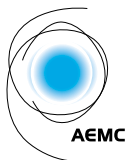


IT'S ALL  
ABOUT  
CONSUMERS

DRIVING

**CHANGE**

IN THE ENERGY MARKET



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

30 September 2015

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 2014-2015**

I am pleased to present the Australian Energy Market Commission 2014-2015 Annual Report.

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

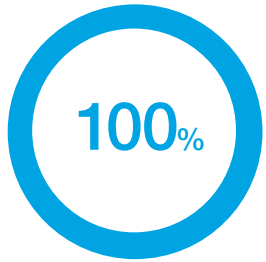
A handwritten signature in black ink, appearing to read 'John Pierce', is written over a light grey rectangular background.

**John Pierce**  
CHAIRMAN

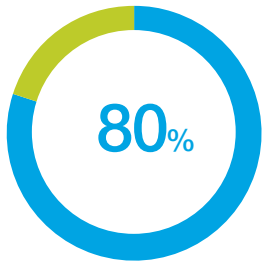
# AN EVOLVING ENERGY MARKET EYES ON THE FUTURE

All around us we are seeing the evidence of accelerating change in energy market dynamics. Increasingly consumers will drive even more innovation.

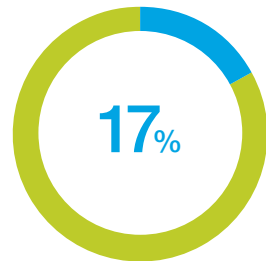
# HOW WE DELIVERED ON MARKET DEVELOPMENT THIS YEAR



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



of rule changes completed without extension after initiation



of rule changes initiated within four months

## MARKET REVIEWS AND ADVICE PAPERS



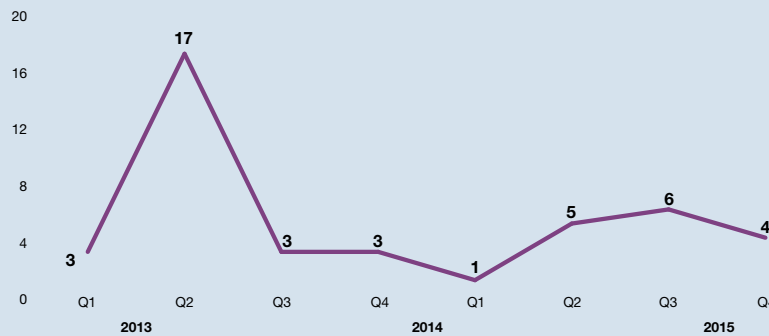
## RULE CHANGES



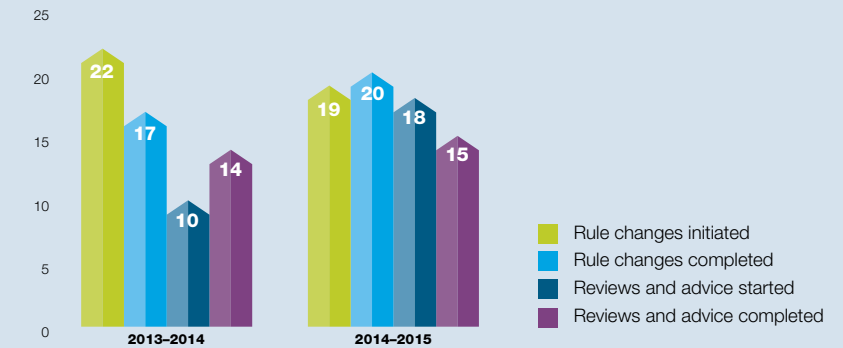
## JUDICIAL REVIEWS OF DECISIONS



### NEW RULE REQUESTS BY QUARTER 2013-2014 AND 2014-2015

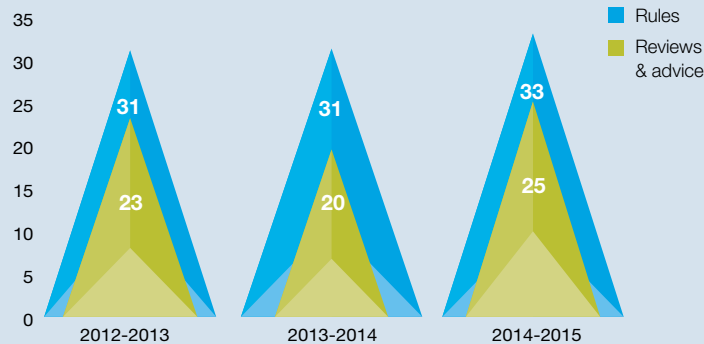


### RULE CHANGES, REVIEWS AND ADVICE – STARTED AND COMPLETED

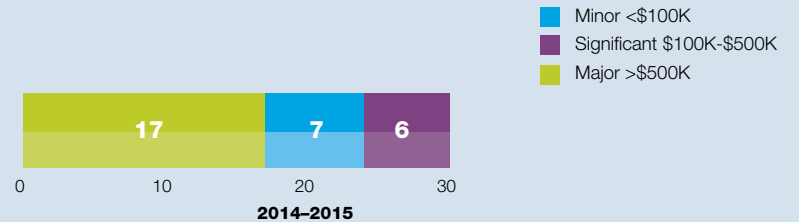


### HISTORICAL SNAPSHOT

All projects undertaken (completed and carried forward)



### CLASSIFICATION BY BUDGET FOR ALL COMPLETED RULE CHANGES, REVIEWS AND ADVICE



Note: Of the 35 projects completed in the year under review (20 rule changes and 15 reviews and advice), 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 our risk assessment framework was conducted this year and found that appropriate mitigation measures were in place and being implemented.

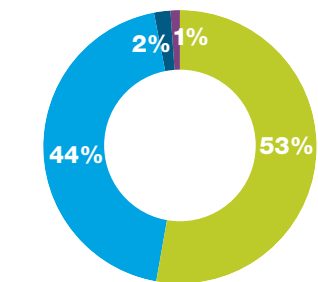
## ANNUAL EXPENDITURE WITHIN BUDGET



(target +/-5%)

The Commission's funding is provided by the jurisdictions' contributions.

## ACTUAL EXPENSES



- Employee Benefits Expense
- Supplies & Service
- Depreciation
- Grants & Subsidies (CAP)

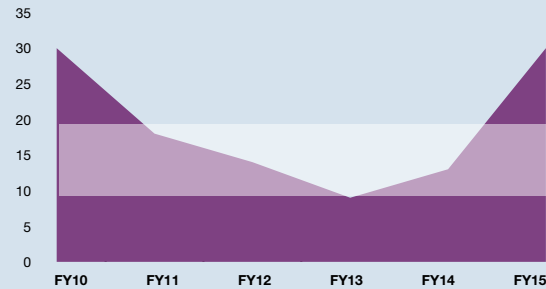
**42** TOTAL AVERAGE HOURS OF TRAINING PER EMPLOYEE PER ANNUM

**100%\*** EMPLOYEES WITH PERSONAL DEVELOPMENT PLANS  
\* Permanent employees

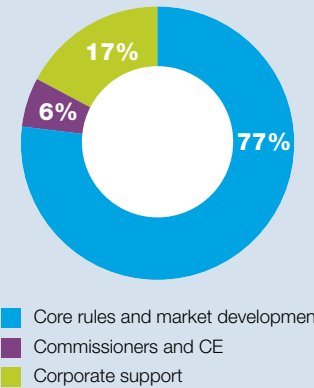
**70** EMPLOYEES

## STAFF TURNOVER

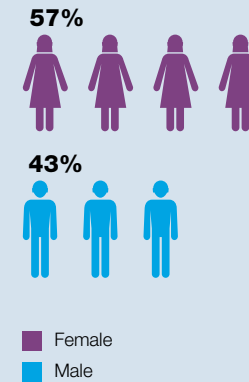
Target 10%–20% balancing retention of corporate knowledge with infusion of new ideas.



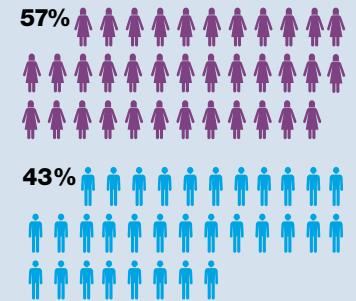
## EMPLOYEES BY ROLE



## SENIOR MANAGEMENT TEAM BY GENDER



## EMPLOYEES BY GENDER



This year 576 detailed policy submissions were received from stakeholders. For the first time we also received 2679 email and online petition-style statements from people who submitted views through the websites of CHOICE and Solar Citizens



Standard submissions



Petition-style template submissions to the Demand Management Incentives rule change



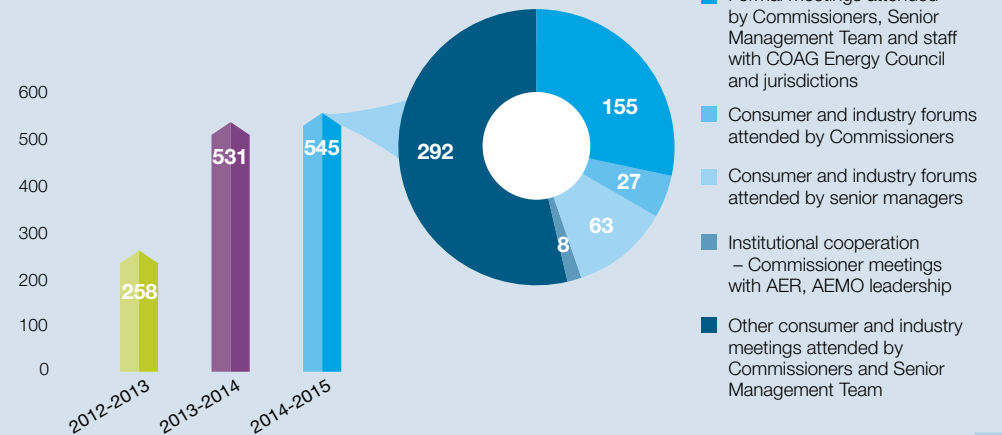
Formal stakeholder forums and Workshops



Online submissions to the Demand Management Incentives rule change

## RISING ENGAGEMENT

Number of stakeholder presentations and meetings



# CHAIRMAN'S MESSAGE



CHAIRMAN  
JOHN PIERCE

## ENERGY MARKETS HAVE CONTINUED THEIR EVOLUTION THIS YEAR. ALL AROUND US WE ARE SEEING THE EVIDENCE OF AN ACCELERATING CHANGE IN MARKET DYNAMICS.

This year we saw the first exports of Liquefied Natural Gas (LNG) from Gladstone and more trains are expected to be online before year-end. This, and the increased penetration of unconventional gas resources, is leading to unprecedented shifts in supply and demand, and consequently changes in gas flows and ultimately prices.

A very different approach to retailing of energy services is emerging. New players, most with a very strong technology focus are offering energy services ranging from connected home appliances to smart phone apps which optimise energy usage based on personal consumer preferences. Existing players are also responding to the dynamic, and the widening adoption of distributed energy resources embraces everything from solar panels on family homes, supported by battery storage, to commercial buildings using built-in generators powered by renewable energy sources.

Consumers are embracing new technologies which are already driving new energy business models, not only in Australia but internationally. In this context, it is important that energy sector policies, rules and regulations are flexible enough to allow the market to respond to change in a way that benefits consumers, whatever the future brings.

The AEMC's work this year has been focused on delivering rule changes that help build resilient and flexible frameworks. A number of reviews either underway or complete, have also contributed to our understanding of how aspects of market design, for example, wholesale gas markets, may need further development.

One common theme in much of this work is uncertainty – uncertainty about how quickly some technology may be adopted, uncertainty about consumer responses, uncertainty about future investment requirements, and the pattern and levels of demand. The future, particularly in a dynamic and increasingly technology-rich environment, is inherently uncertain. But a lack of certainty about how the future may play out is not cause for alarm when our market frameworks are built on sound policy objectives and governance processes are in place for transparent and systematic review of market and regulatory outcomes.

The AEMC will continue to focus on developing a robust understanding of how the market needs to evolve for the benefit of consumers. However, we are optimistic that through collaboration between governments, industry, consumer groups and market institutions, Australia's energy markets will rise to whatever challenge this new era of transformation may bring.

### Consumers

This year has seen substantial progress on rule changes which support the consumer driven transformation of Australia's energy markets. Further progress has been made on the Power of Choice reform program including draft rules for a competitive market for

metering services. These reforms will build on other rules made at the end of 2014 which support consumers to make choices about the way they consume energy – the introduction of rules that require more cost-reflective network pricing and increase consumer access to information about their energy consumption.

These are concrete examples of how new technologies enhance the options available for consumers by allowing the line to be re-drawn between what services are best provided through competition and what needs to be supplied by regulated monopolies.

Our research suggests that there is a clear link between consumers' experiences and their access to trustworthy information, particularly independent comparison websites and phone services. There are opportunities to improve consumer awareness of the tools available to them and the AEMC has recommended that the AER's Energy Made Easy website and the 1800 helpline service be better publicised.

## Gas

The gas market is also experiencing a major structural shift with the export of LNG from the east coast and the changing role of gas in power generation. It will be increasingly important given the growing international influence on the Australian gas market that gas supply can reach its highest value end-use and that trading activities can occur across the interconnected markets with low transaction costs and supported by effective risk management processes.

The AEMC provided a report to the July COAG Energy Council meeting on some initial reforms that can be made to improve the transparency and functioning of the market, and help users of gas understand if the gas prices being negotiated in contracts are truly reflective of underlying demand and supply conditions.

Our recommendations include the establishment of a wholesale gas price index by the Australian Bureau of Statistics; harmonising the start time of the "gas day", which currently varies across markets; removing the limitation in the National Gas Law on who can submit rule changes relating to the Victorian gas market; and assessing the degree to which additional information can be provided to the market through a rule change process already underway.

The Commission is of the view that these shorter term measures can be implemented without undermining the second stage of our work to develop any potential medium and long term adjustments required in the east coast markets and pipeline frameworks to implement the Energy Council's Vision.

Throughout this work we are working closely with the AER and particularly with AEMO to deliver practical solutions to identified issues in the market but also a clear transition path for any reform initiatives. The AEMC is also engaged with the ACCC as it conducts its Inquiry into the competitiveness of the Wholesale Gas Industry.

## Market frameworks

Electricity demand growth has been low in most of the National Electricity Market. Future demand growth is uncertain with a range of countervailing factors at play including growth in LNG production set against a long term decline in manufacturing, increased uptake of energy efficiency measures, continued growth in rooftop solar PV, and population growth. Thermal generators have also seen returns fall. After consideration of this operating environment the Energy Council agreed in December 2014 that the energy-only design of the National Electricity Market has proven robust and efficient, and the Council did not support radical change to the market's design, or assistance to generators to exit the market.

The AEMC provided input to the Department of the Environment consultation on the Safeguard Mechanism for the Emissions Reduction Fund. The AEMC's submission suggests the design of the safeguard mechanism should be guided by two fundamental principles. Firstly, that it can meet its policy objectives whatever the future may bring in terms of demand, relative input prices and technological changes; and secondly, that it is compatible with the pricing mechanisms used to trade electricity and consistent with the risk allocation and risk management tools that underpin the operation of the market.

Turning to risk allocation issues, and being prepared for any possible future, the AEMC has finalised two significant market reviews in the period under review that addressed both of these. The main outcome from our Financial Market Resilience Review was a recommendation to elevate decision making to respond

to a large participant failure to a single decision making point. Decisions would be made by the Chair of the COAG Energy Council, in close cooperation with State and Territory energy ministers. We also recommended that the Council implement changes to existing arrangements to amend the Retailer of Last Resort (ROLR) scheme to reduce the immediate financial obligations on the ROLR.

The Optional Firm Access review did not recommend major changes to the current transmission access arrangements. The review did suggest the need for monitoring of the likely need for optional firm access in the future and has made a number of suggestions to improve the alignment between transmission and generation investment decisions.

### New market dynamics

Changes in technology, and the pace of those changes, have the potential to fundamentally alter Australia's energy markets. The AEMC needs to have a strong understanding of new market dynamics and their likely impacts on consumer costs and behaviours, as well as the incentives and business models of market participants.

Looking to the future and how market arrangements may need to develop, we have initiated a technology-related work program to help the Commission understand the key trends impacting consumers and market participants. This work should not only inform expected rule changes in this area but help us in our role as adviser to the COAG Energy Council. We are encouraged to see the degree of interest in this area by officials and

institutions alike – these are difficult issues – and they will require collaboration from all of us if we are to deliver robust solutions.

Projects undertaken during this period covered a range of topics. The Future of Metering analysis considered the role of the traditional advanced meter may change in the future as the “internet of things” drives greater internet connectivity between devices. This analysis informed our Competition in Metering and Shared Market Protocol processes.

Two AEMC projects are currently underway in the technology space. One is looking at the role of new products and services providers and implications for the consumer protection framework. This work will look at why energy-specific consumer protections were put in place and whether they remain important (or are more important) in this changing market environment. The other project is considering the integration of Electricity Storage Technologies. This project is in collaboration with the CSIRO and seeks to understand the future regulatory impact of the integration of storage technologies in the National Electricity Market. Storage is particularly interesting for the AEMC because of its potential to affect the whole electricity supply chain. These projects are just the start of what the AEMC's considers to be a vital part of its ongoing preparedness for market evolution.

Finally, we have been engaged with the Expert Panel established to undertake the Review of Governance Arrangements for Australian Energy Markets. As noted earlier, and reflected in the Panel's draft report, the broad governance framework has delivered a robust national approach to energy market

arrangements and is generally performing well. Important elements of the framework, like the ability for anyone other than the AEMC to submit a rule change request, have proven effective in delivering changes to the market. That is not to say that these arrangements, like the market itself, do not need to evolve.

The AEMC has been actively participating in the governance review process and our public submission identifies a number of changes that, in co-operation with the COAG Energy Council, are designed to speed up our rule making that flows from reviews initiated by the Council, without jeopardising our stakeholder consultation process or the rigour of our analysis.

The Review of Governance Arrangements for Australian Energy Markets consultation has also provided valuable contributions from stakeholders on our processes and stakeholder engagement which we will consider as a basis to improve our organisational approach. We will continue to work with the governance review panel, the COAG Energy Council, the other market institutions and stakeholders broadly on opportunities to improve governance arrangements.



**John Pierce**  
CHAIRMAN



# CHIEF EXECUTIVE'S MESSAGE



CHIEF EXECUTIVE  
PAUL SMITH

## DELIVERING A CONTINUOUS IMPROVEMENT CULTURE

As I enter my third year as Chief Executive I am pleased with the progress we have made as an organisation that can support the needs of Australia's energy market development. We are in a period of significant market transformation which requires market institutions with the right people, the right tools, and focus on the right issues, to deliver effective change.

And change is being delivered – through the 25 reviews and advice that we have worked on or completed this year and the 33 rule change requests that have been progressed. We have completed a higher number of both reviews and rule changes this period and engaged in a number of external processes including the Department of Environment's Emissions Reduction Fund consultation and the Senate Inquiry into Electricity Networks. We have also initiated a specific technology-related work stream and staff across the organisation have been engaged in progressing this work.

The content of our work program is increasingly broad in scope with some rule changes and reviews having implications for multiple players across the supply chain. We continue to deliver within this environment on budget. While our staff turnover is within historical bounds it is higher than we would like and we have focused our recruitment efforts this year on attracting broader skillsets with some success. The AEMC is a relatively niche organisation and cost of living pressures in the Sydney area mean we need a constant focus on delivering a strong employee value proposition.

Part of that value proposition is the strong commitment we have to staff learning and development and we have begun enhancing our formal training program for staff this year. Our senior staff leaders have also initiated a program designed to enhance their time and people management skills. We are well advanced in the roll-out of our three year IT strategy that is giving staff more tools to work away from the office to support our stakeholder engagement priorities, and including a range of other tools to support our analysis and publication requirements.

While we have improved our toolkit, resourcing constraints have largely been the reason for our inability to initiate some rule change requests as quickly as we would prefer, although once we initiate rule changes they generally progress on a timely basis. We are very focused on improving our timeliness and providing more transparency on project timelines. This year we implemented changes to our website that allow stakeholders to see rule requests received but not yet initiated. We will be providing estimated start dates in the near future as well as a forward calendar that will allow stakeholders to see the timelines associated with all rule changes and reviews currently underway.

This year we established an ongoing program of online stakeholder surveys to gather project-specific feedback on our timeliness and the effectiveness of consultation processes for individual rule change and review projects. This input will supplement the larger reputation surveys we undertake every three years to look more broadly at our performance. The project-specific surveys provide detailed comments on the various communications material we publish (for example

infographics, briefing notes) as well as the quality of our engagement and accessibility of staff. We will be publishing the first round of survey results shortly and plan to update that material regularly.

These changes are just some of the continuous improvements we have made and will continue to progress over the next year. We expect that recommendations from the COAG Energy Council's Review of Governance Arrangements for Australian Energy Markets will also lead to further changes and we are actively engaging with the Panel on their report. We are not however necessarily waiting for the Panel's final report to implement improvements to our operations, where appropriate, raised by either the Panel or stakeholders.

## Engagement

Further enhancing engagement with small and large consumers has become an area of particular focus for the AEMC since the enactment of the National Energy Retail Law in 2011. We continue to build on initiatives, such as our Consumer Priorities forums, which are aimed at establishing broad dialogue with these groups around the issues affecting Australia's energy markets. Our third consumer forum was held in August 2015.


These and other initiatives are designed to enhance the AEMC's ability to not only respond to rule change requests and market reviews, but also to engage our staff on the future needs of the market.

## Vision

This year, with our Commissioners and staff, we undertook a review of the AEMC's Vision and Mission, and the organisational values that support them. We have modified our Vision to reflect the need to accommodate whatever the future may bring while remaining focused on consumer outcomes. Our revised Vision is 'flexible and resilient markets that benefit consumers'.

While our Vision may have been updated, our Values remain Leadership, Engagement and Integrity. These continue to reflect the high standards we expect of ourselves as we interact with our stakeholders in government, and with industry and consumer groups, but also the way our staff engage with each other. We continue to build a culture that is open, respectful and collaborative, with competent staff committed to delivering on our Vision.

The AEMC has come a long way in the last 10 years and continues to build on a solid track record of delivering successful energy market reform. We remain focused on building the capabilities of the organisation to deliver rigorous analysis and high standards of stakeholder consultation, while responding to changing market dynamics.



**Paul Smith**  
CHIEF EXECUTIVE

# YOUR GUIDE TO THIS ANNUAL REPORT

This report details our performance from 1 July 2014 to 30 June 2015 in accordance with the Australian Energy Market Commission Establishment Act (SA) and the Australian Energy Market Commission Establishment Regulations Act 2005 (SA)

## EXECUTIVE REPORT

Includes the performance summary, Chairman's message and Chief Executive's message.

2

## OVERVIEW

Outlines who we are, what we do, how we work and our strategic priorities.

11

## ORGANISATION

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

33

## 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 Reliability Panel.

18

## FINANCIAL PERFORMANCE

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

46

## 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.

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## APPENDIX

Index of Rules and Reviews 2014-2015 providing summaries of all work undertaken this year.

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# 11

The future is opening up to new energy possibilities. We are developing energy market frameworks which allow consumers to make informed decisions on electricity and gas options that work best for them

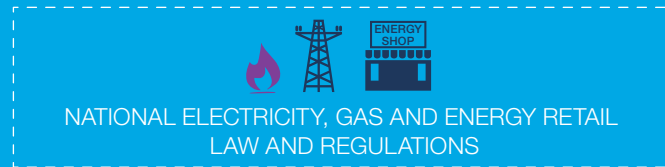
## OVERVIEW

# HOW THE ENERGY MARKETS ARE GOVERNED

COAG's Australian Energy Market Agreement (AEMA) sets out the reform agenda for the COAG Energy Council which directs the AEMC to conduct reviews.

The COAG Energy Council is made up of federal, state and territory energy ministers. It provides national leadership on energy policy development.

## COUNCIL OF AUSTRALIAN GOVERNMENTS (COAG) REFORM AGENDA COAG ENERGY COUNCIL



COAG is the peak intergovernmental forum in Australia with a role to initiate, develop and monitor the implementation of policy reforms that are of national significance and which require cooperative action by federal, state and territory governments.



AUSTRALIAN ENERGY MARKET  
COMMISSION (AEMC)  
Rule maker, market developer  
and adviser to governments



AUSTRALIAN ENERGY  
MARKET OPERATOR (AEMO)  
Gas and electricity systems  
and market operators



AUSTRALIAN ENERGY  
REGULATOR (AER)  
Economic regulation  
and rules compliance



Generators, network operators,  
retailers, energy service providers,  
household and business customers

# OUR BUSINESS

**Figure 2**  
AEMC OPERATIONS: NATIONAL ELECTRICITY MARKET



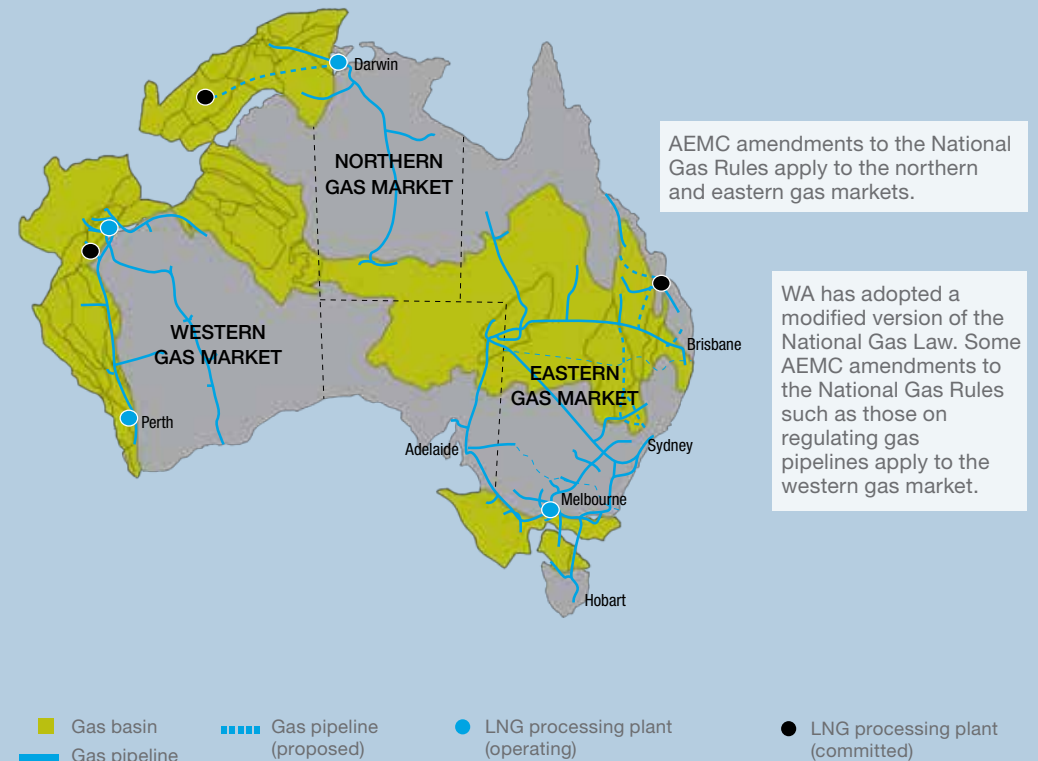
The scope of our rule-making powers in the NEM includes wholesale markets, the economic regulation of monopoly transmission and distribution networks; transmission network pricing and retail market functions primarily focused on the sale and supply of energy to small customers; consumer protection and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

Both Western Australia and the Northern Territory are considering greater regulatory alignment with NEM rules. They have started detailed work to potentially bring aspects of regulation under the National Electricity Rules (NER), including the regulation of their electricity networks and the transfer of regulatory functions to the Australian Energy Regulator (AER).

Western Australia and the Northern Territory are not connected to the NEM. They have their own electricity systems and separate regulatory arrangements. However, through the COAG Energy Council, these jurisdictions contribute to, and are informed of, the national energy market reform agenda.

In the year under review the Northern Territory adopted the National Electricity Law; conferred its economic regulatory functions on the Australian Energy Regulator; and started working through the detail of how the economic regulation rules will apply in that jurisdiction.

**Figure 3**  
AEMC OPERATIONS: NATIONAL GAS MARKETS



AEMC amendments to the National Gas Rules apply to the northern and eastern gas markets.

WA has adopted a modified version of the National Gas Law. Some AEMC amendments to the National Gas Rules such as those on regulating gas pipelines apply to the western gas market.

Source: Energy White Paper 2012, p. 135.

# OUR ROLE AND STRATEGIC PRIORITIES

## Our role

The AEMC has two roles. 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.

## Objectives

All of the AEMC's work is guided by the three legislated national energy objectives: the national electricity objective, the national gas objective and the national energy retail objective. Each objective requires an explicit focus on the long-term interests of energy consumers in our advice and decisions.

Our Vision is for flexible and resilient markets that benefit consumers.

Our Mission is to improve consumer outcomes from the strategic development of energy markets, through rules and advice.

## Rule making

The AEMC makes rules under the National Electricity Law (NEL), the National Gas Law (NGL) and the National Energy Retail Law (NERL). These rules impact on how market participants can operate in the competitive generation and retail sectors; provide specific rights for consumers to whom energy is sold or supplied and also govern the economic regulation of electricity transmission and distribution services – the 'poles and wires' – and gas pipelines.

Our rule making reflects the highest standards of market governance. We do not propose rules (except for minor changes such as corrections). Any stakeholders including governments, industry and consumers can request rule changes.

Our central focus on the long-term interests of consumers contributes to greater regulatory predictability and transparency of the rule making process.

## Reviews and advice

The AEMC undertakes reviews and provides the COAG Energy Council with advice on improvements to regulatory and energy market arrangements that will benefit consumers.

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

We also seek to understand the impact on the energy sector of policies outside the energy market portfolio – such as emissions reduction policies – and highlight any issues in our advice to help promote integrated and consistent policy outcomes.

## Strategic priorities

In consultation with our stakeholders, the AEMC develops strategic priorities for Australia's electricity and gas markets. Our strategic priorities enable 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.

To identify and understand emerging market issues and their urgency, we proactively engage with consumer, industry and government stakeholders. This helps us to prioritise projects and better manage resources as we consider the agenda ahead of us for energy market development. As an example, we hold strategic priorities forums with consumer groups to help us understand what is important to consumers in the development of energy markets. We are also in regular dialogue with the AER and AEMO on strategic market-wide issues.

In addition to this ongoing engagement, we hold a formal consultation process to reconsider our strategic priorities every

two years. The next review of these priorities will be occurring in the second half of 2015.

Our strategic priorities at the close of 2014-2015 were:

## Consumer Priority

### Strengthening consumer participation and continuing to promote competitive retail markets

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

## Gas Priority

### 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 domestic fuel source. This priority considers how the gas market and regulatory frameworks can promote the efficient allocation of gas and investment in gas infrastructure, in light of the developing liquefied natural gas export industry.

## Market Priority

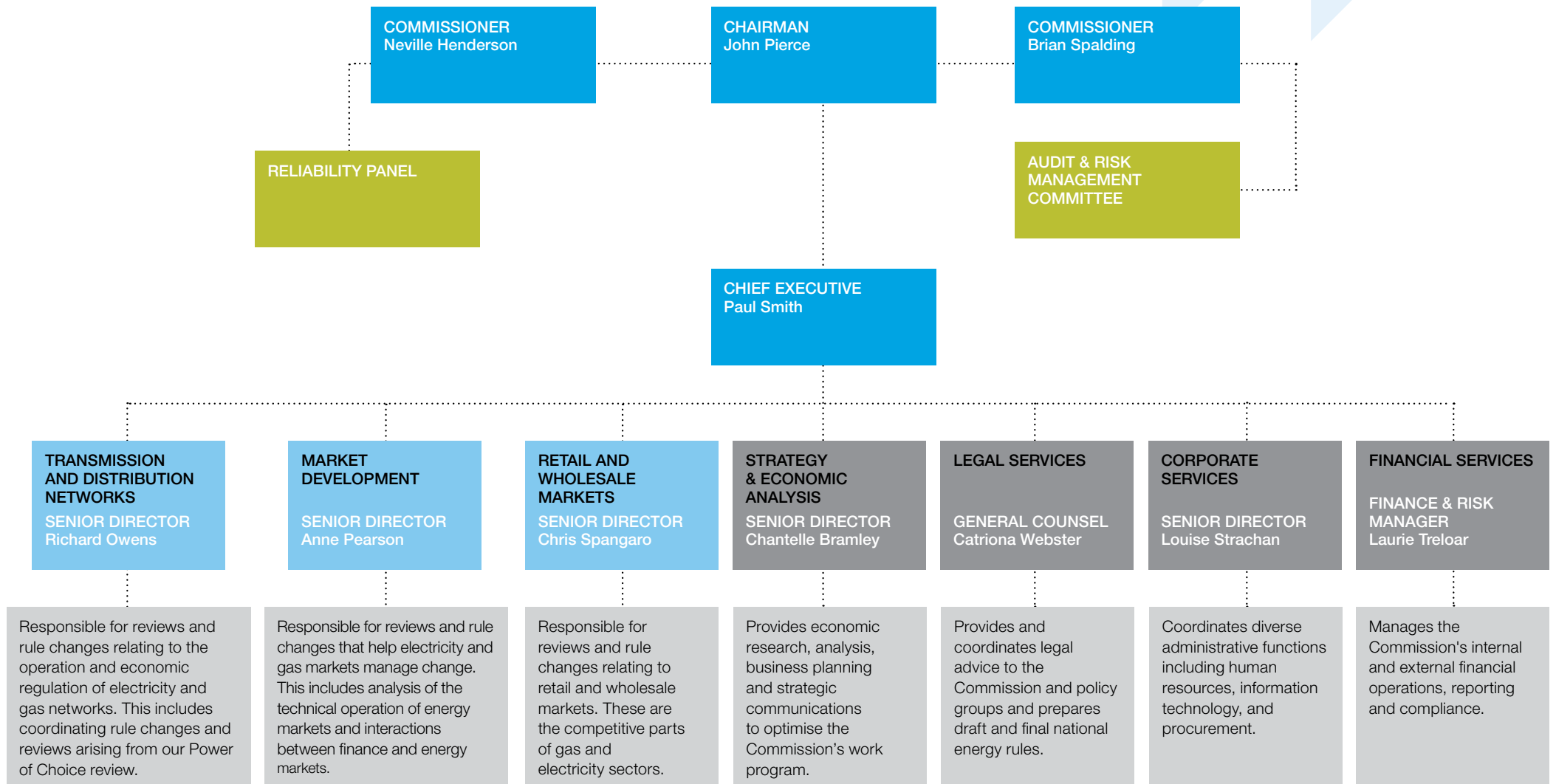
### Clear and transparent regulatory arrangements that encourage efficient investment and flexibility

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.



# ORGANISATION CHART

## AT 30 JUNE 2015



JOHN PIERCE



NEVILLE HENDERSON



BRIAN SPALDING



## 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 market reviews. They have helped shape Australia's energy reform program over decades.

### MR 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.*

### MR NEVILLE HENDERSON Commissioner

Former Executive Director with PricewaterhouseCoopers (PwC). While at the National Grid Management Council (NGMC) 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

Independent member of the Energy Saving Scheme Committee of the Independent Pricing and Regulatory Tribunal. Former board member of the Australian Renewable Energy Agency, former Executive in the Australian Energy Market Operator and former Chief Executive Officer of the National Electricity Market Management Company with responsibility for the National Electricity Market and power system operation 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 2015

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. We are committed to demonstrating the AEMC's core values of leadership, engagement and integrity in all that we do.

### PAUL SMITH Chief Executive

Paul Smith's appointment as Chief Executive took effect on 20 August 2013. Prior to joining the AEMC as Senior Director, Strategy and Economic Analysis in 2010, he 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

Since joining the AEMC in 2007 Anne has been responsible for the oversight and delivery of multiple reviews and rule determinations relating to electricity and gas markets in Australia. She was previously Executive Manager of Retail Regulation at EnergyAustralia with responsibility for the regulatory strategy and compliance approach for the retail business. 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 Arts and an Honours Degree in Law from the University of Sydney.

PAUL SMITH



ANNE PEARSON



CHRIS SPANGARO



CHANTELLE BRAMLEY



RICHARD OWENS



CATRIONA WEBSTER



LOUISE STRACHAN



LAURIE TRELOAR



### 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 leads the division responsible for economic research and analysis, business planning and strategic communications. She was previously Vice President Strategy at Direct Energy, one of the largest energy retailers in North America. She 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

#### Senior Director, Corporate Services

Louise joined the AEMC as a founding staff member in July 2005. She is responsible for the provision of services in human resources, technology and telecommunications, governance, procurement, internal audit and corporate infrastructure projects. Louise has also held the role of business education teacher in Queensland and holds a B Ed (Hons) from Queensland University of Technology and a Graduate Diploma in Management.

### LAURIE TRELOAR

#### Finance and Risk Manager

Laurie joined the AEMC in July 2010 as Finance and Risk Manager. He has worked in the United Kingdom (British Gas and Sky Channel) and in Australia (the Australian Broadcasting Corporation). He holds a Degree in Accounting from Macquarie University, and a Graduate Diploma in Financial Planning from the Securities Institute of Australia. He has qualifications as a Fellow CPA and a Certified Practising Risk Manager (CPRM).



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In this evolving energy market, households, businesses, industry participants and investors must have confidence that regulatory frameworks can adapt. More than ever, we need competitive, efficient markets to keep the cost of energy supply as low as possible.

## WORK PROGRAM

# WORK PROGRAM OVERVIEW

## THE VOLUME OF WORK INCREASED THIS YEAR, WITH 33 RULE CHANGES AND 25 REVIEW AND ADVICE PROJECTS COMPLETED OR UNDERWAY.

Almost half of these projects were classified as significant or major, which typically require greater resourcing because of increased complexity. We received 16 new rule change requests this year.

We have three overarching strategic priorities which guide our work program in line with current and emerging market issues. These strategic priorities are developed in consultation with our stakeholders; consumers, industry and government.

An overview of our work program for this year in each of these priority areas is outlined below. More details of each rule change and review project are in this report's Appendix.

### Consumer priority

We are now three years through a market-wide energy reform program called Power of Choice which is designed to help consumers to make clear choices about their energy use through:

- **Better price signals** – changes to the principles for distribution network pricing to help get effective price signals to the consumer. From 2017 network businesses will have in place distribution tariffs to better reflect the way individual consumers use and impose costs on network services so consumers can make more informed decisions about their electricity usage.

- **Better information** – new rules to make it easier for consumers to get information about their electricity usage from distribution network businesses and retailers. In future, usage data must be provided in an easy-to-understand and timely way.
- **Better tools** – rule changes to promote competition in metering and related services, which will ultimately support the uptake of products such as advanced meters. These new tools will help consumers monitor, manage and adjust their energy use.

The following provides an overview of our work on key Power of Choice reforms.

### New distribution network pricing arrangements

In November 2014 the AEMC made a final determination that requires distribution network prices to reflect the efficient cost of providing network services to individual consumers so that they can make more informed decisions about their electricity usage.

Under the new rules the pricing decisions of distribution network businesses will be guided by a new objective that prices should reflect the business' efficient costs of providing services to each consumer. Businesses will be required to comply with new pricing principles when determining the structure and level of their network prices – using input from consumers and with oversight by the AER. The new tariffs will be phased in from no later than 2017.

Analysis undertaken by the AEMC estimates that 70-80 per cent of consumers are likely to be better off over the long run as a result of more cost-reflective prices.

### Improving customer access to information about their energy consumption

This was the first Power of Choice rule change completed, with a final determination made by the AEMC in November 2014. The new rules make it easier for consumers to access information about their electricity consumption to inform their consumption and technology decisions by:

- allowing customers to request access to their electricity consumption data from a distribution network service provider, in addition to a retailer;
- allowing parties authorised by a customer to access the customer's electricity consumption data; and
- requiring retailers and distribution network service providers to comply with minimum requirements relating to format, timeframes and costs for requests for their electricity consumption data.

Since December 2014, customers and their authorised representatives have been able to request electricity consumption data from retailers and network businesses. The minimum requirements relating to the provision of metering data, such as format, time frame and the number of free requests, take effect in March 2016. This will give AEMO enough time to make procedures regarding these issues and industry enough time to implement the procedures.

### Expanding competition in metering and related services

This year the AEMC made a draft determination on a rule change to bring competition to bear on the market for metering and related services.

The draft rule, if made, will facilitate a market-led approach to the deployment of advanced meters, where consumers drive the uptake of technology through their choice of products and services. This competitive framework is designed to promote innovation and lead to investment in advanced meters that

deliver the services valued by consumers at a price they are willing to pay.

Some of the key features of the draft rule include:

- removing existing exclusivity arrangements and allowing any registered party to provide metering services
- specifying the minimum services that all new meters installed at a small customer's premises must be capable of providing
- putting in place new arrangements so that the security of, and access to, advanced meters and the services they provide are appropriately managed
- clarifying the entitlement of parties to access energy data and metering data.

### Reform of demand management incentive scheme

In May 2015 the AEMC made a draft determination on rule change requests from the COAG Energy Council and Total Environment Centre to encourage distribution networks to find lower cost solutions to managing their systems.

In the draft determination, the AEMC proposed a new framework requiring the AER to develop a demand management incentive scheme and a demand management innovation allowance. This includes a new set of principles to guide the AER in developing and applying both the Scheme and Innovation Allowance to help achieve their objectives. These measures have the potential to encourage more efficient expenditure decisions by distribution businesses, which may reduce costs to consumers over time. A final determination was made soon after the close of the year under review in August 2015.

### Embedded networks

We started consideration of a rule change request that seeks to reduce barriers to consumers within embedded networks accessing retail market offers. Common examples of embedded networks include shopping centres, retirement villages, apartment blocks and caravan parks.

The rule change request seeks to clarify the metering and other arrangements for consumers in embedded networks. It is intended to reduce barriers to embedded network consumers' access to competitive retail market offers and will support competition in provision of electricity and demand side services. The rule change request proposes to introduce a new accredited service provider role – Embedded Network Manager – to facilitate embedded network customers accessing retailer market offers. Work will continue on the rule change through 2015-2016.

### Connecting embedded generators

The AEMC made two new rules in 2014 to make it easier for embedded generators to connect to electricity distribution networks. In both cases the rules allow for a clearer, more transparent connection process with defined timeframes, and require distributors to publish information to assist embedded generators.

The new processes aim to reduce the barriers to the connection of embedded generators to distribution networks. In the case of smaller generators (under 5MW) the rule provides a choice of connection process depending on the customer needs: a more flexible, open and generally shorter connection process; or a more defined, detailed, and generally longer connection process.

### Improving demand side participation information provided to AEMO

The AEMC made a final rule to enable AEMO to obtain information on demand side participation. Under the new rule, registered participants in the electricity market will be required to provide information on demand side participation to AEMO, in accordance with guidelines developed by AEMO in consultation with stakeholders.



The final rule requires AEMO to take the information it receives into account when developing and using load forecasts in the exercise of its functions under the National Electricity Rules. This could lead to improvements in the quality of AEMO's load forecasts, and so inform a number of AEMO's processes.

Publication of potentially better quality load forecasts by AEMO could better inform electricity market stakeholders of possible future outcomes, and may lead to more efficient investment and operational decisions.

AEMO is required to develop and publish the guidelines by September 2016.

### Gas priority

Our gas priority – to promote the development of efficient gas markets – recognises that a reliable, competitive and secure gas market allows efficient and timely investment in gas infrastructure, in the long-term interests of consumers.

The eastern Australian gas market is experiencing a period of significant growth and change. In particular, the establishment of a liquefied natural gas export industry based in Queensland is triggering unprecedented shifts in supply and demand and, consequently, changes in patterns of gas flows.

Recognising the structural changes underway, the COAG Energy Council directed the AEMC to review the design, function and roles of facilitated gas markets and gas transportation arrangements on the east coast of Australia.

The East Coast Gas Review Stage 1 Final Report published in July 2015 provided an overview of how Australia's gas markets function and outlines areas where reforms may be required to accommodate the changing dynamics created by LNG exports and coal seam gas production.

The report recommends four immediate actions for consideration by the Energy Council to enhance the transparency and efficiency of the market. These are:

- A new Australian Bureau of Statistics gas price index to improve price transparency
- Reducing complexity with harmonised gas market start times
- Removing restrictions on who is able to propose rule changes for the Victorian Declared Wholesale Gas Market
- Enhancing information to improve gas pipeline trading capacity

Stage 2 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review will develop more options to promote long-term gas market development and enable the rules governing the markets and pipelines to be fit for purpose in the new gas environment.

Key work to be undertaken as part of Stage 2 includes:

- Reviewing the efficiency of the wholesale gas markets
- Maximising pipeline trading capacity
- Establishing a one-stop shop for gas market data to improve transparency, lower the costs associated with pipeline capacity trading and improve the operation and monitoring of the market.

In a separate but related piece of work, the AEMC started a detailed review of the pipeline capacity, investment, planning and risk management mechanisms in the Victorian gas market. These reviews, which are due for completion in 2016, will focus on the efficiency of the supply chain once gas enters the transmission pipeline system.

We have also responded to rule change requests in relation to gas regulatory frameworks. In March 2015 we made a draft determination regarding the matched allocation process in the

Short Term Trading Market which aims to support more efficient network and commercial operations.

### Market priority

We are in a period of significant change in energy markets – a trend which has continued and accelerated over the past year. Changes in the costs of supplying energy, technological advances, changes in consumer preferences and changing patterns of demand are all creating opportunities for new business models to develop. Products and services are emerging that are giving consumers greater information and choice about how they use energy. Policy developments external to energy market regulation, such as climate change policies, are also having a significant influence on how energy is bought and sold.

Regulatory frameworks for energy markets need to be resilient and flexible. They need to:

- allow for innovation and new technologies which create value for consumers;
- minimise the distortionary effects of policy decisions outside the energy sector; and
- provide sufficient stability that investors are willing to make efficient investments.

Our market priority work this year has focussed on these key challenges. Significantly, we expanded our work program to include strategic projects aimed at understanding technological changes which have potential to cause significant disruption to energy markets.

### Major market reviews

Policy and regulatory decisions must also be guided by how risks can be most efficiently allocated. To this end, the AEMC completed two major reviews this year to consider risk allocation:

• **NEM Financial Resilience Review**

The Financial Resilience Review addressed systemic risks in the wholesale electricity market and associated financial arrangements. It recommended a number of measures to improve the resilience of the National Electricity Market. They seek to minimise disruptions to consumers and maintain the financial stability of the market and public confidence, if a market participant fails.

• **Optional Firm Access Review**

This review involved the design, testing and assessment of the optional firm access model to address issues related to co-ordination between transmission and generation investment in the National Electricity Market. It did not recommend major changes to transmission access arrangements in the current environment. It did recommend monitoring to track changes in circumstances which may signal a need for additional generation and transmission investment in operating environments where the appropriate location and type of investment is highly uncertain. In these circumstances

benefits may be derived from adopting a model such as optional firm access, which would introduce more commercial drivers into transmission and generation development.

**Rule changes improving market frameworks**

This year we completed rule changes to improve NEM frameworks in the areas of:

• **System Restart Ancillary Services**

We made new rules in April 2015 to improve the frameworks for system restart ancillary services in the NEM. Restart services allow electricity supply to be restored following a large-scale blackout of the power system. These blackouts can have significant economic and social impacts, so it is important there are enough restart services available to quickly restore power supply.

The costs of providing restart services are recovered from consumers and generators. The new rules will help make restart services prices more cost reflective, while also improving governance arrangements.

**Improving competition in energy retail markets**

The effectiveness of Power of Choice initiatives is strongly related to the level of competition in retail energy markets. The AEMC released its second annual review of retail competition in NEM states and territories in June 2015.

The review found that competition is effective for small customers in electricity retail markets in South East Queensland, New South Wales, Victoria and South Australia. New retailers have entered these markets and are competing for customers through discounts and other incentives. Most customers are satisfied with their retailer experience and many are shopping around to save money. However, competition is less effective in the Australian Capital Territory and yet to emerge in Tasmania and regional Queensland.

To enhance competition, the review recommended that governments consider options to increase consumer awareness of the tools available for comparing offers. We also recommended ways to improve how retail markets work, including ensuring concession schemes are working properly, harmonising regulations across jurisdictions to reduce costs, and removing energy price regulation where competition is effective.

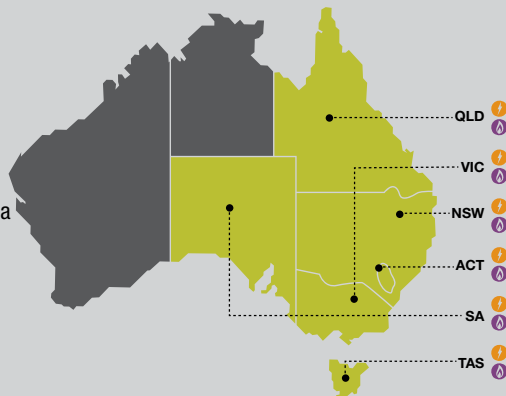
**The state of competition**



Electricity retail competition is effective in Victoria, New South Wales, South Australia and South East Queensland; less effective in the Australian Capital Territory and yet to emerge in Tasmania and regional Queensland.



Gas retail competition is more tempered, but effective in most of Victoria, South Australia and New South Wales; limited in South East Queensland and yet to emerge in the ACT, Tasmania and regional Queensland.



**Energy markets are evolving over time**





### Price Trends report shows new rules to determine network revenue are taking effect

The AEMC released its annual Residential Electricity Price Trends report in December 2014 which showed that prices are expected to continue to moderate.

These price trends reflect mainly flat or falling distribution network costs under an enhanced regulatory framework, which was introduced by the AEMC and started to be applied this year. The new rules better equip the Australian Energy Regulator (AER) to set efficient revenue allowances for network businesses.

The AER's powers to undertake benchmarking were clarified by the new rules on network regulation made by the AEMC in late 2012. The AER must publish annual reports on the relative efficiencies of electricity network businesses. The first of these reports was published in November 2014. The AER must also set an allowed rate of return that reflects the efficient financing costs of a benchmark efficient network business. A number of network businesses have made applications to the Australian Competition Tribunal for a review of the AER's recent revenue determinations. Future trends in regulated network prices will depend on the outcomes of these merits reviews.

#### • Generator ramp rates

Ramp rates are specified by generators as part of their market offers and govern the way dispatch levels can be physically changed through time. The Commission made a final rule to refine the existing requirements on generators to specify the minimum rates at which they may increase or decrease output. Bringing the minimum ramp rate requirements for aggregated facilities to a level more commensurate with individually registered facilities will result in an almost 30% increase in aggregate minimum ramp rates capability across the National Electricity Market. This should increase the range of dispatch possibilities available to the market which should promote more efficient wholesale market outcomes. It will also mean the burden of system ramp rate capability will no longer be disproportionately borne by non-aggregated generators, which leads to a more competitively and technologically neutral outcome in the market.

#### Understanding current and future trends

Identifying and understanding the regulatory implications of emerging technology and business models, as well as energy market trends, helps us to develop regulatory frameworks that are both resilient and flexible enough to respond to change.

- Future of metering: This project looked at how the role of the traditional advanced meter may change in the future as the "internet of things" drives greater internet connectivity between devices. This analysis informed our Competition in Metering and Shared Market Protocol processes as it highlighted the range of potential alternative technologies available to consumers.
- Future role of the retailer: As new types of participants enter the energy sector and consumer preferences evolve, it is important to assess whether the consumer protection framework is still fit for purpose. This work will look at why

energy-specific consumer protections were put in place and whether they remain important (or are more important) in this changing market environment.

- Integration of Electricity Storage Technologies: This project is in collaboration with the CSIRO and seeks to understand the regulatory impact of the integration of storage technologies across the electricity supply chain in the NEM. The analysis will focus on any issues associated with the ownership and control of storage, whether barriers exist to network investment and how the benefits of this new technology should be attributed.

#### Aligning with environmental policy objectives

In providing advice and considering rule change requests, we seek to understand the potential impacts of policies outside the energy market portfolio on energy markets. While it is legitimate for governments to pursue a range of different policy objectives, it is important that this is done in a way that allows for different objectives to be effectively reconciled. Otherwise, pursuit of one objective may undermine achievement of other equally important objectives.

In our reviews and rule changes, to the extent possible, we have continued to undertake consultation with parties with whom there is potential for cross-over on issues as part of our work, and we highlight such issues and possible options in our reports to the COAG Energy Council for it to consider the next steps.

We have also made submissions to agencies outside the energy sector on issues that impact the sector – including for example the Department of Environment's Emissions Reduction Fund Safeguard Mechanism.

# RULES

## TRENDS

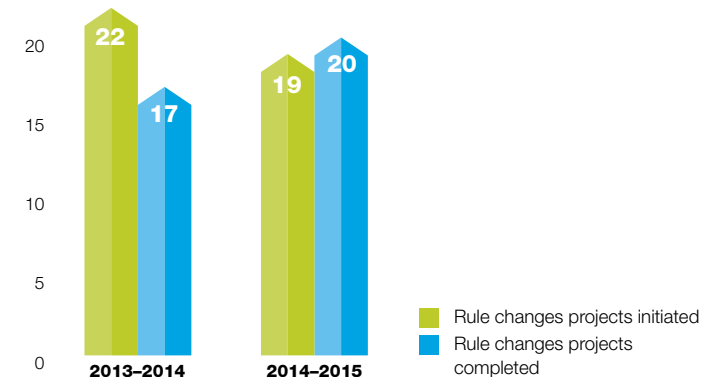
During the year under review, we considered a total of 33 rule changes bearing on the National Electricity Market, natural gas markets and retail energy markets. Overall 20 rule changes were completed including two which were consolidated into one process.

- Stakeholders made 16 new rule requests.
- We made 10 rules amending the National Electricity Rules.
- We made 5 rules amending the National Gas Rules.
- We made 2 rules amending the National Energy Retail Rules.
- We made 2 determinations to not make a rule in response to a request (one gas, one electricity).
- No rule change decisions were challenged by judicial review.

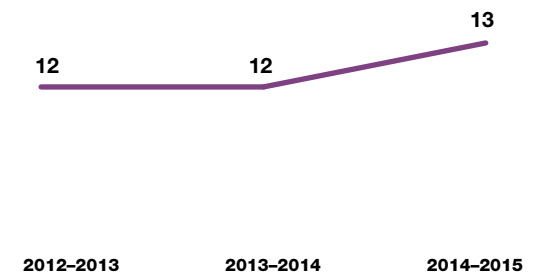
The AEMC makes rules under the National Electricity Law, the National Gas Law and the National Energy Retail Law. These rules impact on how companies can operate and participate in the competitive generation and retail sectors. They also govern the economic regulation of electricity transmission and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

The rule making test that we apply, and must follow under law, is whether making a rule will, or is likely to, contribute to the national energy objectives, which serve the long-term interests of consumers. Our reasons for making (or not making) a rule, including how our decision serves the long-term interests of consumers, are published in the final rule determination for each rule change on our website. Our decisions are also subject to judicial review.

RULE CHANGES INITIATED AND COMPLETED



MAJOR AND SIGNIFICANT PROJECTS  
Completed rule changes and reviews

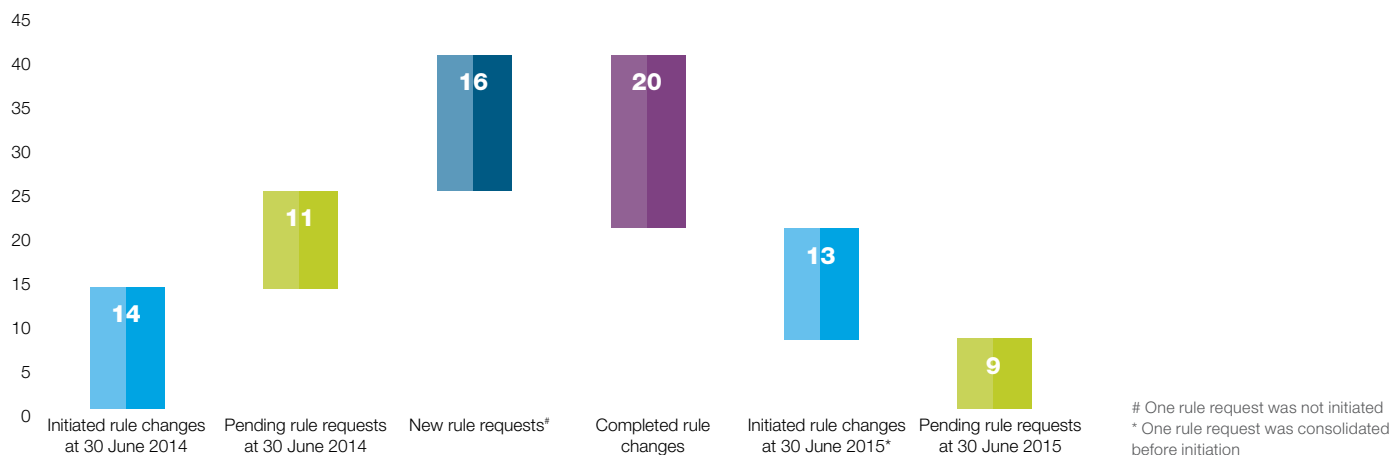


## Rule request proponents

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 requests (electricity, gas and retail) are in the table below.

### Rule Request Proponents

Proponent	Requests in 2014-2015
The Australian Energy Market Operator	5
COAG Energy Council	4
Snowy Hydro	2
TasNetworks	1
AGL	1
Jemena	1
Mr Donald Lloyd	1
AEMC	1



## Rule-making timeframes

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.

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).

The standard timeframe under law for a rule change is approximately 130 working days. The term “standard” has replaced the category “normal” as referred to in earlier versions of the annual report. 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 in certain circumstances which are specified in the national energy laws.

In 2014-2015 we granted three rule changes a longer timeframe at initiation. This was done because of the complexity of issues involved and allowed us to provide stakeholders with longer consultation periods and give proper consideration to the issues and their implications.

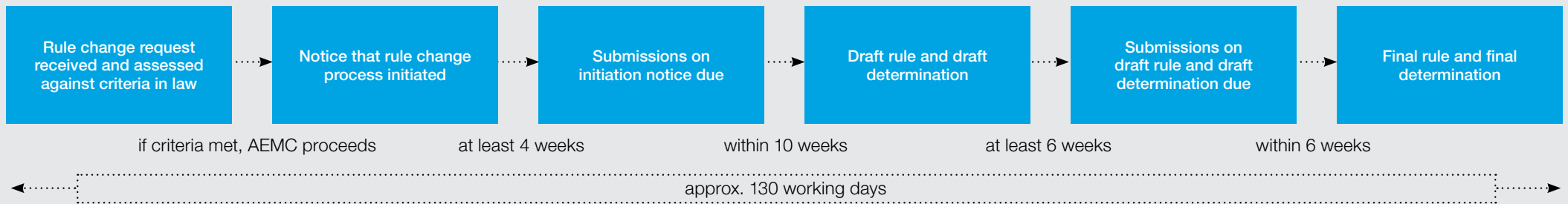
Some rule requests were considered together and consolidated into joint determinations (for more details see Appendix A).

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 and no draft determination is made. A final determination must be made within six weeks of commencement of the rule change.

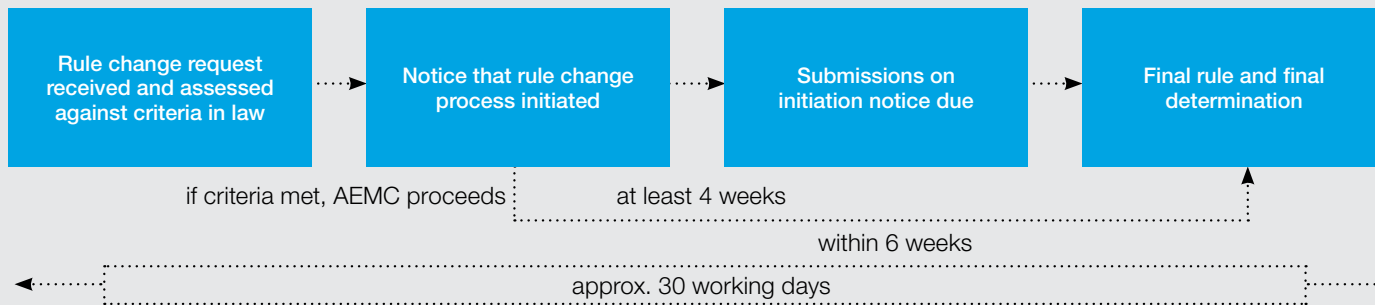
The rule-making process can be fast tracked where there has been adequate previous public consultation by a market regulatory body or if the request arises from an AEMC review. Under the fast-track process there is no consultation period before the AEMC makes a draft rule determination. The fast-track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

## Managing rule making timeframes

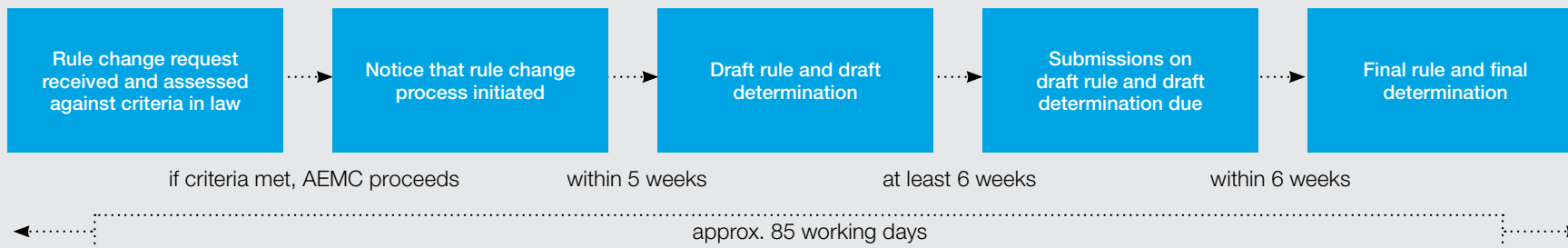
### Standard rule change process



### Expedited rule change process



### Fast track rule change process



## Rule changes by category

### Standard

Seventeen standard rule changes were completed in the year under review. These rule changes were completed within 156 days on average.

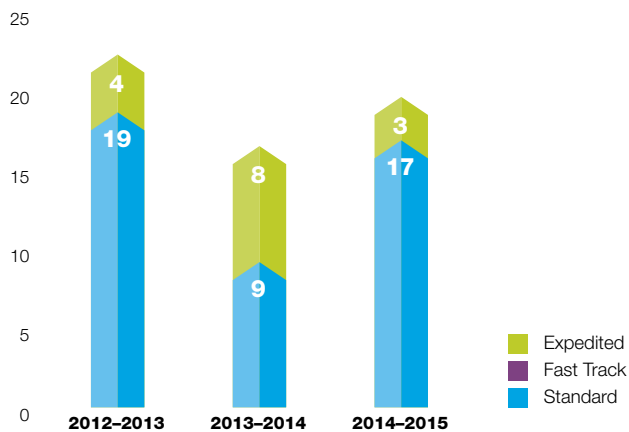
### Expedited

In 2014-2015 the process for three rule changes was expedited. It took 31 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 changes met the criteria to be fast tracked.

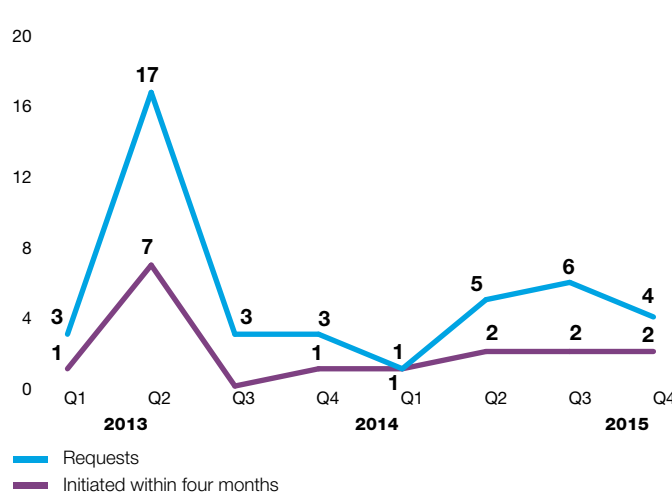
CATEGORIES FOR COMPLETED ELECTRICITY AND GAS RULE CHANGES



## New requests received to change rules

We received 16 new requests to change rules this year. The chart below shows the number of requests received by quarter and those which were initiated within four months of receipt.

NEW RULE REQUESTS BY QUARTER 2013-2014 AND 2014-2015



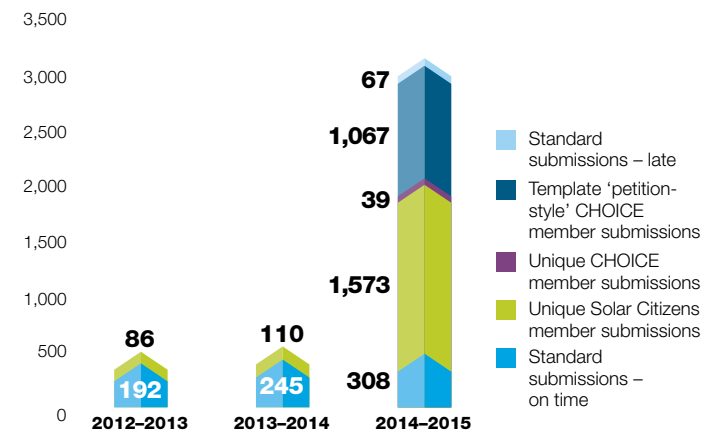
## Submissions received

This year we received more than 3000 submissions from stakeholders in relation to the 33 rule changes which were underway or completed this year.

Almost 2700 of these submissions were from individual private energy users via the websites of Solar Citizens and CHOICE in relation to the *Demand Management Incentive Scheme* rule change. These submissions – many of which followed a petition format – were part of a campaign by these groups to voice their support for strengthening the Demand Management Incentive Scheme so that network businesses have a greater incentive to help customers reduce demand and save energy.

Of the 375 standard submissions received in the year under review, 308 were submitted on time and 67 were late adding pressure to our rule-making timeframes.

WRITTEN SUBMISSIONS – ON TIME AND LATE



## Performance

This year we:

- completed 80% of our rule changes within the target timeframe, compared with 65% in 2013-2014
- made 100% of rule changes within statutory timeframes
- received no judicial review challenges to our rule decisions
- initiated 17% of new rule requests within four months, compared with 38% last year.

## Time taken to initiate rule requests received during the year under review

We are aware of our stakeholders' desire for us to make rules faster and, generally, in less than six months. The time required to make effective rules is driven by the complexity of the issue and the degree of stakeholder interest in the issue. Our process allows for consideration of relevant issues, extensive stakeholder consultation and development of a robust rule design. Overall, the process aims to minimise the risk of inappropriate decisions being made which could adversely impact on confidence in market arrangements. Significantly, there were no challenges to our rule change decisions this year.

We completed 80% of rule changes without extension after initiation this year, an improvement of more than 20% from last year.

However, our performance in initiating rule changes within four months declined. We received a high number of rule requests (17) in the second quarter of 2013-14, compared with other quarters. We did not have resources available to process all these requests within the four month target timeframe.

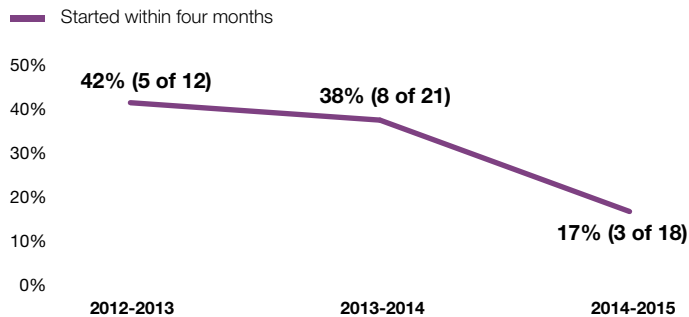
This spike in requests continued to impact our timeliness through the following quarters. We aim to achieve a reasonable balance between having resources available to manage spikes in our work program and being as efficient as possible. This year we started placing rule change requests which had been received but not initiated on our website. We intend to start publishing expected start dates for these rule change requests when they are known.

We actively seek opportunities to reduce the time between receiving a rule change request and starting the process. We have considered the issue of timeliness in our submission to the Review of Governance Arrangements for Australian Energy Markets (ongoing at 30 June 2015). For less complex rule changes, we have proposed a process that could facilitate faster rule making, but would provide adequate time for consideration of stakeholder submissions.

However, for more complex rule changes, such as Expanding Competition in Metering and Related Services (2014), there may be justifiable reasons to extend rule making timeframes, as permitted under the energy laws, to facilitate better rule making design and sufficient public consultation. As an example the high level of stakeholder engagement in the Expanding Competition in Metering rule change project was addressed by eight stakeholder workshops and a public forum held in addition to the standard consultation process required under the National Electricity Law and the National Energy Retail Law.

We will carefully consider stakeholder feedback and outcomes from the Review of Governance Arrangements for Australian Energy Markets as we work to improve our performance in this area. We will also continue to monitor and report on our overall rule change performance.

TIME WITHIN WHICH NEW RULE CHANGES ARE STARTED



# REVIEWS AND ADVICE

During the year under review we undertook 25 reviews and advice papers on a range of topics as well as submissions. Of these projects, 15 were completed and 10 were underway at 30 June 2015.

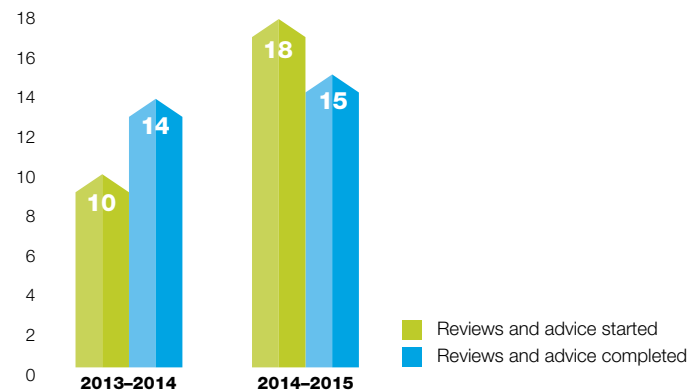
We also received 201 written submissions from stakeholders in relation to the review projects undertaken this year. Of those submissions 45 were received late, contributing to delays.

We completed 100% of reviews within original Terms of Reference timelines, compared with 88% last year.

## Proponents

The AEMC undertakes reviews and provides advice at the request of the COAG Energy Council and as required by the rules. We are also able to initiate our own reviews relating to the rules. Of the thirteen reviews initiated in the year under review, five were requested by the COAG Energy Council, and four were rules requirements. This year the AEMC prepared submissions to the Emissions Reduction Fund Safeguard Mechanism; the Review of Governance Arrangements for Australian Energy Markets; the NSW Select Committee Inquiry into leasing electricity infrastructure; the Senate Inquiry into electricity network companies; and the Harper Competition Policy Review

REVIEWS, ADVICE AND SUBMISSIONS STARTED AND COMPLETED



## Moving energy markets forward

Our work program needs to strike an appropriate balance between delivering change to address already identified issues (rule changes) and consideration of 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. We can also initiate our own formal market reviews relating to the operation of the rules.

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 submit rule change requests to deliver those changes.

We advise the COAG Energy Council on a number of specific matters, such as retail price trends and the effectiveness of retail competition. Increasingly, individual governments are asking us, through the COAG Energy Council, to provide targeted advice to address issues that are relevant to their jurisdiction. For example, this year the Victorian Government obtained Energy Council agreement to ask the AEMC to carry out a detailed review of the pipeline capacity, investment, planning and risk management mechanisms in the Victorian gas market. The review is being funded by Victoria and is due for completion in 2016.

Over the past year we increased our focus on emerging and future trends in energy market development. For example, we started a project to understand the future regulatory impact of new electricity storage technologies on the energy market. Advances in technology and decreasing costs mean storage technologies have the potential to affect every part of the electricity supply chain. We need to understand the regulatory implications of this type of technological change and whether the market is flexible and resilient enough to accommodate this evolution.

The reviews and advice we worked on this year were:

Reviews and advice	Status
<b>COAG Energy Council-initiated</b>	
National Electricity Market Financial Resilience	Complete
Annual Electricity Price Trends Report 1 July 2014 to 30 June 2017	Complete
2014 Retail Competition Review	Complete
2015 Retail Competition Review	Complete
Optional Firm Access, Design and Testing	Complete
Distribution Reliability Measures	Complete
Barriers to Efficient Exit Decisions by Generators	Complete
Implementation advice on the Shared Market Protocol (in relation to services offered by smart meters)	Due September 2015
Annual Electricity Price Trends Report 1 July 2015 to 30 June 2018	Due December 2015
Review of the Victorian Declared Wholesale Gas Market	Due 2016
East Coast Wholesale Gas Market and Pipeline Frameworks Review	Due 2016
<b>AEMC-initiated</b>	
Last Resort Planning Power – 2014 Review	Complete
Last Resort Planning Power – Guidelines Review	Due October 2015
Last Resort Planning Power – 2015 Review	Due November 2015

Reviews and advice	Status
Strategic Priorities for Energy Market Development 2016 – 2017	Due November 2015
Integration of Electricity Storage Technologies	Final Report due December 2015
Review of Technical Standards	Due March 2016
<b>Reliability Panel-initiated</b>	
Reliability Standard and Settings Review 2014	Complete
Template for Generator Compliance Programs Review 2015	Complete
Annual Market Performance Review 2014	Due late 2015
<b>Submissions</b>	
Emissions Reduction Fund: Safeguard mechanism consultation paper – submission	Complete
Review of Governance Arrangements for Australian Energy Markets – submission	Complete (review process due in December 2015)
Senate Environment and Communications References Committee inquiry into electricity network companies – submission	Complete
NSW Legislative Council Select Committee Inquiry into the leasing of electricity infrastructure – submission	Complete
Competition Policy Review: Issues Paper and Draft Paper – submissions	Complete



# RELIABILITY PANEL

## AEMC Reliability Panel

The Reliability Panel was established by the AEMC under the National Electricity Law. It determines standards and guidelines which help maintain a secure and reliable power system for consumers.

The Panel is chaired by AEMC Commissioner, Mr Neville Henderson. 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 energy markets; consumer protection; and power system operations and planning.

## Reliability Panel work program

The Reliability Panel's work program is set 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 operability to capture the benefits of generation from across regional boundaries.

To incentivise sufficient generation capacity and demand side response to deliver the reliability standard, the NEM design includes three key reliability settings. The 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 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 recommends to the AEMC the reliability standard and reliability settings to apply.

The latest of these reviews was carried out in 2014 and concluded that the current settings were consistent with the promotion of market arrangements that encourage efficient investment and flexibility. The next review will be carried out in 2018. Prior to this, the Reliability Panel must develop guidelines setting out its approach to the next review in line with a rule change made by the AEMC in March 2015.

The Panel also reviews and determines the power system security standards (including the frequency operating standards for the NEM mainland and for Tasmania). Following a rule change made in April 2015 the Panel is required to remake the System Restart Standard which will determine the level of restart services that must be procured in order to restart the system following a major blackout.

In addition, the Panel 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. This includes reporting on any major power system incidents and the Panel may recommend measures to lessen the impact of similar incidents in the future.

The AEMC Reliability Panel in 2014-2015:

- Performed its annual review of market performance for the 2013-2014 financial year. In this period, the Panel found that the reliability standard had been met in all regions of the NEM, and that any system security and safety issues were effectively managed by AEMO and network system operators. AEMO was required to issue one direction for security to maintain the power system in a secure operating state. While there were some frequency excursions outside the frequency operating standards on the mainland and in Tasmania, these incidents were managed without material impacts on the market or market participants.
- Performed its three-yearly review of the template for generator compliance programs. The Panel made recommendations to improve the template's clarity and reflect changes in generation technology, monitoring techniques and plant operational modes.

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 or stakeholder workshop.

### Consumer Advocacy Panel / Energy Consumers Australia

The Consumer Advocacy Panel (CAP) was established under the AEMC Establishment Act to facilitate customer advocacy in the national electricity and national gas markets through its program of grants.

In December 2013 the COAG Energy Council agreed to establish a new national energy consumer advocacy body, Energy Consumers Australia (ECA). Upon establishment of ECA on 30 January 2015, ECA assumed CAP's grant-making functions, and CAP ceased operations. All current grants were novated to ECA, in accordance with the legislation.

**Note:** Under the *Statutes Amendment (Energy Consumers Australia) Act 2014 (SA)*, ECA must include in its first annual report the CAP financial report (including 2014/15 audited financial statements of CAP) that would have been required to be included in the AEMC's annual report (under section 47 of the AEMC Establishment Act, as in force immediately prior to 30 January 2015) had CAP not been dissolved.

### Reliability Panel members and attendance 1 July 2014 to 30 June 2015

Member	Organisation	Term expiry	Panel meetings	
			Eligible	Attended
Neville Henderson (Chairman)	AEMC	18 Oct 2017	7	7
Trevor Armstrong	Ausgrid	31 Dec 2016	7	2
Murray Chapman	Australian Energy Market Operator (AEMO)	Ongoing	7	6
Stephen Davy	Hydro Tasmania	17 Dec 2015	7	6
Gavin Dufty	St Vincent de Paul Society (Victoria)	31 Dec 2016	7	5
Mark Grenning	Rio Tinto	31 Dec 2015 (Resigned 9 Apr 2015)	5	4
Chris Murphy	Meridian Energy	31 Dec 2015	7	5
Nick Sankey	Commonwealth Bank	31 Dec 2015	7	5
Richard Wrightson	AGL Energy	31 Dec 2016	7	4
Merryn York	Powerlink	17 Dec 2015	7	5
<b>Observer</b>				
Rachel Steven	Hydro Tasmania for Stephen Davy	n/a	1	1



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We help shape our internal priorities by looking to the AEMC's vision, mission and strategic priorities to support our work which delivers market development initiatives in the long-term interests of consumers.

**ORGANISATION**

# OUR VALUES

THE SHARED VALUES OF THE AEMC ARE LEADERSHIP, ENGAGEMENT AND INTEGRITY. EACH OF US SEEKS TO REFLECT THOSE VALUES IN HOW WE ACT AND DISCHARGE OUR FUNCTIONS.

## OUR VISION

Flexible and resilient markets that benefit consumers.

## OUR MISSION

To improve consumer outcomes from the strategic development of energy markets, through rules and advice.

## OUR VALUES

Leadership. Engagement. Integrity.



**LEADERSHIP** reflects our desire to lead the debate on key issues of energy market development and engage with governments, consumers and market participants to promote dialogue and understanding. We value different perspectives and welcome meaningful debate on energy market issues. We share our knowledge, and empower those who look to us for advice. We engage in forward planning, demonstrate ownership, and support and motivate our colleagues, building on our collective experience.



**ENGAGEMENT** is at the core of everything we do. We aim to build and maintain strong relationships with stakeholders and we value their input to our rule making and strategic advice to governments. We focus on pursuing opportunities for consultation and expanding the range of organisations, groups and individuals with whom we collaborate. We take a genuine interest in and are passionate about our work, show consideration for others and seek opportunities to learn.



**INTEGRITY** speaks to the respect we have for our stakeholders, our high standards of impartiality, objectivity and the transparent processes that frame the work we undertake. An ethical, reliable and consistent approach is paramount in all our dealings with governments, industry and consumers. We are team players, are open-minded and receptive to new ideas, and conduct ourselves in a professional manner.

# GOVERNANCE

## Legislative framework

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 (Part 4, National Electricity Law, Part 2, National Gas Law and Part 9, National Energy Retail Law) and the Australian Energy Market Commission Establishment Act 2004 (SA).

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 AEMC staff to act with fairness, honesty, impartiality and integrity in all our dealings.

## Review of Governance Arrangements for Australian Energy Markets

In February 2015 the COAG Energy Council started its Review of Governance Arrangements for Australian Energy Markets. The review fulfils a COAG commitment to evaluate energy market governance arrangements five years after their commencement (AEMO, the final of these institutions, was created in 2009).

In its submission to the review, the AEMC noted that the governance arrangements have delivered successful market and regulatory outcomes which have been in the long-term interests of energy consumers. The proven resilience of the arrangements provides a solid platform for the adoption of potential improvements that further promote successful consumer outcomes from the continuing energy market reform agenda.

We also noted areas for improvement, in particular for potentially faster processing of rule changes by the AEMC that remain consistent with the statutory timeliness for the rule change process, including the requirements for stakeholder consultation. We will carefully consider any stakeholder feedback about the AEMC received as part of the Governance Review, along with any identified opportunities for improvement to governance arrangements

### Key goals for 2014-2015

We are delivering on our mission to improve consumer outcomes from the strategic development of energy markets, through our rule making and advice for policy makers.

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 our next three-year Stakeholder Engagement Plan for 2016-2018 which aims to deepen stakeholder participation in our rule making and advice, in particular for consumers and their representatives and gas industry participants.
- Continued to increase the sophistication of our communications function, with more accessible information and more varied tools to engage with a range of stakeholders and, importantly, consumers.
- Initiated a new survey process to measure stakeholder satisfaction with project-specific engagement and consultation processes.
- Reviewed internally the operation of the statutory rule change process, with a particular focus on identifying options for the improvement of the timeliness of the overall process, as described in our submission to the Review of Governance Arrangements for Australian Energy Markets.
- Continued to focus on improving the quality of our analysis and decision making.
- Improved the public transparency of our processes by monitoring and reporting against new key performance indicators (see below).
- 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 and take advantage of emerging technologies to improve productivity and collaboration within the organisation.

- Renewed our HR strategy and developed actions to support our efforts to attract, develop and retain the best workforce for the AEMC; drive performance through leadership, culture and values; and maintain our operational HR excellence.
- Continued to develop the skills and abilities of our staff to deliver high quality rule change and review work.

### Key performance indicators

The AEMC's Statement of Intent sets out how the AEMC will meet the COAG Energy Council's expectations through its strategic priorities and work program. It also sets out the AEMC's deliverables and performance indicators to measure its performance in meeting those expectations.

Our KPIs cover these areas:

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

The table below shows our performance for the 2014-2015 year.

## Statement of Intent Key Performance Indicators

Area	Measure	Performance 2013-2014	Performance 2014-2015
<b>Organisation</b>			
Budget management	Annual expenditure is within +/- 5% of initial budget	2%	-1%
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%	30%
Staff development	100% of staff have objectives and personal development plans which are reviewed annually	100%	100%
Effective governance	Annual management review of risk assessment framework and implementation of appropriate internal audit work program	Completed	Completed
<b>Work program</b>			
Rule requests	75% of requests initiated with four months of receipt	43%	17% <sup>3</sup>
	100% of rule changes made within statutory timelines (including where extensions are requested)	100%	100%
Rule change extensions	Proportion of rule change processes that are extended	35%	20%
Rule change challenges	0% of rule change challenges are upheld	No challenges	No challenges
Market reviews and advice	85% of reviews completed within original Terms of Reference timelines	88%	100%
Efficient resource use	Proportion of FTE and total budget spend on rule making, reviews and advice	FTE: 85% Total budget: 89%	FTE: 84% Total budget: 88%

Area	Measure	Performance 2013-2014	Performance 2014-2015
<b>Stakeholder engagement</b>			
Council and Jurisdictions engagement	Number of formal meetings attended by Commissioners and/or staff with Council and/or Jurisdictional leads	188	155
Commissioner forums	Number of consumer and industry forums attended by Commissioners	33	27
Staff-led forums	Number of consumer and industry forums attended by AEMC staff	43	63
Institutional co-operation	Number of meetings between Commissioners and AEMO and AER leadership	15	8
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>	N/A for 2014/15. Next survey will be held in March 2016.
	Develop project-specific stakeholder satisfaction surveys and ensure at least 25% of projects initiate survey upon project completion	Process under development in FY14	Process established. First survey sent June 2015.

<sup>3</sup> This figure applies to only those rule changes which were initiated in the year under review. Of the 18 rule change projects which were initiated during the year under review, 17% (3) were initiated within four months of receipt. Of the 21 rule changes which were initiated in 2013-14, 38% (8) were initiated within four months of receipt. Last year we used a different approach to reporting on this KPI. We included all rule changes which were open during the year under review, including those initiated in previous years. To enable us to better track our year-to-year performance, we now include only rule changes initiated in the year under review.

## Performance

We met our performance targets for Key Performance Indicators this year with the following exceptions:

Staff turnover was higher than we would like at 30% in the year under review following two years of relatively low turnover. We remain focused on retaining our high quality staff through a range of measures to ensure the AEMC is highly regarded as an employer.

The flow-on effects of an unexpected spike in rule requests received from stakeholders in the third quarter of 2013-2014 meant that we initiated 17% of rule changes within four months this year, against our target of 75%. We are committed to improving this performance and are taking action internally to address the timeliness of initiation.

Our KPIs also show our continued focus on extensive stakeholder engagement, with a consistently high number of meetings and forums.

## The Commission and Senior Management Team

The three Commissioners exercise the AEMC's statutory rule-making and market development functions, subject to some delegations as explained below.

Most of the functions relating to the management and day-to-day running of the organisation are the responsibility of 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.

## Commission statutory and governance meetings 2014/15

Commissioner	Current term	STATUTORY MEETINGS		ORGANISATIONAL MEETINGS	
		Eligible	Attended	Eligible	Attended
Neville Henderson*	19 October 2014 to 18 October 2017	42	38	12	11
Brian Spalding	22 August 2013 to 18 April 2016	42	42	12	12
John Pierce*	2 June 2015 to 1 June 2020	42	35	12	9

\* Mr Henderson's term of appointment was renewed on 19 October 2014. Mr Pierce's term of appointment was renewed on 2 June 2015.

## 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 2014-2015:

Mr Pierce is appointed in a full time capacity and does not consider that his other commitments give rise to any conflicts that 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.

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

During the year under review, the AEMC's Audit and Risk Management Committee was comprised of an independent Chairman, Mr Glenn Appleyard, the AEMC Chairman, Mr John Pierce, and Commissioner Dr Brian Spalding. Mr Appleyard is Chairman of the Audit and Risk Management Committee and currently Chair of the Tasmanian Economic Regulator; a member of the Independent Hospital Pricing Authority; 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.

A revised charter for the Audit and Risk Management Committee was approved by the Commission on 21 April 2015. Two independent members were appointed during the year under review and their terms started on 1 July 2015. The independent members are Ms Jane Byrne and Mr Jim Mitchell.

## Commission Audit and Risk Management Committee Membership & Meetings 2014/15

**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, Glenn Appleyard	From 4 May 2010	3	3
John Pierce	2 June 2010 – 21 April 2015	3	3
Brian Spalding	From 19 April 2010	3	3

## 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. No instances of fraud were identified during the year under review.

## 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 2014-2015. All documents we publish regarding our rulemaking, reviews, advice 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](http://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

## BROADENING STAKEHOLDER INPUT

Effectively engaging with people and organisations interested in Australia's energy market is a fundamental input to our rule making and the strategic advice we provide to governments. Staff and Commissioners maintain regular dialogue with stakeholders to understand the impact of changes that we make and to build an understanding of the reasons for decisions.

## Integrated engagement planning

At an organisational level our conversations with stakeholders are focused on market-wide issues including through the AEMC Strategic Priorities process.

Engagement is also undertaken on a daily basis by our project teams in relation to specific rule change proposals and reviews.

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

## Strengthening stakeholder input into our rules and reviews

We are committed to a process of continual improvement focussed on making the full extent of our work program more accessible to all our stakeholders both in terms of the transparency of the statutory consultation process as well as the quality of our documents and online materials. These initiatives include:

- Publication of guidelines on [www.aemc.gov.au](http://www.aemc.gov.au) to help stakeholders structure rule requests so that requirements are met and requests are able to be properly considered. *How to Lodge Submissions Guidelines* are also available.
- Forming stakeholder reference groups for some more complex projects.
- Industry and consumer representatives are also featured as invited speakers to put forward their members' views at public forums which are held as part of the review and rule change process.
- The AEMC's consultation involves detailed briefings and meetings for an exchange of views at key points in the decision-making process. Industry and consumer groups are priority participants in these conversations.
- Stakeholders are kept informed of AEMC decisions and news directly through our weekly email newsletter and website publishing of all documents including determinations, reports, supporting publications, and submissions.

- This year the AEMC's weekly email newsletter was relaunched in a plain English, mobile-friendly format to encourage sharing of work program information between members of our increasingly diverse stakeholder base.
- Notices of public meetings are posted to the AEMC website and distributed to stakeholders by email.
- The Commission has developed plain English communication packs including two-page project summaries, media releases, infographics, and fact sheets for all parts of the work program.

### Deepening engagement with consumer groups

Consumers, both large and small, have been identified as a priority stakeholder group for the AEMC since becoming responsible for the National Energy Retail Rules and other elements of the National Electricity Rules and National Gas Rules as part of the introduction of the National Energy Customer Framework in 2012. This is a growing area of engagement. In particular, we consider the creation of Energy Consumers Australia this year to be a valuable opportunity to obtain focussed and well developed customer input on issues facing average energy consumers.

It is critical that we engage with consumers and their representatives on a broader dialogue around the structure and performance of Australia's energy markets. We recognise that small consumers in particular can be harder to reach. Commissioners and staff regularly interact with different consumer groups to discuss their experience of the markets, areas of concern and potential regulatory solutions. Examples of this engagement include:

- The launch of a series of strategic forums in 2014 to provide an alternative consumer engagement pathway beyond project-specific consultation for consumer groups. The AEMC Consumer Priority Forums have continued

throughout 2015 are now an established feature of our engagement calendar. The forums respond to requests from consumer respondents in our 2013 stakeholder survey for more strategic engagement on market-wide issues.

- A national online survey of 94 consumer organisations on what issues they identified as of highest importance for market development. We received 38 responses representing a 40% response rate. The priorities identified in the survey formed the basis of our engagement with consumer group leaders throughout the year.
- Development of a wide range of engagement channels including consumer surveys (both telephone and on-line), deliberative forums and focus groups to develop meaningful ways to engage with average small consumers around the country. Detailed conversations with consumers have been undertaken as part of our competition reviews and some individual rule changes such as the *Retailer Price Variations in Market Retail Contracts* which was the first retail rule request received from small consumer advocacy groups.
- The AEMC's Chief Executive and members of the management team 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.
- Expansion of Commissioner and management team-level engagement with jurisdictional Energy Ombudsmen and the recognition of this engagement through entry into Memoranda of Understanding with many of the ombudsmen.

### New rules for clearer energy contracts: A consumer-driven rule change

In October 2014 the AEMC made a rule to help consumers shop more confidently for electricity and gas by requiring energy retailers to provide clearer information on energy contract options. The new rule clarifies that retailers must tell consumers more clearly if prices can change during their retail contracts and provide clear product disclosure details on when they will notify customers about price changes.

This new rule was made in response to a rule request submitted by Victorian consumer groups, the Consumer Action Law Centre (CALC) and the Consumer Utilities Advocacy Centre (CUAC). The request sought to prohibit retail contracts that allowed prices to change when the offer is for a defined period of time.

We consulted widely with a broad range of stakeholders on the issues raised including two rounds of consultation; a public forum held in Melbourne; and a national schedule of face-to-face meetings with consumer groups and other stakeholders in South Australia, Victoria, NSW and Queensland.

We also conducted consumer research that informed the final rule. Surveys indicated that some consumers may be entering contracts unaware that prices may change during the term of some types of contracts. The research also indicated that people want a range of contract and price options to meet the specific needs of their household or business – with both fixed and variable prices to choose from. Both fixed and variable price contract options currently exist for consumers to choose from and the final rule preserves the ability of consumers to choose from those options.

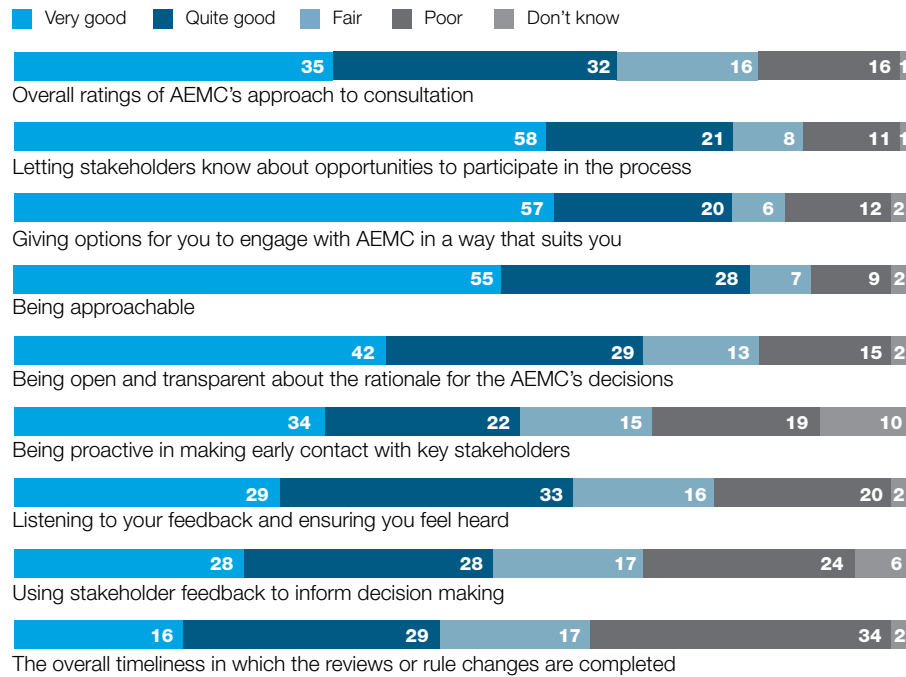
**Performance**

This year we introduced a new stakeholder survey on the quality of the AEMC’s consultation processes for reviews and rule changes. The feedback is used to guide improvements in how we engage with stakeholders. These online surveys are reviewed by an independent research company and responses remain completely confidential unless stakeholders want their views revealed to the AEMC. Our first survey was conducted in June 2015 with 122 respondents (a response rate of 32%). High level findings included:

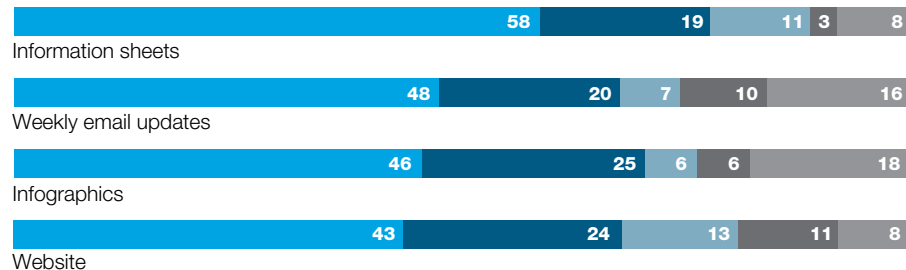
- Two thirds of respondents rated the AEMC’s approach to consultation as quite good or very good
- The quality of the AEMC’s communication materials was seen as very good overall
- Many stakeholders wanted a better understanding of the extent to which the AEMC takes feedback on board and uses it to inform its decision-making
- There is room for improvement in the timeliness in which reviews and rule change processes are completed.

The survey feedback provides a valuable baseline to monitor our progress in strengthening engagement and ensuring stakeholders have meaningful input into decisions that could affect them. At the close of the year under review we were reviewing the research results and scoping process improvements to be implemented. Early decisions included the addition of a project key dates calendar on our website and the introduction of key stakeholder briefings in relation to aspects of their contributions to our consideration of draft and final determinations and reviews.

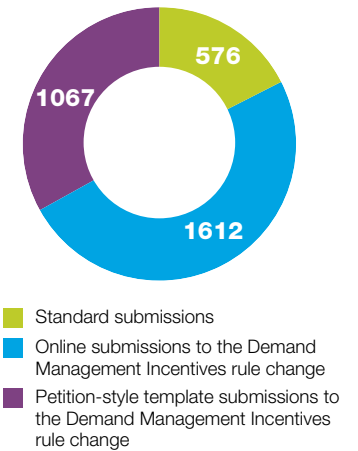
**RATINGS OF AEMC’S CONSULTATION PROCESS BY KEY PERFORMANCE AREA**



**RATINGS OF THE AEMC’S COMMUNICATIONS MATERIALS**



**STAKEHOLDER SUBMISSIONS IN 2014-2015**



WRITTEN SUBMISSIONS – ON TIME AND LATE

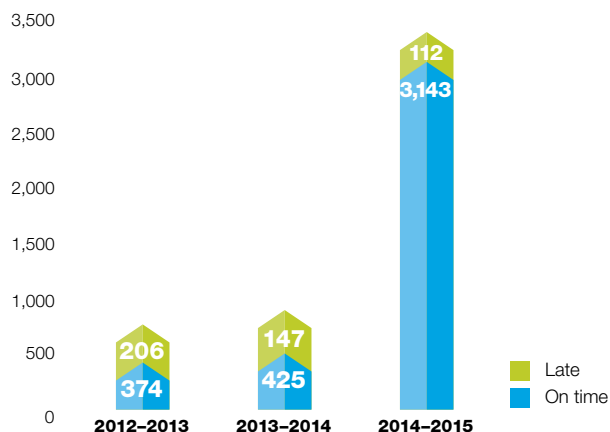
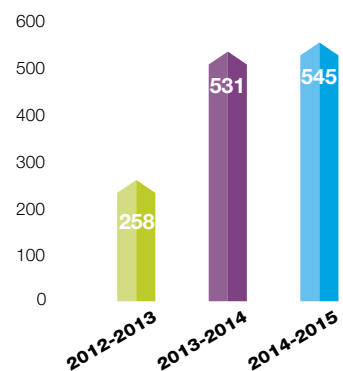


FIGURE 12 STAKEHOLDER PRESENTATIONS AND MEETINGS



### Engagement activities in 2014-2015

This year we received 3255 submissions to all projects undertaken throughout the year under review. Around 2700 of these submissions were from individual private energy users via the websites of CHOICE and Solar Citizens in relation to the Demand Management Incentive Scheme rule change proposal. Excluding these petition-style submissions, we received 576 submissions this year, compared with 572 for 2013-14.

### Engagement with international energy market bodies

The AEMC actively engages with international energy market bodies that co-operate on global issues affecting energy markets. International engagement enables us to gain from the experience of others and also provides a forum to share insights drawn from the high-quality analytical work undertaken by Australia's own energy market institutions.

### International Confederation of Energy Regulators (ICER)

The AEMC is a member of the International Confederation of Energy Regulators (ICER) – an international body whose membership includes more than 200 regulatory authorities around the world. ICER's aim is to improve policy makers' awareness and understanding of energy regulation and its role in addressing energy regulation issues in an international context. Through ICER, regulators exchange information about good practices in energy regulation.

The AEMC representative on the ICER Steering Committee is our Chief Executive, Mr Paul Smith. The ICER conveners wanted Australia to be represented because our energy market is well developed and can provide insights for other countries on good practice.

In 2014-2015 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, and submitted a case study for inclusion in an 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.

### International Energy Agency (IEA)

The International Energy Agency (IEA) is an autonomous organisation which works to ensure reliable, affordable and clean energy for its 29 member countries and beyond. The IEA has four main areas of focus: energy security, economic development, environmental awareness and engagement worldwide.

Commissioner Neville Henderson attended the IEA's Electricity Security Advisory Panel expert workshops in July 2014 and delivered presentations on *Peak prices in Australia and Encouraging Demand Response in Australia*.

Our Chief Executive, Mr Paul Smith, presented at the IEA Expert Workshop on Network Investments and Regulation in January 2015 and shared Australia's experience of retail pricing reform.

### World Forum on Energy Regulation

Commissioner John Pierce and our Chief Executive Paul Smith represented the AEMC at the 6th World Forum on Energy Regulation held in May 2015 in Istanbul, Turkey. Mr Pierce delivered a presentation on how to improve regulations to meet the increasing complexities of energy markets. Mr Smith's presentation focused on Australia's work to encourage demand side participation and the implementation of the Power of Choice review.

### Asia Pacific Energy Regulatory Forum

At a forum attended by energy regulators from countries including the United States, Japan and New Zealand in August 2014, Commissioner John Pierce presented an overview of Australia's energy market regulatory framework and the AEMC's approach to consumer engagement.

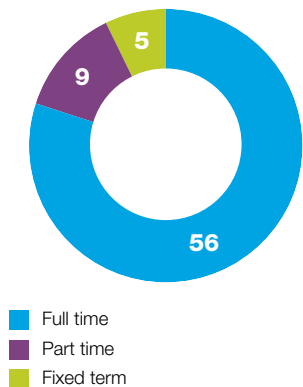
Our stakeholders and how we engage with them

GROUP	STAKEHOLDERS		OUR ENGAGEMENT
Commonwealth Government	COAG Energy Council	Relevant ministers from Commonwealth, State and Territory governments.	We report twice yearly 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	Queensland, New South Wales, Australian Capital Territory, Victoria, Tasmania, South Australia, Western Australia, Northern Territory	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	Regulators working across energy markets, corporate and financial services sectors.	We liaise with regulators as required
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 Services 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 have 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.	We are engaging with the leadership of the newly formed ECA to exchange learnings in relation to issues facing average energy consumers.
	Energy Consumers Australia (ECA)	National energy consumer advocacy body	

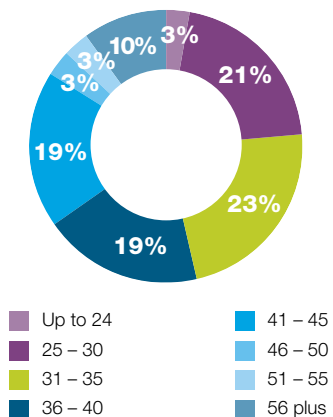
GROUP	STAKEHOLDERS		OUR ENGAGEMENT
Energy users	Households and small energy users represented by a range of groups including (but not limited to: Australian Council of Social Service (ACOSS), state and territory Councils of Social Service, PIAC, Total Environment Centre, Ethnic Communities Council of NSW, Consumer Action Law Centre (CALC), Consumer Utilities Advocacy Centre (CUAC), St Vincent de Paul Society, Alternate Technology Association (ATA), Uniting Care, 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.  We conduct extensive consumer surveys for our reviews of retail competition as well as a survey of consumer group leaders to identify their priority issues for energy market development.  We hold consumer priorities forums to provide a strategic consumer engagement pathway beyond project-specific consultation.
	Large energy users	Individual companies and their representatives such as the Major Energy Users and Energy Users Association of Australia. Peak business bodies.	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 rule changes and reviews.
	Energy Ombudsmen	Providers of independent dispute resolution services for electricity and gas customers.	
Energy sector	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 2014-2015 we significantly raised the level of informal conversations with these stakeholders. In particular, we have increased our engagement with gas industry stakeholders for our reviews of gas market development.
	Industry peak bodies including the Energy Supply Association of Australia; Energy Retailers Association of Australia; Energy Networks Association; Australian Pipelines and Gas Association; Clean Energy Council; Australian Financial Markets Association.		
Interested groups	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 economy. Our senior managers have increased their engagement with this group both on an individual basis and by accepting invitations to forums.



EMPLOYMENT STATUS



EMPLOYEES BY AGE



## PEOPLE

Our people are committed to realising the AEMC’s vision for flexible and resilient energy markets that benefit consumers.

### Recruitment

In the year under review our staff numbers increased slightly to 70. Vacant positions were advertised internally and externally with searches focussed 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 hires, the AEMC also seeks to provide development opportunities and career paths for its staff. Today the AEMC staff is a broad-based team of professionals including economists, engineers, lawyers, regulatory and policy advisers and corporate services specialists.

### Equal opportunity

The AEMC demonstrates diversity with 57 per cent representation of women in our workforce, including four of the seven Senior Directors who make up the Senior Management Team.

### Building capabilities

At AEMC we strive to create a high performance culture using an across-the-board performance management framework. This comprehensive approach to managing individual performance leads to stronger results for teams as well as individuals.

Performance management at AEMC aims to:

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

All employees complete a bi-annual performance review with their managers. The performance review sets specific objectives for the year ahead and evaluates the previous year’s performance. Outcomes from the performance reviews are an input to each employee’s annual remuneration review.

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, is supported by the organisation and accompanied by one-on-one feedback sessions and reviews, as well as comprehensive training support tailored to individual needs. In the coming year we will be further developing training programs tailored to the different roles undertaken by staff.

### Employee feedback

We conduct an annual Employee Feedback Survey as a key input to our Human Resources planning. Our research includes an online survey and a series of focus groups to further explore the survey feedback. Staff from all levels of the organisation are involved in the research process which covers the areas of: employee engagement; communication; learning and development; and reward and recognition.

### 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 maintaining a safe and healthy working environment. We are pleased to report that, as with the previous year, no work-related lost-time injuries were recorded in 2014-15. We believe that health and safety at work is a shared responsibility and that everyone must perform their duties with awareness and regard for their own safety and that of others. The AEMC’s Operations Officer oversees our work health and safety systems and ensures all staff are educated in work health and safety responsibilities.

### 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 emphasise the importance of work-life balance for our staff and offer physical and mental health seminars and checks throughout the year including a winter vaccination clinic. Employees also have access to an employee assistance program which helps staff and their families enhance their emotional and general psychological wellbeing. We support and promote flexibility in working arrangements, with 13% of our staff employed on a permanent part time basis.

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# FINANCIAL PERFORMANCE

ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015



# REPORT OF THE AUDITOR-GENERAL

## INDEPENDENT AUDITOR'S REPORT



Government of South Australia  
Auditor-General's Department

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200 Victoria Square  
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DX 56208  
Victoria Square  
Tel +618 8226 9640  
Fax +618 8226 9688  
ABN 53 327 061 410  
audgensa@audit.sa.gov.au  
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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 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2015
- a Statement of Administered Financial Position as at 30 June 2015
- a Statement of Administered Changes in Equity for the year ended 30 June 2015
- a Statement of Administered Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information for administered items
- a Certificate from the Chairperson, Chief Executive and Finance and Risk Manager.

### The Commissioners' 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 determine 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

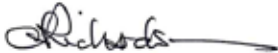
My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical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

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 2015, 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.



Andrew Richardson  
**Auditor-General**  
21 September 2015

# CERTIFICATION OF THE FINANCIAL STATEMENTS

## Australian Energy Market Commission Financial Statements for the year ended 30 June 2015

### Certification of the financial statements

We certify that the:

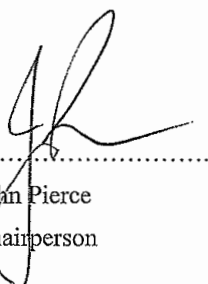
- financial statements of the Australian Energy Market Commission (“the Commission”):
  - are in accordance with the accounts and records of the Commission; and
  - comply with relevant Treasurer’s Instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the Commission at the end of the financial year and the result of its operation and cash flows for the financial year.
- Internal controls employed by the Commission over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.

  
.....

Paul Smith  
Chief Executive

  
.....

Laurie Treloar FCPA  
Finance & Risk Manager

  
.....  
John Pierce  
Chairperson

Date: 16 September 2015

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Expenses</b>			
Employee benefits expenses	5	10,739	10,700
Supplies and services	6	8,946	8,487
Depreciation and amortisation expense	7	507	642
Grants	8	27	78
Net loss on disposal of non-current assets	10	9	1
<b>Total expenses</b>		20,228	19,908
<b>Income</b>			
Interest revenues	11	317	318
Other revenues	12	527	694
<b>Total income</b>		844	1,012
<b>Net cost of providing services</b>		(19,384)	(18,896)
<b>Revenues from Government</b>			
Contributions from participating jurisdictions	13	19,959	19,233
<b>Net result</b>		575	337
<b>Total comprehensive result</b>		575	337

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 2015

	Note	2015 \$'000	2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents	14	14,505	13,537
Receivables	15	896	600
Lease incentive	22	–	48
<b>Total current assets</b>		15,401	14,185
<b>Non-current assets</b>			
Property, plant and equipment	16	341	298
Intangible assets	17	246	534
<b>Total non-current assets</b>		587	832
<b>Total assets</b>		15,988	15,017
<b>Current liabilities</b>			
Payables	18	861	666
Employee benefits	19	666	545
Other liabilities	20	2,186	2,054
<b>Total current liabilities</b>		3,713	3,265
<b>Non-current liabilities</b>			
Payables	18	60	71
Employee benefits	19	373	440
Provisions	21	324	298
<b>Total non-current liabilities</b>		757	809
<b>Total liabilities</b>		4,470	4,074
<b>Net Assets</b>		11,518	10,943
<b>Equity</b>			
Retained earnings		9,501	8,926
Contributed capital		2,017	2,017
<b>Total Equity</b>	23	11,518	10,943

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

Unrecognised contractual commitments	24
Contingent assets and liabilities	25

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

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Note	Contributed capital \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2013		2,017	13,397	15,414
Changes in accounting policy	3	–	(4,808)	(4,808)
Restated balance as 30 June 2013		2,017	8,589	10,606
Net result for 2013-14		–	337	337
<b>Total comprehensive result for 2013-14</b>		–	337	337
Balance at 30 June 2014		2,017	8,926	10,943
Net result for 2014-15		–	575	575
<b>Total comprehensive result for 2014-15</b>		–	575	575
<b>Balance at 30 June 2015</b>	23	2,017	9,501	11,518

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 2015

	Note	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Employee benefits payments		(10,172)	(10,449)
Payments for supplies and services		(10,080)	(9,238)
Payments of grants		(27)	(78)
Payments for paid parental leave scheme		(18)	–
<b>Cash used in operations</b>		<b>(20,297)</b>	<b>(19,765)</b>
<b>Cash inflows</b>			
Receipts from participating jurisdictions		20,544	21,293
Other receipts		384	848
Interest received		324	318
GST recovered from the ATO		256	136
Receipts for paid parental leave scheme		19	–
<b>Cash generated from operations</b>		<b>21,527</b>	<b>22,595</b>
<b>Net cash provided by operating activities</b>	27(b)	<b>1,230</b>	<b>2,830</b>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of property, plant and equipment		(221)	(139)
Purchase of intangibles		(41)	(164)
<b>Cash used in investing activities</b>		<b>(262)</b>	<b>(303)</b>
<b>Net cash used in investing activities</b>		<b>(262)</b>	<b>(303)</b>
<b>Net increase in cash and cash equivalents</b>		<b>968</b>	<b>2,527</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>13,537</b>	<b>11,010</b>
<b>Cash and cash equivalents at the end of the period</b>	27(a)	<b>14,505</b>	<b>13,537</b>

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 2015

## 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; 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 financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*. The financial statements are general purpose financial statements and 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 2015. Refer note 3.

### 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 26).

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 12 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 2015 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.

On 11 December 2014, the COAG Energy Council agreed that a new national advocacy body, Energy Consumers Australia (ECA), would commence operations in 2015. State Ministers had earlier decided that the ECA would incorporate the functions of the Consumer Advocacy Panel. The legislative amendments package to repeal the Panel functions was passed by the South Australian Parliament on 3 December 2014. The legislation received Royal Assent on 18 December 2014, and came into effect on 30 January 2015. The Panel ceased operations on 29 January 2015.

The legislative amendments directed the transfer by the AEMC to ECA of any amount held by the AEMC for the purposes of the Panel. The legislation also mandated the transfer to ECA of all rights, obligations and liabilities of the AEMC and Panel relating to a grant, or a contract or agreement entered into by the AEMC at the direction of the Panel. The administered financial statements are for the period 1 July 2014 until the 30 June 2015 and include transactions post 29 January 2015 when the Panel ceased operations. This included a transfer of \$2,058,000 to ECA in March 2015 as required by legislation and closure of the Panel's bank accounts.

### d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted. Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

Where the Commission has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, it has provided details in note 3.

The restated comparative amounts do not replace the original financial statements for the preceding period.

### 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 2015 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2015 and which may have a material impact on the results of subsequent years. Refer note 29.

## 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 in the period in which they are earned.

## 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 benefits 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.

Assets' 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. These have not changed.

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 to be 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 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be recovered or settled after more than 12 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 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be recovered after more than 12 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, net 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 2015 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 2 on the fair value hierarchy.

### **l) 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 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be settled after more than 12 months.

#### **Payables**

Payables include creditors, accrued expenses, net 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.

The Paid Parental Leave Scheme payable represents amounts which the Commission has received from the Commonwealth Government to forward onto eligible employees via the Commission's standard payroll processes. That is, the Commission is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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.

Employee 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 12 months and is measured at the undiscounted amount expected to be paid.

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 measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. The estimated liability for long service leave is based on expected future salary levels, experience of employee departures and service levels. Expected future payments are discounted using the Commonwealth Government bond yields as at end of the reporting period that have maturity dates approximating the estimated future cash outflows.

Long service leave benefits are classed as a current liability where an employee is eligible for long service leave, or will be in the next year, and have advised of their intention to utilise their entitlement.

#### **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 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**

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 2015.

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.

The Commission has voluntarily adopted an accounting policy change for the recognition of contributions from participating jurisdictions to account for contributions in the year in which it is earned, not when it has been invoiced.

Contributions for 2015 exclude the first quarter contributions of 2016, which otherwise would have been accounted for in 2015, but include the first quarter of contributions for 2015, which has resulted in a decrease in contributions for 2015 of \$80,000.

Comparative contribution figures for 2014 have been adjusted to exclude the first quarter contributions for 2015, but include the first quarter of contributions for 2014 which were accounted for in 2013, which resulted in a decrease in contribution for 2014 of \$190,000.

Current receivables for 2014 have been adjusted to exclude funding receivable being the unpaid contribution invoices for first quarter of 2015 of \$3,082,000.

Other liabilities for 2014 have been adjusted to include unearned revenue for the contributions for first quarter of 2015 which were paid before 30 June 2014 of \$2,054,000.

The overall adjustment to retained earnings in relation to the change in accounting policy was \$4,808,000.

#### 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 2015 the Council of Australian Governments' Energy Council advised of the approval of funding of \$20.3m for 2015-16, \$22.2m for 2016-17, \$22.7m for 2017-18 and \$23.3m for 2018-19.

#### 5 Employee benefit expenses

	2015 \$'000	2014 \$'000
Salaries and wages	8,601	8,597
Long service leave	115	143
Annual leave	710	679
Employment on-costs – superannuation	784	743
Payroll and Fringe Benefits Tax	512	497
Relocation expenses	17	41
<b>Total employee benefit expenses</b>	<b>10,739</b>	<b>10,700</b>

Employees are appointed under common law contracts and are not employees under the South Australian *Public Sector Act 2009*.

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 South Australian Government Accounting Policy Framework APF II paragraph APS 4.8 for the year ended 30 June 2015.

Remuneration of employees	2015 No.	2014 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$141,500 – \$151,499	3	5
\$151,500 – \$161,499	3	3
\$161,500 – \$171,499	2	1
\$171,500 – \$181,499	2	3
\$181,500 – \$191,499	4	5
\$191,500 – \$201,499	2	2
\$201,500 – \$211,499	3	1
\$211,500 – \$221,499	–	1
\$221,500 – \$231,499	–	1
\$231,500 – \$241,499	1	–
\$241,500 – \$251,499	1	–
\$251,500 – \$261,499	1	1
\$271,500 – \$281,499	1	–
\$311,500 – \$321,499	–	1
\$321,500 – \$331,499	–	1
\$341,500 – \$351,499	1	–
<b>Total number of employees</b>	<b>24</b>	<b>25</b>

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. The executive base level remuneration rate for 2014-15 is the same as the 2013-14 rate. 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 \$4,708,000 (2014: \$5,184,000). Commissioners' remuneration is disclosed in note 26.

## 6 Supplies and services

	2015 \$'000	2014 \$'000
Property expenses	1,629	2,034
Information technology expenses	487	482
Accounting and audit expenses	87	112
Legal expenses	36	65
Project contractor and consultancy expenses #	4,323	3,622
Project administration expenses *	296	208
Other contractor and consultancy expenses	644	559
General administration expenses	346	336
Travel and accommodation expenses	426	416
Recruitment expenses	259	206
Staff training expenses	310	337
Other staff related expenses	103	110
<b>Total supplies and services</b>	<b>8,946</b>	<b>8,487</b>

# Includes professional services such as economic advice, modelling, and legal advice directly related to project work on rule changes, market reviews and expert panels.

\* Includes stakeholder communication costs, venue hire and statutory advertising directly related to 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.	2015 \$'000	No.	2014 \$'000
Below \$10,000	–	–	3	14
Above \$10,000	25	2,654	17	2,880
<b>Total paid/payable to the consultants engaged</b>	<b>25</b>	<b>2,654</b>	<b>20</b>	<b>2,894</b>

## 7 Depreciation and amortisation expense

	2015 \$'000	2014 \$'000
<b>Depreciation</b>		
Plant and equipment	15	14
IT Infrastructure	154	181
<b>Total depreciation</b>	<b>169</b>	<b>195</b>
<b>Amortisation</b>		
Intangible assets	338	447
<b>Total amortisation</b>	<b>338</b>	<b>447</b>
<b>Total depreciation and amortisation</b>	<b>507</b>	<b>642</b>

## 8 Grants

	2015 \$'000	2014 \$'000
Consumer Advocacy Panel grants	27	78
<b>Total grants</b>	<b>27</b>	<b>78</b>

The Commission administered 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) was responsible for the electricity and gas funding relating to other States and Territories. The 2015 grant amount comprised Western Australia and Northern Territory gas advocacy funding until 29 January 2015 when the Panel ceased operating.

## 9 Auditor's Remuneration

	2015 \$'000	2014 \$'000
Audit fees paid/payable to the SA Auditor-General's Department relating to the audit of financial statements*	35	38
<b>Total audit fees</b>	<b>35</b>	<b>38</b>

\* Auditor fees are included within supplies and services. Refer 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 and other assets

	2015 \$'000	2014 \$'000
<b>Plant and equipment</b>		
Net book value of assets disposed/written off	–	(1)
Net loss from write-off of plant and equipment	–	(1)
<b>IT infrastructure</b>		
Net book value of assets disposed/written off	(9)	–
Net loss from write-off of IT infrastructure assets	(9)	–
<b>Total assets</b>		
Total net value of assets disposed/written off	(9)	(1)
<b>Total net loss from disposal/write-off of assets</b>	<b>(9)</b>	<b>(1)</b>

## 11 Interest revenues

	2015 \$'000	2014 \$'000
Interest earned on bank accounts	317	318
<b>Total interest revenues</b>	<b>317</b>	<b>318</b>



## 12 Other revenues

	2015 \$'000	2014 \$'000
Recovery from the Consumer Advocacy Panel*	243	307
Rent and recovery of project costs	284	387
<b>Total other revenues</b>	<b>527</b>	<b>694</b>

\* Recovery from the Consumer Advocacy Panel for the provision of administrative support until the cessation of its operations.

## 13 Contributions from participating jurisdictions

	2015 \$'000	2014 \$'000
Operational funding	19,959	19,233
<b>Total contributions from participating jurisdictions</b>	<b>19,959</b>	<b>19,233</b>

Contributions for operational funding in 2014 have been restated. Refer note 3.

The above contributions include \$27,000 (2014: \$78,000) funding received by the Commission for the Consumer Advocacy Panel. Refer note 8.

## 14 Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash at bank and on hand	14,505	13,537
<b>Total cash and cash equivalents</b>	<b>14,505</b>	<b>13,537</b>

### 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

	2015 \$'000	2014 \$'000
<b>Current</b>		
Interest receivable	19	26
Prepayments	310	242
GST input tax recoverable	302	289
Other receivables	265	43
<b>Total current receivables</b>	<b>896</b>	<b>600</b>

Current receivables for 2014 have been restated. Refer note 3.

### Allowance for doubtful debts

As at 30 June 2015, 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 note 28.

## 16 Property, Plant and Equipment

	2015 \$'000	2014 \$'000
Plant and equipment, at cost (deemed fair value)	117	119
Accumulated depreciation at the end of the period	(72)	(59)
<b>Total plant and equipment</b>	<b>45</b>	<b>60</b>
IT Infrastructure, at cost (deemed fair value)	845	691
Accumulated depreciation at the end of the period	(549)	(453)
<b>Total IT infrastructure</b>	<b>296</b>	<b>238</b>
<b>Total property, plant and equipment</b>	<b>341</b>	<b>298</b>

All property, plant and equipment assets are classified as a level 2 asset for the purposes of the fair value hierarchy.

### Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2015.

### Reconciliation of non-current assets

The following table shows the movement of non-current assets during 2015.

	2015 \$'000	2014 \$'000
<b>Plant and Equipment</b>		
Carrying amount at beginning of the period	60	63
Acquisitions	–	12
Disposals/write-offs	–	(1)
Depreciation and amortisation	(15)	(14)
<b>Carrying amount at the end of the period</b>	<b>45</b>	<b>60</b>
<b>IT Infrastructure</b>		
Carrying amount at beginning of the period	238	293
Acquisitions	221	126
Disposals/write-offs	(9)	–
Depreciation and amortisation	(154)	(181)
<b>Carrying amount at the end of the period</b>	<b>296</b>	<b>238</b>

## 17 Intangible assets

	2015 \$'000	2014 \$'000
Computer software, at cost (deemed fair value)	3,232	3,207
Accumulated amortisation	(3,011)	(2,673)
<b>Total computer software</b>	<b>221</b>	<b>534</b>
Work in progress	25	–
<b>Total intangible assets</b>	<b>246</b>	<b>534</b>
<b>Reconciliation of computer software</b>		
Carrying amount at beginning of the period	534	737
Acquisitions	25	165
Transfers in from work in progress	–	79
Amortisation	(338)	(447)
<b>Carrying amount at the end of the period</b>	<b>221</b>	<b>534</b>

Computer software mainly relates to the Commission's Internet site with a remaining useful life of 3 years and carrying amount of \$162,000.

	2015 \$'000	2014 \$'000
<b>Reconciliation of work in progress</b>		
Carrying amount at beginning of the period	–	79
Additions to work in progress	25	–
Transfers out from work in progress	–	(79)
<b>Carrying amount at the end of the period</b>	<b>25</b>	<b>–</b>

All intangible assets are classified as a level 2 asset for the purposes of the fair value hierarchy.

### Impairment

There were no indications of impairment on intangible assets at 30 June 2015.

## 18 Payables

	2015 \$'000	2014 \$'000
<b>Current</b>		
Creditors	489	428
Accrued expenses	201	160
Employment on-costs	170	78
Paid Parental Leave Scheme payable	1	–
<b>Total current payables</b>	<b>861</b>	<b>666</b>
<b>Non-Current</b>		
Employment on-costs	60	71
<b>Total non-current payables</b>	<b>60</b>	<b>71</b>
<b>Total payables</b>	<b>921</b>	<b>737</b>

### 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 note 28.

## 19 Employee benefits

	2015 \$'000	2014 \$'000
<b>Current</b>		
Accrued salaries and wages	74	55
Annual leave	487	490
Long service leave	105	–
<b>Total current employee benefits</b>	<b>666</b>	<b>545</b>
<b>Non-current</b>		
Long service leave	373	440
<b>Total non-current employee benefits</b>	<b>373</b>	<b>440</b>
<b>Total employee benefits</b>	<b>1,039</b>	<b>985</b>

The liability for long service leave was determined using a salary inflation rate of 3.0% (2014: 3.0%) per annum and discount rates based on the long term Commonwealth Government bond rates at 30 June 2015.

## 20 Other liabilities

	2015 \$'000	2014 \$'000
<b>Current</b>		
Unearned revenue	2,088	2,054
Deferred lease incentive	98	–
<b>Total current other liabilities</b>	<b>2,186</b>	<b>2,054</b>
<b>Total other liabilities</b>	<b>2,186</b>	<b>2,054</b>

Unearned revenue for 2014 has been adjusted to include the first quarter of 2015 jurisdiction contributions, which were paid before 30 June 2014. Refer note 3 and note 15.

Deferred lease incentive is the year to date difference between the average annual cost of the eight year operating lease for office accommodation (refer to Note 24), and the rent paid. In 2014 the year to date rent paid was higher than the year to date average annual cost which created an asset (refer note 22). In 2015 the year to date rent paid was less than the year to date average cost and created a liability.

## 21 Provisions

	2015 \$'000	2014 \$'000
<b>Non-current</b>		
Provision for make good	324	298
<b>Total non-current provisions</b>	324	298
<i>Reconciliation of provision for make good</i>		
Carrying amount at the beginning of the period	298	–
Write off provision	–	–
Provision to make good leasehold premises	26	298
<b>Carrying amount at end of the period</b>	324	298

## 22 Lease incentive

	2015 \$'000	2014 \$'000
<b>Current</b>		
Deferred lease incentive	–	48
<b>Total other current assets</b>	–	48

Refer note 20 – Other liabilities.

## 23 Equity

	2015 \$'000	2014 \$'000
<b>Contributed Capital</b>		
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
<b>Total contributed capital</b>	2,017	2,017
<b>Retained earnings</b>	9,501	8,926
<b>Total Equity</b>	11,518	10,943

Retained earnings for 2014 have been adjusted. Refer note 3.

The Funding Agreement with the Jurisdictions provides for the maintenance of a Capital 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.

## 24 Unrecognised contractual commitments

<b>Capital commitments</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
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
<b>Total capital commitments</b>	<b>–</b>	<b>146</b>

<b>Expenditure commitments – Remuneration</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
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	876	792
Later than one year but not longer than five years	2,365	133
<b>Total remuneration commitments</b>	<b>3,241</b>	<b>925</b>

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

<b>Expenditure commitments – other</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	2,132	1,390
Later than one year but not longer than five years	129	99
<b>Total commitments – other</b>	<b>2,261</b>	<b>1,489</b>

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

<b>Operating lease commitments</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Commitments for minimum lease payments in relation to non-cancellable operating leases, contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1,044	1,000
More than one year but not later than five years	4,656	4,461
Later than five years	1,181	2,421
<b>Total operating lease commitments</b>	<b>6,881</b>	<b>7,882</b>
Representing		
Non-cancellable operating leases	6,881	7,882
<b>Total operating lease commitments</b>	<b>6,881</b>	<b>7,882</b>

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.

## 25 Contingent assets and liabilities

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

## 26 Remuneration of Commissioners and Committee Members

Members who held office during the reporting period were:

### Commissioners

John Pierce (appointed 2 June 2010 and re-appointed 2 June 2015)

Neville Henderson (appointed 19 October 2009 and re-appointed 19 October 2014)

Brian Spalding (appointed 19 April 2010 and re-appointed 19 April 2013)

### Audit and Risk Management Committee

John Pierce (appointed 2 June 2010 and re-appointed 2 June 2015)

Brian Spalding (appointed 19 April 2010 and re-appointed 19 April 2013)

Glenn Appleyard (appointed 9 November 2007, re-appointed 27 October 2011 and re-appointed 5 November 2013)

### Reliability Panel

Neville Henderson (appointed 3 November 2009 and re-appointed 19 October 2014)

	2015 No.	2014 No.
The number of Commissioners and Committee members whose remuneration received or receivable falls within the following bands:		
\$0 – \$9,999	1	1
\$170,000 – \$179,999	1	1
\$190,000 – \$199,999	–	1
\$200,000 – \$209,999	1	–
\$530,000 – \$539,999	–	1
\$540,000 – \$549,999	1	–
<b>Total number of Commissioners and Committee members</b>	<b>4</b>	<b>4</b>

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 net fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by Commissioners and Committee members for the year was \$932,000 (2014: \$913,000).

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.

## 27 Statement of Cash flow reconciliation

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

	2015 \$'000	2014 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	14,505	13,537
<b>Balance as per the Statement of Cash Flows</b>	<b>14,505</b>	<b>13,537</b>

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

Net cash provided by operating activities	1,230	2,830
Contributions from participating jurisdictions	(19,959)	(19,233)
<b>Non-cash items:</b>		
Depreciation and amortisation expense of non-current assets	(507)	(642)
Net loss on disposal/write-off of non-current assets	(9)	(1)
Work in progress accrual	9	–
<b>Movement in assets and liabilities</b>		
Increase/(decrease) in receivables	248	127
(Increase)/decrease in payables	(184)	(159)
(Increase)/decrease in employee benefits	(54)	(3)
(Increase)/decrease in provisions	(26)	(298)
(Increase)/decrease in other liabilities	(132)	(1,517)
<b>Net cost of providing services</b>	<b>(19,384)</b>	<b>(18,896)</b>

The 2014 contributions from participating contributions, and movement in receivables and other liabilities have been restated. Refer note 3.

## 28 Financial risk management/Financial instruments

### Financial risk management

Risk management is managed by the Commission's corporate services and legal sections and risk management policies are in accordance with ISO 31000 – International Standard for Risk Management – Principles and guidelines.

### 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.

The Commission does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 15 and 18).

### 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.



### 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.

### Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Notes	2015	2015 Contractual maturities			
		Carrying amount/ Fair value (\$'000)	Current (\$'000)	Within 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)
<b>Financial assets</b>						
Cash and cash equivalent	14	14,505	14,505	–	–	–
Receivables <sup>(1), (2)</sup>	15	284	284	–	–	–
<b>Total financial assets</b>		14,789	14,789	–	–	–
<b>Financial liabilities</b>						
Financial liabilities at cost						
Payables <sup>(1)</sup>	18	611	611	–	–	–
<b>Total financial liabilities</b>		611	611	–	–	–

Category of financial asset and financial liability	Notes	2014	2014 Contractual maturities			
		Carrying amount/ Fair value (\$'000)	Current (\$'000)	Within 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)
<b>Financial assets</b>						
Cash and cash equivalents	14	13,537	13,537	–	–	–
Receivables <sup>(1), (2)</sup>	15	69	69	–	–	–
<b>Total financial assets</b>		13,606	13,606	–	–	–
<b>Financial liabilities</b>						
Financial liabilities at cost						
Payables <sup>(1)</sup>	18	511	511	–	–	–
<b>Total financial liabilities</b>		511	511	–	–	–

(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.

### Ageing analysis of financial assets

The following table discloses the ageing of financial assets, past due but not impaired, and impaired financial assets.

	Carrying amount (\$'000)	Not past due and not impaired (\$'000)	Past due but not impaired			Impaired financial assets (\$'000)
			Overdue for less than 30 days (\$'000)	Overdue for 30-60 days (\$'000)	Overdue for more than 60 days (\$'000)	
<b>2015</b>						
Cash and cash equivalents	14,505	14,505	–	–	–	–
Receivables <sup>(1)</sup>	284	284	–	–	–	–
<b>Total financial assets</b>	<b>14,789</b>	<b>14,789</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>2014</b>						
Cash and cash equivalents	13,537	13,537	–	–	–	–
Receivables <sup>(1)</sup>	69	69	–	–	–	–
<b>Total financial assets</b>	<b>13,606</b>	<b>13,606</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

(1) Receivable amounts disclosed here exclude amounts relating to statutory receivables (amounts owing to Government). They are carried at cost.

### 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.

### 29 Events after reporting period

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

# 73

# ADMINISTERED FINANCIAL STATEMENTS

**CONSUMER ADVOCACY PANEL  
FOR THE PERIOD ENDED 30 JUNE 2015**

Energy Consumers Australia  
ECA was established by the COAG  
Energy Council on 30 January 2015  
and the Consumer Advocacy Panel  
ceased operations.

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# CERTIFICATION OF THE FINANCIAL STATEMENTS

Administered Financial Statements for year ended 30 June 2015

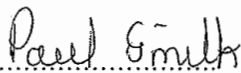
## Australian Energy Market Commission Administered Financial Statements for year ended 30 June 2015

### Certification of the Financial Statements

The Consumer Advocacy Panel ceased operations on 29 January 2015 and therefore the Australian Energy Market Commission will provide certification of the administered accounts.

We certify that the:

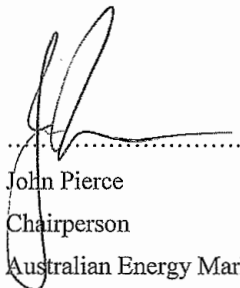
- financial statements of the Consumer Advocacy Panel (“the Panel”):
  - are in accordance with the accounts and records of the Panel; and
  - comply with relevant Treasurer’s Instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the Panel at the end of the financial year and the result of its operation and cash flows for the financial year.
- Internal controls employed by the Panel over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Paul Smith  
Chief Executive  
Australian Energy Market Commission



Laurie Treloar FCPA  
Finance & Risk Manager  
Australian Energy Market Commission



John Pierce  
Chairperson  
Australian Energy Market Commission

Date: 16 September 2015

# STATEMENT OF COMPREHENSIVE INCOME

Administered Financial Statements for year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Expenses</b>			
Remuneration of the Consumer Advocacy Panel	11	32	67
Administration expenses		252	329
Amortisation expense		3	4
Write-off of assets	8	19	–
Evaluation expenses		–	12
Grant expenses		1,923	2,357
<b>Total expenses</b>		<b>2,229</b>	<b>2,769</b>
<b>Income</b>			
Grant revenues	5	1,461	3,143
Interest revenues		43	59
<b>Total income</b>		<b>1,504</b>	<b>3,202</b>
<b>Net result and total comprehensive result</b>		<b>(725)</b>	<b>433</b>

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

# STATEMENT OF FINANCIAL POSITION

Administered Financial Statements for year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6	–	2,600
Receivables	7	–	333
<b>Total current assets</b>		–	2,933
<b>Non-current assets</b>			
Intangible assets	8	–	22
<b>Total non-current assets</b>		–	22
<b>Total assets</b>		–	2,955
<b>Current liabilities</b>			
Payables	9	–	172
<b>Total current liabilities</b>		–	172
<b>Total liabilities</b>		–	172
<b>Net Assets</b>		–	2,783
<b>Equity</b>			
Retained earnings		–	2,783
<b>Total equity</b>		–	2,783
Unrecognised contractual commitments	10		

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

# STATEMENT OF CHANGES IN EQUITY

Administered Financial Statements for year ended 30 June 2015

	Note	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2013		2,350	2,350
Net result for 2013-14		433	433
<b>Total comprehensive result for 2013-14</b>		433	433
<b>Balance at 30 June 2014</b>		2,783	2,783
Net result for 2014-15		(725)	(725)
<b>Total comprehensive result for 2014-15</b>		(725)	(725)
Net assets transferred as a result of an administrative restructure	1	(2,058)	(2,058)
<b>Balance at 30 June 2015</b>		–	–

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

# STATEMENT OF CASH FLOWS

Administered Financial Statements for year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Payments for supplies and employees		(369)	(412)
Payment of grants and subsidies		(2,208)	(2,696)
GST paid to the ATO		–	(38)
Other payments		–	(380)
<b>Cash used in operations</b>		<b>(2,577)</b>	<b>(3,526)</b>
<b>Cash inflows</b>			
Receipts from AEMO and the Commission		1,938	3,450
Interest received		45	62
GST recovered from the ATO		52	23
Other receipts		–	48
<b>Cash generated from operations</b>		<b>2,035</b>	<b>3,583</b>
<b>Net cash (used)/provided by operating activities</b>	12 (b)	<b>(542)</b>	<b>57</b>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Payments for intangibles		–	(17)
<b>Cash used in investing activities</b>		<b>–</b>	<b>(17)</b>
<b>Cash flows from financing activities</b>			
<b>Cash outflows</b>			
Cash transferred as a result of restructuring activities	1	(2,058)	–
<b>Cash used in financing activities</b>		<b>(2,058)</b>	<b>–</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,600)</b>	<b>40</b>
Cash and cash equivalents at the beginning of the period		2,600	2,560
<b>Cash and cash equivalents at the end of the period</b>	12 (a)	<b>–</b>	<b>2,600</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

Administered Financial Statements for year ended 30 June 2015

## 1 Objectives of the 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 Australian Energy Market Commission (AEMC) provided 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 was not subject to direction by the Commission or the COAG Energy Council in the performance of its functions.

The Panel operated in Australia from premises provided by the AEMC.

The Panel had 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 was able, in performing its functions with respect to the allocation of grants:

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

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

### Administrative Restructure

On 11 December 2014, the COAG Energy Council agreed that the new national advocacy body, Energy Consumers Australia (ECA), would commence operations in 2015. Ministers had earlier decided that the ECA would incorporate the functions of the Consumer Advocacy Panel. The legislative amendments package to repeal the Panel functions was passed by the South Australian Parliament on 3 December 2014. The legislation received Royal Assent on 18 December 2014, and came into effect on 30 January 2015.

The legislative amendments require that ECA include in its first annual report the information, including audited financial statements of the Panel, that the Panel would have been required to provide under section 47 of the *AEMC Establishment Act*, had the Panel not been dissolved.

The legislative amendments directed the transfer by the AEMC to ECA of any amount held by the AEMC for the purposes of the Panel. The legislation also mandated the transfer to ECA of all rights, obligations and liabilities of the AEMC and Panel relating to a grant, or a contract or agreement entered into by the AEMC at the direction of the Panel.

These financial statements are for the period 1 July 2014 until the 30 June 2015 and include transactions post 29 January 2015 when the Panel ceased operations. This included a transfer of \$2,058,000 to ECA in March 2015 as required by legislation and closure of the Panel's bank accounts. The process in previous years has been for the Panel to certify the financial statements however, as it ceased to exist on 30 January 2015, the AEMC will certify the financial statements.

## 2 Summary of significant accounting policies

### a) Statement of compliance

These financial statements have been prepared 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*.

Australian Accounting Standards have been applied that are applicable to not-for-profit entities, as the Panel was a not-for-profit entity. Australian Accounting Standards and interpretations that were recently issued or amended, but were not yet effective, have not been adopted by the Panel for the reporting period ended 30 June 2015.

### 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 Panel'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*.

The 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 the reporting period 1 July 2014 to 30 June 2015 and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements and the comparative information presented.

### c) Reporting entity

The Panel has been reported as an administered activity in the Australian Energy Market Commission's (AEMC) financial statements. Legislative amendments require that ECA also include in its first annual report the information, including audited financial statements of the Panel, that the Panel would have been required to provide under section 47 of the *AEMC Establishment Act*, had the Panel not been dissolved.

### 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 Panel was not subject to income tax. The Panel was liable for 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.

### g) Income

Income was recognised to the extent it is probable that the flow of economic benefits to the Panel 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:

#### Grant Income

The Panel was funded by the Australian Energy Market Operator (AEMO), and the AEMC administered 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 had unconditional stipulations and therefore control was 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 was recognised on an accrual basis.

### h) Expenses

Expenses were recognised to the extent that it is probable that the flow of economic benefits from the Panel 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:

#### Grant expenses

Grant expenses are recognised as a liability and expense when the Panel had 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 were employed by the AEMC as required by the Australian Energy Market Commission Establishment Act 2004, and included in the AEMC balance of employee benefit expenses in the AEMC Statement of Comprehensive Income. The AEMC recovered the cost of employing these staff from the Panel. These payments are recognised in the Panel's Statement of Comprehensive Income as part of expenses. Expenses also include accommodation and other charges incurred by the Commission and recovered from the Panel.

#### Insurance

The Panel did not have a policy of professional indemnity insurance for its members. The Panel noted 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 legislative amendment continued that liability. The Panel has no requirement to recognise a workers compensation provision as workplace injuries were insured through Allianz insurance.

#### Amortisation

All non-current assets, having a limited useful life, were systematically 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.

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)
Intangibles	5

The Panel ceased operations on 29 January 2015 and all assets were written off as of that date.

#### Net loss on write-off of non-current assets

A loss on write-off of assets was recognised at the date the asset was written-off and the written down value at that time.

### **i) 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.

### **j) 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.

#### **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. In March 2015, \$2,058,000 was transferred to ECA and the Panel's bank accounts were closed.

#### **Receivables**

Receivables include funding receivable, net 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 Panel will not be able to collect the debt. Bad debts are written off when identified.

#### **Non-current assets**

##### *Acquisition and recognition*

The Panel capitalises all non-current assets with a value equal to or in excess of \$2,000.

##### *Revaluation of non-current assets*

All non-current tangible assets were 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 period ended 29 January 2015 as the Panel did not have any non-current assets which met the revaluation criteria.

##### *Impairment*

All intangible assets were 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 Panel 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 (identifiability, 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.

The Panel ceased operations on 29 January 2015 and all assets were written off as of that date.

### **k) 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.

#### **Payables**

Payables include creditors, accrued expenses, and net GST 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 Panel. 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.

### Employee benefits

The Panel's Executive Director and other staff were employed by the AEMC as required by the Australian Energy Market Commission Establishment Act 2004, and included in the AEMC balance of employee benefit expenses in the AEMC Statement of Comprehensive Income. The AEMC recovered the cost of employing these staff from the Panel.

### Provisions

Provisions are recognised when the Panel 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.

The Panel ceased operations on 29 January 2015 and there were no provisions.

### l) Unrecognised contractual commitments and contingent assets and liabilities

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

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.

The Panel ceased operations on 29 January 2015 and unrecognised contractual commitments as of that date were transferred to ECA.

## 3. New and revised accounting standards and policies

The Panel did not voluntarily change any of its accounting policies during 2014-15.

For the cash flow statements the Panel has adopted APF II APS 3.10 where one net amount is to be disclosed for GST paid or received from the ATO. All other Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Panel for the period ended 30 June 2015. The Panel 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 Panel.

## 4 Economic dependency

The funding for the Panel for the 2014-15 year was approved by the Standing Council on Energy and Resources (now the COAG Energy Council) 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.

The Panel ceased operations on 29 January 2015. The revenue collected for that period was:

- \$1,054,297 for the electricity component funded by AEMO.
- \$406,494 for the gas component funded by AEMO and AEMC.

## 5 Grant revenues

	2015 \$'000	2014 \$'000
Contributions from – AEMO	1,434	3,065
Contributions from – AEMC	27	78
<b>Total grant revenues</b>	<b>1,461</b>	<b>3,143</b>

## 6 Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash at bank	–	2,600
<b>Total cash and cash equivalents</b>	<b>–</b>	<b>2,600</b>

### 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.

## 7 Receivables

	2015 \$'000	2014 \$'000
Contributions receivable	–	331
Other	–	2
<b>Total receivables</b>	<b>–</b>	<b>333</b>

### Allowance for doubtful debts

On 29 January 2015 the Panel ceased to operate. There were no debts or allowance for doubtful debts recognised as of that date.

### 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.

## 8 Intangible assets

	2015 \$'000	2014 \$'000
Computer software	27	27
Accumulated amortisation	(8)	(5)
Disposals/write-offs	(19)	–
<b>Total computer software</b>	<b>–</b>	<b>22</b>

### Reconciliation of computer software

Carrying amount at beginning of the period	22	9
Additions	–	17
Disposals/write-offs	(19)	–
Amortisation	(3)	(4)
<b>Carrying amount at the end of the period</b>	<b>–</b>	<b>22</b>

The Panel ceased operations as at 29 January 2015 and the website and grants management access database were written-off as of that date.

## 9 Payables

	2015 \$'000	2014 \$'000
Gas and electricity grants payable	–	61
Trade creditors and accruals	–	79
GST input tax payable	–	32
<b>Total payables</b>	<b>–</b>	<b>172</b>

### Interest rate and credit risk

Accruals are raised for all amounts billed but unpaid. All payables are non-interest bearing. The carrying amount of payables approximate 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 13.

## 10 Unrecognised contractual commitments

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

	2015 \$'000	2014 \$'000
Payable within 1 year	911	1,105
<b>Total unrecognised contractual commitments</b>	<b>911</b>	<b>1,105</b>

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

Commitments of \$911,000 were transferred to ECA.

## 11 Remuneration of the Panel

Members that were entitled to receive remuneration for membership of the Panel during the reporting period were:

### Consumer Advocacy Panel

Alan Lipman (Chair appointed 25 November 2013 and ceased 29 January 2015).

Catherine Cooper (appointed 21 July 2013. To ensure that the Panel could continue with its functions, the AEMC re-appointed her as an acting Member on 1 December 2014 until the Panel ceased operations on 29 January 2015).

Karen Chalmers-Scott (appointed 21 July 2013 and ceased 29 January 2015).

Bruce Connery (appointed 21 July 2013 to 15 January 2015).

Bob Weymouth (appointed 25 November 2013 and ceased 29 January 2015).

<b>The number of Panel members whose remuneration received or receivable falls within the following bands:</b>	2015 No.	2014 No.
\$0 – \$9,999	5	3
\$10,000 – \$19,999	–	2
\$20,000 – \$29,999	–	1
<b>Total number of Panel members</b>	<b>5</b>	<b>6</b>

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 period to 29 January 2015 was \$32,000 (2014: \$67,000).

## 12 Cash Flow Reconciliation

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

	2015 \$'000	2014 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	–	2,600
Balance as per the Statement of Cash Flows	–	2,600

**b) Reconciliation of net cash (used)/provided by operating activities to net result:**

	2015 \$'000	2014 \$'000
Net cash (used)/provided by operating activities	(542)	57
<b>Non-cash items:</b>		
Amortisation expense	(3)	(4)
Assets written-off	(19)	–
<b>Movement in assets and liabilities</b>		
Increase/(decrease) in receivables	(333)	(51)
(Increase)/decrease in payables	172	431
<b>Net result</b>	<b>(725)</b>	<b>433</b>

### 13 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.

#### 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 had 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 period ended 29 January 2015 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.

#### Liquidity risk

Liquidity risk arises where the Panel is unable to meet its financial obligations as they fall due. 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.

#### Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Notes	2015 Carrying amount/ Fair value (\$'000)	Current (\$'000)	2015 Contractual maturities		
				Within 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)
<b>Financial assets</b>						
Cash and cash equivalent	6	–	–	–	–	–
Receivables <sup>(1), (2)</sup>	7	–	–	–	–	–
<b>Total financial assets</b>		–	–	–	–	–
<b>Financial liabilities</b>						
Financial liabilities at cost						
Payables <sup>(1)</sup>	9	–	–	–	–	–
<b>Total financial liabilities</b>		–	–	–	–	–



Category of financial asset and financial liability	Notes	2014 Carrying amount/ Fair value (\$'000)	Current (\$'000)	2014 Contractual maturities		
				Within 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)
<b>Financial assets</b>						
Cash and cash equivalent	6	2,600	2,600	–	–	–
Receivables <sup>(1), (2)</sup>	7	333	333	–	–	–
<b>Total financial assets</b>		2,933	2,933	–	–	–
<b>Financial liabilities</b>						
Financial liabilities at cost						
Payables <sup>(1)</sup>	9	137	137	–	–	–
<b>Total financial liabilities</b>		137	137	–	–	–

(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.

### Ageing analysis of financial assets

No financial assets are past due. The following table discloses the ageing of financial assets, past due but not impaired, and impaired financial assets.

	Carrying amount (\$'000)	Not past due and not impaired (\$'000)	Overdue for less than 30 days (\$'000)	Past due but not impaired		Impaired financial assets (\$'000)
				Overdue for 30-60 days (\$'000)	Overdue for more than 60 days (\$'000)	
<b>2015</b>						
Cash and cash equivalents	–	–	–	–	–	–
Receivables <sup>(1)</sup>	–	–	–	–	–	–
<b>Total financial assets</b>	–	–	–	–	–	–
<b>2014</b>						
Cash and cash equivalents	2,600	2,600	–	–	–	–
Receivables <sup>(1)</sup>	333	333	–	–	–	–
<b>Total financial assets</b>	2,933	2,933	–	–	–	–

(1) Receivable amounts disclosed here exclude amounts relating to statutory receivables (amounts owing to Government). They are carried at cost.

### Market risk

The Panel's exposure to market risk was 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.

### 14 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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# STATUTORY REPORTS

# STATUTORY REPORTS

## MCE Statements of Policy Principles

There are currently no Statements of Policy Principles made by the Ministerial Council on Energy.<sup>4</sup>

## Last Resort Planning Power

The AEMC has a power under rule 5.22 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 November 2014, 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 2014-2015 the total amount expended was \$2.65m

## External consultants – spending bands

Number and dollar amount of consultancies that fell within the following bands:	No.	2015 \$000
Below \$10,000	0	0
Above \$10,000	25	2,654
<b>Total</b>	<b>25</b>	<b>2,654</b>

<sup>4</sup> The 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.

## External consultants – project descriptions

Company	Project description
CEG Asia Pacific Pty Ltd	International review of generator rebidding activity and regulatory arrangements
CSIRO	Storage technology research
Economic Insights Pty Ltd	Analysis of data in relation to residential electricity customers on standing offers in Victoria
Energiea	Advice on the cost of establishing an additional connection point at a premises
Energy Market Consulting	Review of prototype firm access pricing model; assessment of the transaction cost associated with the implementation of the firm access model
Ernst & Young	Modelling the impact of optional firm access
Frontier Economics Pty Ltd	Advice on retailer of last resort arrangements and peer review for NEM financial market resilience; advice on future wholesale electricity costs; analysis of the effectiveness of capacity mechanisms; advice on the Metering Coordinator role
GHD Pty Ltd	Collection of information and data and reporting for the Reliability Panel Annual Market Performance Review
Houston Kemp Economists	Advice on transitional sculpting parameters for optional firm access; analysis of transmission and generation investment in the NEM; analysis on the customer impact of more cost reflective network pricing
K Lowe Consulting	Retailer interviews and reporting; advice on facilitated gas markets and gas transportation arrangements
KPMG Middle Market Advisory	Advice on new energy services and multiple trading relationships; advice on approaches to distributor-retailer credit support regimes
Market Reform Pty Ltd	Review of transaction costs of optional firm access for generators; analysis of international gas markets
Mercer	Internal governance and human resources
Mobile Mentor Pty Ltd	Staff mobility device strategy implementation
Newgate Research	Consumer research and reporting
Nous Group Pty Ltd	Strategic and business planning
Oakley Greenwood Pty Ltd	Analysis of the impact of late rebidding on the provision of demand response by large electricity users in the NEM; assessment of the financial impact of optional firm access on generators
PricewaterhouseCoopers	Internal audit
Promontory Australasia	Peer review for NEM financial market resilience
Regulatory Policy Institute	Analysis of bidding in energy-only wholesale electricity markets
ROAM Consulting Pty Ltd	Analysis of rebidding activity in the NEM; modelling scenarios for assessing the value of optional firm access
Seed Advisory Pty Ltd	Analysis of market offer and tariff design
The Brattle Group	Advice on structuring electricity distribution network tariffs; advice on generator safeguard mechanism within Emissions Reduction Fund; analysis of international demand response mechanisms
Uniquist Pty Limited	Advice on auction design for the allocation of inter-regional firm access rights
Whit. Pty Ltd	Development of prototype software tool – model access pricing

## 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 six directions from 1 July 2014 to 30 June 2015 in relation to power system security under clause 4.8.9(a) of the National Electricity Rules (NER).

- From 1320 to 1345 hrs on 16 December 2014 a participant in Tasmania was directed to reduce output of its power station to maintain power system stabiliser (PSS) in the Tasmania region following the reclassification of the loss of the Gordon – Chapel Street double circuit line as a credible contingency. The Directed Participant received compensation for the provision of energy pursuant to the direction, in accordance with NER clause 3.15.7(c). There were no claims for additional compensation under NER clause 3.15.7B.
- From 1217 hrs on 16 December to 1317 hrs on 19 December 2014 Basslink was directed to turn off the Basslink Frequency Controller to ensure that the Tasmanian power system remained secure for the loss of both Basslink and the largest generating unit in Tasmania which had been reclassified as a credible contingency. The Directed Participant did not receive compensation for the provision of "other" service under NER clause 3.15.7A. There were no claims for additional compensation under NER clause 3.15.7B.
- From 1130 to 1600 hrs on 20 February 2015 a participant in Queensland was directed to commit its power station due to threat of loss of multiple circuits between central and north Queensland which had been reclassified as a credible contingency due to a cyclone crossing the easements. The Directed Participant received compensation for the provision of energy pursuant to the direction, in accordance with NER clause 3.15.7(c). The Directed Participant submitted a claim for additional compensation in accordance with NER clause 3.15.7B, which is to be determined by an Independent Expert within 150 business days of the direction.
- From 1200 to 1600 hrs on 20 February 2015 a participant in Queensland was directed to commit its power station due to threat of loss of multiple circuits between central and north Queensland which had been reclassified as a credible contingency due to a cyclone crossing the easements. The Directed Participant received compensation for the provision of energy pursuant to the direction, in accordance with NER clause 3.15.7(c). The Directed Participant submitted a claim for additional compensation in accordance with NER clause 3.15.7B, which is to be determined by an Independent Expert within 150 business days of the direction.
- From 1225 to 1600 hrs on 20 February 2015 a participant in Queensland was directed to maximise output from its power station due to threat of loss of multiple circuits between central and north Queensland which had been reclassified as a credible contingency due to a cyclone crossing the easements. The Directed Participant received compensation for the provision of energy pursuant to the direction, in accordance with NER clause 3.15.7(c). There were no claims for additional compensation under NER clause 3.15.7B.
- From 0140 to 0225 hrs on 23 February 2015 a participant in Tasmania was directed to reduce output of its power station to maintain PSS in the Tasmania region following the loss of Gordon – Chapel Street No.2 220 kV transmission line, with the remaining line and a radial power station becoming a credible contingency and resulting in contingency frequency control ancillary services (FCAS) violations. The Directed Participant received compensation for the provision of energy pursuant to the direction, in accordance with NER clause 3.15.7(c). There were no claims for additional compensation under NER clause 3.15.7B.

## Use by Registered Participants of inspection and testing rights

From 1 July 2014 to 30 June 2015, 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.

*These provisions relate to the right of registered participants to enter the facilities and test the equipment of other participants to assess compliance with technical requirements.*

*This compares with one direction issued during the year 1 July 2013 – 30 June 2014.*

# COMPLIANCE

**THE AEMC ANNUAL REPORT 2014-2015 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  
35
  - b) the AEMC's relationship to other bodies involved in the administration of National Energy Laws  
12
  - c) the membership and organisation of the AEMC  
15-17
  - d) the AEMC's strategic plans and the relationship of the plans to objectives set out in the National Energy Laws  
14
  - e) the AEMC's activities and their efficiency and effectiveness  
18-23 and
  - f) the AEMC's financial affairs  
46-72
  - g) disclosures made by Commissioners under section 22 of the Act  
38
  - 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  
3, 60, 66
  - 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  
90-91
  - j) the occupational health, safety and rehabilitation programs of the AEMC and their effectiveness  
45
  - k) any instances of fraud in the operations of the AEMC and the strategies implemented to prevent and control fraud  
39
  - 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.  
24-28
    - 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
      - A) requests for rules in each of the categories of jurisdictional derogations, participant derogations, non-controversial Rules and urgent Rules and  
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      - B) the stages at which proposed Rules are in the Rule making procedure, and  
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      - C) decisions of the AEMC not to proceed with requests for Rules, and  
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      - D) Rules made, and  
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    - VIII. AEMO's use of powers of direction in relation to power system security under clause 4. 8. 9(a) of the Rules  
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    - IX. The use by Registered Participants of inspection and testing rights under clauses 5. 7. 1 and 5. 7. 2 of the Rules  
91
    - X. The extent and effectiveness of demand side participation in the national electricity market, including measures that could be undertaken to enhance demand side participation in the national electricity market  
93-105
- 2) The AEMC's report must include its audited financial statements for the financial year and the Auditor-General's report on the financial statements.  
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  - Include as a part of the AEMC Annual Report the Consumers Advocacy Panel's report. The Panel's accounts must also be included.

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# APPENDIX

**AEMC INDEX OF RULES, REVIEWS  
AND ADVICE 2014-2015**

**Table A Electricity rules made by the AEMC in 2014-2015**

<b>ELECTRICITY RULE MADE</b>	<b>CONSOLIDATION</b>	<b>DATE MADE</b>	<b>COMMENCED</b>	<b>PROPONENT</b>	<b>CATEGORY</b>	<b>BENEFIT/IMPACT</b>
Customer Access to Information About Their Energy Consumption	Rule 2014 No. 7 (NER Version 66)	6 Nov 2014	1 Dec 2014	COAG Energy Council	Standard	This rule, and the corresponding retail rule (Rule 2014 No. 2), makes it easier for consumers to obtain information about their electricity consumption from distribution companies and retailers in an easy-to-understand, affordable and timely way. It allows other parties authorised by customers to request access to electricity consumption data, and requires retailers and distributors to comply with minimum requirements relating to data format, time frames and costs.
Connecting Embedded Generators Under Chapter 5A	Rule 2014 No. 8 (NER Version 67)	13 Nov 2014	1 Mar 2015	Clean Energy Council	Standard	This rule provides embedded generators under 5MW with two choices if they want to connect to a distribution network: a more flexible and generally shorter connection process; or a more detailed and generally longer one. It requires distributors to publish clear information for embedded generators including information on fees and charges, general technical information and a register of completed projects.
Distribution Network Pricing Arrangements	Rule 2014 No. 9 (NER Version 66)	27 Nov 2014	1 Dec 2014, 1 Jan 2017	IPART, COAG Energy Council	Standard	In November 2014 the AEMC made a final determination that requires network prices to reflect the efficient cost of providing network services to individual consumers so that they can make more informed decisions about their electricity usage. Under the new rules the pricing decisions of distribution network businesses will be guided by a new objective that prices should reflect the business' efficient costs of providing services to each consumer. Businesses will be required to comply with new pricing principles when determining the structure and level of their network prices – using input from consumers and with oversight by the AER. The new tariffs will be phased in from no later than 2017. Analysis undertaken by the AEMC estimates that 70-80 per cent of consumers are likely to be better off over the long run as a result of more cost-reflective prices.
Early Application of Service Target Performance Incentive Scheme (STPIS) Components for Transmission Businesses	Rule 2015 No. 1 (NER Version 68)	19 Feb 2015	19 Feb 2015	ElectraNet	Standard	This rule brings forward potential benefits to electricity consumers from optimised network investments that otherwise may not be realised until future years, as part of a transmission business's next revenue determination. Benefits may include improvements to the volume of electricity that can be dispatched across the transmission network following removal of capacity limitations. This has the potential to lead to more efficient pricing in the wholesale electricity market.



ELECTRICITY RULE MADE	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT/IMPACT
Generator Ramp Rates and Dispatch Inflexibility in Bidding	Rule 2015 No. 2  An amending rule will be included in a new version of the NER after this rule has commenced	19 Mar 2015	1 Jul 2016	AER	Standard	Ramp rates are specified by generators as part of their market offers and govern the way dispatch levels can be physically changed through time. The Commission made a final rule to refine the existing requirements on generators to specify the minimum rates at which they may increase or decrease output. Bringing the minimum ramp rate requirements for aggregated facilities to a level more commensurate with individually registered facilities will result in an almost 30 per cent increase in aggregate minimum ramp rates capability across the National Electricity Market. This should increase the range of dispatch possibilities available to the market which should promote more efficient wholesale market outcomes. It will also mean the burden of system ramp rate capability will no longer be disproportionately borne by non-aggregated generators, which leads to a more competitively and technologically neutral outcome in the market.
Governance Arrangements and Implementation of the Reliability Standard and Settings	Rule 2015 No. 3 (NER Version 70)	19 Mar 2015	26 Mar 2015	COAG Energy Council	Standard	This rule incorporates the reliability standard into the National Electricity Rules and requires the Reliability Panel to develop guidelines outlining the principles and assumptions it will make when conducting its four-yearly reliability reviews. It provides the Australian Energy Market Operator (AEMO) with more flexibility in implementing the reliability standard and requires AEMO to develop reliability standard implementation guidelines, which will improve transparency of the governance arrangements.
Improving Demand Side Participation Information Provided to AEMO by Registered Participants	Rule 2015 No. 4 (NER Version 70)	26 Mar 2015	26 Mar 2015	COAG Energy Council	Standard	This rule provides a process by which the Australian Energy Market Operator (AEMO) may obtain information on demand side participation from registered participants in the National Electricity Market (NEM). It requires AEMO to take this information into account when developing and using load. This could improve the quality of AEMO's load and potentially lead to more efficient operational and investment decisions.

ELECTRICITY RULE MADE	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT/IMPACT
System Restart Ancillary Services	Rule 2015 No. 5 (NER Version 72)	2 Apr 2015	1 Jul 2015	AEMO, National Generators Forum, Private Generators' Group (AGL, Alinta Energy, Energy Brix, GDF Suez, Intergen, NGF, Origin Energy)	Standard	This rule will improve the frameworks for system restart ancillary services or restart services following a large-scale blackout in the National Electricity Market. The changes clarify the roles and responsibilities of the Australian Energy Market Operator (AEMO) and the Reliability Panel; expand the range of potential restart services; and recover SRAS costs on the basis of the regional benefits they provide. These changes will benefit consumers by helping to maintain the reliable supply of electricity at an efficient price.
Aligning TasNetworks' Regulatory Control Periods	Rule 2015 No. 6 (NER Version 71)	9 Apr 2015	9 Apr 2015	TasNetworks	Expedited	This rule aligns the timing of TasNetworks' transmission and distribution revenue determinations on 1 July 2019. It should lead to more efficient investment and operational decisions and also result in reduced administrative costs for TasNetworks and other stakeholders involved in TasNetworks' transmission and distribution revenue determinations.
Minor Changes 2015	Rule 2015 No. 7 (NER Version 72)	4 Jun 2015	1 Jul 2015	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 B Determinations to not make an electricity rule change request**

ELECTRICITY RULE REQUEST	DETERMINATION DATE	PROPONENT	CATEGORY	REASONS
Governance of Retail Market Procedures	31 Jul 2014	AEMO	Standard	The Commission was not satisfied that a case had been made to change the current governance arrangements for electricity retail market procedures. In particular, it considered that the existing industry-led approach to developing business-to-business (B2B) procedures remained appropriate under current conditions.

**Table C Electricity rules under consideration at 30 June 2015**

<b>ELECTRICITY RULE REQUEST</b>	<b>PROPONENT</b>	<b>INITIATED</b>	<b>CATEGORY</b>	<b>STATUS AT 30 JUNE 2015</b>
Bidding in Good Faith	Minister for Mineral Resources and Energy (South Australia)	10 Apr 2014	Standard	This request proposes changes to provisions governing generator behaviour when offering electricity to the wholesale market. On 16 April 2015 the AEMC published a draft determination to introduce a prohibition against making false or misleading offers, which will be supported by a requirement for any variations to offers to be made as soon as practicable; and a new obligation that generators provide the Australian Energy Regulator with reports explaining reasons for last-minute electricity price rebids if they happen. At 30 June 2015 we were preparing a second Draft Determination which is due to be published in September 2015.
Expanding Competition in Metering and Related Services	COAG Energy Council	15 Apr 2014	Standard	This request is part of a broad package of reforms initiated by the COAG Energy Council following the AEMC's Power of Choice Review to empower consumers in the energy market. It seeks to remove the networks' effective metering monopoly and promote competition in metering and related services. At 30 June 2015 we were considering submissions on the draft determination with a final determination due in November 2015.
Aligning Network and Retail Tariff Structures for Small Customers	COAG Energy Council	2 Apr 2015	Standard	Soon after the close of the reporting period we released a draft determination proposing not to make the rule as the Commission considered that retailers already have access to appropriate tools to help them manage the risk of misalignment between network and retail tariff structures.
Compensation Arrangements Following Application of an Administered Price Cap and Administered Floor Price	COAG Energy Council	7 May 2015	Standard	This rule change request is in response to recommendations in the AEMC's 2013 review of the compensation arrangements following application of an administered price cap and administered floor price. By limiting prices, administered pricing events protect consumers from extended periods of very high prices, while maintaining incentives for participants to supply energy. Submissions to the consultation paper closed on 4 June 2015, and work on the draft determination was underway at 30 June 2015.
Demand Management Incentive Scheme	COAG Energy Council, Total Environment Centre	19 Feb 2015	Standard	Two separate requests were consolidated in this project from the Total Environment Centre and the COAG Energy Council.  At 30 June 2015 we were consulting on the draft determination which proposed new rules to improve demand management incentives so businesses provide network services at the lowest possible cost by choosing the most efficient ways to meet peak demand.

ELECTRICITY RULE REQUEST	PROPONENT	INITIATED	CATEGORY	STATUS AT 30 JUNE 2015
AEMO Access to Demand Forecasting Information	COAG Energy Council	7 May 2015	Standard	This rule change request seeks to allow the Australian Energy Market Operator (AEMO) to collect information for the purpose of developing transmission connection point demand forecasts for each region of the NEM. The rule change request also seeks to clarify that AEMO may consult with the AER in developing the forecasts; requires the resultant demand forecasts to be available to the public subject to the confidentiality provisions in the NEL; and requires AEMO to provide the demand forecasts to the AER upon the AER's request. Submissions on the consultation paper closed on 4 June 2015 and were being considered at the close of the reporting period. The draft determination is expected in August 2015.
Embedded Networks	AEMO	21 May 2015	Standard	This rule request seeks to clarify regulatory arrangements for embedded networks and provide embedded network customers with access to retail competition. AEMO lodged this rule change request with the AEMC following the completion of preliminary work on the implementation and design of an embedded networks framework for the NEM. This rule change is part of the reform package recommended in the AEMC's 2012 Power of Choice and electric vehicles reviews. At 30 June 2015 we were accepting submissions on the consultation paper.
Meter Replacement Processes	ERM Power	21 May 2015	Standard	This rule request seeks to clarify rule requirements on when meters can be changed during the switching process so energy service providers are clear on their roles and obligations in order to increase the efficiency of the metering framework. At 30 June 2015 we were accepting submissions to the consultation paper and considering issues raised at the workshop held on 16 June 2015.
Retailer-Distributor Credit Support Requirements	COAG Energy Council, AGL	28 May 2015	Standard	Two separate requests from the COAG Energy Council and AGL are consolidated in this project relating to arrangements for managing the risk to distribution businesses of non-payment for services provided to customers in the event of a retailer default. At 30 June 2015 we were accepting submissions on the consultation paper. The AEMC has extended the time to make a draft rule determination relating to these rule change requests to allow for additional consultation, through the publication of an options paper, prior to publication of the draft determination due in February 2016.

**Table D Gas rules made by the AEMC in 2014-2015**

GAS RULE MADE	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT/IMPACT
Setting the Opening Capital Base	Rule 2014 No. 5 (NGR Version 25)	2 Oct 2014	2 Oct 2014	AER	Standard	This rule amends how economic regulators calculate the value of a regulated gas pipeline for each access arrangement period. The calculation must now include the removal of any benefit or penalty arising from the difference between estimated and actual capital expenditure in the final year of a prior access arrangement period. Under the new rule, reference tariffs are more likely to reflect efficient utilisation of, and investment in, pipeline services because they would be less likely to be influenced by gains or losses unrelated to the efficiency of the service provider. It preserves the incentive framework of the regulatory regime that rewards service providers when they spend less capital expenditure than forecast.
Removal of Force Majeure Provisions in the Declared Wholesale Gas Market (DWGM)	Rule 2014 No. 6 (NGR Version 26)	11 Dec 2014	4 May 2015	AEMO	Standard	This rule removes force majeure provisions from the National Gas Rules as they pertain to the Victorian declared wholesale gas market (DWGM). As a result, the National Gas Rules will be more closely aligned with the market design, reflecting both physical and operational changes in the market that have rendered the force majeure provisions obsolete and ineffective. The Commission considers that the rule will, or is likely to, provide market participants with greater clarity on how the market can manage unexpected events and market stress. This will allow for more timely and efficient decision making, and may lead to prices more accurately reflecting market conditions.
Removal of Gas Bulletin Board Emergency Information Page	Rule 2015 No. 1 (NGR Version 26)	23 Apr 2015	7 May 2015	AEMO	Expedited	This rule removes the requirement in the National Gas Rules for an emergency information page on the Natural Gas Services Bulletin Board. It is likely to result in clearer emergency information and management roles by removing an unnecessary and potentially unreliable information source and it will result in a reduction in administrative costs for the Australian Energy Market Operator (AEMO). Consumers may benefit from clearer emergency management arrangements through more effective responses to emergency incidents.
Contingency Gas Evidentiary Changes	Rule 2015 No. 2 <i>An amending rule will be included in a new version of the NGR after this rule has commenced.</i>	7 May 2015	5 Nov 2015	AEMO	Standard	This rule will improve incentives for trading participants to efficiently supply and price contingency gas in the Short Term Trading Market (STTM). It enables trading participants to confirm or revise the quantity of each price step within a contingency gas bid or offer, and requires participants to do so in good faith under existing requirements in the National Gas Rules. This encourages efficient provision and pricing of contingency gas in times of emergency in the STTM. It will also make all trading participants subject to the same evidentiary requirements following a contingency gas trigger event, providing greater certainty to trading participants in relation to what their evidence will be used for; greater transparency and accountability in the process for the resettlement of contingency gas; and more confidence for trading participants that they are only paying for contingency gas that has been delivered.

GAS RULE MADE	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT/IMPACT
Matched Allocation Process in the STTM	Rule 2015 No. 3 (NGR Version 27)	28 May 2015	28 May 2015	Jemena Gas Networks (NSW)	Standard	This rule enables Jemena Gas Networks (NSW), as the operator of the NSW Gas Network, to continue to utilise either the matched allocation process or the Short Term Trading Market (STTM) for the purpose of meeting its network's daily gas needs for operational requirements. The matched allocation process was a transitional provision in the National Gas Rules (NGR) that was set to expire on 30 June 2015. The effect of the Commission's final rule is to make the transitional provisions a permanent arrangement. The rule will, or is likely to, assist Jemena to better manage its obligations under its Access Arrangement and the gas Retail Market Procedures to replace unaccounted for gas in its distribution network, thus promoting the efficient operation and use of natural gas services for the long-term interest of consumers.

**Table E Determinations to not make a gas rule change**

NAME	DETERMINATION DATE	PROPONENT	CATEGORY	REASONS
Portfolio Rights Trading	27 Nov 2014	AEMO	Standard	The AEMC determined not to make a rule to facilitate the trading of the financial benefits of authorised MDQ and AMDQ credit certificates between market participants in the Victorian declared wholesale gas market. Following the publication of the draft rule determination, AEMO advised that the cost of implementing the proposed Portfolio Rights Trading (PRT) mechanism had increased by 37 per cent and that the earliest possible date for the IT implementation of the proposed PRT mechanism would be April 2016. In addition, the forthcoming Victorian gas market review, initiated by the Victorian Government, created uncertainty and a change in market conditions and as a result market participants appeared reluctant to commit to using PRT to the extent initially anticipated. Taking these factors together, the AEMC was not satisfied that the proposed rule would, or was likely to, contribute to the achievement of the national gas objective, therefore determined not to make the proposed rule.

**Table F Gas rules under consideration at 30 June 2015**

GAS RULE CHANGE REQUEST	PROPONENT	INITIATED	CATEGORY	STATUS AT 30 JUNE 2014
Retailer-Distributor Credit Support Requirements	COAG Energy Council, AGL	28 May 2015	Standard	See details Table C

**Table G Retail rules made by the AEMC in 2014-2015**

RETAIL RULE MADE	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT/IMPACT
Retailer Price Variations in Market Retail Contracts	Rule 2014 No. 1 (NERR Version 1)	23 Oct 2014	1 May 2015	Consumer Action Law Centre (CALC), Consumer Utilities Advocacy Centre (CUAC)	Standard	This rule enhances existing consumer protections by clarifying that energy retailers must tell consumers if prices can change during the term of their retail contracts; and provide details on when they will notify customers of any price changes. Clear information will help consumers shop more confidently for their electricity and gas. This in turn is likely to enhance competition in retail energy markets.
Customer Access to Information About Their Energy Consumption	Rule 2014 No. 2 <i>An amending rule will be included in a new version of the NERR after this rule has commenced.</i>	6 Nov 2014	1 Sep 2015	COAG Energy Council	Standard	See details Table A

**Table H Retail rule requests not initiated under section 249(2)**

RETAIL RULE REQUEST	DECISION DATE	PROPONENT	REASON
Price Variations in Exit Retail Contracts	10 December 2014	Donald Lloyd	The AEMC decided not to initiate the rule change request because its subject matter related to a rule made in the preceding 12 months (the National Energy Retail Amendment (Retailer Price Variations in Market Retail Contracts) Rule 2014 No. 1).

*Note: This table includes all decisions made under section 249(5)(c) of the Retail Law.*

**Table I Retail rules under consideration at 30 June 2015**

RETAIL RULE CHANGE REQUEST	PROPONENT	INITIATED	CATEGORY	STATUS AT 30 JUNE 2014
Expanding Competition in Metering and Related Services	COAG Energy Council	15 Apr 2014	Standard	See details Table C

**Table J Market reviews and advice summary table**

AEMC PROJECT	PROPONENT	START DATE	END DATE	STATUS AT 30 JUNE 2015
<b>COAG ENERGY COUNCIL-INITIATED REVIEWS</b>				
National Electricity Market – Financial Market Resilience	COAG Energy Council	8 Jun 2012	6 Mar 2015	Completed
2014 Residential Electricity Price Trends	COAG Energy Council	13 Jan 2014	11 Dec 2014	Completed
Distribution Reliability Measures	COAG Energy Council	30 Jan 2014	18 Sep 2014	Completed
Optional Firm Access, Design and Testing	COAG Energy Council	28 Feb 2014	25 June 2015	Completed
2014 Retail Competition Review	COAG Energy Council	15 Jan 2014	22 Aug 2014	Completed
2015 Retail Competition Review	COAG Energy Council	15 Jan 2014	30 Jun 2015	Completed
Barriers to Efficient Exit Decisions by Generators	COAG Energy Council	13 April 2015	16 June 2015	Completed
Implementation Advice on the Shared Market Protocol	COAG Energy Council	18 Dec 2014	Continuing	Consultation on the draft report.
2015 Residential Electricity Price Trends	COAG Energy Council	19 Jan 2015	Continuing	Report underway for publication late 2015
Review of the Victorian Declared Wholesale Gas Market	COAG Energy Council	4 Mar 2015	Continuing	Preparation of options paper
East Coast Wholesale Gas Market and Pipeline Frameworks Review	COAG Energy Council	20 Feb 2015	Continuing	Preparation of stage 1 final report
<b>AEMC INITIATED REVIEWS</b>				
Last Resort Planning Power – 2014 Review	Rules requirement	23 Jun 2014	6 Nov 2014	Completed
Strategic Priorities for Energy Market Development 2015	AEMC	9 Feb 2015	Continuing	Preparation of discussion paper
Review of Technical Standards	AEMC	18 Aug 2014	Continuing	Preparation of issues paper
Last Resort Planning Power – 2015 Review	Rules requirement	20 May 2015	Continuing	Preparation of decision report
Last Resort Planning Power – Guidelines	AEMC	20 May 2015	Continuing	Preparation of proposed guidelines
Integration of Electricity Storage Technologies	AEMC	26 January 2015	Continuing	Preparation of final report
<b>RELIABILITY PANEL PROJECTS</b>				
Template for Generator Compliance Programs Review 2015	Rules requirement	15 Sep 2014	18 June 2015	Completed
Reliability Standard and Settings Review 2014	Rules requirement	8 April 2013	16 July 2014	Completed
Annual Market Performance Review 2014	Rules requirement	6 Nov 2014	Continuing	Preparation of final report



**Table K Market reviews and advice completed**

REVIEW NAME	OVERVIEW	EXPECTED BENEFITS/IMPACTS FROM RECOMMENDATIONS
2014 Retail Competition Review	The AEMC completed its first annual retail competition review on 22 August 2014 (Standing terms of reference require the competition reviews to be completed by 30 June each year. The first review's deadline was extended by COAG Energy Council officials following a two month delay in receipt of inaugural terms of reference). The second annual review was completed on 30 June 2015.	These reviews provide advice to governments to support a commitment made by all jurisdictions under the AEMA to remove retail energy price regulation where effective competition can be demonstrated.
2015 Retail Competition Review	<p>The annual review of energy retail competition assesses the state of competition in the small customer electricity and natural gas retail markets in all National Electricity Market (NEM) jurisdictions.</p> <p>Retail competition reviews are conducted in accordance with the framework set out in the Australian Energy Market Agreement (AEMA).</p> <p>A range of information sources are used to form an evidence base to assess the state of competition against the following five competitive market indicators:</p> <ul style="list-style-type: none"> <li>the level of customer activity in the market;</li> <li>customer satisfaction with market outcomes;</li> <li>barriers to retailers entering, expanding or exiting the market;</li> <li>the degree of independent rivalry; and</li> <li>whether retail energy prices are consistent with a competitive market.</li> </ul>	<p>The 2015 review found that, overall, retail competition remains effective for electricity markets in South East Queensland, New South Wales, Victoria, and South Australia, although it is less effective in the Australian Capital Territory and is yet to emerge in Tasmania and regional Queensland. In retail gas markets competition is effective in most of Victoria, New South Wales and South Australia. There is limited competition in South East Queensland and effective gas competition is yet to emerge in the ACT, Tasmania and regional Queensland.</p> <p>The AEMC recommended: raising awareness of tools available to simplify comparing energy offers; ensuring concession schemes are delivering on their intended purpose in a targeted way; continuing to harmonise regulatory arrangements to reduce the long terms costs of competing across jurisdictions; implementing the recommendations of the AEMC's electricity customer switching review to improve the accuracy and timeliness of the customer transfer process; and removing energy retail price regulation where competition is effective.</p>
Template for Generator Compliance Programs Review 2015	<p>The National Electricity Rules (clauses 8.8.1 and 8.8.3) require the Reliability Panel to determine, modify as necessary, and publish the template for generator compliance programs.</p> <p>Under the Rules, the Panel must review the template at least every three years, and at such other times as the AEMC may request. The template aims to provide assistance and clarity to registered electricity market participants, particularly generators, to develop performance standards compliance programs that include monitoring procedures they consider to be consistent with good electricity industry practice. It also assists the Australian Energy Regulator with the enforcement and monitoring of generators' compliance with the technical requirements under the National Electricity Rules.</p>	The Panel's final report details amendments the Panel has made to the template for generator compliance programs to improve its clarity and to reflect changes in generation technology, new monitoring techniques and changes in plant operational modes. The Panel considers that its final recommendations have the potential to contribute to improvements in the efficiency with which compliance obligations are carried out by generators and the Australian Energy Regulator. This, in turn, has the potential to provide confidence to customers that generators are contributing to the delivery of a secure and reliable power system.
National Electricity Market – Financial Market Resilience	The AEMC was asked to provide advice by the Council of Australian Governments' (COAG) Energy Council on risks to the financial stability of the National Electricity Market (NEM), and whether any additional measures may be required to manage those risks. The range of challenges that the NEM has faced, and may face over the coming years, increases the importance of understanding the potential threats to the financial stability of the NEM and being prepared to manage and respond to risks, if they occur.	<p>The review found the electricity market to be working well with businesses able to enter and leave the market without causing widespread financial problems or disruptions to customers. The AEMC made a number of recommendations so that the market would be properly prepared if a major energy company gets into financial distress. The recommendations were developed with a view to maintaining the commercial incentives on participants to manage their own risks to the extent they can. The main outcome is a recommendation to elevate decision-making in the event of a needed response to a large participant failure to a single decision-making point – the Chair of the COAG Energy Council in close co-operation with jurisdictional energy ministers.</p> <p>Changes are also recommended to improve the current Retailer of Last Resort Scheme which works by transferring the customers of a failed retailer to other "last resort" retailers in the market. The changes are designed to help take pressure off last resort retailers so they have more time to meet their expanded financial obligations.</p>

REVIEW NAME	OVERVIEW	EXPECTED BENEFITS/IMPACTS FROM RECOMMENDATIONS
2014 Residential Electricity Price Trends	This report is the fifth annual residential electricity price trends report prepared by the AEMC at the request of the COAG Energy Council. The report provides information on the supply chain components expected to affect the trends in residential electricity prices for each state and territory of Australia over the three years from 2013-2014 to 2016-2017.	By providing information on the drivers of potential future movements in prices, the report seeks to strengthen consumer engagement in the electricity market.  Residential electricity prices have moderated in 2014-2015 in most states and territories following the removal of the carbon price. Average national prices are expected to fall again in 2015-2016 before increasing moderately in 2016-2017, with variations between states and territories. Jurisdictional price moderation will mostly be driven by changes in regulated network prices, following recent regulatory determinations by the Australian Energy Regulator.
Review of Distribution Reliability Measures	Historically different approaches have been taken by jurisdictions in relation to distribution network reliability settings, making it difficult to compare performance across networks and increasing the regulatory burden for distribution businesses. This review recommended ways of setting and regulating distribution reliability to promote greater efficiency, transparency, and community consultation.	The AEMC has developed harmonised definitions which provide a menu of proposed distribution reliability measures to be applied by the AER and participating jurisdictions for their reporting, benchmarking and incentive schemes. The use of these common definitions would increase transparency and consistency of distribution reliability measurements and improve stakeholder confidence.
Last Resort Planning Power – 2014 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.	The AEMC has decided not to exercise the last resort planning power in 2014. It is satisfied that inter-regional transmission constraints are being appropriately assessed by planning bodies.
Reliability Standard and Settings Review 2014	Under the National Electricity Rules (NER), the Panel is required to review the reliability standard and reliability settings once every four years. This regular review allows the Panel to consider whether changes should be made to ensure these mechanisms continue to meet the requirements of the market, market participants and consumers.	In its final report, which was published on 16 July 2014, the Reliability Panel determined to retain the current form and level of the reliability standard and not make a change to the real value of the Market Price Cap (MPC), Cumulative Price Threshold (CPT) or Market Floor Price (MFP). The Panel considers that its decision and recommendations are likely to maintain certainty and help to continue to deliver efficient operational and investment decisions in the long term. This is in the long-term interests of consumers as it promotes an appropriate balance between prices and reliability of supply of electricity.
Barriers to Efficient Exit Decisions by Generators	The COAG Energy Council's Senior Committee of Officials (SCO) asked the AEMC to provide advice on whether there were material regulatory barriers to generators making decisions to exit the market by retiring or decommissioning assets in response to market signals.	Having reviewed the factors that generators may consider in deciding whether or not to exit the market, the final advice provided to the Senior Committee of Officials concluded there was nothing in the National Electricity Law or Rules which would constitute a barrier to efficient exit decisions by generators.
Optional Firm Access, Design and Testing	The COAG Energy Council directed the AEMC to undertake detailed design and testing of the optional firm access model. Optional firm access would change the way in which transmission and generation investment decisions are made, and would mean generators would bear more of the risk, associated with some transmission investment.	The final report determined that, in the current environment, the implementation of optional firm access would not contribute to the National Electricity Objective. However, it could be beneficial in a future environment where there is significant investment, but the patterns of that investment are uncertain. Accordingly, the AEMC recommended regular reporting and assessment on a series of drivers of transmission and generation investment.

**Table L – Market reviews and advice current at 30 June 2015**

REVIEW NAME	OVERVIEW	STATUS
East Coast Wholesale Gas Market and Pipeline Frameworks Review	<p>At its December 2014 meeting, the COAG Energy Council released its vision for the Australian gas market, and asked the AEMC to review the role and objectives of the facilitated gas markets currently in operation in eastern Australia. The AEMC review will also set out a road map for the continued development of the markets in order to meet the Council's Vision. The Terms of Reference require the AEMC to consider:</p> <ul style="list-style-type: none"> <li>the appropriate structure, type and number of facilitated markets on the east coast, including options to enhance transparency and price discovery, and reduce barriers to entry;</li> <li>opportunities to improve effective risk management, including through liquid and competitive wholesale spot and forward markets which provide tools to price and hedge risk; and</li> <li>changes to strengthen signals and incentives for efficient access to, use of and investment in pipeline capacity.</li> </ul> <p>The review will be conducted over two stages.</p>	<p>The AEMC published the Stage 1 Draft Report for the East Coast Wholesale Gas Market and Pipeline Frameworks Review in May 2015. The draft report discusses six practical initiatives which could be pursued immediately to boost the efficient and effective operation of the market. The report also identifies a number of complex and interlinked issues that will require more detailed consideration in order to develop a long term market development plan. Submissions on the issues set out in the draft report closed on 1 June 2015. The Stage 1 final report will be presented to the COAG Energy Council prior to its meeting in July 2015.</p>
Review of the Victorian Declared Wholesale Gas Market	<p>In March 2015, the Victorian Government, with the agreement of the COAG Energy Council, asked the AEMC to conduct a review of the Victorian Declared Wholesale Gas Market (DWGM). The Terms of Reference for the review require the AEMC to consider:</p> <ul style="list-style-type: none"> <li>The ability of market participants to manage price and volume risk in the DWGM and options to increase the effectiveness of risk management activities;</li> <li>Whether market signals and incentives are providing for efficient use of, and efficient and timely investment in, pipeline capacity on the Declared Transmission System (DTS);</li> <li>If, and to what extent, the current DWGM arrangements inhibit trading of gas between the DTS and interconnected facilities and pipelines; and</li> <li>Whether the DWGM arrangements continue to facilitate market entry and promote competition in upstream and downstream markets and how this could be improved.</li> </ul>	<p>The initial phase of the Review of the Victorian Declared Wholesale Gas Market has been combined with Stage 1 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review. The options paper for this review is expected to be published in August 2015.</p>
Annual Market Performance Review 2014	<p>The Annual Market Performance Review is a requirement under the National Electricity Rules. It 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.</p>	<p>The Reliability Panel published its draft report on 13 May 2015. The Panel's draft findings note that, on the basis that there were no reliability events in the 2013-2014 financial year, the reliability of the NEM remained within the reliability standard. There were also no power system incidents that resulted in interruptions to customer load. The Panel observed a number of incidents where the frequency of the power system was outside the frequency operating standards. However, these incidents were effectively managed by AEMO and actions have been, or are in the process of being, taken to address any issues identified.</p>

REVIEW NAME	OVERVIEW	STATUS
Last Resort Planning Power – 2015 Review	Refer to overview for Last Resort Planning Power – 2014 Review (Table K)	The Last Resort Planning Power – 2015 Review is expected to be published in late 2015.
Last Resort Planning Power – Guidelines	<p>The Last Resort Planning Power guidelines are being reviewed as the last review was undertaken in 2010 and in the current version of the guidelines the AEMC states that it anticipates that it will review the guidelines at least every five years.</p> <p>This project seeks to amend the current Last Resort Planning Power guidelines to incorporate more detail about the three stage process the AEMC follows in deciding whether to exercise the LRPP and correct cross-references to relevant clauses in the NER.</p>	The proposed guidelines and an explanatory statement were published in late 2015.
Review of Technical Standards	<p>This project is a review of the process to negotiate performance standards set out in the National Electricity Rules (NER).</p> <p>Technical standards define the level of performance required of the equipment that makes up, and is connected to, the National Electricity Market (NEM) power system. They include rules defining: the standards to which the system as a whole must perform; a range for each different technical standard (an automatic standard and a minimum standard) for equipment connecting to (accessing) the system; and a process for negotiating within the defined range.</p>	Work has commenced on the Issues Paper with its publication and the launch of the consultation period expected to take place in late 2015.
2015 Residential Electricity Price Trends	Refer to overview for 2014 Residential Electricity Price Trends Report (Table K).	The 2015 Residential Electricity Price Trends Report is underway and expected to be published in late 2015.
Implementation Advice on the Shared Market Protocol	A shared market protocol will define a format of communication that can be used between businesses accessing the services available from smart meters. This is expected to promote competition in the market for advanced metering services by reducing barriers to entry for new energy service companies while not inhibiting innovation in the method of communications.	Considering the significant benefits of industry decision making with regard to the communications sent between businesses, the AEMC's draft advice, published on 25 June 2015, recommended that an updated Information Exchange Committee (IEC) would be responsible for developing and maintaining the business to business (B2B) procedures. In addition to the existing contents, the new B2B procedures would be required to support communications between parties relating to each of the services set out in the minimum services specification (to be defined as part of the competition in metering rule change process). B2B procedures may also include performance requirements for the B2B e-hub. Publication of final advice is due in late 2015, taking into account the expanding competition in metering rule change (an interdependent project).
Strategic Priorities for Energy Market Development 2015	This project will be the AEMC's third strategic priorities review. These priorities are developed by the AEMC through a consultation process with consumer groups, market participants and policy makers. Our strategic priorities, which are updated every two years, form the basis of our market advisory role and enable us to regularly update the COAG Energy Council on stakeholder views of the opportunities, risks and challenges facing the energy sector.	Our updated strategic priorities will be published in November 2015.



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