



*Office of Energy  
Annual Report 2005/06*



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The Office of Energy Annual Report 2005/06 can be made available on request in alternative formats to meet the needs of people with a disability.

## *Statement of Compliance*

### **MINISTER FOR ENERGY**

In accordance with Section 66 of the *Financial Administration and Audit Act 1985*, I am pleased to submit for your information and presentation to Parliament the Report of the Office of Energy for the financial year ending 30 June 2006.

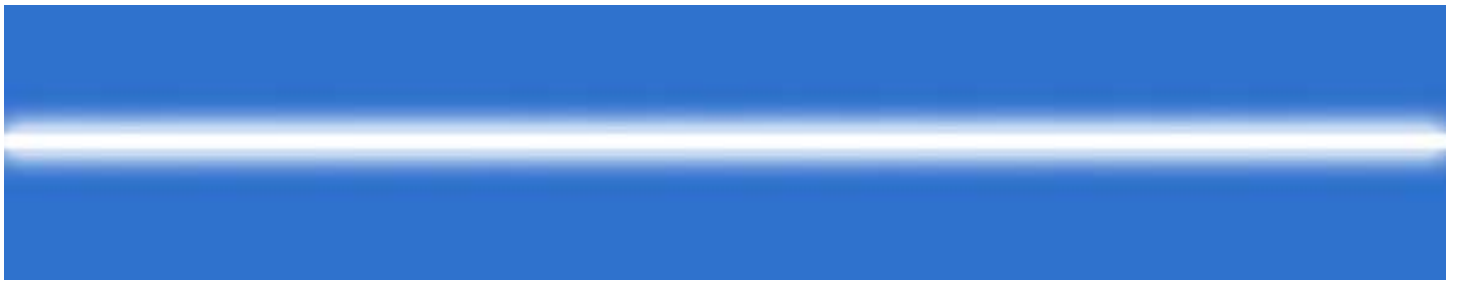
The Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985*.

A handwritten signature in dark ink, consisting of a stylized 'J' followed by a series of loops and a long horizontal stroke.

Jason Banks  
**Acting Coordinator of Energy**

21 September 2006

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# Contents

This is a report on the Office of Energy's contribution towards the State Government's operational and financial goals in 2005/06. It presents our strategic projects, outcomes, issues and forward plans supported by performance indicators and financial statements. In doing so, it provides an account of the Office's achievements.

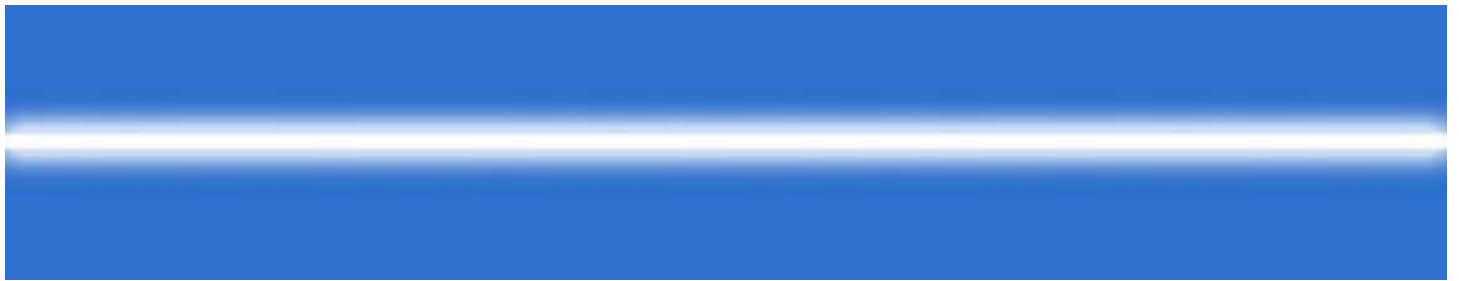
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This report has been coordinated, designed and published entirely in-house at the Office of Energy.

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## *From the Coordinator*

Many years of hard work paved the way for the achievement of significant energy industry milestones in 2005/06.

Electricity Reform continued to dominate our resources and work agenda, culminating in the successful implementation of many projects during the year.

The creation of four new electricity corporations, following the disaggregation of Western Power Corporation in March 2006, gives each area of the electricity supply chain and regional services a clearer focus on accountability and performance.

The Office of Energy finalised the implementation of the *Electricity Networks Access Code*. The Code sets out the regulatory framework governing third-party access to covered networks and provides for the independent regulation of network prices and service by the Economic Regulation Authority.

Work continued to establish the wholesale electricity market by September 2006 which will provide opportunities for a variety of new entrants, including renewable energy proponents, to sell power into the main electricity grid and create more choice and better outcomes for electricity users.

Enhanced consumer protection measures were implemented to complement the Customer Service Code and electricity licensing regime introduced in 2004/05. These measures included the Energy Ombudsman, the *Networks Quality & Reliability of Supply Code 2005*, new regulations for customer connections to distribution networks and customer contracts, and supply obligations.

These significant achievements will benefit the industry, Government and consumers.

Other than electricity reform, the Office's successes this year included:

- Facilitating the expansion of the Dampier to Bunbury Natural Gas Pipeline to meet the gas supply demands of the State, with Stage 4 construction commencing in January 2006 and expected to be complete in early 2007;
- Continuing the conversion of overhead power lines to more reliable underground supply systems, with the number of customers benefiting from the program now exceeding 55,000;
- Approval of the Thermoregulatory Dysfunction Subsidy Scheme, to provide financial assistance to sufferers of severe, specific medical conditions who require efficient climate control equipment to regulate their home environment and body temperature;
- Completion of Phase 1 of the Rural Power Improvement Program, improving power supplies to customers experiencing poor reliability in rural areas across the South West Interconnected System;
- Issuing of rebates totalling over \$10 million for renewable energy systems through the Solar Water Heater Subsidy and Renewable Remote Power Generation programs, to result in reducing greenhouse gas emissions by up to 7,000 tonnes of carbon dioxide per annum;
- Introduction of new and improved standards for residential and commercial buildings, minimum energy performance standards for appliances and large user energy efficiency reporting requirements through the National Framework for Energy Efficiency; and

## *From the Coordinator*

- Establishment of a new \$18 million Rural Renewable Energy Program to provide rebates for renewable energy systems on the fringes of the main South West electricity grid.

The Office has gone through organisational changes in 2005/06, with the completion of the electricity reform project allowing the Electricity Reform Implementation Unit to close. A new branch, within the Markets and Regulatory Policy Division, has been created to manage the Government's shareholder interest in the four new electricity corporations.

The support of the energy industry and our stakeholders is important in achieving our goals and delivering good outcomes. Many of these working relationships have been cemented with the collaborative successes of 2005/06 and we will build upon these effective relationships into the future.

The success of the Office is dependent upon the skills and capabilities of our staff. The Office is fortunate to have talented, enthusiastic and dedicated people and I thank them for their ongoing efforts and the outstanding contribution they have made to developing and implementing successful energy policies and initiatives in Western Australia.



Jason Banks  
**Acting Coordinator of Energy**



## Summary

The Office of Energy leads and drives the development and delivery of policies and programs to achieve reliable, sustainable and competitively priced energy for the benefit of all Western Australians. The strategic goals and outcomes which underpin this role are closely aligned with the Government's *Strategic Planning Framework*. The following summary highlights the Office's achievements in 2005/06 in the context of the Government's framework.

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### People & Communities

- The Electricity Network Quality and Reliability of Supply Code was gazetted in December 2005 and commenced on 1 January 2006. The Code applies to network operators and specifies minimum standards of electricity supply to customers, network performance reporting requirements and the requirement to have a complaints handling process for small use customers.

The Code applies as a condition of network licences and is administered and enforced by the Economic Regulation Authority.

- In the Underground Power Program, Round Three Major Residential Projects converted over 3600 lots to underground power in Gosnells, Shenton Park and Victoria Park. Agreements were also signed with local governments for projects in Port Hedland, Nedlands and Fremantle to convert over 3,400 lots to underground power and these projects are underway.

Detailed proposals and funding agreements were completed for Round Three Localised Enhancement Projects in Mt Barker, Balingup, Nannup, and Lake Grace. Implementation of the Mt Barker project was also completed during the year.

Round Four Major Residential Project submissions were invited in August 2005 and 89 proposals from 21 local governments were received. Following the evaluation and selection process, projects in Gosnells, Mt Pleasant, Palm Beach, Wilson, Withers (Bunbury), Balcatta and Greenwood were short-listed.

- The Aboriginal and Remote Communities Power Supply Project, jointly funded by the Western Australian Government and the Australian Government, will deliver equitable and reliable power supply arrangements to large, permanent Aboriginal communities in remote parts of the State.

Preparations are now well advanced to deliver upgraded electricity generation, distribution and retail infrastructure into the Kimberley communities of Warmun, Bidyadanga, Ardyaloon, Djarindjin-Lombadinaduring and Beagle Bay during 2006/07.

- The Office of Energy continues its work on residential energy consumer issues with conditional electricity licence exemptions being granted to caravan park owners, retirement villages, strata title companies and landlords who on-sell power to permanent residents.

The conditional exemptions will ensure that these consumers purchase electricity at the uniform tariff rate and can request information on power usage and costs.

## Summary

- A new energy subsidy was announced which will provide assistance to sufferers of Thermoregulatory Dysfunction. Energy consumers with this condition incur higher than average energy costs due to their need to regulate the temperature of their environment with cooling and heating equipment.

The subsidy will cover the cost of running an efficient room-sized air conditioner for up to six hours a day, every day of the year. Payments to eligible applicants will commence from 1 January 2007 and will be administered by the Office of State Revenue.

- The Electricity Licence Regime was introduced on 1 January 2005. The Office of Energy has worked with the Economic Regulation Authority to ensure that exemptions from electricity licensing requirements are given to appropriate organisations which provide electricity services for their own use or within a single site.

These exemptions ensure that the costs of licensing requirements are not imposed on small, “incidental” electricity suppliers such as port authorities, aboriginal communities, shopping centres and mines.

- The Office of Energy implemented a number of customer protection measures to complement the Customer Service Code and electricity licensing regime introduced in 2004/05:
  - The Energy Ombudsman, established in September 2005, will provide residential and small business customers with an alternative, impartial and cost-free avenue to handle complaints with their electricity or gas supplier;
  - New regulations will ensure that residential and small business customers can be connected to a distribution network at the least cost to the customer; and
  - New regulations also specify matters to be addressed in customer contracts and impose supply obligations on Synergy and Horizon Power.

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## The Economy

- The successful restructure of Western Power Corporation was a significant milestone in the Government’s Electricity Reform Agenda. The Office of Energy’s Electricity Reform Implementation Unit led the disaggregation program, working closely with Western Power Corporation, other government agencies and key stakeholders to achieve goals including:
  - Creation of four new corporations: Synergy (Retail); Verve Energy (Generation); Western Power (Networks); and Horizon Power (Regional);
  - Establishment of a Tariff Equalisation Fund to provide funding to Horizon Power to enable it to maintain tariff protection for regional consumers in its areas of operation;
  - Commencement of the Vesting Contract to provide for the wholesale supply of electricity and capacity credits from Verve Energy to Synergy;
  - Significant work on legislation and policies to effect disaggregation; and
  - Supporting establishment of the four new corporations to implement business information management systems, finalise corporate governance arrangements and establish corporate service capabilities.

## Summary

- The Office of Energy assessed and advised Government on the first set of Strategic Development Plans and Statements of Corporate Intent prepared by the new Government electricity corporations. The plans were approved by the Minister for Energy on 30 June 2006. These plans outlined the key strategies and outcomes committed to by the corporations in facing the challenges before them in the reformed electricity industry.
- A key component of the electricity reform program is the implementation of the Wholesale Electricity Market. The Office of Energy continues to have an important role in assisting the Independent Market Operator with the commencement and administration of the Wholesale Electricity Market.

The Office provided policy advice and assistance on a number of significant market issues, including those in relation to compliance with various aspects of Commonwealth legislation.

The Office is responsible for administering the approval of the Market Rules by the Minister for Energy until it is transferred to the Independent Market Operator.

- On 11 July 2005, the Government of Western Australia applied to the National Competition Council seeking a recommendation that the State's access regime for electricity network services – the *Electricity Networks Access Code 2004* - is an effective access regime for the purposes of the *Trade Practices Act 1974*.

The *Electricity Networks Access Code 2004* was developed as part of electricity reform and sets out the regulatory framework governing third-party access to covered networks. It provides for the independent regulation of network prices and services by the Economic Regulation Authority. The *Electricity Networks Access Code 2004* was certified as effective in July 2006.

- The Office of Energy commenced a review on the moratorium preventing Synergy and Verve Energy from supplying gas to small use customers (those that consume less than 1TJ of gas per year). This measure was intended to be in place until full retail contestability in electricity has been achieved, but may be amended in 2007/08. As part of this review, the Office released a discussion paper in April 2006 on issues surrounding the moratorium and conducted public consultation.
- The Office of Energy is the principal source of advice to and supports Government in its strategic involvement in the Ministerial Council on Energy, the national policy and governance body for the Australian energy market.

This year, the Office worked with Commonwealth, State and Territory jurisdictions to develop a new National Gas Law to replace the Gas Pipelines Access Law. Western Australia will continue to participate in the National Gas Access Regime through developing its own complementary legislation that will correspond with the access provisions under the National Gas Law.

Further national energy reforms were negotiated between the Commonwealth and State/Territories jurisdictions which have been formalised as amendments to the *Australian Energy Market Agreement 2004* and endorsed by the Council of Australian Governments.

## Summary

- Seeking to meet the growing demands on gas supply across the State, the Dampier to Bunbury Natural Gas Pipeline expansion is progressing well. Stage 4 of the expansion commenced in January 2006 and upon completion will increase pipeline capacity to over 700 terajoules per day.

Work is ongoing to progress the Stage 5 A, B and C expansions to increase the pipeline capacity to over 1000 terajoules per day over the next 4 years.

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### The Environment

- Rebates of over \$10 million were provided for renewable energy systems through the Solar Water Heater Subsidy and Renewable Remote Power Generation programs in 2005/06. These systems are estimated to reduce greenhouse gas emissions by 7,000 tonnes of carbon dioxide per annum.
- A Renewable Energy Handbook for Western Australia was developed as a practical guide for developing commercial renewable energy projects in the State. The Handbook provides an overview of the relevant approvals required and a description of the wholesale electricity market and the different options for generators to sell their output. It also provides information on different renewable technologies in Western Australia.
- Government agencies continue to set an example with the latest results showing a reduction in energy consumption of 7.8% for 60 of the 61 agencies participating in the Energy Smart Government program.
- New and improved standards for residential and commercial buildings, more appliances covered by minimum energy performance standards and energy efficiency reporting requirements for large energy users are a few of the initiatives established through the National Framework for Energy Efficiency in 2005/06.

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### The Regions

- The Tariff Equalisation Fund has been established to ensure Horizon Power is able to continue to supply customers under the uniform electricity tariff. Under the new arrangements, the Networks Corporation (Western Power) will be required to pay money into the Fund from payments collected in the SWIS network.

Payments will be made from the Fund to Horizon Power. This arrangement makes the cross-subsidy that existed within Western Power Corporation prior to disaggregation transparent.

- A new \$18 million Rural Renewable Energy Program was launched providing rebates for renewable energy systems on the fringes of the main South West electricity grid. Projects that may be supported under the scheme include small to medium-sized solar and wind power systems and bio-energy projects that use plantation forestry or agricultural wastes for electricity generation.

## *Summary*

- The Rural Power Improvement Program is a \$60 million project to improve power supplies to rural areas on the South West Interconnected System with poor reliability. Phase 1 of the Program benefited customers across the South West Interconnected System with the installation of auto-reclosers and sectionalisers which act to reduce the duration of outages and the number of customers affected by each fault, and reinforcement and replacement of poles and wires in areas with exceptionally poor reliability.

Customer supply outages in rural areas are expected to fall considerably with implementation of Phase 2 of these works, which will upgrade lines with exceptionally poor reliability. The Program is expected to benefit approximately 43,000 customers and their families and businesses in rural areas.



## *Organisational Profile*

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

The Office provides a range of services to the Minister for Energy, Government, the energy sector and the Western Australian community. It:

- advises on and develops energy policies and strategies for Western Australia;
- implements changes in Western Australian energy policy;
- monitors and evaluates Government policies;
- contributes to the achievement of Government's wider policy outcomes;
- researches, analyses and advises on energy sector developments, trends and issues;
- consults and communicates with industry, consumers and other stakeholders;
- provides information and education materials for industry and consumers; and
- develops and administers grants and incentives for the community and industry.

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 promotes the development of commercial applications of renewable energy and provides support in the resolution of energy related disputes.

# Organisational Profile

## Our Challenges

The energy sector underpins the economic and social development of the State. Issues and challenges for the energy sector include:

- national and international developments in sustainable energy, greenhouse policy and new energy technology;
- developing and expanding reliable and cost effective energy infrastructure and services;
- interaction between the Commonwealth and State Governments on complex policy issues concerning energy markets and regulatory arrangements;
- consumer issues regarding energy quality, reliability, price, sustainability and security of supply; and
- providing equitable and cost-effective access for all Western Australians to a sustainable energy supply in a period where Western Australia is facing rapid economic and energy demand growth and changing social, demographic and technological environment.

## Our Vision

The Vision towards which we are working:

***...reliable, sustainable and competitively priced energy for the benefit of all Western Australians.***

The Office will achieve its vision by ensuring that:

- householders and businesses throughout Western Australia enjoy a choice of secure, reliable and competitively priced energy products and services;
- the Western Australian energy sector is competitive and efficient – demonstrated by strong new entrants, services and products;
- efficient regulation will exist where necessary and will be well accepted and supported;
- 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 is strategic, proactive, and excels in developing and implementing policy to meet the State's energy needs; and
- the Office is an employer of choice, in that 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 Profile*

## **Our Purpose**

The Office of Energy leads and drives the development and delivery of policies and programs to achieve reliable, sustainable and competitively priced energy for all Western Australians.

## **Our Values**

Our values describe what we believe in, and how we aspire to operate as an Office.

### **Integrity**

Acting honestly, impartially and upholding high ethical standards.

### **Collaboration**

Fostering strong supportive teams and constructive relationships with stakeholders.

### **Leadership**

Empowering individuals and teams to embrace challenges and responsibility.

### **Excellence**

Striving to achieve the best in ourselves, in each other and in all we do.

### **Respect**

Cultivating a positive and supportive attitude which values staff and their contributions.

## **Our Objectives**

The principal objectives of the Office are to:

1. Encourage and facilitate the provision of secure, reliable and sustainable energy to meet the needs of households and businesses in Western Australia.
2. Implement appropriate market and regulatory arrangements to achieve a competitive, dynamic and sustainable energy sector.
3. Ensure Government owned entities participate in the energy industry in a competitively neutral manner while protecting the State's investment.
4. Raise awareness and provide the information and tools by which consumers can make informed choices about the level, source and cost of their energy consumption.
5. Be an employer of choice that is credible, capable and responsible in order to shape and deliver the Government's energy policy.

# *Organisational Profile*

## **Our People**

The success of the Office is dependent upon building the skills and capabilities of our staff. The Office is fortunate to have talented and dedicated people who are committed to the achievement of the strategic objectives of the Office of Energy.

## **Our Working Environment**

The Office maintains a friendly, outcome focussed workplace. Staff have access to a range of opportunities for professional and personal development. Amongst the activities offered to our staff during the year were:

- a range of professional development training programs identified in individual management for performance plans;
- access to a study assistance program;
- opportunities to represent the Office at a wide range of events associated with energy matters;
- access to an employee assistance program including counselling services; and
- active involvement with fund raising activities to support community based charities.

## **Our Corporate Executive**

The Corporate Executive of the Office of Energy comprises:

- Coordinator of Energy (Chair);
- Executive Director, Sustainable Energy Development Office;
- Director, Industry and Community Division;
- Director, Markets & Regulatory Policy Division; and
- Director, Corporate Services.

These officers are fully qualified in their area of expertise and possess relevant, broadly based policy development, performance evaluation, audit, human resources and accountancy skills. All have public sector experience.

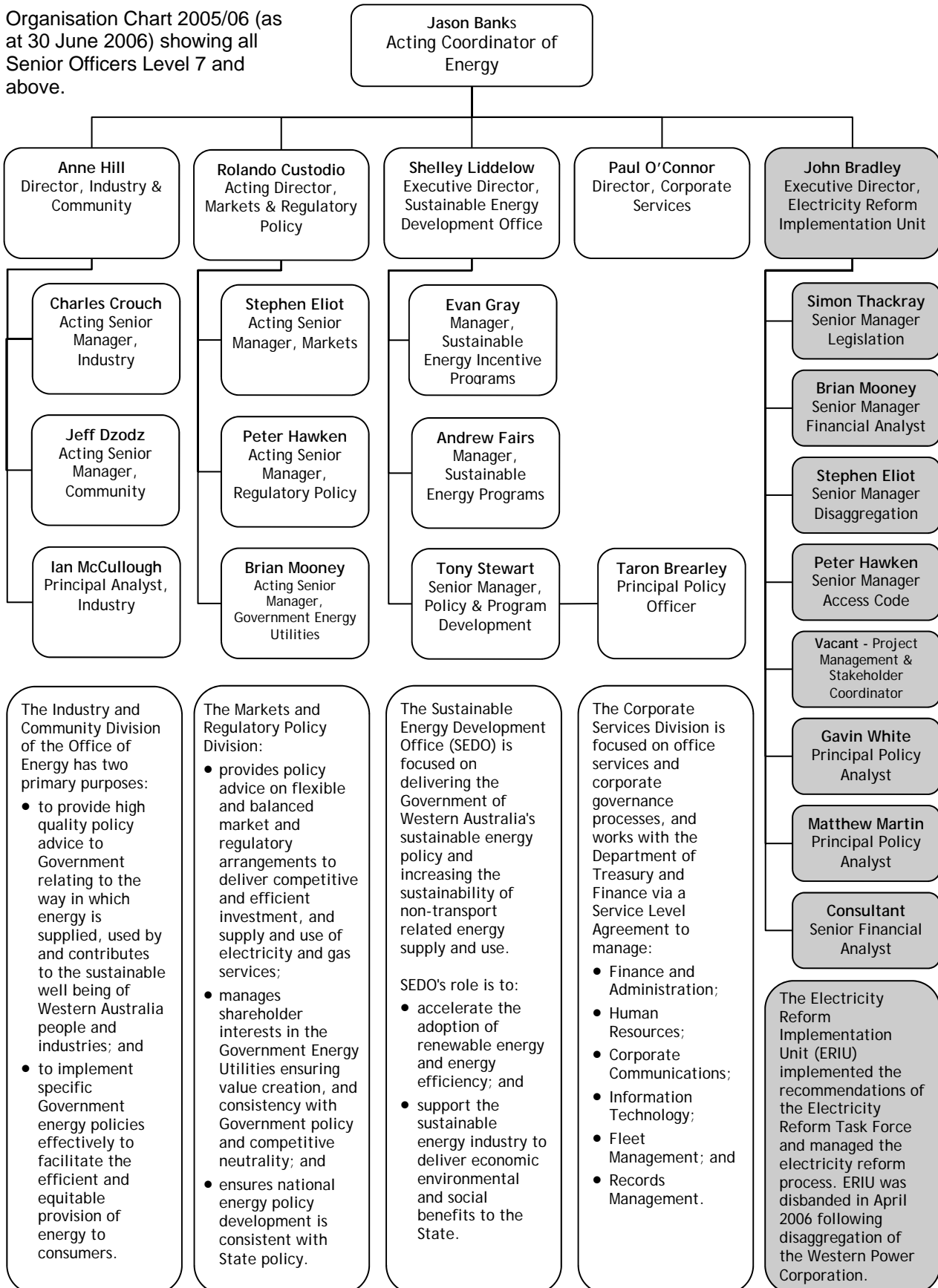
The Corporate Executive is responsible for:

- the prioritisation and approval of the Office of Energy budget and activities to meet the objectives of the organisation;
- monitoring progress to meet established objectives;
- establishing the strategic direction and policies of the Office;
- providing leadership to support the Office's Vision and promoting a culture that supports the values and direction of the Office;
- approval of the scope of new major projects as they arise;
- approval of structural changes; and
- providing advice to the Coordinator of Energy on major decisions.

The Corporate Executive seeks to make well-considered decisions on the business of the Office and meets monthly or more frequently on a special needs basis as required.

# Organisational Structure 2005/06

Organisation Chart 2005/06 (as at 30 June 2006) showing all Senior Officers Level 7 and above.



# Legislation

## 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.

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

*Dampier to Bunbury Pipeline Act 1997*  
*Electricity Act 1945*  
*Electricity Corporations Act 2005*  
*Electricity Industry Act 2004*  
*Energy Coordination Act 1994*  
*Energy Corporations (Transitional and Consequential Provisions) Act 1994*  
*Energy Operators (Powers) Act 1979 (s. 55 only)*  
*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*  
*Kalgoorlie Road Board License Validation Act 1904*  
*Katanning Electricity Supply Undertaking Acquisition Act 1961*  
*Liquefied Petroleum Gas Subsidy Act 1980*  
*Petroleum Products Subsidy Act 1965*  
*State Energy Commission (Validation) Act 1978*

# Legislation

## LEGISLATION INTRODUCED/IMPLEMENTED IN 2005/06

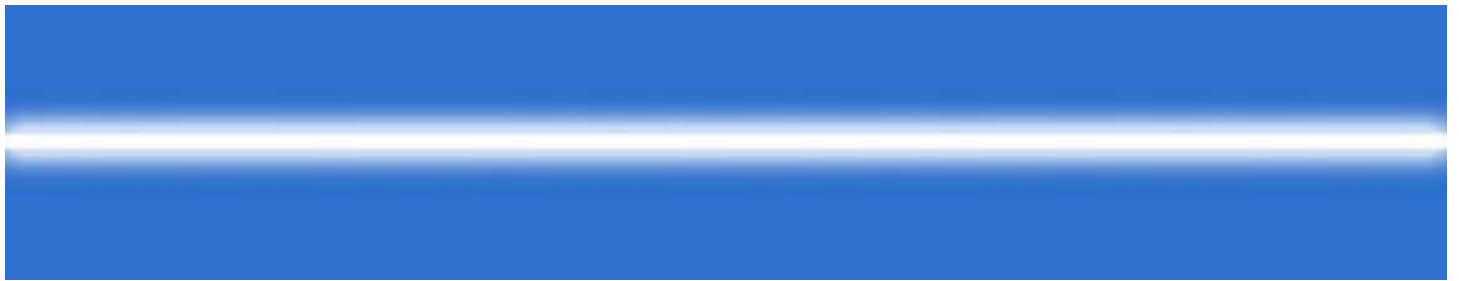
The following legislative instruments were developed and/or implemented on behalf of the Government during 2005/06:

*Dampier to Bunbury Pipeline (Corridor) Amendment Regulations 2005*  
*Electricity Corporations (Consequential Amendments) Regulations 2006*  
*Electricity Corporations (Transitional) Regulations 2006*  
*Electricity Distribution Access Order 2006*  
*Electricity Distribution Amendment Regulations 2006*  
*Electricity Industry (Access Code Enforcement) Regulations 2005*  
*Electricity Industry (Customer Contracts) Regulations 2005*  
*Electricity Industry Exemption Amendment Order (No.2) 2006*  
*Electricity Industry (Licence Conditions) Amendment Regulations 2005*  
*Electricity Industry (License Conditions) Regulations 2005*  
*Electricity Industry (Network Quality and Reliability of Supply) Code 2005*  
*Electricity Industry (Obligation to Connect) Regulations 2005*  
*Electricity Industry (Ombudsman Scheme) Amendment Regulations 2005*  
*Electricity Industry (Ombudsman Scheme) Regulations 2005*  
*Electricity Industry (Tariff Equalisation) Regulations 2006*  
*Electricity Industry (Wholesale Electricity Market) Regulations 2005*  
*Electricity (Supply Standards and System Safety) Amendment Regulations 2005*  
*Electricity Transmission Amendment Regulations 2005 & 2006*  
*Energy Coordination (Customer Contracts) Regulations 2005*  
*Energy Corporations Act 2005*  
*Energy Operators (Regional Power Corporation) (Charges) By-laws 2006*  
*Energy Operators (Electricity Retail Corporation) (Charges) By-laws 2006*

## LEGISLATION AFFECTING OFFICE ACTIVITIES

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

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



## *Report on Operations & Outcomes*

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

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

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

In 2005/06 the Office of Energy achieved significant milestones in the successful implementation of major reforms to the Western Australian electricity industry, including the:

- structural separation of Western Power Corporation into Verve Energy (generation), Western Power (networks), Synergy (retail) and Horizon Power (regional);
- establishment of a wholesale electricity market;
- certification of the State's Electricity Networks Access Code 2004 as an effective access regime that introduced independent regulation of access to Western Power's network; and
- introduction of enhanced consumer protection measures under the electricity licensing regime.

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

In 2005/06, the Office of Energy, through the Sustainable Energy Development Office, implemented the following initiatives and programs:

- implementation of a \$18m Rural Renewable Energy Program providing rebates for renewable energy systems on the fringes of the main South West electricity grid;
- issue of rebates of over \$10m for renewable energy systems through the Solar Water Heater Subsidy and Renewable Remote Power Generation programs;
- development of a Renewable Energy Handbook for Western Australia as a practical guide for developing commercial renewable energy projects in the State;
- continued decrease of Government agency energy consumption with a reduction of 7.8% for 60 of the 61 agencies participating in the Energy Smart Government program;
- introduction of new and improved standards for residential and commercial buildings; and
- implementation of initiatives through the National Framework for energy efficiency to include more appliances covered by minimum energy performance standards and establish energy efficiency reporting requirements for large energy users.

## *Report on Operations & Outcomes*

The Office is now looking to new initiatives that will ensure reliable, sustainable and competitively priced energy for the benefit of all Western Australians.

To achieve this, the Office will continue to be a change agent that leads the development and implementation of energy policy. The Office will work to achieve outcomes that are:

- environmentally responsible;
- socially sound; and
- economically efficient.

The support of the energy industry and our other stakeholders is important in achieving our vision and delivering good outcomes. We will build upon the effective relationships that have been established and continue to be open and responsive.

This section, under the Government Goal headings of: People and Communities; The Economy; The Environment; The Regions; and Governance, documents the strategic outcomes and achievements of the Office of Energy's projects in 2005/06 and the activities planned to deliver continued success in 2006/07.



## *People & Communities*

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

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

Project Reports in this section:

- Network Quality & Reliability of Supply Code
- Underground Power Program
- Aboriginal and Remote Communities Power Supply Project
- Residential Energy Consumer Issues
- Licencing Policy Issues
- Special Energy Subsidies and Rebates
- People & Communities Special Reports:
  - Disability Services Plan
  - Cultural Diversity
  - Youth Outcomes

### NETWORK QUALITY AND RELIABILITY OF SUPPLY CODE

The Networks Quality and Reliability of Supply Code (the “Code”) has been introduced to require network operators to:

- deliver specified minimum standards of electricity supply to customers;
- report network performance in detail each year; and
- maintain a documented customer complaints handling process including the option for small use customers (less than 160 MWh per year) to refer unresolved complaints to the Energy Ombudsman.

The Code applies as a condition of network licence and is administered and enforced by the Economic Regulation Authority.

#### Strategic Outcomes and Achievements in 2005/06

The *Electricity Industry (Network Quality and Reliability of Supply) Code 2005* was made by the Minister for Energy under Section 39(2a)(a) of the *Electricity Industry Act 2004*. The Code was gazetted on 13 December 2005 and commenced on 1 January 2006.

The following regulation amendments gazetted on 13 December 2005 were needed in conjunction with the Code:

- *Electricity (Supply Standards and System Safety) Amendment Regulations 2005*;
- *Electricity Industry (Licence Conditions) Amendment Regulations 2005*; and
- *Electricity Industry (Ombudsman Scheme) Amendment Regulations 2005*.

The *Electricity Industry Exemption Amendment Order (No.2) 2006*, which was gazetted on 27 June 2006, amended conditions for licence-exempt private suppliers to the Pilbara towns of Newman, Dampier, Paraburdoo, Tom Price, Pannawonica and Wickham to require compliance with parts of the Code relevant to the local circumstances of supply.

#### Forward Planning for 2006/07

Minor amendments to the Code are planned for late 2006 to clarify issues that have arisen since its introduction.

Under section 39a of the *Electricity Industry Act 2004*, the Economic Regulation Authority will carry out reviews of the operation and effect of the Code standards as they apply to Horizon Power’s operations:

- The reviews will include public consultation and are to determine if the Code standards are appropriate when assessed against the service standards that apply to the South West Interconnected System.
- The initial review is to be carried out as soon as is practicable after the first access arrangement for the South West Interconnected System is approved.

### **UNDERGROUND POWER PROGRAM**

The Underground Power Program contributes to improving the reliability and overall performance of the electricity distribution network while delivering other benefits to the community such as fewer blackouts, improved safety and enhanced visual amenity. Jointly funded by the State, electricity distributor (Western Power or Horizon Power, as appropriate) and participating local governments, the Underground Power Program funds the retrospective installation of underground power lines in areas with overhead distribution systems.

Two types of projects are undertaken through the program:

- Major Residential Projects involve the delivery of underground distribution lines in suburban areas, typically of between 800 and 1,300 residential lots; and
- Localised Enhancement Projects aim to beautify "gateways", scenic routes and tourism/heritage centres, particularly in regional towns.

#### **Strategic Outcomes and Achievements in 2005/06**

##### **Round Three**

Agreements were signed with local governments for Round Three Major Residential Projects in Port Hedland, Nedlands and Fremantle to convert over 3,400 lots to underground power, and these projects are underway.

During the year, Round Three Major Residential Projects were completed in Gosnells, Subiaco – Shenton Park and Victoria Park, providing over 3600 lots with underground power.

Detailed proposals and funding agreements were completed for Round Three Localised Enhancement Projects in Mt Barker, Balingup, Nannup, and Lake Grace. Implementation of the Mt Barker project was also completed during the year.

##### **Round Four**

Guidelines for Round Four Major Residential Projects were developed and released on 31 August 2005. 89 proposals from 21 local governments were received.

The evaluation and selection process for Round Four Major Residential Projects was undertaken in two stages, with all proposals required to demonstrate significant benefits in terms of network reliability in order to then be assessed in terms of feasibility. In March 2006, the Minister for Energy announced a shortlist of seven projects in Mt Pleasant (City of Melville); Gosnells (City of Gosnells); Palm Beach (City of Rockingham); Wilson (City of Canning); Withers (City of Bunbury); Balcatta (City of Stirling); and Greenwood (City of Joondalup).

#### **Forward Planning for 2006/07**

Following completion of detailed proposals, agreements are expected to be signed in 2006/07 with local governments for the commencement of Round Three and Round Four Major Residential Projects in Stirling, Vincent, South Perth, Gosnells, Melville and Rockingham. In addition, detailed designs and agreements for Round Three Localised Enhancement Projects in Manjimup and Waroona are expected to be finalised.

## *People & Communities*

Major Residential Projects in City Beach, Port Hedland and Nedlands are scheduled for completion in 2006/07, providing 4,270 lots with underground power. Localised Enhancement Projects in Balingup, Nannup, Lake Grace, Manjimup and Waroona are also expected to be completed during the year.

The Office of Energy will issue Guidelines for Round Four Localised Enhancement Projects for release during the second quarter of 2006/07.

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### **ABORIGINAL AND REMOTE COMMUNITIES POWER SUPPLY PROJECT**

The Aboriginal and Remote Communities Power Supply Project is a joint initiative of the Western Australian and Australian Governments, to regularise the power supply arrangements in large, permanent Aboriginal communities in remote Western Australia.

The Office of Energy manages the delivery of the Aboriginal and Remote Communities Power Supply Project, which is being implemented by Horizon Power. Remote Aboriginal communities to be serviced by this project will be provided with safe and reliable power supplies with levels of service and prices equivalent to those of other remote Western Australian towns.

#### **Strategic Outcomes and Achievements in 2005/06**

In May 2005, the State and Commonwealth Governments finalised the funding agreement for the implementation of Phase 1 of the Project. The five Aboriginal communities participating in Phase 1 are Ardyaloon, Beagle Bay, Bidyadanga, Djarindjin-Lombadina and Warmun, all in the Kimberley Region.

Western Power Corporation conducted a competitive procurement process in late 2005 seeking bids from the private sector for the construction and operation of power generation facilities in the five communities. In February 2006, the Minister for Energy announced Energy Generation Pty Ltd as the Preferred Bidder for the procurement process and negotiations with Horizon Power (new regional power corporation) commenced immediately in order to finalise a power purchase agreement between the parties by July 2006.

The Office, in cooperation with the communities, Native Title Holder representatives, Horizon Power and other relevant government agencies, has conducted negotiations to obtain secure land tenure for new power stations in each of the five communities. Horizon Power has also finalised its plan and work schedule for upgrading the electricity distribution systems in the communities.

The State and Commonwealth Governments held preliminary discussions on the possible expansion of this Project to a second phase, which is expected to include a further ten communities across Western Australia. An agreement between these parties for funding the planning and development of Phase 2 was finalised in May 2006.

#### **Forward Planning for 2006/07**

It is expected that the new power generation, distribution and retailing arrangements will progressively be implemented in each of the Phase 1 communities from December 2006, with all to be completed in 2007. Upgrades to distribution infrastructure, customer service connections and the

## People & Communities

establishment of new retail arrangements will occur prior to the commissioning of each new power station. The new retail arrangements involve the use of prepayment meters in residential premises. Horizon Power will also provide information to its new customers in the communities to ensure that they are familiarised with the new retail and metering arrangements as well as their eligibility for energy rebates.

Planning and development work for Phase 2 will be undertaken in order to:

- identify and confirm the communities to be included;
- develop an implementation schedule for these communities over 3-4 years; and
- estimate the capital expenditure requirements for the network upgrades and estimate the ongoing operational cost of supplying these new customers at the uniform tariff.

It is anticipated that the State and Commonwealth Governments will finalise the funding agreement for Phase 2 during 2006/07. This will enable Horizon Power to implement the new power arrangements in the first Phase 2 communities in 2008.

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### RESIDENTIAL ENERGY CONSUMER ISSUES

The Office of Energy has pursued a policy of achieving power price parity for all consumers who receive their power through a licensed distribution system. This policy ensures that standard customer protection arrangements and regulated tariffs apply to people living in residential complexes where they purchase power from the complex manager rather than directly from a government-owned utility. This is achieved by placing conditions on licence exemptions granted to specified classes of suppliers of small-use customers under the *Electricity Industry Act 2004*.

#### Strategic Outcomes and Achievements in 2005/06

Conditional electricity licence exemptions were granted to all caravan park owners, retirement villages, strata title companies and landlords who on-sell power to permanent residents. The conditional exemptions require them to sell electricity at the uniform tariff rate and to provide information on request to customers about power usage and costs.

#### Forward Planning for 2006/07

The Office of Energy, in consultation with the Economic Regulation Authority, will investigate the potential options for achieving similar levels of customer protection for small-use customers for natural gas living in grouped housing arrangements. This may involve the introduction of licence exemptions for some gas suppliers or another type of regulatory mechanism.

The Office will also investigate the potential for introducing a mandatory requirement to install individual meters for gas and electricity for each dwelling unit in new grouped housing complexes. It is hoped that this will encourage more energy efficiency in these complexes while ensuring that all residents are paying for the energy they consume. Separate metering will facilitate higher levels of competition in the residential gas market and in the residential electricity market when it is made contestable.

The Minister for Energy will establish and chair the Ministerial Advisory Committee on Electricity Supply, comprising business and residential electricity consumers. This Committee will provide the Minister with independent advice on ways to improve electricity supply to consumers, particularly the reliability and quality of supply. The Office will provide executive and research support to the Committee.

The Minister for Energy has announced an inquiry to examine the impact of rising bottled LPG prices on households in different regions of the State. This inquiry will also clarify the basis of retail pricing structures for LPG in various areas of WA. The LPG inquiry, announced in July 2006, will be conducted by Mr Max Trenorden MLA, Member for Avon and Mr Mick Murray MLA, Member for Collie, who are expected to provide their recommendations and advice to the State Government by early 2007. The Office will be providing executive and research support, and policy advice to the inquiry.

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### **SPECIAL ENERGY SUBSIDIES AND REBATES**

Special Energy Subsidies and Rebates are designed by the Office of Energy to address the specific needs of certain groups of people who are financially disadvantaged and incur higher than usual energy costs as a result of their circumstances. The Office's work in this area ensures that electricity prices are made more affordable for those in genuine need of financial assistance.

#### **Strategic Outcomes and Achievements in 2005/06**

The Thermoregulatory Dysfunction Energy Subsidy Scheme, a policy initiative of the Office of Energy, was approved as part of the 2006/07 State Budget.

The Subsidy will be administered by the Office of State Revenue and is scheduled to commence on 1 January 2007. Prior to its introduction, the Office of Energy will seek expert advice in order to establish the necessary medical guidelines as the basis of determining eligibility under the Scheme.

This year, the Office of Energy investigated and recommended the inclusion of heart pumps in the Life Support Equipment Energy Subsidy, an Office of Energy initiative which commenced in January 2005.

#### **Forward Planning for 2006/07**

The Office of Energy, in consultation with the Office of State Revenue, will undertake a review of the Life Support Equipment Energy Subsidy Scheme. This will involve surveying the current and potential recipients of the Subsidy and seeking their feedback on the level and appropriateness of the support.

As part of this process, the Office of Energy will also investigate whether other types of life support, such as peritoneal dialysis machines that utilise electric pumps, should be included in the Life Support Equipment Energy Subsidy.

The Office of Energy will work with the Office of State Revenue and other relevant agencies to facilitate the introduction of the Thermoregulatory Dysfunction Energy Subsidy Scheme on 1 January 2007, including the development of medical guidelines for eligibility.



The Office of Energy will also look into the overall effectiveness and efficiency of the delivery of government energy rebates and concessions and work with the Department of Treasury and Finance and the relevant energy utilities to rationalise the administrative arrangements of these schemes.

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### LICENSING POLICY ISSUES

The Office of Energy, in consultation with the Economic Regulation Authority, provides advice to the Minister for Energy on emerging gas and electricity licensing issues, as part of its commitment to continuous improvement.

#### Strategic Outcomes and Achievements in 2005/06

With the introduction of the electricity licence regime on 1 January 2006, there is provision for certain parties to be exempt from licensing requirements if such exemption is not contrary to the public interest. Licence exemptions can be used to remove unnecessary and costly licensing requirements on “incidental” suppliers of energy, in specific circumstances.

Generally organisations that are providing electricity services for their own use or within a single site such as port authorities, aboriginal communities, shopping centres and mines have been exempted.

Some specific licence exemptions were provided to remove anomalies such as the Fremantle Port Authority’s supply of power to adjacent premises or to assist private residents in remote communities to be connected to private networks such as the town of Eucla.

Conditions were placed on some licence exemptions to ensure that households who purchase power through a landlord or manager of a group housing development are not overcharged for their power and have the right to information about their power usage and costs of power services.

#### Forward Planning for 2006/07

The Office of Energy and the Economic Regulation Authority will establish a Memorandum of Understanding for the sharing of information and discussion of energy regulation and licensing issues.

The Office will be represented on the Electricity Code of Conduct Committee, which will be established by the Economic Regulation Authority to undertake the review of the *Code of Conduct (for supply of electricity to small-use customers)*. The Office will also be working in consultation with the Economic Regulation Authority on gas licensing policy issues, including the need to establish gas licence exemptions under the *Energy Coordination Act 1994*.

The Office will also work with the Department of Consumer and Employment Protection and the Energy Ombudsman to ensure that protection is afforded to customers on licence-exempt suppliers.

# *People & Communities*

## PEOPLE & COMMUNITIES SPECIAL REPORTS

### Disabilities Services Plan

A five-year Disability Services Plan is in place to ensure that people with a disability have access to the Office's services. The Plan identifies objectives and strategies to overcome barriers to accessing our building and our information.

In accordance with the *Disability Services Act 1994*, a Disability Access and Inclusion Plan will be developed over the next year to replace the existing Disability Services Plan.

In 2005/06, 1.9% of total staff were employees with disabilities.

### Cultural Diversity - People from Culturally Diverse Backgrounds

Our representation of people from culturally diverse backgrounds is 23.5% of total staff.

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

### Youth Outcomes

Our Office supports the employment of young people. To address this outcome, a Graduate Development Program was developed in 2005, with three graduates. The 2006 intake included 2 further graduates.

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



## *The Economy*

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

The following outlines some of the more significant activities that the Office of Energy has driven over 2005/06 to contribute towards the Government's Goals for the Economy. The major focus of this year has been the reform of the electricity industry with the restructure of Western Power Corporation, continued work to establish the Wholesale Electricity Market and supporting industry regulation and consumer protection. The Office also continues to have a key role in facilitating a competitive gas industry.

Project Reports in this section:

- Restructure of Western Power Corporation
- Wholesale Electricity Market
- Networks Access Code
- Customer Protection Framework
- Top Up and Spill Market
- Gas Retail Deregulation
- Advisory Role on Economic Regulation of the State's Gas and Electricity Industry
- National Energy Policy Agenda
- Expansion of the Dampier to Bunbury Natural Gas Pipeline
- Inter-Jurisdictional Emissions Trading Working Group

## RESTRUCTURE OF WESTERN POWER CORPORATION

A significant Office of Energy policy implementation achievement was the disaggregation of Western Power Corporation on 31 March 2006. The disaggregation program was carried out with the close involvement of Western Power Corporation, other government agencies and key stakeholders.

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

- providing opportunities for competition to enter the market, which will encourage lower prices and improved customer services;
- encouraging private sector investment in generation, freeing up Government capital for networks expenditure and other priority areas of Government;
- giving the Electricity Networks Corporation (Western Power) a dedicated corporate focus on networks services and networks funding requirements to improve service standards and reliability;
- giving the Regional Power Corporation (Horizon Power) a separate focus on regional electricity supply (i.e. outside the South West Interconnected System) and a transparent funding mechanism to support provision of uniform tariffs;
- facilitating Western Australia's economic growth by providing competitively priced energy to commercial and industrial users; and
- encouraging growth of renewable energy, distributed generation and demand side management.

### Strategic Outcomes and Achievements

Legislation was introduced by the Minister for Energy in May 2005 to recommence the disaggregation process, and considerable work was undertaken by the Office during 2005/06 to implement the *Electricity Corporations Act 2005*. The Office's responsibilities and achievements in 2005/06 include:

- Development and proclamation of the *Electricity Corporations Act 2005* on 31 March 2006 providing for the establishment and operation of four separately accountable and focused entities: Electricity Generation Corporation (trading as "Verve Energy"); Electricity Networks Corporation (trading as "Western Power"); Electricity Retail Corporation (trading as "Synergy"); and Regional Power Corporation (trading as "Horizon Power").
- Development and gazettal of the Western Power Transfer Order on 31 March 2006 allocating the assets and liabilities of Western Power Corporation to the new successor entities, effective as of 1 April 2006. The Office was responsible for managing the process to complete the Transfer Order, which included financial analysis and opening balances for each of the successor entities, conduct of a detailed due diligence process to verify the accuracy of the Transfer Order and compliance with relevant legal instruments.

## The Economy

- Establishment of a Tariff Equalisation Fund to provide funding to Horizon Power to enable it to maintain tariff protection in its areas of operation. Western Power will be required to make payments into the Fund from revenue received from network access charges in the South West Interconnected System. This mechanism makes transparent the cross-subsidy that existed within Western Power Corporation prior to disaggregation.
- Implementation of measures to mitigate the market power of Verve Energy and Synergy in the new wholesale electricity market. Provisions in the *Electricity Corporations Act 2005* prevent Synergy from generating electricity and Verve Energy from retailing in the early stages of the wholesale electricity market (7 years from the date that the Act comes into effect). A mechanism is also in place to limit the participation of Verve Energy in the wholesale electricity market reserve capacity process.
- Development and commencement of the Vesting Contract on 1 April 2006, to provide for the wholesale supply of electricity and Capacity Credits from Verve Energy to Synergy. The Vesting Arrangements take into account the design of the wholesale electricity market, and include measures to expose Verve Energy and Synergy to competitive forces over time. The arrangements will facilitate the entry of new market participants, whilst providing for the ongoing viability of the corporations.
- Advice to Government on the first set of Strategic Development Plans and Statements of Corporate Intent prepared by the new electricity corporations and approved by the Minister for Energy on 30 June 2006. These plans outlined the key strategies and outcomes committed to by the corporations in facing the challenges before them in the reformed electricity industry.

### Forward Planning for 2006/07

While disaggregation is complete, ongoing Office activity planned in 2006/07 relating to the formation of the new electricity corporations includes:

- management of Government shareholder interests in the new corporations including assessment of and advice on their strategic plans, key performance indicators, quarterly and annual reporting and Government approval of significant commercial undertakings;
- administration of the Vesting Contract, including the annual calculation of specific volume and price terms under the contract;
- assisting the Western Power Corporation Administrator to complete the winding up of Western Power Corporation; and
- administration of the Tariff Equalisation Fund.

The Office will also continue to monitor the market power mitigation measures established as part of the disaggregation to ensure development of competition and entry of new market participants. This includes oversight of Displacement Capacity tendering by Synergy under the Vesting Contract and review of options for providing access to greenfields power station sites and power station sites that are under-utilised to promote private sector generation investment.

# *The Economy*

## WHOLESALE ELECTRICITY MARKET

A key component of the electricity reform program is the implementation of a Wholesale Electricity Market. The rules governing the Market have been developed and have the following broad objectives:

- promoting the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West Interconnected System (SWIS);
- encouraging competition among generators and retailers in the SWIS, such as by facilitating efficient entry of new competitors including sustainable energy options and technologies that make use of renewable resources or that reduce overall greenhouse gas emissions;
- minimising the long-term cost of electricity supplied to customers within the SWIS; and
- encouraging the application of measures to manage the amount of electricity used and when it is used.

### Strategic Outcomes and Achievements in 2005/06

The Wholesale Electricity Market Rules (the “Market Rules”) were promulgated in October 2004 and have been refined over 2005/06 to improve them against the key objectives of the market leading up to commencement of the energy trading component of the new market scheduled for September 2006.

The Office of Energy continues to have an important role in assisting the Independent Market Operator with the commencement and administration of the Wholesale Electricity Market. The Office has provided policy advice and assistance on a number of significant issues relating to the commencement and operation of the market.

The Office is responsible, up until market commencement, for administering the approval of the Market Rules by the Minister for Energy. Changes to the Market Rules were developed through industry via the Market Readiness Committee, which is supported by the Office.

In addition to supporting the Rule making process, the Office has assisted in the development and implementation of the procedures necessary to operationalise the Market Rules. The Office has ensured that all procedures have been considered by the appropriate industry working groups and the Market Readiness Committee, prior to submitting to the Minister for approval.

### Forward Planning for 2006/07

The Office will continue to assist and support the Independent Market Operator in the lead up to the planned commencement of the energy trading of the Wholesale Electricity Market in September 2006. Industry will continue to be involved in the implementation process through the Market Readiness Committee (and its Working Groups) that will continue to be supported by the Office. Aside from addressing policy issues that arise, key activities in the lead up to market start include:

- approval and commencement of updated Market Rules;
- approval and commencement of Market Procedures; and
- amendments to access regulations inconsistent with Wholesale Market arrangements.

The Office will also monitor developments affecting the operation of the market and support the Independent Market Operator in policy considerations, as appropriate.

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## NETWORKS ACCESS CODE

The Electricity Networks Access Code 2004 (the “Code”), gazetted on 30 November 2004, sets out the regulatory framework for third party access to covered electricity networks and provides for the independent regulation of network prices and services by the Economic Regulation Authority (the “Authority”).

The only network currently regulated by the Code is the portion of the South West Interconnected System (SWIS) owned by Western Power. Western Power is required to submit a proposed Access Arrangement to the Authority for its approval under the Code.

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

As part of developing an access arrangement, Western Power is required to propose Technical Rules for accessing its network for approval by the Authority.

### Strategic Outcomes and Achievements in 2005/06

On 11 July 2005 the Government of Western Australia submitted an application prepared by the Office of Energy to the National Competition Council seeking a recommendation that the State’s access regime for electricity network services under the Code is an effective access regime under the *Trade Practices Act 1974*. The Code was certified as effective in July 2006.

The Office also facilitated a Code change in the third quarter of the reporting year to enable a more flexible treatment of capital contributions received by Western Power to be considered under the Code and thereby contribute to lower network charges.

The Office chairs the Technical Rules Committee that provides advice to the Economic Regulation Authority on technical matters related to network access. The Committee conducted extensive consultation and consideration of the Technical Rules proposed by Western Power and submitted its preliminary report to the Authority on 12 December 2005 recommending the proposed Rules not be accepted but that a number of issues are given further consideration.

A revised set of Technical Rules were released on 11 April 2006 and the Technical Rules Committee considered these and submitted its final report to the Authority on 13 June 2006. The report recommended acceptance of the revised Rules and identified the few remaining issues needing resolution.

### Forward Planning for 2006/07

Key activities for this coming year associated with the transition to the new Access Regime include:

- amendment of the Code to clarify the intent of the Code and to correct inconsistencies with current accepted practises related to the treatment of capital contributions;
- continuing administration of the Code;
- addressing the principal outstanding issues of the small generator sector and finalising the Technical Rules; and

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- repealing the existing Electricity Transmission and Distribution Access Regulations and prescribing transitional regulations to transition third party access to the new Access Regime under the Code following approval of the Western Power Access Arrangement.

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### CUSTOMER PROTECTION FRAMEWORK

The Office of Energy has developed and implemented a Customer Protection Framework to provide protection to customers, particularly those deemed “small use” with the introduction of energy market competition and the new regulatory environment.

#### Strategic Outcomes and Achievements in 2005/06

In 2005/06, the Office implemented a number of customer protection measures to complement the Customer Service Code and electricity licensing regime introduced in 2004/05.

The Minister for Energy announced the establishment of the Energy Ombudsman in September 2005. The Ombudsman will provide residential and small business customers with an alternative, impartial and cost-free avenue to handle complaints with their electricity or gas supplier.

The Office implemented the *Electricity Industry (Obligation to Connect) Regulations 2005* (the “regulations”), which ensure that residential and small business customers can be connected to a distribution network at the least cost to the customer. The regulations also deal with such matters as connection timeframes and connection costs.

In addition, the *Electricity Industry (Customer Contract) Regulations 2005* specify matters to be addressed in customer contracts and set out the obligation upon Synergy to offer to supply customers.

#### Forward Planning for 2006/07

The Office will continue to monitor these consumer protection measures and provide policy advice on enhancements as they are identified. Particular attention will be given to measures being considered through the Ministerial Council on Energy as part of the development of the national framework for regulation of energy distribution and retail.

The Office will contribute to the review of the Customer Service Code to be conducted by the Economic Regulation Authority in 2006/07.



## **'TOP UP AND SPILL' MARKET**

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

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

### **Strategic Outcomes and Achievements in 2005/06**

The TUAS Consultation Group, chaired by the Office of Energy, endorsed amendments to the TUAS Market Rules to accommodate the disaggregation of the Western Power Corporation. These amendments were approved by the Minister in time for disaggregation to occur.

An audit was undertaken of the TUAS market operations for 2005.

The TUAS Consultation Group also endorsed a mechanism for charging members for the operation and audit of the TUAS market. The subsequent charges were approved by the Minister.

### **Forward Planning for 2006/07**

The Office will continue to administer TUAS Market arrangements until it ceases operation when the Wholesale Electricity Market balancing and trading arrangements commence in September 2006.

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## **GAS RETAIL DEREGULATION**

The regulatory and market arrangements for gas full retail contestability are fully operational. While no new entrants have entered the gas retail market supplying small business and residential customers, the threat of potential competition is providing a discipline on the current supplier of gas.

While approval of retail market rules for gas is now the responsibility of the Economic Regulation Authority, the Office of Energy continues to monitor the market and consider policy measures to enhance competition.

### **Strategic Outcomes and Achievements in 2005/06**

During the year, the Office commenced a review of the moratorium on Synergy and Verve Energy prohibiting them from supplying gas to small use customers (those that consume less than 1TJ of gas per year). This measure is to be in place until full retail contestability in electricity has been achieved, but may be amended in 2007/08.

The purpose of the review is to determine whether the contestability threshold should be reduced or the moratorium be eliminated altogether from 1 July 2007. As part of this review, the Office

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released a discussion paper in April 2006 on issues surrounding the moratorium and conducted a public consultation which ended in June 2006.

### Forward Planning for 2006/07

In 2006/07, the Office will:

- continue to provide policy support regarding the operation of the gas retail market scheme in Western Australia.
- make recommendations to the Minister regarding the continued operation of the gas market moratorium; and
- monitor national trends and developments and liaise with stakeholders on their applicability to the gas retail market in the State.

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

The Office of Energy advises Government on policy development and implementation related to the economic regulation of the gas and electricity industry in the State. In addition to advising on legislative instruments, the Office monitors and advises Government on regulatory decision-making and represents Government policy as necessary.

Issues dealt with in 2005/06 were primarily associated with arrangements for access to energy infrastructure under the *Electricity Networks Access Code 2004* and the *Gas Pipelines Access Code*. Other issues included energy infrastructure access arrangements, gas and electricity licensing, gas retail market arrangements and administrative appeals on related decisions.

### Strategic Outcomes and Achievements in 2005/06

During 2005/06, the Office advised on a range of issues, including:

- the decision of the Minister for Energy to repeal coverage of the Tubridgi Pipeline System under the *Gas Pipeline Access Code*;
- appropriate treatment of rebates and periodic payments for customer contributions under Western Power's access arrangement to ensure that small customers are treated equitably;
- representing what the public interest is in relation to various electricity licences being sought from the Economic Regulation Authority (the "Authority");
- representing Government policy in the approval process for Western Power's proposed Access Arrangement submitted to the Authority;
- identification and appointment of new Panel members to the Energy Review Board; and
- the appeal of the decision of the Authority on the revised Access Arrangement for the Dampier to Bunbury Natural Gas Pipeline by the owner of the pipeline.

### Forward Planning for 2006/07

This role will continue in 2006/07.



## NATIONAL ENERGY POLICY AGENDA

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

The Office actively participates in the working groups supporting the Council in implementing its national energy policy agenda as embodied in the *Australian Energy Market Agreement 2004*.

A key task for the Office in 2005/06 has been to work with Commonwealth, State and Territory jurisdictions to develop a new National Gas Law to replace the Gas Pipelines Access Law. Western Australia will continue to participate in the National Gas Access Regime through developing its own complementary legislation that will correspond with the access provisions under the National Gas Law.

### Strategic Outcomes and Achievements in 2005/06

In respect to the implementation of the national energy policy agenda, substantial progress has been made in 2005/06 in developing the National Gas Law to give effect to a national legislative framework for natural gas.

Several key policy decisions were made in 2005/06 to ensure the timely development of the National Gas Law:

- a decision by the Ministerial Council on Energy at its meeting on 4 November 2005 for new consumer advocacy arrangements in the energy sector;
- a decision by the Ministerial Council on Energy in May 2006 on the Final Response to the Productivity Commission Review of the Gas Access Regime;
- the approval of a Funding Agreement by State and Territory Ministers in June 2006 to fund the Australian Energy Market Commission; and
- a decision by the Ministerial Council on Energy in June 2006 to implement a limited merits review regime to replace the current merits review regime in the Gas Pipelines Access Law.

During the year, further significant national energy reforms were negotiated between the Commonwealth and State/Territory jurisdictions. The outcome of the negotiations have been formalised as amendments to the *Australian Energy Market Agreement 2004* and endorsed by the Council of Australian Governments on 2 June 2006.

### Forward Planning for 2006/07

The Office will continue to advise and support Government in its involvement in the Ministerial Council on Energy.

A key milestone in 2006/07 is for Western Australia, through the Office of Energy, to implement its own complementary gas legislation to give effect to the institutional arrangements and energy reforms being undertaken by the Ministerial Council on Energy. Western Australia's complementary legislation is expected to be considered by Parliament in early 2007 for passage before July 2007.

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Following the passage of the National Gas Law and Western Australia's complementary legislation through Parliament, all jurisdictions are expected to make coordinated and concurrent applications for certification. This process is expected to be undertaken by 1 July 2007 with the application being developed over 2006/07.

In 2006/07, the Office will also undertake energy initiatives stemming from the new National Competition Policy reform agenda of the Council of Australian Governments. A key task for 2006/07 includes the development of an implementation plan to provide for the progressive rollout of smart meters to customers or classes of customers.

The Office will continue to monitor the work of the Ministerial Council on Energy on gas market development, and in 2006/07 will consider a National Gas Market Development Plan developed by industry. The Office will consider the relevance of the Plan to Western Australia and determine if any policies are suitable to improve transparency and encourage competition in the wholesale gas market.

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### EXPANSION OF THE DAMPIER TO BUNBURY NATURAL GAS PIPELINE

The growing needs of the State's booming economy and the increasing prominence of gas fired power generation demand an increased supply of gas to the south west of the State. The expansion of the Dampier to Bunbury Natural Gas Pipeline is progressing well to meet this demand.

#### Strategic Outcomes and Achievements in 2005/06

Central to the State agreement to provide financial assistance to the purchaser of the pipeline (Dampier Bunbury Pipeline Nominees Pty Ltd, "DBP") in October 2004, was a commitment by the new owner to expand the pipeline and provide equitable access to any party that desired supply.

The new owners of the pipeline are currently delivering this expansion in a timely and positive manner.

Stage 4 of the expansion commenced in January 2006 and involved the installation of ten compressor stations. The expansion, which represents a \$430 million investment by the pipeline owner, is expected to be completed in November 2006 and increase the capacity of the pipeline from 625 terajoules per day (TJ/d) to over 700 TJ/d.

#### Forward Planning for 2006/07

Consistent with the Government's expectations, DBP announced on 23 May 2006 that a Stage 5 expansion of the Dampier to Bunbury Natural Gas Pipeline would be undertaken. This proposal involves a progressive expansion in three stages over the next 4 years which would increase the pipeline capacity to 1000 TJ/d:

- Stage 5A, is expected to commence construction in early 2007 and deliver 91 TJ/d capacity increase upon completion in the first half of 2008; and
- Stage 5B and 5C are both expected to deliver close to 100 TJ/d each.

## *The Economy*

The Office's role in facilitating the expansions involves mediation and advice, particularly with respect to the approvals processes, to ensure future gas transmission availability to fuel the growth of the State.

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### **INTER-JURISDICTIONAL EMISSIONS TRADING WORKING GROUP**

The Office of Energy is participating in the National Emissions Trading Taskforce (the "Taskforce"). The Taskforce includes all States and Territories with the objective of developing an Emissions Trading Scheme for consideration in the absence of Commonwealth participation. At this stage, Western Australia has made no commitment to introduce emissions trading and is participating on the basis of developing options for consideration by the Government.

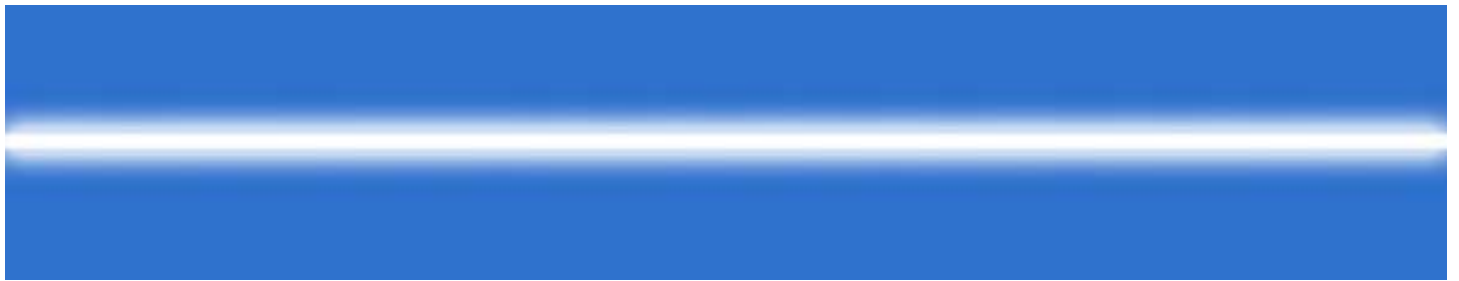
#### **Strategic Outcomes and Achievements in 2005/06**

During 2005/06, the Taskforce has been developing a detailed Green Paper setting out emissions trading design options in detail. This Green Paper is expected to be considered for release for public consultation in early 2006/07.

In October 2005, the Office also conducted several stakeholder information sessions on the work of the Taskforce.

#### **Forward Planning for 2006/07**

The draft Green Paper is expected to be forwarded by the Taskforce to all jurisdictions for consideration early in 2006/07. Subject to endorsement by the Government, it may then be released as a consultation document for feedback in late 2006. A White Paper setting out a preferred emissions trading model may then be prepared by the Taskforce, subject to approval by participating jurisdictions.



## *The Environment*

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

The Sustainable Energy Development Office, within the Office of Energy, provides a number of programs to facilitate the adoption of renewable energy and energy efficient practices. The Sustainable Energy Development Office (SEDO) has a strong policy development and program implementation role in renewable energy and energy efficiency.

Project Reports in this section:

- Solar Schools Program
- Solar Water Heater Subsidy
- SEDO Grants Program
- Renewable Energy
- National Framework for Energy Efficiency
- Energy Smart Communities
- Energy Smart Business
- Energy Smart Government
- Greenhouse and Energy Taskforce
- Energy Sustainability
- Environment Special Reports:
  - Waste Paper Recycling
  - Energy Smart Government Policy
  - Sustainability
  - Greenhouse

# *The Environment*

## **SOLAR SCHOOLS PROGRAM**

The Solar Schools program is a State Government election commitment and a key part of the State Government's plan to promote the importance of renewable energy. The program will help to educate the next generation of Western Australians about the benefits of renewable energy. Solar power systems will enable schools to meet part of their electricity needs, reduce their consumption of fossil fuels and reduce their greenhouse gas emissions.

### **Strategic Outcomes and Achievements in 2005/06**

The State Government's \$1 million Solar Schools program was launched in November 2005. The first 25 schools to participate in the scheme have been selected. These schools will receive up to \$10,000 each to install solar power systems. The program encourages schools to find ways of reducing their energy consumption and to raise awareness of sustainable energy within the wider school community.

### **Forward Planning for 2006/07**

Over the next three years, these 25 schools will form part of a larger group of 100 primary and secondary government schools that will install solar power systems under the program. SEDO will work with schools and other key stakeholders to ensure that the solar power systems deliver the maximum benefits, including sustainable energy education, reductions in fossil fuel energy use and increased awareness of sustainable energy in the broader community.

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## **SOLAR WATER HEATER SUBSIDY**

The Solar Water Heater Subsidy scheme provides rebates for solar water heaters installed in Western Australian homes. The scheme helps householders to reduce their energy bills, delivers greenhouse gas reductions and supports the solar water heater manufacturing industry in Western Australia.

### **Strategic Outcomes and Achievements in 2005/06**

A new scheme was introduced in 2005/06. The scheme targets gas-boosted solar water heaters, which have the lowest greenhouse emissions of all common hot water systems. Between the new and the original scheme, rebates were provided for solar water heaters in over 3,000 homes in 2005/06. These systems are estimated to reduce greenhouse gas emissions by 5,000 tonnes of carbon dioxide per year, equivalent to taking 1,000 cars off the road.

### **Forward Planning for 2006/07**

SEDO is investigating the design and future operation of the scheme.

# *The Environment*

## **SEDO GRANTS PROGRAM**

The SEDO Grants Program provides funding for innovative community-based sustainable energy projects and sustainable energy research and development initiatives.

### **Strategic Outcomes and Achievements in 2005/06**

The SEDO Grants Program was substantially revised in 2005/06. Administration of the program was streamlined, new program guidelines were implemented and new evaluation processes were introduced. Grants totalling \$223,865 were approved for eight projects following the February 2006 funding round.

### **Forward Planning for 2006/07**

The Office intends to further refine and better promote the program to ensure the best outcomes are achieved from the available funding. Funding rounds are scheduled for August 2006 and February 2007.

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## **RENEWABLE ENERGY**

The Government's Plan for Renewable Energy committed to a number of actions, including:

- a target for 6% of electricity sold on the main South West electricity grid to be generated from renewable sources by 2010; and
- the development of a Renewable Energy Strategy to take Western Australia beyond 2010.

In addition, the Government is providing a Renewable Energy Production Subsidy (the "Subsidy"), a \$6 million support package providing short term assistance to new renewable energy generators connected to the main electricity grid. The Subsidy is a transitional arrangement operating during the period in which the new Wholesale Electricity Market is established and is administered by SEDO.

### **Strategic Outcomes and Achievements in 2005/06**

A policy framework was developed for the Subsidy and Stage One applications were sought from renewable energy generators commissioned between 1 November 2003 and 31 December 2005. The renewable energy industry has been very supportive of the Subsidy with seven Stage One applications received from generators in 2005/06 for payments totalling over \$1.3 million. Technologies supported by the subsidy include wind, landfill gas and wood waste.

Options for achieving the 6% target have been investigated and a background paper for the State Government's Renewable Energy Strategy has been prepared to inform the development of the Strategy.

The development of a Renewable Energy Handbook for Western Australia was completed this financial year. The handbook is a practical guide for those seeking to develop commercial renewable energy projects in the State. It provides a step-by-step guide through the project

## *The Environment*

development process, including the relevant approval processes. It also consolidates information on renewable energy and the electricity market in Western Australia and renewable energy incentive programs into a single source. The handbook is a valuable resource not only for the renewable energy industry but also for landholders, local government and the wider community.

### **Forward Planning for 2006/07**

The development of a Renewable Energy Strategy will continue along with mechanisms to ensure the 6% target is achieved.

Stage Two applications for the Subsidy from 'proposed' power stations, those commissioned between 1 January 2006 and 30 June 2007, will be requested in the second half of 2006.

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### **NATIONAL FRAMEWORK FOR ENERGY EFFICIENCY**

The National Framework for Energy Efficiency (the "Framework") is an initiative of the Ministerial Council for Energy. The Framework aims to improve Australia's energy efficiency and productivity, which will also deliver environmental benefits.

SEDO represents the Office of Energy on the seven working groups responsible for implementing the individual components of Stage One of the Framework. With an allocated expenditure of around \$33 million over three years, the various initiatives in residential, commercial, government and industrial sectors have the potential to save 50PJ of energy per year by 2015.

### **Strategic Outcomes and Achievements in 2005/06**

The implementation of Stage One of the Framework has continued in 2005/06.

A number of key achievements were made over the year with the introduction of five star requirements for residential properties and new standards for commercial buildings, the acceleration of the equipment energy efficiency program and the development of requirements for large energy using organisations to assess and report on the potential for energy efficiency at their operations.

### **Forward Planning for 2006/07**

Implementation of Stage One of the National Framework will continue in 2006/07. In parallel with this, the Steering Committee overseeing the development of the National Framework has been tasked by the Ministerial Council on Energy with proposing new measures, including incentives, for consideration in Stage Two of the National Framework.



# The Environment

## ENERGY SMART COMMUNITIES

The Energy Smart Community initiative encourages sustainable energy practices through the provision of extensive information on options for reducing energy consumption in the home. It includes support for house energy ratings tools and other means of encouraging more energy efficient homes.

### Strategic Outcomes and Achievements in 2005/06

The new second-generation house energy rating tool, *AccuRate*, was approved for use within Western Australia in early June 2006. Administration of Western Australian accredited assessors, authorised to use house energy rating tools, is about to be transferred to a newly established National Assessor Register.

The *Reach for the Stars* program, promoting high energy star-rated electrical and gas appliances, was continued throughout Western Australia. A survey of the program showed a high level of consumer awareness of the program with 99% of surveyed consumers recalling the energy rating label.

More than 3,600 calls were received through the Energy Smart Line telephone advisory service with market research indicating high satisfaction with the service. Demand for brochures distributed through the service was high among the general community and also from local government and community organisations. The number of visits to the SEDO website increased throughout the year from 19,643 in July 2005 to 31,932 in June 2006, with a total number of visits for the year of 320,614.

A community seminar for householders to learn more about renewable energy and the TravelSmart program was held in 2005/06. This seminar built on other SEDO seminars on sustainable energy held in 2004/05.

### Forward Planning for 2006/07

The second-generation version of the modified house energy rating tool *FirstRate* is planned for commercial release in late 2006.

The *Reach for the Stars* program will focus on promoting high energy star-rated electrical and gas appliances by working closer with manufacturers and distributors.

A sustainable energy seminar information kit is being developed for use by local government authorities and others, based on the successful community seminars held in regional and metropolitan areas in 2004/05.

# *The Environment*

## ENERGY SMART BUSINESS

Business awareness of sustainable energy options is relatively low with many companies still considering energy use as a fixed cost. The Energy Smart Business initiative aims to facilitate better energy management by Western Australian businesses.

### Strategic Outcomes and Achievements in 2005/06

Industry use of the Australian Building Greenhouse Rating tool continued to grow during 2005/06 with two commitment agreements signed and twelve ratings achieved.

The Energy Smart Directory website was widely promoted and is now averaging 3,000 to 5,000 direct website visits each month. The website was also upgraded to improve its functionality.

### Forward Planning for 2006/07

Increasing the uptake of tenancy ratings as an avenue to influence building energy efficiency will be a focus for the Australian Building Greenhouse Rating program.

The wider promotion to business and industry of information and tools, including the development of case studies for the Energy Smart Toolbox, will be a focus in 2006/07.

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## ENERGY SMART GOVERNMENT

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

### Strategic Outcomes and Achievements in 2004/05\*

(\*Energy Smart Government figures are not calculated until October each year)

Participating State government agencies achieved a reduction in energy consumption from the baseline of 4.3% in 2004/05. The combined data for 60 of the 61 agencies participating in the program showed a 7.8% reduction in energy consumption, against the 8% target for 2004/05.

Overall, participating agencies achieved the following savings in 2004/05 relative to the baseline:

- Energy consumption reduced by 4.3% to 2,728,999 gigajoules;
- Energy costs reduced by 5.5% to \$74.9 million; and
- Greenhouse gas emissions reduced by 4.2% to 511,662 tonnes.

The Government has saved \$7.7 million in energy costs and avoided the emission of nearly 40,000 tonnes of greenhouse gases in the first three years of the Energy Smart Government program. Almost half of the participating agencies have already met the final program target, two years ahead of schedule.

## *The Environment*

Many agencies also report performance indicators that give a measure of energy efficiency. This is particularly important for agencies that cannot achieve an overall reduction in energy consumption due to expansion in their operations. In 2004/05, 20 agencies, despite not meeting the 8% target, reported a significant improvement in the efficiency of energy use.

Over \$7 million of capital advance funding was approved in 2005/06 for a variety of energy saving capital investment projects. All the available facilitation grant funding of \$350,000 was also approved to assist agencies with the identification and implementation of energy saving projects and initiatives.

### **Forward Planning for 2006/07**

SEDO will work closely with agencies over the coming year to increase the uptake of Capital Advances, particularly by the larger agencies. The development of policies and strategies to facilitate ongoing energy management within agency operations will also be a priority.

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## **GREENHOUSE AND ENERGY TASKFORCE**

The Office of Energy has provided administrative and research support to the Greenhouse and Energy Taskforce (the "Taskforce"). The Taskforce was jointly established by the Minister for the Environment and the Minister for Energy to report into appropriate emissions targets for Western Australia and strategies and policies to achieve them.

### **Strategic Outcomes and Achievements in 2005/06**

The Taskforce delivered its interim report to the Government as scheduled in December 2005. It has also commissioned a range of consultancies to report on key aspects of its terms of reference.

### **Forward Planning for 2006/07**

The Taskforce has an amended final reporting date of December 2006 and is currently working towards this deadline.

# *The Environment*

## ENERGY SUSTAINABILITY

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

The Office has provided advice in relation to:

- Planning issues for a number of wind energy and bioenergy projects;
- A greenhouse assessment of the options investigated by the Kimberley Water Source Project;
- A joint Ministerial Council on Energy and Environment Protection and Heritage Council Working Group developing options for streamlining greenhouse and energy reporting;
- The Energy Sector Working Group for the State of the Environment Report;
- The Biofuels Taskforce and the drafting of a report to provide to Government;
- Thermal energy technologies including a potential regulatory environment for new geothermal energy projects;
- A State and Territory working group process investigating potential options for introducing a multi-state renewable energy target additional to that required under the Commonwealth's Mandatory Renewable Energy Target, including a proposal by Victoria for its own scheme;
- An enquiry by the Productivity Commission into the private cost effectiveness of energy efficiency;
- Energy related greenhouse issues for the Council of Australian Government's Climate Change Working Group;
- Energy efficiency and renewable energy issues for the Government's Greenhouse and Energy Taskforce;
- Emissions targets for Western Australia and strategies and policies to achieve them for the Greenhouse and Energy Taskforce;
- Western Australia's per capita greenhouse gas emissions for the Department of the Premier and Cabinet;
- The accuracy and applicability of a greenhouse gas coefficient for electricity use on the South West Interconnected System;
- The ongoing development of the National Framework for Energy Efficiency;
- Renewable energy issues such as installed capacity in Western Australia, the size of the industry and the views of industry and other stakeholders; and
- The National Emissions Trading Taskforce looking at design options for emissions trading which can be implemented jointly by the States and Territories.

# *The Environment*

## THE ENVIRONMENT SPECIAL REPORTS

The Office of Energy continues to actively recognise its obligations, and the impact of its operations, on the environment through education and responsible management. The practical measures in place to reduce, reuse and recycle are recycling toner cartridges, positioning of recycling bins for paper wastage in areas accessible by all staff, and other activities outlined hereunder.

### ENERGY SMART GOVERNMENT POLICY

In accordance with the Energy Smart Government policy, the Office of Energy has committed to achieve a 12 per cent reduction in non-transport related energy use by 2006/07, with a 10% reduction targeted for 2005/06.

The Office, including the Sustainable Energy Development Office has already achieved and exceeded the 2006/07 target. The baseline data and 2005/06 energy use data for the Office is shown below.

	<b>Baseline Data</b>	<b>2005/06 Actuals</b>	<b>Variation</b>
Energy Consumption	504 GJ	314 GJ	38% saving
Energy Cost	\$23,839	\$13,594	
Greenhouse Gas Emissions (tonnes of CO <sub>2</sub> )	129 tonnes	78 tonnes	
Performance indicators	298 MJ/sqm	186 MJ/sqm	
	7,751 MJ/person	5,503 MJ/person	

During 2005/06, the Office continued improving its energy efficiency due to the impact of past energy efficiency awareness programs and energy efficiency projects.

The Office's energy consumption has decreased 38% in 2005/06 relative to the baseline year.

Since the base year of 2001/02, total greenhouse emissions avoided through the Office's energy efficiency program is 50 tonnes (CO<sub>2</sub>). Cash savings are in excess of \$10,000 per annum.

The savings in 2005/06 compared to 2004/05 are 5 tonnes of CO<sub>2</sub> and \$1,000.

The capacity of the Office to make savings in the future is severely limited due to the significant savings already made.

# *The Environment*

## **WASTE PAPER RECYCLING**

Consistent with the Government's commitment to waste reduction and recycling, the Office continues its commitment to paper recycling through the proper use of recycling providers and by encouraging staff to recycle paper.

Waste paper recycling practices for confidential and normal papers are incorporated into our Office through the use of security shredding bins and general recycling bins. The Office's waste paper recycling is part of a broader comprehensive commingled recycling service provided by the building owners.

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## **SUSTAINABILITY**

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

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

The Office has already:

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

In 2005/06, the Office developed and implemented (through a separate Travel Smart Team) a Green Transport Plan.

# *The Environment*

## GREENHOUSE

### 2005/06 Emissions

In the year 2005/06, it is estimated that the Office of Energy produced the following amounts of greenhouse gas emissions (CO<sub>2</sub> equivalents):

Stationary Energy:	Tenancy energy use - 78 tonnes (from direct electricity use) Portion of central services - 170 tonnes (lifts, central air-conditioning and common lighting)
Transport:	Office of Energy motor vehicles - 40 tonnes
Total:	288 tonnes

The amount of greenhouse gas emissions was less than projected due to less emissions than predicted from the Office motor vehicle fleet.

It is proposed to continue reducing the Office's greenhouse gas emissions. However, the Office of Energy has already made major reductions and the opportunities for additional significant reductions are limited and challenging.

### Greenhouse Offsets

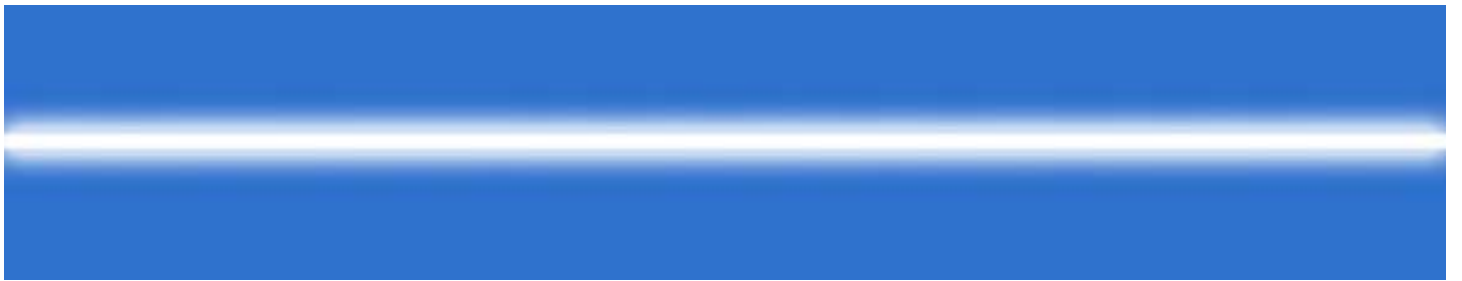
The Office of Energy has offset all its estimated greenhouse gas emissions (302 tonnes) from its stationary and transport energy usage in 2005/06 through the Carbon Neutral Program of Men of the Trees. More greenhouse gas emissions were offset than were produced and the Office has an emissions 'credit'.

In addition to the Government Program to offset the greenhouse gas emissions from its motor vehicle fleet, the Office will continue to offset all its greenhouse gas emissions from its stationary energy use in 2006/07.

### Projected Greenhouse Emissions

The projected greenhouse gas emissions for the Office of Energy for the year 2006/07 are:

Stationary Energy:	Tenancy energy use - 74 tonnes (from direct electricity use) Portion of central services - 170 tonnes (lifts, central air-conditioning and common lighting)
Transport:	Office of Energy motor vehicles - 44 tonnes (increase on 2005/06 emissions due to organisational changes which allocate new vehicles to new senior managers)
Total:	288 tonnes





## *The Regions*

To ensure that regional Western Australia is strong and vibrant.

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

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### REGIONAL DEVELOPMENT POLICY

The Office of Energy has contributed to the Government's Regional Development Policy through the delivery of the following programs in this section:

- Establishment of the Regional Power Corporation and Tariff Equalisation Fund
- Rural Power Improvement Program
- Renewable Remote Power Generation Program

The Office's People and Communities projects reported earlier in this report have also benefited regional energy consumers through the following programs:

- Completed and ongoing Underground Power Projects in Port Hedland, Mt Barker, Balingup, Nannup, Lake Grace, Manjimup and Waroona.
- Developing Aboriginal and Remote Communities Power Supply Projects in Ardyaloon, Beagle Bay, Bidyadanga, Djarindjin-Lombadina and Warmun.
- Coordinating information and research to support the Ministerial Inquiry into the price of bottled liquefied petroleum gas to take place in 2006/07.

## The Regions

### ESTABLISHMENT OF THE REGIONAL POWER CORPORATION AND TARIFF EQUALISATION FUND

The restructure of Western Power Corporation has resulted in the establishment of Horizon Power and the Tariff Equalisation Fund (the "Fund"). As a separate corporation, Horizon Power will be more responsive to customers outside the South West Interconnected System (SWIS).

The Fund has been established to ensure Horizon Power is able to continue to supply customers under the uniform electricity tariff. The cost of supply to many of the non interconnected systems outside the SWIS is greater than the revenue received due to the important requirement to maintain the uniform tariff for regional customers.

Under the new arrangements, the Networks Corporation (Western Power) will be required to pay money into the Fund from payments collected in the SWIS network. In turn, payments will be made from the Fund to Horizon Power. This arrangement makes transparent the cross-subsidy that existed within Western Power Corporation prior to disaggregation.

#### Strategic Outcomes and Achievements in 2005/06

During 2005/06, the Office of Energy undertook detailed development of the regulatory design for the Fund.

The *Electricity Corporations Act 2005* provided for the establishment of the Fund by inserting a new part into the *Electricity Industry Act 2004*. The Fund has since been established and payments into the Fund will commence when the Access Arrangement for the SWIS has been approved by the Economic Regulation Authority.

The *Electricity Corporations Act 2005* requires that Horizon Power's head office be located outside the SWIS and that the CEO and a majority of the Board reside outside the SWIS. The head office of Horizon Power is located in Karratha.

#### Forward Planning for 2006/07

The Office will work in 2006/07 to support the ongoing administration of the Fund.

The Office will also work with Horizon Power to agree a transparent and equitable connection policy to apply to Horizon Power's non-interconnected systems. A set of criteria will be established for considering applications for new or expanded connections, which will allow the public benefits of such connections to be compared with the subsidies required to supply power to these customers.

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

## *The Regions*

### **RURAL POWER IMPROVEMENT PROGRAM**

The Rural Power Improvement Program (the “Program”) is a \$60 million project to improve power supplies to rural areas on the South West Interconnected System with poor reliability.

The five year Program is funded equally by the State Government and Western Power and is in addition to Western Power’s operational investment in networks. It focuses on relatively low-cost system enhancements to improve performance in sparsely populated areas of the South West Interconnected System where investment in more reliable power is difficult to justify on a commercial basis.

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

#### **Strategic Outcomes and Achievements**

In September 2005, the Government agreed to extend the funding for the Program for an additional year to 2008/09, with the State Government and Western Power each contributing \$6 million.

Phase 1 of the Program is expected to cost around \$17 million in total and the majority of works were completed on budget by the end of June 2006. It comprises widespread installation of auto-reclosers and sectionalisers, which act to reduce the duration of outages and the number of customers affected by each fault. Some reinforcement and replacement of poles and wires were also undertaken in Phase 1.

Phase 2 is a targeted upgrade of individual distribution lines selected on the basis of their performance. The upgrades will provide additional capacity and backup capability to the areas they serve.

In 2005/06, the Program benefited customers in widespread areas of the South West Interconnected System including significant upgrades to feeders serving Dongara, Kalbarri, Merredin, Dandaragan, Watheroo, Narrogin and Collie. Major Program projects delivered include:

- A new 53 km extension of the Narngulu West feeder to provide a second feeder supply into the Dongara area;
- Extension of the Northampton/Kalbarri feeder from Horrocks to Port Gregory to supply growing loads in the Port Gregory and Kalbarri areas;
- Line upgrade works in Dandaragan, Watheroo, Narrogin, Wagin and Collie; and
- Steel reinforcing for approximately 7000 poles in Merredin, Nungarin, Burracoppin, Nareembeen, Dalwalinu, Latham, New Norcia, Jurien, Dandaragan and Watheroo.

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

#### **Forward Planning for 2006/07**

Phase 2 projects will be implemented in 2006/07 and additional projects to be funded by the Program in 2007/08 and 2008/09 will be identified, costed and selected in September 2006.

## *The Regions*

### **RENEWABLE REMOTE POWER GENERATION PROGRAM**

The Renewable Remote Power Generation Program (the “Program”) is an Australian Government funded initiative, which is implemented in Western Australia by the Sustainable Energy Development Office (SEDO). Funding for the program is based on diesel excise paid in Western Australia.

#### **Strategic Outcomes and Achievements in 2005/06**

The Program continues to drive the uptake of renewable energy systems in regional areas. Rebates totalling \$8.7 million were provided for 138 solar pumps and windmills, 125 small-scale solar and wind power systems and five larger wind power systems used in off-grid applications.

Renewable power systems increase the use of renewable energy as well as improve the quality of life for pastoral stations, Aboriginal communities and individual homes in remote areas by providing a 24 hour power supply. These systems are becoming the power supply option of choice, with 40% of pastoral stations in Western Australia now having a renewable energy power system.

#### **Forward Planning for 2006/07**

Changes to the program introduced in 2005/06 will see rebates extended to small-scale, distributed renewable energy systems in rural areas on the fringes of the South West Interconnected System electricity grid. A Regional Energy Efficiency Program, providing incentives for people in off-grid areas to adopt energy efficient products and practices, will also be introduced following approval by the Australian Government.

SEDO will review the performance of the program to date and develop a long-term strategy for its operation over the next four to six years to ensure the best outcomes are achieved.

# Governance

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

The Office of Energy's strategic outcomes in the Economy, the Environment, People and Communities and the Regions in 2005/06 have directly contributed towards Government's Governance Goals. Details of these projects have been included under the appropriate Goal section rather than in this Governance section.

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

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## INTERNAL AUDIT COMMITTEE

The Internal Audit Committee is an important part of the Office's corporate governance responsibility. The Office's internal audit function, which covers operational, financial, compliance and other matters as directed by the Audit Committee, is undertaken externally by Stanton International Pty Ltd.

## EVALUATIONS

The Office of Energy did not carry out any formal evaluations in 2005/06.

## INFORMATION STATEMENT

The Office has a Freedom of Information Statement prepared in accordance with the *Freedom of Information Act 1992*. The document is available from the Office website and outlines the functions of the Office, the kind of documents held and how those documents can be accessed. During 2005/06, no Freedom of Information applications were received.

## RECORD KEEPING PLANS

The Office has an approved Record Keeping Plan that specifies how records are created, managed and maintained over time including disposal of records. During 2005/06, significant steps were taken to improve the records management process and increase staff awareness of their responsibilities. Regular training is provided to staff and all new staff are briefed on their record keeping responsibilities as part of their induction to the Office.

## COMPLAINTS HANDLING MANAGEMENT EVALUATIONS

The Office is currently completing a review of its Feedback Management Policy to ensure compliance with Government and Australian standards and the Office of Energy's *Standard for Corporate Policies*.

The Feedback Management Policy establishes a protocol to manage feedback received regarding the work of the Office. The policy defines the way in which feedback, including complaints, received by the Office will be recorded, managed and reported in accordance with the *Premier's Circular 2004/04 Whole of Government Complaints Management Strategy*, *Australian Standard AS 4269 Complaints Handling*, relevant legislation (as detailed in AS 4269), the *Office of Energy Client Service Charter* and the *Office of Energy Client Feedback Guide*.

# Governance

## ADVERTISING AND SPONSORSHIP

### Advertising

	<i>Amount</i>
<i>Advertising Agencies</i>	
Agricultural Publishers Ltd	\$732
Price Advertising and Consulting	\$20,785
<i>Market Research Organisations</i>	
Colmar Brunton	\$41,415
<i>Polling Organisations</i>	
Nil	-
<i>Direct Mail Organisations</i>	
Nil	-
<i>Media Advertising Organisations</i>	
Media Decisions (SEDO)	\$93,897
Marketforce Productions (SEDO)	\$40,538
The Farm Weekly	\$732
The Finishing Touch Magazine	\$4,908
Macwrite Publicity Services	\$984
Crowther Blayne and Associates	\$1,950
Master Plumbers Association	\$1,659
<b>Total</b>	<b>\$207,600</b>

### Sponsorships

- Bioenergy and Biofuels in WA: Initiatives and Challenges
- Sustainable Energy Expo
- Sustainable House Day
- Master Builders Association Excellence in Construction Awards
- Building Designer Association of Western Australia Awards
- Housing Industry Association Greensmart Awards
- WA Environment Awards

## SUMMARY OF COMPLETED RESEARCH AND DEVELOPMENT OF CONTINUING RESEARCH AND DEVELOPMENT ACTIVITIES

Maximising the penetration of intermittent generation in the South West Interconnected System (SWIS) Study:

In June 2005 as part of the Government's commitment to increase the use of renewable electricity generation in Western Australia, the Office of Energy commissioned Econnect Pty Ltd, a company with extensive experience in the connection of renewable electricity generators in overseas markets, to undertake an independent study on the South West Interconnected System (SWIS) of Western Australia.

The aim of the study, entitled "Maximising the penetration of intermittent generation in the South West Interconnected System (SWIS)", was to identify and discuss strategies that may be taken by Government, Network Operators or Industry to overcome limits to installation of renewable generation sources on the largest network in Western Australia, the SWIS.

Public release of Econnect's final report was made by the Office of Energy in March 2006. The final report does not represent any Government position or views on the recommendations of the report.

## MAJOR PROMOTIONS, PUBLIC RELATIONS AND MARKETING ACTIVITIES

The Office of Energy, through the Sustainable Energy Development Office, continues to implement a communication and marketing strategy to accelerate the adoption of renewable energy and energy efficiency. The strategy is aimed at encouraging and assisting households, government agencies and businesses in Western Australia to operate in ways that are environmentally and socially sustainable.

- Reflecting the growing interest in sustainable living, the Sustainable Energy Expo saw a 15% increase in attendance with around 7,500 people attending the Expo in 2006.

The Sustainable Energy Expo, hosted by the Sustainable Energy Development Office and supported by the Western Australian Sustainable Energy Association and the Sustainable Transport Coalition of WA, brought together a wide range of products, services and information. This initiative was in response to increasing demand from the public for help on how to save energy and money. More than 200 companies were at the show including approximately 60 commercial companies showcasing sustainable energy products and technologies.

- The Property Council (WA chapter) and the Sustainable Energy Development Office formed a partnership to promote energy efficiency within the property industry. The partnership was formalised with the signing of a Memorandum of Understanding at a ceremony held in December 2005 and comes after several years of the two agencies working towards common goals.

On 4 May 2006, the Minister for Energy officiated at a ceremony to mark the first Australian Building Greenhouse Rating Commitment Agreement for a commercial office tower in Western Australia. The owner, Industry Superannuation Property Trust, and the co-developer, the Pivot Group, have committed to designing, constructing and operating the building to achieve a four and a half star Australian Building Greenhouse Rating.



## *Governance*

- The Sustainable Energy Development Office hosted the first Energy Efficient Appliance Industry Forum held in Western Australia. Industry members indicated that they would like to talk to program staff directly involved in setting Australian Standards for electrical and gas appliances and administering the energy rating label. The forum provided an opportunity to learn more about the national Equipment Energy Efficiency Committee and their plans for the future.

### **PRICING POLICIES ON SERVICES**

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

### **CAPITAL PROJECTS**

The Office of Energy did not have any capital projects in 2005/06 other than routine replacement of computers and other office machines.

### **SUBSEQUENT EVENTS**

The Office of Energy did not have any significant events subsequent to the end of the reporting year. Minor subsequent events are reported as part of the projects reports in the Report on Outcomes.

### **LIKELY DEVELOPMENTS AND FORECAST RESULTS OF OPERATIONS**

The Office reports likely project developments and forecast results of operations as part the project reports in the Report on Outcomes under the heading 'Forward Planning for 2006/07'.

### **INSURANCE PAID TO INDEMNIFY DIRECTORS**

The Office of Energy did not pay any insurance to indemnify any director against liabilities incurred in 2005/06.

### **CHANGES WITHIN WRITTEN LAW**

There were no changes within written law applicable to the Office in 2005/06.

### **MINISTERIAL DIRECTIVES**

The Office received no Ministerial Directives in 2005/06.

### **CORRUPTION PREVENTION**

The Office is committed to creating and maintaining a work environment that supports ethical behaviours, that actively discourage potentially corrupt acts and deals promptly and fairly with instances of misconduct. In line with Premier's Circular 2005/02 and the Treasurer's Instruction 825, the Office will undertake a full review of its Risk Management Policy, procedures and system to incorporate corruption prevention.



# Governance

## PUBLIC INTEREST DISCLOSURES

The new Director Corporate Services was appointed as the designated PID Officer during the year and has received appropriate training. All staff have been advised of the legislation and their rights and responsibilities in relation to the *Public Interest Disclosure Act 2003*. In 2005/06, no public interest disclosures were made.

## DECLARATION OF INTERESTS

The Corporate Executive team acknowledges the requirement to declare any existing or proposed contract between the Office of Energy and a senior officer and reports that during this financial year there were no conflicts of this nature to declare.

## STAFF ISSUES

### Staff Profile

The Office had an average staffing level of 54 full time equivalents in the 2005/06 financial year compared with 57 full time equivalents for 2004/05.

### Staffing Policies

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

### Staff Recruitment

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

### Payroll Systems

The Office pays for payroll services from the Department of Treasury and Finance via a Service Level Agreement.

### Staff Development and Management for Performance

The Office of Energy has a commitment to train and develop its employees. The Office aims to build a highly skilled, professional and ethical workforce with the ability to adapt to changing business, technology and environmental needs.

During the year, the Office's training and development programs concentrated on business systems, leadership coaching and appropriate skills based courses and the policy on performance management was revised.

## Governance

### Industrial Relations

Office of Energy staff are employed under the provisions of the *Public Sector Management Act 1994* and employment conditions for staff are as provided by the Public Service Award 1992 and Public Service General Agreement 2004. There were no industrial relations issues during the year.

### Workers Compensation

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

### Equal Employment Opportunity Outcomes

The Office continues to apply its Equal Employment Opportunity principles through the Equal Employment Opportunity and Diversity Management Plan. The representation of women in our workplace is 44.8%.

# *Compliance Statement*

## **PUBLIC SECTOR STANDARDS IN HUMAN RESOURCE MANAGEMENT**

The Office operates in accordance with the Public Sector Standards and is revising and developing appropriate internal human resource management policies on an ongoing basis to be consistent with the Standards. All staff are required to comply with these policies which are accessible to all staff through the office intranet.

There have been no Breach of Standards claims lodged in 2005/06. Internal checks by the Office and the Department of Treasury and Finance have shown that compliance with the standards or processes are achieved before the final decision ensuring a high level of compliance with the standards.

## **CODE OF ETHICS AND CODE OF CONDUCT**

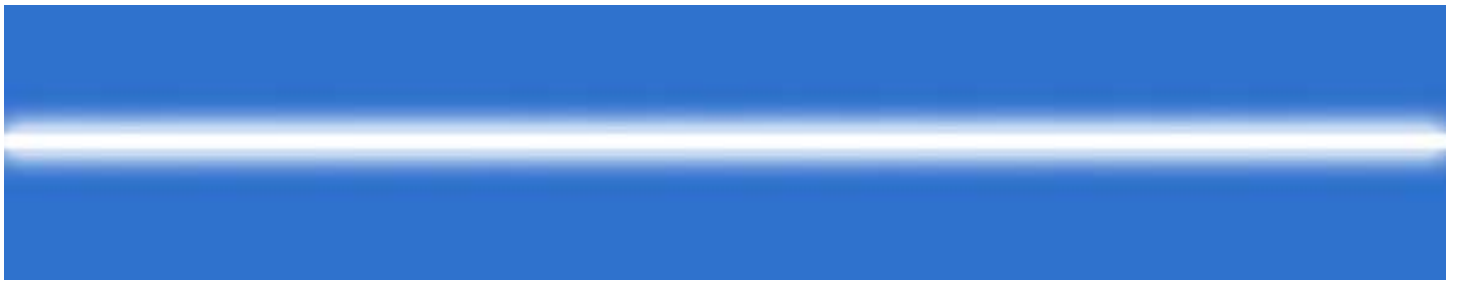
The Office complies with the Public Sector Code of Ethics and has its own Code of Conduct. The Code addresses issues including personal behaviour, appropriate use of equipment and resources, occupational safety and health, conflicts of interest, communication, grievances/complaints, reporting a breach of the Code, and improper conduct/misconduct.

The Code of Ethics and Code of Conduct are available to all staff on the intranet. No internal grievances were lodged relating to non-compliance with the ethical codes and no complaints from external authorities were received.



Jason Banks  
**Acting Coordinator of Energy**

21 September 2006



## *Performance Indicators*

### **CERTIFICATION OF PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2006**

I hereby certify that these performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Office of Energy's performance, and fairly represent the performance of the Office of Energy for the financial year ending 30 June 2006.



Jason Banks  
**Acting Coordinator of Energy**

21 September 2006

# Auditor General's Opinion



## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

#### OFFICE OF ENERGY FINANCIAL STATEMENTS AND PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2006

##### Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Office of Energy at 30 June 2006 and its financial performance and cash flows for the year ended on that date. They are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions;
- (ii) the controls exercised by the Office provide reasonable assurance that the receipt and expenditure of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key effectiveness and efficiency performance indicators of the Office are relevant and appropriate to help users assess the Office's performance and fairly represent the indicated performance for the year ended 30 June 2006.

##### Scope

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

The financial statements consist of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Schedule of Income and Expenses by Service, Summary of Consolidated Fund Appropriations and Income Estimates, and the Notes to the Financial Statements.

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

##### Summary of my Role

As required by the Act, I have independently audited the accounts, financial statements and performance indicators to express an opinion on the financial statements, controls and performance indicators. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and performance indicators 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 and performance indicators.

D D R PEARSON  
AUDITOR GENERAL  
22 September 2006

4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664

## Performance Indicators

The Office of Energy has two outcome statements which are aligned to *Better Planning: Better Services*, the strategic framework for the Western Australian public sector:

Government Strategic Goals	Outcome Statements
To develop a strong economy that delivers more jobs, more opportunities and greater wealth to Western Australians by creating the conditions required for investment and growth.	A policy environment to achieve a competitive, efficient and secure 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.

The following reports detail target and actual results for the Office's Effectiveness and Efficiency Indicators.

## Effectiveness Indicators

### OUTCOME 1:

A policy environment to achieve a competitive, efficient and secure energy sector

Performance Indicator 1	2005/06 Target	2005/06 Actual
Progress with reform of the Western Australian electricity industry, indicated by the timely achievement of the following milestones:		
– Subject to Parliamentary endorsement, implement a disaggregation of Western Power Corporation into four successor entities (1)	April 2006	April 2006
– Preparation completed for Commencement of the Wholesale Electricity Market (2)	June 2006	
– Establishment of an Electricity Quality & Reliability of Supply Code (3)	October 2005	January 2006
– Aboriginal and Remote Communities Power Supply Project – negotiation of a Memorandum of Understanding for the implementation and service delivery of Phase One (4)	June 2006	
<p><b>Notes to this performance indicator:</b></p> <p>(1) Disaggregation of Western Power</p> <p>The disaggregation of Western Power Corporation into four successor entities was given effect on 31 March 2006, with the publication of the Transfer Order in the Gazette (Gazette No. 57). The four successor entities started operating on 1 April 2006.</p> <p>(2) Preparation completed for Commencement of the Wholesale Electricity Market</p> <p>On 22 June 2006, the Board of Directors of the Independent Market Operator decided to change the commencement date for the Wholesale Electricity Market to 21 September 2006. This was done to ensure that the IMO and industry were fully prepared for a successful market start.</p> <p>General industry consensus was that a delay would be beneficial, and that this will provide the IMO, Western Power's System Management, and market participants with more time to prepare for market start. In particular, this will enable fully integrated testing of all IT systems, will facilitate the finalisation of contractual arrangements by market participants, and will comply with Federal legislation requirements.</p> <p>(3) Establishment of an Electricity Quality &amp; Reliability of Supply Code</p> <p>The <i>Electricity Quality and Reliability of Supply Code 2005</i> was published in the Gazette on 13 December 2005 (Gazette No. 233).</p> <p>(4) Aboriginal and Remote Communities Power Supply Project</p> <p>A Draft Memorandum of Understanding was presented to Western Power in February 2006 for their consideration. In May 2006, Horizon Power advised that it could not agree to the format of the Memorandum of Understanding and it has now been negotiated that the document will be split into three separate agreements: Phase 1 Project Agreement; Phase 2 Project Agreement; and CSO Agreement.</p> <p>Horizon Power is responsible for drafting these agreements and the Office of Energy expects to receive them for consideration early in 2006/07.</p>		



## *Effectiveness Indicators*

<b>Performance Indicator 2</b>	<b>2005/06 Target</b>	<b>2005/06 Actual</b>
Amendments to the Gas Pipelines Access (Western Australia) Act to:		
– Implement changes arising from the Productivity Commission's Review of the Gas Code (1)	June 2006	
– Introduce the Australian Energy Markets Commission into the Western Australia regulatory governance structure (2)	June 2006	
<p><b>Notes to this performance indicator:</b></p> <p>(1) Productivity Commission's Review of the Gas Code</p> <p>The Ministerial Council on Energy's (MCE) Response to the Productivity Commission Review of the Gas Access Regime was released on 9 May 2006. The Response proposes amendments to the existing gas access regime to provide improved regulatory certainty and investment incentives to pipeline owners through introducing a light handed form of regulation and regulatory incentives for new pipelines projects. These outcomes are being implemented in the drafting of the National Gas Law and Western Australia will implement these changes, consistent with the National Gas Law, in its complementary legislation.</p> <p>Achievement of the OOE target is dependent on the MCE achieving its targets, which has not yet occurred due to extension of the MCE timelines.</p> <p>(2) Australian Energy Markets Commission in the Western Australia regulatory governance structure</p> <p>The Office of Energy is developing its Western Australia's complementary legislation to give effect to the institutional arrangements and energy reforms being undertaken by the Ministerial Council on Energy in respect to natural gas. Western Australia's complementary legislation will confer rule making and market review functions on the Australian Energy Market Commission in respect to gas pipeline access.</p> <p>Western Australia's complementary legislation is expected to be introduced in March 2007 for passage by 1 July 2007. However, the new national arrangements cannot be brought into force until the Application Acts of all jurisdictions have been passed and are ready to be proclaimed. This is expected to be on 1 July 2007.</p> <p>Achievement of the OOE target is dependent on the MCE achieving its targets, which has not yet occurred due to extension of the MCE timelines.</p>		

## *Effectiveness Indicators*

<b>Performance Indicator 3</b>	<b>2005/06 Target</b>	<b>2005/06 Actual</b>	<b>2004/05 Actual</b>	<b>2003/04 Actual</b>
Progress with the State Underground Power Program (target 50% of Perth metropolitan homes with underground power by 2010), indicated by the percentage of Perth metropolitan homes with underground power	45%	44%	43%	41%
<p><b>Notes to this performance indicator:</b></p> <p>The target was based on estimates provided by Western Power. The actual result includes the total proportion of households serviced both by underground power retrospectively installed by the Underground Power Program and the connection of new residences and sub-divisions, for which underground power is a mandatory requirement.</p> <p>In earlier estimates, which contributed to the setting of the target, pole to pillar connections with overhead distribution lines were incorrectly classed as 'underground meters'. The accuracy of this measure has now been improved by removing the number of pole to pillar connections with overhead distribution lines from the actual figure. The actual figure is the percentage of households entirely supplied by underground power systems.</p>				

## Effectiveness Indicators

### OUTCOME 2:

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

Performance Indicator 1	2005/06 Target	2005/06 Actual	2004/05 Actual
Use of renewable energy through incentive programs, indicated by the displacement of fossil fuel. Kilowatt hour of fossil fuel displaced by:			
– Solar Water Heater Subsidy Scheme (1)	5,700,000	12,882,464	10,360,222
– Renewable Remote Power Generation Program (RRPGP) Large Projects (2)	1,500,000	1,200,000	1,440,000
– RRPGP – Remote Area Power Supply Program (3)	300,000	555,552	510,008
– RRPGP – Renewable Energy Water Pumping Program (4)	150,000	111,557	123,230
– Photovoltaic Rebate Program (PVRP) (5)	n/a	43,012	16,588
<b>Notes to this performance indicator:</b> <p>(1) Solar Hot Water Subsidy Scheme</p> <p>Uptake is subject to the number of rebate applications submitted to SEDO, which is affected by the rate of construction of new homes, decisions made by builders to use solar water heaters and other factors. In 2005/06 uptake was particularly high due partly to finalising all claims under the previous solar water heater scheme as well as operating the new scheme.</p> <p>(2) RRPGP – Large Projects</p> <p>Dependent on completion of a small number of projects, delays in any one of them will have significant impact on results (Bremer Bay in 2005/06), and can vary substantially from year to year.</p> <p>(3) RRPGP – Remote Area Power Supply Program</p> <p>Uptake is subject to the number of rebate applications submitted to SEDO, which is affected by diesel fuel prices, annual income of pastoral stations and other businesses, Government funding available to Aboriginal outstations and other factors.</p> <p>(4) RRPGP – Renewable Energy Water Pumping Program</p> <p>Uptake is subject to the number of rebate applications submitted to SEDO, which is affected by rainfall conditions experienced in agricultural areas and other factors.</p> <p>(5) Photovoltaic Rebate Program (PVRP)</p> <p>As funding for this program was scheduled to cease, there was no target for this financial year. The Commonwealth Government has since extended the program.</p>			

## *Effectiveness Indicators*

<b>Performance Indicator 2</b>	<b>2005/06 Target</b>	<b>2005/06 Actual</b>	<b>2004/05 Actual</b>
Adoption of energy efficiency by business, indicated by the number of buildings rated under the Australian Greenhouse Building Rating Program	15	13	25
<b>Notes to this performance indicator:</b>  There was a decrease in ratings completed which can be counted towards achievement of this target due in part to a number of agencies self-assessing their tenancy performance, with no rating certificates issued. In addition, a number of building owners did not have their ABGR rating renewed.  It is worth noting that, despite the overall decrease in ratings completed, a majority of ratings undertaken this year were for buildings not previously rated, or for new building construction.			

<b>Performance Indicator 3</b>	<b>2004/05* Target</b>	<b>2004/05 Actual</b>	<b>2003/04 Actual</b>
Adoption of energy efficiency by government agencies, indicated by the following:			
– Percentage reduction in energy usage by State Government agencies (target of 12% reduction against baseline by 2006-07)	8%	4.3%	4.6%
– Percentage of individual agencies meeting target reduction	60%	56%	55%
<b>Notes to this performance indicator:</b>  * Program reports retrospectively, 2005/06 figures will not be available until the end of October 2006.  In 2004/05, 60 of the 61 participating agencies collectively achieved a 7.8% reduction in energy consumption against an 8% target. The results for the Department of Health, which is responsible for 46% of energy reported, significantly influenced the overall result. While 56% of agencies met the 8% target, 48% achieved a reduction of over 12%, the program's final target, two years ahead of schedule. Energy savings of over 20% were achieved by 25% of agencies. Three quarters of the agencies that were unable to meet the energy reduction target due to expansion, demonstrated an equivalent improvement in the efficiency of their energy use.			

<b>Performance Indicator 4</b>	<b>2005/06 Target</b>	<b>2005/06 Actual</b>
Adoption of energy efficiency by the community, indicated by the percentage of new houses approved under the House Energy Rating Scheme	15%	13.6%
<b>Notes to this performance indicator:</b>  A reduction in the number of accredited HERS assessors has resulted in less HERS ratings being completed for 2005/06. This is primarily due to the continued use of the popular deemed-to-satisfy alternative within the Building Code.		

## Efficiency Indicators

### SERVICE 1:

#### Development and implementation of energy policy

Performance Indicator 1			
Measure	2005/06 Target	2005/06 Actual	2004/05 Actual
Average cost per item of Ministerial support	\$1,325	\$1,739	\$1,359
<b>Notes to performance indicator 1 for Service 1:</b> The resources required to provide Ministerial support vary depending on the volume, nature and complexity of issues addressed. This year fewer Ministerials than estimated were provided to the Minister resulting in an increase in average cost due to the spread of fixed costs over a lower base.			

Performance Indicator 2			
Measure	2005/06 Target	2005/06 Actual	2004/05 Actual
Average cost per strategic policy developed	\$155,494	\$106,257	\$78,160
<b>Notes to performance indicator 2 for Service 1:</b> The development of fewer strategic policies under this outcome has resulted in a reduction in average cost. Many of the policies are long term projects that are affected by timing issues and external factors beyond the control of the Office. Policies are not recorded as being achieved until completed though resources are expended throughout the year in the development of these policies.			

Performance Indicator 3			
Measure	2005/06 Target	2005/06 Actual	2004/05 Actual
Average cost of meeting major policy implementation milestones	\$504,670	\$576,644	\$550,528
<b>Notes to performance indicator 3 for Service 1:</b> The delays experienced in finalisation of milestones is reflected in an increase in average cost. Policy implementation projects vary in complexity, time and resource requirements. While significant resource has been expended towards the implementation of major policy in 2005/06 these milestone are not recorded under "actual" until completed.			

## Efficiency Indicators

### SERVICE 2:

#### Development and implementation of sustainable energy policy and programs

Performance Indicator 1			
Measure	2005/06 Target	2005/06 Actual	2004/05 Actual
Average cost per item of Ministerial support	\$561	\$489	\$875
<b>Notes to performance indicator 1 for Service 2:</b>  The actual number of items and average cost were commensurate with the target for the year.			

Performance Indicator 2			
Measure	2005/06 Target	2005/06 Actual	2004/05 Actual
Average cost per strategic policy developed	\$86,602	\$71,220	\$71,071
<b>Notes to performance indicator 2 for Service 2:</b>  All strategic policies planned for 2005/06 were delivered.			

Performance Indicator 3			
Measure	2005/06 Target	2005/06 Actual	2004/05 Actual
Average cost of meeting major policy and program implementation milestones	\$116,580	\$38,948	\$108,299
<b>Notes to performance indicator 3 for Service 2:</b>  The decrease in average cost is due to an increase in the major policy and program implementation milestones achieved during 2005/06 under this outcome. Costs associated with the achievement of each major policy implementation milestone will vary depending on the complexity, time and resource requirements necessary to reach the implementation milestone.			

## *Efficiency Indicators*

<b>Performance Indicator 4</b>			
<b>Measure</b>	<b>2005/06 Target</b>	<b>2005/06 Actual</b>	<b>2004/05 Actual</b>
Average value of incentive grants paid	\$3,796	\$4,200	\$2,392
<b>Notes to performance indicator 4 for Service 2:</b>  <p>The Office administers a number of incentive grants programs relating to energy efficiency and renewable energy. The number of grants applications received, amounts paid and resource requirements vary between programs. The actual number of incentive grants paid were significantly more than estimated in 2005/06 due, in the main to a greater number of applications being made under the Solar Hot Water Subsidy Scheme.</p> <p>The average value of incentive grants paid was greater than estimated due to the introduction of the Renewable Energy Production Subsidy in 2005/06.</p>			

<b>Performance Indicator 5</b>			
<b>Measure</b>	<b>2005/06 Target</b>	<b>2005/06 Actual</b>	<b>2004/05 Actual</b>
Average cost per information and advice service	\$218,911	\$180,028	\$379,048
<b>Notes to performance indicator 5 for Service 2:</b>  <p>Information and advisory services are provided by the Office on energy related matters to Government agencies, the public and industry. The volume, time and resource requirements to provide these services vary and have resulted in a lower average cost in 2005/06.</p>			





## *Financial Statements*

### **CERTIFICATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

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 2006 and the financial position as at 30 June 2006.

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.



Paul O'Connor  
Director, Corporate Services  
**Chief Finance Officer**

21 September 2006



Jason Banks  
Acting Coordinator of Energy  
**Accountable Officer**

21 September 2006

# Auditor General's Opinion



## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

#### OFFICE OF ENERGY FINANCIAL STATEMENTS AND PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2006

##### Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Office of Energy at 30 June 2006 and its financial performance and cash flows for the year ended on that date. They are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions;
- (ii) the controls exercised by the Office provide reasonable assurance that the receipt and expenditure of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key effectiveness and efficiency performance indicators of the Office are relevant and appropriate to help users assess the Office's performance and fairly represent the indicated performance for the year ended 30 June 2006.

##### Scope

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

The financial statements consist of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Schedule of Income and Expenses by Service, Summary of Consolidated Fund Appropriations and Income Estimates, and the Notes to the Financial Statements.

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

##### Summary of my Role

As required by the Act, I have independently audited the accounts, financial statements and performance indicators to express an opinion on the financial statements, controls and performance indicators. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and performance indicators 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 and performance indicators.

D D R PEARSON  
AUDITOR GENERAL  
22 September 2006

4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664

# Income Statement

For the year ended 30 June 2006

	Note	2006 \$000	2005 \$000
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	5	5,248	4,953
Supplies and services	6	5,377	6,114
Depreciation and amortisation expense	7	179	199
Accommodation expenses	8	598	555
Grants and subsidies	9	19,363	12,846
Capital user charge	10	387	165
Other expenses	11	123	4
Total cost of services		31,275	24,836
<b>Income</b>			
<b>Revenue</b>			
User charges and fees	12	36	39
Commonwealth grants and contributions	13	9,631	6,717
Other revenue	14	427	744
Total revenue		10,094	7,500
<b>Gains</b>			
Gain on disposal of non-current assets	15	—	1
Total gains		—	1
<b>Total income other than income from State Government</b>		10,094	7,501
<b>NET COST OF SERVICES</b>		<b>21,181</b>	<b>17,335</b>
<b>INCOME FROM STATE GOVERNMENT</b>	16		
Service appropriation		24,061	14,572
Liabilities assumed by the Treasurer		26	36
Resources received free of charge		217	98
Total income from State Government		24,304	14,706
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>3,123</b>	<b>(2,629)</b>

See also the 'Schedule of Income and Expenses by Service'.

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

# Balance Sheet

As at 30 June 2006

	Note	2006 \$000	2005 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	28	10,712	4,694
Restricted cash and cash equivalents	17	1,853	2,703
Receivables	18	1,000	2,197
Amounts receivable for services	19	193	166
Other current assets	20	—	61
<b>Total Current Assets</b>		<b>13,758</b>	<b>9,821</b>
<b>Non-Current Assets</b>			
Restricted cash and cash equivalents	17	30	-
Receivables	18	1,580	1,829
Amounts receivable for services	19	677	601
Property, plant and equipment	21	215	340
<b>Total Non-Current Assets</b>		<b>2,502</b>	<b>2,770</b>
<b>TOTAL ASSETS</b>		<b>16,260</b>	<b>12,591</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	23	197	388
Amounts due to the Treasurer	24	2,911	2,406
Provisions	25	954	892
Other current liabilities	26	89	—
<b>Total Current Liabilities</b>		<b>4,151</b>	<b>3,686</b>
<b>Non-Current Liabilities</b>			
Provisions	25	309	228
<b>Total Non-Current Liabilities</b>		<b>309</b>	<b>228</b>
<b>Total Liabilities</b>		<b>4,460</b>	<b>3,914</b>
<b>Net Assets</b>		<b>11,800</b>	<b>8,677</b>
<b>EQUITY</b>			
Contributed equity	27	1,306	1,306
Accumulated surplus		10,494	7,371
<b>Total Equity</b>		<b>11,800</b>	<b>8,677</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>16,260</b>	<b>12,591</b>

The Balance Sheet should be read in conjunction with the accompanying notes.

## Statement of Changes to Equity

*For the year ended 30 June 2006*

	Note	2006 \$000	2005 \$000
<b>Balance of equity at start of period</b>		<b>8,677</b>	<b>11,306</b>
<b>CONTRIBUTED EQUITY</b>			
Balance at start of period		1,306	1,306
<b>Balance at end of period</b>	27	<b>1,306</b>	<b>1,306</b>
<b>ACCUMULATED SURPLUS (RETAINED EARNINGS)</b>			
Balance at start of period		7,371	10,000
Surplus/(deficit) for the period		3,123	(2,629)
<b>Balance at end of period</b>		<b>10,494</b>	<b>7,371</b>
<b>Balance of equity at end of period</b>	27	<b>11,800</b>	<b>8,677</b>
<b>Total income and expense for the period</b>		<b>3,123</b>	<b>(2,629)</b>

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

# Cashflow Statement

For the year ended 30 June 2006

	Note	2006 \$000	2005 \$000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		23,765	14,272
Holding account drawdowns		193	189
<b>Net cash provided by State Government</b>		<b>23,958</b>	<b>14,461</b>
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(4,988)	(5,116)
Supplies and services		(5,310)	(6,236)
Capital User Charge		(387)	(165)
Accommodation		(598)	(614)
Grants and subsidies		(19,261)	(12,846)
GST payments on purchases		(805)	(788)
GST payments to taxation authority		(66)	(98)
Other payments		(124)	(2,306)
<b>Receipts</b>			
User charges and fees		36	39
Commonwealth grants and contributions		9,631	6,717
GST receipts on sales		86	102
GST receipts from taxation authority		695	956
Other receipts		1,881	797
<b>Net cash provided by/(used in) operating activities</b>	28(b)	<b>(19,210)</b>	<b>(19,558)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets		–	4
Purchase of non-current physical assets		(55)	(97)
<b>Net cash provided by/(used in) investing activities</b>		<b>(55)</b>	<b>(93)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Treasurer's Advance – Energy Smart Government Program		1,200	1,510
Repayment of Treasurer's Advance – Energy Smart Government Program		(695)	(950)
<b>Net cash provided by/(used in) financing activities</b>		<b>505</b>	<b>560</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,198</b>	<b>(4,630)</b>
Cash and cash equivalents at the beginning of period		7,397	12,027
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	28(a)	<b>12,595</b>	<b>7,397</b>

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

## Schedule of Expenses & Revenues by Service

For the year ended 30 June 2006

	Development and Implementation of Energy Policy		Development and Implementation of Sustainable Energy Policy and Programs		Total	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>COST OF SERVICES</b>						
<b>Expenses</b>						
Employee benefits expense	3,186	3,127	2,062	1,826	5,248	4,953
Supplies and services	4,163	4,763	1,214	1,351	5,377	6,114
Depreciation and amortisation expense	104	122	75	77	179	199
Accommodation expenses	355	316	243	239	598	555
Grants and subsidies	4,821	4,992	14,542	7,854	19,363	12,846
Capital User Charge	225	101	162	64	387	165
Other expenses	75	3	48	1	123	4
<b>Total cost of services</b>	<b>12,929</b>	<b>13,424</b>	<b>18,346</b>	<b>11,412</b>	<b>31,275</b>	<b>24,836</b>
<b>Income</b>						
User charges and fees	–	5	36	34	36	39
Commonwealth grants and contributions		–	9,631	6,717	9,631	6,717
Other revenue	405	232	22	512	427	744
Gain on disposal of non-current assets	–	–	–	1	–	1
<b>Total income other than income from State Government</b>	<b>405</b>	<b>237</b>	<b>9,689</b>	<b>7,264</b>	<b>10,094</b>	<b>7,501</b>
<b>NET COST OF SERVICES</b>	<b>12,524</b>	<b>13,187</b>	<b>8,657</b>	<b>4,148</b>	<b>21,181</b>	<b>17,335</b>
<b>INCOME FROM STATE GOVERNMENT</b>						
Service appropriation	13,656	9,777	10,405	4,795	24,061	14,572
Liabilities assumed by the Treasurer	15	23	11	13	26	36
Resources received free of charge	190	60	27	38	217	98
<b>Total income from State Government</b>	<b>13,861</b>	<b>9,860</b>	<b>10,443</b>	<b>4,846</b>	<b>24,304</b>	<b>14,706</b>
<b>Surplus/deficit for the period</b>	<b>1,337</b>	<b>(3,327)</b>	<b>1,786</b>	<b>698</b>	<b>3,123</b>	<b>(2,629)</b>

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

# Summary of Consolidated Fund Appropriations and Income Estimates

For the year ended 30 June 2006

	2006 Estimate \$000	2006 Actual \$000	Variance \$000	2006 Actual \$000	2005 Actual \$000	Variance \$000
<b>DELIVERY OF SERVICES</b>						
Item 83 Net amount appropriated to deliver services	22,045	23,842	1,797	23,842	14,404	9,438
Section 25 transfer of service appropriation	–	–	–	–		
Amount Authorised by Other Statutes						
<i>Salaries and Allowances Act 1975</i>	219	219	–	219	168	51
<b>Total appropriations provided to deliver services</b>	<b>22,264</b>	<b>24,061</b>	<b>1,797</b>	<b>24,061</b>	<b>14,572</b>	<b>9,489</b>
<b>ADMINISTERED TRANSACTIONS</b>						
Item 84 Administered grants, subsidies and other transfer payments	1,400	5,446	4,046	5,446	1,276	4,170
<b>Total administered transactions</b>	<b>1,400</b>	<b>5,446</b>	<b>4,046</b>	<b>5,446</b>	<b>1,276</b>	<b>4,170</b>
<b>GRAND TOTAL</b>	<b>23,664</b>	<b>29,507</b>	<b>5,843</b>	<b>29,507</b>	<b>15,848</b>	<b>13,659</b>
<b>Details of Expenses by Service</b>						
Development and Implementation of Energy Policy	17,949	12,929	(5,020)	12,929	13,424	(495)
Development and Implementation of Sustainable Energy Policy and Programs	10,600	18,346	7,746	18,346	11,412	6,934
<b>Total Cost of Services</b>	<b>28,549</b>	<b>31,275</b>	<b>2,726</b>	<b>31,275</b>	<b>24,836</b>	<b>6,439</b>
Less total income	(5,663)	(10,094)	(4,431)	(10,094)	(7,501)	(2,593)
Net Cost of Services	22,886	21,181	(1,705)	21,181	17,335	3,846
Adjustments (a)	(622)	2,880	3,502	2,880	(2,763)	5,643
<b>Total appropriations provided to deliver services</b>	<b>22,264</b>	<b>24,061</b>	<b>1,797</b>	<b>24,061</b>	<b>14,572</b>	<b>9,489</b>
<b>Capital Expenditure</b>						
Purchase of non-current physical assets	251	55	(196)	55	98	(43)
Adjustments for other funding sources	(251)	(55)	196	(55)	(98)	43
<b>Capital Contribution (appropriation)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>DETAILS OF INCOME ESTIMATES</b>						
Income disclosed as Administered Income	<b>1,400</b>	<b>5,446</b>	<b>4,046</b>	<b>5,446</b>	<b>1,276</b>	<b>4,170</b>

(a) Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

This Summary provides the basis for the Explanatory Statement information requirements for TI 945, set out in note 32.



# *Notes to Financial Statements*

*For the year ended 30 June 2006*

## **4. Office mission and funding**

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

The Office of Energy is predominantly funded by parliamentary appropriation. Revenues controlled by the Office of Energy are net appropriated under the Financial Administration and Audit (Net Appropriations) Determination 2005. The financial statements encompass all funds through which the Office controls resources to carry on its functions.

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

## **4. First time adoption of Australian equivalents to International Financial Reporting Standards**

### **General**

These are the Office of Energy's first published financial statements prepared under Australian equivalents to International Financial Reporting Standards (AIFRS).

Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing these financial statements. Until 30 June 2005, the financial statements have been prepared under the previous Australian Generally Accepted Accounting Principles (AGAAP).

The Australian Accounting Standards Board (AASB) adopted the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005 by issuing AIFRS which comprise a Framework for the Preparation and Presentation of Financial Statements, Australian Accounting Standards and the Urgent Issues Group (UIG) Interpretations.

In accordance with the option provided by AASB 1 paragraph 36A and exercised by Treasurer's Instruction (TI)1101 'Application of Australian Accounting Standards and Other Pronouncements', financial instrument information prepared under AASB 132 and AASB 139 will apply from 1 July 2005 and consequently comparative information for financial instruments is presented on the previous AGAAP basis. All other comparative information has been prepared under the AIFRS basis.

### **Early adoption of standards**

The Office cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI1101 'Application of Australian Accounting Standards and Other Pronouncements'. This TI requires the early adoption of revised AASB 119 'Employee Benefits' as issued in December 2004, AASB 2004-3 'Amendments to Australian Accounting Standards' and 2005-3 'Amendments to Australian Accounting Standards [AASB 119]'; AASB 2005-4 'Amendments to Australian Accounting Standard [AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038]' and AASB 2005-6 'Amendments to Australian Accounting Standards [AASB 3]' to the annual reporting period beginning 1 July 2005. AASB 2005-4 amends AASB 139 'Financial Instruments: Recognition and Measurement' so that the ability to designate financial assets and financial liabilities at fair value is restricted. AASB 2005-6 excludes business combinations involving common control from the scope of AASB 3 'Business Combinations'.

# Notes to Financial Statements

For the year ended 30 June 2006

## 3. Summary of significant accounting policies

### (a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary 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 the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

### (b) Basis of Preparation

The financial statements have been prepared in accordance with Accounting Standard AAS29 'Financial Reporting by Government Departments' on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000).

### (c) Reporting Entity

The reporting entity is the Office of Energy.

The Office administers income and expenses on behalf of Government which are not controlled by, nor integral to the functions of the Office. These administered transactions are not recognised in the principal financial statements of the Office but schedules are prepared using the same basis as the financial statements.

### (d) Contributed Equity

UIG Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers in the nature of equity contributions to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital contributions (appropriations) have been designated as contributions by owners by TI955 'Contributions by Owners made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

# Notes to Financial Statements

For the year ended 30 June 2006

## (e) Income

### Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

#### *Sale of goods*

Revenue is recognised *from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser.*

#### Service Appropriations

Service 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 the Department of Treasury and Finance.

#### *Net Appropriation Determination*

The Treasurer may make a determination providing for prescribed revenues to be retained for services under the control of the Office. In accordance with the determination specified in the 2005-06 Budget Statements, the Office retained \$10 million in 2006 (\$7.5 million in 2005) from the following:

- proceeds from fees and charges;
- Commonwealth specific purpose grants and contributions; and
- other revenue.

#### *Grants, donations, gifts and other non-reciprocal contributions*

Revenue is recognised at fair value when the Office obtains control over the assets comprising the contributions which is usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions for services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of, and amounts pertaining to, those undischarged conditions are disclosed in the notes.

### Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

# Notes to Financial Statements

For the year ended 30 June 2006

## (f) Property, Plant and Equipment

### *Capitalisation/Expensing of assets*

Items of property, plant and equipment costing over \$1,000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than \$1,000 are immediately expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

### *Computer Software*

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software costing less than \$1,000 is expensed in the year of acquisition.

### *Initial recognition and measurement*

All items of property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal consideration, the cost is their fair value at the date of acquisition.

### *Subsequent measurement*

After recognition as an asset, the Office uses the cost model for the measurement of property, plant and equipment. Property, plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses.

### *Depreciation*

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

Depreciation on other assets is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Plant and equipment	5 to 7 years
Office equipment	3 to 5 years
Furniture and fittings	10 years
Leasehold improvements	5 years

## (g) Impairment of Assets

Property, plant and equipment are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Office is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

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

# Notes to Financial Statements

For the year ended 30 June 2006

See note 22 'Impairment of assets for the outcome of impairment reviews and testing.

## **(h) Leases**

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

## **(i) Financial Instruments**

The Office has two categories of financial instrument:

- advances and receivables (cash and cash equivalents, receivables); and
- non-trading financial liabilities (finance leases, payables, Treasurer's advance).

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

## **(j) Cash and Cash Equivalents**

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These are comprised of cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

## **(k) Accrued Salaries**

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

Accrued salaries (refer to 'Other liabilities' note) represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Office considers the carrying amount of accrued salaries to be equivalent to its net fair value.

## **(l) Amounts Receivable for Services (Holding Account)**

The Office receives appropriation funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (Holding Account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as leave entitlements and asset replacement.

## **(m) Receivables**

Receivables are recognised and carried at original invoice amount less an allowance for uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Office will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

# Notes to Financial Statements

For the year ended 30 June 2006

## (n) Payables

Payables are recognised when the Office becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

## (o) Amounts Due to the Treasurer

The amount due to the Treasurer is in respect of a Treasurer's Advance. Initial recognition and measurement, and subsequent measurement is at the amount repayable. Although there is no interest charged the amount repayable is equivalent to fair value as the period of the borrowing is for less than 12 months with the effect of discounting not being material.

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).

## (p) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance sheet reporting date.

### (i) Provisions – Employee Benefits

#### *Annual Leave and Long Service Leave*

The liability for annual and long service leave expected to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### *Superannuation*

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. The Office has no liabilities for superannuation charges under the Pension or the GSS Schemes as the liability has been assumed by the Treasurer.



## Notes to Financial Statements

For the year ended 30 June 2006

Employees who are not members of either the Pension or the GSS Schemes become non-contributory members of the West State Superannuation Scheme (WSS), an accumulation fund. The Office makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS Scheme.

The GESB makes all benefit payments in respect of the Pension and GSS Schemes, and is recouped by the Treasurer for the employer's share.

See also note 3(q) 'Superannuation expense'.

### **(ii) Provisions – Other**

#### *Employment On-Costs*

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Office's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

See note 11 'Other expenses' and note 25 'Provisions'.

### **(q) Superannuation Expense**

The following elements are included in calculating the superannuation expense in the Income Statement:

- (a) Defined benefit plans – Change in the unfunded employer's liability (i.e. current service cost and actuarial gains and losses) assumed by the Treasurer 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 (GSS); and
- (b) Defined contribution plans – Employer contributions paid to the West State Superannuation Scheme (WSS), and the equivalent of employer contributions to the GSS.

Defined benefit plans - in order to reflect the true cost of services, the movements (i.e. current service cost and, actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS Scheme transfer benefits are recognised as expenses directly in the Income Statement. As these liabilities are assumed by the Treasurer, a revenue titled 'Liabilities assumed by the Treasurer' equivalent to the expense is recognised under Income from State Government in the Income Statement.

Defined contribution plans – in order to reflect the Office's true cost of services, the Office is funded for the equivalent of employer contributions in respect of the GSS Scheme (excluding transfer benefits). These contributions were paid to the GESB during the year and placed in a trust account administered by the GESB on behalf of the Treasurer. The GESB subsequently paid these employer contributions in respect of the GSS Scheme to the Consolidated Fund.

### **(r) Resources Received Free of Charge or for Nominal Cost**

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

# Notes to Financial Statements

For the year ended 30 June 2006

## (s) Comparative Figures

Comparative figures have been restated on the AIFRS basis except for financial instruments information, which has been prepared under the previous AGAAP Australian Accounting Standard AAS33 'Presentation and Disclosure of Financial Instruments'. The transition date to AIFRS for financial instruments is 1 July 2005 in accordance with the exemption allowed under AASB 1, paragraph 36A and Treasurer's Instruction 1101.

## 4. Disclosure of changes in accounting policy and estimates

### Future impact of Australian Accounting Standards not yet operative

The Office cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. As referred to in Note 2, TI1101 has only mandated the early adoption of revised AASB 119, AASB 2004-3, AASB 2005-3, AASB 2005-4 and AASB 2005-6. Consequently, the Office has not applied the following Australian Accounting Standards and UIG Interpretations that have been issued but are not yet effective. These will be applied from their application date:

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007. The Standard is considered to result in increased disclosures of an entity's risks, enhanced disclosure about components of financial position and performance, and changes to the way of presenting financial statements, but otherwise there is no financial impact.
2. AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 and AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Office does not undertake these types of transactions resulting in no financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2006.
3. UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease'. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At reporting date, the Office has not entered into any arrangements as specified in the Interpretation resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2006.



## *Notes to Financial Statements*

*For the year ended 30 June 2006*

The following amendments are not applicable to the Office as they will have no impact:

<u>Amendment</u>	<u>Affected Standards</u>
2005-1	AASB 139 (Cash flow hedge accounting of forecast intra-group transactions)
2005-5	'Amendments to Australian Accounting Standards [AASB 1 and AASB 139]'
2006-1	AASB 121 (Net investment in foreign operations)
UIG5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'.
UIG6	'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'.
UIG7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'.

# Notes to Financial Statements

For the year ended 30 June 2006

	2006 \$000	2005 \$000
<b>5. Employee benefits expense</b>		
Salaries	4,248	3,865
Superannuation – defined contribution plans (a)	384	292
Superannuation – defined benefit plans (b)	26	178
Long service leave (c)	236	73
Annual Leave (c)	86	356
Other related expenses	268	189
	<b>5,248</b>	<b>4,953</b>
(a) Defined contribution plans include West State and Gold State (contributions paid).		
(b) Defined benefit plans include Pension scheme and Gold State (pre-transfer benefit).		
(c) Includes a superannuation contribution component.		
<b>6. Supplies and services</b>		
Advertising	179	191
Communications	80	113
Consultants and contractors	2,775	4,416
Consumables	62	61
Insurance	33	61
Legal fees	1,622	501
Motor vehicle expenses	62	93
Repairs and maintenance	30	10
Printing	128	216
Travel	108	138
Other	298	314
	<b>5,377</b>	<b>6,114</b>
<b>7. Depreciation and amortisation expense</b>		
Plant and equipment	25	24
Office equipment	74	95
Leasehold improvements	80	80
Total depreciation	<b>179</b>	<b>199</b>
<b>8. Accommodation expenses</b>		
Lease rentals and other accommodation	577	542
Repairs and maintenance	8	12
Cleaning and security	13	1
	<b>598</b>	<b>555</b>

# Notes to Financial Statements

For the year ended 30 June 2006

	2006 \$000	2005 \$000
<b>9. Grants and subsidies</b>		
Recurrent Grants		
Energy Smart Government Facilitation grants	587	167
Sustainable Energy Development Office (SEDO) Grants Committee grants	371	362
Contributions to the Energy Markets Working Group (MCE)	–	171
Contributions to the Energy Efficiency Working Group	226	202
Photovoltaic Rebate Program (PVRP) rebates	76	30
Renewable Remote Power Generation Program (RRPGP) grants	10,337	5,670
Solar Hot Water Incentive Scheme rebates	1,513	1,166
Energy Smart Community Grants	1	10
Community Partnership Grants – Special Funding Round	–	27
Industry Support Grants	103	221
Underground Power Project transfer payments (State's contributions)	4,820	4,820
Renewable Energy Production Subsidy	1,310	–
Solar Schools Program	19	–
	<b>19,363</b>	<b>12,846</b>
<b>10. Capital User Charge</b>		
Capital user charge	<b>387</b>	<b>165</b>
The Government applies a levy for the use of its capital for the delivery of services. It is applied at 8% per annum on the net assets of the Office, excluding exempt assets, and is paid to the Department of Treasury and Finance quarterly.		
<b>11. Other expenses</b>		
Employment on-costs	<b>123</b>	<b>4</b>
Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 25 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.		
<b>12. User charges and fees</b>		
Fees	<b>36</b>	<b>39</b>
<b>13. Commonwealth grants and contributions</b>		
Recurrent funding received from the Commonwealth towards the following programs:		
- Renewable Remote Power Generation Program	9,555	6,660
- Photovoltaic Rebate Program	76	5
	<b>9,631</b>	<b>6,717</b>

# Notes to Financial Statements

For the year ended 30 June 2006

	2006 \$000	2005 \$000
<b>14. Other revenue</b>		
Program cost recovery	373	724
Employee contributions to Government Vehicle Scheme	20	20
Revenues from Energy in WA Conference	34	—
	<b>427</b>	<b>744</b>
<b>15. Net gain on disposal of non-current assets</b>		
<u>Costs of Disposal of Non-Current Assets</u>		
Plant and equipment	—	4
<u>Proceeds from Disposal of Non-Current Assets</u>		
Plant and equipment	—	5
Net gain	<b>—</b>	<b>1</b>
<b>16. Income from State Government</b>		
Appropriation received during the year:		
Service appropriations (a)	24,061	14,572
Total appropriation received during the year	24,061	14,572
The following liabilities have been assumed by the Treasurer during the financial year:		
Superannuation (b)	26	36
Total liabilities assumed by the Treasurer	26	36
Resources received free of charge (c)		
Determined on the basis of the following estimates provided by agencies:		
State Solicitor's Office	217	98
Total resources received free of charge	217	98
	<b>24,304</b>	<b>14,706</b>

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

(b) The assumption of the superannuation liability by the Treasurer is a notional revenue to offset the notional superannuation expense reported in respect of current employees who are members of the pension scheme and current employees who have a transfer benefit under the Gold State Superannuation Scheme.

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

# Notes to Financial Statements

For the year ended 30 June 2006

	2006 \$000	2005 \$000
<b>17. Restricted cash and cash equivalents</b>		
Trust Fund balance		
SEDO Grants Committee Trust Account (a)	–	898
Commonwealth Programs Trust Account (b)	1,853	1,805
	<u>1,853</u>	<u>2,703</u>
Non-current		
Accrued salaries suspense account (c)	30	–
	<u>1,883</u>	<u>2,703</u>
(a) 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. This trust account was closed in 2005-06 and funds transferred to the Office's operating account.		
(b) 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.		
(c) Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.		
<b>18. Receivables</b>		
Current:		
GST receivable	292	181
Energy Smart Government Returns from Agencies	624	477
Support to agencies	–	198
Bremer Bay Wind Project	–	1,309
Other debtors	84	32
Total current	<u>1,000</u>	<u>2,197</u>
Non-current:		
Energy Smart Government Returns from Agencies	1,580	1,829
Total non-current	<u>1,580</u>	<u>1,829</u>
	<u>2,580</u>	<u>4,026</u>
<b>19. Amounts receivable for services</b>		
Current	193	166
Non-current	677	601
	<u>870</u>	<u>767</u>

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

# Notes to Financial Statements

For the year ended 30 June 2006

	2006 \$000	2005 \$000
<b>20. Other assets</b>		
Current		
Prepayments	–	61
	<b>–</b>	<b>61</b>
<b>21. Property, plant and equipment</b>		
<b>Computer equipment</b>		
At cost	423	377
Accumulated depreciation	(330)	(256)
	<b>93</b>	<b>121</b>
<b>Furniture and Fittings</b>		
At cost	121	121
Accumulated depreciation	(96)	(76)
	<b>25</b>	<b>45</b>
<b>Plant and equipment</b>		
At cost	26	17
Accumulated depreciation	(10)	(4)
	<b>16</b>	<b>13</b>
<b>Leasehold improvements</b>		
At cost	393	393
Accumulated depreciation	(312)	(232)
	<b>81</b>	<b>161</b>
<b>Total</b>		
At cost	963	908
Accumulated depreciation	(748)	(568)
	<b>215</b>	<b>340</b>

Reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the reporting period are set out below:

	Computer equipment \$000	Furniture and fittings \$000	Plant and equipment \$000	Leasehold improve- ments \$000	Total \$000
<b>2006</b>					
Carrying amount at start of year	121	45	13	161	340
Additions	46	–	9	–	55
Disposals	–	–	–	–	–
Depreciation and amortisation	(74)	(20)	(6)	(80)	(179)
<b>Carrying amount at end of year</b>	<b>93</b>	<b>25</b>	<b>16</b>	<b>81</b>	<b>215</b>
<b>2005</b>					
Carrying amount at start of year	127	62	16	242	447
Additions	93	4	–	–	97
Disposals	(4)	–	–	(1)	(5)
Depreciation and amortisation	(95)	(21)	(3)	(80)	(199)
<b>Carrying amount at end of year</b>	<b>121</b>	<b>45</b>	<b>13</b>	<b>161</b>	<b>340</b>

## Notes to Financial Statements

For the year ended 30 June 2006

	2006 \$000	2005 \$000
<b>22. Impairment of assets</b>		
There were no indications of impairment to property, plant and equipment at 30 June 2006.		
<b>23. Payables</b>		
Current		
Trade payables	62	120
GST payable	57	37
Other accrued expenses	78	231
	<b>197</b>	<b>388</b>
<b>24. Amounts due to the Treasurer</b>		
Treasurer's Advance	<b>2,911</b>	<b>2,406</b>

# Notes to Financial Statements

For the year ended 30 June 2006

## 25. Provisions

Current

*Employee benefits provision*

Annual leave (a)

Long service leave (b)

377 444

466 440

**843 884**

*Other provisions*

Employee on-costs (c)

111 8

**111 8**

**954 892**

Non-current

*Employee benefits provision*

Long service leave (b)

286 226

286 226

*Other provisions*

Employee on-costs (c)

23 2

**23 2**

**309 228**

- (a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of reporting date

215 253

More than 12 months from the reporting date

162 191

**377 444**

- (b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of reporting date

346 306

More than 12 months from the reporting date

406 360

**752 666**

- (c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including superannuation and workers' compensation premiums. Movements in the provision for employment on-costs are set out below.

Employment on-cost provision

Carrying amount at start of year

Additional provisions recognised

Carrying amount at end of year

10 -

124 10

**134 10**



# Notes to Financial Statements

For the year ended 30 June 2006

	2006 \$000	2005 \$000
<b>26. Other liabilities</b>		
Current		
Accrued salaries	77	—
Other liabilities	12	—
	<b>89</b>	<b>—</b>
There were no accrued salaries as at 30 June 2005 as the last pay period fell on the last day of the financial year.		
<b>27. Equity</b>		
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.		
<b>Contributed equity</b>		
Balance at the start of the year	1,306	1,306
Balance at the end of the year	<b>1,306</b>	<b>1,306</b>
<b>Accumulated surplus</b>		
Balance at the start of the year	7,371	10,000
Result for the period	3,123	(2,629)
Balance at the end of the year	<b>10,494</b>	<b>7,371</b>

# Notes to Financial Statements

For the year ended 30 June 2006

	2006 \$000	2005 \$000
<b>28. Notes to the Cash Flow Statement</b>		
(a) <u>Reconciliation of cash</u>		
Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents	10,712	4,694
Restricted cash and cash equivalents	1,883	2,703
	<b>12,595</b>	<b>7,397</b>
(b) <u>Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities</u>		
Net cost of services	(21,181)	(17,335)
Non-cash items:		
Depreciation and amortisation expense	179	199
Superannuation expense	26	36
Resources received free of charge	217	98
Net (gain)/loss on disposal of non-current assets	–	(1)
(Increase)/decrease in assets:		
Current receivables	1,556	(2,084)
Other current assets	61	(59)
Increase/(decrease) in liabilities:		
Employee benefits	143	2
Current payables	(210)	(216)
Other liabilities	89	(198)
Change in GST receivable/(payable)	(719)	–
Net GST receivable/(payable)	629	–
<b>Net cash provided by/(used in) operating activities</b>	<b>(19,210)</b>	<b>(19,558)</b>

# Notes to Financial Statements

For the year ended 30 June 2006

	2006 \$000	2005 \$000
<b>29. Commitments</b>		
Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised in the financial statements are payable as follows:		
Within one year	603	354
Later than one year and not later than five years	15	322
	<u>618</u>	<u>676</u>
Representing:		
Cancellable operating leases	61	65
Non-cancellable operating leases	557	611
Total Lease Commitments	<u>618</u>	<u>676</u>
Non-cancellable operating lease commitments		
Commitments for minimum lease payments are payable as follows:		
Within one year	557	306
Later than one year and not later than five years	—	305
	<u>557</u>	<u>611</u>

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

## 30. Contingent liabilities and contingent assets

The Office has no contingent liabilities as at 30 June 2006.

## 31. Events occurring after the balance sheet date

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

# Notes to Financial Statements

For the year ended 30 June 2006

## 32. Explanatory statement

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled 'Summary of Consolidated Fund Appropriations and Income Estimates' are shown below. Significant variations are considered to be those greater than 10% or \$1 million.

### Significant variances between estimate and actual for 2006 – Total appropriation to deliver services

	2006 Estimate \$000	2006 Actual \$000	Variation \$000
Total appropriations provided to deliver services	22,264	24,061	1,797

A total of \$4.07m in supplementary funding was provided to the Office in 2005-06. \$3.0m was provided for the Renewable Energy Production Subsidy and \$1.07m in electricity reform funding was bought forward from 2006-07.

\$2.274m in appropriation was provided to the Independent Market Operator upon transfer of function from the Office resulting in a net variation from estimate of \$1.797m.

### Significant variances between estimate and actual for 2006 – Services 1 and 2

	2006 Estimate \$000	2006 Actual \$000	Variation \$000
Service 1 Development and Implementation of Energy Policy	17,949	12,929	(5,020)

The variance is due, in the main to a reduction in anticipated expenditure resulting from the transfer of function and funding to support the operations of the Independent Market Operator (\$2.274m).

Additionally, the Aboriginal and Remote Communities Power Supply Project was delayed and modifications to the wholesale electricity market and financial models will now be undertaken in 2006-07.

	2006 Estimate \$000	2006 Actual \$000	Variation \$000
Service 2 Development and Implementation of Sustainable Energy Policy and Programs	10,600	18,346	7,746

Expenditure on the Remote Regional Power Generation Program was significantly greater than anticipated in 2005-06. This expenditure however, is offset by a commensurate receipt of funding from the Commonwealth Government for this Program.

# Notes to Financial Statements

For the year ended 30 June 2006

## 32. Explanatory statement - continued

### Significant variances between estimate and actual for 2006 – Administered Transactions

	2006 Estimate \$000	2006 Actual \$000	Variation \$000
Item 84 Administered grants, subsidies and other transfer payments	1,400	5,446	4,046

Additional funding of \$2.942m was provided to fund the operations of the Independent Market Operator and \$1.104m to facilitate the repayment of a Treasurer's Advance and operating costs of the Gas Disputes Arbitrator and Gas Review Board.

### Significant variances between actuals for 2005 and 2006 – Total appropriation to deliver services

	2006 \$000	2005 \$000	Variance \$000
Total appropriation provided to deliver services for the year	24,061	14,572	9,489

The increase in appropriation of \$9.489m in 2005-06 was provided to support projects under the *Government's Plan for Renewable Energy* \$3.250m, the Renewable Energy Production Subsidy \$3.0m and electricity reform \$2.496m. Funding was also provided in 2005-06 to meet an increase in anticipated expenditure on the Aboriginal and Remote Communities Power Supply Project – Phase 2.

### Significant variances between actuals for 2005 and 2006 – Administered Transactions

	2006 \$000	2005 \$000	Variance \$000
Item 84 Administered grants, subsidies and other transfer payments	5,446	1,276	4,170

Funding to support the operations of the Independent Market Operator was increased by \$3.066m. The Gas Disputes Arbitrator and Gas Review Board received funding of \$1.104m in 2005-06.

### Significant variances between actuals for 2005 and 2006 – Service 2

	2006 \$000	2005 \$000	Variance \$000
Service 2 Development and Implementation of Energy Policy	18,346	11,412	6,934

The increase the total cost of service in 2005-06 is due mainly to the increased expenditure on the Remote Regional Power Generation Program and the Renewable Energy Production Subsidy.

## *Notes to Financial Statements*

*For the year ended 30 June 2006*

### **33. Financial instruments**

#### **(a) Financial Risk Management Objectives and Policies**

Financial instruments held by the Office are cash and cash equivalents, Treasurer's advances and receivables and payables. The Office has limited exposure to financial risks. The Office's overall risk management program focuses on managing the risks identified below.

##### *Credit risk*

The Office trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Office's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

##### *Liquidity risk*

The Office has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

##### *Cash flow interest rate risk*

The Office is not exposed to interest rate risk because cash and cash equivalents and restricted cash are non-interest bearing and have no borrowings other than the Treasurer's advance (non-interest bearing).

#### **(b) Financial Instrument disclosures**

Financial instrument information for the year ended 2005 has been prepared under the previous AGAAP Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. Financial instrument information from 1 July 2005 has been prepared under AASB 132 'Financial Instruments: Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'.

##### ***Interest Rate Risk Exposure***

*All financial assets and financial liabilities are non interest bearing.*

##### *Fair Values*

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values.

## Notes to Financial Statements

For the year ended 30 June 2006

### 34. Remuneration of senior officers

The number of senior officers, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands is:

\$	2006 No. of staff	2005 No. of staff	2006 \$000	2005 \$000
20,001 – 40,000	2	-		
40,001 – 50,000	-	1		
60,001 – 70,000	1	-		
120,001 – 130,000	-	1		
130,001 – 140,000	3	-		
150,001 – 160,000	-	3		
160,000 – 170,000	1	-		
200,001 – 210,000	1	-		
250,001 – 260,000	-	1		
300,001 – 310,000	-	1		

The total remuneration of senior officers is:

**894**      **1,184**

The total remuneration includes the superannuation expense incurred by the Office in respect of senior officers. No senior officers are members of the Pension Scheme.

### 35. Remuneration of auditor

The remuneration of the auditors includes fees paid for auditing the accounts, financial statements and performance indicators as set out below:

2006 \$000	2005 \$000
<b>34</b>	<b>27</b>

The expense is included at note 6 'Supplies and services'.

### 36. Related bodies

The Office has no related bodies.

### 37. Affiliated bodies

The Office has no affiliated bodies.

# Notes to Financial Statements

For the year ended 30 June 2006

	2006 \$000	2005 \$000
<b>38. Trust accounts</b>		
<b>SEDO Grants Committee Trust Account</b>		
The purpose of the trust account is to hold funds for the purpose of allowing the SEDO Grants Committee to carry out its functions.		
This Trust Account was closed in 2005/06 and funds transferred to the Office's operating account.		
Balances at the start of the year	898	827
Receipts		
Consolidated Fund contribution	—	523
Payments		
Salaries	—	77
Project grants	—	372
Other expenses	898	3
Transfer to operating account	898	452
<b>Balance at the end of the year</b>	<b>—</b>	<b>898</b>
<b>Commonwealth Funded Initiatives and Programs Trust Account</b>		
The purpose of the trust account is to hold funds provided by the Commonwealth Government for the conduct of energy-related initiatives by the Office of Energy.		
Balances at the start of the year	1,805	2,305
Receipts		
Photovoltaic Rebate Program (PVRP)	71	57
Renewable Remote Power Generation Program (RRPGP)	10,855	5,730
	12,731	5,787
Payments		
PVRP grants	87	30
RRPGP grants	10,791	5,851
Other RRPGP payments	—	406
	10,878	6,287
<b>Balance at the end of the year</b>	<b>1,853</b>	<b>1,805</b>
<b>39. Administered Expenses and Income</b>		
<b>Expenses</b>		
Payments made on behalf of the Gas Corporation	-	(2)
Administered appropriations on behalf of the Independent Market Operator	(4,342)	(1,276)
Payments to the Consolidated Fund on behalf of the Gas Corporation	-	(408)
Gas Disputes Arbitrator	(1,104)	-
<b>Total administered expenses</b>	<b>(5,446)</b>	<b>(1,686)</b>
<b>Income</b>		
Revenues made on behalf of the Gas Corporation	-	28
Administered appropriations on behalf of the Independent Market Operator	4,432	1,276
Gas Disputes Arbitrator	1,104	-
<b>Total administered income</b>	<b>5,446</b>	<b>1,304</b>



# Notes to Financial Statements

For the year ended 30 June 2006

## 40. Reconciliations explaining the transition to Australian equivalents to International Financial Reporting Standards (AIFRS)

### RECONCILIATION OF EQUITY AT THE DATE OF TRANSITION TO AIFRS: 1 JULY 2004 (AASB 1.39(a)(i))

Note		Previous GAAP 1 July 2004 \$000	AIFRS 1 July 2004 \$000
	<b>ASSETS</b>		
	<b>Current Assets</b>		
(1)	Cash and cash equivalents	8,722	8,722
	Restricted cash and cash equivalents	3,305	3,305
(3)	Other current assets	2	2
	Receivables	526	526
(2)	Amounts receivable for services	189	189
	<b>Total Current Assets</b>	<b>12,744</b>	<b>12,744</b>
	<b>Non-Current Assets</b>		
	Receivables	1,414	1,414
(2)	Amounts receivable for services	467	467
	Property, plant, equipment	447	447
	<b>Total Non-Current Assets</b>	<b>2,328</b>	<b>2,328</b>
	<b>TOTAL ASSETS</b>	<b>15,072</b>	<b>15,072</b>
	<b>LIABILITIES</b>		
	<b>Current Liabilities</b>		
	Payables	604	604
	Amounts due to the Treasurer	1,846	1,846
	Provisions	727	727
(4)	Other liabilities	198	198
	<b>Total Current Liabilities</b>	<b>3,375</b>	<b>3,375</b>
	<b>Non-Current Liabilities</b>		
	Provisions	391	391
	<b>Total Non-Current Liabilities</b>	<b>391</b>	<b>391</b>
	<b>TOTAL LIABILITIES</b>	<b>3,766</b>	<b>3,766</b>
	<b>NET ASSETS</b>	<b>11,306</b>	<b>11,306</b>
	<b>EQUITY</b>		
	Contributed equity	1,306	1,306
	Accumulated surplus	10,000	10,000
	<b>Total Equity</b>	<b>11,306</b>	<b>11,306</b>

(1) Equivalent AGAAP line item 'Cash Assets' (AIFRS 'Cash and Cash Equivalents').

(2) Equivalent AGAAP line item 'Amounts receivable for outputs' (AIFRS 'Amounts receivable for services').

(3) Equivalent AGAAP line item 'Other Assets' (AIFRS 'Other Current assets').

(4) New AIFRS category.

# Notes to Financial Statements

For the year ended 30 June 2006

## 40. Reconciliations explaining the transition to Australian equivalents to International Financial Reporting Standards (AIFRS), continued -

### RECONCILIATION OF EQUITY AT THE END OF THE LAST REPORTING PERIOD UNDER PREVIOUS AGAAP: 30 JUNE 2005 (AASB 1.39(a)(ii))

Note		GAAP 30 June 2005 \$000	AASB 119(b) \$000	AIFRS 30 June 2005 \$000
	<b>ASSETS</b>			
	<b>Current Assets</b>			
(1)	Cash and cash equivalents	4,694	—	4,694
	Restricted cash and cash equivalents	2,703	—	2,703
	Receivables	2,197	—	2,197
(2)	Amounts receivable for services	166	—	166
(3)	Other current assets	61	—	61
	<b>Total Current Assets</b>	<b>9,821</b>	<b>—</b>	<b>9,821</b>
	<b>Non-Current Assets</b>			
	Receivables	1,829	—	1,829
(2)	Amounts receivable for services	601	—	601
	Plant, equipment and leasehold improvements	340	—	340
	<b>Total Non-Current Assets</b>	<b>2,770</b>	<b>—</b>	<b>2,770</b>
	<b>TOTAL ASSETS</b>	<b>12,591</b>	<b>—</b>	<b>12,591</b>
	<b>LIABILITIES</b>			
	<b>Current Liabilities</b>			
	Payables	388	—	388
	Amounts due to the Treasurer	2,406	—	2,406
	Provisions	739	153	892
(4)	Other current liabilities	—	—	—
	<b>Total Current Liabilities</b>	<b>3,533</b>	<b>153</b>	<b>3,686</b>
	<b>Non-Current Liabilities</b>			
	Provisions	392	(164)	228
	<b>Total Non-Current Liabilities</b>	<b>392</b>	<b>(164)</b>	<b>228</b>
	<b>TOTAL LIABILITIES</b>	<b>3,925</b>	<b>(11)</b>	<b>3,914</b>
	<b>NET ASSETS</b>	<b>8,666</b>	<b>(11)</b>	<b>8,677</b>
	<b>Equity</b>			
	Contributed equity	1,306	—	1,306
	Accumulated surplus	7,360	11	7,371
	<b>Total equity</b>	<b>8,666</b>	<b>11</b>	<b>8,677</b>

The transition to AIFRS includes adjustments for the transition AIFRS as at 1 July 2004 plus adjustments for the period 1 July 2004 to 30 June 2005.

(1) Equivalent AGAAP line item 'Cash Assets' (AIFRS 'Cash and Cash Equivalents').

(2) Equivalent AGAAP line item 'Amounts receivable for outputs' (AIFRS 'Amounts receivable for services').

(3) Equivalent AGAAP line item 'Other Assets' (AIFRS 'Other current assets').

(4) Equivalent AGAAP 'Other liabilities' (AIFRS 'Other current liabilities').

# Notes to Financial Statements

For the year ended 30 June 2006

## 40. Reconciliations explaining the transition to Australian equivalents to International Financial Reporting Standards (AIFRS), continued -

### RECONCILIATION OF INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2005 (AASB 1.39(b))

	GAAP 30 June 2005 \$000	AASB 119 (c)(i) \$000	AASB 116 (c)(ii) \$000	AIFRS 30 June 2005 \$000
<b>COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits expense	4,968	(15)	—	4,953
Supplies and services	6,114	—	—	6,114
Depreciation and amortisation expense	199	—	—	199
Accommodation expenses	555	—	—	555
Grants and subsidies	12,846	—	—	12,846
Capital user charge	165	—	—	165
Carrying amount of non-current assets disposed of	4	—	(4)	—
Other expenses	—	4	—	4
<b>Total cost of services</b>	<b>24,851</b>	<b>(11)</b>	<b>(4)</b>	<b>24,836</b>
<b>Income</b>				
<b>Revenue</b>				
User charges and fees	39	—	—	39
Commonwealth grants and contributions	6,717	—	—	6,717
Other revenue	744	—	—	744
<b>Gains</b>				
Gain on disposal of non-current assets	5	—	(4)	1
<b>Total income other than income from State Government</b>	<b>7,505</b>	<b>—</b>	<b>(4)</b>	<b>7,501</b>
<b>NET COST OF SERVICES</b>	<b>17,346</b>	<b>(11)</b>	<b>—</b>	<b>17,335</b>
<b>Income from State Government</b>				
Service appropriation	14,572	—	—	14,572
Liabilities assumed by the Treasurer	36	—	—	36
Resources received free of charge	98	—	—	98
<b>Total income from State Government</b>	<b>14,706</b>	<b>—</b>	<b>—</b>	<b>14,706</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>(2,640)</b>	<b>11</b>	<b>—</b>	<b>(2,629)</b>

# Notes to Financial Statements

For the year ended 30 June 2006

## 39. Administered Expenses and Income, continued -

### RECONCILIATION OF CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2005 (AASB 1.40)

Note	GAAP 30 June 2005 \$000	AASB 119 AASB 119(d) \$000	AIFRS 30 June 2005 \$000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation	14,272	—	14,272
Capital contributions	—	—	—
Holding account drawdowns	189	—	189
<b>Net cash provided by State Government</b>	<b>14,461</b>	<b>—</b>	<b>14,461</b>
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
(1) Employee benefits	(5,116)	—	(5,116)
Supplies and services	(6,236)	—	(6,236)
Capital user charge	(165)	—	(165)
Accommodation	(614)	—	(614)
GST payments on purchases	(788)	—	(788)
GST payments to taxation authority	(98)	—	(98)
Other payments	(15,152)	—	(15,152)
<b>Receipts</b>			
User charges and fees	39	—	39
Commonwealth grants and contributions	6,717	—	6,717
GST receipts on sales	102	—	102
GST receipts from taxation authority	956	—	956
Other receipts	797	—	797
<b>Net cash provided by/(used in) operating activities</b>	<b>(19,558)</b>	<b>—</b>	<b>(19,558)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of non-current physical assets	(98)	—	(98)
<b>Net cash provided by/(used in) investing activities</b>	<b>(98)</b>	<b>—</b>	<b>(98)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets	5	—	5
Treasurer's advance	560	—	560
<b>Net cash provided by/(used in) financing activities</b>	<b>565</b>	<b>—</b>	<b>565</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(4,630)</b>	<b>—</b>	<b>(4,630)</b>
Cash and cash equivalent at the beginning of period	12,027	—	12,027
<b>CASH AND CASH EQUIVALENT ASSETS AT END OF PERIOD</b>	<b>7,397</b>	<b>—</b>	<b>7,397</b>

(1) Equivalent AGAAP line item 'Employee costs' (IFRS 'Employee benefits').

# *Notes to Financial Statements*

*For the year ended 30 June 2006*

## **Notes to the reconciliations**

### **Net gain on disposal of non-current assets (AASB 116)**

Under AGAAP the disposal of non-current assets is disclosed on the gross basis. That is, the proceeds of disposal are revenue and the carrying amounts of assets disposed of are expense. The disposal of non-current assets is disclosed on the net basis (gains or losses) under AIFRS.

### **Employee benefits (AASB 119 and AASB 101)**

AASB 101 requires that a liability must be classified as current where the entity does not have an unconditional right to defer settlement of the liability for at least twelve months beyond the reporting date. Consequently, all annual leave and long service leave entitlements (unconditional long service leave) must now be classified as current. Non-vested long service leave liability will be non-current to the extent that it does not become unconditional within twelve months from reporting date.

Employment on-costs are not included in employee benefits under AGAAP or AIFRS. However, under AGAAP employee benefits and on-costs are disclosed together on the face of the Income Statement as Employee costs. Under AIFRS employee benefits is the equivalent item disclosed on the face. On-costs have been transferred to other expenses.

#### **(a) Adjustments to Opening Balance Sheet as at 1 July 2004**

There was no impact on the opening Balance Sheet.

#### **(b) Adjustments to Balance Sheet as at 30 June 2005**

All unconditional long service leave previously reported as non-current has been reclassified to current liability (\$164,000).

Annual leave under AASB 119 is now discounted (\$11,000).

#### **(c) Adjustments to the Income Statement for the year ended 30 June 2005**

##### **(i) Employee Benefits**

Annual leave under AASB 119 is now discounted (\$11,000) and on-costs (\$4,000) have been reclassified to other expenses.

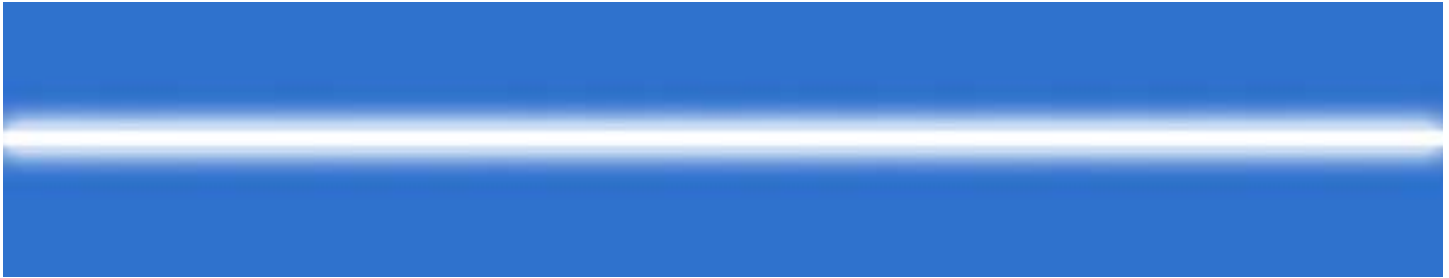
##### **(ii) The carrying amounts of assets disposed was recognised as an expense. This has now been derecognised (\$4,000).**

The proceeds on disposal of non-current assets were previously recognised as income. This has been derecognised (\$5,000).

A gain on disposal of non-current assets (\$1,000) has now been recognised as income.

#### **(d) Adjustments to the Cash Flow Statement for the period ended 30 June 2005**

There was no impact on the Cash Flow Statement.



# *Publications*

## OFFICE OF ENERGY PUBLICATIONS

The *Energy Western Australia* publication has been redeveloped into a series of fact sheets as follows:

- Coal Reserves
- Electricity Networks
- Electricity Policy
- Fuel Diversity Policy
- Gas Policy
- Gas Reserves
- Gas Transmission Pipelines
- Statement of Opportunities
- Sustainable Energy

The Underground Power Program produced the following publication:

- Major Residential Projects Round Four Guidelines

## ELECTRICITY REFORM PUBLICATIONS

- Electricity Reform News Issue 9, October 2005
- Electricity Reform News Issue 10, April 2006
- Integrated Measures to Improve Network Services Reliability

## SUSTAINABLE ENERGY DEVELOPMENT OFFICE PUBLICATIONS

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

### Sustainable Energy Development Office Funding Programs

A range of information (including guidelines and application forms) is available from the Sustainable Energy Development Office on the following programs:

- Solar Water Heater Subsidy Scheme
- Solar Schools Program
- Energy Smart Government Program
- SEDO Grants Program

## *Publications*

- Photovoltaic Rebate Program
- Rural Renewable Energy Program
- Renewable Energy Production Subsidy
- Renewable Remote Power Generation Program

### **Renewable Energy**

- Renewable Energy Handbook for Western Australia
- Renewable Remote Power Generation Program
- Renewable Energy Water Pumping Program
- Aboriginal Community, Business and Household Remote Area Power Supply

### **Ways to Live Energy Smart**

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

### **Ways to Choose Energy Smart**

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

### **Ways to Work Energy Smart**

Energy Smart Government:



## *Publications*

- Energy Smart Government Report 2004/05
- Energy Smart Government Report 2003/04
- Energy Smart Government Report 2002/03
- Working Energy Smart Office Accommodation
- Energy Savings from Computers

### Energy Smart Business:

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

### Fact Sheets

- Energy Efficient Homes
- Changes to the Building Codes of Australia
- Fuel Cells
- House Energy Efficiency (software available to rate houses)



## *Boards & Committees*

Representatives of the Office of Energy participated in the following Boards and Committees in 2005/06:

- Aboriginal and Remote Communities Power Supply Steering Committee
- Aboriginal Communities Essential Services Steering Committee
- Access Code Amendments Committee
- Air Quality Coordinating Committee
- Australian Building Greenhouse Rating National Steering Committee
- Commercial Business Steering Committee
- Customer Transfer Code Committee
- Electricity Industry Reference Group
- Electricity Reform Implementation Steering Group
- Energy Efficiency Working Group of the Ministerial Council on Energy:
  - National Framework for Energy Efficiency Steering Committee
  - National Framework for Energy Efficiency Communication Group
  - Equipment Energy Efficiency Committee – Electricity
  - Equipment Energy Efficiency Committee – Gas
  - Government Energy Efficiency Implementation Group
  - Finance Sector Implementation Group
  - Buildings Implementation Group
  - Commercial and Industrial Capacity Building Implementation Group
  - Commercial and Industrial Energy Efficiency Implementation Group
  - Trades and Professional Training and Accreditation Implementation Group
  - General Consumer Capacity Building Implementation Group
- Evaluation Panel for the Common User Arrangement for the Purchase of Electricity for Contestable Government Sites
- Environment Protection and Heritage Council and Ministerial Council on Energy Joint Working Group on Energy and Greenhouse Reporting
- Financial Modelling Committee
- Greenhouse Interdepartmental Committee
- Infrastructure Coordination Committee (Western Australian Planning Commission)
- Inter-Jurisdictional Renewable Energy Target Working Group
- Market Procedures Working Group
- Market Rules Advisory Committee

## *Boards & Committees*

- Market Readiness Committee
- Meeting Code Expert Team
- Ministerial Council on Energy Standing Committee of Officials
- NatHERS Technical Advisory Committee
- National Green Power Steering Committee
- Property Council of Australia's Sustainable Development Committee
- Reform Working Group
- Renewable and Distributed Generation Working Group of the Ministerial Council on Energy
- Renewable and Low Emission Technologies Working Group of the Council of Australian Government's Climate Change Group
- Residential Sustainable Indices Senior Officers Group
- Sustainability Roundtable Education and Community Awareness Committee
- Sustainable Industry Group Steering Committee
- Street Lighting Committee
- Technical Rules Committee
- Transfer Planning Committee
- The Western Australian Biofuels Taskforce
- The Renewable Energy Interagency Working Group
- Top Up and Spill Consultative Committee
- Town Reserves Regularisation Program Steering Committee
- Western Australia State of Environment Report – Towards Sustainability Working Group
- Western Australia State of Environment Report – Energy Sector Working Group
- Underground Power Program Steering Committee
- User Advisory Group for the Australian Bureau of Statistics 2006 Supplementary Survey