

AEMC

AUSTRALIAN ENERGY MARKET COMMISSION

2009-2010 ANNUAL REPORT



MISSION

VISION

VALUES

STRATEGIC

OBJECTIVES

ENQUIRIES

MISSION

The AEMC delivers high quality and impartial energy market rules and advice to policy makers.

VISION

We will be an essential source of market development advice and be regarded as an excellent rule maker.

VALUES

The shared values of the people who are the AEMC provide the framework for the success of our organisation. Success depends upon each of us reflecting these values in the way in which we act, engage and discharge our statutory functions. These values were reviewed at the close of our first five years of operation and are now: Leadership, Integrity, Engagement.

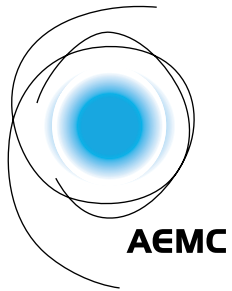
STRATEGIC OBJECTIVES

1. Driving the development of efficient market frameworks by delivering well on routine work and proactively providing advice to policy makers;
2. Contributing to energy market policy development as the leading source of advice on energy markets;
3. Providing world-leading advice through our people and the partnerships we develop; and
4. Addressing the increasing demands on the AEMC for our rule making, reviews and advice by ensuring we have the capacity to deliver.

ENQUIRIES

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Australian Energy Market Commission
Level 5
201 Elizabeth Street
Sydney NSW 2000

12 October 2010

The Hon Patrick Conlon
Minister for Energy
GPO Box 2969
Adelaide SA 5001

Dear Minister

Australian Energy Market Commission Annual Report 2009-2010

I am pleased to present the Australian Energy Market Commission 2009-2010 Annual Report.

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

Yours sincerely



John Pierce
CHAIRMAN

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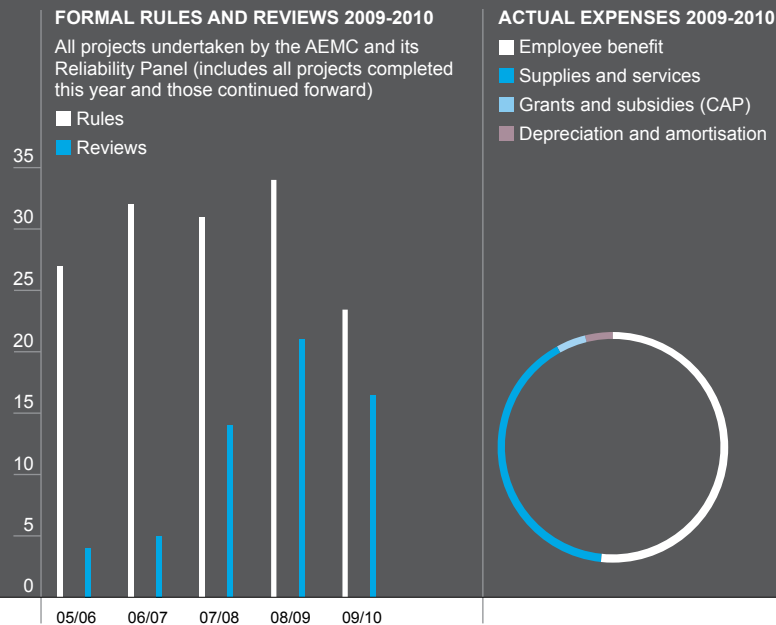
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OVERVIEW

Five years after the AEMC was established we see continuing requests for rules coming to us from a range of stakeholders with an interest in how the market functions. At the same time we are being directed by the Ministerial Council on Energy to undertake reviews which look more broadly at the best ways to ensure the sector can meet community needs and expectations. While there has been some moderation in the number of rules and reviews this year, in general terms we see a trend towards increased complexity of issues under consideration.



RULES

23 rule change projects were undertaken

- 10 rules were made by the AEMC amending the National Electricity Rules
- 1 rule was made by the AEMC amending the National Gas Rules
- 1 determination to not proceed with an electricity rule change
- 10 electricity rule change proposals continued into 2010-2011
- 1 gas rule change proposal continued into 2010-2011

REVIEWS

11 market reviews were undertaken by the AEMC

- 4 completed
- 7 continued into 2010-2011

EXPERT PANELS

5 market reviews were undertaken and completed by the Reliability Panel

FINANCIAL

- Overall expenditure was less than budget
- Lower interest rates impacted on investment income
- Funding for the AEMC was provided by each of the states and territories on a proportionate basis.

OVERVIEW

OUR ROLE

Responsibilities

The Australian Energy Market Commission (AEMC) has two principal functions in relation to national energy markets:

- rule-making – which involves reviewing and assessing proposed changes to the National Electricity Rules and National Gas Rules; and
- reviews – which involve identifying issues or problems with existing energy market arrangements as they emerge and recommending improvements.

The AEMC advises the Ministerial Council on Energy (MCE) on how best to develop energy markets over time. We actively consider market development when we consider rule change proposals and reviews.

The national electricity and gas rules do not concern retail regulation. The MCE has directed the AEMC to review the effectiveness of retail competition in electricity and gas markets in certain states but retail price control is retained by states and territories unless they choose to transfer such arrangements to the AEMC and the Australian Energy Regulator (AER).

The MCE is currently moving to establish national rules for non-price retail regulation – with the AEMC to be the responsible rule maker. Legislation to enable this change is planned.

EXPERT PANELS

Reliability Panel

The AEMC is required under the National Electricity Law (NEL) to form the Reliability Panel, which is chaired by a member of the Commission. The panel monitors, reviews and reports on the safety, security and reliability of the national electricity system.

Consumer Advocacy Panel

The Consumer Advocacy Panel (CAP) allocates grant funding to applicants representing energy consumers. It also initiates research projects for the benefit of natural gas and electricity consumers. The AEMC provides administrative and back office support to the CAP, but does not direct the CAP in the performance of its functions. For the year ended 30 June 2010, the CAP received 68 applications for funding, 58 of which were approved (although two were subsequently withdrawn) to a total value of just over \$2.6 million. The CAP's annual report is provided as an appendix to this report.

GOVERNANCE

The AEMC is an independent, national body responsible to the Council of Australian Governments (COAG) through the MCE for the performance of its functions. The AEMC was established in 2005 under the Australian Energy Market Commission Establishment Act 2004 (South Australia).

OVERVIEW

ORGANISATION

At 30 June 2010, the AEMC was led by three Commissioners and employed 46 staff.

The AEMC made the transition to a new Commission this year. The new Chairman, Mr John Pierce, and Commissioners Mr Neville Henderson and Dr Brian Spalding have all been active participants in the Australian energy sector reform process.



AEMC EMPLOYEES BY EMPLOYMENT STATUS JUNE 2010

- Full time 38
- Part time 3
- Secondment 1
- Term contract 4

OUR GEOGRAPHICAL SCOPE

The AEMC is responsible for developing rules under both the National Electricity and National Gas Laws – bringing consistent regulatory decision making to the energy sector.

National Electricity Market

The National Electricity Market (NEM) has been in operation since 1998. It is the wholesale market for electricity supply in the participating jurisdictions which include the states of Queensland, New South Wales, Victoria, Tasmania, South Australia and the Australian Capital Territory. It delivers electricity on an interconnected system that stretches more than 4,000 km from far north Queensland to regional South Australia and includes a sea-bed cable between Victoria and Tasmania. The market is governed by the National Electricity Law (NEL) and the National Electricity Rules.

Natural Gas Market

Participating jurisdictions under the National Gas Law (NGL) are South Australia, the Commonwealth, New South Wales, Victoria, Queensland, Tasmania, the Australian Capital Territory and Northern Territory. On 1 January 2010, Western Australia became a participating jurisdiction in the national gas regulatory scheme to the extent set out in the National Gas Access (WA) Act 2009 (which is a modified version of the National Gas Law (National Gas Access (Western Australia Law))). The NGL brings responsibility for policy and regulation of access to natural gas pipeline services and broader elements of natural gas markets under the national energy market institutions.

CHAIRMAN'S REPORT

It has been a challenging 12 months for the energy sector which has grappled with the legacy of the global financial crisis as well as evolving policy positions on climate change. Uncertainties remain, and developments in capital markets and energy and climate change policies will continue to impact sector and market outcomes.



Against this background, the work of the Commission has been significant. Last September we provided our final report to the Ministerial Council on Energy (MCE) on the Review of Energy Market Frameworks in Light of Climate Change Policies. Our report showed how a carbon reduction pollution scheme and an expanded national renewable energy target would result in structural transformation of the Australian energy markets – placing pressure on market participants and consumers to change the way they produce, trade and use electricity and gas.

Despite these pressures, we concluded that the existing competitive energy markets, supported by efficient economic regulation of the monopoly network sector, would continue to provide an effective response to major changes in economic and policy circumstances. The review made a number of recommended changes to strengthen the market's ability to respond to policy changes while continuing to provide efficient, reliable services.

In August 2010 the AEMC published the final report for its review of National Electricity Market (NEM) security and reliability arrangements in light of extreme weather

events. This review looked at the impact of heatwaves (and other extreme weather like droughts and bushfires) on the power supply chain and identified ways to improve system security in those circumstances. It was a prudent exercise to build our understanding of extreme weather implications and to identify some of the steps we can take now to better prepare for the future. Here too our proposed changes aimed to ensure that consumers' expectations for reliability of supply continue to be met.

Following these reports we were asked by the MCE to review the transmission frameworks in the NEM and this important

CHAIRMAN'S REPORT

project will deal with issues including new transmission investment, network operations, management of congestion and network charging, access and connection.

Delivering the best outcomes

The energy sector's canvas is indeed a broad one.

If the National Electricity Objective (NEO), and the National Gas Objective (NGO) which promote efficient investment and use of electricity and natural gas services, are to be properly satisfied, then all steps from input to generation and production, and end use must operate to the highest standards of efficiency.

To that end, market rules, regulatory processes around networks and government policies and programs must be integrated to deliver the best outcomes at each step along the chain.

At the same time, regulatory processes and government policies must help the market embrace new ways of using power and respond rapidly to changes in technology

which are allowing consumers to be more informed about options to manage their energy use better.

No matter how the market landscape changes in years to come, one thing is certain:

In its entirety, the energy market needs to deliver a significant amount of new investment – be that to meet growth in the demand for energy services, replace existing plant and or re-build the existing capital stock to reduce emissions levels. There will be a need for significantly increased levels of capital investment, and those investments can be expected to follow different patterns from those in the past. A key task for regulators and market institutions will be to make it as easy as possible for capital to flow into those parts of the market where it is needed most.

Making informed decisions

What does this mean for the AEMC? The Commission's remit includes stewardship of the rules for the energy market and to help inform policy debates as appropriate. We



The AEMC's new Chairman, Mr John Pierce, and Chief Executive, Mr Steven Graham

must ensure we are in a position to provide comprehensive advice to government on policy initiatives that impact market performance outcomes. Our goal was set for us by the nation's energy ministers in 2005 – to help achieve the Council of Australian Governments' policy objectives by supporting efficient market outcomes – and we remain committed to that mission.

Effective cooperation

The delivery of efficiency improvements for the long-term benefit of consumers

is dependent on two things. Informed government decision-making as well as the effective coordination of market institutions to ensure that our complementary roles are understood and that we are able to work well together. The AEMC also needs to continue to work closely with market participants, not just wholesalers but large and small end users – establishing close relationships with both the supply and demand sides of the sector.

CHAIRMAN'S REPORT

Working across the demand and supply sides

The AEMC has undertaken two reviews of demand side participation. The second recommended changes to network regulation and technical standards, particularly in relation to embedded generation. While noting the limits on demand side participation and energy efficiency set by the level of technology that currently exists in the system, the review pointed to evidence of demand response of some hundreds of megawatts during periods of particularly high prices.

The MCE wrote to the Commission in mid-July 2010 supporting our proposed rule changes. The MCE also supported our recommendation for a third review of demand side participation and energy efficiency that goes beyond the scope of the existing market rules.

This will include our consideration of incentives and limitations on efficient price signals reflected in customer tariff structures; the potential offered by smart grid and smart

meter technologies (including the conditions that would need to be satisfied for this potential to be realized); non price barriers to improvements in energy efficiency; and in the context of the National Strategy of Energy Efficiency include an examination of the regulatory arrangements for energy efficiency (such as various retailer obligation schemes), that exist outside the national market rules, but nevertheless impact on market outcomes.

A new Commission

As a new Commission, Neville Henderson, Brian Spalding, and I, are grateful for the excellent work done by former Commissioners under the stewardship of Chairman John Tamblyn. By performing their statutory and rule-making role in a transparent and evidence-based manner, they earned the Commission a reputation for sound, in-depth, counsel that provides us with a solid foundation for the years ahead. Their efforts in establishing the AEMC continue to serve us well.

I believe we are well placed to meet our future obligations. Neville, Brian and I share a common history in the energy market, in that we have all, to some degree, been involved in its inception. Together with the professionalism and commitment that Chief Executive, Steven Graham, his senior management team and all staff at the AEMC bring to their work, our stakeholders can be confident that we will continue to strive to make meaningful contributions to an efficient, smoothly functioning energy market to benefit all Australians.

John Pierce
CHAIRMAN

CHIEF EXECUTIVE'S REPORT

As we move into the next phase of our corporate history we will take a broader role in emerging policy issues. The expertise and knowledge of our new Commissioners will support and enhance the work of the AEMC as it progresses.



At the end of our first five years of operation, we are facing three converging issues: the effects of the global financial crisis, the public debate around putting a price on carbon and the need for major investment in energy infrastructure.

As a result we have moved into a more challenging environment in which significant pressures are coming to bear on the market and industry – particularly in relation to the continuing delivery of affordable, reliable and secure electricity supply.

Ensuring reliability and supply

Infrastructure capacity excess that existed in the nineties has largely been consumed

requiring investment in new capacity and networks. Developing needs for investment in newer technologies such as smart networks and renewable generation sources, to provide new services to customers, increase the financing and development challenges facing the industry. This is a world wide phenomenon impacting on the availability of skilled workforces and finance. In a post GFC climate in which financiers and equity providers are keenly focused on country, industry and company risk, competition between industry sectors for finance is arguably more sensitive to perceptions of regulatory certainty. In such circumstances confidence in energy market regulatory frameworks, the processes

for amending them and the ability of those frameworks to deal with externalities to the market are critical.

Against this background, the AEMC must maintain the high standard of its statutory functions. The reputation we have built for independence and objectivity has served us well. It is part of the reason we are being increasingly asked to provide advice on market development issues and the impact of externalities.

Governments are asking us to undertake more complex reviews and provide more wide-ranging advice. Our role is to support government in developing policies which

CHIEF EXECUTIVE'S REPORT

ensure energy markets can operate in an economically efficient manner in the long-term interests of consumers. This growing role will be an increasingly important function for us in the coming years.

Deepening our knowledge

To respond to this need, the AEMC must further develop its skills. We need to deepen our knowledge of financial markets and infrastructure financing. We also must be able to respond at short notice to requests for advice outside of the highly structured, statutory consultation process.

To this end, over the past year we have sought to recruit people with specific energy sector expertise, as well as interpretive and analytical skills. We have established a strategy and economics unit within the AEMC to provide support and economic analysis to our policy teams. It will develop a knowledge bank of information relevant to our market development and advice role. We also introduced a series of in-house economics seminars and expert speakers to establish a continuing emphasis on continuing

education and debate to deepen staff skills and understanding of the energy industry and its workings.

Stakeholder engagement

Following our stakeholder survey in 2009 we have been more actively engaged in meeting those groups with an interest in our roles and discussing issues of mutual interest. The feedback received has been positive. However, it is a work in progress and over the coming year we will be looking to enhance our formal engagement and create more opportunities for informal discussion about energy matters. We also intend to engage more widely with business, governments and industrial, commercial and domestic consumer representatives.

Our values for the future

A series of staff workshops were recently held to revisit our values and review them in the context of our evolving role. It was particularly edifying to see the clear consensus among staff on what values we should take with us into the future. Reaching this consensus so quickly demonstrated the underlying strength

of the organisation and the strong alignment between our collective values and what we need to succeed. This is not accidental. It has come about through the processes we have established, and the expectations we have articulated about the manner in which we approach our work. Our values encapsulate what is necessary and essential to fulfilling our role as a national independent body.

International engagement

Our representation on the steering committee of the International Confederation of Energy Regulators and participation in a working group reviewing regulators' response to climate change gives us a valuable place in international debates on energy issues and market development in overseas jurisdictions. This participation not only helps inform our decision making but allows us to share Australia's achievements.

Acknowledgements

All successful organisations understand the need for continual improvement and constant change. Having established a sound foundation, our challenge now is to keep

building the capacity we need to continue to serve community interests. We need to respond to the new, and continually improve the way we carry out our function in that changing world.

I would like to acknowledge the contribution of the former Commissioners under the stewardship of our former Chairman John Tamblyn. Our thanks and appreciation go to our foundation Commissioners – not only for their work in establishing the AEMC and building its organisational capacity, but for their guidance and direction in developing what is now a highly regarded voice in the energy sector.

In conclusion I'd like to acknowledge the contribution of all our staff: our policy analysis teams, the legal group, and the invaluable support provided by our corporate services team. I applaud and thank them for their professionalism, diligence and commitment. Without these talented teams, the AEMC would not be able to do its job.

Steven Graham
CHIEF EXECUTIVE

NEW VALUES



The AEMC has fine-tuned the organisation's values to see us through the next stage of our corporate history. To ensure we fulfil our role as a national independent body we must perform our functions in a way that demonstrates integrity, and uses an evidence-based approach while remaining fully engaged with our stakeholders.

Leadership is required to deliver on our broader role in the economy. To ensure the national gas and electricity markets continue to operate in the interests of consumers we need to help policy makers understand the complications and consequences of different options. We do this by early engagement and by providing information and advice on alternative approaches to enable governments to achieve their objectives in a manner that retains the effectiveness of the markets.

Engagement means we build relationships to develop a good understanding of what is happening in the real world, with regards to energy business, large and small consumer requirements and government. We maintain conversations with our stakeholders to understand how operating environments – and the changes we might contemplate to the market arrangements – will manifest in the economy. We promote dialogue and understanding between supply and demand side groups.

Integrity is the value which drives our relationships with each other and the people we meet in our day-to-day work. Acting with integrity is the way we maintain our well-established reputation for independent thinking and objectivity – and how we encourage open and frank dialogue.



OUR ROLE IN THE ENERGY MARKET

The Australian energy sector is facing a transformational period as it emerges from the global financial crisis into an operating environment where governments at all levels are developing policies to address climate change and investment is required to meet increases in peak demand, and to replace ageing assets.

OUR ROLE IN THE ENERGY MARKET

Over recent years, the National Electricity Market and Australia's gas markets have generally been strong, with sound structures and significant improvements in wholesale, transmission and distribution efficiency to meet demand.

However, in the electricity market we now face the situation where reserves of generation capacity are being used up and components of transmission and distribution networks are reaching the end of their technical lives. They will require significant upgrades. There is a clear desire by the community and government for enhanced consumer-level participation in determining the demand for energy in the future through the use of tools such as pricing and smart metering.

Implementing the national energy objectives

Establishing the right frameworks for the development of efficient, reliable and secure energy markets that serve the long-term interests for the community is the core function of the AEMC.

Our work is carried out in accordance with the National Electricity Objective (NEO) and the National Gas Objective (NGO) which require us to: *promote efficient investment in, and efficient operation and use of, electricity and natural gas services for the long term interests of consumers of electricity and natural gas with respect to price, quality, safety, reliability, and security of supply.*

The challenging environment in which the energy sector now operates has brought into sharp focus the importance of these objectives for Australia's productivity growth, international competitiveness and economic development.

The relationship between the rules, energy markets, energy sector efficiency and the economy are increasingly relevant. Failure to deliver the most efficient energy market framework would create a drag on the economy. Creating a more efficient structure can deliver significant productivity gains.

Economic efficiency and consumer benefit objectives are at the heart of our work to

implement the NEO and the NGO. We are committed to evaluating the multiple factors that have to be balanced in order to achieve the most efficient outcome.

Our approach in developing the energy markets is to ensure that frameworks not only minimise the costs of energy market operations and investments – but can also accommodate the costs of market externalities such as policies to reduce carbon emissions and improve efficiency.

A public platform for analysis and discussion

The AEMC has a unique role within energy markets. We provide a public platform for all stakeholders to debate the detailed rules affecting the operation of the market. We also raise energy policy matters for

consideration by the wider market. The effectiveness of our forums is enhanced by the right of any person to propose a rule change. Additionally, we can initiate our own reviews to investigate matters that we consider are important to the function or future development of the market.

Transition to a lower carbon economy

Another compounding factor which magnifies the challenges we face is the role of energy markets in transitioning to less carbon-intensive patterns of economic activity. There are many ways in which policy and commercial behaviour might drive change, and stationary energy will be at the centre of these changes, given its own carbon-intensive profile and its role in providing services to the wider economy.

The AEMC is an independent, statutory Commission with responsibility for making rules for electricity markets and elements of natural gas markets. We provide a public platform for all stakeholders to debate the rules affecting energy market operations. We also review specific energy market issues or problems and provide advice to the nation's Ministerial Council on Energy.

More specifically:

- the ability of energy market frameworks to support, at efficient cost to consumers, the step change in the quantum of investment required to support renewal of existing capacity and deliver new capacity;
- the need for more active management of energy consumption by individuals, businesses, networks or other third-party service providers as a means of managing energy costs, improving energy efficiency, and providing alternatives to building additional supply-side infrastructure;
- potential increases in the frequency of extreme weather events, and the implications of such developments for the resilience we require of our energy supply infrastructure; and
- consumer information and protection in the light of significant increases in energy bills, and potential increased complexity in the range of offers being made by energy retailers or service providers.

The AEMC's contribution to analysis of market challenges

The AEMC is already actively engaged on many of these future challenges.

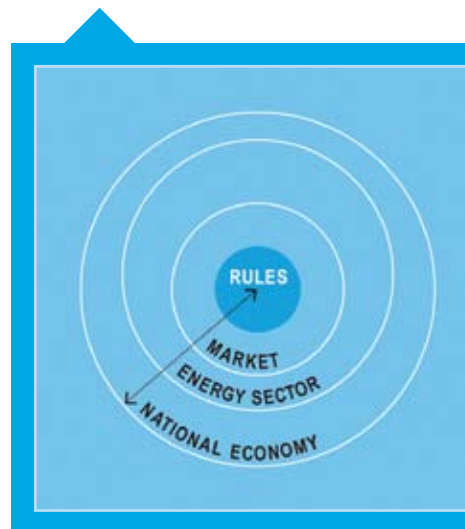
In September 2009 we concluded our review of how energy market frameworks might need to be amended to accommodate efficiently the proposed Carbon Pollution Reduction Scheme (CPRS) and the expanded Renewable Energy Target (RET). Our detailed recommendations were endorsed by the MCE, and we are currently processing rule change proposals from the MCE to improve the planning of transmission connections for growing clusters of new generation, and to improve the ways in which transmission costs are recovered between different regions.

In 2009 we concluded a review of potential barriers to demand-side participation in the National Electricity Market – and announced plans in 2010 to extend our investigations in this area to consideration of the implication of 'smart grid' technology for the design of

the market rules. We also prepared advice to the MCE on whether the rules efficiently accommodate cost recovery for mandated smart metering infrastructure. While the Commission's draft report on this matter has found that existing processes for cost recovery are adequate for mandated smart metering infrastructure it also recommended some incremental amendments to Chapter 6 of the National Electricity Rules are required to ensure that distributors recover their efficient costs and to ensure that operational cost savings are passed through to customers promptly.

We also provided advice to the MCE on the implications for energy market frameworks of more frequent extreme weather

events, and on the potential application of productivity indices to help "benchmark" the performance monopoly network businesses – and improve the discipline on such businesses to operate efficiently.



There continues to be a strong relationship between our core business as a rule maker and our role as a source of expert, independent advice to governments. The rules are not isolated from developments in the domestic energy sector and beyond to the national economy. We are focussed on the increasingly complex relationships between economic forces on the energy market and the market rules.

RULE MAKING

During the 2009-2010 year, the AEMC considered a total of 21 rule change proposals bearing on the National Electricity Market.

In carrying out its rule making responsibilities, the AEMC made 10 new electricity Rules and determined to not make one rule as proposed by proponents. Ten rule change proposals considered in the year under review were underway at 30 June 2010. Fifteen new electricity rule change requests were received during the year under review. The consolidated version of the National Electricity Market Rules at 30 June 2010 was Version 37.

The initial National Gas Rules (NGR) were made by the South Australian Minister for Energy and commenced operation on 1 July 2008. We received our first and second rule change requests in relation to the National Gas Rules in the year under review and made our first gas rule on 20 May 2010. The consolidated version of the National Gas Rules at 30 June 2010 was Version 4.

Combined statistics for rule making activities (electricity and gas) were; total rule change proposals considered – 23; total rules made – 11; rules not made – 1; new proposals – 17.

Continuing the pattern established from the start of the AEMC we see that most rule change proposals in the year under review were brought forward by the market operator (AEMO), and the MCE.

The AEMC's whole of market approach

The market objectives are the principal criteria for evaluating rule changes. Under section 88 of the National Electricity Law and section 291 of the National Gas Law, the AEMC may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the respective statutory objective. We may give weight to any aspects of the objectives as we consider appropriate in the circumstances (having regard to any relevant MCE statement of policy principles).

The national electricity objective is: “to promote efficient investment in, and efficient operation and use of, electricity

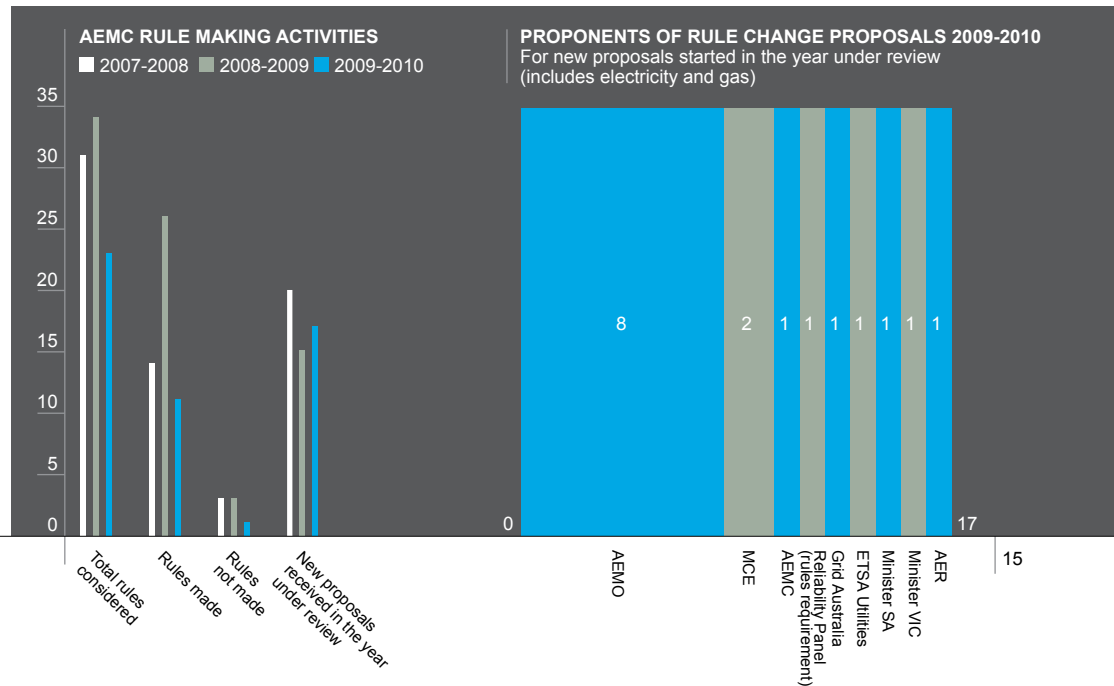
services for the long term interests of consumers of electricity with respect to –
 (a) price, quality, safety, reliability and security of supply of electricity; and
 (b) the reliability, safety and security of the national electricity system.”

The national gas objective is framed in similar terms:

“The objective of this Law (the National Gas Law) is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.”

At the same time we are mindful of taking a whole-of-market approach. We consider every rule change proposal in the context of any wider implications on the operation of the market.

The National Electricity Law provides the flexibility for the Commission to consolidate more than one proposal (section 93 of the NEL and section 300 of the NGL) and propose alternative solutions to the underlying problem subject to a rule proposal (section 91A of the NEL and section 296 of the NGL). This allows the Commission to directly address market problems when they are raised through rule change proposals without being limited to the solutions put forward by rule change proponents.



OUR ROLE IN THE ENERGY MARKET / RULE MAKING CONTINUED

The following tables summarise the electricity rules made by the AEMC in 2009-2010.

NAME	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT / IMPACT
Arrangements for Managing Risks Associated with Transmission Network Congestion Rules 16, 17 and 18.	Rule 2009 Nos. 16 to 18 (Rules 16 and 18, version 31, Rule 17, version 38)	13 Aug 09	Rules 16 and 18: 1 Sep 09, Rule 17: 1 Jul 10	MCE	Fast track	This package implements recommendations from the AEMC Congestion Management Review. Rule 16 gives market participants access to timely and cost-effective congestion information on planned network events and the incidence of mis-pricing in the NEM; 17 promotes allocative efficiency and improves the firmness of the IRSR unit as a hedging instrument; 18 promotes transparency, predictability and clarity in relation to formulation and use of constraint equations.
Improved RERT Flexibility and Short-notice Reserve Contracts	Rule 2009 No.19 (version 32)	15 Oct 09	15 Oct 09	Reliability Panel	Expedited	Allows AEMO to contract for power reserves at much shorter notice than was previously the case. This will improve AEMO's ability to effectively deal with capacity shortfalls closer to real time.
Confidentiality Provisions for Network Connections	Rule 2009 No.20 (version 33)	12 Nov 09	12 Nov 09	Grid Australia	Normal*	Promotes efficient coordinated connection applications. Clarifies that network service providers may disclose information to registered participants in the market.
Bid and Offer Validation Data	Rule 2009 No.21	3 Dec 09	16 Dec 10	AEMO	Normal	Removes inconsistencies between schedule 3.1 of the National Electricity Rules and AEMO's operating practice by updating the rules to reflect dispatch and pricing processes which have evolved since the start of the national electricity market.
Early Implementation of Market Impact Parameters	Rule 2010 No.1 (version 34)	11 Mar 10	12 Mar 10	Grid Australia	Normal	Provides a mechanism to allow transmission network service providers to apply to the AER to seek earlier implementation of the market impact component of the service target performance incentive scheme than previously allowed under the rules.
Timing for intervention compensation determinations	Rule 2010 No.2 (version 35)	25 Mar 10	25 Mar 10	AEMO	Normal	This is a more preferable rule that extends the time for AEMO to finalise intervention compensation determinations when an independent expert is appointed to determine additional claims for compensation.
SA Jurisdictional Derogation (Connections Charging)	Rule 2010 No.3 (version 38)	6 May 10	1 Jul 10	SA Minister for Energy	Expedited	Continues a jurisdictional derogation charging for connections requiring distribution network extensions, modifications, or augmentations in South Australia, which will be administered by the AER, until the National Energy Customer Framework (NECF) rules are introduced.
Transparency of Operating Data	Rule 2010 No.4 (version 35)	11 May 10	13 May 10	AEMO	Normal	This rule aims to reduce information asymmetry in the NEM by requiring AEMO to publish market operating data in dispatch time (that is near real time every five minutes).

OUR ROLE IN THE ENERGY MARKET / RULE MAKING CONTINUED

NAME	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT / IMPACT
Cost Recovery for Other Services Directions	Rule 2010 No.5	13 May 10	1 Jul 11	AEMO	Normal	This is a more preferable rule which amends the framework for "other" services directions. It introduces regionalisation of cost recovery for these services, and provides additional guidance around the classification of directions for services by AEMO.
Minor Changes 2010	Rule 2010 No.6 (Schedules 1 and 2, version 37)	3 Jun 10	Schedules 1 and 2 on 10 Jun 10; Schedule 3 on 16 Dec 10	AEMC	Expedited	Improves and enhances the quality of the Rules by making minor corrections, removing expired jurisdictional derogations and inserting notes indicating which rules are prescribed as penalty provisions.

* The rule change request "Confidentiality Provisions for Network Connections" initially commenced under the expedited rule making process, and following an objection reverted to the normal rule making process (notice dated 4 June 2009).

Gas Rules Made

NAME	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT / IMPACT
Prioritisation of Tied Controlled Withdrawal Bids	Rule 2010 No.1 (version 4)	20 May 10	7 Jun 10	AEMO	Expedited	Changes the scheduling of equally beneficial controllable withdrawal bids in the Victorian Declared Wholesale Gas Market as proposed.

Decisions not to make a Rule

There was one decision taken by the AEMC during the year not to make an electricity rule as requested by proponents.

NAME	DATE	PROPONENT
Causer Pays for Ancillary Services to Control the Tasmanian Frequency	Not Made 15 Oct 09	Hydro Tasmania

Electricity Rules Under Consideration at 30 June 2010

Ten electricity rule change proposals remained under consideration at the close of the 2009-2010 year.

One rule change proposal, Total Factor Productivity for Distribution Network Regulation, was carried forward from fiscal 2009 pending the outcome of the Review into the Use of Total Factor Productivity for the Determination of Prices and Revenues.

The remaining eight electricity rule change proposals under consideration at 30 June 2010. They were all received during the year under review.

OUR ROLE IN THE ENERGY MARKET / RULE MAKING CONTINUED

ELECTRICITY RULES UNDER CONSIDERATION AT 30 JUNE 2010			
NAME	PROPONENT	CATEGORY	STAGE AT 30 JUNE 2010
Total Factor Productivity for Distribution Network Regulation	Minister for Energy and Resources (Victoria)	Normal	Activity on this rule was suspended at the first round consultation stage to allow completion of a broader based review by the AEMC.
Scale Efficient Network Extensions	MCE	Normal	Preparation of options paper. The proposal seeks to implement a new framework to more efficiently connect clusters of generation in proximate locations over a period of time. The framework is intended to minimise costs associated with inefficient outcomes that might otherwise occur under the existing bilateral negotiation framework by allowing for coordinated connections over time.
Publication of a NEM Carbon Dioxide Equivalent (CO ₂ -e) Intensity Index	AEMO	Normal	Preparation of final determination. The proposal seeks to introduce a new obligation and framework in Chapter 3 of the Rules for AEMO to develop, review, amend and publish a CO ₂ -e Intensity Index for the NEM. The information provided by a CO ₂ -e Intensity Index is specifically sought by market participants to help them determine and account for a carbon price (should one be present in the future) in the settlement of certain forward electricity contracts.
Provision of Metering Data Services and Clarification of Existing Metrology Requirements	AEMO	Normal	Consulting on the draft determination. Electricity metering data services for certain installations (types 1-4) are currently provided by metering data agents (MDAs) – regulated by a set of deeds which are outside the rules. This proposal seeks to do two things: abolish the deeds and transfer the MDAs into the rules; and also shift the responsibility for metering data services from AEMO to market participants.
Payments under Feed-in Schemes and Climate Change Funds	ETSA Utilities	Normal	Preparation of final determination (which was published after the close of the financial year in July 2010). This proposal seeks to improve the administrative efficiency of how distribution businesses recover payments they make under feed-in schemes and climate change funds.
Victoria Generator Technical Performance Standards Derogations	Minister for Energy and Resources (Victoria)	Normal	Consultation on draft determination. Seeks to remove most of the Victorian generators technical performance standards derogations from Schedule 9A3 of the National Electricity Rules.
Aggregation of Ancillary Services Loads	AEMO	Normal	Consultation on draft determination. The proposal seeks to remove the requirement for market loads forming part of an aggregated ancillary services load to be classified as a scheduled load.
Inter-regional Transmission Charging	MCE	Normal	Preparing the draft determination. This proposal seeks to introduce an inter-regional transmission charging mechanism in the form of a load export charge.
Amendments to PASA-related Rules	AEMO	Normal	Initial consultation. Short term PASA is a seven-day half-hourly reserve outlook which AEMO publishes every two hours. Medium term PASA is a two-year daily peak reserve outlook which AEMO publishes at least once per week. Registered Participants use this information to make decisions about supply, demand and the scheduling of planned outages in the NEM and AEMO uses this information as a trigger to intervene in the market to address forecast reserve shortfalls. The proposal seeks to allow AEMO to use reserve requirements that apply across multiple regions so that MTPASA can more optimally share medium term capacity reserves between those regions in accordance with the Reliability Standard.
Timing for spot price reporting	AER	Expedited	Preparation of final rule determination. This proposal seeks to extend the timeframe for the AER to publish a report on the trading intervals in which the spot price exceeds \$5,000/MWh from within 20 business days to 40 business days of the end of the week in which the spot price exceeded \$5,000/MWh.

Gas Rules Under Consideration at 30 June 2010

There was one gas rule change proposal under consideration at 30 June 2010.

NAME	PROPONENT	CATEGORY	STAGE AT 30 JUNE 2010
Dandenong Liquefied Natural Gas Storage Facility	AEMO	Fast track	Initialisation. This proposal seeks to partially liberalise the operation of the Dandenong LNG storage facility. This facility is a 12 000 tonnes LNG storage tank providing storage services to participants in the Victorian wholesale gas market and others.

Decisions not to proceed

The Commission may make a decision not to proceed with a rule change request under certain circumstances, for example, if the subject matter of the request appears to be a matter in which the AEMC may not make a rule. This year there were no decisions not to proceed.

Time taken to make Rule determinations

In the year under review the AEMC has averaged 107 days for each completed rule change proposal (an improvement over last year's performance of 120 days for consideration of completed rule change proposals). In 2009-2010 four of the 11 Rule determinations were expedited, one was fast tracked and three were extended (s107) and (s107A) at least once during the review period.

The timeframe within which rule change proposals are undertaken is dictated by statutory timeframe obligations under the National Electricity Law (NEL). For example, the closing

date for submissions after a section 95 NEL notice of a rule change request must not be less than four weeks from the date of the notice and the draft rule determination must be published within 10 weeks after the submission closing date. The "standard timeframe" under law for a normal Rule change is 130 days.

The AEMC does, however, have some flexibility to manage its work programme and to manage complex issues by postponing the commencement of a rule change or extending the timeframe for its completion if there are particularly complicated issues involved.

The statutory rule making process timeframe may also vary depending on the rule making process followed. There are two exceptions to the standard rule making process under section 95 of the NEL; the expedited rule making process under section 95 and 96 of the NEL; and the fast tracked rule making process under section 95 and 96A of the NEL. A person may only request an expedited rule making process if it is a request for a non-controversial rule or an urgent rule as those terms are defined in the NEL and National Gas Law (NGL). A person may only request a fast tracked rule making process where there has been previous consultation by a market regulatory body or an AEMC review.

Three of the 11 rule change proposals underway at 30 June 2010 were extended at least once for a range of reasons including the need to properly accommodate

stakeholder concerns and to enable the comprehensive consideration of complicated issues raised during public consultation. Extensions to allow proper accommodation of stakeholder concerns predominately arise due to the complexity of issues raised, late submissions and the prioritisation of projects. The AEMC is also required to publish an extension notice where a rule change is complex and is determined on receipt to require more time than the standard statutory timeframe.

The rule change process followed by the AEMC has been modified to include an issues paper with the initial publication of a rule change proposal. In the past this change was implemented in recognition of the fact that the longest consultation period was the first consultation and the overall time to complete rule changes could be reduced if substantial matters were raised in the first consideration period. The preliminary analysis required to prepare the issues paper also allows more informed project planning that reflects the level of complexity of the specific rule change. The publication of the issues paper also allows the rule proposal to be put into the context of broader market development issues and other rule and review work undertaken by the AEMC.

MARKET REVIEWS

During the 2009-2010 year, the AEMC, together with its independent Reliability Panel, undertook 16 market reviews. Reliability Panel reviews are initiated by reference from the AEMC or by the Panel discharging obligations set out in the National Electricity Rules.

The AEMC conducts reviews in accordance with terms of reference provided by the Ministerial Council on Energy (MCE) or through the initiation of its own reviews as part of its market development role. Three AEMC-initiated reviews were current during 2009-2010 – the Review of Demand Side Participation in the National Electricity Market; the Review into the Use of Total Factor Productivity for the Determination of Prices and Revenues; and the Review into the Role of Hedging Contracts in the Existing NEM Prudential Framework.

These 16 reviews broadly contributed to key themes being pursued by our significant work program, in particular:

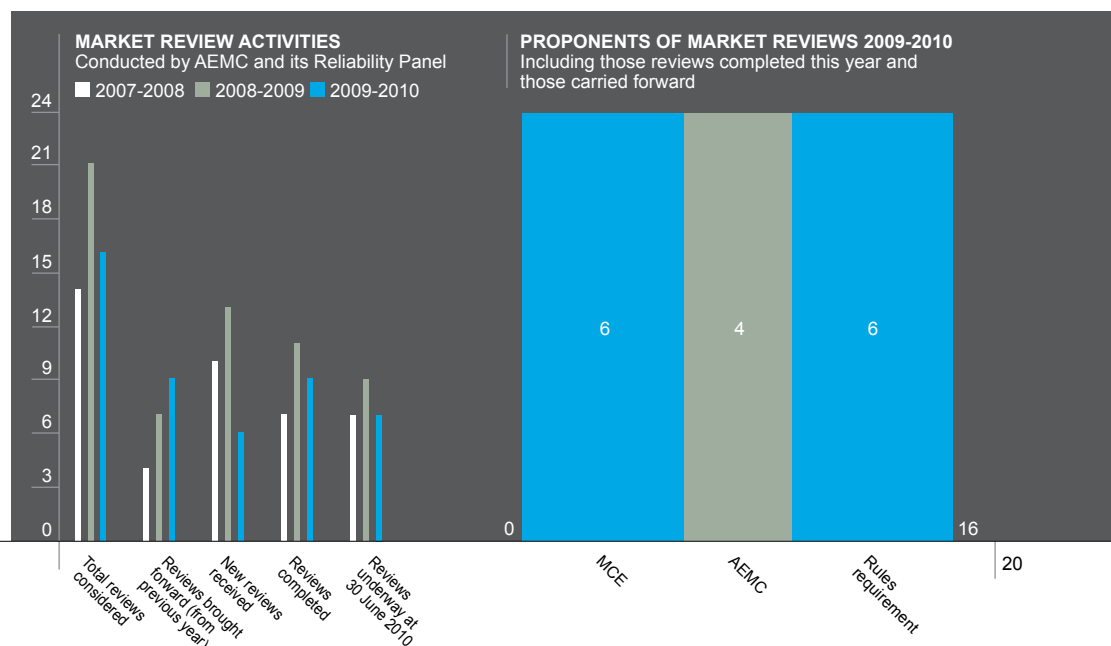
- managing the reliability and security of electricity supply;

- addressing network congestion;
- refining the regulatory arrangements for network planning and investment;
- assessing the effectiveness of retail competition.

Our analysis of the scope and complexity of our reviews portfolio has shown a steady growth in the number of projects we define as significant and major – compared with the volume of routine projects (involving minor changes to the rules) which characterised our work programme during our first years.

At 30 June 2010 the AEMC was considering seven reviews. Four of these seven reviews carried forward into 2010-2011 are major projects (Review of Demand Side Participation in the NEM, Review into the use of Total Factor Productivity for the Determination of Prices and Revenues, Role of Hedging Contracts in the existing NEM Prudential Framework, and the Transmission Frameworks Review). The significant review carried forward is the Review of the Effectiveness of Competition in the Electricity Retail Market of the ACT.

Energy markets are constantly evolving as demands for energy change along with technology and costs of supply. The AEMC provides advice to policy makers on emerging opportunities and risks for market development.



OUR ROLE IN THE ENERGY MARKET / MARKET REVIEWS CONTINUED

MARKET REVIEWS UNDERTAKEN IN 2009-2010: AT A GLANCE				
AEMC REVIEW NAME	PROPONENT	START DATE	END DATE	STATUS AT 30 JUNE 2010
Review of Energy Market Frameworks in light of Climate Change Policies	MCE	25 Aug 08	8 Oct 09	Completed
Review of the National Framework for Electricity Distribution Network Planning and Expansion	MCE	17 Dec 08	28 Sep 09	Completed
Review of the Effectiveness of NEM Security and Reliability Arrangements in Light of Extreme Weather Events	MCE	21 May 09	31 May 10	Completed
Request for advice – Cost Recovery for Mandated Smart Meter Infrastructure	MCE	19 Nov 09	Continuing	Preparation of draft report
Review of the Effectiveness of Competition in the Electricity Retail Market of the ACT	MCE	4 Mar 10	Continuing	Preparation of first draft report
Transmission Frameworks Review	MCE	28 Apr 10	Continuing	Preparation of issues paper to start public consultation.
Review of Demand Side Participation (DSP) in the NEM (Stage 2)	AEMC	23 Oct 07	Continuing	Preparation for Stage 3 of the DSP review
Review into the Use of Total Factor Productivity for the determination of Prices and Revenues	AEMC	21 Nov 08	Continuing	Preparation of stage 1 draft report
Review into the Role of Hedging Contracts in the existing NEM Prudential Framework	AEMC	3 Mar 09	Continuing	Preparation of final report
Compensation Claim from Synergen Power	Rules requirement	24 Mar 10	Continuing	Publication of draft determination 23 Jun 10
Last Resort Planning Power Guidelines	Rules requirement	3 Mar 10	19 May 10	Completed
RELIABILITY PANEL REVIEW NAME				
Review of Operational Arrangements for the Reliability Standards	AEMC	3 Mar 09	18 Dec 09	Completed
Consultation on the Amended RERT Guidelines	Rules requirement	26 Feb 10	16 Jun 10	Completed
Template for Generator Compliance Programs	Rules requirement	23 Oct 08	31 Jul 09	Completed
Review of the Reliability Standard and Settings	Rules requirement	3 Mar 09	30 Apr 10	Completed
Annual Market Performance Review 2009	Rules requirement	2 Sep 09	18 Dec 09	Completed

Market Reviews completed in 2009-2010

REVIEW NAME	WHY WAS THE REVIEW CONDUCTED?	OVERVIEW	KEY CONCLUSIONS
<p>Review of Energy Market Frameworks in light of Climate Change Policies</p>	<p>The Australian energy sector is a major emitter of greenhouse gases, with over 75% of electricity produced by burning coal. The federal government's previously-proposed Carbon Pollution Reduction Scheme (CPRS) would price carbon emissions, introducing significant new costs for electricity generators. The expanded RET was designed to increase the electricity supplies from renewable sources. Both policies would result in the transformation of Australia's energy markets – changing the economics of energy markets and influencing the behaviour of investors, market participants and consumers over the long term.</p> <p>On 13 June 2008, the MCE asked us to review current energy market frameworks (for electricity and gas) in the NEM states, Western Australia and the Northern Territory in light of climate change policies.</p>	<p>The review's purpose was to advise the MCE on framework changes that may be needed to ensure that consumers continue to receive efficient, safe, secure and reliable energy supplies after the introduction of the then-proposed Carbon Pollution Reduction Scheme (CPRS) and expanded Renewable Energy Target (RET).</p> <p>The review commenced in August 2008 following receipt of the terms of reference.</p>	<p>The final report found that the existing competitive energy markets supported by efficient economic regulation of the monopoly network sector continue to provide the most effective response to major changes in economic and policy circumstances. It found that some improvements to the energy market framework were required in the following areas:</p> <ul style="list-style-type: none"> – Removal of retail price regulation where competition is found effective, and increased flexibility where price regulation remains; – A more efficient framework for connection of clusters of new remote generation to energy networks; – More cost reflective price signals for generators in respect of the efficient investment and use of the network; – Introduction of new transmission charges to reflect the costs of investment required to allow electricity to flow between regions.
<p>Review of the National Framework for Electricity Distribution Network Planning and Expansion</p>	<p>The Australian Energy Market Agreement, as amended, outlined that a number of energy distribution functions carried out by jurisdictions would be transferred to the national framework. A number of functions have already been transferred to the national framework and work is ongoing for the outstanding items. One of the outstanding items is the national framework for determining when distribution network extensions are part of regulated services. This influences the electricity distribution economic network planning function. In this regard, the MCE directed the Commission to conduct a review into the current electricity distribution network planning and expansion arrangements in the NEM with the view to establishing a national framework for distribution network planning and expansion.</p>	<p>The review creates a national framework to provide a clearly defined and efficient planning process for distribution network investment and support the efficient development of distribution networks. Appropriate transparency and information regarding the Distribution Network Service Providers' (DNSPs') planning activities would be provided to allow market participants to make efficient investment decisions and to enable non-network proponents to raise credible alternative projects.</p>	<p>On 23 September 2009, the Commission published its Final Report and proposed draft rules, which set out its proposed design for a national framework for electricity distribution network planning and expansion. The key elements of the proposed national framework include:</p> <ul style="list-style-type: none"> – A requirement for each distributor to establish and maintain a Demand Side Engagement Strategy; – A requirement for each distributor to publish an annual planning report, which covers a minimum five year forward planning period; – A requirement for distributors and transmission network service providers to carry out joint planning; – A new Regulatory Investment Test for Distribution, to replace the current Regulatory Test; and – A new dispute resolution process for the national framework, which would be run by the AER. <p>The MCE is currently considering the Commission's Final Report and proposed draft rules.</p>

REVIEW NAME	WHY WAS THE REVIEW CONDUCTED?	OVERVIEW	KEY CONCLUSIONS
<p>Review of the Effectiveness of NEM Security and Reliability Arrangements in Light of Extreme Weather Events</p>	<p>Historically extreme temperatures on 29-30 January 2009 in South Australia and Victoria triggered high demand for electricity and supply interruptions. Electricity networks are designed to operate safely within specific temperature ranges and unprecedented temperatures in early 2009 led to progressive reductions in the capability of Victorian generators as well as Basslink (the high voltage interconnector between Tasmania and Victoria).</p> <p>The MCE on 6 February 2009 noted the significance of these interruptions and called for a review of energy market frameworks in light of the impact of the unprecedented heat wave on electricity supply. The MCE asked us to consider two questions:</p> <ul style="list-style-type: none"> – If extreme weather events become more frequent, are current market arrangements appropriate to deliver reliable and secure electricity supply; and – If not, what cost-effective amendments could be made to market arrangements in the short (prior to summer 2010) and longer terms. 	<p>The review looked at the impacts of heatwaves, bushfires, electrical storms, high winds and droughts on the power supply chain. It produced three reports focussed on the steps we can take now to better prepare for the future:</p> <ul style="list-style-type: none"> – Final report (31 May 10) advising on cost-effective changes to the market framework contributing to more effective management of system reliability during extreme events; – Second interim report (18 December 2009) responding to an MCE request for additional analysis and advice on the NEM reliability standard and settings. – First interim report (29 May 2009) advising on short term measures to improve system reliability and security prior to the summer of 2009-2010. 	<p>The final report provided detailed analysis of targeted actions to address reliability issues (linked to generation and network capacity) – and the separate, more technical actions that address security issues (caused by sudden equipment failure). It made recommendations on actions to be taken now and scoped the requirement for further work on reliability and security maintenance.</p>
<p>Last Resort Planning Power Guidelines</p>	<p>One way to address concerns to avoid security and reliability shortfalls in the electricity system is to ensure that the NEM continues to develop as an integrated market. Interconnection of different NEM regions helps ensure diversity of supply sources which in turn provides both reliability benefits and more efficient prices for consumers. Efficient interconnection is a desired outcome for the developing NEM planning mechanisms. The Last Resort Planning Power (LRPP) is an integral part of that mechanism and serves as a check to ensure that sufficient inter-regional transmission investment is occurring.</p> <p>The Last Resort Planning Power Guidelines provide stakeholders with information as to how the AEMC will carry out the exercise of the LRPP. The Rules allow the AEMC to amend or replace the Guidelines from time to time, in accordance with the transmission consultation procedures.</p>	<p>The review assessed the ongoing effectiveness of the Guidelines, in particular whether the Guidelines were clear in their function, that they continued to reflect their purpose as expressed in the Rules, and that they referred to current market and regulatory frameworks.</p>	<p>The review updated the wording of the Guidelines to reflect market changes, such as the establishment of AEMO and the RIT-T. The Guidelines were also amended to clarify the AEMC's consultation process when exercising the LRPP.</p>

REVIEWS COMPLETED BY THE RELIABILITY PANEL			
REVIEW NAME	WHY WAS THE REVIEW CONDUCTED?	OVERVIEW	KEY CONCLUSIONS
Review of Operational Arrangements for the Reliability Standards	<p>In December 2007 the AEMC Reliability Panel completed its Comprehensive Reliability Review of reliability in the National Electricity Market which contained recommendations relating to management of electricity supply shortfall events.</p> <p>Following reliability incidents in Victoria and South Australia on 29 and 30 January 2009, the MCE requested the AEMC to review energy market frameworks in light of the impact on electricity supplies of extreme weather events. The AEMC then issued terms of reference to the Reliability Panel for this review to provide a strategic focus for a range of proposals for improvement to the reliability standard and its operationalisation.</p>	<p>On 3 March 2009 the AEMC approved terms of reference asking the Reliability Panel to review the following:</p> <ul style="list-style-type: none"> – the methodology and process used by AEMO for calculating the minimum reserve levels (MRLs), especially where the MRLs apply across more than one jurisdiction; – the MRLs and associated arrangements and standards to be used in the short-term reserve assessment of reliability; – the current guidelines for management of electricity supply shortfall events that were issued by the Panel in September 1998; – the need and possible design for a short-term version of the RERT that could be used in a critical emergency; – whether the wording of the standard as published by the Panel in the CRR could be clarified to give better guidance to AEMO as to how to operationalise the standard; and – whether the Rules should be amended to clarify the requirement for market participants to inform AEMO, via dispatch bids or offer, of their actual capability under the prevailing or forecast temperature conditions. 	<p>In the Final Report the Panel made:</p> <ul style="list-style-type: none"> – recommendations on the methodology used by AEMO to calculate MRLs; – changes to the Guidelines for the Management of Electricity Supply Shortfall events; and – changes to clarify the Reliability Standard. <p>In addition, the Panel submitted a rule change proposal to the AEMC to implement a short notice RERT. Specifically, the proposal sought to</p> <ul style="list-style-type: none"> – provide a framework to implement changes to the operation of the RERT to facilitate long-notice, medium-notice and short-notice reserve contracting; – clarify that AEMO can form a RERT panel; and – clarify that AEMO may use reserve contracts during system security events. <p>On 15 October 2009, the AEMC published its final Rule determination and Rule on the Panel's proposal.</p>
Consultation on the Amended RERT Guidelines	<p>In August 2009, as part of the Review of the Operational Arrangements for the Reliability Standards, the Reliability Panel submitted a rule change proposal to the AEMC to allow AEMO to:</p> <ul style="list-style-type: none"> – contract for reserve in the long, medium and short-notice timeframes; – negotiate reserve contracts at any time (allowing AEMO to form a panel); and – use contracted reserves for system security events where practicable. <p>The AEMC agreed with the intent of the rule change proposal and on 15 October 2009 published its final Rule determination and final Rule. As a transitional measure, the Panel published interim amendments to the Reliability and Emergency Reserve Trader (RERT) Guidelines. This review undertook consultation on these revised RERT Guidelines. The revised RERT Guidelines were required to be published by 30 June 2010.</p>	<p>The objectives of the review were to consult on the interim amendments to the RERT Guidelines, to allow AEMO to contract for reserves in relation to the short and medium notice situations.</p>	<p>On 16 June 2010, the Panel published the Final Report for this review and the RERT Guidelines. Following consultation, the Panel decided not to make any change to the interim amended RERT Guidelines.</p>

OUR ROLE IN THE ENERGY MARKET / MARKET REVIEWS CONTINUED

REVIEW NAME	WHY WAS THE REVIEW CONDUCTED?	OVERVIEW	KEY CONCLUSIONS
Template for Generator Compliance Programs	Following the making of the National Electricity Amendment (Performance Standard Compliance of Generators) Rule 2008 No.10 and its commencement on 23 October 2008, the Reliability Panel was required to determine and publish the template for generator compliance programs.	The objectives of this review were to: <ul style="list-style-type: none"> – determine compliance principles for the template for generator compliance programs, having regard for the Rules requirements already established; – establish the scope, content, and format of the template for generator compliance programs; and – propose processes for implementing the template for generator compliance programs. 	The Panel submitted its Final Report and template to the AEMC on 31 July 2009. The templates were developed by a working group chaired by the Reliability Panel and which included representation from all affected stakeholders – generators, transmission network service providers, AEMO and the AER.
Review of the Reliability Standard and Reliability Settings	On 3 March 2009, the AEMC approved terms of references requesting the Panel to commence a review of the Reliability Standard and Reliability Settings in accordance with clause 3.9.3A(a) of the National Electricity Rules, following the Rules consultation procedures.	The review is required to be conducted biennially by the Panel. Key objectives of this review were to: <ul style="list-style-type: none"> – determine whether the existing Reliability Standard is appropriate for current market arrangements given that the existing annual standard was exceeded as a result of the South Australian/Victorian heatwave in January 2009; – determine the form and level of the Reliability Standard that should apply from 1 July 2012; and – determine the appropriate Reliability Settings (Market Price Cap (MPC), Cumulative Price Threshold (CPT) and Market Price Floor) to achieve the Reliability Standard chosen to apply in the NEM from 1 July 2012. 	On 30 April 2010, the Reliability Panel published its final report. In making the final recommendations, the Panel has had regard to modelling work undertaken by ROAM Consulting. The Panel determined to maintain the form, level and scope of the Reliability Standard, but to consider performance of the NEM against the Reliability Standard with the objective of providing continuous improvement to processes that monitor and maintain reliability. The Panel recommended that starting on 1 July 2012, the real values of the MPC and CPT are maintained by annually indexing their values using the Producer Price Index.
Annual Market Performance Review 2009	The Reliability Panel is required under the National Electricity Rules to review the performance of the interconnected national electricity system on an annual basis and provide its report to the AEMC.	A reliable national electricity system is critically important for all Australians. Consumers, energy supply and distribution organisations, and governments all have a direct interest in security and reliability. The events, circumstances and activities that have either positively or adversely affected the supply of electricity to consumers are assessed in terms of two main criteria – the availability of adequate bulk supply to meet consumer demand (reliability) and the technical security of the power system itself (security). <p>The Panel is responsible for dealing with reliability and security matters in the wholesale bulk electricity market and transmission. The current standard for reliability is that there should be sufficient generation and bulk transmission capacity so that over the long term, no more than 0.002% of the annual energy for consumers in any region is at risk of not being supplied. That is, the maximum permissible unserved energy is 0.002%.</p>	The Panel noted there were reliability issues in 2008-2009 due to the extreme weather conditions in the Victoria and South Australia regions, which resulted in USE and the Reliability Standard was exceeded (on an annualized basis and complied over the longer term). However, since the market started, averages for USE due to shortfalls in available capacity indicate that all regions remain within the Reliability Standard. The Panel remains concerned about the amount of USE that has resulted from system security events throughout the 2008-2009 financial year, <p>Notwithstanding the issues raised following specific incidents, the reliability and security performance of the power system during the 2008-2009 year was considered to have been generally robust.</p>

Market Reviews current at 30 June 2010

REVIEW NAME	WHY WAS THE REVIEW CONDUCTED?	OVERVIEW	KEY PRELIMINARY FINDINGS
<p>Review of Demand Side Participation (DSP) in the National Electricity Market.</p>	<p>This was the first review initiated by the AEMC. It was started in October 2007 to address our concerns about the possibility of sub-optimal investment in alternative demand-side solutions, compared with investments in generation and networks.</p>	<p>We are undertaking the review in three stages.</p> <p>The first stage was to review our (then) existing work program to identify ways to improve the scope for DSP across our consideration of rules and reviews. We completed the first stage of the review on 16 May 2008.</p> <p>The second stage was a more extensive analysis of the existing rules to establish if there were impediments to the use of DSP. There were significant overlaps between this review and other AEMC projects and the DSP review was aligned with a rule change proposal relating to demand management for transmission networks (Total Environment Centre, November 2007) and to the MCE-directed Review of Energy Market Frameworks in light of Climate Change Policies.</p>	<p>The stage two final report was published on 7 December 2009. The review recommended some improvements to enhance the position of the demand-side in the NEM and key findings were:</p> <ul style="list-style-type: none"> – there is potential to strengthen the DSP contribution for unexpected capacity shortfalls; – under a price cap form of regulation, network businesses have the right financial incentives to find and enter into contracts with DSP providers; <p>The MCE supported the rule changes proposed in the report as well as our recommendation for stage three to consider the implications of smart grid and smart meter technologies in the NEM. In addition the MCE has requested that the AEMC consider elements of the National Strategy on Energy Efficiency, specifically the examination of price signals and regulatory arrangements for energy efficiency for promoting efficient DSP in the NEM.</p>
<p>Compensation Claim from Synergen Power</p>	<p>Synergen Power Pty Ltd lodged a claim for compensation following application of the administered price cap during an administered price period in South Australia between 29 January and 7 February 2009.</p>	<p>The electricity rules provide a risk management and investment incentive mechanism for companies to continue participating in the market during high stress periods. Synergen claimed compensation for direct costs and associated financing costs incurred in operating its Port Lincoln and Snuggery generators during an administered price period which exceeded the spot market income it received at the time for those generators. This was the first compensation claim to be considered by the Commission.</p>	<p>The Commission's draft decision was published on 23 June 2010 – finding that compensation was payable. At the time of writing this report the final decision was published (8 Sep 10) detailing the amount payable was \$130 486.94.</p>
<p>Review of the effectiveness of competition in the electricity retail market of the ACT</p>	<p>Our reviews of competition in retail gas and electricity markets were initiated by an agreement of COAG and a direction of the MCE under the Australian Energy Market Agreement (AEMA). The AEMA is a formal COAG agreement to implement key elements of the national energy market reform agenda including AEMC reviews of the effectiveness of retail competition in electricity and gas retail markets in each jurisdiction (except Western Australia) for the purpose of retaining, removing or reintroducing retail price regulation.</p>	<p>The ACT is the third jurisdiction to be considered, following the completion of reviews in Victoria (February 2008) and South Australia (December 2008). Under the terms of the AEMA the Commission is required to conduct its gas and electricity retail competition reviews in two stages. Stage 1 considers whether competition is effective. Stage 2 then considers advice on ways to develop effective competition where competition is not considered effective.</p>	<p>As at 30 June 2010, an issues paper identifying key issues relevant to the ACT review had been published. At the time of writing this report the review's first draft report (30 July 2010) had been published. The key draft finding was that competition in the ACT retail electricity market for small electricity customers is not effective because of barriers to entry in the market. In particular the terms of reference for the regulator require the regulated retail price to be calculated on the basis of the efficient costs incurred by the incumbent retailer. Final advice is due to go to the MCE by 31 December 2010.</p>

REVIEW NAME	WHY WAS THE REVIEW CONDUCTED?	OVERVIEW	KEY PRELIMINARY FINDINGS
<p>Request for advice – Cost Recovery for Mandated Smart Meter Infrastructure</p>	<p>In November 2009, the MCE requested advice from the Commission on whether Chapter 6 of the National Electricity Rules most efficiently accommodates cost recovery for smart metering infrastructure which is mandated by a Ministerial determination. The MCE requested this advice following changes to the National Electricity Law, to enable Energy Ministers to require distributors operating predominately in their jurisdiction to roll-out smart meters and undertake pilots and trials of smart meters and other related technologies.</p>	<p>Under the MCE's request for advice, the Commission is required to provide advice on a number of issues relating to how the Australian Energy Regulator would determine the level of allowed revenue to compensate distributors for mandated smart metering infrastructure expenditure, either through the distribution determination process or via the cost pass through provisions. The MCE also requested advice on how the costs for mandated smart metering infrastructure should be translated into customer tariffs and whether the Rules allow the tariff impact of a mandated smart meter roll-out to be smoothed.</p> <p>The Commission outlined its approach to the Review in its Final Statement of Approach on 10 March 2010. The Commission's draft findings were then published for public consultation in its draft report on 18 June 2010.</p>	<p>In its draft report, the Commission recommended that the existing processes for cost recovery are adequate for mandated smart metering infrastructure, but some incremental amendments to the Chapter 6 Rules are required to better accommodate the nature of expenditure relating to smart metering infrastructure in this context. Some of the key changes recommended by the Commission included:</p> <ul style="list-style-type: none"> – Providing the AER with the option to adapt the expenditure incentives on distributors to better balance the risks between consumers and distributors; – Requiring distributors to report annually on the actual costs and benefits associated with mandated smart metering infrastructure; – Deferring consideration of mandated smart meter roll-out expenditure till the next regulatory control period, where a Ministerial determination is made within a regulatory control period; and – Including additional pricing principles for smart metering services; and – Allowing the AER to amend a distributor's depreciation schedule to smooth the tariff impact of a mandated smart meter roll-out on consumers. <p>The Commission was due to submit its Final Report to the MCE by 17 September 2010.</p>
<p>Review into the Use of Total Factor Productivity for the Determination of Prices and Revenue.</p>	<p>The need for this review was identified as a priority by the AEMC following its consideration of initial submissions on the rule change proposal, Total factor productivity for distribution network regulation, lodged by the Victorian Minister for Energy and Resources on 23 June 2008.</p>	<p>This review was announced on 21 November 2008 to consider the application of a TFP methodology to the economic regulation of services provided by electricity and gas distribution and transmission service providers. A TFP methodology is an alternative form of applying incentive regulation to determining regulated prices or revenues for electricity and gas service providers compared to the prevailing building block approach. The AEMC will look at the possible range of models for applying TFP and will assess the issues relevant to the rule change proposal.</p>	<p>The preliminary findings published on 17 December 2009 found that applying a TFP methodology to determine regulated prices would contribute to the promotion of the NEO and NGO in the distribution sectors. It observed that it would take at least eight years before data was sufficient to permit a TFP methodology. The report also stated that further work should be done on detailed design of a methodology and crucially, on improving the specification and provision of regulatory reporting data from service providers. The review is due to publish its draft report in October 2010.</p>

REVIEW NAME	WHY WAS THE REVIEW CONDUCTED?	OVERVIEW	KEY PRELIMINARY FINDINGS
<p>Role of Hedging Contracts in the Existing NEM Prudential Framework</p>	<p>This review was initiated by the AEMC (January 2009) in response to a rule change proposal relating to futures offset arrangements by Australian Power & Gas, Infratil Energy Australia and Momentum Energy (16 April 2009). The Commission decided not to make this rule but said that elements of this proposal had merit in relation to the development of a futures offset arrangements (FOA) model with potential to reduce costs for NEM participants and should be investigated by a formal review.</p>	<p>Australia's wholesale electricity market supplies around 8.5 million customers across the eastern seaboard and has around \$11 billion annual trading turnover. Because of the nature of electricity demand and because electricity cannot be stored it is a market of highly volatile prices and complex financial arrangements. The AEMO collects from retailers to pay generators. Retailers provide \$1.5 – \$2.5 billion in bank guarantees – to provide prudential assurances to AEMO. They also manage their market risk through over the counter and futures contracts:</p> <p>This review focussed on two concerns:</p> <ul style="list-style-type: none"> – The need to protect NEM prudential standards; and – The need to address the desire of companies to participate in the market while lowering their costs through the use of financial interests. 	<p>The Commission completed the review in June and published the final report just after the close of year under review on 27 July 2010. The review recommended that:</p> <ul style="list-style-type: none"> – Existing and proposed reallocation offset arrangements be continued with some enhancements through changes to the rules and AEMO procedures; – An appropriate prudential margin be maintained where load is offset by internal generation; – FOAs be integrated in the NEM prudential framework, subject to AEMO establishing an appropriate prudential margin and undertaking further assessment of benefits and impact on the prudential quality of the NEM (following AEMO's current review into energy market prudential readiness); and – AEMO continue work in the area of improvements to maximum credit limit methodology as part of its Energy Market Prudential Readiness Review. <p>At the time of writing this report the AEMC was awaiting MCE response prior to implementing rule changes.</p>
<p>Transmission Frameworks Review</p>	<p>This review is working to develop an electricity market framework that enables all current and future sources of electricity to compete on their merits – and ensure the overall efficiency of the electricity supply chain.</p> <p>This review flows from recommendations made by the AEMC's review of energy market frameworks in light of climate change policies.</p> <p>On 20 April 2010 the MCE directed the AEMC to conduct a review of arrangements for the provision and utilisation of electricity transmission services in the NEM with a view to ensuring that the incentives for generation and network investment and operating decisions are effectively aligned to deliver efficient overall outcomes.</p>	<p>No-one knows with any certainty what the future supply of electricity will look like in Australia. Wind, wave, gas, coal, and other technologies will compete for their place as a proportion of overall generation.</p> <p>The role of this review is not to try and define that future but to develop the best framework to underpin whatever transformation eventuates.</p> <p>We are reviewing the role of the transmission sector in providing services to the competitive parts of the electricity market. The review will consider transmission investment, network operation and charging, access and connection and management of network congestion. We are focussed on the need to develop a framework which is robust enough to accommodate a range of plausible investments which will see new technologies in new locations which are best suited to the nation's future needs.</p>	<p>At the close of 2009-2010 this review was still in the scoping stages. An issues paper which formally started public consultation was published at the time of writing this report in August 2010. We are required to report back to the MCE with recommendations in late 2011.</p>



EXPERT PANELS

The National Electricity Law establishes the Reliability Panel and the Consumer Advocacy Panel. The Reliability Panel monitors and reviews the safety, security and reliability of the national electricity system. The Consumer Advocacy Panel helps give consumers a voice in energy policy debates through research and advocacy grants.

EXPERT PANELS

AEMC Reliability Panel

The NEM framework is designed to provide strong incentives for market participants to maintain a reliable and secure electricity supply system, while seeking cost efficiencies where possible. As part of the energy market governance arrangements the AEMC is required to establish the Reliability Panel to monitor, review and provide reports and advice on the safety, security and reliability of the national electricity system. The Panel also has responsibilities under the National Electricity Rules including the development of guidelines to assist the Australian Energy Market Operator (AEMO).

Through its provision of the Chair and secretariat and terms of reference for most of the work of the Panel, the AEMC has established a strong strategic focus for the Panel's responsibilities.

Panel members broadly represent all stakeholders interested in the operation of the electricity market including generators, network service providers, consumer groups

and AEMO. Where technical experts are required, working groups have been formed to provide advice directly to the Panel.

Purpose and work of the Reliability Panel

One of the Panel's key roles is to monitor, review and report on the performance of the market in terms of reliability of the power system. In particular, the Panel determines biennially the standard for reliability of supply (the Reliability Standard) and recommends the level of the market reliability settings expected to achieve the Reliability Standard. The market reliability settings are the Market Price Cap, the Cumulative Price Threshold and the Market Floor Price. These market settings balance the investment signals for new generation in the NEM against the financial risks to participants in the NEM wholesale market.

Another key role for the Panel is to review and determine the power system security and reliability standards. These standards include the Reliability Standard but also include the frequency operating standards

for the NEM mainland and for Tasmania. In addition, the Panel determines the standards for system restart, following a major blackout. The Panel monitors and reports on the system standards and access standards for network users, such as generators or large customers.

The Panel also develops and determines various guidelines to provide AEMO direction while it is managing various aspects of power system security and the reliability of supply. These include the guidelines for the Reliability and Emergency Reserve Trader (RERT). The Panel is also required to review the need for the RERT a year before the current RERT sunset of 30 June 2012.

Each year the Panel prepares and publishes an Annual Market Performance Review. In this review, the Panel reports on overall power system reliability matters, including the operation of the NEM power system against the power system security and reliability standards and the various guidelines. In addition, the Panel reports on the major power system incidents that have occurred in the most recent year and may recommend measures to mitigate against similar incidents in the future. The work program for the Panel is controlled by the terms of references that it receives from the AEMC or the requirements in the National Electricity Rules. The AEMC may also request the Panel to provide the AEMC with advice for its reviews.

Each year the Reliability Panel prepares and publishes an Annual Market Performance Review which reports on the power system's operation against the security and reliability standards and various guidelines. In addition, the Panel reports on any major power system incidents and may recommend mitigation measures.

EXPERT PANELS CONTINUED

Since the start of the AEMC the Reliability Panel has:

- reviewed the principal market parameters twice to ensure that appropriate incentives are maintained for investment and reliability, including the market price cap, and put in place a comprehensive framework for examining the interrelationships between these market parameters on an ongoing basis;
- reviewed and provided strong guidance through the development of principles for updating the technical standards for generators;
- developed a process and templates for generation compliance and reporting against the technical standards;
- developed guidelines to enhance transparency about the operation of the reliability and emergency reserve trader arrangements as provided in the rules; and
- developed a national framework for transmission planning standards.

Like the AEMC itself, the Reliability Panel has undertaken broad consultation on its program and specific reviews.

Membership

There were two Chairpersons of the Reliability Panel this year. AEMC Commissioner, Mr Ian Woodward was Chairperson until 2 November 2009 when he was succeeded by new Commissioner, Mr Neville Henderson.

The Chief Executive, or a delegate, of AEMO has a permanent position on the Panel. Following the commencement of AEMO from 1 July 2009, Dr Brian Spalding was appointed as AEMO's delegate. From February 2010, Mr David Swift replaced Dr Spalding as the AEMO delegate.

Panel members must include a representative from generators, market customers, transmission network service providers, distribution network service providers, and a person representing the interests of end use customers for electricity. With the exception of Mr Henderson, and Mr Swift, the appointments of current members expire in December 2010.

RELIABILITY PANEL MEETINGS 1 JULY 2009 – 31 DECEMBER 2009			
MEMBER	ORGANISATION	ELIGIBLE	ATTENDED
Ian Woodward (Chairman)	AEMC	2	2
Neville Henderson	AEMC	2	2
Gordon Jardine	Powerlink Queensland	4	3
Stephen Orr	International Power	4	4
Brian Spalding	AEMO	4	3
Mark Grenning	Rio Tinto	4	4
Gavin Duffy	St Vincent de Paul Society, Victoria	4	2
Hugh Gleeson	United Energy	4	2
Tim O'Grady	Origin Energy	4	4

RELIABILITY PANEL MEETINGS – NEW MEMBERS FROM 1 JANUARY 2010 – 30 JUNE 2010			
MEMBER	ORGANISATION	ELIGIBLE	ATTENDED
Neville Henderson (Chairman)	AEMC	5	5
Brian Spalding / David Swift	AEMO	5	4
Gordon Jardine	Powerlink Queensland	5	4
Hugh Gleeson	United Energy	5	4
Stephen Orr	International Power	5	5
Tim O'Grady	Origin Energy	5	4
Mark Grenning	Rio Tinto	5	4
Gavin Duffy	St Vincent de Paul Society, Victoria	5	3

THE CONSUMER ADVOCACY PANEL

CAP is an independent body established to provide funding for advocacy projects on behalf of consumers in the national electricity and natural gas markets. It initiates research into issues of benefit to energy consumers.

The Consumer Advocacy Panel (CAP) supports consumer advocacy in policy and regulatory decision-making in national electricity and natural gas markets. CAP makes funding grants for electricity and natural gas customer advocacy and research. In doing so, it promotes the interests of all consumers of electricity or natural gas – while paying particular regard to benefiting small to medium consumers.

Under the direction of the Panel Chairman, CAP's Executive Director is responsible for the management of its functions and for the provision of strategic and operational advice to CAP members. The AEMC provides CAP's staff, including the Executive Director, and administers the funds and activities of the Panel in accordance with CAP decisions.

CAP's funding for electricity advocacy in 2009-10 was provided by AEMO through market fees, and gas advocacy was funded by jurisdictions, through the AEMC. From 1 July 2010, electricity and most of the gas funding for CAP will be provided by AEMO through market fees. The AEMC will remain responsible for the provision of gas advocacy funding for Western Australia and the Northern Territory as the markets in these jurisdictions are not operated by AEMO.

Members

CAP comprises five members, a Chairperson and four members. Members are appointed for their knowledge of the energy sector, ability to assess funding applications against specified criteria, experience in public interest advocacy, and ability to assess proposals for energy sector research benefitting consumers of electricity or natural gas.

The members of the Consumer Advocacy Panel and their terms of appointment are:

- Frank Peach, Chair - appointed until 31 March 2012.
- Catherine Cooper - appointed until 31 March 2013.
- Bruce Connery - appointed until 31 March 2013.
- Professor Bill Russell - appointed until 31 March 2012.
- Karen Scott - appointed until 31 March 2013.



GOVERNANCE

The AEMC discharges its rule making and market development roles in an effective, systematic and transparent manner. This year we made significant changes to our management structure. The creation of new teams will support our growing role and help ensure that the analysis informing our decisions is of a consistent, high quality across all our areas of responsibility.

GOVERNANCE

Code of Conduct

Our commitment to discharging our rule making and market development roles in an effective, systematic and transparent manner is underpinned by the AEMC Code of Conduct. The Code sets out our commitment to fairness, honesty, impartiality and integrity in our dealings with all stakeholders. Its objectives are to ensure:

- a working environment free from bullying, discrimination and harassment;
- all business actions and decisions are based on the highest standards of ethics and honesty, free from conflicts of interest or pecuniary interest;
- any benefits or gifts obtained while performing duties for the AEMC are treated in accordance with our Code of Conduct procedures;
- all information in our possession is protected and safeguarded and our resources are used efficiently and economically;
- any instances of possible breaches of governance processes, corruption or

serious and substantial waste are reported to the appropriate AEMC officer;

- that where employees engage in other employment or business, it neither compromises nor conflicts with their work for the AEMC.

In addition, we have a series of governance mechanisms that direct Commissioners and staff on such matters as the management of confidential information, handling of conflict of interest and declaration of pecuniary interests.

Appointment and Remuneration

The Commission includes one full-time and two part-time Commissioners. The Chairman and one other Commissioner is appointed by the participating state and territory jurisdictions and one Commissioner is appointed by the Commonwealth.

Initial remuneration levels are set at the time of a Commissioner's appointment then adjusted during the period of appointment according to the annual determinations of the New South Wales Statutory and Other Offices Remuneration Tribunal.

The AEMC's Chief Executive oversees all staff appointments, remuneration and implementation of policy. The Commissioners determine the Chief Executive's remuneration and approve the Chief Executive's recommendations for executive remuneration.

Regular statutory meetings are held for the Commission's formal decision-making role and separate meetings are held to consider organisational governance issues.

COMMISSIONERS	CURRENT TERM	STATUTORY MEETINGS		GOVERNANCE MEETINGS	
		ELIGIBLE	ATTENDED	ELIGIBLE	ATTENDED
John Tamblyn	2 June 2005 – 1 June 2010	33	32	12	12
Ian C Woodward	20 June 2005 – 16 April 2010	28	21	9	6
John A Ryan	1 September 2008 – 16 October 2009	11	11	4	4
Neville Henderson	19 October 2009 – 18 October 2014	27	27	9	9
Brian Spalding	19 April 2010 – 18 April 2013	10	10	3	3
John Pierce	2 June 2010 – 1 June 2015	5	5	1	1

New Commission

The AEMC made the transition to a new Commission during the year under review.

Our inaugural Chairman, Dr John Tamblyn, was appointed for a five year term from 2 June 2005 to 1 June 2010. He informed the MCE that he would not seek reappointment to the Commission at the end of his term.

Part-time Commissioner, Mr Ian Woodward, resigned his position effective from 16 April 2010.

Mr John Ryan's term of appointment as acting Commissioner expired on 16 October 2009.

The MCE invited applications for one full-time Chairperson and two part-time Commissioners and conducted the executive search for these positions.

Mr Neville Henderson was appointed by the Governor of South Australia on 3 September 2009 as a part-time Commissioner nominated by the MCE (states and territories). He commenced in that role on 19 October 2009, replacing Mr Ryan. Mr Henderson's appointment is for a five year term to 18 October 2014.

Dr Brian Spalding was appointed by the Governor of South Australia effective from 19 April 2010 as a part-time Commissioner nominated by the Minister of the Commonwealth who is a member of the Ministerial Council on Energy. He replaced Mr Woodward. The appointment is for a three year term to 18 April 2013.

Mr John Pierce was appointed by the Governor of South Australia effective from 2 June 2010 for a five year term to 1 June 2015.

Commissioners

The new Chairman, Mr John Pierce, and Commissioners, Mr Neville Henderson and Dr Brian Spalding, have all been active participants in the Australian energy reform

process since the early 1980s. Each of them played key roles in the establishment of the National Electricity Market and its legal and institutional arrangements.

**JOHN PIERCE
Chairman**

Mr Pierce brings extensive energy market, financial market and economic policy experience to the role. He was formerly Secretary of the Federal Department of Resources, Energy and Tourism, following 12 years of service as Secretary of the New South Wales (NSW) Treasury and Chairman of the NSW Treasury Corp. Prior to his time at Treasury his prior energy business and operational experience was at Pacific Power and the Electricity Commission of NSW. He also has wide experience in the processes of government at state and federal levels, having worked at very senior levels in the development of policy and provision of policy advice to ministers, cabinets, ministerial councils and the Council of Australian Governments. Mr Pierce was a Visiting Scholar at Boston University during 2004-2005 working with Professor L. Kotlikoff on

the economic and fiscal implications of an ageing population and with R. D. Behr from the Kennedy School of Government. He holds a BEc, Hon. (UNSW).

**NEVILLE HENDERSON
Commissioner**

Mr Henderson comes from an extensive professional background in energy and utilities. He came to the AEMC from his former position as an Executive Director with PricewaterhouseCoopers (PwC) where he provided advice to both public and private sectors on energy utility operation, regulation, strategic and business planning, electricity and gas industry restructuring, and on market issues. Prior to joining PwC Mr Henderson was with the National Grid Management Council (NGMC) 1994-1997, where he led the development of market and trading arrangements for the National Electricity Market. He was Strategic

Planning and Power Pool Manager at National Electricity Victoria (1990-1993) following a series of senior roles in strategic and system planning with National Electricity Victoria and its predecessor, the State Electricity Commission of Victoria. Mr Henderson holds a BCom (University of Melbourne) and a Diploma of Mechanical Engineering (Footscray Technology College).

**BRIAN SPALDING
Commissioner**

Dr Spalding has more than 30 years experience in power system operations and has had a key implementation and operational role in national and state electricity markets since their conception in the early 1990s. He has held executive level positions in Pacific Power, TransGrid and the National Electricity Market Management Company (NEMMCO). In 2008 Dr Spalding



JOHN PIERCE
Chairman



NEVILLE HENDERSON
Commissioner



BRIAN SPALDING
Commissioner

became Chief Executive Officer of NEMMCO and was responsible for the day to day operation of the National Electricity Market and the electricity power system for South and Eastern Australia. In July 2009 he became Executive General Manager Operations of the Australian Energy Market Operator (which incorporated NEMMCO, and the gas market operators of Victoria, NSW, South Australia and Queensland). Dr Spalding holds a Bachelor of Science, a Bachelor of Engineering (Electrical Honors Class 1 and University Medal) and a Doctor of Philosophy in power system analysis from the University of NSW.

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 2009-2010:

Mr Pierce is appointed in a full time capacity and has no conflicts which require management.

Dr Spalding was until 31 March 2010 an executive of the Australian Energy Market Operator (AEMO). He is currently a member of the Energy Saving Scheme Committee of the Independent Pricing and Regulatory Tribunal and on the Advisory Group to the Prime Minister's Task Group on Energy Efficiency. He is also a co-chair of the Energy Infrastructure Assurance Advisory Group of the Attorney General's Trusted Information Sharing Network, and is on the board of the Australian Centre for Renewable Energy.

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

1. *For those Rule changes lodged by AEMO prior to 31 March 2010 any conflict of interest will be dealt with in accordance with the Commission's Conflict of Interest Policy.*

2. *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.*
3. *Confidential information obtained in my capacity as a Commissioner will not be disclosed or used for purposes other than the proper purposes.*

Mr Henderson was previously an Executive Director with PricewaterhouseCoopers (PwC) and anticipates undertaking part-time consulting assignments with PwC. Mr Henderson makes the following statement about the arrangements he has put in place:

1. *I will not involve myself in matters on behalf of PwC of its clients that are within the jurisdiction of the AEMC.*
2. *I will be subject to PwC's rigorous compliance policies and procedures including Confidentiality and Conflict of Interest arrangement and will be "ring-fenced" from any audit, transaction and advisory work which may be undertaken by PwC which is relevant to the jurisdiction of the AEMC.*
3. *Any potential involvement on my part in projects relating to the energy sector, which are not within the jurisdiction of the AEMC would be disclosed to the Chairman of the AEMC before undertaking such a project to ensure no potential conflict arose.*

4. *Confidential information obtained either in my capacity as a Commissioner or a consultant will not be disclosed or used for purposes other than the proper purposes.*

Strategic and Business Issues

The AEMC's three year strategic plan is prepared annually by the management team in consultation with the Commissioners before approval by the Commission. This planning process has regard to a number of market and other inputs including a risk assessment process.

This year the annual planning workshops included the new Commissioners – whose focus has been on ensuring the organisation is able to consider all the aspects of the energy markets in both its rule making and policy advice. As we took stock of the organisation's first five years we are reminded that the rules are not isolated from the wider world. Over the past year we have found ourselves spending more time considering developments in the national economy and domestic energy sector. Particularly we have focused on the complex relationships between economic forces exerted on the market itself, and of course on the market rules.

Our strategic business development is focussed on our core business as an independent and impartial rule maker and our growing reputation as a source of expert, independent advice to governments. The need to prioritise our areas of work and to focus on the areas where we can make the most difference is of most importance.

During the next planning period we will assume responsibility for the National Energy Customer Framework (NECF) rules. The NECF will be the single national regulatory framework for regulating the sale and supply of electricity and gas to retail customers – including appropriate consumer protection. It will also govern some aspects of the relationship between retailers and distributors in the market.

The AEMC has identified the following strategies for its business development:

Drive the development of efficient market frameworks by delivering well on routine work and proactively providing advice to policy makers.
Contribute to energy market policy development as the leading source of advice on energy markets by consolidating the quality of our work and engaging effectively with stakeholders.
Provide world-leading advice through our people and the partnerships we develop by having access to the required intellectual capacity both within the AEMC and by partnering with others.
Address Australia’s changing energy needs by ensuring our organisation has the capacity to deliver by ensuring that the AEMC is a fit-for-purpose organisation with the structure, capacity, processes and resources necessary to deliver on our vision and mission.

Stakeholder Engagement

The achievement of these strategies require a range of activities with different stakeholders including the following.

OUR PRINCIPAL STAKEHOLDERS	THEIR INTEREST IN THE AEMC'S OPERATIONS
Policy-makers – COAG, MCE, SCO	AEMC has a responsible Minister, the South Australian Minister for Energy, The Hon Patrick Conlon, and we report to the COAG through the MCE and its Standing Committee of Officials (SCO).
Consumers (industry and domestic)	Consumers of energy and providers of demand side services are very concerned to know and understand more about our role which is focussed on the objective to ensure that all Australians benefit from the smooth operation of efficient, reliable and competitive markets.
Community	The community has a vital interest in the safety, security and reliability of energy markets and this concern rests at the centre of our operations.
Energy market operators and regulators – AEMO, AER	The other key governance organisations in the energy sector, along with jurisdictional regulators are our partners in the pursuit of our market development role.
Energy sector participants	Market participants are engaged with us through statutory consultation processes and we are committed to demonstrating a strong analytical, evidence-based and independent approach to issues raised by our consideration of rules and reviews.

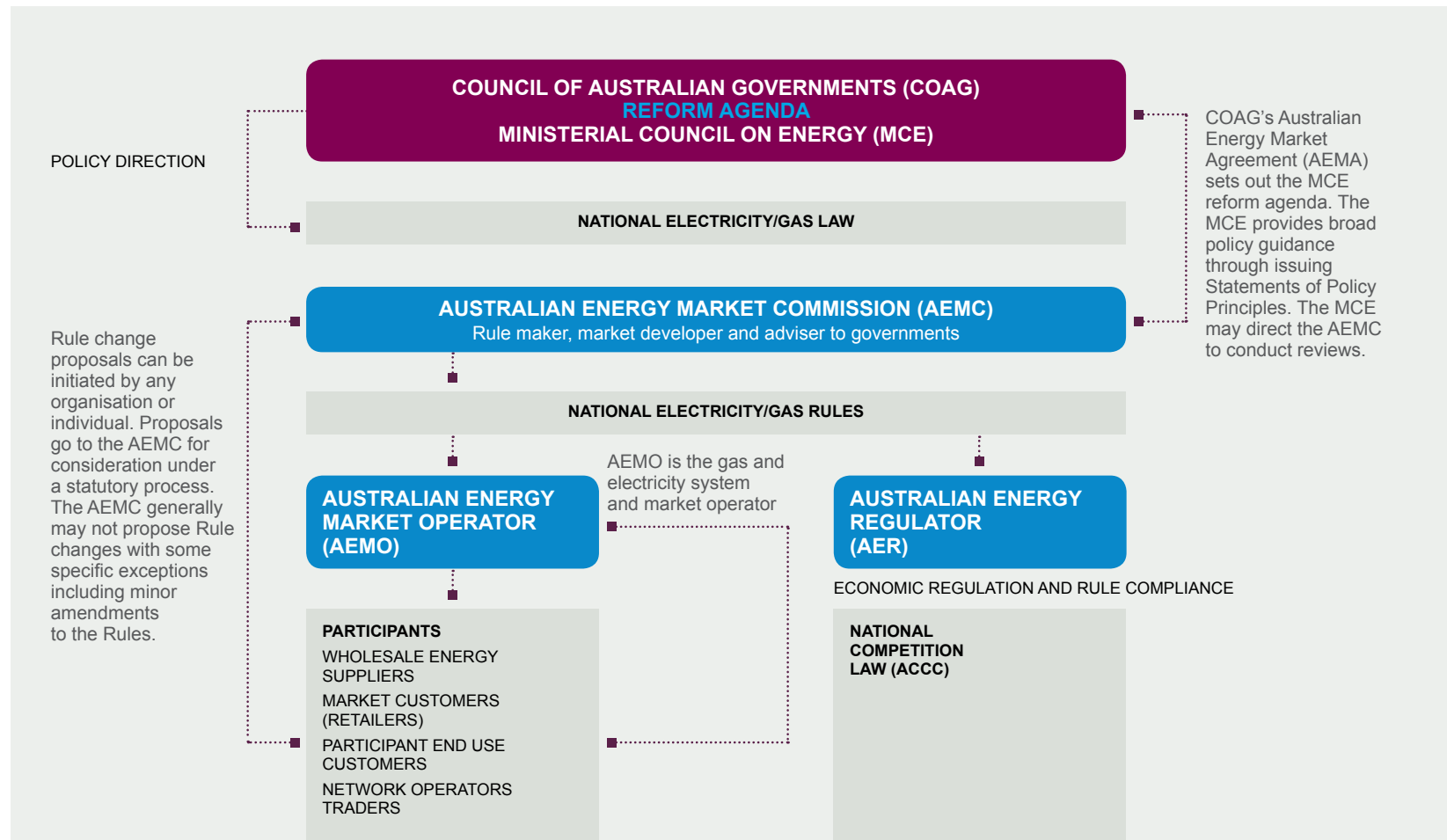
To be effective the AEMC must maintain contemporary knowledge of current and emerging issues facing market participants, consumers and other stakeholders. The need for informal engagement with stakeholders is increasing as the AEMC’s responsibilities expand to include customer protection frameworks and as external policy initiatives are implemented.

A stakeholder strategy and communications plan is developed annually as part of the organisation’s strategic planning cycle to ensure Commissioner and Senior Management Team engagement with stakeholders covers all stakeholder interests.

In addition to formal engagement through meetings with stakeholders regarding reviews and rule change proposals, the AEMC meets regularly with industry and consumer bodies; federal and state government ministers; government agencies and members of national and international jurisdictional bodies. We also attend and deliver papers at national and international conferences. Topics discussed in meetings and conferences this year included smart metering, climate change, financial markets, competition aspects of regulatory reform, transmission and distribution planning and demand management.

International Confederation of Energy Regulators (ICER)

In January 2010 the AEMC accepted an invitation to join the International Confederation of Energy Regulators (ICER). ICER is an international body representing over 200 regulatory authorities across six continents, which was established following the fourth World Forum on Energy Regulation held in 2009. The aim of ICER is to improve public and policy maker awareness and understanding of energy regulation and its role in addressing a wide spectrum of socio-economic, environmental and market issues. Through the ICER, the AEMC will participate in a voluntary framework for cooperation and collaboration between energy regulators around the world on global issues affecting energy markets, including climate change. The AEMC representative on the ICER Steering Group is our Chief Executive, Mr Steven Graham.



Public Consultation

Public consultations are integral to all our reviews and every rule change proposal. As part of our rule-making and also in conducting reviews, we seek submissions from the public. All submissions are considered in our determinations and decisions. All are published on our website (subject to the AEMC considering any claim of confidentiality). This year we addressed 313 written submissions relating to rule changes and reviews under consideration. Leaders of rule change and review projects continue to pursue the priority of spending more time on bilateral and multilateral consultation (organised within statutory and project deadlines).

Audit and Risk Management

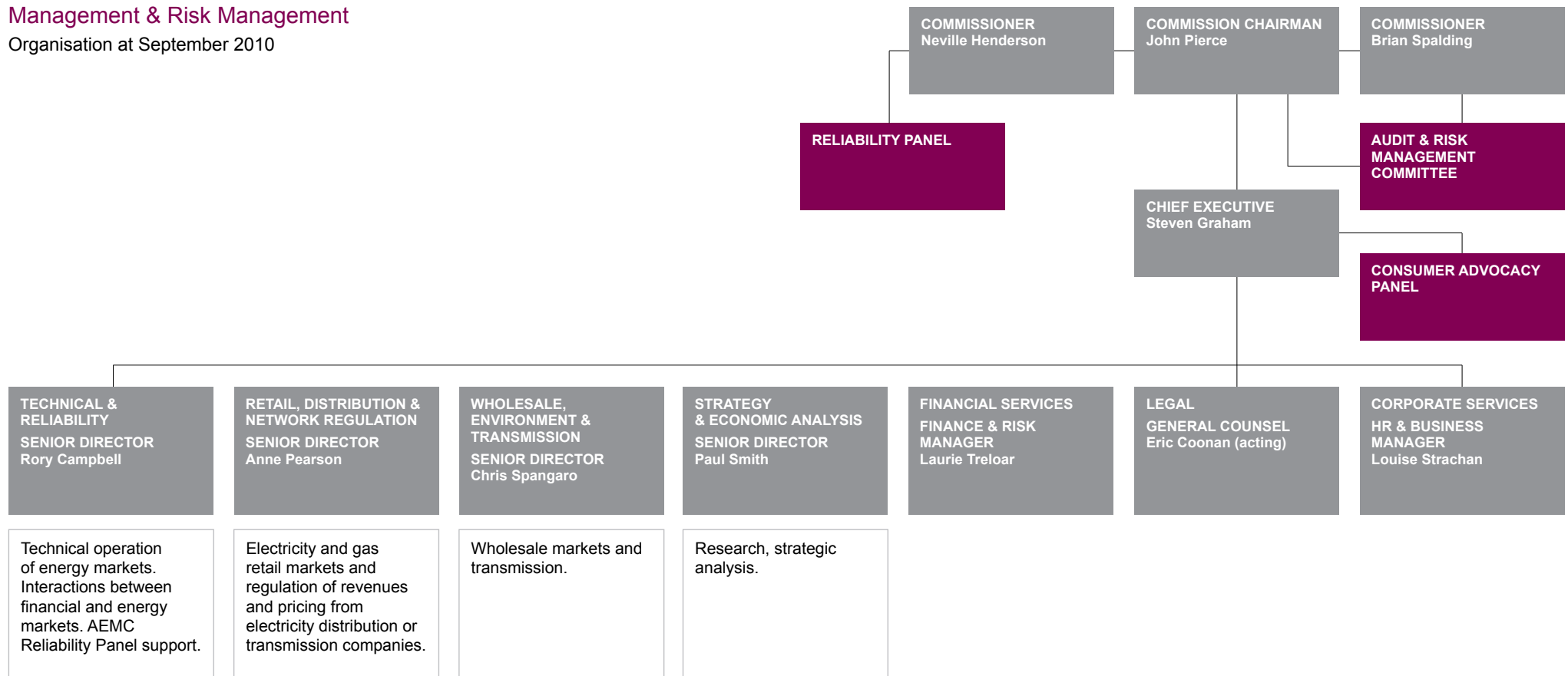
We have a number of processes to identify, assess and manage risk.

Risk management is the process of ensuring desirable outcomes are achieved and undesirable outcome probability and impact are reduced.

- Our Audit and Risk Management Committee monitors the overall risk management framework, financial reporting processes, processes for compliance, performance of auditors and oversees the audit program.
- A broadly based risk assessment process is used to develop a rolling three-year internal audit plan and inform risk management activities.
- The business planning and information technology strategic planning processes prioritise actions based on assessed risks.
- Compliance areas are identified and at present managed on a functional basis with legal support where necessary.
- Finally, a project control framework is used for all rule, review and corporate projects. This includes the creation of a risk register and the active management of identified risks. In the year under review the framework was revised and its focus on the identification and management of stakeholder concerns was sharpened.

COMMISSION AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERSHIP & MEETINGS			
MEMBERS	TERM 09-10	ELIGIBLE	ATTENDED
John Tamblyn AEMC Chairman until 1 Jun 10	1 Jul 09 – 1 Jun 10	3	2
Ian C Woodward – Committee Chairman AEMC Commissioner until 16 Apr 10	1 Jul 09 – 16 Apr 10	3	3
Glenn Appleyard – Independent Member – Committee Chairman	1 Jul 09 – 3 May 10 From 4 May 10	3 1	3 1
Brian Spalding AEMC Commissioner from 19 Apr 10	From 4 May 10	1	1
John Pierce AEMC Chairman from 2 Jun 10	From 2 Jun 10	1	1

Management & Risk Management
 Organisation at September 2010



Fraud Prevention

Within our risk management framework, specific 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

We have a Business Continuity and Disaster Recovery Plan in place and have tested it in 2009-2010.

Freedom of Information

The AEMC is subject to the Freedom of Information Act 1991 (SA). There were no requests lodged under Freedom of Information in 2009-2010.

All documents we publish regarding our rule-making, reviews of the National Electricity Market (NEM) and all versions of the National Electricity Rules are made available on our website at www.aemc.gov.au. They can also be inspected at our offices.

A request under the Freedom of Information Act 1991 (South Australia) is not required to inspect them.

Environment

The AEMC's core business revolves around knowledge, reviews and the development of rules. As a result, it has a small environmental footprint. We are nevertheless committed to continually reducing our environmental footprint and improving the efficiency with which we use resources. Measures this year included the:

- launch of an e-publishing system to increase efficiency and minimise paper consumption;
- purchasing of office equipment with power-save modes and low energy consumption;
- recycling of paper and cardboard products and sorting our recyclables into paper and co-mingled recycling;
- use of video and teleconferencing facilities where appropriate;
- the disposal of toner cartridges through a specialised recycler;

- use of an electronic records-management system, duplex printing and photocopying;
- purchase of carbon offset for air travel and use of public transport when possible; and
- communication of our environmental management commitments to all staff.

Senior Management Team

The year under review has seen significant changes to the structure of the management team with the creation of new teams to reflect our growing role.

On 5 February 2010 we announced the new management structure with the creation of a senior director position responsible for strategy and economic analysis. This is part of the organisation's effort to strengthen our economic analysis capacity.

The investment task to renew energy infrastructure and reduce its carbon intensity is significant, and the environment for investment is challenging and uncertain. The AEMC has a key responsibility to lead debate on how energy markets, and the regulatory frameworks that support them, address these challenges. We are building our capacity to address the intersection of energy markets with broader issues such as those related to energy efficiency, the environment, and financial market developments. We continue to work closely with industry, the community and government to promote the consideration of these issues and the implications they raise for energy market frameworks and settings.

We have also created a new position in the year under review for finance and risk management.

The AEMC has a responsibility to lead debate on energy markets and the regulatory frameworks that support them. We are increasing our capacity to address the intersection of the energy markets with broader issues such as energy efficiency, the environment and financial market developments. We continue to work closely with industry, the community and government to promote consideration of these issues.

These additions to the leadership team will strengthen the management structure and help ensure that analysis informing our decisions and recommendations is of a consistent high quality across all our areas of responsibility. Importantly, in a forthcoming period of likely transformation for energy markets, these organisational changes also improve the AEMC's ability to demonstrate effective and strategic leadership in respect of our statutory responsibility for market development – including through closer engagement with our stakeholders on strategic issues and challenges.

STEVEN GRAHAM
Chief Executive

Mr Graham is the AEMC's first Chief Executive. Since beginning his tenure in December 2005, he has led the organisation's establishment and expansion. Building on his broad experience, his priority is to develop an organisation that is professional, capable, responsive and operates with high standards of governance. He has held several change management

positions across the national electricity market and government, including roles in RailCorp, Eraring Energy, Pacific Power and NSW Treasury. He is a member of the Australian Institute of Company Directors and has served on the boards of Pacific Western Pty Ltd, Mount Arthur South Pty Ltd, Energy Efficient Research Centre Ltd, Eraring Holdings Pty Ltd, Mount Arthur South Coal Marketing and Finance Pty Ltd.

RORY CAMPBELL
Senior Director, Technical and Reliability Group

Mr Campbell's background in the trading of complex financial instruments for one of Australia's biggest energy producers, Eraring Energy, informs his grasp of technical issues surrounding pricing, modelling and forecasts. Before joining Eraring Energy he was a trader and analyst at the financial institution RMB Australia. Rory holds a PhD in pure mathematics (UNSW) and a BSc, Hon. (UNSW).

ANNE PEARSON
Senior Director, Retail, Distribution and Network Regulation Group

Ms Pearson's background in regulatory reform encompasses management roles in energy businesses and as a senior adviser to governments. She was executive manager of retail regulation at EnergyAustralia. Her prior appointments include a period in 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 BA (Sydney) and LLB, Hon. (Sydney).

CHRIS SPANGARO
Senior Director, Wholesale, Environment and Transmission Group

Mr Spangaro has a background in law and public policy. He came to the AEMC from the NSW Independent Pricing and Regulatory Tribunal where he most recently held the position of General Manager of the NSW Greenhouse Gas Abatement Scheme, one of the world's first mandatory emissions trading schemes. Prior to this he was the Tribunal's Program Manager, Water Pricing. Before his engagement by IPART Chris worked in the Economic Development Branch of the NSW Cabinet Office. His earlier policy work was in law enforcement and corrections. Chris has a degree in law and was admitted as a Legal Practitioner.

PAUL SMITH
Senior Director, Strategy and Economic Analysis

Mr Smith has worked as a regulatory and competition economist focused on the European energy sector for 14 years. He joined us in September 2010 from a UK-based consultancy, Cambridge Economic Policy Associates (CEPA). At CEPA Paul worked extensively on network regulation issues and frameworks for economic regulation across a range of regulated sectors. Prior to that he worked for six years at the UK energy regulator, Ofgem, where he fulfilled a number of roles including retail price regulation and market reviews, competition policy, security of supply and wholesale market surveillance. Paul also worked for three years 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 (Bristol University).

ERIC COONAN
Acting General Counsel

Before joining the AEMC, Mr Coonan's experience in the energy sector included retail pricing and energy trading (Senior Energy Trader) with EnergyAustralia, and energy assurance and advisory work with PricewaterhouseCoopers. Upon completion of his legal studies, he transferred to PricewaterhouseCoopers Legal and also worked at Norton Rose. Eric has advised energy policy makers, government and non-government energy entities on transactional, due diligence, compliance

and administrative law matters. He holds degrees in Science, Engineering and Law in addition to a Masters in Environmental Law. Eric is a member of The Resources and Energy Law Association and the Government Solicitors Committee of The Law Society of New South Wales. He is currently undertaking studies for a PhD at the University of Sydney's School of Law.

LAURIE TRELOAR
Finance and Risk Manager

Mr Treloar joined AEMC in July 2010 in the newly created position of Finance & Risk Manager. He has worked in the UK (British Gas and Sky Channel) and in Australia (the Australian Broadcasting Corporation) and following his BA (major accounting) from Macquarie University, has qualifications as a Fellow CPA, a Certified Practising Risk Manager (CPRM) and a Graduate Diploma in Financial Planning.

LOUISE STRACHAN
Human Resources and Business Manager

Prior to her appointment to the Commission, Ms Strachan occupied positions managing systems and administration practices for several major law firms as well as a role as a business education teacher in Queensland. Louise holds a BEd, Hon. (QUT).

Building the organisation

At the close of 2009-2010 the AEMC had 46 employees including Commissioners, a net fall of 3 employees during the year. Our focus on culture is critical in ensuring we attract and retain people with the right skills, who we recognise and acknowledge are highly valued in employment markets. To this end we have invested much effort and time in a structured program to build a collaborative and inclusive culture that recognises and values the contribution of our people to our mission and actively engages them in the operation of the organisation.

Recruitment

We embarked on a significant recruitment drive during the year under review as we expand our teams of advisors, senior advisors and directors. We have focussed our search both in Australia and overseas for applicants with specific energy sector expertise as well as interpretive and analytical skills. We have been pleased with the results with the next group of staff due to join the organisation immediately after the close of the financial year.

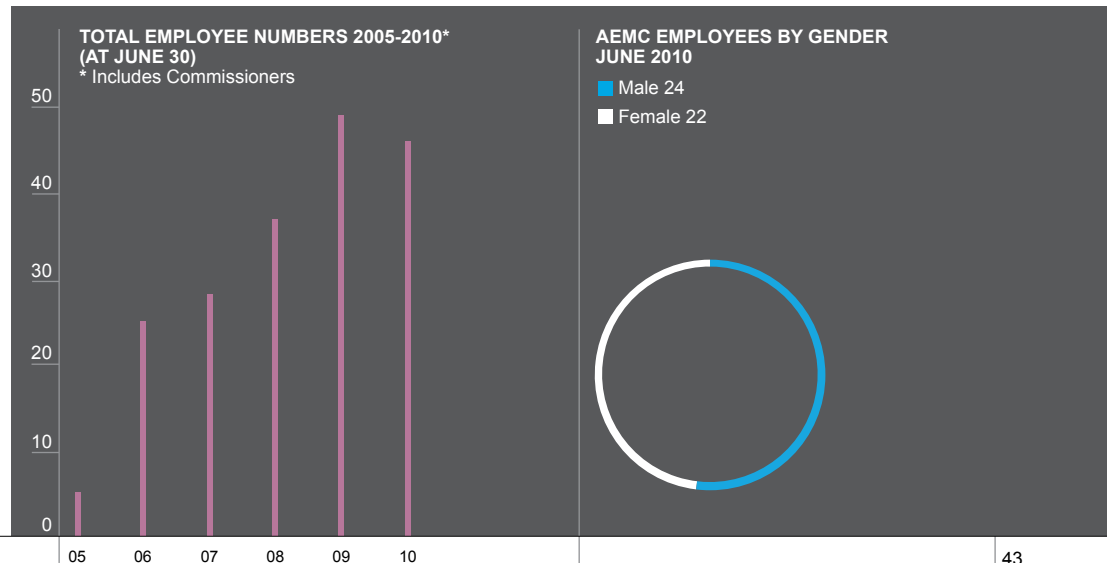
Occupational health and safety

We consider the health, safety and welfare of our employees, contractors and visitors to be of primary importance. We are committed to preventing all occupational injuries and illnesses and to maintaining a safe and healthy working environment.

We are pleased, therefore, to report that no work-related lost-time injuries were recorded in the year under review. We believe that health and safety at work is a shared responsibility and that everyone must perform their duties with the highest regard for their own safety and that of others. To encourage, promote and demonstrate participation in organisational health and safety, our Occupational Health and Safety Committee meets quarterly and includes representatives from both staff and senior management.

Capabilities: learning and development

We continued the task of growing the capabilities of our people, which is high on our list of organisational strategies. Training offered to employees included courses

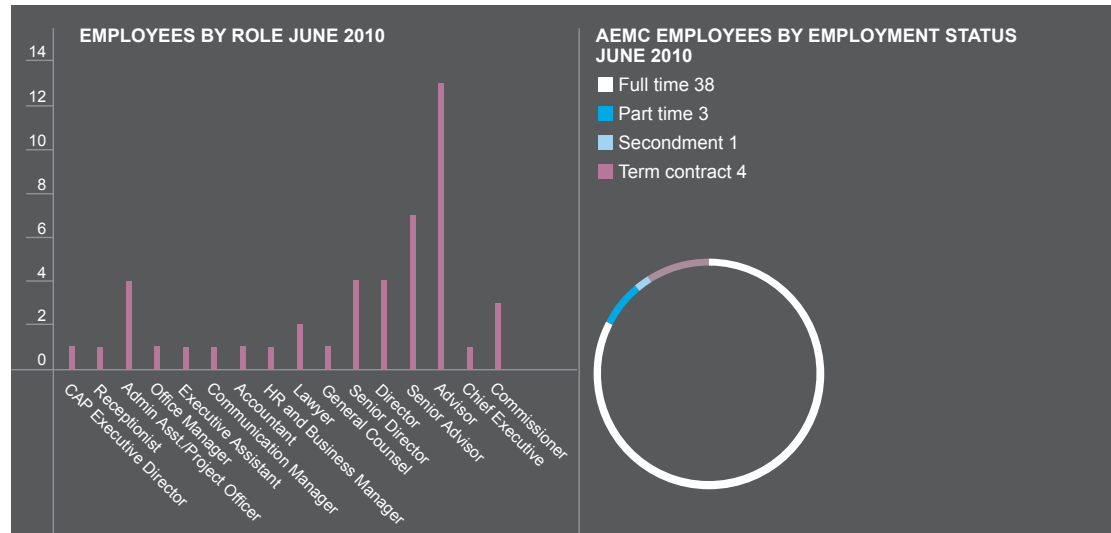


on copyright, management, the Victorian gas market, wholesale electricity market, project management, principles of economic network regulation, occupational health and safety, decision making, leadership and effective delegation.

Our commitment to developing our people continues through 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 objective one-on-one feedback and review, coaching/mentoring by other members of staff and meaningful development, job and career opportunities. Our annual performance and development plan program combines individual performance objectives with specific organisational performance requirements.

In the year under review we launched a new training programme for our staff – which began with a course on the economics of electricity wholesale markets. This course was conducted by the widely respected

consulting economist to the Australian Competition and Consumer Commission (ACCC), Dr Darryl Biggar. Dr Biggar provides advice to the ACCC and AER on matters relating to the economics of regulation, competition policy and the economics of electricity markets.



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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INDEPENDENT AUDITOR'S REPORT



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Auditor-General's Department

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To the Chairperson Australian Energy Market Commission

As required by section 31 of the *Public Finance and Audit Act 1987* and subsection 26(2) of the *Australian Energy Market Commission Establishment Act 2004*, I have audited the accompanying financial statements of the Australian Energy Market Commission for the financial year ended 30 June 2010. The financial statements comprise:

- A Statement of Comprehensive Income
- A Statement of Financial Position
- A Statement of Changes in Equity
- A Statement of Cash Flows
- Notes to the Financial Statements
- A Statement of Administered Comprehensive Income
- A Statement of Administered Financial Position
- A Statement of Administered Changes in Equity
- A Statement of Administered Cash Flows
- Notes to the Administered Financial Statements
- A Certificate from the Chairperson, Chief Executive and Finance and Risk Manager.

The responsibility of the Commissioners for the financial statements

The Commissioners are responsible for the preparation and the fair presentation of the financial statements in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

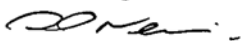
My responsibility is to express an opinion on the financial statements based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The Auditing Standards require that the auditor complies with relevant ethical requirements relating to audit engagements and plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 statements.

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

Auditor's opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Australian Energy Market Commission as at 30 June 2010, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



S O'Neill
AUDITOR-GENERAL
7 October 2010

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Australian Energy Market Commission (“the Commission”):

- comply with relevant Treasurer’s instructions issued under Section 41 of the *Public Finance and Audit Act 1987* and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Commission; and
- presents a true and fair view of the financial position of the Commission as at 30 June 2010 and the results of its operations and cash flows for the financial year.

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

Signed in accordance with a resolution of the Commission.



STEVEN GRAHAM
Chief Executive

2010



JOHN PIERCE
Chairperson

2010



LAURIE TRELOAR
Finance & Risk Manager

2010

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 \$'000	2009 \$'000
Expenses			
Employee benefit expenses	5	6,664	6,248
Supplies and services	6	5,401	7,022
Depreciation and amortisation expense	7	460	255
Grants and subsidies	8	571	566
Net loss on disposal of non-current assets	10	6	–
Total expenses		13,102	14,091
Income			
Interest revenue	11	258	373
Other revenue	12	231	333
Total income		489	706
Net cost of providing services		(12,613)	(13,385)
Contributions from participating jurisdictions	13	13,990	10,634
Net result		1,377	(2,751)
Total comprehensive result		1,377	(2,751)

The net result and 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 2010

	NOTE	2010 \$'000	2009 \$'000
Current assets			
Cash and cash equivalents	14	6,250	7,897
Receivables	15	3,708	1,716
Total current assets		9,958	9,613
Non-current assets			
Property, plant and equipment	16	258	263
Intangible assets	17	2,266	1,673
Total non-current assets		2,524	1,936
Total assets		12,482	11,549
Current liabilities			
Payables	18	947	1,156
Employee benefits	19	434	478
Total current liabilities		1,381	1,634
Non-current liabilities			
Payables	18	31	62
Employee benefits	19	182	363
Provisions	20	20	20
Other non-current liabilities	21	111	90
Total non-current liabilities		344	535
Total liabilities		1,725	2,169
Net Assets		10,757	9,380
Equity			
Retained earnings		8,740	7,363
Working capital		2,017	2,017
Total Equity	22	10,757	9,380

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

Unrecognised contractual commitments	23
Contingent assets and liabilities	24

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	WORKING CAPITAL \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
Balance at 30 June 2008		2,017	10,114	12,131
Net result for 2008-09		–	(2,751)	(2,751)
Total Comprehensive Result for 2008-09		–	(2,751)	(2,751)
Balance at 30 June 2009		2,017	7,363	9,380
Net result for 2009-10		–	1,377	1,377
Total Comprehensive Result for 2009-10		–	1,377	1,377
Balance at 30 June 2010		2,017	8,740	10,757

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 2010

	NOTE	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefit payments		(6,878)	(6,068)
Payments for supplies and services		(6,127)	(7,913)
Payments of grants and subsidies		(567)	(550)
GST paid to the ATO		(406)	(624)
Cash used in operations		(13,978)	(15,155)
Cash inflows			
Receipts from participating jurisdictions		12,472	13,116
Receipts from Commonwealth		–	463
Interest received		251	537
GST recovered from the ATO		662	504
Cash generated from operations		13,385	14,620
Net cash used in operating activities	26(b)	(593)	(535)
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(81)	(72)
Purchase of intangibles		(974)	(1,438)
Cash used in investing activities		(1,055)	(1,510)
Cash inflows			
Proceeds from the sale of property, plant and equipment		1	–
Cash generated from investing activities		1	–
Net cash used in investing activities		(1,054)	(1,510)
Net (decrease)/increase in cash and cash equivalents		(1,647)	(2,045)
Cash and cash equivalents at the beginning of the period		7,897	9,942
Cash and cash equivalents at the end of the period	26(a)	6,250	7,897

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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.

The Commission's key functions under the National Electricity Law and National Gas 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 Ministerial Council on Energy (MCE); and
- c) provide policy advice to the MCE as requested or on the Commission's initiatives.

2 Summary of significant accounting policies

A) STATEMENT OF COMPLIANCE

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and South Australian Treasurer's Instructions and South Australian Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

Except for Australian Accounting Standard, AASB 2009-12, which the Commission has early adopted, 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 ending 30 June 2010. The Commission has assessed the impact of the new and amended Australian Accounting Standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission. These are outlined in 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, these are outlined in the applicable notes;
- accounting policies to be 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 \$100,000 or more (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 Notes 25 and A9).

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented.

C) REPORTING ENTITY

The Commission's financial statements include administered items.

Transactions and balances relating to administered items are not recognised as the Commission's income, expense, assets and liabilities.

As these administered items are significant in relation to the Commission's overall financial performance and position, they are disclosed in the administered financial statements and notes at the back of the General Purpose Financial Statements. Except as otherwise disclosed administered items are accounted for on the same basis and using the same accounting policies as the Commission.

D) COMPARATIVE INFORMATION

The presentation and classification of items in the financial statements are consistent with prior periods except where specific revised accounting standards and South Australian Accounting Policy Statements has required a change.

E) ROUNDING

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

2 Summary of significant accounting policies (continued)

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 provides information about conditions that existed at 30 June.

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

H) INCOME

Income is recognised to the extent it is probable that the flow of economic benefits to or from 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 not an interagency 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 when invoiced.

I) EXPENSES

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

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

The following are specific recognition criteria:

Employee benefit expenses

An employee benefit expense includes 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 employees' externally managed superannuation funds.

2 Summary of significant accounting policies (continued)

I) EXPENSES (CONTINUED)

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.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

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)
Leasehold Improvements	Life of lease
Plant and Equipment	3-20
Intangibles	2.5-7
IT Infrastructure	3-5

Net gain / loss on disposal of non-current assets

Any gain /(loss) on disposal is recognised at the date control of the asset is passed to the buyer and is 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. The Commission has a clearly identifiable operating cycle of twelve months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

K) ASSETS

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

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

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and for the purposes of the Statement of Cash Flows include cash at bank and cash on hand.

Cash is measured at nominal value.

Receivables

Receivables include GST input tax credits recoverable, funding receivable, interest receivable, prepayments and other accruals.

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.

From 1 March, 2010 the Commission capitalised all non-current tangible assets with a value equal to or in excess of \$2,000 (previously \$1,500). There was no material affect to the financial statements due to this change.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

2 Summary of significant accounting policies (continued)

K) ASSETS (CONTINUED)

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 2010 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 and recognition 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 (\$1,500 if expenditure was incurred before 1 March 2010).

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 twelve months and more than twelve months, the Commission has separately disclosed the amounts expected to be settled after more than twelve months.

Payables

Payables include creditors, accrued expenses, and employment on-costs.

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

All payables are measured at their nominal amount are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received in accordance with Treasurer's Instruction 11 Payment of Creditor's Accounts.

Employment benefit on-costs include superannuation contributions, payroll tax and workers compensation 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 balance date relates to any contributions due but not yet paid.

Operating leases

The Commission has entered into 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.

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.

Wages, salaries, annual leave and sick leave

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

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

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

2 Summary of significant accounting policies (continued)

L) LIABILITIES (CONTINUED)

Long service leave

The liability for long service leave is recognised from the employee's commencement date. The Commission's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at 30 June 2010 on Commonwealth Government bonds that have maturity dates approximating the terms of the Commission's obligations.

Employee benefit on-costs

Employee benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

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.

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.

Insurance

The Commission has arranged, through various insurers, to insure all major risks of the Commission. There is no exposure in relation to workers compensation.

M) UNRECOGNISED CONTRACTUAL COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

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

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

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

3 New and revised accounting standards and policies

The Commission changed its capitalization threshold during 2009-10. From 1 March, 2010 the Commission capitalises all non-current tangible assets with a value equal to or in excess of \$2,000 (previously \$1,500). There was no material affect to the financial statements due to this change.

Except for AASB 2009-12, which the Commission has early adopted, the 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 ending 30 June 2010.

The Commission has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

4 Economic dependency

The continued existence of the Commission in its present form is dependent on Government policy in each of the National Electricity Market jurisdictions who fund the Commission and the Commonwealth Government.

The Ministerial Council on Energy in its advice of the approval of funding for 2009-10 also advised it had agreed to fixed funding levels for 2010-11, 2011-12, 2012-13, 2013-14 of \$13.964 million, \$14.464 million, \$14.876 million and \$15.556 million respectively to assist with revenue certainty.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

5 Employee benefit expenses

	2010 \$'000	2009 \$'000
Salaries and wages	5,369	4,962
Long service leave	32	93
Annual leave	412	424
Employment on-costs – superannuation	472	413
Payroll and Fringe Benefits Tax	366	314
Relocation expenses	13	42
Total employee benefit expenses	6,664	6,248

Staff are appointed under common law contracts and are not employees under the South Australian *Public Sector Management Act 1994*, which was superseded by the Public Sector Act 2009 on 1 February 2010.

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 in accordance with the South Australian Accounting Policy Framework for staff are as follows:

REMUNERATION OF EMPLOYEES

The number of employees whose remuneration received or receivable falls within the following bands:

	2010 NO.	2009 NO.
\$100,000 – \$109,999	4	5
\$110,000 – \$119,999	4	3
\$120,000 – \$129,999	3	–
\$130,000 – \$139,999	2	2
\$140,000 – \$149,999	1	2
\$150,000 – \$159,999	3	2
\$160,000 – \$169,999	–	3
\$170,000 – \$179,999	3	1
\$180,000 – \$189,999	1	–
\$190,000 – \$199,999	–	1
\$200,000 – \$209,999	1	1
\$210,000 – \$219,999	–	1
\$230,000 – \$239,999	1	–
\$250,000 – \$259,999	1	1
\$310,000 – \$319,999	–	1
\$320,000 – \$329,999	1	–
Total number of employees	25	23

The table includes all employees who received remuneration of \$100,000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$3,854,916 (2009: \$3,566,116). Remuneration of Commissioners is disclosed in Note 25.

6 Supplies and services

	2010 \$'000	2009 \$'000
Property expenses	727	704
Information technology expenses	392	318
Accounting and audit expenses	248	227
Legal expenses	23	26
Project contractor and consultancy expenses*	2,198	3,741
Other contractor and consultancy expenses	765	772
Administration expenses	341	341
Travel and accommodation expenses	283	391
Recruitment	131	177
Staff training	151	196
Other	142	129
Total supplies and services	5,401	7,022

* Contractor and consultancy expenses directly related to AEMC project work on rule changes, market reviews and expert panels.

The number and dollar amount of Consultancies paid/payable that fell within the following bands:

	NO.	2010 \$'000	NO.	2009 \$'000
Below \$10,000	6	18	6	40
Between \$10,000 and \$50,000	7	172	5	120
Above \$50,000	8	953	15	2,759
Total paid/payable to the consultants engaged	21	1,143	26	2,919

7 Depreciation and amortisation expense

	2010 \$'000	2009 \$'000
Depreciation		
Plant and equipment	28	25
IT Infrastructure	48	69
Total depreciation	76	94
Amortisation		
Leasehold improvements	3	3
Intangibles	381	158
Total amortisation	384	161
Total depreciation and amortisation	460	255

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

8 Grants and subsidies

	2010 \$'000	2009 \$'000
Consumer Advocacy Panel grants	571	566
Total grants and subsidies	571	566

The Commission is responsible for providing the Panel with grant funding that relates to West Australian and Northern Territory gas advocacy and the Australian Energy Market Operator Limited (AEMO) is responsible for the electricity and gas funding relating to other States and Territories. For 2009-10 however, the Commission's funding from all jurisdictions included an allocation for gas advocacy funding. This was paid to the Panel. The 2010 grants amount includes West Australian and Northern Territory gas advocacy funding for the last three quarters of 2009-10 and the first quarter of 2010-11, and the 2009-10 full year funding for all other States and Territories.

9 Auditor's Remuneration

	2010 \$'000	2009 \$'000
Audit fees paid/payable to the SA		
Auditor-General's Department	23	32
Total Audit Fees – SA Government entities	23	32

OTHER SERVICES

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

10 Net loss on disposal of non-current assets

	2010 \$'000	2009 \$'000
Plant and equipment		
Proceeds from disposal	–	–
Net book value of assets disposed/written off	(3)	–
Net loss from disposal of plant and equipment	(3)	–
IT infrastructure		
Proceeds from disposal	1	–
Net book value of assets disposed/written off	(4)	–
Net loss from disposal of IT infrastructure	(3)	–
Total assets		
Total proceeds from disposal	1	–
Total value of assets disposed	(7)	–
Total net loss on disposal of assets	(6)	–

11 Interest revenue

	2010 \$'000	2009 \$'000
Interest earned on bank accounts	258	373
Total interest revenues	258	373

12 Other revenues

	2010 \$'000	2009 \$'000
Recoveries from the Consumer Advocacy Panel *	230	207
Recoveries from the ATO	–	126
Miscellaneous revenue	1	–
Total other revenues	231	333

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

13 Contributions from participating jurisdictions

	2010 \$'000	2009 \$'000
Operational funding	13,990	10,634
Total contributions from participating jurisdictions	13,990	10,634

All contributions, with the exception of those received from the Victorian government, are treated as contributions covered by an appropriation. Contributions covered by an appropriation are not subject to the payment of GST.

Contributions received from the Victorian government totalled \$3,855,816 (2009: \$2,837,909).

Total contributions also include \$1,181,508 (2009: \$1,163,524) received from the South Australian Department of Transport, Energy and infrastructure (DTEI). These contributions included \$294,958 received in advance for the 2010-11 financial year.

The Commission is responsible for providing the Consumer Advocacy Panel with grant funding that relates to West Australian and Northern Territory gas advocacy and the Australian Energy Market Operator Limited (AEMO) is responsible for the electricity and gas funding relating to other States. The above contributions include \$570,517 (2009: \$565,588) funding received by the Commission for the Consumer Advocacy Panel. Refer to Note 8 for more details of this.

14 Cash and cash equivalents

	2010 \$'000	2009 \$'000
Cash at bank and on hand	1,112	2,490
Short-term deposits	5,138	5,407
Total cash and cash equivalents	6,250	7,897

SHORT TERM DEPOSITS

Short-term deposits are made for varying periods of between one day and three months and earn interest at the respective short-term deposit rates.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

15 Receivables

	2010 \$'000	2009 \$'000
Funding receivable	3,262	1,336
Interest receivable	22	15
Prepayments	142	139
GST input tax recoverable	282	226
Total receivables	3,708	1,716

ALLOWANCE FOR DOUBTFUL DEBTS

As at 30 June 2010, there was no objective evidence that a receivable was impaired. Therefore the Commission has not recognised an allowance for doubtful debts.

INTEREST RATE AND CREDIT RISK

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

16 Property, Plant and Equipment

	2010 \$'000	2009 \$'000
Plant and Equipment, at cost (deemed fair value)	197	180
Accumulated depreciation, at the end of the period	(67)	(59)
Total Plant and Equipment	130	121
IT Infrastructure, at cost (deemed fair value)	394	368
Accumulated depreciation, at the end of the period	(280)	(243)
Total IT infrastructure	114	125
Leasehold improvements (deemed fair value)	20	20
Accumulated amortisation, at the end of the period	(6)	(3)
Total Leasehold improvements	14	17
Total property, plant and equipment	258	263

IMPAIRMENT

There were no indications of impairment of property, plant and equipment at 30 June 2010.

16 Property, Plant and Equipment (continued)

RECONCILIATION OF NON CURRENT ASSETS

The following table shows the movement of non-current assets during 2009-10.

	2010 \$'000	2009 \$'000
Plant and Equipment		
Carrying amount at beginning of the period	121	143
Additions	40	3
Disposals	(3)	–
Depreciation	(28)	(25)
Carrying amount at the end of the period	130	121
IT Infrastructure		
Carrying amount at beginning of the period	125	124
Additions	41	70
Disposals	(4)	–
Depreciation	(48)	(69)
Carrying amount at the end of the period	114	125
Leasehold improvements		
Carrying amount at beginning of the period	17	20
Amortisation	(3)	(3)
Carrying amount at the end of the period	14	17
Total Property, Plant and Equipment		
Carrying amount at beginning of the period	263	287
Additions	81	73
Disposals	(7)	–
Depreciation and amortisation	(79)	(97)
Carrying amount at the end of the period	258	263

17 Intangible assets

	2010 \$'000	2009 \$'000
Computer software	2,742	1,385
Accumulated amortisation	(635)	(254)
	2,107	1,131
Work in progress	159	542
Total computer software	2,266	1,673
Reconciliation of computer software		
Carrying amount at beginning of the period	1,131	181
Additions	100	45
Transfers in from work in progress	1,257	1,063
Amortisation	(381)	(158)
Carrying amount at the end of the period	2,107	1,131
Reconciliation of work in progress		
Carrying amount at beginning of the period	542	208
Additions	874	1,397
Transfers out of work in progress	(1,257)	(1,063)
Carrying amount at the end of the period	159	542

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

17 Intangible assets (continued)

Intangibles include internally developed computer software for the following assets (at cost):

	REMAINING USEFUL LIFE	CARRYING AMOUNT \$'000
TRIM database	3	90
Greentree accounting system	3	379
Public website	4	388
Electronic publishing	5	999
Intranet	5	163
Total internally developed computer software		2,019

The Commission has no contractual commitments for the acquisition of intangible assets.

IMPAIRMENT

There were no indications of impairment on intangible assets at 30 June 2010.

18 Payables

	2010 \$'000	2009 \$'000
Current		
Creditors	225	30
Accrued expenses	512	947
Consumer Advocacy Panel grants payable	–	11
GST payable	103	101
Employment on-costs	107	67
Total current payables	947	1,156
Non-Current		
Employment on-costs	31	62
Total non-current payables	31	62
Total payables	978	1,218

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 approximates net fair value due to the amounts being payable on demand. For maturity analysis of payables and categorisation of financial instruments and risk exposure information refer to Note 27.

19 Employee benefits

	2010 \$'000	2009 \$'000
Current		
Annual leave	268	322
Accrued salaries and wages	166	156
Total current employee benefits	434	478
Non-current		
Long service leave	182	363
Total non-current employee benefits	182	363
Total employee benefits	616	841

20 Provisions

	2010 \$'000	2009 \$'000
Non-current		
Provision for make good	20	20
Total non-current provisions	20	20
Reconciliation of provision for make good		
Carrying amount at the beginning of the period	20	20
Additional provisions recognised	–	–
Reductions arising from payments	–	–
Carrying amount at end of the period	20	20

21 Other non-current liabilities

	2010 \$'000	2009 \$'000
Deferred rent expense liability	111	90
Total other non-current liabilities	111	90

22 Equity

	2010 \$'000	2009 \$'000
Working Capital		
New South Wales	750	750
Victoria	556	556
Queensland	432	432
South Australia	173	173
Tasmania	54	54
Australian Capital Territory	36	36
Western Australia	14	14
Northern Territory	2	2
Total working capital	2,017	2,017
Retained earnings	8,740	7,363
Total Equity	10,757	9,380

The Funding Agreement with the Jurisdictions provides for the maintenance of a reserve to meet an adverse funding of budgeted expenditure 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

23 Unrecognised contractual commitments

OPERATING LEASE COMMITMENTS

The Commission is party to an operating lease for office accommodation. The lessor is Perron Investments Pty Ltd & Perpetual Trustee Company Limited. The lease is non-cancellable with a term of 7 years (expiring on 31 August 2014) with an option to renew of a further 3 years. Rent is payable on the first day of the month.

Commitments under the non-cancellable operating lease at the reporting date but not recognised as a liabilities are payable as follows:

	2010 \$'000	2009 \$'000
Within 1 year	508	487
More than 1 year but not later than 5 years	1,755	2,166
More than 5 years	–	97
Total operating lease commitments	2,263	2,750

The weighted average interest rate implicit in the lease is 4.25 %.

24 Contingent assets and liabilities

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

25 Remuneration of Commissioners and Committee Members

Members who were entitled to receive remuneration for membership during the 2010 financial year were:

Commissioners

John Pierce (appointed 2 June 2010)
 Neville Henderson (appointed 19 October 2009)
 Brian Spalding (appointed 19 April 2010)
 John Tamblyn (term completed 1 June 2010)
 Ian Woodward (resigned 16 April 2010)
 John Ryan (resigned 16 October 2009)

Audit Committee

John Pierce (appointed 2 June 2010)
 Brian Spalding (appointed 19 April 2010)
 John Tamblyn (term completed 1 June 2010)
 Ian Woodward (resigned 16 April 2010)
 Glenn Appleyard (appointed 9 November 2007)

Reliability Panel

Neville Henderson (appointed 3 November 2009)
 Ian Woodward (resigned 2 November 2009)

The number of Commissioners and Committee members whose remuneration received or receivable falls within the following bands:

	2010 NO.	2009 NO.
\$0 – \$9,999	1	1
\$20,000 – \$29,999	1	1
\$30,000 – \$39,999	1	–
\$40,000 – \$49,999	1	–
\$90,000 – \$99,999	–	1
\$110,000 – \$119,999	1	–
\$150,000 – \$159,999	1	–
\$180,000 – \$189,999	–	1
\$420,000 – \$429,999	–	1
\$660,000 – \$669,999	1	–
Total number of Commissioners and Committee members	7	5

25 Remuneration of Commissioners and Committee Members (continued)

Remuneration of Commissioners reflects all costs of employment including salaries and wages, superannuation, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by Commissioners and Committee members for the year was \$1,050,064 (2009: \$723,940), which includes payments of annual leave and long service leave on completion of term for John Tamblin and resignation of Ian Woodward.

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

26 Statement of Cash flow reconciliation

A. RECONCILIATION OF CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD:

Cash and cash equivalents reported in the:

	2010 \$'000	2009 \$'000
Statement of Cash Flows	6,250	7,897
Statement of Financial Position	6,250	7,897

B. RECONCILIATION OF NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES TO NET COST OF PROVIDING SERVICES:

Net cash (used in) provided by operating activities	(593)	(535)
Contributions from participating jurisdictions	(13,990)	(10,634)
Non-cash items:		
Depreciation and amortisation expense	(460)	(255)
Net loss on disposal of non-current assets	(6)	–
Movement in assets and liabilities		
Increase/(decrease) in receivables	1,992	(2,293)
Decrease in payables	240	534
Decrease /(increase) in employee benefits	225	(160)
Increase in other liabilities	(21)	(42)
Net cost of providing services	(12,613)	(13,385)

27 Financial instruments / Financial risk management

CATEGORISATION OF FINANCIAL INSTRUMENTS

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

CATEGORY OF FINANCIAL ASSETS AND LIABILITIES	STATEMENT OF FINANCIAL POSITION	NOTE	CARRYING AMOUNT	FAIR VALUE
			2010 \$'000	2010 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	14	6,250	6,250
Loans and receivables	Receivables (1)	15	3,284	3,284
	Total financial assets		9,534	9,534
Financial liabilities				
Financial liabilities	Payables (1)	18	737	737
	Total financial liabilities		737	737

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

27 Financial instruments / financial risk management (continued)

CATEGORISATION OF FINANCIAL INSTRUMENTS (CONTINUED)

CATEGORY OF FINANCIAL ASSETS AND LIABILITIES	STATEMENT OF FINANCIAL POSITION	NOTE	CARRYING AMOUNT	FAIR VALUE
			2009 \$'000	2009 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	14	7,897	7,897
Loans and receivables	Receivables (1)	15	1,351	1,351
	Total financial assets		9,248	9,248
Financial liabilities				
Financial liabilities	Payables (1)	18	977	977
	Total financial liabilities		977	977

(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 except for employee on-costs which are determined via reference to the employee benefit liability to which they relate.

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 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. For the year ended 30 June 2010 no allowance for impairment of financial assets was deemed necessary. The Commission does not hold any collateral as security to any of its financial assets.

Ageing analysis of financial assets

No financial assets are past due.

Maturity analysis of financial assets and liabilities

All the Commission's financial assets and liabilities are due within the next 12 months.

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. Undisputed accounts are settled within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Commission's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

MARKET RISK

The Commission's exposure to Market risk is insignificant based on past experience and current assessment of risk. There is no exposure to interest rate risk as there is no interest bearing liabilities. 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.

28 Events after reporting date

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

ADMINISTERED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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STATEMENT OF ADMINISTERED COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 \$'000	2009 \$'000
Income			
Grant revenues	A4	2,366	2,372
Interest revenues		95	84
Total Income		2,461	2,456
Expenses			
Remuneration of the Panel	A9	67	55
Administration expenses		260	207
Evaluation expenses		109	–
Grant expenses		1,856	1,236
Total Expenses		2,292	1,498
Net Result		169	958
Total comprehensive result		169	958

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

STATEMENT OF ADMINISTERED FINANCIAL POSITION

AS AT 30 JUNE 2010

	NOTE	2010 \$'000	2009 \$'000
Current assets			
Cash and cash equivalents	A5	2,804	2,565
Receivables	A6	250	226
Total current assets		3,054	2,791
Total assets		3,054	2,791
Current liabilities			
Payables	A7	321	227
Total current liabilities		321	227
Total liabilities		321	227
Net assets		2,733	2,564
Equity			
Retained earnings		2,733	2,564
Total equity		2,733	2,564
Unrecognised contractual commitments	A8		

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

STATEMENT OF ADMINISTERED CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	RETAINED EARNINGS \$'000	TOTAL \$'000
Balance at 30 June 2008		–	–
Net result for 2008-09		958	958
Total Comprehensive Result for 2008-09		958	958
Transactions with owners			
Contribution by owners	A11	1,606	1,606
Balance at 30 June 2009		2,564	2,564
Net result for 2009-10		169	169
Total Comprehensive Result for 2009-10		169	169
Balance at 30 June 2010		2,733	2,733

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

STATEMENT OF ADMINISTERED CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Cash outflows			
Payments for suppliers and employees		(361)	(427)
Payment of grants and subsidies		(2,045)	(1,175)
GST paid to the ATO		(57)	(121)
Cash used in operations		(2,463)	(1,723)
Cash inflows			
Receipts from AEMO and the Commission		2,590	2,533
Interest received		90	82
GST recovered from the ATO		22	175
Cash generated from operations		2,702	2,790
Net cash provided by operating activities	A10(b)	239	1,067
Cash flows from financing activities			
Cash inflows			
Contribution by owners	A11	–	1,498
Cash generated from financing		–	1,498
Net cash provided by financing activities		–	1,498
Net increase in cash and cash equivalents		239	2,565
Cash and cash equivalents at the beginning of the period		2,565	–
Cash and cash equivalents at the end of the period	A10(a)	2,804	2,565

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

A1 Objectives of the AEMC's administered activities

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

Prior to 1 July 2008 the Commission received funds from the National Electricity Market Management Company Limited (NEMMCO) on behalf of the National Electricity Consumers Advocacy Panel. Administered activities for 2007-08 relate to the receipt and transfer of these funds to the National Electricity Consumers Advocacy Panel. The National Electricity Consumer Advocacy Panel was abolished on 30 June 2008 and its functions transferred to the

Consumer Advocacy Panel. From 1 July 2009 NEMMCO ceased operations and the roles and responsibilities of NEMMCO were transitioned to the Australian Energy Market Operator (AEMO).

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

The Panel has the following key functions under the Act:

- a) to identify areas of research that would be of benefit to consumers of electricity or natural gas (or both);
- b) to develop, and submit for the approval of the MCE, 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 MCE, 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 MCE, 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 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;

A1 Objectives of the AEMC's administered activities (continued)

- i) consider applications for funding to undertake advocacy in the interests of end-users of electricity in the national electricity market and, if considered appropriate, to provide funding where applications meet the Panel's funding criteria and application guidelines;

The Panel approves grants to consumer advocacy organisations for advocacy and research projects that can be funded in tranches and over multiple financial years, so the Panel distinguishes between grants approved over the reporting period and funds distributed for grants.

A2 Summary of significant accounting policies

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

GRANT INCOME

The Panel is funded by AEMO (2009: NEMMCO) and the Commission. These funds are recognised as an asset and income when the Panel obtains control of the contributions and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable).

All contributions have unconditional stipulations and therefore control is obtained when the agreement becomes enforceable i.e. the earlier of when the Panel has formally been advised that the contribution has been approved; agreement is executed and/or the contribution is received.

INTEREST REVENUE

Interest revenue is recognised when accrued.

GRANT EXPENSES

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

A2 Summary of significant accounting policies (continued)

ADMINISTRATION EXPENSES

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

The Commission recovers the cost of employing these staff from the Panel. These payments are recognised in the Statement of Administered Comprehensive Income as part of 'administration expenses'.

Administration expenses also include accommodation and other charges incurred by the Commission and recovered from the Panel.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Statement of Administered Financial Position and the Statement of Administered Cash Flows include cash on hand, deposits at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

INSURANCE

The Panel does not have a policy of professional indemnity insurance for its members. The Panel notes that under the Act as from 1 July 2008 members and staff of the Panel are not subject to personal liability for an act or omission in good faith in the performance actual or purported of a function or power associated with the activities of the Panel. There is no exposure in relation to workers compensation.

A3 Economic dependency

The continued existence of the Panel in its present form is dependent on the continuation of funding from the AEMC and AEMO. The provision of this funding is a statutory obligation of both the AEMC and AEMO, subject to the approval of a global budget by the Ministerial Council on Energy. The revenue for the Panel for the 2010-11 year was approved by the MCE in May 2010 as follows:

- \$2,261,152 for the electricity component funded by AEMO.
- \$589,160 for the gas component funded by AEMO and AEMC.

A4 Grant revenue

	2010 \$'000	2009 \$'000
Contributions received – AEMO	1,795	1,806
Contributions received – AEMC	571	566
Total grant revenue	2,366	2,372

A5 Cash and cash equivalents

	2010 \$'000	2009 \$'000
Cash at bank	200	124
Short term deposits	2,604	2,441
Total cash and cash equivalents	2,804	2,565

SHORT-TERM DEPOSITS

Short-term deposits are made for varying periods of between one day and three months and earn interest at the respective short-term deposit rates.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

A6 Receivables

	2010 \$'000	2009 \$'000
Contributions receivable	232	221
GST receivable	10	–
Other	8	5
Total receivables	250	226

ALLOWANCE FOR DOUBTFUL DEBTS

As at 30 June 2010, there was no objective evidence that a receivable was impaired. Therefore an allowance for doubtful debts has not been recognised.

INTEREST RATE AND CREDIT RISK

Receivables are raised for all contributions due and for which payment has not been received. Receivables are normally settled within 30 days. Receivables are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk. For maturity analysis of receivables and categorisation of financial instruments and risk exposure information refer to Note A12.

A7 Payables

	2010 \$'000	2009 \$'000
GST payable	–	35
Gas and electricity grants payable	166	167
Trade creditors and accruals	155	25
Total payables	321	227

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 approximates net fair value due to the amounts being payable on demand. For maturity analysis of payables and categorisation of financial instruments and risk exposure information refer to Note A12.

A8 Unrecognised contractual commitments

Commitments incurred during the year and relating to approved applications for which the grant has not yet been paid are as follows:

	2010 \$'000	2009 \$'000
Payable within 1 year	2,906	2,125
	2,906	2,125

The above represents commitments for approved grant applications where the conditions for payment of the grant have not been met. The amount includes \$1,557,467 of grants where funding agreements have been approved, but which will be paid from cash and cash equivalents as at 30 June 2010 and funding to be received in the 2010-11 year as outlined in note A3.

A9 Remuneration of the Panel

Members that were entitled to receive remuneration for membership of the Panel during the 2009-10 year were:

CONSUMER ADVOCACY PANEL

Francis Peach (Chairman)

Karen Scott

Bruce Connery

Catherine Cooper

Edward Russell

The number of Panel members whose remuneration received or receivable falls within the following bands:

	2010 NO.	2009 NO.
\$0 – \$9,999	1	4
\$10,000 – \$19,999	4	1
Total number of Panel members	5	5

Remuneration of Panel members reflects all costs of performing Panel duties including sitting fees and superannuation contributions. The total remuneration received by Panel members for the year was \$67,051 (2009: \$55,437).

A10 Statement of Administered Cash Flow Reconciliation

A) RECONCILIATION OF CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD:

Cash and cash equivalents reported in the:

	2010 \$'000	2009 \$'000
Statement of Administered Cash Flows	2,804	2,565
Statement of Administered Financial Position	2,804	2,565

B) RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO NET RESULT:

	2010 \$'000	2009 \$'000
Net cash provided by operating activities	239	1,067
Movement in assets and liabilities		
Increase in receivables	24	74
Increase in payables	(94)	(183)
Net result	169	958

A11 Contribution by owners

The National Energy Consumers Advocacy Panel was abolished on 30 June 2008 and its assets and liabilities transferred to the Panel which included \$1.498 million cash, \$0.152 million receivables and \$0.044 million payables including employee benefit liabilities. The net result is \$1.606 million contribution by owners.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

A12 Financial instruments / Financial risk management

CATEGORISATION OF FINANCIAL INSTRUMENTS

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

CATEGORY OF FINANCIAL ASSETS AND LIABILITIES	STATEMENT OF FINANCIAL POSITION	NOTE	CARRYING AMOUNT 2010 \$'000	FAIR VALUE 2010 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	A5	2,804	2,804
Loans and receivables	Receivables	A6	240	240
	Total financial assets		3,044	3,044
Financial liabilities				
Financial liabilities	Payables (1)	A7	321	321
	Total financial liabilities		321	321

CATEGORY OF FINANCIAL ASSETS AND LIABILITIES	STATEMENT OF FINANCIAL POSITION	NOTE	CARRYING AMOUNT 2009 \$'000	FAIR VALUE 2009 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	A5	2,565	2,565
Loans and receivables	Receivables	A6	226	226
	Total financial assets		2,791	2,791
Financial liabilities				
Financial liabilities	Payables (1)	A7	192	192
	Total financial liabilities		192	192

(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 except for employee on-costs which are determined via reference to the employee benefit liability to which they relate.

CREDIT RISK

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. For the year ended 30 June 2010 no allowance for impairment of financial assets was deemed necessary. The Panel does not hold any collateral as security to any of its financial assets.

Ageing analysis of financial assets

No financial assets are past due.

Maturity analysis of financial assets and liabilities

All the Panel's financial assets and liabilities are due within the next 12 months.

LIQUIDITY RISK

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

A12 Financial instruments / Financial risk management (continued)

MARKET RISK

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

SENSITIVITY DISCLOSURE ANALYSIS

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

A13 Events after reporting period

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

STATUTORY REPORTS

National Energy Governance Framework

COUNCIL OF AUSTRALIAN GOVERNMENTS (COAG)

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 Australian governments.

MINISTERIAL COUNCIL ON ENERGY (MCE)

The MCE was established by COAG in 2001 as the national policy and governance body for the Australian energy market (including electricity and gas). The Council's objectives, as agreed by COAG are:

- to provide national oversight and coordination of policy development to address opportunities and challenges facing Australia's energy sector into the future; and
- to provide national leadership so that consideration of broader convergence issues and environmental impacts are effectively integrated into energy sector decision making.

The Council comprises Ministers with responsibility for energy within the Australian Government and all states and territories. The MCE may direct the AEMC to provide policy advice to the MCE, conduct a review into electricity or natural gas markets including the effectiveness of retail competition in these markets.

AUSTRALIAN ENERGY MARKET COMMISSION (AEMC)

The AEMC is responsible to the MCE for the performance of its functions. The key laws that confer functions on the AEMC are:

- the *Australian Energy Market Commission Establishment Act 2004* and its Regulations of South Australia;
- the National Electricity Law, set out in the National Electricity (South Australia) Act 1996 of South Australia and the relevant application Acts of each jurisdiction participating in the National Electricity Market;
- the National Gas Law, set out in the National Gas (South Australia) Act 2008 of South Australia and the relevant application Acts of other Australian jurisdictions that governs the extent to which the national gas legislation applies in the relevant jurisdiction.

The AEMC carries out its functions and powers in accordance with this legislation. The AEMC's key functions and powers in relation to the National Electricity Market, including its review functions, are set out in Part 4 of the National Electricity Law. The rule making process is set out in Part 7 of the National Electricity Law. The AEMC's key functions and powers in relation to the National Gas Market, including its review functions, are set out in Part 2 of Chapter 2 of the National Gas Law. The rule making process is set out in Chapter 9 of the National Gas Law.

The AEMC was established in July 2005 and the MCE is progressively implementing the full range of functions intended for us. Our role has expanded since 2005 as follows:

- On establishment we were responsible for rule making in regard to electricity wholesale and transmission regulation in the National Electricity Market. We were also responsible for market development and providing advice to the MCE in relation to the NEM.
- In January 2008 our role expanded to include the power to make rules in relation to economic regulation of electricity distribution network services. On 1 July 2008 our role expanded again to include the economic regulation of gas transmission and distribution services; access to natural gas pipeline services, and other elements of broader natural gas markets. We received gas retail functions on 1 July 2009 in the AEMO package of amendments to the NGL and NGR.
- On 1 September 2009, sections 1 and 2 of the *National Gas Access (WA) Act 2009* commenced operation.
- On 1 January 2010, Western Australia became a participating jurisdiction in the national gas regulatory scheme to the extent set out in the National Gas Access (WA) Act 2009. The National Gas Access (WA) Act 2009 adopts a modified version of the National Gas Law (National Gas Access (Western Australia) Law). Under the National Gas Access (Western Australia) Law, the National Gas Rules (NGR) applying to Western Australia is version 1 of the NGR, as amended by the AEMC in accordance with its rule making power under section 74 of the National Gas Access (Western Australia) Law.

From 1 July 2008 the governance reforms for natural gas have followed the same model as that adopted for electricity market reform. This reform model separates high level policy direction, rule making, economic regulation and rule enforcement.

To assist in the performance of its operations, the AEMC has entered into a Memorandum of Understanding (MOU) with: the AER and the Australian Competition & Consumer Commission (ACCC); the National Competition Council (NCC); and AEMO.

AUSTRALIAN ENERGY REGULATOR (AER)

Established July 2005, the AER performs the economic regulatory, compliance and enforcement functions in the NEM under the National Electricity Law and National Electricity Rules. The AER is an independent statutory body and a constituent part of the ACCC.

AUSTRALIAN COMPETITION & CONSUMER COMMISSION (ACCC)

The ACCC is a national statutory body responsible for promoting competition and fair trading and providing consumer protection to enhance the welfare of Australians. The ACCC enforces the *Trade Practices Act 1974*. The MOU between the AEMC, the ACCC and the AER sets out arrangements to promote effective cooperation, communication and coordination between the bodies in the performance of their roles. In particular, the MOU seeks to promote early consultation on any rule change proposals on enforcement and economic regulation issues and competition issues.

NATIONAL COMPETITION COUNCIL (NCC)

The NCC was established to act as a policy advisory body overseeing the implementation of the National Competition Policy (NCP). The MOU between the AEMC and the NCC aims to promote effective communication, cooperation and coordination between the bodies in the performance of their roles. In particular, the MOU sets out arrangements to promote cooperation between the bodies on applications for certification of state or territory access regimes.

AUSTRALIAN ENERGY MARKET OPERATOR (AEMO)

AEMO was established by COAG and started operations on 1 July 2009. It has merged the operations of six founding entities including the former; National Electricity Market Management Company (NEMMCO), Victorian Energy Networks Corporation (VENCorp), Electricity Supply Industry Planning Council (ESIPC), Retail Energy Market Company (REMCO) (SA operations as of 1 October 2009), Gas Market Company (GMC), Gas Retail Market Operator (GRMO). AEMO draws together the functions carried out by these organisations, incorporating management of the NEM and the retail and wholesale gas markets of eastern and southern Australia. It oversees system security of the NEM electricity grid and the Victorian gas transmission network.

STATE AND TERRITORY REGULATORS

Independent regulators located within each state and territory jurisdiction are tasked with overseeing economic regulation of certain essential public services including electricity and gas retail prices in some jurisdictions.

External Consultants

TABLE 1: PANEL PROVIDERS

COMPANY	PROJECT DESCRIPTION	\$
ACIL Tasman Pty Ltd	Review of Impacts on the NEM of Climate Change Policies	7,456.88
Frontier Economics Pty	Review of the Effectiveness of NEM Security and Reliability Arrangements in light of Extreme Weather Events	85,848.00
IES	Review of Impacts on the NEM of Climate Change Policies	148,046.36
LECG Limited	Cost estimated to be occurred in Jul09 LECG Limited	15,411.25
NERA Economic Consulting	Review of Impacts on the NEM of Climate Change Policies	102,125.00
Network Advisory Services	Review of Impacts on the NEM of Climate Change Policies	2,550.00
Roam Consulting Pty Lt	Review of Impacts on the NEM of Climate Change Policies + Reliability Standard and Settings Review + Review of the Effectiveness of NEM Security and Reliability Arrangements in light of Extreme Weather Events	171,703.33

TABLE 2: NON-PANEL PROVIDERS

COMPANY	PROJECT DESCRIPTION	\$
Buchan Consulting	Quantitative stakeholder survey	28,498.80
Economic Insights Pty	Total Factor Productivity Review	206,165.81
EGR Consulting Ltd	Review of Impacts on the NEM of Climate Change Policies	35,811.09
Farrier Swier Consulting	Prioritisation of Tied Controlled Withdrawal Bids	11,200.00
GA Research	Qualitative Stakeholder Survey	49,984.00
KEMA Consulting	Review of Impacts on the NEM of Climate Change Policies	91,000.00
Mercer	Review Position Descriptions and remuneration	6,814.50
Oakley Greenwood Pty Ltd	Establishment of First Compensation Guidelines	1,540.00
Roy Morgan Research	Review of the Effectiveness of Competition in the Electricity Retail Market of the ACT	92,911.50
SAHA International Ltd	Scale Efficient Network Extensions	16,150.36
Sinclair Knight Merz	National Framework for Electricity Distribution Network Planning	15,177.47
GA Research	Review of the Effectiveness of Competition in the Electricity Retail Market of the ACT	55,182.00

MCE Statements of Policy Principles

In 2009-2010 there were no Statements of Policy principles made by the Ministerial Council on Energy.

STATUTORY REPORTS

Last Resort Planning Power

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

- identify a potential transmission project and apply the *regulatory investment test for transmission* to that project; or
- to 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 and its purpose is to ensure timely and efficient inter-regional transmission investment for the long term interests of consumers of electricity. The last resort planning power is only applicable to projects and problems relating to constraints in national transmission flow paths.

The AEMC did not exercise its last resort planning power in the reporting period. The AEMC in 2010-11 will commence a detailed analysis of the LRPP based on the National Transmission Statement published in 2009 and the TNSP Annual Planning Reports published in June 2010. A detailed report is due to be published in December 2010.

AEMO's Use of Powers of Direction

The Australian Energy Market Operator (AEMO) made nine directions from 1 July 2009 to 30 June 2010 in relation to power system security under clause 4.8.9(a) of the National Electricity Rules. Those directions were:

DATE	REGION	DIRECTIONS	UNITS AFFECTED
04 Oct 09	QLD	1	Mt Stuart 1 and 2
20 Nov 09	NSW	1	Colongra Unit 1
27 Nov 09	SA	2	Hallet Windfarm 1 and Hallet Windfarm 2
28 Nov 09	QLD	2	Kareeya units 1-4, Mt Stuart 3
31 Dec 09	TAS	1	Tungatinah
17 Jan 10	QLD	1	Kareeya units 2 and 4, Barron Gorge 2
21 Mar 10	QLD	1	Yabulu

One clause 4.8.9(a) instruction was issued in 2009-2010

20 Nov 09	NSW	1	Instruction to Transgrid withdrawing PTP on transmission outage
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Use by Registered Participants of Inspection and Testing Rights

From 1 July 2009 to 30 June 2010, AEMO was not informed of any inspections conducted under clause 5.7.1, or any tests conducted under clause 5.7.2 of the Rules.

COMPLIANCE INDEX

The AEMC Annual Report 2009-2010 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
[Statutory Reports – National Energy Governance Framework](#)
 - b) the AEMC's relationship to other bodies involved in the administration of National Energy Laws
[Statutory Reports – National Energy Governance Framework](#)
 - c) the membership and organisation of the AEMC
[Governance](#)
 - d) the AEMC's strategic plans and the relationship of the plans to objectives set out in the National Energy Laws
[Governance](#)
 - e) the AEMC's activities and their efficiency and effectiveness
[Our role in the energy market](#)
 - f) the AEMC's financial affairs
[Financial Statements](#)
 - g) disclosures made by Commissioners under section 22 of the Act
[Governance: Commissioners](#)
 - 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
[Financial Statements](#)
 - 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
[Statutory Reports](#)
 - j) the occupational health, safety and rehabilitation programs of the AEMC and their effectiveness
[Governance: People](#)
 - k) any instances of fraud in the operations of the AEMC and the strategies implemented to prevent and control fraud
[Governance: Organisation and risk management](#)
 - 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.
[Rule Making](#)
 - 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
[Our Role in the Energy Market](#)
 - 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
[Rule Making](#)
 - B) the stages at which proposed Rules are in the Rule making procedure, and
[Rule Making](#)
 - C) decisions of the AEMC not to proceed with requests for Rules, and
[Rule Making](#)
 - D) Rules made, and
[Rule Making](#)
 - E) Rules that have come into operation
[Rule Making](#)
 - IV. MCE directed reviews and AEMC initiated reviews under the National Electricity Law
[Market Reviews](#)
 - V. Market development functions
[Our Role in the Energy Market](#)
 - VI. Recommendations made by the AEMC for the MCE to request the making of Rules
[Rule Making](#)
 - VII. The composition and activities of the Reliability Panel and of any other panels or committees that have been established by the AEMC
[Expert Panels](#)
 - VIII. AEMO's use of powers of direction in relation to power station security under clause 4.8.9(a) of the Rules
[Statutory Reports](#)
 - IX. The use by Registered Participants of inspection and testing rights under clauses 5.7.1 and 5.7.2 of the Rules
[Statutory Reports](#)
 - 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
[Market Reviews](#)
- 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.
[Financial Statements](#)
 - Include as a part of the AEMC Annual Report the Consumers Advocacy Panel's report. The Panel's accounts must also be included.
[Appendix One](#)

TERMS AND ABBREVIATIONS

ACCC	Australian Competition & Consumer Commission
AEMA	Council of Australian Governments Australian Energy Market Agreement
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator (established 1 July 2009). AEMO consists of the following six founding entities: National Electricity Market Management Company (NEMMCO); Victorian Energy Networks Corporation (VENCorp); Electricity Supply industry Planning Council (ESIPC); Retail Energy Market Company (REMCO); Gas Market Company (GMC); Gas Retail Market Operator (GRMO).
AER	Australian Energy Regulator
COAG	Council of Australian Governments
Commission	See AEMC
Derogation	An exemption from a Rule for an individual or organisation (Participant Derogation) or State or Territory (Jurisdictional Derogation)
Expedited rule change process	Proponents may request a proposal be considered through a shortened rule change process (urgent rules and non-controversial rules under section 96 of the NEL)
Jurisdiction	An area over which legal authority extends – Australian State, Territory or Commonwealth
MCE	Ministerial Council on Energy
NCC	National Competition Council
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NGL	National Gas Law
NGM	National Gas Market
NGR	National Gas Rules

APPENDICES

APPENDIX 1

CONSUMER ADVOCACY PANEL ANNUAL REPORT 2009-2010.

The following report is the report of the Consumer Advocacy Panel published in accordance with the provisions of the *Australian Energy Market Commission Establishment Act 2004* of South Australia as amended.

The Consumer Advocacy Panel is an independent body and as such its accounts are not consolidated into the accounts of the AEMC.

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D. GRANTS MADE IN 2009/10	88
E. ACTIVITIES UNDERTAKEN IN CONSUMER ADVOCACY AND RESEARCH PROJECTS APPROVED FOR FUNDING IN 2009/10	92

A. Introduction

The functions and objectives of the Consumer Advocacy Panel (the Panel) are specified in the *Australian Energy Market Establishment Act 2004* (the Act). The Panel was established on 1 July 2008, following the decision by the Ministerial Council on Energy to revise the legislative framework for the creation of the predecessor organisation, the National Electricity Consumer Advocacy Panel.

The Panel makes funding grants for electricity and natural gas customer advocacy and research. In doing so, it must seek to promote the interests of all consumers of electricity or natural gas – while paying particular regard to benefiting small to medium consumers.

This 2009/10 Report from the Panel satisfies requirements in Part 4 (Section 47) of the Act.

The Panel's 2009/10 financial statements will be included in the AEMC's financial statements, tabled in the South Australian Parliament and subsequently published.

B. Panel overview

Members

The Panel consists of a chairperson (Frank Peach) and four other members (Catherine Cooper, Bill Russell, Bruce Connery and Karen Scott) appointed on the recommendation of the Ministerial Council on Energy (MCE).

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

In 2009/10, the Panel held 12 formal meetings (one per month) and, where necessary, also dealt with grant applications or other matters by email resolution.

Administration

The Panel was supported by a full-time Executive Director (Kerry Connors) and a part-time Administrative Assistant (Alison

Michalewicz from July 2009 – January 2010).

The Panel seeks to maximise the amount of funding available for the allocation of grants by keeping administrative costs associated with its work to a minimum. In 2009/10, \$317,013 was expended on administration – this represented 13% of total revenue, in line with the budget. The Panel's administrative costs include all operational expenses, including Panel and staff remuneration, rent, accounting and audit fees, Panel meeting costs, website and internet expenses, and printing and stationery.

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

The following outlines the Panel's major activities over the reporting period.

Stakeholder Forum

On 12 October 2009, the Consumer Advocacy Panel convened a stakeholder forum, entitled *Mapping consumer energy issues 2009-2014* in Melbourne.

The objectives of the Forum were to

- identify future priority consumer energy issues and opportunities for advocacy in policy and regulatory processes, incorporating perspectives from the range of Panel stakeholders
- inform Forum participants of the views and priority consumer energy issues of the range of key stakeholders

Just over fifty people from all of the Panel's key stakeholder groups participated in the day's discussions: consumer advocacy organisations, environmental agencies, commonwealth and jurisdictional government officials, regulators, industry peak bodies, and ombudsmen.

The Forum agenda was ambitious and comprehensive. Discussions ranged over a broad variety of issues, and the level of engagement from stakeholders was appreciated by the Panel. A report on the day's discussions was published on the website, and informed the Panel's 2009/10 research agenda.

Grant guidelines

The Panel is responsible for developing – in consultation with the AEMC and other interested stakeholders – guidelines for grant allocation consistent with criteria set by the MCE. The Panel's *Grant Allocation and Application Guidelines* are published on its website – to provide guidance to prospective applicants.

On 30 May 2010, the Ministerial Council on Energy (MCE) requested the Panel implement a new procedure, where reports and submissions must be sent to the MCE Secretariat before publication, for information and any comment in relation to matters of fact, data and related calculations.

At its meeting on 10 June 2010, the Panel resolved that the new requirement would apply to all grants approved on or after that

date, as well as any grants beginning in 2010/11. The Panel notified grant recipients of the procedures to implement the new requirement, and accordingly revised its *Grant Allocation and Application Guidelines*. Those will be posted on the website once approved by the MCE.

Global advocacy funding model

The Panel provides funding for advocacy and research for the benefit of electricity and gas consumers, as well as to build capacity in organisations which would otherwise not participate in energy policy and regulatory decisions.

In 2009/10, the Panel successfully trialled a different funding approach with the Major Energy Users Inc (MEU) and the Energy Users Association of Australia (EUAA). The global advocacy funding model provides an organisation with a global amount of funding to undertake a range of approved projects. It enables greater funding certainty and reduces the administrative burden for organisations engaged in many policy or regulatory processes.

The aims of the advocacy funding model are

- Innovation
- Simplicity
- Efficiency
- Flexibility
- Capacity to undertake long term planning

A consumer advocacy organisation with most or all of the following characteristics is eligible to graduate to funding through the new model

- Record of successful advocacy
- Mature organisation
- Internal expertise and knowledge of consumer energy issues
- Established relationship with the Consumer Advocacy Panel
- Broad representation base or members
- Good reputation in the sector
- Significant activity

The model was independently evaluated by Allen Consulting Group, who found it to be effective in supporting advocacy.

As such, the Panel decided to extend the global funding model to the following end-

user advocacy organisations for 2010/11 who met the above criteria: Consumer Action Law Centre, Australian Council of Social Service, Total Environment Centre and Alternative Technology Association.

Funding research

The Panel's capacity to fund research came into effect on 1 July 2008. Research projects may be initiated by the Panel, or other persons or bodies.

The Panel consulted with stakeholders on the Panel-initiated 2009/10 research agenda, inviting applications from organisations or individuals to undertake the research. Research priorities in 2009/10 were

- Identifying rural and regional consumer issues in the National Energy Market (NEM)
- Convening a masterclass for consumer organisations on distribution network pricing

The Panel provided five grants to undertake research on those priorities to six consumer organisations or experts, some of whom were collaborating on the projects, to identify issues affecting rural and regional consumers in NSW, Queensland, South Australia and Tasmania, and to organise and convene the masterclass. Those research findings will be disseminated widely, by the grant recipients and the Panel.

WA gas consumers

During the reporting period, the Panel provided advocacy grants to Western Australian gas consumer advocacy organisations for the first time. The Panel also held one of its monthly meetings in Perth, to enable it to meet directly with WA consumer advocates and other stakeholders, to discuss WA gas issues and opportunities for advocacy.

2010/11 budget

On 14 October 2009, the Panel published a draft 2010/11 budget on its website, seeking comments from stakeholders. The final 2010/11 budget was submitted for the MCE's approval on 15 November 2009.

The Hon Martin Ferguson, in his capacity as MCE Chair, formally advised the Panel on 30 May 2010 that the MCE had approved a total 2010/11 budget of \$2,850,312, representing an across the board CPI increase to the previous year. The budget comprises \$2,261,152 for electricity advocacy, research and administrative costs and \$589,160 for gas advocacy, research and administrative costs.

Strategic plan 2010-2013

The Panel met in March 2010 to decide its strategic priorities for the next three years. They are:

- Addressing gaps in advocacy
- Improving the effectiveness of advocacy
- Improving the Panel's communications and engagement with stakeholders
- Enhancing the Panel's management of its grants

Evaluation of grants

The Panel published the independent evaluation of the 2009/10 global funding model and 2008/09 grants online. Both were conducted by Allen Consulting Group.

The evaluation of 2008/09 grants highlighted the features of successful advocacy projects, such as projects that were well-targeted, leveraged from partnerships, directly addressed the terms of reference for the review, and used external consultants effectively and efficiently.

The evaluation of the 2009/10 funding model endorsed the effectiveness of the model in supporting advocacy for the benefit of national electricity and gas consumers.

The Panel has commissioned a formal independent evaluation of a selection of 2009/10 grants, which will also be published on the Panel's website. The outcomes of this and the previous evaluation will be used by the Panel to develop a 'lessons learned' data base.

C. Panel revenue in 2009/10

In 2009/10 the Panel's total revenue was \$2,460,777:

- \$ 1,795,294 via the Australian Energy Market Operator (AEMO) from fees charged to certain market participants, mainly electricity retailers, for expending on electricity advocacy and research projects and the portion of the Panel's administrative costs that relate to electricity
- \$570,517 from participating jurisdictions via the AEMC, for expending on gas advocacy and research projects and the portion of the Panel's administrative costs that relate to gas – in future years, the majority of this funding will come from AEMO
- \$94,966 in interest.

D. Grants made in 2009/10

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

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

The Panel believes the funding it allocated in 2009/10 fully complied with the principles set out in Schedule 1 of the *Australian Energy Market Commission Regulations 2005*.

Grants approved in 2009/10

The Panel is required to report on all grants made during the financial year. In 2009/10, the Panel received 68 applications for funding, 58 of which were approved, although 2 grant applications were subsequently withdrawn.

The increase in the overall number of applications received (up from 55 in 2008/09) is particularly noteworthy, as the new approach to funding the large end-user groups reduced the number of applications made (although not necessarily the number of projects undertaken) by those organisations.

The number of applicant organisations in 2009/10 also increased significantly to 39 (up from 24 in 2008/9 and 12 in 2007/8).

The diversity of the grants made by the Panel demonstrates increasingly active engagement by consumer advocacy organisations in policy and regulatory decisions pertaining to the national energy market.

The following reports on all grants approved by the Panel in 2009/10, whether those projects were for advocacy or research, and whether they were for the benefit of electricity or gas consumers or benefited both electricity and gas consumers.

D. GRANTS MADE IN 2009/10 CONTINUED

Table 1: All grants approved in 2009/10 (ex GST) by grant program

GRANT TYPE	GRANTS MADE	PROJECTS FUNDED	FUNDING ALLOCATED (\$ EXC GST)
Advocacy ¹			
Electricity	41	60	1,730,074
Gas	7	15	546,482
Joint	3	3	115,369
Panel-initiated research			
Electricity	2	2	70,655
Joint	3	3	75,834
Stakeholder-initiated research	2	2	
Electricity	1	1	28,000
Joint	1	1	40,555
TOTAL	58	85	2,606,969

¹ The Panel provides grants to projects that benefit electricity and gas consumers. Where the primary beneficiary is either electricity or gas consumers, the grant has been classified accordingly.

The Panel provides funding to advocacy organisations representing business (small and large businesses) and domestic consumers. The following provides information on the year to year change in funding provided to those classes of consumers.

Table 2: Grants approved by customer type 2009/10 vs 2008/09

	BUSINESS		DOMESTIC		TOTAL	
	09/10	08/09	09/10	08/09	09/10	08/09
\$0 – \$50,000	11	15	26	11	37	26
\$50,001 – \$100,000	2	3	10	8	12	11
\$100,000 +	2	3	7	4	9	7

Grants approved in 2009/10 for activities in 2010/11

As it has done in previous years, in order to provide certainty for consumer advocacy organisations to recruit and employ staff, the Panel approved in April 2010 a number of global advocacy funding and capacity-building grants for projects that will begin on 1 July 2010. The features of these grants are:

- global advocacy funding grants (the features of which are outlined in Section B) where one grant supports a range of priority projects nominated by the recipient
 - Table 3 below lists the number of projects as well as the grants made, to underline the breadth of activity supported by the Panel
- capacity-building grants, where the grant is used to build capacity within an organisation to facilitate its advocacy activities (typically through the employment of staff to participate in a range of policy and regulatory decisions)

D. GRANTS MADE IN 2009/10 CONTINUED

In 2009/10 the Panel approved global funding grants to the following organisations.

Table 3: Global advocacy funding grants approved in 2009/10 for 2010/11

NO	APPLICANT	PROJECT	PROJECTS FUNDED	AMOUNT FUNDED (\$ EXC GST)
407	Alternative Technology Association	NEM Advocacy 2010/11	4	\$103,338
403	Total Environment Centre	NEM advocacy 2010/11	5	\$127,000
405	Australian Council of Social Service	ACOSS NEM advocate 2010/11	7	\$143,000
408	Consumer Action Law Centre	NEM Network Coordinator and Consumer advocate 2010/11	4	\$217,600
432	Energy Users Association of Australia	Priority projects for 2010/11	5	\$206,000
431	Major Energy Users Inc	MEU global funding 2010/11	9	\$206,000
		Total	34	\$1,002,938

In 2009/10, the Panel approved capacity-building grants to the following organisations to facilitate advocacy in 2010/11.

Table 4: Capacity-building grants approved in 2009/10 for 2010/11

NO	APPLICANT	PROJECT	AMOUNT FUNDED (\$ EXC GST)
399	Tasmanian Council of Social Service	Energy Research and advocacy 2010/11	\$39,340
400	South Australian Council of Social Service	NEM reform advocacy capacity building project – South Australia – 2010/11	\$109,080
402	Uniting Care Australia	Informing Uniting Care Energy Advocacy 2010/11	\$100,000
404	Kildonan UnitingCare	Indigenous community energy education and advocacy	\$102,102
409	Central Victorian Greenhouse Alliance Inc.	Growing regional capacity	\$36,000
410	QUT Credit and Consumer Law program	NEM advocacy 2010/11	\$135,354
411	Ethnic Communities Council of New South Wales	NEM advocacy 2010/11	\$33,000
		Total	\$554,876

Grants allocated to the 2009/10 budget: budgeted vs actual expenditure

The following provides information about grants expenditure within the 2009/10 budget.

As explained above, the Panel approves funding for capacity-building and global advocacy projects for the next financial year.

The following table outlines 2009/10 actual compared to forecast expenditure in each of the main grants programs, including for the evaluation of grants, identifying advocacy and research projects undertaken for the benefit of electricity and gas consumers. Unspent funds will be used to reduce the amount of revenue sought by the Panel in its 2011/12 budget.

D. GRANTS MADE IN 2009/10 CONTINUED

Table 5: 2009/10 grants: budgeted versus actual expenditure

GRANT CATEGORY	PROJECT TYPE	\$ (EXC GST)		
		2009/10 BUDGETED	2009/10 EXPENDITURE	REMAINING
Advocacy	Electricity Advocacy Projects			
	– staff/capacity-building	775,200	633,142	142,058
	– advocacy	833,740	877,834	-44,094
	Gas Advocacy Projects			
	– staff/capacity-building	120,000	120,298	-298
	– advocacy	229,340	225,702	3,638
	Joint Advocacy Projects	110,610	115,369	-4,759
Research	Panel initiated			
	– Electricity research	55,080	55,080	0
	– Gas research	57,240	57,240	0
	– Joint Research	28,620	26,774	1,846
	Stakeholder initiated			
	– Electricity research	28,620	28,000	620
	– Gas research	28,620	13,015	15,605
	– Joint Research	27,540	27,540	0
	Grants sub-total	\$2,294,610	\$2,179,994	\$114,616
Evaluation				–
	Evaluation of electricity projects	49,699	49,699	0
	Evaluation of gas projects	12,645	12,645	0
	Evaluation of joint projects	20,400	41,024	-20,624
	Grants total	\$2,377,354	\$2,283,362	\$93,992

E. Activities undertaken in consumer advocacy and research projects approved for funding in 2009/10

NO	PROJECT TYPE	APPLICANT	PROJECT	PRIMARY OUTPUTS (WHERE GRANT APPROVED)	APPROVED (a) / REJECTED (r)	AMOUNT FUNDED
367	Electricity Advocacy	Carbon Economics Pty Ltd	A Comparison of the Performance of Regulated Electricity Distribution Businesses in the NEM and Great Britain, Their Regulatory Arrangements and Impacts on End Users		r	
368	Electricity Advocacy	Consumer Utilities Advocacy Centre	Protecting customer service quality, reliability standards and liability in the development of the National Energy Customer Framework	<ul style="list-style-type: none"> – Report on consumer issues arising from the NECF Exposure draft in relation to regulation of distribution; – Presentation to National Consumer Roundtable on Energy; – Report on meetings with RPWG officials 	a	\$40,500.00
369	Electricity Advocacy	Australian Council of Social Service	Consumer participation in MCE smart meter forum	– Payment of travel costs of consumer advocates to attend MCE forum	a	\$3,300.00
370	Electricity Advocacy	UnitingCare Wesley Adelaide	Travel costs for participation in Panel Stakeholder Forum 12 October 2009	– Payment of travel costs of consumer advocates to attend Panel forum	a	\$280.00
371	Electricity Advocacy	South Australian Council of Social Service	Travel costs for participation in Panel Stakeholder Forum 12 October 2009	– Payment of travel costs of consumer advocates to attend Panel forum	a	\$210.00
372	Electricity Advocacy	Public Interest Advocacy Centre	Travel costs for participation in Panel Stakeholder Forum 12 October 2009	– Payment of travel costs of consumer advocates to attend Panel forum	Withdrawn	\$0.00
373	Electricity Advocacy	Queensland Consumer Association	Travel costs for participation in Panel Stakeholder Forum 12 October 2009	– Payment of travel costs of consumer advocates to attend Panel forum	a	\$752.00
374	Electricity Advocacy	Softlaw Community Projects Ltd	Travel costs for participation in Panel Stakeholder Forum 12 October 2009	– Payment of travel costs of consumer advocates to attend Panel forum	a	\$300.00
375	Electricity Advocacy	Queensland Council of Social Service	Travel costs for participation in Panel Stakeholder Forum 12 October 2009	– Payment of travel costs of consumer advocates to attend Panel forum	a	\$584.00
376	Electricity Advocacy	Australian Financial Counselling and Credit Reform Association	Travel costs for participation in Panel Stakeholder Forum 12 October 2009	– Payment of travel costs of consumer advocates to attend Panel forum	a	\$432.78
377	Electricity Advocacy	Centre for Energy Markets, Uni of NSW	Travel costs for participation in Panel Stakeholder Forum 12 October 2009	– Payment of travel costs of consumer advocates to attend Panel forum	a	\$500.00

E. ACTIVITIES UNDERTAKEN IN CONSUMER ADVOCACY AND RESEARCH PROJECTS
 APPROVED FOR FUNDING IN 2009/10 CONTINUED

NO	PROJECT TYPE	APPLICANT	PROJECT	PRIMARY OUTPUTS (WHERE GRANT APPROVED)	APPROVED (a) / REJECTED (r)	AMOUNT FUNDED
378	Gas Advocacy	West Australian Council of Social Service	Travel costs for participation in Panel Stakeholder Forum 12 October 2009	– Payment of travel costs of consumer advocates to attend Panel forum	a	\$925.00
379	Electricity Advocacy	Total Environment Centre	Capacity and cost-effectiveness of real world demand management in the NEM	– Engagement of a consultant to scope the project further, including securing stakeholder support and identification of alternate sources of funding.	a	\$10,000.00
380	Electricity Advocacy	Tasmanian Council of Social Service	Travel costs for participation in Panel Stakeholder Forum 12 October 2009	– Payment of travel costs of consumer advocates to attend Panel forum	a	\$150.30
381	Electricity Advocacy	Total Environment Centre	Travel costs for participation in Panel Stakeholder Forum 12 October 2009	– Payment of travel costs of consumer advocates to attend Panel forum	a	\$207.00
382	Electricity Advocacy	QUT Credit and Consumer Law program	Travel costs for participation in Panel Stakeholder Forum 12 October 2009	– Payment of travel costs of consumer advocates to attend Panel forum	a	\$584.00
383	Electricity Advocacy	Queensland Council of Social Service	Implementation of new Qld notified tariffs and pricing methodology	– Report by consultant on issues arising from Queensland Competition Authority report	a	\$10,000.00
384	Joint – Advocacy	Queensland Council of Social Service	Hardship indicators and performance reporting – ensuring best practice outcomes for consumers in AER guidelines	<ul style="list-style-type: none"> – Discussion Paper on possible hardship and other performance indicators – Stakeholder forum with consumer advocates and retailers – Report on outcome of consultations (including best practice framework recommendation) – Final Report (For use as submission on development of National Hardship Indicators to AER and submission on development of Retail Performance Procedures) 	a	\$66,500.00
385	Electricity Advocacy	Australian Council of Social Service	MCE Energy Bill Benchmarking – facilitate consumer participation in Consultation Regulatory Impact Statement Public Forum on 17 November 2009 in Melbourne	– Payment of travel costs of consumer advocates to attend MCE forum	a	\$3,145.00
386	Electricity Advocacy	Moxy Studios Pty Ltd	Cost and emissions of distributed vs. centralizing generation for a non-generating residential household on the electricity grid		r	

E. ACTIVITIES UNDERTAKEN IN CONSUMER ADVOCACY AND RESEARCH PROJECTS
APPROVED FOR FUNDING IN 2009/10 CONTINUED

NO	PROJECT TYPE	APPLICANT	PROJECT	PRIMARY OUTPUTS (WHERE GRANT APPROVED)	APPROVED (a) / REJECTED (r)	AMOUNT FUNDED
387	Electricity Advocacy	Electrical Trades Union of Victoria	Costs and benefits of increasing renewable energy generation through the introduction of a gross feed in tariff		Approved, but application was withdrawn	\$52,600.00
388	Joint – Advocacy	Consumer Action Law Centre	Costs associated with Roundtable participants developing advocacy strategies and attending forums for consultation on the second NECF Exposure Draft	– Payment of travel costs of consumer advocates to attend MCE forum	a	\$15,840.00
389	Electricity Advocacy	Alliance 2 Save Energy (A2SE)	The Potential for Energy Efficiency, Demand Side Management and Distributed Generation in Electricity Network Planning	– Scoping grant to provide capacity to seek expressions of interest from providers to undertake each of the proposed research modules and secure other funding sources.	a	\$10,000.00
390	Joint – Advocacy	Australian Council of Social Service	Low-income households and the NEM: current issues for State/Territory Council of Social Service (COSS) energy advocates – capacity-building 17-18/12/09	– Payment of meeting and travel costs	a	\$6,324.00
391	Electricity Advocacy	Consumer Action Law Centre	Informed consumer engagement with Victorian electricity distribution 2011-2015 price review	– Submission to AER commenting on distribution network service provider (DNSP) proposals – Submission to AER draft determination – Attendance at AER Customer Consultative Committee and relevant public for a – Two fora with relevant consumer advocacy organisations – Workshop and report on 'Lessons Learnt' for use in future reviews	a	\$52,000.00
392	Electricity Advocacy	Central Victorian Greenhouse Alliance Inc.	Distributed sustainable generation in the Victoria DNSP price review	– Engagement and submissions relating to connection of distributed generation in AER review – Participation in and submission in MCE rule change process to encourage connection of distributed generation	a	\$75,460.00
393	Electricity Advocacy	Victorian Employers Chamber of Commerce and Industry (VECCI)	Representing small business in the Victoria DNSP price review	– Workshop with VECCI members for project guidance and to provide information – Submissions to AER on DNSP proposals and draft decision	a	\$63,600.00

E. ACTIVITIES UNDERTAKEN IN CONSUMER ADVOCACY AND RESEARCH PROJECTS
APPROVED FOR FUNDING IN 2009/10 CONTINUED

NO	PROJECT TYPE	APPLICANT	PROJECT	PRIMARY OUTPUTS (WHERE GRANT APPROVED)	APPROVED (a) / REJECTED (r)	AMOUNT FUNDED
394	Electricity Advocacy	Energy Users Association of Australia	Reliability Panel review of NEM standards and settings		r	
395	Stakeholder- initiated research – electricity	The Australian PV Association	Impacts of photovoltaic systems and feed-in tariffs (FiT) on Australian residential electricity consumers	– Report assessing : differences in household energy use before and after the installation of the PV system and/or a FiT; amount of electricity generated, consumed and exported by households; financial value of that electricity; financial viability of residential PV systems including metering and other costs; households' perception of changed behaviour before and after installation	a	\$28,000.00
396	Stakeholder- Initiated research – joint	CALC, CUAC, CCCL QUT, and PIAC	Consumer advocacy in a nationally regulated market – a consultancy	– Report outlining the benefits and disadvantages of consumer advocacy models	a	\$40,555.00
397	Electricity Advocacy	Queensland Council of Social Service	Submission to the Queensland Competition Authority on the Benchmark Retail Cost Index 2010-2011	– Submission	a	\$5,000.00
398	Joint – Advocacy	St Vincent de Paul Society Victoria Inc.	Changes to domestic energy tariffs	– Analysis of changes to tariffs and assessment of their impact on consumers – Media campaign to raise public awareness of changing tariffs in Victoria – Development of spreadsheet-based tracking methodology for immediate application in Victoria, and for use in other jurisdictions – Presentations to interested consumer organisations	a	\$26,705.00
401	Joint – Advocacy (capacity- building)	MS Australia	Keeping Cool Campaign: capacity-building in disability and chronic disease sector	– Build database of Alliance members, and establish relations with key stakeholders – Establish Chronic Illness and Disability Alliance for Energy Policy – Establish Alliance members' interactive website – Convene workshops with Alliance members – Identify and implement structures and processes top ensure Alliance sustainability – Develop "Keeping Cool Rebate" campaign platform and strategy with Alliance – Implement and coordinate campaign	a	\$30,000.00

E. ACTIVITIES UNDERTAKEN IN CONSUMER ADVOCACY AND RESEARCH PROJECTS
APPROVED FOR FUNDING IN 2009/10 CONTINUED

NO	PROJECT TYPE	APPLICANT	PROJECT	PRIMARY OUTPUTS (WHERE GRANT APPROVED)	APPROVED (a) / REJECTED (r)	AMOUNT FUNDED
406	Joint – Advocacy	Beyond Zero Emissions	Zero Carbon Australia – Building Sector Plan	– A research report that will provide: the measures required and likely cost for reaching zero emissions via energy efficiency in new and existing commercial and residential buildings; a guide to the implementation of retrofitting programs and energy audit; a guide to appropriate building practices and appliances	a	\$61,600.00
412	Gas Advocacy	Major Energy Users Inc	ACCC review of the acquisition of Hastings Diversified Utilities Fund (HDF) by APA Group		r	
413	Electricity Advocacy	Major Energy Users Inc	AEMC review of SENE rule change proposal	– Submission to AEMC consultation paper and advocacy to AEMC	a	\$12,800.00
414	Panel Initiated research – electricity	St Kitts Associates	Energy infrastructure in regional South Australia – baseline study of consumer issues and advocacy	– Baseline report containing literature review, stakeholder interviews, and a prioritised outline of rural consumer issues – plain English summary of the regulatory regime for electricity and gas tailored for SA non-metro consumers – Analysis report of key energy infrastructure issues, – Case study report – Kangaroo Island Energy infrastructure – Project final report	a	\$43,260.00
415	Panel Initiated research – joint	Goanna Energy Consulting Pty Ltd	Energy issues facing SMEs in rural and regional NSW and Qld		r	
416	Panel Initiated research – joint	Infrastructure and Regulation Services Pty Ltd	Network pricing masterclass		r	
417	Panel Initiated research – joint	Etrog Consulting Pty Ltd (with Engineroom Infrastructure Consulting)	Training and development of rural and regional consumer advocates		r	
418	Panel Initiated research – joint	Engineroom Infrastructure Consulting (with Etrog Consulting)	Qualitative assessment of rural and regional energy issues in the NEM	– Report on issues of concern to rural and regional consumers, including an analysis of common needs, in NSW and Queensland	a	\$36,560.00

E. ACTIVITIES UNDERTAKEN IN CONSUMER ADVOCACY AND RESEARCH PROJECTS
APPROVED FOR FUNDING IN 2009/10 CONTINUED

NO	PROJECT TYPE	APPLICANT	PROJECT	PRIMARY OUTPUTS (WHERE GRANT APPROVED)	APPROVED (a) / REJECTED (r)	AMOUNT FUNDED
419	Panel Initiated research – joint	Engineroom Infrastructure Consulting (with Etrog Consulting)	Quantitative assessment of rural and regional energy issues in the NEM		r	
420	Panel Initiated research – joint	Etrog Consulting Pty Ltd (with Engineroom Infrastructure Consulting)	Desk research of rural and regional consumer issues	– Analysis of NSW and Queensland issues, including an outline of opportunities for advocacy for those classes of consumer.	a	\$11,000.00
421	Panel Initiated research – electricity	Engineroom Infrastructure Consulting	Distribution masterclass – regulation of electricity and gas distribution systems		r	
422	Panel Initiated research – electricity	CALC and CUAC	Masterclass for consumer representatives on distribution network pricing	– One day masterclass to explore the methodology and factors of regulatory processes around electricity distribution prices – Publication of papers and presentation slide – Identification of potential rule changes	a	\$53,100.00
423	Panel Initiated research – electricity	Alternative Technology Association	Alternative electricity supply at the fringe of the grid	– Report containing a pricing analysis to identify critical pricing points at which consumers would pay for a non-network solution; and describing the economic models and results in terms of the costs and barriers to the uptake of stand alone power supply systems (SAPS) at the fringes of the grid	a	\$59,529.00
424	Panel Initiated research – electricity	Headberry Partners Pty Ltd	Distribution pricing masterclass		r	
425	Panel Initiated research – joint	Tasmanian Council of Social Service	Tasmanian Rural Energy consumer consultation project	– Report detailing consultation methods, participants, and consultation findings – Regular reports to TasCOSS to enable TasCOSS project to advocate on those issues as appropriate – To inform submissions to the 2012-2017 electricity distribution price determination	a	\$28,274.00
426	Panel Initiated research – electricity	Terry Ryan	Regional, rural and remote electricity consumer issues in the NEM		r	

E. ACTIVITIES UNDERTAKEN IN CONSUMER ADVOCACY AND RESEARCH PROJECTS
APPROVED FOR FUNDING IN 2009/10 CONTINUED

NO	PROJECT TYPE	APPLICANT	PROJECT	PRIMARY OUTPUTS (WHERE GRANT APPROVED)	APPROVED (a) / REJECTED (r)	AMOUNT FUNDED
427	Gas Advocacy	West Australian Council of Social Service	Optimising access arrangements for WA consumers	<ul style="list-style-type: none"> – Analysis of proposed revision to the access arrangement, and the ERA Issues Paper – Submission to ERA Draft Decision – Input to review of WA energy tariffs 	a	\$69,477.00
428	Electricity Advocacy	Consumer Utilities Advocacy Centre	Submission to the ESCV regulatory review on smart meters	<ul style="list-style-type: none"> – Submission to ESCV review – Dissemination of report findings to MCE, AEMC and AER 	a	\$8,000.00
429	Electricity Advocacy	Major Energy Users Inc	Submission to AEMC review of rule change proposal for inter-regional transmission charging	<ul style="list-style-type: none"> – Submission and lobbying to AEMC 	a	\$9,600.00
430	Electricity Advocacy	Goanna Energy Consulting Pty Ltd	Overcoming the barriers to mid-size embedded generation in Tasmania	<ul style="list-style-type: none"> – Report documenting the impediments to the installation of small to medium embedded generation in Tasmania through case studies and recommend policy and regulatory solutions 	a	\$19,000.00
433	Electricity Advocacy	Total Environment Centre	Communications on DM and energy efficiency in the NEM	<ul style="list-style-type: none"> – National poll of energy consumers to assess support for mandatory vs. voluntary energy efficiency/DM advice and services by energy retailers – Media release on poll results – Three focus groups to identify the optimum language and materials – Messaging materials including campaign titles and logos, structure for a website 	a	\$25,000.00
434	Electricity Advocacy	Total Environment Centre	NEM Report Card	<ul style="list-style-type: none"> – Report Card that will be developed through: establishing an expert peer review group to assess and provide feedback; survey of consumer advocates to build a set of KPIs against which the NEM will be assessed; assessment of the NEM against the KPIs. – Public launch of the Report Card 	a	\$67,500.00

E. ACTIVITIES UNDERTAKEN IN CONSUMER ADVOCACY AND RESEARCH PROJECTS
APPROVED FOR FUNDING IN 2009/10 CONTINUED

GRANTS APPROVED WITHIN THE REPORTING PERIOD THAT WILL BEGIN IN 2010/11						
NO	PROJECT TYPE	APPLICANT	PROJECT	PRIMARY OUTPUTS (WHERE GRANT APPROVED)	APPROVED (a) / REJECTED (r)	AMOUNT FUNDED
399	Joint – Advocacy (capacity- building)	Tasmanian Council of Social Service	Energy Research and advocacy 2010/11	<ul style="list-style-type: none"> – Advocacy on range of NEM and Tasmanian processes, including to the Ministerial Council on Energy (MCE), Australian Energy Regulator (AER) and Tasmanian Government on the National Energy Customer Framework (NECF) finalization and transition; smart meters policy, carbon price, Tasmanian electricity retail pricing, introduction of full retail competition in Tasmania, Energy White Paper and changes to gas regulation – Capacity-building in the organization and the Tasmanian community sector 	a	\$39,340.00
400	Joint– Advocacy (capacity- building)	South Australian Council of Social Service	NEM reform advocacy capacity building project – South Australia – 2010/11	<ul style="list-style-type: none"> – Submissions to: MCE on NECF, AER on SA gas distribution price review; Commonwealth on energy efficiency policy and program development; SA Essential Services Commission on SA retail electricity and gas price path; Commonwealth on Energy White Paper – Capacity-building in the organization and the South Australian community sector 	a	\$109,080.00
402	Joint – Advocacy (capacity- building)	Uniting Care Australia	Informing Uniting Care Energy Advocacy 2010/11	<ul style="list-style-type: none"> – Capacity building, including maintenance of website and forums in 4 jurisdictions to inform Uniting Care network, and seek input to advocacy – Two surveys to generate baseline data and case studies – Submissions to AER development of guidelines for retail regulation; AEMC / AER on distribution price setting; Energy White Paper – Discussion paper on energy affordability – Three short issues papers on rural, aged and small business consumers for MCE and national regulators 	a	\$100,000.00

E. ACTIVITIES UNDERTAKEN IN CONSUMER ADVOCACY AND RESEARCH PROJECTS
APPROVED FOR FUNDING IN 2009/10 CONTINUED

NO	PROJECT TYPE	APPLICANT	PROJECT	PRIMARY OUTPUTS (WHERE GRANT APPROVED)	APPROVED (a) / REJECTED (r)	AMOUNT FUNDED
403	Joint – global advocacy funding	Total Environment Centre	NEM advocacy 2010/11	<p>Advocacy on the following priority projects</p> <ul style="list-style-type: none"> – Enhanced capacity for demand-management in the NEM – Enhanced capacity for energy efficiency to participate in the NEM – Improved alignment of NEM with climate change policy – Enhanced capacity for distributed generation in the NEM – Improved accommodation of and access for renewable energy generation in the NEM 	a	\$127,000.00
404	Joint – Advocacy (capacity-building)	Kildonan UnitingCare	Indigenous community energy education and advocacy	<ul style="list-style-type: none"> – Data collection and production of report on fuel poverty in local indigenous community to identify causes and possible solutions – Advocacy on potential solutions – Provision of energy education and consumer advocacy for target group 	a	\$102,102.00
405	Joint – global advocacy funding	Australian Council of Social Service	ACOSS NEM advocate 2010/11	<p>Advocacy on the following priority projects</p> <ul style="list-style-type: none"> – Low income consumers in the market : general advocacy – Retail policy and the national regulatory framework – Community service obligations, concessions and rebates – Pricing and affordability: the cost of living and capacity to pay – Smart meters and the national smart metering program – Climate change, carbon pricing, energy efficiency and equity – National energy policy 	a	\$143,000.00
407	Electricity advocacy (capacity –building)	Alternative Technology Association	NEM Advocacy 2010/11	<p>Advocacy on the following priority projects</p> <ul style="list-style-type: none"> – Micro-generation consumers in the NEM – Residential energy efficiency consumers in the NEM; – Demand management and other sustainable energy options for residential consumers in the NEM. 	a	\$103,338.00

E. ACTIVITIES UNDERTAKEN IN CONSUMER ADVOCACY AND RESEARCH PROJECTS
APPROVED FOR FUNDING IN 2009/10 CONTINUED

NO	PROJECT TYPE	APPLICANT	PROJECT	PRIMARY OUTPUTS (WHERE GRANT APPROVED)	APPROVED (a) / REJECTED (r)	AMOUNT FUNDED
408	Joint – global advocacy funding	Consumer Action Law Centre	NEM Network Coordinator and Consumer advocate 2010/11	<p>Advocacy on the following priority projects</p> <ul style="list-style-type: none"> – National energy retail regulation – Energy distribution in the consumer interest – sectoral capacity-building and – Costs associated with the National Consumer Roundtable on Energy. 	a	\$217,600.00
409	Joint – Advocacy (capacity-building)	Central Victorian Greenhouse Alliance Inc.	Growing regional capacity	<ul style="list-style-type: none"> – Development of a guide for members on NEM regulations on the connection of distributed generation – Education of CVGA membership – Engagement in decisions relating to the connection of DG and network augmentation and planning, including in Victorian rollout of smart meters. – Submission to AER revised draft determination on Victorian distribution prices 	a	\$36,000.00
410	Joint – Advocacy (capacity-building)	QUT Credit and Consumer Law program	NEM advocacy 2010/11	<ul style="list-style-type: none"> – Advocacy on behalf of consumers in key energy decisions, including the NECF, regulatory gaps, QCA and MCE issues such as smart meters and MCE / COAG processes relating to energy efficiency – Discrete research project on the lack of consumer protections available to consumers within exempt networks in partnership with the Australian Financial Counselling and Credit Reform Association (AFCCRA) 	a	\$135,354.00
411	Joint – Advocacy (capacity-building)	Ethnic Communities Council of New South Wales	NEM advocacy 2010/11	<ul style="list-style-type: none"> – Advocacy relating to AEMC development of strategies for stakeholder engagement; processes relating to PM's Task Group on Energy Efficiency; national and NSW consumer protection regime; national smart meter roll-out; Smart Grid development; AEMC review of the effectiveness of competition in NSW – Strengthening ECC network with National Consumers Roundtable, and informing ECC members 	a	\$33,000.00

E. ACTIVITIES UNDERTAKEN IN CONSUMER ADVOCACY AND RESEARCH PROJECTS
APPROVED FOR FUNDING IN 2009/10 CONTINUED

NO	PROJECT TYPE	APPLICANT	PROJECT	PRIMARY OUTPUTS (WHERE GRANT APPROVED)	APPROVED (a) / REJECTED (r)	AMOUNT FUNDED
431	Joint – global advocacy funding	Major Energy Users Inc	MEU global funding 2010/11	Advocacy on the following priority projects in 2010/11: – Engagement in Victorian electricity distribution price review – Commonwealth Energy White Paper – Gas short-term trading market and inclusion of Queensland and the ACT – Engagement in WA gas access arrangements review – Generator market power rule change – Engagement in SA gas distribution price review – Engagement in AEMC electricity transmission frameworks review – Roma to Brisbane pipeline revenue reset – Other AEMC/AEMO reviews and rule changes	a	\$206,000.00
432	Joint – global advocacy funding	Energy Users Association of Australia	Priority projects for 2010/11	Advocacy on the following priority projects in 2010/11: – Review of networks prices, network regulation and impacts on energy users – Investigation into NEM market power – Energy efficiency policy directions and impact on larger energy users – Impact of gas pipeline regulation on energy users – AEMC electricity transmission reviews	a	\$206,000.00
					TOTAL	\$2,606,968.08

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

Frank Peach
Chair