



Statement of Intent of the Australian Energy Market Commission for the financial year 2016-2017

On 13 December 2013 the Coalition of Australian Governments Energy Council (COAG Energy Council, formerly the Standing Council on Energy and Resources) agreed to a Statement of Expectations for the Australian Energy Market Commission (AEMC).¹ The Statement of Expectations is designed to strengthen governance arrangements and is part of the energy market reforms undertaken by COAG.

This Statement of Intent is the AEMC's response to the requirements set out in the Statement of Expectations and includes Key Performance Indicators (KPIs).

1 Our role and responsibilities

The AEMC is the rule maker and developer for Australian energy markets. This includes making rules in relation to the National Electricity Market (NEM), transmission and distribution networks, wholesale gas markets and natural gas pipelines. From 2012, our rule making expanded to include the retail sale of energy to consumers through the National Energy Consumer Framework (NECF).

In addition, the AEMC undertakes reviews and provides the COAG Energy Council with advice on improvements to regulatory and energy market arrangements. In our reviews and advice work we consult widely on matters which bear on the progress of the COAG Energy Council's energy reform agenda.

The AEMC monitors, reviews and reports on the safety, security and reliability of the national electricity system through the Reliability Panel.

AEMC's work is guided by the three legislated national energy objectives:

- National Electricity Objective;
- National Gas Objective; and
- National Energy Retail Objective.

Each objective requires an explicit focus on the long-term interests of energy consumers in our rule making decisions and advice.

2 Relationship with the COAG Energy Council

The COAG Energy Council (or the Council) provides national leadership and coordination of energy policy development. Its objective is to provide for the safe, prudent and competitive development of the nation's mineral and energy resources and markets to optimise long-term economic, social and environmental benefits to the community.

As the rule maker for Australia's energy markets, our effective engagement with the Council is critical to the Council meeting its objectives.

¹ The Statement of Expectations is available on the Council's website - <https://scer.govspace.gov.au/files/2014/02/AEMC-Statement-of-Expectations1.pdf>

2.1 Supporting the work of the COAG Energy Council

Advice on developing issues

Core to the AEMC's role is the provision of objective expert advice to the Council on energy market issues. This includes alerting the Council to the potential impacts of policy in other areas that cut across energy, so that policies are developed and implemented in an integrated manner. We will continue to pro-actively inform the Council of relevant energy market issues through our stakeholder engagement; in particular, through the process we undertake to identify Strategic Priorities for the energy market (see Box 1).

The AEMC will continue to use a number of channels to engage with the Council on issues and priorities. The AEMC's formal briefings at Council meetings are an opportunity to provide both written and verbal updates on relevant matters. We also undertake more informal engagement with individual Council members, the focus of which is to discuss work program progress and issues and gain a deeper understanding of the specific concerns relevant to their jurisdictions. Regular engagement allows us to be more adaptive and responsive to the needs of the jurisdictions and minimise potential for surprises.

We will continue with our regular dialogue with officials which allows us to remain up to date and responsive to evolving Council priorities. As required, we also participate in targeted working groups to test our understanding, contribute our expertise and exchange ideas in relation to specific work programs.

Advice on requested issues

We strive to provide timely, relevant and independent advice to the Council on specific issues as requested. The regular dialogue with Ministers and COAG Energy Council officials that we have set out above will bring greater visibility to the areas in which the COAG Energy Council may request advice.

Reporting on projects, budgets and other matters as required

We report regularly to the Council on our work program and budget. This reporting includes the allocation of resources to various projects, the size of the project in terms of cost allocation and how our overall costs are tracking against budget. We also provide updates on our budget and strategic financial issues affecting the AEMC at the Council meetings.

The detail provided in our budgeting provides an opportunity for the Council to review whether our resources are being allocated in a manner consistent with the Council's evolving priorities.

Clear communication on other matters

We will respond promptly to the COAG Energy Council in respect of requests relating to any other matters.

Response to the Review of Governance Arrangements

The AEMC actively participated in the Governance Review process and we have identified a number of changes that are designed to speed up our rule making, without jeopardising our stakeholder consultation process or the rigour of our analysis. We have also made a number of suggestions for how a more timely response from the COAG Energy Council to recommendations made during our Reviews may speed up subsequent rule change processes.

We will continue to work with the COAG Energy Council, the other market institutions and stakeholders broadly on the implementation of Review outcomes.

Box 1: Our Strategic Priorities

In November 2015 the AEMC released its biennial Strategic Priorities for Energy Market Development. These priorities help guide our focus and are reviewed periodically through a process of public consultation. This enables us to regularly update the COAG Energy Council on stakeholder views of the opportunities, risks and challenges facing the energy sector. They also provide context for the Council to consider its future work program for the energy sector and to evaluate progress.

Our Strategic Priorities are:

Consumer priority: Enabling consumers to make informed decisions in competitive retail markets

Consumers can benefit from the evolving market arrangements and their choices provide important signals to businesses across the sector. As retail markets continue to evolve, consumers need to have the right tools to make the best choices for their circumstances. The three areas of focus for the consumer priority – protection, engagement and participation – enable consumers to benefit from innovations in energy markets and enhanced competition.

Gas priority: Promoting the development of efficient gas markets

Gas market development and the efficiency of gas trading arrangements are key areas of focus for governments, consumers and energy market participants. As a result of this, the AEMC is undertaking two major reviews into the east coast gas market. The focus of the gas priority is on continuing to progress gas market developments in line with the Energy Council's Vision for Australia's future gas market. The AEMC's recommendations from the gas reviews will set out how gas markets need to develop to support this, along with an implementation plan for the development of the market.

Markets and network priority: Market and network arrangements that encourage efficient investment and flexibility

Existing functions and roles in energy markets will be performed by new and different technologies in the coming years. Given these new developments, it is important that market and regulatory arrangements provide an environment for business evolution that promotes the long-term interests of consumers. The AEMC considers that market and network arrangements that encourage flexibility should be one of the strategic priorities for energy market development, with the focus on: technology and new business models; network evolution; and policy integration.

2.2 Key Performance Indicators

The AEMC has developed Key Performance Indicators (KPIs) in the following areas:

- Progress on the work program
- Engagement with stakeholders
- Organisational management and capability development.

Our KPIs for the 2016/2017 year in relation to these areas are set out in Appendix A. These indicators are used by AEMC management and are accompanied by targets or other appropriate performance benchmarks.

Other indicators measure activity in areas that are useful for the Council and other stakeholders. These KPIs are reviewed and enhanced every year so that they remain fit for purpose, taking into account feedback from stakeholders and the Council.

We report on these KPIs as part of the AEMC's Annual Report. Half-year reporting is provided against these KPIs, where the relevant information is available.

3 Other stakeholder engagement and communication

Effective engagement with stakeholders is fundamental to our ability to successfully meet our statutory objectives. This requires building relationships with stakeholders, including new stakeholder groups, to help increase our understanding of the key energy issues and concerns affecting the community. We maintain regular dialogue with stakeholders to understand the impact of the market changes we make.

A key priority for the AEMC is to provide stakeholders with effective channels to present their views. While we do not always expect stakeholders to agree with us, they should feel they are listened to and understand how we have come to our decisions. We encourage informed debate about the consequences of different policy options and engage to promote dialogue and understanding.

We also look for better communication tools to assist with this stakeholder engagement. Updating our website and providing weekly e-newsletters are actions which are designed to improve the ease of access to information for all stakeholders through more comprehensive, easy-access overviews.

3.1 Relationship with market participants

We maintain open and active dialogue with industry and business peak bodies to fully understand the implications of our decisions and ensure the advice we provide to government reflects real world practicalities.

Our stakeholder base is widening in the wake of market and technological change, with a growing number of renewable generation participants, demand response businesses and new energy service providers. We seek to proactively identify and reach out to these new participants in the competitive energy services market.

We engage frequently with industry through stakeholder reference groups, forums, workshops and meetings around specific rule changes and reviews and at Commissioner and senior management level. Industry representatives are also part of the Reliability Panel established by the AEMC under the National Electricity Law to monitor and provide advice about the safety, security and reliability of the national electricity system.

In addition to project-specific engagement, our engagement includes a formalised rolling annual program of one-on-one and group industry executive and peak body briefings on broad themes raised by our work. We will also continue to present to industry and attend industry events.

3.2 Relationship with consumers

The AEMC remains focused on improving its engagement with consumers. It is critical for consumers and their representatives to be engaged in our consultation processes so their views can be properly considered by our work program. Developing meaningful ways to engage with small consumers in particular is a current key priority for the AEMC.

To elicit effective engagement in our processes, particularly reviews and rule change processes, we need to communicate to consumers in a clear and understandable way through the information and materials we produce, and have consumer advocates provide input into our work. This includes investigating measures to help consumers and their advocates better understand the

potential impact of rule changes and assist them to prioritise their engage with us. We have also enhanced our understanding of individual consumers by conducting surveys, and holding focus groups and deliberative forums.

The AEMC undertakes a series of Consumer Priorities Forums to deepen consultation with consumer group leaders on their strategic priorities for energy market development. This provides an alternate consumer engagement pathway beyond project-specific consultation and responds to requests by consumer stakeholders for more strategic engagement on market-wide issues.

We engage regularly with Energy Consumers Australia, an independent national advocacy body established by the COAG Energy Council, through meetings, forums and our participation in relevant consumer group events such as roundtables.

Finally, we have made our documents and online materials more accessible and consultation processes more transparent. We prepare summaries, information sheets, fact sheets and other accompanying materials to make our work more easily understood and meaningful for consumers. We are continually looking for ways to improve the clarity and readability of our reports.

3.3 Relationship with other market institutions

The AEMC is one of three institutions established to govern the Australian electricity and gas markets. We are the statutory rule maker and also have an important role in market development and provision of advice to the COAG Energy Council. The Australian Energy Regulator (AER) is responsible for monitoring electricity and gas wholesale markets, regulating retail markets and networks and compliance monitoring and enforcement of the national energy laws. The Australian Energy Market Operator (AEMO) operates the wholesale energy and retail markets and delivers planning advice to network businesses, governments and market participants. Each institution has clear and separate responsibilities.

We actively maintain an open and cooperative relationship with the three market institutions at all levels. This relationship is reflected in Memoranda of Understanding (MOUs). It is also given effect through regular meetings between the Commissioners of the AEMC and the AER Commissioners, and between the AEMC Commissioners and the AEMO Board. In addition the AEMC senior management team holds regular meetings with the senior management teams of the AER and AEMO.

The AEMC is committed to continuing and building on this partnership approach. In addition to regular dialogue on strategic and general market matters we engage with the AER and AEMO on specific rule changes and reviews, seeking their expert input at roundtables, workshops and through submissions. AEMO is also represented on the AEMC Reliability Panel.

The AEMC also actively engages with other institutional bodies. To assist in the performance of our functions, we have entered into MOUs with a number of organisations including the Australian Competition and Consumer Commission (ACCC) as well as jurisdictional Commissions and Ombudsman offices.

Economic regulators in each jurisdiction are also key stakeholders, including in Western Australia where the National Gas Rules are applied by the Economic Regulation Authority (ERA). In addition to current engagement on specific reviews and rule changes, we will also seek to expand our engagement with these bodies particularly as Western Australia and the Northern Territory seek to implement more of the national energy framework.

3.4 Relationship with the South Australian Minister

The AEMC is a body corporate established under South Australian law and is accountable to the South Australian Minister for Mineral Resources and Energy. We have implemented a robust and transparent financial management program on which we report quarterly to the Minister.

4 Other reporting

In addition to its powers and functions under the *Australian Energy Market Commission Establishment Act 2004 (SA)* and National Energy Laws, the AEMC is required to comply with a number of South Australian, New South Wales and Commonwealth laws relating to such matters as record keeping, information disclosure, financial reporting and employment related matters.

Appendix A: Key Performance Indicators

These performance indicators are still being developed and refined. There are several measures of activity (marked with an *) which do not currently include an associated performance benchmark. It is anticipated that over time a performance target will be established.

Area	Measure
Organisation	
Budget management	Annual expenditure is within +/- 5% of initial budget
Staff management	Staff turnover, on average, of between 10% and 20% per year (to reflect proactive management of underperformance and retention of key staff)
Staff development	100% of staff have objectives and personal development plans which are reviewed annually
Effective governance	Annual management review of risk assessment framework and implementation of appropriate internal audit work program*
Work program	
Rule change requests	75% of requests initiated with 4 months of receipt 100% of rule changes made within statutory timelines (including where extensions are requested)
Rule change extensions	Proportion of rule change processes that are extended*
Rule change challenges	0% of rule change challenges are upheld
Market reviews and advice	85% of reviews completed within original ToR timelines
Efficient resource use	Proportion of FTE and total budget spend on rule making and market advice*
Stakeholder engagement	
Council and Jurisdictions engagement	Number of formal meetings attended by Commissioners and/or staff with Council and/or Jurisdictional leads*
Commissioner forums	Number of consumer and industry forums attended by Commissioners *
Staff-led forums	Number of consumer and industry forums attended by AEMC staff*
Institutional co-operation	Number of meetings between Commissioners and AEMO and AER leadership*
Stakeholder satisfaction	At least 7 out of 10 stakeholders are satisfied with the AEMC's performance in stakeholder satisfaction survey run every 3 years Develop project-specific stakeholder satisfaction surveys and ensure at least 25% of projects initiate survey upon project completion*