




Government of Western Australia
Energy Policy WA

Final Report 2021-22





Working together for a **brighter** energy future.

Energy Policy WA

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Welcome

Acknowledgement of Country

Energy Policy WA acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community.

We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

About this report

Energy Policy WA is pleased to present its third and final Annual Report as a sub-department of the Department of Mines, Industry Regulation and Safety (DMIRS). Following Machinery of Government changes, Energy Policy WA became a division of DMIRS on 1 July 2022. As a result, Energy Policy WA will no longer be required to prepare and present its own Annual Report to Parliament.

This report details our operational and financial performance from 1 July 2021 to 30 June 2022.

Accessibility

We are committed to providing accessible services to our stakeholders. As such, this report is available online and in alternative formats upon request.

Feedback

We welcome feedback and questions on this Annual Report. You can contact us via email (EPWA-info@dmirs.wa.gov.au) or by phone on 08 6551 4600.

Statement of compliance

HON BILL JOHNSTON MLA
MINISTER FOR ENERGY

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit, for your information and presentation to Parliament, the Annual Report of Energy Policy WA for the period 1 July 2021 to 30 June 2022.

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



Jai Thomas

Acting Coordinator of Energy
Energy Policy WA

2 September 2022



Executive summary

It is with great pleasure that I acknowledge the hard work and achievement of the staff of Energy Policy WA during 2021-22. Western Australia's unique energy arrangements continue to require us to be at the forefront of innovation, thought leadership and policy making nationally and internationally. Our staff continue to deliver policy outcomes with integrity, leadership, excellence and collaboration.

Energy Policy WA has been helping Western Australia transition to a high renewable energy future whilst seeking to ensure safe, reliable and affordable energy for the state's energy consumers. This financial year began with the launch of Stage 2 of the Energy Transformation Strategy which included initiatives across four areas to be delivered by 2025. These four areas are: implementing the Energy Transformation Taskforce decisions from Stage 1, integrating new technology into the power system, keeping the lights on as the power system transitions, and regulating for the future.

A key component of Stage 2 of the Energy Transformation Strategy is the ongoing implementation of the Distributed Energy Resources Roadmap. The roadmap contains 36 actions to integrate distributed energy resources like solar panels, household batteries and electric vehicles into the power system. Key roadmap actions undertaken in 2021-22 included the funding and launch of our flagship virtual power plant pilot, Project Symphony, through collaboration with Western Power,

Synergy, the Australian Energy Market Operator and the Western Australian community.

Energy Policy WA is taking steps to prepare our electricity systems for electric vehicles. During 2021-22, we released the Electric Vehicle Action Plan which provides a set of actions to decrease the risks and leverage the opportunities from the significant increase in electric vehicles on our grid. This plan is an action from the Distributed Energy Resources Roadmap and follows the State Electric Vehicle Strategy for Western Australia. Energy Policy WA has been working with the State Government, Synergy and Horizon Power to develop Australia's longest electric vehicle charging network which will run from Perth to Kununurra, Esperance and Kalgoorlie.

Another important step in helping support renewables on our main grid involved the development and introduction of Emergency Solar Management. Western Australians are embracing renewable energy technology at record rates, with more than 400,000 homes and businesses, around 36 per cent of customers, now having rooftop solar delivering

clean energy into our power system. However, this unmanaged energy presents challenges on mild sunny days when rooftop solar generation is high and demand from the system is low. In order to mitigate the risk of power outages in these times, Emergency Solar Management provides for switching off solar panels in extreme and emergency situations. This allows us to install more rooftop solar without the added risk, leading to more renewable energy at other times.

We are currently undertaking a review of the Reserve Capacity Mechanism, which ensures there is always enough generation capacity in our main grid. The review was launched acknowledging the changing nature of our electricity demand and generation. The review aims to develop a Reserve Capacity Mechanism that maintains system reliability at the most efficient cost for consumers for current and future demand profiles, as we transition to our high renewable energy future.

Energy Policy WA also progressed policy and regulatory changes to support Western Power's deployment of stand-alone power systems.

We addressed matters such as customer protections, connection obligations, and reported on the quality and reliability of energy supplies and safety provisions. During the first half of 2022, and building on the success of the stand-alone power systems project, Energy Policy WA supported Western Power as it prepares for the delivery of its first disconnected microgrid pilot in the South West Interconnected System by reviewing regulatory and policy arrangements to enable the pilot to proceed.

Energy Policy WA has worked closely with Horizon Power and other stakeholders to develop the Esperance Energy Transition Program. This will assist the community in transitioning away from reticulated gas supplies. This followed notification by the Esperance Gas Distribution Company in September 2021 of its intention to cease supplying gas to the town. Funding support for delivery of the program was received in April 2022.

Other key highlights for the year include:

- establishing the Energy Industry Development team which will help the uptake of renewables by the mining sector and support the development of local renewable manufacturing industries and services,
- taking on rule-making responsibilities for the Wholesale Electricity Market Rules, Gas Services Information Rules, and Pilbara Networks Rules, and

- the appointment of Sally McMahon as the independent Chair of the Market Advisory Committee, Gas Advisory Board and Pilbara Advisory Committee.

Looking forward, we have plenty of work to do to continue to support Western Australian energy consumers. We are undertaking the planning required to identify the network, generation and storage required to deliver on electricity demand in the future and facilitate emissions reduction pathways for Western Australia, aligned with the Government's aspiration of net zero emissions by 2050. We are preparing for the transition to the new Wholesale Electricity Market on 1 October 2023, a milestone many years in the making.

In 2022, work has also been initiated to investigate the potential for a Renewable Hydrogen Target to require a percentage of electricity in the South West Interconnected System to be fuelled by renewable hydrogen.

The key objective of the target would be to create a local market to support emerging hydrogen production projects and improve grid stability in an environment of high renewable penetration.

A challenge this year was living and working with COVID-19, especially in the lead up to and during the high case load environment. A key resource was the tools we gained from the past two years of blending in-person and online work which helped the transition into living and working with COVID in the community.

Our incredible staff have been resilient, showing a willingness to adapt when needed.

This will be our final Annual Report as Energy Policy WA, which was established as a sub-department of the Department of Mines, Industry Regulation and Safety (DMIRS) in 2019. From 1 July 2022, Energy Policy WA becomes a group within DMIRS, following a successful integration program during the second half of 2021-22. This transition will bring many new opportunities to Energy Policy WA as we continue to deliver the State Government's energy policy priorities in Western Australia.

I would like to thank everyone who has contributed to our achievements over the past three years, our Energy Transformation Strategy partners, Horizon Power, Synergy, Western Power, the Australian Energy Market Operator, industry participants, government agencies and other stakeholders, and our very capable and committed staff.

As a final note, I would like to thank and acknowledge Energy Policy WA's inaugural Coordinator of Energy Kate Ryan, who led the sub-department until the end of January 2022. Ms Ryan made an incredible contribution to the sector as Coordinator of Energy and many of the achievements described in this report are a testament to her outstanding leadership and focus.

Jai Thomas

Acting Coordinator of Energy, Energy Policy WA

1. Overview



1. Overview

Responsible Minister

The responsible Minister for Energy Policy WA is the Hon Bill Johnston MLA, Minister for Energy.

Our sub-department status

Energy Policy WA was established on 5 September 2019 as a stand alone sub-department of DMIRS under the *Financial Management Act 2006*.

As a sub-department, Energy Policy WA has had its own appropriation and division in the State Budget, and has been responsible for the preparation of its own Annual Report to Parliament.

Energy Policy WA has a direct reporting line to the Minister for Energy and, for the most part, the agency has operated independently from DMIRS, in accordance with powers delegated by the Director General of DMIRS to the Coordinator of Energy (the head of Energy Policy WA) under section 33 of the *Public Sector Management Act 1994*.

Energy Policy WA's sub-department status ceased on 30 June 2022 due to a machinery of government change. From 1 July 2022, Energy Policy WA will operate as a business group of DMIRS.

This is the sub-department's final Annual Report to Parliament. From 1 July 2022, Energy Policy WA's reporting will be included in the DMIRS Annual Report.

Energy Policy WA's direct reporting line to the Minister for Energy is unaffected by the machinery of government change.

Our functions

Energy Policy WA is responsible for the delivery of energy policy advice to the Minister for Energy to assist government in making well-informed decisions that contribute to the supply of secure, reliable, sustainable and affordable energy services to Western Australian households and businesses.

Energy Policy WA provides advice to the Minister for Energy on all aspects of energy policy, including in relation to issues affecting energy consumers, such as electricity and gas prices; the operation of wholesale and retail energy markets; the arrangements for generators, retailers and large consumers to connect to electricity grids and gas pipelines; the licensing of energy sector participants; the supply of energy services to regional and remote areas; emerging technologies and their impact on the energy sector and consumers; the medium to long-term need for energy infrastructure investment in Western Australia;


energy efficiency; clean energy and climate change; and national energy policy matters.

As part of this role, during the reporting period, we led the delivery of Stage 2 of the Western Australian Government's Energy Transformation Strategy. The strategy comprises a work program to respond to the challenges, and make the most of the opportunities, presented by the rapid transformation being experienced by the energy sector as a result of the unprecedented uptake of large-scale renewable generators and distributed energy resources such as rooftop solar and household batteries.

In collaboration with the Department of Treasury, Energy Policy WA oversees the activities of the state-owned electricity corporations – Western Power, Synergy and Horizon Power.

We are also responsible for supporting the Coordinator of Energy in performing statutory functions under the *Energy Coordination Act 1994*, including the management of fuel, gas and electricity supply disruptions.

Energy Policy WA is the Chair of the State Underground Power Steering Committee responsible for the management of the State Underground Power Program, and has been tasked with the development and implementation of the Household Energy Efficiency Scheme and the Electric Vehicle



Infrastructure Grants Scheme, as well as facilitation of the Western Australian Government's energy-related carbon reduction objectives, in line with the State Government's aspirations of net zero emissions by 2050.

In 2021, Energy Policy WA was tasked with the implementation of the Western Australian Government's election commitment to promote the use of locally-supplied renewable energy in remote mining sites.

On 1 July 2021, the Coordinator of Energy, supported by Energy Policy WA, acquired the following functions as a result of the State Government's review of the governance arrangements applying to the Western Australian energy sector:

- Rule administration and rule-making functions for the Wholesale Electricity Market Rules applying to the market for the wholesale trade of electricity in the South West Interconnected System, a function previously undertaken by the Rule Change Panel.
- Rule administration and rule-making functions for the Gas Services Information Rules, which detail the roles and functions of various parties in the Western Australian gas market, and govern the operation of the Gas Bulletin Board and the preparation of the Gas Statement of Opportunities.

These functions were previously undertaken by the Rule Change Panel.

- Market development, rule administration and rule-making responsibilities for the new Pilbara Network Rules, which were established under the *Electricity Industry Amendment Act 2020*.
- Responsibility for a number of policy and technical reviews under the Wholesale Electricity Market Rules that were previously undertaken by the Economic Regulation Authority.
- Responsibility for the development of periodic Whole of System Plans for the South West Interconnected System.

Also on 1 July 2021, Energy Policy WA acquired the responsibility for the provision of administrative services to the Western Australian Energy Disputes Arbitrator.

Our Strategic Plan

Our Strategic Plan, covering the period 2021 to 2023, provided Energy Policy WA with a clear direction during the reporting period. It enabled us to align our priorities with those of the Minister for Energy, and to clearly communicate our mandate to government, industry and community stakeholders. Importantly, it also enabled us to continue to shape our identity

and culture, and to create a common purpose for all staff.

Our vision – **to be a world class energy agency, leading Western Australia's energy future** – reflects the drive and ambition of Energy Policy WA.

So does our purpose, which is **to deliver innovative and quality advice and initiatives that shape the energy sector for the benefit of Western Australians now and into the future.**

Our Strategic Plan identifies four strategic focus areas to assist us in fulfilling our purpose and vision.

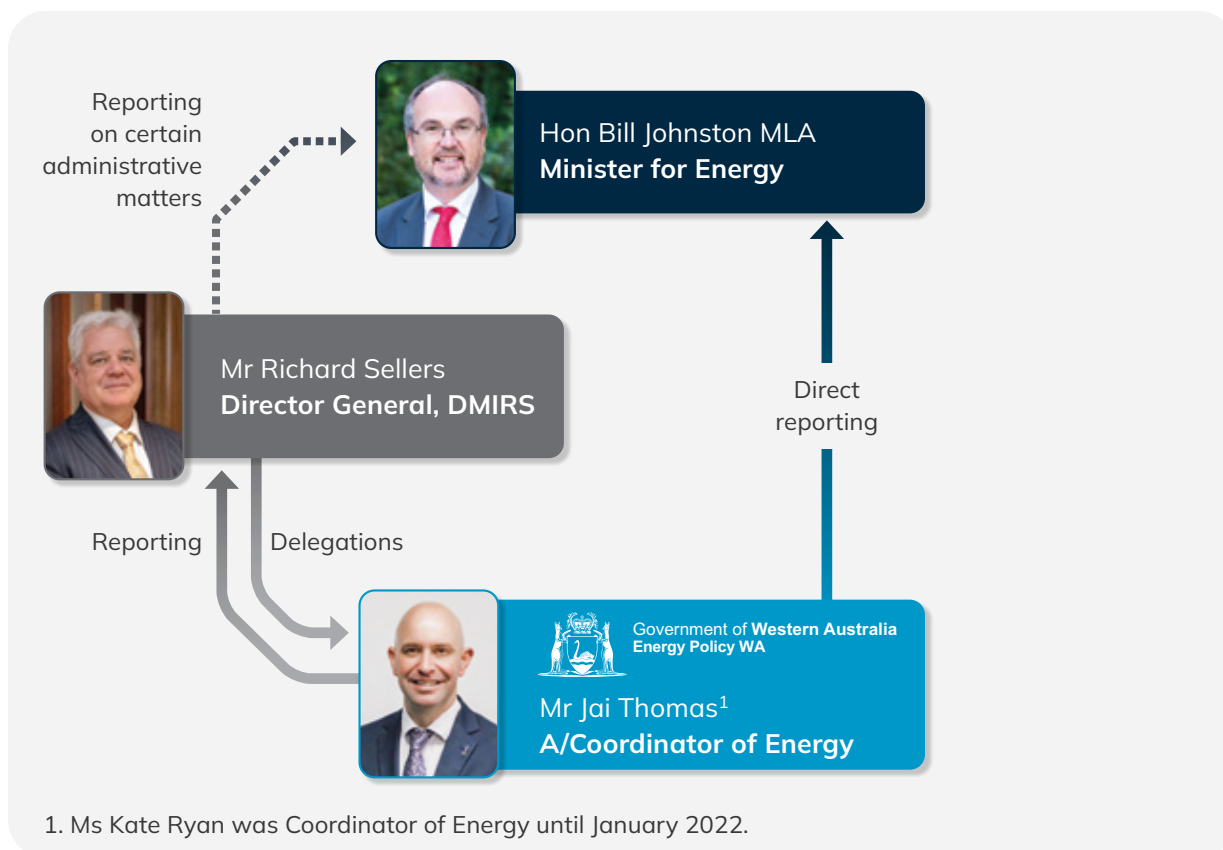
- Improving outcomes for Western Australia's energy customers.
- Leading Western Australia's energy transition.
- Engaging with our stakeholders, including consumers.
- Developing our people and organisational capability.

Our values – **integrity, leadership, excellence, collaboration and people** – describe who we are as an organisation and underpin the delivery of projects under our four strategic focus areas.

Our reporting arrangements

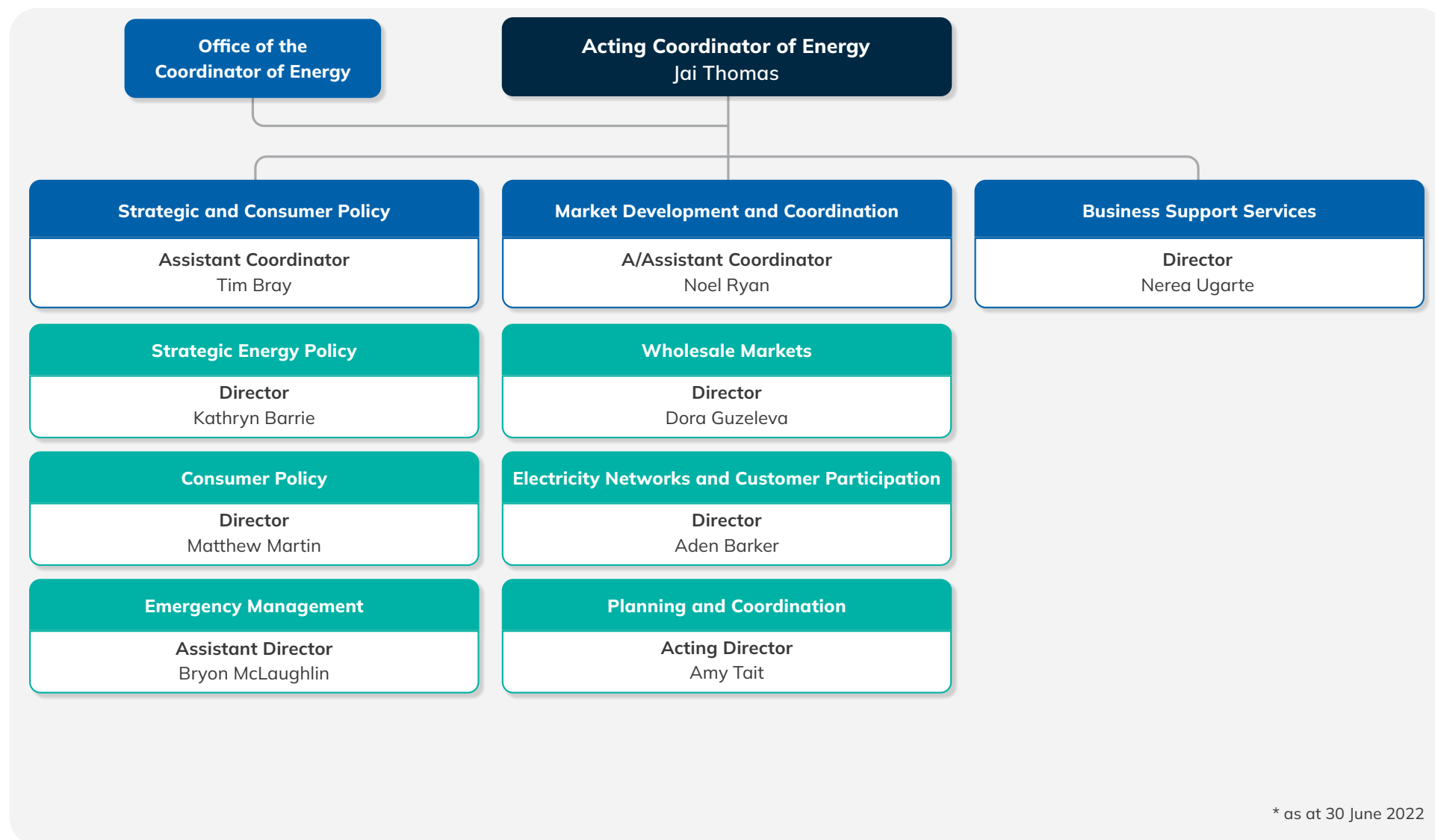
During the reporting period, Energy Policy WA reported directly to the Minister for Energy on the performance of its functions. Administratively, as a sub-department of DMIRS, Energy Policy WA also reported to the Director General of DMIRS.

The chart below shows Energy Policy WA's reporting arrangements.



Our vision:
*“to be a **world class energy agency**, leading Western Australia’s **energy future**.”*

Our organisational structure



* as at 30 June 2022

Our organisational structure includes two operational areas.

- The **Strategic and Consumer Policy** business group is responsible for national energy policy matters; whole-of-government initiatives; gas policy and regulatory matters; issues affecting energy consumers; the licencing of energy sector participants; the supply of energy services to regional and remote areas; the promotion of the use of locally-sourced renewable energy on remote mining sites; emissions reduction and energy efficiency policy; and emergency management.
- The **Market Development and Coordination** business group is responsible for matters related to the operation of the Wholesale Electricity Market; administration and rule-change functions for the Wholesale Electricity Market Rules, the Gas Services Information Rules and the Pilbara Network Rules; policy and technical reviews under the Wholesale Electricity Market Rules; the arrangements for generators, retailers and large consumers to connect to electricity grids; the implementation of Distributed Energy Resources Roadmap actions; whole of system planning; emerging technologies; oversight of the operation of the state-owned electricity corporations; and energy data management.

During the reporting period, these operational areas were supported by two support areas.

- Business Support Services, responsible for the provision of corporate services to Energy Policy WA, and the oversight of Energy Policy WA's arrangements with the Department of Finance for the provision of financial, human resources, information technology, occupational safety and health, record-keeping and Freedom of Information services.
- Office of the Coordinator of Energy, responsible for the provision of executive support services to the Coordinator of Energy and the Executive Leadership Team of Energy Policy WA.





Introducing our Executive Leadership Team

The Executive Leadership Team is Energy Policy WA's main governing body. It supports the Coordinator of Energy in providing strategic guidance to, and overseeing the operation of, the sub department. It also ensures Energy Policy WA's observance of all legal and other government compliance requirements.

The Executive Leadership Team includes the following members.

- **Jai Thomas** – Acting Coordinator of Energy (Chair)
- **Tim Bray** – Assistant Coordinator, Strategic and Consumer Policy
- **Noel Ryan** – Acting Assistant Coordinator, Market Development and Coordination
- **Nerea Ugarte** – Director, Business Support Services.

Administered legislation

- *Dampier to Bunbury Pipeline Act 1997*
- *Electricity Corporations Act 2005*
- *Electricity Industry Act 2004* (except Parts 9A and 9B)
- *Electricity Transmission and Distribution Systems (Access) Act 1994*
- *Energy Arbitration and Review Act 1998*
- *Energy Coordination Act 1994* (except Parts 2 and 3)
- *Energy Corporations (Transitional and Consequential Provisions) Act 1994*
- *Energy Operators (Powers) Act 1979*
- *Fuel, Energy and Power Resources Act 1972*
- *Gas Corporation (Business Disposal) Act 1999*
- *Gas Services Information Act 2012*
- *Gas Supply (Gas Quality Specifications) Act 2009* (except Part 5, Division 2)
- *National Gas Access (WA) Act 2009*
- *State Energy Commission (Validation) Act 1978*

2. Significant issues impacting us

Climate change

The Western Australian Government's Climate Change Policy sets out a plan to achieve a climate-resilient community and a prosperous low-carbon future. With this objective in mind, the transformation of the way we generate and use energy is identified as a key focus area.

Energy efficiency is recognised as one of the most effective ways to cut energy consumption, reduce emissions and enhance productivity, while renewable energy is seen as an opportunity to reduce emissions in the energy, manufacturing, resources and transport sectors.

As the State Government works towards achieving its objective of net zero greenhouse gas emissions by 2050, energy efficiency and the uptake and integration of renewable generation technologies will constitute an increasing area of work for Energy Policy WA.



The energy transformation

In recent years, the Western Australian energy sector has experienced an unprecedented change in the way electricity is supplied and used. We have seen a substantial increase in the number of large renewable generators connected to the South West Interconnected System, while households and businesses have embraced rooftop solar generation.

Whilst the increase in the amount of renewable and lower-carbon energy is a positive outcome from an environmental point of view, the intermittent and uncontrolled nature of these energy sources presents challenges in maintaining the security, reliability and affordability of the power system.

In March 2019, the Western Australian Government launched the Energy Transformation Strategy, outlining the plan to manage the energy sector's transformation in a careful and considered way. The Energy Transformation Taskforce, supported by Energy Policy WA, was tasked with implementing the strategy.

While the work led by the Energy Transformation Taskforce went a long way in addressing the challenges presented by the energy transformation, Western Australia's energy sector continues to change at a remarkable pace. In light of this, the State Government tasked Energy Policy WA with the implementation of Stage 2 of the Energy Transformation Strategy, which was launched by the Minister for Energy in July 2021.

The review of energy sector governance arrangements

During 2020-21, Energy Policy WA completed the initial stage of its review of the Western Australian energy sector's governance arrangements, which were established during the 1990's and early 2000's. As part of the review, we found the arrangements to be obsolete, insufficiently flexible, and overly expensive, partly due to the overlap and unclear delineation of responsibilities of governance bodies. We also found that the arrangements lacked a governance body tasked with setting overall direction for the energy sector.

On 1 July 2021, in response to these findings, the State Government transferred to Energy Policy WA the functions of the former Rule Change Panel, and the Economic Regulation Authority's responsibility for a number of policy and technical reviews under the Wholesale Electricity Market Rules. Energy Policy WA was also given development of regular Whole of System Plans for the South West Interconnected System, and market development, rule administration and rule-making responsibilities for the regulatory framework applying to the North West Interconnected System in the Pilbara region.

An important feature of the review of the energy sector governance arrangements was the move to the partial funding of Energy Policy WA's market functions by energy sector participants from 1 July 2021. On behalf of the Coordinator of Energy, the Australian Energy Market Operator collects fees from Wholesale Electricity Market participants to fund these functions. The state-owned energy corporations, Western Power, Synergy and Horizon Power, will also contribute to Energy Policy WA's funding via special dividends to be paid in the 2022-23 and 2023-24 financial years.

3. Our performance



3. Our performance

Key highlights

During the 2021-22 financial year, we delivered on our commitment to implement several major reform initiatives.

Implementation of the Distributed Energy Resources Roadmap

Energy Policy WA is responsible for oversight of the Distributed Energy Resources Roadmap (2020-21) following the completion of the Energy Transformation Taskforce in May 2021.

While the first year of the Distributed Energy Resources Roadmap focused on urgent actions related to technical standards for distributed energy resources, the second year showed a shift to more forward-looking aspects of distributed energy resource participation, including planning for widespread electric vehicle use. Major milestones and highlights in the delivery of the Distributed Energy Resources Roadmap in 2021-22 include:

- Project Symphony, the State Government's flagship distributed energy resource orchestration pilot which received funding from the Australian Renewable Energy Agency and progressed from its planning phase to customer recruitment and testing.
- The launch of the Western Australian Electric Vehicle Action Plan in August 2021 which provided detailed actions to reduce risks and optimise the impact on the power system associated with the inevitable growth in electric vehicles, while supporting the overarching Distributed Energy Resources Roadmap.
- Bringing forward implementation of the new rooftop solar inverter standards in July 2021 and introducing improved autonomous inverter settings that help keep the power system secure.
- Release of the initial Network Opportunities Map in October 2021 by Western Power which offers insight into low-voltage network challenges and planning over the next five to ten years and identifies future opportunities for storage and other technology to support the network.
- Continuation of Synergy's time-of-use tariff pilot, the 'Midday Saver' throughout 2021-22, with lessons learned from the successful pilot being incorporated in the design of new customer products to be launched throughout 2022.
- Distributed energy resource aggregation Roles and Responsibilities were clarified by Energy Policy WA in consultation with Western Power, the Australian Energy Market Operator and broader industry to build the foundation for future changes to enable greater distributed energy resource participation in the power system.

Energy Policy WA oversaw the launch of Emergency Solar Management capability in February 2022 to address short-to-medium term power system risks and increasing opportunities for distributed energy resource aggregation, the Solar Energy for Social Housing project which installed rooftop solar and solar hot water systems on 100 social housing properties providing a discounted tariff in the middle of the day and lower water heating costs, and the Solar Schools Virtual Power Plant projects which was expanded to 10 schools including seven batteries in 2021. These were done in addition to the core Distributed Energy Resource Roadmap actions.

Reform of the Wholesale Electricity Market and Market Rule Changes

The launch and completion of Stage 1 of the Energy Transformation Strategy has improved the capability of the power system to manage the significant amounts of variable energy produced from large renewable facilities and made it quicker and cheaper for these larger facilities to connect to the grid. The Wholesale Electricity Market is the market for the wholesale trade of electricity between market participants (such as power generators, retailers, large electricity consumers and large energy storage service providers) and operates in our main grid, the South West Interconnected System.

In accordance with the Energy Transformation Strategy, the Energy Transformation Taskforce developed a major suite of reforms to the Wholesale Electricity Market, most of which are due to commence on 1 October 2023. This includes the introduction of security-constrained economic dispatch, the move to shorter trading intervals and 'gate closure', and a new framework for competitive Essential System Services, which will be co-optimised with energy in the market dispatch process. Energy Policy WA is collaborating with the Australian Energy

Market Operator and other key stakeholders to continue to implement this reform.

A number of additional tranches of Wholesale Electricity Market Amending Rules were implemented during the first half of 2021-22, following stakeholder consultation. During the second half of the year, Energy Policy WA continued to develop and consult on a further tranche of Wholesale Electricity Market Amending Rules and these are expected to be finalised and approved by the Minister by the end of 2022.

In July 2021, the State Government approved Stage 2 of the Energy Transformation Strategy to facilitate the continued uptake of renewable energy, particularly from small, distributed energy sources, which outlined 14 initiatives to be delivered over the period to 2025.

- Design and development of these initiatives has begun in consultation with stakeholders including a market development review of the Reserve Capacity Mechanism, the key market component which ensures adequacy and reliability of electricity supply, and a review of the cost allocation for Essential System Services costs and the fees of the Australian Energy Market Operator to ensure appropriate incentives are provided to minimise market costs.

“Energy Policy WA is collaborating with the Australian Energy Market Operator and other key stakeholders to continue to implement reform.”

Further market reforms are required to continue the orderly transition to a low-emissions energy sector and ensure a reliable supply of power to consumers in a high renewable future, focusing on:

- Integrating smaller, distributed energy resources such as rooftop solar and electric vehicles into the power system. This will allow distributed energy resources to contribute to, rather than detract from, power system reliability, and give households and businesses access to new and innovative electricity services and products; and
- Continuing to integrate new technologies into the power system, particularly at the utility scale. New technologies such as large-scale storage and renewable hydrogen will provide valuable system support services that will ensure a reliable supply and much needed capacity when fossil fuelled generation eventually retires.



Non-Cooptimised Essential System Services

The Non-Cooptimised Essential System Services framework was introduced on 1 February 2022. This framework was designed by Energy Policy WA to ensure the rapidly evolving power system continues to meet emerging technical requirements and power system security and reliability standards.

The primary objective of the framework is to enable the Australian Energy Market Operator, a Network Operator or the Coordinator of Energy to identify and justify the need for services that are not already available through existing market mechanisms and procure those services in a transparent and efficient manner.

More specifically, the framework is intended to:

- enable the procurement of new system services to respond to unforeseen events or changes in the power system that may threaten system security;
- create appropriate incentives for non-network services to be procured to meet power system security and reliability requirements in a more economically efficient manner when compared to network augmentation; and

- enable maintenance of power system security and reliability at the lowest efficient cost to consumers.

The Australian Energy Market Operator or Western Power may identify the need for non cooptimised essential system services through system planning processes and if certain conditions are met, may apply to the Coordinator of Energy to trigger procurement of these services under the Wholesale Electricity Market Rules. These rules outline the process by which each of the entities may seek to trigger the procurement process and the factors the Coordinator of Energy must consider in assessing the submission.

On 13 April 2022, the Coordinator of Energy received a submission from the Australian Energy Market Operator seeking to trigger the non-cooptimised essential system services procurement process for a fast frequency response service. The Coordinator of Energy, in accordance with section 3.11A of the Wholesale Electricity Market Rules, determined that the procurement process should be triggered in this instance and published a determination to outline the reasons for triggering the process for procuring non-cooptimised essential system services.

Maintaining a reliable power system

Western Australia has one of the highest uptake rates of rooftop solar in Australia, with the rooftop solar capacity in the state's main electricity grid, the South West Interconnected System, having tripled in the past five years from around 650 megawatts to 2,000 megawatts.

While this is positive for the environment, it introduces challenges to secure system operation, particularly during 'low load' events. Low load events occur where there is large amounts of electricity being generated on rooftops, but limited demand from our grid. This usually occurs on days with mild weather conditions and clear, sunny skies. This requires the larger generators that provide essential services that keep the power system stable to turn down or off, which can compromise power system operation and lead to blackouts.

Energy Policy WA is leading a project team comprising the Australian Energy Market Operator and Western Power to understand the implications of low load events in our main grid, and to develop short- and medium-term measures to help manage these challenges while still supporting the uptake of solar by households.

- Two interim measures to help manage low load have already been introduced – accelerated implementation of an improved solar inverter standard to allow for voltage ride-through in July 2021 and Emergency Solar Management in February 2022.
- Through the work undertaken to date, the Australian Energy Market Operator and Western Power have already developed a better understanding of the risk factors and several new tools which are being used operationally to manage risks associated with low load events.

A report outlining the technical analysis undertaken by the project team will be provided to the Minister for Energy, along with any recommendations for further actions required to manage risks identified through this work.

Establishment of the Energy Industry Development Team

In meeting the Western Australian Government's election commitment, Energy Policy WA has established the Energy Industry Development team to promote the uptake of renewable energy in the mining sector and support the development of associated local manufacturing industries and services.

“A priority... is to accelerate the uptake of renewable energy solutions at remote mines due to their high delivered fuel costs.”

A priority for this team is to accelerate the uptake of renewable energy solutions at remote mines due to their high delivered fuel costs.

Since its establishment in November 2021, the team have undertaken several activities including analysing baseline data, consulting and supporting stakeholders on issues and opportunities, developing case studies and collaborating with other agencies.

The team has commissioned legal consultants to develop the *Mine Onsite Renewable Energy – Power Purchase Agreement Guide and Templates* to address the barrier of initial capital costs that some mining sector stakeholders identified. This is expected to be launched in the first half of 2022-23.



Stand-alone power systems and disconnected microgrid pilot project

Stand-alone power systems typically comprise solar panels, a battery and a back-up diesel generator. They are designed to improve the reliability of power supply to customers, particularly those in regional and remote areas, and provide a lower-cost alternative to the replacement of old, long spans of traditional poles and wires.

The policy and regulatory framework to support Western Power's deployment of stand-alone power systems was published in the *Government Gazette* in November 2021. The policy and regulatory amendments ensure appropriate provision for stand-alone power systems, including customer protections, connection obligations, quality and reliability reporting, and safety provisions. Western Power has already deployed over 100 systems across the main electricity grid.

In May 2022, a customer research report commissioned by Western Power found high levels of customer satisfaction with participating customers rating their overall satisfaction with stand-alone power systems at 8.2 out of 10 (10 being 'excellent'), while their satisfaction with their prior poles and wires connection was rated 6.7 out of 10.

During the first half of 2022, and building on the success of the stand-alone power system work, Energy Policy WA undertook a review of the regulatory and policy framework to ensure it could support the planned delivery of Western Power's first disconnected microgrid pilot. If the pilot demonstrates that disconnected microgrids can be an efficient supply alternative, Energy Policy WA will work with Western Power to utilise learnings and further amend the regulatory framework if required, to support the use of disconnected microgrids as a business-as-usual alternative to poles and wires, where it makes sense to do so.

Investigation of a Renewable Hydrogen Target

Renewable hydrogen is likely to play an important role in Western Australia's future energy mix as we transition to a lower carbon future in line with the Western Australian Climate Policy.

Further to advice provided to the WA Renewable Hydrogen Ministerial Taskforce by Energy Policy WA in early 2022, the Minister for Energy and Minister for Hydrogen Industry announced that the State Government would investigate the implementation of a

Renewable Hydrogen Target. A hydrogen target would require a percentage of electricity in the South West Interconnected System to be fuelled by renewable hydrogen. The key objective of the Renewable Hydrogen Target would be to create a local market to support emerging hydrogen production projects and improve grid stability in an environment of high renewable penetration. The investigation is being undertaken by Energy Policy WA, in consultation with the Department of Jobs, Science, Tourism and Innovation, as the lead agency for hydrogen development.

Since the announcement on 6 May 2022, Energy Policy WA has undertaken initial engagement with key stakeholders and appointed a consultant to assist with the detailed design and analysis of costs and benefits.

Esperance Electrification Program

In September 2021, the Esperance Gas Distribution Company notified its customers it would cease supplying gas in Esperance after 31 March 2022. To ensure energy supply for the community, Energy Policy WA worked with Horizon Power for a 12-month extension which allowed for development and implementation of long-term energy solutions.

Energy Policy WA worked with Horizon Power and other stakeholders to develop the Esperance Energy Transition Program to assist the community in transitioning away from reticulated gas.

The program favours energy-efficient electrification over conversion to Liquefied Petroleum Gas, as electrification delivers the best ongoing cost outcome for most applications while also reducing carbon emissions. Customers will still be supported to switch to Liquefied Petroleum Gas if this is their preference.

The program is currently in the delivery phase with oversight provided by a steering committee comprising representation from Energy Policy WA, Horizon Power and the Office of the Minister for Energy.

Consumer advocacy

Energy Policy WA has continued to deliver on the Western Australia energy consumer advocacy framework which was supported by funding for a dedicated adviser on energy consumer policy matters and consumer advocacy consultancies.

The Western Australian Advocacy for Consumers of Energy (WA ACE) Program aims to improve energy sector consumer advocacy. This includes facilitation of the WA ACE Forum, which meets five times a year to bring together energy consumer advocates and support sharing of their views to strengthen consultation outcomes. The program also funds research or advocacy activities addressing priority energy consumer issues.

The Expert Consumer Panel was formed in June 2021, supporting five individual consumers to increase their technical understanding of the sector and make detailed contributions to rule making and other consultation processes. The panel is providing representation to allow for consumer input to committees supporting development of the Wholesale Electricity Market, gas industry information services and development of the Pilbara electricity network.

A small grants mechanism was implemented during the year as part of the WA ACE Grants to allow panel members (or similarly qualified persons) to seek funding to participate in energy sector consultations, reviews or rule-making processes, or develop a position paper addressing an identified consumer issue.

Household Energy Efficiency Scheme

The Household Energy Efficiency Scheme is a \$13 million program designed to equip customers with the tools and knowledge to make their homes more energy efficient, which will not only reduce energy costs, but also reduce energy emissions.

The program aims to assist up to 10,000 households over four years and is an important addition to the numerous initiatives the State Government has implemented to help households manage their energy costs, such as the Hardship Utility Grants Scheme and Energy Assistance Payment.

Energy Policy WA is delivering the program in partnership with non-government organisations, Synergy and Horizon Power.

The program is taking a phased approach, including small-scale pilots, which commenced in November 2021, followed by a larger-scale rollout from late 2022 which will be informed by learnings from the pilots.

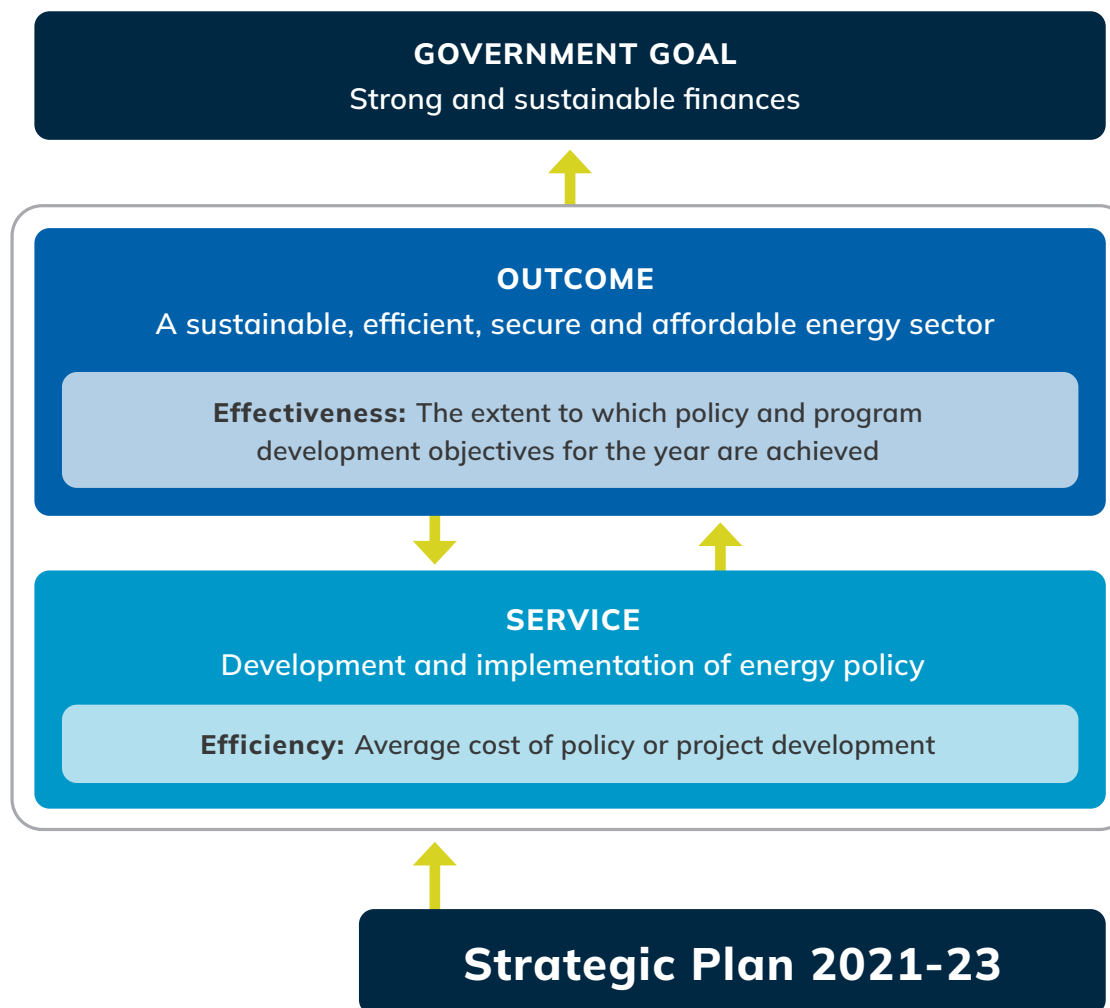
Performance management framework

Outcome-based Management Performance

Outcome Based Management is the Western Australian public sector's framework for the management of the performance of agencies. Broad government goals agencies are expected to contribute to are supported at agency level by specific desired outcomes. Agencies deliver services to support these desired outcomes.

As shown in the diagram on the right, Energy Policy WA contributed to the goal of 'strong and sustainable finances' by developing and implementing energy policy that contributes to the sustainability, efficiency, security and affordability of the energy sector.

Energy Policy WA's performance is measured by one key effectiveness indicator and one key efficiency indicator.



Key effectiveness indicator

Energy Policy WA's key effectiveness indicator measures the extent to which policy and program development objectives for the year are achieved.

Results are calculated by monitoring the priorities set for a year. If the government's priorities change, for example if there is a Ministerial request to undertake a new policy project or cease working on an existing priority, this is considered in determining the number of items completed as planned. The results are presented as a percentage of planned priorities completed.

During the 2021-22 financial year, Energy Policy WA achieved a rate of completion of planned policy and program development of 95%.

Key effectiveness indicator	2020-21 Actual	2021-22 Target	2021-22 Actual
The extent to which policy and program development objectives for the year are achieved.	94%	100%	95%

Key efficiency indicator

Energy Policy WA's key efficiency indicator measures the average cost of policy and project activities that are significant in nature, requiring considerable investment of time and effort. This indicator measures the efficiency of Energy Policy WA in performing its role on an average cost per unit basis.

During the 2021-22 financial year, Energy Policy WA's average cost of policy and project development activities was \$37,107.

Key efficiency indicator	2020-21 Actual	2021-22 Target	2021-22 Actual
Average cost of policy/project development activities.	\$17,971	\$23,727	\$37, 107

Shared responsibilities with other agencies

Energy Policy WA worked with key stakeholders, the Department of the Premier and Cabinet, the Department of Treasury, the Australian Energy Market Operator and the state-owned electricity corporations Synergy, Western Power and Horizon Power, in delivering Stage 2 of the Energy Transformation Strategy.

Energy Policy WA has shared responsibilities with Western Power to administer the State Underground Power Program, and with the Department of Treasury to oversee the performance of the state-owned electricity corporations, Western Power, Synergy and Horizon Power.

During 2021-22, we also:

- worked with Synergy, Horizon Power and the Western Australian Council of Social Service to develop the Household Energy Efficiency Scheme;
- participated in the assessment process for applications to the Clean Energy Future Fund, after having assisted the Department of Water and Environmental Regulation in developing guidelines and assessment processes for submissions;
- continued to work with Synergy and the Department of Communities to develop the Smart Energy for Social Housing Plan, the trial is successfully reducing energy costs for public housing tenants.



4. Our People

Our staff profile

Our people are key to our success, and we proudly uphold our value of respecting and supporting each other.

Our staff profile showed a good balance of employment across age groups. Energy Policy WA improved in the under 25 age bracket through participating in the Department of Mines, Industry Regulation and Safety graduate program.

We have had good gender balance in senior management roles, level 8 and above. As at 30 June 2022, females comprised 30% of

our senior management team, while males comprised 70%.

22% of our staff elected to work on a part-time basis, a decrease from last reporting year's figure (27%). A large percentage of our staff (80%) also opted to work from home on a part-time basis, an increase from last reporting year's figure (36%). This is evidence of Energy Policy WA's commitment to making flexible work arrangements available to all employees.

There was a slight increase of staff born outside of Australia from 27% last year to 29%. There is one employee with a disability.

Energy Policy WA was committed to maintaining an inclusive workplace where all people have equal access to employment and development opportunities.

At present, the agency does not have any staff that identify as being of Aboriginal and Torres Strait Island origin.

As at 30 June 2022, 23% of our staff were employed on a temporary basis, a decrease from last reporting year's figure (30%) reflecting Energy Policy WA's time-limited funding to undertake energy transformation work, with funding for this function extending to 2024-25.

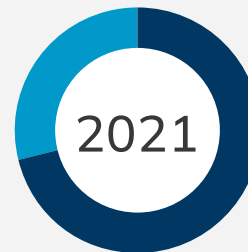


Full Time Equivalent Position:

75.4 FTEs*
2022

*excludes Government Trading Enterprise placements

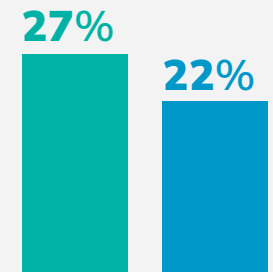
Employee type



47 Permanent
19 Fixed term



60 Permanent
19 Fixed term



2021 2022
of staff work part
time hours

*based on headcount

Staff Diversity

1%

Disability

↑ up by 1% from 2021

0%

Aboriginal

29%

country of birth
outside of Australia

↑ up by 2% from 2021



57%

of women in
the workforce

↓ down by 5% from 2021



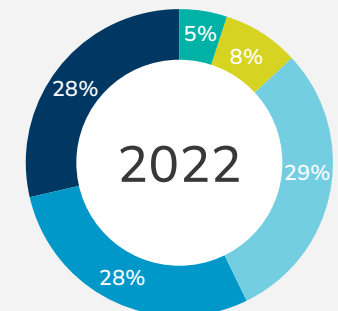
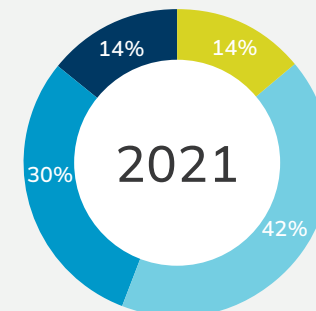
30%

of women in
management

↓ down by 24% from 2021*

*Level 8 equivalent and above

Age profile



Under 25 25-34 35-44
45-54 55+

Disability access and inclusion

Energy Policy WA is committed to improving access to our information, services and facilities for people with disability.

Occupational safety, health and injury management

Energy Policy WA and its Executive Leadership Team were committed to providing a safe and healthy work environment, and to maintaining the safety, health and wellbeing of all employees and visitors as far as reasonably practicable.

Consistent with this commitment, during the reporting period Energy Policy WA had two Occupational Safety and Health Officers, one First Aid Officer and four Fire Wardens.

Energy Policy WA encouraged open, honest and effective consultation and communication between managers, employees and Safety and Health Representatives, with the view to achieving a common understanding of occupational safety and health issues. Our Occupational Safety and Health Committee, which was established in May 2021, played an important role in facilitating consultation

and cooperation between employees and Energy Policy WA.

During 2021-22, Energy Policy WA ensured its compliance with injury management requirements under the *Workers' Compensation and Injury Management Act 1981*. Energy Policy WA received no workers' compensation claims and there were no employees on return to work plans. Energy Policy WA's performance against indicators for fatalities, lost time injury and disease, return to work, and training of managers and supervisors was as follows.

Indicator	Results
Number of fatalities	0
Lost time injury/disease incidence rate	0%
Lost time injury/disease severity rate	0%
Percentage of injured workers returned to work within 13 weeks	N/A
Percentage of injured workers returned to work within 26 weeks	N/A
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	83%

Focus on mental health and wellbeing

Our staff are our most important asset and looking after their wellbeing, both physical and mental, was a key area of focus for Energy Policy WA since its establishment in September 2019, particularly during the difficult and uncertain times as a result of the pandemic.

In September 2021, we engaged an external consultant to conduct a staff survey as a general 'health check' for staff and the business. Consistent with the staff survey undertaken in 2020, survey participants reported a positive level of wellbeing working from home and in the office during the pandemic. Most of those who worked remotely noted that this arrangement positively affected their productivity and motivation. Staff also stated that their managers are great role models and are open to their ideas and concerns. Staff indicated their view that open communication is encouraged in the agency, and reported a high level of commitment to Energy Policy WA's values.

Energy Policy WA provided a free flu vaccination program to staff, as well as a free and confidential Employee Assistance Program

service to all its employees and immediate family members. During the reporting period, the service was accessed on five occasions by staff members.

Our intranet has been used to make physical and mental health information available to employees.

Developing our people

During the pandemic, and recognising that many in-person training opportunities were postponed or moved to a virtual format, staff were encouraged to undertake online training. Energy Policy WA encouraged knowledge sharing through regular whole-of-office meetings, where the agency's different business groups were invited to share information on their areas of expertise and projects.

Energy Policy WA ran its first Knowchella Festival of Knowledge from February to March 2022 which consisted of short presentations from staff members on the projects and topics they work on. Knowchella was open to everyone in the office who was interested in learning more about all things energy and what is happening at Energy Policy WA outside of their own teams.

The festival covered topics from all areas in the office and was especially helpful to our new starters. Knowchella was a fantastic success and increased the wealth of knowledge and understanding of the issues, projects and topics within Energy Policy WA, and developed the skills of those presenting.

*“Our **staff** are our **most important asset** and looking after their **wellbeing**, both physical and mental, was a key area of focus for Energy Policy WA”*



5. Governance

Governance committees

During our third year of operation we continued to refine our governance arrangements, including establishing two new sub-committees to support the Executive Leadership Team.

The Executive Leadership Team is comprised of the following positions and met regularly during the reporting period:

- Coordinator of Energy (Chair)
- Assistant Coordinator, Market Development and Coordination
- Assistant Coordinator, Strategic and Consumer Policy
- Director, Business Support Services.





Committee: Executive Leadership Team	
Role	Outcomes over 2021-22
<ul style="list-style-type: none"> • Provide direction in setting the agency's key strategic goals and outcomes for its strategic plan. • Oversee the agency's operational plans and work programs to deliver its key strategic goals and outcomes. • Establish and model the application of the agency's organisational values. • Ensure the agency's workplace is based on a culture of strong ethics and integrity. • Ensure the agency has effective systems and policies for managing its workforce in a fair, transparent and equal manner. • Ensure the effectiveness of the agency's programs and services, accountability and efficiency in the management of its finances. • Ensure communication is open, accessible and responsive. • Ensure good governance and management of material risks. 	<ul style="list-style-type: none"> • Energy Policy WA Strategic Plan 2021-23 established, followed by 'Plans on a Page' for strategic projects, and monitoring via monthly progress reports. • Energy Policy WA Data Strategy 2021-25 established. • Two new Executive Leadership Team sub-committees established – People, Culture and Diversity, and Finance and Risk. • Leadership commitment to organisational values part of monthly meetings, including staff acknowledgements. • Energy Policy WA Business Continuity Plan reviewed and updated. • Energy Policy WA Records Management Plan established. • Commenced work on replacing agency panel contracts to support energy policy specific procurement activities. • Out of Hours Contact Policy established for staff supporting the Coordinator of Energy as Hazard Management Agency with electricity, gas and liquid fuel emergencies. • Energy Policy WA Wellness Policy established and 2022 wellness activities rolled out. • Cost recovery principles for 2022-23 approved to enable recovery of industry funding and meet regulatory requirements. • Strategic and project risks regularly reviewed and risk management strategies adjusted as required. • Monitored implementation of audit recommendations. • Monitored contracts register. • Maintained channels for communication with staff, including weekly and monthly staff meetings, weekly emails, intranet and newsletter.

Committee: Occupational Safety and Health Committee

Role	Outcomes over 2021-22
<ul style="list-style-type: none">• Perform functions as prescribed in the <i>Occupational Safety and Health Act 1994</i> (s40) and tasks that may be delegated to the Committee by Energy Policy WA• Enable and assist consultation and cooperation between employees and Energy Policy WA.• Keep itself informed about occupational safety and health standards and matters across the public sector.• Provide advice to Energy Policy WA on identified or emerging occupational safety and health matters.• Provide a forum in which occupational safety and health issues may be reviewed, discussed and recommendations made for resolution if required.• Review and consider matters referred to it by Human Resource or Safety and Health Representatives, or the Department of Finance's Occupational Safety and Health team and make recommendations to the Executive Leadership Team on matters not able to be resolved at the local level.• Review hazards, incidents and injury reports received within the agency, workplace inspection reports and related health, safety and wellness reports provided by the Department of Finance's Occupational Safety and Health team or Energy Policy WA's Human Resources team and make recommendations as required.	<ul style="list-style-type: none">• The Committee met regularly during the reporting period.• Workplace inspections continued during the reporting period with reports produced and recommendations being monitored by the Committee and the Executive Leadership Team.• Training of staff on Occupational Safety and Health continued during the reporting period. Ergonomic assessments for staff undertaken, as required.• Maintained channels for communication with staff, including weekly and monthly staff meetings, weekly emails, intranet and newsletter.

Committee: People, Culture and Diversity Committee	
Role	Outcomes over 2021-22
<ul style="list-style-type: none"> • Advance and monitor the development and implementation of strategies to enhance people and organisational effectiveness, with particular regard to workplace culture, talent management and development, staff engagement, cultural awareness and inclusion. 	<ul style="list-style-type: none"> • The Committee was established and met regularly during the reporting period. • Maintained channels for communication with staff, including weekly and monthly staff meetings, weekly emails, intranet and newsletter. • Several presentations were delivered during the reporting period.
Committee: Finance and Risk Committee	
Role	Outcomes over 2021-22
<ul style="list-style-type: none"> • Provides oversight of the organisations governance, risk management and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices to enable achievement of government and organisational strategic objectives. 	<ul style="list-style-type: none"> • The Committee was established and met regularly during the reporting period. • Regular reports were produced and recommendations provided were monitored by the Committee and the Executive Leadership Team.



Internal audit

In accordance with the requirement for agencies to have an Internal Audit Committee independently chaired by a suitably qualified person who is not employed by the agency (Treasurer's Instruction 1201 – Internal Audit), auditing of Energy Policy WA's operations was undertaken by the Audit and Risk Committee established by DMIRS.

During the reporting period, no adverse findings were found.

Project management

Energy Policy WA prides itself on its delivery of quality advice to the Minister for Energy and the completion of projects on time and within budget.

To achieve this, we follow project planning and management principles that enables the Executive Leadership Team to regularly monitor progress of strategic projects being undertaken by the agency, as well as their budget situation, associated emerging issues, and the strategies implemented to manage project risks.

During 2021-22, Energy Policy WA undertook a review of its project management framework taking into account the lessons learned to date on project management.

Business Continuity Plan

Energy Policy WA continued to periodically review the Business Continuity Plan to ensure COVID-safe learnings, flexible work practices and supporting IT systems and current and accessible staff information remained fit for purpose and were embedded in daily operations.

Risk management

In accordance with Treasurer's Instruction 825 – Risk Management and Security, Energy Policy WA has a Risk Management Framework in place, as well as strategic and project risk registers.

Risk management is integrated into our strategic and project planning processes and is monitored on an ongoing basis.

Cyber security

Energy Policy WA has worked with the Department of Finance to comply with the cyber security directives issued by the Security and Emergency Committee of Cabinet to improve public sector cyber resilience and has achieved compliance with cyber security maturity level 1.

Freedom of Information

No Freedom of Information request was received and processed during the reporting period.

Public Interest Disclosures

No Public Interest Disclosures were received during the reporting period.

Ethics, accountability and integrity

The Executive Leadership Team received regular reports on integrity matters during the year. The reports covered a range of matters, including declared conflicts of interest, and offers of gifts, benefits and hospitality.

During the reporting period, there were no formal grievances or breaches of Public Sector Standards.

Record keeping

Energy Policy WA's Record Keeping Plan was established during 2022 following approval by the State Records Commission. Prior to that it operated under the Department of Finance's Record Keeping Plan.



6. Legal and financial disclosures

Ministerial directives

No ministerial directives were received during the reporting period.

Pricing policies of services provided

Energy Policy WA does not charge fees or charges for services rendered.

Capital works

Energy Policy WA incurred \$209,000 for an office refit.

Act of Grace payments

No Act of Grace payments were made during the reporting period.

Unauthorised use of credit cards

Energy Policy WA officers hold corporate credit cards where their functions warrant the use of this facility.

There were no instances of unauthorised use of corporate credit cards.

Expenditure on advertising, market research, polling and direct mail

Section 175ZE of the *Electoral Act 1907* requires public agencies to report details of expenditure incurred in relation to advertising, market research, polling, direct mail and media advertising.

Energy Policy WA incurred the following expenditure.

Concept	Organisation	Amount
Government Gazette	Department of the Premier and Cabinet	\$ 14,722
Electronic Direct Mail	Vision 6	\$2,561
Market research	Wonderman Thompson	\$43,784
TOTAL		\$61,067

Board and committee remuneration

No board and committee remuneration was made during the reporting period.

7. Financial statements



Audit Opinion



Auditor General

INDEPENDENT AUDITOR'S REPORT 2022 Energy Policy WA

To the Parliament of Western Australia

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Energy Policy WA which comprise:

- the Statement of Financial Position at 30 June 2022, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are:

- based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Energy Policy WA for the year ended 30 June 2022 and the financial position at the end of that period

in accordance with Australian Accounting Standards (applicable to Tier 2 Entities), the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Reporting Officer for the financial statements

The Energy Policy WA ceased to exist under the *Financial Management Act 2006* on 30 June 2022 and become a division of Department of Mines, Industry Regulation and Safety from 1 July 2022. The Treasurer appointed a Reporting Officer under section 68(1) of the Act who was responsible for:

- keeping proper accounts
- preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards applicable to Tier 2 Entities, the *Financial Management Act 2006* and the Treasurer's Instructions
- such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Page 1 of 5

7th Floor Albert Facey House 469 Wellington Street Perth MAIL TO: Perth BC PO Box 8489 Perth WA 6849 TEL: 08 6557 7500

In preparing the financial statements, the Reporting Officer is responsible for:

- assessing the entity's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Energy Policy WA.

Auditor's responsibilities for the audit of the financial statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

Report on the audit of controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Energy Policy WA. The controls exercised by the Coordinator of Energy are those policies and procedures established to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

In my opinion, in all material respects, the controls exercised by the Energy Policy WA are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2022.

Page 2 of 5

Audit Opinion

The Coordinator of Energy's responsibilities

The Coordinator of Energy is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Auditor General's responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and were implemented as designed.

An assurance engagement involves performing procedures to obtain evidence about the suitability of the controls design to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including an assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Limitations of controls

Because of the inherent limitations of any internal control structure, it is possible that, even if the controls are suitably designed and implemented as designed, once in operation, the overall control objectives may not be achieved so that fraud, error or non-compliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the audit of the key performance indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Energy Policy WA for the year ended 30 June 2022. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Energy Policy WA are relevant and appropriate to assist users to assess the Energy Policy WA's performance and fairly represent indicated performance for the year ended 30 June 2022.

The Reporting Officer's responsibilities for the key performance indicators

The Reporting Officer is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Reporting Officer determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Energy Policy WA is responsible for identifying key performance indicators that are relevant and appropriate, having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

Auditor General's responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the entity's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

My independence and quality control relating to the report on financial statements, controls and key performance indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Audit Opinion

Other information

The Reporting Officer is responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2022, but not the financial statements, key performance indicators and my auditor's report.

My opinions on the financial statements, controls and key performance indicators do not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, controls and key performance indicators, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and key performance indicators, or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to those charged with governance and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Matters relating to the electronic publication of the audited financial statements and key performance indicators

This auditor's report relates to the financial statements and key performance indicators of the Energy Policy WA for the year ended 30 June 2022 included in the annual report on the Energy Policy WA's website. The Energy Policy WA's management is responsible for the integrity of the Energy Policy WA's website. This audit does not provide assurance on the integrity of the Energy Policy WA's website. The auditor's report refers only to the financial statements, controls and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version.



Patrick Arulsingham
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
8 September 2022

Certification of financial statements

For the reporting period ended 30 June 2022

The accompanying financial statements of Energy Policy WA have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ending on 30 June 2022 and the financial position as at 30 June 2022.

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



Rudolph Gracias
Reporting Officer
Chief Finance Officer

2 September 2022



Jai Thomas
Acting Coordinator of Energy

2 September 2022

Statement of comprehensive income

For the year ended 30 June 2022

		2022	2021
	Notes	(\$000)	(\$000)
COST OF SERVICES			
Expenses			
Employee benefits expense	2.1(a)	10,625	9,501
Supplies and services	2.3	4,350	4,778
Depreciation and amortisation expense	4.1, 4.2	126	89
Finance costs	6.2	1	1
Accommodation expenses	2.4	632	623
Grants and subsidies	2.2	1,475	2,541
Other expenses	2.5	71	48
Total cost of services		17,280	17,581
Income			
Revenue			
Other revenue	3.2	21	12
Grants and Subsidies	3.3	2,730	-
Total income		2,751	12
NET COST OF SERVICES		(14,529)	(17,569)

		2022	2021
	Notes	(\$000)	(\$000)
Income from State Government			
Service appropriation	3.1	12,521	17,630
Services received free of charge	3.1	1,154	1,005
Income from Other Public Sector Entities	3.1	100	
Total income from State Government		13,775	18,635
SURPLUS/(DEFICIT) FOR THE PERIOD		(754)	1,066
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(754)	1,066

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

Statement of financial position

As at 30 June 2022

	Notes	2022 (\$000)	2021 (\$000)
ASSETS			
Current Assets			
Cash and cash equivalents	6.3	6,578	9,146
Receivables	5.1	649	140
Other current assets	5.3	-	22
Total Current Assets		7,227	9,308
Non-Current Assets			
Restricted cash and cash equivalents	6.3	158	118
Amounts receivable for services	5.2	18	
Plant and equipment	4.1	399	300
Right-of-use assets	4.2	3	14
Total Non-Current Assets		578	432
TOTAL ASSETS		7,805	9,740
LIABILITIES			
Current Liabilities			
Payables	5.4	403	1,939
Lease liabilities	6.1	2	5
Employee related provisions	2.1(b)	2,268	1,935
Total Current Liabilities		2,673	3,879

	Notes	2022 (\$000)	2021 (\$000)
Non-Current Liabilities			
Lease Liabilities	6.1	1	10
Employee related provisions	2.1(b)	432	414
Total Non-Current Liabilities		433	424
TOTAL LIABILITIES		3,106	4,303
NET ASSETS		4,699	5,437
EQUITY			
Contributed equity		1,083	1,067
Accumulated surplus/(deficit)		3,616	4,370
TOTAL EQUITY		4,699	5,437

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

Statement of changes in equity

For the year ended 30 June 2022

	Notes	Contributed equity	*Accumulated surplus/(deficit)	Total equity
		(\$000)	(\$000)	(\$000)
Balance at 1 July 2020		1,067	3,304	4,371
Surplus/(deficit)		-	1,066	1,066
Total comprehensive income for the period		1,067	4,370	5,437
Other distributions to Energy Policy WA				
Distributions to owners		-	-	-
Total		-	-	-
Balance at 30 June 2021		1,067	4,370	5,437
Balance at 1 July 2021		1,067	4,370	5,437
Surplus/(deficit)		-	(754)	(754)
Total comprehensive income for the period		1,067	3,616	4,683
Transactions with owners in their capacity as owners:				
Capital appropriations		16	-	16
Total		16	-	16
Balance at 30 June 2022		1,083	3,616	4,699

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

Statement of cash flows

For the year ended 30 June 2022

	Notes	2022 (\$000)	2021 (\$000)
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		12,503	17,630
Capital appropriations		16	-
Others		75	-
Net cash provided by State Government		12,594	17,630
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(10,223)	(9,142)
Supplies and services		(3,495)	(4,229)
Finance costs		(1)	(1)
Accommodation		(628)	(621)
Grants and subsidies		(2,788)	(4,245)
GST payments on purchases		(470)	(489)
Other payments		(70)	(105)
Receipts			
GST receipts on sales		52	1
GST receipts from taxation authority		418	589
Other receipts		21	12
Grants and subsidies		2,288	-
Net cash provided by/(used in) operating activities		(14,896)	(18,230)

	Notes	2022 (\$000)	2021 (\$000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current assets		(210)	(272)
Net cash provided by/(used in) investing activities		(210)	(272)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Principal elements of lease payments		(16)	(18)
Net cash provided by/(used in) financing activities		(16)	(18)
Net increase/(decrease) in cash and cash equivalents		(2,528)	(890)
Cash and cash equivalents at the beginning of the period		9,264	10,154
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6.3	6,736	9,264

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

Notes to the financial statements

1. Basis of preparation

The sub-department is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The sub-department is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the '**Overview**' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the sub-department on 8 September 2022.

Statement of compliance

These general purpose financial statements are prepared in accordance with:

- 1) *The Financial Management Act 2006 (FMA)*
- 2) The Treasurer's Instructions (**TIs**)
- 3 Australian Accounting Standards (AASs) - Simplified Disclosures
- 4) Where appropriate, those **AAS** paragraphs applicable for not-for-profit entities have been applied.

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

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

Accounting for Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

- a) amount of GST incurred by the sub-department as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- b) receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Contributed equity

Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, as designated as contributions by owners (at the time of, or prior to, transfer) be recognised as equity contributions.

Notes to the financial statements

Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

Comparative information

Except when an AAS permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements. AASB 1060 provides relief from presenting comparatives for:

- Property, Plant and Equipment reconciliations;
- Intangible Asset reconciliations; and
- Right of Use Asset reconciliations.

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

2. Use of our funding

Expenses incurred in the delivery of services

This section provides additional information about how the sub-department's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the sub-department in achieving its objectives and the relevant notes are:

		2022	2021
	Notes	(\$000)	(\$000)
Employee benefits expense	2.1(a)	10,625	9,501
Employee related provisions	2.1(b)	2,700	2,349
Grants and subsidies	2.2	1,475	2,541
Supplies and services	2.3	4,350	4,778
Accommodation expenses	2.4	632	623
Other expenditure	2.5	71	48

Notes to the financial statements

2.1(a) Employee benefits expense

	2022	2021
	(\$000)	(\$000)
Employee Benefits	9,683	8,697
Superannuation – defined contribution plans	942	804
Employee benefits expenses	10,625	9,501
Add: AASB 16 Non-monetary benefit (not included in employee benefits expense)	17	19
Less: Employee Contributions (per note 3.2 Other income)	(11)	(12)
Total employee benefits provided	10,631	9,508

Employee benefits include wages, salaries and social contributions, accrued and paid leave entitlements and paid sick leave, and non-monetary benefits recognised under accounting standards other than AASB 16 (such as medical care, housing, cars and free or subsidised goods or services) for employees.

Superannuation is the amount recognised in profit or loss of the Statement of comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds.

AASB 16 Non-monetary benefits are non-monetary employee benefits, predominantly relating to the provision of vehicle and housing benefits that are recognised under AASB 16 and are excluded from the employee benefits expense.

Employee contributions are contributions made to the sub-department by employees towards employee benefits that have been provided by the sub-department. This includes both AASB 16 and non AASB 16 employee contributions.

2.1(b) Employee related provisions

	2022	2021
	(\$000)	(\$000)
Current		
<u>Employee benefits provisions</u>		
Annual leave	1,061	904
Long service leave	1,203	1,027
	2,264	1,931
<u>Other provisions</u>		
Employment on-costs	4	4
Total current employee related provisions	2,268	1,935
Non-current		
<u>Employee benefits provisions</u>		
Long service leave	431	413
<u>Other provisions</u>		
Employment on-costs	1	1
Total non-current employee related provisions	432	414
Total employee related provisions	2,700	2,349

Notes to the financial statements

Provision is made for benefits accruing to employees in respect of annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

Long service leave liabilities are unconditional long service leave provisions are classified as current liabilities as the sub-department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the sub-department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

The provision for long service leave is calculated at present value as the sub-department does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Employment on-costs involve settlements of annual and long service leave liabilities which gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance premiums, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses, note 2.5 (apart from the unwinding of the discount (finance cost))' and are not included as part of the sub-department's 'employee benefits expense'. The related liability is included in 'Employment on costs provision'.

	2022	2021
	(\$000)	(\$000)
Employment on-costs provision		
Carrying amount at start of period	5	4
Additional/(reversals of) provisions recognised	1	4
Payments/other sacrifices of economic benefits	(1)	(3)
Unwinding of the discount	-	-
Carrying amount at end of period	5	5

Notes to the financial statements

Key sources of estimation uncertainty – long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the sub-department's long service leave provision. These include:

- expected future salary rates
- discount rates
- employee retention rates; and
- expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision. Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

2.2 Grants and subsidies

	2022	2021
	(\$000)	(\$000)
<u>Recurrent</u>		
Contributions to the Australian Energy Market Commission	1,074	1,070
Contributions to Energy Consumer Advocacy Training Workshop	84	4
Contributions to Energy Transformation Association for the Kimberly	-	18
Contribution to Western Australia ACE Forum	-	48
Contributions to the Council of Australian Governments Energy Council Work Program	197	101
Contributions to the National Australian Built Environment Rating System (NABERS)	20	-
Contributions to Low Emissions Energy Storage Roadmap	100	-
<u>Capital</u>		
Contributions to Western Power for the State Underground Power Program	-	1,300
Total grants and subsidies	1,475	2,541

Notes to the financial statements

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

2.3 Supplies and services

	2022	2021
	(\$000)	(\$000)
Supplies and services		
Communications	10	12
Consultants	1	370
Contractors	2,514	1,347
Service provided by State government agencies	1,154	1,005
Repairs and maintenance	4	7
Consumables	24	46
Travel	6	-
Legal costs	335	1,676
Other	302	315
Total supplies and services expenses	4,350	4,778

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

2.4 Accommodation expenses

	2022	2021
	(\$000)	(\$000)
Accommodation expenses		
Lease rentals ^(a)	628	622
Repairs and maintenance	4	1
Total accommodation expenses	632	623

(a) Includes lease rental payment to the Department of Finance.

Lease rental is expensed as incurred as Memorandum of Understanding Agreements between the sub-department and the Department of Finance for the leasing of office accommodation contain significant substitution rights.

Repairs, maintenance and cleaning costs are recognised as expenses as incurred.

Notes to the financial statements

2.5 Other expenses

	2022	2021
	(\$000)	(\$000)
Other expenses		
Minor purchases	48	25
Audit fees	22	23
Employment on-costs	1	-
Other	-	-
Total other expense	71	48

Minor purchases includes purchases of minor equipment with a value of less than \$5,000.

Audit fees includes payment to the Office of Auditor General for the sub-department's financial audit and any other audit work undertaken by the sub-department.

3. Our funding sources

How we obtain our funding

This section provides additional information about how the sub-department obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the sub-department and the relevant notes are:

		2022	2021
	Notes	(\$000)	(\$000)
Income from State Government	3.1	13,775	18,635
Other Income	3.2	21	12
Grants	3.3	2,730	-

3.1 Income from State Government

	2022	2021
	(\$000)	(\$000)
Appropriation received during the period:		
Service appropriation	12,521	17,630
Total appropriation received	12,521	17,630
Resources received from other public sector entities during the period:		
Department of Finance	1,153	1,002
Department of Justice	1	3
Total services received	1,154	1,005
Income from Other Public Sector Entities:		
Minerals Research Institute of Western Australia	25	-
Department of Jobs, Tourism, Science and Innovation	25	-
Department of Treasury	50	-
Total Income from Other Public Sector Entities	100	-
Total income from State Government	13,775	18,635

Service Appropriations are recognised as income at the fair value of consideration received in the period in which the sub-department gains control of the appropriated funds. The sub-department gains control of the appropriated funds at the time those funds are deposited in the bank account or credited to the holding account held at Treasury.

Notes to the financial statements

Resources received from other public sector entities is recognised as income equivalent to the fair value of assets received, or the fair value of services received that can be reliably determined and which would have been purchased if not donated.

Income from Other Public Sector Entities is recognised as income at the fair value of consideration received in the period in which the sub-department gains control of the appropriated funds. The sub-department gains control of the appropriated funds at the time those funds are deposited in the bank account.

3.2 Other income

	2022	2021
	(\$000)	(\$000)
Recoups	-	-
Government Vehicle Scheme (GVS)	11	12
Other	10	-
Total other income	21	12

Other income

Income from Recoups and Government Vehicle Scheme (GVS) are recorded as other income and is recognised in the accounting period in which the relevant performance obligations has been satisfied.

3.3 Grants and Subsidies

	2022	2021
	(\$000)	(\$000)
Grants from the Australian Energy Market Operator	2,730	-
	2,730	-

AEMO grants are received for the recovery of industry cost associated with the functions that EPWA performs.

Notes to the financial statements

Summary of consolidated account appropriations

For the year ended 30 June 2022

	2022 Budget	2022 Supplementary Funding	2022 Revised Budget	2022 Actual	2022 Variance
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<u>Delivery of services</u>					
Net amount appropriated to deliver services	18,020	-	18,020	12,240	(5,780)
Amount authorised by Other Statutes					
- <i>Salaries and Allowances Act 1975</i>	281	-	281	281	-
Total appropriations provided to deliver services	18,301	-	18,301	12,521	(5,780)
<u>Capital</u>					
Capital appropriations	16	-	16	16	-
GRAND TOTAL	18,317	-	18,317	12,537	(5,780)

Notes to the financial statements

4. Key assets

Assets the sub-department utilises for economic benefit or service potential

This section includes information regarding the key assets the sub-department utilises to gain economic benefits or assets the sub-department utilises for economic benefit or service potential or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Notes	2022 (\$000)	2021 (\$000)
Plant and equipment	4.1	399	300
Right-of-use assets	4.2	3	14
Total key assets		402	314

4.1 Property, plant and equipment

Year ended 30 June 2022

	Office Equipment (\$000)	Office Fit-out (\$000)	Total (\$000)
1 July 2021			
Gross carrying amount	5	369	374
Accumulated depreciation	(3)	(71)	(74)
Accumulated impairment loss	-	-	-
Carrying amount at start of period	2	298	300
Additions	-	209	209
Transfers	-	-	-
Disposals	-	-	-
Impairment losses	-	-	-
Impairment losses reversed	-	-	-
Depreciation	(2)	(108)	(110)
Carrying amount at end of period	-	399	399
Gross carrying amount	5	579	584
Accumulated depreciation	(5)	(179)	(184)
Accumulated impairment losses	-	-	-

Notes to the financial statements

Initial recognition

Items of plant and equipment, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no cost or significantly less than fair value, the cost is valued at its fair value at the date of acquisition. Items of plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Useful lives

All plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for the current period and prior years are included in the table below:

Asset	Useful life
Office Equipment	5 to 10 years
Office Fit-out	3 to 25 years or remaining lease term, whichever is lower

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As the sub-department is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

Notes to the financial statements

4.2 Right-of-use assets

Year ended 30 June 2022

	Vehicles	Total
	(\$000)	(\$000)
Carry amount at beginning of period	14	14
Additions	7	7
Impairment losses	(2)	(2)
Impairment losses reversed	-	-
Depreciation	(16)	(16)
Net carrying amount as at end of period	3	3

The sub-department has leases for vehicles. The lease contracts are typically made for fixed periods of 1-10 years with an option to renew the lease after that date. Lease payments for buildings not leased through the Department of Finance are renegotiated every five years to reflect market rentals.

The sub-department has also entered into a Memorandum of Understanding Agreements with the Department of Finance for the leasing of office accommodation. These are not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.

Initial recognition

At the commencement date of the lease, the sub-department recognises right-of-use assets and a corresponding lease liability for most leases. The right-of-use assets are measured at cost comprising of:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and
- restoration costs, including dismantling and removing the underlying asset

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in note 6.1.

The sub-department has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

Subsequent Measurement

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

If ownership of the leased asset transfers to the sub-department at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in note 4.1.

Notes to the financial statements

5. Other assets and liabilities

This section sets out those assets and liabilities that arose from the sub-department's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Notes	2022 (\$000)	2021 (\$000)
Receivables	5.1	649	140
Other current assets	5.2	0	22
Payables	5.3	403	1,939

5.1 Receivables

	2022 (\$000)	2021 (\$000)
<u>Current</u>		
Trade receivables	264	8
Allowance for impairment of trade receivables	-	-
Accrued Revenue	282	
GST receivable	103	132
Total current receivables	649	140

Trade receivables are initially recognised at their transaction price or, for those receivables that contain a significant financing component, at fair value. The sub-department holds the receivables with the objective

to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

The sub-department recognises a loss allowance for expected credit losses (ECLs) on a receivable not held at fair value through profit or loss. The ECLs based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate. Individual receivables are written off when the sub-department has no reasonable expectations of recovering the contractual cash flows.

For trade receivables, the sub-department recognises an allowance for ECLs measured at the lifetime expected credit losses at each reporting date. The sub-department has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Please refer to note 2.5 for the amount of ECLs expensed in this financial year.

5.2 Amounts receivable for services (Holding Account)

	2022 (\$000)	2021 (\$000)
Current	-	-
Non-current	18	0
Balance at end of period	18	0

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

Notes to the financial statements

The amounts receivable for services are financial assets at amortised cost, and are not considered impaired. (i.e. there is no expected credit loss of the Holding Account).

5.3 Other current assets

	2022	2021
	(\$000)	(\$000)
Current		
Purchase Leave - Debit position	-	3
Prepayments	-	19
Total other current assets	-	22

5.4 Payables

	2022	2021
	(\$000)	(\$000)
Current		
Trade payables	-	6
GST payables	-	-
Other tax payables	10	10
Accrued salaries	185	112
Accrued expenses	208	1,809
Other payables	-	2
Total payables at end of period	403	1,939

Payables are recognised at the amounts payable when the sub-department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value as settlement for the sub-department is generally within 15-20 days.

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight after the reporting period. The sub-department considers the carrying amount of accrued salaries to be equivalent to its fair value.

6. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the sub-department.

	Notes
Leases	6.1
Finance costs	6.2
Cash and cash equivalents	6.3

6.1 Leases liabilities

	2022	2021
	(\$000)	(\$000)
Not later than one year	2	5
Later than one year and not later than five years	1	10
Later than five years	-	-
	3	15

Notes to the financial statements

	2022	2021
	(\$000)	(\$000)
Current	2	5
Non-current	1	10
	3	15

At the commencement date of the lease, the entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the sub-department uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments included by the sub-department as part of the present value calculation of lease liability include:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options (where these are reasonably certain to be exercised);
- Payments for penalties for terminating a lease, where the lease term reflects the sub-department exercising an option to terminate the lease.

- Periods covered by extension or termination options are only included in the lease term by the sub-department if the lease is reasonably certain to be extended (or not terminated).

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Variable lease payments, not included in the measurement of lease liability, that are dependent on sales an index or a rate are recognised by the sub-department in profit or loss in the period in which the condition that triggers those payment occurs.

Subsequent Measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

This section should be read in conjunction with note 4.2 Right-of-use assets.

Notes to the financial statements

	2022	2021
	(\$000)	(\$000)
Lease expenses recognised in the Statement of comprehensive income	1	1
Lease interest expense	-	-
Expenses relating to variable lease payments not included in lease liabilities	-	-
Short-term leases	-	-
Low-value leases	-	-
Losses/(gains) arising from sale and leaseback transactions	-	-
Total lease expense	1	1

Short-term leases are recognised on a straight line basis with a lease term of 12 months or less.

Low-value leases with an underlying value of \$5,000 or less are recognised on a straight line basis.

Variable lease payments that are not included in the measurement of the lease liability recognised in the period in which the event or condition that triggers those payments occurs.

6.2 Finance costs

	2022	2021
	(\$000)	(\$000)
Lease interest expense	1	1
Total finance costs expensed	1	1

Finance cost includes the interest component of lease liability repayments, interest component of service concession financial liabilities and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

6.3 Cash and cash equivalents

	2022	2021
	(\$000)	(\$000)
Cash and cash equivalents	6,578	9,146
Restricted cash and cash equivalents		
– Accrued salaries suspense account ^(a)	158	118
Balance at end of period	6,736	9,264

(a) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year. This account is classified as non-current for 10 out of 11 years.

For the purpose of the statement of cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand which are subject to insignificant risk of changes in value.

The accrued salaries suspense account consists of amounts paid annually, from sub-department appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

Notes to the financial statements

7. Financial instruments and contingencies

	Notes
Financial instruments	7.1
Contingent assets and liabilities	7.2

7.1 Financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2022 (\$000)	2021 (\$000)
Financial assets		
Cash and cash equivalents	6,578	9,146
Financial assets at amortised cost ^(a)	546	8
Total financial assets	7,124	9,154
Financial liabilities		
Financial liabilities at amortised cost ^(b)	402	1,940
Total financial liability	402	1,940

(a) The amount of financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).

(b) The amount of financial liabilities at amortised cost excludes GST payable to the ATO (statutory payable).

7.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

The sub-department has no contingent assets and liabilities to report for the Financial Year 2021-22.

8. Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	8.1
Key management personnel	8.2
Related party transactions	8.3
Related and affiliated bodies	8.4
Remuneration of auditors	8.5
Supplementary financial information	8.6

8.1 Events occurring after the end of the reporting period

From 1 July 2022, the sub-department will be abolished and transferred to the Department of Mines, Industry Regulation and Safety.

Notes to the financial statements

8.2 Key management personnel

The sub-department has determined key management personnel to include cabinet ministers and senior officers of the sub-department. The sub-department does not incur expenditures to compensate Ministers and those disclosures may be found in the *Annual Report on State Finances*.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the sub-department for the reporting period are presented within the following bands:

	2022	2021
Compensation band (\$)	(\$000)	(\$000)
\$120,001 - 130,000	1	-
\$170,001 - 180,000	-	1
\$180,001 - 190,000	-	-
\$190,001 - 200,000	1	-
\$200,001 - 210,000	-	1
\$210,001 - 220,000	-	1
\$220,001 - 230,000	-	2
\$230,001 - 240,000	-	-
\$240,001 - 250,000	1	-
\$260,001 - 270,000	-	1
\$280,001 - 290,000	-	-
\$310,001 - 320,000	2	1
\$340,001 - 350,000	-	1

	2022	2021
	(\$000)	(\$000)
Total compensation of senior officers	1,189	1,963

8.3 Related party transactions

The sub-department is a wholly owned public sector entity that is controlled by of the State of Western Australia.

Related parties of the sub-department include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other agencies and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly-owned public sector entities);
- associates and joint ventures of a wholly-owned public sector entity; and
- the Government Employees Superannuation Board (GESB).

Material transactions with related parties

Outside of normal citizen type transactions with the sub-department, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

Notes to the financial statements

8.4 Related and affiliated bodies

The sub-department has no related or affiliated bodies.

8.5 Remuneration of auditors

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

	2022	2021
	(\$000)	(\$000)
Auditing the accounts, financial statements, controls, and key performance indicators	35	18
	35	18

8.6 Supplementary financial information

(a) Write-offs

There were no write-offs during the reporting period.

(b) Losses through theft, defaults and other causes

There were no losses through theft, defaults and other causes during the reporting period.

(c) Forgiveness of debts

There were no forgiveness of debts during the reporting period.

(d) Gifts of public property

There were no gifts of public property provided by the sub-department during the reporting period.

9. Explanatory Statements

This section explains variations in the financial performance of the sub-department.

	Note
Explanatory statement for controlled operations	9.1

9.1 Explanatory statement for controlled operations

This explanatory section explains variations in the financial performance of the sub-department undertaking transactions under its own control, as represented by the primary financial statements.

All variances between annual estimates (original budget) and actual results for 2022, and between the actual results for 2022 and 2021 are shown below. Narratives are provided for key major variances which vary more than 10% from their comparative and that the variation is more than 1% of the dollar aggregate of:

- Total Cost of Services for the Statements of comprehensive income and Statement of cash flows; and
- Total Assets for the Statement of financial position.

Notes to the financial statements

9.1.1 Statement of comprehensive income variances	Variance note	Estimate 2022	Actual 2022	Actual 2021	Variance between actual and estimate	Variance between actual results for 2022 and 2021
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Expenses						
Employee benefits expense	1	10,867	10,625	9,501	(242)	1,124
Supplies and services	a	7,432	4,350	4,778	(3,082)	(428)
Depreciation and amortisation expense		112	126	89	14	37
Finance costs		2	1	1	(1)	-
Accommodation expenses		659	632	623	(27)	9
Grants and subsidies	b, 2	7,472	1,475	2,541	(5,997)	(1,066)
Other expenses	c	425	71	48	(354)	23
Total cost of services		26,969	17,280	17,581	(9,689)	(301)
Income						
Grants and subsidies	3	2,779	2,730	-	(49)	2,730
Other revenue		40	21	12	(19)	9
Total income other than income from State Government		2,819	2,751	12	(68)	2,739
NET COST OF SERVICES		(24,150)	(14,529)	(17,569)	9,621	3,040
Income from State Government						
Service appropriation	d, 4	18,301	12,521	17,630	(5,780)	(5,109)
Services received free of charge	e	1,702	1,154	1,005	(548)	149
Total income from State Government		20,003	13,775	18,635	(6,228)	(4,860)
SURPLUS/(DEFICIT) FOR THE PERIOD		(4,147)	(754)	1,066	3,393	(1,820)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(4,147)	(754)	1,066	3,393	(1,820)

Notes to the financial statements

Major Estimate and Actual (2022) Variance Narratives

- a. The reduction in the 2022 actual for Supplies and Services mainly reflects lower than expected Consultancies and Professional Services Not Elsewhere Classified costs associated with the Energy Transformation Strategy, Climate Action proposals and other services.
- b. The 2022 actual was lower than expected, which mainly reflects the deferral of expenditure associated with the Household Energy Efficiency Scheme (HEES) and State Underground Power Program (Round 6) to the forward estimates.
- c. The 2022 actual is lower than expected, which mainly reflects a reduction in operating expenditure associated with administrative related costs.
- d. The reduction in the Service appropriation for the 2022 actual reflects the deferral of funding associated with HEES and State Underground Power Program (Round 6) to the forward estimates.
- e. The 2002 actual was lower than expected due to reduced resources received free of charge from the State Solicitor's Office.

Major Actual (2022) and Comparative (2021) Variance Narratives

- 1. The increase in Employee benefits associated expenses for the 2022 actual mainly reflects staff transferred-in from the Economic Regulation Authority (Rule Change Panel) and additional functions associated with market development and continued energy transformation work.
- 2. Grants and subsidies payments are lower for the 2022 actual mainly due to the deferral of associated expenditure to the forward estimates.
- 3. In 2021-22 for the first time, Energy Policy WA received income of \$2.7 million from industry sources for the administration of the statutory functions of Western Australian Energy framework previously administered by the Economic Regulation Authority
- 4. The reduction in the Service appropriation for the 2022 actual reflects the deferral of funding associated with HEES and State Underground Power Program (Round 6) to the forward estimates.

Notes to the financial statements

					Variance between actual and estimate	Variance between actual results for 2022 and 2021
9.1.2 Statement of financial position variances		Variance note	Estimate 2022	Actual 2022	Actual 2021	
			(\$000)	(\$000)	(\$000)	(\$000)
ASSETS						
Current assets						
Cash and cash equivalents			6,384	6,578	9,146	194 (2,568)
Receivables			273	649	140	376 509
Other current assets			2	-	22	(2) (22)
Total current assets			6,659	7,227	9,308	568 (2,081)
Non-current assets						
Holding account receivables			41	18	-	(23) 18
Restricted cash and cash equivalents			90	158	118	68 40
Property, plant and equipment	a, 1		577	399	300	(178) 99
Right-of-use assets			-	3	14	3 (11)
Total non-current assets			708	578	432	(130) 146
TOTAL ASSETS			7,367	7,805	9,740	438 (1,935)
LIABILITIES						
Current liabilities						
Payables			3,976	403	1,939	(3,573) (1,536)
Lease liabilities			17	2	5	(15) (3)
Employee related provisions	b, 2		1,747	2,268	1,935	521 333
Total current liabilities			5,740	2,673	3,879	(3,067) (1,206)

Notes to the financial statements

9.1.2 Statement of financial position variances	Variance note	Estimate 2022	Actual 2022	Actual 2021	Variance between actual and estimate	Variance between actual results for 2022 and 2021
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Non-current liabilities						
Lease liabilities	c	102	1	10	(101)	(9)
Employee related provisions		434	432	414	(2)	18
Total non-current liabilities		536	433	424	(103)	9
TOTAL LIABILITIES		6,276	3,106	4,303	(3,170)	(1,197)
NET ASSETS		1,091	4,699	5,437	3,608	(738)
EQUITY						
Contributed equity		1,100	1,083	1,067	(17)	16
Accumulated surplus/(deficit)		(9)	3,616	4,370	3,625	(754)
TOTAL EQUITY		1,091	4,699	5,437	3,608	(738)

Major Estimate and Actual (2022) Variance Narratives

- The final cost of office modifications to accommodate additional staff was lower than expected.
- The increase in Employee Provisions is mainly attributable to the additional staff transferred-in from Economic Regulation Authority to Energy Policy WA on 1 July 2021 and an increase in leave liability as a result of the COVID-19 pandemic impacts.
- The 2022 actual is lower than expected due to repayment of the principal and lower overall lease liabilities for fleet vehicles.

Major Actual (2022) and Comparative (2021) Variance Narratives

- The 2022 actual is higher than the 2021 actual due to additional capital expenditure.
- The increase in Employee Provisions is mainly attributable to the additional staff transferred-in from Economic Regulation Authority to Energy Policy WA on 1 July 2021 and an increase in leave liability as a result of the COVID-19 pandemic impacts.

Notes to the financial statements

					Variance between actual and estimate	Variance between actual results for 2022 and 2021
		Estimate 2022	Actual 2022	Actual 2021		
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
9.1.3 Statement of cash flows variances						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation	a, 1	18,283	12,503	17,630	(5,780)	(5,127)
Capital appropriation		16	16	-	-	16
Other		-	75	-		
Net cash provided by State Government		18,299	12,594	17,630	(5,780)	(5,111)
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits	2	(10,867)	(10,223)	(9,142)	644	(1,081)
Supplies and services	b, 3	(5,730)	(3,495)	(4,229)	2,235	734
Finance costs		(2)	(1)	(1)	1	-
Accommodation	c	(299)	(628)	(621)	(329)	(7)
Grants and subsidies	d, 4	(7,472)	(2,788)	(4,245)	4,684	1,457
GST payments on purchases	e	-	(470)	(489)	(470)	19
Other payments	f	(785)	(70)	(105)	715	35
Receipts						
Grants and subsidies	g, 5	2,779	2,288	-	(491)	2,288
GST receipts on sales		-	52	1	52	51
GST receipts from taxation authority	h	-	418	589	418	(171)
Other receipts		40	21	12	(19)	9
Net cash provided by/(used in) operating activities		(22,336)	(14,896)	(18,230)	7,440	3,334

Notes to the financial statements

					Variance between actual and estimate	Variance between actual results for 2022 and 2021
		Estimate 2022	Actual 2022	Actual 2021		
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
9.1.3 Statement of cash flows variances						
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current assets		(300)	(210)	(272)	90	62
Net cash provided by/(used in) investing activities		(300)	(210)	(272)	90	62
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments						
Principal elements of lease payments		(16)	(16)	(18)	-	2
Net cash provided by/(used in) financing activities		(16)	(16)	(18)	-	2
Net increase/(decrease) in cash and cash equivalents		(4,353)	(2,528)	(890)	1,825	(1,638)
Cash and cash equivalents at the beginning of the period		10,827	9,264	10,154	(1,563)	(890)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		6,474	6,736	9,264	262	(2,528)

Notes to the financial statements

Major Estimate and Actual (2022) Variance Narratives

- a. The reduction in the Service appropriation for the 2022 actual reflects the deferral of funding associated with HEES and State Underground Power Program (Round 6) to the forward estimates.
- b. The reduction in the 2022 actual for Supplies and Services mainly reflects lower than expected Consultancies and Professional Services Not Elsewhere Classified costs associated with the Energy Transformation Strategy, Climate Action proposals and other services.
- c. The increase in the Accommodation expense reflects a reclassification of existing expenditure.
- d. The 2022 actual was lower than expected, which mainly reflects the deferral of expenditure associated with the Household Energy Efficiency Scheme (HEES) and State Underground Power Program (Round 6) to the forward estimates.
- e. The GST estimate was not included in the 2021-22 Budget as a reasonable pattern of GST payments had not been established.
- f. The 2022 actual is lower than expected, which mainly reflects a reduction in operating expenditure associated with administrative related costs.
- g. The 2022 actual is lower than expected due to accrued income associated with industry revenue.
- h. The GST estimate was not included in the 2021-22 Budget as a reasonable pattern of GST receipts had not been established.
- i. The 2022 actual is lower than expected, which mainly reflects a reduction in total cost of services.
- j. The 2022 actual opening cash balance is lower than expected due to a lower closing cash balance from 30 June 2021 actuals.

Major Actual (2022) and Comparative (2021) Variance Narratives

1. The reduction in the Service appropriation for the 2022 actual reflects the deferral of funding associated with HEES and State Underground Power Program (Round 6) to the forward estimates.
2. The increase in Employee benefits associated expenses for the 2022 actual mainly reflects staff transferred-in from the Economic Regulation Authority (Rule Change Panel) and additional functions associated with market development and continued energy transformation work.
3. The reduction in the 2022 actual for Supplies and Services mainly reflects lower than expected Consultancies and Professional Services Not Elsewhere Classified costs.
4. The 2022 actual was lower than the 2020-21 actual, which mainly reflects the deferral of expenditure associated with the Household Energy Efficiency Scheme (HEES) and State Underground Power Program (Round 6) to the forward estimates.
5. In 2021-22 for the first time, Energy Policy WA received income of \$2.7 million from industry sources for the administration of the statutory functions of Western Australian Energy framework previously administered by the Economic Regulation Authority.
6. The 2022 actual cash balance is lower than the previous year, which mainly reflects the expenditure associated with carryovers and the Western Power trade payable.



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