

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 (covered). The NCC also recommends in relation to the price regulation and greenfield 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 will undertake recruitment related to the new measures. 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 2017-18 as at Budget May 2017

	<i>2016-17 Estimated actual \$'000</i>	2017-18 Estimate \$'000
Departmental		
Annual appropriations - ordinary annual services (a)		
Prior year appropriations available	3,068	2,906
Departmental appropriation	1,727	5,970
<i>Total departmental annual appropriations</i>	<i>4,795</i>	<i>8,876</i>
Total departmental resourcing	4,795	8,876
Total resourcing for the NCC	4,795	8,876
	<i>2016-17</i>	2017-18
Average staffing level (number)	1	8

Third party payments from and on behalf of other entities

	<i>2016-17 Estimated actual \$'000</i>	2017-18 Estimate \$'000
Payments made by the ACCC on behalf of the NCC	1,727	1,678
Payments made to the ACCC for the provision of corporate and professional services	775	850

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

Please note: All figures shown above are GST exclusive — these may not match figures in the cash flow statement.

(a) Appropriation Bill (No. 1) 2017-18.

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: Measures announced since the 2016-17 Mid-Year Economic and Fiscal Outlook (MYEFO)

	Program	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000
Expense measures						
National Partnership on Regulatory Reform - establishment						
Departmental expenses	1.1	-	2,251	2,163	2,141	2,129
Reducing Pressure on Housing Affordability - a new National Housing and Homelessness Agreement						
Departmental expenses	1.1	-	2,041	1,482	1,484	1,495
Total expense measures		-	4,292	3,645	3,625	3,624

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.

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: Corporate Plan.

The most recent annual performance statement can be found at: Annual Performance Statement.

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

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
Program 1.1: National Competition Council					
Departmental expenses					
Departmental appropriation	1,727	5,970	5,312	5,298	5,305
Expenses not requiring appropriation in the Budget year (a)	32	32	32	32	32
Departmental total	1,759	6,002	5,344	5,330	5,337
Total expenses for program 1.1	1,759	6,002	5,344	5,330	5,337
Total expenses for Outcome 1	1,759	6,002	5,344	5,330	5,337
	2016-17	2017-18			
Average staffing level (number)	1	8			

(a) Expenses not requiring appropriation in the Budget year are 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 2017-18 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 — National Competition Council: 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 greenfield 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 290(2) of the CCA. 	
Performance information		
Performance criteria	2016-17	2017-18 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 2016-17.
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 2016-17.
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 2016-17.

National Competition Council Budget Statements

Performance criteria	2016-17	2017-18 and forward year targets
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 2016-17.
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 2016-17.
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 2016-17.
The NCC's annual report to the Parliament includes a comprehensive report that meets the requirements of s 29O(2) of the CCA and is provided within 60 days of the end of the financial year.	The Council annual report provides comprehensive information on the National Access Regime and NGL, addresses all matters required under section 29O(2) of the CCA and is forecast to be provided within the required timeframe.	As per 2016-17.
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 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 the tasks of deciding the form of regulation of natural gas pipeline systems (light or full regulation), classifying pipeline (as transmission or distribution) and recommending in relation to various exemptions for greenfield 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 2017-18 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 agency 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 2017-18 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 2017-18 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. Employee leave entitlements will be reviewed pending recruitment outcomes related to the new budget measures. Council members do not receive leave entitlements. Councillor remuneration is established through *Determination 2016/18: 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

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
EXPENSES					
Employee benefits	85	1,301	1,296	1,298	1,307
Suppliers	1,674	4,701	4,048	4,032	4,030
Total expenses	1,759	6,002	5,344	5,330	5,337
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 services	(1,727)	(5,970)	(5,312)	(5,298)	(5,305)
Revenue from Government	1,727	5,970	5,312	5,298	5,305
Surplus/(deficit) attributable to the Australian Government	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

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

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	16	16	16	16	16
Trade and other receivables	3,058	3,058	3,058	3,058	3,058
Total financial assets	3,074	3,074	3,074	3,074	3,074
Non-financial assets					
Other non-financial assets	3	3	3	3	3
Total non-financial assets	3	3	3	3	3
Assets held for sale					
Total assets	3,077	3,077	3,077	3,077	3,077
LIABILITIES					
Payables					
Suppliers	37	37	37	37	37
Total payables	37	37	37	37	37
Total liabilities	37	37	37	37	37
Net assets	3,040	3,040	3,040	3,040	3,040
EQUITY*					
Parent entity interest					
Contributed equity	178	178	178	178	178
Retained surplus (accumulated deficit)	2,862	2,862	2,862	2,862	2,862
Total parent entity interest	3,040	3,040	3,040	3,040	3,040
Total equity	3,040	3,040	3,040	3,040	3,040

* '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 2017-18)

	Retained earnings	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000
Opening balance as at 1 July 2017			
Balance carried forward from previous period	2,862	178	3,040
Opening balance	2,862	178	3,040
Comprehensive income			
Surplus/(deficit) for the period	-	-	-
Total comprehensive income	-	-	-
Estimated closing balance as at 30 June 2018	2,862	178	3,040
Closing balance attributable to the Australian Government	2,862	178	3,040

Prepared on Australian Accounting Standards basis.

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

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	1,727	5,970	5,312	5,298	5,305
Net GST received	162	160	161	162	162
Total cash received	1,889	6,130	5,473	5,460	5,467
Cash used					
Employees	85	1,301	1,296	1,298	1,307
Suppliers	1,804	4,829	4,177	4,162	4,160
Total cash used	1,889	6,130	5,473	5,460	5,467
Net cash from/(used by) operating activities	-	-	-	-	-
Net increase/(decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	16	16	16	16	16
Cash and cash equivalents at the end of the reporting period	16	16	16	16	16

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)

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward 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)

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward 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)	(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.

