

Annual Report 2008/09



Government of **Western Australia**
Office of **Energy**

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Statement of Compliance

For year ending 30 June 2009

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 2009.

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

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name Anne Hill.

Anne Hill
a/Coordinator of Energy
Office of Energy

22 September 2009

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Overview of agency

FROM THE COORDINATOR OF ENERGY

EXECUTIVE SUMMARY

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OVERVIEW OF AGENCY

From the Coordinator of Energy

It has been an eventful year for the Office of Energy.

The start of the 2008/09 year saw the Office of Energy taking a lead role in the coordination of the Government's response to the gas supply disruption, caused by an explosion on Varanus Island. This included coordination of information sharing between government and industry, the establishment of a Gas Bulletin Board to assist gas sellers and buyers to connect and an intensive media campaign to persuade the community to conserve energy.

As a direct result of this incident, the Minister for Energy established the Gas Supply and Emergency Management Committee, which brought together senior energy industry and government agency leaders to develop advice on gas supply risk mitigation and disruption management. The committee is chaired by the Coordinator of Energy, and its report will be presented to Government in September 2009.

The Office of Energy has also been managing the preparation of legislation that will increase competition and improve security and diversity of gas supply by broadening the specifications of gas that can be transported through the State's main gas pipelines. Regulations and other measures will be developed to deal with any negative consequences of a change in gas quality.

After more than a decade of electricity tariffs for households and small businesses remaining unchanged, the costs of supplying electricity have increased steadily. It has become clear that the situation was unsustainable and posed a significant threat to the viability of the government-owned electricity generator, Verve Energy. The Office of Energy conducted a review of electricity retail tariffs, concluding that it was essential that tariffs became cost-reflective, both for the health of the industry and to ensure that users understood the true cost of their electricity. In recognition of this imperative and the potential hardship that a sudden electricity price shock would cause to consumers, the Government made the difficult but necessary decision to commence a process to bring tariffs in line with efficient supply costs. The cap on gas retail tariffs will also be raised from 1 July 2009 for similar reasons.

At the same time, the Government – through the Office of Energy – approved a package of initiatives designed to help people in financial hardship manage their energy costs. These include the Hardship Utility Grant Scheme and the Hardship Efficiency Program.

Climate change mitigation and adaptation measures – particularly the Commonwealth-driven Carbon Pollution Reduction Scheme and the 20% Mandatory Renewable Energy Target – will have significant impacts on the Western Australian energy sector. The Office of Energy is engaged in a number of activities aimed at analysing these impacts and developing ways to manage them while maintaining the security and reliability of energy supply in the State.

The Office of Energy administers the Government's Household Renewable Energy Scheme, which will distribute \$13.5 million to people who installed household renewable energy systems between 6 September 2008 and 2 June 2009. At the same time, the Office of Energy is developing a fair and transparent approach to delivering feed-in tariffs that will allow the owners of these systems to sell their

OVERVIEW OF AGENCY

From the Coordinator of Energy

excess power into the system at a premium price. Other renewable energy related grant schemes continued through 2008/09 to encourage greater use of renewable energy sources.

The Office of Energy represented Western Australia's interests in a number of national forums. It was also responsible for a number of legislative and regulatory drafts and amendments to better manage the energy sector in the State.

Long-running programs, including the Underground Power Program and the Aboriginal and Remote Communities Power Supply Program, continued through the year.

The Office of Energy's key role is advising the Government on energy matters and recommending energy policy measures, and in 2008/09 the agency, with a full-time equivalent staffing level of 71 people, delivered 1,797 Ministerial documents, including draft correspondence and briefing notes, and 14 policies over the 12 months. It achieved this while meeting the Government's request to reduce expenditure through a 3% efficiency dividend and additional reductions on media, marketing and consultants.

The staff of the Office of Energy have worked extremely hard to discharge their responsibilities and to deliver a very heavy work program to a high standard. On behalf of Jason Banks and myself, I thank all the staff for their commitment and exceptional level of professionalism in what has been a very busy year.

Anne Hill
a/Coordinator of Energy
Office of Energy

OVERVIEW OF AGENCY

Executive summary

Issues and Trends

Securing **reliable and competitive fuel resources** in Western Australia is one of the most important issues in the State's energy industry. The need to maintain a diverse fuel source, including coal and renewables, was highlighted in June 2008 when an incident on Varanus Island in the State's North West resulted in a reduction in gas supply by one third. During the reporting period, a Government-commissioned committee studied ways to improve gas security and management of future disruptions.

To **secure a greater supply of gas**, the Office of Energy has been developing draft legislation aimed at increasing competition and diversifying supply of gas to the domestic market. The legislation aims to broaden the specification of gas delivered through the State's transmission pipelines and encourage development of lean quality gas fields in Western Australia.

The uptake of **renewable energy** is forecast to accelerate quickly over the next five years as a result of a number of Commonwealth 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.

The national **Mandatory Renewable Energy Target** of 20% by 2020 will drive investment in renewable energy in Western Australia – mainly for wind-powered electricity generators. However, the supply of wind-generated energy is highly variable and poses challenges for the reliability of supply. The Office of Energy will work with the Independent Market Operator to determine ways to deal with a significant increase in intermittent renewable generation in the electricity system.

Emissions trading through the Commonwealth's Carbon Pollution Reduction Scheme will be the cornerstone of a comprehensive strategy to reduce Australia's global greenhouse gas emissions. The Office of Energy will continue to be involved in the development of the emissions trading model to ensure the interests of Western Australia's energy markets and government-owned electricity corporations are considered.

Consumers also have a part to play in ensuring the State has an adequate supply of energy by reducing their demand. Extensive work has been carried out by the Office of Energy on **smart meters**, which allow consumers to monitor and manage their electricity usage. The Office of Energy has investigated the costs and benefits of smart meters and provided Government with a preliminary report on their potential. It will closely monitor trials undertaken by Synergy and Western Power.

Energy market reforms in this state have worked towards creating a fair, open and competitive energy market in Western Australia. Many new electricity generators have entered the market. However, the retail electricity market still requires electricity tariffs to be cost reflective before a competitive market can be realised. Based on analysis from the Office of Energy, the Government increased electricity tariffs as a first step towards cost reflectivity. Further increases will be necessary to realise a fully competitive environment.

The retail gas market in Western Australia is fully contestable in that legal and technical requirements are in place to allow new gas companies to enter the market place. However, there is insufficient competition in the gas retail market in Western Australia and gas price regulation is still required. The Office of Energy continues to monitor the market and consider policy measures to enhance competition.

The **world financial downturn** created a large degree of uncertainty among investors, slowing economic growth temporarily in Western Australia. With slower growth in the State economy, came a reduction in the amount of revenue available to the State. In order for the State Government to maintain its budget surplus and AAA rating, budget cuts were required. The Office of Energy responded to the Government's request to reduce expenditure through a 3% efficiency dividend and reductions in expenditure on media, marketing and consultants.

Major Achievements

The Office of Energy realised a number of major achievements and milestones during the reporting period. Details of these achievements can be found in the Report on Operations and in the audited Key Performance Indicators in the Disclosure and Legal Compliance section of this report.

The agency's major achievements are listed here under the Office of Energy's main objectives:

Encourage and facilitate the provision of secure, reliable and sustainable energy services at competitive prices to meet the needs of households and businesses in Western Australia

- The Office of Energy played a crucial part in developing and implementing a temporary gas bulletin board during the Varanus Island gas supply disruption which enabled smaller users to identify gas available to the market;
- Substantial progress was made by the Gas Supply and Emergency Management Committee, which was initiated by the State Government in January 2009 to review the security of the State's gas supplies and how any future gas supply disruptions are to be managed. The review committee – made up of industry and government stakeholders – is chaired by the Coordinator of Energy. The Office of Energy also provides secretariat support to the committee. A report to Government will be submitted in September 2009;
- The Office of Energy led the successful implementation of the Hardship Utility Grant Scheme (HUGS) and has handed over ongoing administration of the scheme to the Department for Child Protection. The scheme went live on 4 August 2008 and has delivered about 2,700 grants to consumers in hardship;
- The Hardship Efficiency Program (HEP) conducted its first household efficiency audits in November 2008. About 350 audits were conducted in 2008/09;
- HUGS and HEP are part of the package of initiatives of the State Government to assist consumers in hardship. In response to electricity tariff increases that had to be made, the Government, acting on advice from the Office of Energy, announced increased rebates and increased funding for HUGS, financial counselling and the HEP. Additional funding has also been allocated for regional HEP delivery, public housing, solar hot water heaters and a fridge replacement scheme for private renters;

OVERVIEW OF AGENCY

Executive summary

- The Office of Energy convened a Renewable Energy Working Group to examine how best to manage greater uptake of intermittent renewable generation within the South West Interconnected System;
- The Government announced the Household Renewable Energy Scheme (HRES), which will distribute \$13.5 million to householders who installed renewable energy systems between 6 September 2008 and 2 June 2009. Applications will be accepted from 1 July 2009;
- The Solar Water Heating Subsidy Scheme rebates were provided for 2603 gas-boosted solar water heaters, most of which were installed in new homes. These systems are estimated to reduce greenhouse gas emissions by 4375 tonnes of carbon dioxide per year;
- The commitment for 10% of the electricity purchased by State Government in 2008/09 to be generated from renewable sources was met through the procurement of 54 gigawatts (GWh) of GreenPower;
- Two major residential projects within the Underground Power Program were completed and three were in progress. Almost 49% of Perth metropolitan households are now connected to underground power. A target of 50% will be achieved by the end of 2010; and
- The Office of Energy in conjunction with Horizon Power advised Government to undertake the regularisation of Kalumburu and Nookanbah Aboriginal communities despite the Commonwealth's lack of participation, to ensure the State's capability to deliver electricity regularisation of Aboriginal communities is maintained.

Implement appropriate market and regulatory arrangements to achieve a reliable, competitive, dynamic and sustainable energy sector

- The Office of Energy has continued in inter-agency development of the proposed Carbon Pollution Reduction Scheme through analysis and interpretation of proposed scheme design details and modelling results, focusing on energy sector impacts and covering more general economic issues, including:
 - the impact of an emissions trading scheme on the State-owned electricity corporations; and
 - the role that gas-fired electricity generation may play in assisting Australia reduce its greenhouse gas emissions.
- Input has also been provided to the Office of Climate Change's external Complementary Measures Review – examining the complementarity of the State's energy regulation and policies with the proposed Carbon Pollution Reduction Scheme;
- Substantial progress has been made in drafting the *Gas Supply (Gas Quality Specifications) Bill 2009*. The Bill is expected to contribute towards addressing the State's tight domestic gas supply by encouraging the development of gas resources which do not meet Western Australia's current pipeline delivery specifications;
- Stage one amendments to the vesting contract between Verve Energy and Synergy were developed to address some of the shortcomings in the contract arrangements. Further amendments were identified but put on hold until the outcomes of a review into the losses suffered by Verve Energy had been completed;
- *The National Gas Access (WA) Bill 2008* was re-introduced to Parliament. This Bill was developed to apply in Western Australia the nationally consistent

arrangements under the national gas law for third party access to natural gas pipelines;

- The *Electricity Networks Access Code* was amended to improve its workability. The code prescribes the framework for determining the conditions and pricing for third party access by electricity generators, retailers and loads to Western Power's electricity network within the South West Interconnected System; and
- Substantial funding was provided through various sub-programs of the Renewable Remote Power Generation program:
 - the Remote Area Power Supply Program provided over \$5.1 million in rebates for 126 small-scale off-grid solar and wind power systems;
 - the Renewable Energy Water Pumping program provided over \$350,000 for 106 solar pumps and windmills;
 - the Rural Renewable Energy Program provided \$2.5 million for 152 small projects in specific 'fringe of grid' areas; and
 - \$4.2 million was announced for a two megawatt wind farm at Mt Barker.

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

- A review of electricity retail tariffs was completed with final recommendations released in a report, *Review of Electricity Tariff Arrangements*. The Office of Energy recommended bringing tariffs in line with the cost of supplying electricity to ensure electricity supply continued to be reliable and robust; and
- The Office of Energy undertook an interim review of gas tariffs to consider a request from Alinta for an increase to the regulated tariff caps for small-use customers. This was requested to cover rising gas commodity prices and allow for partial recovery of costs incurred as a result of the Varanus Island gas supply disruption. The State Government announced on 26 June 2009 that the gas tariff caps would increase by around 23% from 1 July 2009.

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

- Report relating to the introduction of smart meters and full retail contestability were completed and submitted to the Minister for Energy;
- The Solar Schools program was expanded to make both Catholic and Independent schools eligible for funding for the installation of photovoltaic systems;
- Perth commercial office construction is leading sustainability nationally in energy efficiency innovation and benchmarking. Three new Perth office buildings entered into a National Australian Built Environment Rating System (NABERS) Energy commitment agreement with the Office of Energy, at a minimum level of 4.5 stars. This included the first five-star NABERS Energy agreement for Western Australia; and
- The commitment for 10% of the electricity purchased by State Government in 2008/09 to be generated from renewable sources was met through the procurement of 54GWh GreenPower.

Financial Performance

Compared to the year ending 30 June 2008, the financial position of the Office of Energy for the 12 months ending 30 June 2009 resulted in an increase in total deficit for the period, increasing to \$3,881,000.

Abridged Income Statement	2009 \$000	2008 \$000
Total cost of services	33,644	31,503
Total revenue	9,217	11,861
Total gains	-	-
Total income other than income from state government	9,217	11,861
Net cost of services	24,427	19,642
Income from State Government		
Total income from State Government	20,546	18,345
Surplus/(deficit) for the period	(3,881)	(1,297)

Non-Financial Performance

The Office of Energy performed well against its key performance indicators of effectiveness and efficiency. The Office of Energy's outcomes have been aligned with the whole of government goal:

- Social and Environmental Responsibility.

The Office of Energy also contributes to many of the whole of government goals and endeavours to responsibly manage finances through the efficient and effective delivery of services and encouraging economic activity.

Significant progress has been made on all of the Office of Energy's **effectiveness indicators**. Where targets were not met during the 2008/09 financial year, explanation of the contributing factors has been given in the Disclosures and Legal Compliance section.

In relation to the policy environment outcomes, in most instances where targets weren't met further consultation and factors outside the agency's control slowed the progress of achieving the desired outcomes.

The services provided by the Office of Energy 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.

Performance in relation to the efficiency indicators varied, with many results being better than targeted for the year. Detail regarding the agency's performance can be found under Disclosure and Legal Compliance – Performance Indicators

OVERVIEW OF AGENCY

Operational structure

History

The Office of Energy was established on 1 January 1995 under Section 35 of the *Public Sector Management Act 1994*. The agency was created at the beginning of the State's energy market deregulation process, when the State Energy Commission of Western Australia (SECWA) was made into two entities – Western Power Corporation and AlintaGas Corporation.

The Office of Energy brought together the Energy Policy and Planning Bureau – which provided independent policy advice on energy issues to the Minister for Energy – and the gas and electrical regulatory sections of SECWA.

Vision

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

Mission

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

Objectives

The principal objectives of the Office of Energy are to:

- encourage and facilitate the provision of secure, reliable and sustainable energy services at competitive prices to meet the needs of households and businesses in Western Australia;
- implement appropriate market and regulatory arrangements to achieve a reliable, 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
- continually enhance the skills, resources and commitment of the Office of Energy in order to deliver credible outcomes that shape and deliver the Government's energy policy.

Organisational structure

As at 30 June 2009, the Office of Energy was responsible to the Honourable Peter Collier, Member of the Legislative Council (MLC), Minister for Energy; Training.

The Office of Energy consists of four divisions:

- the Markets and Regulatory Policy Division;
- the Industry and Community Division;
- the Sustainable Energy Development Office; and
- the Corporate Services 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
- seeks to ensure alignment between national energy policy development and State policy.

The **Industry and Community Division**:

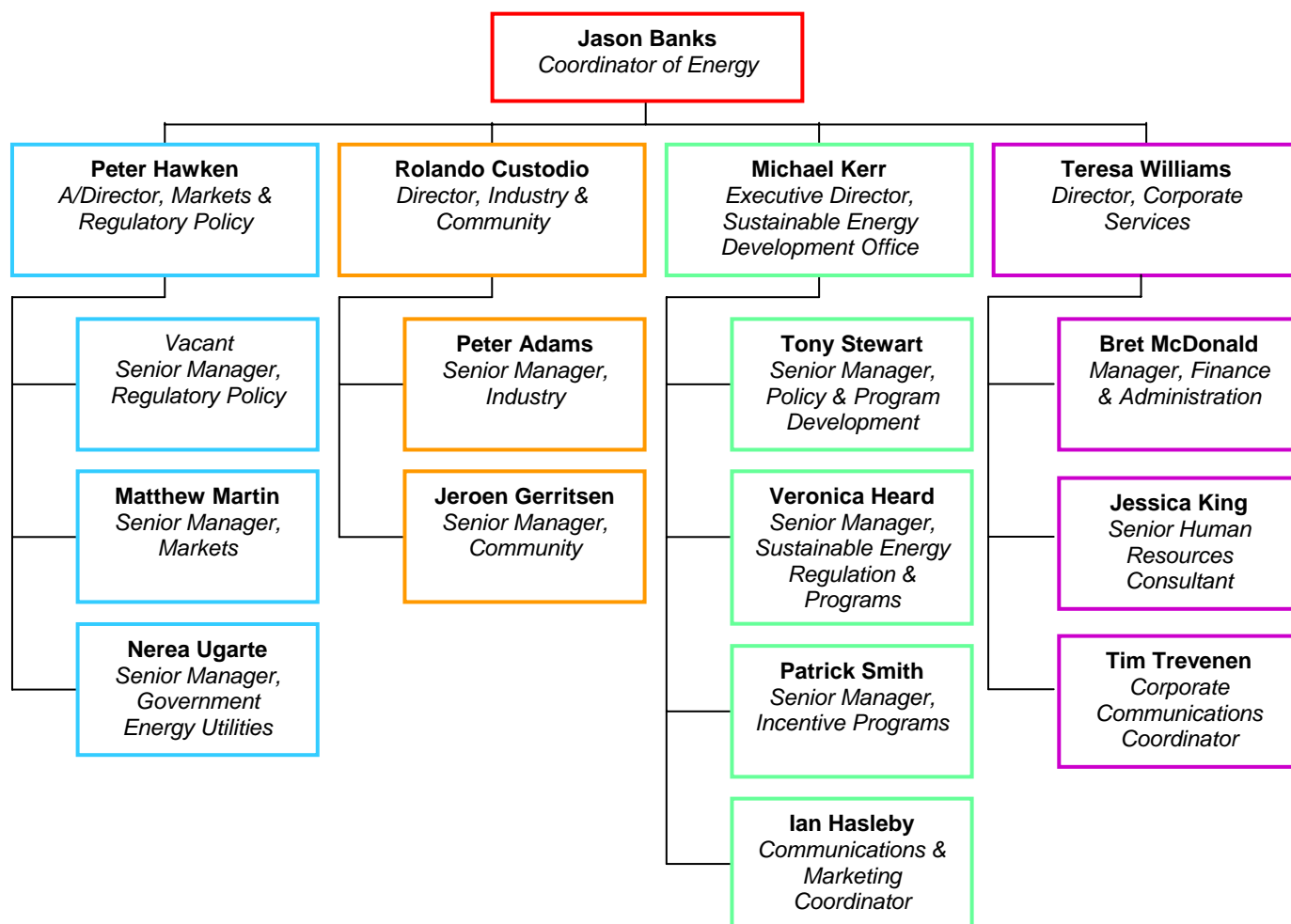
- provides policy advice to Government on the way energy is supplied, used by and contributes to the sustainable well being of the Western Australian community; and
- develops and implements specific Government energy policies to facilitate the efficient and equitable provision of energy to consumers.

The **Sustainable Energy Development Office** is focused 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 finance management, human resources management, property, equipment and office administration, corporate communications, fleet management and records management are performed by the Office of Energy'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.

Organisational chart as at 30 June 2009



Legislation administered

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

Other Acts administered by the Minister for Energy through the Office of Energy include:

- *Dampier to Bunbury Pipeline Act 1997*;
- *Electricity Corporations Act 2005*;
- *Electricity Industry Act 2004 (all parts other than Part 9A)*;
- *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*;

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Operational structure

- *Gas Pipelines Access (Western Australia) Act 1998;*
- *Liquefied Petroleum Gas Subsidy Act 1980;*
- *Petroleum Products Subsidy Act 1965; and*
- *State Energy Commission (Validation) Act 1978.*

Legislation affecting Office of Energy activities

In everyday operations, the Office of Energy complies with the following relevant written laws:

- *Disability Services Act 1994;*
- *Electronic Transactions Act 2002;*
- *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 and Bank Holidays Act 1972;*
- *Public Interest Disclosures Act 2003;*
- *Public Sector Management Act 1994;*
- *Salaries and Allowances Act 1975;*
- *State Records Act 2000;*
- *State Supply Commission Act 1991; and*
- *Workers' Compensation and Rehabilitation Act 1981.*

Address

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Governor Stirling Tower
197 St Georges Terrace
Perth Western Australia 6000.

OVERVIEW OF AGENCY

Performance management framework

Our outcomes and services

The following is an overview of the Office of Energy services and how they contribute to the agency-level outcomes.

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

Shared responsibilities with other agencies

The common vision provided by the government encourages cross-agency effort towards better results for the community. Examples of cross-agency projects to which the Office of Energy contributes include the following:

- assist Western Australian review of climate change policies and programs for complementarity with emissions trading (in conjunction with the Office of Climate Change; the Department of Environment and Conservation; the Department of Planning and Infrastructure; the Department of the Premier and Cabinet; and the Department of Treasury and Finance);
- the Low Emissions Energy Development (LEED) fund (in conjunction with the Office of Climate Change; the Department of Environment and Conservation; the Department of the Premier and Cabinet; and the Department of Treasury and Finance);
- the Underground Power Program (in conjunction with Western Power and Horizon Power);
- Aboriginal and Remote Communities Power Supply Project (in conjunction with the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs);
- the purchase of renewable energy on behalf of the Government (led by the Office of Energy and in conjunction with the Department of Treasury and Finance);

OVERVIEW OF AGENCY Performance management framework

- the Energy Smart Government program (in conjunction with all State Government agencies with 25 or more full-time equivalent staff); and
- the Utility Hardship Package (in conjunction with the Department of Child Protection). The package comprises:
 - Hardship Utilities Grant Scheme;
 - improved financial counseling; and
 - Hardship Efficiency Program.

Relationship to government goals

The 2008/09 budget and approved performance framework, as audited by the Office of the Auditor General, was presented with alignment to the government goals relevant at the time the budget was approved. As a consequence the audited key performance indicators are presented as a report against the approved budget.

However, with new whole-of-government goals being established during 2008/09, the Office of Energy's desired outcomes have been aligned to the whole-of-government goal of Social and Environmental Responsibility. The overarching aim is to ensure that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State. This alignment is reflected below and in the report on operations.

	<i>Progress towards:</i>	<i>Progress towards:</i>	<i>Additionally,</i>
	Outcome One	Outcome Two	
Agency Level Outcome	a policy environment to achieve a competitive, efficient and secure energy sector	an increase in the adoption of renewable energy and energy efficiency	the Corporate Executive manage the financial, human and physical resources of the agency in accordance with relevant legislation, standards and best practice principles in order to
	<i>contributes to:</i>		<i>contribute to the aim of:</i>
Government Goals	Social and Environmental Responsibility		Financial and Economic Responsibility
	Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State.		Responsibly managing finances through the efficient and effective delivery of services, encouraging economic activity.

A review of the Office of Energy's performance management framework was undertaken during 2007/08. The framework was refined in terms of performance levels and a new framework will be used for 2009/10. The new framework and audited key performance indicators will reflect the direction being set for the whole of the state government sector.

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Performance management framework

Progress towards the outcomes is made via the delivery of specific services, which are discussed in the Report on Operations. To reflect the current goals set for the Western Australian public service, the report on operations is presented under the following headings:

- social and environment;
- focus on the regions; and
- responsible governance.

Agency performance

SIGNIFICANT ISSUES IMPACTING THE AGENCY

REPORT ON OPERATIONS

- Governance
- Social and environmental responsibility
- Stronger focus on the regions

AGENCY PERFORMANCE

Significant issues impacting the agency

Climate change

The Commonwealth Government continues to drive activities to implement its commitment to a range of climate change policy initiatives including the introduction of a Carbon Pollution Reduction Scheme (emissions trading scheme) by 2011 and the expanded Renewable Energy Target of 20% by 2020. Work continues nationally to review programs across all levels of government for complementarity with emissions trading.

The Office of Energy, through the Sustainable Energy Development Office (SEDO) has played an important role in shaping the national policy debate and in the implementation of these climate change initiatives in the energy sector. The implementation of the Carbon Pollution Reduction Scheme will see the Office of Energy as a coordinator of input and action from the government energy sector in preparing for the scheme's implementation.

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.

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 continues to be implemented through the Ministerial Council on Energy.

Western Australian energy infrastructure will continue to be regulated by the Economic Regulation Authority. A recent achievement has been the passage of the *National Gas Access (WA) Bill 2008* through the Legislative Council in June 2009. It is expected to pass through the Legislative Assembly and be proclaimed by late 2009. The Office of Energy 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.

Renewable energy

Western Australia's involvement in the development of the expanded Renewable Energy Target intensified in 2008/09. A new era in renewable energy in Western Australia has been heralded by a COAG agreement to the design of an expanded renewable energy target to achieve the Commonwealth Government's national renewable energy target of 20% by 2020.

AGENCY PERFORMANCE

Significant issues impacting the agency

The expanded renewable energy target and the impending Carbon Pollution Reduction Scheme (CPRS) will be major drivers of renewable energy investment in Western Australia over the coming decade. However, there are a number of challenges for the State's main electricity grid in achieving the levels of renewable energy penetration envisaged by the Commonwealth Government.

A Wholesale Electricity Market Advisory Committee working group and the Australian Energy Market Commission are separately examining the readiness of the wholesale electricity market for the renewable energy target and CPRS.

The Office of Energy's Sustainable Energy Development Office (SEDO) convened a Market Advisory Committee Working Group to investigate issues around the integration of renewable energy into the electricity system. Options for managing the impact of increasing levels of intermittent wind generation is a key focus of the group. The SEDO commissioned analysis of the reliability of intermittent generation and funded the development of a forward work program. The forward work program will be implemented in 2009/10 by the Independent Market Operator, along with any required changes to the market rules.

Incentives for renewable energy

Demand for renewable energy rebates has remained high despite the changed economic circumstances of the past year.

The Office of Energy's Sustainable Energy Development Office (SEDO) has issued rebates and grants totalling \$11.8m for renewable energy and energy efficiency projects under the Renewable Remote Power Generation Program, Solar Water Heater Subsidy scheme, SEDO Grants Program and Solar Schools program. A further \$561,353 was issued through the Renewable Energy Production Subsidy.

Energy prices

Gas and electricity tariff increases over the last decade have not kept up with the increasing costs of supply due to rising 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 of Energy has an important role in advising the Government on future electricity and gas prices and, in doing so, balancing economic realities with the long-term interests of consumers.

As part of this role, the Office of Energy completed a review of electricity tariff arrangements in 2008/09 leading to the introduction of initial increases to electricity tariffs from 1 April and 1 July 2009. An expanded package of rebates and other assistance measures was also introduced in association with these increases to electricity prices.

The Office of Energy also recommended interim gas tariff increases, which were implemented on 1 July 2009. Subsequent to these increases, the Hardship Utilities Grant Scheme will be expanded to allow for access by gas customers.

Hardship assistance

Energy prices in Western Australia are likely to continue to rise into the near future. The Government has invested significant resources in tackling hardship, including the implementation of the Hardship Utilities Grants Scheme, Hardship Efficiency Program and increased funding for independent financial counselling.

Utilities are formally required by regulation to develop hardship policies. As a result of the Government's hardship initiatives and utilities' hardship policies, electricity disconnection rates have declined. The Office of Energy is continuing to work on the development of hardship policies and programs and is working with stakeholders to address current and future energy affordability and hardship issues.

Electricity industry reform

The creation of four electricity corporations – Verve Energy (generation); Western Power (networks); Synergy (retail); and Horizon Power (regional) – has increased the transparency of the electricity corporations' operational and financial performance. The creation of a competitive wholesale electricity market has also changed the environment in which these entities operate.

The Office of Energy will continue to support the Minister for Energy in managing the Government's ownership interest in the electricity corporations in this 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, especially in an environment where capital restrictions apply.

The Office of Energy 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 South West Interconnected System.

Energy security

Two gas supply disruptions in 2008 – the North West Shelf gas supply disruption in January 2008 and the Varanus Island gas supply disruption in June 2008 – highlighted the issue of energy security and the need to be continuously prepared for energy emergencies as well as significant gas supply disruption incidents.

While the two gas supply disruptions did not require the use of government emergency powers, they highlighted the need for preparation and planning for a coordinated response to such incidents, and for adequate agency resources and training to undertake ongoing planning and preparation.

It also highlighted the need for flexible resource arrangements that would allow the Office of Energy to focus significant resources on responding to an incident while continuing to deliver normal agency services. The Office of Energy is considering ways to resource a specific energy security function.

The Auditor General's report on its review of the State's preparedness for emergencies recommended that agencies update and regularly review their emergency plans, and assess on an annual basis their capability and address shortfalls identified.

AGENCY PERFORMANCE

Significant issues impacting the agency

In the reporting period, the State Government commissioned a joint government and industry review into the security of Western Australia's gas supplies and how any future gas supply disruptions are to be managed.

The Coordinator of Energy chaired the Gas Supply and Emergency Management review committee and the Office of Energy provided the committee with secretariat support. The committee's report will be delivered to Government in September 2009.

Broadening the gas quality specification for pipelines

The State Government plans to introduce legislation into Parliament to broaden the gas specification on gas transmission pipelines. This will help address the State's domestic gas supply constraints by encouraging the development of gas resources that do not meet the current delivery specifications of WA's gas pipeline network.

The Office of Energy is the instructing agency in the drafting of the legislation and regulations. The legislation also establishes a scheme for the rectification of pre-1980 gas appliances in households and some institutions. These appliances need to be replaced or modified prior to leaner gas being delivered through the distribution system. A rectification program will be implemented following passage of the legislation.

Aboriginal and remote communities power supply

The Commonwealth and the State have agreed 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.

Underground Power Program

The Underground Power Program to convert older residential areas to underground power, particularly in the South West Interconnected System, is an ongoing commitment. While round three and four projects continue to be implemented, the Government has extended the commitment with the allocation of funding to a fifth round of projects. The process of inviting, assessing and accepting proposals for round five will be initiated in the latter part of 2009 in time for projects to commence during 2011.

In addition, the Government has committed to a specific underground power project of Pilbara coastal towns as part of the Pilbara Revitalisation Program. The underground power project will be undertaken as a capital works project of Horizon Power overseen a committee, chaired by the Department of Regional Development and Lands, in which the Office of Energy will be a participant.

AGENCY PERFORMANCE

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Complaints and feedback management

The Office of Energy is committed to providing high quality customer service. The Client Feedback System assists the agency to maintain high service standards as outlined in the agency's customer service charter.

Complaints are dealt with according to the complaints handling procedure. All staff are aware of the procedure, which is available on the agency's intranet. The Office of Energy aims to respond to any suggestions for improvement or complaints within five working days. Staff strive to find an appropriate remedy that satisfies the client with a detailed description of why the answer was given.

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

Compliments received about staff are referred up the management chain and may be included on that person's personal file.

Evaluations

There were no formal evaluations undertaken during the reporting period. However, the Office of Energy scheduled a cultural assessment to be undertaken in July of the 2009/10 financial year.

Information statement

The Office of Energy has a Freedom of Information Statement prepared in accordance with the *Freedom of Information Act 1992*, which is available on the agency's website. The statement outlines the agency's functions, the kind of documents held and how those documents can be accessed. During the reporting period 12 Freedom of Information applications were received.

Insurance paid to indemnify a director against liability

RiskCover provides cover 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. A specific limitation of the insurance cover is the personal liability of directors or Office of Energy imposed under the *Statutory Corporations (Liability of Directors) Act 1996*.

Legislative changes

- Amendments to the *Electricity Networks Access Code 2004* – amended on 22 October 2008;
- Gas Higher Heating Value Regulations:
 - Energy Coordination (Customer Contracts) Amendment Regulations 2008 (amendments) – gazetted 27 January 2009; and
 - Energy Coordination (Higher Heating Value) Regulations 2008 (new) – gazetted 27 January 2009; Development of the *National Gas Access (WA) Bill 2008* which was reintroduced (under the current Government) into Parliament on 26 November 2008, passed by Parliament on 25 June 2009;
 - Development of *Gas Supply (Gas Quality Specifications) Bill 2009*; and
- Gas and Electricity Tariffs – subsidiary legislation:
 - Energy Coordination (Gas Tariffs) Amendment Regulations 2009 – gazetted 30 June 2009;
 - Energy Operators (Regional Power Corporation) (Charges) Amendment By-laws 2009 – gazetted 30 March 2009; and
 - Energy Operators (Electricity Retail Corporation) (Charges) Amendment By-laws 2009 – gazetted 30 March 2009.

Public interest disclosures

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

Promotions, public relations and marketing activities

Varanus Island Gas Disruption

Following the 3 June Varanus Island gas disruption, the Office of Energy worked with the energy industry and the State Government to develop effective media and marketing strategies aimed at reducing the impact of the gas shortage.

A two-month print, radio, television and web advertising campaign was launched in the second week of June to Perth and regional audiences delivering key energy-saving advice.

A follow-up survey found that:

- the media campaign had reached a large majority of Perth households, with up to 91% of key message penetration;
- response by the community was positive with 82% attitudinal support for requests to reduce energy usage in the household and 63% reported behavioural change; and
- Perth households had adopted strategies and behaviours aimed at reducing both gas and electricity consumption.

A second phase advertising campaign was cancelled when the previous government called a State election.

During the Varanus gas disruption, situation updates were delivered to media outlets and via the Office of Energy website advising of developments in the gas and energy industries to ensure maximum availability of gas and electricity. Other media strategies employed included an address to the State by the then Premier and media

opportunities involving key industry and consumer representatives delivering energy-saving advice.

The Office of Energy also initiated an industry liaison service to prompt and facilitate energy reduction strategies among high energy consumers. It also set up a hotline to answer or refer questions from the public about the gas disruption.

Following the Varanus Island gas disruption, the Office of Energy worked with key industry communications managers and the Government Media Office to develop a formal communications plan for different gas supply disruption scenarios.

The plan describes the:

- triggers for different levels of gas disruption;
- messages for different gas disruption scenarios;
- roles and responsibilities of industry, government and Office of Energy in the collation, processing and delivery of public information; and
- delivery strategies.

The plan will be delivered to the State Government along with the Gas Supply and Emergency Management Review report in September, 2009.

Sustainability

The Sustainable Energy Development Office (SEDO), a division of Office of Energy, continues to implement a communications and marketing strategy to accelerate the adoption of renewable energy and energy efficiency measures.

The strategy aims to encourage and assist households, government agencies, businesses and industry in Western Australia to operate in ways that are economically, environmentally and socially sustainable.

Key highlights for 2008/09 were:

- the SEDO-MBA Sustainable Energy Expo in Perth in June. This event attracted 14,000 visitors, who were provided with Energy Smart tips on the benefits of home orientation, insulation, gas boosted solar hot water heating and energy saving appliances;
- The WA Change the Globe campaign was launched at the Sustainable Energy Expo with over 8,000 energy-efficient compact fluorescent lamps given away to encourage householders to replace their incandescent globes. House Energy Rating System assessors also delivered information on how to increase home thermal energy efficiency;
- the State Government's Solar Schools Program plays an important role in educating the next generation about the need for, and role of, renewable energy; and

- a series of six 30-minute Nuts and Bolts Goes Green television programs, broadcast by Channel Seven and Golden West Network. The program provided information on:
 - practical and affordable energy-saving methods;
 - how to retro-fit existing homes with energy-saving technology;
 - practical eco-developments for new home buyers;
 - new developments in renewable energy technology ; and
 - SEDO's Energy Smart program.

Energy in WA Conference

The Office of Energy jointly hosted the eighth Energy in WA Conference with the Australian Institute of Energy in August 2008. The State's premier energy conference brought together prominent state, national and international speakers to address major issues faced by Western Australia's energy industry.

During the reporting period, the Office of Energy also worked with the Australian Institute of Energy to prepare for the 2009 conference, scheduled for August 2009. Preparations for the conference, themed Challenging Times, were at an advanced stage by June 30.

Reconciliation

The Office of Energy's Reconciliation Action Plan, developed in 2007/08, 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 of Energy 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.

Research and development

The Sustainable Energy Development Office (SEDO) commissioned a number of research projects in 2008/09:

- the development of a forward work program looking at necessary changes to the market to manage increasing levels of intermittent renewable energy generation, particularly from wind farms. The Independent Market Operator commissioned Sinclair Knight Mertz to develop the work program and is proceeding to implement the work program in 2009/10;
- Senergy Econnect Australia was commissioned to undertake analysis of capacity credit allocations to intermittent generators in the Wholesale Electricity Market. The analysis is to inform the Market Advisory Committee in relation to the contribution intermittent generators make to system reliability;
- McLennan Magasanik Associates was commissioned to undertake an analysis that would inform the development of the Western Australian Government's position on the Commonwealth Government's mandatory renewable energy target scheme; and
- SEDO co-funded two research projects undertaken by the National GreenPower Accreditation Program on the interaction of the Carbon Pollution Reduction Scheme with the GreenPower program.

Shared services

In September 2008 the Office of Energy successfully rolled their Finance and Human Resource systems into the Department of Treasury and Finance Shared Service system. This required a high level of consultation, audits, process changes and training for all staff members.

Sustainability

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

The agency's Sustainability Committee has continued to develop sustainability initiatives for the Office of Energy, including the off-setting of 331 tonnes of carbon emissions for the last reporting period (2008 calendar year) by the planting of 1,986 native trees through the Carbon Neutral program.

The Sustainability Committee, in consultation with Office of Energy staff, is continuing to address sustainability within the Office of Energy through the development and implementation of the Office of Energy's Sustainability Action Plan.

AGENCY PERFORMANCE

Report on operations >

Social and environmental responsibility

Broadening the gas specification on transmission pipelines

The State Government is introducing legislation to Parliament to broaden the specification of gas delivered through transmission pipelines in Western Australia. This is expected to contribute towards:

- increased security of supply of gas in Western Australia;
- increased competition in the price of gas; and
- enable gas producers to choose the most efficient method of developing gas fields.

Gas producers who choose to supply broader quality gas will be required to compensate parties (such as pipeline owners and consumers) under specified circumstances for any incurred costs as a result of lower overall gas quality.

A lower energy content gas could make some pre-1980 gas appliances unsafe. A rectification program, funded by gas producers supplying leaner gas, is planned to replace or modify these appliances so they are safe to operate.

Achievements in 2008/09

The Office of Energy provided advice to Government on the proposed legislation, and on 22 December 2008, Cabinet approved the drafting of the legislation.

Substantial progress has been made in 2008/09 in drafting the *Gas Supply (Gas Quality Specifications) Bill 2009*. Two rounds of industry consultation were conducted with affected parties in the pipeline industry and gas production industry.

Objectives for 2009/10

Following further public consultation at the beginning of 2009/10, a key milestone is to introduce the legislation to Parliament in September 2009. Subject to Parliamentary timeframes, the legislation may be passed by Parliament by the end of 2009.

Drafting of regulations and further consultation will be undertaken, with the first set of key regulations expected to be gazetted in early 2010.

The appliance rectification program is to be established in 2009/10. The program is to be promoted to the community. About 20,000 appliances are expected to be serviced or replaced over two years.

Carbon Pollution Reduction Scheme

The Office of Energy provided policy input to the Department of Treasury and Finance's Emissions Trading Unit throughout 2008/09. The Office of Energy's focus is on the potential impact of an emissions trading scheme on the State's energy markets and Government-owned electricity corporations.

Achievements in 2008/09

The Office of Energy has provided analysis and interpretation of proposed scheme design details and modelling results, focusing on energy sector impacts and covering more general economic issues.

In addition, the Office of Energy has advised the State Government in relation to a range of emissions trading issues, including:

- the impact of an emissions trading scheme on the State-owned electricity corporations; and
- the role that gas-fired electricity generation may play in assisting Australia reduce its greenhouse gas emissions.

The Office of Energy also provided input into the Office of Climate Change's external Complementary Measures Review – examining the complementarity of the State's energy regulation and policies with the proposed Carbon Pollution Reduction Scheme.

Objectives for 2009/10

The Office of Energy will continue to provide policy input to the Emissions Trading Unit throughout 2009/10, and provide assistance in the development of the State's policy position on emissions trading issues surrounding the electricity market and State preparation for the introduction of the scheme.

This will involve monitoring the electricity corporations in their preparation for the Carbon Pollution Reduction Scheme and assisting the Government through the Climate Change Policy Interdepartmental Steering Group and its Climate Change Adaptation Sub-Committee.

Economic regulation of the energy industry

The Office of Energy advises the State Government on policy development and implementation related to the economic regulation of the gas and electricity industry in Western Australia. In addition to advising on legislative instruments, the Office of Energy monitors and advises the State Government on the implications of regulatory decisions.

Issues dealt with in the year were primarily associated with amendments to the *Electricity Networks Access Code 2004* that deal with access to electricity infrastructure and progress toward the implementation of the national gas law. Other issues included energy infrastructure, access arrangements, gas and electricity licensing, customer protection, gas retail market arrangements and charging for expansions of network capacity.

Achievements in 2008/09

During 2008/09, the Office of Energy advised on a range of issues, including:

- amendments to the *Electricity Networks Access Code 2004*;
- representing the public interest in relation to various electricity licences being sought from the Economic Regulation Authority; and
- representing public interest in the levying of unregulated fees and charges by private suppliers of natural gas and liquified petroleum gas.

Objectives 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, expected to commence towards the end of 2009.

The Office of Energy will also commence a public review of the *Electricity Networks Access Code 2004* and its application, as required under section 111 of the *Electricity Industry Act 2004*.

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 administers exemptions from licensing as required under these Acts.

Achievements in 2008/09

In the latter part of 2007/08, public consultation regarding nine specific and two general electricity distribution/transmission exemptions was conducted.

These exemptions were considered during 2008/09 by the Office of Energy, which recommended that the following three electricity distribution/transmission exemptions proceed:

- conditional, general distribution or transmission licence exemption to generators connecting to the South-West Interconnected System (SWIS);
- general distribution licence exemption to generators connecting to an electricity network, other than the SWIS, through an electricity distribution line of less than one kilometre; and
- distribution license exemption to Energy Developments Limited (EDL Broome).

Development of the exemptions was protracted due to their complexity and the range of stakeholders involved. The exemptions were at a late stage of development at the end of the reporting period and will be completed early in the 2009/10 financial year.

Exemptions for the on-selling of gas to residential customers in group housing situations and the construction of gas distribution systems by property developers was approved by the Governor in Executive Council and gazetted in 2008/09.

An amendment to an exemption was granted ensuring that operators of residential caravan parks charge residents at the same rate as the regulated A1 and A2 residential tariffs.

Objectives for 2009/10

Finalisation of exemptions considered in 2008/09. Other exemptions under *the Electricity Industry Act 2004* and the *Energy Coordination Act 1994* will be investigated as the need arises throughout 2009/10.

Electricity market reform

The Office of Energy continued to implement policy aimed at furthering competition in the electricity market. It also continued to monitor 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.

Achievements in 2008/09

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 of Energy completed a review of electricity retail tariffs with release of a final recommendations report, *Review of Electricity Tariff Arrangements*, on 29 January 2009.

The Office of Energy forecast a 52% increase would be required in 2009/10 to bring household electricity prices in line with the costs of supplying electricity, with a further 26% increase for 2010/11.

The Office of Energy also forecast that a 29% increase would be required in 2009/10 to bring small business electricity prices up to cost-reflective levels, with a further 26% increase required for 2010/11.

The forecast tariff increases were based on cost estimates of the components to supply electricity - generation, networks and retail costs.

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	2008/09 Actual
Dec 2007	Jan 2009
The <i>Final Recommendations Report – Review of Electricity Tariff Arrangements</i> released on 29 January 2009. Reports relating to the smart meters and full retail contestability components of the Electricity Retail Market Review were submitted to the Minister for Energy in early 2009.	

Objectives for 2009/10

Ongoing activities planned in 2009/10 relating to the electricity market reform include:

- implementation of Electricity Retail Market Review recommendations relating to the review of electricity tariff arrangements in Western Australia (subject to Government endorsement of these recommendations);
- considering and implementing approved recommendations from the Verve Energy review of the electricity market, following its release;
- finalisation of components of the Electricity Retail Market Review relating to 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);
- considering modification of the current restrictions on Horizon Power to operate in areas located outside 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 2009/10;
- considering 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
- considering criteria for the removal of the ministerial direction on Verve Energy which imposes a 3,000 megawatt 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.

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 administers exemptions from licensing as required under these Acts.

Achievements in 2008/09

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These exemptions were considered during 2008/09 by the Office of Energy, which recommended that the following three electricity distribution/transmission exemptions proceed:

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- distribution license exemption to Energy Developments Limited (EDL Broome).

Development of the exemptions was protracted due to their complexity and the range of stakeholders involved. The exemptions were at a late stage of development at the end of the reporting period and will be completed early in the 2009/10 financial year.

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An amendment to an exemption was granted ensuring that operators of residential caravan parks charge residents at the same rate as the regulated A1 and A2 residential tariffs.

Objectives for 2009/10

Finalisation of exemptions considered in 2008/09. Other exemptions under *the Electricity Industry Act 2004* and the *Energy Coordination Act 1994* will be investigated as the need arises throughout 2009/10.

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 effective communication and order-making protocols and plans.

The Office of Energy now administers the Liquid Fuel Emergency Plan.

Achievements in 2008/09

Two significant gas supply disruptions occurred in 2008 – one at North West Shelf Venture's Karratha Gas Plant (2 January), the other at Varanus Island Gas Plant (3 June).

In both incidents, the Office of Energy 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 and information sharing between key stakeholders in the energy industry.

It also provided daily updates to keep industry and the public informed of progress and issues in the management of these events. This information 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.

The Office of Energy, in conjunction with the Independent Market Operator and with the co-operation of major industry players, developed and implemented a temporary Gas Bulletin Board within one month of the start of the Varanus Island disruption. The Bulletin Board enabled smaller users to identify extra gas available to the market.

The Office of Energy also worked with the energy industry and the State Government to develop key energy-saving messages and marketing strategies. An extensive

advertising, network-marketing and web-based campaign was rolled out on June 8 and continued for one month.

The Office of Energy also set up an industry liaison service to prompt and facilitate energy reduction strategies among high energy users.

In addition, a hotline was established to answer or refer questions from the public about the gas disruption.

More about the public communications strategy, including the results of the advertising campaign, can be found in the governance section of the Report on Operations under the heading Promotions, Public Relations and Marketing Activities.

The Minister for Energy established the Gas Supply and Emergency Management Committee (GSEMC) in January 2009 to review the security of the State's gas supplies and provide advice on the management of any future gas supply disruptions.

The committee is chaired by the Coordinator of Energy and provided with secretariat support by the Office of Energy. The committee is due to provide its report to Government in September 2009.

The Office of Energy also commenced the review and updating of the Liquid Fuel Emergency Plan.

Objectives for 2009/10

The Office of Energy will assist the Gas Supply and Emergency Management Committee to finalise its report to Government in September 2009. The report will include a formalised public communications plan for different levels of gas disruption.

The Office of Energy will also be involved in implementing Government endorsed recommendations stemming from the GSEMC report, including potential changes to way gas emergencies are managed, as outlined in the terms of reference of the GSEMC.

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 and still consider energy use as a fixed cost.

Achievements in 2008-09

The new National Australian Built Environment Rating System (NABERS) initiative now incorporates the Australian Building Greenhouse Rating (ABGR) scheme administered by the Sustainable Energy Development Office (SEDO) for benchmarking energy and greenhouse efficiency of commercial office buildings.

Western Australian industry continues to lead the country with the highest percentage (55%) of office space rated and the top percentage (30%) of high star rating office buildings.

AGENCY PERFORMANCE

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Currently, there are four Energy Commitment Agreements pending. Developers sign these agreements to commit to four-star or higher NABERS Energy rating in the design, construction and operation of new buildings. There have been some delays with progressing commitment agreements during the reporting period.

SEDO has also contributed to the City Switch Green Office program. SEDO signed a Memorandum of Understanding which formalises a City Switch partnership with the City of Perth.

SEDO, through the Equipment Energy Efficiency Program, contributed to the development of a number of new minimum energy performance standards for products such as set-top television boxes, close-control air conditioning units and commercial chillers.

SEDO contributed to the national development of a Mandatory Disclosure of Commercial Building Energy Efficiency strategy at sale or lease as part of the National Framework for Energy Efficiency.

Effectiveness Indicator

Adoption of energy efficiency by business, indicated by the number of buildings rated under the National Australian Built Environment Rating System (NABERS)

2008/09 Target	2008/09 Actual
30	31
A total of 31 NABERS Energy ratings were undertaken in WA during this period, just exceeding the target of 30.	

Objectives for 2009-10

SEDO will contribute to the development of Minimum Energy Performance Standards and Mandatory Energy Efficiency labelling for a range of new products, including televisions and evaporative coolers while strengthening existing standards for products, such as residential air conditioners.

SEDO will continue to contribute to the national process and implementation of Mandatory Disclosure of Commercial Building Energy Efficiency, due in 2010.

It will also contribute to the development of enhanced energy measures in the *Building Code of Australia* due in May 2010. The NABERS scheme will continue to be administered and developed in support of the above initiatives, including the widening of the tool to include hotels, schools and hospitals.

The promotion of sustainable energy in the business sector through a partnership approach and signed memorandums of understanding will be progressed through industry associations such as the Master Builders Association.

Energy Smart Community

The Energy Smart Community initiative enhances community understanding of the benefits of sustainable energy use.

This initiative also 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 buildings.

Achievements in 2008/09

Demand for the advisory services provided by the Energy Smart Line increased significantly during the year. Compared with the previous 12 months the number of calls received for the 2008/09 period grew by 32%.

The range and quantity of information and brochures distributed to the general community through the Energy Smart Line continued to grow during reporting period. The Sustainable Energy Development Office (SEDO) participated in the Sustainable Energy Expo at the Perth Convention and Exhibition Centre as the lead exhibitor. Nearly 8,000 compact fluorescent lamps were distributed free to the public, promoting the phase-out of incandescent lamp technologies in 2009.

The promotion and roll-out of the Sustainable Energy Seminar Information and Resource Kit was undertaken with introductory training forums held and more than 50 kits distributed around the state, primarily through local governments. This resource kit enables the delivery of community-based sustainable energy seminars in local and regional areas.

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. This program is becoming increasingly important as a growing range of products have energy labels and standards become more stringent.

The House Energy Rating Software (HERS) program consolidated the industry's use of second-generation tools (the first-generation tools are no longer approved for regulatory purposes).

The Association of Building Sustainability Assessors continued to provide training and professional development services to the industry under the direction of SEDO. The percentage of ratings undertaken for new homes decreased slightly to 18%, due to the general slowdown of the construction industry and higher percentage of first home buyer starts, which are not usually rated with HERS tools.

Effectiveness Indicator

Adoption of energy efficiency by the community, indicated by the percentage of new houses approved under the House Energy Rating Scheme (HERS)

2008/09 Target	2008/09 Actual
21	18
There has been a trend of a slight lowering of the numbers and percentages of HERS ratings, likely from an increase in First Home Owners project homes (not usually HERS rated) and decrease in number of higher spec homes (Usually HERS rated)	

Objectives for 2009/10

SEDO will continue to contribute to the development of the HERS program, including expanding the functionality to include hot water systems, lighting and heating/cooling systems. It will also contribute to the increased six-star energy performance standards to take effect nationally in 2010.

There will be continued promotion and expansion of the Reach for the Stars program, including training of electrical retailers of products covered by the expanded Minimum Energy Performance Standards.

The agency will continue, through the National Framework for Energy Efficiency, to develop a system of mandatory disclosure of house energy performance at point of sale or lease, including disclosure for hot water systems, lighting and heating/cooling systems.

Energy Smart Enterprise

The development and implementation of a voluntary Energy Smart Enterprise initiative for small to medium business and industry in Western Australia was announced by the Minister for Energy on 23 February 2009.

This initiative, scheduled to commence later in 2009, will assist small and medium Western Australian businesses to:

- manage energy cost pressures arising from the recently announced increases in energy input costs and from the Carbon Pollution Reduction Scheme; and
- reduce their energy consumption and associated greenhouse gas emissions by identifying and investing in energy efficiency measures.

Achievements in 2008/09

The Sustainable Energy Development Office (SEDO) has developed internal administrative guidelines for administration of the Energy Smart Enterprise initiative.

Consultation on the initiative's design and administration with key stakeholders has been completed. Feedback has been incorporated where appropriate.

Objectives for 2009/10

Commencement of the initiative is planned for later in 2009. SEDO will administer, promote and monitor the initiative to ensure the best outcomes are achieved using the available funding.

Energy Smart Government

The Sustainable Energy Development Office (SEDO) coordinates the Energy Smart Government program, to promote and facilitate sustainable energy use within Government. The program was also set up to demonstrate leadership in this area by the State Government.

The program requires participating agencies to collect and report their energy use, energy costs, greenhouse gas emissions and energy intensity indicators each year. It also requires those agencies to implement initiatives to manage energy use more effectively and efficiently.

Achievements in 2008/09

The Energy Smart Government program has been revised, with the second phase of the program focused on reducing the intensity of energy use relative to size or output. This approach differs from the first phase, which focused on achieving an absolute energy reduction target.

As part of the program, Government agencies with over 25 full-time equivalent employees (FTE) have been required to prepare an energy management plan which outlines steps for identifying and implementing energy efficiency initiatives, identifying responsible staff and setting targets.

By 30 June 2009, 80% of agencies required to submit plans had submitted them to SEDO.

The second phase of the program commenced in 2007/08. The key outcome from the data collated for 2007/08* was an overall reduction in energy use per FTE of 4.3% compared with the 2006/07 baseline year. This demonstrated a significant improvement in the intensity of energy use within Government.

A total of 24 agencies reduced energy intensity by more than 5% with 15 agencies reporting improvements of more than 10%.

In 2007/08, agencies collectively used 2,866,304 giga joules of energy at a cost of \$85.2 million. This resulted in the emission of 563,366 tonnes of greenhouse gas.

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

Strong demand from agencies continued for facilitation grant funding with budgeted funds fully committed.

Objectives for 2009/10

SEDO will continue to provide facilitation grant funding to assist Government agencies to identify energy-saving projects.

SEDO will focus on new areas of opportunity, including sectors with known capacity for savings. These include office tenancies and agencies with high-energy intensity.

Opportunities will also be sought to facilitate the application of new energy efficiency technologies within agencies.

SEDO will continue to work with agencies to finalise energy management plans and assist with implementing actions identified for energy efficiency initiatives.

In line with the National Framework for Energy Efficiency, SEDO will continue to contribute to the development of a national green lease strategy that reflects local Western Australian Government agency and industry needs.

Gas retail competition

The regulatory and market arrangements for gas Full Retail Contestability have been fully operational since May 2004. Full retail contestability means that all customers are able to choose their retailer in a fully deregulated energy market.

The Gas Market Moratorium, however, means that Synergy is only able to sell gas to customers using more than 0.18 terajoules per annum.

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

Achievements in 2008/09

The Office of Energy undertook an interim review of gas tariffs to consider a request from Alinta for an increase to the regulated tariff caps for small-use customers. The request submitted that tariffs needed to increase to:

- cover rising gas commodity prices; and
- allow for partial recovery of costs incurred as a result of the Varanus Island gas supply disruption (excluding the Albany area which is not supplied by this processing facility).

The State Government announced on 26 June 2009 that the gas tariff caps would increase by around 23% from 1 July 2009. The increases for business customers in the Mid-West/South-West region were lower as these tariff caps were closer to cost reflective levels.

About three per cent of the increase in the Mid-West/South-West and Kalgoorlie-Boulder areas was a one-off charge (for 2009/10 only) to partially recover costs incurred by Alinta during the Varanus Island gas disruption.

Subsequent to these increases, the Hardship Utilities Grant Scheme will be expanded to allow for access by gas customers.

Objectives for 2009/10

The Office of Energy will:

- on behalf of the Minister for Energy, complete the Gas Tariffs Review;
- 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.

Government energy utilities

Electricity corporations in Western Australia operate in a competitive market environment that creates additional challenges for each body's board 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 of Energy 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 of Energy 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.

Achievements in 2008/09

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

- review and advice on the 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 Office of Energy has been developing amendments to the Vesting Contract in stages to address the ongoing interactions between the contract and the wholesale and retail markets as well as issues relating to data availability. Some of these amendments were implemented, while others were further progressed in consultation with Synergy and Verve Energy and were awaiting the outcome of the Oates Review before being progressed;
- the Office of Energy also continued to monitor the displacement tendering activities undertaken by Synergy in accordance with the vesting contract requirements; and
- assessment of and advice on quarterly and annual reports, including key performance indicators required by Government.

Objectives for 2009/10

The Office of Energy will continue to support the Minister for Energy in safeguarding the shareholder's interests in the electricity corporations.

It will also continue to administer the vesting contract on behalf of the Minister for Energy, including developing and implementing amendments as required.

Government purchase of renewable energy

The Government has committed to increasing the amount of electricity it purchases from renewable sources to 20% by 2010.

This purchase will complement the phase in of increasing renewable energy generation under the expanded national renewable energy target and the Carbon Pollution Reduction Scheme.

This commitment will equate to 108 gigawatt hours per year from 2010, reducing greenhouse gas emissions by about 94,000 tonnes per annum (a similar amount of emissions produced by 21,000 cars).

The commitment is being achieved through the purchase of GreenPower, an independently audited government-accredited program that guarantees the renewable energy is additional to that required under the renewable energy target.

SEDO represents Western Australian on the National GreenPower Accreditation Program Steering Group and undertakes activities to encourage GreenPower uptake in this state.

Achievements in 2008/09

A competitive process has been undertaken to procure whole-of-Government renewable energy requirements for 2008/09 and 2009/10. An innovative on-line reverse tender auction was used to select the supplier of the renewable energy.

The full 54 gigawatt hours of electricity for 2008/09 was supplied by the Australian Gas Light Company's Walkaway wind farm near Geraldton. The reverse tender has been completed for the 2009/10 with contractual negotiations expected to conclude in July 2009.

Effectiveness Indicator

Use of renewable energy indicated by the displacement of fossil fuel, kilowatt/hour of fossil fuel energy displaced through the Government purchase of Greenpower.

2008/09 Target	2008/09 Actual
52 GWh	54 GWh
Growth in Government electricity use	

Objectives for 2009/10

The objectives of the renewable energy purchase commitment will be reviewed for 2010/11 and 2011/12 in light of the Carbon Pollution Reduction Scheme and the national renewable energy target.

A report will be provided to the Minister for Energy on the outcomes of the review to inform the development of the Government's Climate Change Adaptation and Mitigation Strategy.

Horizon Power's Connection Policy

A policy is required to provide transparency on the connection of customers in regional areas outside Horizon Power's statutory obligation.

Horizon Power is only obliged to connect and supply under standard contracts and gazetted uniform tariffs customers consuming less than 160 megawatt hours per year and within 100 meters of its distribution system.

Some existing customers consuming more than 160 megawatt hours are supplied under gazetted uniform tariffs.

This policy will provide regional businesses with clear expectations regarding connection to regional networks.

Achievements in 2008/09

A connection policy was developed and submitted to Government for consideration. It was decided that charges for new customers using more than 160 megawatt hours should be cost reflective.

Objectives for 2009/10

Horizon Power – in consultation with the Office of Energy and Department of Treasury and Finance – will develop a strategy for Government consideration to phase out subsidised tariffs for Horizon Power for customers using more than 160 megawatt hours.

National energy policy agenda

The Office of Energy is the principal source of advice to, and support for the Government in its involvement in the Ministerial Council on Energy (MCE). The MCE is the national policy and governance body for the Australian energy markets. The Office of Energy also led the State's contribution to national energy policy development under COAG's climate change agenda.

To influence national policy development and represent the State's interests, the Office of Energy 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*.

Achievements in 2008/09

The Office of Energy 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 six meetings of the MCE Standing Committee of Officials (SCO). The Office of Energy also contributed to energy-related briefing notes for the Premier for COAG meetings.

The Office of Energy has been involved in various working groups and committees to inform policy development and decision making.

It advised on key national energy policy initiatives including:

- gas market development;
- the *National Gas Access (WA) Bill 2008*, that applies the national gas law in Western Australia. It was re-introduced into the Western Australian Parliament on 26 November 2008. The complementary legislation is expected to come into force in 2009 and represents the completion of a significant milestone in regulation of gas transmission and distribution pipelines by bringing them under a single national framework;
- the establishment of the Australian Energy Market Operator by 1 July 2009;
- the expanded national Renewable Energy Target;
- the development of a national strategy on energy efficiency;
- streamlining of jurisdictional energy and greenhouse reporting;
- the timeline for smart meter introduction and the development of high level provisions in the National Electricity Law;
- the coordination of the State's response to the Commonwealth Energy White Paper process; and
- a number of important initiatives under the National Framework for Energy Efficiency including:
 - a national hot water strategic framework;
 - a heating ventilation and air conditioning high efficiency systems strategy; and
 - endorsement of a Regulatory Impact Statement for commercial building chillers.

Objectives for 2009/10

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

It will also continue to coordinate the State's response to the Commonwealth Energy White Paper Process. This will include the preparation of responses to the Commonwealth's Energy Green Paper and White Paper

National energy policy agenda – Australian Energy Market Operator, gas bulletin board and short term trading market

The Office of Energy continued to advance the Ministerial Council on Energy's (MCE) national energy policy agenda. It worked with other states and territories on the following projects :

- a commitment to establish an Australian Energy Market Operator (AEMO), to be responsible for the operation of national wholesale and retail electricity and gas markets; and
- initiatives of the Gas Market Leaders Group to improve transparency and improve competition in gas markets, including:
 - the establishment of a gas market bulletin board;
 - the establishment of a gas market statement of opportunities; and
 - design of a gas short-term trading market.

Achievements in 2008/09

The Office of Energy worked with other jurisdictions and industry via the MCE AEMO Implementation Steering Committee, and liaised with local electricity and gas stakeholders, towards establishment of the AEMO on 1 July 2009.

As part of an MCE agreed implementation plan, the AEMO will be a not-for-profit company limited by guarantee and comprising of industry and government membership.

The AEMO will have the following functions (to be initially applied to eastern states jurisdictions):

- electricity market operation and administration functions carried out by the National Electricity Market Management Company;
- 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;
- operation of a gas market bulletin board and gas market statement of opportunities, and a gas short term trading market;
- advice to the National Gas Emergency Response Advisory Committee.

The Office of Energy has taken into account local circumstances when considering application of the AEMO to Western Australia. This has included consideration of the effectiveness and operation of the gas retail market scheme in Western Australia, including earlier reviews by the Retail Energy Market Company (REMCo) and by the Economic Regulation Authority (ERA) in 2007/08.

The AEMO will not apply to Western Australia in the short term. However the MCE has agreed that gas and electricity wholesale and retail market functions specific to Western Australia may 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. Western Australia may join the cross-jurisdictional Bulletin Board at its discretion in the future.

Objectives for 2009/10

The Office of Energy will monitor the operation of the bulletin board, the development of a gas market statement of opportunities, and detailed design of a short term trading market for the gas markets in the interconnected eastern states.

The Office of Energy 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.

National Energy Policy Agenda – Smart Meters

As part of its involvement in the Ministerial Council on Energy (MCE), the Office of Energy 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.

While MCE has agreed to move towards minimum smart meter functionality, it has found uncertainty about the costs and benefits of smart meters in some jurisdictions.

Achievements in 2008/09

The Office of Energy worked with other jurisdictions and local stakeholders in the development of a consistent national framework for electricity smart meters in the national electricity market.

As part of this, a national minimum functionality standard and associated service levels and performance standards will be established in the National Electricity Rules following development by a cross-jurisdictional group of technical officers from the electricity industry.

The Office of Energy facilitated representation by Western Australian stakeholders in relevant smart meter implementation working groups to promote consistency with other jurisdictions as appropriate to circumstances in this State.

The Office of Energy also completed a report assessing the MCE analysis of the costs and benefits of an electricity smart meter roll-out within the South West Interconnected System of Western Australia. This report was provided to the Minister for Energy in November 2008.

Effectiveness Indicator

Use of renewable energy indicated by the displacement of fossil fuel, kilowatt/hour of fossil fuel energy displaced through the Government purchase of Greenpower.

2008/09 Target	2008/09 Actual
Aug 2008	Not Achieved
The report relating to the smart meters component of the Electricity Retail Market review was provided to the Minister for Energy in November 2008.	

Objectives for 2009/10

Western Australia will continue to participate in MCE processes to review progress of jurisdictional smart meter pilots and trials with a view to a final review in mid-2012.

The Office of Energy will take into account the results of any smart meter pilots and trials conducted by businesses in this State.

The Office is also participating in the MCE review of the costs and benefits of electricity smart meters in off-grid areas. The Office of Energy will work with regional stakeholders, including Horizon Power.

National Framework for Energy Efficiency

The National Framework for Energy Efficiency (NFEE) is a collaborative effort between Commonwealth, State and Territory Governments to develop nationally consistent energy efficiency policy.

The NFEE has been developed in two stages. Stage two commenced on 1 July 2008 and consists of a range of new and expanded energy efficiency measures across all sectors.

The COAG meeting in October 2008 agreed to accept a National Strategy for Energy Efficiency which will:

- accelerate energy efficiency in all governments; and
- help households and businesses prepare for the introduction of the Commonwealth Government's Carbon Pollution Reduction Scheme.

Implementation of the strategy was scheduled to commence in July 2009.

Achievements in 2008/09

Implementation of stage two measures has included:

- the expansion of the Equipment Energy Efficiency program, which will extend existing minimum energy performance standards and labelling requirements;
- the phase out of incandescent lighting;
- the development of a national hot water strategy, which aims to phase out electric storage hot water systems in residential dwellings;
- the development and implementation of a national green lease policy for Commonwealth, State and Territory Government accommodation;
- a heating, ventilation and air conditioning strategy, designed to improve energy efficiency of climate control systems;
- an expanded training and accreditation program to support various NFEE stage two measures; and
- the development of a data analysis project to support future energy efficiency.

The Sustainable Energy Development Office (SEDO) actively participated in the implementation of the stage two strategies and ongoing implementation of the stage one work streams of Buildings and Equipment Energy Efficiency.

SEDO, along with the Department of Premier and Cabinet, represented Western Australia on the Senior Officers Group charged with developing the National Strategy for Energy Efficiency.

Objectives for 2009/10

SEDO will continue to participate in the implementation of the Buildings and Equipment Energy Efficiency work streams from stage one and the stage two strategies.

SEDO also will be actively involved in implementation of the National Partnership Agreement on Energy Efficiency, which will deliver a nationally-consistent and cooperative approach to energy efficiency.

National Gas Law

As part of the National Energy Policy Agenda, the Office of Energy has been working with Commonwealth, State and Territory jurisdictions to develop a new national gas law to replace the Gas Pipelines Access Law.

The national gas law is uniform national legislation that provides high-level policy guidance for regulatory frameworks. It has been developed and overseen by the Ministerial Council on Energy.

Western Australia has been participating in the National Gas Access Regime by developing complementary legislation that will correspond with the natural gas pipeline access provisions under the national gas law.

Achievements in 2008/09

On 1 July 2008, other jurisdictions passed their respective application acts to implement the national gas law. Substantial progress was made in Western Australia regarding the application act, which was re-introduced into Parliament under the current Government in November 2008 after it lapsed due to the State election.

The Office of Energy also advised on key national energy policy initiatives that involved significant negotiations between the Commonwealth, States and Territories.

In addition, it obtained agreement on a range of issues specific to Western Australia. These have been included in the National Gas Rules and the *National Gas Access (WA) Bill 2008*.

Effectiveness Indicator

Introduction of complementary legislation into the Western Australian Parliament to implement the national gas law and the national gas rules.

2008/09 Target	2008/09 Actual
Aug 2008	Nov 2008
Introduced into Parliament in November 2008.	

Objectives for 2009/10

Western Australia, through the Office of Energy, will implement the complementary gas legislation following its expected approval by Parliament in late 2009.

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.

National Renewable Energy Target

On 30 April 2009, Council of Australian Governments (COAG) agreed to the design of an expanded national Renewable Energy Target scheme, to achieve the Commonwealth Government's national renewable energy target of 20% by 2020.

The expanded scheme will be the primary driver for investment in renewable energy in Western Australia over the coming years.

Achievements in 2008/09

The Office of Energy participated in a renewable energy working group, established under the COAG Climate Change and Water Working Group to develop the expanded Renewable Energy Target.

State Government input was provided on a range of Commonwealth policy proposals and independent modelling was commissioned to support the States' interests in negotiations.

In light of the expansion of the national Renewable Energy Target, the development of a renewable energy target scheme for Western Australia was not progressed.

The Office of Energy, the Independent Market Operator and Western Power Corporation's System Management identified a number of issues anticipated to arise from greater uptake of intermittent renewable energy generation in Western Australia. Issues include managing the impact of increasing variability in generation on the operation of the electricity system and on other generators, and ensuring system reliability is maintained.

The Office of Energy commissioned analysis of the contribution intermittent power generators (such as wind and solar) make to the reliability of the electricity system. The analysis examines the ramifications of different approaches to allocating capacity credits to intermittent generators. The final report is expected to be publicly available in September 2009 and will feed into the Independent Market Operator's forward work program

The Office of Energy also funded and provided input into the development of a forward work program by the Independent Market Operator to address the challenges intermittent renewable energy poses for the wholesale electricity market.

Objectives for 2009/10

The Office of Energy will work with the Independent Market Operator to determine ways to deal with a significant increase in intermittent renewable generation in the electricity system through electricity market rule change processes. The process for making any required amendments to the market rules is expected to commence in early 2010.

The Office of Energy will also look at options for leveraging national project funding for emerging renewable energy technologies and address system and network barriers to efficient uptake of renewable energy.

Renewable Energy Production Subsidy

The Renewable Energy Production Subsidy is designed to assist renewable energy power producers in the transition to the new Wholesale Electricity Market.

Up to \$6 million in funding was committed to the program.

Achievements in 2008/09

One Renewable Energy Production Subsidy payment of \$561,000 was made in 2008/09. In 2008/09, over 16 gigawatt (GWh) hours of generation was supported under the program.

Effectiveness Indicator

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

2008/09 Target	2008/09 Actual
18 GWh	16 GWh
Lower than expected generation from some grant recipients.	

Objectives for 2009/10

Renewable Energy Production Subsidy funding will continue to support eligible renewable energy generators, with payment of the remaining \$474,000 for the program forecast in 2009/10.

Residential Feed-in Tariff Scheme

Residential feed-in tariffs pay a premium for electricity generated from household renewable energy systems.

The State Government committed to introduce a feed-in tariff scheme as part of the *Liberal Plan for Environmental Sustainability and Water Management*. A budget of \$13.5 million over four years was allocated to introduce the premium tariff.

Achievements in 2008/09

Development of a gross feed-in tariff scheme commenced in 2008/09. However, due to changed financial circumstances and an unprecedented uptake of systems, the budget allocation was determined insufficient to meet the demand for systems.

The Government announced an interim scheme, the Household Renewable Energy Scheme (HRES), which will distribute \$13.5 million to owners of systems installed between the date of the State Government election (6 September 2008), and the date of the announcement of the HRES (2 June 2009).

Guidelines and a methodology for calculating HRES payments have been developed. The payment amount will vary for each household, taking into account the size of the system installed and each recipient's eligibility for other Government rebates. A simple on-line application process was developed. Applications will be accepted from 1 July 2009.

Objectives for 2009/10

A net feed-in tariff scheme will be developed in time for commencement on 1 July 2010. The net feed-in tariff scheme will take into consideration feed-in tariff schemes in other Australian jurisdictions and the national feed-in tariff principles agreed to by the Council of Australian Governments.

HRES payments will continue to be administered.

Sustainable Energy Development Office (SEDO) Grants Program

The Office of Energy provides SEDO Grants 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.

Achievements in 2008/09

Results of a funding round that was deferred from 2007/08 were approved in September 2008 and a second funding round was undertaken in March 2009.

Seven projects were approved for the September round, receiving a total of \$279,668:

- Busselton-Dunsborough Environment Centre – Renewable Energy Trailer;
- City of Kalgoorlie-Boulder – Bulbs for Change;
- Graeme Attey – WINDPODS;
- Halcyon Resources – WaveEnergyBouy Prototype;
- Millennium Kids Inc. – The Big Switch Experiment;
- National Electrical and Communications Association of WA – EcoSmart Electricians; and
- Southern Metropolitan Regional Council – Fostering Sustainable Energy Practices.

Eight projects have been recommended from the March 2009 funding round.

The small research and development grants available under the SEDO Grants Program have supported some key aspects of new technology developments, such as trialling of a prototype wave energy buoy.

Objectives for 2009/10

Administrative procedures associated with the SEDO Grants Program will be reviewed to seek additional efficiencies.

Solar Schools Program

The Solar Schools Program provides rebates for solar (photovoltaic) power systems installed at Western Australian schools. This program helps students to learn about sustainable energy and greenhouse gas emissions. It also enables schools to generate some of their own electricity from renewable energy, reducing fossil fuel use and greenhouse gas emissions.

Achievements in 2008/09

The State Government allocated an additional \$6.5 million to expand the Solar Schools program, taking total program funding to \$11.6 million.

The expanded Solar Schools Program now includes independent and Catholic schools. The expansion is expected to allow up to 500 extra schools to join the program over the coming years.

Installing systems in Government Schools in 2008/09 was delayed by a Department of Treasury and Finance initiative to set up a panel contract that all Government schools would be required to use for selection of renewable energy equipment. It is expected that the rate of installation will increase significantly in 2009/10.

A continuous registration procedure was established during the reporting period instead of funding rounds so that schools could apply for a Solar Schools Program rebate at any time.

Other procedures were revised and further revision may be necessary to enable schools to maximise the benefits that can be obtained from combining State and Commonwealth Government rebates for solar power in schools.

Forty schools completed their projects in 2008/09. A total of 90 schools have now had a photovoltaic system installed.

A total of 169 schools have secured funding since the Solar Schools Program was first introduced in November 2005. A further 17 schools have registrations pending approval.

Effectiveness Indicator

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

2008/09 Target	2008/09 Actual
90,000 kWh	87,700 kWh
Actual result essentially equals the target figure.	

Objectives for 2009/10

Support will be provided to the expanded range of schools, with a continuing emphasis on coordination with the Commonwealth's Solar Schools program (which commenced 1 July 2008) to facilitate the best outcome from a combination of both programs.

Solar Water Heating Subsidy Scheme

The State Government's Solar Water Heating Subsidy Scheme provides rebates to householders who install gas-boosted solar water heaters. This program helps to drive best practice water heating as gas-boosted water heaters have the lowest greenhouse gas emissions and running costs of all common residential water heater types.

In addition to helping householders reduce energy bills and greenhouse gas, the scheme also supports the solar water heater manufacturing industry in Western Australia.

Achievements in 2008/09

Solar Water Heating Subsidy Scheme rebates were provided for 2,603 gas-boosted solar water heaters, most of which were installed in new homes.

These systems are estimated to reduce greenhouse gas emissions by 4,375 tonnes of carbon dioxide per year and have facilitated an increase in the market share of gas-boosted solar water heaters.

Effectiveness Indicator

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

2008/09 Target	2008/09 Actual
7,500,000 kWh	9,520,000 kWh
A number of external factors lead to an increase in rebate uptake during 2008/09.	

Objectives for 2009/10

Administration of the scheme will be reviewed, including investigation of the scope for electronic application and approvals processes.

An option to extend the scheme to other hot water heating systems such as heat pumps will be investigated.

Special energy subsidies and rebates

Special Energy Subsidies and Rebates are designed by the Office of Energy to address the specific needs of certain groups of people who are financially disadvantaged and incur higher than usual energy costs as a result of their circumstances.

The Office of Energy's work in this area ensures that electricity prices are made more affordable for those in financial hardship.

Achievements in 2008/09

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

- the Supply Charge Rebate was 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; and
- the Seniors Air Conditioner Rebate has become the Air Conditioner Rebate and has been extended to apply to those eligible for the Dependent Child Rebate, which provides financial support for children requiring artificial regulation of their body temperature. This will benefit one of the most disadvantaged groups in the community particularly north of the 26th Parallel.

Objectives for 2009/10

The Office of Energy has commenced modelling of energy affordability which will be used to inform:

- the Government of tariff issues and energy affordability;
- recommendations of the Government Utility Essential Services Hardship Interagency Working Group in their final report to Government; and
- the Office of Energy's assessment and policy development of Government energy concessions and rebates to ensure that they benefit those most in need.

Underground Power Program

The State Underground Power Program was established in 1996 to improve security of supply and reliability after a report found that 80% of damage to power lines was caused by falling trees.

The program aims to have at least half the houses in Perth served by underground power by 2010, with a corresponding improvement in regional areas of the State. Since the program began, 57 projects have been completed, providing underground distribution systems to about 70,000 properties.

Two types of projects are undertaken through the program:

- Major Residential Projects (MRP) involve the conversion of overhead supply to underground distribution lines in suburban areas, typically of between 800 and 1,300 residential lots; and
- Localised Enhancement Projects (LEP) which aim to beautify 'gateways', scenic routes and tourism/heritage centres, particularly in regional towns.

Achievements in 2008/09

Round three major residential projects

- Churchlands Wembley Downs – completed;
- City of Vincent Highgate – completed; and
- City of South Como East – nearing completion.

Round three localised enhancement projects

- Waroona – completed; and
- Geraldton part two – completed.

Round four major residential projects

- City of Gosnells Maddington – final project approval;
- City of Melville Mt Pleasant North – construction nearing completion;
- City of Rockingham Palm Beach – construction in progress;
- City of Canning Wilson West – tendering in progress;
- City of Stirling Balcatta – survey of ratepayers planned; and
- City of Melville Attadale South – survey of ratepayers planned.

A significant issue has been cost increases over time and the economic downturn in 2008/09. This has caused concern among about ratepayers about their ability to pay.

The City of Joondalup withdrew its Greenwood West proposal due to lack community support.

The State Underground Power Steering Committee replaced the Greenwood West proposal with the City of Melville's Attadale South proposal which is currently being developed.

The committee also decided not to proceed with the City of Bunbury's Withers/Usher proposal due to insufficient community support for the project.

Round four localised enhancement projects

- Shire of Toodyay Toodyay Townsite – completed;
- Shire of Harvey Brunswick Junction – tendering underway;
- Shire of Augusta-Margaret River Bussell Highway, Cowaramup – awaiting council commitment;
- Shire of Dandaragan Heaton Street, Jurien Bay – awaiting council commitment;
- City of Bunbury Spencer Street, Bunbury – awaiting council commitment;
- Town of Victoria Park Albany Highway, Victoria Park – tendering underway;
- City of Bayswater Guildford Road, Bayswater – awaiting council commitment; and
- City of Belmont Belvidere Street, Belmont - awaiting council commitment.

The increase in costs of underground power and the cap of \$250,000 on Government support for localised enhancement projects has delayed council commitments to the program.

Program Review

The Office of Energy completed an internal review of the Underground Power Program in December 2008. Recommendations include:

- initiate round five; and
- initiate a dedicated underground power program for the cyclone-prone north west coast.

Pilbara Underground Power Project

The Government has approved a dedicated underground power project for Pilbara coastal towns as part of the Pilbara Revitalisation Plan, to be funded from the Royalties for Regions Program.

The Office of Energy will have an advisory role and be part of the steering committee, which will be chaired by the Department of Regional Development and Lands.

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.

2008/09 Target	2008/09 Actual
48%	49%

Objectives for 2009/10

The Government has approved round five of the State Underground Power Program.

By the last quarter of 2009, the State Underground Power Program Steering Committee plans to have:

- reviewed program guidelines;
- reviewed evaluation processes;
- produced new program guidelines and evaluation processes for round five; and
- invited local governments to submit expressions of interest for areas to be considered for undergrounding power within round five.

Major residential projects in Como, Mount Pleasant and Palm Beach are scheduled for completion in 2009/10, providing 5,750 properties with underground power.

Localised enhancement projects in Brunswick Junction and Victoria Park are scheduled for completion in 2009/10.

Utility Hardship Policy

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

Development of the Office of Energy's utility hardship policy is informed by the work of the Government Utility Essential Services Hardship Interagency Working Group. The working group comprises State Government agencies and Government-owned utilities. Its task is to identify and report to the Government on possible improvements in the delivery of essential services to financially disadvantaged members of the community.

Achievements in 2008/09

Utility Hardship Program

The Government's Utility Hardship Program was progressively rolled out during 2008/09.

The Office of Energy led the successful implementation of the Hardship Utility Grant Scheme (HUGS) and transferred ongoing administration of the scheme to the Department for Child Protection. The scheme went live on 4 August 2008 and has delivered about 2700 grants to consumers in hardship.

The Hardship Implementation Steering Committee was renamed the HUGS Implementation Steering Committee to better reflect its responsibilities. Since implementation, the Office of Energy has relinquished responsibility of chairing the committee to the Department for Child Protection. The Office of Energy continues to be represented on the committee.

The Hardship Efficiency Program (HEP) conducted its first household efficiency audits in November 2008. About 350 audits were conducted in 2008/09. Uptake of HEP services is expected to increase in 2009/10.

In acknowledgement of the difficulties of delivering efficiency services to consumers in regional and remote communities, the Office of Energy has commenced work on suitable delivery models that will provide better, more economical outcomes.

The HEP Special Projects Oversight Committee has been established to oversee the development and implementation of special projects in remote areas. Two projects have been approved and initiated:

- the Special Hardship Esperance Efficiency Project, and
- the Town Reserves Regularisation Program Efficiency Project.

New Hardship Assistance Package

In response to recent and future tariff increases, the Government announced increased rebates and a hardship assistance package to assist consumers in hardship.

The hardship assistance package includes increased funding for HUGS, financial counselling and the HEP. Additional funding has also been allocated for regional HEP delivery, public housing, solar hot water heaters and a fridge replacement scheme for private renters.

With the increased rebates and hardship assistance package, Government has provided an additional \$11.3 million in funding, bringing the total amount available to \$58.5 million for 2009/10.

Objectives for 2009/10

Hardship Policy

The working group will submit its final report on utility hardship in the second half of 2009. This report will incorporate its formal recommendations to government on the hardship policy.

Hardship Utilities Grant Scheme

Hardship Utility Grants were initially limited to electricity, but water was included in April 2009. It is expected that HUGS will be extended to include reticulated gas in 2009/10.

Hardship Efficiency Program

The Office of Energy has received additional money in the 2009/10 budget to expand services under the HEP. Budget approval was given for:

- expanding the total number of HEP services delivered;
- a fridge replacement scheme for private renters;
- a dedicated regional sub program; and
- an insulation scheme for public housing.

The delivery of HEP services to remote areas will increase through the development of localised special projects.

The Office of Energy aims to deliver the first fridge replacement services before the end of the 2009 calendar year 2009.

The Office of Energy will continue in its advisory role in the review of Synergy and Horizon Power's hardship policies.

The HUGS Implementation Steering Committee, the HEP Steering Committee and the HEP Special Project Oversight Committee will continue to meet over the course of 2009/10 to monitor the implementation of their respective programs.

Work has commenced to extend HUGS to people in remote communities connected to prepayment meters.

Western Power distribution headworks scheme and government rebate

The headworks charge is a one-off charge applying to customers who connect to the electricity network or significantly increase their load at remote locations or on the fringes of electricity grids.

The charge applies in areas which are long distances from substations, requiring disproportionately high connection costs. In these areas, tariffs do not recover the extra connection costs.

Achievements in 2008/09

During 2008/09, the scheme continued to operate successfully although at reduced demand levels compared to the initial high demand levels of 2007/08.

Objectives for 2009/10

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

Wholesale electricity market

A key component of electricity reform in Western Australia has been the implementation of a wholesale electricity market. The rules governing this market have four broad objectives:

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

Achievements in 2008/09

The Office of Energy continued to participate in the Market Advisory Committee, responsible for the provision of advice to the Independent Market Operator (IMO) regarding amendments to the market rules and procedures governing the operation and administration of the wholesale electricity market.

The Office of Energy 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.

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

2008/09 Target	2008/09 Actual
Aug 2008	Jan 2009
The Final Recommendations Report – Review of Electricity Tariff Arrangements was released on 29 January 2009.	

Objectives for 2009/10

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

It will also monitor developments affecting the operation of the market and support the IMO in policy considerations. Subject to identification of adequate resources, the Office of Energy will also progress the development of a wholesale electricity market road map as recommended in the Economic Regulation Authority 2008 review of the effectiveness of the wholesale market.

AGENCY PERFORMANCE

Report on operations >

Stronger focus on the regions

Aboriginal and Remote Communities Power Supply Project

The Aboriginal and Remote Communities Power Supply Project is a joint initiative of the State and Federal Government's to regularise power supply in large permanent Aboriginal communities in remote Western Australia.

This project – overseen by the Office of Energy and implemented by Horizon Power – provides remote Aboriginal communities with safe and reliable power supplies as well as service and prices equivalent to other remote Western Australian towns.

Phase one of the project, completed in November 2007, regularised the supply of electricity to five large permanent Aboriginal communities in the Kimberley: Warmun, Bidadanga, Ardyaloon, Beagle Bay and Djarindjin/Lombadina.

Achievements in 2008/09

COAG's Indigenous Reform Agenda – took priority with respect to policy and program development in the delivery of essential services to remote Aboriginal communities.

The State Government allocated funding in the 2008/09 Budget for the planning and commencement of the second phase of the project. However, the Commonwealth Government declined to provide its funding share pending the outcome of ongoing negotiations with the State Government over COAG's Indigenous Reforms.

To maintain the State's strategic capability to deliver essential services to remote Aboriginal communities, the State Government approved the regularisation of Kalumburu and Nookanbah. With Horizon Power, planning has commenced to regularise power supply to these communities.

The Office of Energy successfully commissioned and completed an independent consumer satisfaction survey on pre-payment meters in all communities with regularised power. The survey will be used to inform the Office of Energy on policy issues regarding the application of pre-payment meters in remote communities.

The Office of Energy continued to monitor the performance of Horizon Power in the delivery of electricity to communities in phase one of the project. The Office of Energy also reviewed policies relating to delivery of essential services to remote Aboriginal communities.

Effectiveness Indicator

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 the implementation of the Aboriginal and Remote Communities Power Supply Project phase two.

AGENCY PERFORMANCE

Report on operations > Stronger focus on the regions

2008/09 Target	2008/09 Actual
N/A	N/A
Phase two was deferred due to lack of participation by the Commonwealth Government pending negotiations under the Bilateral Agreement on Indigenous Affairs 2006/2010. This has not yet been resolved.	

Objectives for 2009/10

Further monitoring of phase one communities and planning and development work for phase two will continue.

The Office of Energy will continue with its monitoring and policy development for pre-payment meters in remote communities.

An agreement with Horizon Power will be developed, including a detailed project plan, for regularisation of power supplies in Kalumbaru and Nookanbah.

Renewable Remote Power Generation Program

The Renewable Remote Power Generation Program (RRPGP) provides funding for renewable energy systems and energy efficiency projects in regional and remote areas of Western Australia.

This program is an initiative funded by the Commonwealth Government and implemented in Western Australia by the Sustainable Energy Development Office (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 (which closed to new applications in October 2008).

The RRPGP also funds large renewable energy power systems and industry support projects.

Achievements in 2008/09

The RRPGP continued to drive the uptake of renewable energy in regional areas by providing about \$10 million in rebates in the reporting period.

This included the RAPS program providing over \$5.1 million in rebates for 126 small-scale off-grid solar and wind power systems while the REWP program provided over \$350,000 for 106 solar pumps and windmills.

The Regional Energy Efficiency Program (RREP) offers energy audits for businesses, free energy saving lamps, rebates for energy efficient appliances, and insulation. About 560 rebates for these items were paid during the reporting period.

AGENCY PERFORMANCE

Report on operations > Stronger focus on the regions

The subsidised business audits component of the this program commenced with audits offered to businesses in the Mid-west and Gascoyne regions.

Uptake of the RREP for small and medium grid-connect renewable energy power systems in specific fringes of the main electricity grid was very high prior: \$2.5 million was provided for 152 small projects.

Three large renewable energy projects were finalised in 2008/09 under the RREP:

- a 1.6 megawatt wind farm at Kalbarri;
- a 825 kilowatt wind farm at Coral Bay;
- an additional 300 kilowatt wind turbine at Denham; and
- \$4.2 million in was announced for a two mega watt wind farm at Mt Barker.

Expressions of interest were called in April for funding support for large renewable energy projects in off-grid areas of Western Australia. It is expected that successful projects will be announced later in 2009.

The RRP GP continued to support the Research Institute for Sustainable Energy at Murdoch University. Funding was 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.

Effectiveness Indicator

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

2008/09 Target	2008/09 Actual
150,000 kWh	7,195,000 kWh
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 fuel, kilowatt/hour of fossil fuel energy displaced through RRP GP - Remote Area Power Supply

2008/09 Target	2008/09 Actual
500,000 kWh	849,352 kWh
There has been an increase in the uptake of renewable energy rebates.	

Effectiveness Indicator

Use of renewable energy through incentive programs, indicated by the displacement of fossil fuel, kilowatt/hour of fossil fuel energy displaced through the RRP GP - Renewable Energy Water Pumping Program

2008/09 Target	2008/09 Actual
75,000 kWh	105,633 kWh

AGENCY PERFORMANCE

Report on operations > Stronger focus on the regions

Effectiveness Indicator

Use of renewable energy through incentive programs, indicated by the displacement of fossil fuel, kilowatt/hour of fossil fuel energy displaced through the RRP GP – Rural Renewable Energy Program (small projects)

2008/09 Target	2008/09 Actual
200,000 kWh	827,091 kWh
Program closed to new applications in October 2008 and a surge of applications was received.	

Objectives for 2009/10

In addition to administering funding for large projects currently under development, it is expected that additional projects will be announced and commenced in 2009/10 following expressions of interest called in April 2009.

SEDO will review aspects of the RRP GP in 2009/10 to ensure that remaining funds are focused on the best outcomes for the State. It is expected that demand for rebates in the core sub-program, the RAPS program for households, businesses and Aboriginal communities, will remain high.

Disclosure and legal compliance

FINANCIAL STATEMENTS

KEY PERFORMANCE INDICATORS

OTHER FINANCIAL DISCLOSURES

GOVERNANCE DISCLOSURES

OTHER LEGAL REQUIREMENTS

MINISTERIAL DIRECTIVES

GOVERNMENT POLICY REQUIREMENTS

OFFICE OF ENERGY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

OFFICE OF ENERGY
DISCLOSURES AND LEGAL COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2009

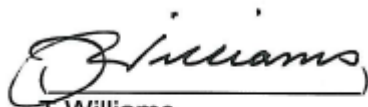
DISCLOSURES AND LEGAL COMPLIANCE


FINANCIAL STATEMENTS

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 2009 and the financial position as at 30 June 2009.

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.


T Williams
Director, Corporate Services
Chief Finance Officer
Date: 10 SEPTEMBER 2009


A Hill
a/Coordinator of Energy
Accountable Officer
Date: 10 SEPTEMBER 2009



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 2009

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 2009, and the Income Statement, Statement of Changes in Equity, Cash Flow Statement, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities 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 www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.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 2009

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 2009 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 2009.



COLIN MURPHY
AUDITOR GENERAL
16 September 2009

OFFICE OF ENERGY
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$000	2008 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	5	6,282	5,251
Supplies and services	6	7,163	4,532
Depreciation and amortisation expense	7	52	76
Accommodation expenses	8	826	806
Grants and subsidies	9	19,086	20,782
Loss on disposal of other assets	10	94	-
Other expenses	11	141	56
Total cost of services		33,644	31,503
Income			
Revenue			
Commonwealth grants and contributions	12	9,033	11,593
Other revenue	13	184	268
Total revenue		9,217	11,861
Total income other than income from State Government		9,217	11,861
NET COST OF SERVICES		24,427	19,642
INCOME FROM STATE GOVERNMENT	14		
Service appropriation		20,449	18,173
Resources received free of charge		97	172
Total income from State Government		20,546	18,345
SURPLUS/(DEFICIT) FOR THE PERIOD		(3,881)	(1,297)

See also the 'Schedule of Income and Expenses by Service' at page 7.

Compared to previous reporting periods, the presentation and classification of income and expense items has changed. To enable comparison, figures for the reporting period ending 30 June 2008 have been similarly reclassified.

The Income Statement should be read in conjunction with the accompanying notes. Not all notes are referenced in the Statements.

OFFICE OF ENERGY
BALANCE SHEET
AS AT 30 JUNE 2009

	Note	2009 \$000	2008 \$000
ASSETS			
Current Assets			
Cash and cash equivalents		5,143	5,077
Restricted cash and cash equivalents	15	4,293	4,183
Receivables	16	1,305	2,673
Amounts receivable for services	17	218	200
Total Current Assets		10,959	12,133
Non-Current Assets			
Restricted cash and cash equivalents	15	95	63
Receivables	16	506	1,065
Amounts receivable for services	17	695	660
Property, plant and equipment	18	289	127
Total Non-Current Assets		1,585	1,915
TOTAL ASSETS		12,544	14,048
LIABILITIES			
Current Liabilities			
Payables	20	5,605	2,326
Amounts due to the Treasurer	21	1,062	1,650
Provisions	22	814	679
Total Current Liabilities		7,481	4,655
Non-Current Liabilities			
Provisions	22	408	280
Total Non-Current Liabilities		408	280
TOTAL LIABILITIES		7,889	4,935
NET ASSETS		4,655	9,113
EQUITY			
Contributed equity	23	1,306	1,306
Accumulated surplus/(deficiency)	23	3,349	7,807
TOTAL EQUITY		4,655	9,113

See also the 'Schedule of Assets and Liabilities by Service' at page 8.

The Balance Sheet should be read in conjunction with the accompanying notes. Not all notes are referenced in the Statements.

Compared to previous reporting periods, the presentation and classification of assets and liabilities has changed. To enable comparison, figures for the reporting period ending 30 June 2008 have been similarly reclassified.

OFFICE OF ENERGY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$000	2008 \$000
Balance of equity at start of period		9,113	10,410
CONTRIBUTED EQUITY			
Balance at start of period		1,306	1,306
Capital contribution		-	-
Balance at end of period	23	1,306	1,306
ACCUMULATED SURPLUS			
Balance at start of period		7,807	9,104
Correction of prior period error (a)		(577)	-
Restated balance at start of period		7,230	-
Surplus/(deficit) for the period		(3,881)	(1,297)
Balance at end of period	23	3,349	7,807
Balance of equity at end of period		4,655	9,113
Total income and expense for the period		(3,881)	(1,297)

(a) Restatement of opening retained earnings for 30 June 2009 for incorrect receivable raised in prior year.

The Statement of Changes in Equity should be read in conjunction with the accompanying notes. Not all notes are referenced in the Statements.

OFFICE OF ENERGY
CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$000	2008 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		20,231	17,973
Holding account drawdowns		165	236
Net cash provided by State Government		20,396	18,209
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(5,939)	(5,099)
Supplies and services		(3,843)	(2,448)
Accommodation		(799)	(875)
Grants and subsidies		(19,669)	(20,701)
GST payments on purchases		(686)	(88)
Other payments		(17)	(97)
Receipts			
Commonwealth grants and contributions		10,195	11,594
GST receipts on sales		9	15
GST receipts from taxation authority		733	-
Other receipts		130	(1,234)
Net cash provided by/(used in) operating activities	24(b)	(19,886)	(18,933)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		(304)	(42)
Net cash provided by/(used in) investing activities		(304)	(42)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Treasurer's Advance – Energy Smart Government Program		590	(639)
Repayment of Treasurer's Advance – Energy Smart Government Program		589	415
Net cash provided by/(used in) financing activities		1	(224)
Net increase/(decrease) in cash and cash equivalents		207	(990)
Cash and cash equivalents at the beginning of period		9,324	10,314
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	24(a)	9,531	9,324

The Cash Flow Statement should be read in conjunction with the accompanying notes. Not all notes are referenced in the Statements.

OFFICE OF ENERGY
SCHEDULE OF INCOME AND EXPENSES BY SERVICE
FOR THE YEAR ENDED 30 JUNE 2009

	Development and Implementation of Energy Policy		Development & Implementation of Sustainable Energy Policy and Programs		Total	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
COST OF SERVICES						
Expenses						
Employee benefits expense	3,125	2,605	3,157	2,646	6,282	5,251
Supplies and services	2,451	1,556	4,712	2,976	7,163	4,532
Depreciation and amortisation expense	22	34	30	42	52	76
Accommodation expenses	357	316	469	490	826	806
Grants and subsidies	5,419	5,125	13,667	15,657	19,086	20,782
Loss on disposal of other assets	41	-	53	-	94	-
Other expenses	61	26	80	30	141	56
Total cost of services	11,476	9,662	22,168	21,841	33,644	31,503
Income						
Commonwealth grants and contributions	-	-	9,033	11,593	9,033	11,593
Other revenue	67	176	117	92	184	268
Total income other than income from State Government	67	176	9,150	11,685	9,217	11,861
NET COST OF SERVICES	11,409	9,486	13,018	10,156	24,427	19,642
INCOME FROM STATE GOVERNMENT						
Service appropriation	8,878	8,147	11,571	10,026	20,449	18,173
Resources received free of charge	66	93	31	79	97	172
Total income from State Government	8,944	8,240	11,602	10,105	20,546	18,345
Surplus/(deficit) for the period	(2,465)	(1,246)	(1,416)	(51)	(3,881)	(1,297)

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes. Not all notes are referenced in the Statements.

OFFICE OF ENERGY
SCHEDULE OF ASSETS AND LIABILITIES BY SERVICE
AS AT 30 JUNE 2009

	Non Attributable (a)		Development and Implementation of Energy Policy		Development & Implementation of Sustainable Energy Policy and Programs		Total	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
ASSETS								
Current assets	5,143	5,077	420	213	5,396	6,843	10,959	12,133
Non-current assets	-	-	469	381	1,116	1,534	1,585	1,915
Total assets	5,143	5,077	889	594	6,512	8,377	12,544	14,048
LIABILITIES								
Current liabilities	-	-	1,241	459	6,240	4,196	7,481	4,655
Non-current liabilities	-	-	170	125	238	155	408	280
Total liabilities	-	-	1,411	584	6,478	4,351	7,889	4,935
NET ASSETS	5,143	5,077	(522)	10	34	4,026	4,655	9,113

The Schedule of Assets and Liabilities by Service should be read in conjunction with the accompanying notes. Not all notes are referenced in the Statements.

(a) The Office of Energy is unable to reliably attribute Cash and Cash Equivalents to Services.

OFFICE OF ENERGY

**SUMMARY OF CONSOLIDATED ACCOUNT APPROPRIATIONS AND INCOME ESTIMATES
FOR THE YEAR ENDED 30 JUNE 2009**

	2009 Estimate	2009 Actual	Variation	2009 Actual	2008 Actual	Variation
	\$000	\$000	\$000	\$000	\$000	\$000
DELIVERY OF SERVICES						
Item 98 Net amount appropriated to deliver services	32,243	20,186	(12,057)	20,186	17,936	2,250
Amount Authorised by Other Statutes:						
- Salaries and Allowances Act 1975	244	263	19	263	237	26
Total appropriations provided to deliver services	32,487	20,449	(12,038)	20,449	18,173	2,276
GRAND TOTAL	32,487	20,449	(12,038)	20,449	18,173	2,276
Details of expenses by service:						
Development and Implementation of Energy Policy	12,182	11,476	(706)	11,476	9,662	1,814
Development and Implementation of Sustainable Energy Policy and Programs	32,260	22,168	(10,092)	22,168	21,841	327
Total cost of services	44,442	33,644	(10,798)	33,644	31,503	2,141
Less total Income	(10,345)	(9,217)	1,128	(9,217)	(11,862)	2,645
Net Cost of Services	34,097	24,427	(9,670)	24,427	19,641	4,786
Adjustments (a)	(1,610)	(3,978)	(2,368)	(3,978)	(1,468)	(2,510)
Total appropriations provided to deliver services	32,487	20,449	(12,038)	20,449	18,173	2,276
 Capital Expenditure						
Purchase of non-current physical assets	268	309	41	309	42	267
Adjustments for other funding sources	(268)	(309)	(41)	(309)	(42)	(267)
<i>Capital Contribution (appropriation)</i>	-	-	-	-	-	-

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

Note 28 'Explanatory Statement' provides details of any significant variations between estimates and actual results for 2009 and between the actual results for 2008 and 2009.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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.

2. Australian equivalents to International Financial Reporting Standards

General

The office's financial statements for the year ended 30 June 2009 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 Australian Accounting Standards Board (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 Treasurer's Instruction (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 2009.

3. Summary of significant accounting policies

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Tis. Several of these are modified by the TIs 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 AASB.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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 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

AASB Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers, other than as a result of a restructure of administrative arrangements, 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:

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 14 'Income from State Government' for further detail.

OFFICE OF ENERGY
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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 2008/09 Budget Statements, the office retained \$ 10.70 million in 2009 (\$11.86 million in 2008) 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.

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.

(f) Property, Plant and Equipment

Capitalisation/Expensing of assets

Items of property, plant and equipment costing \$5,000 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 \$5,000 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 \$5,000 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.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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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 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

(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.

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.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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(i) Financial Instruments

The office has two categories of financial instrument disaggregated into the following classes:

Financial Assets:

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

Financial Liabilities:

- Payables
- Amounts due to the Treasurer

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.

Accrued salaries (refer note 20 'Payables') 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.

See also note 14 'Income from Statement Government' and note 17 'Amounts receivable for services'.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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(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.

See note 3(i) 'Financial Instruments' and note 16 'Receivables'.

(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.

See note 3(i) 'Financial Instruments' and note 20 'Payables'.

(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. Funds are no longer available to be advanced to agencies. The outstanding Treasurer's Advance will be repaid progressively by agencies. The Treasurer's Advance will be repaid in full by the end of the 2014/2015 financial year.

See note 21 'Amounts due to the Treasurer'.

(p) Provisions

Provisions are liabilities of uncertain timing and amounts 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'.

(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.

OFFICE OF ENERGY
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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'.

(ii) Provisions – Other

Employment On-Costs

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

See note 11 'Other Expenses' and note 22 'Provisions'.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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(q) Superannuation Expense

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

- (i) Defined benefit plans – For 2007-08, the 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 - For 2007-08, 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 14 'Income from State Government'. Commencing in 2008/09, the reporting of annual movements in these notional liabilities has been discontinued and is no longer recognised in the Income Statement.

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.

(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.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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(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 2008 that impacted on the office:

Review of AAS 27 'Financial Reporting by Local Governments', AAS 29 'Financial Reporting by Government Departments and AAS 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';

AASB 1050 'Administered Items';

AASB 1051 'Land Under Roads';

AASB 1052 'Disaggregated Disclosures';

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]; and

Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

The existing requirements in AAS 27, AAS 29 and AAS 31 have been transferred to the above new and revised topic-based Standards and Interpretation. These requirements remain substantively unchanged. The new and revised Standards and Interpretation make some modifications to disclosures and provide additional guidance; otherwise there is no financial impact.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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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	
1048	'Interpretation and Application of Standards' (issued September 2008)
1049	'Whole of Government and General Government Sector Financial Reporting' (revised - October 2007)
2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]' – paragraphs 1- 8
2008-10	'Amendments to Australian Accounting Standards – Reclassification of Financial Assets [AASB 7 & AASB 139]'
2008-12	Amendments to Australian Accounting Standards – Reclassification of Financial Assets – Effective Date and Transition [AASB 7, AASB 139 & AASB 2008-10]'
2009-3	Amendments to Australian Accounting Standards – Embedded Derivatives [AASB 139 & Interpretation 9]
Interpretation 4	'Determining whether an Arrangement contains a Lease' (revised – February 2007)
Interpretation 12	'Service Concession Arrangements'
Interpretation 13	Customer Loyalty Programmes'
Interpretation 14	'AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'
Interpretation 129	'Service Concession Arrangements: Disclosures'

Voluntary change in Accounting Policy

The office increased its capitalisation threshold from \$1,000 to \$5,000 for fixed assets, effective from 1 July 2008.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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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
AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]. This Standard amends AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. This may impact on the presentation and classification of Crown land held by the office where the Crown land is to be sold by the Department of Regional Development and Lands (formerly Department for Planning and Infrastructure). The office does not expect any financial impact when the Standard is first applied prospectively.	1 July 2009
AASB 2009-2 – 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]'. This Standard amends AASB 7 and will require enhanced disclosures about fair value measurements and liquidity risks with respect to financial instruments. The office does not expect any financial impact when the standard is first applied.	1 January 2009

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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	2009	2008
	\$000	\$000
5. Employee benefits expenses		
Wages and salaries (a)	5,068	4,156
Superannuation – defined contributions plan (b)	377	305
Superannuation – defined benefits plan (c)(d)	84	231
Annual Leave (e)	389	345
Other Leave (e)	158	-
Long Service Leave (e)	206	214
	6,282	5,251

- (a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.
- (b) Defined contribution plans include West State, Gold State and GESB Super Scheme (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 14 'Income from State Government'). Commencing in 2008/09, the reporting of notional superannuation expense and equivalent notional income has been discontinued.
- (e) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at note 11 'Other Expenses'. The employment on-costs liability is included at note 22 'Provisions'.

6. Supplies and services

Advertising	958	458
Communications	93	70
Consultants and contractors	5,659	3600
Consumables	60	39
Travel	71	105
Other	323	260
	7,163	4,532

7. Depreciation and amortisation expense

Plant, equipment and vehicles	52	72
Leasehold improvements	-	4
	52	76

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$000	\$000
8. Accommodation expenses		
Lease rentals	776	737
Cleaning	23	22
Building improvement	13	36
Security	4	-
Utilities	10	11
	826	806

9. Grants and subsidies

Energy Smart Government Facilitation grants	248	119
Sustainable Energy Development Office (SEDO) Grants Committee grants	262	443
Ministerial Council of Energy	292	299
Contributions to the Energy Efficiency Working Group	22	23
Photovoltaic Rebate Program (PVRP) rebates	-	530
Renewable Remote Power Generation Program (RRPGP) grants	10,000	11,512
Solar Water Heater Subsidy Scheme	1,104	1,390
Industry Support Grants	-	56
Underground Power Project transfer payments (State's contributions)	4,835	4,820
Renewable Energy Production Subsidy	561	1,111
Solar Schools Program	437	252
Hardship Efficiency Package	579	-
Donations & Sponsorships	746	227
	19,086	20,782

10. Loss on disposal of other assets

The office made a voluntary change in the Asset Capitalisation Policy threshold for items of property, plant and equipment costing \$5,000 or less. This change resulted in a write-off amount totalling \$94,143 for the financial year.

11. Other expenses

Employment on-costs (a)	19	(60)
Other (b)	73	51
Repairs and Maintenance	49	65
	141	56

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

- (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.
- (b) Includes Audit fee, see also note 32 'Remuneration of auditor'.

	2009	2008
	\$000	\$000
12. Commonwealth grants and contributions		
Recurrent contributions	9,033	11,593
	9,033	11,593

13. Other revenue

Salary and Wage Recoups	119	4
Other	65	264
	184	268

14. Income from State Government

Appropriation received during the year:

- Service appropriations (a)	20,449	18,173
	20,449	18,173

Resources received free of charge

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

- State Solicitor's Office (b)	97	172
	97	172
	20,546	18,345

- (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) 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.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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	2009	2008
	\$000	\$000
15. Restricted cash and cash equivalents		
Current		
Trust Fund balance		
Commonwealth Programs Trust Account (a)	1,293	1,183
Others (b)	3,000	3,000
	<u>4,293</u>	<u>4,183</u>
Non-current		
Accrued salaries suspense account (c)	95	63
	<u>4,388</u>	<u>4,246</u>

- (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) Cash held relating to commitments made under the Government's Plan for Renewable Energy.
- (c) Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

16. Receivables

Current		
GST receivable	597	275
Energy Smart Capital Grant	554	586
Accrued Revenue	99	-
Other debtors	55	1812
Total Current	<u>1,305</u>	<u>2,673</u>
Non-current		
Energy Smart Government Returns from Agencies	506	1,065
Total non-current	<u>506</u>	<u>1,065</u>

See also note 3(m) 'Receivables' and note 29 'Financial Instruments'.

17. Amounts receivable for services

Current	218	200
Non-current	695	660
	<u>913</u>	<u>860</u>

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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	2009	2008
	\$000	\$000
18. Property, plant and equipment		
Computer equipment		
At cost	31	248
Accumulated depreciation	(31)	(167)
	<u>-</u>	<u>81</u>
Office Equipment		
At cost	55	104
Accumulated depreciation	(34)	(67)
	<u>21</u>	<u>37</u>
Plant and Equipment		
At cost	-	14
Accumulated amortisation	-	(8)
	<u>-</u>	<u>6</u>
Furniture and Fittings		
At cost	702	393
Accumulated depreciation	(434)	(390)
	<u>268</u>	<u>3</u>
Total		
At cost	788	759
Accumulated depreciation	(499)	(632)
	<u>289</u>	<u>127</u>

OFFICE OF ENERGY
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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 \$000	Office Equipment \$000	Plant and Equipment \$000	Furniture and Fittings \$000	Total \$000
<u>2009</u>					
Carrying amount at start of year	81	37	6	3	127
Additions	-	-	-	309	309
Disposal	(81)	(8)	(6)	-	(95)
Depreciation	-	(8)	-	(44)	(52)
Carrying amount at end of year	-	21	-	268	289
	Computer equipment \$000	Office Equipment \$000	Plant and equipment \$000	Furniture & Fittings \$000	Total \$000
<u>2008</u>					
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

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.

19. Impairment of Assets

There were no indications of impairment of plant and equipment at 30 June 2009.

20. Payables

Current		
Trade payable	738	-
Tax payable	27	-
Accrued salaries	70	67
Other accrued creditors	4,770	2,259
	5,605	2,326

See also note 3(n) 'Payables' and note 29 'Financial Instruments'.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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	2009	2008
	\$000	\$000
21. Amounts due to the Treasurer		
Current		
Treasurer's advance	1,062	1,650
	1,062	1,650

See also note 29 'Financial Instruments'.

22. Provisions

Current

Employee benefits

Annual leave (a)	456	412
Long service leave (b)	285	266
	741	678

Other provisions

Employment on-costs (c)	73	1
	73	1
	814	679

Non-Current:

Employee benefits

Long service leave (b)	376	279
Purchased Leave	1	-
	377	279

Other provisions

Employment on-costs (c)	31	1
	31	1
	408	280

- (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	306	243
More than 12 months from the balance sheet date	150	169
	456	412

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
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	2009	2008
	\$000	\$000
<hr/>		
(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of balance sheet date	151	165
More than 12 months from the balance sheet date	510	380
	661	545
<hr/>		
(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	2	133
Payments/other sacrifices of economic benefits	-	(131)
Additional provisions recognised	102	-
Carrying amount at end of year	104	2
	<hr/>	<hr/>

23. 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
<u>Contributions by owners</u>		
Capital Contribution	-	-
Transfer of net assets from other agencies	-	-
Total contributions by owners	1,306	1,306
Balance at the end of the year	1,306	1,306
	<hr/>	<hr/>

Accumulated surplus/(deficit)

Balance at the start of the year	7,807	9,104
• Correction of prior period error (a)	(577)	-
Restated balance at start of period	7,230	-
Result for the period	(3,881)	(1,297)
Income and expense recognised directly to equity	(577)	-
Balance at the end of the year	3,349	7,807
	<hr/>	<hr/>

(a) Restatement of opening retained earnings for 30 June 2009 for incorrect receivable raised in prior year.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

2009	2008
\$000	\$000

24. 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	5,143	5,077
Restricted cash and cash equivalents (<i>see note 15 Restricted cash and cash equivalents</i>)	4,388	4,247
	9,531	9,324

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

Net cost of services	(24,427)	(19,642)
-----------------------------	----------	----------

Non-cash items

Depreciation expense	52	76
Resources received free of charge	97	172
(Gain)/loss on disposal of other assets	94	-

(Increase)/decrease in assets:

Receivables/Accrued Income	2,196	(1,716)
Other current assets	(176)	196
Other non-current assets	(194)	36

Increase/(decrease) in liabilities:

Current payable	3,279	1,955
Other liabilities	(588)	-
Provisions	263	63
Change in GST receivable/(payable)	(538)	-
Net GST receipts/(payments)	56	(73)

Net cash used in operating activities	(19,886)	(18,933)
--	-----------------	-----------------

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

2009	2008
\$000	\$000

25. 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	586	591
- Later than one year and not later than five years	1,142	1,673
	1,728	2,264

Representing:

- Cancellable operating leases	70	54
- Non-cancellable operating leases	1,658	2,210
	1,728	2,264

Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

- Within one year	553	553
- Later than one year and not later than five years	1,105	1,657
	1,658	2,210

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

26. Contingent liabilities and contingent assets

The office has no contingent liabilities and contingent assets as at 30 June 2009.

27. Events occurring after the balance sheet date

Since balance sheet date, the office transferred restricted cash funds totalling \$3,000,000 back to Treasury as instructed by Treasury. This transfer has impacted the office's cash balance.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

28. Explanatory Statements

Significant variations between estimates and actual results for income and expense in excess of 10% of the principal amount and \$1.0 million as presented in the financial statement titled "Summary of Consolidated Account Appropriations and Income Estimates" are shown below. In respect of any item for which there is not a significant variation, no explanation is given.

Significant variances between estimates and actual for 2009

Total appropriation to deliver services

No significant variance.

Significant variances between actuals for 2008 and 2009

Total appropriation to deliver services and Total income

	2009 \$000	2008 \$000	Variance \$000
Total appropriation provided to deliver services for the year	20,418	18,173	2,245
Total income	9,217	11,861	2,644

Total appropriation to deliver services

The variance is a result of additional funding provided to meet service expenditure requirements relating to the Renewable Energy Target, Government Purchase of GreenPower and the Hardship Efficiency Package.

Total income

The income from the Commonwealth Government is a recoup of actual expenditure incurred in providing 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 paid during the year. There was a decrease in the total Program expenditure for the financial year, therefore a decrease in income.

Service Expenditure

	2009 \$000	2008 \$000	Variance \$000
Development and Implementation of Energy Policy	11,476	9,664	1,812

Development and Implementation of Energy Policy

The increase in the total service expenditure is a result of costs incurred in relation to the Gas Shortage Campaign, Hardship Efficiency Package, Gas Supply Security Disruption response and Technical Gas Specification project.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Significant variances between estimate and actual for 2009

Capital Contribution

	2009 \$000	2009 \$000	Variance \$000
Capital Contribution	441	309	132

The variation is due to the costs relating to an office refit being less than estimated.

Significant variances between actuals for 2008 and 2009

Capital Contribution

	2009 \$000	2008 \$000	Variance \$000
Capital Contribution	309	42	267

The variation is due to expenditure relating to an office refit completed during 2008-2009.

29. 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 2009. The overall risk management program of the office focuses on managing the risks identified below:

Credit risk

Credit risk arises when there is the possibility of the office's receivables defaulting on their contractual obligations resulting in financial loss to the office. The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table at Note 29(b) 'Financial Instruments Disclosures' and Note 16 'Receivables'.

Credit risk associated with the office's financial assets is minimal because 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

Liquidity risk arises when the office is unable to meet its financial obligations as they fall due. The office is exposed to liquidity risk through its trading in the normal course of business.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the office's income or the value of its holdings of financial instruments. 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 (b) 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).

(b) Categories of Financial Instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows

	2009 \$000	2008 \$000
<u>Financial Assets</u>		
Cash and cash equivalents	5,143	5,077
Restricted cash and cash equivalents	4,388	4,246
Receivables (a)	1,213	3,463
Amounts receivable for services	913	860
<u>Financial Liabilities</u>		
Payables	5,579	2,326
Amounts due to the Treasurer	1,062	1,650

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

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

(c) Financial Instrument Disclosures

Credit Risk and Interest Rate Risk Exposures

The following tables disclose the office's maximum exposure to credit risk, interest rate exposures and the ageing analysis of financial assets. The office's maximum exposure to credit risk at the balance sheet date is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the office.

The office does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

The office does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

Interest rate exposures and ageing analysis of financial assets

		Interest rate exposure				Past due but not impaired							
	Weighted Average Effective Interest Rate	Carrying Amount	Variable interest rate	Non- Interest Bearing	Up to 3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Impaired financial assets	
<u>Financial Assets</u>	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
2009													
Cash and cash equivalents	-	5,143	-	5,143	-	-	-	-	-	-	-	-	
Restricted cash and cash equivalents	-	4,388	-	4,388	-	-	-	-	-	-	-	-	
Receivables (a)	-	1,213	-	1,213	139	-	350	427	297	-	-	-	
Amounts receivable for services	-	913	-	913	-	-	-	-	-	-	-	-	
	-	11,657	-	11,657	-	-	-	-	-	-	-	-	
2008													
Cash and cash equivalents	-	5,077	-	5,077	-	-	-	-	-	-	-	-	
Restricted cash and cash equivalents	-	4,246	-	4,246	-	-	-	-	-	-	-	-	
Receivables (a)	-	3,463	-	3,463	13	2,206	518	726	-	-	-	-	
Amounts receivable for services	-	860	-	860	-	-	-	-	-	-	-	-	
	-	13,646	-	13,646	-	-	-	-	-	-	-	-	

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

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Liquidity Risk

The following table details the contractual maturity analysis for financial liabilities. The contractual maturity amounts are representative of the undiscounted amounts at the balance sheet date. The table includes both interest and principal cash flows. An adjustment has been made where material.

Interest rate exposure and maturity analysis of financial liabilities

	Weighted Average Effective Interest Rate	Carrying Amount	Variable interest rate	Non- Interest Bearing	Adjustment for discounting	Total Nominal Amount	Up to 3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<u>Financial Liabilities</u>													
2009													
Payables	-	5,579	-	5,579	-	-	-	-	-	-	-	-	-
Amounts due to the Treasurer	-	1,062	-	1,062	-	-	-	-	-	-	-	-	-
	-	6,641		6,641	-	-	-	-	-	-	-	-	-
2008													
Payables	-	2,326	-	2,326	-	-	-	-	-	-	-	-	-
Amounts due to the Treasurer	-	1,650	-	1,650	-	-	-	-	-	-	-	-	-
	-	3,976	-	3,976	-	-	-	-	-	-	-	-	-

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$000	\$000
<hr/>		
30. Remuneration of senior officers		
<u>Remuneration</u>		
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 are:		
20,001 – 40,000	-	1
40,001 – 50,001	1	-
60,001 – 70,000	1	-
80,001 – 90,000	1	-
100,001 – 110,000	1	-
120,001 – 130,000	1	1
130,001 – 140,000	-	2
150,001 – 160,000	1	1
220,001 – 230,000	-	1
240,001 – 250,000	1	-
The total remuneration of senior officers is:	<hr/> 825	<hr/> 836

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.

31. Remuneration of auditor

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

Auditing the accounts, financial statements and performance indicators	47	45
	<hr/>	<hr/>

The expense is included at note 11 'Other expenses'.

32. Related bodies

The office has no related bodies.

33. Affiliated bodies

The office has no affiliated bodies.

OFFICE OF ENERGY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$000	\$000
34. Special Purpose Account		
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	1,183	2,223
Receipts:		
Photovoltaic Rebate Program (PVRP)	-	487
Renewable Remote Power Generation Program (RRPGP)	10,195	9,412
	11,378	12,122
Payments:		
Photovoltaic Rebate Program (PVRP)	-	556
Renewable Remote Power Generation Program (RRPGP)	10,085	10,383
	10,085	10,939
Balance at the end of the year	1,293	1,183

35. Supplementary financial information

There were no write offs during the financial year 2008-2009.

OFFICE OF ENERGY

KEY PERFORMANCE INDICATORS

FOR THE YEAR ENDED 30 JUNE 2009

Key Performance Indicators

Certification of Key Performance Indicators

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 2009.



A Hill
Accountable Officer
a/Coordinator of Energy
Date: 10 SEPTEMBER 2009

OFFICE OF ENERGY
KEY PERFORMANCE INDICATORS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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

Government Strategic Goals	Outcome Statements
Creating conditions that foster a strong economy delivering more jobs, opportunities and greater wealth for all Western Australians.	A policy environment to achieve a competitive, efficient and secure energy sector.
Protecting and enhancing the unique Western Australian lifestyle and ensuing sustainable management of the environment.	An increase in the adoption of renewable energy and energy efficiency.

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

OFFICE OF ENERGY
KEY PERFORMANCE INDICATORS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Effectiveness Indicators

Outcome 1:

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

Performance Indicator	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Improved regional and remote services, indicated by the achievement of the following milestone:					
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)	N/A	N/A	Incomplete	N/A	Incomplete
Notes to this performance indicator (1) Phase Two was deferred due to lack of participation by the Commonwealth Government pending negotiations under the Bilateral Agreement on Indigenous Affairs 2006-2010. This has not yet been resolved. Subsequently in October 2008, Government made a decision to unilaterally proceed with ARCPSP Phase Two (Kalumbaru and Noonkanbah) and Treasurer authorised the release of funds set aside for ARCPSP Phase Two. A Memorandum of Understanding between OOE and Horizon Power has been drafted and is awaiting final editing and approval.					

OFFICE OF ENERGY

**KEY PERFORMANCE INDICATORS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Performance Indicator	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 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)	N/A	N/A	Incomplete	August 2008	Incomplete
Introduce the Australian Energy Markets Commission into the Western Australia regulatory governance structure (2)	N/A	N/A	Incomplete	August 2008	Incomplete
Notes to this performance indicator <p>(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 <i>National Gas Access (WA) Act 2008</i>, is pending approval in Parliament (introduced in June 2008 and was re-introduced in November 2008 under the new Government). The Legislative Council proceeded to a third reading on 16 June 2009. Two amendments made in the Legislative Council will be reported to the Legislative Assembly for concurrence (expected to take place in mid-August 2009).</p> <p>(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. This Bill was before Parliament before the recent election. The change of Government and appointment of a new Minister for Energy delayed progress of this program. The change of Government required briefing the new Minister for Energy, seeking approval from the new Cabinet to print the Bill and submitting the Bill to parliament again.</p>					

OFFICE OF ENERGY
KEY PERFORMANCE INDICATORS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Performance Indicator	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Amend Dampier to Bunbury Pipeline corridor legislation to facilitate pipeline expansion by improving the regulatory environment	N/A	N/A	Incomplete	N/A	Incomplete
<p>Notes to this performance indicator</p> <p>The OOE aimed to have the Bill ready for introduction in Parliament by June 2008. The OOE provided a Drafting Instruction Package to Parliamentary Counsel on 28 March 2008. However, the priority assigned to the legislation was for introduction during the 2008 spring session of Parliament. This drove the timing for drafting.</p> <p>Additionally, the disruption to Western Australia's gas supply that resulted from an explosion at Varanus Island resulted in a re-direction of resources away from the planned policy work. Recent issues related to the Dampier to Bunbury Gas Pipeline easement have also arisen that will need to be considered. Endorsement of amendments will be sought again.</p>					

Performance Indicator	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Introduce complementary legislation into the Western Australian Parliament to implement the National Gas Law and the National Gas Rules	N/A	N/A	June 2008	August 2008	Incomplete
<p>Notes to this performance indicator</p> <p>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 <i>National Gas Access (WA) Act 2008</i>, is pending approval in Parliament (introduced in June 2008 and was re-introduced in November 2008 under the new Government). The Legislative Council proceeded to a third reading on 16 June 2009. Two amendments made in the Legislative Council will be reported to the Legislative Assembly for concurrence (expected to take place in mid-August 2009).</p> <p>As part of the process outlined above, Western Australia will introduce the Australian Energy Market Commission as part of the Western Australian regulatory governance structure in gas access regulation. This Bill was before Parliament before the recent election. The change of Government and appointment of a new Minister for Energy delayed progress of this program. The change of Government required briefing the new Minister for Energy, seeking approval from the new Cabinet to print the Bill and submitting the Bill to parliament again.</p>					

OFFICE OF ENERGY
KEY PERFORMANCE INDICATORS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Performance Indicator	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Establish policy for the introduction of electricity smart meters	N/A	N/A	Incomplete	August 2008	Incomplete
Notes to this performance indicator Report relating to the smart meters component of the Electricity Retail Market Review has been prepared and submitted to the Minister for Energy for consideration. Due to the 2008 State election, the policy submission and approval process was prolonged. Such policy decisions were suspended during the government caretaker period and election process.					

Performance Indicator	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Complete Review of Electricity Full Retail Contestability, Tariff Arrangements and consideration of Ministerial Council on Energy cost-benefit analysis of smart meter implementation	N/A	N/A	Incomplete	August 2008	January 2009
Notes to this performance indicator The Final Recommendations Report – Review of Electricity Tariff Arrangements was released on 29 January 2009. Reports relating to the smart meters and full retail contestability components of the Electricity Retail Market Review have been prepared and submitted to the Minister for Energy for consideration. Due to the 2008 State election, the policy submission and approval process was prolonged. Such policy decisions were suspended during the government caretaker period and election process. Additionally, it was considered prudent to defer conclusion of the work until the outcomes of the Verve Energy Review were known.					

Performance Indicator	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Develop electricity Supplier of Last Resort Arrangements	N/A	N/A	Incomplete	December 2008	Incomplete
Notes to this performance indicator Whilst an Issues Paper relating to the development of the electricity Supplier of Last Resort Arrangements was circulated to key stakeholders during 2007. The initiative was not completed due to a number of significant implementation issues that required further consideration. Additionally, resources were directed towards other policy commitments. Due to the 2008 State election, the policy submission and approval process was prolonged. Such policy decisions were suspended during the government caretaker period and election process.					

OFFICE OF ENERGY

**KEY PERFORMANCE INDICATORS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Performance Indicator	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
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	44%	46%	47%	48%	49%
<p>Notes to this performance indicator</p> <p>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.</p> <p>Consistent with this overall goal, the State Government aims to ensure that 50% of residential properties in Perth are served by underground power by 2010.</p>					

OFFICE OF ENERGY
KEY PERFORMANCE INDICATORS
NOTES TO THE FINANCIAL STATEMENTS
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Effectiveness Indicators

Outcome 2:

An increase in the adoption of renewable energy and energy efficiency

Performance Indicator	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 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)	12,882,464 kWh	8,438,528 kWh	8,724,128 kWh	7,500,000 kWh	9,520,000 kWh
- Renewable Remote Power Generation Program (RRPGP) Large Projects (off-grid and fringe of grid) (2)	1,200,000 kWh	1,600,000 kWh	1,100,000 kWh	150,000 kWh	7,195,000 kWh
- RRPGP - Remote Area Power Supply (3)	555,552 kWh	505,813 kWh	837,397 kWh	500,000 kWh	849,352 kWh
- RRPGP - Renewable Energy Water Pumping Program (4)	111,557 kWh	112,916 kWh	72,997 kWh	75,000 kWh	105,633 kWh
- RRPGP – Rural Renewable Energy Program (small projects) (5)	N/A	38,737 kWh	372,479 kWh	200,000 kWh	827,091 kWh
- Photovoltaic Rebate Program (6)	43,012 kWh	110,919 kWh	N/A	N/A	N/A
- Solar Schools Program (7)	N/A	47,795 kWh	56,563 kWh	90,000 kWh	87,700 kWh
- Renewable Energy Production Subsidy (8)	N/A	185.9 GWh	63.0 GWh	18 GWh	16 GWh
- Government purchase of GreenPower (9)	N/A	N/A	26 GWh	52 GWh	54 GWh

OFFICE OF ENERGY
KEY PERFORMANCE INDICATORS
NOTES TO THE FINANCIAL STATEMENTS
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Notes to this performance indicator

- (1) The increase between the target and actual for the 2008/09 financial year is due to a higher than expected number of rebate applications received. The increase between the actuals for 2007/08 and 2008/09 is also due to the increase in the number of rebate applications received. The rebates are demand driven and the OOE has no control over the number of applications it receives.
- (2) This measure comprises a small number of large projects resulting in outcomes varying considerably from year to year. This therefore has an impact upon the results reported each year.
- (3) The increase between the target and actual for the 2008/09 financial year is due to a higher than expected number of grant applications received. The increase between the actuals for 2007/08 and 2008/09 is also due to the increase in the number of grant applications received. The grants paid under the program are demand driven and the OOE has no control over the number of applications it receives.
- (4) The increase between the target and actual for the 2008/09 financial year is due to a higher than expected number of grant applications received. The increase between the actuals for 2007/08 and 2008/09 is also due to the increase in the number of grant applications received. The grants paid under the program are demand driven and the OOE has no control over the number of applications it receives.
- (5) The increase between the target and actual for the 2008/09 financial year is due to a higher than expected number of grant applications received. This program was closed to new applications in October 2008. The increase was a result of a surge of applications received just prior to closure. The increase between the actuals for 2007/08 and 2008/09 is also due to the volume of applications received during the 2008/09 financial year related to the closure of the program.
- (6) The Commonwealth Government took control of this program, therefore, no target or actual figure for the 2007/08 and 2008/09 financial years are relevant.
- (7) The decrease between the target and actual for the 2008/09 financial year is due to a lower than expected number of grant applications received. The decrease between the actuals for 2007/08 and 2008/09 is also due to the decrease in the number of grant applications received. The uptake of grants under this program is demand driven and the OOE has no control over the number of applications it receives.
- (8) The decrease between the target and actual for 2008/09 is due to a less than expected demand from applicants and the OOE has no control over the number of applications it receives. The decrease between the actuals for 2007/08 and 2008/09 financial years is due to the closure of the program to new applicants. As the number of energy generators included in the program diminishes, the program subsidy thresholds are met. As a consequence there will be a progressive reduction in energy generation subsidised through this program.
- (9) The program exceeded target in the 2008/09 financial year due to growth in government electricity consumption. The increase between actuals for 2007/08 and 2008/09 financial years is due to a progressive increase of targets from 5% in 2006/07 to 10% in 2008/09 and 20% for 2010/11.

OFFICE OF ENERGY
KEY PERFORMANCE INDICATORS
NOTES TO THE FINANCIAL STATEMENTS
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Performance Indicator	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Adoption of energy efficiency by business, indicated by the number of buildings rated under the Australian Greenhouse Building Rating Program	13	27	25	30	31
Notes to this performance indicator The actual result is reasonably consistent with the target for 2008/09. Therefore no further explanation is required.					

Performance Indicator	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Adoption of energy efficiency by the community, indicated by the percentage of new houses approved under the House Energy Rating Scheme	13.6%	14.5%	19.4%	21%	18%
Notes to this performance indicator There has been a slight downward trend of Household Energy Rating Scheme (HERS) ratings. An increase in the number of First Home Owners project homes built, which are not usually HERS rated, and a decrease in the number of higher specification homes built, which are usually HERS rated, is considered the main factor for this trend.					

OFFICE OF ENERGY
KEY PERFORMANCE INDICATORS
NOTES TO THE FINANCIAL STATEMENTS
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Efficiency Indicators

Service 1:

Development and Implementation of Energy Policy

Performance Indicator					
Measure	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Average cost per item of Ministerial support	\$1,739	\$3,851	\$3,067	\$3,046	\$3,351
Notes to this performance indicator The actual result is slightly higher than the result for 2007/08 and the target 2008/09. The cost of items of Ministerial support is influenced by the number of items processed. This is a demand driven service, the demand for which fluctuates. Such fluctuations result in variations in the average cost per item.					

Performance Indicator					
Measure	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Average cost per strategic policy development	\$106,257	\$128,820	\$166,743	\$198,281	\$186,269
Notes to this performance indicator There is a slight increase compared to the average cost reported for 2007/08. There was an expectation the average cost would increase, as indicated by the target set for 2008/09. The increase relates to the nature and number of strategic policies developed. More complex projects result in greater average costs.					

Performance Indicator					
Measure	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Average cost of meeting major policy milestones	\$576,644	\$462,034	\$436,549	\$294,079	\$383,287
Notes to this performance indicator Policy milestones vary in complexity, time and resource requirements. While significant resource has been expended towards the implementation of major policy during 2008/09, only those policy milestones which have been achieved are used in the calculation of the average cost.					

OFFICE OF ENERGY
KEY PERFORMANCE INDICATORS
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Service 2:

Development and Implementation of Sustainable Energy Policy and Programs

Performance Indicator					
Measure	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Average cost per item of Ministerial support	\$489	\$624	\$716	\$668	\$639
Notes to this performance indicator Costs associated with each ministerial support task undertaken will vary depending on the complexity, time and resource requirements necessary to complete the assignment.					

Performance Indicator					
Measure	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Average cost per strategic policy developed	\$71,220	\$89,196	\$160,123	\$213,720	\$275,197
Notes to this performance indicator Policy projects vary in complexity, time and resource requirements. While significant resources have been expended in relation to policy development during 2008/09, only those policies which have been completed are used in the calculation of the average cost.					

Performance Indicator					
Measure	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Average cost of meeting major policy and program implementation milestones	\$38,948	\$61,515	\$144,850	\$194,291	\$198,999
Notes to this performance indicator There is a slight increase compared to the average cost reported for 2007/08. There was an expectation the average cost would increase, as indicated by the target set for 2008/09. The increase relates to the nature and number of policy and program milestones achieved. More complex milestones result in greater average costs.					

OFFICE OF ENERGY

KEY PERFORMANCE INDICATORS
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Performance Indicator					
Measure	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Average value of incentive grants paid	\$4,200	\$4,777	\$4,308	\$6,189	\$4,176
Notes to this performance indicator Whilst there is variation between the 2008/09 target and actual figures, the result for 2008/09 is consistent with the average value reported for prior years. It was expected the average value of grants paid would increase due to an anticipated change in the number of higher value grants being paid. However, this did not eventuate.					

Performance Indicator					
Measure	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Average cost per information and advice service	\$180,028	\$182,000	\$339,745	\$347,295	\$336,875
Notes to this performance indicator Information and advice services are provided regarding energy related matters to government agencies, the public and industry. The volume, time and resourcing required to deliver these services vary and have resulted in a lower than estimated average cost in 2008/09.					

OTHER FINANCIAL DISCLOSURES

Major capital works

A refurbishment project was undertaken during the reporting period at a cost of \$309,000 to provide adequate meeting facilities for the agency.

Pricing policies on services

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

Staff profile

The Office of Energy had an average staffing level of 71.3 full-time equivalents for the 2008/09 financial year, compared with 65.48 full-time equivalents for 2007/08.

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*.

Staff development

The Office of Energy'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*.

The Office of Energy is committed to the development of their biggest resource, their staff.

During this reporting period there has been a strong focus on executive development to enhance group cohesion in the leadership team. This is an ongoing development program which has received positive feedback to date.

Throughout the reporting period we have also conducted a number of in-house training sessions for all staff to ensure consistent processes and styles are in place when dealing with a number of projects administered throughout the office.

Other training needs have been identified through consultation with staff. A schedule has been drawn up to continue staff development throughout the next financial year.

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 agency working on a number of interesting and significant projects;
- training to further develop their skills; and
- mentoring to support them through the development program.

OTHER FINANCIAL DISCLOSURES

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

During January 2009, the Office of Energy appointed one graduate development officer, bringing the total to twelve since the program commenced in 2005.

Performance management

The Office of Energy's Management for Performance Policy was redeveloped in October 2007. Management for Performance is a framework in 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 of Energy'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 2008/09 financial year.

Payroll systems

The Office of Energy pays for payroll services from the Department of Treasury and Finance Shared Services under a service-level agreement skills-based courses.

GOVERNANCE DISCLOSURES

Declaration of interests

Senior officers in the agency have no financial interests or shares to declare, as required in Treasurers Instructions 903.

OTHER LEGAL REQUIREMENTS

Advertising and sponsorship

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

Total expenditure was **\$803,003**.

Advertising

Advertising agencies

Ray Burns Media	\$3,190
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Market research organisations

Nil

Polling organisations

Nil

Direct mail organisations

Nil

Media advertising organisations

Adcorp Australia Limited	\$11,389
Marketforce Express (staff vacancies only)	\$109,486
Media Decisions WA	\$661,395
Sensis Pty Ltd	\$17,543

Sponsorship

The following received sponsorship funds from the Office of Energy:

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

Disability Access and Inclusion Plan

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

The Office of Energy is committed to ensuring that people with disabilities:

- have the same opportunities as other people to access the services of, and any events organised by, the Office of Energy;
- have the same opportunities as other people to access the agency's services and facilities (both in-house and contracted);
- receive information published by the Office in Energy in a format that will enable them to access the formation as readily as other people are able to access it;
- receive the same levels and quality of service from Office of Energy staff enjoyed by all people in the community;
- have the same opportunities as other people to make complaints to the Office of Energy; and
- have the same opportunities as other people to participate in any public consultation by the Office of Energy.

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

- ensuring all Office of Energy accommodation, especially client contact and reception areas, are physically accessible to people with disabilities where possible; and
- identifying ways to develop and maintain the agency's website to improve readability of information for people with disabilities.

The Office of Energy's corporate style guide is being developed in conjunction with the requirements set in the State Government Access Guidelines for Information, Services and Facilities.

Public Sector Standards and Ethical Codes

Human Resource Management Standards

The Office of Energy 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 through the agency's intranet.

There were no Breach of Standards claims lodged in 2008/09. Internal checks by the Office of Energy, and further checks by the Department of Treasury and Finance Shared Services, 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 of Energy complies with the Public Sector Code of Ethics and has its own code of conduct.

The code of conduct addresses issues that include personal behaviour, appropriate use of equipment and resources, occupational safety and health, conflicts of interest,

OTHER FINANCIAL DISCLOSURES

communication, grievances/complaints, reporting a breach of the code of conduct and improper conduct/misconduct. Training for all employees is scheduled during the next reporting period to ensure compliance in Accountable and Ethical Decision Making, to remind employees of their own rights and responsibilities within an office environment.

The Code of Ethics and Code of Conduct are available to all staff on the agency's intranet. No internal grievances were lodged relating to the non-compliance with the ethical codes. There were no complaints received from external authorities. Our grievance officers have undertaken refresher training to ensure their knowledge of various legislations is up to date as well as their knowledge of the Office of Energy's duty of care to its employees.

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 of Energy:

- held training sessions in document management, including editing, revisions and version control;
- updated the Record Keeping Plan (previously approved in 2003), which was approved by 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.

MINISTERIAL DIRECTIVES

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

GOVERNMENT POLICY REQUIREMENTS

Corruption prevention

The Office of Energy 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.

Substantive equality

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

- women in management – 30.8%;
- people from culturally diverse backgrounds – 26.1%;
- Indigenous Australian – 0%;
- people with disabilities – 2.2%; and
- youth – 8.6%.

During 2008/09, the Office of Energy's Equal Employment Opportunity Management Plan was reviewed and resubmitted to the Director of Equal Opportunity in Public Employment to address both business and legislative requirements. The Disability Access and Inclusion Plan 2007-10 has tangible substantive equality outcomes.

Workers' Compensation and Occupational Safety and Health

The Office of Energy aims to provide a safe and secure working environment for employees. The agency has a history of very low or no recorded injuries. If an injury does occur, the Office of Energy 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;
- percentage of injured workers returned to work within 28 weeks – N/A; and
- percentage of managers trained in occupational safety, health and injury management responsibilities – 50%.

The Occupational Safety and Health Committee, which has representation from each Division, met 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. The structure of the committee is reviewed annually. Members who resign from their employment or whose membership is no longer appropriate are replaced through a ballot. There was one change to the committee this year.

OTHER FINANCIAL DISCLOSURES

Members of the Occupational Safety and Health Committee have undertaken training to ensure their knowledge of occupational health and safety is up to date. Two members of the committee attended training this year. The course assists in compliance with the Occupational Health and Safety Act 1984 and duty of care requirements as well as accident prevention and workers compensation cost reduction.

Further training for managers in occupational safety, health and injury management responsibilities are to be scheduled in the next financial year to ensure all managers are up to date with the current requirements. The Office of Energy recognises that it has a moral and legal responsibility to promote the highest degree of safety and health throughout all aspects of their operation to all employees, contractors and visitors.

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 of Energy health training, was undertaken regularly during the reporting period.

APPENDIX ONE

Publications

Office of Energy publications

- Office of Energy Strategic Plan 2007-10
- *Electricity Networks Access Code* – unofficial consolidated version
- Energy Resources and Infrastructure Map 2006
- Thermoregulatory Dysfunction Energy 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: Final Recommendations Report - Review of Electricity Tariff Arrangements
- Electricity Retail Market Review: Issues Paper
- Energy Fact Sheets
- Gas Tariffs Review: Interim Report – 2008
- Gas Tariffs Review: Interim Report – 2009
- 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

A range of Sustainable Energy Development Office (SEDO) publications is 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 Facilitation Grants Program
- SEDO Grants Program
- Regional Energy Efficiency Program
- Renewable Remote Power Generation Program
- Renewable Energy Water Pumping Program
- Remote Area Power Supply Program

Ways to Live Energy Smart

- Cooking
- Saving Energy in Hot Climates
- Simple Ways to Save Energy
- The First Steps to Summer Cooling
- Ways to Winter Warmth

Ways to Choose Energy Smart

- Choosing an Air Conditioner
- Choosing a Heater
- Choosing a Hot Water System
- Energy Efficient Housing
- Home Insulation
- Lighting
- Solar Hot Water Systems

Reach for the Stars

- Your Guide to Energy Smart Clothes Washers and Dryers
- Your Guide to Energy Smart Dishwashers,
- Your Guide to Energy Smart Fridges and Freezers,
- Your Guide to Energy Smart Air Conditioners
- Your Guide to Energy Smart Gas Water Heaters
- Your Guide to Energy Smart Gas Heaters

Ways to Work Energy Smart

- Energy Smart Government Report 2007/08 (pdf version only)
- 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
- Energy Savings from Computers
- Working Energy Smart Office Accommodation

Energy Smart Business

- Compressed Air Systems
- Commercial Heating, Cooling, Ventilation
- Commercial Refrigeration
- Hot Water Systems, Boilers and Waste Heat Systems
- Motors and Variable Speed Drives

Fact Sheets

- No. 1 - Energy Efficient Homes
- No. 2 - Changes to the *Building Code of Australia*
- No. 3 - Fuel Cells
- No. 4 - House Energy Efficiency
- No. 5 – Electricity Generation from Renewable Energy
- No. 6 - GreenPower
- No. 7 - Renewable Energy Development Activity in 2007/08

Brochures

- Compact Fluorescent Lamps
- Energy Smart Rebate flyers (Regional Energy Efficient Program)
- Renewable Energy Water Pumping Program
- Renewable Remote Power Generation Program
- Save Energy, Save Money (SEDO's top 10 Energy Smart tips)
- Take the Energy Challenge

Information Tools

- Energy Smart Calculator – Electrical & Gas
- Energy Smart Calculator - Heating & Cooling
- Orientate Your Home Compass
- Energy Smart Thermometer
- Top 10 Energy Smart Tips Fridge Magnet