the House Energy Rating software tools, which are used by the housing construction industry to measure the house energy performance required to meet the Building Code of Australia building approval requirements. This performance indicator is derived from SEDO's figures for the numbers of house ratings formally undertaken, and the Housing Industry association (HIA) data. The percentage of new houses approved under the House Energy Rating Scheme is measured by comparing the number of House Energy Ratings, with the published HIA figures for total number of building approvals.</p>			

# EFFICIENCY INDICATORS

## OUTPUT 1: Energy Policy, Information and Regulatory Services

### Output Description

The Office of Energy provides services including:

- Policy and other advice to the Minister for Energy and Government;
- Information to industry and the Western Australian community on energy-related matters;
- Regulatory services to the energy sector in Western Australia; and
- Implementation of Government policy.

Performance Indicator No. 1	Actual 2002/03	Target 2003/04	Actual 2003/04
Average cost per policy advice.	\$894	\$1 776	\$3 288
<b>Notes to this performance indicator.</b> Policy advice is provided to the Minister for Energy and Government in support of initiatives and issues related to energy supply and use. There are various types of policy advice activity and they vary in time and resources required. This indicator therefore gives an average cost per policy advice. The increase in average cost of policy advice from 2002/03 to 2003/04 reflects mainly the development of complex policy advice relating to electricity reform during 2003/04.			

Performance Indicator No. 2	Actual 2002/03	Target 2003/04	Actual 2003/04
Average cost of energy-related information provided.	\$9 813	\$12 512	\$8 325
<b>Notes to this performance indicator.</b> The Office of Energy provides information on energy-related matters to Government agencies, the public, and industry. There are various types and volumes of information provided and the time and resources required vary. This performance indicator therefore gives an average cost of information provided. The figure for 2002/03 has been re-cast in order that the basis for calculation is consistent and comparative with the basis for calculation of the 2003/04 figure.			



Performance Indicator No. 3	Actual 2002/03	Target 2003/04	Actual 2003/04
Average cost per licence administered.	\$3 664	\$4 237	\$4 386
<b>Notes to this performance indicator.</b> The Office of Energy provided a regulatory system for the licensing of gas distributors and traders up until 19 March 2004 when this function transferred to the Economic Regulation Authority. The resources and time required to administer licences varies. This indicator therefore gives an average cost per licence administered. While the fixed costs of undertaking licensing activities remained comparable between years, the overall volume of licensing activity reduced in 2003/04.			

Performance Indicator No. 4	Actual 2002/03	Target 2003/04	Actual 2003/04
Average cost per Government policy implementation project.	\$130 002	\$159 082	\$129 572
<b>Notes to this performance indicator.</b> The Office of Energy implements Government policy to facilitate: <ul style="list-style-type: none"> <li>• increased competition in the energy market;</li> <li>• renewable and energy efficiency initiatives; and</li> <li>• Government's social and community obligations in relation to the energy sector.</li> </ul> There are various types of Government policy implementation projects and the time and resources required vary. This indicator therefore gives an average cost per Government policy implementation project.			

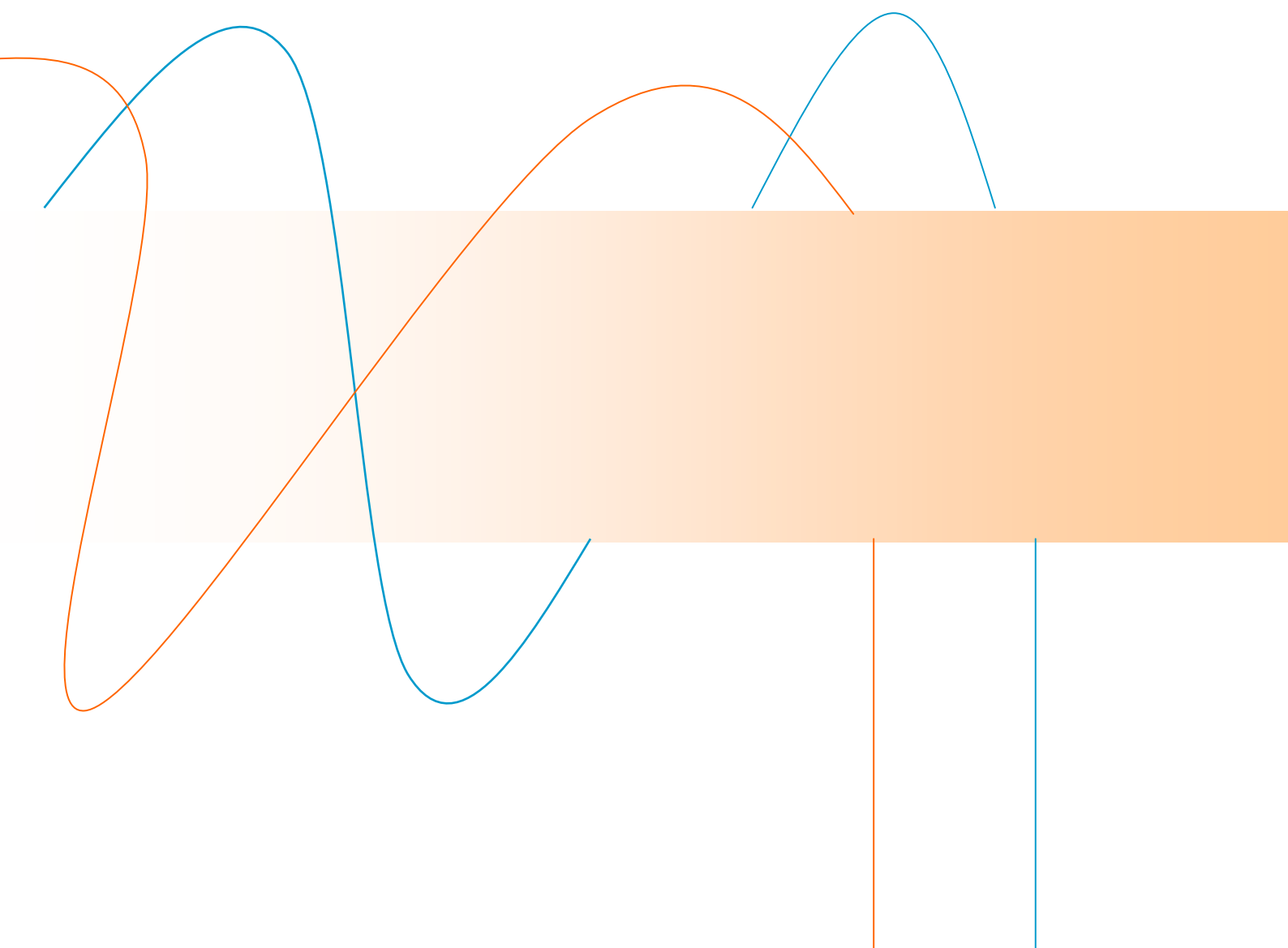
## OUTPUT 2: GRANT AND COMMUNITY PROGRAMS MANAGEMENT

### Output Description

Manage grant programs, and community programs involving transfer payments, relating to the energy sector.

Performance Indicator No. 1	Actual 2002/03	Target 2003/04	Actual 2003/04
Average cost per grant administered within programs.	\$468	\$859	\$581
<b>Notes to this performance indicator.</b> The Office of Energy administers a number of grants programs relating to energy efficiency and renewable energy. There are various types and volumes of energy-related grants programs administered and the time and resources required vary. This indicator therefore gives an average cost per energy-related grant managed.			

Performance Indicator No. 2	Actual 2002/03	Target 2003/04	Actual 2003/04
Average cost per state underground power project managed.	\$22 250	\$26 714	\$68 108
<b>Notes to this performance indicator.</b> The Office of Energy manages the State Underground Power Program. There are various sizes of underground power projects managed and the time and resources required vary. This indicator therefore gives an average cost per underground power project managed. In 2002/03 there were eleven community projects relating to the State Underground Power Program, whereas there were four in 2003/04. While the fixed costs of undertaking underground power projects remained comparable between years, the number of projects reduced in 2003/04.			



ENERGY SMART  
GOVERNMENT PROGRAM

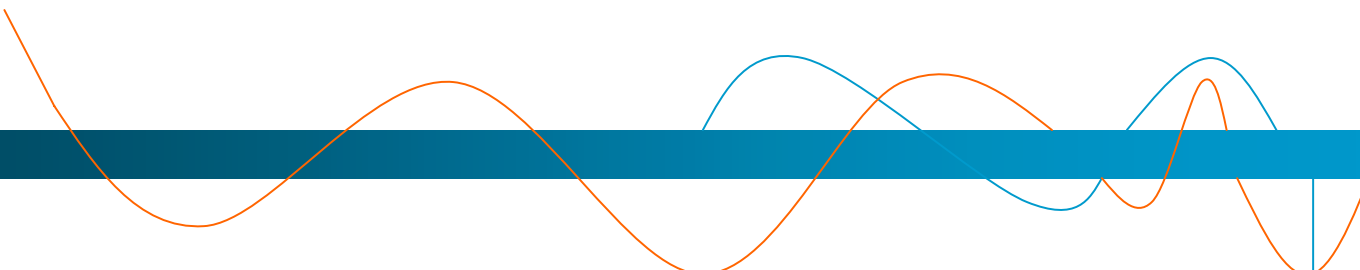
## ENERGY SMART GOVERNMENT PROGRAM

In accordance with the Energy Smart Government policy the Office of Energy (OOE) and the Sustainable Energy Development Office (SEDO) have committed to achieve a 12% reduction in non-transport related energy use by 2006/07, with a 6% reduction targeted for 2003/04.

The baseline data and 2003/04 energy use data for OOE and SEDO is shown below.

Both OOE and SEDO have already achieved and exceeded the 2006/07 target.

	Baseline Data	2003/2004 Actuals	Variation
<b>Office of Energy (excluding SEDO)</b>			
Energy Consumption	432 GJ	372 GJ	14% saving
Energy Cost	\$18,349	\$15,105	
Greenhouse Gas Emissions (tonnes of CO <sub>2</sub> )	110 tonnes	98 tonnes	
Performance indicators	342 MJ/sqm 8,997 MJ/person	295 MJ/sqm 6,968 MJ/person	
<b>Sustainable Energy Development Office (SEDO)</b>			
Energy Consumption	72 GJ	50 GJ	30% saving
Energy Cost	\$5,490	\$4,886	
Greenhouse Gas Emissions (tonnes of CO <sub>2</sub> )	18 tonnes	13 tonnes	
Performance indicators	168 MJ/sqm 4,231 MJ/person	117 MJ/sqm 2,392 MJ/person	
<b>Office of Energy (including SEDO)</b>			
Energy Consumption	504 GJ	422 GJ	16% saving
Energy Cost	\$23,839	\$19,991	
Greenhouse Gas Emissions (tonnes of CO <sub>2</sub> )	128 tonnes	111 tonnes	
Performance indicators	298 MJ/sqm 7,751 MJ/person	250 MJ/sqm 5,678 MJ/person	



An Energy Executive, an Energy Management Team and an Energy Management Plan are in place covering OOE and SEDO.

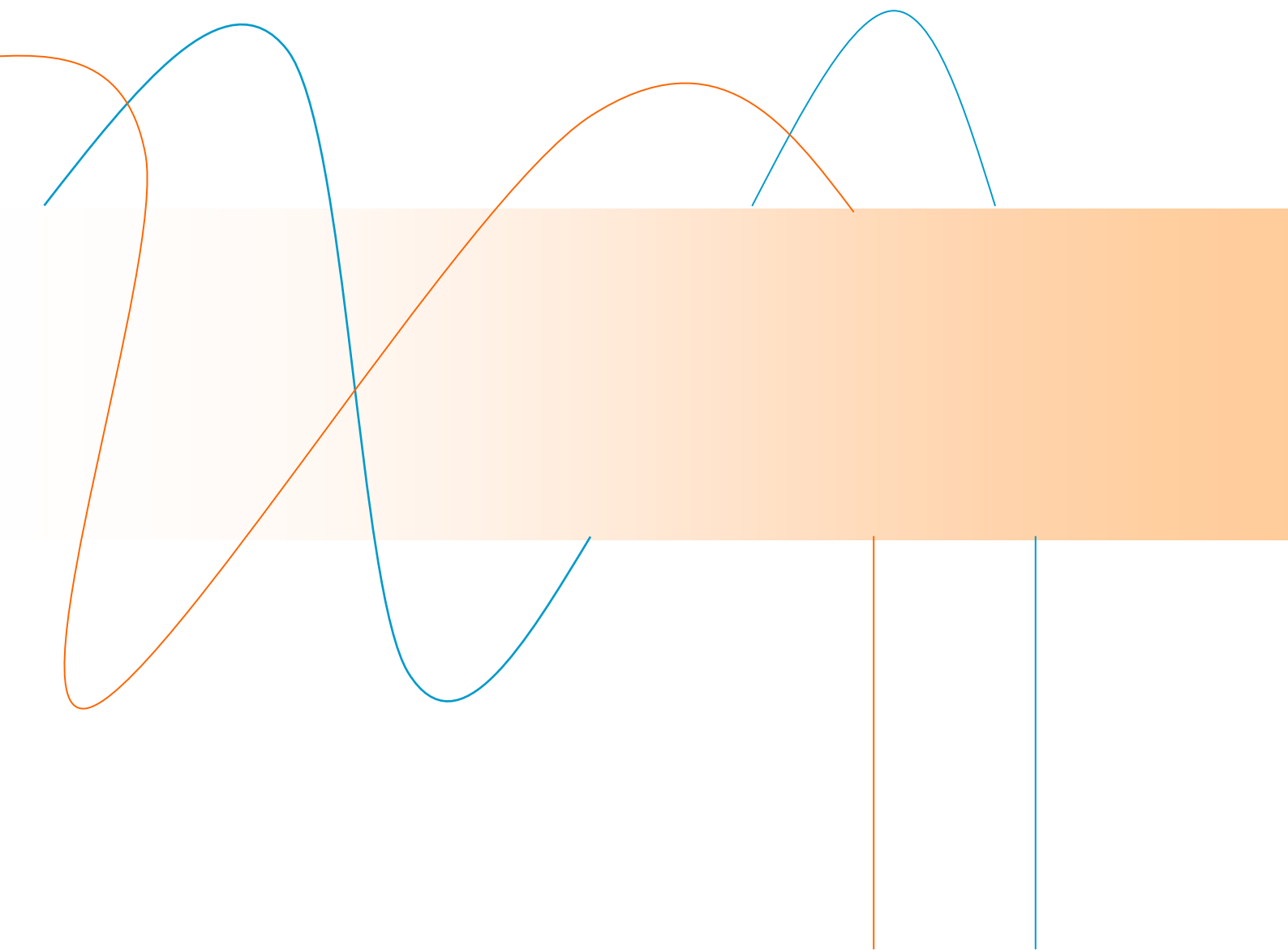
The OOE and SEDO implemented the following initiatives in 2003/04 as part of the Energy Management Plan:

- a successful energy efficiency awareness campaign commenced;
- an energy audit was conducted;
- an energy efficiency project was defined approved for implementation and contractors engaged to complete the project in 2004/05; and
- energy consumption for lighting was reduced by the removal of fluorescent tubes in the passageways and where lighting levels were higher than required. This is in addition to the delamping in 2002/03.

OOE's energy consumption has decreased in 2003/04 relative to the baseline year. Energy consumption was 14% below the baseline. This decrease is 22.1% in real terms when compared to the energy consumption for 2002/03, which was 8.1% above the baseline.

SED0's energy consumption has decreased in 2003/04 relative to the baseline year. Energy consumption for 2003/04 was 30% below the baseline. Energy consumption for 2002/03 was 18.6% below the baseline.

An energy efficiency project involving the provision and installation of energy efficiency equipment and systems will be implemented in early 2004/05 and should further increase savings for OOE and SED0.



PUBLICATIONS

## PUBLICATIONS

### Office of Energy

Client Service Charter  
Code of Conduct  
Corporate Plan  
Client Feedback Brochure, Incorporating  
Complaint Resolution

### Electricity Reform Implementation Unit

Electricity Reform News  
Fact Sheets were developed to provide an overview of the key issues including:

- sustainable energy
- large and small businesses and the benefits expected to be received from the reform process
- impact of the electricity reform process on small customers
- reliability of supply
- the impact of reform upon regional areas of WA

### Aboriginal and Remote Communities Power Supply Project

Power Up (newsletter on achievements of key project milestones)

### Regional Power Procurement Process

Newsletters on Achievement of Key Milestones  
–Exmouth Region

### State Underground Power Program

State Underground Power Proposals – Major Residential Projects Guidelines  
State Underground Power Proposals – Localised Enhancement Projects Guidelines

### The Sustainable Energy Development Office Funding Programs

A range of information (including guidelines, application forms and reports) is available on the following programs:

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

### Ways To Renewable Energy

Renewable Energy Water Pumping program  
Renewable Remote Power Generation  
Aboriginal Community, Business and Household  
Remote Area Power Supply

### Fact Sheets

SEDO has introduced a new fact sheet series in 2004. The first two in the series have been produced:

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

### Ways to Live Energy Smart

Simple Ways To Save Energy  
Energy Efficiency Housing  
Home Insulation  
The First Steps to Summer Cooling  
Ways to Winter Warmth

### Ways to Choose Energy Smart

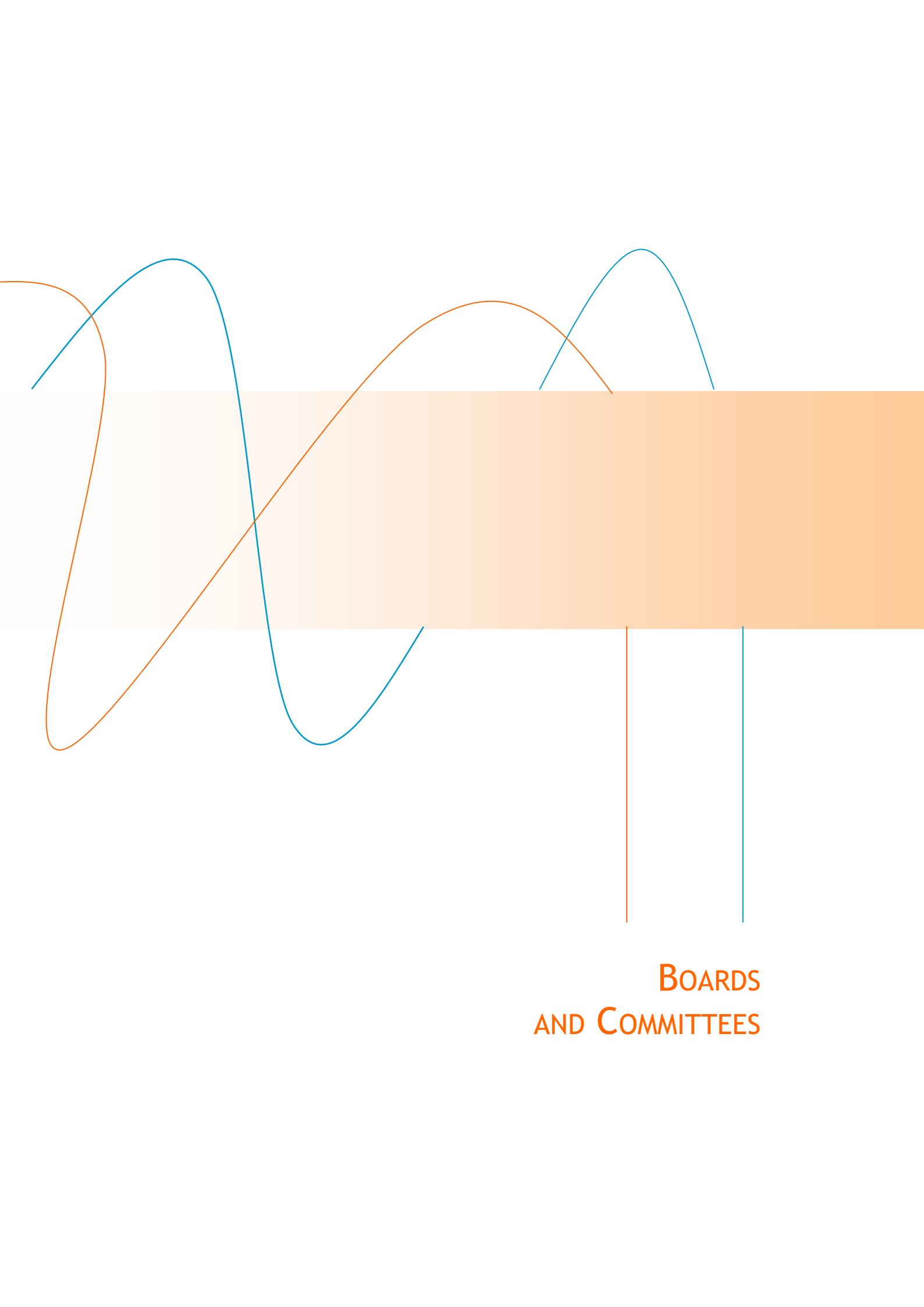
Solar Smart – Save Money, Save Energy, Save the Environment  
Choosing a Heater  
Choosing an Air Conditioner  
Choosing a Hot Water System  
Solar Hot Water Systems  
Lighting  
*Reach for the Stars* (separate brochures on Energy Smart Clothes Washers and Dryers, Dishwashers, Refrigerators and Freezers, Air Conditioners, Gas Hot Water Systems and Gas Heaters)

### Energy Smart Business

Australian Building Greenhouse Rating brochure  
Australian Building Greenhouse flyer  
Commercial Lighting  
Commercial Heating, Cooling, Ventilation  
Commercial Refrigeration  
Compressed Air  
Motors and Variable Speed Drives

### Other Publications

Understanding Gas Trading and Gas Distribution Licences in Western Australia  
Guideline for the appointment of a Performance Auditor  
Beyond the Grid  
Gas Competition in WA – Information Newsletter  
Gas Talk  
Energy, Water and Wastewater Efficiency Education Package



BOARDS  
AND COMMITTEES



## BOARDS AND COMMITTEES

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

Aboriginal and Remote Communities Power Supply Project Steering Committee  
Aboriginal Communities Essential Services Steering Committee  
Air Quality Coordinating Committee  
Air Quality Education and Behaviour Change Working Group  
Australia and New Zealand Reciprocity Association  
Australian Building Greenhouse Rating National Steering Committee  
Australian CRC for Renewable Energy, Information & Training Services Project Management Group  
Australian Design Awards  
Barrow Island Reference Group  
Industry Skill Stream Committee  
Coral Bay Infrastructure Taskforce  
CSIRO Energy Sector Advisory Committee  
Distribution Technical Issues Working Group  
Downstream Petroleum Working Group  
Economic Regulation Authority Administration Working Group  
Economic Statistics Consultative Group  
Energy Industry Association WA  
Electricity Reform Implementation Steering Committee  
Electricity Reform Implementation Unit  
Electricity Industry Reference Group  
Electricity Reform Consumer Forum  
Access Code Development Committee  
North West Interconnected System Working Group  
Electricity Legislation Reference Group  
Industrial Relations Working Group  
Valuation Committee  
Financial Modelling Management Team  
Union Consultative Committee  
Government Agency Forum  
Market Rules Development Group  
Bilateral Contracts and Residual Trading Market Expert Team

Balancing and Ancilliary Services Expert Team  
Available Capacity Mechanism Expert Team  
Scheduling, Bidding & Settlement Expert Team  
Market Governance Expert Team  
Operational Procedures Expert Team  
Market Power Mitigation Expert Team  
Gascoyne Regional Development Infrastructure Forecasting Working Group  
Gas Pipeline Sale Steering Committee  
Gas Retail Deregulation Steering Group:  
Customer Transfer Management Working Group  
Gas Retail Market Services Working Group  
Gas Metering Estimation Allocation and Settlement Working Group  
Consumer Protection and Education Working Group  
Full Retail Contestability Network Access Working Group  
Interim Market Rules Working Group  
Generator Locational Signalling Working Group  
Greenhouse Task Force  
Indigenous Action Plan Steering Committee  
Infrastructure Coordinating Committee  
Inter Agency Information Security Working Group  
Interdepartmental Committee on Sustainability Procurement in Government  
International Centre for Application of Solar Energy (CASE)  
Sustainable Energy Development Office Grants Committee  
Ministerial Council on Energy Standing Committee of Officials:  
Downstream Petroleum Working Group  
Energy Market Development Working Group  
Energy Efficiency Working Group  
Strategic Energy and Security of Supply Working Group  
National Appliance and Equipment Energy Efficiency Committee  
NatHERS Management Committee



National Framework for Energy Efficiency  
National Government Energy Managers Group  
National Green Power Steering Committee  
National Reference Group Electrical Licensing  
National Steering Committee for the Australian  
Building Greenhouse Rating Scheme  
Natural Gas Pipelines Advisory Committee  
North West Interconnected System Taskforce  
North West Shelf Consultative Group  
Permanent Residents of Caravan Parks Supply  
Reference Group  
Property Council of Australia's Sustainable  
Building Committee  
Regional Electricity Supply Committee  
Regional Indicators Reference Group  
Regional Power Procurement Steering  
Committee  
Standing Interagency Committee of CEO's  
(SIAC)  
State Emergency Management Advisory  
Committee  
    Lifelines Emergency Management Committee  
    State Fuel Emergency Management  
    Committee  
State Underground Power Program Steering  
Committee  
Subiaco Sustainable Demonstration Home  
Steering Committee  
Sustainability Roundtable Education and  
Community Awareness Partnership Group  
Sustainable Industry Group Steering Committee  
Sustainable Buildings and Land Development  
Partnership Group  
Telecommunications Facilities Approvals  
Coordinating Group  
Town Reserves Regularisation Program  
Steering Committee  
Transport Energy Strategy Advisory Group  
Year of the Built Environment 2004 Committee



Office of Energy  
Level 9, Governor Stirling Tower  
197 St Georges Terrace  
PERTH WA 6000

Phone: (08) 9420 5600  
Fax: (08) 9420 5700

Email: [enquiries@energy.wa.gov.au](mailto:enquiries@energy.wa.gov.au)  
Web: [www.energy.wa.gov.au](http://www.energy.wa.gov.au)

Sustainable Energy Development Office  
Level 9, Governor Stirling Tower  
197 St Georges Terrace  
PERTH WA 6000

Phone: (08) 9420 5600  
Fax: (08) 9420 5700

Email: [sedo@energy.wa.gov.au](mailto:sedo@energy.wa.gov.au)  
Web: [www.sedo.energy.wa.gov.au](http://www.sedo.energy.wa.gov.au)

Electricity Reform Implementation Unit  
Level 8, Governor Stirling Tower  
197 St Georges Terrace  
PERTH WA 6000

Telephone: (08) 9420 5750  
Facsimile: (08) 9420 5755

Email: [eriu@energy.wa.gov.au](mailto:eriu@energy.wa.gov.au)  
Web: [www.eriu.energy.gov.au](http://www.eriu.energy.gov.au)