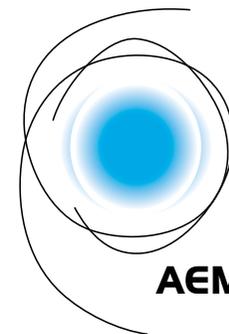


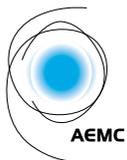


ANNUAL REPORT

2013
-2014



AEMC



Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000

30 September 2014

The Hon Tom Koutsantonis MP
Minister for Mineral Resources and Energy
Level 8
178 Terrace Towers
North Terrace
Adelaide SA 5000

Dear Minister

Australian Energy Market Commission Annual Report 2013-2014

I am pleased to present the Australian Energy Market Commission 2013-2014 Annual Report.

This report is prepared in accordance with section 27 of the Australian Energy Market Commission Establishment Act 2004 (SA).

Yours sincerely,

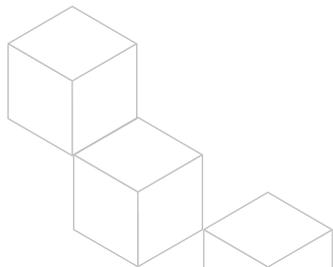
A handwritten signature in black ink, appearing to read 'John Pierce', is written over a light grey rectangular background.

John Pierce
CHAIRMAN



PREPARING ENERGY MARKETS FOR CONSUMER-DRIVEN TRANSFORMATION

The focus of our work this year has moved from extensive consultation on wide-ranging reviews to the delivery of changes arising from those reviews. As the pace of change in our energy markets increases we must consider a future that may be very different from today.



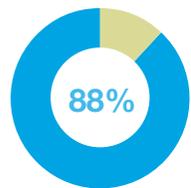
Consumer preferences and market participant business models will continue to evolve. International influences will become increasingly important. Consumers, industry participants and investors must have confidence that the energy market frameworks will also evolve appropriately.

This year our work focussed on the continued development of resilient and adaptable energy market frameworks. Our processes continue to include thorough consultation, which stakeholders tell us they value, while we focus on trying to deliver the benefits of rule changes as soon as possible.

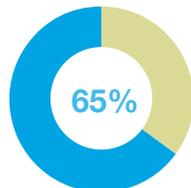


HOW WE DELIVERED ON MARKET DEVELOPMENT THIS YEAR

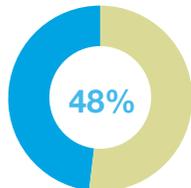
Giving consumers options to manage energy consumption and spending



of market reviews and advice completed within original terms of reference timelines



of rule change requests completed without extension



of rule change requests started within four months



rise in major and significant projects



NEW RULES REQUESTED BY QUARTER 2013-2014

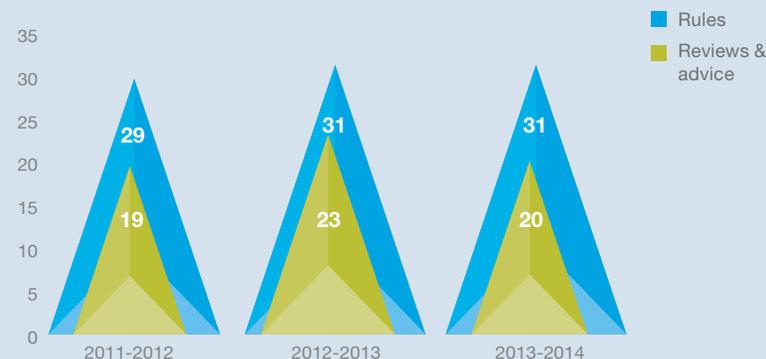


RULE CHANGE PROJECTS, REVIEWS AND ADVICE - INITIATED AND COMPLETED



HISTORICAL SNAPSHOT

All projects undertaken (completed and carried forward)



PROJECT CLASSIFICATION BY BUDGET FOR ALL RULE AND REVIEW PROJECTS

2011-2012



Routine <\$100K
Significant \$100K-\$500K
Major >\$500K

2012-2013



Routine
Significant
Major

2013-2014



Note: Of the 51 projects undertaken in the year (31 rule change projects and 20 reviews), four did not have their own budget so are excluded from this classification.

HOW WE DELIVERED ON MARKET DEVELOPMENT THIS YEAR

(continued)

EFFECTIVE GOVERNANCE



An independent annual review of risk assessment framework was conducted this year and an appropriate internal work program was implemented

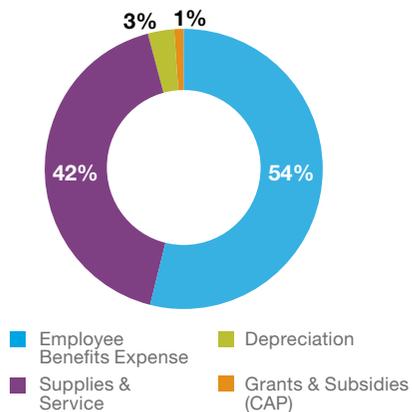
ANNUAL EXPENDITURE WITHIN BUDGET



(target +/-5%)

The Commission's funding is provided through contributions by the jurisdictions participating in the National Electricity Market and the National Gas Market.

ACTUAL EXPENSES



44 TOTAL AVERAGE HOURS OF TRAINING PER EMPLOYEE PER ANNUM

100% EMPLOYEES WITH PERSONAL DEVELOPMENT PLANS

68 EMPLOYEES

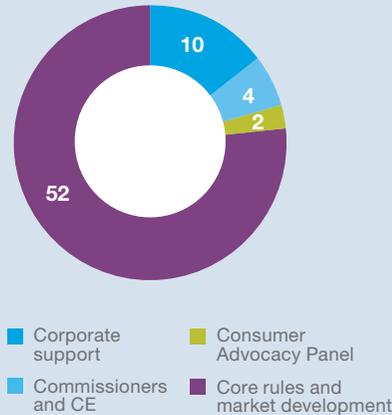
STAFF TURNOVER

13% Staff turnover

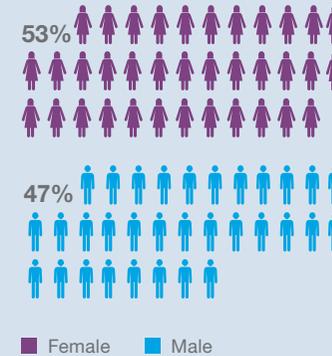


Target 10%-20% balancing retention of corporate knowledge with infusion of new ideas.

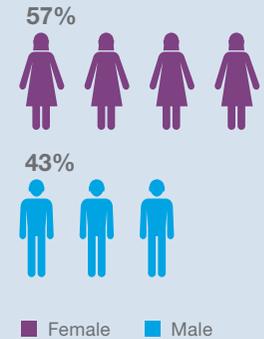
EMPLOYEES BY ROLE



EMPLOYEES BY GENDER



SENIOR MANAGEMENT TEAM BY GENDER

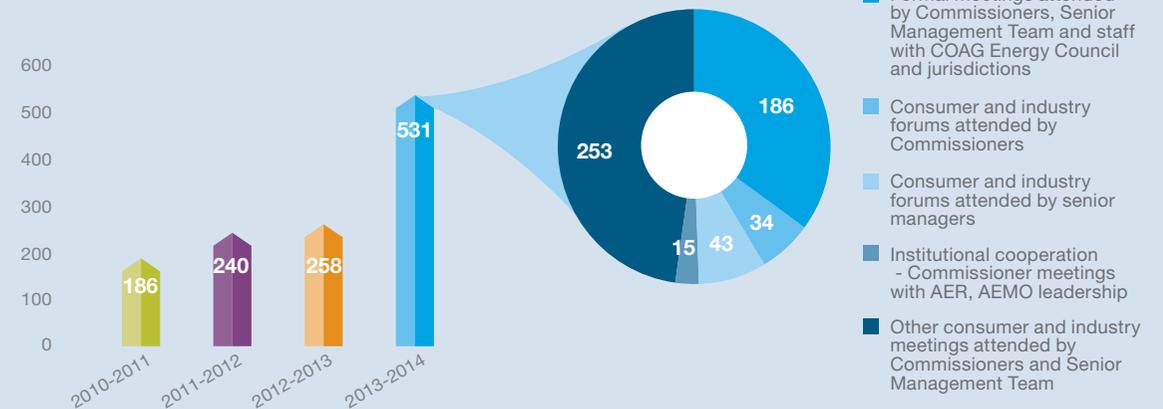


26 FORMAL STAKEHOLDER FORUMS AND WORKSHOPS

563 WRITTEN SUBMISSIONS ON RULES AND REVIEWS

RISING ENGAGEMENT

Number of stakeholder presentations and meetings



CHAIRMAN'S MESSAGE



This year marked 15 years since the National Electricity Market's commencement. Energy is an input to almost every good and service, so there is a strong link between this sector's performance and the productivity of the whole economy. That is why the energy sector was a particular focus of the microeconomic and competition policy reforms of the 1990s. The resulting wholesale market arrangements are an enduring reform success.

Celebration of a successful market reform

Key to that success was a new alignment of risk and investment decision-making and the establishment of a workably competitive industry structure. A distinguishing feature of the National Electricity Market is the way that risks associated with forecasts of future demand are managed and allocated. This differs both from the vertically integrated utility structure of old and from so-called capacity "markets" that some jurisdictions have introduced.

When a central authority plans and procures the level of generation capacity, consumers bear the risk of overinvestment in the form of higher prices. In the National Electricity Market, competing generators make these investment decisions based on their own expectations of future demand. If they overinvest, prices fall. Consumers benefit and only the generators' shareholders bear the risk in the form of lower returns.

This year we published a history of the National Electricity Market as a case study in successful microeconomic reform.¹ It documents the experiences of some leaders of the reform process and how they managed the process to deliver an enduring structural reform. We hope the findings will provide lessons and insights for implementing further reform in both the energy sector and other sectors of the economy.

I draw these lessons from the success of the National Electricity Market:

1. Competition and market signals generally lead to better outcomes for consumers than systems that depend on centralised decision-makers. But if we are relying on price signals to guide investment, production and consumption decisions, we need to make sure that the signals are efficient – that is, broadly cost-reflective and not distorted.
2. For the market to operate effectively, we need regulatory arrangements that do not depend on a particular forecast or view of the future coming to pass. Instead, they should support a continuing process of structural change in response to changing patterns of consumer demand and changing relative prices brought about by innovation, new technologies and opportunities for improved productivity.

¹ The Australian Energy Market Commission and KPMG, National Electricity Market: A case study in microeconomic reform, AEMC, 13 December 2013.

A consumer-driven chapter in a productivity improvement story

We are now entering a new chapter in the productivity improvement story, driven by consumers making more informed choices about the way they use energy.

Network assets built to meet peak demand tend to have low utilisation rates because they are only fully utilised a few times every year on the hottest days and coldest nights. Signalling the real cost of consumption at peak times may encourage other ways of meeting demand, such as demand-side response (where big and small consumers agree to shift their electricity use to another time, or use a different source of generation or simply do not use electricity at peak times).

Demand-side participation options such as peak shifting, power conservation and energy efficiency can all help reduce the need for additional infrastructure. Once again, this is an opportunity to improve productivity by improving capital utilisation – this time driven by consumers' choices of energy products and services.

But for this to happen, service providers need to compete to offer not just energy but the best combination of demand and supply side options to meet consumers' needs. People need to be as comfortable shopping for energy as they are for every other service where choice and competition are the norm.

And for consumers' choices to drive efficient outcomes, the prices they pay for energy need to reflect the costs of supplying them; and the supply chain needs to be flexible enough to respond to these choices.

Consumer representatives, governments, industry participants and market institutions such as the AEMC, the Australian Energy Regulator and the Australian Energy Market Operator all have a role in facilitating this transition. There is more we can do to provide consumers with the necessary tools and confidence to shop in this manner.

There is work to be done in creating a supply chain that is more cost reflective and more responsive to consumers' choices.

We recognise this need in one of our strategic priorities for energy market development: strengthening consumer participation and continuing to promote competitive retail markets.

Two important parts of our work program will further this priority – the rule changes flowing from our Power of Choice Review and our reviews of retail competition.

The Power of Choice review is a package of reform recommendations that focuses on providing the right price signals, incentives and market conditions to allow the benefits of demand-side participation to be captured across the supply chain. Governments have asked us to progress many of the recommendations as rule changes to develop the market in this direction.

One of the Power of Choice building blocks underway this year is the distribution network pricing rule change. We are looking at ways to achieve a closer relationship between the prices paid by individual consumers and the network costs that their consumption decisions imply. Providing efficient price signals to consumers may take pressure off the network at times when the cost to provide electricity is higher than the value consumers place on the services it provides at that particular time.

A second Power of Choice building block is creating opportunities for a competitive energy services market to develop. Doing so will allow consumers to benefit from a wider range of energy services and demand-side products such as tools to respond to time-of-use pricing, off-peak charging of electric vehicles, faster retailer switching and more efficient notification of system faults to network operators. We are putting in place a number of interdependent elements that are necessary if an energy services market is to evolve.

These include a rule change to promote competition in metering and related services; an open access and common communication standards framework for smart meters; and arrangements to allow multiple trading relationships at the consumer's connection point.

Our reviews of retail competition assist governments' decision-making regarding retail price deregulation, which is an important step to increasing consumers' access to competitive energy retail markets. The next step is providing consumers with tools, information and confidence so that they become more engaged in shopping for energy. Our Consumer Engagement Blueprint (October 2013) recommended communication strategies to achieve this.

A shift to greater consumer participation will put consumer decision-making more at the centre of the industry. The winners and losers from this shift will be determined by how well businesses – existing and new – put together offers and services that consumers value and understand.

A resilient energy market to face the future

In years to come, the structure of the energy sector may well be quite different to the one we have today. It will evolve out of growing local generation, the gas sector's structural transformation, new patterns of consumption and technologies on the consumer's side of the meter.

No-one can be sure of what the future holds. But the AEMC is working on strong foundations so electricity and gas systems can adjust to whatever comes. This is reflected in our other two strategic priorities: promoting efficient gas market development specifically and a more general priority around developing market arrangements that encourage efficient investment and flexibility.

Our Gas Market Scoping Study (September 2013) provided an overview of the changes under way in the eastern gas market and identified market and regulatory arrangements that may benefit from future development work. We will continue to work with governments, market participants and consumer groups on a long-term pathway to support development of the east coast gas markets.

Whatever the pattern of future demand, whatever technology, whatever relative prices emerge between different types of generation, we want the market to adjust to change efficiently with respect to price and reliability outcomes. We need a resilient, sustainable market which is able to support economic growth.

Throughout the year we worked on a specific review to explore the financial resilience of the National Electricity Market. While the Australian market has never suffered from financial contagion, there have been cases overseas - such as in the global financial crisis - where the financial failure of one business has led to a cascading effect in the economy. This review is a forward-looking exercise to explore the adequacy of risk management in the National Electricity Market, both in the regulatory framework and across retailer and generator business approaches. The NEM Financial Market Resilience Review will make recommendations to the COAG Energy Council later in 2014.

We are also looking at a new model for the way that generators access the wholesale electricity market during times of transmission network congestion. Implementing the Optional Firm Access model would lead to more transmission investment being driven by commercial decision making on the part of generation businesses. This approach should better coordinate through price signals both the building and operating of generation and transmission over time, and so potentially minimise the total system costs for electricity consumers in the longer term.

In the year ahead, we will undertake a forward-looking investigation of the impact of technology on Australia's energy markets. Changes in technology, as well as the pace of those changes, have the potential to fundamentally alter Australia's energy markets. Energy policy and the associated regulatory framework must be able to adapt to allow a dynamic market response. This work will help us to understand the likely impacts on consumer costs and behaviours and on the incentives and business models of market participants. It will inform existing rule changes and identify areas where current regulatory frameworks may need to be reviewed.

Outside of energy market reform itself, energy is likely to remain an important issue, given its intersection with other policy interests. Governments naturally have concerns beyond the energy sector. The resulting policies can affect the sector's productivity: concerns for vulnerable customers and the environmental impacts of the sector are examples. Ideally, governments will choose instruments to achieve their policy objectives that are compatible with the way energy is bought and sold.

Staff commitment to stakeholder engagement

Reflecting the impact that energy has on the broader policy agenda, this year in particular the staff of the AEMC have committed to a challenging work program and again increased their efforts to consult with growing numbers of increasingly diverse stakeholders.

In May 2014 we held our first strategic priorities forum with consumer representatives in order to deepen our relationships as we consider the agenda ahead of us for market development. Together with consumer, industry and government stakeholders we are now solidly engaged on market-wide issues which extend our daily, project-specific consultation. Our objective is to understand the issues which are of most importance to you so we can continue to deliver work to the high standard expected by our communities.

A strong and values-based organisation

This year the Commission undertook its first effectiveness review to assess how it was performing in relation to its key functions and identify opportunities for improvement.

We also saw the organisation transition smoothly through a number of Senior Management Team changes following the appointment of our new Chief Executive, Paul Smith – formerly head of our Strategy and Economic Analysis team. Many organisations these days say people are our strength but at the AEMC this holds true, year after year. Our commitment to the AEMC values - leadership, engagement and integrity - is deeply held. Stakeholders say we are a mature, trustworthy organisation which conducts effective consultation and inspires confidence. This reputation is reflected in our ability to attract and retain excellent staff. Under Paul's stewardship, we will continue to produce good work in a positive work environment, in the public interest.



John Pierce
CHAIRMAN

CHIEF EXECUTIVE'S MESSAGE



In the year ahead the AEMC will continue to develop to meet the evolving nature of the energy sector. Consumers need information and tools to make energy choices that are right for them. Energy market frameworks need to be resilient and adaptable to developments in technology, changes in demand trends and the impacts of environmental and other policies. The gas market needs to adjust to an historic structural shift in supply and demand.

Our strategic priorities and ongoing work program recognise these needs.

From review to delivery

The focus of our work this year has moved from extensive consultation on wide-ranging reviews to the delivery of changes arising from those reviews. For example, we are progressing rule changes arising from the 2012-2013 Power of Choice Review. These will empower consumers with tools and information, allowing them to make informed choices about how they use electricity.

Other parties are also delivering changes in line with our previous recommendations. The New South Wales Government has decided to remove electricity retail price regulation in line with recommendations we made in our retail competition review. The Queensland Government has indicated it intends to do so in South East Queensland, subject to competition being found effective and the implementation of appropriate consumer

protection and engagement policies. The Australian Energy Regulator, through its Better Regulation program, has started to apply the new network regulation rules that we made in 2012.

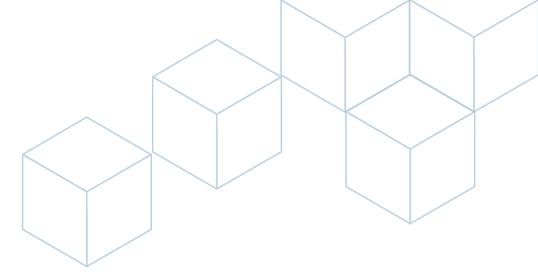
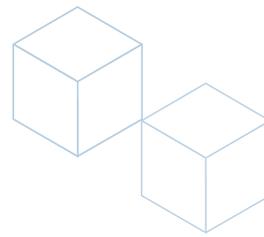
At the same time, developments in the east coast gas market and the adoption of the National Energy Customer Framework (NECF) by a number of jurisdictions are broadening the type of work that we do. This year we initiated the first rule change under the National Energy Retail Rules, looking at price variations under market retail contracts. We also published the Gas Market Scoping Study, setting out a strategic plan for gas market development.

We restructured our policy teams to better reflect our areas of work and to improve our ability to demonstrate strategic leadership in relation to our statutory responsibility for market development. The Commission's three policy units are now responsible for market development, the competitive elements of the market and regulated networks.

Deepening consumer engagement

We engage extensively with our stakeholders in the course of our rule making and advisory functions. Consumer groups and peak business bodies are increasingly active in these processes.

This year we deepened that engagement and provided additional forums for consumer engagement, beyond project-specific consultation. As part of this initiative we are undertaking



Chief Executive's message
(continued)

a series of forums with consumer group leaders and direct consumer research on their strategic priorities for energy market development. These will feed into our next review of the AEMC's strategic priorities, which we expect to commence in 2015.

This ongoing conversation with key consumer stakeholders responds to their requests for more engagement on market-wide issues and helps to further one of our priorities: to help empower consumers to participate in competitive retail markets and regulatory and policy processes.

Continuous improvement

All stakeholders clearly value the opportunities for consultation that our processes provide to challenge our proposals for reform, to scrutinise detailed rule drafting and to understand the reasons for our decisions.

At the same time, some stakeholders have raised concerns that the rule change process can often take a long time in particular the process from the initiation of a review to the implementation of the resulting rule changes.

We are discussing with the COAG Energy Council opportunities to improve the timeliness of our processes without prejudicing effective consultation. We will seek to progress these recommendations through the 2014 Review of Governance Arrangements for Energy Markets.

Internally, we have endeavoured to shorten the rule making process where appropriate and within the constraints of statutory requirements. We have made more use of the expedited rule making process. We are considering implementation programs more explicitly as part of our review recommendations in order to facilitate shorter timeframes.

This year the COAG Energy Council agreed to a Statement of Expectations for the AEMC. In response we published a Statement of Intent. It includes key performance indicators (KPIs) for the AEMC and we report against them in this document. We included measures on the timeliness of our processes. While these KPIs show room for improvement, stating clear targets and measuring our performance against them is the first step on that path.

The complexity of the work we undertake continues to increase. I see that as a reflection of the quality of our work and the trust that our stakeholders place in us - strengths that were clearly valued in our 2013 stakeholder survey.

In response we have undertaken initiatives to develop our abilities as an organisation. We implemented several learning and development programs to enhance the leadership skills of our people managers. We also invited key stakeholders to present and discuss broader energy market issues with our staff.

I would like to thank my staff. It is a testament to their expertise and commitment that we continue to grow as a professional and competent organisation, delivering independent, evidence-based rules and advice and a deepening level of engagement with our stakeholders.

Paul Smith
CHIEF EXECUTIVE



YOUR GUIDE TO THIS ANNUAL REPORT

This report details the performance of the Australian Energy Market Commission (AEMC) from 1 July 2013 to 30 June 2014 in accordance with the Australian Energy Market Commission Establishment Act 2004 (SA) (the AEMC Act) and the Australian Energy Market Commission Establishment Regulations 2005 (SA).

OVERVIEW

Outlines who we are, what we do, how we work and how we report against our priorities and objectives.

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WORK PROGRAM

Reports on the output of our work program and describes our performance in terms of key performance indicators required by our governing legislation, regulations and as determined by the COAG Energy Council. Explains our business and activities of the AEMC Reliability Panel and Consumer Advocacy Panel.

ORGANISATION

Reports on our internal management systems and processes; governance including audit and risk management; the role of Commissioners and the executive team; and stakeholder engagement.

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FINANCIAL PERFORMANCE

Provides audited financial statements for the AEMC and the Consumer Advocacy Panel.

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STATUTORY REPORTS

Under section 27 of the AEMC Act we must include specific reports which are provided here together with a compliance index showing the location of other required information throughout the report.

APPENDICES

Appendix A
Index of AEMC Rules and Reviews 2013-2014

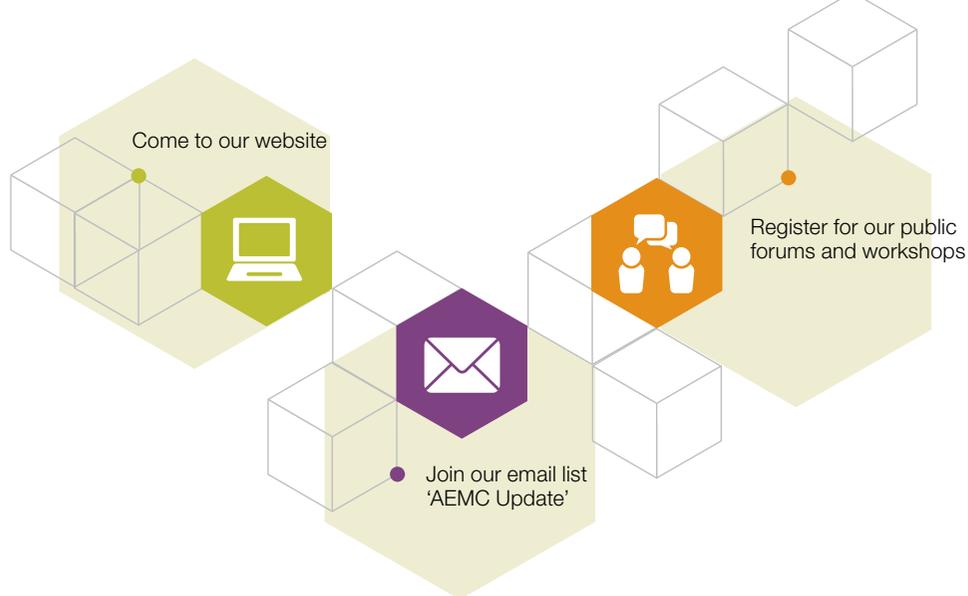
Summaries of each rule and review project (including advice) are provided in accordance with the AEMC Act and the Australian Energy Market Commission Establishment Regulations 2005 (SA).

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Appendix B
Consumer Advocacy Panel

The Consumer Advocacy Panel's annual report is provided in accordance with section 47 of the AEMC Act.

REFERENCES



KEEP INFORMED ABOUT AEMC ACTIVITIES

WWW.AEMC.GOV.AU

How we delivered

Rule changes, reviews and advice initiated and completed
Project classification by budget
New rules requested by quarter
Timeliness
Employee numbers, turnover, training, roles and gender
Effective governance
Expenditure and expenses
Engagement measures

Figures

Figure 1	AEMC operations - electricity
Figure 2	AEMC operations - gas
Figure 3	Electricity consumption
Figure 4	Natural gas consumption
Figure 5	Demand and generation
Figure 6	Domestic solar PV
Figure 7	Generation by fuel type
Figure 8	Organisation chart as at 30 June 2014
Figure 9	Historical snapshot: Projects undertaken

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Figure 10	Rule change projects, reviews and advice: initiated and completed
Figure 11	Rule making activities 2013-2014
Figure 12	New rules requested by quarter 2013-2014
Figure 13	Managing rule making time frames
Figure 14	Categories for completed electricity and gas rule change projects
Figure 15	Rule change projects, reviews and advice: initiated and completed
Figure 16	Stakeholder presentations and meetings with senior management
Figure 17	Written submissions on rules and reviews
Figure 18	Level of interest in energy issues
Figure 19	Employees total numbers
Figure 20	Employment status
Figure 21	Employees by age
Figure 22	Employee origins
Figure 23	Languages spoken by employees

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Table 2	Reliability Panel member attendance
Table 3	Key performance indicators
Table 4	Commission statutory and governance meetings
Table 5	Audit and Risk
Table 6	How we engage with stakeholders
Table 7	External consultants – spending bands
Table 8	External consultants – project descriptions
Table A1	Electricity rules made 2013-2014
Table A2	Determinations to not make an electricity rule change request 2013-2014
Table A3	Electricity rules under consideration at 30 June 2014
Table A4	Gas rules made 2013-2014
Table A5	Determinations to not make a gas rule change request 2013-2014
Table A6	Gas rules under consideration at 30 June 2014
Table A7	Retail rules under consideration at 30 June 2014
Table A8	Formal market reviews and advice – summary
Table A9	Market reviews and advice completed 2013-2014
Table A10	Market reviews and advice in progress at 30 June 2014

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OVERVIEW

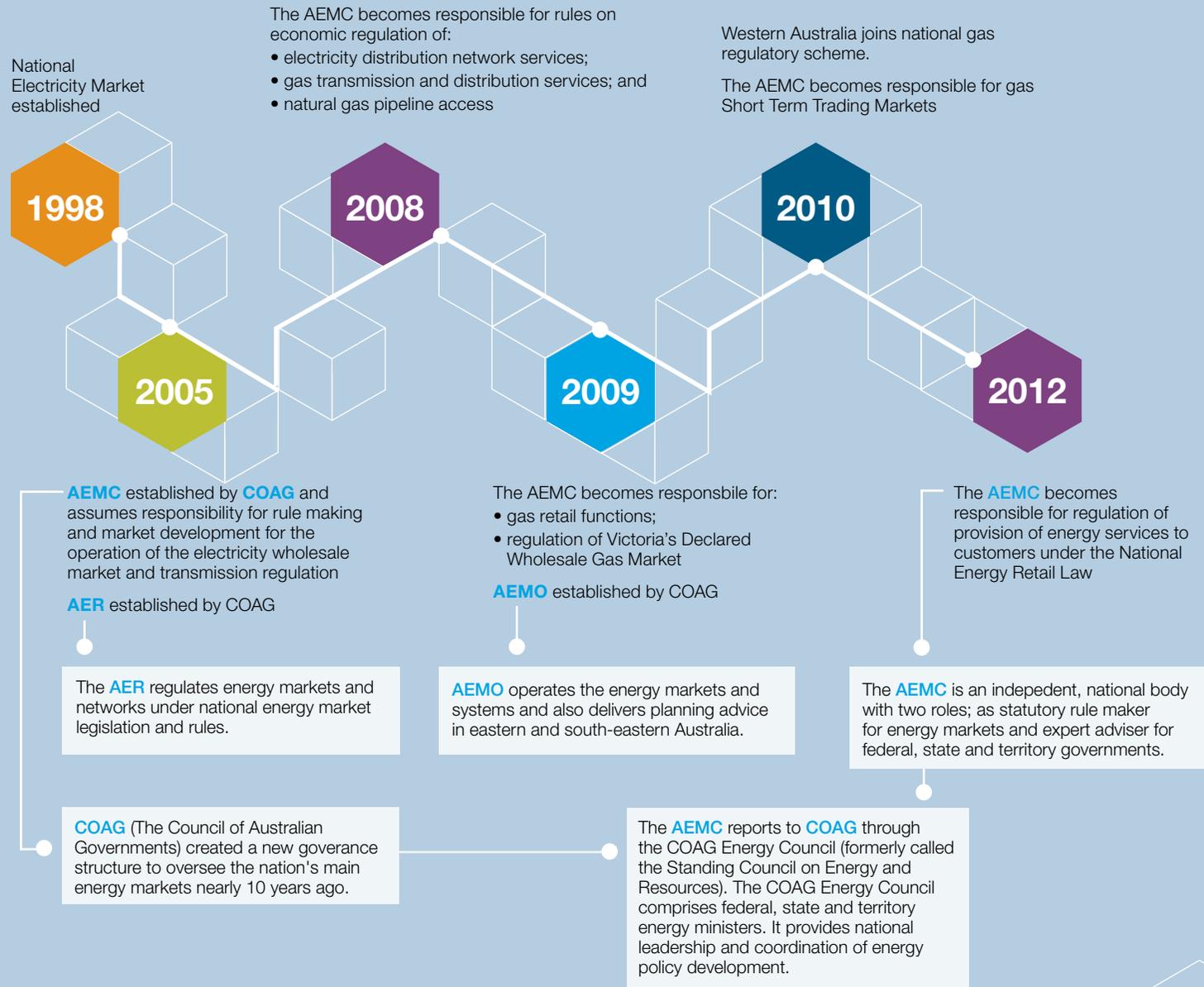
Much of our work program is inter-related and part of a continuing process which seeks to deliver efficient market outcomes that are responsive to consumers' needs and preferences.



OUR BUSINESS

The energy market is governed by three bodies with distinct roles:

1. the AEMC,
2. the Australian Energy Regulator (AER);
3. the Australian Energy Market Operator (AEMO)



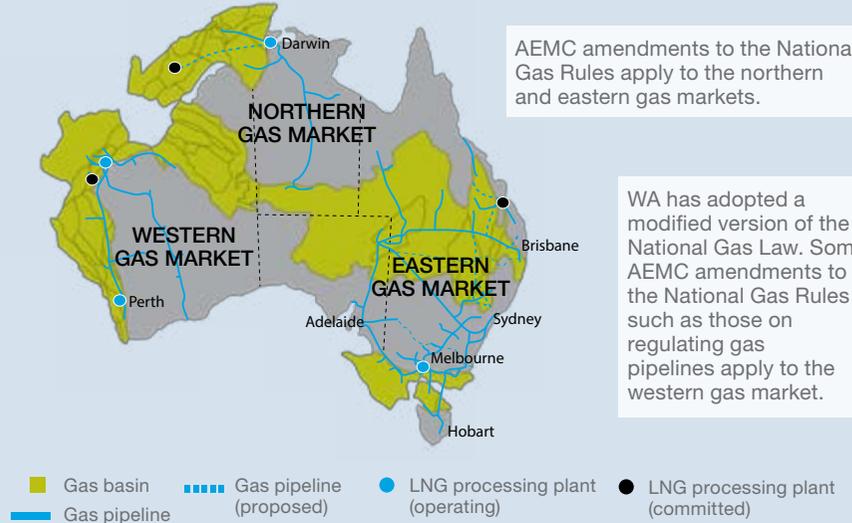
OUR BUSINESS (continued)

Figure 1
AEMC OPERATIONS: NATIONAL ELECTRICITY MARKET



The scope of our rule-making powers in the NEM includes wholesale markets, the economic regulation of monopoly transmission and distribution networks; transmission network pricing and retail market functions primarily focused on the sale and supply of energy to small customers; consumer protection and model contracts.

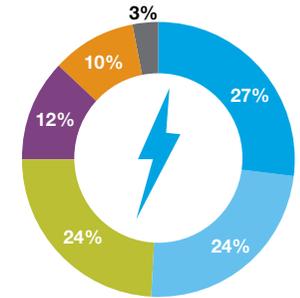
Figure 2
AEMC OPERATIONS: NATIONAL GAS MARKETS



Source: Energy White Paper 2012, p. 135.

Figure 3
AUSTRALIA ELECTRICITY CONSUMPTION BY SECTOR

10 million electricity customers



- Manufacturing
- Commercial and services
- Residential
- Electricity, gas, water & waste services
- Mining
- Other

Source: Bureau of Resources and Energy Economics (BREE)

NATIONAL MARKETS ARE EVOLVING

Demand is falling and generation capacity is levelling off

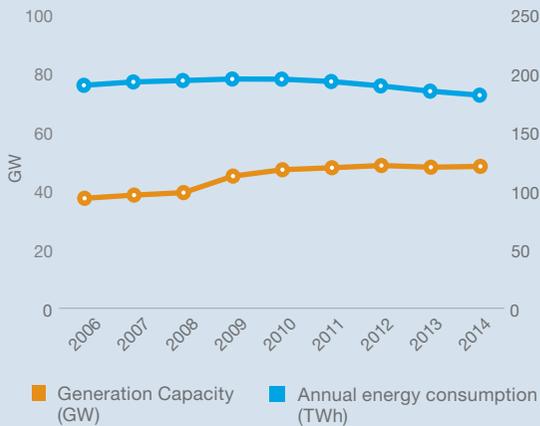


Figure 5
POWER STATION CAPACITY AND ANNUAL ELECTRICITY CONSUMPTION IN THE NEM

Source: Energy Supply Association of Australia (ESAA) Australian Energy Market Operator (AEMO)

Domestic solar PV is growing strongly

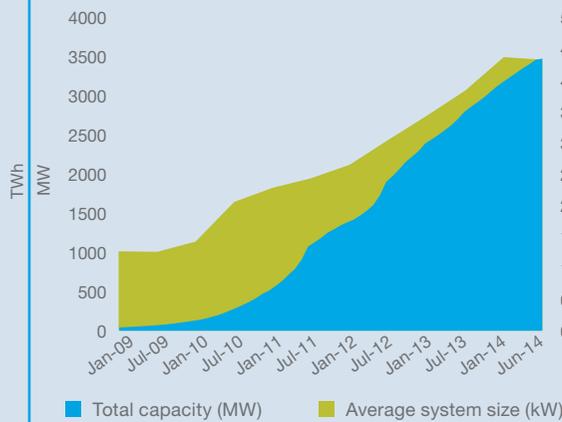


Figure 6
INSTALLED SOLAR PV CAPACITY IN AUSTRALIA

Source: Clean Energy Regulator International Energy Agency Photovoltaic Power Systems Programme

More electricity is coming from wind and gas

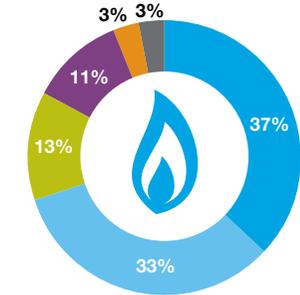


Figure 7
ELECTRICITY GENERATION BY FUEL TYPE

Source: Energy Supply Association of Australia (ESAA) NEM-Review

Figure 4
AUSTRALIA GAS CONSUMPTION BY SECTOR

4 million natural gas customers



- Electricity
- Manufacturing
- Mining
- Residential
- Commercial
- Other

Source: Bureau of Resources and Energy Economics (BREE)

Our role

We are the energy markets' rule maker and we advise the COAG Energy Council on energy market development. The Council is made up of ministers from state, territory and federal governments.

Rule making

The AEMC makes rules under the National Electricity Law (NEL), the National Gas Law (NGL) and the National Energy Retail Law (NERL).

Market rules have the force of law and broadly speaking cover the 'who, what, when, where and how' of operating and participating in the competitive generation and retail sectors. They also govern the economic regulation of transmission and distribution networks, and gas pipelines.

Our rule making reflects the highest standards of market governance and transparency. We don't propose rules (except for minor changes such as corrections) because we must conduct impartial investigations. Any stakeholders including governments, industry and consumers can request rule changes.

Reviews and advice

Australia's energy markets need appropriate policy and regulatory arrangements that reflect international and domestic developments so consumers have the opportunity to receive reliable supplies of electricity and gas at efficient prices.

The AEMC provides governments with advice on improvements to these arrangements so that consumers benefit from more efficiently operating energy markets.

In our reviews we consult widely on matters which bear on the progress of the COAG Energy Council's energy reform agenda. We conduct reviews in accordance with terms of reference provided by the nation's energy ministers² and can also initiate our own formal market reviews.

² In 2011 the Council of Australian Governments announced that it would replace the former Ministerial Council on Energy (MCE) with the Standing Council on Energy and Resources (SCER). In 2014 the SCER became known as the COAG Council on Energy. However, the MCE remains as the legally enduring entity which comprises the federal, state and territory ministers for energy. For this reason the MCE continues to be referenced as the entity with power to request work of the AEMC.

Objectives

All of the AEMC's work is guided by three objectives that are enshrined in national energy laws; the National Electricity Objective, the National Gas Objective and the National Energy Retail Objective. Each Objective incorporates the achievement of economic efficiency in the long-term interests of consumers as the basis for advice we provide to the COAG Energy Council and when we make decisions in relation to rule change projects.

Statement of Intent

On 13 December 2013, the COAG Energy Council, formerly the Standing Council on Energy and Resources, agreed to a Statement of Expectations for the AEMC. The Statement of Expectations is designed to strengthen governance arrangements and is part of the energy market reforms undertaken by COAG.

The COAG Energy Council expects that the AEMC will put in place a Statement of Intent for each financial year, outlining how we will meet the requirements set out in the Statement of Expectations. The Statement of Intent is also to include performance indicators for the AEMC for the forthcoming year.

The AEMC completed its inaugural Statement of Intent during the year under review and it is published on our website. The statement includes KPIs for the forthcoming year. We report against those KPIs where performance data were available for the year under review on page 32 of this report.

Reporting against strategic priorities and market objectives

The AEMC develops strategic priorities for energy market development which take account of stakeholder views on how best to serve consumer interests. These priorities form the basis of our market advisory role and are reviewed periodically through a process of public consultation. This enables us to regularly update the COAG Energy Council on stakeholder views of the opportunities, risks and challenges facing the energy sector. They also provide context for the COAG Energy Council to consider its future work program for the energy sector and to evaluate progress.

After extensive stakeholder consultation, we published our refreshed strategic priorities for energy market development in October 2013. The discussion paper proposed consumer, gas and market priorities. Most stakeholders supported our focus on these three areas. Contributions from workshops and submissions allowed us to refine the priorities.

We keep these strategic priorities under review as the energy market and policy environment develop. We anticipate we will commence the next formal review of our strategic priorities in 2015. As an early input into our thinking for the next review, the Commission is undertaking a series of forums with consumer groups to help us understand further what is important to consumers in the development of energy markets.

Our priorities

Strengthening consumer participation while continuing to promote competitive retail markets.

Our consumer priority is to help empower consumers so they can make choices about how to manage their electricity consumption and choose the best energy services to meet their needs. This priority recognises the changing role of consumers in energy markets. Empowered consumers can benefit from, and contribute to, the effective functioning of the electricity and gas sectors.

Promoting development of efficient gas markets.

Our gas priority recognises the growing importance of natural gas as an export commodity over the long term and as a fuel source. This priority considers whether the gas market and regulatory frameworks will continue to promote the efficient allocation of gas and investment in gas infrastructure, in light of the developing liquefied natural gas export industry.

Developing market arrangements that encourage efficient investment and flexibility.

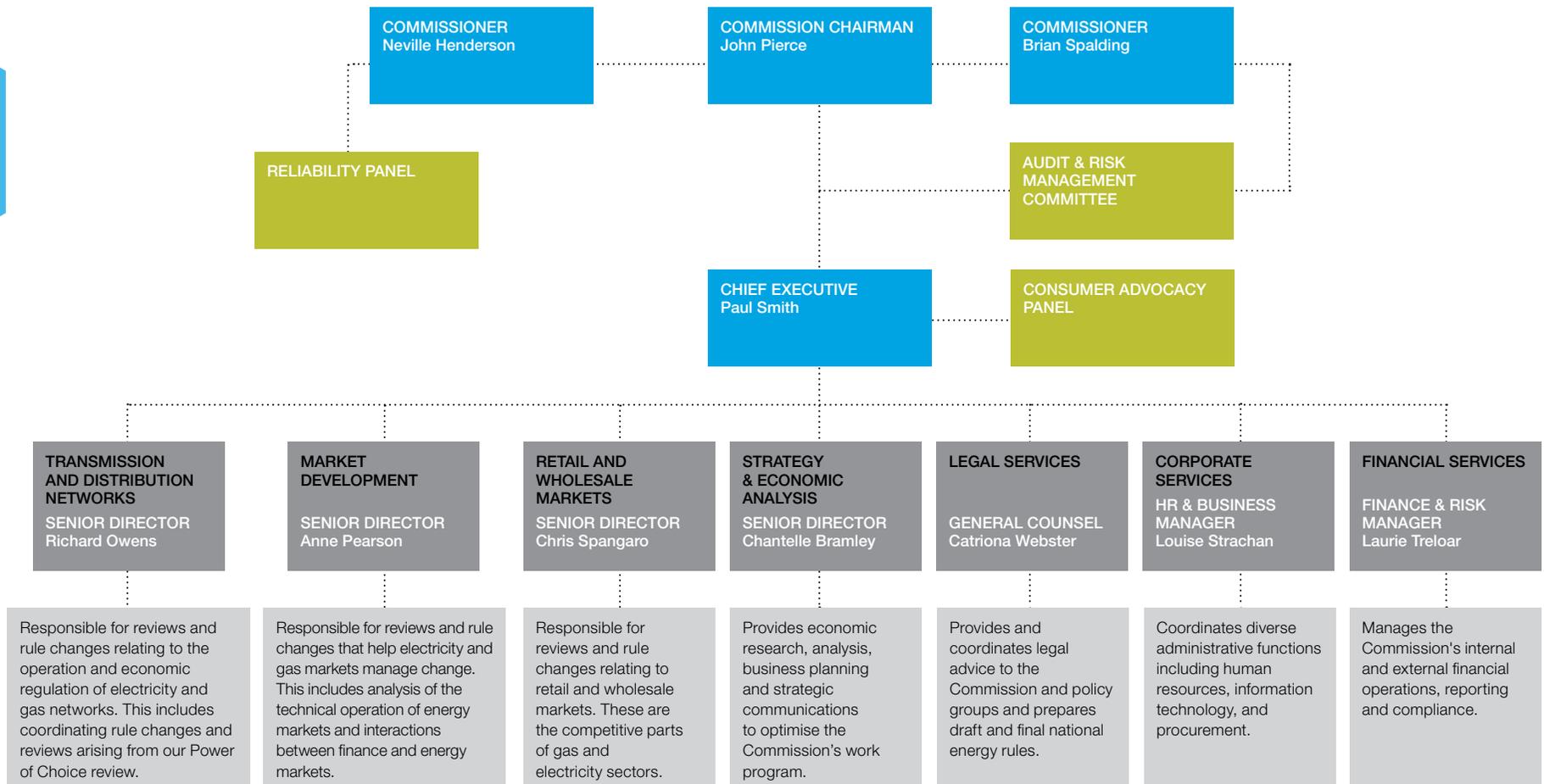
Our market priority recognises that a sound environment for investment is important to attract the capital necessary to provide efficiently priced, safe, secure and reliable electricity. This priority emphasises the balance between stable market and regulatory arrangements and the flexibility to adapt to changing market and external circumstances.

Figure 8
ORGANISATION CHART AT 30 JUNE



Our three policy teams are now named:

- **Transmission and Distribution Networks;**
- **Market Development; and**
- **Retail and Wholesale Markets.**



In the year under review we expanded the role of our Strategy and Economic Analysis team and restructured our policy units. The changes will deepen our strategic capabilities as we address requests for advice from the nation's

energy ministers on the COAG Energy Council and consult with stakeholders all across the community in order to make new rules for electricity and gas markets which best serve the public interest.

AEMC COMMISSIONERS

Commission

Our Chairman, Mr John Pierce, and the two part-time Commissioners, Dr Brian Spalding and Mr Neville Henderson, bring diverse professional backgrounds to AEMC rule making and formal market reviews. They have helped shape Australia's energy reform program over decades.

JOHN PIERCE Chairman

Former Secretary of the Federal Department of Resources, Energy and Tourism, following 12 years of service as Secretary of New South Wales Treasury and Chairman of NSW Treasury Corp. John has worked at the most senior levels of policy development and advised ministers, cabinets, and the Council of Australian Governments. He holds an Honours Degree in Commerce from the University of New South Wales.

Mr Pierce was nominated by state and territory energy ministers for appointment.

JOHN PIERCE



BRIAN SPALDING



NEVILLE HENDERSON



NEVILLE HENDERSON Commissioner

Former Executive Director with PricewaterhouseCoopers. While at the National Grid Management Council 1994 -1997 Neville led the development of market and regulatory arrangements for the National Electricity Market. He holds a Degree in Commerce from the University of Melbourne and a Diploma of Mechanical Engineering from Footscray Technology College.

Mr Henderson was nominated by state and territory energy ministers for appointment.

DR BRIAN SPALDING Commissioner

Board member of the Australian Renewable Energy Agency. Independent member of the Energy Saving Scheme Committee of the Independent Pricing and Regulatory Tribunal. Former Chief Executive Officer of the National Electricity Market Management Company with responsibility for the National Electricity Market and power system for south-eastern Australia. Brian holds a Degree in Science, an Honours Degree in Engineering (University Medal) and is a Doctor of Philosophy in Power System Analysis from the University of New South Wales.

Dr Spalding was nominated by the Commonwealth energy minister for appointment.

Senior Management Team

As at 30 June 2014

In 2013-2014 the AEMC restructured our policy teams to better reflect the nature of our various areas of work.

Our management team strives to continually improve the quality of our analysis across all of our areas of responsibility. Our aim is to demonstrate effective leadership in respect of our statutory responsibilities for market development and rule making including through closer engagement with our stakeholders on strategic issues and challenges.

Our three policy teams are now named: Market Development; Retail and Wholesale Markets; and Transmission and Distribution Networks.

PAUL SMITH Chief Executive

Formerly the AEMC's Senior Director, Strategy and Economic Analysis, Paul's appointment as Chief Executive took effect on 20 August 2013. Prior to joining the AEMC, Paul was Principal at the British-based consultancy, Cambridge Economic Policy Associates, where he worked on frameworks for economic regulation across a range of regulated sectors. Paul's previous experience includes positions at the United Kingdom (UK) energy regulator, Ofgem, where his roles included retail price regulation and market reviews, competition policy, security of supply and wholesale market surveillance. He also worked at Postcomm (the UK postal sector regulator) to complete the first full price control review of Royal Mail. He holds a Degree in Economics and Politics from Bristol University.

ANNE PEARSON Senior Director, Market Development

Former Executive Manager of Retail Regulation at EnergyAustralia, Anne's prior appointments include corporate mergers and acquisitions at Freehills and Deacons, where she worked on the introduction of retail competition in the New South Wales retail gas market and corporatisation of the Snowy Mountains Hydro Electric Scheme. She holds a Degree in Economics and an Honours Degree in Law from the University of Sydney.

AEMC SENIOR MANAGEMENT TEAM

PAUL SMITH



CHRIS SPANGARO



CHANTELLE BRAMLEY



LOUISE STRACHAN



ANNE PEARSON



RICHARD OWENS



CATRIONA WEBSTER



CHRIS SPANGARO Senior Director, Retail and Wholesale Markets

Chris's background is in law and public policy. He was previously General Manager of the NSW Greenhouse Gas Abatement Scheme (one of the world's first greenhouse gas abatement schemes) at the New South Wales (NSW) Independent Pricing and Regulatory Tribunal where he was also Program Manager Water Pricing. Prior positions included the Economic Development Branch of the NSW Cabinet Office and earlier policy work in law enforcement and corrections. He has a Degree in Legal Studies and is admitted as a legal practitioner.

RICHARD OWENS Senior Director, Transmission and Distribution Networks

Richard has a background as a regulatory and competition lawyer and has led projects at the AEMC across a broad range of electricity and gas retail, wholesale and networks issues. Richard previously worked at DLA Phillips Fox where he advised on energy regulatory, competition and consumer law issues. Prior to that he worked for the New Zealand Ministry of Economic Development and a major New Zealand law firm. Richard has an Honours Degree in Law from the University of Canterbury in New Zealand and a Master of Laws from the University of Leuven in Belgium.

CHANTELLE BRAMLEY Senior Director, Strategy and Economic Analysis

Chantelle was appointed head of the Strategy and Economic Analysis team in May 2014. She was previously Vice President Strategy and Chief of Staff at Direct Energy, one of the largest retail providers of electricity, natural gas and related services in North America. Her roles at Direct Energy included periods as compliance risk manager for the company's retail and regulated operations across Canada; and Senior Director, Regulatory Affairs. She has also worked at Transalta, Canada's largest publicly traded generator; was a Senior Economist for the Canadian Energy Research Institute and was a competition economist at LECG London. Chantelle has an Honours Degree in Economics from the University of Sydney; a Masters of Science in Economics from University College London; and a Master of Business Law from the University of York.

CATRIONA WEBSTER General Counsel

A former corporate counsel with The Marketplace Company and Logica Australia, Catriona was involved in the implementation, governance and administration of the gas retail market and the transition of jurisdictional gas market operators into the Australian Energy Market Operator in 2009. Prior roles included working in the mergers and acquisitions group at Mallesons in Sydney and Linklaters in London. She holds a Degree in Arts from the University of Adelaide and an Honours Degree in Law from the University of Sydney.

LOUISE STRACHAN Human Resources and Business Manager

Former administrator for several major law firms in Queensland and New South Wales. Louise is responsible for the provision of services in human resources, technology and telecommunications, governance, and corporate infrastructure projects. She has also held the role of business education teacher in Queensland and holds an Honours Degree in Education from Queensland University of Technology, and Graduate Certificate in Business Administration.

18 WORK PROGRAM

After a year of major reviews by the AEMC in 2012–2013, the focus of our work this year has moved to the delivery of rule changes arising from those reviews. Other parties are also delivering changes in line with our previous recommendations.



SUMMARY

The COAG Energy Council agreed to many of the recommendations in the Power of Choice review and has proposed rule changes to implement these recommendations. The New South Wales Government has decided to remove electricity retail price regulation in line with recommendations we made in our retail competition review. The Queensland Government has indicated it intends to do so in South East Queensland, subject to competition being found effective and the implementation of appropriate consumer protection and engagement policies.⁴ The Australian Energy Regulator, through its Better Regulation program, has started to apply the new network regulation rules that we made in 2012.

Some stakeholders and commentators have raised concerns about the time it takes to make a rule change – in particular the process from the initiation of a review through to the implementation of the resulting rule changes. This process involves three stages:

1. The AEMC conducts a review and makes recommendations to the COAG Energy Council.
2. The COAG Energy Council considers the recommendations. If it agrees with them, it requests the AEMC to make rule changes.
3. The AEMC assesses the rule change requests. We make rules if we find that they are likely to promote efficient outcomes in the long-term interests of consumers.

⁴The removal of price regulation is subject to a number of criteria being met. See p. 9 of the Queensland Government's 30 year electricity strategy discussion paper: http://www.dews.qld.gov.au/_data/assets/pdf_file/0004/96484/30yr-strategy-discussion-paper.pdf.

It is important that our work continues to be thorough but progresses at a pace which sees the benefits of reform realised as soon as possible.

We are discussing with the COAG Energy Council options to improve timeliness of the rule change process without undermining the features of the process that stakeholders tell us very clearly they value – extensive consultation, an opportunity to scrutinise the detailed rule drafting and a clear explanation of the reasons for our decisions. We will seek to progress these recommendations through the 2014 Review of Governance Arrangements for Energy Markets.

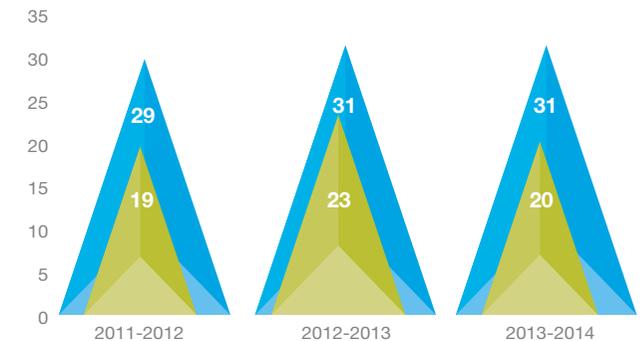
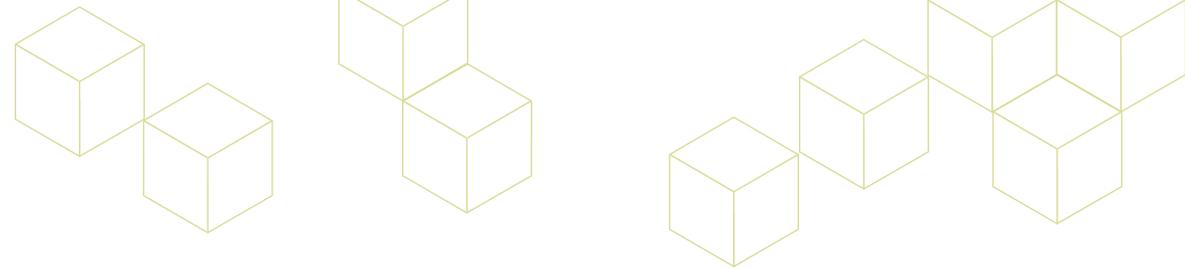


Figure 9 – Historical snapshot: All projects undertaken (completed and carried forward)

Rules
Reviews & advice



Internally we have endeavoured to shorten the rule making process where appropriate and within the constraints of statutory requirements, for example, by utilising the expedited rule making process. We are also considering implementation programs more explicitly as part of our review recommendations to shorten the process to the resulting rule changes.

Trends

The volume of work during the year was consistently high with 31 rule change projects under consideration and 20 review and advice projects. At the same time, the complexity of work we were asked to do continued to expand with our work program showing a 9% increase in the number of significant and major projects. These projects typically require additional resourcing because of their broad scope or technical requirements. Due to this increased level of complexity, these projects often require additional iterations of stakeholder consultation.

Addressing our current priorities

We refreshed our strategic priorities for energy market development in 2013, building on the priorities that we first articulated in 2011. We refocused the consumer and market priorities and introduced a new priority on promoting efficient gas markets.

Following is an overview of some key projects which helped progress our strategic priorities in 2013-2014. Comprehensive details on each rule and review project are in appendix A of this report.

Consumer Priority: Strengthening consumer participation and continuing to promote competitive retail markets.

The choices consumers make about how they use energy should drive investment in the sector and the way that it develops. There is the potential for significant productivity gains – if we get the right risk allocation, incentives and price signals

across the supply chain. Much of our current work program is inter-related, and is part of a continuing process which seeks to deliver a system which is more responsive and adaptable to consumers.

The following projects represent a sample of this work. In 2014-2015 we expect to continue to focus on delivery of the Power of Choice recommendations, to complete a national review of retail competition and to progress rule changes relating to the National Energy Retail Rules.

Power of Choice Review – delivery program

In the 2012 Power of Choice Review, we recommended a package of reforms to help consumers make informed decisions about how they use electricity. We identified market and regulatory arrangements to help the community's demand for energy services to be met by the lowest cost combination of demand and supply side options. We are now delivering the resulting work program.

Distribution Network Pricing Arrangements rule change request (ongoing at 30 June 2014)

The rule change request proposes to change the way that distribution network prices are set and structured. The aim is to achieve a closer relationship between the network prices paid by individual consumers and the network costs implied by their consumption decisions. Providing efficient price signals to consumers may take pressure off the network at times when the cost to provide electricity is higher than the value consumers place on the services it provides at that particular time. Doing so may reduce the need for additional network investment, helping to moderate electricity price rises in the medium to long term.

Framework for Open Access and Common Communication Standards Review (April 2014)

New metering technology supports services that can enable consumers to manage the level and cost of their power usage. In this review, we recommended the adoption of shared

communication standards to provide a low cost way for authorised service providers to communicate with the “gate keepers” that manage access to a smart meter’s functionality. It is a first step in the reform program to establish a competitive market for services enabled by smart meters.

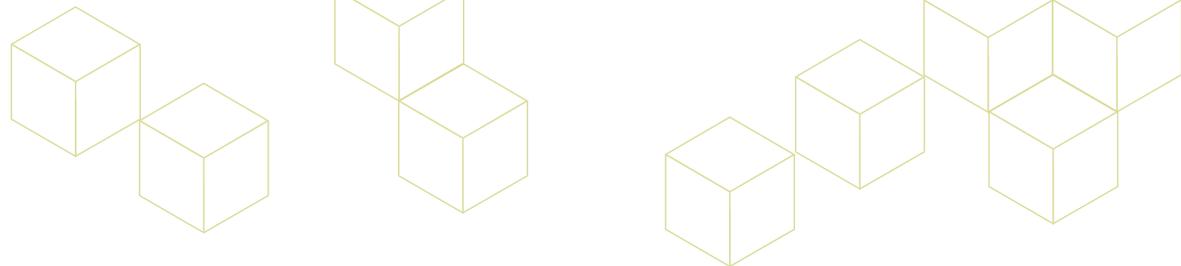
We recommended that the market for energy services enabled by smart meters should be able to develop at this time without further regulation of access to smart meter functionality or of the charges for such access. We recommended, however, that the COAG Energy Council should direct the AEMC to undertake a competition review three years after the commencement of any rules made under the “competition in metering” rule change request.

Competition in Metering rule change request (ongoing at 30 June 2014)

A competitive market for metering services should support the uptake of a greater range of demand-side products. These allow consumers to benefit from a wider range of energy services, as well as providing the tools they need to benefit from changing consumption patterns.

Electricity Customer Switching Review (April 2014)

Efficient arrangements for customers to switch their retailer support consumer choice in retail markets. This review found that generally most customers are able to switch retailers efficiently. However, some customers experience lengthy or inaccurate transfers. Such negative experiences have the potential to undermine confidence more broadly in the retail market over time. We therefore made several recommendations to improve the timing and accuracy of customer transfers. One recommendation is to allow customers to choose to switch retailers on the basis of estimated meter reads.



Retail competition reviews

These reviews provide advice to governments to support a commitment made by all jurisdictions under the Australian Energy Market Agreement to remove retail energy price regulation where effective competition can be demonstrated.

New South Wales Retail Competition Review (October 2013)

This review examined the effectiveness of competition for electricity and natural gas customers in New South Wales. We found that retail competition is delivering discounts and other benefits but many consumers could save by shopping around for a better deal. We recommended a package of measures to enhance competition which included removing retail price regulation, improving information for consumers, maintaining consumer protections and ongoing market monitoring.

We also developed a consumer engagement blueprint, based on consumer market research. The blueprint provides the New South Wales Government with advice on how to inform and empower consumers so they are confident they have the right information and support to choose an energy plan that suits their needs.

National Retail Competition Review (ongoing at 30 June 2014)

We started our first NEM-wide review of energy retail competition in January 2014. We have been working closely with retailers, consumer groups, government departments, regulators and ombudsmen to inform our analysis of the state of competition in NEM jurisdictions. We have also undertaken extensive qualitative and quantitative research directly with residential and small business customers on their experiences in retail energy markets. This 2014 review has a particular focus on South East Queensland, where deregulation of retail electricity prices has been announced subject to competition being effective. We continue to work closely with the Queensland Government to provide input as required into its decision-making processes.

Connecting Embedded Generators rule change (April 2014)

Growing numbers of commercial electricity consumers who generate their own power from sources like gas, solar, wind or biomass are seeking to connect to distribution networks. This determination improves the connection process and information provided to such generators. It recognises the need for distribution businesses to adapt their networks to the changing environment while maintaining the reliable and safe supply of electricity to all customers. The changes are expected to result in a process which makes it easier for embedded generators to connect to distribution networks where it is efficient for them to do so.

Connecting Embedded Generators under Chapter 5A rule change (ongoing at 30 June 2014)

We started public consultation in May 2014 on a request from the Clean Energy Council to consider changes to the application process for smaller embedded generators seeking to connect to distribution networks. At 30 June 2014 we were assessing the first round of public submissions on the project's consultation paper.

Gas Priority: Promoting the development of efficient gas markets.

Australia's gas market structure has been characterised by long-term bilateral contracts which have supported significant investment in production and pipeline capacity. The establishment of the east coast liquefied natural gas (LNG) export industry is leading to a structural shift in supply and demand. There are also increased opportunities for market participants to trade natural gas, with increased pipeline interconnection and flexibility. These changes will test existing market structures, raising the issue of whether more flexible and transparent trading mechanisms are needed.

Gas Market Scoping Study (September 2013)

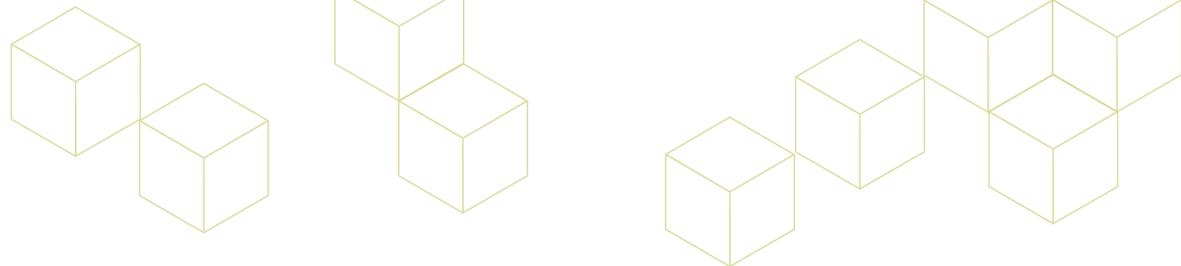
This study provided an overview of the changes under way in the eastern gas market and identified market and regulatory arrangements that may benefit from future development work. In addition to informing our ongoing gas market development role, the gas market scoping study provides us with a broader context when considering gas rule changes.

The study complements work being undertaken on the sector by the Commonwealth and jurisdictional governments. The study focuses on trading markets and the pipeline regulatory framework, which are the primary areas of our gas functions and expertise. While we cannot directly affect production decisions, the way that gas is bought and sold contributes to the overall efficiency of the supply chain; getting the right price signals will affect investment in the sector.

We will continue to work with governments, market participants and consumer groups on a long-term pathway to support development of the east coast gas market.

Gas changes

We also made or are working on rule changes to improve the efficiency of gas market frameworks. The National Gas Bulletin Board Capacity Outlooks (May 2014) rule change increased the level of short and medium-term capacity outlook information that facility operators are required to publish on the National Market Gas Bulletin Board. This increase in information has the potential to help gas market participants make more efficient operational and investment decisions. We are also currently assessing the Portfolio Rights Trading rule change request. This seeks to promote more efficient utilisation of transmission pipeline capacity to defer new pipeline investment in Victoria's Declared Wholesale Gas Market by allowing market participants to more readily carry out short-term trades of the benefits attached to authorised MDQ and AMDQ credit certificates.



Market Priority: Developing market arrangements that encourage efficient investment and flexibility.

A relatively stable policy environment and market arrangements that are well understood by investors help to attract investment in the Australian energy sector at competitive rates.

However, developments in technology, changes in demand trends and the impacts of environmental and other policies mean that it is important for energy market frameworks to be resilient and adaptable to different circumstances.

The way in which change occurs is therefore important. It should be transparent, based on clear objectives and relatively predictable.

Much of our market development work seeks to promote appropriate risk allocation. In well-designed markets, the risks associated with investment are carried by the businesses that make the investment decision. In general, risks should only lie with consumers where they are better able than industry participants to make decisions and take actions to mitigate those risks.

NEM Financial Market Resilience Review (ongoing at 30 June 2014)

The AEMC is reviewing the effectiveness of arrangements to deal with retailers who get into financial difficulties. We are considering whether changes are required to provide more confidence that, if large and medium-sized retailers get into financial difficulties, there will be reduced risks of a contagion effect. We have made draft recommendations to mitigate the risks associated with a retailer of last resort event that could arise from the financial distress of a large electricity retailer. We are exploring options to address other possible sources of financial contagion. These relate to way in which the regulatory framework and businesses manage the risks faced by retailers and generators in the NEM.

Optional Firm Access – Design and Testing (ongoing at 30 June 2014)

This review and an associated AEMO work program build on the Transmission Frameworks review. We are developing, testing and assessing a new model for how generators access the wholesale electricity market during times of transmission network congestion. A key issue is the degree to which generation and transmission investment can be better coordinated through price signals. Introducing more commercial drivers on how transmission is developed may give greater confidence that total system costs faced by consumers are minimised. This work should assist governments and industry participants to better understand whether there are long-term benefits expected from implementing the optional firm access model and, if so, the optimal approach to implementation.

Reviews of the National Frameworks for Distribution and Transmission Reliability (September and November 2013)

We recommended a national approach for setting both distribution and transmission reliability standards on an economic basis. The framework makes explicit the trade-off between network reliability and the cost of infrastructure upgrades. This will allow estimates of the value consumers place on reliability to guide decisions on the setting of reliability targets for distribution and standards for transmission. A more efficient approach to setting reliability targets and standards will promote more efficient investment in networks as the need to meet reliability targets and standards are a key driver of network investment. A more transparent approach with greater community consultation will help consumers contribute to determining appropriate levels of reliability.



THE ENERGY LANDSCAPE IS CHANGING

Our work is preparing energy markets for consumer-driven transformation

Structural and technological change means we need resilient and adaptive frameworks to face the future.

Consumers, energy companies and investors must have confidence that energy market frameworks will evolve appropriately.



Energy is an input to almost every product and service. There is a strong link between the performance of the energy market and the productivity of the broader economy.



The gas market is adjusting to an historic structural shift in natural gas supply and demand, following the establishment of the east coast liquefied natural gas export industry.

A sound environment for investment is important to attract capital for existing participants and new infrastructure.

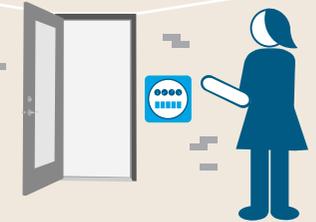


Integrated policy outcomes are most likely when all affected parties are consulted and decisions are transparent.



CHOICES FOR PEOPLE

The choices people make about how they use energy drives investment in, and development of, the sector.



POSSIBLE SERVICES

Access to detailed consumption data



Weekly power bills on smartphones



Off peak charging of electric vehicle



Time of use pricing options



Battery storage



On and off-grid options for local generation



Switch retailers faster

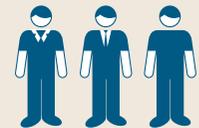


Price-sensitive, remotely controlled appliances



COMPETITIVE SUPPLIERS

Offering new energy products and services



NEW TECHNOLOGY

This will enable more efficient operation and management of networks.



POWER OF CHOICE

We are making new rules to implement our Power of Choice reforms. This work is developing the energy market to meet consumer needs over the next 15-20 years in three key areas:



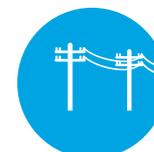
Consumer information

so people can choose the products and services that are right for them.



Tech-savvy innovations

so the market can open up to new metering and technology options.



Poles and wires reform

so networks provide cost reflective prices which consumers can use to make decisions about how they consume energy.

RULES

Transparent rule making

The AEMC makes rules under the National Electricity Law, the National Gas Law and the National Energy Retail Law. These rules impact on how companies can operate and participate in the competitive generation and retail sectors. They also govern the economic regulation of electricity transmission and distribution network services and gas pipelines.

A request to make or amend a rule can be made by anyone including governments, the Australian Energy Regulator, the Australian Energy Market Operator and/or any individual or group in the community, except the AEMC (minor rule changes being the exception). The proponents of new rule change proposals (electricity, gas and retail) can be seen in table 1.

Table 1 Rule change proponents

Proponent	Requests in 2013-2014
COAG Energy Council (formerly SCER)	9
The Australian Energy Market Operator	8
The Australian Energy Regulator	2
AEMC	2
Minister for Energy and Resources (Vic)	1
Minister for Mineral Resources and Energy (SA)	1
The Consumer Action Law Centre and the Consumer Utilities Advocacy Centre	1
GDF Suez, Origin Energy, National Generators Forum, AGL, Alinta Energy, Energy Brix, Intergen	1
Total Environment Centre	1
Total	26

National Energy Retail Rules

On 13 February 2014, the AEMC initiated its first rule change request under the National Energy Retail Law (NERL) since being conferred rule-making functions under the NERL in July 2012. The request seeks to prohibit retailers from including terms in their contracts that allow them to change prices during the fixed term or fixed benefit period of market retail contracts. And was submitted by the Consumer Action Law Centre (CALC) with the Consumer Utilities Advocacy Centre (CUAC).

Summary

During the year under review, we considered a total of 31 rule change projects bearing on the National Electricity Market, natural gas markets and retail energy markets. Overall 17 rule change projects were completed.

- 11 rules were made by the AEMC amending the National Electricity Rules
- 4 rules were made by the AEMC amending the National Gas Rules
- 2 determinations were made to not make a rule in response to a request (both electricity)
- 0 rule change challenges by judicial review

The scale and intensity of our work program is largely determined outside our organisation and driven by the rule change requests brought to us by our diverse stakeholder base – and the review requirements of the nation’s energy ministers on the COAG Energy Council.

A total of 26 new rule change requests were made by stakeholders this year.



Figure 10 – Rule change projects, reviews and advice – initiated and completed

- Rule change projects initiated
- Rule change projects completed
- Reviews and advice initiated
- Reviews and advice completed

From time to time the concentration of rule change requests can present us with administrative challenges. Two thirds of the new rule requests this year were received in a single quarter. We were able to initiate almost half of new rule projects within four months of receipt (target 75%).

We understand that stakeholders may be frustrated at delays in starting new work and are focused on strategies to improve our performance in this area. At the same time, 65% of final rule determinations were completed without extension of the original project timeframe.

Submissions in relation to rule change projects

This year we received 352 written submissions from stakeholders in relation to the 31 rule change projects. Of those submissions 107 were received late adding pressure to our rule making timeframes.

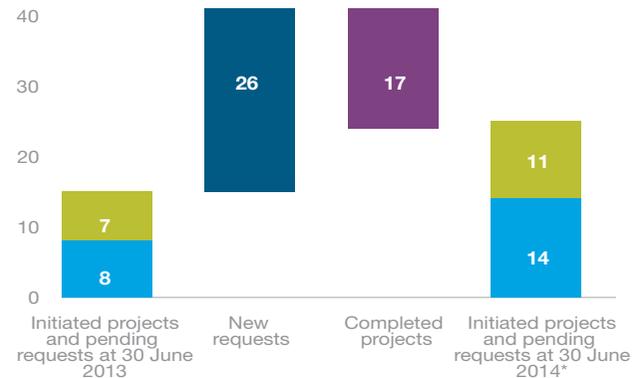


Figure 11 – Rule making activities 2013-2014

*Five rule change projects result from four requests

■ Initiated
■ Pending
■ New requests
■ Completed

Managing rule making timeframes

The standard⁷ timeframe under law for a rule change is approximately 130 working days. The AEMC does have some flexibility to manage its work program and to manage complex issues by commencing the rule change process after an initial period of analysis. We must commence as soon as practicable after receipt of requests.

Before we start the statutory process we make practical decisions on whether standard timeframes are achievable given the request’s scope and competing work priorities. We are able to extend the timeframe both at the start of a project and throughout as required. In 2013-2014 we granted five rule projects a longer timeframe at initiation. This was done to provide stakeholders with longer consultation periods and allow proper consideration of issues and implications.

Some rule requests were considered together and consolidated into joint determinations (for more details see appendix A).

There are two exceptions to the standard rule making process: the expedited rule making process and the fast track rule making process. The Commission may expedite the rule making process if the request is for a non-controversial or urgent rule (as those terms are defined in the national energy laws). Under the expedited process there is only one round of consultation on the rule change request and no draft determination is made. A final determination must be made within six weeks of commencement of the rule change.

The rule-making process can be fast tracked where there has been adequate previous consultation by a market regulatory body or if the request arises from an AEMC review. Under the fast-track process there is no consultation period before the AEMC makes a draft rule determination. The fast-track process is nine weeks shorter than the standard process.

We seek to complete rule change processes as quickly as possible while recognising the importance of appropriate consultation with stakeholders to achieve the right outcomes for consumers.

⁷ The term “standard” has replaced the category “normal” as referred to in past AEMC annual reports.

Relationship building through the rule change process: Engagement on the Publication of zone substation data.

Sometimes during the consideration of a rule change request, the Commission determines that an extension to the rule making process is necessary to address stakeholder needs for additional information. The Publication of zone substation data was such an example.

The proponent, the then National Generators Forum (NGF), requested a rule requiring distribution network companies to publish historical data on electricity zone substation half-hourly loads. A number of submissions questioned the usefulness of the request.

The extended consultation period allowed time for the proponent to investigate more fully the quality of sample data currently able to be produced by distribution companies.

We facilitated discussions between the NGF and the Energy Networks Association. The outcome was general support for a set of key parameters for the provision of data.

The rule will allow interested parties to undertake empirical analysis and prepare forecasts of electricity demand at the sub-regional level, which could lead to more informed decision making and timely and efficient investments.

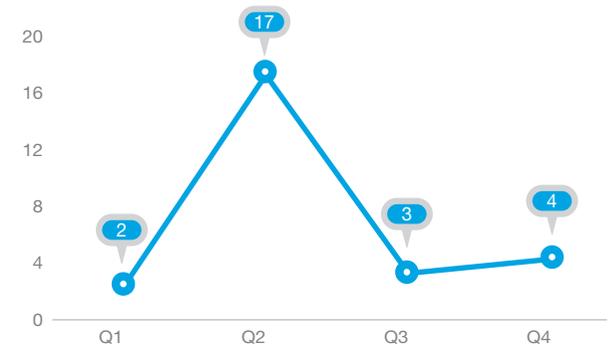


Figure 12 – New rules requested by quarter 2013-2014

Standard rule change process



Fast track rule change process



Expedited rule change process



Figure 13 – Managing rule making timeframes

Time taken to make rule determinations

The rule change process must be undertaken within the statutory timeframes required by the national energy laws including the National Electricity Law (NEL), National Gas Law (NGL) and the National Energy Retail Law (NERL).

Standard

Nine standard rule change projects were completed in the year under review. Seven of those were completed in 152 days on average, excluding two particularly complicated projects (Negative Offers From Scheduled Providers; and Connecting Embedded Generators).

Expedited

In 2013-2014 the rule change process for eight rule change requests was expedited. It took 32 days on average to complete each expedited rule. We have sought to make greater use of the expedited process, where appropriate.

Fast tracked

No rule change requests met the criteria to be fast tracked.

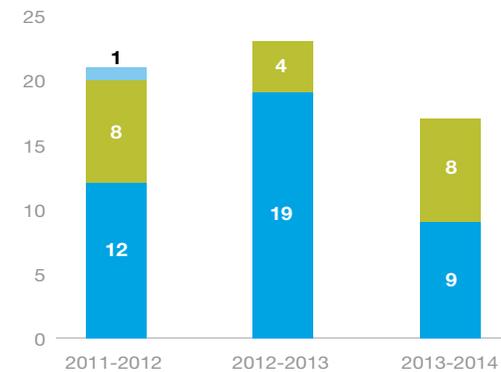


Figure 14 – Categories for completed electricity and gas rule requests

- Fast Track
- Expedited
- Standard

REVIEWS AND ADVICE

Moving energy markets forward

Reviews and other solicited advice are how we help the energy markets to grow and develop.

Our work program needs to strike an appropriate balance between delivering change to address already identified issues (rule changes) and keeping an eye on broader, emerging issues (reviews) in order to develop markets that are resilient to future change.

The COAG Energy Council requests us to conduct reviews that bear on the progress of its energy reform agenda. Of the ten reviews started in the year under review, eight were requested by the COAG Energy Council; and two were required under the National Electricity Rules. We can also initiate our own formal market reviews and do so in line with our strategic priorities for energy market development. This is how we provide advice to the energy ministers on how we think energy markets should develop. If they agree with our recommendations, they request rule changes to deliver those changes.

We advise the COAG Energy Council on a number of matters, such as retail price trends and the effectiveness of retail competition. Increasingly, individual governments are asking us to provide targeted advice to address issues that are relevant to their jurisdiction. Examples are the work we did for the NSW Government on distribution reliability; and the blueprint for consumer engagement that we developed as part of last year's review of retail competition in that state. Similarly, as part of this year's national retail competition review, we are working closely with the Queensland Government to assist its decision-making processes regarding retail price deregulation in South East Queensland.

We are also increasingly asked to provide advice to other energy market governance agencies. For instance, we contributed to the Department of Industry's Eastern Australian domestic gas market study.

Our submission to the Renewable Energy Target Review (May 2014) highlighted the importance of developing more sustainable and integrated energy and climate change policies. Appropriately designed environmental policies can achieve their objectives and minimise costs to consumers through energy markets. Investors need confidence that policy objectives can be met and that

the instruments to achieve them are sufficiently robust to adjust to changes in market conditions.

Without this confidence, investment may not happen in response to price signals alone – requiring government intervention, with the consequent transfer of investment risk onto consumers and the likelihood of higher costs.

Summary

During the year under review, we undertook 20 formal market reviews and advice papers. Of these, 14 were completed and six were underway at 30 June 2014.

The application of our staff was demonstrated again this year with the organisation completing the highest ever number of reviews during the reporting period – a total of 14, compared with 12 in 2012-2013 and seven the year before that.

This year we received 211 written submissions from stakeholders in relation to the 20 review projects undertaken this year. Of those submissions 40 were received late. We endeavour to have regard to late submissions. However as our decision-making is itself subject to statutory time constraints, it may not be possible for us to give late submissions the same level of consideration, given to on-time submissions.

Key reviews and advice we undertook this year were:

- AEMC Submission to the Federal Government's review of the Renewable Energy Target
- Strategic Priorities for Energy Market Development 2013 (AEMC initiated)
- Annual Electricity Retail Price Trends Report 1 July 2013 to 30 June 2016 (completed)
- Annual Electricity Price Trends Report 1 July 2014 to 30 June 2017 (due September 2014)
- 2014 Retail Competition Review (due September 2014)
- National Electricity Market Financial Resilience Review (expected completion by end of 2014)

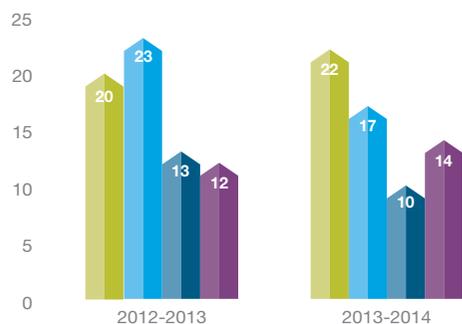


Figure 15 –Rule change projects, reviews and advice – initiated and completed



EXPERT PANELS

The current energy market governance arrangements benefit from two key attributes: a clear and appropriate allocation of roles and clear objectives associated with each role.

AEMC Reliability Panel

The AEMC Reliability Panel consists of 10 energy sector representatives appointed to provide expertise on issues related to the safety, security and reliability of the national electricity system. It is established by the AEMC as required by the National Electricity Law, and Panel members are appointed under the National Electricity Rules.

The Panel is chaired by AEMC Commissioner, Mr Neville Henderson, and its members broadly represent all stakeholders interested in the operation of the electricity market including generators, network service providers, retailers, consumer groups and the market operator. Its current membership also includes expertise in financial and demand-side response issues.

Reliability Panel purpose

In addition to providing specialist advice to the AEMC the Reliability Panel determines standards and guidelines which help maintain a secure and reliable power system. Its work program is controlled by the terms of reference received from the AEMC and from requirements in the rules.

Every four years, the panel reviews the reliability standard and reliability settings. The reliability standard is currently based on an expected unserved energy' measure and is used to indicate to the market the required level of supply and demand adequacy on a regional basis. The reliability standard takes account of inter-regional transmission to capture the benefits of generation from across regional boundaries.

The market reliability settings are expected to achieve this reliability standard. The market reliability settings are the market price cap, the cumulative price threshold, and the market floor price. They form the key price envelope within which the wholesale spot market balances supply and demand and encourages the delivery of sufficient capacity to meet the reliability standard. Following completion of the review the panel determines the reliability standard to apply. Regarding the reliability settings however, it makes recommendations to the AEMC as to whether or not they should be amended. The latest of these reviews was carried out in the first half of June 2014.

The Panel reviews and determines the power system security standards (including the frequency operating standards for the NEM mainland and for Tasmania). It determines the standard for system restart if a major supply disruption happens. It monitors and reports system standards and access standards for network users such as generators or large customers.

It also develops and determines various guidelines to direct the market operator's management of aspects of power system security and the reliability of supply. These include the guidelines for the management of electricity supply shortfall events.

Each year the Panel prepares and publishes an annual market performance review which reports on overall power system reliability matters, including the power system's operation against the security and reliability standards and various guidelines. In addition, it reports on any major power system incidents and may recommend measures to lessen the impact of similar incidents in the future.

The AEMC Reliability Panel in 2013-2014:

- Performed its four-yearly review of the reliability standard and reliability settings. The Panel must determine the appropriate reliability standards to apply. Also it must consider and recommend to the AEMC whether there should be any changes to the reliability settings. The outcomes of this review are intended to take effect from 1 July 2016. The final report for this review was published in July 2014 after the close of the year under review. It concluded that current settings were consistent with the promotion of market arrangements that encourage efficient investment and flexibility. It recommended a number of investigations be conducted prior to the next review in 2017 including; a review of indexation of the reliability settings; exploration of the suitability of the Cumulative Price Threshold; and development of a methodology to derive an appropriate estimate of value of customer reliability to help identify an efficient reliability standard.
- Performed its annual review of market performance for 2012-2013 financial year. The Panel found the reliability standard had been met in all regions of the NEM; and that any system security and safety issues had been effectively managed by AEMO and network system operators. It considered the performance of the market's bulk wholesale electricity systems. Performance assessments at the local transmission and distribution level were provided by jurisdictional bodies, distributors and transmission network service providers and included in the report.

In carrying out these two reviews, the Panel consulted widely and, where appropriate, took into consideration specific operational issues experienced by the market operator and market participants. For every review it performs, the Panel holds at least two rounds of consultation and invites interested stakeholders to attend a public meeting. For the reviews in 2013-2014:

- Twenty-six stakeholder submissions were received.
- One public meeting was held.

**Table 2 Reliability Panel members and attendance
1 July 2013 to 30 June 2014**

Member	Organisation	Term expiry	Panel meetings	
			Eligible	Attended
Neville Henderson (Chairman)	AEMC	18 October 2014	10	10
David Swift (to October 2013)	Australian Energy Market Operator (AEMO)	Ongoing	4	3
Murray-Chapman (from October 2013)			6	7 ⁸
Trevor Armstrong	Ausgrid	31 December 2016	10	9
Stephen Davy	Hydro Tasmania	17 Dec 2015	10	8
Mark Grenning	Rio Tinto	31 Dec 2015	10	7
Chris Murphy	Meridian Energy	31 Dec 2015	10	8
Gavin Dufty	St Vincent de Paul Society (Victoria)	31 Dec 2016	3	2
Richard Wrightson	AGL Energy	31 Dec 2016	3	3
Nick Sankey	Commonwealth Bank	31 Dec 2013	10	7
Merryn York	Powerlink	17 Dec 2015	10	6
Observer				
Charles Popple	SP AusNet	n/a	1	1
Rachel Steven	Hydro Tasmania	n/a		
Members whose term expired during the year				
Andrew Nance	St Kitts Associates	31 Dec 2013	7	6
Tim O'Grady	Origin Energy	31 Dec 2013	7	6

⁸For one meeting, Murray Chapman attended as an alternate to David Swift.

Consumer Advocacy Panel

An independent body, the Consumer Advocacy Panel (CAP) is established under the AEMC Establishment Act and accountable to the Standing Council on Energy and Resources (SCER).

The CAP facilitates customer advocacy in the national electricity and national gas markets so the views of all classes of consumers can impact on decision-making on market policy and regulation. CAP defines energy advocacy as any activity designed to persuade a third party to make a decision or change that improves the situation of electricity and gas consumers.

Through a program of grants, the CAP helps ensure that decision makers are informed of the interests of all classes of end-users and that the capability of end-user advocacy groups is developed to a highly competent and sustainable level.

The CAP's annual report is provided as an appendix to this report.

The CAP's Executive Director is responsible for the day to day management of Panel functions and the provision of strategic and operational advice to panel members. The AEMC engages CAP's staff, including the Executive Director, and provides administrative support to the CAP in accordance with the AEMC Establishment Act on a cost recovery basis.



30 ORGANISATION

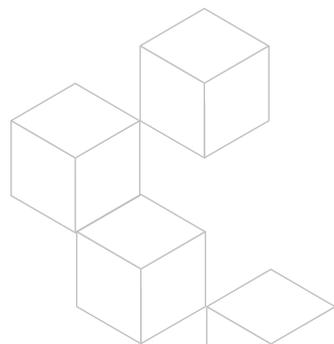
The shared values of the AEMC are leadership, integrity and engagement. Each of us seeks to reflect those values in how we act and discharge our functions.

We show leadership within our teams to deliver on our corporate goals. Externally we provide information and advice to help governments, industry and consumers by promoting effective energy markets that deliver a reliable supply at efficient cost.

We focus on engagement to build relationships both with each other and with our stakeholders. Sustained engagement helps us to understand

our operating environments and to make rules and develop advice fit for real world implementation.

We act with integrity to maintain and further develop our reputation for independent thinking and objectivity, and to encourage open and frank dialogue. We are open and transparent with each other and with our stakeholders.



GOVERNANCE

The AEMC is a body corporate established under South Australian law and its key functions and powers in relation to the making of national energy rules and market reviews are set out in the national energy laws (National Electricity Law, National Gas Law and National Energy Retail Law) and the Australian Energy Market Commission Establishment Act 2004 (SA).

Legislative framework

In addition to its powers and functions under the Australian Energy Market Commission Establishment Act 2004 (SA) and National Energy Laws, the AEMC is required to comply with a number of South Australian, New South Wales and Commonwealth laws relating to such matters as record keeping, information disclosure, financial reporting and employment related matters. For example, the AEMC complies with the Fair Work Act 2009 (Cth), New South Wales work health and safety laws and South Australian laws such as the Freedom of Information Act 1991 (SA), the Public Finance and Audit Act 1987 (SA) and the State Records Act 1997 (SA).

Memoranda of Understanding

To assist in the performance of its operations, the AEMC has entered into Memoranda of Understanding (MOU) with the following organisations:

- Australian Energy Regulator
- Australian Competition & Consumer Commission
- National Competition Council
- Australian Energy Market Operator
- Essential Services Commission of Victoria
- Independent Competition and Regulatory Commission of the ACT
- Office of the Tasmanian Economic Regulator
- Energy and Water Ombudsman New South Wales
- Energy and Water Ombudsman Queensland
- Energy and Water Ombudsman (Victoria) Limited
- Energy and Water Ombudsman (South Australia) Limited
- Energy Ombudsman Tasmania.

Corporate responsibility

AEMC Commissioners are appointed by Australia's state, territory and federal governments to make the rules regulating the National Electricity Market, aspects of natural gas markets and the national retail energy markets; and to advise governments on overall energy market development. The Commissioners are supported by the AEMC's senior management team and staff. Together they discharge rule making and market development roles in line with the AEMC's Code of Conduct which requires us all to act with honesty and integrity.

Key goals for 2013-2014

We are delivering on our vision to be an essential source of market development advice for policy makers and to be regarded as an excellent rule maker.

Over the past year we have continued to make sure that we have skills and resources to meet the challenges facing Australia's energy markets and that the processes we adopt are fit-for-purpose.

In particular we have:

- Developed and begun to implement a specific stakeholder engagement strategy for consumers and their representatives. This builds on our overall stakeholder engagement plan for 2013-2015. As part of this initiative we held the inaugural Consumer Priorities Forum in May 2014.
- Developed a more effective stakeholder engagement plan and communication strategy for gas industry participants, which has included both AEMC Commissioners and staff participating in gas industry forums.
- Reviewed internally the operation of the statutory rule change process, which a particular focus on identifying options for the improvement of the timeliness of the overall process.
- Undertaken a refresh of our website, with a focus on providing greater accessibility to our stakeholders to information.
- Continued to develop the skills and abilities of our staff to deliver high quality rule change and review work.
- Continued to improve the quality of the analysis and decision-making of the AEMC.
- Implemented performance indicators for internal measurement of our performance.
- Continued to maintain and update our corporate support functions, including information technology systems and office facilities to support the work of our staff.
- Developed and begun to implement a new IT strategic plan aimed at re-orienting our systems to address changing organisational priorities, take advantage of emerging technologies to improve productivity and collaboration within the organisation.

Going forward into 2014-2015, our focus is on identifying and harnessing information in relation to the development of new technologies, and their potential impact on the energy sector, in order to be able to provide advice that takes into account the potential future directions in the sector.

Key performance indicators

On 30 June 2014 we published our Statement of Expectations for 2014-2015, (available on our website). The document sets out how we will meet the COAG Energy Council's Statement of Expectations for the AEMC.

In accordance with the Statement of Expectations, we developed performance indicators in the following areas:

- organisation development and budget management
- progress on the work program
- engagement with stakeholders

The following table sets out the KPIs we have committed to for the 2014-2015 year. We will report fully against these KPIs in next year's annual report. Consistent with transparency, we report against these KPIs for the year under review where performance data were available.

Table 3 Key performance indicators

AREA	MEASURE	PERFORMANCE IN 2013-2014
Organisation		
Budget management	Annual expenditure is within +/- 5% of initial budget	2%
Staff management	Staff turnover, on average, of between 10% and 20% per year (to reflect proactive management of underperformance and retention of key staff)	13%
Staff development	100% of staff have objectives and personal development plans which are reviewed annually	100%
Effective governance	Annual management review of risk assessment framework and implementation of appropriate internal audit work program	Completed
Work Program		
Rule change requests	75% of requests initiated within four months of receipt	48%
	100% of rule changes made within statutory timelines (including where extensions are requested)	100%

AREA	MEASURE	PERFORMANCE IN 2013-2014
Rule change extensions	Proportion of rule change processes that are extended	35%
Rule change challenges	0% of rule change challenges are upheld	No challenges
Market reviews and advice	85% of reviews completed within original ToR timelines	88%
Efficient resource use	Proportion of FTE and total budget spend on rule making and market advice	FTE: 85% Total budget: 89%
Stakeholder engagement		
Council and Jurisdictions engagement	Number of formal meetings attended by Commissioners and/or staff with Council and/or Jurisdictional leads	186
Commissioner forums	Number of consumer and industry forums attended by Commissioners	34
Staff-led forums	Number of consumer and industry forums attended by senior managers	43
Institutional co-operation	Number of meetings between Commissioners and AEMO and AER leadership	15
Stakeholder satisfaction	At least 7 out of 10 stakeholders are satisfied with the AEMC's performance in stakeholder satisfaction survey run every 3 years	87% of stakeholders said they were satisfied with our overall performance <i>2013 stakeholder survey</i>
	Develop project-specific stakeholder satisfaction surveys and ensure at least 25% of projects initiate survey upon project completion	Process under development in FY14

The Commission and Senior Management Team

The three Commissioners exercise the AEMC’s statutory rule-making and market development functions.

As the AEMC has matured as an organisation. The Commission has delegated most functions relating to the management and day-to-day running of the organisation to the Chief Executive and the senior management team. The Commission retains the majority of the statutory rule-making powers and market development functions, and is also responsible for the AEMC’s strategic direction. The Chief Executive and senior management team have delegations in relation to some statutory decisions, including initiation of rule changes, and a range of other operational matters, including the employment of staff and engagement of consultants.

The Commissioners review the corporate governance framework of the organisation – overseeing the development of the AEMC’s Strategic Priorities and business planning, and approving corporate development initiatives as proposed by the Chief Executive with the senior management team. The Commission holds monthly organisational meetings to review operational matters. In terms of risk management and reporting, the Commissioners review the AEMC’s budget; monitor its financial performance; and consider and approve the annual financial statements.

Table 4 Commission statutory and governance meetings

Commissioner	Current term	STATUTORY MEETINGS		ORGANISATIONAL MEETINGS	
		Eligible	Attended	Eligible	Attended
Neville Henderson*	19 October 2009 to 18 October 2014	34	30	12	11
Brian Spalding	22 August 2013 to 18 April 2016	34	32	12	11
John Pierce	2 June 2010 to 1 June 2015	34	30	12	11

* Neville Henderson has been appointed to a further three-year term which is due to conclude in October 2017.

Conflicts of interest

Under Section 22 of the Australian Energy Market Commission Establishment Act 2004 (SA), Commissioners must disclose any direct or indirect conflicts of interest in any matter the AEMC is considering. These disclosures are formally minuted and published on the AEMC website. The following declarations of interest were made by Commissioners in 2013-2014:

Mr Pierce is appointed in a full time capacity and does not perceive that his commitments require management.

Mr Pierce is currently a member of the UNSW Australian School of Business Advisory Council. He is also a Board member of the Regulatory Policy Institute Advisory Board and the Department of Economics Industry Advisory Board at Macquarie University.

Dr Spalding is currently a member of the Energy Saving Scheme Committee of the Independent Pricing and Regulatory Tribunal. He was also a member of the Board of the Australian Renewable Energy Agency during the year under review.

Dr Spalding makes the following statement about the arrangements he has put in place to manage (perceived or actual) conflicts of interest:

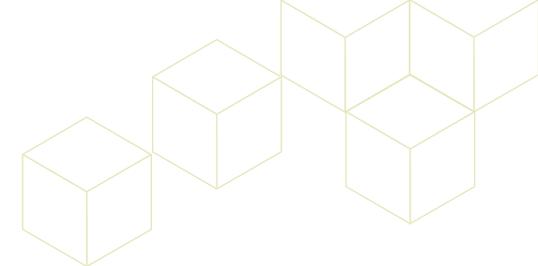
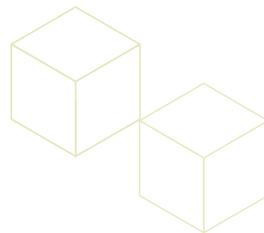
1. Any potential involvement on my part in matters relating to the energy sector, which are not within the jurisdiction of the AEMC would be disclosed to the Chairman of the AEMC before being involved in such matters to ensure no potential conflict may arise.
2. Confidential information obtained in my capacity as a Commissioner will not be disclosed or used for purposes other than the proper purposes.

Mr Henderson has no conflicts which require management.

Audit and risk management

Risk management is a fundamental component of managing our operations. Our processes to identify, assess and manage risk include:

- Audit and Risk Management Committee monitoring of the overall risk management framework, financial reporting processes, processes for compliance, performance of auditors and oversight of the audit program;
- a broad based risk assessment process which is used to develop a rolling three-year internal audit plan and to inform risk management activities;
- the corporate planning processes which prioritise actions based on assessed risks;
- the identification and management of compliance areas on a functional basis with legal support where necessary; and
- the project control framework which is used for rule change, review and corporate projects. This includes the creation of a risk register where relevant and the active management of identified risks.



Audit and risk management committee

AEMC Chairman, Mr John Pierce, and Commissioner Dr Brian Spalding are members of our Audit and Risk Management Committee together with an external appointment, Mr Glenn Appleyard. Mr Appleyard is Chairman of the Audit and Risk Management Committee and currently Chair of the Tasmanian Economic Regulator; a member of the Commonwealth Grants Commission; and formerly a member of the Australian Accounting Standards Board. Mr Appleyard brings in-depth understanding of risk evaluation and compliance to this important management function.

Table 5 Commission Audit and Risk Management Committee Membership & Meetings

IN ADDITION TO FACE TO FACE MEETINGS THE AUDIT COMMITTEE DEALT WITH A NUMBER OF MATTERS OUT OF SESSION.

Members	Committee Term	Eligible	Attended
Committee Chair, Glen Appleyard	From 4 May 2010	4	4
John Pierce	From 2 June 2010	4	4
Brian Spalding	From 19 April 2010	4	4

Fraud prevention

Within our risk management framework, procedures are in place to help identify sources of potential fraud or corrupt practices, prevent occurrences, and investigate and take appropriate action on reported breaches. An instance of credit card counterfeit by persons outside the organisation was detected during the year. The card was cancelled and replaced with full reimbursement so there was no effect on the organisation.

Business continuity

The objective of the AEMC’s Business Continuity and Disaster Recovery Plan is to ensure that business processes are robust and able to withstand minor business interruptions and to ensure the ongoing ability of the AEMC to continue its operations in the event of a major business interruption. The AEMC did not suffer any major business interruptions in the year under review.

Freedom of Information

The AEMC is subject to the Freedom of Information Act 1991 (SA). There were no freedom of information requests made to the AEMC in 2013-2014. All documents we publish regarding our rulemaking, reviews of the National Electricity Market (NEM) and all versions of the National Electricity Rules, National Gas Rules and National Energy Retail Rules are on our website at www.aemc.gov.au. They can also be inspected at our offices. A request under the Freedom of Information Act 1991 (South Australia) is not required to inspect them.



ENGAGEMENT

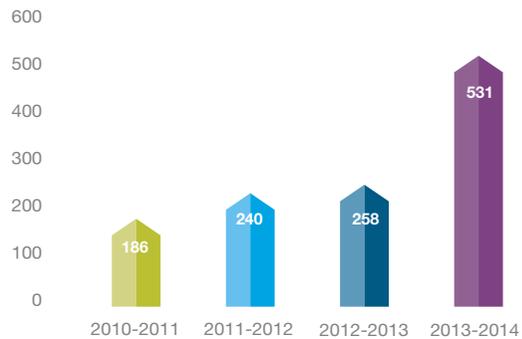


Figure 16 – Stakeholder presentations and meetings

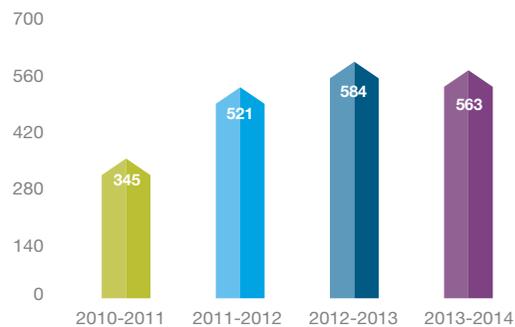


Figure 17 – Written submissions on rules and reviews

Broadening stakeholder input

We recognise that effective dialogue with people and organisations who are interested in Australia's energy markets is fundamentally important to us in fulfilling our role. Our stakeholders provide insights which contribute to our rule making and help inform our advice to governments. We also depend on the views of our stakeholders to challenge our proposals for reform. The exchange of information between people of different perspectives makes it possible for everyone to contribute more effectively to energy market debates.

Integrated engagement planning

Stakeholders are kept informed of AEMC decisions and news directly through email updates and via website publishing of all documents including determinations, reports, supporting publications, submissions and the proceedings of expert panel meetings. Notices of public meetings are posted to the AEMC website and notified to stakeholders by email. This year we addressed 584 written submissions to all projects undertaken throughout the year under review (compared with 521 in 2011- 2012 and 345 in 2010-2011).

The AEMC has a two-tier engagement process.

1. At an organisational level our conversations with stakeholders are focused on market-wide issues conducted both informally in face to face meetings and formally through the AEMC Strategic Priorities process.

2. In addition engagement is undertaken on a daily basis by our project teams in relation to specific rule change proposals and reviews. We are required to consult extensively according to statutory timeframes.

Our three-year stakeholder engagement planning process is reviewed annually and guides our engagement with stakeholders.

New South Wales Competition Review – setting new guidelines for consumer engagement with the market

This year we undertook extensive research to develop a consumer engagement blueprint. It explored existing knowledge, drivers and barriers to switching energy plans and identified consumers' information needs and preferences. Fifty-two per cent of respondents said they had changed their energy retailer or plan in the past two years. Saving money is by far the strongest driver for changing energy plans. Despite strong awareness that consumers are able to choose an energy retailer or plan, most have minimal knowledge of what their options are and how to go about finding credible information. Consumer intentions to change their energy retailer or plan in the near future are reduced by perceptions that "it is too complicated" and a lack of trust in retailers. Most customers were keen to see an independent credible source of information that would allow them to compare offers and supported a public information campaign designed to help consumers find the right deal for them.

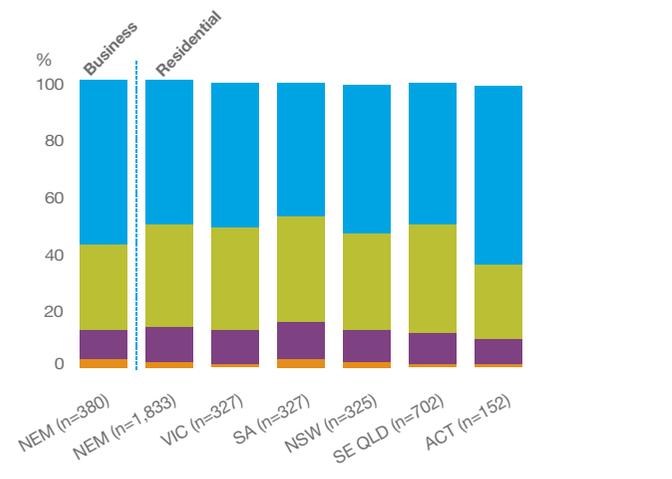
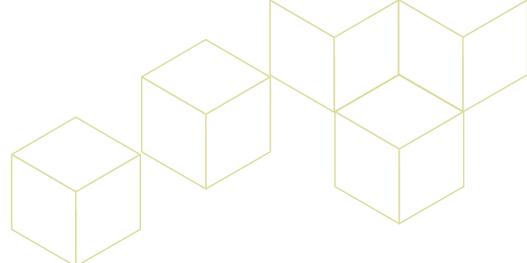
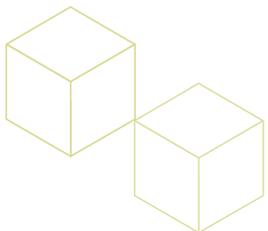


Figure 18 – Level of interest in energy market issues
AEMC consumer research

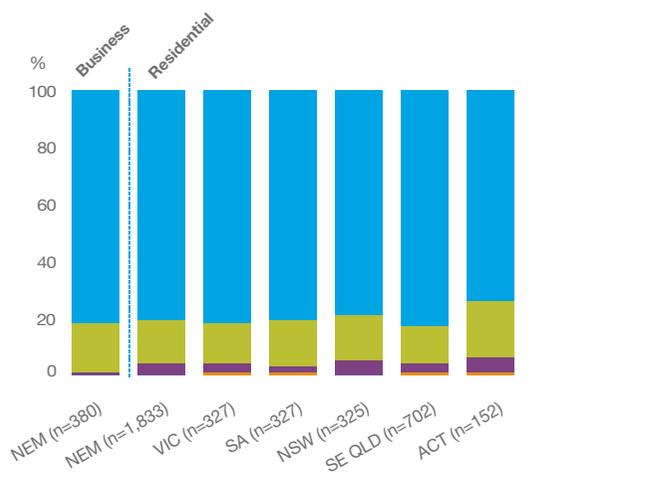


Figure 18(b) – Concern about future energy prices
AEMC consumer research

Establishing priorities for consumer stakeholder interests

This year we further refined our integrated approach to engagement with the launch of a series of strategic forums to provide an alternate consumer engagement pathway beyond project-specific consultation. The consumer priorities forums of 2014 respond to requests by consumer stakeholders for more strategic engagement on market-wide issues.

Developing meaningful ways to engage with small consumers and their representative bodies is a key priority for the AEMC. Everything we do is focused on long-term consumer interests, in the provision of reliable, efficiently priced electricity and gas services. To this end, our Strategic Priorities for Energy Market Development provide overarching objectives for our work program which are based on addressing long-term consumer interests. We need consumer representatives to be engaged in our consultation processes so:

- their views can be properly considered by our work program; and
- they have opportunities to understand our work program.

In May 2014 we held our first Consumer Priorities Forum to deepen consultation with consumer group leaders on their strategic priorities for energy market development. Forum participants were sent an online survey to ensure discussion was focused on what they saw as the issues of highest importance. The survey was developed in consultation with representatives of the National Consumer Roundtable on Energy.

Responding to stakeholder feedback

In 2013 the AEMC conducted its triennial stakeholder survey which showed our communication and engagement strategies were largely seen as effective at all levels. Our reports and determinations, direct contact, our weekly email updates and our website were seen as the most valuable communication channels. Respondents said they would like to see the AEMC do more market development work; and educate stakeholders and the general community about energy issues. They wanted to see an increased focus on the gas sector and asked us to facilitate more participation in our work by consumers and their representatives. In the year under review we made progress on addressing these issues by:

- Expanding our website and improved search and navigation – providing easier access to more information on our work program and organisation.
- Releasing a report on the current state of the east coast gas market, the Gas Market Scoping Study (September 2013).
- Conducting a series of consumer forums, supported by stakeholder research to identify what matters most for residential and small business consumers in relation to energy market development in the years ahead.
- Engaging experts to conduct extensive, independent research into the experiences of small consumers in retail energy markets. Two sets of research were undertaken. The first formed part of the Review of Competition in the NSW Retail Electricity and Natural Gas Markets and informed the development of a consumer engagement blueprint to support NSW customers to make informed energy decisions. This research was then extended across the NEM to inform our first annual competition review of all NEM jurisdictions. The report for this latter review is due before the end of 2014.

Our emerging stakeholder base

The organisations and people we need to engage with have increased since our establishment in 2005. Expanded consumer involvement, new suppliers such as demand response businesses and proponents of alternative generation sources, and financial institutions are some examples. The extent of engagement from stakeholders has also increased significantly and is reflected in many ways, including participation in public forums and the number of submissions we receive.

International Confederation of Energy Regulators (ICER)

The AEMC is a member of the International Confederation of Energy Regulators (ICER) – an international body representing regulatory authorities around the world.

ICER's aim is to improve policy makers' awareness and understanding of energy regulation and its role in addressing a wide spectrum of socio-economic, environmental and market issues in an international context. It also supports developing nations in their efforts to establish electricity markets and address issues in relation to the alleviation of energy poverty. Approximately two billion people do not have access to electricity or gas and the implementation of network based systems for many nations is not a viable solution.

The AEMC representative on the ICER Steering Group is our Chief Executive, Mr Paul Smith. The ICER conveners wanted Australia to be represented because our energy market is well developed and our market governance framework is very different to what is found in the rest of the world – it is a model which is closely watched in international forums.

In 2013-2014, we participated in a number of ICER work streams, including: consumer issues, technological change, and opening and integration of regional markets. We contributed to a survey on consumer engagement and protection, submitted a case study for inclusion in a soon to be released ICER report focusing on how technological uncertainty in relation to energy markets is being addressed around the world and a further case study on east coast gas market integration.

Table 6 Our stakeholders and how we engage with them

GROUP	STAKEHOLDERS		AEMC ENGAGEMENT
National Government	COAG Energy Council	Relevant ministers from Commonwealth, state and territory governments.	We report regularly to the council and attend its formal meetings in relation to our work program and emerging issues for gas and electricity markets.
State and Territory governments	Qld, NSW, ACT, Vic, Tas, SA, WA, NT	Officials who provide support to COAG energy ministers on stakeholder views and energy sector issues and development.	We hold regular briefings with energy officials and engage with other departments and central agencies as appropriate; including those responsible for energy policy, finance and treasury, climate change, electricity and gas regulation, environment and consumer protection.
Federal regulators	Australian Competition and Consumer Commission; National Competition Council; Australian Securities and Investments Commission; Reserve Bank of Australia.	Regulators working across energy markets, corporate and financial services sectors.	We liaise with regulators as required in relation to our rule making and advisory roles.
State and Territory regulators	Essential Services Commission of Victoria; Utilities Commission of the Northern Territory; Independent Competition and Regulatory Commission of the ACT; Queensland Competition Authority; Office of the Tasmanian Economic Regulator; Economic Regulation Authority of Western Australia; Essential Service Commission of South Australia; NSW Independent Pricing and Regulatory Tribunal.		
Energy sector governance agencies	Australian Energy Regulator (AER)	Regulator for energy markets and networks. Oversees compliance frameworks and enforcement in relation to wholesale and retail markets.	We conduct a close working relationship with officials at all levels of the other agencies in the energy governance framework. AEMC Commissioners and senior management conduct regular leadership team briefings with the Commissioners and senior managers of the AER and with AEMO's board and senior management team.
	Australian Energy Market Operator (AEMO)	Runs the daily operation of the National Electricity Market and southern and eastern gas markets.	

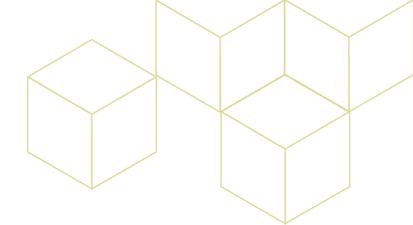


Table 6 Our stakeholders and how we engage with them (continued)

GROUP	STAKEHOLDERS		AEMC ENGAGEMENT
Community	Households and small energy users represented by a range of groups including (but not limited to) QCOSS, PIAC, ACOSS, Total Environment Centre, Ethnic Communities Council of NSW, CALC, CUAC, St Vincent de Paul Society, Alternate Technology Association, SACOSS, Uniting Care, WACOSS, TASCOS, Choice, Brotherhood of St Laurence.	Multi-interest consumer groups and individuals are increasingly directly engaged in our work; particularly our reviews in relation to market participation by consumers.	We keep stakeholders informed directly through email updates and via website publishing of all documents including determinations, reports, supporting publications, submissions and the proceedings of expert panel meetings. Notices of public meetings are posted to the AEMC website and notified to stakeholders by email.
	Large energy users	Individual companies and their representatives such as the Major Energy Users and Energy Users Association of Australia. Peak business bodies.	This year, for the first time, we conducted extensive consumer surveys in relation to our reviews of retail competition as well as a formal survey of consumer group leaders to identify their priority issues for energy market development.
	Energy Ombudsmen	Providers of independent dispute resolution services for electricity and gas customers.	We regularly participate in meetings of the National Consumers' Roundtable on Energy which comprises small end-user groups actively engaged in national electricity and gas markets issues. We are expanding our engagement with jurisdictional energy ombudsmen and other consumer advocates; and considering growing numbers of submissions from consumer groups in relation to rules and reviews projects.
Energy sector	Individual energy market participants	Gas and electricity networks, generators; retailers; emerging technology suppliers; and their representative associations are among the most actively engaged of our stakeholders.	Many submissions to our reviews and rule change projects are made to us by energy market participants and formal discussion is conducted around individual rules and reviews. Again in 2013-2014 we significantly raised the level of informal conversations with these stakeholders.
	Industry peak bodies including the Energy Supply Association of Australia; Energy Retailer's Association of Australia; Energy Networks Association; Australian Pipeline Industry Association; Clean Energy Council; Australian Financial Markets Association.		
Influencers	Academics, environmental groups, professional services firms, analysts and ratings agencies.	Other voices seeking to influence public policies affecting the energy sector.	As general community interest in energy market issues continues to grow we are engaging more broadly with analysts and commentators on how the energy sector contributes to the productivity of the whole economy. Our senior managers have increased their engagement with this group both on an individual basis and by accepting invitations to public forums.



PEOPLE

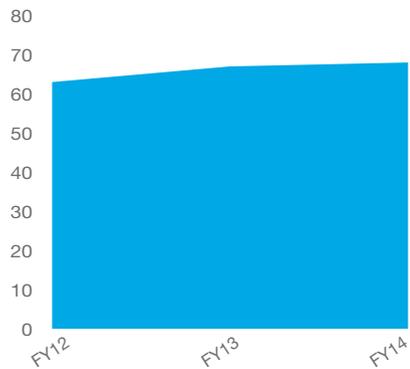


Figure 19 – Employee numbers at 30 June

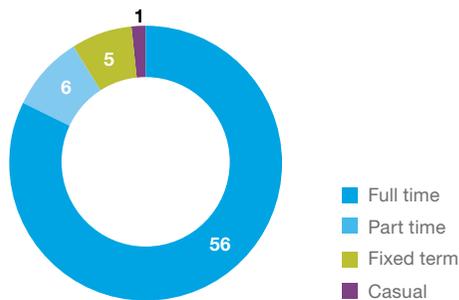


Figure 20 – Employment status

Recruitment

In the year under review our staff numbers increased slightly, largely reflecting successful recruitment to fill vacancies. Vacant positions are advertised internally and externally and searches are focused both in Australia and overseas for applicants with specific energy sector expertise as well as interpretive and analytical skills. While we supplement our skills with local and international staff, the AEMC seeks to provide development opportunities and career paths for its staff. Today we employ a broad-based team of electricity and gas sector professionals including economists, engineers, lawyers, regulatory and policy advisers and corporate services specialists.

Building capabilities

Creating a high performance culture that expects and rewards strong performance is essential to the AEMC's future success. An integrated approach to managing individual and team performance across the organisation is therefore essential. As a key component of a high performance culture, performance management at the AEMC strives to:

- clearly align goals and expectations;
- provide candid, frequent coaching and feedback;
- undertake performance assessments and feedback;
- help development and career progression; and
- recognise and reward strong performance.

All employees complete an annual performance review with their managers. Outcomes from the performance reviews are an input to employees' annual remuneration reviews. The review sets specific goals and objectives for the year ahead and reviews the previous year's performance.

Our commitment to developing our people continues through ongoing training and development aligned to organisational goals, business direction, career satisfaction and personal growth. Development, which is the personal responsibility of each member of staff and supported by the organisation, is accompanied by objective one-on-one feedback sessions and reviews including coaching/mentoring by other members of staff.

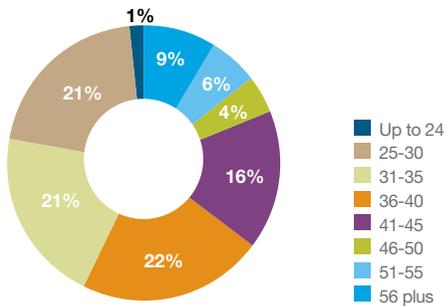


Figure 21
Employees by age

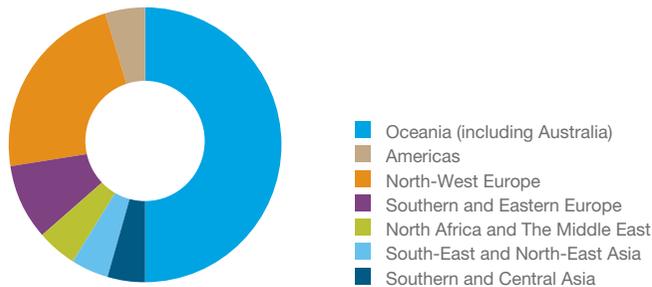


Figure 22
Employee origins (self-identified by global region) n = 47

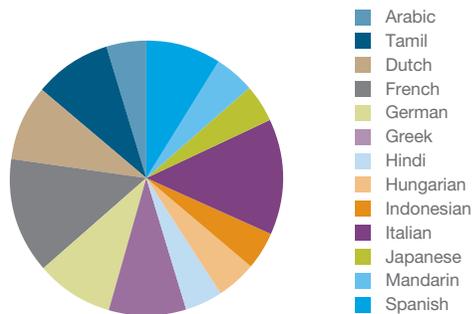


Figure 23
Languages spoken by employees (in addition to English)
18 employees speak more than one language

Developing new talent

As well as growing the capabilities of our staff, the AEMC is also committed to developing new talent and providing opportunities for school leavers to train in the area of administration.

In 2012 the AEMC developed and implemented a two year rotational administration program designed to introduce school leavers to the administrative environment of our organisation. The program provides an opportunity to learn administrative practices, develop professional skills, train in technical competencies as well as the completion of a Certificate IV in Business Administration. Two employees have successfully completed the two year program in March 2014.

The AEMC is committed to continually developing the leadership skills of our people and managers. This year many of our line managers participated in 360 degree reviews to support their personal development plans. We also implemented a leadership development program for staff not yet in management positions to develop necessary skills for progression and for their future careers.

Equal Opportunity

We respect and value workforce diversity in all respects and at all levels of the organisation. Our aim is to build an inclusive workplace which promotes respect, tolerance and a commitment to equal opportunity professional advancement. Our commitment to equal opportunity is demonstrated by our 52 per cent representation of women in our workforce and 57 per cent representation of women on our senior management team, where four of the seven leaders are women. We also celebrate the cultural diversity in the backgrounds of our staff.

Health and safety

We consider the health, safety and welfare of our employees, contractors and visitors to be of primary importance. We are committed to preventing all occupational injuries and illnesses and to maintaining a safe and healthy working environment. We are pleased to report that no work-related lost-time injuries were recorded in the year under review. We believe that health and safety at work is a shared responsibility and that everyone must perform their duties with the highest regard for their own safety and that of others.

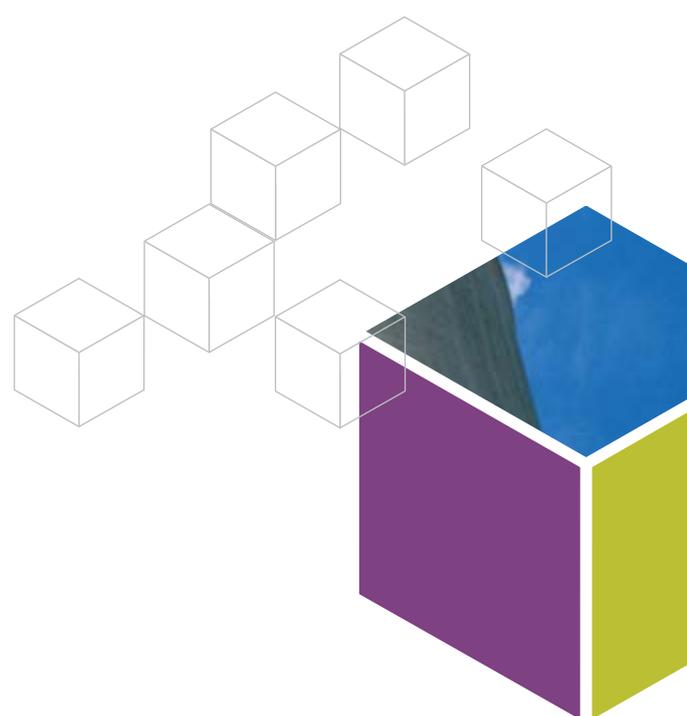
Wellbeing

The AEMC is committed to building a strong and sustainable organisation – particularly given the obligations in our expanding work program to meet statutory deadlines. We stress the importance of work-family balance for our staff and offer physical and mental health seminars and checks throughout the year and a winter vaccination clinic. Employees also have access to an employee assistance program which aims to assist employees where personal or work related problems affect, or have the potential to directly or indirectly affect, their performance.



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41 FINANCIAL PERFORMANCE

Annual financial statements for the year
ended 30 June 2014

Australian Energy Market Commission
ABN 49 236 270 144



REPORT OF THE AUDITORS-GENERAL

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chairperson Australian Energy Market Commission

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 26(2) of the *Australian Energy Market Commission Act 2004*, I have audited the accompanying financial report of the Australian Energy Market Commission for the financial year ended 30 June 2014. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2014
- a Statement of Financial Position, as at 30 June 2014
- a Statement of Changes in Equity for the year ended 30 June 2014
- a Statement of Cash Flows for the year ended 30 June 2014
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairperson, Chief Executive and Finance and Risk Manager of the Australian Energy Market Commission
- a Statement of Administered Comprehensive Income for the year ended 30 June 2014
- a Statement of Administered Financial Position as at 30 June 2014
- a Statement of Administered Changes in Equity for the year ended 30 June 2014
- a Statement of Administered Cash Flows for the year ended 30 June 2014
- notes, comprising a summary of significant accounting policies and other explanatory information for administered items
- a Certificate from the Chair, Executive Director and the Accountant of the Consumer Advocacy Panel.

The Commissioner's Responsibility for the Financial Report

The Commissioners are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Commissioners determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

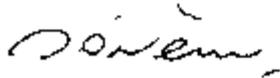
INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioners, as well as the overall presentation of the financial report.

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

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Australian Energy Market Commission as at 30 June 2014, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



S O'NEILL
AUDITOR-GENERAL
29 September 2014

CERTIFICATION OF THE FINANCIAL STATEMENTS

Australian Energy Market Commission Financial Statements for the year ended 30 June 2014

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Australian Energy Market Commission ("the Commission");

comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;

are in accordance with the accounts and records of the Commission; and

present a true and fair view of the financial position of the Commission as at 30 June 2014 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Commission for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.

..... Paul Smith

Paul Smith
Chief Executive

25 September 2014

..... Laurie Treloar

Laurie Treloar FCPA
Finance & Risk Manager

25 September 2014

..... John Pierce

John Pierce
Chairperson

25 September 2014

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Expenses			
Employee benefits expenses	5	10,700	10,042
Supplies and services	6	8,487	7,118
Depreciation and amortisation expense	7	642	796
Grants	8	78	76
Net loss on disposal/write-off of non-current assets	10	1	17
Total expenses		19,908	18,049
Income			
Interest revenues	11	318	328
Other revenues	12	694	292
Total income		1,012	620
Net cost of providing services		(18,896)	(17,429)
Revenues from Government			
Contributions from participating jurisdictions	13	19,423	19,607
Net result		527	2,178
Total comprehensive result		527	2,178

The net result and total comprehensive result are attributable to the participating jurisdictions as owners.

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	14	13,537	11,010
Receivables	15	3,544	4,764
Lease incentive	21	48	28
Total current assets		17,129	15,802
Non-current assets			
Property, plant and equipment	16	298	356
Intangible assets	17	534	816
Total non-current assets		832	1,172
Total assets		17,961	16,974
Current liabilities			
Payables	18	666	519
Employee benefits	19	545	614
Total current liabilities		1,211	1,133
Non-current liabilities			
Payables	18	71	59
Employee benefits	19	440	368
Provisions	20	298	-
Total non-current liabilities		809	427
Total liabilities		2,020	1,560
Net Assets		15,941	15,414
Equity			
Retained earnings		13,924	13,397
Working capital		2,017	2,017
Total Equity	22	15,941	15,414

The total equity is attributable to the participating jurisdictions as owners.

Unrecognised contractual commitments	23
Contingent assets and liabilities	24

The above statement should be read in conjunction with the accompanying notes.

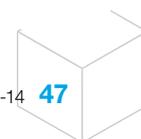
STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Note	Working capital \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2012		2,017	11,219	13,236
Net result for 2012-13		-	2,178	2,178
Total comprehensive result for 2012-13		-	2,178	2,178
Balance at 30 June 2013		2,017	13,397	15,414
Net result for 2013-14		-	527	527
Total comprehensive result for 2013-14		-	527	527
Balance at 30 June 2014	22	2,017	13,924	15,941

All changes in equity are attributable to the participating jurisdictions as owners.

The above statement should be read in conjunction with the accompanying notes.



STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefit payments		(10,449)	(9,757)
Payments for supplies and services		(9,238)	(8,314)
Payments of grants		(78)	(76)
GST paid to the ATO		-	(26)
Payments for paid parental leave scheme		-	(11)
Cash used in operations		(19,765)	(18,184)
Cash inflows			
Receipts from participating jurisdictions		21,293	20,263
Other receipts		848	724
Interest received		318	327
GST recovered from the ATO		136	246
Receipts for paid parental leave scheme		-	11
Cash generated from operations		22,595	21,571
Net cash provided by operating activities	26(b)	2,830	3,387
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(139)	(65)
Purchase of intangibles		(164)	(87)
Cash used in investing activities		(303)	(152)
Cash inflows			
Net cash used in investing activities		(303)	(152)
Net increase in cash and cash equivalents		2,527	3,235
Cash and cash equivalents at the beginning of the period		11,010	7,775
Cash and cash equivalents at the end of the period	26(a)	13,537	11,010

The above statement should be read in conjunction with the accompanying notes.

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

1 Objectives of the Australian Energy Market Commission

Australian Energy Market Commission ("the Commission") was established on 22 July 2004 pursuant to the Australian Energy Market Commission Establishment Act 2004 (South Australia). The Commission operates in Australia from a single office in Sydney, NSW.

The Commission's key functions under the National Electricity Law and National Gas Law, and from 1 July 2012 under the National Energy Retail Law, are to:

- a) consider rule change proposals and the effect that such proposals may have on the national electricity and gas markets;
- b) conduct market reviews and inquiries providing analysis and recommendations to inform policy making by the COAG Energy Council (which was previously known as the Standing Council on Energy and Resources); and
- c) provide policy advice to the COAG Energy Council as requested or on the Commission's initiative.

2 Summary of significant accounting policies

a) Statement of compliance

The Commission has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with South Australian Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the Public Finance and Audit Act 1987.

The Commission has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity. Australian Accounting Standards and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Commission for the reporting period ended 30 June 2014.

b) Basis of preparation

The preparation of the financial statements requires:

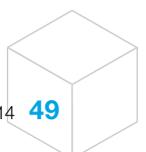
- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the Public Finance and Audit Act 1987. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - i) expenses incurred as a result of engaging consultants (refer Note 6);
 - ii) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees (refer Note 5); and
 - iii) commissioner and committee member and remuneration information, where a member is entitled to receive income other than a direct out-of-pocket reimbursement (refer Note 25).

The Commission's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a twelve month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.



c) Reporting entity

The Commission is a body corporate established under South Australian law. The Commission's financial statements also include the administered activities of the Consumer Advocacy Panel (the Panel).

Transactions and balances relating to administered items are not recognised as the Commission's income, expense, assets and liabilities. As these administered items are insignificant in relation to the Commission's overall financial performance and position, they are disclosed in separate administered financial statements. Except as otherwise disclosed administered items are accounted for on the same basis and using the same accounting policies as for the Commission.

At its meeting on 13 December 2013, the Standing Council on Energy and Resources agreed to the establishment of a national energy consumer advocacy body, Energy Consumers Australia (ECA). As part of ECA's establishment, Ministers agreed that "the Panel" functions will be absorbed into ECA, and so the relevant provisions of the AEMC Establishment Act 2004 and associated regulations will be repealed. "The Panel" will continue operating normally until the date of proclamation, which is yet to be announced but is anticipated to occur in 2014-15.

d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods.

e) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

f) Taxation

The Commission is not subject to income tax. The Commission is liable for payroll tax, fringe benefits tax and goods and services tax (GST). Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from the Australian Taxation Office, is classified as part of operating cash flows.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If the GST is not payable to, or recoverable from the Australian Taxation Office, the commitments or contingencies are disclosed on a gross basis.

g) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June 2014 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2014 and which may have a material impact on the results of subsequent years. Refer to Note 28.

h) Income

Income is recognised to the extent it is probable that the flow of economic benefits to the Commission will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Contributions received from participating jurisdictions

The Commission's funding is provided through contributions by the jurisdictions participating in the National Electricity Market and the National Gas Market. South Australia's contribution to the Commission is an expense of the SA Government and not an inter-agency transaction.



Contributions are recognised as an asset and income when the Commission obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable).

Generally, the Commission has obtained control or the right to receive for:

- Contributions with unconditional stipulations - this will be when the agreement becomes enforceable i.e. the earlier of when the receiving entity has formally been advised that the contribution has been approved; agreement/contract is executed; and/or the contribution is received.
- Contributions with conditional stipulations – this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

All contributions received by the Commission have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt or when invoiced.

i) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commission will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by another accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Employee benefits expenses

Employee benefit expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Commission to the superannuation plan in respect of current services of current Commission staff.

Depreciation and amortisation

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant and equipment.

Asset residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

CLASS OF ASSETS	USEFUL LIFE (YEARS)
Plant and Equipment	5-20
Intangibles	3-7
IT Infrastructure	3-5

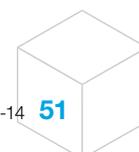
Net gain / loss on disposal of non-current assets

Any gain/ (loss) on disposal are recognised at the date control of the asset is passed to the buyer and are determined after deducting the written down value from the proceeds of the asset sale at the time.

j) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within twelve months and more than twelve months, the Commission has separately disclosed the amounts expected to be recovered or settled after more than twelve months.



k) Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event. Where an asset line item combine amounts expected to be settled within twelve months and more than twelve months, the Commission has separately disclosed the amounts expected to be recovered after more than twelve months.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and for the purposes of the Statement of Cash Flows, include cash at bank and cash on hand. Cash is measured at nominal value.

Receivables

Receivables include funding receivable, GST input tax credits recoverable, interest receivable, prepayments and other accruals. Receivables are generally settled within 30 days after issue of an invoice. Collectability of receivables is reviewed on an on-going basis. An allowance for doubtful debts is raised when there is objective evidence that the Commission will not be able to collect the debt. Bad debts are written off when identified.

Non-current assets

Acquisition and recognition

Non-current assets are initially recorded at cost plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. The Commission capitalises all non-current tangible assets with a value equal to or in excess of \$2,000.

Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. No revaluation was performed for the year ended 30 June 2014 as the Commission did not have non-current assets which met the revaluation criteria.

Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Commission only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis.

The acquisition of or internal development of software is capitalised when the expenditure meets the definition criteria (identifiably, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of the expenditure is greater than or equal to \$2,000.

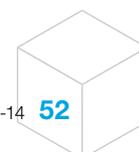
Fair Value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Commission classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Finance and Risk Manager and Audit and Risk Management Committee at each reporting date. All of the Commission's assets are level 3 on the fair value hierarchy.



I) Liabilities

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Where a liability line item combines amounts expected to be settled within twelve months and more than twelve months, the Commission has separately disclosed the amounts expected to be settled after more than twelve months.

Payables

Payables include creditors, accrued expenses, GST payable, employment on-costs and Paid Parental Leave Scheme payable.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Commission. Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employment benefit on-costs include payroll tax, workers compensation levies and superannuation contributions in respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The Commission makes contributions to several externally managed superannuation schemes on behalf of employees. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid.

Operating leases

The Commission has an operating lease for its office accommodation. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased asset.

Lease incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset.

The aggregate benefits of lease incentives received by the Commission in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight line basis.

Employee benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries, wages, annual leave and sick leave

The liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid. Where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

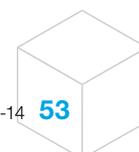
Long service leave

The liability for long service leave is recognised from the employee's commencement date. The Commission's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine its present value. The discount rate is the yield at 30 June 2014 on Commonwealth Government bonds that have maturity dates approximating the terms of the Commission's obligations.

Provisions

Provisions are recognised when the Commission has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.



The Commission has no requirement to recognise a workers compensation provision as workplace injuries are insured through Allianz insurance.

Provision for make good

The Commission has recognised a provision for make good as a result of its obligation to return refurbished leasehold improvements to their original condition at the end of its operating lease for office accommodation.

m) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If the GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

3 New and revised accounting standards and policies

The Commission did not voluntarily change any of its accounting policies during 2013-14.

In accordance with the new AASB 13 Fair Value Measurement, which became effective for the first time in 2013-14, the Commission has reviewed its fair value valuation techniques for non-financial assets to ensure they are consistent with the standard. Previously, the Commission has used the cost approach to determine fair value. The Commission will continue to measure its non-financial assets using the cost approach. The application of AASB 13 has not had a material impact on the fair value measurements.

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commission for the period ended 30 June 2014. The Commission has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

4 Economic dependency

The continued existence of the Commission in its present form is dependent on Government policy in each of the National Electricity Market jurisdictions who fund the Commission and the Commonwealth Government. To assist with revenue certainty, in January 2014 the Standing Council on Energy and Resources advised of the approval of funding of \$20.0m for 2014-15, \$21.3m for 2015-16, \$22.2m for 2016-17 and \$22.7m for 2017-18.

5 Employee benefit expenses

	2014 \$'000	2013 \$'000
Salaries and wages	8,597	7,947
Long service leave	143	193
Annual leave	679	699
Employment on-costs - superannuation	743	708
Payroll and Fringe Benefits Tax	497	486
Relocation expenses	41	9
Total employee benefit expenses	10,700	10,042

Employees are appointed under common law contracts and are not employees under the South Australian *Public Sector Management Act 1994*, which was superseded by the *Public Sector Act 2009* on 1 February 2011. Commissioners are appointed by the Governor of South Australia on the recommendation of the Minister following nomination by the Ministerial Council on Energy or the Commonwealth as appropriate in accordance with the *Australian Energy Market Establishment Act 2004*. Remuneration disclosures for employees below are in accordance with the Model Financial Statements for the South Australian Government for the year ended 30 June 2014.

Remuneration of employees	2014 No.	2013 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$138,000 – \$141,499*	3	2
\$141,500 – \$151,499	5	6
\$151,500 – \$161,499	3	1
\$161,500 – \$171,499	1	3
\$171,500 – \$181,499	3	4
\$181,500 – \$191,499	5	3
\$191,500 – \$201,499	2	2
\$201,500 – \$211,499	1	1
\$211,500 – \$221,499	1	1
\$221,500 – \$231,499	1	1
\$241,500 – \$251,499	-	1
\$251,500 – \$261,499	1	-
\$271,500 – \$281,499	-	1
\$311,500 – \$321,499	1	-
\$321,500 – \$331,499	1	-
\$381,500 – \$391,499	-	1
Total number of employees	28	27

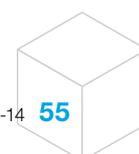
* This band has been included for the purposes of reporting comparative figures based on the South Australian Government executive base level remuneration rate for 2012-13.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year, as established by the South Australia Department of Treasury and Finance. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$5,184,000 (2013: \$5,129,000). Commissioners' remuneration is disclosed in Note 25.

6 Supplies and services

	2014 \$'000	2013 \$'000
Property expenses	2,034	762
Information technology expenses	482	523
Accounting and audit expenses	112	122
Legal expenses	65	64
Project contractor and consultancy expenses*	3,622	3,584
Other contractor and consultancy expenses	559	729
General administration expenses	336	326
Project administration expenses*	208	164
Travel and accommodation expenses	416	363
Recruitment expenses	206	99
Staff training expenses	337	243
Other staff related expenses	110	139
Total supplies and services	8,487	7,118

* Expenses such as publications, venue hire and statutory advertising that are directly related to AEMC project work on rule changes, market reviews and expert panels.



The number and dollar amount paid/payable in total to each consultant that fell within the following bands:	No.	2014 \$'000	No.	2013 \$'000
Below \$10,000	3	14	2	10
\$10,000 to \$50,000	7	182	6	188
Above \$50,000	10	2,698	15	1,872
Total paid/payable to the consultants engaged	20	2,894	23	2,070

7 Depreciation and amortisation expense

	2014 \$'000	2013 \$'000
Depreciation		
Plant and equipment	14	27
IT Infrastructure	181	167
Total depreciation	195	194
Amortisation		
Leasehold improvements	-	3
Intangible assets	447	599
Total amortisation	447	602
Total depreciation and amortisation	642	796

8 Grants

	2014 \$'000	2013 \$'000
Consumer Advocacy Panel grants	78	76
Total grants	78	76

The Commission administers collection of grant funding for the Panel for gas advocacy from the Western Australia and Northern Territory jurisdictions, and the Australian Energy Market Operator Limited (AEMO) is responsible for the electricity and gas funding relating to other States and Territories. The 2014 grant amount comprises Western Australia and Northern Territory gas advocacy funding for the last three quarters of 2013-14 and the first quarter of 2014-15.

9 Auditor's Remuneration

	2014 \$'000	2013 \$'000
Audit fees paid/payable to the SA Auditor-General's Department relating to the audit of financial statements*	38	29
Total audit fees	38	29

* Auditor's fees are included within supplies and services. Refer to Note 6.

Other Services

No other services were provided by the Auditor-General's Department.



10 Net loss on disposal/write-off of non-current assets

	2014 \$'000	2013 \$'000
Plant and equipment		
Net book value of assets disposed/written off	(1)	(12)
Net loss from disposal/write-off of plant and equipment	(1)	(12)
Leasehold improvements		
Net book value of assets disposed/written off	-	(5)
Net loss from disposal/write-off of leasehold improvement	-	(5)
Total assets		
Total proceeds from disposal	-	-
Total net value of assets disposed/written off	(1)	(17)
Total net loss on disposal/write-off of assets	(1)	(17)

11 Interest revenue

	2014 \$'000	2013 \$'000
Interest earned on bank accounts	318	328
Total interest revenues	318	328

12 Other revenues

	2014 \$'000	2013 \$'000
Recovery from the Consumer Advocacy Panel*	307	292
Rental income and recovery of property fit out costs from landlord	387	-
Total other revenues	694	292

* Recovery from the Consumer Advocacy Panel for the provision of administrative support.

13 Contributions from participating jurisdictions

	2014 \$'000	2013 \$'000
Operational funding	19,423	19,607
Total contributions from participating jurisdictions	19,423	19,607

All contributions, with the exception of those received from the Victorian government, are treated as contributions covered by an appropriation. Contributions covered by an appropriation are not subject to the payment of GST. Contributions received from the Victorian government totalled \$5,265,000 (2013: \$5,366,000).

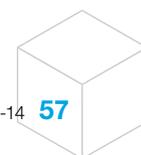
The Commission administers collection of grant funding for the Panel for gas advocacy from the Western Australia and Northern Territory jurisdictions, and the Australian Energy Market Operator Limited (AEMO) is responsible for the electricity and gas funding relating to other States and Territories. The above contributions include \$78,000 (2013: \$76,000) funding received by the Commission for the Consumer Advocacy Panel. Refer to Note 8 for more details.

14 Cash and cash equivalents

	2014 \$'000	2013 \$'000
Cash at bank and on hand	13,537	11,010
Total cash and cash equivalents	13,537	11,010

Interest rate risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.



15 Receivables

	2014 \$'000	2013 \$'000
Funding receivable	3,082	4,424
Interest receivable	26	26
Prepayments	242	202
GST input tax recoverable	151	37
Other receivables	43	75
Total current receivables	3,544	4,764

Allowance for doubtful debts

As at 30 June 2014, there was no objective evidence that a receivable was impaired. Therefore the Commission has not recognised any allowance for doubtful debts.

Interest rate and credit risk

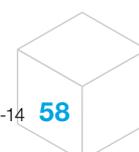
Receivables are raised for all government contributions due and for which payment has not been received. Receivables are normally settled within 30 days. Receivables and prepayments are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk. For maturity analysis of receivables and categorisation of financial instruments and risk exposure information refer to Note 27.

16 Property, Plant and Equipment

	2014 \$'000	2013 \$'000
Plant and Equipment, at cost (deemed fair value)	119	157
Accumulated depreciation at the end of the period	(59)	(94)
Total plant and equipment	60	63
IT Infrastructure, at cost (deemed fair value)	691	595
Accumulated depreciation at the end of the period	(453)	(302)
Total IT infrastructure	238	293
Total property, plant and equipment	298	356
	2014 \$'000	2013 \$'000
Work in progress		
Carrying amount at beginning of the period	-	28
Additions to work in progress	-	6
Transfers out of work in progress	-	(34)
Carrying amount at the end of the period	-	-

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2014.



Reconciliation of non-current assets

The following table shows the movement of non-current assets during 2013-14.

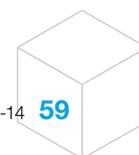
	2014 \$'000	2013 \$'000
Plant and Equipment		
Carrying amount at beginning of the period	63	102
Acquisitions	12	-
Disposals/write-offs	(1)	(12)
Depreciation and amortisation	(14)	(27)
Carrying amount at the end of the period	60	63
IT Infrastructure		
Carrying amount at beginning of the period	293	392
Acquisitions	126	34
Transfers in from work in progress	-	34
Depreciation and amortisation	(181)	(167)
Carrying amount at the end of the period	238	293
Leasehold improvements		
Carrying amount at beginning of the period	-	8
Disposals/write-offs	-	(5)
Amortisation	-	(3)
Carrying amount at the end of the period	-	-

17 Intangible assets

	2014 \$'000	2013 \$'000
Computer software	3,207	2,964
Accumulated amortisation	(2,673)	(2,227)
Work in progress	-	79
Total computer software	534	816
Reconciliation of computer software		
Carrying amount at beginning of the period	737	1,336
Acquisitions	165	-
Transfers in from work in progress	79	-
Amortisation	(447)	(599)
Carrying amount at the end of the period	534	737
Work in progress	-	79
Total computer software	534	816

Computer software mainly relates to the Commission's Internet site with a remaining useful life of 4 years and carrying amount of \$208,000.

	2014 \$'000	2013 \$'000
Work in progress		
Carrying amount at beginning of the period	79	-
Additions to work in progress	-	79
Transfers out from work in progress	(79)	-
Carrying amount at the end of the period	-	79



Impairment

There were no indications of impairment on intangible assets at 30 June 2014.

18 Payables

	2014 \$'000	2013 \$'000
Current		
Creditors	428	215
Accrued expenses	160	132
Employment on-costs	78	172
Total current payables	666	519
Non-Current		
Employment on-costs	71	59
Total non-current payables	71	59
Total payables	737	578

Interest rate and credit risk

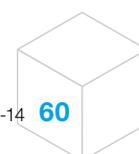
Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

For maturity analysis of payables and categorisation of financial instruments and risk exposure information, refer to Note 27.

19 Employee benefits

	2014 \$'000	2013 \$'000
Current		
Accrued salaries and wages	55	-
Short-term long service leave	-	114
Annual leave	4 90	500
Total current employee benefits	545	614
Non-current		
Long-term long service leave	440	368
Total non-current employee benefits	440	368
Total employee benefits	985	982

The liability for long service leave was determined using a salary inflation rate of 3.0% (2013: 2.5%) per annum and discount rates based on the long term Commonwealth Government bond rates at 30 June 2014.



20 Provisions

	2014 \$'000	2013 \$'000
Non-current		
Provision for make good	298	-
Total non-current provisions	298	-
Reconciliation of provision for make good		
Carrying amount at the beginning of the period	-	20
Write off provision	-	(20)
Provision to make good leasehold premises	298	-
Carrying amount at end of the period	298	-

21 Deferred lease incentive

	2014 \$'000	2013 \$'000
Current		
Deferred lease incentive	48	28
Total other current assets	48	28

Rent incentive relates to operating lease for office accommodation. Refer to note 23.

22 Equity

	2014 \$'000	2013 \$'000
Working Capital		
New South Wales	750	750
Victoria	556	556
Queensland	432	432
South Australia	173	173
Tasmania	54	54
Australian Capital Territory	36	36
Western Australia	14	14
Northern Territory	2	2
Total working capital	2,017	2,017
Retained earnings	13,927	13,397
Total Equity	15,944	15,414

The Funding Agreement with the Jurisdictions provides for the maintenance of a reserve to meet any adverse funding situation or unexpected cash flows. Each State and Territory provided their portion of the funds for the Capital Reserve which is intended to be retained by the Commission for its lifetime.

23 Unrecognised contractual commitments

Capital commitments	2014 \$'000	2013 \$'000
Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:		
Within one year	146	16
Total capital commitments	146	16

The Commissions capital commitments are for website development.



	2014 \$'000	2013 \$'000
Expenditure commitments - Remuneration		
Commitments for the payment of salaries and other remuneration under fixed term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	792	1,112
Later than one year but not longer than five years	133	652
Total remuneration commitments	925	1,764

Amounts disclosed include commitments arising from executive and other service contracts.

	2014 \$'000	2013 \$'000
Expenditure commitments - other		
Within one year	1,390	1,014
Later than one year but not longer than five years	99	95
Total commitments - other	1,489	1,109

The Commission's other commitments are for agreements for provision of services.

	2014 \$'000	2013 \$'000
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases, are payable as follows:		
Within one year	1,000	929
More than one year but not later than five years	4,461	4,336
Later than five years	2,421	3,654
Total operating lease commitments	7,882	8,919
Representing		
Non-cancellable operating leases	7,882	8,919
Total operating lease commitments	7,882	8,919

The Commission's operating leases are for office accommodation. Office accommodation is leased from Perron Investments Pty Ltd and Perpetual Trustee Company Limited. A lease commenced 1 June 2013 and is non-cancellable with a term of eight years (expiring on 31 May 2021) with a right of renewal for a further five years. Rent is payable monthly in advance. The lease rental increments are fixed at 4.0% per annum for the lease term.

24 Contingent assets and liabilities

The Commission is not aware of any contingent assets and liabilities.

25 Remuneration of Commissioners and Committee Members

Members who held office during the reporting period were:

Commissioners

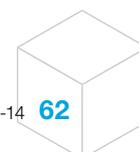
John Pierce (appointed 2 June 2010)
Neville Henderson (appointed 19 October 2009)
Brian Spalding (appointed 19 April 2013)

Audit and Risk Management Committee

John Pierce (appointed 2 June 2010)
Brian Spalding (re-appointed 19 April 2013)
Glenn Appleyard (appointed 27 October 2011 and re-appointed 5 November 2013)

Reliability Panel

Neville Henderson (appointed 3 November 2009)



The number of Commissioners and Committee members whose remuneration received or receivable falls within the following bands:	2014 No.	2013 No.
\$0 – \$9,999	1	1
\$160,000 – \$169,999	-	1
\$170,000 – \$179,999	1	-
\$190,000 – \$199,999	1	1
\$520,000 – \$529,999	-	1
\$530,000 – \$539,999	1	-
Total number of Commissioners and Committee members	4	4

Remuneration of Commissioners reflects all costs of performing Commission/committee member duties including sitting fees, salaries and wages, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by Commissioners and Committee members for the year was \$913,000 (2013: \$881,000).

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

26 Statement of Cash flow reconciliation

a. Reconciliation of cash and cash equivalents at the end of the reporting period:

	2014 \$'000	2013 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	13,537	11,010
Balance as per the Statement of Cash Flows	13,537	11,010

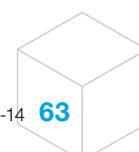
b. Reconciliation of net cash used in operating activities to net cost of providing services:

	2014 \$'000	2013 \$'000
Net cash provided by operating activities	2,830	3,387
Contributions from participating jurisdictions	(19,423)	(19,607)
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(642)	(796)
Net loss on disposal/write-off of non-current assets	(1)	(17)
Work in progress adjustments	-	(33)
Movement in assets and liabilities		
Increase/(decrease) in receivables	(1,220)	(533)
(Increase)/decrease in payables	(159)	349
(Increase)/decrease in employee benefits	(3)	(227)
(Increase)/decrease in provisions	(298)	20
(Increase)/decrease in other liabilities	20	28
Net cost of providing services	(18,896)	(17,429)

27 Financial instruments / Financial risk management

Categorisation of financial instruments

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability are disclosed in Note 2 Summary of Significant Accounting Policies.



Category of financial assets and liabilities	Statement of Financial Position	Note	Carrying amount 2014 \$'000	Fair value 2014 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	14	13,537	13,537
Loans and receivables	Receivables ^{(1), (2)}	15	3,151	3,151
Total financial assets			16,688	16,688
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	18	511	511
Total financial liabilities at cost			511	511

Category of financial assets and liabilities	Statement of Financial Position	Note	Carrying amount 2013 \$'000	Fair value 2013 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	14	11,010	11,010
Loans and receivables	Receivables ^{(1), (2)}	15	4,525	4,525
Total financial assets			15,535	15,535
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	18	295	295
Total financial liabilities at cost			295	295

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc. they would be excluded from the disclosure. The standard defines 'contract' as enforceable by law. All amounts recorded are carried at cost.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 15 as trade and other receivables in accordance with paragraph 75(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Credit risk

Credit risk arises when there is the possibility of the Commission's debtors defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission measures credit risk on a fair value basis and monitors risk on a regular basis.

The Commission does not hold any collateral as security to any of its financial assets.

The Commission has minimal concentration of credit risk. The Commission has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Commission does not engage in any high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. There is no evidence to indicate that financial assets have been impaired.

Ageing analysis of financial assets

The following table discloses the ageing of financial assets, past due, including impaired assets past due.

	Overdue for <30 days \$'000	Past due by Overdue for 30 – 60 days \$'000	Overdue for >60 days \$'000	Total \$'000
2014				
Not impaired				
Receivables	3,151	-	-	3,151
2013				
Not impaired				
Receivables	4,492	33	-	4,525

Maturity analysis of financial assets and liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities.

2014	Carrying Amount \$'000	Less than 1 year \$'000	1 – 5 years \$'000
Financial assets			
Cash and cash equivalent	13,537	13,537	-
Receivables	3,151	3,151	-
Total financial assets	16,688	16,688	-
Financial liabilities			
Payables	511	511	-
Total financial liabilities	511	511	-
2013			
Financial assets			
Cash and cash equivalent	11,010	11,010	-
Receivables	4,525	4,525	-
Total financial assets	15,535	15,535	-
Financial liabilities			
Payables	295	295	-
Total financial liabilities	295	295	-

Liquidity risk

Liquidity risk arises where the Commission is unable to meet its financial obligations as they fall due. The continued existence of the Commission in its present form is dependent on Government policy in each of the National Electricity Market jurisdictions and on continuing contributions from participants for the Commission's administration and programs. The Commission settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Commission's exposure to liquidity risk is not significant based on past experience and current assessment of risk.

Market risk

The Commission's exposure to market risk is insignificant based on past experience and current assessment of risk. There is no exposure to interest rate risk as there is no interest bearing liabilities. There is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

28 Events after reporting period

There are no events occurring after 30 June that have a material financial implication on the financial statements.



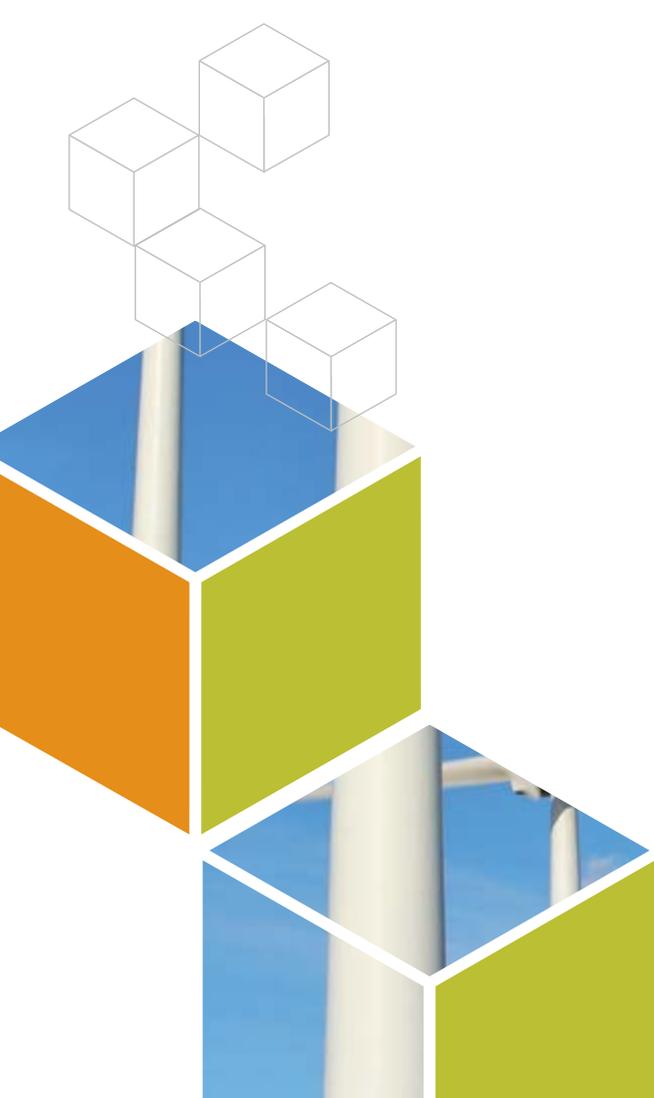
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66 ADMINISTERED FINANCIAL STATEMENTS

For the year ended 30 June 2013



CERTIFICATION OF THE ADMINISTERED FINANCIAL STATEMENTS

Australian Energy Market Commission Administered Financial Statements for the year ended 30 June 2014

Certification of the Administered Financial Statements

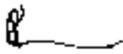
We certify that the attached general purpose financial statements for the Consumer Advocacy Panel (the Panel):

comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;

are in accordance with the accounts and records of the Panel; and

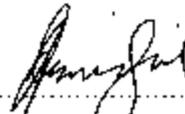
present a true and fair view of the financial position of the Panel as at 30 June 2014 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Panel for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



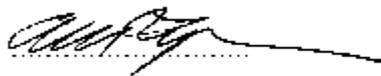
.....
Kerry Connors
Executive Director

12 September 2014



.....
Leopold Dandjuk FCPA
Accountant

12 September 2014



.....
Alan Lipman
Chair

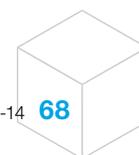
12 September 2014

STATEMENT OF ADMINISTERED COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Administered expenses			
Remuneration of the Consumer Advocacy Panel	A10	67	78
Administration expenses		329	310
Depreciation and amortisation expense		4	1
Evaluation expenses		12	5
Grant expenses		2,357	2,563
Total administered expenses		2,769	2,957
Administered income			
Grant revenues	A4	3,143	2,853
Interest revenues		59	71
Total administered income		3,202	2,924
Net Result and total comprehensive result		433	(33)

The above statement should be read in conjunction with the accompanying notes.



STATEMENT OF ADMINISTERED FINANCIAL POSITION

As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
Administered current assets			
Cash and cash equivalents	A5	2,600	2,560
Receivables	A6	333	384
Total current assets		2,933	2,944
Administered non-current assets			
Intangible assets	A7	22	9
Total non-current assets		22	9
Total assets		2,955	2,953
Administered Current liabilities			
Payables	A8	172	603
Total current liabilities		172	603
Total liabilities		172	603
Net Assets		2,783	2,350
Administered Equity			
Retained earnings		2,783	2,350
Total equity		2,783	2,350
Unrecognised contractual commitments	A9		

The above statement should be read in conjunction with the accompanying notes.

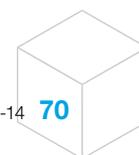


STATEMENT OF ADMINISTERED CHANGES IN EQUITY

For the year ended 30 June 2014

	Note	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2012		2,383	2,383
Net result for 2012-13		(33)	(33)
Total comprehensive result for 2012-13		(33)	(33)
Balance at 30 June 2013		2,350	2,350
Net result for 2013-14		433	433
Total comprehensive result for 2013-14		433	433
Balance at 30 June 2014		2,783	2,783

The above statement should be read in conjunction with the accompanying notes.

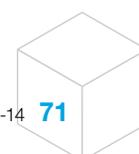


STATEMENT OF ADMINISTERED CASH FLOWS

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Cash outflows			
Payments for supplies and employees		(412)	(429)
Payment of grants and subsidies		(2,696)	(2,768)
GST paid to the ATO		(38)	(20)
Other payments		(380)	(180)
Cash used in operations		(3,526)	(3,397)
Cash inflows			
Receipts from AEMO and the Commission		3,450	3,269
Interest received		62	74
GST recovered from the ATO		23	46
Other receipts		48	180
Cash generated from operations		3,583	3,569
Net cash provided by operating activities	A11 (b)	57	172
Cash flows from investing activities			
Cash outflows			
Payments for intangibles		(17)	(10)
Cash used in investing activities		(17)	(10)
Net increase in cash and cash equivalents		40	162
Cash and cash equivalents at the beginning of the period		2,560	2,398
Cash and cash equivalents at the end of the period	A11 (a)	2,600	2,560

The above statement should be read in conjunction with the accompanying notes.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

A1 Objectives of the AEMC's administered activities

The Consumer Advocacy Panel ("the Panel") was established on 1 July 2008 pursuant to the *Australian Energy Market Commission Establishment Act 2004 (South Australia)*. From 1 July 2008, the Commission commenced providing administrative and financial services to the Consumer Advocacy Panel at its instruction. Subject to section 31 of the Australian Energy Market Commission Establishment Act 2004, the Panel is not subject to direction by the Commission or the COAG Energy Council (which was previously known as the Standing Council on Energy and Resources) in the performance of its functions.

The Panel operates in Australia from premises provided by the Australian Energy Market Commission.

The Panel has the following key functions under the Act:

- a) to identify areas of research that would be of benefit to consumers of electricity or natural gas (or both);
- b) to develop, and submit for the approval of the COAG Energy Council, guidelines for the allocation of grants for consumer advocacy projects and research projects for the benefit of consumers of electricity or natural gas (or both);
- c) to prepare, and submit for the approval of the COAG Energy Council, annual budgets for the allocation of grants for consumer advocacy projects and research projects for the benefits of consumers of electricity or natural gas (or both);
- d) to determine (subject to the approved guidelines and the approved budget) how grants for consumer advocacy projects and research projects and for the benefit of consumers of electricity or natural gas (or both) are to be allocated;
- e) to prepare, and submit for the approval of the COAG Energy Council, guidelines for the assistance of applicants for grants for consumer advocacy projects and research projects for the benefit of consumers of electricity or natural gas (or both);
- f) to publish on the Panel's website and in other appropriate ways the results of research supported by a grant under Part 4 of the Act and other research of interest to consumers of electricity or natural gas (or both);
- g) to perform other functions conferred on the Panel by the National Electricity Laws or the Jurisdictional Energy Laws or by this or any other Act or law;
- h) to perform any other function that is reasonably incidental to any of the foregoing;

The Panel may, in performing its functions with respect to the allocation of grants:

- initiate its own research projects to be funded through the provisions of grants;
- invite or accept applications for grants from other persons or bodies.

The Panel approves grants to consumer advocacy organisations for advocacy and research projects that can be funded in tranches and over multiple financial years.

At its meeting on 13 December 2013, the Standing Council on Energy and Resources agreed to the establishment of a national energy consumer advocacy body, Energy Consumers Australia (ECA). As part of ECA's establishment, Ministers agreed that the current Panel functions will be absorbed into ECA, and so the relevant provisions of the AEMC Establishment Act 2004 and associated regulations will be repealed. The Panel will continue operating normally until the date of proclamation, which is yet to be announced but is anticipated to occur in 2014-15.

A2 Summary of significant accounting policies

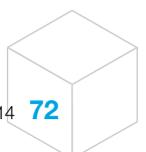
All the Commission's accounting policies are contained in Note 2 *Summary of Significant Accounting Policies*. With the exception of the policies identified below, policies outlined in Note 2 apply to both the Commission and administered financial statements.

Grant Income

The Panel is funded by AEMO and the Commission administers collection of grant funding for the Panel for gas advocacy from the Western Australia and Northern Territory jurisdictions. These funds are recognised as an asset and income when the Panel obtains control of the contributions and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable). All contributions have unconditional stipulations and therefore control is obtained when the agreement becomes enforceable i.e. the earlier of when the Panel has formally been advised that the contribution has been approved, agreement is executed and/or the contribution is received.

Interest revenue

Interest revenue is recognised when accrued.



Grant expenses

Grant expenses are recognised as a liability and expense when the Panel has a present obligation to pay the grant and the recognition criteria are met. Generally a grant expense is recognised on achievement of the relevant milestones in the funding agreements between the applicants and the Panel.

Administration expenses

The Panel's Executive Director and other staff are employed by the Commission as required by the Australian Energy Market Commission Establishment Act 2004. The cost of employing these staff is included in the Commission's balance of employee benefit expenses in the Statement of Comprehensive Income. The Commission recovers the cost of employing these staff from the Panel. These payments are recognised in the Panel's Statement of Administered Comprehensive Income as part of 'administration expenses'. Administration expenses also include accommodation and other charges incurred by the Commission and recovered from the Panel.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Administered Financial Position and the Statement of Administered Cash Flows include deposits at call with financial institutions.

Insurance

The Panel does not have a policy of professional indemnity insurance for its members. The Panel notes that under the Act as from 1 July 2008 members and staff of the Panel are not subject to personal liability for an act or omission in good faith in the performance actual or purported of a function or power associated with the activities of the Panel.

The Panel has no requirement to recognise a workers compensation provision as workplace injuries are insured through Allianz insurance.

A3 Economic dependency

The continued existence of the Panel in its present form is dependent on the continuation of funding from the AEMC and AEMO. The provision of this funding is a statutory obligation of both the AEMC and AEMO, subject to the approval of a global budget by the COAG Energy Council (which was previously known as the Standing Council on Energy and Resources). The funding for the Panel for the 2014-15 year was approved by the Standing Council on Energy and Resources on 13 December 2013 as follows:

- \$2,555,489 for the electricity component funded by AEMO.
- \$730,998 for the gas component funded by AEMO and AEMC.

Apart from the uncertainty over ongoing operations as mentioned in A1 above, the continued existence of the Panel in its present form is dependent on the continuation of funding from the AEMC and AEMO.

A4 Grant revenues

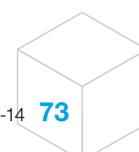
	2014 \$'000	2013 \$'000
Contributions from – AEMO	3,065	2,777
Contributions from – AEMC	78	76
Total grant revenue	3,143	2,853

A5 Cash and cash equivalents

	2014 \$'000	2013 \$'000
Cash at bank	2,600	2,560
Total cash and cash equivalents	2,600	2,560

Interest rate risk

Cash at bank earns a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.



A6 Receivables

	2014 \$'000	2013 \$'000
Contributions receivable	331	379
Other	2	5
Total receivables	333	384

Allowance for doubtful debts

As at 30 June 2014, there was no objective evidence that a receivable was impaired. Therefore an allowance for doubtful debts has not been recognised.

Interest rate and credit risk

Receivables are raised for all contributions due and for which payment has not been received. Receivables are normally settled within 30 days. Receivables are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk. For maturity analysis of receivables and categorisation of financial instruments and risk exposure information refer to Note A11.

A7 Intangible assets

	2014 \$'000	2013 \$'000
Computer software	27	10
Accumulated amortisation	(5)	(1)
Total computer software	22	9

Reconciliation of computer software

Carrying amount at beginning of the period	9	-
Additions	17	10
Amortisation	(4)	(1)
Carrying amount at the end of the period	22	9

The internally developed computer software relates to the Panel's website and grants management database with a remaining useful life of 3-4 years and carrying amount of \$22,000.

Impairment

There were no indications of impairment on intangible assets at 30 June 2014.

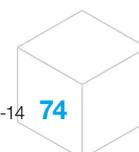
A8 Payables

	2014 \$'000	2013 \$'000
Gas and electricity grants payable	61	81
Trade creditors and accruals*	79	480
GST input tax payable	32	42
Total payables	172	603

Interest rate and credit risk

* In 2009-10 the Panel received funding of \$510,000 for gas advocacy funding from the jurisdictions, via the Commission. The Australian Energy Market Operator (AEMO) was responsible for this amount but the timing of the introduction of the responsibility prevented them from paying this. In 2011-12 AEMO paid the Panel the first instalment of \$164,000 which was reimbursed to the jurisdictions, via the AEMC. The 2013 amount includes the remaining final balance of \$346,000 to be received from AEMO in 2014-15. Refer to note A6.

Accruals are raised for all amounts billed but unpaid. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. For maturity analysis of payables and categorisation of financial instruments and risk exposure information refer to Note A12.



A9 Unrecognised contractual commitments

Commitments relate to approved applications for which the grant has not yet been paid.

	2014 \$'000	2013 \$'000
Payable within 1 year	1,105	2,321
Total unrecognised contractual commitments	1,105	2,321

The above represents commitments for approved grant applications where the conditions for payment of the grant have not been met.

A10 Remuneration of the Panel

Members that were entitled to receive remuneration for membership of the Panel during the 2013-14 year were:

Consumer Advocacy Panel

Alan Lipman (Chair appointed 25 November 2013)

Catherine Cooper (appointed 1 April 2009 and re-appointed 21 July 2013. Appointed acting Chair 1 August to 24 November 2013)

Karen Chalmers-Scott (appointed 1 April 2009 and re-appointed 21 July 2013. Appointed acting Chair 1 July to 31 July 2013)

Bruce Connery (appointed 1 April 2009 and re-appointed 21 July 2013)

Bob Weymouth (appointed 25 November 2013)

Gordon Renouf (appointed 19 December 2012 and finished 20 August 2013)

The number of Panel members whose remuneration received or receivable falls within the following bands:	2014 No.	2013 No.
\$0 – \$9,999	3	2
\$10,000 – \$19,999	2	2
\$20,000 – \$29,999	1	2
Total number of Panel members	6	6

Remuneration of Panel members reflects all costs of performing Panel duties including sitting fees and superannuation contributions. The total remuneration received by Panel members for the year was \$67,000 (2013: \$78,000).

A11 Statement of Administered Cash Flow Reconciliation

a) Reconciliation of cash and cash equivalents at the end of the reporting period:

Cash and cash equivalents reported in the:

	2014 \$'000	2013 \$'000
Cash and cash equivalents disclosed in the Statement of Administered Financial Position	2,600	2,560
Balance as per the Statement of Administered Cash Flows	2,600	2,560

b) Reconciliation of net cash provided by operating activities to net result:

	2014 \$'000	2013 \$'000
Net cash provided by operating activities	57	172
Non-cash items:		
Depreciation and amortisation expense	(4)	(1)
Movement in assets and liabilities		
Increase/(decrease) in receivables	(51)	(278)
(Increase)/decrease in payables	431	74
Net result	433	(33)

A12 Financial instruments / Financial risk management

Categorisation of financial instruments

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability are disclosed in Note 2 Summary of Significant Accounting Policies.

Category of financial assets and liabilities	Statement of Financial Position	Note	Carrying amount 2014 \$'000	Fair value 2014 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	A5	2,600	2,600
Loans and receivables	Receivables ⁽¹⁾	A6	333	333
Total financial assets			2,933	2,933
Financial liabilities				
Financial liabilities	Payables ⁽¹⁾	A8	137	137
Total financial liabilities			137	137

Category of financial assets and liabilities	Statement of Financial Position	Note	Carrying amount 2013 \$'000	Fair value 2013 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	A5	2,560	2,560
Loans and receivables	Receivables ⁽¹⁾	A6	384	384
Total financial assets			2,944	2,944
Financial liabilities				
Financial liabilities	Payables ⁽¹⁾	A8	557	557
Total financial liabilities			557	557

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

Credit risk

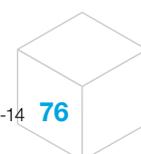
Credit risk arises when there is the possibility of the Panel's debtors defaulting on their contractual obligations resulting in financial loss to the Panel. The Panel measures credit risk on a fair value basis and monitors risk on a regular basis.

The Panel has minimal concentration of credit risk. The Panel has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Panel does not engage in any high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. For the year ended 30 June 2014 no allowance for impairment of financial assets was deemed necessary. The Panel does not hold any collateral as security to any of its financial assets.

Ageing analysis of financial assets

No financial assets are past due.



Maturity analysis of financial assets and liabilities

2014	Carrying Amount \$'000	Less than 1 year \$'000	1 – 5 years \$'000
Financial assets			
Cash and cash equivalents	2,600	2,600	-
Receivables	333	333	-
Total financial assets	2,933	2,933	-
Financial liabilities			
Payables	137	137	-
Total financial liabilities	137	137	-
2013			
Financial assets			
Cash and cash equivalents	2,560	2,560	-
Receivables	384	53	331
Total financial assets	2,944	2,613	331
Financial liabilities			
Payables	557	557	-
Total financial liabilities	557	557	-

Liquidity risk

Liquidity risk arises where the Panel is unable to meet its financial obligations as they fall due. The continued existence of the Panel in its present form is dependent on Government policy in each of the National Electricity Market jurisdictions and on continuing contributions from participants for the Panel's administration and programs. Undisputed accounts are settled within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. The Panel's exposure to liquidity risk is insignificant based on a current assessment of risk.

Market risk

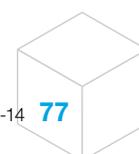
The Panel's exposure to market risk is insignificant based on a current assessment of risk. There is no exposure to interest rate risk as there is no interest bearing liabilities. In addition, there is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

A13 Events after reporting period

There were no events occurring after 30 June that have a material financial implication on the financial statements.





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- 80 Use by Registered Participants of Inspection and Testing Rights
- 81 Compliance



78 STATUTORY REPORTS

STATUTORY REPORTS

MCE Statements of Policy Principles

There are currently no Statements of Policy Principles made by the Ministerial Council on Energy.⁹

Last Resort Planning Power

The AEMC has a power under clause 5.6.4 of the National Electricity Rules to direct one or more registered participants in the NEM to:

- identify a potential transmission project and apply the regulatory investment test for transmission to that project; or
- apply the regulatory investment test for transmission to a potential transmission project identified by the AEMC.

This is known as the last resort planning power (LRPP). Its purpose is to ensure timely and efficient inter-regional transmission investment for the long term interests of consumers of electricity.

The 2013 Last Resort Planning Power Review, published in December 2013, found that transmission planning bodies in the NEM are actively addressing inter-regional network development priorities in their planning activities. The Commission did not find a need for the AEMC to exercise its LRPP role.

The AEMC reports publicly on the matters it considered in deciding whether or not to exercise the last resort planning power.

External consultants

The AEMC supplements its own resources with consultants. In 2013-2014 the total amount expended was \$2,894,000.

Services provided covered a number of areas including:

- Regulatory and economic advice on a range of issues including network costs;
- Economic and financial modeling of a range of scenarios relating to retail electricity prices;
- Analysis of consumer attitudes to energy market participation, retail pricing and switching;
- Corporate matters such as accommodation.

Table 7 External consultants – spending bands

Number and dollar amount of consultancies that fell within the following bands:	No	2014 \$'000
Below \$10,000	3	14
Between \$10,000 and \$50,000	7	182
Between \$50,000 and \$100,000	3	201
Between \$100,000 and \$150,000	2	235
Above \$150,000	5	2,262
Total	20	2,894

⁹The ministerial Council on Energy (MCE) is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory ministers responsible for energy. On 1 July 2011 the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. the amalgamated body is now called the COAG Energy Council.

Table 8 External consultants – project descriptions

Company	Project description
Colliers International Project Services Pty Ltd	Premises development.
Professor Jeff Borland	Analysis of market design.
Businesswriters & Design	Document typesetting.
Regulatory Policy Institute	Peer review for retail competition analysis.
Global Roam Pty Ltd	Optional Firm Access, Design and Testing.
Whit	Modelling access pricing.
Houston Kemp Economists	Advice on options for transitional arrangements for Optional Firm Access.
Mercer	Internal governance.
Seed Advisory Pty Ltd	Analysis of retail tariffs.
Economic Insights Pty Ltd	Analysis of customers on regulated tariffs.
Oakley Greenwood Pty Ltd	Analysis of network costs.
The Brattle Group	Advice on options for structuring network prices to cover residual network costs.
Deloitte Touche Tohmatsu	Advice on accounting standards.
Parsons Brinckerhoff Australia Pty Ltd	Advice on different ways to express transmission reliability standards.
PricewaterhouseCoopers (NSW)	Internal audit and risk management assessment.
ROAM Consulting Pty Ltd	Modelling for the Market Price Cap and other reliability settings.
Mandarin Media Pty Ltd	Consumer research and reporting.
Frontier Economics Pty Ltd	Modelling potential options for RET policy directions and wholesale energy costs as well as advice on competition in metering; and advice on retailer of last resort arrangements.
Newgate Research	Consumer research and reporting.
NERA Economic Consulting	Wholesale market modelling and advice on access to metering services; feed in tariff scheme costs; linking the reliability standard and settings with the value of customer reliability; and the efficiency of network tariffs for current and emerging technologies.

AEMO's Use of Powers of Direction

A report of the AEMC under section 27 of the Australian Energy Market Commission Establishment Act 2004 (SA) must include a report on AEMO's use of powers of direction.

AEMO can direct registered participants to undertake actions that are in AEMO's view necessary to help deliver power system security. A registered participant who is subject to a direction from AEMO may be entitled to compensation for complying with the direction. AEMO can also issue instructions to any registered participants. Participants complying with an instruction are not able to obtain compensation.

AEMO issued one direction from 1 July 2013 to 30 June 2014 in relation to power system security under clause 4.8.9(a) of the National Electricity Rules.

AEMO directed Essential Energy to put the Broken Hill Gas Turbine units into service to address a power system security issue in the local 220kV subsystem in north west Victoria and south west NSW. The direction was effective from 1600 to 2040 hours on 16 January 2014. The direction was for energy and no compensation was paid.

Use by Registered Participants of inspection and testing rights

From 1 July 2013 to 30 June 2014, AEMO was not informed of any inspections conducted under clause 5.7.1, or any tests conducted under clause 5.7.2 of the National Electricity Rules.



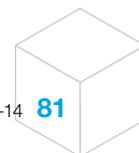
COMPLIANCE

The AEMC Annual Report 2013-2014 is prepared in accordance with the Australian Energy Market Commission Establishment Act 2004 (SA) (the Act) and satisfies the requirements of the Australian Energy Market Commission Establishment Regulations 2005 (SA). This index indicates where each of the items which the AEMC must report on is located within the report.

- 1) A report of the AEMC under section 27 of the Act must include a report on the following in respect of the financial year concerned:
 - a) the National Energy Law provisions and other legislative provisions that confer functions on the AEMC
Where covered
 - b) the AEMC's relationship to other bodies involved in the administration of National Energy Laws
p12
 - c) the membership and organisation of the AEMC
p14-17
 - d) the AEMC's strategic plans and the relationship of the plans to objectives set out in the National Energy Laws
p20-22
 - e) the AEMC's activities and their efficiency and effectiveness
p30-38
 - f) the AEMC's financial affairs
p41-65
 - g) disclosures made by Commissioners under section 22 of the Act
p33
 - h) positions in the employment of the AEMC, including salary levels for the positions, any positions created or filled and any positions abolished or vacated
p39-40, 54-55
 - i) the extent to which external consultants have been engaged by the AEMC, the nature of the work undertaken by the consultants and the total cost to the AEMC of the consultancies
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 - j) the occupational health, safety and rehabilitation programs of the AEMC and their effectiveness
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 - k) any instances of fraud in the operations of the AEMC and the strategies implemented to prevent and control fraud
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 - l) in relation to electricity
 - I. the extent to which the operation of the Rules has met the national electricity market objective and the strategic development of the Rules to meet the national electricity market objective.
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 - II. Any statements of policy principles that have been issued by the MCE in relation to the AEMC and any directions that have been given by the MCE to the AEMC
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 - III. The Rule making activities of the AEMC under the National Electricity Law, including
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 - Include as a part of the AEMC Annual Report the Consumer Advocacy Panel's report. The Panel's accounts must also be included.
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Appendix A
AEMC Index of Rules, Reviews and Public Advice 2012-2013

Appendix B
Consumer Advocacy Panel
Annual Report 2012-2013





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82 APPENDICES

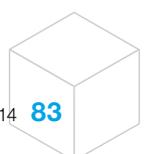


Appendix A AEMC Index of Rules, Reviews and Public Advice 2013-2014

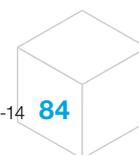
This detailed summary of each rule and review project (including advice) conducted during the year under review is provided in accordance the *Australian Energy Market Commission Establishment Act 2004 (SA)* (the Act) and satisfies requirements of the *Australian Energy Market Commission Establishment Regulations 2005 (SA)*.

Table A1 Electricity rules made by the AEMC in 2013-2014

ELECTRICITY RULE MADE	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT / IMPACT
Reliability Panel Public Meetings	Rule 2013 No.4 (NER version 57)	15 Aug 2013	15 Aug 2013	Reliability Panel	Expedited	This rule gives the Reliability Panel flexibility to decide the manner in which it conducts its public meetings. The rule provides for the Panel's public meetings to be open to all members of the public, in addition to Registered Participants and interested parties. The rule as made may reduce the potential financial costs faced by the Panel and its stakeholders in organising and travelling to attend public meetings, and may promote greater stakeholder participation in the work of the Reliability Panel.
Network Service Provider Expenditure Objectives	Rule 2013 No.3 (NER version 58)	19 Sep 2013	26 Sep 2013	COAG Energy Council (formerly SCER)	Standard	This rule relates to the regulated revenues that network businesses may earn to meet their obligations under standards in relation to the reliability, security and quality of electricity supply. This rule arose from a recommendation made by the AEMC's Distribution Reliability (NSW) Review. It more clearly links those regulated revenues to the relevant jurisdictional standard so that network costs are not higher than necessary.
Access to NMI Standing Data	Rule 2013 No.6 (NER version 59)	31 Oct 2013	31 Oct 2013	Energy Australia	Standard	National Metering Identifier (NMI) Standing Data is the information related to a customer's connection point including location and features of a customer meter, the network tariff and consumption bands. The information does not include specific consumption data. The rule confirms the ability of retailers and their service providers to access NMI Standing Data. It promotes the efficient delivery of electricity retail services and facilitates retail competition. Consumers will benefit as the rule allows retailers to provide accurate quotes and information – enabling people to choose the electricity offer which suits them best.
Victorian Jurisdictional Derogation, Advanced Metering Infrastructure	Rule 2013 No.7 (NER version 60)	28 Nov 2013	1 Jan 2014	Minister for Energy and Resources (Victoria)	Standard	Under this rule, distribution businesses will remain exclusively responsible for providing advanced metering infrastructure to small consumers of electricity in Victoria. This determination affects metering arrangements in Victoria only. The rule allows Victoria up to three years to transition to the national framework for competition in metering and related services, once that is established, as a means of introducing small customer metering competition. The derogation will continue until the National Electricity Rules are amended to provide this national framework and regulatory arrangements are made for the orderly transfer of Victorian metering arrangements to it. If these requirements are not met by 31 December 2016, the derogation will expire.



ELECTRICITY RULE MADE	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT / IMPACT
Negative Offers From Scheduled Network Service Providers	Rule 2013 No.8 (NER version 60)	19 Dec 2013	1 Jan 2014	International Power-GDF Suez Australia and Loy Yang Marketing Management Company	Standard	This rule applies to transmission companies that trade in electricity between neighbouring regions (scheduled network service providers). It requires offers made by scheduled network service providers to be no less than the market floor price as defined in the National Electricity Rules. It contributes to greater certainty in relation to the process for changing these offers. It also ensures that, to the extent possible, the National Electricity Rules do not advantage one technology type over another by subjecting scheduled network service providers to the same price floor as generation and scheduled load.
Publication of Zone Substation Data	Rule 2014 No.1 (NER version 60)	13 Mar 2014	13 Mar 2014	National Generators Forum	Standard	This rule puts a new requirement on distribution network companies to make historical electricity load data at the zone substation level available to interested parties. The information may inform analyses of future trends in electricity demand and supply. This in turn, may lead to better informed and more efficient investment decisions. Efficient investments have the potential to minimise costs to consumers.
AER Authorisation of Software Changes by AEMO	Rule 2014 No.4 (NER version 62)	17 Apr 2014	17 Apr 2014	AER	Standard	This rule enhances administrative efficiency and promotes good regulatory design. It removes a potentially duplicative obligation on the AER to authorise changes to the software that AEMO uses to operate the NEM. The rule recognises that other adequate obligations are already in place.
Victorian Jurisdictional Derogation (Smelter Agreements)	Rule 2014 No.2 (NER version 64)	10 Apr 2014	1 Aug 2014	Minister for Energy and Resources (Victoria)	Expedited	This rule specifically allows the National Electricity Market registration of the Point Henry smelter and Anglesea power station to conclude on the expiry of the Point Henry electricity supply agreement at the end of July 2014.
Minor Changes 2014	Rule 2014 No 3 (NER version 5)	10 Apr 2014	1 July 2014	AEMC	Expedited	This determination is made annually to correct minor errors and make non-material changes to the rules. It improves the quality of the rules in terms of accuracy and consistency.



ELECTRICITY RULE MADE	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT / IMPACT
Connecting Embedded Generators	Rule 2014 No.3 (NER version 62)	17 Apr 2014	1 Oct 2014	Climate works, Seed, Property Council	Standard	<p>This rule is intended to make it easier for embedded generators to connect to distribution networks, where it is efficient for them to do so. The rule provides a clearer, more transparent connection process with defined timeframes, and requires distributors to publish information to assist embedded generators. A growing number of commercial electricity consumers who generate their own power are seeking to connect to distribution networks. The rule recognises the need for distribution businesses to adapt their networks to this changing environment while maintaining the reliable and safe supply of electricity to all customers.</p> <p>The rule applies to registered embedded generators (those with a capacity greater than 5MW) and, in some circumstances, to smaller generators located in Victoria and Queensland. Embedded generators with a capacity less than 5MW, and located in states other than Queensland and Victoria, use different connection processes set out in Chapter 5A of the National Electricity Rules.</p>
Extension of Call Notice Timing	Rule 2014 No.6 (NER version 63)	12 June 2014	1 July 2014	AEMO	Expedited	<p>This rule seeks to improve the timing of prudential arrangements in the National Electricity Market. It delays by one hour the time at which a call notice issued by AEMO is taken to have been issued on the next business day. The rule is likely to reduce the risk of a call notice being issued for administrative rather than financial reasons, without impacting the risk of liabilities accruing in the market. It is also likely to reduce the costs for AEMO and market participants associated with managing the prudential requirements in the National Electricity Market.</p>

Table A2 Determinations to not make an electricity rule change request

NAME	DETERMINATION DATE	PROPONENT	CATEGORY	REASONS
Recovery of Network Support Payments	31 Oct 2013	Major Energy Users Inc	Standard	The Commission determined not to make a rule as it considered that appropriate cost recovery mechanisms for network support payments already existed under the rules and it would not be in the long-term interests of consumers to add an additional cost recovery mechanism as proposed.
Changes to Cost Allocation Method	8 Aug 2013	Trans Tasman Energy Group	Standard	The Commission determined not to make a rule as it was not satisfied there was a problem with the existing rules nor that the changes proposed promoted the National Electricity Objective in the long term interests of consumers. The request had asked for further information to be included in a Distribution Network Service Provider's cost allocation method, as well as for the Australian Energy Regulator to hold public consultation when considering a cost allocation method for approval.

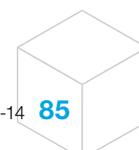
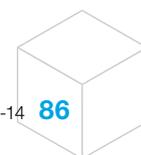


Table A3 Electricity rules under consideration at 30 June 2014

ELECTRICITY RULE CHANGE REQUEST	PROPONENT	INITIATED	CATEGORY	STATUS AT 30 JUNE 2014
Bidding in Good Faith	Minister for Mineral Resources and Energy (South Australia)	10 Apr 2014	Standard	This request proposes changes to the provisions governing generator behaviour when offering electricity to the wholesale market. Submissions on the consultation paper closed on 22 May 2014. At 30 June we were considering submissions and the outcomes of a stakeholder forum held on 5 May 2014.
Expanding Competition in Metering and Related Services	COAG Energy Council (formerly SCER)	15 Apr 2014	Standard	This request is part of a broad package of reforms recommended by the AEMC's Power of Choice Review to empower consumers in the energy market. It seeks to establish arrangements that would promote competition in metering and related services. The request's objective is to promote consumer participation and choices in the market and allow for the benefits of demand side participation to be captured across the electricity supply chain. Changes are proposed to both the National Electricity Rules and the National Energy Retail Rules. Submissions on the consultation paper closed on 29 May 2014 and a series of stakeholder workshops and roundtables were scheduled for June-September prior to the release of a draft determination which is due by the end of 2014.
Governance of Retail Market Procedures	AEMO	24 Oct 2013	Standard	This request proposes to bring operational communications between retailers and distribution companies (eg routine exchange of information on connections, disconnections, special meter reads, network billing) under a single governance framework located in AEMO processes rather than the National Electricity Rules. At 30 June we were consulting on our draft determination published on 8 May 2014 which proposed the rule not be made as requested. The Commission was not convinced that changes were necessary at this time. The draft determination noted a number of other AEMC projects underway which were focussed on developing and implementing options designed to meet more specific market or technological requirements, and therefore be better placed consider the impacts, if any, on existing governance arrangements. This work includes the expanding competition in metering and related services rule change request, and the supplementary implementation advice subsequent to the Framework for open access and communication standards review. The Commission considered that governance arrangements would be better addressed by this specific work currently examining metering competition.
System Restart – Ancillary Services	AEMO, GDF Suez, Origin Energy, NGF, AGL, Alinta Energy, Energy Brix, Intergen	27 Mar 2014	Standard	System restart ancillary services (SRAS) are procured by AEMO from generators to mitigate the impact of major supply disruptions. This request combines two proposals submitted by AEMO and a group of generators. It concerns the objective and economic basis of SRAS, as well as the associated governance, procurement and cost recovery arrangements. Submissions on the consultation paper closed on 8 May 2014 and work on the draft determination was underway at the close of the reporting year.
Distribution Network Pricing Arrangements	COAG Energy Council (formerly the Standing Council on Energy and Resources) and Independent Pricing and Regulatory Tribunal (IPART)	14 Nov 2013	Standard	Two separate requests are consolidated in this project. The IPART request seeks changes to how and when annual electricity network prices are approved and notified. IPART is concerned the current network pricing process leaves little time to implement changes in retail prices arising from changes in network pricing structures and/or pricing levels and does not provide for sufficient consultation on network prices. The request from the COAG Energy Council responds to the AEMC Power of Choice Review recommendations to provide efficient and flexible pricing options so consumers can better manage energy spending. Like the IPART request it proposes changes to the process for setting and consulting on distribution prices. Additionally it proposes changes to how distribution businesses structure their network prices to recover their allowed revenues. At 30 June work was underway on consideration of the draft determination which is expected in August 2014.



ELECTRICITY RULE CHANGE REQUEST	PROPONENT	INITIATED	CATEGORY	STATUS AT 30 JUNE 2014
Generator Ramp Rates and Dispatch Inflexibility in Bidding	AER	13 Feb 2014	Standard	Ramp rates and dispatch inflexibility profiles are specified by generators as a component of their bids into the NEM, and govern the manner in which power station output can be physically changed through time. The AER considers that ramp rates and dispatch inflexibility profiles are on occasion used by generators to achieve commercial outcomes and that this can be harmful both in terms of inefficient market outcomes and on the ability of AEMO to efficiently manage the security of the power system. The AER therefore proposes that generators should be required to submit ramp rates and dispatch inflexibility profiles that reflect the technical capabilities of their plant. Submissions on the consultation paper closed on 27 March 2014 and at the close of the year work was underway on a draft determination expected in August 2014.
Customers' Access to Information About Their Energy Consumption	COAG Energy Council (formerly the Standing Council on Energy and Resources)	8 May 2014	Standard	This request seeks to make it easier for people to access and understand their electricity consumption data and to allow authorised parties to access this information. It proposes changes to both the National Electricity Rules and the National Energy Retail Rules. Submissions on the consultation paper closed on 5 June 2014. At the close of the reporting period we were considering those submissions during preparation of the draft rule determination.
Connecting Embedded Generators Under Chapter 5A	Clean Energy Council (CEC)	15 May 2014	Standard	The CEC considers that embedded generators applicants seeking to negotiate a connection to the distribution network under Chapter 5A of the National Electricity Rules will experience unexpected costs and delays and an uncertain investment environment. To resolve this problem the CEC proposes changes including requiring distribution network service providers to provide specific information such as technical design and planning information to embedded generator applicants at different stages of the connection process and within specified timeframes. Submissions on the consultation paper closed on 12 June 2014 and were being considered at the close of the reporting period.

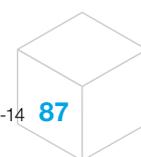


Table A4 Gas rules made by the AEMC in 2013-2014

GAS RULE MADE	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT / IMPACT
Publication of the Gas Statement of Opportunities (GSOO) and Gas Victorian Annual Planning Report (VAPR)	Rule 2014 No.1 (NGR version 20)	13 Mar 2014	1 Apr 2014	AEMO	Expedited	The Gas Statement of Opportunities (GSOO) and the gas Victorian Annual Planning Report (VAPR) are documents that provide projected demand and supply information for gas markets. This determination changes the publication dates of both documents to 31 March. The GSOO will continue to be published annually and the gas VAPR will be published once every two years. These changes will allow the documents to contain more recent data and make them more useful for users while reducing the cost of producing the gas VAPR.
Natural Gas Short Term Trading Market (STTM) Settlement Surplus and Shortfall	Rule 2014 No.2 (NGR version 20)	3 Apr 2014	1 May 2014	AEMO	Expedited	This rule change sets out a clear principle for differentiating the allocation of STTM settlement surpluses and shortfalls to Trading Participants. It rectifies unintended potential financial consequences for STTM Trading Participants arising from a previously made rule (The National Gas Amendment (STTM Deviations and the Settlement Surplus and Shortfall Rule 2013). It is consistent with market arrangements that encourage efficient investment and flexibility by allowing for the appropriate allocation of risk between market participants.
National Gas Bulletin Board Capacity Outlooks	Rule 2014 No.3 <i>An amending rule will be included in a new version of the NGR after this rule has commenced.</i>	1 May 2014	8 Jan 2015	AEMO	Expedited	This determination increases the level of short and medium-term capacity outlook information that is required to be published on the National Gas Bulletin Board by facility operators. This increase in information has the potential to help energy market participants make more efficient operational and investment decisions.
Minor changes 2014	Rule 2014 No. 4 (NGR version 4)	22 May 2014	1 July 2014	AEMC	Expedited	This determination is made annually to correct minor errors and make non-material changes to the rules. It improves the quality of the rules in terms of accuracy and consistency.

Table A5 Determinations to not make a gas rule change

There were no decisions taken by the AEMC during the year to not make a gas rule as requested by proponents.

Table A6 Gas rules under consideration at 30 June 2014

GAS RULE CHANGE REQUEST	PROPONENT	INITIATED	CATEGORY	STATUS AT 30 JUNE 2014
Portfolio Rights Trading	AEMO	13 Mar 2014	Standard	This request seeks to facilitate the tracking of the financial benefits of authorised MDQ and AMDQ credit certificates between market participants in Victoria's declared wholesale gas market. A draft determination was published on 19 June 2014.
Setting the Opening Capital Base	AER	17 Apr 2014	Standard	This request seeks changes to the process of setting the opening capital base for gas pipeline service providers for an access arrangement period. At 30 June the draft determination was being prepared for publication on 10 July 2014.

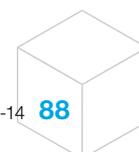
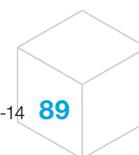


Table A7 Retail rules under consideration at 30 June 2014

RETAIL RULE CHANGE REQUEST	PROPONENT	INITIATED	CATEGORY	STATUS AT 30 JUNE 2014
Retailer Price Variations in Market Retail Contracts	Consumer Action Law Centre and Consumer Utilities Advocacy Centre	13 Feb 2014	Standard	This request seeks to preclude retailers from including terms in gas and electricity market retail contracts that allow them to change prices during fixed periods. Submissions on the consultation paper closed on 27 March 2014 and the draft determination is expected in August 2014.
Expanding Competition in Metering and Related Services	COAG Energy Council (formerly SCER)	15 Apr 2014	Standard	See details Table A3
Customer Access to Information About Their Energy Consumption	COAG Energy Council (formerly SCER)	8 May 2014	Standard	See details Table A3

Table A8 Market reviews and advice – summary table

AEMC	PROPONENT	START DATE	END DATE	STATUS AT 30 JUNE 2014
Best Practice Retail Price Regulation	COAG Energy Council (formerly SCER)	9 May 2013	27 September 2013	Completed
Review of the National Framework for Distribution Reliability	COAG Energy Council (formerly SCER)	8 February 2013	27 September 2013	Completed
Gas Market Scoping Study	AEMC	9 May 2013	27 September 2013	Completed
Strategic Priorities for Energy Market Development 2013	AEMC	17 May 2012	23 October 2013	Completed
Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales	COAG Energy Council (formerly SCER)	13 December 2013	31 October 2013	Completed
Review of the National Framework for Transmission Reliability	COAG Energy Council (formerly SCER)	8 February 2013	1 November 2013	Completed
Last Resort Planning Power 2013	Rules requirement	15 May 2013	5 December 2013	Completed
Residential Electricity Price Trends 2013	COAG Energy Council (formerly SCER)	19 December 2012	13 December 2013	Completed
Advice on Linking the Reliability Standard and Reliability Settings with a Value of Customer Reliability	COAG Energy Council (formerly SCER)	29 October 2013	20 December 2013	Completed
Management of Negative Inter-Regional Settlements Residues	Rules requirement	18 April 2013	20 February 2014	Completed
Framework for Open Access and Communication Standards	COAG Energy Council (formerly SCER)	25 July 2013	10 April 2014	Completed ¹⁰
Review of Electricity Customer Switching	COAG Energy Council (formerly SCER)	7 August 2013	27 March 2014	Completed
Retail Competition Review 2014	COAG Energy Council (formerly SCER)	17 January 2014	Continuing	Preparation of final report
Distribution Reliability Measures	COAG Energy Council (formerly SCER)	30 January 2014	Continuing	Consultation on the draft report
Optional Firm Access Design and Testing	COAG Energy Council (formerly SCER)	6 Mar 2014	Continuing	Preparation of first interim report



AEMC	PROPONENT	START DATE	END DATE	STATUS AT 30 JUNE 2014
National Electricity Market - Financial Market Resilience	COAG Energy Council (formerly SCER)	5 March 2012	Continuing	Preparation of second interim report
Residential Electricity Price Trends 2014	COAG Energy Council (formerly SCER)	17 January 2014	Continuing	Report underway for publication late 2014
RELIABILITY PANEL				
Annual Market Performance Review 2013	Rules requirement	2 September 2013	7 May 2014	Completed
Reliability Standard and Settings Review 2014	Rules requirement	9 May 2013	Continuing	Preparation of final report
Appointment of Reliability Panel members 2013	Rules requirement	13 August 2013	13 December 2013	Completed

¹⁰The Expanding competition in metering and related services rule request will have a direct bearing on issues related to the implementation of recommendations made by the open access review's final report. Supplementary advice responding to the competition in metering rule change will be published in mid-2015.

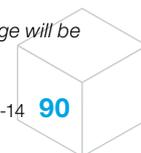
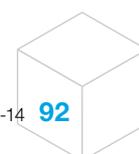


Table A9 Market reviews and advice completed

REVIEW NAME	OVERVIEW	EXPECTED BENEFITS / IMPACTS FROM RECOMMENDATIONS
Strategic Priorities for Energy Market Development 2013	This is the AEMC's second review to develop strategic priorities for energy market development. These priorities guide our work and inform the advice we provide to governments.	We have identified three strategic priorities following extensive stakeholder consultation and an assessment of electricity and gas market developments. These are: strengthening consumer participation while continuing to promote competitive retail markets (consumer priority); promoting the development of efficient gas markets (gas priority); and market arrangements that encourage efficient investment and flexibility (market priority). This work has taken account of feedback from consumer and gas sector representatives who felt that our first priorities developed in 2011 had not given enough priority to the issues they considered most important for the development of the energy sector.
Review of the National Framework for Distribution Reliability and Review of the National Framework for Transmission Reliability	These reviews developed national frameworks for the setting of transmission and distribution reliability standards that jurisdictions can choose to adopt. Setting network reliability standards involves a trade-off between reliability and the cost of infrastructure upgrades.	Currently, reliability standards are set in a different manner in each jurisdiction. This work proposed a national approach for setting both distribution and transmission reliability standards on an economic basis – that takes account of the value customers place on reliability. Consumers will benefit from more efficient investment in networks and also from more transparency and consultation on how reliability standards are set. The COAG Energy Council has discussed a high level opt-in framework for a national approach for reliability standards to be set out in the National Electricity Rules. Officials are finalising the framework for consideration.
Gas Market Scoping Study	The AEMC's first strategic priorities review in 2011 acknowledged the, then recent, implementation of major gas reforms such as the Short Term Trading Market Hubs along the east coast and our relatively new role in gas markets regulation. In 2013 we consulted on new priorities to guide our work on market development and proposed a new gas priority recognising the growing importance of gas as a fuel source and export commodity. Considerable uncertainty faces the eastern gas market which is coming to terms with significant structural shifts in supply and demand, particularly with the development of LNG facilities in Queensland.	A key finding of the gas market scoping study was the need for a strategic plan to assist the industry in developing mature and well-functioning markets. The review also called for: <ul style="list-style-type: none"> - consideration of the role and objectives of facilitated markets to enable future development work to be appropriately targeted; - allowing more parties to make gas rule requests (currently restricted to AEMO and the Victorian Minister for Energy and Resources); - analysis of quantitative evidence in relation to pipeline investment and capacity trading to achieve consensus on the materiality of this issue.
Best Practice Retail Price Regulation	The COAG Energy Council asked us to provide advice on a recommended method for the regulation of retail electricity prices for small customers where retail price regulation is retained by a jurisdiction.	This advice set out a recommended method for setting retail electricity prices, where regulated retail prices are retained. The recommended method is principles based, to allow regulators to take their particular jurisdictional circumstances into account. <p>By articulating a stable and clear objective for retail price regulation, the Commission aims to assist regulators in making subsequent decisions about how retail prices should be regulated. Where a regulated retail price is maintained, the Commission considers that a stable regulatory framework and method is important for the effective operation of the competitive wholesale and retail sectors.</p>
Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales	We conducted this review in response to a request from the COAG Energy Council. It was based on a process set out in the Australian Energy Market Agreement for the AEMC to assess the effectiveness of competition in retail electricity and natural gas markets in the jurisdictions.	The AEMC's review of competition in the NSW retail electricity and natural gas markets found that competition is delivering discounts and other benefits to small consumers. Customers in NSW have a choice of retailer and a choice of products and services. We recommended removing retail price regulation to encourage greater innovation which should lead to more tailored energy products and services for customers. Already more than 60% of NSW energy customers have chosen market offers set by their retailer. We recommended ongoing market monitoring accompanied by the power to reintroduce retail price regulation if competition is no longer effective. We recommended a number of measures to give consumers confidence that they have the information and support they need to choose energy offers that suit their needs.



REVIEW NAME	OVERVIEW	EXPECTED BENEFITS / IMPACTS FROM RECOMMENDATIONS
Last Resort Planning Power 2013 Review	The Last Resort Planning Power is an oversight mechanism, conferred on the AEMC. The purpose is to ensure timely and efficient inter-regional transmission investment for the long-term interests of consumers.. The AEMC is required to report annually on the exercise of the last resort planning power.	We found that transmission planning bodies in the NEM are actively addressing inter-regional network development priorities in their planning activities, and that there was no need to exercise the last resort planning power.
Management of Negative Inter-Regional Settlements Residues	The National Electricity Rules required the AEMC to conduct a review of the efficiency of AEMO's management of negative inter-regional settlement residues that accrue in the National Electricity Market. This obligation stems from rules made following the AEMC's 2009 Congestion Management Review. The AEMC did not review negative inter-regional settlements residues generally; rather the review focused on AEMO's management of them.	We found that current arrangements are broadly appropriate and proposed that AEMO only make limited changes to how it manages negative inter-regional settlements residues to enhance efficiency and improve transparency.
Framework for Open Access and Communication Standards	The review into open access and shared communication standards for smart meters is a first step towards implementing the recommendations under the Power of Choice review. An open access and shared communication standards framework provides a key component to establishing a competitive market for services enabled by smart metering technology. It provides the ability for service providers to offer new products and services to consumers, which should empower consumers to better manage their electricity consumption. Due to the interdependencies between this review and the rule change request on competition in metering, we will prepare supplementary advice on implementing the shared market protocol.	New metering technology could give consumers more choices on how to manage the level and cost of their electricity consumption. The Open Access review proposed new communication standards to help authorised providers offer the enabling services. We recommended the adoption of a shared market protocol to provide a low cost way for authorised service providers to communicate with smart meters. The availability of a shared communication standard could promote competition by reducing software development costs; reducing unnecessary meter replacement; and not inhibiting a consumer's ability to switch retailers. In order not to stifle innovation, we also recommended the use of other communication protocols should be allowed. We recommended that the market for energy services enabled by smart meters should be able to develop without further regulation of access to smart meter functionality or of the charges for access. We recommended, however, that the COAG Energy Council should direct the AEMC to undertake a competition review three years after the commencement of any rules made under the competition in metering rule request.
Review of Electricity Customer Switching	We provided this advice in response to a request from the COAG Energy Council (formerly the Standing Council on Energy and Resources). Its purpose was to determine if the current switching process was timely and accurate and whether any modifications were required (having regard to future technologies, such as smart meters, that may impact the process).	We found that generally customer transfers in the National Electricity Market occur in an efficient manner. However some customers experience lengthy or inaccurate transfers. We made several recommendations to give customers the choice to switch electricity retailers faster and more accurately. Our recommendations aim to facilitate positive customer experiences so they will be more likely to engage with the retail energy market in the long term.
Advice on Linking the Reliability Standard and Reliability Settings with a Value of Customer Reliability	The COAG Energy Council (formerly the Standing Council on Energy and Resources) requested this advice in response to the AEMC's review of the effectiveness of National Electricity Market (NEM) security and reliability arrangements in light of extreme weather events (Extreme Weather Review). The request for advice sought more information on options to link the reliability standard and reliability settings in the NEM with a value of customer reliability.	The AEMC's preferred approach provides for the level of supply reliability to customers from the generation and bulk-transmission sectors of the NEM to broadly reflect the value that customers place on receiving a reliable supply of electricity. This will promote efficient market outcomes that are at least consistent with those delivered by the NEM's current reliability standard and settings.



REVIEW NAME	OVERVIEW	EXPECTED BENEFITS / IMPACTS FROM RECOMMENDATIONS
Residential Electricity Price Trends 2013	This report explains the key drivers of likely future trends in residential electricity retail prices. In considering the key drivers of future price trends, the AEMC looks at the components that make up the price of electricity including regulated networks, environmental policy and competitive market costs. In 2013 the AEMC considered trends in both standing offer and market offer contract prices as well as the effects of different household consumption patterns on prices. The AEMC 2013 Price Trends Report includes details on each state and territory. Individual jurisdictions show different price trends depending on population density, climate, consumption choices, tariff structure, and government policies.	The review's consolidated results provided a national picture showing average annual electricity prices could be expected to moderate over the next three years. Falling pressure on prices came from two areas– stabilising regulated network costs and changes in carbon pricing costs. Overall the national average annual increase will be lower than the expected level of inflation at 1.2% a year from 2012-2013 to 2015-2016. States and territories will see different price trends due to local conditions and varying government policies including the ongoing costs of closed premium solar bonus schemes. Policies in Queensland, New South Wales, Victoria and South Australia allow for market offers – offering people a choice to switch away from standing offers. People who exercised that choice in 2012-2013 were able to save around 5-16% by shopping around for the best deal.
Annual Market Performance Review 2013	The annual market performance review is a requirement under the National Electricity Rules. The review considers the reliability, security and safety of the National Electricity Market (NEM) in terms of performance against standards and guidelines determined by the Reliability Panel. The 2013 review considered the performance of the NEM's bulk wholesale electricity systems. Performance at the local transmission and distribution level provided by jurisdictional bodies, distributors and transmission network service providers was also included in the report.	The Annual Market Performance Review may encourage market participants to be more accountable in meeting performance obligations. This is consistent with the promotion of market arrangements that encourage efficient investment and flexibility. It also provides consumers an overview of jurisdictional arrangements for managing network reliability performance in the NEM and offers access to information on reliability, security and safety matters that may have impacted network performance. In the 2012-2013 financial year, the reliability standard was met in all regions of the NEM, and security incidents and safety obligations were managed.
Appointment of Reliability Panel Members 2013	The Reliability Panel is established by the AEMC. It monitors, reviews and reports on the safety, security and reliability of the national electricity system in accordance with the National Electricity Rules. As the term for a number of Panel members was due to expire on 31 December 2013, this AEMC project administered the appointment of members to Panel vacancies.	As expert advisors to the AEMC, Reliability Panel members play a vital role in monitoring, reviewing and reporting on the safety, security and reliability of the national electricity system. This is consistent with the promotion of market arrangements that encourage efficient investment and flexibility. In addition, to facilitate broad and informed stakeholder views in decision making, the composition of the Panel includes an end-user customer representative.

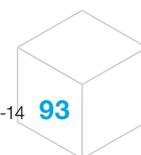
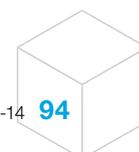
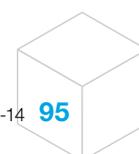


Table A10 Market reviews and advice current at 30 June 2014

REVIEW NAME	OVERVIEW	STATUS
Retail Competition Review 2014	<p>This is the first time competition in all NEM jurisdictions has been assessed at the one time under a revised annual approach which was agreed to by energy ministers on the COAG Energy Council (formerly the Standing Council on Energy and Resources). The review supports the commitment made by jurisdictions in 2004 under the Australian Energy Market Agreement to deregulate retail energy prices where effective competition can be demonstrated.</p> <p>This 2014 review has a particular focus on South East Queensland, where deregulation of retail electricity prices has been announced subject to competition being effective.</p> <p>The review also looks closely at outcomes in the Victorian market, which has been deregulated for more than five years.</p>	<p>We published an approach paper on 17 January 2014 setting out the process for conducting the 2014 review and seeking stakeholder submissions on the level of competition in each jurisdiction.</p> <p>We are working closely with retailers, consumer groups, government departments, regulators and ombudsmen to inform our analysis of the state of competition in NEM jurisdictions. We have engaged an independent research company to survey customer experiences in energy retail markets and interview retailers on competition indicators. This review has a particular focus on south east Queensland. It is the first time we have reviewed retail energy competition in that state and our advice will inform the Queensland Government's decision on whether to remove retail price regulation in south east Queensland from July 2015. The review takes a particular look at retail outcomes in the Victorian market which has been deregulated for more than five years. The final report is due to be published by September 2014.</p>
Distribution Reliability Measures	<p>The AEMC completed its review of the national framework for distribution reliability on 27 September 2013. That review set out our recommended framework for setting and regulating distribution reliability in the NEM to promote greater efficiency, transparency, and community consultation on how reliability targets are set. As an interim step, the COAG Energy Council requested the AEMC to develop common definitions for expressing distribution reliability targets and outcomes.</p>	<p>We published a draft report on 19 June 2014 to open public consultation on common definitions for distribution reliability targets and outcomes.</p> <p>Electricity networks are required to meet the reliability standards set by jurisdictions across the NEM. The costs of meeting those standards feed into system costs and ultimately affects the electricity prices paid by consumers. Currently different approaches are used by jurisdictions and the Australian Energy Regulator (AER) to determine how reliability should be measured. We are proposing a consistent set of measures of reliability that would allow the AER to better benchmark reliability performance and improve its ability to determine revenues that are consistent with the efficient delivery of required levels of reliability.</p>
Optional Firm Access Design and Testing	<p>The COAG Energy Council has directed us to undertake detailed design and testing of the optional firm access model which comprises a package of market arrangements for the provision and utilisation of the transmission system. This model was originally proposed as part of the AEMC Transmission Frameworks Review in 2013. This project links to the AEMC's market strategic priority since it may facilitate more efficient transmission and generation investment through introducing more commercial drivers on transmission businesses.</p> <p>More efficient investment could then reduce the total system cost faced by consumers. This work should assist governments and industry participants to better understand the potential costs, benefits and risks of implementing the optional firm access model from both an individual and market-wide perspective. This in turn will inform the COAG Energy Council as to whether there are expected to be long term benefits associated with implementing OFA and, if so, the optimal approach to implementation.</p>	<p>We have developed a project plan which sets out our intended timetable for completion of this review; and have started to work on aspects of the model's design and possible market impacts. The first interim report was published in July 2014. We are working collaboratively with AEMO. AEMO is further developing the access settlement component. We expect the project to take 18 months. The final report will be provided to the COAG Energy Council in mid-2015.</p>
Residential Electricity Price Trends 2014	<p>Refer to overview for 2013 Residential Electricity Price Trends Report.</p>	<p>The 2014 Residential Electricity Price Trends Report is expected to be published in late 2014.</p>



REVIEW NAME	OVERVIEW	STATUS
National Electricity Market Financial Market Resilience	<p>Australia's energy market has never suffered widespread financial instability. But there have been cases overseas where the significant financial distress of market participants has led to business failure.</p> <p>The Global Financial Crisis provides an example of how contagion can cause widespread damage to an economy. This review is forward looking. It analyses the National Electricity Market's ability to respond to a participant's financial crisis and manage the resolution.</p>	<p>The first interim report published in 2013 made recommendations for mitigating the risks related to the failure of a large retailer. Consultation was conducted on two key proposals:</p> <ul style="list-style-type: none"> • Changes to credit support arrangements required by the Australian Energy Market Operator (AEMO) and the current Retailer of Last Resort (ROLR) scheme. These proposals aim to mitigate risks that an otherwise solvent retailer is unable to fulfil the significant financial obligations imposed if it is appointed ROLR to take on the responsibility for a distressed participant's customers. • Further development of a special administration regime which could be used if there was concern in specific circumstances that the ROLR scheme would not effectively manage the orderly transfer of customers without the risk of financial contagion in the National Electricity Market. <p>Publication of the second interim report is due later in 2014.</p>
Reliability Standard and Settings Review 2014	<p>The reliability standard and reliability settings in the National Electricity Market (NEM) are important mechanisms to encourage sufficient investment in generation capacity. The Reliability Panel is required to review them every four years. The Panel considers whether the reliability standard and reliability settings remain appropriate, or whether changes are needed.</p>	<p>The final report for this review was published in July 2014. It considered the reliability standard and reliability settings to apply from 1 July 2016 and did not recommend changes given that current settings were consistent with the promotion of market arrangements that encourage efficient investment and flexibility. The report recommended that a number of investigations be conducted prior to the next reliability standard and settings review due to commence in 2017.</p> <p>These included a review of indexation of the reliability settings; exploration of the suitability of the Cumulative Price Threshold; development of a methodology to derive an appropriate estimate of Value of Customer Reliability to help inform the identification of an efficient reliability standard; and development of a methodology for undertaking future reliability standard and reliability settings reviews, including consideration of how the outcomes of any market modelling could be treated</p>



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Consumer advocacy and research projects

APPENDIX B



Supporting consumer advocacy in the
energy market

For the year ended 30 June 2014

ABN 42 203 580 500

APPENDIX B

CONSUMER ADVOCACY PANEL

This 2013/14 Report from the Panel satisfies requirements in Part 4 (Section 47) of the *Australian Energy Market Commission Establishment Act 2004*.

The Panel's 2013/14 financial statements are included in the Australian Energy Market Commission's (AEMC) Financial Statements as administered financial statements.

Introduction

The Consumer Advocacy Panel facilitates customer advocacy in the National Electricity and National Gas markets so the views of all classes of consumers can impact on decision-making on Australian energy market policy and regulation.

The functions and objectives of the Consumer Advocacy Panel (the Panel) are specified in the *Australian Energy Market Commission (AEMC) Establishment Act 2004* (the Act).

Through a program of grants, the Panel helps advocacy groups ensure that decision makers are informed of the interests of all classes of electricity and gas consumers, especially small to medium consumers. The Panel's work also contributes to the development of highly competent and sustainable energy consumer advocacy.

The Panel meets monthly to consider grant applications for projects that are of benefit to electricity and gas consumers in the National Electricity and National Gas Markets. The Panel office manages the day to day operations of the Panel, including the management of grants to ensure milestones are met and funding is spent in accordance with the approved project budget.

In fulfilling its legislative functions, the Panel's vision has been effective end user advocacy within the national energy market with decisions reflecting the interests of all end-users.

An important development during the reporting period was the December 2013 decision by the COAG Energy Council (previously the Standing Council on Energy and Resources) to establish a national consumer advocacy body, Energy Consumers Australia (ECA). The Panel's functions will be transferred over to ECA, and the Panel cease to operate in 2014/15.

The Panel will operate as usual until the legislation comes into effect, and will continue to keep stakeholders informed of implications for the Panel's operations.

The decision did not affect the Panel's day to day operations, but has been and will continue to be a factor in its planning until the transfer, including its development of improved resources for grant applicants.

The Panel is also cooperating with relevant officials and the AEMC to ensure as smooth a transition of its functions and archives as possible, and will work closely with jurisdictions and the incoming ECA Board to minimize the disruption to consumer advocacy groups.

2013/14 Initiatives

Funding research for the benefit of electricity and gas consumers

The Panel decided to commit significant funds to research benefitting energy consumers in 2013/14. The Panel funds research through two grant programs:

- Research initiated by the Panel: the Panel provides funding to consumer advocates and academic institutions to undertake research on priority electricity and gas issues identified by the Panel. The Panel undertakes research in order to
 - o raise awareness of emerging consumer energy issues
 - o provide information that can be used to facilitate consumer advocacy
 - o stimulate discussion or debate on consumer energy issues
- Research initiated by other organisations: the Panel provides funding to consumer advocates and academic institutions to undertake research on electricity and gas issues.



Identifying consumer energy priorities

In August 2013 the Panel surveyed stakeholders to obtain feedback on priority issues for consumers, and then convened a strategic Forum with 26 senior representatives from consumer advocacy organisations, government, regulators, Ombudsman, and industry, as well as experts in advocacy and energy policy. The Forum facilitator, Gordon Renouf, documented the outcomes in a Report to the Panel, which can be downloaded from the Panel's website.

There was a broad consensus among stakeholders on the importance of substantive research focusing on consumers in the following five areas, and the Report posed the research questions that could be investigated for each:

TABLE 1: SUMMARY OF RESEARCH AREAS AND POSSIBLE RESEARCH QUESTIONS

Consumer issue	Possible research questions.
Tariff design	<ul style="list-style-type: none"> What are the likely implications for different classes of consumers of any move toward more cost-reflective network tariffs?
Changes to the retail market	<ul style="list-style-type: none"> What is the ideal consumer protection framework for the emerging energy services market? What are the impacts on consumers of current and likely future changes to the structure of the retail market? What outcomes have been achieved by consumers exercising choice? What features of the market and its regulation assist consumers engage and/or achieve benefits (savings, greater satisfaction) and what else could be done to assist consumers achieve the benefits that are potentially or theoretically available? How can consumers get better access to and better apply information about their historical consumption to make effective decisions about the energy products and appliances that best suit them?
Changing demand profiles	<ul style="list-style-type: none"> How have household and SME demand changed in recent years? What are the drivers for those changes? Where is demand likely to go in the future?
Increased efforts to engage with advocates and consumers	<ul style="list-style-type: none"> How effective have been recent changes designed to increase consumer engagement in energy market regulation, both directly and as represented by advocacy organisations?
National Gas Market structure and issues	<ul style="list-style-type: none"> In light of likely significant rises to gas prices, what is the best policy framework to facilitate good consumer choice?

Forum participants also pointed to the potential for projects that would support a range of advocacy initiatives, including

- Documenting existing research and gaps that is relevant to advocacy in the interests of electricity and gas consumers
- Providing baseline data on household expenditure on energy

In 2013/14 the Panel received 20 research grant applications from consumer advocates, academic institutions, and consultants. The Panel approved 10 research projects – all were targeted at areas of research identified in the Strategic Forum.

Improving the effectiveness of advocacy

Amended grant eligibility criteria

The COAG Energy Council (formerly the Standing Council on Energy and Resources) approved changes to the criteria for grant allocation in the *AEMC Establishment Act Regulations 2005*, with effect from 19 December 2013. The changes were made following consultation with stakeholders on whether improvements could be made to have a greater focus on addressing the priority needs of average energy consumers. The key changes to the Regulations were:

- amendment of the definition of a small to medium consumer to align with the definition under the National Energy Retail Law, to include all residential customers, and business consumers of up to 100 MWh per annum for electricity and 1,000 gigajoules (1 TJ) per annum for natural gas
- include reference to the National Energy Retail Law, and National Energy Retail Rules
- removal of the criterion directing that the Panel must take into account diversity of the allocation of funding, to better reflect current energy consumer priorities
- require information from applications about the benefits of the project in making a contribution to consumer advocacy.



The Panel amended its *Guideline for Grant Allocation*, which was approved by Ministers at the same time. The Guidelines outline the criteria for grant allocation, and how the Panel determines grant applications. Information about the Panel's application procedure is provided in a complementary Fact Sheet, which provides a step by step guide to completing the new form.

Improved resources for grant recipients

Following on from its 2012/13 pilot, the Panel commissioned RobertsBrown to work directly with grant recipients to improve their organisational capacity to refine and recast outcomes, and to identify and articulate the pathways to achieve them. That service is offered to grant recipients on a case by case basis. In 2013/14, two workshops were held, and facilitated clearer and better-targeted grant applications.

In light of the impending move of the Panel's functions to ECA, members agreed that the funding committed for evaluation of grant outcomes in the 2013/14 budget would be used to supplement the grants program.

The Panel sought to maximise the impact of its funding of advocacy in the Australian Energy Regulator's *Better Regulation Program*, through a grant to Engineroom Infrastructure Consulting to coordinate collaboration and information sharing of relevant Panel-funded work.

The project served its overall purpose of facilitating advocacy on behalf of consumers to the Australian Energy Regulator (AER), with the coordination role assisting advocates with varied knowledge and experience on the relevant AER committees. Members agreed that this approach could usefully be applied in similar processes, with complex decisions and long timeframes.

The Panel published a range of resources for grant applicants over the reporting period on its website.

To brief the Panel on the progress of projects, as well as facilitate consistency across grants reporting, the Panel developed two template reports - *the Progress Report* and *the Acquittal Report*. They are provided to the Panel at its next available meeting to inform Members directly of the project's progress in achieving its intended outcomes.

The Panel also published its *Advice for Grant Recipients*, which outlines each of the obligations of the grant recipient under the funding agreement, and advice on how to meet those conditions. The publication provides a standing resource to promote compliance with the terms and conditions of a Panel grant.

Addressing gaps in advocacy

Panel funding has seen engagement by some previously under-represented groups – as measured by grant applications – increase over the reporting period.

Small business has been a consistent target audience for Panel outreach. Accordingly, the Panel welcomed the increase in the number of applicants representing small business in 2013/14, with 10 grants approved to a value of \$180,484, tripled from the previous year. Rising energy prices and concern about gas market policy generated interest from industry peak bodies.

Rural and regional consumers continue to be under-represented – the Panel received two applications, and approved one grant to organisations advocating on their behalf, which is similar to previous years.

Although residential consumers have been identified as a class of customers under-represented in regulatory and policy decisions, the Panel again received few applications with a primary focus on those households, due largely to the very small number of organisations that advocate for residential customers. The creation of the new national advocacy body should assist in providing those consumers a voice in energy regulatory and policy decisions.



Grants made in 2013/14

The Panel provides grants to support the following types of advocacy and research

- consumer advocacy projects for the benefit of consumers of electricity
- consumer advocacy projects for the benefit of consumers of natural gas
- projects in research or consumer advocacy for the joint benefit of consumers of electricity and consumers of natural gas
- research projects for the benefit of consumers of electricity
- research projects for the benefit of consumers of natural gas.

The *AEMC Establishment Act* requires the Panel to report on all grants made during the financial year. The Panel believes the funding it allocated in 2013/14 complied with the principles set out in Schedule 1 of the *Australian Energy Market Commission Regulations 2005*.

2013/14 Grants

During the reporting period, the Panel approved 57 grants out of 76 grant applications.

The number of grants approved was 30% greater than the previous year, an increase matched in the overall number of applications, which rose 25%, from 61 applications in 2012/13 to 76 applications in 2013/14. The total value of the 57 grants made was \$2,752,712 (exc GST), a 13% increase from the previous year.

That increase was driven largely by the Panel's strategic focus on research during the reporting period, which generated interest from academic institutions and advocacy organisations that have not previously applied to the Panel. Increased interest from groups representing small and medium enterprises also contributed to the rise in overall grants. Of the 30 grant recipients, 9 organisations had not previously applied for Panel funding.

The following reports on all grants made by the Panel in 2013/14, whether those grants were for advocacy or research, and whether they were for the benefit of electricity or gas consumers or benefited both electricity and gas consumers. As one grant can include a number of projects, the following also details the projects undertaken as a result of the grant.

TABLE 2: ALL 2013/14 GRANTS (EX GST) MADE BY GRANT PROGRAM

Grant type	Grants made No.	Projects funded No.	Funding allocated (\$ exc GST)
Advocacy			
Electricity	25	66	1,681,526.99
Gas	10	17	522,009.18
Joint	11	11	102,672.51
Stakeholder-initiated research			
Electricity	3	3	45,000.00
Gas	-	-	-
Joint	1	1	102,913.00
Panel-initiated research			
Electricity	4	4	258,841.00
Gas	1	1	28,500.00
Joint	2	2	11,250.00
Total	57	105	2,752,712.68

2013/14 Grants: Funding by classes of consumer

The following demonstrates the spread of funding between classes of consumers, which is tracked by the Panel as part of its efforts to address gaps in advocacy.

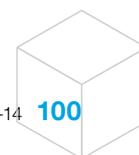
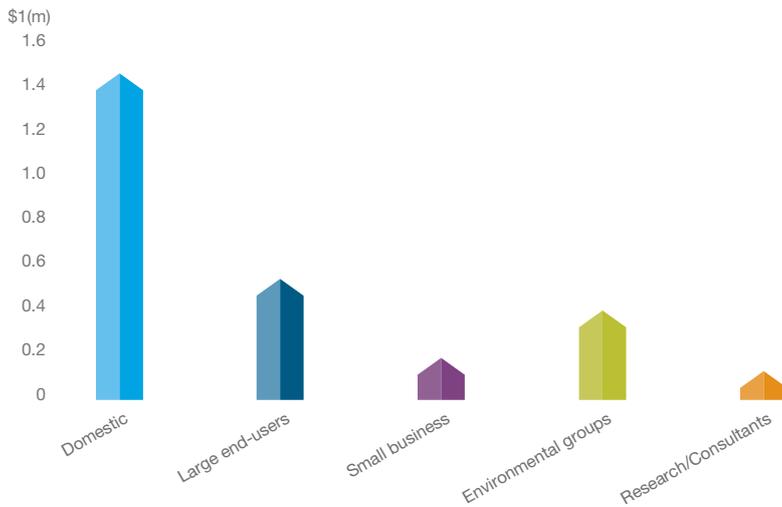


FIGURE 1: BREAKDOWN OF FUNDING BY CONSUMER CLASSES (\$ MILLIONS)

Domestic users include residential and low-income households. Domestic user groups received 52% of total funding in 2013/14, with total grants of just under \$1.44 million. Organisations representing low-income users received the majority of this funding (around two-thirds in 2013/14). Examples of that work includes

- St Vincent de Paul Society Victoria's analysis on fees and charges in electricity retail contracts
- Queensland Council of Social Service's engagement in the Australian Energy Regulator's review of Queensland distribution pricing.

This advocacy, however, has not focused on the price that average households pay for their energy.

Large end-users are businesses that typically use over 160MWh of electricity per annum - those met the legislative definition of small to medium consumers prior to the change in December 2013. The proportion of total funding given to large end-user groups remained steady at 20% in 2013/14 (the same as 2012/13), with total grants of \$548,142. Most grants were targeted to assist with engagement in specific policy or regulatory decisions, where these groups are often the only consumer voice. Examples of grants to large end-user groups are

- Research and advocacy by the Australian Industry Group, in cooperation with other industry peak bodies, on the consequences of changes to the Australian gas market
- Funding to Energy Users Association of Australia to engage in a range of projects over 2013/14, including research related to the reform of Queensland electricity tariff structures, and advocacy on the creation of a demand response mechanism in the NEM.

Small businesses use under 160MWh of electricity per annum and have been a particularly hard class of consumers to engage on energy issues. The Panel's outreach to that consumer class over the last few years has generated increased applications, including from organisations new to the Panel, with small business advocate groups receiving \$180,484 or 7% of total funding. Examples of small business advocacy funded through the Panel in 2013/14 were

- Tasmanian Small Business Council's submission to the AER's determination of Transend revenue
- Australian Chamber of Commerce and Industry's research on electricity price increases and their impacts on small and medium enterprises.

Environmental groups are those whose membership or organisational aims are primarily focused on environmental issues – those groups have been funded for advocacy and research on national energy market issues such as improved demand-side participation or consumer protections pertaining to smart meters. Distribution of funding to these groups has remained steady over the last 3 years at 14% of total funding. In 2013/14, advocacy organisations received \$376,600 in funding. Examples of advocacy and research funded through 2013/14 were

- Total Environment Centre's work on cost reflective network pricing, including convening a forum for advocates and researchers to share the results of their analysis
- Alternative Technology's work over 2013/14 on a diverse range of issues, including the development of customer protections for smart metering, initiatives to improve demand-side participation, and tariff reform.

The final category of **Researchers/Consultants** includes academic institutions, researchers and consultants who are not consumer advocacy organisations, but who are undertaking projects that benefit electricity and gas consumers. Grants to that group totalled \$210,111 in 2013/14, or 8% of total funds approved. As noted earlier, the Panel made a significant commitment to research in 2013/14 – examples of the work funded through the research round are

- RMIT Centre for Urban Research's work on the flexibility of energy practices in larger households with dependent children
- CSIRO's work on the implications for households of network tariff reform.

2013/14 Grants: Funding by Jurisdiction

The following table provides an indication of whether a grant's primary outputs were focused on national or jurisdictional processes. It should be noted that this is a somewhat subjective classification – e.g. work done by Ethnic Communities Council of NSW (ECC) has been classified as New South Wales, but ECC has made a contribution to a number of national reviews within its grant.

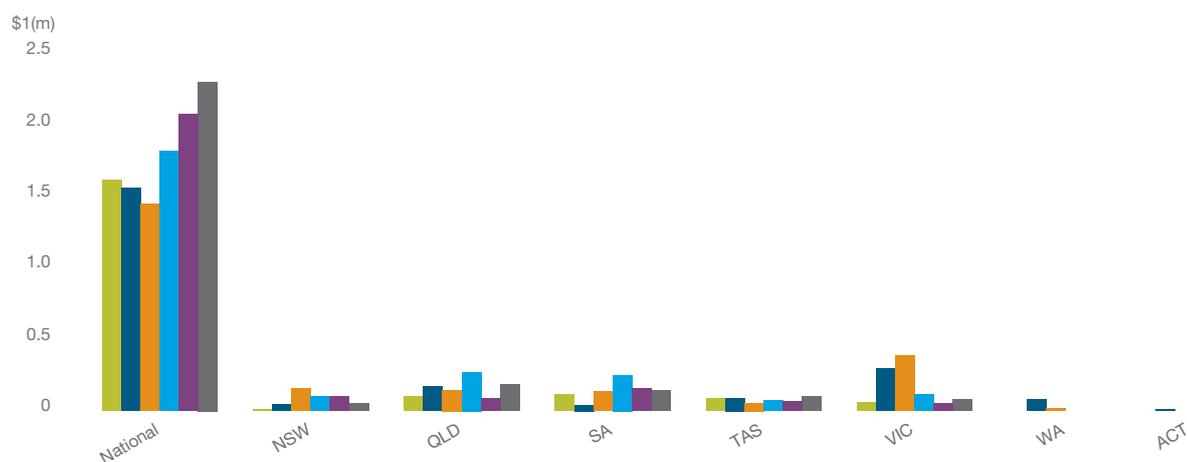
TABLE 3: NUMBER AND TOTAL VALUE OF APPROVED GRANTS BY FINANCIAL YEAR AND JURISDICTION

2012/13	National	NSW	QLD	SA	TAS	VIC	WA	ACT
No. of grants approved	43	1	4	3	4	2	–	–
Total value of grants approved (\$ exc GST)	2,207,338	56,335	178,006	139,553	95,230	76,250	–	–

The focus by consumer groups on national electricity market and national gas market issues continued over the reporting period, clearly demonstrated in the following historical analysis of the total value of grants approved to national and jurisdictional projects from 2008 to 2014.

FIGURE 2: BREAKDOWN OF TOTAL VALUE OF APPROVED GRANTS BY FINANCIAL YEAR AND JURISDICTION 2008-2014 (MILLIONS)

■ 2008-09 ■ 2009-10 ■ 2010-11 ■ 2011-12 ■ 2012-13 ■ 2013-14



Grants approved in 2013/14 for activities in 2014/15

In April and May 2014, the Panel approved Global Advocacy Funding Grant and Capability-Building Grants applications pertaining to the 2014/15 financial year. The features of these grants are:

- o Global Advocacy Funding Grants: each grant supports the range of priority projects nominated by the recipient
- o Capability-Building grants: the grant is used for advocacy and to build capability within an organisation to facilitate its advocacy activities (typically through the employment of staff to participate in a range of policy and regulatory decisions)

In 2013/14 the Panel approved global funding grants to the following organisations. As one grant can include a number of projects, the following also lists the projects undertaken as a result of the grant.

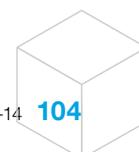
TABLE 4: GLOBAL ADVOCACY FUNDING GRANTS APPROVED IN 2013/14 FOR 2014/15

No.	Applicant	Project	Projects funded	Amount funded (\$ exc GST)
654	Consumer Action Law Centre	Effective advocacy for consumers buying services and products in the national energy market 2014-15	<ul style="list-style-type: none"> • Representing consumers in a competitive energy market, including in a range of relevant regulatory and policy decisions, such as the Energy White Paper and AEMC review of competition • Accessibility and affordability of energy as an essential service • Consumer experience in an increasingly complex energy market 	234,491
655	Total Environment Centre	National Electricity Market advocacy 2014/15	<ul style="list-style-type: none"> • Network revenue • Network demand management • Energy efficiency • Cost-reflective tariffs • Product disclosure • Decentralised energy 	158,818
656	Major Energy Users	Global advocacy funding for 2014-15	<ul style="list-style-type: none"> • AER reviews and determinations, including network determinations for TAS and NSW • Governance review of AER and AEMC • Long term supplies of gas and pricing • AEMC decisions and rule changes, including network pricing methodology and value of customer reliability • Generator market power • Renewable Energy Target review 	235,000
657	Energy Users Association of Australia	Global Funding 2014/15	<ul style="list-style-type: none"> • NSW, Qld and SA distribution price resets • NSW, Tas and Qld transmission price resets • Energy White Paper • SCER governance review 	226,000
658	Alternative Technology Association	Advocacy in relation to Demand Side Participation in the National Electricity Market	<ul style="list-style-type: none"> • Equitable pricing for energy & reliability • Appropriate gas market development and informed fuel choices by consumers • Improving the effectiveness of, and access to, competitive energy services • Making smart technology effective for networks, markets, and consumers 	117,500
Total				\$971,809

In 2013/14, the Panel approved Capability-Building Grants to the following organisations to facilitate advocacy in 2014/15. As one grant can include a number of projects, the following also details the projects undertaken as a result of the grant.

TABLE 5: CAPABILITY-BUILDING GRANTS APPROVED IN 2013/14 FOR 2014/15

No.	Applicant	Project	Projects funded	Amount funded (\$ exc GST)
650	Tasmanian Council of Social Service	TasCOSS Energy Research & Advocacy Project 2014/15	<ul style="list-style-type: none"> • Advocacy in relation to the implementation of full retail competition, including maintenance of appropriate price regulation • Participation in AER decisions and consultations • Development of a Gas Retail Code • Engagement in Transend revenue determination • Building TasCOSS' capability for advocacy 	53,675
651	South Australian Council of Social Service	Strategic advocacy and capacity building in the South Australian NEM jurisdiction	<ul style="list-style-type: none"> • Removal of barriers to smart meters, including through SA Power Networks revenue determination, and products that do not disadvantage low-income households • Tariffs – improving SA consumer literacy • Minimising prices through constraining market power, reducing network prices and monitoring retail prices • Gas value chain – monitoring gas prices • Capacity building in SACOSS, and with SACOSS members 	140,880
652	Ethnic Communities Council of NSW	Building the capacity of all stakeholders to communicate and advocate for CALD energy consumers in the NEM	<ul style="list-style-type: none"> • Submissions on relevant regulatory and policy decisions • Work with energy industry peak bodies to encourage use of the ECC communication and engagement tool • Work with other organisations on CALD issues • Build the CALD sector and other ECC's advocacy capability 	57,800
653	UnitingCare Australia	Energy Advocacy 2014-15	<ul style="list-style-type: none"> • Proactive policy change agenda to drive reform, including an energy affordability action plan • Strengthening links with Government and key decision-makers • Responding to key regulatory processes and decisions, including AEMC tariff rule changes • Developing consumer engagement mechanisms and processes • Data collection through UCA networks, and building coalitions 	128,988
Total				\$381,343



2013/14 Grants: budgeted vs allocated expenditure

The following table compares 2013/14 budgeted to allocated expenditure in each of the main grants programs.

As noted earlier, the Panel decided during the year to commit significant funds for research in 2013/14, and use the evaluation funding to support grants.

TABLE 6: 2013/14 GRANTS: BUDGETED VERSUS ALLOCATED EXPENDITURE

Grant category	Project type	Budgeted 2013/14 (\$ exc GST)	Allocated to 30 June 2014 (\$ exc GST)	Remaining (\$ exc GST)
Advocacy				
	Electricity Advocacy Projects	1,864,134	1,633,642	230,492
	Gas Advocacy Projects	404,749	561,444	(156,695)
	Joint Advocacy Projects	128,154	110,892	17,262
Research				
	Panel initiated			
	Electricity research	63,816	258,841	(195,025)
	Gas research	66,319	28,500	37,819
	Joint Research	33,158	11,250	21,908
	Stakeholder initiated			
	Electricity research	33,159	45,000	(11,841)
	Gas research	33,159		33,159
	Joint Research	31,908	102,913	(71,005)
Evaluation				
	Evaluation of electricity projects	57,582	–	57,582
	Evaluation of gas projects	14,651	–	14,651
	Evaluation of joint projects	23,636	–	23,636
Grants total		2,754,425	2,752,482¹	1,943

¹Includes adjustment of \$230.00 (exc GST) for underspent grants.

Administration**Members**

The legislation provides for Panel membership of a Chair and four other members appointed on the recommendation of Ministers responsible for Energy within the COAG Energy Council.

As directed in the *AEMC Establishment Act*, Panel members are appointed for their knowledge of the energy sector, ability to assess funding applications against specified criteria, experience in public interest advocacy, and ability to assess proposals for energy sector research benefitting consumers of electricity or natural gas.

On 22 July 2013, Ministers renewed the terms of existing Panel members Karen Chalmers-Scott, Bruce Connery, and Catherine Cooper.

The process for appointing members to vacant positions did not conclude prior to the expiry of the members' period of appointment. To ensure continuance of the Panel's operations, the Australian Energy Market Commission exercised its power under the *AEMC Establishment Act* to appoint Gordon Renouf as a temporary member on 19 December 2012. His term expired on 20 August 2013.

On 25 November 2013, Ministers appointed a new Chair, Alan Lipman, and a new member, Bob Weymouth, to the Panel.

In 2013/14, the Panel held 11 formal meetings (usually monthly) and, where necessary, also dealt with grant applications or other matters by email resolution.

Panel revenue in 2013/14

In 2013/14 the Panel's total revenue was \$3.2 million, comprising:

- \$3.14 million from fees charged to certain market participants via the Australian Energy Market Operator (AEMO) for expending on electricity advocacy and research projects and the portion of the Panel's administrative costs that relate to electricity advocacy, and from relevant jurisdictions via the AEMC, for expending on gas advocacy and research projects and the portion of the Panel's administrative costs that relate to gas
- \$56,735 in interest.

2014/15 Budget

On 10 September 2013, the Panel published a draft 2014/15 budget on its website, seeking comments from stakeholders. The final 2014/15 budget was submitted for the approval of the Standing Committee of Energy and Resources (now called the COAG Energy Council) on 15 October 2013.

The Hon Tom Koutsantonis, the SA Minister for Mineral Resources and Energy, formally advised the Panel in February 2014 that Ministers had approved a total 2014/15 budget of \$3.28 million, representing a CPI increase of 2.5% to the previous year.

Panel staff and administrative costs

The Panel was supported by a full-time Executive Director (Kerry Connors) and a part-time Project Officer (Melissa Russin from July 2013 – April 2014, and Nina Mourad from April 2014).

The Panel seeks to maximise the amount of funding available for the allocation of grants by keeping administrative costs associated with its work to a minimum. In 2013/14, \$400,897 was expended on administration, comprising 12.5% of total expenditure and less than budgeted.

The Panel's administrative costs include all operational expenses, including Panel and staff remuneration, rent, accounting and audit fees, Panel meeting costs, website and internet expenses, and printing and stationery.

Back office functions for the Panel—financial, contracting and human resources—are provided by the AEMC in accordance with the Act on a cost recovery basis.

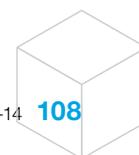
Activities undertaken in 2013/14: Consumer advocacy and research projects

No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
585	Joint capability-building	Tasmanian Council of Social Service (TasCOSS)	TasCOSS Energy Research and Advocacy Project 2013/14	<ul style="list-style-type: none"> – Advocacy and submissions to Tasmanian and Commonwealth government and policy decisions – Capability building in TasCOSS systems and network 	A	45,980.00
586	Joint capability-building	South Australian Council of Social Service (QCOSS)	Advancing advocacy and capacity building in the South Australian NEM jurisdiction 2013/14	<ul style="list-style-type: none"> – Advocacy and submissions to enhance the benefits of competition and minimise prices – Report on Energy Tariffs and Vulnerable Consumers – Report on utilities' contribution to cost of living – Capability building in SACOSS' systems and network 	A	\$138,930.00
587	Global advocacy funding grant	Energy Users Association of Australia	Global Funding 2013/14 Priority Projects	<ul style="list-style-type: none"> – Advocacy and research on economic regulation of network service providers, security of supply on gas, renewable energy and emissions reduction policies and demand-side participation 	A	\$220,000.00
588	Global advocacy funding grant	Total Environment Centre (TEC)	TEC NEM advocacy 2013/14	<ul style="list-style-type: none"> – Advocacy in policy and regulatory processes to improve demand-side participation and network regulation in the National Electricity Market (NEM) 	A	\$156,000.00
589	Joint capability-building	Council of the Aging (COTA)	The Power of Choice: what are the possibilities for older consumers?	<ul style="list-style-type: none"> – Identify the issues affecting older consumers in the NEM, and develop a national reform agenda for COTA 	A	\$62,000.00
590	Global advocacy funding grant	Alternative Technology Association	Advocacy in relation to demand-side participation in the NEM 2013/14	<ul style="list-style-type: none"> – Advocacy and research relating to the costs and benefits for consumers of cost reflective pricing, improved network regulation, including through non-network solutions, removing barriers to third part energy service providers, and ensuring consumers benefit from smart networks 	A	\$132,100.00

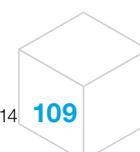
No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
591	Global advocacy funding grant	Consumer Action Law Centre	Consumer advocacy in the NEM 2013/14	<ul style="list-style-type: none"> – Advocacy in relation to retail and distribution market and trading issues – Research report on the consumer experience of a high-tech energy service environment 	A	\$173,668.00
592	Joint capability-building	UnitingCare Australia (UCA)	Energy advocacy 2013/14	<ul style="list-style-type: none"> – Advocacy pertaining to the UCA Energy affordability agenda, and in regulatory and policy processes of benefit to consumers – Capability building in UCA's systems and network 	A	\$105,002.00
593	Joint capability-building	Ethnic Communities Council of New South Wales (ECC NSW)	Enabling CALD consumers to make choices in the NEM 2013/14	<ul style="list-style-type: none"> – Advocacy for ethnic communities in NEM reform processes, to ensure access and equity issues are addressed, that consumer protections are appropriate and pricing fair, and strengthen CALD consumer networks. – Capability building in ECC NSW systems and network 	A	\$56,335.00
594	Global advocacy funding grant	Australian Council of Social Service	Global funding July – December 2013	– Advocacy on behalf of low-income households to develop a national framework for energy concessions	A	\$100,280.90
595	Global advocacy funding grant	Major Energy Users (MEU)	Global funding 2013/14	– Advocacy in the following processes: generator market power rule change; AEMC and AER decisions important to MEU members; network pricing methodology; long term gas availability and network resets	A	\$228,800.00
596	Joint capability-building	Queensland Council of Social Service	Energy advocacy for Queensland consumers in the NEM, and Coordination of Roundtable meetings		R	
601	Joint capability-building	Queensland Council of Social Service	Coordination and support of meetings of the National Consumer Roundtable on Energy 2013/14		R	
602	Stakeholder initiated research electricity	Australian Chamber of Commerce & Industry	Electricity Price Increases and their impacts on SMEs	– Report on impacts of electricity prices on SMEs	A	\$45,000.00
603	Electricity advocacy	Conservation Council of South Australia	GreenPower and Renewable Energy Consumer Advocacy		R	
604	Electricity advocacy	Australian Retailers Association	Electricity Demand Management – Impacts and Opportunities for the Retail Sector		R	
605	Joint advocacy	Catriona Lowe	Attendance at Consumer Advocacy Panel Strategic Forum	– Payment of travel costs to attend Forum	A	\$751.01
606	Joint advocacy	Energy Users Association of Australia	Attendance at Consumer Advocacy Panel Strategic Forum	– Payment of travel costs to attend Forum	A	\$648.00
607	Joint advocacy	Tasmanian Small Business Council	Attendance at Consumer Advocacy Panel Strategic Forum	– Payment of travel costs to attend Forum	A	\$720.50



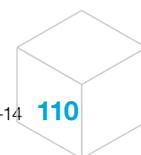
No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
608	Joint advocacy	Queensland Council of Social Service	Attendance at Consumer Advocacy Panel Strategic Forum	– Payment of travel costs to attend Forum	A	\$360.00
609	Joint advocacy	St Vincent de Paul Society Victoria Inc	Attendance at Consumer Advocacy Panel Strategic Forum	– Payment of travel costs to attend Forum	A	\$465.70
610	Joint advocacy	Consumer Utilities Advocacy Centre	Attendance at Consumer Advocacy Panel Strategic Forum	– Payment of travel costs to attend Forum	A	\$451.70
611	Joint capability-building	South Australian Council of Social Service	National Consumer Roundtable on Energy – organisation of meetings	– Coordinate the development of the Roundtable strategic agenda, and manage three meetings of the Roundtable over 2013/14, including participants' travel costs	A	\$100,375.00
612	Joint advocacy	St Vincent de Paul Society National Council and Victoria	The use of additional fees and charges in energy retail contracts	– Report documenting the use of fees and charges in the NEM retail markets, and advocacy to its findings	A	\$20,720.00
613	Joint advocacy	Darach Energy Consulting Services	Attendance at Consumer Advocacy Panel Strategic Forum	– Payment of travel costs to attend Forum	A	\$455.60
614	Gas advocacy	Tasmanian Small Business Council	Developing Natural Gas in Tasmania for small and medium users		R	
615	Joint advocacy	Moreland Energy Foundation	Enabling standardised local aggregated energy consumption data: repository and communication.	– Report outlining institutional and regulatory options to create national data access.	A	\$25,000.00
616	Joint advocacy	Financial and Consumer Rights Council	Rank the Energy Company 2014	– Development and publication of 'Rank the Energy Company' report	A	\$43,100.00
617	Electricity advocacy	Total Environment Centre	Virtual Net Metering rule change proposal	– Scoping and development of a rule change proposal to the AEMC to facilitate virtual net metering	A	\$60,000.00
618	Joint advocacy	Consumer Utilities Advocacy Centre	Comparator and Switching Codes of Conduct Development Forum	Report on Forum outcomes	A	\$10,000.00
619	Panel initiated research electricity	Engineroom Infrastructure Consulting	Regulation of the emerging energy services market		R	
620	Electricity advocacy	Queensland Council of Social Service	Participation in Queensland Competition Authority (QCA) consultation on regulated retail electricity prices 2014-15	– Submissions to QCA draft determination and Issues Paper on the uniform tariff policy	A	\$25,537.00
621	Panel initiated research electricity	CSIRO	Tariff structure case study	– Report modelling results and analysis of impact of tariff structures on residential consumers	A	\$30,000.00
622	Panel initiated research electricity	Engineroom Infrastructure Consulting	Changing household and SME demand for electricity		R	
623	Stakeholder initiated research joint	RMIT Centre for urban Research	Changing demand: the flexibility of energy practices in larger households with dependent children	– Report (including survey results) on the changing demand patterns and impacts of flexible pricing on larger households with young and teenage children	A	\$102,913.00



No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
624	Panel initiated research gas	Alternative Technology Association	Impact of future gas price increases and cost effect alternatives for energy consumers	– Report on the impact of projected retail gas price rises on energy consumers across the NEM, particularly low income and vulnerable consumers	A	\$28,500.00
625	Panel initiated research electricity	Total Environment Centre	Implications for small consumers of more cost-reflective network tariffs	– Report on the likely implications of a move to more cost-reflective network tariffs	A	\$33,000.00
626	Stakeholder initiated research electricity	Australian Retailers Association	Electricity demand-side participation - impacts and opportunities for the retail sector		R	
627	Stakeholder initiated research electricity	Moreland Energy foundation	Time to Save	Report outlining the cost implications and likely secondary effects on low income and at-risk households correlated to a range of time-of-use tariff structures	A	\$33,150.00
628	Panel initiated research electricity	Uniting Care	Enhancing consumer engagement in tariff setting	Report for advocates that provides a comprehensive information and evidence base about energy tariffs for (small) consumers, and outlines a path for consumer focused tariff reform	A	\$94,200.00
629	Stakeholder initiated research electricity	Queensland Farmers Federation	Energy demand profiles across Queensland's intensive agricultural industry		R	
630	Stakeholder initiated research joint	Beyond Zero Emissions	Australia as a renewable energy superpower		R	
631	Stakeholder initiated research electricity	Tasmanian Small Business Council	Energy efficiency and the SME sector		R	
632	Stakeholder initiated research electricity	CSIRO	Understanding and optimising the behavioural impact of cost-reflective electricity	– Report on the design and incentives of new cost-reflective electricity pricing mechanisms	A	\$60,141.00
633	Electricity advocacy	Tasmanian Small Business Council	Response to Tasmanian Economic Regulator's Draft Electricity Wholesale Contract Guideline & Interim Retail Service Price Determination	– Submission on Draft Wholesale Electricity Price Guideline – Submission on Amended Regulated Electricity Retail Price Determination	A	\$9,500.00
634	Electricity advocacy	Regional Development Australia, Far North Queensland and Torres Strait Inc.	Engaging Regional Consumers: Far North Queensland input to the AER Ergon Energy Distribution Determination 2015 – 2020 & Consumer Engagement Advice to Ergon Energy		R	
635	Electricity advocacy	GJS Intellectual Company Australia	Consumer Advocacy for the Increasing Prices of Electricity in Victoria of Australia - A Special Analysis on Potential Cost Reduction and Energy Wastage Prevention Strategies		R	



No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
636	Gas advocacy	Australian Industry Group	Australia's Gas Market Transformation: understanding the consequences	Report modelling the national economic consequences of likely gas price paths and potential policy responses in Australia's Eastern and Western gas markets	A	\$98,694.00
637	Panel initiated research joint	Business Extra	Research related to consumer interests: Scoping a consumer research repository	– Report on the need for, scope of and most appropriate form of a repository of existing energy market research including a detailed proposal and budget	A	\$7,500.00
638	Panel initiated research electricity	Business Extra	Household expenditure on energy	– Report and spreadsheets on tariffs in the ACT and Tasmania – Updating workbooks for QLD, SA and NSW	A	\$3,750.00
639	Electricity advocacy	Australian Chamber of Commerce and Industry (ACCI)	AEMC Review of electricity customer switching - ACCI submission to Issues Paper	Submission to AEMC Issues Paper on behalf of SMEs	A	\$7,200.00
640	Joint advocacy	Australian Chamber of Commerce and Industry (ACCI)	ACCI submission on Energy White Paper (Issues Paper)	– Submission responding to the Energy White Paper Issues Paper, raising a range of issues relevant to business energy users, focused particularly on small and medium size enterprises	A	\$9,600.00
641	Electricity advocacy	Engineroom Infrastructure Consulting	Changing household and SME demand for electricity		R	
642	Panel initiated research - electricity	Engineroom Infrastructure Consulting	The emerging energy services market: issues in scoping and regulation	– Research report on suitable consumer protection frameworks for emerging energy markets	A	\$8,350.00
643	Gas advocacy	Public Interest Advocacy Centre	Gas Masterclass	– Event to establish a core understanding of the National Gas Market and emerging issues of rising prices and domestic access to gas among consumer advocacy groups	A	\$30,950.00
644	Electricity advocacy	Queensland Consumers Association	Remote control of household electrical appliances to reduce peak demand	– Payment of travel costs to engage in BSL workshop in order to better advocate for the development, implementation, adoption and promotion of direct load control systems of benefit to consumers	A	\$575.00
645	Joint advocacy	Kildonan Uniting Care	Energy Affordability for low income household –what works?		R	
646	Electricity advocacy	Australian Chamber of Commerce and Industry (ACCI)	Renewable Energy Target Review Economic Modelling	– Submissions responding to the RET review process, raising a range of issues and recommendations relevant to business as energy users, and focused particularly on small and medium size enterprises	A	\$50,000.00
647	Electricity advocacy	Consumer Action Law Centre	Consumer input into ACCC –AGL Energy Ltd proposed acquisition of Macquarie Generation	– Submission to the ACCC Issues Paper in relation to the proposed acquisition of Macquarie Generation by AGL	A	\$5,500.00
648	Electricity advocacy	Tasmanian Small Business Council	Submission to AER on Transend transitional proposal	– Submission responding to Transend's Transitional Revenue Proposal	A	\$11,000.00
649	Electricity advocacy	Total Environment Centre	Network Tariff Research Forum	– Convening a forum on current research on network tariffs, to assist advocates engage in the AEMC Distribution Network Pricing Arrangements rule	A	\$2,947.00



No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
659	Electricity advocacy	Queensland Council of Social Service	Queensland Network Distribution Determination 2015-2020	<ul style="list-style-type: none"> – Submission to Distribution Network Service Providers' proposals – Submission to AER Draft Determination 	A	\$113,670.00
661	Joint advocacy	Australian Chamber of Commerce and Industry (ACCI)	Submission on Energy Green Paper	– Submission on Green Paper on behalf of SMEs	A	\$18,350.00
662	Electricity advocacy	Tasmanian Small Business Council (TSBC)	AER Transend Subsequent Revenue Proposal – Small Business Input	– Submission responding to Transend's Subsequent Revenue Proposal	A	\$28,750.00
663	Joint advocacy	St Vincent de Paul Society Victoria Inc.	Submission to Energy Green Paper	– Submission on retail market design to improve competition, consumer participation and energy affordability for residential consumers	A	\$7,400.00
664	Joint advocacy	Consumer Utilities Advocacy Centre	Energy Comparator Code of Conduct	– Payment of consumer advocates' travel costs to enable their participation in the Working Group developing a code of conduct	A	\$5,000.00
665	Electricity advocacy	Consumer Utilities Advocacy Centre	Consumer Engagement in Energy Networks (Forum)	– Convening a forum with consumer advocates, energy network businesses and regulators to promote best practice principles of customer engagement	A	\$4,670.00
666	Electricity advocacy	Business SA	Attendance at AEMC Consumer Priorities Forum	– Payment of travel costs to enable participation in AEMC Forum	A	\$363.63
667	Joint capability - building	South Australian Council of Social Service	National Consumer Roundtable on Energy – organisation of meetings	– Coordinate the development of the Roundtable strategic agenda, and manage three meetings of the Roundtable over 2014/15, including participants' travel costs	A	\$100,375.00
668	Electricity advocacy	Regional Development Australia, Far North Queensland and Torres Strait	Engaging rural and remote Queensland consumers in Energy white Paper	<ul style="list-style-type: none"> – Report on issues impacting rural and remote communities, including impediments to regional and economic development – Submission and advocacy relating to Green Paper 	A	\$38,224.00
669	Joint advocacy	St Vincent de Paul Society Victoria and National	Tariff-Tracking and price analysis in NSW, Queensland, South Australia, the ACT and Tasmania post price resets in July 2014	– Workbooks and report analysing market trends and tariff changes for each jurisdiction	A	\$55,500.00
670	Stakeholder initiated research - joint	Australian Retailers Association	Empowering SME business retailers to participate in the energy market		R	
671	Stakeholder initiated research - electricity	University of Melbourne Dept of Electrical and Electronic Engineering	Rewards and Risks of Demand Response in the NEM		R	
672	Electricity advocacy	Anglicare SA	To attend AEMC Consumer Priorities Forum	– Payment of travel costs to enable participation in AEMC Forum	A	\$259.64
673	Stakeholder initiated research - electricity	Melbourne Energy Institute, University of Melbourne	The role of Large Scale Energy Storage in reducing electricity costs for grid-connected consumers		R	



No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
674	Stakeholder initiated research - joint	Public Interest Advocacy Centre	Enhancing equality in a changing energy market		R	
TOTAL						\$2,752,712.68

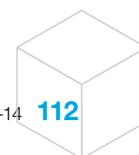
The Panel's website (www.advocacypanel.com.au) provides more information on its role, functions, operations and grant making.



Alan Lipman

Chair

30 September 2014



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