

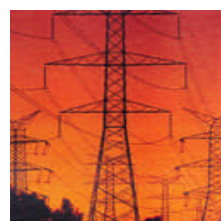
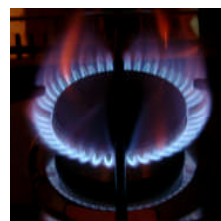


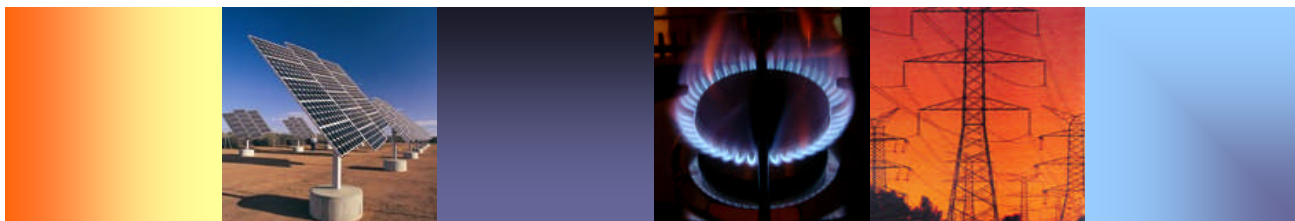
Office of Energy
Government of Western Australia

Office of Energy

ANNUAL REPORT

2007/08





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The Office of Energy's Annual Report 2007/08 can be made available on request in alternative formats to meet the needs of people with disability.

STATEMENT OF COMPLIANCE

Minister for Energy,

In accordance with Section 61 of the *Financial Management Act 2006*, 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 2008.

The Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.

A handwritten signature in black ink, consisting of a stylized 'J' followed by a long horizontal stroke that curves upwards at the end.

Jason Banks
Coordinator of Energy
Office of Energy

22 September 2008

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This is a report on the Office of Energy's contribution towards the State Government's operational and financial goals in 2007/08. It presents our strategic project achievements, outcomes, issues and future plans supported by data on performance indicators and financial statements.

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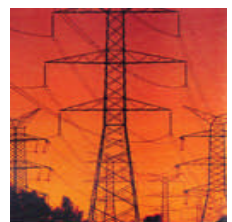
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SECTION 1

Overview of Agency From the Coordinator of Energy



FROM THE COORDINATOR OF ENERGY

The State Government is committed to a sustainable and secure future for Western Australia. This underpins the progress and development of our energy sector. The Office of Energy (the Office) contributes to this vision by leading the development and implementation of energy policy and programs to meet the State's energy needs. The Office is committed to driving change in a way that achieves improved economic, social and environmental outcomes for Western Australia.

The 2007/08 year was both rewarding and challenging in Western Australia's energy sector. While we have reached a number of milestones, many State, national and global issues and trends are impacting on our sector and challenging us to adapt.

Achievements and outcomes

Highlights of the Office's achievements and outcomes in 2007/08 are detailed below. More detail can be found in the Report on Operations – Project reports under Government Goals and also in the audited Performance Indicator Data in Section 3.

- The Office significantly progressed the **Electricity Retail Market Review**, which is examining electricity tariffs, electricity full retail contestability and the roll-out of electricity smart meters.
- The Office completed a review of the operation and effectiveness of the **Energy Coordination (Gas Tariff) Regulations 2000** in October 2007 and initiated a subsequent review of the gas retail tariff cap arrangements under the Regulations.
- The upgrade and regularisation by Horizon Power of the last three of five communities - Ardyaloon, Djarindjin and Beagle Bay - under the **Aboriginal and Remote Community Power Supply Program** overseen by the Office was completed in November 2007.
- The Como East Major Residential Project commenced, which is the remaining project under Round Three of the **Underground Power Program**. On-site works on the first Round Four Major Residential Projects has begun with the commencement of the Mt Pleasant North Major Residential Project. The Program reached 47 per cent of metropolitan households who are now connected to underground power by the end of the reporting year.
- The Office continued to actively engage and advise on national policy and regulatory development by the **Ministerial Council on Energy (MCE)**.
- The Office provided ongoing support to the Minister for Energy with respect to the operational and financial performance of the four **Government-owned Electricity Corporations**, including advice on major contract approvals, the vesting contract, strategic initiatives and strategic development plans.
- Four large **renewable energy projects** were completed during the year including a 16MW wind farm at Kalbarri, a 825kW wind farm at Coral Bay an additional 600kW wind turbine at Hopetoun and an additional 300kW wind turbine at Denham.
- The Government launched an expanded **Solar Schools Program** in November 2007 with \$4.1 million extra funding committed. The fourth round of the Solar Schools Program was successfully concluded during the year, with 41 schools being awarded funding to install their own solar panels.
- Alinta was contracted to supply five per cent – or 26 Gigawatt hours – of the Government's electricity needs in 2007/08 from renewable energy in the form of accredited **Greenpower**.

FROM THE COORDINATOR OF ENERGY

- The **Reach for the Stars** awareness program administered by the Sustainable Energy Development Office (SEDO) expanded with the state-wide roll-out of retailer sales staff training.
- Following the completion of economic modelling, consultation was undertaken on a preferred scheme design for a possible state-based **renewable energy target**. The outcomes of the consultation process are informing negotiations with the Commonwealth Government on its proposed expansion of the national Mandatory Renewable Energy Target.

Challenges

The explosion on **Varanus Island** in June highlighted the importance of energy security to all Western Australians, industry and business. The explosion resulted in the loss of 30 per cent of the State's gas supply, or around 350 terra-joules per day. The impacts of this event were felt across the State, in industries from mining to manufacturing and service sectors.

The Government, lead by the Office, responded quickly to the event taking a leadership and coordination role working with industry to reduce the impact of the disruption by:

- accessing gas from the North-West Shelf and other smaller gas suppliers;
- accessing energy from other sources to free-up gas;
- implementing a mass media campaign encouraging gas and electricity consumers to conserve energy;
- working with industry to shift demand to low peak times; and
- ensuring diesel was available to replace natural gas where possible.

While there has been disruption to particular firms and industry sectors, the State's economy is resilient and is expected to come through the disruption well.

Financial and non-financial performance

Compared to the year ending 30 June 2007, the financial position of the Office for the 12 months ending 30 June 2008 resulted in a slight increase in total liabilities and equity from \$13,623,000 to \$14,048,000. There was a deficit for the period of \$1,296,000.

The Office performed strongly against its auditable key performance indicators. The Office's outcomes are aligned with the Governments *Better Planning: Better Futures* framework. The Office works toward the achievement of:

- a policy environment to achieve a competitive, efficient and secure energy sector (in line with Government Goal 2 – Jobs and Economic Development); and,
- an increase in the adoption of renewable energy and energy efficiency (in line with Government Goal 3 – Lifestyle and the Environment).

All of our business operations aim to achieve good governance and overall public sector improvement (in line with Government Goal 5).

Significant progress has been made on all of the Office's **effectiveness indicators**. Where targets were not met during the 2007/08 financial year, detailed explanation of the contributing factors has been given in Disclosures and Legal Compliance – Performance Indicators.

FROM THE COORDINATOR OF ENERGY

In relation to the policy environment outcomes, in most instances where targets weren't met parliamentary processes, further consultation and other factors outside the Office's control slowed the progress of achieving the desired outcomes. With the renewable energy and energy efficiency outcomes, some programs saw targets significantly exceeded. The Solar Hot Water Subsidy Scheme and elements of the Renewable Remote Power Generation Program were strong. This could be attributed to the increased global awareness of renewable energy and energy efficiency issues.

The services provided by the Office are measured against its **efficiency indicators** in the two areas of:

- development and implementation of energy policy; and
- development and implementation of sustainable energy policy and programs.

A decrease in the number of items of Ministerial support provided during 2007/08 has resulted in a higher average cost per item of Ministerial support than estimated. The development of strategic policy and the recognition of major policy implementation milestones are often affected by circumstances beyond the control of the Office. As a result, a difference is shown between the actual and target figures. More detail can be found under Disclosures and Legal Compliance – Performance Indicators.

Issues and trends

Many external factors at State, national and global level will continue to influence the work carried out by the Office.

The significant increase in public awareness of **climate change** has led to increased pressure on governments to take action to reduce climate change. The Commonwealth Government has committed to a number of climate change initiatives including the introduction of emissions trading by 2010, an increased Mandatory Renewable Energy Target and several national harmonisation measures to complement emissions trading.

Emissions trading will be the cornerstone of a comprehensive strategy to reduce Australia's global greenhouse gas emissions. The Office will continue to be involved in the development of the emissions trading model to ensure that Western Australia's best interests are represented.

The national **Mandatory Renewable Energy Target** of 20 per cent by 2020 is under development. The Office is representing the state's interests in the design of this scheme.

With this heightened awareness of renewable energy issues, we expect that demand from the community for **SEDO's incentive programs and information services** will continue to increase.

Securing **reliable and competitive fuel resources** in Western Australia is also important and was highlighted by the gas disruption in June. An efficient and secure industry requires competitive tension between fuel sources. Availability of gas supply is important and there is work to be done in developing the domestic market. Best practice in the coal gas and renewable energy technologies is also required.

Extensive work has already been carried out by the Office on **smart meters**. Technological improvements in metering are increasing consumer participation in the management of their demand for electricity. The Office is actively investigating the costs and benefits of smart meters and will advise the Government on their potential introduction in the next year.

FROM THE COORDINATOR OF ENERGY

More detail on significant issues and trends can be found in Section 2: Significant Issues and Trends

Future directions and forward planning

Highlights of the major initiatives to be undertaken in the 2008/09 financial year are listed below. More detail on each project can be found in the Report on Operations – Project Reports under Government Goals

- Complete the **Electricity Retail Market Review** (the review of electricity tariffs, electricity full retail contestability and the roll-out of electricity smart meters) and initiate programs to progress the recommendations that are approved by Government.
- Complete the review of the level of gas tariff caps and implement any necessary changes to the **Energy Coordination (Gas Tariffs) Regulations 2000**.
- Implement, in conjunction with the Department of Child Protection, the Government **Utility Hardship Program** comprising the Hardship Utility Grants Scheme, improved resourcing for a Utility Hardship Financial Counselling and a Hardships Efficiency Program.
- Develop and implement a framework for determination of funding required by Horizon Power from the **Tariff Equalisation Fund** for the second regulatory determination period (commencing 1 July 2009).
- Two Major Residential Projects under the **Underground Power Program** are to be undertaken – Como East and Mt Pleasant North – with a third to be identified and commenced. One Localised Enhancement Project in Manjimup will also be undertaken.
- Undertake a competitive funding round for **large renewable energy projects** in off-grid area of the State to identify projects that could be supported through the Renewable Remote Power Generation Program.
- Contract with suppliers for the delivery of **accredited Greenpower** to complete the Government's commitment to purchase 20 per cent of its electricity requirements from renewable energy sources by 2010.
- Represent Western Australia's interests on the **Council of Australian Governments Climate Change and Water sub-groups** from renewable energy and energy efficiency work streams.
- Delivery of a State-wide **Energy Smart Information Package** to assist householders in taking action to reduce greenhouse gas emissions through increased energy efficiency.
- Provide local support for the implementation of the **National Framework for Energy Efficiency** continuing Stage One measures and for new Stage Two measures. Finalise scheme design for a mandatory energy efficiency program for large to medium energy-users in consultation with stakeholders.
- Expand the **Solar Schools Program**, widening the eligibility criteria to include independent and Catholic schools.
- Establish a **feed-in tariff** for households and the investigation of the feasibility of extending such a scheme to small business and commercial premises.
- Facilitation of the construction of a natural **gas pipeline from Bunbury to Albany**.

FROM THE COORDINATOR OF ENERGY

The support of the energy industry and our stakeholders is paramount in ensuring we reach our goals and deliver positive outcomes for Western Australia. We will continue to collaborate and consult with these groups and strengthen these links as we help to build a sustainable and secure energy future for the State.

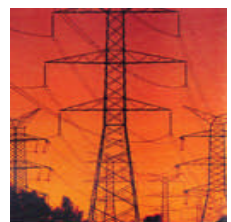
The success of the Office is dependant upon the skills and capabilities of our staff. I'd like to thank them for their untiring efforts. The Office is fortunate to have talented, enthusiastic and dedicated people guiding the direction of our future energy market.



Jason Banks
Coordinator of Energy
Office of Energy

Overview of Agency

Operational Structure



OPERATIONAL STRUCTURE

This section of the report provides general information about the agency, such as its name, Minister and the legislation it administers.

Elements of the operational structure are addressed comprehensively throughout the report.

Overview of Agency – Performance Management Framework addresses:

- agency level desired outcomes for each service and changes to these outcomes, objectives and functions; and
- likely developments and forecast results of operations.

Report on Operations under Goal 5 Governance and Public Sector Improvement addresses:

- Ministerial directives;
- Employment matters including staff profile, recruitment, the Graduate Development Program, payroll systems, staff development, performance management, industrial relations and workers' compensation; and
- Insurance paid to indemnify a director against liability.

Enabling legislation

The Office of Energy (the Office) was established on 1 January 1995 under Section 35 of the *Public Sector Management Act 1994*.

Responsible Minister

As at 30 June 2008, the Office was responsible to the Honourable Francis Logan BA(Hons), Member of the Legislative Assembly, Minister for Energy; Resources; Industry and Enterprise.

Address

The Office is located on Levels 8 and 9, Governor Stirling Tower, 197 St Georges Terrace, Perth Western Australia 6000.

Mission

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

Vision

The Office is striving towards its **vision** of '**...reliable, sustainable and competitively priced energy services for the benefit of all Western Australians.**'

The Office will achieve its vision by ensuring that:

- householders, businesses, government and other organisations throughout Western Australia enjoy a choice of secure, reliable, sustainable and competitively priced energy services;
- the Western Australian energy sector is competitive and efficient with new entrants and new energy services;

OPERATIONAL STRUCTURE

- efficient regulation applies where necessary, and is 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 and programs to meet the State's energy needs; and
- the Office is an employer of choice that attracts, develops and retains the best people for the job.

Objectives

The principal objectives of the Office are to:

- encourage and facilitate the provision of secure, reliable and sustainable energy services, at competitive prices, to meet the needs of households, businesses, Government and other organisations in Western Australia;
- implement appropriate market and regulatory arrangements to achieve a competitive, dynamic and sustainable energy sector;
- ensure the Government-owned Electricity Corporations participate in the energy industry in a competitively neutral manner, while they endeavour to make a profit, consistent with maximising their long-term value to the State;
- 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; and
- be credible and capable in shaping and delivering the Government's energy policy.

Services

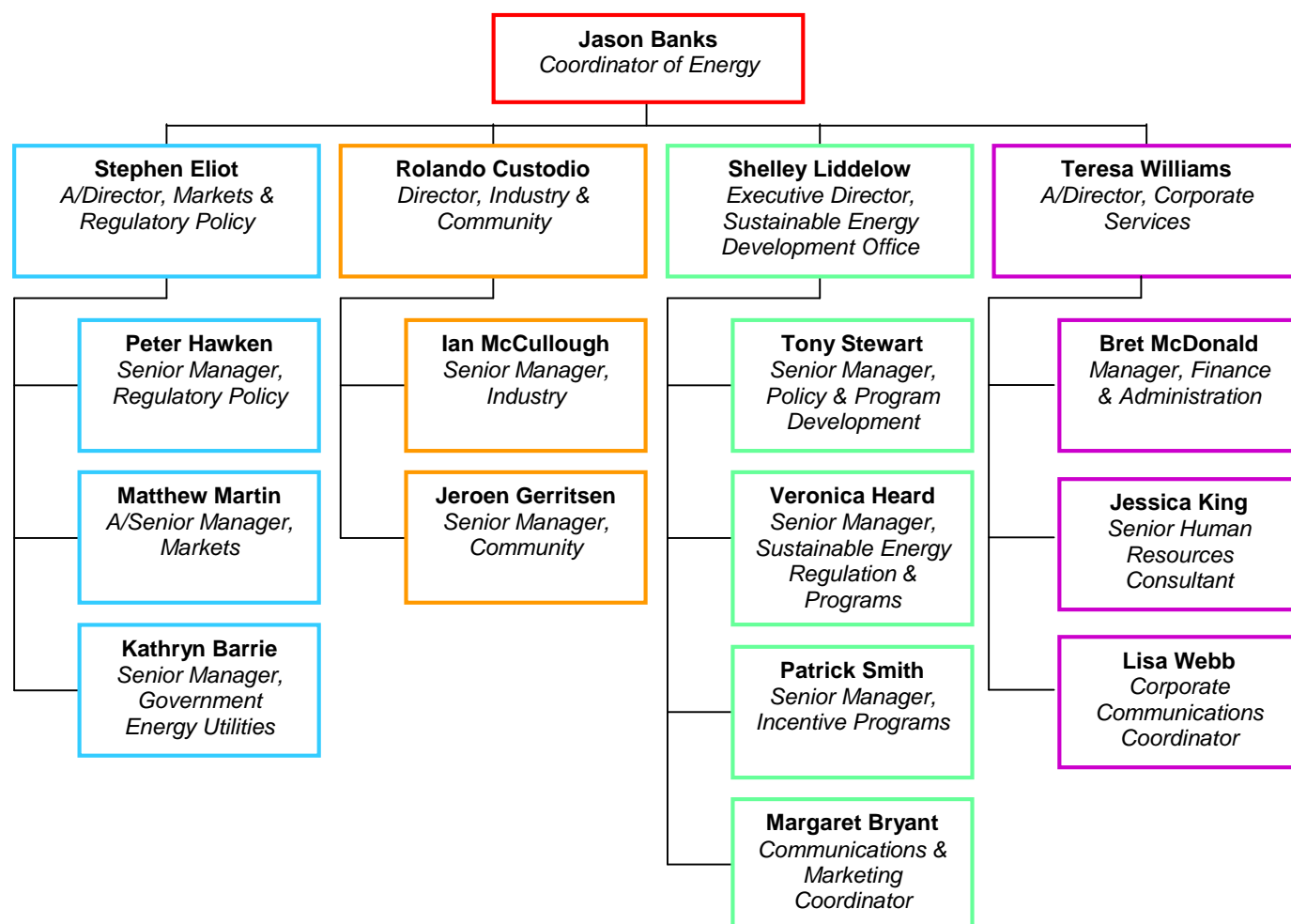
The Office provides a range of services on energy matters to the Minister for Energy, Government, the energy sector and the Western Australian community. The Office:

- plans and develops energy policies and strategies for Western Australia;
- implements changes in Western Australian energy policy;
- develops and administers subsidies, rebates and grants for the Western Australian community and energy industry;
- 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;
- provides information and educational materials for industry and consumers;
- consults and communicates with industry, consumers and other stakeholders; and
- monitors performance of the Government-owned Electricity Corporations.

OPERATIONAL STRUCTURE

Organisational structure and profile

Organisational chart as at 30 June 2008



OPERATIONAL STRUCTURE

Summary of activities and responsibilities of each division

The **Markets and Regulatory Policy Division**:

- provides policy advice on flexible and balanced market and regulatory arrangements to deliver competitive and efficient investment, and supply and use of electricity and gas services;
- provides advice to the Minister on management of shareholder interests in the Government Energy Utilities ensuring value creation and consistency with Government policy and competitive neutrality; and
- ensures that national energy policy development is consistent with State policy.

The **Industry and Community Division**:

- provides policy advice to Government on the way energy is supplied, used by and contributes to the sustainable well being of the Western Australian community; and
- develops and implements specific Government energy policies to facilitate the efficient and equitable provision of energy to consumers.

The **Sustainable Energy Development Office (SEDO)** is focussed on delivering the Government of Western Australia's sustainable energy policy and increasing the sustainability of non-transport related energy supply and use. Its role is to:

- accelerate the adoption of renewable energy and energy efficiency; and
- support the sustainable energy industry to deliver economic, environmental and social benefits to the State.

The **Corporate Services Division** is focused on office services and corporate governance processes. Processes including administration, corporate communications, fleet management and records management are performed by the Office's staff. Support for transactional level functions including finance, human resource and information technology, are provided by the Department of Treasury and Finance via a Service Level Agreement.

OPERATIONAL STRUCTURE

Senior staff profiles

The Coordinator of Energy is ultimately accountable for all of the Office's activities.

Jason Banks, Coordinator of Energy

The Coordinator of Energy is appointed under the *Energy Coordination Act 1994*. Mr Banks was permanently appointed to this position on 25 September 2007 for a term of five years. Mr Banks' appointment was approved by the Public Sector Management Division of the Department of the Premier and Cabinet and the Minister for Energy.

Stephen Eliot, A/Director, Markets and Regulatory Policy

The position of Director, Markets and Regulatory Policy is substantively vacant. The position was advertised during the reporting year and will be resolved later in 2008. Mr Eliot is currently acting in this role.

Rolando Custodio, Director, Industry and Community

Mr Custodio substantively occupies the position of Director, Industry and Community. His appointment is for a term of five years which commenced on 16 January 2007. His tenure is due to finish in January 2012.

Shelley Liddelow, Executive Director, Sustainable Energy Development Office

Ms Liddelow substantively occupies the position of Executive Director, Sustainable Energy Development Office. Her appointment is for a term of five years which commenced on 10 June 2004. Her tenure is due to finish in June 2009.

Teresa Williams, A/Director, Corporate Services

The position of Director, Corporate Services is substantively vacant. The position will be advertised during the 2008/09 reporting year. Ms Williams is acting in this role.

Corporate Executive

The Corporate Executive aims to achieve best practice in corporate governance. This entails the consideration and approval of Office policies, strategic direction and resource allocation, as well as monitoring office performance, progress towards targets and use of resources.

The Corporate Executive is responsible for:

- prioritising and approving the Office 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;
- approving the scope of new major projects as they arise;
- approving structural changes; and
- advising the Coordinator of Energy on major decisions.

OPERATIONAL STRUCTURE

Legislation administered

The principal legislation administered by the Minister for Energy through the Office 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 administered by the Minister for Energy through the Office include:

Dampier to Bunbury Pipeline Act 1997
Electricity Corporations Act 2005
Electricity Industry Act 2004 (all parts other than Part A9)
Energy Corporations (Transitional and Consequential Provisions) Act 1994
Energy Operators (Powers) Act 1979
Electricity Transmission & Distribution Systems (Access) Act 1994
Fuel, Energy and Power Resources Act 1972
Gas Corporation (Business Disposal) Act 1999
Gas Pipelines Access (Western Australia) Act 1998
Liquefied Petroleum Gas Subsidy Act 1980
Petroleum Products Subsidy Act 1965
State Energy Commission (Validation) Act 1978

Changes within written law

The following changes and amendments to legislation were developed and/or implemented on behalf of the Government during 2007/08.

Nuclear Facilities Prohibition Bill 2007
The *Electricity Industry Amendment Bill 2007* received Royal Assent on 21 December 2007

Legislation affecting office activities

In everyday operations, the Office 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 Management Act 2006
Freedom of Information Act 1992
Government Employees Superannuation Act 1987
Industrial Relations Act 1979
New Tax System (Goods and Services Tax) Act 1999
Occupational Safety and Health Act 1984
Occupiers Liability Act 1985
Public Interest Disclosures Act 2003
Salaries and Allowance Act 1975
State Records Act 2000
State Supply Commission Act 1991
Workers' Compensation and Rehabilitation Act 1981

OPERATIONAL STRUCTURE

Details of subsidiary, affiliated or related bodies

The Office provides executive support to the Ministerial Advisory Committee on Energy Supply. The Committee, comprising residential and small business representatives, was established in 2006 to provide independent advice to the Minister for Energy on the adequacy of electricity supply to consumers, particularly in relation to reliability and quality of supply. Members are appointed for a period of two years.

Declaration of interests

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

Shares

The Corporate Executive Team acknowledges the requirement to declare any shareholdings that may cause a conflict of interest. There were no conflicts of this nature to declare.

Economic factors which affected achievement of operational objectives

There are no economic factors that affected the achievement of operational objectives during the reporting year.

Research and development

SEDO commissioned three pieces of research that were completed in 2007/08.

Through the Photovoltaic Working Group, research was commissioned to quantify the benefits that grid connected photovoltaic systems provide to electricity networks. The Office engaged the services on the Centre for Energy and Environmental Markets (CEEM) of the University of New South Wales to place a value on a range of parameters, including avoided energy losses, foregone investment in network expansion, the level of firm capacity provided and avoided conventional energy use. CEEM used data on system wide and individual feeder electricity use profiles obtained from the network service providers and compared that with real and modelled photovoltaic systems generation data in undertaking the study. It found that the electricity system benefits photovoltaic systems connected to the State's main grid provide range from 13 - 16 c/kWh. The benefits were generally greater in the smaller isolated grids, particularly those using diesel as the fuel source.

In the process of developing a state renewable energy target, the Sustainable Energy Development Office commissioned modelling from McLennan Magasanik Associates (MMA) and the Centre for Policy Studies at Monash University to analyse the impacts of various renewable energy targets on the electricity market, greenhouse gas emissions and the Western Australian economy. Additional modelling was commissioned in the second half of 2007 to explore the implications of the rapid rise in gas prices rises that had occurred since the original assumptions were made. The modelling indicated that the impact of the proposed scheme on electricity prices was modest and that impacts on economic and employment growth would be small.

OPERATIONAL STRUCTURE

Modelling of the potential costs and benefits of a mandatory energy efficiency requirement for large to medium energy users was undertaken by the Office on behalf of the Ministerial Council on Energy. Allens Consulting Group was engaged to undertake analysis of requiring industry to identify and implement energy efficiency initiatives with a three year or less payback. The report used best available estimates of the magnitude and distribution of energy savings opportunities available to Australian sites, compared that with implementation rates from Australian and international voluntary programs to calculate the additional energy savings that could be expected. The analysis found that significant potential benefits were available that justified more stringent energy efficiency requirements for industry.

Promotions, public relations and marketing activities

SEDO continues to implement a communications and marketing strategy to accelerate the adoption of renewable energy and energy efficiency. The strategy is aimed at encouraging and assisting households, government agencies, businesses and industry in Western Australia to operate in ways that are economically, environmentally and socially sustainable.

Below are key highlights for 2007/08.

- More than 9,000 people attended the Sustainable Energy Expo 2008. The expo is sponsored by SEDO and showcased sustainable energy products and technologies from 150 companies.
- Highly successful television promotion through *Nuts and Bolts Goes Green*.
- Promotion of the State Government's Solar Schools Program. Solar Schools play an important role in educating the next generation about the need for, and role of, renewable energy.

The incident on Varanus Island on 3 June 2007 required an immediate public response from the Government. The Department of the Premier and Cabinet, the Government Media Office and the Office worked together to implement a communications strategy aimed at reducing the impact of the incident by raising awareness of methods of conserving energy.

Messages were crafted for industry, business, Government and the wider community. The Office worked with the Minister's office on public relations and media liaison.

The mass media campaign targeted householders and consumers. The campaign consisted of television, radio and press advertising, developed by Marketforce Productions. It commenced on 8 June. Outcomes of the communications strategy will be reported in the next reporting period.

Pricing policies on services

The Office has no pricing policies as it does not sell, licence or register any items for a fee.

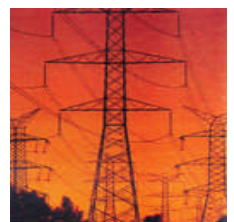
Major capital works projects

The Office undertook a computer replacement program during the year. This program was the only capital works program for 2007/08.

Subsequent events

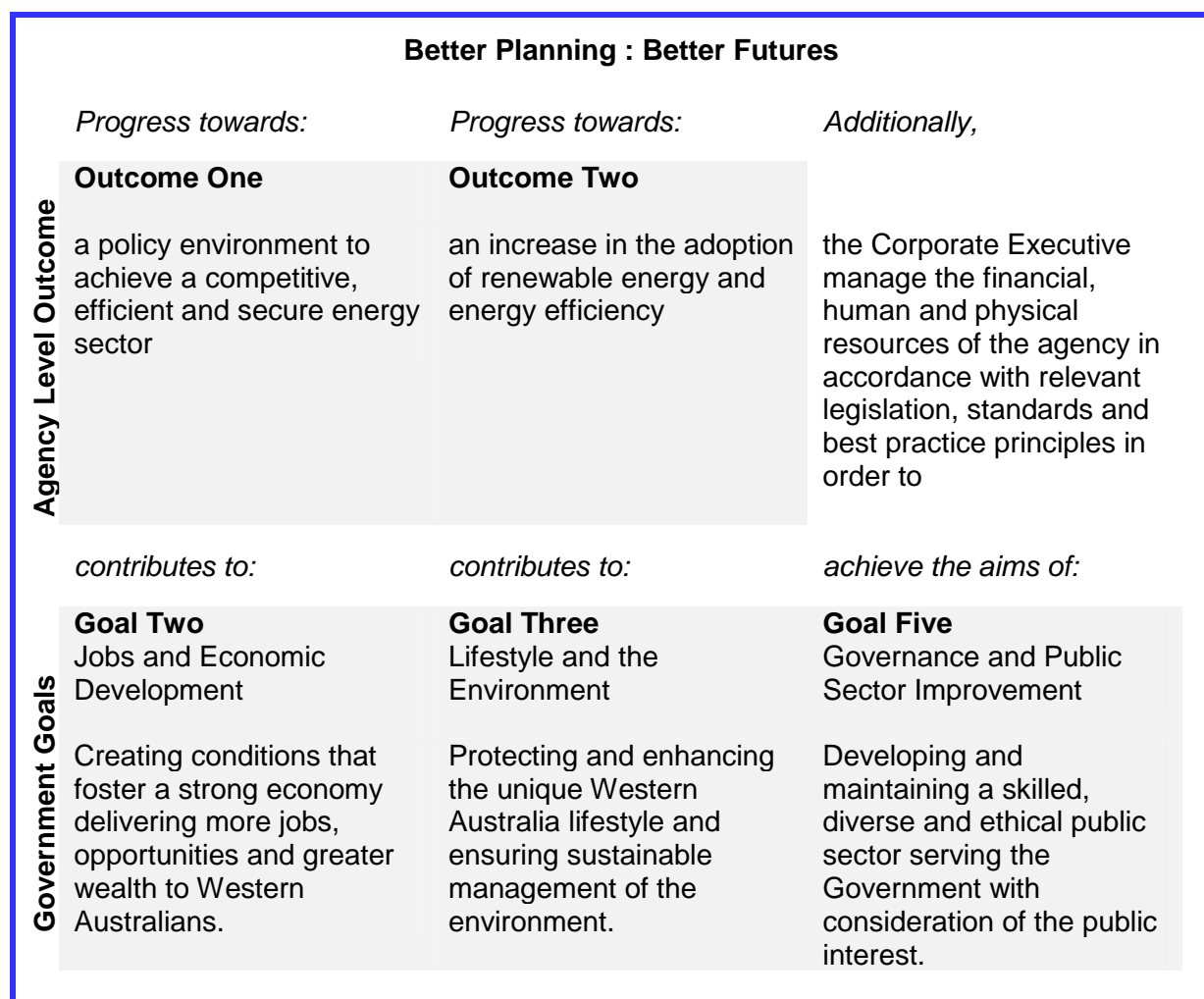
The Office is unaware of any event occurring after the reporting date that would materially affect the financial statements.

Overview of Agency Performance Management Framework



PERFORMANCE MANAGEMENT FRAMEWORK

To achieve the Government's long-term aims, the Office of Energy (the Office) manages its people and resources in accordance with goals contained within the *Better Planning: Better Futures* framework. *Better Planning: Better Futures* provides a common vision for all agencies and shapes the way the Office delivers services to the Western Australian community. The following provides an overview of how the Office's agency level outcomes link to the goals of the Government.



A review of the Office's performance management framework was undertaken during 2007/08. The assessment framework was refined in terms of performance levels.

Progress towards the outcomes is made via the delivery of specific services. These services are discussed in the Report on Operations.

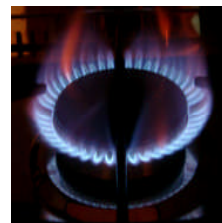
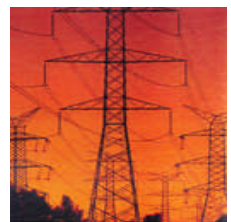
PERFORMANCE MANAGEMENT FRAMEWORK

The common vision provided by the *Better Planning: Better Futures* framework encourages cross agency effort towards better results for the community. Examples of cross agency projects the Office contributes to include the following.

- In conjunction with the Department of Treasury and Finance, Department of the Premier and Cabinet and the Office of Climate Change, the review of climate change and emissions trading policies and programs.
- In conjunction with the Office of Climate Change, the Low Emissions Energy Development (LEED) Fund.
- In conjunction with the Department of Child Protection, a Utility Hardship Package that comprises of :
 - Hardship Utilities Grant Scheme;
 - Improved Financial Counselling; and
 - Hardship Efficiency Program.
- In conjunction with Western Power and Horizon Power, the Underground Power Program;
- In conjunction with Western Power and Synergy, the 'Beat the Peak' campaign.
- In conjunction with the Department of Treasury and Finance, the Office led the purchase of renewable energy on behalf of the Government.
- In conjunction with all State Government agencies (with 25 or more full-time equivalent staff), the Energy Smart Government program.
- In conjunction with the Western Australian Planning Commission, the Infrastructure Information Portal.

SECTION 2

Report on Operations Summary of Key Performance Indicators



SUMMARY OF KEY PERFORMANCE INDICATORS

In order to achieve the agency level outcomes that link to the goals contained within the *Better Planning: Better Futures* framework, the Office of Energy (The Office) provides specific services to the Western Australian community. The following is an overview of the services provided and how they contribute to the Office's agency level outcomes.

Better Planning : Better Futures		
Agency Level Outcome	<i>Progress towards:</i>	<i>Progress towards:</i>
	Outcome One	Outcome Two
	a policy environment to achieve a competitive, efficient and secure energy sector	an increase in the adoption of renewable energy and energy efficiency
	<i>is made via the delivery of:</i>	<i>is made via the delivery of:</i>
Agency Services	Service One	Service Two
	Development and Implementation of Energy Policy	Development and Implementation of Sustainable Energy Policy and Programs
	This service includes the provision of ministerial support, strategic and major policy.	This service includes the provision of ministerial support, strategic and major policy, community information and advice, and the payment of energy efficiency incentives.

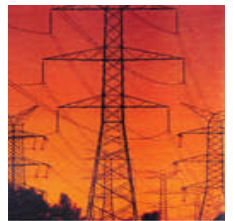
Performance results which have been audited by the Office of the Auditor General are provided with the audit opinion in Section 3 of the Report. Additionally, specific key performance indicator results have been incorporated into the body of Section 2: Report on Operations. Discussion regarding specific projects and the services provided are complemented with key performance indicator results and explanation of variations.

More comprehensive information is provided in the Disclosures and Legal Compliance section, including a full Income Statement and the accompanying notes. While the full set of financial statements should be read for a comprehensive view, the following provides some insight into the agency's results.

Abridged Income Statement	2008 \$000	2007 \$000
Total cost of services	31,503	28,794
Total revenue	11,862	9,439
Total gains	-	(6)
Total income other than income from state government	11,862	9,433
Net cost of services	19,641	19,361
Income from State Government		
Total income from State Government	18,345	17,971
Surplus/(deficit) for the period	(1,297)	(1,390)

Report on Operations

Project reports under
Government Goals



GOAL 1: BETTER SERVICES

Electricity and Gas Industry Licence Exemptions

The *Electricity Industry Act 2004* and the *Energy Coordination Act 1994* govern the operation and regulation of the Western Australian electricity and gas industries respectively. The Office of Energy (the Office) administers exemptions from licensing as required under these Acts.

Strategic outcomes and achievements in 2007/08

Verve Energy was granted a licence exemption to distribute and sell electricity to Alstom Power within the NewGen Power Station site at Kwinana solely for the purposes of commissioning the NewGen Power Station.

In addition, nine specific and two general electricity distribution/transmission exemptions have been identified and are under consideration. Public comment on the exemptions has been sought and consultations conducted.

An exemption for the on-selling of gas to residential customers in group housing situations and the construction of gas distribution systems by property developers are under consideration. Public comment on the exemptions has been sought and consultations conducted.

A recommendations report has been provided to the Minister. The Minister has approved the briefing of Parliamentary Counsel to draft the appropriate orders for the Governor's approval and Gazettal.

Forward planning for 2008/09

Consideration of nine specific and two general electricity distribution/transmission exemptions will be completed and a report release for public comment.

Following this process, a recommendations report will be submitted to the Minister for approval to brief Parliamentary Counsel to draft the appropriate orders for the Governor's approval and Gazettal.

Exemptions for the on-selling of gas to residential customers in group housing situations and the construction of gas distribution systems by property developers will be drafted, approved and Gazetted.

Performance Indicator Data

Efficiency Indicator: Average cost per strategic policy developed

Electricity Licence Exemptions

2007/08 Target	2007/08 Actual
1 policy	Achieved
No variation between target and actual.	

Efficiency Indicator: Average cost per strategic policy developed

Gas Licence Exemptions

2007/08 Target	2007/08 Actual
1 policy	Achieved
Awaiting drafting of order, Executive Council approval and Gazettal.	

GOAL 1: BETTER SERVICES

The Aboriginal and Remote Communities Power Supply Project (ARCPSP)

The ARCPSP is a joint initiative of the State and Federal Governments to regularise the power supply in large, permanent Aboriginal communities in remote Western Australia.

The Office oversees the delivery of the ARCPSP, which is implemented by Horizon Power. Remote Aboriginal communities serviced by this project are provided with safe and reliable power supplies with levels of service and prices equivalent to those of other remote Western Australian towns.

Phase One of the Project (ARCPSP1) completed in November 2007, regularised the supply of electricity to five large, permanent Aboriginal communities in the Kimberley: Warmun, Bidyadanga, Ardyaloon, Beagle Bay and Djarindjin/Lombadina.

Strategic outcomes and achievements in 2007/08

The first community regularised was Warmun in December 2006. Regularisation was completed in the remaining four communities in November 2007.

Planning continued on the expansion of ARCPSP into a second phase (ARCPSP2).

Progress has been made through the Office's participation on the Taskforce on Essential Services to Indigenous Communities, towards developing options for electricity supply to remote Aboriginal communities with populations of less than 200 as part of planning for ARCPSP2.

Forward planning for 2008/09

Monitoring of ARCPSP1 communities and planning and development work for ARCPSP2 will continue.

A community acceptance survey of pre-payment meters (PPMs) in ARCPSP1 communities will be conducted. Funding and approval will be obtained to proceed with Stage One of ARCPSP2.

Funding agreement will be reviewed in cooperation with the Australian Government.

An agreement with Horizon Power will be developed, including a detailed project plan.

Performance Indicator Data

Effectiveness Indicator:
Improved regional and remote services, indicated by the achievement of the following milestones

1. Negotiation of an establishment agreement with Horizon Power to outline the service delivery arrangements for the implementation of the Aboriginal and Remote Communities Power Supply Project Phase Two.

2007/08 Target	2007/08 Actual
Oct 2007	Not achieved
The ARCPSP2 was delayed due to negotiations with the Commonwealth Government over funding.	

2. Aboriginal and Remote Communities Power Supply Project Phase One implementation complete in the five targeted communities.

2007/08 Target	2007/08 Actual
Nov 2007	Nov 2007
No variation between target and actual.	

GOAL 1: BETTER SERVICES

Research will also continue on options for electricity supply to remote Aboriginal communities with populations of less than 200. This research will be aligned with the principles of the Bilateral Agreement on Indigenous Affairs 2006-2010.

Efficiency Indicator: Average cost of strategic policy developed

Service delivery agreements with Horizon Power for Phase Two of the Aboriginal and Remote Communities Power Supply Project

2007/08 Target	2007/08 Actual
1 policy	Not achieved
The ARCPSP2 was delayed due to negotiations with the Commonwealth Government relating to funding.	

Efficiency Indicator: Average cost of meeting major policy implementation milestones

Remaining ARCPSP1 community upgrades completed and serviced by Horizon Power.

2007/08 Target	2007/08 Actual
3 milestones	Achieved
No variation between target and actual.	

Efficiency Indicator: Average cost per strategic policy developed

Development of policy advice on the delivery of essential services to all indigenous communities.

2007/08 Target	2007/08 Actual
1 policy	Achieved
No variation between target and actual.	

GOAL 1: BETTER SERVICES

Underground Power Program

The Underground Power Program (the Program) contributes in 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.

The Program is administered by the Office and is jointly funded by the State, the respective electricity distributor (Western Power or Horizon Power) and participating local governments. The 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 which aim to beautify 'gateways', scenic routes and tourism/heritage centres, particularly in regional towns.

Strategic outcomes and achievements in 2007/08

Round Three

An agreement for the last of the Round Three Major Residential Projects was signed with the City of South Perth to convert over 1,656 lots in Como East to underground power. This project is underway.

During the year, Round Three Major Residential Projects in Fremantle, Nedlands East and Port Hedland were completed providing over 3,078 lots with underground power.

Detailed proposals were completed and funding agreements signed for Round Three Localised Enhancement Projects in Waroona and Manjimup. The Waroona project was implemented but not completed as delays with a larger project undertaken by the Shire of Waroona held up progress. The Manjimup project was completed during the year.

Round Four

An agreement for the first of the Round Four Major Residential Projects was signed with the City of Melville to convert over 1,509 lots in Mt Pleasant North to underground power. This project is being implemented.

Performance Indicator Data

Effectiveness Indicator: 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.

2007/08 Target	2007/08 Actual
47%	47%
No variation between target and actual.	

Efficiency Indicator: Average cost of meeting major policy implementation milestones

Major Residential Projects completed within the Underground Power Program

2007/08 Target	2007/08 Actual
3 milestones	Achieved
No variation between target and actual.	

Efficiency Indicator: Average cost of meeting major policy implementation milestones

Localised Enhancement Projects completed within the Underground Power Program

2007/08 Target	2007/08 Actual
2 milestones	1 achieved
There was a delay to the works in Waroona as it is a part of a larger project undertaken by the Shire of Waroona.	

GOAL 1: BETTER SERVICES

Detailed proposals for Round Four Major Residential Projects in Palm Beach in Rockingham, and Withers in Bunbury were further developed.

An Agreement for the first of the Round Four Localised Enhancement Projects was signed with the Shire of Toodyay to provide underground power along Stirling Terrace within the Toodyay town site. The Toodyay project is being implemented.

Forward planning for 2008/09

A review of the Program will be conducted.

Major Residential Projects in Churchlands/Wembley Downs and Highgate are scheduled for completion in 2008/09 providing 2,625 lots with underground power.

Localised Enhancement Projects in Waroona, Toodyay, Brunswick Junction and Cowaramup are scheduled for completion in 2008/09.

In addition, detailed designs and Agreements for the remaining Round Four Localised Enhancement Projects in all short-listed proposal areas are expected to be finalised.

GOAL 1: BETTER SERVICES

Ministerial Advisory Committee on Electricity Supply

The Ministerial Advisory Committee on Electricity Supply, comprising residential and small business representatives, was established as a source of independent advice to the Minister for Energy on the adequacy of electricity supply to consumers, particularly reliability and quality of supply. The Office provides executive support to this Committee.

Strategic outcomes and achievements in 2007/08

The Committee had its first meeting in December 2006 and conducts meetings four times per year. The Committee has received briefings on the role of government in the WA energy sector, review of electricity retail tariffs and utilities hardship and provided feedback to the Minister on these and other matters from the perspective of residential and small business consumers.

Forward planning for 2008/09

As Committee members are appointed for two years, the Office will undertake an Expression of Interest process in the second quarter of 2008/09 to identify Western Australians who may be interested in becoming new members of the Committee.

The Office will continue to provide executive support to the Committee and address issues that may arise from its regular meetings.

GOAL 1: BETTER SERVICES

Ministerial Inquiry into the Affordability of Bottled Liquefied Petroleum Gas (LPG) for Household Use in Western Australia

The Office supported the Ministerial Inquiry, led by Mr Mick Murray MLA and Mr Max Trenorden MLA, into the affordability of bottled LPG in Western Australia. The Inquiry's report was tabled in Parliament in August 2007.

Strategic outcomes and achievements in 2007/08

In May 2008, the Office provided the Minister for Energy with a Government response to the Ministerial Inquiry.

In response to the Inquiry's recommendation that LPG affordability be considered within an overall energy hardship policy, the Government announced funding in the 2008/09 Budget for a \$26.4 million Utility Hardship Package delivering:

- increased resources for financial counselling;
- a Hardship Utility Grants Program; and
- a hardship Efficiency Program that included a specific program to assist households in hardship who are dependent on LPG.

Forward planning for 2008/09

The Office will be implementing the Government's response to the Ministerial Inquiry.

The Office will develop a desktop model to assist regional communities with assessing costs and benefits of various gas reticulation options. The model will be used as an assessment tool to assist in identifying the feasibility of potential gas reticulation projects that local governments, regional councils, regional development commissions and regional businesses may wish to pursue.

The Office will develop an import parity pricing model for wholesale propane in WA to assist with the transparency of wholesale pricing of LPG for the domestic market.

The Office will continue to investigate and facilitate the development of an additional source/supplier of LPG for the domestic market.

Performance Indicator Data

Efficiency Indicator: Average cost per strategic policy developed

Development of Government Response to LPG Inquiry

2007/08 Target	2007/08 Actual
1 policy	Achieved
No variation between target and actual.	

GOAL 1: BETTER SERVICES

Utility Hardship Policy

The Office commenced development of the Utility Hardship Policy. The Utility Hardship Policy aims to reduce the rate of disconnection and/or restriction of essential services amongst those who are unable to pay due to genuine financial hardship.

The Office's utility hardship policy development is informed by the work of the Government Utility Essential Services Hardship Interagency Working Group (the Working Group).

Strategic outcomes and achievements in 2007/08

The Working Group was convened by the Office in June 2007, and is comprised of State Government agencies and Government owned utilities. Its task is to identify and report to government on possible improvements in the delivery of essential services to financially disadvantaged community members. It released its public issues discussion paper on Utilities Essential Services Hardship (Hardship Issues Paper) for comment in December 2007.

Utility Hardship Program

The Government's Utility Hardship Program was developed by the Office as part of its hardship policy development and in conjunction with the Electricity Tariff Review. The program also responds to the Inquiry into the Affordability of Bottled LPG for Household Use in Western Australia, and the findings presented in the Working Group's issues paper. Budget approval was obtained and the Program was subsequently announced by the Premier in April 2008 in conjunction with projected tariff increases.

The Utility Hardship Program has \$24.6 million funding over four years and comprises three initiatives: increased financial counselling services across Western Australia to assist those in utility hardship to develop financial management skills and break the utility debt cycle;

- a Hardship Utility Grant Scheme to assist those in utility hardship to meet their payment obligations and avoid disconnection or restriction of essential services; and
- a Hardship Efficiency Program to assist households in utility hardship to become more energy and water efficient. This Program provides free efficiency audits and fittings to households in private rental, public rental and owner-occupied accommodation.

Performance Indicator Data

Efficiency Indicator: Average cost per strategic policy developed

Development of draft hardship policy related to utility services

2007/08 Target	2007/08 Actual
1 policy	Not Achieved
Priority was given to the development and implementation of the Utility Hardship Program. While a draft hardship policy was not completed by the target date, a discussion paper was developed and released for public consultation.	

GOAL 1: BETTER SERVICES

The provision of increased financial counselling and the Hardship Utility Grant Scheme is administered by the Department of Child Protection. The Hardship Efficiency Program is administered by the Office.

Hardship Implementation Steering Committee

The Committee was convened by the Office in cooperation with the Department for Child Protection in April 2008 to oversee the design and implementation of the Hardship Utility Grant Scheme.

Hardship Efficiency Program Sub-Committee

This sub-committee was convened by the Office in April 2008 to oversee the design and implementation of the Hardship Efficiency Program.

Utilities' Hardship Policies

The Office played an advisory role in the development of Synergy and Horizon Power's improved hardship policies. Their new policies reflect best practice in hardship management. Both utilities have reported that their improved hardship policies are reducing their disconnection rates.

Forward planning for 2008/09

The Hardship Utility Grant Scheme was scheduled to commence in November 2008 but has been brought forward to August 2008 in response to social issues arising from the Varanus Island gas disruption which occurred in June 2008.

Hardship Utility Grants are currently limited to electricity, but will be extended to include water then gas.

The Hardship Efficiency Program will commence operation in late 2008.

The Hardship Implementation Steering Committee and the Hardship Efficiency Program sub-committee will continue to meet over the course of 2008/09 to monitor the implementation of their respective programs. This will ensure that any implementation issues encountered are resolved with the support of all stakeholders.

The Working Group will release its final report on Utility Hardship in the second half of 2008. This report will incorporate its formal recommendations to government on the hardship policy.

GOAL 1: BETTER SERVICES

Special Energy Subsidies and Rebates

Special Energy Subsidies and Rebates are designed by the Office 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 2007/08

Electricity Tariff Review - changes to rebates

The range of energy subsidies and rebates were reviewed as part of the Office's Electricity Tariff Review. As a result of this review, two rebates will be altered at the time of the tariff increases.

- The Supply Charge Rebate will be decoupled from the electricity daily supply charge, and will subsequently be known as the Energy Rebate. This will enable the energy rebate to be reviewed without affecting the supply charge, and the supply charge to be reviewed without affecting rebates.
- The Seniors Air Conditioner Rebate will become the Air Conditioner Rebate, and eligibility will be extended to Pensioners' Concession Card holders who are also eligible for the Dependent Child Rebate. This addresses the difficulty that small children face regulating their body temperature, and also brings benefits to one of the most disadvantaged groups in the community.

Department of the Premier and Cabinet's Concessions Review

The Office participated in the Department of the Premier and Cabinet's Concessions Review.

Forward planning for 2008/09

The Office will continue to assess Government energy concessions and rebates to ensure that they benefit those most in need. This work will inform the recommendations of the Government Utility Essential Services Hardship Interagency Working Group in their final report to Government. Rebates for energy efficient appliances for those in hardship will be investigated as part of this work.

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

Joint Working Group on Natural Gas Supply

The Joint Working Group on Natural Gas Supply was established by the Ministerial Council for Mineral and Petroleum Resources (MCMPR) and the Ministerial Council on Energy (MCE) late in 2006. This Working Group was established in recognition of the need to realise the twin goals of becoming one of the world's major liquefied natural gas (LNG) exporters and ensuring the long term supply of gas for domestic users. The Joint Working Group, chaired by Western Australia, was tasked with investigating three key issues: domestic gas supply, long term energy security and economic growth.

Strategic outcomes and achievements in 2007/08

The Office actively participated in and contributed towards the Joint Working Group's activities. Of particular interest to the Office was investigating and formulating strategies to address the barriers to Western Australia's domestic gas supply.

The Joint Working Group submitted its final report to the MCMPR and MCE Standing Committee of Officials in September 2007. This report provides recommendations based on issues and options identified in the consultants report and the feedback provided by relevant stakeholders.

Forward planning for 2008/09

The Joint Working Group has been wound up, and its recommendations are being progressed by various State and Commonwealth departments and the MCE and MCMPR working groups.

Performance Indicator Data

Efficiency Indicator: Average cost per strategic policy developed

Development of policies to meet Western Australia's domestic gas requirements

2007/08 Target	2007/08 Actual
1 policy	Achieved
No variation between target and actual.	

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

Energy Emergency Management

The Minister for Energy is responsible for the administration of legislation providing emergency powers related to gas electricity and liquid fuels. These include powers to direct and ration energy supplies in the event of fuel shortage emergencies. Appropriate and timely application of these powers requires establishment and maintenance of communication and order-making protocols and plans.

Strategic outcomes and achievements in 2007/08

Two significant gas supply disruptions occurred in 2007/08 which, aside from their impact on the State's energy supplies, were also a significant part of the Office of Energy's work during the year.

On 2 January 2008, an electrical fault at the North West Shelf Venture's Karratha Gas Plant resulted in a production shutdown. Production from the plant recommenced on 4 January and normal gas supply arrangements had largely been re-established by 6 January.

On 3 June 2008, an explosion at the Varanus Island gas plant shut down operations completely for more than two months and a return to full production is not expected until December 2008.

While fortunately no one was injured in either event, the loss of gas supply, around 65% of the State's gas supply for the North West Shelf incident and 30% for the Varanus Island incident, had significant impact on downstream gas users. As gas is a major fuel for electricity generation, these incidents also had implications for electricity supply.

In both incidents, the Office played a central role in the initial assessment of the downstream impact, the development and implementation of a response strategy and ongoing coordination and analysis.

Important to the overall management of the event has been coordination and information sharing between key stakeholders in the energy industry. This has been achieved through regular coordination meetings supplemented by direct communications and information gathering managed by the Office. Coordination meetings have also been a valuable forum through which the Government's underlying rationale and priority schedule for the allocation of limited energy supplies has been articulated.

Performance Indicator Data

Efficiency Indicator: Average cost per strategic policy developed

Finalisation of gas and electricity emergency protocols and documentation

2007/08 Target	2007/08 Actual
1 policy	Achieved
No variation between target and actual.	

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

The Office has also provided daily updates on its website to keep industry and the public informed of progress and issues in the management of these events. This has included the preparation and publication of high level analyses and forecasts of the availability and utilisation of energy supplies during the Varanus Island supply disruption.

Of particular note is the introduction of a temporary Gas Bulletin Board, developed and implemented within one month of the start of the Varanus Island disruption. This work was undertaken by the Office in conjunction with the Independent Market Operator (IMO) and with the cooperation of major industry players. The Bulletin Board has been successful in facilitating gas trading, particularly down to the level of small gas users. These parties would otherwise have been unable to participate in the Western Australian gas market which is dominated by bilateral arrangements between large players. The Bulletin Board has enabled the reallocation of gas between smaller users on an economic basis, thereby helping to minimise the overall impact of the fuel shortage on the State's economy. The Bulletin Board is planned to operate for the duration of the gas supply disruption.

A key role for the Office during the gas disruptions has been the provision of advice to Government, in particular as to the appropriateness or otherwise of the invocation of emergency powers. Earlier in 2007/08, the Office finalised a communication and protocol plan related to gas and electricity emergency orders. This formalised guidelines and processes by which energy operators can quickly seek Ministerial intervention to assist by way of emergency powers. Emergency orders have not been required during either gas shortage. However, the emergency order package has provided a valuable contingency support for the management of these incidents.

Given the importance of gas supply to the Western Australian economy, the Minister for Energy directed that the North West Shelf incident be reviewed to determine details of what occurred, assess the effectiveness of the processes used to manage the disruption and to identify opportunities to improve systems and processes to manage any future gas supply shortage events. .

Fortunately events such as these are very rare, however, the Office has had to significantly re-prioritise activities to deal with this substantial additional workload within budgeted resource allocations that could not foresee such unusual high demand levels.

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

Forward planning for 2008/09

It is anticipated that the Office will have work in the ongoing management of the Varanus Island gas disruption through to its anticipated return to service in December 2008.

Aside from this incident-specific work, the Office will be continuing its ongoing maintenance of established emergency processes for gas and electricity. Also, it is planned in 2008/09 to review emergency plans for liquid fuel emergencies.

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

Infrastructure Australia

The Commonwealth announced a new, national approach to planning, funding and implementing the nation's future infrastructure needs with the establishment of Infrastructure Australia which will develop and implement a strategic blueprint for the nation's future infrastructure needs in partnership with the states, territories, local government and the private sector.

A Council of Australian Governments (COAG) Infrastructure Working Group was established to support Infrastructure Australia.

Strategic outcomes and achievements in 2007/08

The Office participated in a State-level cross agency working group which provided inputs to the COAG Infrastructure Working Group on the establishment of the Infrastructure Australia Council and its work agenda.

The Office also contributed to Infrastructure Australia's National Infrastructure Audit in a state level submission coordinated by the Department of Treasury and Finance. The Office consulted with energy stakeholders, and provided input on the State's infrastructure priorities and the adequacy, capacity and condition of energy infrastructure as measured against forecast growth.

Infrastructure Australia is expected to develop an Infrastructure Priority List before the end of 2008/09 for COAG's consideration based on the submissions provided by the States.

Forward planning for 2008/09

The Office will continue to contribute to the COAG Infrastructure Working Group and Infrastructure Australia's work agenda to facilitate better coordination of infrastructure planning and investment.

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

Infrastructure Information Portal

The Office worked with the Western Australian Planning Commission to develop an Infrastructure Information Portal that provides developers and project proponents information on obtaining and connecting to service infrastructure such as electricity, gas, water, roads and telecommunications in metropolitan and regional Western Australia.

Strategic outcomes and achievements in 2007/08

The Office worked with Western Power, Horizon Power, Water Corporation, WestNet Energy, Main Roads and the telecommunications branch of the Department of Industry and Resources to develop dedicated web pages on their websites providing information on connecting to service infrastructure.

The Office also assisted with the design and content of the portal which will be hosted on the website of the Western Australian Planning Commission. The portal is expected to be set up by the last quarter of 2008.

Forward planning for 2008/09

The Office will continue to assist the Western Australian Planning Commission on the establishment and progress of the portal, including providing stakeholder feedback on the portal.

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

Electricity Market Reform

The Office continued to implement policy aimed at furthering competition in the electricity market, as well as monitoring the market power mitigation measures established as part of the disaggregation of Western Power Corporation to ensure the development of competition and entry of new market participants.

Strategic outcomes and achievements in 2007/08

The *Energy Operators (Electricity Retail Corporation) (Charges) By-Laws 2006* and *Energy Operators (Regional Power Corporation) (Charges) By-Laws 2006* set electricity retail tariffs for Synergy and Horizon Power respectively. The Office is currently undertaking a review of electricity retail tariffs, and released a *Draft Recommendations Report – Review of Electricity Tariff Arrangements* for public consultation on 4 April 2008. A final recommendation report is currently being developed based on the public consultation, and will be provided to Government in due course.

Forward planning for 2008/09

Ongoing activities planned in 2008/09 relating to the electricity market reform include:

- finalisation and implementation of the Electricity Retail Market Review relating to the review of electricity tariff arrangements in Western Australia, the introduction of full retail contestability; and the roll-out of electricity smart meters;
- consideration of modification of the restrictions on Verve Energy, Western Power, and Synergy limiting operations to areas within the South West Interconnected System (SWIS) (although Verve Energy is allowed to operate renewable plants outside of the SWIS), and modification of the current restrictions on Horizon Power to operate in areas located outside of the SWIS. Consideration is being given to modifying these restrictions via the *Energy Legislation Amendments Bill 2008* to allow greater competition in these areas, with the Bill being progressed during 2008/09;
- consideration of the restrictions on Verve Energy from retailing electricity, and Synergy on generating electricity, until 2013. As both of these restrictions can be extended to 2016, it is intended to undertake consultation on the criteria that will be used to determine whether these restrictions will be extended; and

Performance Indicator Data

Effectiveness Indicator:
Complete review of Electricity Full Retail Contestability, Tariff Arrangements and consideration of Ministerial Council on Energy cost benefit analysis of smart meter implementation.

2007/08 Target	2007/08 Actual
Dec 2007	
<i>Draft Recommendations Report – Review of Electricity Tariff Arrangements</i> released on 4 April 2008. Delays to the remaining review components are due to delays in the MCE's cost-benefit analysis of the rollout of smart meters.	

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

- consideration of the criteria for the removal of the Ministerial Direction on Verve Energy imposing a 3,000 MW Capacity Cap, and the Ministerial Direction on Synergy to prevent it from forming a virtual vertically integrated company by gaining contractual control of generators. Consultation is to be undertaken on the criteria that will be used to determine when these Ministerial Directions will be removed.

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

Wholesale Electricity Market

A key component of the electricity reform program was the implementation of a Wholesale Electricity Market (WEM). The rules governing the WEM have the broad objectives of:

- promoting the economically efficient, safe and reliable production and supply of electricity and electricity related services in the SWIS;
- encouraging competition among generators and retailers in the SWIS by facilitating the 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 2007/08

The Office continued to participate in the Market Advisory Committee, which is responsible for the provision of advice to the IMO in the consideration of amendments to the Market Rules and Procedures governing the operation and administration of the WEM.

The Office was also responsible for the provision of advice to the Minister for Energy in executing functions associated with the administration of the Market Rules, including changes to protected provisions and the approval of the IMO budget arrangements.

Forward planning for 2008/09

The Office will continue to participate in the Market Advisory Committee and consider the need for amendments to access regulations to better align them with WEM arrangements.

The Office will also monitor developments affecting the operation of the market and support the IMO in policy considerations.

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

Gas Retail Competition

The regulatory and market arrangements for gas Full Retail Contestability (FRC) have been fully operational since May 2004.

While approval of changes to the gas retail market rules is the responsibility of the Economic Regulation Authority (ERA), the Office continues to monitor the market and consider policy measures to enhance competition.

Strategic outcomes and achievements in 2007/08

During the year the Office completed a review of the operation and effectiveness of the *Energy Coordination (Gas Tariffs) Regulations 2000* on behalf of the Minister for Energy, which was a requirement of the Regulations. The review concluded that "...there is currently insufficient competition in the gas retail market in Western Australia to justify removal of the Gas Tariff Regulations." The Review Report was tabled in Parliament by the Minister for Energy on 21 November 2007.

The review also recommended that a more detailed review of the retail gas tariff caps should be undertaken. This Gas Tariffs Review process was initiated during 2008 with a *Gas Tariffs Review –Interim Report* released on 20 June 2008.

Forward planning for 2008/09

The Office will:

- on behalf of the Minister for Energy, complete the Gas Tariffs Review and develop arrangements for implementation of the recommendations arising from this review in 2009/10;
- continue to provide policy support regarding the operation of the gas retail market scheme in Western Australia; and
- monitor national trends and developments and liaise with stakeholders on their applicability to the gas retail market in the State.

Performance Indicator Data

Effectiveness Indicator:
Complete Review of *Energy Coordination (Gas Tariffs) Regulations 2000*.

2007/08 Target	2007/08 Actual
October 2007	Achieved
No variation between target and actual.	

Efficiency Indicator: Average cost of strategic policy developed

Review of *Energy Coordination (Gas Tariffs) Regulations 2000*.

2007/08 Target	2007/08 Actual
1 policy	Achieved
The review of the <i>Energy Coordination (Gas Tariffs) Regulations 2000</i> was completed by the statutory deadline of 18 October 2007, and the report on this review was tabled in Parliament in November 2007.	

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

National Energy Policy Agenda

The Office is the principal source of advice to, and support for the Government in its involvement in the MCE. The MCE is the national policy and governance body for the Australian energy markets.

To influence national policy development and represent the State's interests, the Office actively participates in the working groups supporting the MCE in implementing its national energy policy agenda, as embodied in the *Australian Energy Market Agreement 2004*.

Strategic outcomes and achievements in 2007/08

The Office provided dedicated program management, including briefing papers and support for the Minister for Energy and the Coordinator of Energy to participate in the three MCE meetings and the 13 meetings of the MCE Standing Committee of Officials (SCO).

The Office is involved in about ten key working groups and committees as a result of the increased number of COAG initiatives.

The Office was also involved in the review of Community Service Obligation mechanism by the MCE, as requested by COAG. The aim of this review was to develop a consistent national framework which efficiently targets those in need, while recognising that responsibility for delivering any community service obligations remains a matter for individual jurisdictions.

The Office advised on key national energy policy initiatives including:

- the development of a new *National Gas Law* and *National Gas Rules*;
- the establishment of an Australian Energy Market Operator (AEMO) to undertake the operation, administration and planning functions for the National Electricity Market and the gas retail market in the interconnected eastern states jurisdictions;
- the establishment of a Bulletin Board and Short Term Trading Market to apply to the interconnected gas markets of the eastern states; and
- an analysis of the costs and benefits of electricity smart meters.

Forward planning for 2008/09

The Office will continue to advise and support Government in its involvement in the MCE.

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

National Energy Policy Agenda – National Gas Law

A key task for the Office in 2007/08 in relation to the National Energy Policy Agenda 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 natural gas pipeline access provisions under the *National Gas Law*.

Strategic outcomes and achievements in 2007/08

Substantial progress has been made in 2007/08 in developing the *National Gas Law* to give effect to a national legislative framework for natural gas.

The Office advised on key national energy policy initiatives that involved significant negotiations between the Commonwealth, States and Territories. These included responding to industry consultation on the second exposure draft of the new *National Gas Law* and *National Gas Rules*, as well as obtaining agreement to a range of Western Australian specific issues that have been included in the *National Gas Rules* and the *National Gas Access (Western Australian) Bill 2008*.

Forward Planning for 2008/09

A key milestone in 2008/09 is for Western Australia, through the Office, to implement its own complementary gas legislation to give effect to the *National Gas Law* and *National Gas Rules* and the related institutional arrangements. Western Australia's complementary legislation is expected to be considered by Parliament in late 2008.

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 to the National Competition Council for certification. This process is expected to be undertaken following passage of the *National Gas Law*.

Performance Indicator Data

Effectiveness Indicator:
Introduction of complementary legislation into the Western Australian Parliament to implement the *National Gas Law* and the *National Gas Rules*

2007/08 Target	2007/08 Actual
August 2007	June 2007
Introduced into Parliament in June 2008 and approval is dependant on Parliamentary timeframes.	

Effectiveness Indicator:
Amendments to the *Gas Pipeline Access (Western Australia) Act 1998* to:

1. Implement changes arising from the Productivity Commission's review of the Gas code; and
2. Introduce the Australian Energy Markets Commission into the Western Australia regulatory governance structure.

2007/08 Target	2007/08 Actual
December 2007	
Introduced Western Australia; complementary legislation to the <i>Natural Gas Law</i> into Parliament in June 2008 and approval is dependant on Parliamentary timeframes	

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

Efficiency Indicator: Average cost of meeting major policy implementation milestones

Passage of *National Gas Law* and *National Gas Regulations* through WA Parliament

2007/08 Target	2007/08 Actual
1 milestone	Achieved
Introduced Western Australia; complementary legislation to the <i>Natural Gas Law</i> into Parliament in June 2008 and approval is dependant on Parliamentary timeframes.	

Efficiency Indicator: Average cost per strategic policy developed

Active and coordinated participation in the Ministerial Council of Energy

2007/08 Target	2007/08 Actual
1 policy	Achieved
Supported the Minister for Energy's participation in the MCE meetings and out of session decisions throughout the year.	

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

National Energy Policy Agenda – Australian Energy Market Operator, Bulletin Board and Short Term Trading Market

Performance Indicator Data

As part of the project streams under the MCE, the Office worked with other jurisdictions regarding:

- a commitment to establish an AEMO to operate the national wholesale and retail electricity and gas markets, commencing in 2009; and
- initiatives of the Gas Market Leaders Group to improve transparency and improve competition in gas markets, including:
 - the establishment of a Bulletin Board; and
 - design of a Short Term Trading Market.

Strategic outcomes and achievements in 2007/08

The Office worked with other jurisdictions and industry on the MCE Market Operator Working Group and the Implementation Steering Committee, and liaised with local electricity and gas stakeholders, regarding an implementation plan for AEMO establishment in 2009. As part of the MCE agreed implementation plan, the AEMO is to be a not-for-profit company limited by guarantee comprising of joint membership of industry and government. The AEMO will have the following functions:

- electricity market operation and administration functions carried out by the National Electricity Market Management Company, for the National Electricity Market in the interconnected eastern states jurisdictions;
- national transmission planning function in the National Electricity Market;
- gas retail market operation and administration functions carried out by the existing retail market operators in the interconnected eastern states;
- other gas retail market functions, including long-term operation of the Bulletin Board and the Short Term Trading Market;
- advice to the National Gas Emergency Response Advisory Committee; and
- development and operation of a gas market statement of opportunities.

The strategic outcomes and achievements of these initiatives contribute to the achievement of the **Efficiency Indicator:**

Average cost of strategic policy developed

Wholesale gas market policy development

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

The Office has taken into account local circumstances in considering the application of the AEMO to Western Australia. This has included consideration of reviews of the effectiveness and operation of the gas retail market scheme in Western Australia by the Retail Energy Market Company (REMCo) and by the ERA during 2007/08. It is noted that the REMCo and the ERA both concluded that the REMCo gas retail market scheme is working satisfactorily and that no changes to the provisions of the scheme appear to be warranted to achieve the purposes set out in section 11ZOB of the *Energy Coordination Act 1994*.

As a result, the AEMO will not apply to Western Australia in the short term, but the MCE has agreed that Western Australian specific gas and electricity wholesale and retail market functions may be able to be transferred to the AEMO, subject to the discretion of the Minister for Energy.

A Bulletin Board design was agreed by the MCE for application to gas markets in the interconnected eastern states, including mandatory information requirements for producers, storage and supply facilities, and pipeline operators including in relation to short-term outlooks for supply and demand and actual deliveries. The Bulletin Board would also provide information on gas emergencies.

The parameters for the MCE agreed Bulletin Board were implemented as part of the *National Gas Law*. The Office of Energy has considered that more detailed consultation is required with local stakeholders to take into account market circumstances in Western Australia, and reserved the right to join the cross-jurisdictional Bulletin Board at its discretion in the future.

Forward planning for 2008/09

The Office will continue to be involved in the industry-government Implementation Steering Committee, to monitor the detailed development of an implementation plan for establishing the AEMO in 2009.

The Office will monitor the operation of the Bulletin Board and the detailed design of a Short Term Trading Market for the gas markets in the interconnected eastern states.

The Office will consider how these types of initiatives may apply in a Western Australian context, taking into account the operation and effectiveness of the short-term Bulletin Board arrangements established in response to the Varanus Island gas supply interruption.

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

National Energy Policy Agenda – Smart Meters

As part of its involvement in the MCE, the Office also participated in the implementation of National Competition Reform initiatives and commitments agreed by COAG. This included a commitment to a staged approach for rolling out electricity smart meters where benefits outweigh costs.

Strategic outcomes and achievements in 2007/08

The Office worked closely with other jurisdictions, and consulted local stakeholders, in overseeing an MCE appointed independent consultancy's assessment of the costs and benefits of rolling out electricity smart meters across jurisdictions.

The cost-benefit analysis was conducted in two phases. The results of the first phase were the basis for the decision by the MCE in December 2007 providing support for a minimum functionality for smart meters. The MCE considered the findings of the second phase of the cost-benefit analysis in June 2008 and noted that there continue to be uncertainties about the costs and benefits of smart meters in some jurisdictions and that different staged approaches are being taken to support the further development of smart meters across Australia.

As part of this decision, Western Australia recognised the potential benefits of smart meters and committed to respond on the possibility and timing of a roll-out in the SWIS in conjunction with upcoming decisions on broader energy market policy in Western Australia, including outcomes of the Electricity Retail Market Review.

Forward planning for 2008/09

The Office will participate in the development of a consistent national framework for electricity smart meters in the National Electricity Market, noting that Victoria and New South Wales' governments have committed to rolling out smart meters in their respective jurisdictions. As part of this, a national minimum functionality standard and associated service levels and performance standards will be established in the National Electricity Rules through a cross-jurisdictional group of technical officers from the electricity industry.

The Office will facilitate representation by Western Australian stakeholders in relevant smart meter implementation working groups to promote consistency between Western Australia and other jurisdictions as appropriate to the circumstances in this State.

Performance Indicator Data

Effectiveness Indicator:
Establish policy for the introduction of electricity smart meters

2007/08 Target	2007/08 Actual
Dec 2007	
Delays in the completion of the MCE smart meter cost-benefit analysis have impacted on the timing for recommendations to be provided to the Office on FRC and the Electricity Retail Market review.	

Effectiveness Indicator:
Complete Review of Electricity Full Retail contestability, Tariff Arrangements and consideration of Ministerial Council on Energy cost-benefit analysis of smart meter implementation

2007/08 Target	2007/08 Actual
Dec 2007	
Delays in the completion of the MCE smart meter cost-benefit analysis have impacted on the timing for recommendations to be provided to the Office on smart metres and FRC component of the review.	

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

The Office will also give consideration to the MCE reviewing the costs and benefits of electricity smart meters in off-grid areas. The Office will work with regional stakeholders, including Horizon Power, in this regard.

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

National Energy Policy Agenda - National Framework for Energy Efficiency

Performance Indicator Data

The National Framework for Energy Efficiency aims to unlock the significant potential for increasing the uptake of energy efficient technologies and processes across the Australian economy. Stage 2 National Framework for Energy Efficiency strategies and work program has been finalised and agreed.

Strategic outcomes and achievements in 2007/08

The Office actively participated in the development and finalisation of the Stage 2 strategies and ongoing implementation of the Stage 1 work-streams of Buildings and Equipment Energy Efficiency. The Stage 2 strategies cover Government Leadership through Greenleases, Heating, Ventilating and Air-Conditioning Systems, Hot Water, Energy Efficiency Data Gathering, Trade and Professional Training and Phase-out of Inefficient Lighting.

Forward planning for 2008/09

The Office will continue to participate in the implementation of ongoing work streams of Buildings and Equipment Energy Efficiency from Stage 1 and the new Stage 2 strategies.

The strategic outcomes and achievements of this program contribute to **Strategic Outcome 2: Increasing the adoption of energy efficiency**

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

Advisory Role on Economic Regulation of the Energy Industry

The Office 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 the year were primarily associated with arrangements for access to energy infrastructure under the *Electricity Networks Access Code 2004* and the move to the *National Gas Law* (see National Energy Policy Agenda). Other issues included energy infrastructure, access arrangements, gas and electricity licensing, gas retail market arrangements and charging for expansions of network capacity.

Strategic outcomes and achievements in 2007/08

During 2007/08, the Office advised on a range of issues, including:

- development of a headworks charge policy for customer payments for uneconomic expansions of network capacity at the extremities of the SWIS distribution system;
- development of a rebate scheme to assist those facing large headworks charges under the above policy;
- representing the public interest in relation to various electricity licences being sought from the ERA; and
- representing the public interest in the levying of unregulated fees and charges by private suppliers of natural gas and LPG.

Forward planning for 2008/09

This role will continue in 2008/09. A major area of involvement will be representing Government policy in the process for approval of Western Power's revised Access Arrangement, to commence on 1 July 2009.

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

Government Energy Utilities

The Electricity Corporations operate in a competitive market environment that creates additional challenges for the individual Boards and for the Government as the owner of the Electricity Corporations.

Given the importance of electricity as an essential service, and the value of public assets under the control of the Electricity Corporations, a high level of transparency and accountability is required. The Minister for Energy has a number of responsibilities under the *Electricity Corporations Act 2005* with respect to the Electricity Corporations, including approving key strategic documents and significant transactions.

The Office supports the Minister for Energy in this role through the provision of advice that seeks to balance the Electricity Corporations' financial objectives with the State's market development objectives.

The Office also administers the Vesting Contract between Synergy and Verve Energy on behalf of the Minister for Energy. The Vesting Contract is the contract for the wholesale supply of electricity and Capacity Credits between these two Government-owned corporations.

Strategic outcomes and achievements in 2007/08

The Office has provided advice to the Minister on a number of key issues relating to the Corporations, including:

- Review and advice to the Minister with respect to approval of significant commercial undertakings proposed by the Electricity Corporations, as required by the *Electricity Corporations Act 2005*.
- Advice on the Strategic Development Plans and Statements of Corporate Intent for the Electricity Corporations. These documents outline the key strategies and outcomes committed to by the Corporations. The Statements of Corporate Intent were tabled in Parliament in accordance with the *Electricity Corporations Act 2005*.
- The Office progressed a package of amendments to the Vesting Contract to address the ongoing interaction of the contract with the development of the Wholesale Electricity Market, and commenced consultation with Synergy and Verve Energy on amendments to be implemented during 2008/09.

Performance Indicator Data

Effectiveness Indicator: Commission Vesting Contract Reset Model and undertake first Reset Process under the contract

2007/08 Target	2007/08 Actual
October 2007	October 2007
The Vesting Contract Reset Model has been commissioned, reset commenced on 1 October 2007.	

Efficiency Indicator: Average cost of strategic policy developed

Active input into the Electricity Corporations' Strategic Development Plans

2007/08 Target	2007/08 Actual
1 policy	Achieved
No variation between target and actual.	

Efficiency Indicator: Average cost of major policy implementation milestones

Administration of the Tariff Equalisation Fund

2007/08 Target	2007/08 Actual
1 milestone	Achieved
No variation between target and actual.	

GOAL 2: JOBS & ECONOMIC DEVELOPMENT

- The Office also continued to monitor the displacement tendering activities undertaken by Synergy in accordance with the Vesting Contract requirements.
- Assessment of and advice on quarterly and annual reports, including key performance indicators required by Government.

Forward planning for 2008/09

The Office will continue to support the Minister for Energy to fulfil the role of shareholder in the Electricity Corporations in a more competitive and challenging trading environment.

The Office will continue to administer the Vesting Contract on behalf of the Minister for Energy and progress required amendments to reflect the outcomes of the Electricity Retail Market Review, while ensuring the objectives of the contract are maintained.

GOAL 3: LIFESTYLE & THE ENVIRONMENT

State's Input to a National Emissions Trading Scheme

The Office provided policy input to the Emissions Trading Unit throughout 2007/08, and has assisted in the State's development of a policy position on emissions trading issues, particularly those concerning energy markets.

Strategic outcomes and achievements in 2007/08

The State's Response to a National Emissions Trading Scheme has been coordinated by the Department of Treasury and Finance's Emissions Trading Unit.

The Office provided ongoing policy input to the Emissions Trading Unit throughout 2007/08 to assist in the State's development of a policy position on emissions trading issues.

Input to the Emissions Trading Unit has involved analysis and interpretation of proposed scheme design details and modelling results, focusing on energy sector impacts but also covering more general economic issues.

The Office was actively involved in the National Emissions Trading Taskforce until it was effectively disbanded in early 2008.

Forward planning for 2008/09

The Office will continue to provide policy input to the Emissions Trading Unit throughout 2008/09, and assistance in the State's development of a policy position on emissions trading issues surrounding the electricity market.

Initially, this will involve the preparation of a State response to the Commonwealth's Green Paper on emissions trading.

Performance Indicator Data

Effectiveness Indicator: Policy input into the State's response to a National Emissions Trading Scheme

2007/08 Target	2007/08 Actual
Aug 2007	Oct 2007
The policy input into the State's response to a National Emissions Trading Scheme is an ongoing process. The Office has provided policy input throughout the 2007/08 financial year.	

Efficiency Indicator: Average cost of strategic policy developed

Development of national emissions trading framework meeting Western Australia's needs

2007/08 Target	2007/08 Actual
1 policy	Achieved
No variation between target and actual.	

GOAL 3: LIFESTYLE & THE ENVIRONMENT

Renewable Energy Target

Performance Indicator Data

In 2005 the Government set a target for 6 per cent of the electricity sold on the SWIS to come from renewable sources by 2010. In April 2007 it set new targets of 15 per cent by 2020 increasing to 20 per cent by 2025.

Renewable energy targets set government policy goals for the energy sector. The share of renewable energy as a source of electricity sold on the state's main grid continued to grow during 2007/08. The commissioning of a major wind farm in late 2006 saw renewable energy contribute over 5 per cent in 2007/08.

Strategic outcomes and achievements in 2007/08

The Office continued development of a Western Australian Renewable Energy Target in 2007/08. A scheme design paper was released for consultation in August with briefings provided for the major electricity industry sectors, and presentations made to various stakeholder groups. The design paper outlined the Government's preferred options on a number of key design issues and sought industry feedback on the proposals.

A summary document outlining the significant issues raised in submissions has been released. Emerging issues for the state's main electricity system resulting from increasing levels of renewable energy generation, particularly from intermittent generation sources, were identified through the consultation process.

The Federal Government has committed to expand its Mandatory Renewable Energy Target (MRET) scheme to reach 45,000 Gigawatt hours by 2020, as a component of its overall target for 20 per cent of Australia's electricity to be sourced from renewable energy by 2020.

The expanded national scheme will be a major driver of investment in Western Australia, with the State's renewable energy liability exceeding that required under the State Government's 2020 target.

The Commonwealth has proposed, and it has been agreed, to work through COAG for the implementation of the expanded renewable energy target. The State Government is working with it and other state and territory governments on the scheme design parameters.

The strategic outcomes and achievements of this program contribute to **Strategic Outcome 2: Increasing the adoption of renewable energy**

An expanded national mandatory renewable energy target scheme will be a major driver of renewable energy investment in Western Australia.

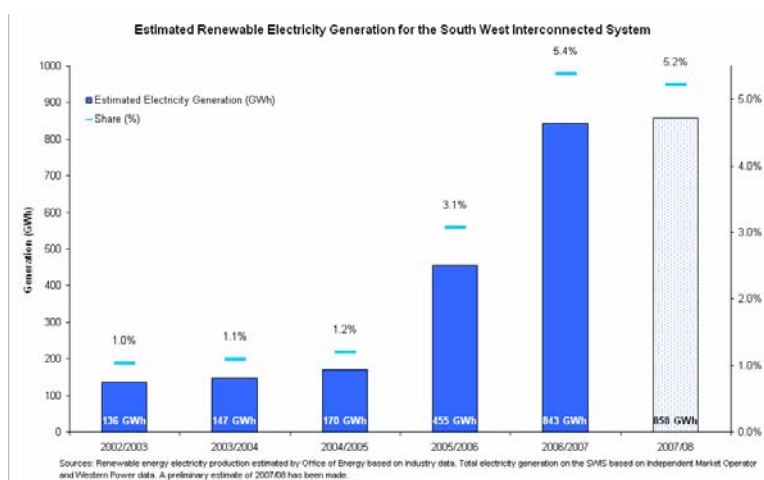
GOAL 3: LIFESTYLE & THE ENVIRONMENT

Forward planning for 2008/09

COAG will consider a design for the expanded MRET scheme in the second half of 2008. The Office will lead negotiations with the Commonwealth on the design of the scheme until this time, as well as liaising with Western Australian stakeholders.

Further development of a mandatory renewable energy target scheme for Western Australia is not planned while the new national target is under development.

The Office is examining issues arising from a significant increase in renewable generation in the electricity system, particularly from intermittent sources, through electricity market rule change processes. Substantial analysis will be required to sort through the issues and could lead to changes in the operation of the market. Network planning and access arrangements to facilitate access for non-conventional sources of electricity also need to be reviewed.



GOAL 3: LIFESTYLE & THE ENVIRONMENT

Government Purchase of Renewable Energy

The Government has committed to buy increasing amounts of its electricity from renewable sources up to 20 per cent by 2010.

This purchase should stimulate development in the renewable energy industry, reducing the use of fossil fuels and subsequent greenhouse gas emissions.

The GreenPower program was chosen to meet the commitment. GreenPower is an audited government accredited program that guarantees the renewable energy is additional to that required under the mandatory national target scheme.

Strategic outcomes and achievements in 2007/08

The Office contracted with Alinta for the provision of 26 Gigawatt hours of accredited GreenPower in 2007/08. The GreenPower was sourced from the Alinta Windfarm situated at Walkway Beach south of Geraldton. The purchase will reduce greenhouse gas emissions from Government operations by around 24,000 tonnes. This is equivalent to taking over 5,300 cars off the road for a year.

Forward planning for 2008/09

Tender documentation for the next procurement round has been developed for release early in the 2008/09 financial year.

Performance Indicator Data

Effectiveness Indicator: Use of renewable energy through incentive programs, indicated by the displacement of fossil fuel, kilowatt/hour of fossil fuel energy displaced by Government purchase of Renewable Energy

2007/08 Target	2007/08 Actual
26 GWh	26 GWh
No variation between target and actual.	

GOAL 3: LIFESTYLE & THE ENVIRONMENT

Photovoltaic Working Group

Performance Indicator Data

The Photovoltaic Working Group was established at the request of the Minister for Energy. The purpose of the working group was to provide a forum for the Government and industry to work together to identify and address barriers to the uptake of PV systems connected to the South West Interconnected Network (SWIN) and regional grids.

A key task of the group was to identify and place a value on the benefits grid-connected photovoltaic systems provide to the electricity system.

Strategic outcomes and achievements in 2007/08

A final report was provided by the consultants, the Centre for Environmental and Energy Markets, quantifying the benefits grid connected photovoltaic systems provide. The report examined a number of parameters, including off-setting network losses and grid augmentation, provision of reliable capacity and the value of displacing peak energy.

The consultants report and another by the working group on non-market barriers formed the basis of a report on the findings and recommendations of the working group to the Minister for Energy.

Forward planning for 2008/09

A number of recommendations were assigned to Sustainable Energy Development Office (SEDO). Some have been completed or are underway. An implementation plan to guide the completion of the remaining items has been developed.

The strategic outcomes and achievements of this program contribute to **Strategic Outcome 2: Increasing the adoption of renewable energy**

GOAL 3: LIFESTYLE & THE ENVIRONMENT

SEDO Renewable Energy Production Subsidy

The Government made up to \$6 million dollars available to support renewable energy generators in the transition to the new electricity market.

Strategic outcomes and achievements in 2007/08

Stage Three of the program was launched. The Renewable Energy Production Subsidy provided support for the generation of 63 Gigawatt hours of renewable energy in 2007/08

Forward planning for 2008/09

Stage three recipients will continue to be supported through the renewable energy production subsidy in 2008/09.

Performance Indicator Data

Effectiveness Indicator: Use of renewable energy through incentive programs, indicated by the displacement of fossil fuel, kilowatt/hour of fossil fuel energy displaced by Renewable Energy Production Subsidy

2007/08 Target	2007/08 Actual
94.7 GWh	63.0 GWh
Forecast generation based on maximum amounts payable in agreements with generators. Lower than expected generation from some plant meant the total output was below the target.	

GOAL 3: LIFESTYLE & THE ENVIRONMENT

Energy Smart Community

The Energy Smart Community initiative enhances community understanding of the benefits of sustainable energy use. It provides extensive information on options for reducing energy consumption in the home and supports software applications to help designers, builders and homeowners better understand the energy performance characteristics of their buildings.

Strategic outcomes and achievements in 2007/08

The *Reach for the Stars Program*, promoting energy efficient star-rated electrical and gas appliances, continued to build on the already high consumer awareness of the importance of choosing a high star-rated appliance. More retailers were encouraged to participate in the program and a record number of sales staff received training.

Demand for the advisory services provided by the Energy Smart Line continued. The range and quantity of information and brochures distributed through the service to the general community continued to grow during 2007/08. The *Top Ten Energy Smart Tips* was developed to focus community attention on the best ways for home owners to reduce energy costs and greenhouse gas emissions.

The development of a sustainable energy seminar information and resource kit was finalised. This resource kit will enable the delivery of more seminars to the community, in local and regional areas.

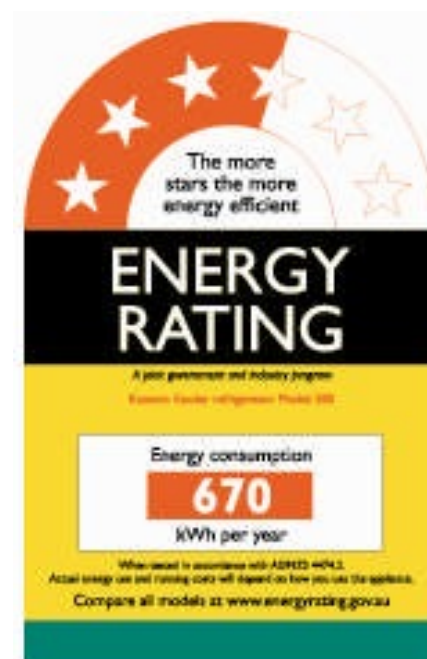
The Office continued work promoting energy efficient street lighting through local government, following the release of the report, *Improved Street Lighting Study for Greenhouse and Safety Benefits*. SEDO also worked with industry to widen the availability of energy efficient street lighting options for local governments.

The second generation House Energy Rating software tools, Building Energy Rating Scheme software and FirstRate 5.0 were released for use in Western Australia, complimenting the existing AccuRate software tool. The Association of Building Sustainability Assessors (ABSA) continued to provide quality training and professional development services to the industry, under the direction of SEDO. The percentage of ratings undertaken for new homes increased to nearly 20 per cent, indicating a growing acceptance by industry.

Performance Indicator Data

Effectiveness Indicator:
Adoption of energy efficiency by the community, indicated by the percentage of new houses approved under the House Energy Rating Scheme

2007/08 Target	2007/08 Actual
18%	19.4%
The reduced number of housing starts for the 12-month period, in conjunction with the number of HERS ratings remaining strong has increased the percentage of ratings from the 18 per cent forecast.	



GOAL 3: LIFESTYLE & THE ENVIRONMENT

Forward planning for 2008/09

The *Reach for the Stars Program* will be expanded to include training of electrical retailers of products covered by the expanded Minimum Energy Performance Standards. It will continue its focus on promoting high energy star-rated electrical and gas appliances. The sustainable energy seminar information and resource kits will be promoted through local government and community groups providing a resource of community-focused sustainable energy information for regional and metropolitan areas.

Development of disclosure of house energy performance at point of sale will continue, including disclosure of hot water systems, lighting and heating/cooling systems. The process for disclosure is hoped to be finalised during 2008, in line with the National Framework for Energy Efficiency work program. A second local trial will be undertaken prior to finalisation of the disclosure process.

The Energy Smart Line services will continue to provide advice to the community on sustainable energy issues.

GOAL 3: LIFESTYLE & THE ENVIRONMENT

Energy Smart Business

The Energy Smart Business initiative aims to encourage Western Australian businesses to consider energy management as normal business practice. Many companies are not aware of the opportunities available to reduce energy use and expenditure, still considering energy use as a fixed cost.

Strategic outcomes and achievements in 2007/08

Western Australian industry is leading the country in the use of the Australian Building Greenhouse Rating tool with nearly 60 per cent of Perth's central business district office buildings rated since the programs inception. Perth continues to have a greater percentage of office space rated than in any other Australian State capital. Nearly 16 per cent of the commercial office buildings rated in Western Australia achieved a rating of between 4 and 5 stars, which is higher than most other States.

The Energy Smart Directory website and the Energy Smart Toolbox were promoted widely to business and industry. These tools are aimed at meeting the expanding demand for information on sustainable energy products and energy management strategies.

Forward planning for 2008/09

The Office, through the Equipment Energy Efficiency Program, will contribute to the development of Minimum Energy Performance Standards for an expanded range of products and strengthening standards for existing products. It will also enhance retailer and government procurement support activities, in line with the Stage 2 National Framework for Energy Efficiency work plan.

Disclosure of commercial building energy performance at point of sale or lease will be progressed, in line with the National Framework for Energy Efficiency work program.

Performance Indicator Data

Effectiveness Indicator:
Adoption of energy efficiency by business, indicated by the number of buildings rated under the Australian Greenhouse Building Rating Program

2007/08 Target	2007/08 Actual
24	25
More buildings rated than expected.	



GOAL 3: LIFESTYLE & THE ENVIRONMENT

Energy Smart Government Policy

The Energy Smart Government policy requires all general government sector agencies with 25 or more staff (full-time employee (FTE) equivalents or) to reduce annual stationary energy consumption by 12 per cent 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 2007/08

*Note that Energy Smart Government figures are not calculated until October each year and reporting is based on the previous financial year.

The Energy Smart Government Program has enabled the Western Australian Government to maintain energy consumption and costs below 2001/02 levels.

In the five years that the program has been operating, the public service has grown by over 16 per cent but absolute energy consumption by participating agencies has decreased over that time. Headline results over the duration of the program relative to the 2001/02 baseline include:

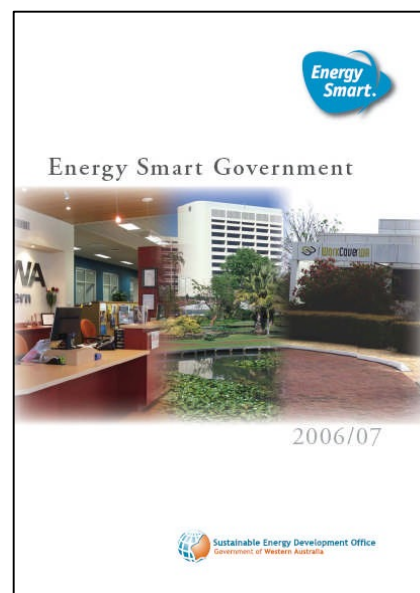
- Energy savings of almost 500,000 GJ;
- Over \$13 million in energy cost savings; and
- Avoidance of around 37,000 tonnes of greenhouse gas emissions.

In 2006/07, agencies achieved a 24 per cent saving in energy use relative to a State economic growth based business as usual scenario.

The target for 2006/07 set in the Energy Smart Government policy was a 12 per cent reduction in energy consumption relative to the 2001/02 baseline. Collectively, on the basis of efficiency of energy use, participating agencies exceeded that goal, delivering an energy use per FTE of 16.2 per cent below the baseline level. Individually, many agencies demonstrated significant improvements in energy efficiency.

Forty agencies achieved an overall reduction in energy use per FTE of over 12 per cent. The absolute 12 per cent energy reduction target was achieved by 20 agencies, with 11 of these reporting energy consumption more than 20 per cent lower than their baselines.

Performance Indicator Data



GOAL 3: LIFESTYLE & THE ENVIRONMENT

Demand for capital advance funding reduced in 2006/07 as agencies focussed on projects expected to be completed within the timeframe of the existing Energy Smart Government policy. Strong demand continued for facilitation grant funding with the majority of funding sought to engage consultants to provide technical expertise on the implementation of capital energy efficiency projects.

The data reported by agencies in 2006/07 shows that collectively, energy consumption was 69,899 GJ (2.5 per cent) below the baseline, energy cost was \$2.3 million (2.9 per cent) below the baseline and greenhouse gas emissions were 9,385 tonnes (1.7 per cent) above the baseline level for the year.

Forward planning for 2008/09

The Office will work closely with agencies to implement the second five-year phase of the Program. A key objective of the Energy Smart Government policy is for energy efficiency to be established as an integral component in the management of government assets. Many agencies have adopted the principles of sustainability and now have effective energy management programs in place that have enabled significant reductions in the intensity of their energy use. There is still opportunity for improvement and implementation of further energy efficiency measures by some agencies.

GOAL 3: LIFESTYLE & THE ENVIRONMENT

Industry Mandatory Energy Efficiency

Performance Indicator Data

This program will require large to medium industry to identify and implement cost effective energy efficiency measures, reducing energy consumption and greenhouse gas emissions. Consistency with similar state and national programs will be a priority to assist business in complying with the requirement.

In June 2007 the MCE agreed to investigate the potential for a national scheme and tasked a working group with scoping and assessing the proposed program. Western Australia, through the Office, agreed to lead this project nationally.

Strategic outcomes and achievements in 2007/08

In 2007/08, the Industry Mandatory Energy Efficiency Working Group, lead by the Office, commissioned a cost benefit analysis on a national mandatory energy efficiency requirement for industry. The consultants delivered a final report to the working group in April 2008. A paper outlining legislative framework options for implementing a national mandatory energy efficiency scheme for medium to large industries was also produced by the Office on behalf of the working group.

In June 2008, after considering these reports, the MCE agreed to defer further work on a national industry mandatory energy efficiency scheme pending the outcome of several reviews currently underway, including the review of complementary measures to a national emissions trading scheme, the Garnaut Climate Change Review and the work of the COAG Climate Change and Water Working Group.

Forward planning for 2008/09

In lieu of agreement at a national level, development of an energy efficiency program for Western Australian will continue. Consultation with industry will be an important part of the work program.

The strategic outcomes and achievement of this program will contribute to **Strategic Outcome 2: Increasing the adoption of energy efficiency**

GOAL 3: LIFESTYLE & THE ENVIRONMENT

Solar Schools Program

The Solar Schools Program provides rebates for solar (photovoltaic) power systems installed at Western Australian State Government schools. The Program helps students to learn about sustainable energy and greenhouse gas emissions, while at the same time enabling schools to generate some of their own electricity from renewable energy, reducing the use of fossil fuels and greenhouse gas emissions.

The Solar Schools Program was expanded in 2007/08, with an additional \$4.1 million being committed to the Program in November 2007. The additional funding will allow more than 350 schools to use renewable energy by 2010, more than doubling the original number of schools participating in the Program.

Strategic outcomes and achievements in 2007/08

Photovoltaic systems were installed in 26 schools in 2007/08.

The fourth round of the Solar Schools Program was successfully concluded in 2007/08, with 99 schools being awarded funding to install their own solar panels. A total of 131 schools have secured funding since the Program was first introduced in November 2005.

Forward planning for 2008/09

The Office will continue to support schools during 2008/09 with a particular emphasis on coordination with the Commonwealth's Solar Schools program (commenced 1 July 2008) to facilitate the best outcome from a combination of both programs. The Office will also enhance its sustainable energy education package for schools in collaboration with the Department of Education and Training.

During 2008/09 the eligibility criteria for the program will be expanded to include independent and Catholic schools.

Performance Indicator Data

Effectiveness Indicator: Use of renewable energy through incentive programs, indicated by the displacement of fossil fuels, kilowatt/hour of fossil fuel energy displaced by the Solar Schools Program

2007/08 Target	2007/08 Actual
90,000 kWh Displaced	56,563 kWh Displaced
The expanded program was launched in November 2007 and there has been a delay between the announcement, the approval and the implementation of additional systems.	

GOAL 3: LIFESTYLE & THE ENVIRONMENT

Solar Water Heater Subsidy Scheme

The State Government's Solar Water Heater Subsidy Scheme provides rebates to householders who install gas-boosted solar water heaters. As these types of water heaters have the lowest greenhouse gas emissions and running costs of all common residential water heaters, the scheme helps householders to reduce energy bills while delivering greenhouse gas reductions. The program also supports the solar water heater manufacturing industry in Western Australia.

Strategic outcomes and achievements in 2007/08

During 2007/08, rebates were provided for 2,103 gas-boosted solar water heaters, most of which were installed in new homes. These systems are estimated to reduce greenhouse gas emissions by 3,680 tonnes of carbon dioxide per year and have facilitated an increase in the market share of gas-boosted solar water heaters.

Forward planning for 2008/09

The Office is currently considering how the scheme complements the 5 Star Plus standards, announced as part of the Premier's Climate Change Action Statement, requiring a solar water heater, 5-star gas or electric heat pump water heater to be used in new homes. The standards were introduced in September 2007 and will take full effect from 1 September 2008.

Performance Indicator Data

Effectiveness Indicator: Use of renewable energy through incentive programs, indicated by the displacement of fossil fuels, kilowatt/hour of fossil fuel energy displaced by the Solar Hot Water Subsidy Scheme

2007/08 Target	2007/08 Actual
7,500,000 kWh avoided	8,724,128 kWh avoided
Exceeded demand. The demand for rebates was higher than forecast.	

GOAL 3: LIFESTYLE & 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. Grants of up to \$50,000 per project are awarded through competitive funding rounds.

Strategic outcomes and achievements in 2007/08

Two funding rounds were scheduled for 2007/08. The first funding round was completed in December 2007, with grants totalling \$209,770 being approved for 7 projects. Applications to the second funding round closed in March 2008, but assessment was delayed due to staff being redeployed to assist with other urgent projects. The results of the second funding round are expected to be announced later in 2008.

Forward planning for 2008/09

The Office will continue to administer, promote and monitor the SEDO Grants Program to ensure the best outcomes are achieved from the available funding. Funding rounds are scheduled for late 2008 and early 2009.

Performance Indicator Data

2007/08 Target	2007/08 Actual
10 grants	7 grants
Second funding round delayed due to staff being redeployed to assist with other urgent projects.	

GOAL 4: REGIONAL DEVELOPMENT

Horizon Power's Connection Policy

A connection policy is being developed in consultation with Horizon Power to provide transparency on the connection of customers in regional areas outside of its statutory obligation to connect. Regional businesses will benefit from the clarity that this policy provides as it will give businesses clear expectations on the connection to regional networks.

Strategic outcomes and achievements in 2007/08

The issues associated with the connection of regional customers were identified and a plan created for the development of Horizon Power's Connection Policy. This included the identification of data and analysis required for the development of options.

Forward planning for 2008/09

An analysis of the options for Horizon Power's Connection Policy will be completed, and recommendations provided to Government.

GOAL 4: REGIONAL DEVELOPMENT

Western Power Headworks Scheme and Government Rebate

The headworks charge is a one-off charge applying to users connecting to the electricity network, or significantly increasing their load at remote or edge of grid locations. It is a fairer and more equitable approach to capital contribution requirements relating to enhancements to the backbone distribution system. It applies in areas distant from substations where tariffs would not recover the cost of providing increased network capacity, because of long feeder lines and lower customer densities.

During 2006/07, the Office worked with Western Power in its development of a Distribution Headworks Scheme. The Office also developed for Government approval an associated rebate scheme to mitigate the effects of headworks charges at locations where they are highest.

Strategic outcomes and achievements in 2007/08

The Headworks Scheme and Government subsidy were announced in August 2007. The Office worked closely with Western Power to introduce and establish the scheme.

Forward planning for 2008/09

Work is continuing to finalise regulatory arrangements that will allow the Headworks Scheme to be fully integrated with Western Power's Access Arrangement.

Performance Indicator Data

Efficiency Indicator: Average cost of strategic policy developed

Development of policy on electricity headworks and Government subsidy for the South West Interconnected System.

2007/08 Target	2007/08 Actual
1 policy	Achieved
No variation between target and actual.	

GOAL 4: REGIONAL DEVELOPMENT

Renewable Remote Power Generation Program (RRPGP)

The RRPGP provides funding for renewable energy systems and energy efficiency projects in regional Western Australia. It is an Australian Government funded initiative, which is implemented in Western Australia by SEDO. Funding for the Program is sourced from diesel fuel excise paid in Western Australia from 2001 to 2004.

Implementation of the RRPGP takes place through a number of sub-programs, including the Remote Area Power Supply (RAPS) Program, the Renewable Energy Water Pumping (REWP) Program, the Regional Energy Efficiency Program and the Rural Renewable Energy Program. The Renewable Remote Power Generation Program also funds large renewable energy power systems and industry support projects.

Strategic outcomes and achievements in 2007/08

The RRPGP continued to drive the uptake of renewable energy in regional areas by providing over \$9 million in rebates in 2007/08. This included the RAPS program providing over \$6.1 million in rebates for 123 small-scale solar and wind power systems while the REWP program provided over \$255,000 for 82 solar pumps and windmills. Four large renewable energy projects were progressed in 2007/08; a 1.6MW wind farm at Kalbarri; a 825kW wind farm at Coral Bay; an additional 600kW wind turbine at Hopetoun; and an additional 300kW wind turbine at Denham. The Hopetoun project was completed and the others, while operational, will be finalised in early 2008/09.

The Coral Bay wind project is particularly significant as it involves the installation of three cyclone-proof wind turbines, which can be lowered in the event of a cyclone, coupled with an innovative short-term storage facility. It will be the first large-scale application of its kind in Australia and has the potential to be used in other cyclone-affected areas.

The Rural Renewable Energy Program for small and medium sized grid-connect renewable energy power systems in specific 'fringe of grid' areas of the main electricity grid continued to be popular. During 2007/08 \$1.1 million was provided for 72 small projects. The Office also liaised with the Commonwealth to progress applications to the first funding round for medium projects and announcements on successful applications are expected in late 2008.

Performance Indicator Data

Effectiveness Indicator: Use of renewable energy through incentive programs, indicated by the displacement of fossil fuels, kilowatt/hour of fossil fuel energy displaced by the Renewable Remote Power Generation Program (RRPGP) Large Projects (off-grid and fringe of grid)

2007/08 Target	2007/08 Actual
6,700,000 kWh Displaced	1,100,000 kWh Displaced
The implementation of several projects by proponents was delayed. This measure comprises a small number of large projects resulting in outcomes varying considerably from year to year.	

Effectiveness Indicator: Use of renewable energy through incentive programs, indicated by the displacement of fossil fuels, kilowatt/hour of fossil fuel energy displaced by the Renewable Remote Power Generation Program (RRPGP) – Remote Area Power Supply

2007/08 Target	2007/08 Actual
400,000 kWh Displaced	837,397 kWh Displaced
Exceeded target. The demand for rebates continues to increase and the size of systems is also increasing.	

GOAL 4: REGIONAL DEVELOPMENT

The Regional Energy Efficiency Program continued to help people save energy (and greenhouse gas emissions) in areas outside of the SWIS. The program offers free energy saving lamps, rebates for energy efficient appliances, insulation and controllers and energy audits for businesses. The program has been very successful in encouraging the uptake of energy efficient appliances in regional areas with more than 650 rebates being paid during the year.

The RRP GP continued to support the Research Institute for Sustainable Energy at Murdoch University. The funding is provided to the Institute to carry out testing of renewable energy equipment, assist in the development of relevant standards, provide training for local industry members and provide an information service on renewable energy systems.

Forward planning for 2008/09

The Office will continue to operate the various sub-programs of the RRP GP in 2008/09, including administering funding for several projects currently under development. A competitive funding round will also be undertaken with the remaining large projects funding.

The Office will offer subsidised energy audits to small businesses in the Mid West and other off-grid regions under the Regional Energy Efficiency Program and work in partnership with Horizon Power to maximise the effectiveness of this, other RRP GP programs and the Solar Schools program.

Effectiveness Indicator: Use of renewable energy through incentive programs, indicated by the displacement of fossil fuels, kilowatt/hour of fossil fuel energy displaced by the Renewable Remote Power Generation Program (RRP GP) – Renewable Energy Water Pumping Program

2007/08 Target	2007/08 Actual
100,000 kWh avoided	72,997 kWh avoided
The demand for rebates was less than expected. This program is affected by climate variations and there is also a limit on the number of rebates large farms can claim.	

Effectiveness Indicator: Use of renewable energy through incentive programs, indicated by the displacement of fossil fuels, kilowatt/hour of fossil fuel energy displaced by the Renewable Remote Power Generation Program (RRP GP) – Rural Renewable Energy Program

2007/08 Target	2007/08 Actual
100,000 kWh Displaced	372,479 kWh Displaced
Program has been extremely successful in attracting support for renewable energy systems in fringe of grid areas.	

GOAL 5: GOVERNANCE & PUBLIC SECTOR IMPROVEMENT

Ministerial directives

When appropriate, Ministerial directives are received by the Coordinator of Energy. There were no Ministerial directives during the reporting period.

Employment

Staff profile

The Office had an average staffing level of 65.48 full-time equivalents for the 2007/08 financial year, compared with 56.2 full-time equivalents for 2006/07.

There were no significant changes to levels and no leave management issues to report.

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*.

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 Resources Management, the *Equal Opportunity Act 1984* and the *Occupational Safety and Health Act 1984*.

Graduate Development Program

The **Graduate Development Program** provides graduates with an opportunity to practically apply their education and skills in a key sector of Western Australia's economy.

Graduates undertake a structured program that provides them with:

- placement in a range of areas within the Office working on a number of interesting and significant projects;
- training to further develop their skills; and
- mentoring to support them through the development program.

Upon successful completion of the development year and achievement of a high level of performance, graduates may be offered permanent employment with the Office.

During January 2008, the Office appointed four Graduate Development Officers, bringing the total to eleven since the program commenced in 2005.

Payroll systems

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

Staff development

The Office has a commitment to professional development for 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, Human Resource Standards, recruitment, advertising methods and appropriate skills based courses.

GOAL 5: GOVERNANCE & PUBLIC SECTOR IMPROVEMENT

Performance management

The Office of Energy's Management for Performance Policy was redeveloped in October 2007. Management for Performance is a framework within which managers and staff define individual performance objectives, the activities required to deliver them and the means by which they will be measured. Management for Performance demonstrates the link between staff activities and organisational goals, Government goals and Public Sector Standards.

Industrial relations

The Office's staff are employed under the provisions of the *Public Sector Management Act 1994* and employment conditions for staff are provided by the *Public Service Award 1992* and the *Public Service General Agreement 2006*. There were no industrial relations issues during the 2007/08 financial year.

Evaluations

Two formal evaluations of operations were undertaken under Section 7(e) of the *Public Sector Management Act 1994* during the reporting year.

The Coordinator of Energy initiated a review of workload assessment of the Office, with a view to identifying areas where adjustments to resourcing levels might be required. The project included a review of organisational structure, current performance and current practices, processes and outputs of the Office. It also took into consideration workload assessments, productivity measurements, controls, management procedures, organisational structures, rules, job descriptions, organisational values and culture.

The outcomes to be achieved by the review are to be refined in the next reporting year.

The Office also undertook an evaluation of the existing performance of current information published in budget statements, strategic plan and annual report, to determine which information should be retained. The evaluation aimed to identify alternative sources of useful performance indicators. Outcomes of the evaluation will be reported in the next financial year.

Information statement

The Office has a Freedom of Information Statement prepared in accordance with the *Freedom of Information Act 1992* which is available from the Office website. The statement outlines the functions of the Office, the kind of documents held and how those documents can be accessed. Five Freedom of Information applications were received during the year. Two were referred in full to more appropriate agencies and one was partially transferred.

Public interest disclosures

The Office received no public interest disclosure applications during the reporting year. Details of the Office's public interest disclosure procedures are available from the Office's website.

Insurance paid to indemnify a Director against liability

The Office has cover provided by RiskCover to indemnify the agency for all sums (including legal costs) which the agency is legally liable to pay in respect to Professional Liability. Professional Liability covers claims made against the agency for errors or omissions in the rendering of or failure to render professional advice or services by the Agency. Under RiskCover, a specific limitation of the cover is the personal liability of directors or officers imposed under the *Statutory Corporations (Liability of Directors) Act 1996*.

GOAL 5: GOVERNANCE & PUBLIC SECTOR IMPROVEMENT

Compliance with Public Sector Standards and Ethical Codes

Human Resource Management Standards

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's intranet.

There were no Breach of Standards claims lodged in 2007/08. 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.

Codes of Ethics and Codes 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 Office's Intranet. No internal grievances were lodged relating to the non-compliance with the ethical codes. There were no complaints received from external authorities.

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.

Record keeping

A Record Keeping Plan, developed in accordance with the *State Records Act 2000*, specifies how records are created, managed and maintained over time and includes procedures for disposal of records. During the year, the Office:

- upgraded the Electronic Document/Records Management System (TRIM) to version 6 and implemented scanning of hard copy correspondence and capture of electronic mail to the TRIM system;
- held training sessions in document management including editing, revisions and version control. Sessions were conducted by external consultants for business divisions and further training sessions are planned during 2008;
- updated the Retention & Disposal Schedule (previously approved in 2003) and submitted this to the State Records Office; and
- continued to update business processes throughout the organisation in order to reflect changes arising from the electronic document management system application

The Record Keeping Plan (previously approved in 2003) is now due for update and will be submitted to the State Records Office in late 2008.

GOAL 5: GOVERNANCE & PUBLIC SECTOR IMPROVEMENT

Advertising and sponsorship

Advertising and sponsorship for the Office is largely carried out by the SEDO.

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

Total expenditure was **\$340,242.38**.

Advertising

Advertising agencies

303 Advertising Pty Ltd	\$67,773.63
Marketforce Express	\$7,143.46

Market research organisations

Nil

Polling organisations

Nil

Direct mail organisations

Nil

Media advertising organisations

Marketforce Express (staff vacancies only)	\$25,470.00
Media Decisions WA	\$203,083.29
Sensis	\$36,772.00

Sponsorships

- Sustainable Energy Expo
- WA Environment Awards
- Sustainable House Day
- Nuts and Bolts Goes Green
- Perth Sun Fair
- Master Builders Excellence in Construction Awards
- Housing Industry GreenSmart Awards
- Building Designers Association of Western Australia Awards
- Property Council of Australia, Western Australia seminars.

Disability Access and Inclusion Plan

Complying with the *Disability Services Act 1993*, the Office developed its *Disability Access and Inclusion Plan 2007-10* (the Plan). It was authorised in July 2007.

The Office is committed to ensuring that people with disabilities, their families and carers are able to fully access the Office's services and facilities (both in-house and contracted), providing them with the same opportunities, rights and responsibilities, enjoyed by all people in the community.

During the year, the Office continued to work to ensure that access and inclusion outcomes were met by:

GOAL 5: GOVERNANCE & PUBLIC SECTOR IMPROVEMENT

- incorporating the objectives of disability access and inclusion into the Office's strategic business planning, budgeting processes and relevant policies where appropriate;
- ensuring all office accommodation – especially client contact and reception areas – are physically accessible to people with disabilities where possible;
- continuing to develop and maintain the Office's website to improve readability of information for people with disabilities;
- making the Plan available on the public website;
- ensuring all Office publications are written appropriately for the target audience (including people with language barriers) and are available in other formats on request for people with disabilities; and
- informing staff of their role in supporting the objectives of the Plan and making the Plan available on the Intranet.

Substantive equality

The Office continues to apply the principles of equal employment opportunity through its *Equal Employment Opportunity Management Plan 2007-10*. The Office works to ensure substantive equality outcomes are achieved in employment. As at 30 June 2008, the actual percentage representation at the Office was as follows:

- Women in management – 38%
- People from culturally diverse backgrounds – 21.2%
- Indigenous Australian – 0%
- People with disabilities – 22.2%
- Youth – 5.8%

During 2007/08, the Office's *Equal Employment Opportunity Management Plan 2007-10* was developed to address both business and legislative requirements. The *Disability Access and Inclusion Plan 2007-10* has tangible substantive equality outcomes and the Office's new *Reconciliation Action Plan* will address issues of Indigenous employment.

Reconciliation

The Office developed a Reconciliation Action Plan (the Plan) during 2007/08. This Plan has been submitted to the Department of Indigenous Affairs and Reconciliation Australia for approval.

In developing the Plan, the Office consulted with staff via a working group. The Plan aims to embrace reconciliation by promoting equality, mutual respect and understanding between Indigenous and non-Indigenous Australians.

With the implementation of the Plan, the Office has identified steps that it will take to build relationships with, show respect to and offer opportunities to Indigenous Australians in the course of its operations. Progress of these actions will be monitored and reviewed regularly by the Reconciliation Action Plan Working Group.

Sustainability

The Office's vision is for '...reliable, sustainable and competitively priced energy services for the benefit of all Western Australians.' As such, the Office employs the principles of sustainability where possible.

GOAL 5: GOVERNANCE & PUBLIC SECTOR IMPROVEMENT

The Office's Sustainability Committee, in consultation with Office staff, have successfully completed the actions from the *Sustainability Action Plan 2005/07* (the Plan). There were a number of key outcomes from the Plan including the completion of the Office's *Green Transport Plan* and the off-setting of 784 tonnes of carbon emissions by planting 3,797 native trees through the *Carbon Neutral* program.

The Sustainability Committee is continuing to address sustainability within the Office through the development of the *Sustainability Action Plan 2008/10*.

Workers' Compensation & Occupational Safety and Health

The Office aims to provide a safe and secure working environment for employees.

The Office has a history of very low or no recorded injuries. If an injury does occur, the Office complies with the *Workers' Compensation and Injury Management Act 1981*.

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

- Number of fatalities - 0
- Number of lost time injury/diseases incidence rate - 0
- Lost time injury severity rate - 0

An employee assistance program provider is available to staff to access confidential counselling services, including services for their immediate family, if required.

Emergency contact information posters that include information from other co-located agencies are updated regularly. Training in emergency procedures, including building evacuation and office health training, was undertaken regularly during the reporting period.

The Occupational Safety and Health Committee, which has representation from each Division, meets every two months. Employees are encouraged to report safety and health matters to their divisional committee representative for discussion at the meetings. The Committee reports directly to the Corporate Executive through the Committee Chair.

Complaints and feedback management

The Office is committed to providing high quality customer service. The Client Feedback System assists the Office to maintain high service standards as outlined in the Customer Service Charter.

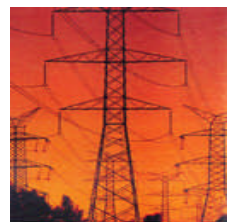
Complaints are dealt with according to the Complaints Handling Procedure. All staff are aware of the procedure and it is available on the Office Intranet. The Office aims to respond to any suggestions for improvement or complaints within five working days. Office staff strive to find an appropriate remedy in that satisfies the client with a detailed description of why the answer was given.

The Office's website has a dedicated feedback page detailing the client feedback process. Complaints, compliments and suggestions can be made to the Office via the website, in writing, by phone or in person.

Compliments received about Office staff are referred up the Management chain and may be included on that persons personal file.

Report on Operations

Significant Issues and Trends



SIGNIFICANT ISSUES AND TRENDS

This section provides a summary of the Office of Energy's current and emerging issues and trends for 2007/08 and beyond.

Climate change

A change of direction at the Federal level has increased demand on state government policy development. Growing public concern on the potential impacts of climate change coupled with increasing media attention on high profile national work programs such as the Garnaut report and Council of Australian Government (COAG) working groups has brought energy related greenhouse gas issues to the forefront. In response, the Commonwealth Government has committed to a range of climate change policy initiatives including the introduction of emissions trading by 2010, an increased Mandatory Renewable Energy target of 20 per cent by 2020. Work is also underway nationally to review programs across all levels of government for complementarity with emissions trading.

The Office and its Sustainable Energy Development Office (SEDO) has and will continue to play an important role in shaping the national policy debate and implementation of these climate change initiatives in the energy sector.

Emissions trading

There is increasing consensus that a carbon price signal in the form of emissions trading will need to be introduced as part of a comprehensive strategy to reduce Australia's global greenhouse gas emissions. It will be necessary to ensure that any emissions trading model introduced delivers the energy needs of industry and the community consistent with providing competitive and reliable sources of energy for Western Australia. The Office has been active in providing advice on the ongoing development of a national emissions trading scheme.

Renewable energy targets

The Office has concluded consultation on the design of a state-based renewable energy target for Western Australia. The Commonwealth Government's commitment through COAG to expand the national mandatory renewable energy target scheme will be a major driver of new investment in Western Australia. The Office is working with the Commonwealth Government to implement this commitment.

Issues for the electricity market associated with the growth in renewable energy generation for the electricity system were raised in the consultation process. A number of these issues are being considered further through electricity market rule change processes.

Energy efficiency information

Strong demand for information on sustainable energy solutions for households and business continued in 2007/08. Additional resources were developed for circulation to assist community action in reducing energy consumption in response to the gas disruption arising from the Varanus Island incident.

Energy efficiency rebates

Heightened consumer awareness of the environmental impacts of energy use has increased demand for all of the services offered by SEDO, in particular for rebates for renewable energy installations.

In 2007/08 the Office, through SEDO, issued rebates and grants totalling more than \$12 million for renewable energy and energy efficiency projects under the Renewable Remote Power Generation Program, Solar Water Heater Subsidy, SEDO Grants Program, Renewable Energy Production Subsidy Program, Photovoltaic Program and Solar Schools.

SIGNIFICANT ISSUES AND TRENDS

Aboriginal and remote communities power supply

The Commonwealth and the State have agreed as a priority, to work together to streamline the delivery of services to Indigenous communities, including electricity supply. Building on the experience from Phase One of the Aboriginal and Remote Communities Power Supply Project which is now complete, the next phases of the project are being progressed through the negotiation of the Federal/State Bilateral Agreement on Indigenous Affairs.

Energy prices

Western Australia's strong economy is continuing to place pressure on the costs of providing energy, with increasing capital, labour, materials and fuel costs. Additional cost pressure is also expected in the future with the implementation of initiatives to address climate change. The Office has an important role in advising the Government on future electricity and gas prices, which balance economic realities with the long-term interests of consumers.

Smart meters

Technology improvements in metering are increasing the scope for consumer participation in the management of demand for electricity. There is also the potential to deliver customer benefits from these technologies. Smart meter technology will enable the introduction of time-of-use tariffs, provide opportunities for customers to manage their demand, and also assist in facilitating the introduction of electricity full retail contestability. The Office is actively investigating the costs and benefits of smart meters, and will advise the Government on their potential introduction.

Electricity Corporations

The creation of four Electricity Corporations: Verve Energy (generation); Western Power (networks); Synergy (retail); and Horizon Power (regional), has increased the scope for competition and focused the activities of the respective businesses. The restructure has also increased the transparency of the Electricity Corporations' operational and financial performance. The Office will continue to support the Minister for Energy in managing the Government's ownership interest in the Electricity Corporations in the more competitive and challenging environment.

Reliability and quality of electricity supply

Western Power is undertaking a record investment program to improve reliability and quality of supply for customers on the South West Interconnected System (SWIS). However, an ageing network, together with rising demand for better reliability and quality of electricity supply, will require the development of innovative and cost effective solutions. The Office will continue to work to ensure the policy and regulatory frameworks drive timely, efficient investment in network infrastructure to meet the needs of customers on the SWIS.

National energy policy

Streamlined, nationally consistent energy policy and regulation is an important contributor to the development of competition and economic efficiency in the energy sector. National uniform regulation of electricity and natural gas infrastructure is being implemented through the Ministerial Council on Energy. Western Australian energy infrastructure will continue to be regulated by the Economic Regulation Authority. The Office will continue to ensure that Western Australia's interests are actively represented in the development and implementation of these national arrangements and national energy policy.

SIGNIFICANT ISSUES AND TRENDS

Fuel resources and supply

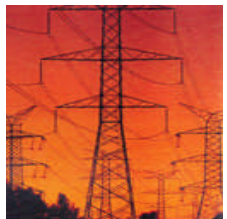
An efficient energy industry requires competitive tension between alternative fuel sources. Adequate gas supply and transmission capacity and best practice in the coal, gas and renewable energy technologies will be needed. Continuing assessment of down stream market and regulatory outcomes, industry and technology developments and the implementation - in collaboration with industry - of policy responses to address barriers are required to ensure reliable competitively priced energy is available into the future.

Energy security

Diversification of supply sources contributes to the security of supplies of electricity and gas. The importance of energy security to the State's economy was highlighted by gas supply disruptions during the year. Future policy initiatives such as emissions trading and national mandatory renewable targets will significantly influence future electricity generation solutions. Policies aimed at increasing gas diversity including accessing tight gas, will influence future gas supplies.

SECTION 3

Disclosures and Legal Compliance Financial Statements





Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

OFFICE OF ENERGY FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2008

I have audited the accounts, financial statements, controls and key performance indicators of the Office of Energy.

The financial statements comprise the Balance Sheet as at 30 June 2008, and the Income Statement, Statement of Changes in Equity, Cash Flow Statement, Schedule of Income and Expenses by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, a summary of significant accounting policies and other explanatory Notes.

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

Coordinator of Energy's Responsibility for the Financial Statements and Key Performance Indicators

The Coordinator of Energy is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. 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 key 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 key performance indicators.

Office of Energy
Financial Statements and Key Performance Indicators for the year ended 30 June 2008

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 2008 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Office provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key 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 2008.



COLIN MURPHY
AUDITOR GENERAL
3 September 2008

OFFICE OF ENERGY
DISCLOSURES AND LEGAL COMPLIANCE
FOR THE YEAR ENDED 30 June 2008

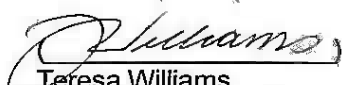
DISCLOSURES AND LEGAL COMPLIANCE

FINANCIAL STATEMENT

Certification of Financial Statements

The accompanying financial statements of the Office of Energy have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2008 and the financial position as at 30 June 2008.

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.



Teresa Williams
Acting Director, Corporate Services
Acting Chief Finance Officer

Date: 29. 08. 2008



Jason Banks
Coordinator of Energy
Accountable Authority

Date: 29/08/08

OFFICE OF ENERGY
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$000	2007 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	5	5,164	4,173
Supplies and services	6	4,736	3,192
Depreciation and amortisation expense	7	76	157
Accommodation expenses	8	875	613
Grants and subsidies	9	20,555	20,440
Other expenses	10	97	219
Total cost of services		31,503	28,794
Income			
Revenue			
User charges and fees	11	10	18
Commonwealth grants and contributions	12	11,594	9,086
Other revenue	13	258	335
Total revenue		11,862	9,439
Gains			
Gains/(loss) on disposal of non-current assets	14	-	(6)
Total gains		-	(6)
Total income other than income from State Government		11,862	9,433
NET COST OF SERVICES		19,641	19,361
INCOME FROM STATE GOVERNMENT			
Service appropriation	15	18,173	17,798
Liabilities assumed by the Treasurer		-	29
Resources received free of charge		172	144
Total income from State Government		18,345	17,971
SURPLUS/(DEFICIT) FOR THE PERIOD		(1,296)	(1,390)

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

OFFICE OF ENERGY
BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 \$000	2007 \$000
ASSETS			
Current Assets			
Cash and cash equivalents		5,077	5,061
Restricted cash and cash equivalents	16	4,183	5,223
Receivables	17	2,673	973
Amounts receivable for services	18	200	197
Total Current Assets		12,133	11,454
Non-Current Assets			
Restricted cash and cash equivalents	16	63	30
Receivables	17	1,065	1,279
Amounts receivable for services	18	660	699
Property, plant and equipment	19	127	161
Total Non-Current Assets		1,915	2,169
TOTAL ASSETS		14,048	13,623
LIABILITIES			
Current Liabilities			
Payables	20	2,259	377
Amounts due to the Treasurer	21	1,650	1,874
Provisions	22	679	678
Other current liabilities	23	66	15
Total Current Liabilities		4,654	2,944
Non-Current Liabilities			
Provisions	22	280	269
Total Non-Current Liabilities		280	269
TOTAL LIABILITIES		4,934	3,213
NET ASSETS		9,114	10,410
EQUITY			
Contributed equity	24	1,306	1,306
Accumulated surplus/(deficiency)	24	7,808	9,104
Total Equity		9,114	10,410
TOTAL LIABILITIES AND EQUITY		14,048	13,623

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

OFFICE OF ENERGY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$000	2007 \$000
Balance of Equity at start of period		10,410	11,800
CONTRIBUTED EQUITY			
Balance at start of period		1,306	1,306
Capital contribution			
Balance at end of period	24	1,306	1,306
ACCUMULATED SURPLUS			
Balance at start of the period		9,104	10,494
Surplus/(Deficit) for the period		(1,296)	(1,390)
Balance at end of period	24	7,808	9,104
Balance of Equity at end of period		9,114	10,410
Total income and expense for the period		(1,296)	(1,390)

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

OFFICE OF ENERGY
CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$000	2007 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriations		17,973	17,606
Holding account drawdowns		236	166
Net cash provided by State Government		18,209	17,772
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(5,099)	(4,534)
Supplies and services		(2,448)	(2,911)
Capital User Charge			-
Accommodation		(875)	(613)
Grants and subsidies		(20,701)	(20,110)
GST payments on purchases		(88)	90
GST payments to taxation authority			(7)
Other payments		(97)	(220)
Receipts			
User charges and fees		10	18
Commonwealth grants and contributions		11,594	9,086
GST receipts on sales		15	38
GST receipts from taxation authority			(77)
Other receipts		(1,244)	331
Net cash provided by/(used in) operating activities	25(b)	(18,933)	(18,909)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current physical assets			-
Purchase of non-current physical assets		(42)	(107)
Net cash provided by/(used in) investing activities		(42)	(107)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Treasurer's Advance - Energy Smart Government Program		(639)	573
Repayment of Treasurer's Advance - Energy Smart Government Program		415	(1,610)
Net cash provided by/(used in) Financing Activities		(224)	(1,037)
Net increase/(decrease) in cash and cash equivalents		(990)	(2,281)
Cash and cash equivalents at the beginning of period		10,314	12,595
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	25(a)	9,324	10,314

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

OFFICE OF ENERGY
SCHEDULE OF INCOME AND EXPENSES BY SERVICE
FOR THE YEAR ENDED 30 JUNE 2008

	Development and Implementation of Energy Policy		Development & Implementation of Sustainable Energy Policy and Programs		Total	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
COST OF SERVICES						
Expenses						
Employee benefits expense	2,553	2,151	2,611	2,022	5,164	4,173
Supplies and services	1,518	1,796	3,218	1,396	4,736	3,192
Depreciation and amortisation expense	34	74	42	83	76	157
Accommodation expenses	348	295	527	318	875	613
Grants and subsidies	5,126	7,377	15,429	13,063	20,555	20,440
Capital User Charge	-	-	-	-	-	-
Other expenses	83	106	14	113	97	219
Total cost of services	9,662	11,799	21,841	16,995	31,503	28,794
Income						
User charges and fees	-	-	10	18	10	18
Commonwealth grants and contributions	-	-	11,594	9,086	11,594	9,086
Other revenue	178	274	80	61	258	335
Loss on disposal of non-current assets	-	(2)	-	(4)		(6)
Total income other than income from State Government	178	272	11,684	9,161	11,862	9,433
NET COST OF SERVICES	9,484	11,527	10,157	7,834	19,642	19,361
INCOME FROM STATE GOVERNMENT						
Service appropriation	9,002	11,885	9,171	5,913	18,173	17,798
Liabilities assumed by the Treasurer	-	14	-	15	-	29
Resources received free of charge	93	106	79	38	172	144
Total income from State Government	9,095	12,005	9,250	5,966	18,345	17,971
SURPLUS/(DEFICIT) FOR THE PERIOD	(389)	478	(907)	(1,868)	(1,297)	(1,390)

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

OFFICE OF ENERGY
SUMMARY OF CONSOLIDATED ACCOUNT APPROPRIATIONS AND INCOME ESTIMATES
FOR THE YEAR ENDED 30 JUNE 2008

	2008 Estimates	2008 Actual	Variation	2008 Actual	2007 Actual	Variation
	\$000	\$000	\$000	\$000	\$000	\$000
DELIVERY OF SERVICES						
Item 102 Net amount appropriated to deliver services	19,096	17,936	(1,160)	17,936	17,572	364
Amount Authorised by Other Statutes:						
- Salaries and Allowances Act 1975	233	237	4	237	226	11
Total appropriations provided to deliver services	19,329	18,173	(1,156)	18,173	17,798	375
GRAND TOTAL	19,329	18,173	(1,156)	18,173	17,798	375
Details of expenses by service:						
Development and Implementation of Energy Policy	9,058	9,662	604	9,662	11,799	(2,137)
Development and Implementation of Sustainable Energy Policy and Programs	16,575	21,841	5,266	21,841	16,995	4,846
Total cost of services	25,633	31,503	5,870	31,503	28,794	2,709
Less total Income	(5,625)	(11,862)	(6,237)	(11,862)	(9,433)	(2,429)
Net Cost of Services	20,008	19,641	(366)	19,641	19,361	281
Adjustments (a)	(679)	(1,468)	(790)	(1,468)	(1,563)	94
Total appropriations provided to deliver services	19,329	18,173	(1,156)	18,173	17,798	375
Capital Expenditure						
Purchase of non-current physical assets	255	42	(213)	42	107	(65)
Adjustments for other funding sources	(255)	(42)	213	(42)	(107)	65
<i>Capital Contribution (appropriation)</i>	-	-	-	-	-	-

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

Note 29 'Explanatory Statement' provides details of any significant variations between estimates and actual results for 2008 and between the actual results for 2007 and 2008.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. Office mission and funding

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

The Office of Energy is predominantly funded by parliamentary appropriation. Revenues controlled by the Office of Energy are net appropriated under the Financial Management Act 2006. The financial statements encompass all funds through which the Office controls resources to carry on its functions.

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

2. Australian equivalents to International Financial Reporting Standards

General

The Office's financial statements for the year ended 30 June 2008 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Office has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

Early adoption of standards

The Office cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Office for the annual reporting period ended 30 June 2008.

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

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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 Management Act* 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 AAS 29 'Financial Reporting by Government Departments' on the accrual basis of accounting using the historical cost convention, modified by the revaluation of land buildings and infrastructure which have been measured at fair value.

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.

(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 Treasurer's instruction (TI) 955 'Contributions by Owners made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

(e) Income

Revenue recognition

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

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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 and can be measured reliably.

Rendering of services

Revenue is recognised upon delivery of the service to the client or by reference to the stage of completion of the transaction.

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 Treasury. See note 15 'Income from State Government' for further details.

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Office. In accordance with the determination specified in the 2007-08 Budget Statements, the Office retained \$ 11.86 million in 2008 (\$9 million in 2007) 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 of 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 balance sheet 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 and some revaluations of non-current assets.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

(f) Property, Plant and Equipment

Capitalisation/Expensing of assets

Items of property, plant and equipment costing \$1,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment 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 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 years
Computer equipment	3 years
Furniture and fittings	5 years
Leasehold improvements	5 years

(g) Impairment of Assets

Property, plant and equipment are tested for any indication of impairment at each balance sheet 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.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

See note 19 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 one category of financial instrument disaggregated into the following classes:

Financial Assets:

- Cash and cash equivalents
- Restricted cash and cash equivalents
- Receivables
- Amounts receivable for services

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 10 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.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

Accrued salaries (refer note 23 'Other current liabilities') 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) Amount 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 against the allowance account. 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.

(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 resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date. See note 22 'Provisions'.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

(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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet 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.

Employees commencing employment prior to 16 April 2007 who are not members of either the Pension or the GSS Schemes became non-contributing members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. 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 and GESBS Schemes.

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'.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

(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 10 'Other Expenses' and note 22 'Provisions'.

(q) Superannuation Expense

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

- (i) 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
- (ii) Defined contribution plans - Employer contributions paid to the GSS (concurrent contributions), West State Superannuation Scheme (WSS), and the GESB Super Scheme (GESBS).

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 (refer note 3(p)(i)), a revenue titled 'Liabilities assumed by the Treasurer' equivalent to the expense is recognised under Income from State Government in the Income Statement. See note 15 'Income from State Government'.

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

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 Account.

The GSS Scheme is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, apart from the transfer benefit, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Office to GESB extinguishes the Office's obligations to the related superannuation liability.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

(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 income and as assets or expenses as appropriate, at fair value.

(s) Comparative Figures

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

4. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Office has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2007 that impacted on the Office:

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 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Office's exposure to risks, enhanced disclosure regarding components of the Office's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

The following Australian Accounting Standards and Interpretations are not applicable to the Office as they have no impact or do not apply to not-for-profit entities:

AASB Standards and Interpretations	
101	'Presentation of Financial Statements' (relating to the changes made to the Standard issued in October 2006)
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 & AASB 1038]
2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]
2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]. The amendments arise as a result of the AASB decision to make available all options that currently exist under IFRSs and that certain additional Australian disclosures should be eliminated. The Treasurer's instructions have been amended to maintain the existing practice when the Standard was first applied and as a consequence there is no financial impact.
2007-5	Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]
2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]
ERR	Erratum: Proportionate Consolidation [AASB 101, AASB 107, AASB

	121, AASB 127, Interpretation 113]
Interpretation 10	'Interim Financial Reporting and Impairment'
Interpretation 11	'AASB 2 – Group and Treasury Share Transactions'
Interpretation 1003	'Australian Petroleum Resource Rent Tax'

Future impact of Australian Accounting Standards not yet operative

The Office cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Office has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued and which may impact the office but are not yet effective. Where applicable the office plans to apply these Standards and Interpretations from their application date. These will be applied from their application date:

Title	Operative for reporting periods beginning on/after
AASB 101 'Presentation of Financial Statements' (September 2007). This Standard has been revised and will change the structure of the financial statements. These changes will require that owner changes in equity are presented separately from non-owner changes in equity. The Office does not expect any financial impact when the Standard is first applied.	1 January 2009
Review of AAS 27 'Financial Reporting by Local Governments', 29 'Financial Reporting by Government Departments and 31 'Financial Reporting by Governments'. The AASB has made the following pronouncements from its short term review of AAS 27, AAS 29 and AAS 31:	
AASB 1004 'Contributions' (December 2007).	1 July 2008
AASB 1050 'Administered Items' (December 2007).	1 July 2008
AASB 1051 'Land Under Roads' (December 2007).	1 July 2008
AASB 1052 'Disaggregated Disclosures' (December 2007).	1 July 2008
AASB 2007-9 'Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137] (December 2007).	1 July 2008
Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities (December 2007).	1 July 2008

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	\$000	\$000
5. Employee benefits expenses		
Wages and salaries (a)	4,072	3,687
Superannuation – defined contributions plan (b)	305	273
Superannuation – defined benefits plan (c)(d)	231	139
Annual Leave (e)	345	238
Long Service Leave (e)	211	(164)
<u>Other related expenses</u>		
	5,164	4,173
(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.		
(b) Defined contribution plans include West State and Gold State (contributions paid).		
(c) Defined benefit plans include Pension scheme and Gold State (pre-transfer benefit).		
(d) An equivalent notional income is also recognised (see note 15 'Income from State Government').		
(e) Includes a superannuation contribution component.		
Employment on-costs such as workers' compensation insurance are included at note 10 'Other Expenses'. The employment on-costs liability is included at note 22 'Provisions'.		
6. Supplies and services		
Advertising	317	414
Communications	68	76
Consultants and contractors	2,980	1,522
Recruitment costs	44	48
Consumables	20	31
Insurance	15	15
Legal fees	570	614
Motor vehicle expenses	60	57
Printing	79	80
Travel	105	108
Other	478	227
	4,736	3,192
7. Depreciation and amortisation expense		
Furniture and fittings	19	19
Plant and equipment	3	5
Computer equipment	50	59
Leasehold improvements	4	74
	76	157

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	\$000	\$000
8. Accommodation expenses		
Lease rentals and other accommodation	817	569
Repairs and maintenance	36	12
Cleaning and security	22	32
	875	613
9. Grants and subsidies		
Energy Smart Government Facilitation grants	119	371
Sustainable Energy Development Office (SEDO)	443	295
Grants Committee grants		
Ministerial Council of Energy	299	77
Contributions to the Energy Efficiency Working Group	23	211
Photovoltaic Rebate Program (PVRP) rebates	530	163
Renewable Remote Power Generation Program (RRPGP) grants	11,512	8,128
Solar Water Heater Subsidy Scheme	1,390	1,460
Energy Smart Community Grants	-	32
Industry Support Grants	56	109
Underground Power Project transfer payments (State's contributions)	4,820	7,300
Renewable Energy Production Subsidy	1,111	2,129
Solar Schools Program	252	165
	20,555	20,440
10. Other expenses		
Repairs and maintenance	21	23
Employment on-costs (a)	(39)	28
Other	115	168
	97	219

- (a) Include workers' compensation insurance and other employment on-costs. The on-costs liability associated with recognition of annual and long service leave liability is included at note 22 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	\$000	\$000
11. User charges and fees		
User charges and fees	10	18
	10	18
12. Commonwealth grants and contributions		
Recurrent contributions	11,594	9,086
	11,594	9,086
13. Other revenue		
Recoup of program costs	190	324
Contributions by senior officers to the Government Vehicle Scheme	12	11
Revenues from Energy in WA Conference	52	
Others	4	-
	258	335
14. Gain/(loss) on disposal of non-current assets		
<u>Cost of Disposal of Non-Current Assets</u>		
Plant and equipment	-	(6)
<u>Proceeds from Disposal of Non-Current Assets</u>		
Plant and equipment		-
Net gain/(loss)	-	(6)
15. Income from State Government		
Appropriation received during the year:		
Service appropriations (a)	18,173	17,798
	18,173	17,798
The following liabilities have been assumed by the Treasurer during the financial year:		
Superannuation (b)	-	29
Total liabilities assumed by the Treasurer	-	29
Resources received free of charge		
Determined on the basis of the following estimates provided by agencies:		
State Solicitor's Office (c)	172	144
Total resources received free of charge	172	144
	18,345	17,971

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

- | | 2008
\$000 | 2007
\$000 |
|---|---------------|---------------|
| (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 income to offset notional superannuation expense reported in respect of current employees who are members of the pension scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation Scheme. | | |
| (c) Where the assets or services have been received free of charge or for nominal cost, the Office recognises revenues 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. The exception occurs where the contribution of assets or services are in the nature of contributions by owners, in which case the Office makes the adjustment direct to equity. | | |

16. Restricted cash and cash equivalents

Trust Fund balance		
Commonwealth Programs Trust Account (a)	1,183	2,223
Others	3,000	
	4,183	2,223
Non-current		
Accrued salaries suspense account (b)	63	30
	4,246	2,253

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

17. Receivables

Current		
GST receivable	275	290
Energy Smart Capital Grant	2,396	595
Other debtors	2	88
Total Current	2,673	973
Non-current		
Energy Smart Government Returns from Agencies	1,065	1,279
Total non-current	1,065	1,279
	3,738	2,252

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	\$000	\$000
18. Amounts receivable for services		
Current	200	197
Non-current	660	699
	860	896
19. Property, plant and equipment		
Computer equipment		
At cost	248	209
Accumulated depreciation	(167)	(120)
	81	89
Furniture and fittings		
At cost	104	124
Accumulated depreciation	(67)	(68)
	37	56
Plant and equipment		
At cost	14	14
Accumulated depreciation	(8)	(5)
	6	9
Leasehold improvements		
At cost	393	393
Accumulated amortisation	(390)	(386)
	3	7
Total		
At cost	759	740
Accumulated depreciation	(632)	(579)
	127	161

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out below.

	Computer equipment	Furniture and fittings	Plant and equipment	Leasehold improvements	Total
	\$000	\$000	\$000	\$000	\$000
2008					
Carrying amount at start of year	89	56	9	7	161
Additions	42		-	-	42
Disposal			-	-	
Depreciation	(50)	(19)	(3)	(4)	(76)
Carrying amount at end of year	81	37	6	3	127

	Computer equipment	Furniture and fittings	Plant and equipment	Leasehold improvements	Total
2007					
Carrying amount at start of year	93	25	16	81	215
Additions	55	50	3	-	108
Disposal	-	-	(5)	-	(5)
Depreciation	(59)	(19)	(5)	(74)	(157)
Carrying amount at end of year	89	56	9	7	161

The Office of Energy held no intangible assets with an indefinite useful life during the reporting period and at balance sheet date there were no intangible assets not yet available for use.

Impairment of Assets

There were no indications of impairment of plant and equipment at 30 June 2008.

OFFICE OF ENERGY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	\$000	\$000
20. Payables		
Current		
Trade payable	-	-
GST payable	-	88
Other accrued creditors	2,259	289
	2,259	377
21. Amounts due to the Treasurer		
Treasurer's advance	1,650	1,874
	1,650	1,874
22. Provisions		
Current		
<i>Employee benefits</i>		
Annual leave (a)	412	294
Long service leave (b)	266	272
	678	566
<i>Other provisions</i>		
Other employee benefits (c)	1	112
	1	112
	679	678
Non-Current:		
<i>Employee benefits</i>		
Long service leave (b)	279	248
	279	248
<i>Other provisions</i>		
Other employee benefits (c)	1	21
	1	21
	280	269

OFFICE OF ENERGY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	\$000	\$000

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

Within 12 months of balance sheet date	243	168
More than 12 months from the balance sheet date	169	126
	412	294

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

Within 12 months of balance sheet date	380	218
More than 12 months from the balance sheet date	165	302
	545	520

- (c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments. Movements in the provision for employment on-costs are set out below:

Employment on-cost provision		
Carrying amount at start of year	133	-
Payments/other sacrifices of economic benefits	(131)	-
Additional provisions recognised	-	133
Carrying amount at end of year	2	133

23. Other current liabilities

Current		
Accrued salaries	66	15
Other creditors	-	-
	66	15

OFFICE OF ENERGY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	\$000	\$000

24. Equity

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

Contributed Equity

Balance at the start of the year	1,306	1,306
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Contributions by owners

Capital Contribution

Transfer of net assets from other agencies

Total contributions by owners	1,306	1,306
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Balance at the end of the year	1,306	1,306
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Accumulated surplus/(deficit)

Balance at the start of the year	9,104	10,494
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Result for the period	(1,296)	(1,390)
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Balance at the end of the year	7,808	9,104
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25. Notes to the Cash Flow Statement

(a) Reconciliation of cash

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	5,077	8,061
Restricted cash and cash equivalents	4,247	2,253
	9,324	10,314

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	\$000	\$000
(b) Reconciliation of net cost of services to the net cash flows provided by/(used in) operating activities		
Net cost of services	(19,641)	(19,361)
Non-cash items		
Depreciation expense	76	157
Superannuation liability assumed by the Treasurer	-	29
Resources received free of charge	172	144
(Profit)/loss on disposal of non-current assets		6
(Increase)/decrease in assets:		
Current receivable	(1,716)	325
Other current assets	196	
Other non-current assets	35	
Increase/(decrease) in liabilities:		
Employee benefits	63	(316)
Current payable	1,955	147
Other liabilities		(74)
Change in GST receivable/(payable)		118
Net GST receipts/(payments)	(73)	(84)
Net cash used in operating activities	(18,933)	(18,909)

26. Commitments

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	591	814
- Later than one year and not later than five years	1,673	3,093
	2,264	3,907
Representing:		
- Cancellable operating leases	54	72
- Non-cancellable operating leases	2,210	3,835
	2,264	3,907
Non-cancellable operating lease commitments		
Commitments for minimum lease payments are payable as follows:		
- Within one year	553	767
- Later than one year and not later than five years	1,657	3,068
	2,210	3,835

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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2008	2007
\$000	\$000

The property lease is a non-cancellable lease with a 5 years term expiring on 30 June 2012, with rent payable monthly in advance. The lease agreement provides for an annual rent increase of 5%.

27. Contingent liabilities and contingent assets

The Office has no contingent liabilities and contingent assets as at 30 June 2008.

28. 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.

29. Explanatory Statements

The summary of Consolidated Account Appropriations and Income Estimates discloses appropriations and other statutes expenditure estimates, the actual expenditures made and revenue estimates and payments into the Consolidated Account and operating account, all on an accrual basis. The following are explanations of significant variations. A significant variation is one that is in excess of 10% of the principal amount and \$1.0 million. In respect of any item for which there is not a significant variation, no explanation is given.

Significant variances between estimates and actual for 2008 – Total Appropriation to deliver services:

	2008 Estimate \$000	2008 Actual \$000	Variance \$000
Total appropriations provided to deliver services	19,329	18,173	(1,156)

The reduction in the net amount provided to deliver services of \$1.156 million is due in the main, to the recasting of funding requirements from 2007-08 to 2008-09 for the Renewable Energy Target project and the Solar Schools Program, offset by funding approved to meet cost and demand pressures associated with the Solar Water Heater Subsidy Scheme and other administrative costs.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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Significant variances between estimates and actual for 2008 – Income:

	2008 Estimate \$000	2008 Actual \$000	Variance \$000
Total Income	5,625	11,862	6,237

In 2007/2008 additional income was provided by the Commonwealth Government to provide rebates for energy efficiency initiatives under the Renewable Remote Power Generation Program. Income and expenditure under this Program varies in accordance with the number of rebates approved and completed during each year.

Significant variances between actuals for 2007 and 2008 – Income:

	2008 Actual \$000	2007 Actual \$000	Variance \$000
Total Income	11,862	9,433	2,429

Compared to 2006/2007 the Office received additional income in 2007/2008 from the Commonwealth Government to fund the Renewable Remote Power Generation Program.

Significant variances between actual for 2008 and 2007 – Total Appropriation provided to deliver services

	2008 Actual \$000	2007 Actual \$000	Variance \$000
Total Cost of Services			
Development and Implementation of Sustainable Energy Policy and Programs	16,575	21,841	5,266

Expenditure on the Renewable Remote Power Generation Program was significantly greater than estimated in 2007-08. This expenditure is however, offset by a commensurable increase in revenue for the Program from the Commonwealth Government.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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Significant variances between actual for 2007 and 2008 financial year.

	2008 Actual \$000	2007 Actual \$000	Variance \$000
Total Cost of Services			
Development and Implementation of Energy Policy	9,662	11,799	(2,137)

The reduction in the total cost of service from 2008 to 2007 is due in the main to a decrease in additional funding provided in 2007 for the Underground Power Project.

**Significant variances between actual for 2008 and 2007 –
Total Cost of Service 2**

	2008 Actual \$000	2007 Actual \$000	Variance \$000
Total Cost of Services			
Development and Implementation of Sustainable Energy Policy and Programs	21,841	16,995	4,846

The increase in the total cost of service in 2008 is due to expenditure on climate change initiatives approved in the 2007-08 budget including funding for the Government Purchase of Green Power, additional expenditure associated with the Renewable Remote Power Generation Program and the Solar Water Heater Subsidy Scheme.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

30. Financial instruments

(a) Financial Risk Management Objective 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, and there are no Finance lease liabilities held as at 30 June 2008. The overall risk management program of the Office 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.

Market Risk

The Office does not trade in foreign currency and is not materially exposed to other price risk (for example, equity securities or commodity prices changes).

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).

Interest rate risk exposure

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

Fair Values

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in Note 3 to the financial statements.

Interest rate sensitivity analysis

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).

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

(b) Financial Instrument Disclosures

	Weighted Average Effective Interest Rate %	Non- Interest Bearing \$000	Total \$000
<u>2008</u>			
<i>Financial Assets</i>			
Cash and cash equivalents	-	5,077	5,077
Restricted cash and cash equivalents	-	4,246	4,246
Receivables (a)	-	3,463	3,463
Amounts receivable for services	-	860	860
		13,646	13,646
<i>Financial Liabilities</i>			
Payables	-	2,259	2,259
Amounts due to the Treasurer	-	1,650	1,650
		3,909	3,909

	Weighted Average Effective Interest Rate %	Non- Interest Bearing \$000	Total \$000
<u>2007</u>			
<i>Financial Assets</i>			
Cash and cash equivalents	-	5,061	5,061
Restricted cash and cash equivalents	-	5,253	5,253
Receivables (a)	-	1,962	2,252
Amounts receivable for services	-	896	896
		13,172	13,462
<i>Financial Liabilities</i>			
Payables	-	377	377
Amounts due to the Treasurer	-	1,874	1,874
		2,251	2,251

(a) The amount of receivable excludes GST recoverable from the ATO (statutory receivable).

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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2008	2007
\$000	\$000

31. 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:

Income Band (\$)		
20,001 – 40,000	1	-
50,001 – 60,000	-	1
60,001 – 70,000	-	1
70,001 – 80,000	-	1
110,001 – 120,000	-	1
120,001 – 130,000	1	1
130,001 – 140,000	2	-
150,001 – 160,000	1	1
220,001 – 230,000	1	-
230,001 – 240,000	-	1

The total remuneration of senior officers is:	836	819
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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.

32. Remuneration of auditors

Remuneration payable to the Auditor General for the financial year is as follows:

Auditing the accounts, financial statements and performance indicators	45	40
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OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	\$000	\$000

33. Related bodies

The Office has no related bodies.

34. Affiliated bodies

The Office has no affiliated bodies.

35. Special Purpose Accounts

Commonwealth Funded Initiatives and Programs Trust Account

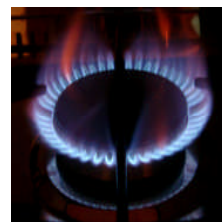
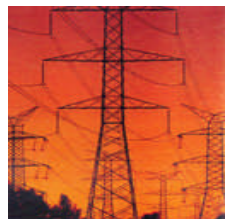
The purpose of the trust account is to hold funds provided by the Commonwealth Government for the conduct of energy-related initiatives by the Office.

Balance at the start of the year	2,223	1,853
Receipts:		
Photovoltaic Rebate Program (PVRP)	487	154
Renewable Remote Power Generation Program (RRPGP)	9,412	8,908
	12,122	10,915
Payments:		
Photovoltaic Rebate Program (PVRP)	556	160
Renewable Remote Power Generation Program (RRPGP)	10,383	8,532
	10,939	8,692
Balance at the end of the year	1,183	2,223

36. Supplementary financial information

A \$786 receivable was written off by the Office during the year.

Disclosures and Legal Compliance Performance Indicators



PERFORMANCE INDICATORS

CERTIFICATION OF PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2008

I hereby certify that the 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 2008.



Jason Banks
COORDINATOR OF ENERGY

28 July 2008

PERFORMANCE INDICATORS

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

Government Strategic Goals

Creating conditions that foster a strong economy delivering more jobs, opportunities and greater wealth for all Western Australians

Protecting and enhancing the unique Western Australian lifestyle and ensuring sustainable management of the environment.

Outcome Statements

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

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

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

PERFORMANCE INDICATORS

Effectiveness Indicators

Outcome 1:

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

Performance Indicator	2007/08 Target	2007/08 Actual
Improved regional and remote services, indicated by the achievement of the following milestones		
Negotiation of an Establishment Agreement with Horizon Power to outline the service delivery arrangements for implementation of the Aboriginal and Remote Communities Power Supply Project Phase Two (1)	October 2007	Incomplete
Aboriginal and Remote Communities Power Supply Project Phase One implementation complete in the five targeted communities (2)	November 2007	November 2007

Notes to this performance indicator

- (1) This has been deferred pending negotiations in 2008 with the Commonwealth Government as part of the Bilateral Agreement on Indigenous Affairs 2006-2010.
- (2) The pilot program is now fully implemented, and householders in these communities have access to regularised electricity supplied by Horizon Power.

Performance Indicator	2007/08 Target	2007/08 Actual
Amendments to the <i>Gas Pipeline Access (Western Australia) Act 1998</i> to:		
Implement changes arising from the Productivity Commission's review of the Gas code (1)	December 2007	Incomplete
Introduce the Australian Energy Markets Commission into the Western Australia regulatory governance structure (2)	December 2007	Incomplete

Notes to this performance indicator

- (1) Western Australia has participated in the development of the new National Gas Legislative package under the Ministerial Council on Energy. The Western Australian application act, the *National Gas Access (Western Australia) Act 2008*, is pending approval in Parliament (introduced in June 2008 and will be re-introduced following the election). Regulations associated with the legislation are currently being drafted.

The national reform program had to be extended to address the large number of complex issues raised towards the end of the process, and the need for additional stakeholder consultation. Also, the Ministerial Council on Energy gave priority to the National Electricity Law over the National Gas Law.
- (2) As part of the process outlined in Note 1, Western Australia will introduce the Australian Energy Market Commission as part of the Western Australian regulatory governance structure in gas access regulation.

PERFORMANCE INDICATORS

Performance Indicator	2007/08 Target	2007/08 Actual
Policy input into the State's response to a National emissions trading scheme	August 2007	October 2007

Notes to this performance indicator

The State's Response to a National Emissions Trading Scheme has been coordinated by the Department of Treasury and Finance's Emissions Trading Unit. The Office of Energy provided ongoing policy input to the Emissions Trading Unit throughout 2007/08, and has assisted in the State's development of a policy position on emissions trading issues.

Input to the Emissions Trading Unit has involved analysis and interpretation of proposed scheme design details and modelling results, focusing on energy sector impacts but also covering more general economic issues.

The Office of Energy was actively involved in the National Emissions Trading Taskforce until it was effectively disbanded in early 2008.

Performance Indicator	2007/08 Target	2007/08 Actual
Amend Dampier to Bunbury Pipeline corridor legislation to facilitate pipeline expansion by improving the regulatory environment	June 2008	Incomplete

Notes to this performance indicator

The objective was to have the Bill ready by June 2008 for introduction in Parliament. The Office of Energy provided a Drafting Instruction Package to Parliamentary Counsel on 28 March 2008. However, the priority assigned to the legislation is for introduction in the 2008 spring session of Parliament and as such drives the timing for drafting.

The Bill continues to be drafted at the time of this report.

Performance Indicator	2007/08 Target	2007/08 Actual
Introduce complementary legislation into the Western Australian Parliament to implement the National Gas Law and the National Gas Rules	August 2007	June 2008

Notes to this performance indicator

Western Australia has participated in the development of the new National Gas Legislative package under the Ministerial Council on Energy. The Western Australian application act, the *National Gas Access (Western Australia) Act 2008*, is pending approval in Parliament (introduced in Parliament in June 2008 and will be re-introduced following the election). Regulations associated with the legislation are currently being drafted.

PERFORMANCE INDICATORS

Performance Indicator	2007/08 Target	2007/08 Actual
Establish policy for the introduction of electricity smart meters	December 2007	Incomplete

Notes to this performance indicator

The Council of Australian Governments agreed on 13 April 2007 to a staged approach for rolling out electricity smart meters to areas where benefits outweigh costs, with the Ministerial Council on Energy (MCE) responsible for overseeing an independent analysis of the costs and benefits of rolling out electricity smart meters in States and Territories. The national cost-benefit analysis was to be completed by the end of 2007, but was conducted in two phases due to the breadth and complexity of the required analysis. The Office of Energy closely participated in the MCE's smart meter cost-benefit analysis, in consultation with Western Australian stakeholders.

The completion of the first phase of the analysis resulted in support by the MCE in December 2007 for a national minimum functionality standard for electricity smart meters. The second phase of the analysis involved assessment of the net benefits of rolling out electricity smart meters in States and Territories taking into account jurisdictional circumstances.

The MCE at its meeting in June 2008, noted that while all jurisdictions demonstrated potential net benefits, variations and uncertainties in benefits and costs have resulted in some jurisdictions having the potential for costs to outweigh benefits. The MCE agreed that this uncertainty supports undertaking trials and business cases in some jurisdictions to confirm costs and benefits.

Recognising these uncertainties, as part of the MCE June 2008 decision, Western Australia recognised the potential benefits of electricity smart meters and advised it will respond on the possibility and timing of a roll-out in the South West Interconnected System in conjunction with upcoming decisions on broader energy market policy in Western Australia.

The Office of Energy is continuing to undertake the Electricity Retail Market Review during 2008, which relates to review of:

- the structure and level of electricity retail tariffs;
- the costs and benefits of the introduction of electricity full retail contestability; and
- the roll-out of electricity smart meters, including assessment of the applicability of the MCE cost-benefit analysis to Western Australia.

Delays in the completion of the MCE smart meter cost-benefit analysis have impacted on the timing for recommendations by the Office of Energy on the Electricity Retail Market Review.

Policy recommendations relating to the deployment of electricity smart meters in Western Australia will be provided in the context of the Electricity Retail Market Review.

PERFORMANCE INDICATORS

Performance Indicator	2007/08 Target	2007/08 Actual
Complete Review of Electricity Full Retail Contestability, Tariff Arrangements and consideration of Ministerial Council on Energy cost-benefit analysis of smart meter implementation	December 2007	Incomplete

Notes to this performance indicator

An Issues Paper relating to the Electricity Retail Market Review was circulated to key stakeholders for comment in August 2007. A revised Issues Paper considering the additional matters raised by key stakeholders was circulated for broader public comment in December 2007.

The Draft Recommendations Report – Review of Electricity Tariff Arrangements was released for an eight-week public comment period on 4 April 2008.

Delays in the Ministerial Council on Energy's cost-benefit analysis for the roll-out of smart meters has impacted the timing for recommendations on the smart meters and full retail contestability components of the Review. These Draft Recommendations Reports are now scheduled for release in early 2008/2009.

Performance Indicator	2007/08 Target	2007/08 Actual
Complete Review of Energy Coordination (Gas Tariffs) Regulations 2000	October 2007	October 2007

Notes to this performance indicator

The Office completed a review of the operation and effectiveness of the *Energy Coordination (Gas Tariffs) Regulations 2000* on behalf of the Minister. The review was required by the Regulations. The review concluded that "...there is currently insufficient competition in the gas retail market in Western Australia to justify removal of the Gas Tariff Regulations." The review was completed by the statutory deadline of 18 October 2007 and tabled in Parliament by the Energy Minister on 21 November 2007.

Performance Indicator	2007/08 Target	2007/08 Actual
Commission Vesting Contract Reset Model and undertake first Reset Process under the contract	October 2007	October 2007

Notes to this performance indicator

The Vesting Contract is the contract for the wholesale supply of electricity and Capacity Credit between Government-owned Synergy and Verve Energy. The Office administers the Vesting Contract on behalf of the Minister for Energy. The Vesting Contract Reset model was commissioned and the first reset was completed on 1 October 2007.

PERFORMANCE INDICATORS

Performance Indicator	2007/08 Target	2007/08 Actual
Develop electricity Supplier of Last Resort Arrangements	February 2008	Incomplete

Notes to this performance indicator

An Issues Paper relating to the development of the electricity Supplier of Last Resort Arrangements was circulated to key stakeholders during 2007. However the arrangements were not finalised as a result of a need to consider a number of significant implementation issues associated with these arrangements and also competing workload priorities.

Performance Indicator	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Progress with the State Underground Power Program (target 50 per cent of Perth metropolitan homes with underground power by 2010), indicated by the percentage of Perth metropolitan homes with underground power	44%	46%	47%	47%

Notes to this performance indicator

The Underground Power Program was initiated with the goal of improving the standard of electricity supply to consumers by addressing reliability issues in areas with existing overhead power lines.

Consistent with this overall goal, that State Government aims to ensure that 50% of residential properties in Perth are served by underground power by 2010.

The measure of the indicator comprises the total proportion of households serviced by both 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.

PERFORMANCE INDICATORS

Effectiveness Indicators

Outcome 2:

An increase in the adoption of renewable energy and energy efficiency

Performance Indicator	2007/08 Target	2007/08 Actual
Use of renewable energy through incentive programs, indicated by the displacement of fossil fuel, kilowatt/hour of fossil fuel energy displaced by:		
Solar Hot Water Subsidy Scheme (1)	7,500,000	8,724,128
Renewable Remote Power Generation Program (RRPGP) Large Projects (off-grid and fringe of grid) (2)	6,700,000	1,100,000
RRPGP - Remote Area Power Supply (3)	400,000	837,397
RRPGP - Renewable Energy Water Pumping Program (4)	100,000	72,997
RRPGP - Rural Renewable Energy Program (small projects) (5)	100,000	372,479
Solar Schools Program (6)	90,000	56,563
Renewable Energy Production Subsidy (7)	94.7 GWh	63.0 GWh
Government purchase of Greenpower (8)	26 GWh	26 GWh

Notes to this performance indicator

- (1) Exceeded demand. The demand for rebates continues to increase.
- (2) The finalisation of several projects has been delayed until August/September 2008. This measure comprises a small number of large projects resulting in outcomes varying considerably from year to year.
- (3) Exceeded target. The demand for rebates continues to increase and the size of systems is also increasing.
- (4) The demand for rebates was less than expected. This program is affected by climate variations and there is also a limit on the number of rebates large farms can claim.
- (5) Exceeded target. Program has been extremely successful in attracting support for renewable energy systems in fringe of grid areas.
- (6) The expanded program was launched in November 2007 and there has been a delay between the announcement, the approval and the implementation of additional systems.
- (7) Forecast generation based on maximum amounts payable in agreements with generators. Lower than expected generation from some landfill gas plants lowered the total.
- (8) The Office of Energy contracted with Alinta for the provision of 26 Gigawatt hours of accredited GreenPower in 2007/08. The purchase will reduce greenhouse gas emissions from Government operations by around 24,000 tonnes, equivalent to taking over 5,300 cars off the road for a year.

PERFORMANCE INDICATORS

Performance Indicator	2007/08 Target	2007/08 Actual
Adoption of energy efficiency by business, indicated by the number of buildings rated under the Australian Greenhouse Building Rating Program	24	25

Notes to this performance indicator

Twenty-five ratings were completed, of these twenty-three certificates were issued. Whilst the remaining two were rated, they were not eligible for certificates.

Performance Indicator	2007/08 Target	2007/08 Actual
Adoption of energy efficiency by the community, indicated by the percentage of new houses approved under the House Energy Rating Scheme (HERS)	18%	19.4%

Notes to this performance indicator

The reduced number of housing starts for the 12 month period, in conjunction with the number of HERS ratings remaining strong, has increased the percentage of ratings from the 18% forecast.

PERFORMANCE INDICATORS

Efficiency Indicators

Service 1:

Development and Implementation of Energy Policy

Performance Indicator

Measure	2006/07 Target	2006/07 Actual	2007/08 Target	2007/08 Actual
Average cost per item of Ministerial support	\$4,083	\$3,851	\$2,470	\$3,067

Note to this performance indicator

The resources required to provide Ministerial support vary depending on the volume, nature and complexity of issues addressed. A decrease in the number of items of support provided during the year has resulted in a higher average cost per item than estimated.

Performance Indicator

Measure	2006/07 Target	2006/07 Actual	2007/08 Target	2007/08 Actual
Average cost per strategic policy development	\$109,090	\$128,820	\$162,504	\$166,743

Note to this performance indicator

The development of strategic policy is sometimes 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

Measure	2006/07 Target	2006/07 Actual	2007/08 Target	2007/08 Actual
Average cost of meeting major policy implementation milestones	\$385,890	\$462,034	\$287,717	\$436,549

Note to this performance indicator

The increase in average cost over the estimated target is due to delays experienced in the recognition of some milestones. Policy implementation projects vary in complexity, time and resource requirements. While significant resource has been expended towards the implementation of major policy in 2007/08 these milestones are not recorded under "actual" until completed.

PERFORMANCE INDICATORS

Service 2:

Development and Implementation of Sustainable Energy Policy and Programs

Performance Indicator

Measure	2006/07 Target	2006/07 Actual	2007/08 Target	2007/08 Actual
Average cost per item of Ministerial support	\$723	\$624	\$633	\$716

Note to this performance indicator

A decrease in the number of items of Ministerial support provided in 2007/08 has resulted in a higher average cost per item of Ministerial support than estimated. The resources required to provide Ministerial support vary depending on the volume, nature and complexity of issues addressed.

Performance Indicator

Measure	2006/07 Target	2006/07 Actual	2007/08 Target	2007/08 Actual
Average cost per strategic policy developed	\$130,123	\$89,196	\$158,219	\$160,123

Note to this performance indicator

Costs associated with the achievement of each strategic policy will vary depending on the complexity, time and resource requirements necessary to reach the implementation milestone.

Performance Indicator

Measure	2006/07 Target	2006/07 Actual	2007/08 Target	2007/08 Actual
Average cost of meeting major policy and program implementation milestones	\$100,094	\$61,515	\$170,389	\$144,850

Note to this performance indicator

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.

PERFORMANCE INDICATORS

Performance Indicator

Measure	2006/07	2006/07	2007/08	2007/08
	Target	Actual	Target	Actual
Average value of incentive grants paid	\$7,165	\$4,777	\$3,168	\$4,308

Note to this performance indicator

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 was significantly more than estimated in 2007/08 due to a greater number of grants paid under the Remote Renewable Power Generation Program and subsidies paid under the Solar Hot Water Subsidy Scheme.

Performance Indicator

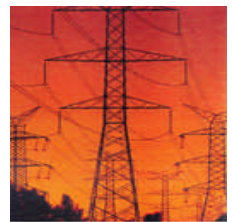
Measure	2006/07	2006/07	2007/08	2007/08
	Target	Actual	Target	Actual
Average cost per information and advice service	\$216,871	\$182,000	\$369,177	\$339,745

Note to this performance indicator

Information and advisory services are provided by the Office on energy related matters to Government agencies, the public and industry. The volume, time and resourcing required to deliver information and advisory services vary and have resulted in a lower than estimated average cost in 2007/08.

SECTION 4

Appendices



APPENDIX 1 - PUBLICATIONS

Office of Energy Publications

- Energy Resources and Infrastructure Map 2006
- Thermoregulatory Dysfunction Subsidy flyers and posters
- Utility Hardship Paper
- Report on the Affordability of Bottled Liquefied Petroleum Gas for Household Use in WA
- Report on Electricity Licence Exemptions
- Report on Gas Licence Exemptions
- Electricity Retail Market Review: Draft Recommendations Report - Review of Electricity Tariff Arrangements
- Electricity Retail Market Review: Issues Paper
- Gas Tariffs Review: Interim Report
- Gas Tariffs Review: Issues Paper
- Review of the *Energy Co-ordination (Gas Tariffs) Regulations 2000*: Issues Paper
- Gas Tariff Regulations Review Report: Review of the *Energy Co-ordination (Gas Tariffs) Regulations 2000*

Sustainable Energy Development Office Publications

The following Sustainable Energy Development Office (SEDO) publications are available from the Energy Smart Line on 1300 658 158 or at the website www.sedo.energy.wa.gov.au. Requests for bulk copies of publications should be directed to (08) 9420 5619.

SEDO Funding Programs

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

- Solar Water Heater Subsidy Scheme
- Solar Schools Program
- Energy Smart Government Program
- SEDO Grants Program
- Regional Energy Efficiency Program
- Renewable Energy Production Subsidy
- Renewable Remote Power Generation Program
- Rural Renewable Energy 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

APPENDIX 1 - PUBLICATIONS

Ways to Live Energy Smart

- Simple Ways to Save Energy
- Energy Efficient 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 Water 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 Report 2006/07
- Energy Smart Government Report 2005/06
- 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

APPENDIX 1 - PUBLICATIONS

Fact Sheets

- GreenPower
- Energy Efficient Homes
- House Energy Efficiency (software available to rate houses)
- Renewable Energy (electricity generation from renewable energy)

Flyers

- Energy Smart Line
- Compact Fluorescent Lamps
- Energy Smart Rebate flyers (Regional Energy Efficient Program)
- Save Energy, Save Money (SEDO's top 10 Energy Smart tips)

APPENDIX 2 - BOARDS AND COMMITTEES

Representatives of the Office of Energy participated in the Boards and Committees below in 2007/08

- Aboriginal and Remote Communities Power Supply Steering Committee
- Aboriginal Communities Essential Services Steering Committee
- Air Quality Coordinating Committee
- Council of Australian Governments Climate Change and Water Working Group
 - Energy Efficiency Sub Group
 - Renewable Energy Target Sub Group
- Energy Efficiency Working Group of the Ministerial Council on Energy
 - National Framework for Energy Efficiency Communication Group
 - Equipment Energy Efficiency Committee – Electricity
 - Equipment Energy Efficiency Committee – Gas
 - Government Energy Efficiency Implementation Group
 - Buildings Implementation Group
 - Commercial and Industrial Implementation Group
 - Trades and Professional Training and Accreditation Implementation Group
 - General Consumer Capacity Building Implementation Group
 - Industry Mandatory Energy Efficiency Group
 - Energy Efficiency Data Project
- Evaluation Panel for the Common User Arrangement for the Purchase of Electricity for Contestable Government Sites
- Experts Group on Streamlining Greenhouse and Energy Reporting
- Gas Customer Code Reference Group
- Government Utilities Essential Services Interagency Working Group
- Hardship Efficiency Program Sub-Committee
- Hardship Implementation Steering Committee
- Infrastructure Coordinating Committee
- Infrastructure Information Package Working Group
- Market Advisory Committee – Renewable Energy Generation Working Group (SEDO convenes and provides secretariat to this group)
- Ministerial Advisory Committee on Electricity Supply
- Ministerial Council on Energy Standing Committee of Officials:
 - Ministerial Council on Energy – Australian Energy Market Commission Finance Sub-Committee
 - Ministerial Council on Energy - Demand Side Response Working Group
 - Ministerial Council on Energy - Energy Market Reform Working Group
 - Ministerial Council on Energy - Gas Market Operators Working Group
 - Ministerial Council on Energy - Legal Working Group
 - Ministerial Council on Energy - Market Operator Working Group
 - Ministerial Council on Energy - Network Policy Working Group
 - Ministerial Council on Energy - Retail Policy Working Group
 - Ministerial Council on Energy - Smart Meters Working Group

APPENDIX 2 - BOARDS AND COMMITTEES

- Ministerial Council on Mineral and Petroleum Resources/Ministerial Council on Energy Joint Working Group on Natural Gas Supply
- Ministerial Inquiry into the Affordability of Bottled Liquefied Petroleum Gas (LPG) for Household Use in Western Australia
- National Australia Built Environment Rating System (NABERS) National Steering Committee
- National Emissions Trading Taskforce
- National GreenPower Accreditation Program Steering Committee
- National Oil Supply Emergency Committee
- Photovoltaic Working Group
- Property Council of Australia's Sustainable Development Committee
- Rural Power Improvement Program Steering Committee
- Senior Officers Group
 - Sectoral Emissions Strategies Sub Group
 - Low Emissions Energy Development Fund Steering Committee
- Street Lighting Committee
- Sustainable Buildings and Land Development Partnership Group
- Taskforce on Essential Services to Indigenous Communities
- Underground Power Program Steering Committee
- Western Australian Indigenous COAG Cross-Agency Group
- Western Australian Infrastructure COAG Cross-Agency Group