



Economic Regulation Authority

2020

Annual Report

2021



Economic Regulation Authority

Statement of compliance

Hon Mark McGowan MLA

Treasurer
11th Floor, Dumas House
Havelock Street
West Perth WA 6005

Dear Treasurer

Economic Regulation Authority 2020/21 Annual Report

In accordance with section 61 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the annual report of the Economic Regulation Authority for the financial year ended 30 June 2021.

The annual report has been prepared in accordance with the provisions of the *Financial Management Act 2006*, the *Public Sector Management Act 1994*, and the Treasurer's Instructions.

Yours sincerely,

Handwritten signature of Ray Challen in blue ink.

Ray Challen
Member

Handwritten signature of Greg Watkinson in blue ink.

Greg Watkinson
Member



Contact details

Address

Level 4, Albert Facey House
469-489 Wellington Street
Perth WA 6000

Telephone 08 6557 7900
Email info@erawa.com.au
Website www.erawa.com.au

Accessing the annual report

The 2020/21 annual report and previous reports are available on the ERA website: www.erawa.com.au.

To make the annual report as accessible as possible, we have provided it in the following formats:

- An interactive PDF version.
- A text version that is suitable for use with screen reader software applications.

This report can also be made available in alternative formats on request.

National Relay Service TTY: 13 36 77

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VALUES

Excellence: We seek excellence in everything we do.

Respect: We treat everyone fairly and show consideration and regard for others and their views.

Impartiality: Our decisions, analysis and advice are independent and unbiased.

Integrity: We are honest and trustworthy.



PURPOSE

The purpose of the ERA is to promote the interests of Western Australian consumers through independent regulation, analysis and advice, now and into the future.

Overview

Executive summary



This is my final annual report of the Economic Regulation Authority before leaving the position of Chair on 6 August 2021.

The past five years of my term have been a period of extraordinary changes.

Since early 2020, the COVID pandemic has presented utility businesses with the dual challenge of ensuring continuity of supply, and of supporting customers facing financial hardship and uncertainty because of border closures and other restrictions designed to protect public health.

These challenges have been met successfully, with operators changing working arrangements and introducing special programs to help customers, supported by government financial and policy measures.

The ERA has worked with electricity, gas and water providers to help them meet their licence obligations and support their customers in this difficult environment.

In the energy sector, the growth of renewable energy through rooftop solar or large-scale solar and wind projects is changing the way power is generated and consumed. This is improving the sustainability and affordability of energy, but makes it harder to ensure the security and reliability of the power system.

The State Government's Energy Transformation reforms are designed to solve these problems. The first of these major reforms is now in place, and a new market design is set to take effect in October 2022.

The changing energy market is already affecting the ERA's regulatory work. Western Power's upcoming access arrangement review will be the first to take place under the amended access code, and will consider new technologies such as community batteries.

In April 2021, the ERA made its final decision on access arrangement revisions for the Dampier to Bunbury Natural Gas Pipeline. As part of that decision, the ERA was among the first regulators in the world to consider a regulated pipeline that may have its economic life shortened due to competition from renewable energy.

The ERA's final decision approved shortening the pipeline's economic life to 2063. We have asked the Australian Energy Market Commission to consider whether the rules governing the regulated gas sector need to be changed to allow for more flexibility when deciding on these sorts of issues, which were not envisaged when the rules were created.

The ERA has many technical functions that help to ensure that the electricity market works effectively, such as calculating the contribution of renewable energy to system capacity, and setting the price that generators are paid for services that underpin system reliability and security. These tasks will become more important as the share of renewable energy in the market increases.

This year, one of the ERA's most long-running and complex projects neared its conclusion. The Electricity Review Board heard the ERA's allegation that Synergy broke the market rules by bidding above its short run marginal cost of electricity in the balancing market, and that this behaviour was related to Synergy's market power. The ERA referred this matter to the Board for a determination, and the matter was heard during May and June 2021.

This is a complex, largely untested area of economic law, and regardless of the verdict the ERA hopes that the resolution of this matter will provide important clarification of the rules for market participants.

The ERA is preparing for several new functions assigned under government reform programs that it will take on in 2021/22, including regulation of the Pilbara electricity network, new rail access regulation functions, and expanded compliance and enforcement powers for the wholesale electricity and gas markets.

Our ongoing work has also been challenging this year. The ERA's Utility Services Regulation team manages licences for providers of water, gas and electricity services to households. The team managed 18 licence renewals, two new licences and 20 audits of licensee compliance in 2020/21, as well as conducting detailed reviews of the customer protection instruments governing licensees.

For this final annual report as Chair, I thank all the stakeholders who have taken the time to discuss matters of policy, economics, business and consumer issues over the past five years. It is vital that the ERA understands the concerns and interests of the organisations it regulates, and of the communities whose interests this regulation serves.

I also thank my fellow Governing Body Members and the staff of the Economic Regulation Authority's Secretariat for their hard work, diligence and expertise, and I wish the organisation every success in the future.



Nicky Cusworth
Chair

About the ERA

The ERA is Western Australia's independent economic regulator.

Our role is to regulate the gas, electricity and rail industries, and license providers of gas, electricity and water services. We also conduct inquiries into economic matters referred to us by the Treasurer, and have regulatory and review roles in the Wholesale Electricity Market and retail gas market. Until 30 June 2021, the ERA also provided support to the independent Rule Change Panel.

We aim to ensure that the delivery of water, electricity, gas and rail services in Western Australia is in the long-term interest of consumers. Our functions are designed to maintain a competitive, efficient and fair commercial environment.

We make our decisions independently of industry, government and other interests, and are not subject to government or ministerial directions when carrying out our regulatory functions.

Governance framework

The ERA is made up of a three-member Governing Body, supported by a Secretariat. The Governing Body is the decision-making authority and performs the functions of the ERA.

Legislation

The ERA is established by the *Economic Regulation Authority Act 2003*. This Act gives us functions under the following Acts of Parliament:

- *Energy Coordination Act 1994*
- *National Gas Access (WA) Act 2009*
- *Railways (Access) Act 1998*
- *Water Services Act 2012*.

For a complete list of Acts under which we have functions or that affect our operations, see Appendix 1.

Responsible Minister

Although the ERA functions independently of government, it can receive written directions on financial administration matters from the Treasurer.

The ERA provides reports and analysis to the following ministers:

- The Minister for Energy, on the Wholesale Electricity Market, and electricity and gas licensing.
- The Minister for Water, on water licensing.
- The Treasurer, on economic inquiries.

Funding

The ERA's primary functions are funded by industry, with industry contributions making up around 94 per cent of our funding. The State Government provides the rest of our funding, supporting the inquiries function and our review of Synergy's regulatory scheme.

Organisation structure

The ERA Secretariat has three divisions.

Corporate Services provides strategic business planning and executive support to the Governing Body and Secretariat.

The **Regulation and Inquiries** division administers and monitors electricity, gas and water licences and protects customers by monitoring the conduct of these industries and administering customer protection instruments for electricity and water.

This division also regulates third-party access to electricity, gas and rail infrastructure, and conducts inquiries into economic matters as requested by the Treasurer.

The **Energy Markets** division monitors the electricity market to ensure participants are operating within the Wholesale Electricity Market Rules and ensures compliance with the Gas Services Information Rules.

This division investigates alleged breaches of the rules and enforces compliance, and is also responsible for amendments to the Gas Retail Market Scheme.

Until 30 June 2021, the ERA also provided support to the independent Rule Change Panel. On 1 July 2021, responsibility for administration of the Wholesale Electricity Market Rules and Gas Services Information Rules was transferred from the Rule Change Panel to the Coordinator of Energy, and responsibility for supporting this function was transferred from the ERA to Energy Policy WA.

The ERA has a Consumer Consultative Committee, which meets quarterly and includes representatives from consumer and industry organisations. The Committee greatly assists the ERA's understanding of issues affecting consumers.

Governing Body

The ERA is overseen by a Governing Body that consists of a full-time Chair and two part-time Members.

Nicola Cusworth, Chair

Nicky took up her position as Chair of the ERA in July 2016. Before joining the ERA, Nicky was Deputy Director General at the former Department of State Development, and previously worked for the Department of Treasury and Finance and the Chamber of Commerce and Industry of Western Australia.

Nicky has extensive experience in economic policy and analysis and has participated in projects including the electricity market review and mineral royalty rate analysis. Nicky has a degree in philosophy, politics and economics from Oxford University.

Nicky will leave the ERA at the end of her five-year term in August 2021.¹

Ray Challen, Member

Ray joined the Governing Body in August 2017. Prior to that, he was Coordinator of Energy and head of the Public Utilities Office for five years, during which time he led the electricity market reform program.

Ray has worked for 20 years in the downstream energy and public policy sectors, advising both businesses and governments in regulatory policy and market arrangements. He has a PhD in economics from the University of Western Australia.

Greg Watkinson, Member

Greg was appointed as a member of the ERA's Governing Body in July 2017. Prior to that, he was the ERA's Chief Executive Officer since February 2010.

Greg has worked as an economist in the public sector, including at the Department of Treasury and Finance and in the areas of macroeconomics, education and social policy. He has a master's degree in economics.

¹ Steve Edwell commenced as Chair of the ERA on 9 August 2021.

Executive team

The Secretariat provides support to the Governing Body and is led by the Chief Executive Officer.

Jenness Gardner *Chief Executive Officer*

Jenness joined the ERA as Chief Executive Officer in November 2017. She has worked extensively in state and commonwealth government, most recently as an Executive Director at the Department of Jobs, Tourism, Science and Innovation. Prior to that, she was with the Department of Commerce.

Jenness has significant experience working in the resources sector leading economic policy development, commercial negotiations and large-scale project development for the State. She has an honours degree in economics.

Paul Kelly *Executive Director, Regulation and Inquiries*

Paul has been with the ERA since it began in 2004. Prior to his current role, Paul was director of the ERA's water division, and he previously worked at the Office of Water Regulation.

Paul has almost 30 years' experience at senior levels in the public sector. In addition to his role as Executive Director, he also holds the statutory positions of chair of the consultative committees for the reviews of the water, electricity and gas marketing codes of conduct. Paul has a master's degree in social science.

Rajat Sarawat *Executive Director, Energy Markets*

Rajat joined the ERA in January 2012. He has extensive senior management experience in industry reform and regulation, especially in the energy sector. Prior to joining the ERA, Rajat held various senior positions with the Essential Services Commission of South Australia and the Australian Energy Market Commission.

Rajat has significant experience regulating wholesale electricity markets, implementing and reviewing access arrangements for network businesses and undertaking competition reviews and price regulation in the retail energy industry. Rajat has a science degree and a master's degree in business administration.

Pam Herbener *Director, Corporate Services*

Pam has been with the ERA since it began in 2004 and has worked in access regulation since 1998. Pam has more than 30 years' management experience across the not-for-profit and local, state and commonwealth government sectors.

She has accrued a breadth of knowledge across finance, compliance, human resources, information technology, recordkeeping and communications.

Performance management framework

Relationship to government goals

The ERA's activities support the government goal of "Better places: A quality environment with liveable and affordable communities and vibrant regions."

Government goal	Better places: A quality environment with liveable and affordable communities and vibrant regions
Desired outcome	The efficient, safe and equitable provision of utility services in Western Australia
Service	Submissions to the ERA Governing Body

Shared responsibilities with other agencies

The ERA did not share any responsibilities with other agencies during 2020/21.



Agency performance

COVID-19

The ERA's functions in 2020/21 were mostly unaffected by the COVID-19 pandemic. During brief periods of lockdown, ERA staff were able to work from home, as well as maintaining a flexible approach to home-based work throughout the year.

The ERA has been monitoring the disconnections and financial hardship data provided by electricity and gas licensees during the COVID-19 period. As various economic support measures have started to be withdrawn, the ERA has observed a steady increase in the number of customers accessing payment plans and participating in hardship programs.

The State Government's one-off, \$600 household energy bill credit in late 2020 helped a substantial number of electricity customers to clear their bill debt, but the number of customers with a bill debt trended upwards in 2021.

Simply Energy and Synergy resumed disconnections in January 2021 and March 2021, respectively, as the conditions of the disconnections moratorium were relaxed.

Energy reform process

The ERA spent considerable time in 2020/21 working with the Energy Transformation Implementation Unit, which is delivering the Government's Energy Transformation Strategy.

Implementation of the Strategy is adding to and altering the functions of the ERA's Energy Markets division, including new review, monitoring and reporting requirements, changes to the way we monitor compliance, and additional enforcement powers for non-compliance.

Implementation of the Strategy is also adding to and altering the functions of the ERA's electricity access team following changes to the *Electricity Networks Access Code 2004*, including new review and reporting requirements, and changes to the way we review Western Power's access arrangement.

Energy Markets

The ERA monitors and regulates the Wholesale Electricity Market (WEM) in Western Australia. The WEM consists of private and government-owned companies that generate and sell electricity, and a network operator.

The Australian Energy Market Operator (AEMO) is the market operator and manages the market and power system operations for the WEM.

The Energy Markets division carries out the regulatory functions for the market, which include monitoring whether the market is operating effectively, monitoring and enforcing compliance with the market rules, and reviewing and approving market parameters.

Energy market reviews

Annual report to the Minister

Each year, the ERA has provided a report to the Minister for Energy on how effectively the WEM is meeting its objectives.

The market objectives are:

- Promoting the economically efficient, safe and reliable production and supply of electricity and electricity-related services.
- Encouraging competition among generators and retailers, including facilitating the entry of new competitors.
- Avoiding discrimination against particular energy options and technologies.
- Minimising the long-term cost of electricity supplied to customers.
- Encouraging measures to manage the amount of electricity used and when it is used.

On 1 October 2020, the ERA released its report on how the WEM functioned from July 2018 to December 2019. The ERA found that the WEM was meeting some, but not all, of its objectives.

There have been substantial changes in the WEM over the past decade. The entry of both household renewable energy generation and large-scale renewable projects have been the most significant changes.

While renewable energy helps to reduce the supply cost of electricity, the variability of this generation presents challenges to the stability of the system. With fewer thermal plants generating, those plants are less able to provide system security services than they have in the past.

To date, the WEM has met the objective of providing a safe and reliable electricity supply. However, risks to system security are emerging because of the changing nature of the WEM. The State Government's reform program is implementing measures in response to these expected security and reliability challenges.

The ERA also found that the WEM was failing to meet its market objective of encouraging competition, and so was not minimising the long-term cost of electricity for consumers. The wholesale market remains uncompetitive and demand cannot be met without generation output from the three largest balancing market participants – Synergy, Alinta Energy and Summit Southern Cross Power. Opportunities for new generators to enter the market and improve competition may be limited given declining demand and surplus generation capacity.

Future reviews

In 2021, the State Government made changes to the ERA's review function, as part of its Energy Transformation reforms. From now on, the ERA will report on the effectiveness of the WEM at least once every three years, and to the Minister on any market design problem or inefficiency as those issues come to light.

Energy Policy WA will report to the Minister at least once every three years on market development, market design problems, and the effectiveness of AEMO, Western Power and the ERA's compliance and enforcement activities.

Review of rules intended to improve generator availability

In April 2020, the ERA commenced a review of the WEM Rules that aim to improve the availability of generators. On 29 December 2020, the ERA published its final report.

The review considered two clauses of the WEM Rules intended to strengthen incentives for generators to have capacity available to the market; that is, to have power available to cover planned and forced outages.

The two clauses of the WEM Rules are:

- Reserve capacity reduction clause – this clause operates as a penalty mechanism by allowing AEMO to reduce the certified capacity of some generators if their outage rates have been above the threshold levels.
- Refund Exempt Planned Outage (REPO) clause – this limits the number of planned outages that generators can take before they pay refunds for unavailable capacity.

The ERA found that the evidence was inconclusive on whether the two clauses improved generator availability.

In the final report, the ERA proposed:

- No change to the operation of the reserve capacity reduction clause.
- Reducing the reserve capacity reduction clause outage thresholds to zero to allow AEMO the flexibility to assess the historical outages of any generator when determining its certified reserve capacity. This would reduce the chances of AEMO either under-procuring capacity and risking reliability, or over-procuring and increasing costs for consumers.
- No change to the REPO clause.

The ERA intends to introduce a rule change proposal to implement the proposed change to outage thresholds.

Review of minimum STEM price

The ERA is reviewing the minimum Short Term Energy Market (STEM) price, which is the lowest price that electricity can be offered at in the WEM's balancing market. The current minimum STEM price is -\$1,000 per Megawatt hour (MWh).

If the minimum STEM price is too high or too low, it could reduce the efficiency of the market, driving up costs for consumers.

The ERA released an issues paper for consultation in March 2021.²

The ERA will further consider the views of market participants and other stakeholders before making its final determination.

² The draft determination report for the minimum STEM price review was published on 2 July 2021.

Determinations

AEMO's funding proposal

Every three years, the ERA must review and determine the amount of allowable revenue and forecast capital expenditure that AEMO can incur for its functions overseeing the WEM and wholesale gas market. The ERA's last determination covered 1 July 2019 to 30 June 2022.

AEMO can recover approved expenditure from market participants through market fees and these costs are ultimately passed through to consumers.

Under the WEM Rules, AEMO can submit in-period funding proposals during a three-year approval period for new or changed functions.

On 25 September 2020, AEMO applied to the ERA for additional forecast capital expenditure of \$18.9 million to cover new obligations assigned to AEMO through the State Government's Distributed Energy Resources Roadmap. In November 2020 AEMO revised this proposal down to \$17.9 million.

On 17 December 2020, the ERA approved \$14.6 million forecast capital expenditure to be added to AEMO's budget, after reducing some of the proposed labour and contingency costs.

The approved funding is expected to increase market fees by around 4 per cent above what was previously expected for the next funding period, 1 July 2022 to 30 June 2025.

Energy price limits

On 21 July 2020, AEMO submitted revised energy price limits to the ERA for approval. In the WEM, participants offer energy and ancillary services to meet real-time demand for energy. Offers into the energy markets are based on the cost of supply and are subject to a set of price limits to mitigate the exercise of market power and to encourage competition in the WEM.

On 26 August 2020, the ERA approved:

- The proposed revised value for the STEM price of \$267.14/MWh.
- The proposed price components for the alternative maximum STEM price of \$145.28/MWh + 19.808 multiplied by the net ex-terminal distillate fuel cost in \$/GJ.

To make its decision, the ERA considered whether the revised values for the energy price limits reasonably reflected the application of the method and the guiding principles described in the WEM Rules, and whether AEMO carried out adequate public consultation.

Ancillary services

On 7 July 2020, the ERA published its approval of AEMO's ancillary services requirements and plan for 2020/21.

Ancillary services are required to maintain power system security and reliability and ensure that electricity supplies are of acceptable quality. Different ancillary services enable a quick restart of the system when there is a large blackout, or the management of a sudden increase or decrease in generation. AEMO submits its requirements, including costs of those services for the previous year, to the ERA for audit and approval.

On 16 September 2021, the ERA published its approval of AEMO's revised requirements for the load following ancillary service. AEMO reassessed the requirements for load following ancillary service following the entry of 390 MW of wind generation capacity to the market.

To manage the expected increased variability from this new generation, AEMO proposed to increase the level of load following ancillary service. The ERA approved this proposal to apply for the remainder of 2020/21, to ensure that the variability can be managed without any threat to the supply of energy to customers.

Benchmark reserve capacity price

The benchmark reserve capacity price is calculated each year as an input to a mechanism used by AEMO to determine the price of capacity credits, which are provided to generators for “standing by” to provide electricity. The benchmark reserve capacity price establishes the marginal cost of providing one additional megawatt of reserve capacity in the relevant capacity year. AEMO must review the benchmark reserve capacity price each year and submit a revised value to the ERA for approval.

On 29 January 2021, the ERA published its determination for the 2023/24 capacity year, approving a price of \$151,700 per MW per year, as proposed by AEMO.

During 2020/21, the ERA also reviewed the market procedure used to calculate the benchmark reserve capacity price. A broader review of the method used to set the price was deferred due to overlaps with the State Government’s energy reform program.

Margin values and Cost_LR

On 31 March 2021, the ERA determined values of 12.6 per cent and 23.2 per cent respectively for the margin peak and margin off-peak parameters to apply in 2021/22. Margin values are the share of the balancing price paid to Synergy to compensate for the margin it could reasonably have expected to earn on energy sales were it not providing the spinning reserve ancillary service.

The ERA also determined a value of \$10,755,438 for the Cost_LR parameter. The cost of providing the load rejection ancillary service is represented by the ‘L’ component of Cost_LR and the cost of providing system restart services is the ‘R’ component of Cost_LR.

The ERA must ensure that Synergy is adequately compensated for providing these ancillary services, which are used to maintain a reliable electricity supply for consumers. However, if Synergy is over-compensated then the cost of providing electricity is pushed higher.

AEMO uses ancillary services to maintain the security of the South West Interconnected System. Spinning reserve and load rejection reserve are complementary but opposite ancillary services. Spinning reserve provides a rapid increase in generation to compensate for the sudden loss of a large generator. Load rejection reserve provides a rapid decrease in generation if a large load is lost. A generator providing a system restart service can energise the electricity system after a total system blackout.

Monitoring and investigations

The ERA monitors participant compliance with the WEM Rules and Gas Services Information Rules. This includes monitoring prices offered by operators of power stations when offering energy into the WEM. The purpose of this monitoring is to identify improvements to the market and ensure that market participants are not behaving in a way that results in the market functioning ineffectively, and so increasing costs for consumers.

The ERA also investigates other non-compliances, mainly in the areas of generator dispatch, generator outage and availability requirements, and bidding obligations.

During 2020/21, the ERA completed 157 investigations of suspected or alleged non-compliance and instructed AEMO to recover approximately \$98,746 of incorrect out-of-merit payments.

In January 2021, the ERA provided its annual report to the Minister for Energy on the ERA's own compliance with the WEM Rules. The ERA engaged an independent auditor to assess its compliance. The auditor confirmed the ERA's compliance with the WEM Rules, except for two minor non-compliances.

These were:

- Non-compliance with the ERA's Monitoring Protocol, when the ERA did not confirm receipt of a market participant's self-reported alleged breach within three days.
- Non-compliance with the WEM Rules, when the ERA published investigation period extension notices for a pricing behaviour investigation on its website but failed to also publish the notices on the "Market Web Site" (that is, AEMO's website).

The auditor concluded that no adverse consequences arose from these two non-compliance matters and did not make any recommendations.

Synergy investigation

In April 2019, the ERA completed an investigation into prices offered by Synergy in the WEM's balancing market, which is a spot market for wholesale electrical energy. The WEM Rules prohibit market participants from pricing above their reasonable expectation of the short run marginal cost of producing electricity, when this behaviour relates to market power.

The ERA investigated nearly 15,000 30-minute trading intervals over the period of 31 March 2016 to 10 July 2017. The ERA found that Synergy offered prices above its reasonable expectation of the short run marginal cost. The ERA also found that Synergy had market power in the balancing market over the investigation period.

The ERA concluded that Synergy's alleged behaviour was a material breach of the market rules and referred the matter to the Electricity Review Board on 31 May 2019.

The Electricity Review Board was convened in November 2019, and the matter was heard in May and June 2021. A determination is expected in coming months.

Rule Change Panel support

The Rule Change Panel was an independent body established on 24 November 2016 under the *Energy Industry (Rule Change Panel) Regulations 2016*. The Rule Change Panel administered the rule change process and made decisions on rule change proposals for the WEM Rules and Gas Services Information Rules.

In 2020/21, the ERA provided secretariat support to the Rule Change Panel, including an executive officer and supporting staff who were the first point of contact for stakeholders.

On 1 July 2021, through the *Energy Industry (Rule Change Panel) Regulations 2016* and changes to the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*, the Rule Change Panel was abolished and responsibility for administration of the rule change process was transferred to the Coordinator for Energy. Rule change support staff have transferred from the ERA to Energy Policy WA.

Regulation and Inquiries

The Regulation and Inquiries division administers and monitors electricity, gas and water licences, and protects consumers by monitoring the conduct of these industries and administering customer protection instruments for electricity and water.

The division also regulates third-party access to electricity, gas and rail infrastructure and conducts inquiries into economic matters requested by the Treasurer.

Licensing

The ERA administers Western Australia’s electricity, gas and water licensing schemes. This includes assessing applications for new licences and licence amendments, transfers and renewals.

Licensing activities 2020/21

	New licences	Licence amendments	Licence transfers	Licence surrenders	Licence renewals
Electricity	0	2	0	0	10
Gas	0	0	0	0	1
Water	2	2	0	0	7

The ERA granted new water licences to two businesses owned by BHP Group Limited – BHP Billiton Nickel West and BHP Billiton Iron Ore. Both businesses have provided water services for some time and applied for the licences to comply with the *Water Services Act 2012*.

BHP Billiton Nickel West’s water services licence was granted in September 2020 to provide water and sewerage services in Leinster.

In June 2021, the ERA granted a new water services licence to BHP Iron Ore to provide drinking water to customers in Newman.

During 2020/21, the ERA approved amendments to four licences, as summarised in the licensing activities table.

The ERA also processed 18 licence renewals in 2020/21 for companies providing electricity, gas and water services across Western Australia.

Licence audits and reviews

Licences are an important tool to protect the rights of consumers and ensure that utility service providers deliver safe and reliable services to customers. The ERA requires licensees to conduct regular, independent audits of the performance of their asset management systems and their compliance with licence obligations.

This year the ERA found that, overall, licensees were meeting their obligations and improving their asset management. We granted seven licensees a longer period until the next audit or review in recognition of good performance. The ERA reduced the next audit or review period for two licensees in response to poor performance.

Audits and reviews conducted in 2020/21

	Audits	Asset management reviews
Electricity licences	11	5
Gas licences	3	2
Water licences	6	3
Total	20	10

Licence compliance enforcement

The ERA served one licensee, Karara Power Pty Ltd, with a compliance enforcement notice under section 32 of the *Electricity Industry Act 2004*.

Under electricity transmission licence ETL6, Karara operates a transmission line from Western Power's Three Springs Terminal to the Karara mine site in the Mid West.

The ERA served Karara with a compliance enforcement notice due to Karara's unsatisfactory performance in its 2020 performance audit and asset management system review. The ERA also reduced the period of Karara's next audit and review from 48 months to 24 months.

The compliance enforcement notice required Karara to rectify the non-compliance by implementing and maintaining an asset management system for its assets operated under ETL6. Karara is required to rectify the non-compliance by 7 February 2022.

Licensing scheme performance reports

On 30 November 2020 and 1 December 2020, the ERA released separate reports on the operation of Western Australia's electricity, gas and water licensing schemes and licensees' compliance with those schemes.

The ERA found that the licensing schemes were mostly operating as intended and providing customers with adequate protections.

The ERA recommended some changes to the licensing schemes, including:

- For water, changes to the *Water Services Act 2012* to ensure that rental tenants receive the same level of customer protection from their water service providers as owner-occupiers. Currently, unless tenants have a direct contractual relationship with their service provider, they are not able to access the customer protections provided under the water licensing scheme.
- For electricity and gas, making regulations for the supplier of last resort arrangements for electricity and gas customers. Supplier of last resort arrangements are required when a retailer is no longer able to supply its customers, because its licence has been cancelled, expired, not renewed or surrendered. The customers of the retailer transfer to the designated supplier of last resort (a licensed retailer) to ensure they continue to receive a gas or electricity supply. The ERA also recommended that the customer protection instruments for electricity and gas be merged into a single energy code, to provide consistent protections for all energy customers.

Gas licence review

In 2021, the ERA commenced a review of the template licences for gas supply services. On 29 April 2021, we released an issues paper outlining the proposed changes to the template licence.

These changes included:

- Removing the Compendium of Gas Customer Licence Obligations from Schedule 2 and instead providing licensees with access to an electronic copy of the Compendium.
- Amending the licence surrender clause to require a licensee that intends to surrender their licence to provide notice to the ERA not less than 10 business days before the date the surrender is to be effective from.

- Restructuring the licences to make them easier to navigate and be more accessible to the reader.

Consultation on the issues paper concluded in May 2021, with the ERA's final decision expected in August 2021.

Consumer protection

The ERA's consumer protection functions ensure that fundamental protections are in place for electricity, gas and water customers.

Electricity Code review

Every two years, the Electricity Code Consultative Committee is required to review the *Code of Conduct for the Supply of Electricity to Small Use Customers*. The Electricity Code Consultative Committee is a statutory committee appointed by the ERA. It is comprised of industry, consumer and government representatives and supported by staff from the ERA.

The Committee published a draft report in November 2020 and its final review report on 20 May 2021. The Committee conducted a comprehensive review of the Code, including a complete redrafting of the old Code. The Committee's final recommendations included:

- Increasing the alignment of the Code with the National Energy Customer Framework, which governs the sale of electricity and gas in New South Wales, Queensland, South Australia, Tasmania and the Australian Capital Territory.
- Extending assistance measures – such as payment plans and extensions – to all residential customers who ask for them, rather than only to those customers identified as experiencing payment difficulties or financial hardship.
- Introducing new protections for customers experiencing family and domestic violence, including limiting the disclosure of customer information.

The ERA is now considering the Committee's recommendations and has instructed the Parliamentary Counsel's Office on drafting amendments to the Code. During 2021/22, the ERA will publish its draft decision, with the draft Code attached, and the Committee will undertake further consultation.

Gas Marketing Code review

Every two years, the Gas Marketing Code Consultative Committee is required to review the *Gas Marketing Code of Conduct*, which regulates and controls the conduct of gas traders and marketers when selling gas to customers. The Gas Marketing Code Consultative Committee is a statutory committee appointed by the ERA. The Committee includes industry, consumer and government representatives and is supported by staff from the ERA.

The Committee published a draft report on 15 December 2020. It contained several recommendations to amend the code, including:

- To seek the Parliamentary Counsel's views on how the Code could be amended to improve clarity.
- To require retailers or gas marketing agents to display their identify card when meeting customers in person.

After considering the public submissions received in response to the draft report, the Committee provided its final report to the ERA. The ERA has considered the Committee's final report and is instructing Parliamentary Counsel's Office on drafting amendments to the Code.

The ERA expects to publish its draft decision, with the amended Code attached, by November 2021. After the draft decision is published, the Committee will undertake consultation on the draft Code.

Energy retailers and distributors reports

In November 2020, the ERA released its annual data report covering the distribution of electricity and gas in Western Australia.

In December 2020, the ERA released the annual report covering trends in energy retail markets and indicators of electricity and gas retailer performance.

Retailer report

The annual report on energy retailers includes information on disconnections, financial hardship, bill debts, customer complaints and call centre performance.

The responses of the Western Australian Government and energy retailers to the COVID-19 pandemic had a significant effect on hardship and customer service data in 2019/20.

From March 2020, the Government introduced support measures for electricity customers due to the pandemic, including a moratorium on disconnections, an increase in the Energy Assistance Payment, waivers on certain fees, and payment extensions. Gas retailers also voluntarily paused disconnections for residential and business customers.

The data suggests that these responses helped energy customers to stay connected despite increases in bill debt.

Significant findings in the report included:

- The electricity disconnection rate for households decreased to 1.43 per cent, down from 2 per cent in 2018/19. Residential gas disconnections also decreased, from 1.95 per cent to 1.83 per cent.
- The number of electricity customers in hardship programs decreased from 35,218 in 2018/19 to 30,417 in 2019/20. The decrease in 2019/20 was due to Synergy reporting a reduction in customers on a program after the Energy Assistance Payment was credited to eligible customers' accounts in April 2020.
- The average residential electricity bill debt for customers in a hardship program increased from \$551 in 2018/19 to \$772 in 2019/20, because retailers have accepted higher levels of customer debt than they would have before the pandemic.
- Competition in the Western Australia's retail gas market continued to intensify, with Alinta Energy's market share of residential gas customers decreasing from 63.2 per cent in 2018/19 to 58.8 per cent in 2019/20, continuing a trend observed for several years. Kleenheat, AGL and Simply Energy all increased their market shares in 2019/20.

Distributor report

The report on energy distributors includes information on the number of connections on distribution systems, reliability of supply, gas consumption, streetlight repairs, customer complaints and other service standards.

Performance reporting obligations apply only to distributors serving small use customers, who are residential and small business customers consuming less than 160 MWh of electricity or 1 terajoule of gas a year.

The 2019/20 report showed that electricity system reliability was affected by pole top fires in January 2020 and severe storms in February and May 2020. The number of Western Power's CBD and urban customer connections having more than the permitted nine interruptions and extended interruptions (longer than 12 hours continuously) was the highest for the six years reported.

Agency Performance

The number of faulty metropolitan and regional streetlights reported to Western Power in 2019/20 was the highest in the six years reported, mostly due to increased reporting by local government authorities and the public.

Electricity access

The ERA regulates third-party access to Western Power's transmission and distribution network. Under the *Electricity Networks Access Code 2004*, Western Power must have an access arrangement approved by the ERA. An access arrangement sets the terms and conditions, including prices, for third parties to access monopoly infrastructure.

Western Power's model service level agreement

In 2019/20, the ERA commenced a review of Western Power's model service level agreement (MSLA), which details the metering services that Western Power provides to its customers, and the terms and conditions it must offer. This was the first review of the MSLA since it was first drafted in 2006.

Following publication of a consultation paper in March 2020 and draft findings in June 2020, the ERA released its final determination on 31 August 2020.

The changes include clarifying Western Power's obligations and responsibilities for delivering metering services and the consequences if those services are not provided in accordance with the MSLA.

Other changes to the MSLA addressed many of the issues that made it difficult for Western Power to meet its service standards. These include:

- New provisions excusing Western Power from providing a service due to factors beyond its control, including not being able to gain the necessary access to a property.
- Increased timeframes for eight types of metering services.
- The ability to extend timeframes for complex de-energisations.
- A new provision for requesting users to co-operate to assist Western Power to meet the service standards.
- Increasing the prices for metering services for the first time since 2006.

The amended model service level agreement applied from 1 November 2020.

Western Power's application for network control services costs

On 29 April 2021, the ERA published its final determination to approve \$9.8 million for Western Power's network control service costs in the Eastern Goldfields.

The costs that the ERA approved are for Western Power's contract with Synergy to provide back-up electricity from the West Kalgoorlie generators when there is a planned or unplanned outage on the 220 kV transmission line supplying the Eastern Goldfields. The contract ensures that essential service loads and most small use customers in the Eastern Goldfields will continue to receive an electricity supply when there is an outage on the line. The costs will be added to Western Power's target revenue for the next access arrangement period.

Western Power's fifth access arrangement review

On 18 September 2020, amendments were gazetted to the *Electricity Networks Access Code 2004*, which governs access to Western Power's regulated network. These will change the way the ERA will conduct the upcoming review of Western Power's fifth access arrangement.

As part of the changes, the ERA is required to prepare and publish a "framework and approach" document ahead of the submission of Western Power's access arrangement proposal.

In the past, an access arrangement review commenced with Western Power submitting a proposal. The ERA was then required to consider the entire access arrangement and determine whether it met the Access Code objective and the specific requirements for an access arrangement. Under the new process, the ERA must decide some elements of the access arrangement before Western Power submits its proposal through the framework and approach.

On 1 April 2021, the ERA released its draft framework and approach, which sets out our draft decision on the following matters:

- classification of services
- reference services
- service standard benchmarks
- price control
- investment adjustment mechanism
- gain sharing mechanism
- service standards adjustment mechanism
- demand management innovation allowance mechanism.

The ERA's final framework and approach must be published in August 2021.³

Western Power's fifth access arrangement review proposal is due to be submitted to the ERA by 1 February 2022. The proposal must be consistent with the elements that the ERA has determined in the framework and approach, unless it can demonstrate there has been a material change in circumstances.

Gas access

The ERA regulates third-party access to gas pipelines in Western Australia. It also enforces and monitors compliance with the information disclosure and arbitration framework for non-scheme gas pipelines in Western Australia.

Dampier to Bunbury Natural Gas Pipeline

The Dampier to Bunbury Natural Gas Pipeline is a transmission pipeline that extends approximately 1,600 kilometres from Dampier in the Pilbara through to Perth and Bunbury in the South-West region.

Pipeline operator DBP submitted proposed revisions to the access arrangement for the pipeline in January 2020, for the period 2021 to 2025.

The ERA's draft decision was released in August 2020. We released a further position paper in November 2020 to allow for further consultation on pipeline and reference services, including a new reference service – the Ullage Service – proposed by DBP in its response to the ERA's draft decision.

On 1 April 2021, the ERA released its final decision for the review.

Under DBP's proposal (revised in May 2020), the combined increase in tariffs for its customers would have been 9.79 per cent. Under the ERA's final decision, tariffs will decrease by 0.06 per cent in real terms.

A lower return on investment (or rate of return) due to conditions in the financial markets has placed a downward pressure on tariffs, but this is offset by accelerated depreciation of the pipeline and lower forecast demand.

In its initial AA5 submission, DBP proposed to change depreciation schedules so that all pipeline assets were fully depreciated by 2059, because of increasing competition from renewable energy sources.

In the draft decision, the ERA did not allow the changes to depreciation, determining that the National Gas Rules require depreciation over the economic life of the pipeline (that is, the period over which the pipeline remains technically and commercially operable).

DBP revised its proposal consistent with a projected end of the pipeline's economic life in 2063, which the ERA accepted in its final decision.

The effect of technological and policy changes on the ability of a service provider to recover its investment in regulated assets is an emerging issue for the effective regulation of natural gas pipelines.

³ The final decision for the framework and approach was published on 9 August 2021.

Agency Performance

The ERA's decision means that for end-use customers of gas, including industrial gas users, gas-fired electricity generators and households, there will be no upwards pressure on gas prices from changes in transmission tariffs, other than economy-wide price inflation.

The ERA's revised access arrangement will take effect on 1 July 2021.

Non-scheme gas pipeline exemptions

A non-scheme gas pipeline is a transmission or distribution pipeline that was unregulated in Western Australia prior to December 2017 but still may provide access to third parties.

Under part 23 of the National Gas Rules, the ERA is responsible for enforcing and monitoring compliance with the non-scheme gas pipeline information disclosure and arbitration framework in Western Australia.

The rules allow a non-scheme gas pipeline operator to apply to the ERA for an exemption from sections of the information disclosure and arbitration framework where relevant exemption criteria are satisfied. The ERA maintains a public register of these exemptions, and any exemptions that are revoked. We approved one application for exemption during 2020/21. No exemptions were revoked.

No access disputes were referred to arbitration during 2020/21.

Rail access

The ERA received two requests for decisions on access to Arc Infrastructure's freight rail network in 2020/21.

The first request was for a determination of the incremental and total costs relevant to access proposals submitted by Australian Western Railroads (AWR) to Arc. The ERA's decision, published on 22 March 2021, was to not approve Arc's proposed costs, and instead to publish its own determination of costs.

The second request was for approval for Arc to enter into negotiations with AWR over the access proposals. The ERA's approval is required for the railway owner to enter into negotiations in circumstances when the railway owner considers that providing access to rail infrastructure may preclude other entities from accessing that infrastructure in the future. The ERA approved Arc entering into negotiations on 23 March 2021.

During 2020/21, the ERA also approved adjustments to costs determined for an earlier access agreement, published the results of the over-payment accounts audit for Arc's rail network and determined the 2020 weighted average cost of capital for regulated rail networks in Western Australia.

Inquiries

The State Government has asked the ERA to monitor and report on the prices of beverages affected by the introduction of a container deposit scheme in Western Australia. The scheme will allow consumers to take empty beverage containers to a refund point to receive a refund of 10 cents per container.

The scheme will increase costs for suppliers of beverages in containers. The ERA will be measuring the effect this has on prices for consumers. The scheme was due to commence on 2 June 2020, but was delayed until October 2020 due to the COVID-19 pandemic.

The ERA will report to the Treasurer on:

- The effect of the scheme on beverage prices.
- The method the ERA uses to assess the effect of the scheme on prices.
- Recommendations to address any adverse effects on prices and on whether price monitoring should continue.

The ERA will release a draft report after the scheme has operated for six months, expected to be released in early 2021/22.⁴ A final report, which will include recommendations to manage any price effects, will be published after the scheme has operated for 12 months.

4 The ERA's draft report on the price effects of the container deposit scheme was published on 26 July 2021.

Corporate Services

The ERA's Corporate Services team provides finance, human resources, information technology (IT), legal and governance services across the ERA.

In 2020/21, the Corporate Services team coordinated the transfer of the rule change administration function from the ERA to Energy Policy WA, as well as the executive support provided to the Energy Disputes Arbitrator of Western Australia. This included identifying and transferring all relevant records, as well as the transfer of financial information.

In November 2020, the annual staff survey was conducted, with 47 staff, or 73.5 per cent, taking part. The survey showed improvement against the majority of survey questions (42 out of 77), with particular areas of strength being belief in the ERA's role, leadership during the pandemic, and work-life balance.

In 2020/21, the ERA developed its Multicultural Plan, in line with the Western Australian Multicultural Policy Framework. The plan includes a number of initiatives to improve the ERA's engagement with, and understanding of, multicultural issues. This includes requiring all staff to complete cultural awareness training, celebrating multicultural events such as harmony week, Diwali and Chinese New Year, and developing a language services policy. The ERA has a Champions Committee in place to lead these initiatives, and is proud to be an organisation where more than 60 per cent of staff are from culturally and linguistically diverse backgrounds.

Key performance indicators

Under the *Economic Regulation Authority Act 2003*, the ERA's key performance indicators are limited to management functions, including financial management. The ERA has set indicators that measure the administrative performance of the Secretariat.

These key performance indicators are the quantity, quality and timeliness of submissions prepared for the Governing Body, as well as the cost of each submission. These submissions help the Governing Body carry out its functions, including deciding on regulatory matters.

The actual average cost per Governing Body submission was higher than the target due to the number of submissions being lower than budgeted.

Further details on key performance indicators and variances are provided in the Disclosures and legal compliance section.

Key performance indicators – Performance against targets 2020/21

	2020/21 target	2020/21 actual	Variation
<i>Desired outcome: The efficient, safe and equitable provision of utility services in Western Australia.</i>			
Key effectiveness indicators			
Number of submissions made to the Governing Body	280	209	(71)
Rating by the Governing Body as to the content, accuracy and presentation of these submissions ^(a)	3	3.01	0.01
Number of submissions provided by the required deadline (%)	100	100	0
Rating by the Governing Body as to their perception of the timeliness of submissions ^(a)	3	3.01	0.01
Key efficiency indicator			
Cost per submission made to the Governing Body (\$)	60,829	77,124	16,295

(a) Performance is rated as follows by the Governing Body: 1 = well below expectations, 2 = below expectations, 3 = satisfactory, 4 = above expectations, 5 = well above expectations.

Financial performance

Regulations and rules allow full cost recovery of the ERA's expenditure for gas and electricity access, Wholesale Electricity Market, gas markets and licensing functions. The Government provides an appropriation to fund the functions of inquiries, non-scheme gas pipeline and the regulatory scheme relating to the merger of Verve Energy and Synergy.

The 2020/21 Government published budget estimates allowed expenditure of \$17.104 million. Actual expenditure for 2020/21 was \$16.119 million, or 94.2 per cent of the budget estimate.

Included in the total cost of services is a budget of \$561,433 for the Independent Rule Change Panel (Panel) established by the *Energy Industry (Rule Change Panel Regulations) 2016*. The costs of the Rule Change Panel against this budget totalled \$412,048. Any shortfall or surplus from 2020/21 will be recovered or repaid in the following financial year. The ERA recovers the costs from the Australian Energy Market Operator. The Rule Change Panel was abolished on 1 July 2021.

The total cost of the ERA's services was \$985,000 less than the budget. Delays in the commencement of the Pilbara Networks access regime and Western Power's technical rules change management framework to 1 July 2021 resulted in budgeted employee positions and legal and consultants' budgets for these new functions not being used in 2020/21. In addition, positions approved for the ERA's price monitoring role for the container deposit scheme were not required.

Further details of the ERA's financial performance are presented in the Disclosures and legal compliance section.

Actual financial performance versus budget targets 2020/21 (\$000)

	2020/21 target	2020/21 actual	Variation
Total cost of services (expense limit)	17,104	16,119	(985)
Net cost of services	6,549	4,086	(2,463)
Total equity	7,431	8,701	1,270
Approved salary expense level	10,079	9,587	(492)

The ERA is not required to operate within an agreed working cash limit.



**Significant issues
affecting the agency**

COVID-19

The ERA has been monitoring the economic implications of the COVID-19 pandemic and the response of energy retailers in Western Australia to customers experiencing considerable financial hardship.

The ERA's 2019/20 energy retailer data report, published in December 2020, showed the effect of the State Government's support measures for energy customers in the early stages of the pandemic. Those support measures included a moratorium on disconnections, an increase in the Energy Assistance Payment, waivers on certain fees, and payment extensions. Gas retailers also voluntarily paused disconnections for residential and business customers.

The data suggests that these responses helped energy customers to stay connected despite increases in bill debt.

During 2020/21, the ERA continued to monitor the effect that COVID-19 has had on customers, particularly those customers in financial hardship programs. The data provided by retailers that showed most of the support measures remained in place throughout 2020/21.

The ERA will also continue to follow medical and government advice to protect employees and stakeholders and minimise the spread of COVID-19.

Energy reform process

The State Government's Energy Transformation Strategy was released in March 2019. The Energy Transformation Taskforce was charged with delivering the Strategy, which intends to manage the challenges and opportunities brought about by increased renewable generation, distributed energy resources like rooftop solar and batteries, and other new and emerging technologies.

The Taskforce's work covered three work streams:

- Whole of System Planning
- Foundation Regulatory Frameworks
 - Improving Access to the South West Interconnected System
 - Delivering the Future Power System
- Distributed Energy Resources.

The Taskforce finalised its work in May 2021, with Energy Policy WA to deliver the remainder of the reforms.

Implementation of the Strategy is altering and adding to the ERA's functions and responsibilities, particularly in the areas of electricity access regulation, energy market regulation, and energy market compliance and enforcement.

The ERA Secretariat has been working closely with Energy Policy WA to understand the practical implications of the proposed changes and to ensure the ERA has sufficient resources to carry out its new functions.

Pilbara electricity regulation

Legislation enabling the introduction of a regulatory system for Pilbara electricity networks passed through State Parliament on 2 April 2020. There are two covered networks – the Alinta Energy Port Hedland network and the Horizon Power coastal network.

Subsidiary legislation, the *Electricity Industry (Pilbara Networks) Regulations 2021*, was developed and implemented for the new regime to commence on 1 July 2021.

Under the new *Pilbara Networks Access Code*, the ERA is required to determine the initial weighted average cost of capital for Horizon Power and Alinta Energy. The ERA will have ongoing responsibility for administering a pool of arbitrators, approving ringfencing rules and approving large capital expenditure projects if requested by a service provider.

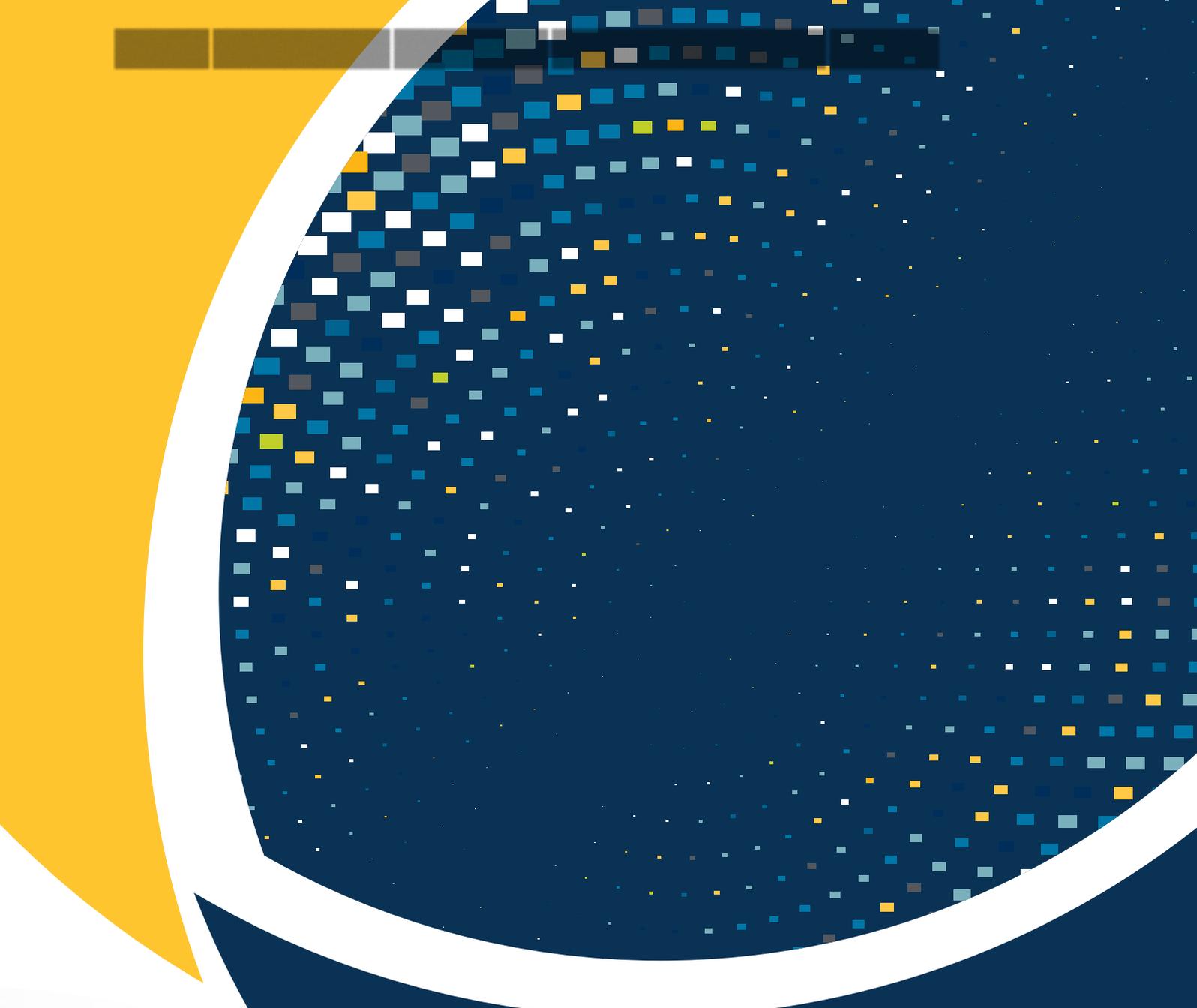
Rail access reforms

The ERA has been working with the Department of Treasury on changes to the *Railways (Access) Act 1998* and *Railways (Access) Code 2000* for a number of years.

In February 2020, the State Government announced that it had approved a suite of proposed changes intended to accelerate access negotiations and improve the efficiency of the access regime.

The reforms include changes to how railway assets are valued and prescribing tighter timeframes for several regulatory processes. Railway networks in the Pilbara will be exempt from the regime until an access proposal is received.

The revised access regime is expected to be in place by the end of 2021. The ERA is required to review the rail code every five years, and the most recent review was due to commence in September 2019. However, the ERA has placed this project on hold until the new regime is in place to avoid the unnecessary review of a system that will soon change.



Disclosures and legal compliance



Auditor General

INDEPENDENT AUDITOR'S OPINION 2021 Economic Regulation Authority

To the Parliament of Western Australia

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Economic Regulation Authority (Authority) which comprise:

- the Statement of Financial Position at 30 June 2021, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Summary of Consolidated Account Appropriations 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 Economic Regulation Authority for the year ended 30 June 2021 and the financial position at the end of that period
- in accordance with Australian Accounting Standards, 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 am independent of the Authority in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Authority for the financial statements

The Authority is responsible for:

- keeping proper accounts
- preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, 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.

In preparing the financial statements, the Authority 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 Authority.

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 Economic Regulation Authority. The controls exercised by the Authority 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).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Economic Regulation Authority 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 2021.

The Authority's responsibilities

The Authority 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 Economic Regulation Authority for the year ended 30 June 2021. 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 Economic Regulation Authority are relevant and appropriate to assist users to assess the Authority's performance and fairly represent indicated performance for the year ended 30 June 2021.

The Authority's responsibilities for the key performance indicators

The Authority 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 it 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 Authority 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 Authority'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 reports on 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.

Other information

The Authority is responsible for the other information. The other information is the information in the Authority's annual report for the year ended 30 June 2021, but not the financial statements, key performance indicators and my auditor's report.

My opinions do not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

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

This auditor's report relates to the financial statements, controls and key performance indicators of the Economic Regulation Authority for the year ended 30 June 2021 included on the Authority's website. The Authority's management is responsible for the integrity of the Authority's website. This audit does not provide assurance on the integrity of the Authority'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 these financial statements, controls or key performance indicators. If users of the financial statements, controls 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 of the financial statements, controls and key performance indicators.



Grant Robinson
Assistant Auditor General, Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
26 August 2021

Financial statements

Certification of financial statements

For the reporting period ended 30 June 2021

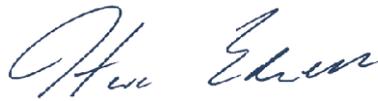
The accompanying financial statements of the Economic Regulation Authority have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2021 and the financial position as at 30 June 2021.

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.



Ms Catherine Lewis
Chief Finance Officer

23 August 2021



Mr Stephen Edwell
Chair of Accountable Authority

23 August 2021



Dr Ray Challen
Member of Accountable Authority

23 August 2021



Mr Greg Watkinson
Member of Accountable Authority

23 August 2021

Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	2021 (\$'000)	2020 (\$'000)
COST OF SERVICES			
Expenses			
Employee benefits expense	2.1	10,641	10,005
Supplies and services	2.2	4,263	2,441
Depreciation and amortisation expense	4.1.1, 4.2, 4.3	66	96
Finance costs	6.2	1	1
Accommodation expenses	2.2	1,076	1,087
Other expenses	2.2	72	128
Total cost of services		16,119	13,758
Income			
Regulatory fees	3.1	11,996	10,712
Interest revenue	3.3	9	29
Other income	3.3	28	30
Total income		12,033	10,771
NET COST OF SERVICES		(4,086)	(2,987)
Income from State Government			
Service appropriation	3.2	1,988	2,439
Income from other public sector entities	3.2	3,052	2,124
Services received	3.2	233	268
Total income from State Government		5,273	4,831
SURPLUS/(DEFICIT) FOR THE PERIOD		1,187	1,844
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,187	1,844

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

Statement of Financial Position

As at 30 June 2021

	Note	2021 (\$'000)	2020 (\$'000)
ASSETS			
Current assets			
Cash and cash equivalents	6.3	6,952	6,626
Restricted cash and cash equivalents	6.3	43	49
Receivables	5.1	4,814	3,146
Amounts receivable for services	5.2	-	232
Other current assets	5.3	199	209
Total current assets		12,008	10,262
Non-current assets			
Restricted cash and cash equivalents	6.3	153	118
Amounts receivable for services	5.2	416	345
Plant and equipment	4.1	213	207
Right of use assets	4.2	21	61
Intangible assets	4.3	-	-
Other non-current assets	5.3	-	2
Total non-current assets		803	733
TOTAL ASSETS		12,811	10,995
LIABILITIES			
Current liabilities			
Payables	5.4	905	672
Lease liabilities	6.1	10	27
Employee related provisions	2.1(b)	2,677	2,257
Total current liabilities		3,592	2,956
Non-current liabilities			
Lease liabilities	6.1	11	34
Employee related provisions	2.1(b)	507	429
Total non-current liabilities		518	463
TOTAL LIABILITIES		4,110	3,419
NET ASSETS		8,701	7,576
EQUITY			
Contributed equity	8.7	725	725
Accumulated surplus/(deficit)		7,976	6,851
TOTAL EQUITY		8,701	7,576

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

Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 (\$'000)	2020 (\$'000)
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		1,988	2,439
Funding from other public sector entities		2,333	2,213
Holding account drawdown		161	30
Net cash provided by State Government		4,482	4,682
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(10,114)	(9,370)
Supplies and services		(4,031)	(2,650)
Finance costs		(1)	(1)
Accommodation		(868)	(900)
GST payments on purchases		(520)	(370)
Other payments		(72)	(35)
Receipts			
Regulatory fees		11,046	10,963
Interest received		9	29
GST receipts on sales		60	44
GST receipts from taxation authority		405	293
Other receipts		28	30
Net cash provided by/(used in) operating activities		(4,058)	(1,967)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current assets		(43)	(199)
Net cash provided by/(used in) investing activities		(43)	(199)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Principal elements of lease payments		(26)	(45)
Net cash provided by/(used in) funding activities		(26)	(45)
Net increase/(decrease) in cash and cash equivalents		355	2,471
Cash and cash equivalents at the beginning of the period		6,793	4,322
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	6.3	7,148	6,793

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

Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Contributed equity (\$'000)	Reserves (\$'000)	Accumulated surplus/ (deficit) (\$'000)	Total equity (\$'000)
Balance at 1 July 2019	8.7	725	-	5,007	5,732
Total comprehensive income for the period		-	-	1,844	1,844
Distribution to Owner - Return of unspent capital funds		-	-	-	-
Balance at 30 June 2020		725	-	6,851	7,576
Balance at 1 July 2020		725	-	6,851	7,576
Correction of prior period errors	8.2			(62)	(62)
Restated balance at 1 July 2020	8.7	725	-	6,789	7,514
Total comprehensive income for the period		-	-	1,187	1,187
Distribution to Owner – Return of unspent capital funds		-	-	-	-
Balance at 30 June 2021		725	-	7,976	8,701

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

Disclosures and legal compliance

Summary of consolidated account appropriations

For the year ended 30 June 2021

	2021 Budget estimate (\$'000)	2021 Supplementary funding (\$'000)	Revised budget (\$'000)	2021 Actual (\$'000)	2021 Variance (\$'000)
Delivery of services					
Item 50 Net amount appropriated to deliver services	2,388	-	1,988	1,988	-
Section 25 Transfer of service appropriation	-	-	-	-	-
Amount authorised by other Statutes - <i>Salaries and Allowances Act 1975</i>	-	-	-	-	-
Total appropriations provided to deliver services	2,388	-	1,988	1,988	-
Capital					
Capital appropriations	-	-	-	-	-
GRAND TOTAL	2,388	-	1,988	1,988	-

No supplementary income was received by the ERA.

Notes to the financial statements

For year ended 30 June 2021

1. Basis of Preparation

The Economic Regulation Authority is a WA government entity, but is independent of direction or control by the State or any Minister or officer of the State in the performance of its functions. However, pursuant to section 28(2) and 28(3) of the *Economic Regulation Authority Act 2003*, the Minister may give directions in writing to the ERA on administration and financial administration matters. It 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 has 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 ERA in August 2021.

Statement of Compliance

These general purpose financial statements have been prepared in accordance with:

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

The *Financial Management Act 2006* and the TIs take precedence over the AASs. Several AASs are modified by TIs to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reporting 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).

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.

Contributed equity

AASB Interpretation 1038 *Contributions by Owners 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, to be designated as contributions by owners (at the time of, or prior, to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by T1955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

2. Use of our funding

Expenses incurred in the delivery of services

This section provides additional information about how the ERA'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 ERA in achieving its objectives and the relevant notes are:

	Notes
Employee benefits expenses	2.1(a)
Employee related provisions	2.1(b)
Other expenditure	2.2

2.1(a) Employee benefits expenses

	2021 (\$'000)	2020 (\$'000)
Employee benefits	9,758	9,172
Superannuation - defined contribution plans	883	833
Total employee benefits expenses	10,641	10,005
Add: AASB 16 non-monetary benefits	-	-
Less: Employee contributions	-	-
Net employee benefits	10,641	10,005

Employee benefits: Includes wages and salaries, accrued and paid leave entitlements and paid sick leave, and non-monetary benefits (such as cars) for employees.

Superannuation: 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: Non-monetary employee benefits, that are employee benefits expenses, predominantly relate to the provision of vehicle benefits and are measured at the cost incurred by the ERA.

Disclosures and legal compliance

2.1(b) Employee related provisions

	2021 (\$'000)	2020 (\$'000)
Current		
<i>Employee benefits provisions</i>		
Annual leave	1,045	818
Long service leave	1,625	1,433
	2,670	2,251
<i>Other provisions</i>		
Employment on-costs	7	6
Total current employee related provisions	2,677	2,257
Non-current		
<i>Employee benefits provisions</i>		
Long service leave	506	428
<i>Other provisions</i>		
Employment on-costs	1	1
Total non-current employee related provisions	507	429
Total employee related provisions	3,184	2,686

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: 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: Unconditional long service leave provisions are classified as current liabilities as the ERA 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 ERA 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 ERA 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: The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenditure, Note 2.2 (apart from the unwinding of the discount (finance cost))' and are not included as part of the ERA's 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

	2021 (\$'000)	2020 (\$'000)
Employment on-costs provision		
Carrying amount at start of period	7	6
Additional/(reversals of) provisions recognised	1	1
Carrying amount at end of period	8	7

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 ERA'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 Other expenditure

	2021 (\$'000)	2020 (\$'000)
Supplies and services		
Communications	245	177
Consultants and contractors	1,564	1,196
Consumables	47	62
Equipment repairs and maintenance	18	41
Legal costs	1,902	655
Travel	4	35
Other	483	275
Total supplies and services expenses	4,263	2,441
Accommodation expenses		
Rental	1,074	1,085
Accommodation maintenance	2	2
Total accommodation expenses	1,076	1,087
Other expenses		
Audit fee	36	34
Minor equipment	35	93
Write-offs	-	-
Expected credit losses expense	-	-
Employment on-costs	1	1
Total other expenses	72	128
Total other expenditure	5,411	3,656

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

Rental expenses include:

- i) Short-term leases with a lease term of 12 months or less;
- ii) Low-value leases with an underlying value of \$5,000 or less; and
- iii) Variable lease payments, recognised in the period in which the event or condition that triggers those payments occurs.

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

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Expected credit losses is an allowance of trade receivables and is measured at the lifetime expected credit losses at each reporting date. The ERA 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 5.1 Movement in the allowance for impairment of trade receivables.

Employee on-costs includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liabilities is included at note 2.1(b) Employee related provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

3. Our funding sources

How we obtain our funding

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

	Notes
Regulatory fees	3.1
Income from State Government	3.2
Other revenue	3.3

3.1 Regulatory fees

	2021 (\$'000)	2020 (\$'000)
Standing charges ^(a)	3,356	3,991
Specific charges ^(a)	319	449
Licence fees and charges ^(a)	302	295
Regulatory market fees	7,962	5,917
Water audit cost recovery ^(a)	57	60
	11,996	10,712

(a) Due to a change in TI 1102, regulatory fees received in 2020 from other Government agencies have been reclassified as Note 3.2 Income from State Government.

Revenue is recognised for the major business activities as follows:

- Standing charges and Specific charges are recognised over time. Revenue is raised in accordance with the:
 - Economic Regulation Authority (National Gas Access Funding) Regulations 2009;*
 - Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012;*
 - Economic Regulation Authority (Licensing Funding) Regulations 2014;* and
 - Economic Regulation Authority (Railways Access Funding) Regulations 2019.*
- Revenue from annual licence fees is recognised at the time the charge is levied on the licensee. The charges are levied in accordance with the *Economic Regulation Authority (Licensing Funding) Regulations 2014.*
- The ERA also recovers the costs of audits performed under the *Water Services Act 2012*. The revenue is recognised as soon as practical after the incurring of the expense.
- Regulatory fees for the recovery of the costs of the ERA in undertaking its Wholesale Electricity Market functions, in accordance with the Wholesale Electricity Market Rules, is recognised on an accrual basis in the accounting period in which the services are rendered.

Disclosures and legal compliance

- Regulatory fees for the recovery of the costs of the ERA in undertaking its Gas Retail Market function, in accordance with the Gas Retail Market Rules, is recognised on an accrual basis in the accounting period in which the services are rendered.
- Regulatory fees for the recovery of the costs of the ERA in undertaking its Gas Services Information function, in accordance with the *Gas Services Information Regulations 2012*, is recognised at the time the charge is raised.

The ERA typically satisfies its performance obligations in relation to regulatory fees when it issues invoices after the end of each quarter.

3.2 Income from State Government

	2021 (\$'000)	2020 (\$'000)
Appropriation received during the period:		
Service appropriation	1,988	2,439
Total appropriation received	1,988	2,439
Income received from other public sector entities during the period:		
• Regulatory fees	3,052	2,124
Resources received from other State government agencies during the period:		
• Services received free of charge	233	268
Total resources received	3,285	2,392
Total income from State Government	5,273	4,831

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

Income from other public sector agencies is recognised as income when the ERA has satisfied its performance obligations under the funding agreement. If there is no performance obligation, income will be recognised when the ERA receives the funds.

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

3.3 Other income

	2021 (\$'000)	2020 (\$'000)
Interest - bank ^(a)	9	29
Government vehicle scheme contributions from staff	17	20
Miscellaneous revenue	11	10
	37	59

(a) The ERA's bank account does not form part of the consolidated fund.

Other revenue is recognised as income at the fair value when received it becomes due and payable.

4. Key assets

Assets the ERA utilises for economic benefit or service potential

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

	Notes
Plant and equipment	4.1
Right-of-use assets	4.2
Intangibles	4.3

4.1 Plant and equipment

	Computer equipment \$'000	Office equipment \$'000	Leasehold improvements \$'000	Total \$'000
Year ended 30 June 2021				
1 July 2020				
Gross carrying amount	375	30	186	591
Accumulated depreciation	(364)	(18)	(2)	(384)
Carrying amount at start of period	11	12	184	207
Additions	-	13	32	45
Disposals	-	(17)	-	(17)
Accumulated depreciation on Disposals	-	17	-	17
Depreciation	(9)	(5)	(25)	(39)
Carrying amount at 30 June 2021	2	20	191	213
Gross carrying amount	375	26	218	619
Accumulated depreciation	(373)	(6)	(27)	(406)

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 directly to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

Subsequent measurement

All plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

4.1.1 Depreciation and impairment

Charge for the period

	Notes	2021 (\$'000)	2020 (\$'000)
<i>Depreciation</i>			
Computer equipment	4.1	9	38
Office equipment	4.1	5	6
Leasehold Improvements	4.1	25	2
Vehicles	4.1	27	46
Total depreciation for the period		66	92

As at 30 June 2021, there were no indications of impairment to plant and equipment.

All surplus assets at 30 June 2021 have either been classified as assets held for sale or have been written off.

Finite 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.

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 current and prior years are included in the table below:

Asset	Useful life: years
Computer equipment	3 to 5 years
Office equipment	5 years
Leasehold Improvements	8 years

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

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.

Disclosures and legal compliance

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

4.2 Right-of-use assets

	2021 (\$'000)	2020 (\$'000)
Right-of-use assets		
Vehicles	69	94
Accumulated Depreciation	(48)	(33)
Net carrying amount	21	61

Initial recognition

Right-of-use assets are measured at cost including the following:

- 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 ERA 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 ERA 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 4.1.1.

The following amounts relating to leases have been recognised in the Statement of Comprehensive Income.

	2021 (\$'000)	2020 (\$'000)
Vehicles	27	46
Total right-of-use asset depreciation	27	46
Lease interest expense	1	1
Expenses relating to variable lease payments not included in lease liabilities	-	-
Short-term leases	-	-
Low-value leases	-	-

The total cash outflow for leases in 2021 was \$25,918 (2020 \$44,574).

The ERA has leases for vehicles and office accommodation.

The ERA has entered into a Memorandum of Understanding Agreement (MOU) with the Department of Finance for the leasing of office accommodation. This is not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.

The ERA recognises leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.

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

4.3 Intangible assets

	Computer software (\$'000)
Year ended 30 June 2021	
1 July 2020	
Gross carrying amount	46
Accumulated amortisation	(46)
Carrying amount at start of period	-
Additions	-
Amortisation expense	-
Carrying amount at 30 June 2021	-

Initial recognition

Intangible assets are initially recognised at cost. For assets acquired at significantly less than fair value, the cost is their fair value at the date of acquisition.

Acquisitions of intangible assets costing \$5,000 or more are capitalised. Costs incurred below \$5,000 are immediately expensed directly to the Statement of Comprehensive Income.

Subsequent measurement

The cost model is applied for subsequent measurement of intangible assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

4.3.1 Amortisation and impairment

Charge for the period

	2021 (\$'000)	2020 (\$'000)
Computer software	-	4
Total amortisation for the period	-	4

As at 30 June 2021, there were no indications of impairment to intangible assets. The ERA held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the ERA have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

The estimated useful life for the ERA's computer software is 3 to 5 years. This software is not integral to the operation of any related hardware.

Impairment of intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually or when an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in Note 4.1.1.

5. Other assets and liabilities

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

	Notes
Receivables	5.1
Amounts receivable for services	5.2
Other assets	5.3
Payables	5.4

5.1 Trade receivables

	2021 (\$'000)	2020 (\$'000)
Current		
Trade receivables	2,966	1,151
Accrued revenue	1,644	1,861
GST receivable	204	134
Total current	4,814	3,146
Total receivables	4,814	3,146

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net receivables is equivalent to fair value as it is due for settlement within 30 days.

There is no allowance for impairment of trade receivables as the ERA is expected to recover all amounts.

5.2 Amounts receivable for services (Holding account)

	2021 (\$'000)	2020 (\$'000)
Current	-	232
Non-current	416	345
Balance at end of period	416	577

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.

Amounts receivable for services are considered not impaired (i.e. there is no expected credit loss of the Holding account).

5.3 Other assets

	2021 (\$'000)	2020 (\$'000)
Current		
Prepayments	199	209
Total current	199	209
Non-current		
Prepayments	-	2
Total non-current	-	2
Balance at end of period	199	211

5.4 Payables

	2021 (\$'000)	2020 (\$'000)
Current		
Trade payables	240	135
Other payables	43	50
Accrued expenses	463	371
Accrued salaries	127	100
GST payable	32	16
Balance at end of period	905	672

Payables are recognised at the amounts payable when the ERA 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 is generally within 30 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 ERA considers the carrying amount of accrued salaries to be equivalent to its fair value.

Disclosures and legal compliance

6. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the ERA.

	<u>Notes</u>
Lease liabilities	6.1
Finance costs	6.2
Cash and cash equivalents	6.3
Commitments	6.4

6.1 Lease liabilities

	<u>2021</u> <u>(\$'000)</u>	<u>2020</u> <u>(\$'000)</u>
Current	10	27
Non current	11	34
	<u>21</u>	<u>61</u>

The ERA measures a lease liability, at the commencement date, at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the ERA uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments included by the ERA 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 ERA exercising an option to terminate the lease.

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.

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

This section should be read in conjunction with note 4.2.

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.

6.2 Finance costs

	<u>2021</u> <u>(\$'000)</u>	<u>2020</u> <u>(\$'000)</u>
Lease interest expense	1	1
Finance costs expensed	<u>1</u>	<u>1</u>

Finance costs include the interest component of lease liability repayments.

6.3 Cash and cash equivalents

	<u>2021</u> <u>(\$'000)</u>	<u>2020</u> <u>(\$'000)</u>
Cash and cash equivalents	6,952	6,626
Restricted cash and cash equivalents	196	167
Balance at end of period	<u>7,148</u>	<u>6,793</u>

	<u>2021</u> <u>(\$'000)</u>	<u>2020</u> <u>(\$'000)</u>
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Restricted cash and cash equivalents

Current

- Indian Ocean Territories^(a) 43 49

Non-Current

- Accrued salaries suspense account^(b) 153 118

(a) Funds provided by the Commonwealth for services undertaken by the ERA in regards to the Indian Ocean Territories.

(b) 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 and operating account that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

The accrued salaries suspense account consists of amounts paid annually, from agency 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.

6.4 Commitments

6.4.1 Non-cancellable operating lease commitments

	<u>2021</u> <u>(\$'000)</u>	<u>2020</u> <u>(\$'000)</u>
Commitments for minimum lease payments are payable as follows:		
• Within 1 year	659	659
• Later than 1 year and not later than 5 years	659	1,318
	<u>1,318</u>	<u>1,977</u>

The ERA recognises the right-of-use assets and corresponding lease liability for all non cancellable operation lease commitments, apart from short term and low value leases and leases for Government office accommodation. Refer to note 6.1.

6.4.2 Other expenditure commitments

Other expenditure commitments for operational expenditure contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

	2021 (\$'000)	2020 (\$'000)
Within 1 year	327	764
Later than 1 year and not later than 5 years	-	-
	327	764

The amounts are GST inclusive.

Judgements made by management in applying accounting policies – operating lease commitments

The ERA has a lease for office accommodation. It has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, the lease has been classified as an operating lease.

7. Financial instruments and contingencies

	Note
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:

	2021 (\$'000)	2020 (\$'000)
Financial assets		
Cash and cash equivalents	6,952	6,626
Restricted cash and cash equivalents	196	167
Financial assets at amortised cost ^(a)	5,026	3,589
Total financial assets	12,174	10,382
Financial liabilities		
Financial liabilities at amortised cost ^(b)	873	656
Total financial liabilities	873	656

(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. The ERA has no contingent assets or contingent liabilities.

8. Other disclosures

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

	Note
Events occurring after the end of the reporting period	8.1
Correction of prior period errors	8.2
Initial application of Australian Accounting Standards	8.3
Key management personnel	8.4
Related party transactions	8.5
Remuneration of auditors	8.6
Equity	8.7
Supplementary financial information	8.8
Explanatory statement	8.9

8.1 Events occurring after the end of the reporting period

There were no events occurring after the end of the reporting period.

8.2 Correction of prior period errors

During the 2020/21 financial year an error was identified, which resulted in the 2019/20 revenue for Gas Retail Markets being overstated. This error has been corrected in the current year.

8.3 Initial application of Australian Accounting Standards

AASB 1059 Service Concession Arrangements: Grantors is effective on or after 1 January 2020. This standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor's perspective. Management has assessed the ERA's service concession arrangements against the provisions of this Standard and determined that the provisions of the new Standard do not apply to these arrangements.

8.4 Key management personnel

The ERA has determined key management personnel to include cabinet ministers, Governing Body members and senior officers of the ERA. The ERA does not incur expenditure 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 members of the Governing Body (accountable authority) of the ERA for the reporting period are presented within the following bands:

Disclosures and legal compliance

Compensation band (\$)	2021	2020
140,001 - 150,000	2	2
470,001 - 480,000	1	1

No members of the Governing Body are members of the Pension Scheme.

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

Compensation band (\$)	2021	2020
100,001 - 110,000	1	-
140,001 - 150,000	1	2
150,001 - 160,000	1	-
160,001 - 170,000	1	-
180,001 - 190,000	1	1
200,001 - 210,000	1	1
230,001 - 240,000	1	-
240,001 - 250,000	1	-
250,001 - 260,000	-	2
260,001 - 270,000	-	1
270,001 - 280,000	-	-
280,001 - 290,000	1	1
380,001 - 390,000	-	-
390,001 - 400,000	1	-
400,001 - 410,000	-	1

No senior officers are members of the Pension Scheme.

The total employment benefits for the members of the accountable authority and senior officers are:

	2021 (\$'000)	2020 (\$'000)
Short-term employee benefits	2,592	2,611
Post-employment benefits	223	230
Other long-term benefits	76	73
Total compensation of key management personnel	2,891	2,914

Total compensation includes the superannuation expense incurred by the ERA in respect of the Governing Body and senior officers. Key management personnel numbers have increased from 12 in 2020 to 13 in 2021.

8.5 Related party transactions

The ERA is independent of direction or control by the State, or any Minister or officers of the State in performing its functions. However, under section 28(2) and 28(3) of the *Economic Regulation Authority Act 2003*, the relevant Minister may give direction to the ERA on administration and financial administration matters.

Related parties of the ERA include:

- all Cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- members of the Governing Body 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); and
- the Government Employees Superannuation Board (GESB).

Material transactions with other related parties

Outside of normal citizen type transactions with the ERA, 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.

8.6 Remuneration of auditors

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

	2021 (\$'000)	2020 (\$'000)
Auditing the accounts, financial statements, controls and key performance indicators	35	34

8.7 Equity

	2021 (\$'000)	2020 (\$'000)
Contributed equity		
Balance at start of period	725	725
<i>Contributions by owners</i>		
Capital appropriation	-	-
Total contributions by owners	725	725
<i>Distributions to owners</i>		
Total contributions to owners	-	-
Balance at end of period	725	725

8.8 Supplementary financial information

(a) Indian Ocean Territories

An agreement between the Treasurer and the ERA provided for the retention of moneys received by the ERA from the Commonwealth in respect of the Indian Ocean Territories. Revenue retained pursuant to this agreement is to be applied to the ERA's services. Money received by the ERA in respect of the services provided are credited to the ERA's operating bank account.

	2021 (\$'000)	2020 (\$'000)
Balance at start of period	49	53
Receipts	-	-
Payments	(6)	(4)
Balance at end of period	43	49

(b) Write-offs

There were no write-offs by the accountable authority during the financial year.

(c) Invoices not raised for minor amounts

During the financial year, invoices were not raised for Standing charges where the amount was less than \$5 or for interest on overdue invoices where the amount was less than \$5.

Invoices not raised for Standing charges in 2020-21 \$45.32

Invoices not raised for Standing charges in 2019-20 \$49.87

Invoices not raised for overdue invoices in 2020-21 \$51.54

Invoices not raised for overdue invoices in 2019-20 \$51.14

(d) Services provided free of charge

During the year, the following services were provided to other agencies free of charge for functions outside the normal operations of the ERA:

	2021 (\$'000)	2020 (\$'000)
W.A. Energy Disputes Arbitrator – administrative support	6	16
	6	16

Disclosures and legal compliance

8.9 Explanatory Statement

All variances between estimates (original budget) and actual results for 2021, and between the actual results for 2021 and 2020 are shown below. Narratives are provided for key major variances, which are greater than 10% and 1% of prior year total cost of services.

8.9.1 Statement of Comprehensive Income variances

	Variance notes	Estimate 2021 \$'000	Actual 2021 \$'000	Actual 2020 \$'000	Variance between estimate and 2021 actual \$'000	Variance between actual results for 2021 and 2020 \$'000
Statement of Comprehensive Income						
Expenses						
Employee benefits expense		11,386	10,641	10,005	(745)	636
Supplies and services	A	4,605	4,263	2,441	(342)	1,822
Depreciation and amortisation expense		99	66	96	(33)	(30)
Finance costs		5	1	1	(4)	-
Accommodation expenses		973	1,076	1,087	103	(11)
Other expenses		36	72	128	36	(56)
Total Cost of services		<u>17,104</u>	<u>16,119</u>	<u>13,758</u>		
Income						
Regulatory fees	1, B	10,470	11,996	10,712	1,526	1,284
Interest revenue		51	9	29	(42)	(20)
Other income		34	28	30	(6)	(2)
Total income other than income from State Government		<u>10,555</u>	<u>12,033</u>	<u>10,771</u>		
NET COST OF SERVICES		<u>(6,549)</u>	<u>(4,086)</u>	<u>(2,987)</u>		
Income from State Government						
Service appropriation	2, C	2,388	1,988	2,439	(400)	(451)
Income from other public sector entities	1, B	3,747	3,052	2,124	(695)	928
Resources received		266	233	268	(33)	(35)
Total income from State Government		<u>6,401</u>	<u>5,273</u>	<u>4,831</u>		
SURPLUS/(DEFICIT) FOR THE PERIOD		<u>(148)</u>	<u>1,187</u>	<u>1,844</u>		
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(148)</u>	<u>1,187</u>	<u>1,844</u>		

Budget has been restated for disclosure purposes to align with the format in the Financial Statements.

Major estimate and actual (2021) variance narratives

1. Regulatory fees and Income from other Public sector entities are a recoupment of ERA costs from industry funded functions regulated by the ERA. This income and the mix of funding sources will vary from year to year dependant on the total costs incurred by the ERA and the allocation of staff time spent on each function. Staff time spent on each of the different functions will vary dependant on timing of legislative requirements for the performance of regulatory functions and the agreed internal work program. When setting budgets the allocation of staff time to non industry funded functions such as Government Inquiries is based on historical data as it is not known at the time whether we will be given an inquiry during the year or not.
2. The ERA did not drawdown all of its service appropriation in 2021 as the actual time spent on functions funded by appropriation was less than originally budgeted. With a greater percentage of costs for the year being recovered from industry funding the requirement for appropriation to cover costs was reduced.

Major actual (2021) and comparative (2020) variance narratives

- A. Legal costs in 2021 were \$1.9 million compared to \$665,000 in 2020. This significant variation in costs can be attributed to the legal costs of \$1.7 million incurred by the ERA in defending its position before the Energy Review Board on market participant bidding behaviour.
- B. The ERA recoups its costs from industry. This revenue varies from year to year as regulatory fees are based on total expenditure and the staff time spent on industry funded functions. Total expenditure in 2021 was \$16.1 million compared to \$13.8 million in 2020. FTE equivalents at 30 June 2021 were 70 compared with 65 at 30 June 2020. Ninety four percent of FTE time was spent on industry funded work in 2020/21 compared to ninety percent of FTE time in 2019/20. The combination of a higher percentage of staff time being allocated to industry funded functions and an overall increase in costs has resulted in an increase in revenue for the year.
- C. There is no correlation between financial years for the amount of service appropriation the ERA receives. The ERA works on a cost recovery model for its funding ratios. The percentage of its costs it recovers from industry funding will be inversely proportionate to the amount it receives from appropriation. In a year where a large percentage of staff time is spent on industry funded functions the level of appropriation will be low. Conversely in a year where the ERA is involved in a complex and time consuming government inquiry a more substantial service appropriation will be received to cover these non industry funded costs.

Disclosures and legal compliance

8.9.2 Statement of Financial Position variances

All variances between estimates (original budget) and actual results for 2021, and between the actual results for 2021 and 2020 are shown below. Narratives are provided for key major variances, which are greater than 10% and 1% of the current year estimates for total assets.

	Variance notes	Estimate 2021 \$'000	Actual 2021 \$'000	Actual 2020 \$'000	Variance between estimate and 2021 actual \$'000	Variance between actual results for 2021 and 2020 \$'000
Statement of Financial Position						
ASSETS						
Current assets						
Cash and cash equivalents		6,568	6,952	6,626	384	326
Restricted cash and cash equivalents		50	43	49	(7)	(6)
Receivables	1, A	3,148	4,814	3,146	1,666	1,668
Amounts receivable for services	2, B	215	-	232	(215)	(232)
Other current assets		209	199	209	(10)	(10)
Total current assets		10,190	12,008	10,262		
Non-current assets						
Restricted cash and cash equivalents		148	153	118	5	35
Amounts receivable for services	3	180	416	345	236	71
Plant and equipment	4	359	213	207	(146)	6
Right of use assets		-	21	61	21	(40)
Intangible assets		-	-	-	-	-
Other non-current assets		2	-	2	-	-
Total non-current assets		689	803	733		
TOTAL ASSETS		10,879	12,811	10,995		
LIABILITIES						
Current liabilities						
Payables	5, C	200	905	672	705	233
Lease liabilities		27	10	27	(17)	(17)
Employee related provisions	6, D	2,357	2,677	2,257	320	420
Total current liabilities		2,584	3,592	2,956		
Non-current liabilities						
Lease liabilities		65	11	34	(54)	(23)
Employee related provisions		429	507	429	78	78
Total non-current liabilities		494	518	463	24	55
TOTAL LIABILITIES		3,078	4,110	3,419	1,032	691
NET ASSETS		7,801	8,701	7,576		
EQUITY						
Contributed equity		725	725	725	-	-
Accumulated surplus/(deficit)	7, E	6,706	7,976	6,851	1,270	1,125
TOTAL EQUITY		7,431	8,701	7,576		

Major estimate and actual (2021) variance narratives

1. Actual 2021 balances for Receivables materially vary from 2021 estimates due to the variance in regulatory fees raised for the year. The 2021 budget estimated a greater percentage of work being completed by the ERA in non-industry funded functions therefore resulting in a smaller receivables balance at year end.
2. Amounts Receivable for Services are amounts to be received from Treasury for capital purchases. The full amount budgeted for 2020/21 of \$215,000 was received during the 2020/21 year.
3. The 2020 budget balance for Non- current amounts receivable for services was understated. This has resulted in a variance of budget to actual.
4. The 2020 budget balance for plant and equipment was overstated. The original budget included the purchase of new servers. These new servers were not purchased as the ERA is in the process of moving its data to the cloud.
5. The 2020 budget balance for Payables was understated. Significant costs in the month of June related to the overall increased costs of the organisation and legal fees for the Review Board hearing have resulted in an increased payables balance at year end.
6. Actual 2021 employee related provisions were materially higher than those budgeted due to the COVID-19 pandemic. With restrictions on domestic travel and a complete ban on international travel staff took fewer and shorter periods of leave.
7. The accumulated surplus exceeded the budget as actual revenue exceeded budget. Increased revenues resulted from a higher percentage of staff time being spent on industry funded functions.

Major actual (2021) and comparative (2020) variance narratives

- A. The increase of \$1.7 million in receivables from 2020 to 2021 is due to significant costs being incurred in industry funded functions by the ERA in the fourth quarter and a greater percentage of staff time being spent on these functions. These costs are recoverable from industry and are reflected in the June quarter regulatory fees accrued.
- B. The change in the balance of Accounts receivable for services account reflects the funds having been received in full from Treasury for capital purchases.
- C. The increase in Payables from 2020 to 2021 is representative of the increased costs incurred in the month of June 2021.
- D. The increase in Employee provisions in 2021 is due to the COVID-19 pandemic. With restrictions on domestic travel and a complete ban on international travel staff took fewer and shorter periods of leave.
- E. The ERA's accumulated surplus increased by \$1.1 million in 2021 due to a greater percentage of ERA costs being able to be recovered from industry funded functions. These increased industry funded cost recoveries have not been offset by an equivalent reduction in appropriation.

Disclosures and legal compliance

8.9.3 Statement of Cash Flows variances

All variances between estimates (original budget) and actual results for 2021, and between the actual results for 2021 and 2020 are shown below. Narratives are provided for key major variances, which are greater than 10% and 1% of prior year total cost of services.

	Variance notes	Estimate 2021 \$'000	Actual 2021 \$'000	Actual 2020 \$'000	Variance between estimate and 2021 actual \$'000	Variance between actual results for 2021 and 2020 \$'000
Statement of Cash Flows						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation	1, A	2,338	1,988	2,439	(350)	(451)
Funds from other public sector entities	2	3,755	2,333	2,213	(1,422)	120
Holding account drawdown		232	161	30	(71)	131
Net cash provided by State Government		6,325	4,482	4,682		
Utilised as follows:						
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits	3	(11,772)	(10,114)	(9,370)	1,658	(744)
Supplies and services	B	(4,063)	(4,031)	(2,650)	32	(1,381)
Finance costs		(9)	(1)	(1)	8	-
Accommodation		(988)	(868)	(900)	120	32
GST payments on purchases	4, C	(327)	(520)	(370)	(193)	(150)
Other payments		(28)	(72)	(35)	(44)	(37)
Receipts						
Regulatory fees	2	10,562	11,046	10,963	484	83
Interest received		51	9	29	(42)	(20)
GST receipts on sales		86	60	44	(26)	16
GST receipts from taxation authority	5, D	203	405	293	202	112
Other receipts		34	28	30	(6)	(2)
Net cash provided by/(used in) operating activities		(6,251)	(4,058)	(1,967)		
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current physical assets	E	(63)	(43)	(199)	20	156
Net cash provided by/(used in) investing activities		(63)	(43)	(199)		
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments						
Principal elements of lease payments		(38)	(26)	(45)	12	19
Net increase/(decrease) in cash and cash equivalents		(27)	355	2,471		
Cash and cash equivalents at the beginning of period		6,793	6,793	4,322		
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		6,766	7,148	6,793		

Budget has been restated for disclosure purposes to align with the format in the Financial Statements.

Major estimate and actual (2021) variance narratives

1. The ERA did not drawdown all of its service appropriation in 2021 as it had sufficient funds in its bank account.
2. The 2020 budget balance for Funds from other public sector entities and regulatory fees were incorrectly stated. This error has resulted in a variance of budget to actual in both categories.
3. Actual 2021 cash payments for employee benefits were lower than those budgeted due to increases in employee provisions. With restrictions on domestic travel and a complete ban on international travel staff took fewer and shorter periods of leave.
4. Actual cash GST cash payments were higher than budget due to the increased expenditure for 2021.
5. Actual cash receipts for GST received from the taxation office were higher than budgeted due to more GST having been paid than budgeted as a result of increased purchases in 2021.

Major actual (2021) and comparative (2020) variance narratives

- A. The variance in appropriation between 2021 and 2020 is due to changes in the percentage of work completed by the ERA for which costs are recovered from industry funding and costs which are recovered by appropriation. This will always vary from year to year dependant on our work program for the year.
- B. The significant increase in cash payments for supplies and services from 2020 to 2021 can be attributed to increased legal costs for the year. Legal fees of \$1.7 million paid for the Review Board hearing into Synergy's alleged misuse of market power make up the majority of this increase.
- C. GST payments on purchases was \$520,000 (41%) more than in 2020. This increase in GST on payments for purchases from 2020 to 2021 is a direct result of the overall increased costs. Supplies and services, which in most instances are subject to GST have increased by 70 percent from 2020 to 2021. The flow on effect of this increase in costs is an increase in GST paid.
- D. With increased GST paid on purchases and GST received on receipts not increasing by a similar amount the net result will be an increased refund of GST from the ATO in 2021.
- E. The decrease in payments used for the purchase of non-current physical assets from 2020 to 2021 is due to changes from one year to the next for capital asset replacements.

Certification of key performance indicators

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Economic Regulation Authority's performance, and fairly represent the performance of the Economic Regulation Authority for the financial year ended 30 June 2021.



Ms Catherine Lewis
Chief Finance Officer

23 August 2021



Mr Stephen Edwell
Chair of Accountable Authority

23 August 2021



Dr Ray Challen
Member of Accountable Authority

23 August 2021



Mr Greg Watkinson
Member of Accountable Authority

23 August 2021

Key performance indicators

The ERA is Western Australia's independent economic regulator. Our role is to regulate the gas, electricity and rail industries, and license providers of gas, electricity and water services. We also conduct inquiries into economic matters referred to us by the State Government, provided support to the independent Rule Change Panel, and have a range of regulatory and review roles in the Wholesale Electricity Market and retail gas market.

We aim to ensure that the delivery of water, electricity, gas and rail services in Western Australia is in the long-term interest of consumers. Our functions are designed to maintain a competitive, efficient and fair commercial environment.

The ERA contributes to the government goal of "Better places: A quality environment with liveable and affordable communities and vibrant regions." Our desired outcome in support of this goal is "the efficient, safe and equitable provision of utility services in Western Australia."

Our role means we cannot achieve this outcome directly but can play a part in its achievement. Our contribution to this goal is embedded in our strategic plan, which states that the ERA's purpose is "to promote the interests of Western Australian consumers through independent regulation, analysis and advice, now and into the future."

Under the *Economic Regulation Authority Act 2003*, the ERA's key performance indicators are limited to management functions, including financial management. The ERA Secretariat prepares submissions that are considered by the Governing Body when making a decision. Our performance indicators are therefore the quality, quantity and cost of those submissions.

Key effectiveness indicators

The ERA's key effectiveness indicators are:

Quantity: The number of submissions made to the ERA Governing Body.

Quality: The rating by the ERA Governing Body of the content, accuracy and presentation of these submissions.

Timeliness: The percentage of submissions provided by the required deadline.

The rating by the ERA Governing Body as to their perception of the timeliness of submissions.

2020/21 performance – Effectiveness

Quantity

The Governing Body considered 209 submissions during 2020/21. The Governing Body met 28 times during the year to consider 108 submissions. 101 submissions were reviewed electronically out of session.

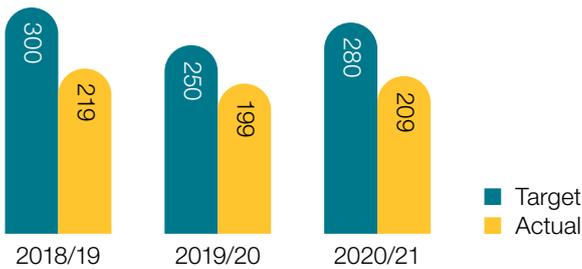
The total number of submissions was lower than the 2020/21 target of 280. Additional functions that were anticipated with the introduction of the *Pilbara Networks Access Code 2020* and changes to the *Electricity Networks Access Code*, scheduled to commence in 2020/21 have been delayed until 2021/22. These additional functions estimated that 51 submissions would need to be considered by the Governing Body. In addition, the review of Western Power's access arrangement was also delayed until 2021/22.

The Governing Body considered 10 submissions more in 2020/21 than they did in 2019/20.

Disclosures and legal compliance

The target number of submissions is based on estimates provided by each division at the beginning of the year. The actual and target number of submissions varies on an annual basis due to the cyclical nature of regulation.

Quantity (Submissions)



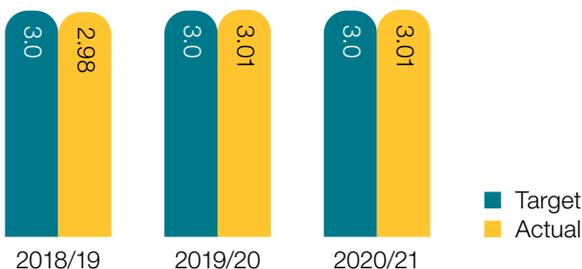
Quality

At each meeting, the Governing Body considers the relevance, accuracy and readability of the Secretariat's submissions and provides an overall rating of their satisfaction using a scale of one to five.¹

The Governing Body rates a submission as 3.0 (satisfactory) if it meets expectations for quality. The target that was set at the beginning of the year was 3.0.

For 2020/21, the average rating for quality of submissions was 3.01. This was slightly over the target.

Quality (Submissions)



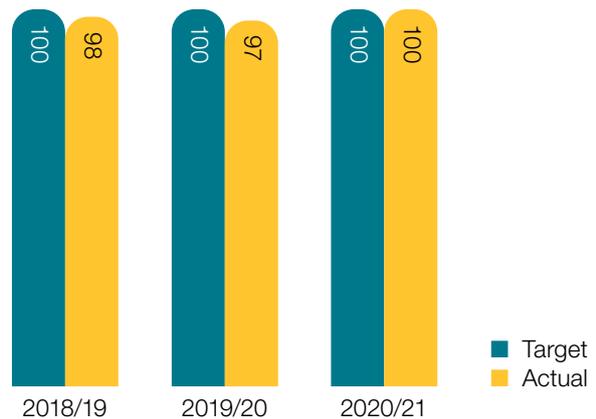
¹ Rating scale: One = well below expectations, two = below expectations, three = satisfactory, four = above expectations and five = well above expectations.

Timeliness – Legislative deadlines achieved

In 2020/21, 35 of the 209 submissions were for decisions with legislative time limits, compared to 39 out of 199 submissions in 2019/20.

All 35 submissions with legislative deadlines were completed on time.

Timeliness (Legislative deadlines achieved) (%)



Timeliness – Governing Body rating

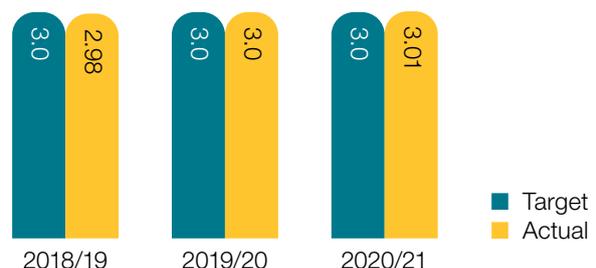
The Secretariat tracks internal deadlines for providing submissions to the Governing Body, in addition to measuring legislative timeframes.

The Governing Body rates each submission for timeliness, using the same scale of one to five used for quality, at each meeting.

The Governing Body rates a submission at 3.0 (satisfactory) if it meets their expectations for timeliness. The target that was set at the beginning of the year was 3.0.

The average rating for timeliness for the year was 3.01, which was slightly above the 2020/21 target of 3.0.

Timeliness – Governing Body rating



Key efficiency indicator

The ERA's key efficiency indicator is cost per submission made to the Governing Body. The cost includes staffing costs and any other resources involved in preparing the submission.

2020/21 performance – Efficiency

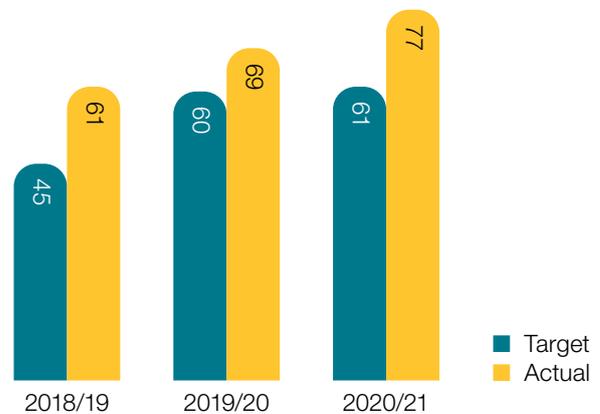
The total cost of the ERA's operations for 2020/21 was \$16.119 million, compared to an expenditure limit of \$17.104 million published in the budget estimates.

There were 209 submissions compared to the target of 280.

The average cost per submission was \$77,124 against the target of \$60,829. The actual average cost per submission was higher than the target due to the number of submissions being lower than expected due to additional functions that were anticipated with the introduction of the *Pilbara Networks Access Code 2020* and changes to the *Electricity Networks Access Code*, scheduled to commence in 2020/21 being delayed until 2021/22.

	2018/19 actual	2019/20 actual	2020/21 target	2020/21 actual
Cost of services (\$ million)	13.411	13.758	17.104	16.119
Number of submissions	219	199	280	209
Average cost of submission (\$000)	61	69	61	77

Average cost (Per submission) (\$000)



Ministerial directives

The ERA is independent of direction or control by the State or any Minister of officer of the State in performing its regulatory functions.

However, under sections 28(2) and 28(3) of the *Economic Regulation Authority Act 2003*, the Treasurer may give direction in writing to the ERA on administration matters. No ministerial directions were received during 2020/21.

Other financial disclosures

Pricing policies of services provided

The ERA receives funding from regulated industries. This funding is on a full cost recovery basis.

The following table provides information about the instruments that allow this funding, the types of charges that can be made, and who is to pay.

Instrument	Type of charge	Liability
<i>Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012</i>	Specific charge Standing charge Document fee Interest fee	Regulated electricity networks
<i>Economic Regulation Authority (Licensing Funding) Regulations 2014</i>	Specific charge Standing charge Annual licence fee Interest charge	Gas licensees Water licensees Electricity licensees
<i>Economic Regulation Authority (National Gas Access Funding) Regulations 2009</i>	Specific charge Standing charge Document fee Meeting admission fee Interest charge	Regulated gas pipelines
<i>Economic Regulation Authority (Railways Access Funding) Regulations 2019</i>	Specific charge Standing charge	Regulated railways
Gas Retail Market Procedures	Regulator's fee	Market participants
Gas Services Information Rules	Regulator's fee	Market participants
<i>Water Services Act 2012</i>	Auditor's fee	Water licensees
Wholesale Electricity Market Rules	Regulator's fee	Market participants

Specific charge: Pass through of costs associated with an activity carried out for a particular service provider.

Standing charge: Calculation of costs to recover salaries and overheads that are not directly attributed to a particular service provider.

Annual licence fee: A fee set by the regulations that is charged to a licensee for each licence they hold on the anniversary of the licence grant date.

Document fee: Any cost of producing and providing documents prepared by, or on behalf of, the ERA.

Meeting admission fee: Any charge for admission to a meeting held by the ERA for the purposes of public consultation.

Regulator's fee: Calculation of costs to recover salaries and overhead costs of carrying out our Wholesale Electricity Market Rules and Gas Services Information Rules functions. Until 30 June 2021, this fee included the costs of the independent Rule Change Panel.

Auditor's fee: Recovery of costs relating to engaging an independent auditor to undertake audits and reviews of asset management systems operated by water licensees.

Interest charge: Payable on any amount not paid within the allowed period of 30 days.

Under an agreement with the Commonwealth, the ERA is responsible for licensing water and electricity utilities on the Christmas and Cocos islands. Applications for licenses are yet to be received. Any costs incurred as a result of pre-lodgement negotiations will be recovered from the Commonwealth Government based on an agreed amount.

Under the instruments allowing charges on regulated electricity, gas and rail industries and the licensing regime, the ERA must disclose the total amount of standing and specific charges paid or payable in respect of the financial year to which the annual report relates from each entity in our annual report. This information is provided in the table below.

Industry charges 2020/21

Service provider	Standing charges \$	Specific charges \$ (inc. GST)
AER Retail Pty Ltd	5.81	-
AGL Sales Pty Limited	26,713.73	123.60
Alcoa of Australia Ltd	8,990.38	-
Alinta Co-generation (Pinjarra) Pty Ltd	9,553.34	-
Alinta Co-generation (Wagerup) Pty Ltd	11,975.80	-
Alinta DEWAP Pty Ltd	7,802.46	-
Alinta Energy (Chichester) Pty Ltd	2,047.14	-
Alinta Energy Transmission (Chichester) Pty Ltd	1,885.74	-
Alinta Energy Transmission (Roy Hill) Pty Ltd	9,820.41	-
Alinta Sales Pty Ltd	180,636.08	108.15
Amanda Energy Pty Ltd	53.35	-
Aqua Ferre (Muchea) Pty Ltd	-	462.90
Aquasol Pty Ltd	21.28	-
ARC Infrastructure	83,972.38	52,197.82
ATCO Gas Australia Pty Ltd	896,397.51	3,181.60
ATCO Power Australia (Karratha) Pty Ltd	3,275.43	-
BEI WWF Pty Ltd as Trustee for WWF Trust	6,141.43	-
BHP Billiton Nickel West Pty Ltd	178.84	6,062.00
BHP Iron Ore Pty Ltd	-	5,732.95
Blue Star Energy Pty Ltd	13.25	-
Bluewaters Power 1 Pty Ltd	7,823.95	-
Bluewaters Power 2 Pty Ltd	7,823.50	-
Bunbury Water Corporation	10,575.60	-
Busselton Water Corporation	8,372.93	92.70
Change Energy	56.94	-
City of Kalgoorlie-Boulder	7,944.20	108.15
CleanTech Energy Pty Ltd	36.49	-
Collgar Wind Farm Pty Ltd	7,028.54	-
DBNGP (WA) Nominees Pty Ltd	1,097,568.80	274,414.35
EDL NGD (WA) Pty Ltd	1,262.40	-
EDWF Holdings 1 Pty Ltd & EDWF Holdings 2 Pty Ltd	2,729.52	-
Electricity Generation and Retail Corp (Synergy)	326,231.31	108.15
Electricity Networks Corporation (Western Power)	1,665,508.96	18,993.51
Esperance Gas Distribution Company Pty Ltd	148.63	-
Esperance Power Station Pty Ltd	742.59	-
Gascoyne Water Co-operative Limited	104.92	-
Goldfields Gas Transmission Pty Ltd	444,954.40	-
Goldfields Power Pty Ltd	3,753.57	108.15
Hamersley Iron Pty Ltd	1,178.82	-
Harvey Water (SWIMCO)	230.97	1,733.60
IPower2 Pty Ltd & IPower Pty Ltd	9,450.34	-
Karara Power Pty Ltd	3,069.17	-

Disclosures and legal compliance

Service provider	Standing charges \$	Specific charges \$ (inc. GST)
Lancelin South	5.81	-
Landfill Gas & Power	-	123.61
Merredin Energy Pty Ltd	2,797.77	-
Merredin Solar Farm Nominee Pty Ltd	4,503.72	-
Mumbida Wind Farm Pty Ltd	1,876.55	-
Newgen Neerabup Partnership Pty Ltd	11,279.77	-
Newgen Power Kwinana Pty Ltd	11,184.24	-
Newmont Power Pty Ltd	49.72	216.30
North Western Energy Pty Ltd, Pacific Hydro Group Two Pty Ltd & Energis Australia Pty Ltd	5,222.41	-
Ord Irrigation Cooperative Limited	37.38	-
Origin Energy Retail Ltd	5,693.46	-
Peel Renewable Energy Pty Ltd	-	154.50
Perth Energy Pty Ltd	287.07	-
Perth Power Partnership	4,179.60	-
Public Transport Authority	83,972.39	-
RATCH-Aust Kemerton Pty Ltd	10,576.92	-
Regional Power Corporation (Horizon Power)	43,594.25	-
Robe River Mining Co Pty Ltd	203.20	-
Rottneest Island Authority	244.51	-
Roy Hill Infrastructure Pty Ltd	83,972.37	-
Shell Energy Retail Pty Ltd	12.11	139.05
Shire of Dumbleyung	-	92.70
Shire of Gnowangerup	-	108.15
Shire of Lake Grace	-	92.70
South West Irrigation Management Co-operative Ltd	440.14	5,223.16
South32 Worsley Alumina Pty Ltd	3,906.63	-
Southern Cross Pipelines Pty Ltd	59,707.75	-
SRV GRSF Pty Ltd	1,364.77	-
TEC Desert Pty Ltd and TEC Desert No. 2 Ltd	17,518.44	617.40
TEC Hedland Pty Ltd	5,118.32	-
The Pilbara Infrastructure Pty Ltd	83,972.37	-
Tronox Management Pty Ltd	1,535.36	-
Walkaway Wind Power Pty Ltd	3,040.01	-
Water Corporation	729,908.32	108.15
Wesfarmers Kleenheat Gas Pty Ltd	84,366.61	-
Western Energy Pty Ltd	3,718.98	-
Wind Portfolio Pty Ltd	4,435.48	-
WR Carpenter No 1 Pty Ltd	3,946.89	-
Yandin WF P/L as T/F Yandin WF Unit Trust	7,308.32	-
Totals	6,136,062.55	370,303.33

Capital works

Capital works 2020/21

Capital item	Amount \$ (excluding GST)
Office equipment	13,000
Computer hardware	0
Leasehold improvements	32,000

Employment and industrial relations

The ERA's staff are employed under the *Public Service Award 1992* and the *Public Service and Government Officers SCA General Agreement 2019*.

No industrial disputes were recorded during 2020/21.

At 30 June 2021, the ERA employs 71 public sector staff, three Governing Body members, three Rule Change Panel members and a Chief Executive Officer. The Rule Change Panel was abolished on 1 July 2021.

Staff numbers by category of employment 2020/21

Employment category	Number of staff at 30 June 2020	Number of staff at 30 June 2021
Permanent full-time	55	59
Permanent part-time	6	10
Part-time measured on an FTE basis	4.5	6.9
Fixed term full-time	6	2
Fixed term part-time	1	0
Total employees	68	71
Total FTE	65.5	67.9

Staff numbers by gender 2020/21

Employment category	Male	Female	Total
Permanent full-time	30	29	59
Permanent part-time	1	9	10
Part-timed measured on an FTE basis	0.9	6	6.9
Fixed term full-time	1	1	2
Fixed term part-time	0	0	0
Total employees	32	39	71
Total FTE	31.9	36	67.9

Staff development

In 2020/21, ERA staff were offered a series of training programs, including managing a virtual workplace, having difficult conversations, influencing and persuasion skills, and project management.

The ERA continued its participation in the successful inter-agency government mentoring program, with four staff participating in the 2021 program, either as mentors or mentees.

The ERA employed a graduate for its graduate program, who spent three months at the Department of Jobs, Tourism, Science and Innovation, as well as rotating through different areas of the ERA. The graduate also participated in training programs organised by the Public Sector Commission.

Employee health and wellbeing

The ERA organised a series of wellness and mental health information sessions as part of Wellness Week. Topics included developing resilience, stress management and responsive mental health.

The ERA also organised flu vaccinations, skin checks and meditation classes for staff.

Disclosures and legal compliance

The ERA has a contract with PeopleSense to provide confidential counselling to employees and their family members. PeopleSense provided 28 sessions in 2020/21.

In response to COVID-19, regular updates and safety messages were provided during staff meetings and through emails and the intranet.

Workers' compensation

The ERA complies with the requirements of the *Occupational Safety and Health Act 1984* and the *Workers' Compensation and Injury Management Act 1981*.

There was one workers' compensation claim filed during 2020/21, which was still active at the end of 2020/21.

The OHS Committee has been regularly reminding staff to report any incidents at the staff meeting. A comprehensive review of information available on the intranet was undertaken.

Unauthorised use of credit cards

Officers hold corporate credit cards where their functions warrant use of this facility. Staff are regularly reminded of the obligations to comply with our credit card policy.

In 2020/21, there was no unauthorised use of credit cards.

Governance disclosures

Board and committee remuneration

Gross remuneration does not include accruals, travel allowance and/or reimbursements, Fringe Benefits Tax or superannuation.

ERA Governing Body

Position	Name	Type of remuneration	Period of membership	Gross remuneration in 2020/21 (\$)
Chair	Nicola Cusworth	Annual	01/07/2020 – 30/06/2021	370,966
Member	Greg Watkinson	Annual	01/07/2020 – 30/06/2021	131,723
Member	Ray Challen	Annual	01/07/2020 – 30/06/2021	131,723
Total				634,412

Rule Change Panel

Position	Name	Type of remuneration	Period of membership	Gross remuneration in 2020/21 (\$)
Chair	Peter Kolf	Annual	01/07/2020 – 30/06/2021	75,987
Member	Shaun Dennison	Annual	01/07/2020 – 30/06/2021	41,792
Member	Roland Sleeman	Annual	01/07/2020 – 30/06/2021	41,792
Total				159,571

The Rule Change Panel was abolished on 1 July 2021.

Shares

As at 30 June 2021, no senior officers, firms of which senior officers are members, or entities which senior officers have substantial interests, had any interest in existing or proposed contracts with the ERA other than normal contracts of employment or service.

Other legal requirements

Expenditure on advertising, market research, polling and direct mail

Under Section 175ZE of the *Electoral Act 1907*, all public sector agencies must disclose any expenditure on advertising, market research, polling and direct mail.

Expenditure	Service provider	Amount (\$)
Advertising	State Law Publisher	2,991
	Initiative	8,612
Market research	Advantage Communications & Marketing Pty Ltd	1,204
Polling	NA	Nil
Direct mail	NA	Nil
Media advertising	NA	Nil
Total		12,807

Disability Access and Inclusion Plan

The ERA's Disability Access and Inclusion Plan covers the period 2018 to 2022. The plan includes 19 strategies across seven outcomes that intend to ensure that people with disability can equally access and interact with the ERA.

New staff are given an understanding of the plan as part of the ERA's induction program.

Disability Access and Inclusion Plan outcomes

1. People with disability have the same opportunities as other people to access the services of, and any events organised by, the ERA.
2. People with disability have the same opportunities as other people to access the building and other facilities of the ERA.
3. People with disability receive information from the ERA in a format that will enable them to access the information as readily as other people are able to access it.
4. People with disability receive the same level and quality of service from ERA staff as others.
5. People with disability have the same opportunities as others to make complaints to the ERA.
6. People with disability have the same opportunities as others to participate in any public consultation by the ERA.
7. People with disability have the same opportunities as others to obtain and maintain employment with the ERA.

Compliance with public sector standards and codes of ethics

The ERA is committed to promoting integrity in official conduct and achieving high standards of compliance with Public Sector Standards, the Public Sector Code of Ethics and the ERA's Code of Conduct.

Staff undertake mandatory training including:

- Public sector introduction (for staff new to the sector)
- Accountable and ethical decision-making.
- Record keeping.
- Equal opportunity law.

Public sector standards compliance issues 2020/21

Compliance issues with public sector standards	0
Compliance issues with the Code of Ethics	0
Compliance issues with the ERA Code of Conduct	0

Record keeping

The ERA reviewed its Record Keeping Plan in 2019 and submitted a revised Plan to the State Records Commission for approval at the end of June 2021. The State Records Commission is scheduled to assess the Plan in mid-November 2021.

As part of the development of the revised Plan, the ERA reviewed the efficiency and effectiveness of its record keeping systems and training program. Both were found to be efficient and effective.

All ERA staff receive a records induction as part of the broader induction program. This includes a meeting with the Records Coordinator, an overview of record keeping responsibilities under the *State Records Act 2000*, and an introduction to the ERA's records management system.

Complaints handling

The ERA may receive complaints in three main areas: the administration of the Secretariat, employment, and its regulatory functions.

Administration and employment-related complaints are dealt with under the Western Australian Public Sector Code of Ethics, and the ERA's Code of Conduct and conflict of interest policy.

Government policy requirements

Substantive equality

The ERA ensures that all people are treated fairly and recognised for diversity. More than 60 per cent of the ERA's staff come from culturally diverse backgrounds.

Principles of equality are reflected in all ERA policies and processes. Every year, new staff are encouraged to undergo training in equal opportunity law, delivered by officers from the Equal Opportunity Commission.

Occupational safety, health and injury management

The ERA's executive team is committed to providing a safe, healthy and accident-free workplace for staff, contractors and visitors, and complying with the *Occupational Safety and Health Act 1984* and *Workers' Compensation and Injury Management Act 1981*.

In 2020/21, with staff continuing to work flexibly due to the pandemic, the ERA provided ergonomic assessments for the home offices of staff when requested.

Performance against OSH targets in 2020/21

Indicator	2020/21 target	2020/21 actual
Number of fatalities	0	0
Lost time injury/disease incidence rate (%) ¹	0	1.41
Lost time injury severity rate (%) ²	0	100
Percentage of injured workers returned to work within (%) (i) 13 weeks (ii) 26 weeks	100	0
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities (%)	Greater than or equal to 80	85

¹ This is the number of lost time injury and disease claims lodged where one day or shift or more was lost from work. The number of employees is the agency's full-time equivalent (FTE) figure. The number of LTI/Ds is divided by the number of employees, then multiplied by 100.

² This is a measure of incident or accident prevention and the effectiveness of injury management. The severity rate is the number of severe lost time injuries and diseases (actual or estimated 60 days or more lost from work) divided by the number of LTI/D claims multiplied by 100.



Appendices

Appendix 1 Legislation

Establishing and functional legislation

The ERA was established by the *Economic Regulation Authority Act 2003*. This Act gives us functions to carry out inquiries and other functions under the following Acts of Parliament:

- *Energy Coordination Act 1994*
- *National Gas Access (WA) Act 2009*
- *Railways (Access) Act 1998*
- *Water Services Act 2012*

The ERA Act also allows for the ERA to be given functions under other Acts of Parliament. The enactments that have effect as at 30 June 2021 are:

- *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013*
- *Electricity Industry Act 2004*
- *Energy Industry (Rule Change Panel) Regulations 2016*
- *Electricity Industry (Pilbara Networks) Regulations 2021*
- *Gas Services Information Act 2012*
- *Gas Services Information Regulations 2012*

Administered legislation

The ERA administers codes which regulate the conduct of utility service providers:

- *Code of Conduct for the Supply of Electricity to Small Use Customers 2018*
- *Gas Marketing Code of Conduct 2017*
- *Water Services Code of Conduct (Customer Services Standards) 2018*

Legislation that allows the ERA to recover costs from industry

- *Economic Regulation Authority (Electricity Networks Access Funding) Regulations 2012*
- *Economic Regulation Authority (Licensing Funding) Regulations 2014*
- *Economic Regulation Authority (National Gas Access Funding) Regulations 2009*
- *Economic Regulation Authority (Railways Access Funding) Regulations 2019*
- *Electricity Industry (Pilbara Networks) Regulations 2021*
- *Gas Services Information Rules (Rule 110A)*
- *Retail Market Procedures (WA) (Procedure 362B)*
- *Wholesale Electricity Market Rules (Rule 2.24.5)*

Other legislation affecting the ERA's activities

Gas

- *Energy Coordination Regulations 2004*
- *Energy Coordination (Customer Contracts) Regulations 2004*
- *Energy Coordination (Last Resort Supply) Regulations 2005*
- *Energy Coordination (Ombudsman Scheme) Regulations 2004*
- *Energy Coordination (Retail Market Schemes) Regulations 2004*
- *National Gas Access (WA) (Local Provisions) Regulations 2009*
- *National Gas Access (WA) (Part 3) Regulations 2009*

Electricity

- *Electricity Corporations Act 2005*
- *Electricity Corporations (Pilbara Prescribed Customers) Order 2021*
- *Electricity Industry (Access Code Enforcement) Regulations 2005*
- *Electricity Industry (Code of Conduct) Regulations 2005*
- *Electricity Industry (Customer Contracts) Regulations 2005*
- *Electricity Industry (Customer Transfer) Code 2016*
- *Electricity Industry (Licence Conditions) Regulations 2005*
- *Electricity Industry (Metering) Code 2012*
- *Electricity Industry (Network Quality and Reliability of Supply) Code 2005*
- *Electricity Industry (Obligation to Connect) Regulations 2005*
- *Electricity Industry (Ombudsman Scheme) Regulations 2005*
- *Electricity Industry (Wholesale Electricity Market) Regulations 2004*
- *Electricity Networks Access Code 2004*

Rail

- *Railways (Access) Code 2000*

Water

- *Water Services Regulations 2013*

Appendix 2 Senior staff

Governing Body

Nicky Cusworth	Chair
Ray Challen	Member
Greg Watkinson	Member

Secretariat

Jenness Gardner	Chief Executive Officer
Lorna Clarke	Legal Coordinator
Sarah Costa	Legal Coordinator
Natalie Warnock	Manager Strategic Communications

Corporate Services

Pam Herbener	Director Corporate Services
Roshan Fernandes	Manager Human Resources
Catherine Lewis	Manager Finance

Energy Markets

Rajat Sarawat	Executive Director
Bruce Layman	Chief Economist
Manuel Arapis	Assistant Director Strategic Projects
Sara O'Connor	Assistant Director Market Regulation
Adrian Theseira	Assistant Director Compliance and Enforcement

Regulation and Inquiries

Paul Kelly	Executive Director
Jason Dignard	Principal Regulatory Advisor
Robert Pullella	Principal Advisor
Paul Reid	Assistant Director Utility Services Regulation
Tyson Self	Assistant Director Gas
Boon Tan	Assistant Director Research and Modelling
Jeremy Threlfall	Assistant Director Rail
Elizabeth Walters	Assistant Director Electricity

Appendix 3 Decisions and publications

Date	Title of notice
July 2020	
6 July 2020	2020 Consumer Price Index adjustments – Electricity Networks Access Code 2004
7 July 2020	Approval of 2020/21 ancillary services requirements
13 July 2020	Harvey Water – Licence renewal application
17 July 2020	Review of Western Power’s model service level agreement – Publication of submissions and extension of time for final findings
17 July 2020	Gas Marketing Code Consultative Committee – Call for expressions of interest
17 July 2020	Amendments to the Western Australian Gas Retail Market Scheme – Decision
20 July 2020	Blue Star Energy Pty Ltd – 2020 performance audit
23 July 2020	Harvey Water – 2019 operational audit and asset management system review
24 July 2020	Western Power’s technical rules – Updated list of exemptions
27 July 2020	Procedure change proposal – Monitoring protocol – Publication of updated monitoring protocol
31 July 2020	Wholesale Electricity Market Rules and Gas Services Information Rules – Compliance report
31 July 2020	BHP Billiton Nickel West Pty Ltd – Public consultation on water services licence application
August 2020	
11 August 2020	Determination of 2020 weighted average cost of capital for rail networks – Publication 2020 determination
14 August 2020	Proposed revised access arrangement for the Dampier to Bunbury Natural Gas Pipeline – Draft decision
24 August 2020	Arc Infrastructure proposed costs for grain routes - Approval
26 August 2020	Harvey Water – Decision to renew water services licence WL31
26 August 2020	2020 energy price limits – ERA publishes final decision
31 August 2020	Review of Western Power’s model service level agreement – Publication of final findings
September 2020	
1 September 2020	BHP Billiton Nickel West Pty Ltd’s application for a water services licence – Publication of submissions
4 September 2020	Horizon Power – 2020 performance audit
7 September 2020	Economic Regulation Authority’s weighted average cost of capital – Update of debt risk premium process
14 September 2020	Gas Marketing Code Consultative Committee – Appointment of members for 2020 to 2022
15 September 2020	Procedure change proposal: Calculation of benchmark reserve capacity price – Review of the market procedure
15 September 2020	BHP Billiton Nickel West Pty Ltd – Decision to grant water service licence
16 September 2020	Approval of AEMO’s revised 2020/21 load following ancillary service requirements
16 September 2020	Muchea Water – Public consultation on application to amend water services licence WL51
17 September 2020	Proposed revised access arrangement for the Dampier to Bunbury Natural Gas Pipeline – Extension of revision period and public consultation period
23 September 2020	Peel Renewable Energy Pty Ltd – Minor amendment to electricity distribution licence EDL7, electricity retail licence ERL28 and standard form contract
29 September 2020	AEMO DER in-period funding proposal

Appendices

Date	Title of notice
October 2020	
1 October 2020	Wholesale Electricity Market review 2020 – Publication of report
2 October 2020	2020 review of two market rules intended to incentivise the availability of generators – Release of draft report
6 October 2020	Economic Regulation Authority's weighted average cost of capital – Publication of updated debt risk premium process
8 October 2020	Proposed revised access arrangement for the Dampier to Bunbury Natural Gas Pipeline – Revisions to the proposed revised access arrangement
8 October 2020	Blair Fox Energy Retail Pty Ltd – 2020 performance audit
20 October 2020	BHP Billiton Nickel West Pty Ltd – Licence renewal application
23 October 2020	Non-scheme and light regulation financial reporting requirements – Publication of updated financial reporting templates
27 October 2020	Muchea Water – Amendment of water services licence WL51
November 2020	
5 November 2020	Framework and approach for Western Power's fifth access arrangement review – Consultation
6 November 2020	Proposed revised access arrangement for the Dampier to Bunbury Natural Gas Pipeline – Public submissions received
6 November 2020	Market procedure review – Benchmark reserve capacity price – Publication of amended market procedure
9 November 2020	Western Power – 2019/20 service standard performance report
9 November 2020	Australian Energy Market Operator in-period funding for Distributed Energy Resources Roadmap activities – Draft findings
20 November 2020	Proposed revised access arrangement for the Dampier to Bunbury Natural Gas Pipeline – Position paper on pipeline and reference services
24 November 2020	Arc Infrastructure – Adjustments to incremental and total costs for 2017, 2018 and 2019
25 November 2020	Goldfields Gas Pipeline – Reference tariff variation – 1 January 2021
30 November 2020	Electricity Code Consultative Committee – Public consultation – 2019-22 review of the Code of Conduct for the Supply of Electricity to Small Use Customers
30 November 2020	Annual reports on the operation of the electricity and gas licensing schemes and licensees' compliance with the schemes
30 November 2020	Annual data report and data 2019/20 – Energy distributors
December 2020	
1 December 2020	Annual report on the operation of the water licensing scheme and licensees' compliance with the scheme
3 December 2020	Mid-West and South-West Gas Distribution Systems – Reference tariff variation – 1 January 2021
7 December 2020	Water supply, sewerage and irrigation performance data 2015 to 2020
7 December 2020	Proposed revised access arrangement for the Dampier to Bunbury Natural Gas Pipeline – Public submissions received on position paper
8 December 2020	Perth Energy Pty Ltd – 2020 performance audit
10 December 2020	Mid-West and South-West Gas Distribution Systems – Reference tariff variation – 1 January 2021
10 December 2020	Framework and approach for Western Power's fifth access arrangement review – Publication of submissions
15 December 2020	Southern Cross Energy Partnership – Invitation for public submissions – Application to amend electricity transmission licence ETL4
15 December 2020	Gas Marketing Code Consultative Committee – Public consultation- 2020/21 review of the Gas Marketing Code of Conduct

Date	Title of notice
16 December 2020	Simply Energy – 2020 performance audit
17 December 2020	AEMO in-period funding for Distributed Energy Resources Roadmap activities - Determination
18 December 2020	CleanTech Energy Pty Ltd – 2020 performance audit
21 December 2020	Shire of Gnowangerup – Consultation on licence renewal application
21 December 2020	Wesfarmers Kleenheat Gas Pty Ltd – 2020 asset management review
22 December 2020	BHP Billiton Nickel West Pty Ltd – Decision to renew electricity retail licence ERL2
29 December 2020	2020 review of two market rules intended to incentivise the availability of generators – Release of final report
January 2021	
7 January 2021	Hamersley Iron Pty Ltd – Approval of minor amendments to financial hardship policy
8 January 2021	Horizon Power – 2020 asset management system review report
8 January 2021	Synergy – Licence renewal application and amended standard form contract – Public consultation
11 January 2021	Western Power – 2020 performance audit and asset management system review
13 January 2021	Wesfarmers Kleenheat Gas Pty Ltd – 2020 performance audit
27 January 2021	Western Power’s application for network control service costs in the Eastern Goldfields – Extension of time for determination
28 January 2021	WR Carpenter No. 1 Pty Lt – 2020 performance audit and asset management system review
28 January 2021	Southern Cross Energy Partnership – Licence renewal application
28 January 2021	Report to the Minister on the Economic Regulation Authority’s compliance
29 January 2021	Rail access proposal for Arc Infrastructure network – Determination of costs – Call for public submissions
29 January 2021	Proposal for access – Arc Infrastructure – Request for ERA decision pursuant to section 10 of the Railways (Access) Code 2000
29 January 2021	EDL Pilbara Pty Ltd – 2020 performance audit
29 January 2021	Benchmark reserve capacity price for the 2023/24 capacity year – Final decision
31 January 2021	Wholesale Electricity Market Rules and Gas Services Information Rules – Compliance report
February 2021	
1 February 2021	Proposed revised access arrangement for the Dampier to Bunbury Natural Gas Pipeline – Extension of time for publication of a final decision
1 February 2021	Merredin Energy Pty Ltd – 2020 performance audit and asset management system review
1 February 2021	Goldfields Power Pty Ltd – Licence renewal application
3 February 2021	Wind Portfolio Pty Ltd – 2020 performance audit and asset management system review
3 February 2021	Western Power’s technical rules – Updated list of exemptions
3 February 2021	City of Kalgoorlie-Boulder – Licence renewal application
4 February 2021	Southern Cross Energy Partnership – Amendment to electricity transmission licence ETL4
9 February 2021	Karara Power Pty Ltd – Compliance enforcement notice and 2020 performance audit and asset management system review
9 February 2021	Determination of margin values and Cost_LR parameters for 2021/22 – Invitation for public submissions
10 February 2021	Arc Infrastructure – Publication of over-payments accounts audit
11 February 2021	Shire of Lake Grace – Licence renewal application
11 February 2021	BHP Billiton Iron Ore Pty Ltd – Public consultation water services licence application
12 February 2021	Amendments to the Western Australian gas retail market scheme – Decision
12 February 2021	Amanda Energy Pty Ltd – 2020 performance audit
18 February 2021	Water Corporation – Licence renewal application

Appendices

Date	Title of notice
March 2021	
4 March 2021	Western Power's application for network control service costs in the Eastern Goldfields – Draft determination
4 March 2021	Review of minimum STEM price 2021 – Call for public consultation
4 March 2021	Publication of the water compliance reporting manual 2021
4 March 2021	Aqwest – 2020 operational audit
5 March 2021	Newmont Power Pty Ltd – Licence renewal application
5 March 2021	Esperance Power Station Pty Ltd – 2020 asset management system review
8 March 2021	Southern Cross Energy Partnership – Decision to renew electricity retail licence ERL7
10 March 2021	Urban water utilities – National performance report 2019/20
12 March 2021	Synergy – Decision to renew electricity retail licence ERL1 and approval of amended standard form contract
12 March 2021	Shell Energy Retail Pty Ltd – Minor amendment to electricity retail licence ERL 15
12 March 2021	BHP Billiton Iron Ore Pty Ltd – Application for water services licence – Publication of submission received
12 March 2021	Margin values and Cost_LR parameters for 2021 – Addendum to issues paper
16 March 2021	Shire of Gnowangerup – 2020 operational audit and asset management system review
18 March 2021	Shire of Gnowangerup – Decision to renew water services licence WL11
18 March 2021	Goldfields Power Pty Ltd – Decision to renew electricity retail licence ERL4
18 March 2021	City of Kalgoorlie-Boulder – Decision to renew water services licence WL4
19 March 2021	Water Corporation – 2020 operational audit
22 March 2021	Rail access proposal for Arc Infrastructure network – Determination of costs
23 March 2021	Proposal for access – Arc Infrastructure request for ERA decision pursuant to section 10 of the Railways (Access) Code 2000 – Decision
29 March 2021	BHP Billiton Nickel West – Invitation for public submissions – Application to amend electricity retail licence ERL2
30 March 2021	Water Corporation – Decision to renew water services licence WL32
31 March 2021	Margin values and Cost_LR parameters for 2021/22 – Determination
April 2021	
1 April 2021	Proposed revised access arrangement for the Dampier to Bunbury Natural Gas Pipeline – Final decision and access arrangement
1 April 2021	Framework and approach for Western Power's fifth access arrangement review – Issues paper
7 April 2021	Busselton Water – Licence renewal application
13 April 2021	Harvey Water – Invitation for public submissions – Application to renew electricity retail licence ERL6
22 April 2021	Alinta Sales Pty Ltd – Invitation for public submissions – Application to renew electricity retail licence ERL6
27 April 2021	Shire of Dumbleyung – Licence renewal application
29 April 2021	Western Power's application for network control service costs in the Eastern Goldfields – Final determination
29 April 2021	2020 gas licence review – Public consultation on issues paper
29 April 2021	Perth Energy Pty Ltd – Invitation for public submissions – Application to renew electricity retail licence ERL10
29 April 2021	ATCO Gas Australia Pty Ltd – Invitation for public submissions – Application to renew gas distribution licence GDL8

Date	Title of notice
May 2021	
5 May 2021	Wesfarmers Kleenheat Gas Pty Ltd – Licence renewal application
5 May 2021	Landfill Gas & Power Pty Ltd – Licence renewal application
5 May 2021	Framework and approach for Western Power’s fifth access arrangement review – Publication of submissions
6 May 2021	BHP Billiton Nickel West – Amendment to electricity retail licence ERL2 and electricity distribution licence EDL2
10 May 2021	Newmont Power Pty Ltd – Renewal of electricity distribution licence EDL4 and electricity retail licence ERL9
10 May 2021	Harvey Water – Application to amend water services licence WL31 – Publication of submission
14 May 2021	Alinta Sales Pty Ltd – Renewal of electricity retail licence ERL6 and approval of amended standard form contract
18 May 2021	Simply Energy – Type 1 licence contravention
18 May 2021	Shire of Dumbleyung – 2020 operational audit and asset management system review
20 May 2021	2019-22 Electricity Code review – Publication of ECCC final review report
20 May 2021	Bluewaters Power 1 Pty Ltd – Licence renewal application
21 May 2021	2021/22 price list for the Western Power network – Publication of determination
26 May 2021	Gas licence review 2020 – Publication of submissions on issues paper
28 May 2021	Southern Cross Energy Partnership – Invitation for public submissions – Application to amend electricity transmission licence ETL4 and electricity distribution licence EDL3
31 May 2021	Shire of Lake Grace – Decision to renew licence WL22
June 2021	
1 June 2021	Shire of Dumbleyung – Decision to renew water services licence WL3
1 June 2021	Harvey Water – Amendment to water services licence WL31
1 June 2021	Busselton Water Corporation – Decision to renew water services licence WL3
1 June 2021	BHP Iron Ore Pty Ltd – Grant of water services licence WL53
3 June 2021	Wesfarmers Kleenheat Gas Pty Ltd – Licence renewal application GLD9
3 June 2021	Horizon Power – Type 1 licence contravention
4 June 2021	Wesfarmers Kleenheat Gas Pty Ltd – Licence renewal application GTL10
4 June 2021	Landfill Gas and Power Pty Ltd – Decision to renew electricity retail licence ERL11
11 June 2021	Synergy – 2020 performance audit and asset management system review
11 June 2021	Framework and approach for Western Power’s fifth access arrangement review – Draft decision
15 June 2021	ATCO Gas Australia Pty Ltd – Renewal of gas distribution licence GDL8
16 June 2021	Technical Rules Committee members – Call for expressions of interest
18 June 2021	Regional Power Corporation (trading as Horizon Power) – Approval of amendments to standard form contract
22 June 2021	Wesfarmers Kleenheat Gas Pty Ltd – Decision to renew electricity retail licence ERL5
22 June 2021	Shire of Lake Grace – 2020 operational audit
24 June 2021	Perth Energy Pty Ltd – Decision to renew electricity retail licence ERL10 and approve amended standard form contract
25 June 2021	Electricity Networks Access Code 2004 – 2021 Consumer Price Index adjustments
30 June 2021	Non-scheme and light regulation financial reporting requirements – Publication of updated financial reporting templates
30 June 2021	Approval of 2021/22 ancillary services requirements



Economic Regulation Authority

Level 4, Albert Facey House
469–489 Wellington Street
Perth WA 6000

www.era.com.au

info@era.com.au

08 6557 7900