

NATIONAL COMPETITION COUNCIL

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NATIONAL COMPETITION COUNCIL

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

The National Competition Council (NCC) makes recommendations under the National Access Regime in Part IIIA of the *Competition and Consumer Act 2010* (CCA) and recommendations and decisions under the National Gas Law (NGL).

The National Access Regime promotes competition, efficiency and productivity in markets that depend on the use of services provided by monopoly infrastructure facilities. Within this regime the NCC may recommend the declaration of a service provided by a monopoly facility but only if all of the 'declaration criteria' specified in the CCA are met. Where a service is declared, the Australian Competition and Consumer Commission (ACCC) is empowered to arbitrate access disputes if the parties seeking access and the facility owner are unable to agree on access arrangements and prices.

As an alternative to the National Access Regime, state and territory governments may implement access regimes specific to their circumstances or implement (cooperatively) parallel regulation in each jurisdiction (as has occurred for the gas and electricity industries). The NCC is responsible for recommending whether a State or Territory access regime should be certified as effective, with the result that services covered by that access regime are exempt from declaration under the CCA.

Under the NGL, the NCC recommends on whether particular natural gas pipeline systems should be subject to access regulation (i.e. coverage determination under the NGL). The NCC also recommends in relation to the price regulation and greenfields exemptions available under the NGL. As well as these recommendatory roles, the NCC is responsible for determining whether covered pipelines should be subject to full regulation or light regulation and for classifying pipelines as transmission or distribution pipelines.

On 1 July 2014, the NCC entered into a Memorandum of Understanding with the ACCC under which staff and other support for the NCC's operations are provided by the ACCC. The NCC remains an independent entity, however under this arrangement, it has not employed staff directly. The NCC maintains responsibility for its recommendations, decisions and other functions under the CCA and NGL, and ensures that its websites, guidelines and other information resources remain relevant and available to all stakeholders.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total funding from all sources available to the entity for its operations and to deliver programs and services on behalf of the Government.

The table summarises how resources will be applied by outcome (government strategic policy objectives) and by administered (on behalf of the Government or the public) and departmental (for the entity's operations) classification.

For more detailed information on special accounts and special appropriations, please refer to *Budget Paper No. 4 – Agency Resourcing*.

Information in this table is presented on a resourcing (that is, appropriations/cash available) basis, whilst the 'Budgeted expenses by Outcome 1' tables in Section 2 and the financial statements in Section 3 are presented on an accrual basis.

Table 1.1: National Competition Council resource statement - Budget estimates for 2018-19 as at Budget May 2018

| | <i>2017-18 Estimated actual \$'000</i> | 2018-19 Estimate \$'000 |
|--|--|-------------------------------|
| Departmental | | |
| Annual appropriations - ordinary annual services (a) | | |
| Prior year appropriations available (b) | 3,379 | 3,445 |
| Departmental appropriation (c) | 1,992 | 1,990 |
| Total departmental annual appropriations | 5,371 | 5,435 |
| Total departmental resourcing | 5,371 | 5,435 |
| Total resourcing for the NCC | 5,371 | 5,435 |
| | <i>2017-18</i> | 2018-19 |
| Average staffing level (number) | 1 | 1 |

Third party payments from and on behalf of other entities

| | <i>2017-18 Estimated actual \$'000</i> | 2018-19 Estimate \$'000 |
|--|--|-------------------------------|
| Payments made by the ACCC on behalf of the NCC | 1,992 | 1,990 |
| Payments made to the ACCC for the provision of corporate and professional services | 850 | 850 |

Prepared on a resourcing (i.e. appropriations available) basis.

Note: All figures shown above are GST exclusive - these may not match figures in the cash flow statement.

(a) Appropriation Bill (No. 1) 2018-19.

(b) Excludes \$0.064m subject to administrative quarantine by Finance or withheld under section 51 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

(c) Excludes departmental capital budget (DCB).

1.3 BUDGET MEASURES

Budget measures in Part 1 relating to the National Competition Council are detailed in Budget Paper No. 2 and are summarised below.

Table 1.2: Entity 2018-19 Budget measures

Part 1: Measures announced since the 2017-18 Mid-Year Economic and Fiscal Outlook (MYEFO)

The NCC does not have any measures announced since the 2017-18 Mid-Year Economic and Fiscal Outlook (MYEFO).

Part 2: Other measures not previously reported in a portfolio statement

| | | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|--|---------|-------------|-------------|--------------|--------------|---------|
| | Program | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expense measures | | | | | | |
| Treasury Portfolio - efficiencies (a) | | | | | | |
| Departmental expenses | 1.1 | (18) | (16) | (16) | (16) | - |
| Total | | (18) | (16) | (16) | (16) | - |
| Reducing Pressure on Housing Affordability - a new National Housing and Homelessness Agreement (b) | | | | | | |
| Departmental expenses | 1.1 | - | - | - | - | - |
| Total | | - | - | - | - | - |
| National Partnership on Regulatory Reform - establishment (c) | | | | | | |
| Departmental expenses | 1.1 | 332 | 337 | 2,141 | 2,129 | - |
| Total | | 332 | 337 | 2,141 | 2,129 | - |
| Total measures | | | | | | |
| Departmental | | 314 | 321 | 2,125 | 2,113 | - |
| Total | | 314 | 321 | 2,125 | 2,113 | - |

Prepared on a Government Finance Statistics (fiscal) basis. Figures displayed as a negative (-) represent a decrease in funds and a positive (+) represent an increase in funds.

- The lead entity for measure 'Treasury Portfolio – efficiencies' is Treasury. The full measure description and package details appear in MYEFO under the Treasury portfolio.
- The measure was originally announced in the 2017-18 Budget and has been fully reversed by National Competition Council - not proceeding, as announced in the 2017-18 MYEFO. The above dashes reflect that the measure has no fiscal impact as it has ceased. It will instead be implemented by the Department of the Treasury under the National Housing and Homelessness Agreement from within existing resources. Refer to the MYEFO for more details.
- The measure was originally announced in the 2017-18 Budget and has been partially reversed by Small Business Regulatory Reform Agenda - additional funding announced in the 2017-18 MYEFO. The above financial figures reflect the current net fiscal impact of the measure. Refer to the MYEFO for more details.

Section 2: Outcomes and planned performance

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programs which contribute to government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

Performance reporting requirements in the Portfolio Budget Statements are part of the enhanced Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements - included in Annual Reports - to provide an entity's complete performance story.

The most recent corporate plan for the National Competition Council can be found at: http://ncc.gov.au/about/strategic_plan

The most recent annual performance statement can be found in the latest Annual Report at: <http://ncc.gov.au/publications/C41>

2.1 BUDGETED EXPENSES AND PERFORMANCE FOR OUTCOME 1

Outcome 1:

Competition in markets that are dependent on access to nationally significant monopoly infrastructure, through recommendations and decisions promoting the efficient operation of, use of, and investment in infrastructure.

Budgeted expenses for Outcome 1

This table shows how much the entity intends to spend (on an accrual basis) on achieving the outcome, broken down by program, as well as by Administered and Departmental funding sources.

Table 2.1: Budgeted expenses for Outcome 1

| | 2017-18 Estimated actual \$'000 | 2018-19 Budget \$'000 | 2019-20 Forw ard estimate \$'000 | 2020-21 Forw ard estimate \$'000 | 2021-22 Forw ard estimate \$'000 |
|---|--|-----------------------------|---|---|---|
| Program 1.1: National Competition Council | | | | | |
| Departmental expenses | | | | | |
| Departmental appropriation | 1,992 | 1,990 | 3,802 | 3,806 | 2,336 |
| Expenses not requiring appropriation in the Budget year (a) | 32 | 32 | 32 | 32 | 32 |
| Departmental total | 2,024 | 2,022 | 3,834 | 3,838 | 2,368 |
| Total expenses for program 1.1 | 2,024 | 2,022 | 3,834 | 3,838 | 2,368 |
| Total expenses for Outcome 1 | 2,024 | 2,022 | 3,834 | 3,838 | 2,368 |

| | 2017-18 | 2018-19 |
|--|----------|----------|
| Average staffing level (number) | 1 | 1 |

(a) Expenses not requiring appropriation in the Budget year represent audit services received free of charge from the Australian National Audit Office (ANAO).

Note: Departmental appropriation splits and totals are indicative estimates and may change in the course of the budget year as government priorities change.

Table 2.2: Performance criteria for Outcome 1

Table 2.2 below details the performance criteria for each program associated with Outcome 1. It also summarises how each program is delivered and where 2018-19 Budget measures have created new programs or materially changed existing programs.

| | | |
|--|--|---|
| Outcome 1 – Competition in markets that are dependent on access to nationally significant monopoly infrastructure, through recommendations and decisions promoting the efficient operation of, use of, and investment in infrastructure. | | |
| Program 1.1 – The NCC’s objective is to provide advice to Governments and make decisions on infrastructure access issues that accord with statutory requirements (including time limits) and good regulatory practice, and ensuring that advice meets requirements of decision making ministers, such that Australia achieves a consistent approach to access regulation that promotes the efficient operation of, use of and investment in infrastructure thereby promoting effective competition. | | |
| Delivery | <p>Program 1.1 aims to:</p> <ul style="list-style-type: none"> • Make recommendations to ministers pursuant to Part IIIA of the CCA in relation to applications for the declaration of services provided by monopoly infrastructure and the certification of state and territory access regimes; • Make recommendations to ministers pursuant to the NGL relating to the coverage of natural gas pipelines and on price regulation and greenfields incentives; • Make decisions pursuant to the NGL relating to the form of regulation and classification of natural gas pipelines; and • Advise the Parliament on the operation of the National Access Regime in accordance with section 29O(2) of the CCA. | |
| Performance information | | |
| Performance criteria | 2017-18 | 2018-19 and forward year targets |
| Recommendations on declaration applications are made within statutory time limits (consideration period of 180 days) and meet advice requirements of Ministers. | All recommendations are forecast to be made within the statutory time limits. | As per 2017-18. |
| Recommendations on certification applications are made within statutory time limits (consideration period of 180 days) and meet advice requirements of Ministers. | All recommendations are forecast to be made within the statutory time limits. | As per 2017-18. |
| Recommendations and decisions under the NGL made within specified time limits and recommendations under the NGL meet the advice requirements of Ministers. | All recommendations and decisions are forecast to be made within the statutory time limits. | As per 2017-18. |
| Accessible information on all access regulation matters for which the NCC is responsible is provided on the NCC website. | The Council website is forecast to hold all documents relevant to the Council's functions. | As per 2017-18. |

| Performance criteria | 2017-18 | 2018-19 and forward year targets |
|--|--|----------------------------------|
| Up to date and informative guidelines on all the NCC's areas of responsibility are maintained on the NCC website. | Guidelines are forecast to be updated within 30 days of relevant decisions or developments in case law. | As per 2017-18. |
| Case law developments, legislative amendments and developments in the NCC's processes or policies are reflected in the NCC's information resources within 30 days. | Case law developments, legislative amendments and developments in Council processes or policies are forecast to be reflected in Council information resources within 30 days. | As per 2017-18. |
| The NCC's annual report to the Parliament includes a comprehensive report that meets the requirements of s29O of the CCA and is provided within the timeframe required by the PGPA Act (i.e. by the 15th day of the fourth month after the end of the reporting period). | The Council annual report provides comprehensive information on the National Access Regime and NGL, addresses all matters required under section 29O of the CCA and is forecast to be provided within the required timeframe. | As per 2017-18. |
| Purposes | <p>The NCC is a Commonwealth statutory agency established by section 29A of the <i>Competition and Consumer Act 2010</i> (CCA). It was created in 1995 following agreement by the Council of Australian Governments (COAG) to a National Competition Policy (NCP). NCP places competition at the forefront as a means of promoting productivity and economic growth to enhance the economic welfare of Australians.</p> <p>The NCC makes recommendations under the National Access Regime in Part IIIA of the CCA and recommendations and decisions under the National Gas Law (NGL). The National Access Regime provides for access to the services of monopoly infrastructure facilities on appropriate terms, through the declaration of services. The NCC's role is to make recommendations to relevant ministers in relation to applications for declaration of services and also the certification of state or territory access regimes.</p> <p>The NCC has a similar role under the National Gas Law (NGL), contained in the Schedule to the <i>National Gas (South Australia) Act 2008</i>, where it makes recommendations on the coverage of natural gas pipeline systems. Under the NGL, the NCC also has responsibility for deciding the form of regulation applying to natural gas pipeline systems (light or full regulation), classifying pipeline (as transmission or distribution) and making recommendations in relation to various exemptions for greenfields gas pipelines.</p> <p>Both the National Access Regime and the NGL seek to promote the efficient operation of, use of, and investment in significant bottleneck infrastructure, and to promote competition, efficiency and productivity in markets that depend on the use of services provided by significant bottleneck infrastructure facilities.</p> | |

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2018-19 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Differences between entity resourcing and financial statements

There are no material differences between entity resourcing and financial statements.

3.1.2 Explanatory notes and analysis of budgeted financial statements

The NCC is budgeting for a break-even operating result for 2018-19 and the forward years. The financial statements have been prepared on an Australian Accounting Standards basis.

The NCC is estimated to receive own source income of \$8,000 in 2018-19 being fees for applications made to it under the NGL.

The NCC's assets are mainly financial assets consisting of appropriation receivables and cash.

The NCC's liabilities are mainly supplier payables. Councillor members do not receive leave entitlements. Councillor remuneration is established through *Determination 2017/10: Remuneration and Allowances for Holders of Part-time Public Office*, which is set by the Remuneration Tribunal, an independent statutory authority established under the *Remuneration Tribunal Act 1973*.

3.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 3.1: Comprehensive income statement (showing net cost of services) for the period ended 30 June

| | 2017-18 Estimated actual \$'000 | 2018-19 Budget \$'000 | 2019-20 Forw ard estimate \$'000 | 2020-21 Forw ard estimate \$'000 | 2021-22 Forw ard estimate \$'000 |
|--|--|-----------------------------|---|---|---|
| EXPENSES | | | | | |
| Employee benefits | 98 | 124 | 2,255 | 2,249 | 128 |
| Suppliers | 1,926 | 1,898 | 1,579 | 1,589 | 2,240 |
| Total expenses | 2,024 | 2,022 | 3,834 | 3,838 | 2,368 |
| LESS: | | | | | |
| OWN-SOURCE INCOME | | | | | |
| Gains | | | | | |
| Other | 32 | 32 | 32 | 32 | 32 |
| Total gains | 32 | 32 | 32 | 32 | 32 |
| Total own-source income | 32 | 32 | 32 | 32 | 32 |
| Net (cost of)/contribution by | (1,992) | (1,990) | (3,802) | (3,806) | (2,336) |
| Revenue from Government | 1,992 | 1,990 | 3,802 | 3,806 | 2,336 |
| Surplus/(deficit) attributable to the Australian Government | - | - | - | - | - |

Prepared on Australian Accounting Standards basis.

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

| | 2017-18 Estimated actual \$'000 | 2018-19 Budget \$'000 | 2019-20 Forw ard estimate \$'000 | 2020-21 Forw ard estimate \$'000 | 2021-22 Forw ard estimate \$'000 |
|--|--|-----------------------------|---|---|---|
| ASSETS | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 47 | 47 | 47 | 47 | 47 |
| Trade and other receivables | 3,398 | 3,398 | 3,398 | 3,398 | 3,398 |
| Total financial assets | 3,445 | 3,445 | 3,445 | 3,445 | 3,445 |
| Non-financial assets | | | | | |
| Other non-financial assets | 215 | 215 | 215 | 215 | 215 |
| Total non-financial assets | 215 | 215 | 215 | 215 | 215 |
| Total assets | 3,660 | 3,660 | 3,660 | 3,660 | 3,660 |
| LIABILITIES | | | | | |
| Payables | | | | | |
| Suppliers | 1 | 1 | 1 | 1 | 1 |
| Other payables | 1 | 1 | 1 | 1 | 1 |
| Total payables | 2 | 2 | 2 | 2 | 2 |
| Total liabilities | 2 | 2 | 2 | 2 | 2 |
| Net assets | 3,658 | 3,658 | 3,658 | 3,658 | 3,658 |
| EQUITY* | | | | | |
| Parent entity interest | | | | | |
| Contributed equity | 146 | 146 | 146 | 146 | 146 |
| Retained surplus (accumulated deficit) | 3,512 | 3,512 | 3,512 | 3,512 | 3,512 |
| Total equity | 3,658 | 3,658 | 3,658 | 3,658 | 3,658 |

*'Equity' is the residual interest in assets after deduction of liabilities.

Prepared on Australian Accounting Standards basis.

Table 3.3: Departmental statement of changes in equity — summary of movement (Budget year 2018-19)

| | Retained earnings | Contributed equity/capital | Total equity |
|--|-------------------|----------------------------|--------------|
| | \$'000 | \$'000 | \$'000 |
| Opening balance as at 1 July 2018 | | | |
| Balance carried forward from previous period | 3,512 | 146 | 3,658 |
| Adjusted opening balance | 3,512 | 146 | 3,658 |
| Comprehensive income | | | |
| Surplus/(deficit) for the period | - | - | - |
| Total comprehensive income | - | - | - |
| Estimated closing balance as at 30 June 2019 | 3,512 | 146 | 3,658 |
| Closing balance attributable to the Australian Government | 3,512 | 146 | 3,658 |

Prepared on Australian Accounting Standards basis.

Table 3.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

| | 2017-18 Estimated actual \$'000 | 2018-19 Budget \$'000 | 2019-20 Forward estimate \$'000 | 2020-21 Forward estimate \$'000 | 2021-22 Forward estimate \$'000 |
|---|--|-----------------------------|--|--|--|
| OPERATING ACTIVITIES | | | | | |
| Cash received | | | | | |
| Appropriations | 1,992 | 1,990 | 3,802 | 3,806 | 2,336 |
| Net GST received | 189 | 187 | 155 | 156 | 107 |
| Total cash received | 2,181 | 2,177 | 3,957 | 3,962 | 2,443 |
| Cash used | | | | | |
| Employees | 98 | 124 | 2,255 | 2,249 | 128 |
| Suppliers | 1,894 | 1,866 | 1,547 | 1,557 | 2,208 |
| Net GST paid | 189 | 187 | 155 | 156 | 107 |
| Total cash used | 2,181 | 2,177 | 3,957 | 3,962 | 2,443 |
| Net cash from/(used by) operating activities | - | - | - | - | - |
| Cash and cash equivalents at the beginning of the reporting period | 47 | 47 | 47 | 47 | 47 |
| Cash and cash equivalents at the end of the reporting period | 47 | 47 | 47 | 47 | 47 |

Prepared on Australian Accounting Standards basis.

Table 3.5: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)

| | 2017-18 Estimated actual \$'000 | 2018-19 Budget \$'000 | 2019-20 Forw ard estimate \$'000 | 2020-21 Forw ard estimate \$'000 | 2021-22 Forw ard estimate \$'000 |
|--|--|-----------------------------|---|---|---|
| OWN-SOURCE INCOME | | | | | |
| Own-source revenue | | | | | |
| Non-taxation revenue | | | | | |
| Fees and fines | 8 | 8 | 8 | 8 | 8 |
| Total non-taxation revenue | 8 | 8 | 8 | 8 | 8 |
| Total own-source revenue administered on behalf of Government | 8 | 8 | 8 | 8 | 8 |
| Net cost of/(contribution by) services | (8) | (8) | (8) | (8) | (8) |
| Surplus/(deficit) | 8 | 8 | 8 | 8 | 8 |

Prepared on Australian Accounting Standards basis.

Table 3.6: Schedule of budgeted administered cash flows (for the period ended 30 June)

| | 2017-18 Estimated actual \$'000 | 2018-19 Budget \$'000 | 2019-20 Forw ard estimate \$'000 | 2020-21 Forw ard estimate \$'000 | 2021-22 Forw ard estimate \$'000 |
|--|--|-----------------------------|---|---|---|
| OPERATING ACTIVITIES | | | | | |
| Cash received | | | | | |
| Fees | 8 | 8 | 8 | 8 | 8 |
| Total cash received | 8 | 8 | 8 | 8 | 8 |
| Net cash from/(used by) operating activities | 8 | 8 | 8 | 8 | 8 |
| Net increase/(decrease) in cash held | 8 | 8 | 8 | 8 | 8 |
| Cash and cash equivalents at beginning of reporting period | - | - | - | - | - |
| - Transfers to other entities (Finance - Whole of Government) for: | (8) | (8) | (8) | (8) | (8) |
| Total cash to Official Public Account | (8) | (8) | (8) | (8) | (8) |
| Cash and cash equivalents at end of reporting period | - | - | - | - | - |

Prepared on Australian Accounting Standards basis.

