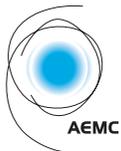


Annual Report

— 2012
— 2013





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

30 September 2013

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

Dear Minister

Australian Energy Market Commission Annual Report 2012-2013

I am pleased to present the Australian Energy Market Commission 2012-2013 Annual Report.

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

Yours sincerely,

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

John Pierce
CHAIRMAN

The nation's energy markets are evolving; opening up to renewable and local generation; transforming the natural gas sector and responding to customers who want new services and more information on trade-offs between service and cost.

Community interest in the AEMC was unprecedented this year in the face of intensive debate about retail prices and how to carry out network regulation.

Our challenge is to continue developing market and regulatory arrangements which are adaptable to changing circumstances, and able to provide consumers with reliable energy power supplies delivered in the most cost efficient ways.

Your guide to this annual report

This report details the performance of the Australian Energy Market Commission from 1 July 2012 to 30 June 2013 in accordance with the Australian Energy Market Commission Establishment Act 2004 (SA) (the Act) and satisfying requirements of the Australian Energy Market Commission Establishment Regulations 2005 (SA).

06

Overview

Includes the Chairman's and Chief Executive's report for 2012-2013; outlines who we are, what we do, how we work and how we report against our priorities and objectives.

17

Work program

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

26

Organisation

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

37

Financial performance

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

77

Statutory reports

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

82

Appendices

[Appendix 1
Index of AEMC Rules and
Reviews 2012-2013](#)

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

[Appendix 2
Consumer Advocacy Panel](#)

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

Keep informed
about AEMC
activities



Join our email list,
'AEMC Update'
at www.aemc.gov.au



Come to our website
www.aemc.gov.au



Register for our public
forums and workshops
at www.aemc.gov.au

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Table 17	Market reviews and advice current at 30 June 2013

The year at a glance

Quality rules and reviews

Work program 2012-2013

23

market reviews and advice papers

12 completed
11 underway at 30 June

31

rule requests

23 completed
8 underway at 30 June

4

decisions to not make a rule as requested

3 electricity and 1 gas

48%

of rule projects started in less than 3 months

61%

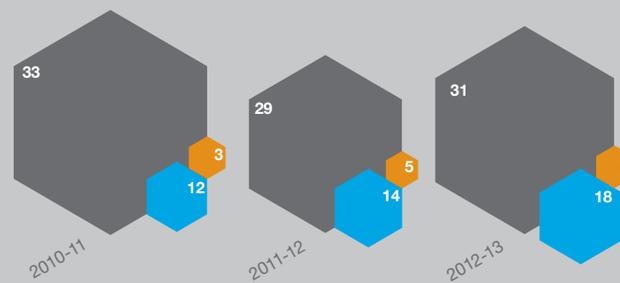
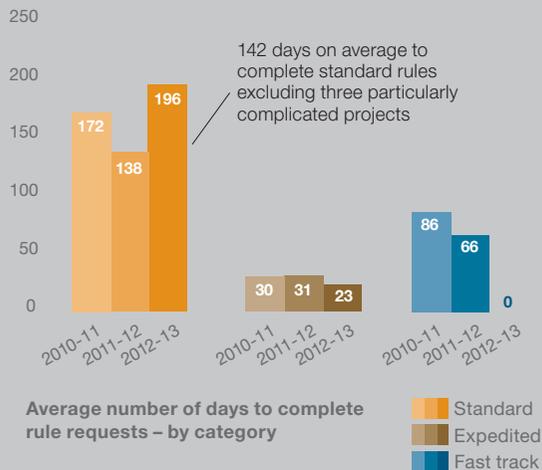
of rule projects were completed without extension

0

rule change challenges

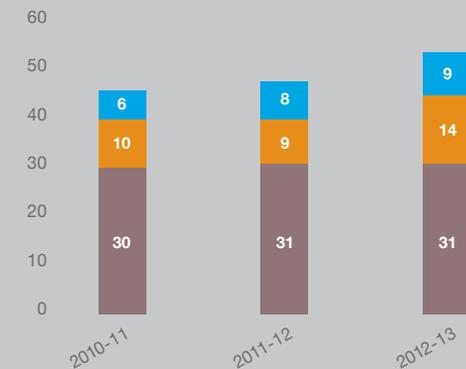
35% ↑

increase in significant and major projects



All projects undertaken during the year (Includes completed projects and those carried forward)

Rules
Reviews
Advice



Project classification by budget for all rule and review projects
Minor <\$100K
Significant \$100K-\$500K
Major >\$500K

Minor
Significant
Major

Building our capability

People

52%

employee positions held by women

40

total average hours of training per person per annum

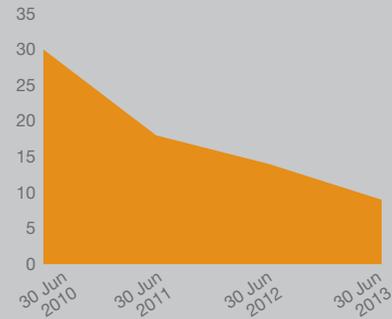
67

employees

9%

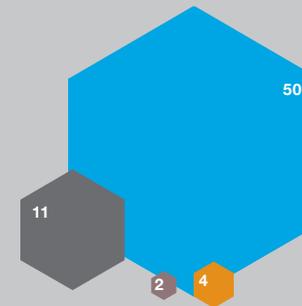
turnover

Staff turnover %



Staff turnover

Target 11%-19% balancing retention of corporate knowledge with infusion of new ideas.

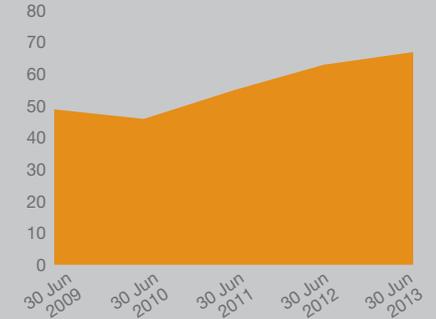


Employees by grouped role

30 June 2013



AEMC employee numbers



Employees – total number

Our work responds to stakeholder input

Engagement

87%

of stakeholders satisfied with overall performance
2013 stakeholder survey

31

formal stakeholder forums and working group sessions

258

leadership team stakeholder meetings and presentations

584

written submissions on rules and reviews

Overview of the AEMC

The AEMC intensified its efforts in 2012-2013 to contribute to better informed debates.

Chairman's report



Living standards in Australia are inextricably linked to the electricity and gas which sustains our homes; powers business and fuels industry. In 2012-2013 widespread community concern made rising retail electricity prices an issue of national importance. At times like these controversy can help sharpen the focus on what needs to be done to protect consumers and guide the choices which will shape the energy sector's future.

And so it was this year.

Focused on consumer interests

The AEMC intensified its work during 2012-2013 to articulate an enduring vision for market development; and contribute to better-informed public debates.

We spent considerable time in close consultation with stakeholders, seeking feedback and testing our thinking in relation to proposals for reform across the electricity and gas supply chains so that changes could be made to help reduce costs for consumers.

It is our role to develop arrangements that meet community demands for reliable energy services at the lowest cost possible – and the extensive work program we put in place around two years ago was acknowledged by the Council of Australian Governments in December 2012 as fundamental to its energy market reform package.

Strategic thinking

During the year under review the AEMC conducted its second strategic priorities review as part of our market development role for electricity, gas and elements of the energy retail markets. This review identified strategic priorities to guide energy market development over the medium and longer term.

Following extensive stakeholder consultation we have proposed three priorities. Two of them relate to empowering consumers and developing market arrangements that encourage efficient investment. The third priority rests on the implications of major changes in the natural gas sector on Australia's east coast which will flow from the establishment of a substantial LNG export industry. Gas production is expected to more than double over the next three to five years to meet domestic and export demand. This is leading to structural adjustments in the market and uncertainty around future domestic supply and prices.

Key projects addressing our strategic priorities

Scrutiny of Australia's energy market is more intense now than at any time since the national competition policy reforms of the early 1990s. In 2012-2013 the AEMC delivered a 77% increase in rule determinations and a 33% increase in reviews and advice provided to state, territory and federal energy ministers. Change of course is always a feature of energy markets and policy and

regulatory arrangements. What's important is to manage that change transparently, with decisions based on clear objectives and approaches which are relatively predictable. In our daily work we strive to consistently address proposals in terms of their economic or policy implications; commercial and financial realities; and technical and operational requirements.

Work program 2012-2013

Strengthening consumer participation while promoting competitive retail markets

Power of Choice Review: SCER is currently considering a substantial reform package which recommends new ways for consumers to control their use of electricity and manage their bills (final report November 2012). We expect to receive recommended rule requests from SCER later in 2013. We have already initiated further reviews on electricity customer switching and open access and communication standards.

Review of Competition in the Retail Electricity and Natural Gas Markets in NSW: Our draft report (May 2013) found competition was delivering discounts and other benefits to small consumers with more than 60% of NSW customers already on market contracts. It found that more can be done to make it easier for energy consumers to engage with the market. A final report and a blueprint for energy consumer engagement is due later in 2013.

The AEMC Annual Retail Electricity Price Trends Report informs stakeholders of expected developments in retail power prices and explains reasons for the trends in each state and territory. The 2013 report is due late in 2013 and will include a new approach with greater focus on competitive market offers as well as regulated and standing offer contracts.

Promoting the development of efficient gas markets

The Gas Scoping Study was initiated by the AEMC in response to stakeholder feedback on our strategic priorities consultation and will contribute to understanding of challenges facing the east coast gas market. The Commission's view is that structural changes in gas supply and demand raise the need for a strategic plan for gas market development looking across the next 10-15 years.

Market arrangements to encourage investment and flexibility

Economic Regulation of Network Service Providers: We made new rules in November 2012 to give the regulator more discretion to set efficient network prices. Changes introduced an enhanced approach on setting the rate of return on capital; more tools to determine efficient costs for each regulated business; and incentives to improve business efficiency.

The Transmission Frameworks Review: Our final report (March 2013) recommended changes that would enhance coordination of generation and transmission investment to minimise long-term costs of the power system. SCER has agreed to task the AEMC and AEMO with further work to design and test proposed new arrangements.

Review of the national framework for distribution reliability and transmission reliability: A significant body of work on network reliability standards was undertaken this year to explore trade-offs between the cost of infrastructure upgrades, reliability outcomes, and prices that customers are prepared to pay. This work forms part of COAG's reform agenda to develop nationally consistent frameworks for transmission and distribution reliability. Final reports are due in September (distribution reliability) and November 2013 (transmission reliability).

Financial Resilience Review: SCER asked for advice on measures to reduce risks that may arise from the financial distress or failure of a large electricity retailer. Our first interim report (June 2013), recommended new safety

net and credit support arrangements. A second report focused on other potential sources of financial contagion in the National Electricity Market is due later in 2013.

Connecting Embedded Generators rule change: Increasing numbers of commercial customers are generating their own power from sources like solar, gas or wind and want to connect to the grid. Our draft rule (June 2013) seeks to reduce barriers to connection of local generators so distribution networks can adapt to change while maintaining reliability of local power supplies at least cost to the community as a whole.

Staff leadership

I would like to acknowledge the commitment of the other AEMC Commissioners and our staff who enable us to deliver the independent, evidence-based rules and advice expected of our stakeholders.

This year saw the retirement of our inaugural Chief Executive, Steven Graham, and on behalf of the Commission I would like to thank him for his valued contributions over the past seven years. Under Steve's stewardship the AEMC has grown significantly as a professional and competent organisation. I would also like to welcome our new Chief Executive, Paul Smith who is charged with responsibility for taking the organisation forward. Thanks to the calibre of our team he has a strong foundation on which to build.

John Pierce
CHAIRMAN

Chief Executive's report



For the year covered by this report Steven Graham was the Chief Executive of the AEMC. Steven retired from the AEMC shortly after the end of the year. He led the AEMC from shortly after its establishment and has created an organisation that is widely respected by energy sector stakeholders, as shown in the feedback from our 2013 stakeholder engagement survey.

It is an honour to take over as the Chief Executive of the AEMC from Steven. While his leadership has provided strong foundations, changes in the Australian energy sector will require the AEMC to further develop and evolve to fulfil our role effectively. In particular, developments in the East Coast gas market in recent years and the adoption of the National Energy Customer Framework (NECF) by an increasing number of jurisdictions have the potential to change the type of work that we do. These developments in the Australian energy sector are reflected in our proposed Strategic Priorities for energy market development. They also mean that we will interact with many more and new stakeholders than previously. The AEMC will be aiming in the future to be as respected for our work on gas and retail market issues as we have been for our work on electricity issues.

Our work program

During the past year we have completed a number of particularly large and important projects for the Australian energy sector. The network regulation rule changes give the AER the discretion and tools to undertake more effective regulation of network businesses in the long term interests of consumers. The Power of Choice review provided the Standing Council on Energy and Resources with a comprehensive set of recommendations to improve the ability of consumers to make more efficient consumption decisions. The Transmission Frameworks Review recommended further work to develop a new approach to providing access to the transmission network, significant improvements to the framework for large generators to connect to the transmission network and some improvements to the planning process for the shared transmission network.

The completion of these projects means that our future work and that of other stakeholders in the energy sector will include a significant focus on effective implementation of the conclusions of these projects. The AER has made significant progress on the work to implement the new network regulation rules, while the AEMC and AEMO are currently undertaking work to implement the Power of Choice conclusions, and will shortly begin work to further develop an implementation plan for new access arrangements for the transmission network.

87%

of stakeholders satisfied
with overall performance
2013 stakeholder survey

1/3

One in three stakeholders
surveyed rate AEMC
performance at 8-10
out of 10

In addition to these larger projects, we have worked on many other rule changes and reviews across the electricity and gas sectors. Improving the framework for smaller generating units to connect to the distribution networks has been a focus for a number of rule changes. Our review of retail electricity and gas market competition in NSW has included some interesting work to better understand consumer attitudes to retail markets and their opportunity to choose different retailers and plans. The rule changes in the gas sector have helped to make improvements to the effective operation of the Short Term Trading Markets and the Victorian Declared Wholesale Gas Market.

Developing our people and improving our stakeholder engagement

Over a number of years we have developed our recruitment processes to identify people with the right mix of skills to fulfil the AEMC's role. We have also invested further in developing the skills of our people through internal and external training. I was particularly pleased to see that a number of stakeholders remarked on the quality of our people in our stakeholder engagement survey. The reduction we have achieved in staff turnover in recent years is also encouraging. While bringing in new people with new perspectives can improve the quality of our outcomes, it is also important that we retain and draw on the knowledge of people who have worked at the AEMC for a number of years.

We have had a particular focus in recent years on improving the quality of our communication with stakeholders, and in particular providing more accessible and targeted explanations of our rule making decisions and the advice to SCER. We also published a short summary of the key information in this Annual Report a few months after the end of the year through our Concise Report. Responses to the stakeholder engagement survey provided encouraging feedback that showed stakeholders valued the different

approaches we were taking. We are continuing to strive to improve our written communication and we would welcome continuous feedback from stakeholders on how we can further improve.

We are undertaking a range of initiatives to further improve the performance of the AEMC in the coming year. Amongst the initiatives focused particularly on improving our engagement with stakeholders will be a range of improvements to our website and initiatives to further improve our engagement with consumers and their representatives.

Paul Smith
CHIEF EXECUTIVE

Our business

Energy Market institutions

The Council of Australian Governments (COAG) created a new governance structure to oversee the nation's main energy markets nearly 10 years ago.

Competition was promoted for those elements of the supply chain where it was considered feasible – for generation and retail. A common regulatory framework was applied where competition was not possible – for transmission and distribution networks. This was implemented at the start of the National Electricity Market when it was established in 1998. Now, as then, a central theme of the reforms is to improve the nation's overall competitiveness.

Both the AEMC and the Australian Energy Regulator (AER) were created in 2005.

The Australian Energy Market Operator was created in 2009. These three market bodies have distinct roles – the AEMC as rule maker and adviser on market development; the AER as regulator and AEMO as power system and market operator (among its other functions).

The Standing Council on Energy and Resources (SCER) reports to COAG. It provides national leadership and coordination of policy development.

Separating the roles of governments, the market developer, the regulator and the operator has resulted in independent decision-makers with clear accountabilities and objectives.

Timeline

1998
National Electricity Market established

2005
AEMC established by COAG

2008
Our role expands to economic regulation of:
• electricity distribution network services;
• gas transmission and distribution services; and
• natural gas pipeline access.

2009
Our role expands to:
• gas retail functions;
• regulation of Victoria's declared wholesale market.

2010
Western Australia joins national gas regulatory scheme.
• Our role expands to include gas Short Term Trading Markets.
• Energy ministers endorse new National Energy Customer Framework

Figure 1
AEMC operations National Electricity Market

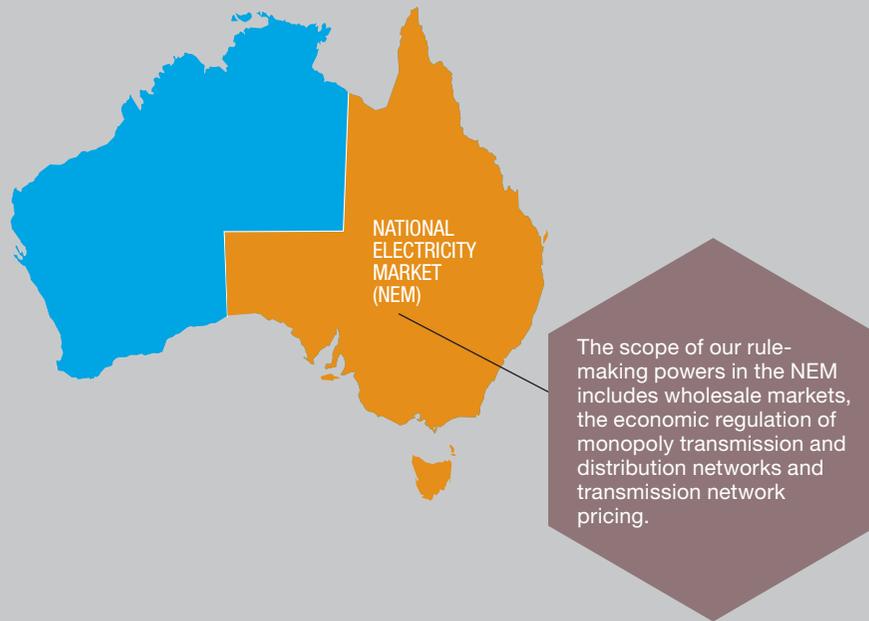


Figure 3
Australian electricity consumption by sector
2011-2012

10 million electricity customers

Source: Bureau of Resources and Energy Economics (BREE)

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

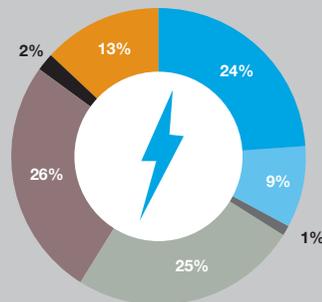


Figure 2
AEMC operations natural gas markets

Source: Energy White Paper 2012, p. 135.

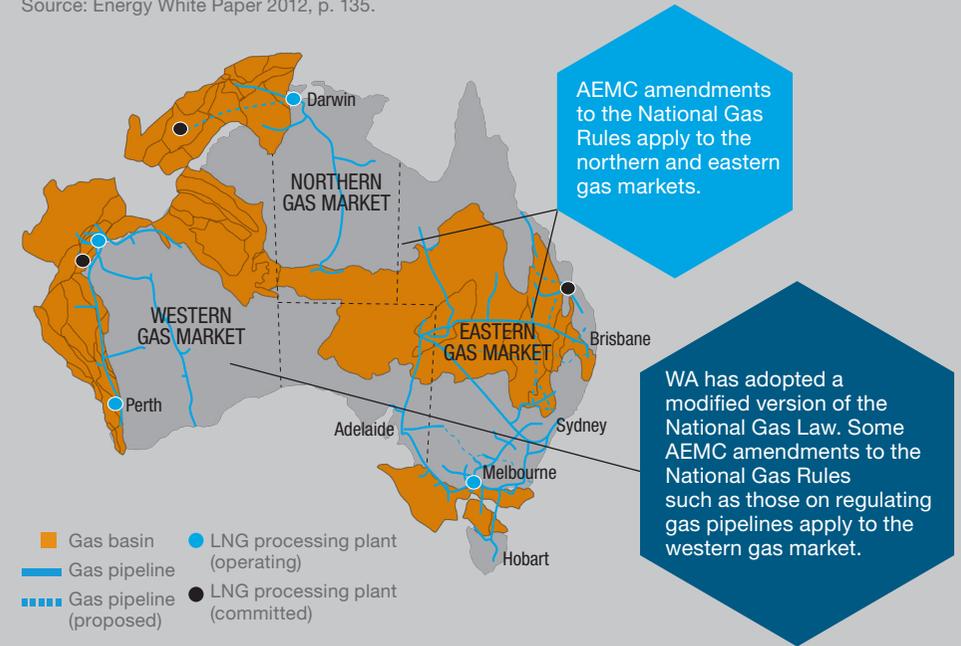
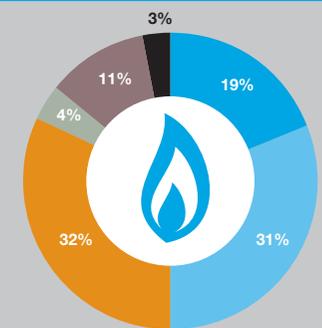


Figure 4
Australian gas consumption by sector
2011-2012

4 million natural gas customers

Source: Bureau of Resources and Energy Economics (BREE)

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



Our governing philosophy

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

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

We focus on engagement to build relationships both with each other and with our stakeholders. Conversations help us understand our operating environments and how our decisions will affect the energy markets.

We act with integrity to maintain and further develop our reputation for independent thinking and objectivity, and to encourage open and frank dialogue. We are impartial, transparent, fair and honest.

How we work

The AEMC has two roles. We are the energy market's rule maker and we advise the Standing Council on Energy and Resources which includes ministers from state, territory and federal governments.

Rule Making

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

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

Our rule making reflects the highest standards of market governance and transparency. We don't propose rules (except for minor legal drafting purposes) because we must conduct impartial investigations on behalf of consumers.

All stakeholders including governments, industry and the community can request rule changes.

Reviews and advice

Australia's energy market needs appropriate policy and regulatory arrangements that reflect international and domestic developments so consumers can be provided with reliable supplies of electricity and gas at efficient prices.

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

In all our reviews we consult widely on matters which bear on the progress of COAG's and SCER's energy reform agenda. We conduct reviews in accordance with terms of reference provided by the nation's energy ministers¹ and can also initiate our own formal market reviews.

Addressing challenges

- Extensive consultation with our stakeholders has identified key challenges for consumers: People need information and tools to make energy choices that are right for them;
- The energy market needs to be financially resilient;
- Investment needs to address the implications of changing consumer demand and structural changes in supply;
- The gas market needs to adjust to an historic structural shift in gas supply and demand.

We address these challenges as we develop energy markets in the long-term interests of consumers.

Reporting against strategic priorities and market objectives

The AEMC develops strategic priorities for energy market development which take account of stakeholder views on how best to serve consumer interests. These priorities form the basis of our market advisory role and are reviewed periodically through a process of public consultation.

This enables us to regularly update SCER on stakeholder views of the opportunities, risks and challenges facing the energy sector. They also provide context for SCER to consider its future work program for the energy sector and to evaluate progress.

This year we consulted with stakeholders to update our priorities and released a discussion paper in April 2012. We held four public forums and attracted 17 submissions in response to the proposed priorities. Work on finalising the AEMC's response to this market development discussion was underway at 30 June 2013 and refreshed priorities will be released later in the year.

All of the AEMC's work, including the development of these strategic priorities, is guided by the national electricity objective, the national gas objective and the national energy retail objective. Each objective incorporates the achievement of economic efficiency in the long-term interests of consumers as the basis of advice we provide to SCER and when we make decisions in relation to rule change requests

Refreshed priorities

Strengthening consumer participation while continuing to promote competitive retail markets.

Our proposed consumer priority is to help empower consumers so they can make choices about how to manage their electricity consumption and choose the best energy services to meet their needs.

Promoting development of efficient gas markets.

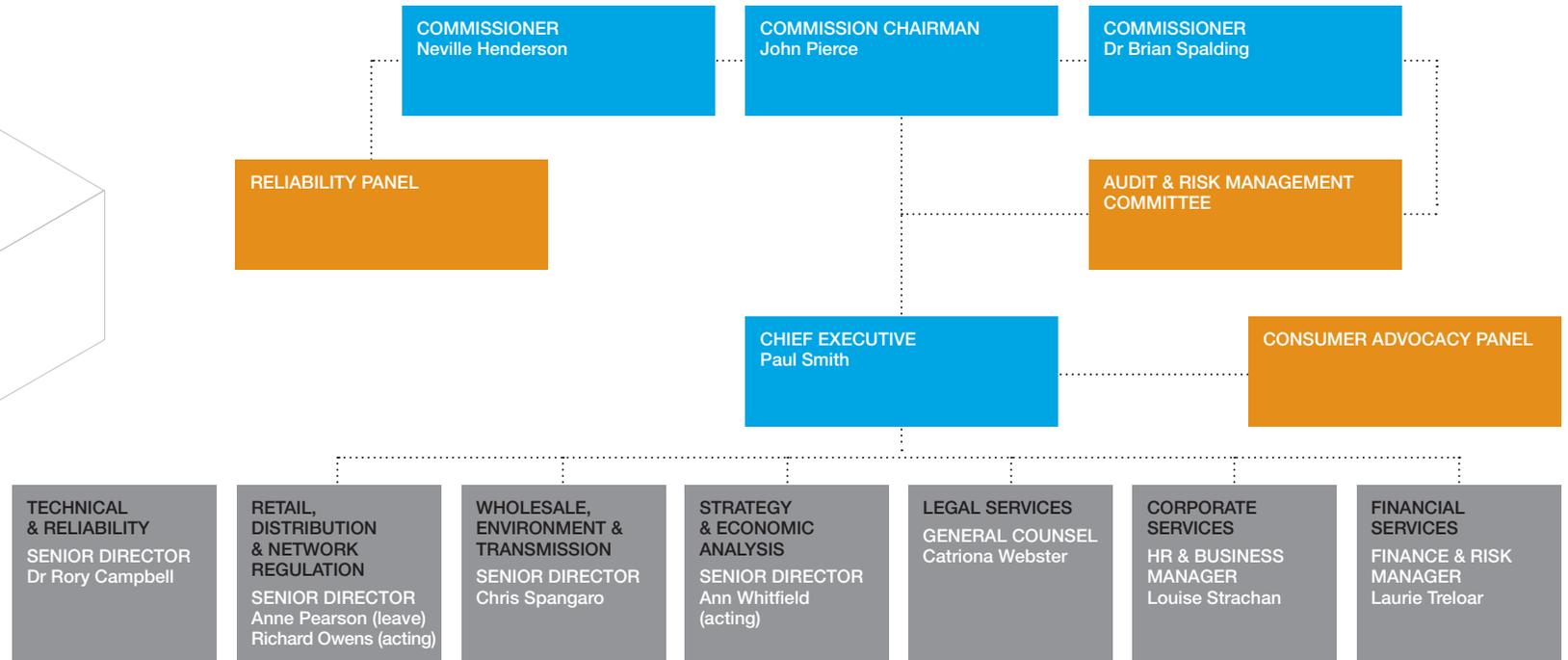
Our proposed gas priority recognises the growing importance of natural gas as an export commodity over the long term and as a fuel source.

Developing market arrangements that encourage efficient investment and flexibility.

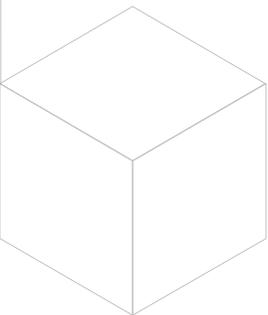
Our proposed market priority recognises that an attractive environment for investment is important to attract the capital necessary to provide efficiently priced, safe, secure and reliable electricity.

¹ In 2011 the Council of Australian Governments announced that it would replace the former Ministerial Council on Energy (MCE) with the new Standing Council on Energy and Resources (SCER). However, the MCE will for some time remain as the legally enduring entity which comprises the federal, state and territory ministers for energy. For this reason the MCE continues to be referenced as the entity with power to request work of the AEMC.

Figure 5
Management and Risk Management
Organisation at 30 September 2013



Good market governance and policy stability over time are important requirements for energy markets that can adapt and deliver efficient investment and innovation to benefit consumers.



AEMC Commissioners

● JOHN
PIERCE

Commission

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

JOHN PIERCE Chairman

Former Secretary of the Federal Department of Resources, Energy and Tourism, following 12 years of service as Secretary of New South Wales Treasury and Chairman of NSW Treasury Corp. Mr Pierce has worked at the most senior levels of policy development and advised ministers, cabinets, and the Council of Australian Governments. He holds a BCom Hons (UNSW).

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

NEVILLE HENDERSON Commissioner

Former Executive Director with PricewaterhouseCoopers (PwC). While at the National Grid Management Council (NGMC) 1994 -1997 Mr Henderson led the development of market and trading arrangements for the National Electricity Market. He holds a BCom (University of Melbourne) and a Diploma of Mechanical Engineering (Footscray Technology College).

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

DR BRIAN SPALDING Commissioner

Board member of the Australian Renewable Energy Agency. Former Chief Executive Officer of the National Electricity Market Management Company with responsibility for the National Electricity Market and power system for south-eastern Australia. Dr Spalding holds a Bachelor of Science, Bachelor of Engineering (Electrical Honors Class 1 and University Medal) and Doctor of Philosophy in power system analysis (UNSW).

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

● NEVILLE
HENDERSON

● BRIAN
SPALDING

Senior Management Team

As at 30 September 2013

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

The AEMC's inaugural Chief Executive, Steven Graham, retired on 8 August 2013.

Our new Chief Executive is Paul Smith, formerly the AEMC's Senior Director, Strategy and Economic Analysis. Paul's appointment took effect on 20 August 2013.

PAUL SMITH Chief Executive

Formerly Principal at the British-based consultancy, Cambridge Economic Policy Associates where he worked on frameworks for economic regulation across a range of regulated sectors. Mr Smith's prior experience includes positions at the UK energy regulator, Ofgem, where his roles included retail price regulation and market reviews, competition policy, security of supply and wholesale market surveillance. He also worked at Postcomm (the UK postal sector regulator) to complete the first full price control review of Royal Mail. He holds a degree in Economics and Politics from Bristol University.

DR RORY CAMPBELL Senior Director, Technical and Reliability Group

Dr 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 the operation of wholesale energy markets and their impacts on market participants. Before joining Eraring Energy he was a trader and analyst at the financial institution RMB Australia. He holds a PhD in pure mathematics and a BSc Hons (UNSW).



PAUL SMITH



DR RORY CAMPBELL



CHRIS SPANGARO



ANNE PEARSON



RICHARD OWENS



AEMC Senior Management Team



CATRIONA WEBSTER



LOUISE STRACHAN

CHRIS SPANGARO
Senior Director, Wholesale, Environment and Transmission Group

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

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

Former Executive Manager of Retail Regulation at EnergyAustralia. Prior appointments include corporate mergers and acquisitions at Freehills and Deacons, where Ms Pearson 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 and LLB Hons from the University of Sydney. Ms Pearson was on leave during part of the year under review.

RICHARD OWENS
Acting Senior Director, Retail, Distribution and Network Regulation Group

Former regulatory and competition lawyer at DLA Phillips Fox in Sydney and Melbourne. Prior appointments include Principal Legal Adviser for the New Zealand Ministry of Economic Development and Principal at Chapman Tripp in New Zealand. Mr Owens has an LLB Hons from the University of Canterbury in New Zealand and an LLM from the University of Leuven in Belgium.

CATRIONA WEBSTER
General Counsel

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

LOUISE STRACHAN
Human Resources and Business Manager

Former administrator for several major law firms in Queensland and New South Wales. Ms Strachan is responsible for the provision of services in human resources, technology and telecommunications, governance, communications and corporate infrastructure projects. She has also held the role of business education teacher in Queensland and holds a BEd Hons from Queensland University of Technology.

Work program

Policy makers and stakeholders need time to conduct the processes that underpin good policy. Time to consult, time to listen and time to learn from each other.

Projects profile

A year of major reviews

Real electricity prices have risen considerably over the past few years for a range of reasons. Rising network costs have generally accounted for the largest proportion of increases in most states, followed by costs to deliver a range of jurisdictional environmental policy measures. At the same time natural gas production will have to treble over the next three to five years to satisfy growth in both domestic and export demand. The effect of these tight conditions on prices are already being felt.

The AEMC and other organisations are in the process of implementing a reform program that leverages the benefits offered by our liberalised markets; recognises the critical role of consumers in the sector; and promotes a transparent and predictable regulatory regime.

Trends

The complexity of the work we are being asked to do continues to expand. This year our work program showed a 35% increase in the number of significant and major projects.

The AEMC delivered a 77% increase in final rule determinations (from 13 determinations in 2011-2012 to 23 in 2012-2013); and a 33% increase in completed reviews and advice papers provided to SCER, (from nine in 2011-2012 to 12 in 2012-2013.)

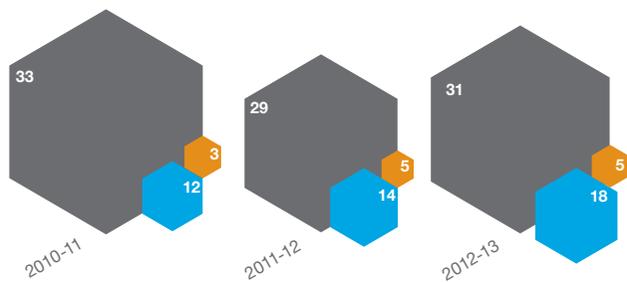


Figure 6 – All projects undertaken during the year
(Includes completed projects and those carried forward)

■ Rules
■ Reviews
■ Advice

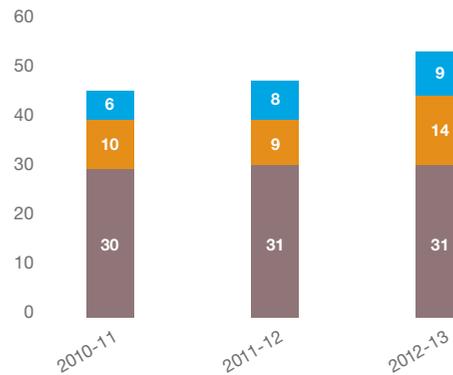


Figure 7 – Project classification by budget
(for all rule and review projects)

■ Minor
■ Significant
■ Major

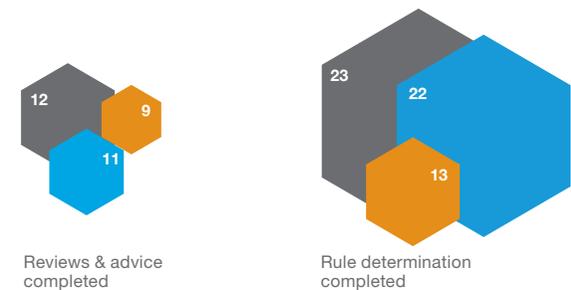


Figure 8 – Completed projects

■ 2010-11
■ 2011-12
■ 2012-13

Addressing our 2011 priorities

The AEMC worked with stakeholders to refresh the strategic priorities we first articulated in 2011. Our new priorities will be finalised later in 2013. They build on progress in addressing the current priorities which guided the work program in 2012-2013 and which:

- aimed to capture the full value of flexible demand;
- promoted efficient networks; and
- contributed to a predictable regulatory and market environment;

Comprehensive details on each rule and review and advice project, are in appendix one of this report. Here is an overview of some key projects which helped progress our strategic priorities in 2012-2013.

A predictable regulatory and market environment for rewarding economically efficient investment.

The AEMC published the draft report for its Review of Competition in the NSW retail energy market in May 2013. It found that price competition is delivering discounts and other benefits to small consumers. Around 60% of electricity customers and 70% of gas customers have chosen competitive market offers from retailers. However the report concluded that more can be done to make it easier for customers to engage with the market. The review will develop a blueprint for consumer engagement on energy markets for SCER consideration later in 2013.

The Electricity Price Trends Report is published annually at the request of the Council of Australian Governments. The report released in March 2013 was another important contribution to building understanding on retail prices in states and territories, informing stakeholders of expected trends and reasons for them. The 2013 price trends review is underway with a new terms of reference from the energy ministers requiring greater focus on competitive market offers and regulated standing offers. It will report at the end of 2013.

The National Electricity Market Financial Resilience Review is part of the Commission's ongoing suite of work to provide a sound foundation for ongoing market stability and continuity of supply for consumers. The review delivered its first interim report (June 2013) on ways to preserve continuity of supply for customers if a large retailer gets into financial distress.

Our Gas Scoping Study started with extensive stakeholder consultation in May 2013. We are reviewing existing gas market arrangements in the eastern states to understand where benefits may lie in more detailed market development work.

Gas market frameworks were addressed in a number of rule determinations to help increase efficiency including: Pipeline operator cost recovery processes; STTM deviations and the settlement surplus shortfall; STTM Brisbane Participant Compensation Fund; Reference Service and Rebateable Service Definitions; STTM Market Schedule Variation Transactions.

The final determination for the Potential Generator Market Power in the NEM rule change request was published in April 2013. We recommended to SCER that the energy ministers consider giving the AER a function to regularly monitor the efficient operation of the wholesale electricity market and identify the need for action if significant barriers to competition are identified.

In addition to the work program we have participated in a number of forums that have contributed to addressing this priority. Our Chairman is a member of the Energy Security Council which advises the Commonwealth Treasurer on whether to provide refinancing assistance to highly emitting generators and on other aspects of energy security.

Building the capability and capturing the value of flexible demand.

In December 2012 the AEMC completed its Power of Choice Review with recommendations on new ways for consumers to control their use of electricity and manage their bills. The SCER is currently acting on reform areas identified by the review to:

- Establish a new demand response mechanism in the wholesale market to reward consumers for reducing their demand at peak times;
- Reform distribution network pricing principles to improve consumer understanding of cost reflective network tariffs and give people more opportunity to be rewarded for changing their consumption patterns;
- Expand competition in metering and related services to all consumers putting greater discipline on competitive metering suppliers to provide services at efficient cost and consistent with consumer preferences;
- Clarify existing provisions regarding AEMO's ability to collect information on demand side participation to make its market operational functions more efficient;
- Give consumers better access to their electricity consumption data;
- Establish a framework for open access and common communication standards to support contestability in demand side participation end user services enabled by smart meters. This will support consumer choice;
- Introduce a new category of market participant for non-energy services in the NEM to facilitate the entry of innovative products for consumers; and
- Reform the application of the current demand management and embedded generation connection incentive scheme to provide an appropriate incentive for distribution businesses to pursue DSP projects which deliver a net cost saving to consumers.

SCER is in the process of implementing reforms based on the recommendations of the Power of Choice Review and is expected to submit a series of rule change requests to us in 2013-2014.

The Power of Choice Review was complemented by our Electric and Natural Gas Vehicles Review which published its final report in December 2012. It recommended arrangements to address new demands from these appliances on Australia's power network.

Growing numbers of commercial electricity consumers who generate their own power from sources like gas, solar, wind or biomass are seeking to connect to distribution networks.

Our Connecting Embedded Generation draft rules were published in June 2013 for public comment on ways to reduce barriers to these connections and help networks adapt to change while maintaining reliability of local power supplies at least cost to customers.

Another step to reduce barriers to small generators was taken by the Small Generation Aggregator Framework rule determination (November 2012) which established a new category of market participant and provided owners of small generators with more options to sell the power they produce.

Ensuring the regulation of transmission and distribution networks promotes timely investment and delivers efficient outcomes.

Stronger regulation for networks was facilitated when the AEMC made new rules in November 2012 to give the regulator more discretion to set network prices. In short the new rules enhance the AER's ability to set efficient costs for each regulated business.

We submitted the final report from our Transmission Frameworks Review to SCER in March 2013. It recommended potential changes that would enhance investment efficiency in generation and transmission to minimise long-term costs of the electricity system. Under current arrangements customers pay the full cost of transmission network investment and generators make investment decisions which are not fully exposed to the cost of transmission in different locations. The review recommended reforms to facilitate more efficient connections between generators and transmission networks. It proposed a more market-oriented approach to providing transmission services and the redirection of some investment risk from customers to generators.

Developing alternatives to network expenditure in the National Electricity Market was the focus of another rule change which introduced new obligations for electricity distribution businesses to evaluate alternative investment options and to publish demand side engagement strategies. The Distribution Network Planning and Expansion Framework determination (October 2012) required distribution companies to publicly release reports on future network requirements necessary to meet changing consumer demand at lowest possible cost. The change will take effect in 2013 as distribution network businesses in each jurisdiction develop Annual Planning Reports under the new rules.

A significant body of work on network reliability standards was undertaken this year to explore options to improve the trade-off between the cost of infrastructure upgrades and the prices that customers are prepared to pay.

Reliability spending on transmission and distribution networks to meet standards set by jurisdictions around the nation feeds into overall costs and ultimately affects electricity prices. We completed advice to SCER (August 2012) on costs and benefits of different levels of reliability for distribution networks in NSW. SCER asked us to build on that work to develop a national framework for changes to the way network reliability is regulated and delivered. Our Review of the National Framework for Network Reliability published an issues paper in April 2013 on better ways to set reliability standards which take account of customer expectations.

Rules

Rules summary

During the year under review, we considered a total of 31 rule change requests bearing on the National Electricity Market and natural gas markets. Overall 23 rule requests were completed. Some rule requests were considered together and consolidated into joint determinations (for more details see appendix one).

The Commission may decide not to proceed with a rule change request under certain circumstances. This year there were four decisions not to proceed with a rule change request.

- 9 rules were made by the AEMC amending the National Electricity Rules;
- 8 rules were made by the AEMC amending the National Gas Rules;
- 4 determinations were made to not make a rule in response to a request (3 electricity and 1 gas);
- 8 electricity rule requests were current at 30 June 2013;
- 0 rule change challenges.

This year 48% of all rule requests were initiated within three months of receipt (target 75%); and 61% of final rule determinations were completed without extension of the original project timeframe (target 75%). This year six rule requests were granted a longer timeframe at initiation to give stakeholders longer consultation periods and to allow proper consideration of issues and implications.

Time taken to make rule determinations

The timeframe within which the rule change process is undertaken is dictated by statutory timeframe obligations under national energy laws including the National Electricity Law (NEL), National Gas Law (NGL) and, from 1 July 2012, the National Energy Retail Law (NERL).

Managing rule making timeframes

The standard² timeframe under law for a rule change is 130 days. The AEMC does have some flexibility to manage its work program and to manage complex issues by commencing the rule change process after an initial period of analysis. We must commence as soon as practicable after receipt of requests.

Before we start the statutory process we make practical decisions on whether standard timeframes are achievable given the request's scope and competing work priorities. We are able to extend the timeframe both at the start of a project and throughout as required. In 2012-2013 we granted six rule requests a longer timeframe at initiation. This was done to provide stakeholders with longer consultation periods and allow proper consideration of issues and implications.

There are two exceptions to the standard rule making process; the expedited rule making process; and the fast track rule making process. The Commission may expedite the rule making process if the request is for a non-controversial or urgent rule as those terms are defined

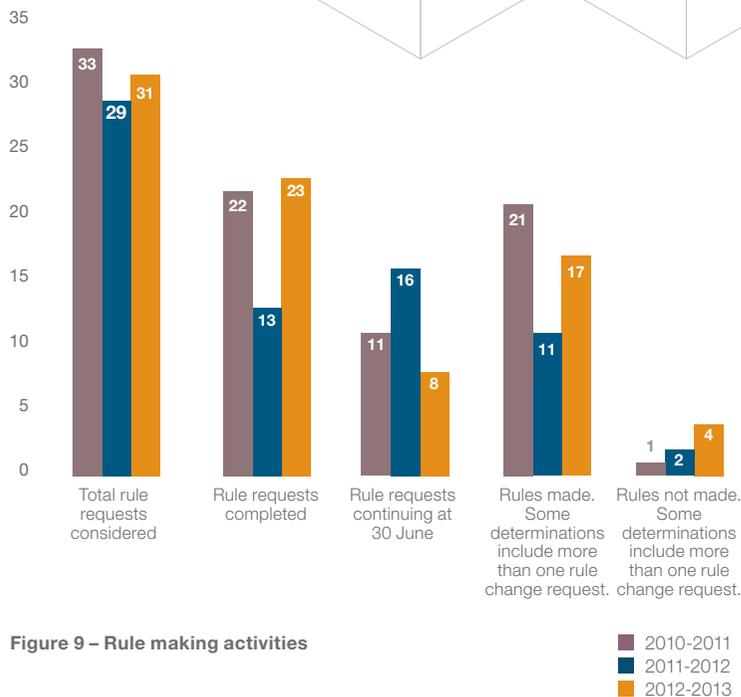


Figure 9 – Rule making activities

² The term "standard" has replaced the category "normal" as referred to in earlier versions of the annual report.

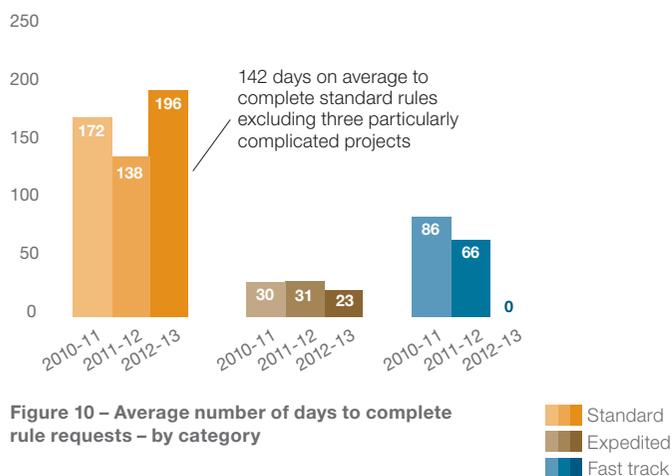


Figure 10 – Average number of days to complete rule requests – by category

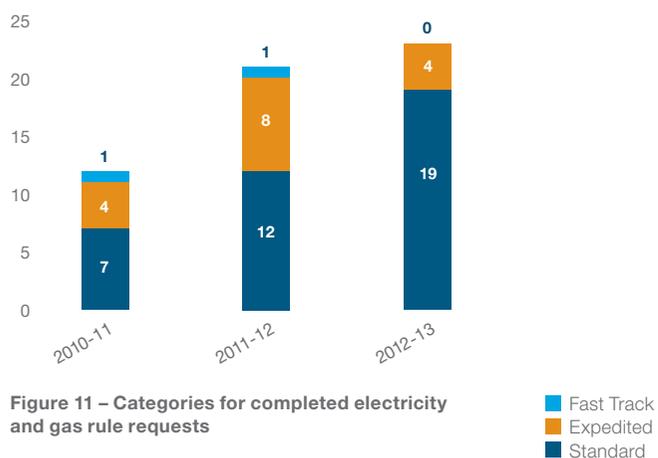


Figure 11 – Categories for completed electricity and gas rule requests

in the national energy laws. The rule-making process can be fast-tracked where there has been adequate previous consultation by a market regulatory body or if the request arises from an AEMC review.

In 2012-2013 the rule change process for four rule change requests was expedited, and 19 were considered under the standard process. No requests were fast tracked.

Standard rule projects were completed in 142 days on average, excluding three particularly complicated projects: Economic Regulation of Networks; Potential Generator Market Power; and Inter-regional Transmission Charging. Taking those projects into account the average time taken to complete standard rule requests was 196 days. It took 23 days on average to complete each expedited rule. Of the 23 rules made 14 were completed without extensions. We seek to complete rule change processes as quickly as possible while recognising the importance of appropriate consultation with stakeholders to achieve the right outcomes for consumers.

Submissions in relation to rule requests

This year we received 283 written submissions from stakeholders in relation to the 31 rule change projects. Of those submissions 27% were received late adding pressure to our rule making timeframes. Of the total number of submissions, 171 were made in relation to rule projects completed during the year; and 112 were lodged in relation to rule change requests continuing into 2013-2014.

Particularly significant rule change requests such as the economic regulation of networks attract extensive community interest and engagement. This project received 165 submissions.

National Energy Retail Rules

On 1 July 2012, the AEMC took the next step in our expanding role – responsibility for the National Energy Retail Rules. The National Energy Retail Law was passed by the South Australian parliament (as lead legislature) on 9 March 2011. The extent to which the National Energy Retail Law applies in each state and territory depends on the application

legislation passed by each jurisdiction. The framework has commenced in the Australian Capital Territory, Tasmania, South Australia and New South Wales. In states that have yet to adopt the Customer Framework, state and territory governments remain responsible for regulating retail energy markets. Western Australia and the Northern Territory do not propose to implement the reforms.

The National Energy Customer Framework is one of the Council of Australian Government's energy market reforms. It aims to streamline the regulation of the sale and supply of energy (electricity and gas) to retail customers in a national framework. The framework governs, among other things, customer contracts, energy-specific consumer protections and obligations to supply energy to small customers. We engage with market stakeholders and consumers in particular, on consumer protection issues and other matters under the National Energy Retail Law and National Energy Retail Rules.

Rule change proponents

A request to make or amend a rule can be made by anyone including governments, the AER, and/or any individual or group in the community, except the AEMC (minor rule changes being the exception). The proponents of new rule change proposals (electricity and gas) in the last three annual reporting years are in the table below.

Table 1 Rule change proponents

Proponent	2012-13
AEMC	2
AEMO	4
AER	1
Energy Australia	1
GDF SUEZ	1
IPART	1
NGF	1
SCER	1
SP Ausnet	1
Trans Tasman Energy Group	1
Total	14

Reviews

Reviews summary

During the year under review, we undertook 23 formal market reviews and advice papers. Of these, 12 were completed and 11 were underway at 30 June 2013.

Energy ministers seek our involvement in a range of market matters and this year we worked on the following advice including the AEMC-initiated Strategic Priorities paper:

- National Electricity Market Financial Resilience (continuing);
- Possible Future Retail Electricity Price Movements 1 July 2012 to 30 June 2015 (completed);

- Possible Future Retail Electricity Price Movements 1 July 2013 to 30 June 2016 (continuing);
- Strategic Priorities for Energy Market Development 2013 (continuing);
- Differences between actual and forecast demand in network regulation (completed).

Proponents

The AEMC undertakes reviews at the request of SCER and as required by the rules. It is also able to initiate its own reviews. Requests from SCER for specific reviews and advice have risen again this year – doubling to six since 2010-2011. The AEMC decided to initiate one review this year, the Gas Market Scoping Study.

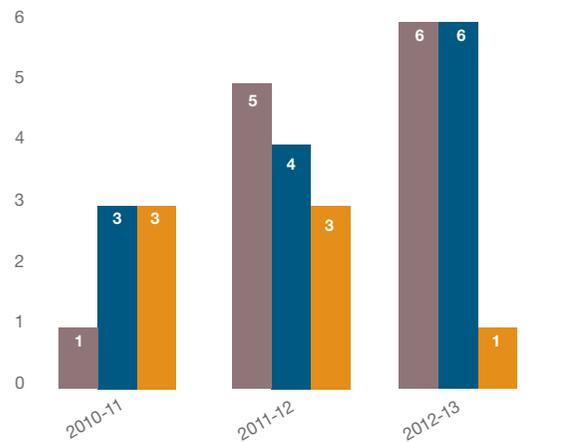


Figure 12 – Proponents for reviews and public advice
For projects starting in each reporting year

■ MCE/SCER
■ Rules requirement
■ AEMC initiated

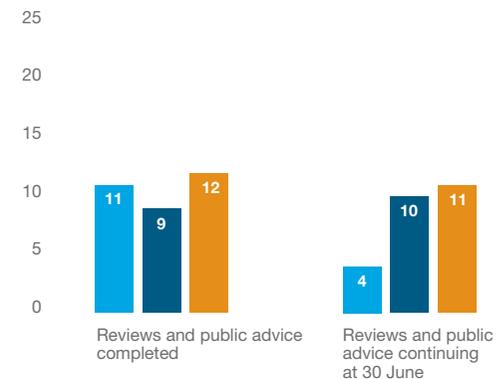


Figure 13 – Reviews and public advice
Finalised and carried forward

■ 2010-11
■ 2011-12
■ 2012-13

Expert Panels

AEMC Reliability Panel

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

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

The Panel held seven meetings during 2012-2013, including meetings held in-person and via teleconference. Some of the work of the Panel was also conducted out of session.

Table 2 Panel members and attendance 2012-2013

Member	Organisation	Term	Panel meetings	
			Eligible	Attended
Neville Henderson (Chairman)	AEMC	18 October 2014	7	7
David Swift	Australian Energy Market Operator (AEMO)	Ongoing	7	5
Trevor Armstrong	Ausgrid	31 December 2013	7	5
Simon Bartlett	Powerlink	9 November 2012	3	2
Stephen Davy	Hydro Tasmania	17 December 2015	4	4
Mark Grenning	Rio Tinto	31 December 2013	7	3
Chris Murphy	Secure Energy	31 December 2013	7	4
Andrew Nance	St Kitts Associates	31 December 2013	7	6
Tim O'Grady	Origin Energy	31 December 2013	7	7
Nick Sankey	Commonwealth Bank	31 December 2013	7	6
Merryn York	Powerlink	17 December 2015	4	2

Specifically, the AEMC Reliability Panel in 2012-2013:

- Determined revised guidelines for identifying reviewable operating incidents. These guidelines are used by the Australian Energy Market Operator (AEMO) in determining when a power system incident is considered 'reviewable' and hence whether AEMO is to prepare and publish a report on the incident. The revised guidelines clarify the requirements and improve the efficiency with which AEMO carries out its investigations and reporting. The revised guidelines came into effect on 1 April 2013.
- Performed a review of the Energy Adequacy Assessment Projection (EAAP), which is an information mechanism operated by AEMO to provide forecast analysis of potential energy constraints. The Panel considered that the information benefited the market at minimal costs and did not recommend any changes to the existing arrangements under the NER.
- Performed its annual review of market performance. The latest review examined performance over the 2011-2012. In this period, the Panel found that the reliability standard had been met in all regions of the NEM; and that any system security issues had been effectively managed by AEMO and network system operators.

In carrying out these three reviews the Panel consulted widely and, where appropriate, took into consideration specific operational issues experienced by the market operator and market participants. For every review it performs, the Panel holds at least two rounds of consultation and invites interested stakeholders to attend a public meeting. For the reviews in 2012:

- Nine stakeholder submissions were received;
- Public meetings were held for all the reviews; two meetings were held in person in Sydney and one meeting was held via teleconference.

Reliability Panel purpose

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

Every four years, the Panel reviews the reliability standard, which is currently based on an 'unserved energy' measure, and recommends the market reliability settings which are expected to achieve this reliability standard. The market reliability settings are the market price cap, the cumulative price threshold, and the market floor price. These settings balance investment signals for new generation against the financial risks to participants in the National Electricity Market's wholesale sector. The latest of these reviews was initiated in May 2013 for completion by April 2014.

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

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

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

Consumer Advocacy Panel

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

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

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

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

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

Organisation

Our approach to governance promotes integrity and accountability in all aspects of our operations.

Governance

Good governance promotes achievement and continual improvement.

Corporate responsibility

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

AEMC Strategic and Business Plan

Since our establishment in 2005 we have built the AEMC on a strategic approach and sound financial management.

- Transparency and accountability are promoted in all aspects of our operations.
- Our statutory decision making, stakeholder relationships and business operations are guided by the AEMC's values and vision.
- Our strategic and business plan provides both long and short-term goals which we report against each year.

We also put considerable effort into developing the AEMC's strategic priorities for market development. This process identifies long term issues facing the energy market; and explores their implications for the way we need to think about our business. Since this process was introduced in 2010-2011 it has helped guide our decisions of terms of devoting time and resources to priority areas where we can provide the most value.

The AEMC's senior management team holds planning sessions to formally evaluate issues, risks and opportunities to be addressed in its strategic and business plan. Planning is augmented with feedback from stakeholder consultation and COAG/SCER energy policy priorities.

Key goals for 2012-2013

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

Over the past year we have particularly focused on reviewing and updating our strategic priorities for market development. Alongside this we are continuing to make sure that we have skills and resources to meet the challenges facing the Australian energy market.

We also:

- Continued to develop our stakeholder engagement, including updating our annual stakeholder engagement plan for 2013-2015;
- Conducted our second stakeholder perceptions survey to gain external feedback to inform the further development of our stakeholder engagement;
- Developed the skills and abilities of our staff to deliver high quality rule change and review work. This included embedding our new performance management processes and updating our longer term strategy for effective people management.
- Continued to improve the quality of the analysis and decision-making of the AEMC. This included ongoing review of the decision-making process to reflect the increasing scope of our responsibilities. We also continued to focus on developing our project management processes and the resources for staff undertaking rule change and review processes; and
- Continued to maintain and update our corporate support functions, including information technology systems and office facilities to support the work of our staff.

Commissioners

Our Chairman, Mr John Pierce, and the two part-time commissioners, Dr Brian Spalding and Mr Neville Henderson bring diverse professional backgrounds to AEMC rule making and market reviews. They have all been active participants in Australia’s energy reform program over decades. Each of them played key roles in establishing the National Electricity Market and its legal and institutional arrangements.

The Chairman and commissioners meet and engage widely with stakeholders across all states and territories.

Table 3 Commission role

Overseeing	Governance	Risk and reporting
Reviewing AEMC Strategic and Business Plan and approving corporate development initiatives as proposed by the senior management team.	Considering market development outcomes flowing from AEMC rule making and advice to governments in line with the energy market objectives which focus on the long term interests of consumers.	Reviewing the AEMC’s budget, monitoring financial performance.
Approving major expenditures and monitoring budget management.	Evaluating Commission performance and determining its size and composition.	Considering and approving the AEMC’s annual financial statements.
Planning for the Chief Executive and executive succession and remuneration within ministerial approved limits.	Reviewing and monitoring corporate governance policies and practices.	Ensuring compliance with the requirements of the SA auditor-general’s department.

While the Commission retains responsibility for the AEMC’s strategic direction the Chief Executive and Senior Management team has delegations in relation to some statutory decisions including initiation of rule changes and a range of other operational matters including the employment of staff and engagement of consultants.

Table 4 Commission statutory and governance meetings

Commissioner	Current term	Statutory meetings		Governance meetings	
		Eligible	Attended	Eligible	Attended
Neville Henderson	19 October 2009 – 18 October 2014	40	39	12	12
Brian Spalding*	22 August 2013 – 18 April 2016	40	39	12	12
John Pierce	2 June 2010 – 1 June 2015	40	36	12	12

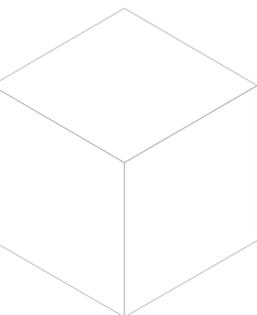
* Mr Spalding’s term of appointment was renewed on 22 August 2013.

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 2012-2013:

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

Dr Spalding is currently a member of the Energy Saving Scheme Committee of the Independent Pricing and Regulatory Tribunal. He is also a co-chair of the Energy Sector Group of the Attorney General’s Trusted Information Sharing Network, and is on the board of the Australian Renewable Energy Agency.



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

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

During the year under review Mr Henderson disclosed a potential conflict in relation to the rule change on Location of Reliability Panel Meetings as he is the Reliability Panel Chair. The Commission decided to delegate the decision on this rule request to a sub-committee comprised of the Chief Executive and two members of the Senior Management Team. Mr Henderson has no other conflicts which require management.

Audit and risk management

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

- Audit and Risk Management Committee monitoring of the overall risk management framework, financial reporting processes, processes for compliance, performance of auditors and oversight of the audit program;
- a broad based risk assessment process which is used to develop a rolling three-year internal audit plan and to inform risk management activities;
- the business planning and information technology strategic planning processes which prioritise actions based on assessed risks;
- the identification and management of compliance areas on a functional basis with legal support where necessary; and

- the project control framework which is used for rule change, review and corporate projects. This includes the creation of a risk register where relevant and the active management of identified risks.

Audit and risk management committee

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

Table 5 Commission Audit and Risk Management Committee Membership & Meetings

In addition to face to face meetings the audit committee dealt with a number of matters out of session.

Members	Committee Term	Eligible	Attended
Glen Appleyard Committee Chair	From 10 Nov 2011 to 9 Nov 2012	4	4
Brian Spalding	From 19 Apr 2010	4	4
John Pierce	From 2 Jun 2010	4	4

Fraud Prevention

Within our risk management framework, procedures are in place to help identify sources of potential fraud or corrupt practices, prevent occurrences, and investigate and take appropriate action on reported breaches. No instances of fraud were identified during the year under review.

Business Continuity

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

Legislative framework

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

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

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

- AER;
- Australian Competition & Consumer Commission (ACCC);
- National Competition Council (NCC);
- Australian Energy Market Operator
- Essential Services Commission of Victoria;
- Independent Competition and Regulatory Commission of the ACT; and the
- Office of the Tasmanian Economic Regulator.

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 2012-2013. All documents we publish regarding our rulemaking, reviews of the National Electricity Market (NEM) and all versions of the National Electricity Rules, National Gas Rules and National Energy Retail Rules are on our website at www.aemc.gov.au. They can also be inspected at our offices. A request under the Freedom of Information Act 1991 (South Australia) is not required to inspect them.

Environment

The AEMC's core business revolves around knowledge – reviews and the development of rules. As a result, we have 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:

- purchasing of office equipment with powersave 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 recycling programs.

Engagement

We depend on the insights and views of our stakeholders to help inform our thinking and challenge our proposals for reform. Continuous dialogue is one of our key commitments.

Building meaningful dialogue

With community concern so high in relation to energy affordability the AEMC's stakeholder engagement was extended considerably in the year under review to address diverse views on the future course of electricity and natural gas market development.

Effectively engaging with people and organisations who have an interest in Australia's energy market provides valuable input to rule making and the provision of strategic advice to governments. In addition, the exchange of information and engagement with people of different perspectives makes it possible for everyone to contribute more effectively to energy market debates.

The role of consumer engagement in energy regulation was very relevant to a number of our projects this year. Stakeholders value timely and reliable information about consumer perspectives on the future course of energy policy and market activity and we look forward to being part of new approaches to ensure that consumer voices are properly heard.

Our work program this year included the Power of Choice review – a major investigation into ways for consumers to have more control over the way they access electricity and the prices they pay and a series of reviews explored the level of reliability consumers are prepared to trade for lower prices.

The Power of Choice review in particular engaged deeply with consumers and their representatives. This growing commitment to providing more opportunities for debate and discussion was reflected in the conduct of the economic regulation of network rule changes which held a series of consumer forums across Australia to focus attention on specific issues facing small energy users.

Engagement activities in 2012-2013

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

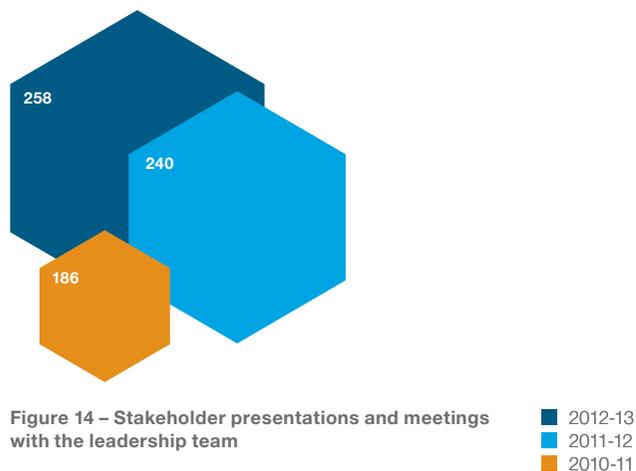


Figure 14 – Stakeholder presentations and meetings with the leadership team

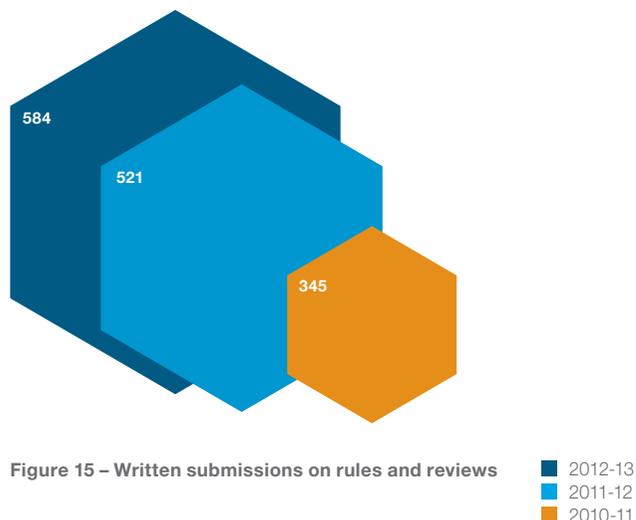


Figure 15 – Written submissions on rules and reviews

Table 6 How we engage with stakeholders

Stakeholder	AEMC engagement
Standing Council on Energy and Resources	We report regularly to federal, state and territory energy ministers in relation to our work program and emerging issues for gas and electricity markets.
Jurisdictional governments, their departments and regulators	We hold regular briefings with federal, state and territory officials who provide support to SCER energy ministers on stakeholder views and energy sector issues and development. We engage with other government bodies as appropriate.
Governance framework agencies (AEMO and AER)	The AEMC Commissioners and senior management conduct regular leadership team briefings with the Australian Energy Regulator and with AEMO's board and senior management team.
Energy market participants	Most submissions to our reviews and rule change projects are made to us by energy market participants and formal discussion is conducted around individual rules and reviews. In 2012 we significantly raised the level of informal conversations with market participants and their industry associations.
Consumer representatives	We regularly participate in meetings of the National Consumers' Roundtable on Energy which comprises small end-user groups actively engaged in national electricity and gas markets issues. We are gradually expanding our engagement with jurisdictional energy ombudsmen and other consumer advocates; and considering growing numbers of submissions from consumer groups in relation to rules and reviews projects.

AEMC Stakeholder Research: Key Findings 2013

We commissioned GA Research to conduct a stakeholder perceptions study which is being used to inform the AEMC's business and communications plans and priorities. There were two phases to the research:

- Qualitative: in-depth interviews with 41 senior stakeholders across the energy sector conducted between February and April 2013; and
- Quantitative: an online survey of n=270 respondents from AEMC's broader stakeholder contact database conducted in April and May 2013.

Overview

Survey respondents said we were a professional and competent organisation which has settled into its remit and is doing a good job in a complex area with limited resources. The AEMC was described as independent and collaborative.

While participants had a positive opinion of the AEMC they also offered a range of suggestions on how we could further improve our consultation, communications and staffing.

Many believed the Commission was the most appropriate organisation to fulfill the growing need for development of a research-based long term vision for energy markets.

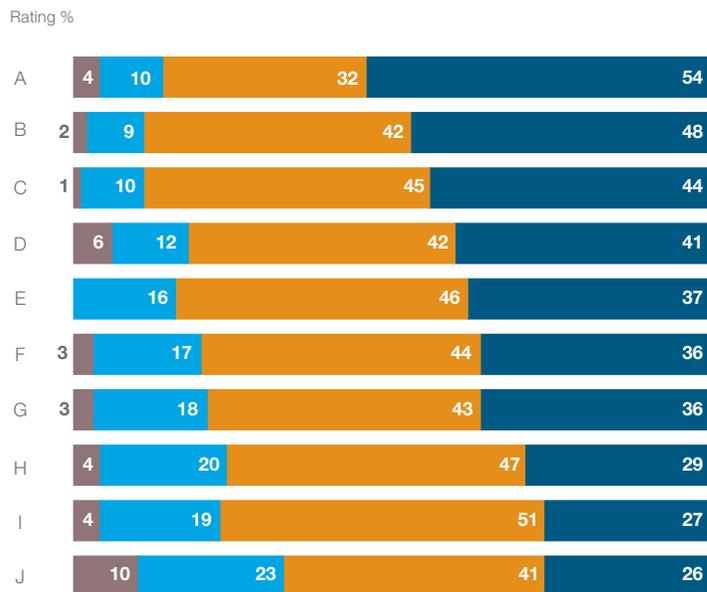
Qualitative interviews indicated that perceptions of the AEMC have improved since 2009 and that expectations of the organisation have risen over time as we prove ourselves capable of doing more.

Since 2009 the rating for AEMC trustworthiness remains an ongoing strength. Quality of reporting has seen some improvement and perception of 'clear articulation of the reasons behind its positions' is relatively unchanged. Reporting quality and a level of open mindedness have seen improvement but measures of approachability and timely processing of rule changes performed less well.

Figure 16
Ratings of the AEMC's performance

On a scale of 0 to 10 where 0 is extremely poor and 10 is excellent how would you rate the AEMC in the following areas?

- | | | |
|---|--|---------------------|
| A . Trustworthiness | G . Reflecting consideration of stakeholder feedback in decisions | ■ Don't know/Unsure |
| B . Stakeholder consultation | H . Being prepared to listen with an open mind | ■ Rating 0-4 |
| C . Quality of reports | I . Ability to apply technical knowledge to realities of energy market | ■ Rating 5-7 |
| D . Approachability | J . Processing rule changes at the appropriate time | ■ Rating 8-10 |
| E . Clear articulation of reasons behind AEMC positions | | |
| F . Having a long-term strategic view | | |



The quantitative online survey revealed an 87% overall satisfaction level with 33% of respondents strongly supportive (advocates); 54% satisfied; and 10% with negative perceptions.

Positives

In summary, the AEMC's key strengths are described in the following terms:

- It has matured and is trustworthy;
- Its stakeholder consultation is effective;
- Its robust and transparent processes give confidence;
- Its Commissioners are high quality;
- The AEMC's deep understanding of the NEM means it gives good advice;
- Its staff are talented, competent and open-minded; and communicate well.

Areas for improvement

The main concerns participants had about the AEMC were the:

- Timeliness of its processes;
- A desire to see the organisation do more market development work; and educate stakeholders and the general community about energy issues;
- The need to facilitate more consumer participation in our work program;
- The need for an increased focus on the gas sector;
- A desire for more informal consultation;
- A clear explanation of the rationale behind all the decisions it makes;

Nearly half of stakeholders surveyed rated the AEMC at 8-10 out of 10 on the performance attributes of trustworthiness, stakeholder consultation and quality of reports. The average ratings on each of these measures were all above 7 out of 10.

While trust and reporting quality were tested in the 2009 study, stakeholder consultation was a new addition in 2013. Just under half the sample (48%) rate AEMC engagement as 8-10 out of 10.

At 23% the 0-4 ratings for performance in 'processing rule changes at the appropriate time' are concerning and we are looking at options to address this.

Around one in five stakeholders rated the AEMC as 0-4 out of 10 for 'reflecting consideration of stakeholder feedback in decision-making', 'being prepared to listen with an easy mind' and 'applying technical knowledge to the realities of the market.'

Responding to stakeholder survey results

While we are pleased with the overall positive response of stakeholders to our recent performance we are paying close attention to areas of improvement identified by research results. We pursue continuing improvement across our operations and communications. Most recently this has included strategies to improve our interaction with representatives of end use consumers; and bringing people together to understand each other's perspectives. The Power of Choice Review trialled some new approaches including nationwide forums and in-depth consultation which is now a model for wider AEMC engagement. We will soon start publishing an AEMC newsletter.

Engagement and Communications

The 2013 stakeholder survey showed our communication and engagement strategies were largely seen as effective at all levels. The website, reports and determinations and direct contact were seen as the most valuable communications channels, as were the weekly email updates.

The Commissioners were seen as accessible and approachable.

On the whole, stakeholders said AEMC reports were well written and, given the complexity of many of the topics, used simple language. Executive summaries in documents were particularly well regarded.

There was a request for more informal consultation and an expectation the AEMC would start doing a lot more work with consumer groups and gas stakeholders.

584

written submissions on
rules and reviews

31

formal stakeholder
forums and working
group sessions

International Confederation of Energy Regulators (ICER)

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

ICER's aim is to improve policy makers' awareness and understanding of energy regulation and its role in addressing a wide spectrum of socio-economic, environmental and market issues. It also supports developing nations in their efforts to establish electricity markets and address issues in relation to the alleviation of energy poverty. Approximately 2 billion people do not have access to electricity or gas and the implementation of network based systems for many nations is not a viable solution.

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

People

52%

employee positions held by women

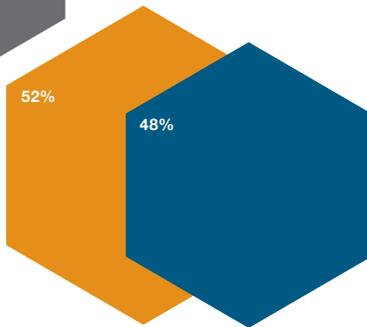


Figure 17 – Employees by gender

- Male 32
- Female 35

AEMC people are committed to developing efficient energy markets which operate reliably and cost-effectively in the long term interests of Australian energy consumers. Our expert team conducts independent research which is the foundation of our rule making and impartial advice to governments.

Recruitment

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

Building capabilities

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

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

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

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

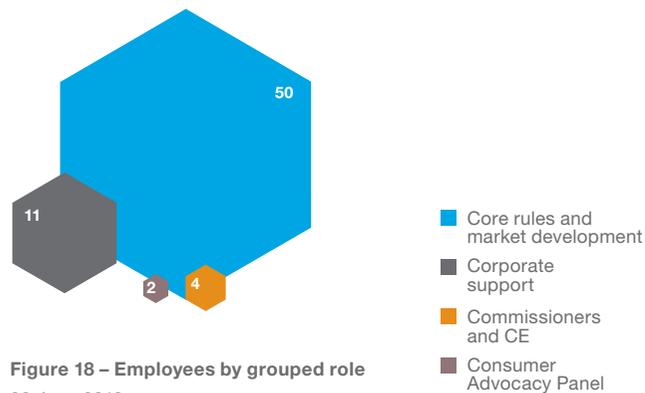


Figure 18 – Employees by grouped role
30 June 2013

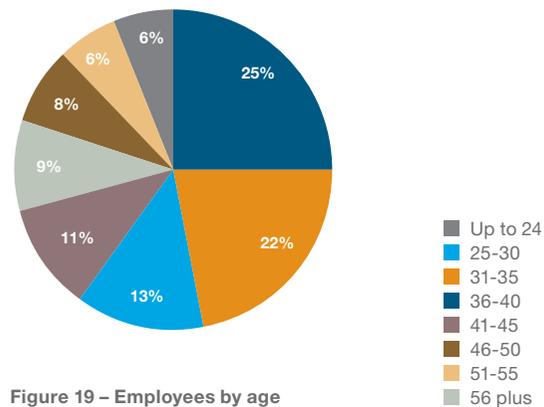


Figure 19 – Employees by age
(including Commissioners and SMT)
June 2013

Developing new talent

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

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

During the year in review we have successfully completed our first Graduate Adviser rotational program with the Graduate Adviser being promoted into an Adviser role. In the coming year we will be looking to commence the rotational program again.

Equal Opportunity

Our commitment to diversity is demonstrated by our 52 per cent representation of women in our workforce as well as the diversity in the backgrounds of our staff. This is reflected in our senior management team where three of the seven leaders are women.

Health and safety

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

Wellbeing

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

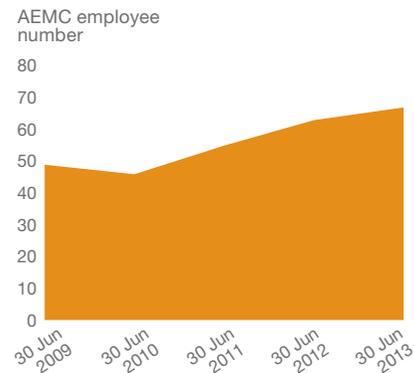


Figure 20 – Employees – total number

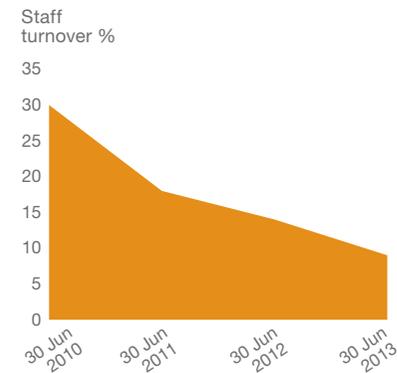


Figure 21 – Staff turnover
Target 11%-19% Balancing retention of corporate knowledge with infusion of new ideas.
30 June 2010 – 30 June 2013



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Financial performance

Annual financial statements

For the year ended 30 June 2013

Australian Energy Market Commission
ABN 49 236 270 144

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

9th Floor
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chairperson Australian Energy Market Commission

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 26(2) of the *Australian Energy Market Commission Act 2004*, I have audited the accompanying financial report of the Australian Energy Market Commission for the financial year ended 30 June 2013. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2013
- a Statement of Financial Position as at 30 June 2013
- a Statement of Changes in Equity for the year ended 30 June 2013
- a Statement of Cash Flows for the year ended 30 June 2013
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2013
- a Statement of Administered Financial Position as at 30 June 2013
- a Statement of Administered Changes in Equity for the year ended 30 June 2013
- a Statement of Administered Cash Flows for the year ended 30 June 2013
- notes, comprising a summary of significant accounting policies and other explanatory information for administered items
- a Certificate from the Chairperson, Chief Executive and Finance and Risk Manager.

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Australian Energy Market Commission as at 30 June 2013, 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
30 September 2013

Certification of the Financial Statements

Australian Energy Market Commission Financial Statements for the year ended 30 June 2013

Certification of the Financial Statements

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

- comply with relevant Treasurer’s instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Commission; and
- present a true and fair view of the financial position of the Commission as at 30 June 2013 and the results of its operations and cash flows for the financial year.

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

.....


Paul Smith
Chief Executive

.....


Laurie Treloar FCPA
Finance & Risk Manager

.....


John Pierce
Chairperson

.....
18 September 2013

Statement of Comprehensive Income

For the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Expenses			
Employee benefits expenses	5	10,042	9,083
Supplies and services	6	7,118	7,790
Depreciation and amortisation expense	7	796	726
Grants	8	76	72
Net loss on disposal/write-off of non-current assets	10	17	19
Total expenses		18,049	17,690
Income			
Interest revenues	11	328	315
Other revenues	12	292	779
Total income		620	1,094
Net cost of providing services		(17,429)	(16,596)
Revenues from Government			
Contributions from participating jurisdictions	13	19,607	19,258
Net result		2,178	2,662
Total comprehensive result		2,178	2,662

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 2013

	Note	2013 \$'000	2012 \$'000
Current assets			
Cash and cash equivalents	14	11,010	7,775
Receivables	15	4,764	5,297
Deferred rent incentive	21	28	–
Total current assets		15,802	13,072
Non-current assets			
Property, plant and equipment	16	356	530
Intangible assets	17	816	1,336
Total non-current assets		1,172	1,866
Total assets		16,974	14,938
Current liabilities			
Payables	18	519	872
Employee benefits	19	614	432
Total current liabilities		1,133	1,304
Non-current liabilities			
Payables	18	59	55
Employee benefits	19	368	323
Provisions	20	–	20
Total non-current liabilities		427	398
Total liabilities		1,560	1,702
Net Assets		15,414	13,236
Equity			
Retained earnings		13,397	11,219
Working capital		2,017	2,017
Total Equity	22	15,414	13,236

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 2013

	Note	Working capital \$'000	Retained earnings \$'000	Total Equitys \$'000
Balance at 30 June 2011		2,017	8,557	10,574
Net result for 2011-12		–	2,662	2,662
Total Comprehensive Result for 2011-12		–	2,662	2,662
Balance at 30 June 2012		2,017	11,219	13,236
Net result for 2012-13		–	2,178	2,178
Total Comprehensive Result for 2012-13		–	2,178	2,178
Balance at 30 June 2013		2,017	13,397	15,414

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 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefit payments		(9,757)	(8,756)
Payments for supplies and services		(8,314)	(8,892)
Payments of grants		(76)	(72)
GST paid to the ATO		(26)	(20)
Payments for paid parental leave scheme		(11)	–
Cash used in operations		(18,184)	(17,740)
Cash inflows			
Receipts from participating jurisdictions		20,263	19,474
Other receipts		724	387
Interest received		327	313
GST recovered from the ATO		246	178
Receipts for paid parental leave scheme		11	–
Cash generated from operations		21,571	20,352
Net cash provided by operating activities	26(b)	3,387	2,612
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(65)	(332)
Purchase of intangibles		(87)	(230)
Cash used in investing activities		(152)	(562)
Cash inflows			
Proceeds from the sale of property, plant and equipment		–	2
Cash generated from investing activities		–	2
Net cash used in investing activities		(152)	(560)
Net increase in cash and cash equivalents		3,235	2,052
Cash and cash equivalents at the beginning of the period		7,775	5,723
Cash and cash equivalents at the end of the period	26(a)	11,010	7,775

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

Notes to & forming part of the Financial Statements

For the year ended 30 June 2012

1 Objectives of the Australian Energy Market Commission

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

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

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

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 comply with South Australian Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Commission has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity. Australian Accounting Standards and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Commission for the reporting period ended 30 June 2013.

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 are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - i) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
 - ii) expenses incurred as a result of engaging consultants (refer Note 6);
 - iii) employee targeted voluntary separation package information;
 - iv) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees (refer Note 5); and
 - v) commissioner and committee member and remuneration information, where a member is entitled to receive income other than a direct out-of-pocket reimbursement (refer Note 25).

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

c) Reporting entity

The Commission's financial statements include the administered activities of the Consumer Advocacy Panel.

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

As these administered items are insignificant in relation to the Commission's overall financial performance and position, they are disclosed in separate administered financial statements. Except as otherwise disclosed administered items are accounted for on the same basis and using the same accounting policies as the Commission.

d) Comparative information

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

e) Rounding

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

f) Taxation

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

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

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

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

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

g) Events after the reporting period

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

Note disclosure is made about events between 30 June 2013 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2013 and which may have a material impact on the results of subsequent years. Refer to Note 28.

h) Income

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

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

The following are specific recognition criteria:

Contributions received from participating jurisdictions

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

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

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

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

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

i) Expenses

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

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

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

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

Depreciation and amortisation

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

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

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

Class of Assets	Useful Life (years)
Plant and Equipment	5-20
Intangibles	3-7
IT Infrastructure	3-5

Net gain / loss on disposal of non-current assets

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

j) Current and non-current classification

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

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

k) Assets

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

Cash and cash equivalents

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

Cash is measured at nominal value.

Receivables

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

Non-current assets

Acquisition and recognition

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

Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. No revaluation was performed for the year ended 30 June 2013 as the Commission did not have non-current assets which met the revaluation criteria.

Impairment

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

Intangible assets

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

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

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

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, GST payable, employment on-costs and Paid Parental Leave Scheme payable.

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

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

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

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

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

Operating leases

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

Lease incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

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

Employee benefits

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

Salaries, wages, annual leave and sick leave

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

The annual leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid. 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.

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 2013 on Commonwealth Government bonds that have maturity dates approximating the terms of the Commission's obligations.

Provisions

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

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

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 did not voluntarily change any of its accounting policies during 2012-13. 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 ended 30 June 2013. The Commission has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

4 Economic dependency

The continued existence of the Commission in its present form is dependent on Government policy in each of the National Electricity Market jurisdictions who fund the Commission and the Commonwealth Government. To assist with revenue certainty, in January 2013 the Standing Council on Energy and Resources (SCER) advised of the approval of funding of \$19.2m for 2013-14, \$20.0m for 2014-15, \$21.3m for 2015-16 and \$22.2m for 2016-17.

5 Employee benefit expenses

	2013 \$'000	2012 \$'000
Salaries and wages	7,947	7,205
Long service leave	193	203
Annual leave	699	623
Employment on-costs – superannuation	708	609
Payroll and Fringe Benefits Tax	486	438
Relocation expenses	9	5
Total employee benefit expenses	10,042	9,083

There were an additional 4.3 full time equivalent employees in 2013. Employees are appointed under common law contracts and are not employees under the South Australian *Public Sector Management Act 1994*, which was superseded by the *Public Sector Act 2009* on 1 February 2011. Commissioners are appointed by the Governor of South Australia on the recommendation of the Minister following nomination by the Ministerial Council on Energy or the Commonwealth as appropriate in accordance with the *Australian Energy Market Establishment Act 2004*.

Remuneration disclosures for employees below are in accordance with the Model Financial Statements for the South Australian Government for the year ended 30 June 2013.

Remuneration of employees	2013 No.	2012 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$134,000 – \$137,999*	1	5
\$138,000 – \$147,999	6	2
\$148,000 – \$157,999	3	4
\$158,000 – \$167,999	2	2
\$168,000 – \$177,999	5	3
\$178,000 – \$187,999	2	2
\$188,000 – \$197,999	3	2
\$198,000 – \$207,999	1	2
\$208,000 – \$217,999	1	1
\$218,000 – \$227,999	1	–
\$228,000 – \$237,999	–	2
\$248,000 – \$257,999	1	–
\$258,000 – \$267,999	1	2
\$378,000 – \$387,999	1	1
Total number of employees	28	28

* This band has been included for the purposes of reporting comparative figures based on the South Australian Government executive base level remuneration rate for 2011-12.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year, as established by the South Australia Department of Treasury and Finance.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$5,129,000 (2012: \$5,277,000). Commissioners' remuneration is disclosed in Note 25.

6 Supplies and services

	2013 \$'000	2012 \$'000
Property expenses	762	647
Information technology expenses	523	439
Accounting and audit expenses	122	190
Legal expenses	64	21
Project contractor and consultancy expenses*	3,584	4,240
Other contractor and consultancy expenses	729	773
General administration expenses	326	307
Project administration expenses*	164	203
Travel and accommodation expenses	363	428
Recruitment expenses	99	61
Staff training expenses	243	352
Other staff related expenses	139	129
Total supplies and services	7,118	7,790

* 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:	2013		2012	
	No.	\$'000	No.	\$'000
Below \$10,000	2	10	1	9
\$10,000 to \$50,000	6	188	8	204
Above \$50,000	15	1,872	21	3,410
Total paid/payable to the consultants engaged	23	2,070	30	3,623

7 Depreciation and amortisation expense

	2013 \$'000	2012 \$'000
Depreciation		
Plant and equipment	27	24
IT Infrastructure	167	99
Total depreciation	194	123
Amortisation		
Leasehold improvements	3	3
Intangibles	599	600
Total amortisation	602	603
Total depreciation and amortisation	796	726

8 Grants

	2013 \$'000	2012 \$'000
Consumer Advocacy Panel grants	76	72
Total grants	76	72

The Commission is responsible for providing the Panel with grant funding that relates to Western Australia 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. The 2013 grant amount comprises Western Australia and Northern Territory gas advocacy funding for the last three quarters of 2012-13 and the first quarter of 2013-14.

9 Auditor's Remuneration

	2013 \$'000	2012 \$'000
Audit fees paid/payable to the SA Auditor-General's Department relating to the audit of financial statements*	29	28
Total audit fees	29	28

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

Other Services

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

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

	2013 \$'000	2012 \$'000
Plant and equipment		
Net book value of assets disposed/written off	(12)	(1)
Net loss from disposal/write-off of plant and equipment	(12)	(1)
IT infrastructure		
Proceeds from disposal	–	2
Net book value of assets disposed/written off	–	(12)
Net loss from disposal/write-off of IT infrastructure	–	(10)
Leasehold improvements		
Net book value of assets disposed/written off	(5)	–
Net loss from disposal/write-off of leasehold improvement	(5)	–
Computer software		
Net book value of assets disposed/written off	–	(8)
Net loss from disposal/write-off of computer software	–	(8)
Total assets		
Total proceeds from disposal	–	2
Total net value of assets disposed/written off	(17)	(21)
Total net loss on disposal/write-off of assets	(17)	(19)

11 Interest revenue

	2013 \$'000	2012 \$'000
Interest earned on bank accounts	328	315
Total interest revenues	328	315

12 Other revenues

	2013 \$'000	2012 \$'000
Recoveries from the Consumer Advocacy Panel*	292	265
Recoveries of project costs from jurisdiction	–	514
Total other revenues	292	779

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

13 Contributions from participating jurisdictions

	2013 \$'000	2012 \$'000
Operational funding	19,607	19,258
Total contributions from participating jurisdictions	19,607	19,258

All contributions, with the exception of those received from the Victorian government, are treated as contributions covered by an appropriation. Contributions covered by an appropriation are not subject to the payment of GST. Contributions received from the Victorian government totalled \$5,366,000 (2012: \$5,418,000).

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 and Territories. The above contributions include \$76,000 (2012: \$72,000) funding received by the Commission for the Consumer Advocacy Panel. Refer to Note 8 for more details.

14 Cash and cash equivalents

	2013 \$'000	2012 \$'000
Cash at bank and on hand	11,010	7,775
Total cash and cash equivalents	11,010	7,775

Interest rate risk

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

15 Receivables

	2013 \$'000	2012 \$'000
Funding receivable	4,424	4,539
Interest receivable	26	25
Prepayments	202	154
GST input tax recoverable	37	173
Other receivables	75	406
Total receivables	4,764	5,297

Allowance for doubtful debts

As at 30 June 2013, there was no objective evidence that a receivable was impaired. Therefore the Commission has not recognised any allowance for doubtful debts.

Interest rate and credit risk

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

16 Property, Plant and Equipment

	2013 \$'000	2012 \$'000
Plant and Equipment, at cost (deemed fair value)	157	201
Accumulated depreciation, at the end of the period	(94)	(99)
Total plant and equipment	63	102
IT Infrastructure, at cost (deemed fair value)	595	527
Accumulated depreciation, at the end of the period	(302)	(135)
Total IT infrastructure	293	392
Leasehold improvements (deemed fair value)	–	20
Accumulated amortisation, at the end of the period	–	(12)
Total leasehold improvements	–	8
Total work in progress	–	28
Total property, plant and equipment	356	530
Work in progress		
Carrying amount at beginning of the period	28	216
Additions to work in progress	6	281
Transfers out of work in progress	(34)	(421)
Work in progress adjustments	–	(48)
Carrying amount at the end of the period	–	28

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2013.

Reconciliation of non-current assets

The following table shows the movement of non-current assets during 2012-13.

	2013 \$'000	2012 \$'000
Plant and Equipment		
Carrying amount at beginning of the period	102	93
Acquisitions	–	34
Disposals/write-offs	(12)	(1)
Depreciation	(27)	(24)
Carrying amount at the end of the period	63	102
IT Infrastructure		
Carrying amount at beginning of the period	392	65
Acquisitions	34	17
Disposals/write-offs	–	(12)
Transfers in from work in progress	34	421
Depreciation	(167)	(99)
Carrying amount at the end of the period	293	392
Leasehold improvements		
Carrying amount at beginning of the period	8	11
Disposals/write-offs	(5)	–
Amortisation	(3)	(3)
Carrying amount at the end of the period	–	8

17 Intangible assets

	2013 \$'000	2012 \$'000
Computer software	2,964	2,964
Accumulated amortisation	(2,227)	(1,628)
Work in progress	79	–
Total computer software	816	1,336
Reconciliation of computer software		
Carrying amount at beginning of the period	1,336	1,714
Acquisitions	–	230
Disposals/ write-offs	–	(8)
Amortisation	(599)	(600)
Carrying amount at the end of the period	737	1,336
Work in progress	79	–
Total computer software	816	1,336

The internally developed computer software relates mainly to the Commission's Electronic publishing system with a remaining useful life of 2 years and carrying amount of \$441,000.

	2013 \$'000	2012 \$'000
Work in progress		
Additions to work in progress	79	–
Carrying amount at the end of the period	79	–

Impairment

There were no indications of impairment on intangible assets at 30 June 2013.

18 Payables

	2013 \$'000	2012 \$'000
Current		
Creditors	215	586
Accrued expenses	132	152
Employment on-costs	172	134
Total current payables	519	872
Non-Current		
Employment on-costs	59	55
Total non-current payables	59	55
Total payables	578	927

Interest rate and credit risk

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

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

19 Employee benefits

	2013 \$'000	2012 \$'000
Current		
Annual leave	500	423
Long Service Leave	114	–
Accrued salaries and wages	–	9
Total current employee benefits	614	432
Non-current		
Long service leave	368	323
Total non-current employee benefits	368	323
Total employee benefits	982	755

AASB 119 contains the calculation methodology for long service leave liability. This year, the actuarial assessment performed by the South Australian Department of Treasury and Finance has provided a set level of liability rather than a benchmark for the measurement of long service leave. The effect of the change relating to the current period is immaterial.

20 Provisions

	2013 \$'000	2012 \$'000
Non-current		
Provision for make good	–	20
Total non-current provisions	–	20
Reconciliation of provision for make good		
Carrying amount at the beginning of the period	20	20
Write off provision	(20)	–
Carrying amount at end of the period	–	20

21 Deferred rent incentive

	2013 \$'000	2012 \$'000
Current		
Deferred rent incentive	28	–
Total other current assets	28	–

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

22 Equity

	2013 \$'000	2012 \$'000
Working Capital		
New South Wales	750	750
Victoria	556	556
Queensland	432	432
South Australia	173	173
Tasmania	54	54
Australian Capital Territory	36	36
Western Australia	14	14
Northern Territory	2	2
Total working capital	2,017	2,017
Retained earnings	13,397	11,219
Total Equity	15,414	13,236

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.

23 Unrecognised contractual commitments

Capital commitments	2013 \$'000	2012 \$'000
Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:		
Within one year	16	–
Total capital commitments	16	–

The Commissions capital commitments are for website development.

Expenditure commitments – Remuneration	2013 \$'000	2012 \$'000
Commitments for the payment of salaries and other remuneration under fixed term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1,112	1,258
Later than one year but not longer than five years	652	1,575
Total remuneration commitments	1,764	2,833

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

Expenditure commitments – other	2013 \$'000	2012 \$'000
Within one year	1,014	1,598
Later than one year but not longer than five years	95	316
Total commitments – other	1,109	1,914

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

Operating lease commitments	2013 \$'000	2012 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases, are payable as follows:		
Within one year	929	552
More than one year but not later than five years	4,336	672
Later than five years	3,654	–
Total operating lease commitments	8,919	1,224
Representing		
Non-cancellable operating leases	8,919	1,224
Total operating lease commitments	8,919	1,224

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

24 Contingent assets and liabilities

A contingent liability to make good the premises at the end of the new accommodation lease has been estimated at \$784,000. This estimate will be finalised in 2014 and expensed when the building works have been completed.

25 Remuneration of Commissioners and Committee Members

Members who held office during the reporting period were:

Commissioners

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

Audit Committee

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

Reliability Panel

Neville Henderson (appointed 3 November 2009)

The number of Commissioners and Committee members whose remuneration received or receivable falls within the following bands:	2013 No.	2012 No.
\$0 – \$9,999	1	1
\$160,000 – \$169,999	1	1
\$190,000 – \$199,999	1	1
\$530,000 – \$539,999	1	1
Total number of Commissioners and Committee members	4	4

Remuneration of Commissioners reflects all costs of performing Commission/committee member duties including sitting fees, salaries and wages, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by Commissioners and Committee members for the year was \$898,000 (2012: \$902,000).

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

26 Statement of Cash flow reconciliation

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

	2013 \$'000	2012 \$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	11,010	7,775
Balance as per the Statement of Cash Flows	11,010	7,775

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

	2013 \$'000	2012 \$'000
Net cash provided by operating activities	3,387	2,612
Contributions from participating jurisdictions	(19,607)	(19,258)
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(796)	(726)
Net loss on disposal/write-off of non-current assets	(17)	(19)
Work in progress adjustments	(33)	(48)
Movement in assets and liabilities		
Increase/(decrease) in receivables	(533)	852
(Increase)/decrease in payables	349	161
(Increase)/decrease in employee benefits	(227)	(282)
(Increase)/decrease in provisions	20	-
(Increase)/decrease in other liabilities	28	112
Net cost of providing services	(17,429)	(16,596)

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

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

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

Category of financial assets and liabilities	Statement of Financial Position	Note	Carrying amount 2012 \$'000	Fair value 2012 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	14	7,775	7,775
Loans and receivables	Receivables ^{(1), (2)}	15	4,970	4,970
Total financial assets			12,745	12,745
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	18	658	658
Total financial liabilities at cost			658	658

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

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

Credit risk

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

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

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

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

Ageing analysis of financial assets

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

	Overdue for <30 days \$'000	Past due by Overdue for 30 – 60 days \$'000	Overdue for >60 days \$'000	Total \$'000
2013				
Not impaired				
Receivables	4,492	33	–	4,525
2012				
Not impaired				
Receivables*	4,768	202	–	4,970

* Restated to include jurisdiction receivable. No effect on financial accounts.

Maturity analysis of financial assets and liabilities

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

2013	Carrying Amount \$'000	Less than 1 year \$'000	1 – 5 years \$'000
Financial assets			
Cash and cash equivalent	11,010	11,010	–
Receivables	4,525	4,525	–
Total financial assets	15,535	15,535	–
Financial liabilities			
Payables	295	295	–
Total financial liabilities	295	295	–
2012			
Financial assets			
Cash and cash equivalent	7,775	7,775	–
Receivables	4,970	4,970	–
Total financial assets	12,745	12,745	–
Financial liabilities			
Payables	658	658	–
Total financial liabilities	658	658	–

Liquidity risk

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

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

Market risk

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

Sensitivity disclosure analysis

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

28 Events after reporting period

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

Administered Financial Statements

For the year ended 30 June 2013

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- 69 Statement of Administered Cash Flows
- 70 Notes to the Administered Financial Statements

Certification of the Administered Financial Statements

Australian Energy Market Commission Administered Financial Statements for the year ended 30 June 2013

Certification of the Administered Financial Statements

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

- comply with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Panel; and
- present a true and fair view of the financial position of the Panel as at 30 June 2013 and the results of its operations and cash flows for the financial year.

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



.....
Kerry Connors
Executive Director



.....
Laurie Treloar FCPA
Finance & Risk Manager



.....
Catherine Cooper
A/Chair

.....
11/9/2013

September 2013

Statement of Administered Comprehensive Income

For the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Administered expenses			
Remuneration of the Consumer Advocacy Panel	A10	78	60
Administration expenses		310	334
Depreciation and amortisation expense		1	–
Evaluation expenses		5	75
Grant expenses		2,563	2,226
Total administered expenses		2,957	2,695
Administered income			
Grant revenues	A4	2,853	2,716
Interest revenues		71	95
Total administered income		2,924	2,811
Net Result and total comprehensive result		(33)	116

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

Statement of Administered Financial Position

As at 30 June 2013

	Note	2013 \$'000	2012 \$'000
Administered current assets			
Cash and cash equivalents	A5	2,560	2,398
Receivables	A6	384	316
Total current assets		2,944	2,714
Administered non-current assets			
Intangible assets	A7	9	–
Total non-current assets		9	–
Total assets		2,953	2,714
Administered Current liabilities			
Payables	A8	603	331
Total current liabilities		603	331
Total liabilities		603	331
Net Assets		2,350	2,383
Administered Equity			
Retained earnings		2,350	2,383
Total equity		2,350	2,383
Unrecognised contractual commitments	A9		

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

Statement of Administered Changes in Equity

For the year ended 30 June 2013

	Note	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2011		2,267	2,267
Net result for 2011-12		116	116
Total comprehensive result for 2011-12		116	116
Balance at 30 June 2012		2,383	2,383
Net result for 2012-13		(33)	(33)
Total comprehensive result for 2012-13		(33)	(33)
Balance at 30 June 2013		2,350	2,350

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

Statement of Administered Cash Flows

For the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Cash outflows			
Payments for suppliers and employees		(609)	(782)
Payment of grants and subsidies		(2,768)	(2,417)
GST paid to the ATO		(20)	(57)
Cash used in operations		(3,397)	(3,256)
Cash inflows			
Receipts from AEMO and the Commission		3,449	3,161
Interest received		74	96
GST recovered from the ATO		46	48
Cash generated from operations		3,569	3,305
Net cash provided by operating activities	A11 (b)	172	49
Cash flows from investing activities			
Cash outflows			
Payments for intangibles		(10)	–
Cash used in investing activities		(10)	–
Net increase in cash and cash equivalents		162	49
Cash and cash equivalents at the beginning of the period		2,398	2,349
Cash and cash equivalents at the end of the period	A11 (a)	2,560	2,398

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

Notes to the Administered Financial Statements

For the year ended 30 June 2013

A1 Objectives of the AEMC's administered activities

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

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

The Panel has the following key functions under the Act:

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

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

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

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

A2 Summary of significant accounting policies

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

Grant Income

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

Interest revenue

Interest revenue is recognised when accrued.

Grant expenses

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

Administration expenses

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

Cash and cash equivalents

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

Insurance

The Panel does not have a policy of professional indemnity insurance for its members. The Panel notes that under the Act as from 1 July 2008 members and staff of the Panel are not subject to personal liability for an act or omission in good faith in the performance actual or purported of a function or power associated with the activities of the Panel. 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 Standing Committee of Energy and Resources (SCER). The funding for the Panel for the 2013-14 year was approved by the SCER in January 2013 as follows:

- \$2,425,000 for the electricity component funded by AEMO.
- \$718,000 for the gas component funded by AEMO and AEMC.

A4 Grant revenues

	2013 \$'000	2012 \$'000
Contributions from – AEMO	2,777	2,644
Contributions from – AEMC	76	72
Total grant revenue	2,853	2,716

A5 Cash and cash equivalents

	2013 \$'000	2012 \$'000
Cash at bank	2,560	2,398
Total cash and cash equivalents	2,560	2,398

Interest rate risk

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

A6 Receivables

	2013 \$'000	2012 \$'000
Contributions receivable*	379	289
GST input tax recoverable	–	19
Other	5	8
Total receivables	384	316

* The 2013 amount includes \$346,000 to be received from AEMO which is then payable to jurisdictions. Refer to note A8.

Allowance for doubtful debts

As at 30 June 2013, there was no objective evidence that a receivable was impaired. Therefore an allowance for doubtful debts has not been recognised.

Interest rate and credit risk

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

A7 Intangible assets

	2013 \$'000	2012 \$'000
Computer software	10	–
Accumulated amortisation	(1)	–
Total computer software	9	–
Reconciliation of computer software		
Carrying amount at beginning of the period	–	–
Additions	10	–
Disposals/ write-offs	–	–
Transfers in from work in progress	–	–
Amortisation	(1)	–
Carrying amount at the end of the period	9	–

The internally developed computer software relates to the Panel's website with a useful life of 5 years and carrying amount of \$9,000.

Impairment

There were no indications of impairment on intangible assets at 30 June 2013.

A8 Payables

	2013 \$'000	2012 \$'000
Gas and electricity grants payable	81	122
Trade creditors and accruals*	480	209
GST input tax payable	42	–
Total payables	603	331

Interest rate and credit risk

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

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

A9 Unrecognised contractual commitments

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

	2013 \$'000	2012 \$'000
Payable within 1 year	2,321	3,187
	2,321	3,187

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

A10 Remuneration of the Panel

Members that were entitled to receive remuneration for membership of the Panel during the 2012-13 year were:

Consumer Advocacy Panel

Francis Peach (Chair appointed 1 April 2009 and finished 30 November 2012)

Karen Scott (appointed 1 April 2009 and acting Chair 1 December 2012)

Bruce Connery (appointed 1 April 2009)

Catherine Cooper (appointed 1 April 2009)

Edward Russell (appointed 1 April 2009 and finished 30 November 2012)

Gordon Renouf (appointed 19 December 2012)

The number of Panel members whose remuneration received or receivable falls within the following bands:	2013 No.	2012 No.
\$0 – \$9,999	2	2
\$10,000 – \$19,999	2	3
\$20,000 – \$29,999	2	–
Total number of Panel members	6	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 \$78,000 (2012: \$60,000).

A11 Statement of Administered Cash Flow Reconciliation

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

Cash and cash equivalents reported in the:

	2013 \$'000	2012 \$'000
Cash and cash equivalents disclosed in the Statement of Administered Financial Position	2,560	2,398
Balance as per the Statement of Administered Cash Flows	2,560	2,398

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

	2013 \$'000	2012 \$'000
Net cash provided by operating activities	172	49
Non-cash items:		
Depreciation and amortisation expense	(1)	-
Movement in assets and liabilities		
Increase/(Decrease) in receivables	(278)	(24)
(Increase)/decrease in payables	74	91
Net result	(33)	116

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

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

Category of financial assets and liabilities	Statement of Financial Position	Note	Carrying amount 2012 \$'000	Fair value 2013 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	A5	2,398	2,398
Loans and receivables	Receivables ^{(1)*}	A6	297	297
Total financial assets			2,695	2,695
Financial liabilities				
Financial liabilities	Payables ^{(1)*}	A8	327	327
Total financial liabilities			327	327

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

Credit risk

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. For the year ended 30 June 2013 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

2013	Carrying amount \$'000	Less than 1 year \$'000	1 – 5 years \$'000
Financial assets			
Cash and cash equivalents	2,560	2,560	–
Receivables*	384	53	331
Total financial assets	2,944	2,613	331
Financial liabilities			
Payables	557	557	–
Total financial liabilities	557	557	–

* The amount in the 1-5 years category has been agreed to be received from AEMO in 2014-15.

2012	Carrying amount \$'000	Less than 1 year \$'000	1 – 5 years \$'000
Financial assets			
Cash and cash equivalents	2,398	2,398	–
Receivables*	297	297	–
Total financial assets	2,695	2,695	–
Financial liabilities			
Payables*	327	327	–
Total financial liabilities	327	327	–

Liquidity risk

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

Market risk

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

Sensitivity disclosure analysis

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

A13 Events after reporting period

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

Statutory reports

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- 78 Last Resort Planning Power
- 78 External Consultants
- 80 AEMO's use of Powers of Direction
- 80 Use by Registered Participants of Inspection and Testing Rights
- 81 Compliance

Statutory reports

MCE Statements of Policy Principles

In 2012-2013 there were no Statements of Policy Principles made by the Standing Council on Energy and Resources/Ministerial Council on Energy. In 2011 the Council of Australian Governments announced that it would replace the former Ministerial Council on Energy (MCE) with the new Standing Council on Energy and Resources (SCER). However, the MCE will for some time remain as the legally enduring entity which comprises the federal, state and territory ministers for energy. For this reason the MCE continues to be referenced as the entity with power to request work of the AEMC.

Last Resort Planning Power

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

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

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

The 2012 Last Resort Planning Power Review, published in December 2012, found that current arrangements are resulting in appropriate levels of interconnector investment, so the AEMC did not exercise its LRPP role.

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

External consultants

The AEMC supplements its own resources with consultants. In 2012-2013 the total amount expended was \$2,070,000.

Services provided covered a number of areas including:

- Regulatory and economic advice on a range of issues including network regulation;
- Economic and financial modeling of a range of scenarios relating to retail electricity prices;
- Analysis of consumer attitudes to energy markets participation, retail pricing and switching;
- Comparisons of approaches to issues in Australia with approaches in other countries;
- Accommodation and, telecommunications.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

Table 7 External consultants – spending bands

Number and dollar amount of consultancies that fell within the following bands:	No	2013 \$'000
Below \$10,000	2	10
Between \$10,000 and \$50,000	6	188
Between \$50,000 and \$100,000	8	596
Between \$100,000 and \$150,000	4	499
Above \$150,000	3	777
Total	23	2,070

Table 8 External consultants – project descriptions

Company	Project description
Covec Ltd	Advice on network regulation.
Economic Insights Pty Ltd	Advice on network regulation.
Littlechild Stephen	Advice on network regulation.
Farrier Swier Consulting	Advice on aspects of regulation of the Victorian Declared Wholesale Gas Market.
Energy, Consumer and Utilities Policy Consultancy	Expert advice on strategies for consumer awareness and education.
The Brattle Group	AER information gathering for network regulation.
AECOM Australia Pty Ltd	Analysis of electric and gas vehicle takeup and related issues involving market arrangements.
ACIL Tasman Pty Ltd	Advice on the impact of loss factors on the dispatch of generators and scheduled network services providers.
The Patterson Group	Office accommodation.
ROAM Consulting Pty Ltd	Modelling potential benefits of a revised transmission framework.
FTI Consulting	Advice on incentives arising from transmission access models.
Duggan Property Consultants Pty Ltd	Office accommodation search.
Seed Advisory Pty Ltd	Potential Generator Market Power in the National Electricity Market – Modelling of risk mitigation strategies.
Oakley Greenwood Pty Ltd	Expert advice on stocktake and assessment of energy efficiency measures and associated policies.
Sapere Research Group Limited	Survey and advice on retail energy competition in NSW.
Strategic Finance Group Consulting	Advice on cost of capital issues for network regulation.
Mercer	Commission facilitation; Human resources strategy audit of models.
Mandarin Media	Writing services and consumer research.
Roy Morgan Research	Survey and focus groups on retail energy competition in NSW.
GA Research	Qualitative and quantitative stakeholder research and online survey.
Frontier Economics Pty Ltd	Market modelling and advice on retail electricity price trends.
NERA Economic Consulting	Market modelling. Advice on transmission access, and planning and connections. Advice on retail energy competition in NSW. Advice on retail pricing methodology. Advice on coordinated planning framework for the NEM; review of international transmission planning requirements; review of international financial transmission rights.
PricewaterhouseCoopers (NSW)	Internal Audit.

AEMO's Use of Powers of Direction

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

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

AEMO issued one direction from 1 July 2012 to 30 June 2013 in relation to power system security under clause 4.8.9(a) of the National Electricity Rules.

AEMO directed Basslink Pty Ltd (a market network service provider operating the Basslink HVDC interconnector between Tasmania and Victoria) to turn off the Basslink frequency controller after advice that Basslink could not transfer frequency control ancillary services due to an inter-site communications failure. The direction was effective from 1040 to 1638 hours on 11 April 2013. The direction was for 'other service' and no compensation was paid.

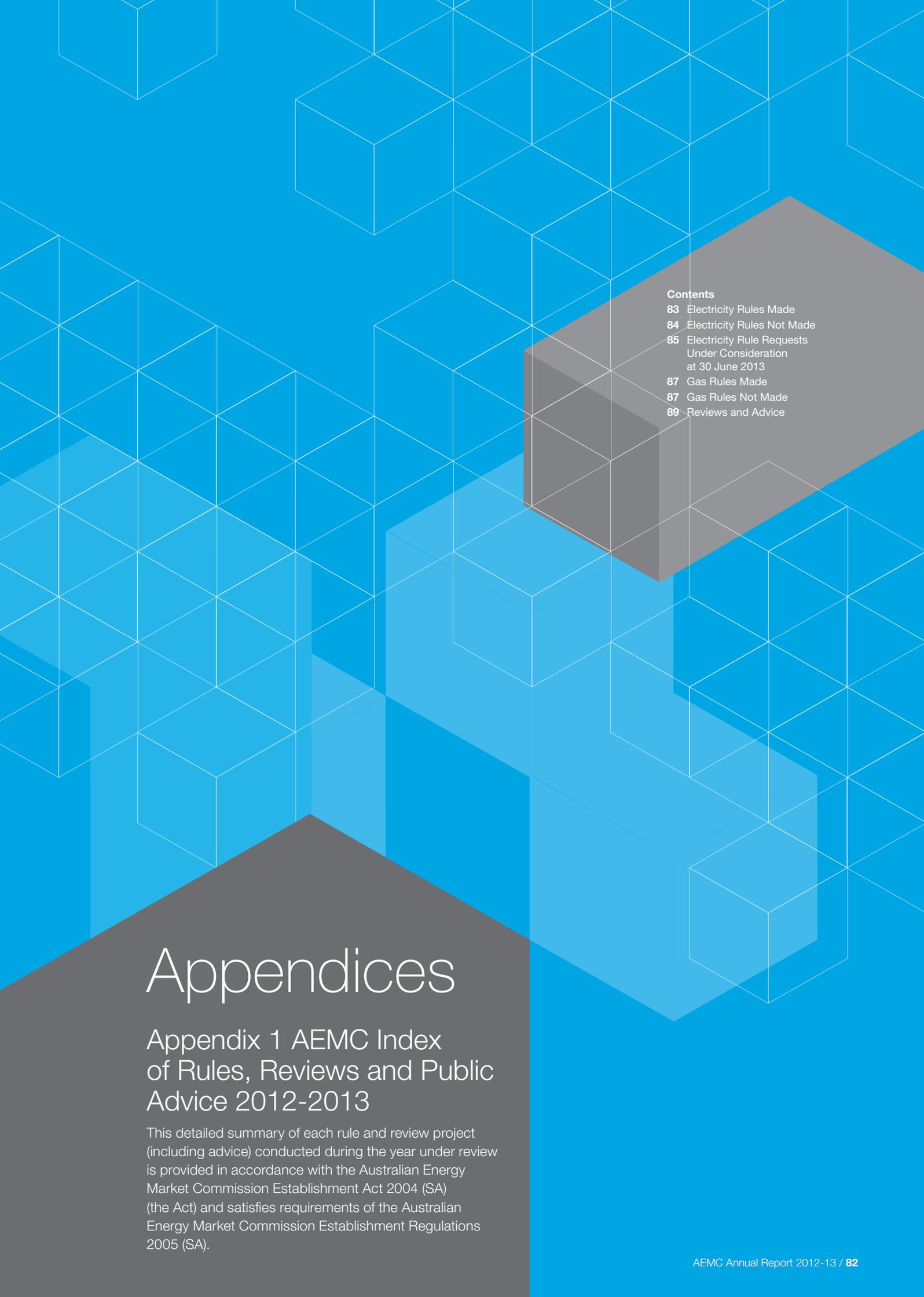
Use by Registered Participants of inspection and testing rights

From 1 July 2012 to 30 June 2013, AEMO was not informed of any inspections conducted under clause 5.7.1, or any tests conducted under clause 5.7.2 of the National Electricity Rules.

Compliance

The AEMC Annual Report 2011-2012 is prepared in accordance with the Australian Energy Market Commission Establishment Act 2004 (SA) (the Act) and satisfies the requirements of the Australian Energy Market Commission Establishment Regulations 2005 (SA). This index indicates where each of the items which the AEMC must report on is located within the report.

- 1) A report of the AEMC under section 27 of the Act must include a report on the following in respect of the financial year concerned:
 - a) the National Energy Law provisions and other legislative provisions that confer functions on the AEMC
Where covered
 - b) the AEMC's relationship to other bodies involved in the administration of National Energy Laws
p11
 - c) the membership and organisation of the AEMC
p14, 15, 16, 26-36
 - d) the AEMC's strategic plans and the relationship of the plans to objectives set out in the National Energy Laws
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 - e) the AEMC's activities and their efficiency and effectiveness
p82-96
 - f) the AEMC's financial affairs
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 - g) disclosures made by Commissioners under section 22 of the Act
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 - 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
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 - i) the extent to which external consultants have been engaged by the AEMC, the nature of the work undertaken by the consultants and the total cost to the AEMC of the consultancies
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 - j) the occupational health, safety and rehabilitation programs of the AEMC and their effectiveness
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 - k) any instances of fraud in the operations of the AEMC and the strategies implemented to prevent and control fraud
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 - l) in relation to electricity
 - I. the extent to which the operation of the Rules has met the national electricity market objective and the strategic development of the Rules to meet the national electricity market objective.
p82-96
 - II. Any statements of policy principles that have been issued by the MCE in relation to the AEMC and any directions that have been given by the MCE to the AEMC
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 - III. The Rule making activities of the AEMC under the National Electricity Law, including
 - A) requests for rules in each of the categories of jurisdictional derogations, participant derogations, non-controversial Rules and urgent Rules
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 - C) decisions of the AEMC not to proceed with requests for Rules
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Appendices

Appendix 1 AEMC Index of Rules, Reviews and Public Advice 2012-2013

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

Table 9 Electricity rules made by the AEMC in 2012-2013

ELECTRICITY RULE MADE	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT / IMPACT
Economic Regulation of Network Services	Rule 2012 No.9 (NER version 53)	29-Nov-12	29-Nov-12	AER	Standard	These rules were made to give the regulator more discretion to set network prices. Changes included an enhanced approach for setting the rate of return on capital.
Calculation of Return on Debt for Electricity Network Businesses	Rule 2012 No.9 (NER version 53)	29-Nov-12	29-Nov-12	Energy Users Rule Change Committee	Standard	They gave the AER more tools to determine efficient costs for each regulated business including new requirements for the regulator to benchmark network companies against each other and publish reports about their performance. They were considered together along with a gas request, Price and Revenue Regulation of Gas Services.
Small Generation Aggregator Framework	Rule 2012 No.8 (NER version 54)	29-Nov-12	1-Jan-13	AEMO	Standard	This rule change is a step towards reducing barriers to entry for small generators. It created a new category of market participant and gave small generation owners more options to sell their output in the market. This may lead to more efficient investment in new generation thus helping reduce the long term wholesale prices faced by consumers.
Distribution Losses in Expenditure Forecasts	Rule 2012 No.7 (NER version 54)	18-Oct-12	1-Jan-13	The Copper Development Centre	Standard	As networks carry power to customers some power is lost due to electrical resistance and heating of conductors. This rule contributed to efficient planning and investment decisions by requiring network companies to explain how the cost of distribution losses is taken into account by asset management and investment strategies.
New Prudential Standard and Framework in the National Electricity Market	Rule 2012 No.6 (NER version 52)	18-Oct-12	1-Nov-12	AEMO	Standard	In the NEM there is a delay between energy consumption and payment by retailers to generators. Companies post credit support to AEMO to cover risks of possible default on money owed. This rule set a statistical standard to determine the amount of credit support required. The rule will change the individual pattern and level of credit support provided by participants, to align more closely with the risk posed by their possible default.
Distribution Network Planning and Expansion Framework	Rule 2012 No.5 (NER version 54)	1-Jan-13	1-Jan-13	MCE	Standard	This rule sets new obligations for businesses to publish demand side engagement strategies focussed on developing alternatives to network expenditure in the NEM. It contributes to our objective for electricity services to be delivered at the lowest cost combination of efficient investment and more efficient use of existing infrastructure. The obligations are part of a package of reforms which create a NEM-wide framework for network planning and expansion – replacing current arrangements which vary across each state and territory.
Cost Pass Through Arrangements for Network Service Providers	Rule 2012 No.4 (NER version 51)	2-Aug-12	2-Aug-12	Grid Australia	Standard	These amendments enable network businesses to recover efficient costs arising from natural disasters and insurance liability limits outside their reasonable control, so that the prices for consumers are no more than necessary to provide an appropriate level of service.

ELECTRICITY RULE MADE	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT / IMPACT
Minor Rule Change 2013 – Electricity	Rule 2013 No.3 (NER version 56)	30-May-13	4-Jul-13	AEMC	Expedited	This rule corrects minor errors and makes non-material changes to the National Electricity Rules.
Changes to Normal Voltage	Rule 2013 No.2 (NER version 55)	28-Feb-13	7-Mar-13	GDF Suez (formerly International Power)	Standard	This rule seeks to improve market transparency by helping reduce potential physical and commercial risks that registered participants might face as a result of a proposed change to the normal voltage level.
Inter-regional Transmission Charging	Rule 2013 No.1 (to be consolidated into the rules after the close of this year).	28-Feb-13	1-Jul-15	MCE	Standard	<p>Before this rule consumers in the NEM only paid charges for transmission assets in their own regions. The new arrangements better reflect the benefits transmission provides in supporting energy flows between regions in the NEM. They introduce a modified load export charge which will provide the following key benefits:</p> <ul style="list-style-type: none"> • Transmission businesses will have stronger incentives to pursue efficient transmission investments in their own regions but where benefits fall in neighbouring regions (as they can recover some of the investment costs from consumers in neighbouring regions). • Prices consumers face for transmission services will be more reflective of actual costs incurred in providing those services. • Credibility of, and confidence in, regulatory arrangements is improved as costs of inter-regional transmission capacity are allocated to regions that derive benefits from such capacity.

Table 10 Determinations to not make an electricity rule change request

There were three decisions taken by the AEMC during the year to not make an electricity rule as requested by proponents.

NAME	DETERMINATION DATE	PROPONENT	REASONS
Potential Generator Market Power in the National Electricity Market	26 Apr 13	Major Energy Users Inc	The Commission determined to make no rule on this request relating to the potential exercise of market power by generators in the National Electricity Market. The AEMC recommended that SCER consider giving the AER new functions to report on whether the wholesale electricity market is operating efficiently.
Assumed Utilisation of Imputation Credits Varying Estimated Cost of Corporate Income Tax	20 Sep 12	SP AusNet and Electranet	Both proponents requested changes in how the value of the assumed utilisation of imputation credits (gamma) is calculated. Gamma is an input into the weighted average cost of capital for network businesses. The AEMC decided not to make a rule because that role is more appropriately undertaken by the AER as part of the existing rules framework.
Optimisation of Regulatory Asset Base and Use of Fully Depreciated Assets – Electricity	13 Sep 12	Major Energy Users Inc	The rule proponent did not adequately establish that the specific problems it raised justified the solution proposed. Some concerns raised by this proponent in relation to capital expenditure incentives were addressed by the AEMC's new rules made as part of the Economic Regulation of Network Services rule change package.

Table 11 Electricity rules under consideration at 30 June 2013

Eight electricity rule change requests remained under consideration at the close of the 2012-2013 year.

Six of the eight electricity rule change requests under consideration at 30 June 2013 were received during the year under review.

Two electricity rule change requests were carried forward from 2011-2012:

- Connecting Embedded Generators; and
- Negative Offers from Scheduled Network Service Providers.

ELECTRICITY RULE CHANGE REQUESTS UNDER CONSIDERATION AT 30 JUNE 2013

ELECTRICITY RULE CHANGE REQUEST	PROPONENT	INITIATED	CATEGORY	STATUS AT 30 JUNE 2012
Negative Offers From Scheduled Network Service Providers	International Power-GDF Suez Australia and Loy Yang Marketing Management Company	29 Mar 12	Standard	Preparation of draft determination. This rule request asks for the introduction of a price floor of zero on network dispatch offers by scheduled network service providers (SNSPs). This proposal is to address the rule proponents' concerns that negative offers from SNSPs can cause some generators to have an effective offer that is below the price floor. They consider this can lead to inefficient outcomes. On 5 Jul 2012 the Commission issued a notice under section 107 of the National Electricity Law to extend the time for making a draft rule determination to 7 Nov 2013. The extension was required because the rule change raises complex issues around the role of scheduled network service providers in the National Electricity Market.
Connecting Embedded Generators	Climateworks, Seed, Property Council	14 Jun 12	Standard	Consultation on draft determination. This request asks us to improve and clarify the process for connecting embedded generators to the distribution network under the rules. Small generators located in commercial buildings, shopping centres or wider environmental precincts which generate their own power from sources like gas, solar, wind or biomass are increasingly seeking to connect to distribution networks. Developments with embedded generation capacity may still need to source some power from the grid. At other times, they might choose to sell their excess electricity into the grid. The Commission has made a draft rule establishing a clear framework for embedded generation proponents to connect to a distribution network. The draft rule seeks stakeholder feedback on how best to allow the distribution network to continue adapting to change while maintaining the reliability of local power supply networks for all consumers.
Network Service Provider Expenditure Objectives	SCER	7 Feb 13	Standard	Consultation on draft determination. This request asks us to clarify the rules relating to the expenditure objectives for electricity reliability, security, quality of supply and safety. Standards for these objectives are often set by jurisdictional bodies. The rule request seeks to have standards set by jurisdictions reflected in revenue proposals submitted by network companies and in subsequent determinations on expenditure allowances made by the Australian Energy Regulator.
Changes to Cost Allocation Method	Trans Tasman Energy Group	14 Feb 13	Standard	Consultation on draft determination. This request asked for further information to be included in a Distribution Network Service Provider's cost allocation method, as well as for the Australian Energy Regulator to hold public consultation when considering a cost allocation method for approval. The request also sought to clarify the principles around access to negotiated distribution services. The Commission considers there is no underlying problem with the existing rules in the areas identified by this request and proposes not to make a rule because the request does not promote the National Electricity Objective in the long-term interests of consumers.

ELECTRICITY RULE CHANGE REQUEST	PROPONENT	INITIATED	CATEGORY	STATUS AT 30 JUNE 2012
Access to NMI Standing Data	EnergyAustralia	14 Mar 13	Standard	<p>Preparation of draft determination.</p> <p>National Metering Identifier Standing Data is the information related to a customer's connection point including the physical location and properties of a customer meter, the network tariff and consumption bands (it does not include consumption data). This request seeks to allow for the continuation of existing sales and marketing practices which requires retailers and their agents to access NMI standing data for the purpose of correctly identifying that applicable/accurate tariffs are provided to consumers.</p>
Recovery of Network Support Payments	SP Ausnet	11 Apr 13	Standard	<p>Preparation of draft determination.</p> <p>This request asks that network businesses be given greater scope to pass through the costs of network support services to consumers in order to encourage greater use of network support services. Network support services defer the need for a traditional network investment and would include connections to local embedded generators including commercial buildings which generate their own power from sources like solar, gas or wind.</p>
Publication of Zone Substation Data	NGF	26 Apr 13	Standard	<p>Consultation on request for rule change.</p> <p>This request seeks to put a new requirement on distribution network companies to annually publish historical electricity load data at the zone substation level to enable better modelling of electricity demand levels which the NGF asserts would lead to more informed, timely and efficient decision making when businesses are considering new projects, plant upgrades or plant closures.</p>
Annual Network Pricing Arrangements	Independent Pricing and Regulatory Tribunal (IPART)	6 Jun 13	Standard	<p>Consultation on request for rule change.</p> <p>This request seeks changes to how annual electricity network prices are approved and notified to address IPART's concerns that the current network pricing process leaves very little time to implement changes in retail prices arising from changes in network pricing structures and/or pricing levels. It also deals with aspects of consultation on network prices.</p>

Table 12 Gas rules made by the AEMC in 2012-2013

GAS RULE MADE	CONSOLIDATION	DATE MADE	COMMENCED	PROPONENT	CATEGORY	BENEFIT / IMPACT
Pipeline Operator Cost Recovery Process	Rule 2013 No.5 (NGR version 18)	27 Jun 13	1 Jul 13	AER	Standard	This rule establishes a single process for the recovery of costs by pipeline operators providing information services in the Short Term Trading Market and on the National Gas Market Bulletin Board. It means that gas market participants will not pay specified costs without the AER having first reviewed the costs to ensure they are reasonable.
STTM Deviations and the Settlement Surplus and Shortfall	Rule 2013 No.4 (NGR version 19)	20 Jun 13	1 May 14	AEMO	Standard	This rule largely adopts changes proposed by AEMO to reduce the financial risks of market participation and improve price signals and certainty regarding the costs to be faced by traders if they deviate from their daily gas market schedules.
Minor Rule Change 2013 – Gas	Rule 2013 No.3 (NGR version 51)	30-May-13	4-Jul-13	AEMC	Expedited	This rule corrects minor errors and makes non-material changes to the National Gas Rules.
Market Operator Service – Timing and Eligibility	Rule 2013 No.2 (NGR version 18)	23 May 13	1 Apr 14	AEMO	Standard	This rule largely adopts changes proposed by AEMO to facilitate greater competition by broadening eligibility requirements for providers of market operator services and allow traders to adjust their offers more frequently, potentially increasing liquidity in the market and placing downward pressure on prices.
STTM Brisbane Participant Compensation Fund	Rule 2013 No.1 (NGR version 15)	28 Feb 13	7 Mar 13	AEMO	Expedited	This rule increases the dollar amount for the participant compensation fund in relation to the Short Term Trading Market Brisbane Hub. It means that trading participants in the market will be less exposed to financial risk which may lead to a small reduction in costs.
Price and Revenue Regulation of Gas Services	Rule 2012 No.3 (NGR version 51)	29 Nov 12	29 Nov 12	AER	Standard	This rule is part of the package of reforms known as the economic regulation of electricity and gas networks amendments. gave the relevant regulator more discretion to set network prices and to determine efficient costs for each regulated business.
Reference Service and Rebateable Service Definitions	Rule 2012 No.2 (NGR version 17)	1 Nov 12	2 May 13	AER	Standard	This rule gives the regulator greater discretion in deciding which services for transporting natural gas along a pipeline should attract reference tariffs – giving the regulator more flexibility to respond to industry circumstances in determining efficient prices for natural gas pipeline services.
STTM Market Schedule Variation Transactions	Rule 2012 No.1 (NGR version 16)	28 Aug 12	19 Mar 13	AEMO	Expedited	This rule reduces the number of transactions needed to complete a user-to-user market schedule variation in the Short Term Trading Market boosting efficiency and flexibility in market operations.

Table 13 Determinations to not make a gas rule change

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

NAME	DATE	PROPONENT	REASONS
Optimisation of Regulatory Asset Base and Use of Fully Depreciated Assets – Gas	13 Sep 12	Major Energy Users Inc	There are already mechanisms in the gas rules which address the concerns raised.

Table 14 Gas rules under consideration at 30 June 2013

There were no gas rule change requests under consideration at the close of the 2012-2013 year.

Table 15 Formal market reviews and advice

2012-2013 MARKET REVIEWS AND ADVICE TO GOVERNMENTS – AT A GLANCE

AEMC	PROPONENT	START DATE	END DATE	STATUS AT 30 JUNE 2013
Transmission Frameworks Review	MCE	20 Apr 10	11 Apr 13	Completed
Power of Choice – Giving Consumers Options in the Way They Use Electricity.	MCE	29 Mar 11	30 Nov 12	Completed
Review of Arrangements for Compensation Following an Administered Price, Market Price Cap or Market Floor Price.	AEMC	26 May 11	16 May 13	Completed
Energy Market Arrangements For Electric And Natural Gas Vehicles	MCE	5 Sept 11	11 Dec 12	Completed
Last Resort Planning Power – 2012 Review	Rules requirement	10 Jul 12	11 Dec 12	Completed
Last Resort Planning Power – 2013 Review	Rules requirement	15 May 13	Continuing	Underway
Review of Distribution Reliability Outcomes and Standards – NSW Workstream	SCER/MCE	3 Nov 11	31 Aug 12	Completed
Review of Distribution Reliability Outcomes and Standards – National Workstream	SCER/MCE	28 Jun 12	14 Mar 13	Completed
Best Practice Retail Price Regulation	SCER	9 May 13	Continuing	Consultation on issues paper
Gas Market Scoping Study	AEMC	9 May 13	Continuing	Initiation
Management of Negative Inter-Regional Settlements Residues	Rules requirement	18 Apr 13	Continuing	Consultation on issues paper
Review of the National Framework for Distribution Reliability	SCER	8 Feb 13	Continuing	Preparation of interim report
Review of the National Framework for Transmission Reliability	SCER	8 Feb 13	Continuing	Preparation of draft report
Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales	SCER	13 Dec 13	Continuing	Consultation on draft report
RELIABILITY PANEL				
Review of the Guidelines for Identifying Renewable Operating Incidents	AEMC	8 May 12	20 Dec 12	Completed
Annual Market Performance Review 2012	Rules requirement	8 Nov 12	27 Mar 13	Completed
Energy Adequacy Assessment Projection Review	Rules requirement	26 Jul 12	21 Febr 13	Completed
Reliability Standard and Settings Review 2014	Rules requirement	9 May 13	Continuing	Consultation on Issues Paper
ADVICE TO GOVERNMENTS				
Differences Between Actual and Forecast Demand in Network Regulation	SCER	31 Jan 13	26 Apr 13	Completed
Price Trends Report: Possible Future Retail Electricity Price Movements 2012	SCER	18 Feb 12	22 Mar 13	Completed
Price Trends Report: Possible Future Retail Electricity Price Movements 2013	SCER	19 Dec 12	Continuing	Initiation
National Electricity Market – Financial Market Resilience	SCER or MCE	5 Mar 12	Continuing	Consultation on first interim report
Strategic Priorities for Energy Market Development 2013	AEMC	17 May 12	Continuing	Consultation on discussion paper

Table 16 Market reviews and advice completed
MARKET REVIEWS COMPLETED IN 2012-2013

REVIEW NAME	OVERVIEW	EXPECTED BENEFITS / IMPACTS FROM RECOMMENDATIONS
Transmission Frameworks Review (TFR)	<p>Transmission networks play a key role in transporting power from generators to consumers and in facilitating competition between generators so that consumers can be provided with electricity at the lowest possible cost. Policies such as the expanded Renewable Energy Target and the price on carbon have been driving new investment in renewable and low carbon generation. This could lead to changes in generation and network flows. It's critical that arrangements governing the transmission sector are robust and investment in transmission networks is timely and efficient, so the best use is made of transmission assets.</p> <p>In the future wind, wave, gas, coal, and other technologies will compete for their place as a proportion of overall generation. This review aimed to develop the best framework to underpin whatever transformation eventuates for the future supply of electricity. We wanted a framework robust enough to accommodate a range of plausible investments which would see new technologies in new locations best suited to the nation's future needs. We reviewed the role of the transmission sector in providing services to competitive parts of the electricity market and took an holistic approach to considering generators' access requirements, transmission planning and connection arrangements.</p>	<p>The TFR final report went to SCER in March 2013. It recommended potential changes that would enhance investment efficiency in generation and transmission to minimise long-term costs of the electricity system. Under current arrangements customers pay the full cost of transmission network investment and generators make investment decisions which are not fully exposed to the cost of transmission in different locations. The Transmission Frameworks Review recommends reforms to facilitate more efficient connections between generators and transmission networks; and proposes a more market-oriented approach to providing transmission services – and to redirect some investment risk from customers to generators.</p>
Power of Choice – Giving Consumers Options in the Way They Use Electricity	<p>The Power of choice review was a combined state, territory and federal government initiative – requested by the Ministerial Council on Energy now SCER. The Council asked the AEMC to investigate and identify the market and regulatory arrangements needed across the electricity supply chain to facilitate the efficient investment in, operation and use of demand side participation (DSP) in the NEM.</p> <p>The review had a broad focus. It included the review of all arrangements that impact on the electricity market supply chain, including the national electricity rules, other national and jurisdictional regulations, commercial arrangements and market behaviours.</p> <p>Efficient markets are characterised by effective participation of both the supply and demand sides. Opportunities for efficient operation of demand side participation in the national electricity market are not as developed as the supply side. The purpose of the review was to identify opportunities for consumers to make informed choices about the way they use electricity. Consumers require information, education, incentives and technology to make efficient choices.</p> <p>The review recommended changes to existing market and regulatory arrangements to ensure that cost effective demand side options are properly considered and correctly valued in the planning and operation of the National Electricity Market.</p>	<p>The final report of the AEMC Power of choice review (November 2012) sets out a substantial reform package for the National Electricity Market. This package provides households, businesses and industry with more opportunities to make informed choices about the way they use electricity and manage expenditure. The overall objective is to provide that the community's demand for energy services is met by the lowest cost combination of demand and supply side options. The SCER is currently acting on nine reform areas identified by the AEMC:</p> <ol style="list-style-type: none"> 1. Building consumer awareness and education; 2. Better enabling of third-party energy management services to residential and small business consumers; 3. Better consumer access to their own electricity consumption data; 4. Competition and minimum standards for enabling technology (metering); 5. A demand response mechanism for consumer access to the wholesale electricity and ancillary services markets; 6. Enabling more offers of efficient and flexible pricing options to consumers; 7. Distribution network incentives to invest in demand side response; 8. Encouraging owners of local (distributed) generation to export energy in peak periods; and 9. Greater coordination of energy efficiency policies by governments.

MARKET REVIEWS COMPLETED IN 2012-2013

REVIEW NAME	OVERVIEW	EXPECTED BENEFITS / IMPACTS FROM RECOMMENDATIONS
Energy Market Arrangements For Electric And Natural Gas Vehicles	<p>The MCE (now SCER) asked us to review energy market arrangements to ensure they facilitated efficient uptake of electric and natural gas vehicles. We were required to assess the high-level benefits and costs that such technologies bring to bear on national electricity and natural gas markets, including those in Western Australia. To facilitate the economically efficient uptake of electric and natural gas vehicles, we proposed changes to energy market arrangements with the objective of enhancing consumer choice, fostering competition, and apportioning costs appropriately. We considered electric vehicles as another form of demand side participation. While certain issues with the energy markets were triggered by these vehicles, our broader recommendations are designed to be technologically neutral and apply broadly to all forms of demand side participation. That's why this review was conducted in parallel with our Power of Choice review.</p>	<p>The review found that electric vehicles in particular are another new "appliance" which is set to place new demands on Australia's power network. It found that each electric vehicle could impose additional network and generation costs from \$7,500 to \$10,000 without the proper implementation of appropriate pricing signals. The final report (December 2012) recommended a range of new arrangements to facilitate efficient market outcomes including:</p> <ol style="list-style-type: none"> 1. Introducing new metering arrangements that enable consumers to separate their electric vehicle consumption of power from their household consumption. This will enable them to source the most appropriate mixture of retail deals to best reflect their preferences. 2. Devising new metering arrangements that enable third parties to install electric vehicle charging infrastructure in commercial properties (eg shopping centres and business parks). 3. Specifying principles and further work for load management to help consumers engage in controlled electric vehicle charging. 4. Suggesting that SCER review the National Energy retail Law (NERL) to remove ambiguity in relation to the sale of electricity; and 5. Advising that the Australian Energy Regulator review its exemptions framework to cater for commercial electric vehicle charging.
Review of Arrangements for Compensation Following an Administered Price, Market Price Cap or Market Floor Price	<p>The Review of Arrangements for Compensation Following an Administered Market Price Cap or Market Floor Price published a final report (May 2013) which focussed on the market arrangements for dealing with unusually sustained high prices. Wholesale electricity market spot prices can vary substantially – this process is important for market efficiency as it provides a signal of changing demand levels and helps drive efficient investment. High demand or equipment failures can cause very high price periods. Administered prices can protect customers when this occurs and this review examined the effectiveness of compensation rules related to this process.</p>	<p>Final recommendations were designed to maintain incentives on participants to continue to supply energy during administered price periods, while protecting market customers from prolonged periods of high prices. This should provide reliability benefits for customers, while managing the risk of exposure to inefficiently prolonged periods of high prices. The recommendations included:</p> <ul style="list-style-type: none"> • Redefining the purpose of the payment of compensation in the rules; • Establishing new criteria for eligibility to claim compensation; • Redefining the AEMC's processes for the assessment of compensation claims and public consultation; and • Redefining the processes for the recovery of the cost of compensation from market participants.

MARKET REVIEWS COMPLETED IN 2012-2013

REVIEW NAME	OVERVIEW	EXPECTED BENEFITS / IMPACTS FROM RECOMMENDATIONS
Review of Distribution Reliability Outcomes and Standards – NSW Workstream	<p>The Ministerial Council on Energy asked the AEMC to undertake this review in August 2011. The review had two workstreams – NSW and national. The objective of the NSW workstream was to provide advice on the costs and benefits of alternatives for the future level of distribution reliability in NSW. The NSW Government is to decide if any changes to the level of distribution reliability in NSW should be made.</p> <p>We developed four scenarios for the future level of reliability that could be provided by electricity distribution networks in NSW. This included three scenarios with lower reliability outcomes and one scenario with higher reliability outcomes, compared to current requirements. The costs and benefits of each scenario were considered over a fifteen year timeframe from 2014-15 to 2028-29.</p>	<p>This significant body of work on network reliability standards explored options to improve trade-offs between the cost of infrastructure upgrades, reliability outcomes and the prices that customers are prepared to pay. Reliability spending on transmission and distribution networks to meet standards set by jurisdictions around the nation feeds into overall costs and ultimately affects electricity prices.</p> <p>The energy ministers asked us to build on that work to develop a national framework for changes to the way network reliability is regulated and delivered.</p>
Review of Distribution Reliability Outcomes and Standards – National Workstream	<p>The national workstream addressed SCER's request to consider if there is merit in developing a nationally consistent framework for expressing, delivering, and reporting on distribution reliability.</p> <p>The AEMC previously noted in its Review of National Framework for Electricity Distribution Network Planning and Expansion that there is a lack of consistency and transparency in how distribution reliability outcomes are determined. Distribution reliability outcomes are currently set separately for each NEM jurisdiction by jurisdictional regulators, relevant government bodies or individual Distribution Network Service Providers (DNSP). While there are considerable similarities in which aspects of reliability are regulated across NEM jurisdictions, there are considerable differences in how each jurisdiction currently regulates these matters. This review considered whether a nationally consistent framework that promoted greater consistency in these matters would promote the national electricity objective.</p>	
Last Resort Planning Power – 2012 Review	<p>The rules contain a requirement for the AEMC to report annually on the matters it has considered in deciding whether or not to exercise the Last Resort Planning Power. This review informed that reporting for 2012. The Last Resort Planning Power 2012 review examined whether Transmission Network Service Providers' planning had responded to inter-regional network congestion as identified in national planning documents.</p>	<p>The 2012 Last Resort Planning Power (LRPP) review found that there was no apparent 'gap' between identified inter-regional transmission congestion and planning processes to address this congestion. Accordingly, the AEMC decided that there was no need for it to exercise the LRPP in 2012.</p>
Annual Market Performance Review 2012	<p>Under the National Electricity Rules, the Reliability Panel is required to conduct an annual review of the NEM.</p> <p>The Panel's annual review of the performance of the NEM examines performance in terms of reliability of the power system, the power system security and reliability standards, and other relevant standards and guidelines under the NER. The Panel takes into account a number of factors in carrying out its review including examining system incident reports that are published by AEMO on power system events that have occurred in the NEM. The Panel's report also includes information provided by network service providers and jurisdictional bodies.</p>	<p>The latest review by the Panel considered the performance of the NEM in the 2011-2012 financial year. The Panel noted that the reliability standard had been met in all regions of the NEM; and that any system security issues had been effectively managed by AEMO and network system operators (final report March 2013).</p>

MARKET REVIEWS COMPLETED IN 2012-2013

REVIEW NAME	OVERVIEW	EXPECTED BENEFITS / IMPACTS FROM RECOMMENDATIONS
Review of the Guidelines for Identifying Reviewable Operating Incidents	<p>The market operator, AEMO, is responsible for ensuring the national power system is operated in a safe, secure and reliable manner. As part of this role, AEMO conducts reviews of operating incidents that may impact power system security. AEMO investigates the causes and consequences of power system incidents and publicly reports its findings, which can help to reduce or prevent incident recurrence. The Reliability Panel developed guidelines in 2006 to assist AEMO in performing this function by clarifying what kind of incidents AEMO should review. The AEMC issued terms of reference to the Panel to conduct the review following a request from AEMO to amend the guidelines.</p> <p>The Reliability Panel reviewed its guidelines to determine whether the current range of reviewable operating incidents is appropriate and whether the guidelines can be improved more generally. Reviewable operating incidents are unusual power system events that have the potential to affect the secure operation of the power system. Currently the guidelines include a range of incidents that vary in terms of their causes, location and system impacts. The review considered whether amendments were required to address any developments in the market and whether there were net benefits in changing the nature and scope of AEMO's incident reviews.</p>	New guidelines commenced on 1 April 2013. They clarified the requirements under which AEMO carries out its investigations and reporting.
Energy Adequacy Assessment Projection Review	The Energy Adequacy Assessment Projection (EAPP) is an information mechanism operated by AEMO to provide forecast analysis of potential energy constraints.	The review found that the current EAPP benefitted the market at minimal costs and did not recommend changes to existing arrangements.

ADVICE TO GOVERNMENTS COMPLETED IN 2012-2013

Differences between actual and forecast demand in network regulation	<p>In January 2013 the SCER asked us for advice on the implications of differences between actual and forecast demand within the operation of the economic regulatory frameworks for network service providers under the National Electricity Rules. Recent observations on demand suggest that, for the first time in the National Electricity Market, there may be a sustained slowing of growth in peak demand and a decline in average demand. This reduced demand has implications for the costs of providing networks for consumers as network revenues are set in part, on the basis of the provision of capacity to meet forecast peak demand levels. Given this, SCER requested the AEMC to provide advice on:</p> <ul style="list-style-type: none"> – whether any changes to the electricity rules are needed so that consumers receive the benefits of sustained reductions in demand; and – how should the Australian Energy Regulator consider differences in demand when undertaking regulatory determinations, including but not limited to, the AER's ability to consider previously approved capital expenditure and improvements to the National Electricity Rules around annual network tariff setting. 	<p>The review found the incentive based regulatory regimes for transmission and distribution network businesses are now flexible enough to manage the impacts of differences between actual and forecast demand since new rules on network regulation were made by the AEMC in November 2012. The review did not recommend further changes to the National Electricity Rules. Current rules allow the Australian Energy Regulator to put financial measures in place that encourage network businesses to adjust their capital programs in response to variations between actual and forecast demand within the regulatory control period. The review advised that implications for consumers of differences between actual and forecast demand will depend on whether the control mechanism is a revenue cap or a weighted average price cap; and the design of the network tariffs. We noted barriers to efficient pricing in the network tariff which will be best addressed through the recommendations made by the AEMC Power of Choice Review. The review also found that while capital expenditure driven by demand growth is a substantial proportion of a network business's capital outlays, it has only a relatively small effect on network revenues (6%-10%) in the regulatory control period. In May 2013 SCER agreed with the AEMC's conclusions.</p>
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MARKET REVIEWS CURRENT AT 30 JUNE 2013

REVIEW NAME	OVERVIEW	EXPECTED BENEFITS / IMPACTS FROM RECOMMENDATIONS
Electricity Price Trends: Possible future Retail Electricity Price Movements 1 July 2012 to 30 June 2015	The AEMC retail electricity price trends report identifies factors likely to drive residential electricity prices and analyses potential impacts in each state and territory. It is not a forecast of prices, but outlines reasons why residential electricity prices might rise or fall. The report looks at the potential impact of current trends across the supply chain including network costs, energy demand, the carbon price and other green schemes, retail costs and the likely entry and exit of different generators from the wholesale market. Trends vary in each state according to the approaches taken by jurisdictional regulators to setting prices, and the different costs associated with population spread and density, weather, customer consumption levels, technology, economic strengths, consumer choices and environmental schemes.	Electricity prices are made up of a number of components. This report noted that in recent years the network component has consistently been the major driver of price increases. This report expected that increases in this component would moderate significantly after July 2013. On a national basis – after a projected average total price increase of 14% for households in the year to 30 June 2013, the report expected the rate of price increases to moderate to an average annual rise of 3% for the two years to June 2015. Network prices would continue to drive total price increases paid by households, but as investment needs are progressively re-assessed this may lead to lower network costs. The price impact of environmental initiatives was also moderating. This reflected the end of the solar credits multiplier under the Small-scale Renewable Energy Scheme from 1 January 2013, and the closing of higher feed-in tariffs to new participants in many states.

MARKET REVIEWS CURRENT AT 30 JUNE 2013

Table 17 Market reviews and advice current at 30 June 2013

REVIEW NAME	OVERVIEW	STATUS
Best Practice Retail Price Regulation Methodology	<p>SCER has asked us to provide advice on a recommended method for the regulation of retail electricity prices for small customers where retail price regulation is retained by a jurisdiction. The manner in which retail prices are regulated can affect the development of competition in these markets.</p> <p>Most small electricity customers can choose to be supplied under a competitive market offer. In some NEM jurisdictions the government has determined that a regulator should also set a regulated price for electricity. Where a regulated price exists within a contestable market customers have a choice of being supplied under the regulated price or a market offer. This advice will set out a preferred methodology for setting retail prices where price regulation is retained.</p>	<p>This review released an issues paper in June 2013 on a new approach to effective retail price regulation which jurisdictions can choose to adopt if they have chosen to retain retail price regulation. Final report is due at the end of 2013.</p>
Gas Market Scoping Study	<p>The AEMC's first strategic priorities review in 2011 acknowledged the then recent implementation of major gas reforms such as the Short Term Trading market hubs along the east coast and our relatively new role in gas market regulation. In 2013 we consulted on new priorities to guide our work on market development and proposed a new gas priority recognising the growing importance of gas as a fuel source and export commodity.</p> <p>Considerable uncertainty faces the eastern gas market which is coming to terms with significant structural shifts in supply and demand, particularly with the development of LNG facilities in Queensland.</p> <p>Although there are sufficient reserves in eastern Australia to supply the domestic market for years to come, the critical question is whether domestic oriented production will be able to expand rapidly enough to address the supply shortfall that may arise once LNG projects start exporting and current domestic contracts start to expire from 2015.</p>	<p>Our Gas Scoping Study started with extensive stakeholder consultation launched in May 2013. We are reviewing existing gas market arrangements in the eastern states to understand where benefits may lie in more detailed market development work.</p>
Management of Negative Inter-Regional Settlements Residues	<p>The National Electricity Rules require that the AEMC conduct a review of the efficiency with which AEMO manages negative inter-regional settlement residues. The obligation stems from rules made following the Commission's Congestion Management Review in 2009.</p> <p>AEMO currently seeks to control the extent to which inter-regional settlements can accrue by restricting flows from regions experiencing high prices to regions experiencing low prices. Currently they seek to restrict or 'clamp' flows when they are expected to exceed a \$100,000 threshold. This review is considering the efficiency with which AEMO manages this, rather than the causes of counter-price flows in the NEM.</p>	<p>Our review of AEMO's management of negative inter-regional settlements residues started with the release of an issues paper in April 2012. This review will examine the state of the market in relation to counter-price flows when electricity is transported from high to low-priced regions.</p>

MARKET REVIEWS CURRENT AT 30 JUNE 2013

REVIEW NAME	OVERVIEW	STATUS
Review of the National Framework for Distribution Reliability and the Review of the National Framework for Transmission Reliability	<p>This review is to develop national frameworks for the setting of transmission and distribution reliability standards that jurisdictions can choose to adopt. These frameworks will be developed drawing on earlier work done by the AEMC and SCER.</p> <p>Setting network reliability standards involves a trade-off between the cost of infrastructure upgrades, reliability outcomes and the prices that customers are prepared to pay. Currently, reliability standards are set in a different manner in each jurisdiction. This review will propose a national approach for setting both distribution and transmission reliability standards on an economic basis – that takes account of the value customers place on reliability.</p>	<p>An issues paper on transmission reliability was published in March 2013. A draft report on the national workstream of the distribution reliability standards review was published in late 2012. As there are a range of similar issues involved in developing effective frameworks for setting transmission and distribution reliability arrangements we are developing a common set of arrangements that would apply to both frameworks. The final report for the distribution part of the review is expected to be published by September 2013. The final report for the transmission workstream is expected to be published in November 2013.</p>
Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales	<p>We are conducting this review in response to a request from the Standing Council on Energy and Resources (SCER). It is based on a process set out in the Australian Energy Market Agreement for the AEMC to assess the effectiveness of competition in retail electricity and natural gas markets in the jurisdictions. Previously, we have conducted reviews in Victoria (2008), South Australia (2009) and the Australian Capital Territory (2011).</p>	<p>The AEMC's review of competition in the NSW retail electricity and natural gas markets has found that competition is delivering discounts and other benefits to small consumers. Customers have a choice of retailer and a choice of product or service.</p> <p>The review's draft report (May 2013) recommended removal of price caps are to encourage greater innovation and lead to more tailored energy products and services being available for customers. Already more than 60% of NSW energy customers have chosen market offers set by their retailer.</p> <p>The draft report recommended ongoing market monitoring to assess the state of competition. This should be accompanied by the power to reintroduce price caps if competition becomes no longer effective.</p> <p>A number of measures should be put in place to support increased choice. The most important of these are measures to make it easier for customers to engage in the market. Customers require tools and knowledge to better understand the market and better compare the offers that they receive. Targeted communication channels will need to evolve with the market. If customer participation in the market is increased it will enhance the competition that is already present.</p> <p>The next stage of this review will be looking at new ways to make it easier for customers to engage in the market to further enhance competition. Final reports in this review are due before the end of 2013.</p>
Reliability Standard and Settings Review 2014	<p>The AEMC Reliability Panel determines the standard for reliability of supply (The Reliability Standard) every four years. It also recommends the levels for market reliability settings expected to achieve the standard. The market reliability settings are the market price cap, the cumulative price threshold, and the market floor price. This review is considering whether the existing reliability standard and settings remain appropriate under the current market conditions. The Panel will assess the appropriate standard and settings that should apply from 1 July 2016.</p>	<p>An issues paper was published in May 2013, with submissions received in June 2013. The Reliability Panel is considering those submissions and conducting its own modelling. A draft report is due late in 2013.</p>

MARKET REVIEWS CURRENT AT 30 JUNE 2013

REVIEW NAME	OVERVIEW	STATUS
ADVICE TO GOVERNMENTS CURRENT AT 30 JUNE 2013		
Strategic Priorities for Energy Market Development 2013	In the two years since the AEMC first developed our strategic priorities for energy market development, there have been considerable developments in the energy market and our work program. This year we conducted our second strategic priorities review in light of these developments. We have proposed three strategic priorities following stakeholder consultation which started in August 2012 and an assessment of electricity and gas market developments. These are: strengthening consumer participation while continuing to promote competitive retail markets (consumer priority); promoting the development of efficient gas markets (gas priority); and market arrangements that encourage efficient investment and flexibility (market priority). This work has taken account of feedback from consumer and gas sector representatives who felt that our first priorities developed in 2011 had not given enough priority to the issues they considered most important for the future development of the energy sector.	Following consultation conducted in late 2012 we published a discussion paper in April 2013, and held three stakeholder workshops (Sydney, Brisbane, Melbourne). Consultation closed in May and we received 18 written submissions. At the close of the year under review we were considering written submissions and workshop contributions. These will inform our final report which will confirm our new set of strategic priorities (due to be published later in 2013).
Possible future retail electricity price movements 2013	<p>The AEMC is currently developing its report on retail electricity price trends. This report will examine potential future trends in residential electricity retail prices and the key drivers of those likely trends. The AEMC is required to report on price trends out to 30 June 2016, using the financial year ended 30 June 2013 as a base year for comparison.</p> <p>Importantly, this report is not a forecast of future prices, but rather an investigation of the key drivers of likely future price trends.</p> <p>In considering the key drivers of future price trends, the AEMC will consider the key cost components that make up the price of electricity. This includes competitive market based costs, regulated costs and the costs associated with various environmental policy schemes.</p> <p>This year, the AEMC will consider trends in both standing offer and market offer contract prices. We may also consider the effects of different household consumption values on final electricity prices.</p>	<p>This is the fourth annual pricing trends report prepared by the AEMC to inform governments of the drivers and trends in electricity prices.</p> <p>This is the only report in Australia to consider trends across the entire supply chain which may influence future electricity prices. It draws on information from publicly available sources, jurisdictional governments and regulators as well as analysis undertaken by the AEMC. It covers generation, transmission, distribution and retail, while also considering the impacts of environmental policies. In considering all aspects of the supply chain, it creates a comprehensive picture of pricing trends across Australia.</p>
National Electricity Market Financial Market Resilience	<p>This review is considering whether the financial market arrangements between market participants gives rise to systemic risk that could impact the efficient operation of the market should one participant experience significant financial distress.</p> <p>The National Electricity Market is underpinned by complex financial interrelationships between market participants, generally in the form of hedge contracts that allow participants to manage risks arising from market price volatility. This complex interdependence between participants may create the risk that financial distress experienced by one participant could lead to financial distress of other participants. We are considering whether existing regulatory arrangements are sufficient to minimise the risk of financial 'contagion' between market participants.</p>	A first interim report was published in June 2013 which set out the Commission's findings on the risks associated with the failure of a large retailer. It set out recommendations for measures that might reduce the risks associated with the operation of the Retailer of Last Resort (ROLR) scheme and also considered options for a special administration regime.

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Appendix 2
Consumer Advocacy Panel
Annual Report

For the year ended 30 June 2013

ABN 42 203 580 500

*Supporting consumer
advocacy in the energy
market*

Appendix 2: Consumer Advocacy Panel

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.

This 2012/13 Report from the Panel satisfies requirements in Part 4 (Section 47) of the Australian Energy Market Commission Establishment Act 2004.

The Panel's 2012/13 financial statements are included in the Australian Energy Market Commission's (AEMC) Financial Statements as administered financial statements.

Introduction

The Consumer Advocacy Panel facilitates customer advocacy in the national electricity and national gas markets so the views of all classes of consumers can impact on decision-making on market policy and regulation.

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

The Panel was established on 1 July 2008, following the decision by the Ministerial Council on Energy to revise the legislative framework of its predecessor organisation, the National Electricity Consumer Advocacy Panel.

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

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

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

The Panel has been concerned that there are groups of energy consumers who have not been directly represented in applications for Panel grants and in regulatory decisions generally. These groups are:

- Residential households
- Small business
- Rural and regional users.

Since 2008, the Panel has made outreach to under-represented groups a strategic priority.

It has taken steps to help ensure that those with the potential to advocate on behalf of these groups receive Panel communications – alerting them to the Panel's capacity to support advocacy and to upcoming advocacy opportunities. The Panel has arranged face-to-face meetings with potential advocates co-incident with Panel meetings. It has also scheduled Panel meetings in regional centres, such as Townsville in Queensland and Castlemaine in Victoria, to meet relevant local groups and encourage their engagement in energy advocacy.

Since 2008, the Panel has also worked closely with consumer groups to help develop their advocacy capability. Building on the lessons learnt from its independent evaluation of grants between 2008 and 2010, the Panel has worked with grant recipients – directly and through its application processes – to ensure that Panel-funded projects are focused on enhancing consumer interests in national electricity and gas market decisions.

2012/13 Initiatives

The activities undertaken by the Consumer Advocacy Panel centred on the priorities outlined in its *2010-2013 Strategic Plan*¹, and focused particularly on those areas which the Panel felt promised greater returns for Australian energy consumers.

The following provides a summary of the initiatives undertaken by the Panel during 2012/13, in addition to its usual operations. Where an activity covered new ground, or took an innovative approach, further information has been provided in the textbox.

Improving the effectiveness of advocacy

As it had been in 2010/11 and 2011/12, a key strategic priority in 2012/13 was improving the effectiveness of advocacy in the national electricity and national gas markets. Building on its previous work, the Panel undertook a range of initiatives during the reporting period.

The independent evaluation of 2010/11 grants² highlighted lessons to be learnt for consumer advocates and the Panel, including a need to continue the Panel's work to assist advocates articulate their project outcomes and the benefits to consumers from their work.

The Panel has therefore worked closely one-on-one with a number of grant recipients, to ensure their project outcomes and outputs are well-defined, and deliver tangible benefits to consumers.

Complementary to that approach, in April 2013 the Panel asked 2013/14 Global Advocacy Funding Grant applicants to make a short formal presentation to the Panel on their project, a change that enabled the Panel to ask questions directly to the project proponents.

Helping consumer advocacy organisations achieve strategic outcomes

While the Panel office has always offered advice to grant applicants in developing their application, the Panel decided to trial a new approach to help a consumer advocacy organisation develop a more strategic approach to its work.

RobertsBrown, the consultant who undertook the 2010/11 evaluation of grants, was commissioned by the Panel to run a workshop with the advocacy organisation, to extend the organisation's capacity to refine and recast its 2012/13 outcomes, and to identify and articulate the pathways it chooses to achieve them.

To ensure that the project sat within the organisation's strategic plan, the workshop included the organisation's leadership as well as the front-line energy advocates.

That workshop took place in August 2012 and produced:

- A strong statement about the organisation's vision for energy advocacy
- Identification of three 5-10 year customer-focused outcomes
- An outline of the pathway to those three objectives
- Specific, measureable outcome objectives for one element of the organisation's 2012/13 advocacy project.

The workshop also left the organisation with tools for future planning and reporting. Further, it helped with the development of a campaign to government in early 2013 on the organisation's key concerns, as well as a clearer and better-focused grant application for 2013/14 funding.

The Panel is currently discussing with RobertsBrown a further pilot project that will build on the lessons of the first workshop, and which aims to offer similar assistance to other consumer organisations on a case by case basis.

The Panel commissioned and published on its website the Issues Paper *A Model for Effective Energy Advocacy*, which outlines the features of effective advocates, and provides a valuable conceptual framework against which to assess an advocacy project, and the capability of an organisation to achieve its aims.

¹ Available on the Panel's website www.advocacypanel.com.au

² Published on the Panel's website www.advocacypanel.com.au

The Panel formally adopted and promulgated its definition of energy advocacy, which is any activity designed to persuade a third party to make a decision or change that improves the situation of electricity and gas consumers.

In early 2013 the Panel also launched its new website, which provides much easier access to the database of all Panel-funded reports and submissions from the last 10 years, a resource for advocates that will ensure relevant research and advocacy documents can be more easily found. That database comprises the most comprehensive archive in Australia of publications focused on energy consumer issues, and is proving of value to end-user groups and decision-makers.

Addressing gaps in advocacy

Another 2012/13 strategic objective was to address gaps in consumer advocacy, to enhance the representation of the interests of households, small business and rural and regional users in regulatory and policy decisions in the national energy market.

The Panel undertook its first systematic analysis of gaps and overlaps in energy consumer advocacy in 2008. The Panel has since reviewed that analysis annually in its strategic planning, to ensure its activities are focused on encouraging engagement on the issues that offer gains to the greater number of consumers.

As the Panel noted in its submissions to the Expert Advisors' consultation on a national energy consumer advocacy body, Panel funding has seen engagement by under-represented groups increase. However, there continue to be structural constraints, including the small number of organisations that have been willing and/or able to engage in complex energy decisions in a rapidly changing sector on behalf of under-represented consumers³.

A new approach to improving consumer representation in regulatory decisions

In late December 2012, the Australian Energy Regulator (AER) launched its *Better Regulation Program*, a comprehensive and intensive program covering 7 workstreams that will deliver significant improvements to the regulatory framework.

Consumer advocates were required to engage on a wide range of complex technical issues in a short time-frame. The Panel approved funding to a number of advocacy organisations to secure appropriate technical expertise to engage in the process.

The Panel viewed this work program as an important process, and believed that effective, well-informed and well-targeted advocacy could provide significant benefits for consumers.

The Panel therefore decided to trial a new approach to maximise the impact of its funding, recognising that consumer interests – residential, large and small business and disadvantaged – for the most part were aligned. Grant applications were invited for a project coordinator to work with and assist consumer advocates.

A grant was approved to Engineroom Infrastructure Consulting, to coordinate and facilitate collaboration and information sharing of relevant Panel-funded work among consumer advocates engaged in the AER Better Regulation Program to optimise consumer outcomes.

At time of writing this report the project is still underway. As at 30 June 2013, this new approach had demonstrated value. Feedback from advocates and the AER has overall been positive. The coordinator has been able to facilitate discussions among advocates, particularly on the more technical issues raised through the AER consultations, and provided mechanisms for consumer groups to identify areas of consensus or common concern.

The Panel is monitoring the project and its intended outcomes closely, to assess whether this approach might work in other similar regulatory or policy processes.

As part of its outreach to rural and regional consumers, the Panel convened its August meeting in Townsville, meeting representatives from local industry, community and non-governmental organisations, and addressed the Smart Cities Sustainable Futures Committee of Townsville City Council. Regional meetings provide an opportunity to alert rural and regional consumers to the potential for Panel funding, but also inform the Panel's strategic planning, and its consideration of grant applications.

³ For more detailed analysis, please read the Panel's Submission of 20 March 2013 to the Expert Advisors' Directions Paper, available at its website.

Funding research for the benefit of electricity and gas consumers

The Panel funds research through two grant programs:

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

On 24 January 2013 the Panel invited organisations and individuals with the requisite expertise to submit grant applications to undertake research that benefited an under-represented class of consumers, particularly residential households, small business and rural and regional consumers, or on another issue of benefit to electricity and/or gas consumers in the national energy market.

The Panel received 12 research grant applications from consumer advocates, academic institutions, and consultants. The Panel approved 7 research projects, 3 of which were targeted at the classes of consumers identified by the Panel.

Grants made in 2012/13

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

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

The *AEMC Establishment Act* requires the Panel to report on all grants made during the financial year. The Panel believes the funding it allocated in 2012/13 complied with the principles set out in Schedule 1 of the *Australian Energy Market Commission Regulations 2005*.

2012/13 Grants

During the reporting period, the Panel approved 44 grants out of 62 grant applications (although one application was subsequently withdrawn).

The number of grants approved was 11% greater than the previous year, an increase matched in the overall number of applications, which rose from 56 applications in 2011/12 to 61 applications in 2012/13.

The total value of the 43 grants made was \$2,433,091 (exc GST), a slight (1%) increase from the previous year.

Of the 26 grant recipients, 8 organisations had not previously applied for Panel funding.

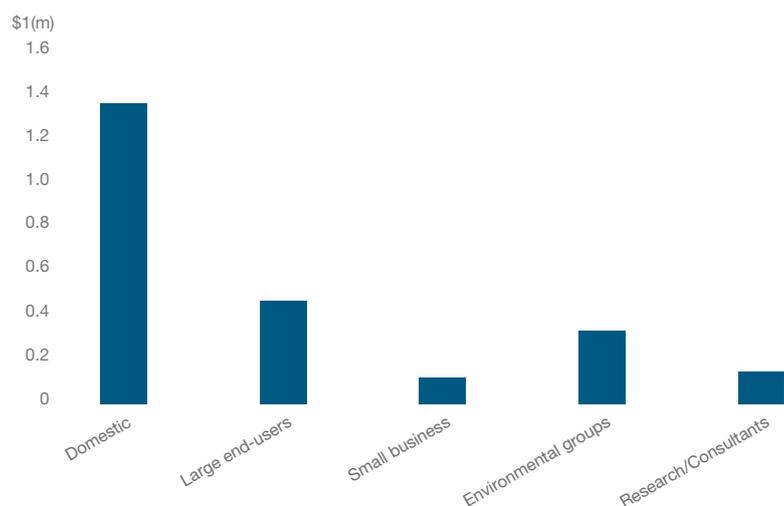
The following reports on all grants made by the Panel in 2012/13, whether those grants were for advocacy or research, and whether they were for the benefit of electricity or gas consumers or benefited both electricity and gas consumers. As one grant can include a number of projects, the following also details the projects undertaken as a result of the grant.

Table 1: All 2012/13 grants (ex GST) made by grant program

Grant type	Grants made No.	Projects funded No.	Funding allocated (\$ exc GST)
Advocacy			
Electricity	29	75	1,858,578
Gas	4	20	306,591
Joint	3	3	114,397
Stakeholder-initiated research			
Electricity	5	5	140,625
Joint	2	2	12,900
Total	43	105	2,433,091

2012/13 Grants: Funding by classes of consumer

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

Figure 1: Breakdown of funding by consumer classes (\$ millions)

Domestic users include residential and low-income households. Domestic user groups received 56% of total funding in 2012/13, with total grants of just over \$1.36 million. Organisations representing low-income users received the majority of this funding (around two-thirds in 2012/13). Much of the work undertaken by these groups also benefitted households generally – for example:

- St Vincent de Paul Society Victoria’s worksheets tracking tariffs in each of the NEM jurisdictions, which have been widely used by advocates and decision-makers
- Uniting Care Australia’s coordination of an expert consultant to facilitate consumer groups’ contribution to the AEMC’s consideration of the AER rule changes to improve network regulation
- The joint collaboration by ACOSS, CUAC, PIAC and Consumer Action to establish a national energy consumer advocacy body that would represent the interests of all Australian households

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

Large end-users are businesses that fall within the legislative definition of small to medium consumers, but typically use over 160MWh of electricity per annum. The proportion of total funding given to large end-user groups was 20% in 2012/13, with total grants of \$476,000. Most grants were targeted to assist with engagement in specific policy or regulatory decisions, where these groups are often the only consumer voice.

Small businesses use under 160MWh of electricity per annum and have been a particularly hard class of consumers to engage

on energy issues. The Panel has made small business a strategic priority group over the last 4 years. In 2012/13 small business groups received \$119,831 or 6% of total funding – still a small percentage, but steadily increasing (from zero in 2008/09).

- As mentioned earlier, rural and regional consumers have also been a strategic priority, but that class of customers remains hard to reach. However of the grants to small business, one went to address rural and regional small business consumers (NSW Farmers Association).

Environmental groups are those whose membership or organisational aims are primarily focused on environmental issues – those groups have been funded for advocacy and research on national energy market issues such as improved demand-side participation or consumer protections pertaining to smart meters. Distribution of funding to these groups in 2012/13 was similar to that of previous years, with grants totalling \$333,176, representing around 14% of total 2012/13 funding.

The final category of **Researchers/Consultants** includes academic institutions, researchers and consultants who are not consumer advocacy organisations, but who are undertaking projects that benefit electricity and gas consumers. Grants to that group totalled \$136,950 in 2012/13, or 6% of total funds approved.

2012/13 Grants: Funding by Jurisdiction

The following table provides an indication of whether a grant’s primary outputs were focused on national or jurisdictional processes. It should be noted that this is a somewhat arbitrary classification – work done by SACOSS has been classified as South Australia, but SACOSS has made a contribution to a number of national reviews within its grant.

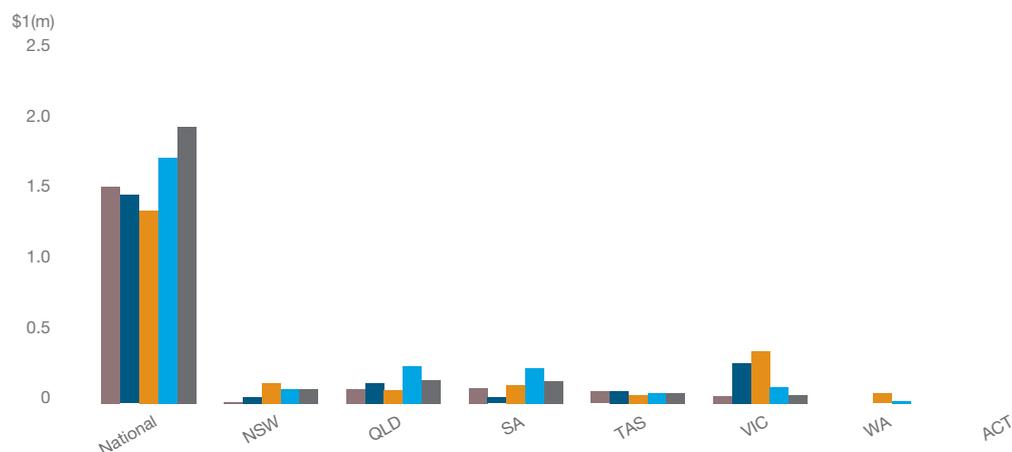
Table 2: Number and total value of approved grants by financial year and jurisdiction

2012/13	National	NSW	QLD	SA	TAS	VIC	WA	ACT
No. of grants approved	32	2	3	2	2	2	–	–
Total value of grants approved (\$ exc GST)	1,969,054	97,431	88,975	156,800	68,355	52,476	–	–

The Panel has seen an increasing focus by consumer groups on national electricity market and national gas market issues, clearly demonstrated in the following historical analysis of the total value of grants approved to national and jurisdictional projects between 2008 to 2013.

Figure 2: Breakdown of total value of approved grants by financial year and jurisdiction 2008-2013 (millions)

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



Grants approved in 2012/13 for activities in 2013/14

In May and June 2013, the Panel approved Global Advocacy Funding Grant and Capability-Building Grant applications pertaining to the 2013/14 financial year. The features of these grants are:

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

In 2012/13 the Panel approved global funding grants to the following organisations. As one grant can include a number of projects, the following also details the projects undertaken as a result of the grant.

Table 3: Global Advocacy Funding Grants approved in 2012/13 for 2013/14⁴

No.	Applicant	Project	Projects funded No.	Amount funded (\$ exc GST)
595	Major Energy Users	Global funding 2013/14	15	220,000
591	Consumer Action Law Centre	Consumer advocacy in the NEM 2013/14	2	173,668
590	Alternative Technology Association	Advocacy in relation to demand-side participation in the NEM 2013/14	4	132,100
588	Total Environment Centre	TEC NEM advocacy 2013/14	6	156,000
587	Energy Users Association of Australia	Global Funding 2013/14 Priority Projects	5	220,000
Total				901,768

In 2012/13, the Panel approved Capability-Building Grants to the following organisations to facilitate advocacy in 2013/14. As one grant can include a number of projects, the following also details the projects undertaken as a result of the grant.

Table 4: Capability-Building Grants approved in 2012/13 for 2013/14

No.	Applicant	Project	Projects funded No.	Amount funded (\$ exc GST)
585	Tasmanian Council of Social Service	TasCOSS Energy Research and Advocacy Project 2013/14	8	45,980
586	South Australian Council of Social Service	Advancing advocacy and capacity building in the South Australian NEM jurisdiction 2013/14	4	138,930
592	Uniting Care Australia	Energy advocacy 2013/14	8	105,002
593	Ethnic Communities Council of NSW	Enabling CALD consumers to make choices in the NEM 2013/14	7	56,335
589	Council of the Ageing	The Power of Choice: what are the possibilities for older consumers?	3	62,000
Total				408,247

⁴ A Global Advocacy Funding Grant was also approved to the Australian Council of Social Service on 23 July 2013.

2012/13 Grants: budgeted vs allocated expenditure

The following table compares 2012/13 budgeted to allocated 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 2014/15 budget.

Table 5: 2012/13 grants: budgeted versus allocated expenditure

Grant category	Project type	Budgeted 2012/13 (\$ exc GST)	Allocated to 30 June 2012 (\$ exc GST)	Remaining (\$ exc GST)
Advocacy				
	Electricity Advocacy Projects	1,792,436	1,858,578	(66,142)
	Gas Advocacy Projects	389,182	306,591	82,591
	Joint Advocacy Projects	123,225	114,397	8,828
Research				
	Panel initiated			
	Electricity research	61,362		61,362
	Gas research	63,768		63,768
	Joint Research	31,884		31,884
	Stakeholder initiated			
	Electricity research	31,884	140,625	(108,741)
	Gas research	31,884		31,884
	Joint Research	30,681	12,900	17,781
Grants sub-total		2,556,306	2,433,091	123,215
Evaluation				
	Evaluation of electricity projects	55,367	2,500	52,867
	Evaluation of gas projects	14,087	2,500	11,587
	Evaluation of joint projects	22,727	–	22,727
Grants total		2,648,487	2,438,091	210,396

Administration**Members**

The legislation provides for Panel membership of a Chair and four other members appointed on the recommendation of Ministers responsible for Energy within the Standing Committee on Energy and Resources (SCER).

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

On 30 November 2012, the terms of the Panel Chair Frank Peach and member Bill Russell ended.

Current Panel members are Karen Chalmers-Scott, Bruce Connery, Catherine Cooper, and Gordon Renouf.

The SCER process for appointing Panel members and the Chair of the Panel did not conclude prior to the expiry of a member's period of appointment. To ensure continuance of the Panel's operations, the Australian Energy Market Commission exercised its power under the AEMC Establishment Act to make temporary appointments. Karen Chalmers-Scott was appointed as acting Chair with effect from 1 December 2012, and Gordon Renouf as a temporary member on 19 December 2012. Both terms are up to the maximum allowable for a period of eight months. At the time of writing this report, the AEMC had made some further temporary appointments to ensure the Panel's continued operations.

In 2012/13, the Panel held 12 formal meetings (one per month) and, where necessary, also dealt with grant applications or other matters by email resolution.

Panel revenue in 2012/13

In 2012/13 the Panel's total revenue was \$2.924 million, comprising:

- \$2.852 million from fees charged to certain market participants via the Australian Energy Market Operator (AEMO) for expending on electricity advocacy and research projects and the portion of the Panel's administrative costs that relate to electricity advocacy, and from relevant jurisdictions via the AEMC, for expending on gas advocacy and research projects and the portion of the Panel's administrative costs that relate to gas
- \$74,277 in interest.

2013/14 Budget

On 30 August 2012, the Panel published a draft 2013/14 budget on its website, seeking comments from stakeholders. The final 2013/14 budget was submitted for the approval of the Standing Committee of Energy and Resources (SCER) on 15 October 2012.

The Hon Michael O'Brien, the SA Acting Minister for Mineral Resources and Energy, formally advised the Panel in January 2013 that Ministers had approved a total 2013/14 budget of \$3.2 million, representing an increase of 4% to the previous year.

Panel staff and administrative costs

The Panel was supported by a full-time Executive Director (Kerry Connors) and a part-time Project Officer (Marea Reed from July-October 2012, and Melissa Russin from January 2013).

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 2012/13, \$388,579 was expended on administration, comprising 13% of total expenditure and less than budgeted.

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

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

Activities undertaken in 2012/13 Consumer Advocacy and Research Projects

No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
523	Electricity advocacy	UnitingCare Australia	Supporting advocacy on AEMC network rule change 2012/13	Technical advice and briefings to consumer advocate organisations by consultant on AER Direction Paper and Draft Determination.	A	59,180.00
525	Electricity advocacy	Queensland Council of Social Service (QCOSS)	Response to QCA decision on regulated retail electricity prices 2012-2013	Submission to QCA	A	10,000.00

No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
526	Global advocacy funding grant	Major Energy Users	MEU Global Funding 2012/13	<p>Submissions and lobbying in the following processes:</p> <ul style="list-style-type: none"> - AER networks rule change - Generator market power rule change - AEMC Transmission Frameworks Review - Review of Renewable Energy Target - AER Victorian Gas distribution revenue reset - AER Review of VicGAs transmission revenue reset - AER review of ElectraNET - SCER Limited Merits Review - Inter-regional transmission charging rule change - AER Service Target Performance Incentive Scheme Review - Productivity Commission inquiry into network - AEMC review of Demand-side participation 	A	220,000.00
527	Joint capability-building	Tasmanian Council of Social Service (TasCOSS)	Energy research & advocacy project 2012/13	<ul style="list-style-type: none"> - Advocacy and submissions to Tasmanian and Commonwealth government and policy decisions - Capability building in TasCOSS systems and network 	A	44,355.00
528	Joint capability-building	South Australian Council of Social Service (SACOSS)	Advocacy and capacity-building 2012/13	<ul style="list-style-type: none"> - Advocacy and submissions to government and policy decisions - Report on policy options to address disconnection - Cost of Living Report – utilities focus - Capability building in SACOSS systems and network 	A	131,800.00
529	Joint capability-building	Uniting Care Australia (UCA)	Energy advocacy 2012/13	<ul style="list-style-type: none"> - Advocacy and submissions to government and policy decisions - Energy affordability action plan and related Issues Paper - Capability building in UCA systems and network 	A	85,181.00
530	Joint capability-building	Ethnic Communities Council of New South Wales	Advocacy for CALD households and small businesses in the NEM 2012/13	<ul style="list-style-type: none"> - Advocacy and submissions to government and policy decisions to secure information tailored to specific CALD communities, including newly arrived migrants and refugees - Capability building in ECC NSW systems and network 	A	77,500.00
531	Global advocacy funding grant	Energy Users Association of Australia	Global Funding – priority projects 2012/13		R	
532	Global advocacy funding grant	Australian Council of Social Service (ACOSS)	ACOSS NEM advocacy and development 2012/13	<p>Advocacy and submissions for energy consumers to government and policy decisions in following areas</p> <ul style="list-style-type: none"> - Retail policy and the national regulatory framework - Network development, smart meters, smart grids - Climate change, carbon price, energy efficiency - National Energy Policy - Interval data, product choice, informed consent 	A	220,000.00

No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
533	Joint capability-building	100% Renewable Community Campaign	Understanding and communicating the links between renewable energy and power prices		R	
534	Global advocacy funding grant	Alternative Technology Association	Advocacy in relation to customer reliability, DG, and smart metering in the NEM 2012/13	<p>Advocacy, research and submissions to government and policy decisions</p> <ul style="list-style-type: none"> – Better valuing and managing the reliability of energy supply to customers to achieve lower cost electricity – Equitably valuing distributed generation for households, communities and SMEs – Role of third parties in providing consumers with demand-side participation (DSP) based solutions to meeting energy supply and peak demand needs – Making smart networks work for consumers and enable DSP 	A	125,000.00
535	Global advocacy funding grant	Consumer Action Law Centre	Consumer advocacy in the NEM 2012/13	<p>Advocacy, research and submissions to government and policy decisions</p> <ul style="list-style-type: none"> – Retail and distribution market and trading issues – Energy market design and structure – Consumer experience of a high-tech design and structure 	A	220,000.00
537	Global advocacy funding grant	Total Environment Centre	NEM advocacy 2012/13	<ul style="list-style-type: none"> – Advocacy, research and submissions to government and policy decisions to increase uptake of demand-side participation; and inform consumers about and advocate solutions to other environmental issues in the NEM – Research report on environmental implications of reduced peak demand 	A	150,000.00
538	Joint capability-building	Kildonan Uniting Care	RSL Victoria pilot: engaging the hard to reach		R	
539	Joint capability-building	Queensland University of Technology (QUT) Credit and Consumer Law Program	Utility Research and Advocacy Project – Legacy Report	Legacy report on QUT project	A	27,400
542	Joint capability-building	QUT Credit and Consumer Law program	Reimbursement of travel costs 2011/12		R	
543	Joint capability-building	ACOSS, CUAC, CALC and PIAC	Establishing a national energy consumer advocacy body	Report to SCER about the establishment of a national energy consumer advocacy body	A	66,750.00
544	Electricity advocacy	St Kitts Associates	Submission to AEMC Review of distribution reliability outcomes and standards	Submission	Withdrawn	10,000.00
545	Gas advocacy	Energy Users Association of Australia	NSW Gas Market Study		R	
546	Electricity advocacy	Energy Users Association of Australia	Renewable Energy Target (RET) Review	Submissions and advocacy on behalf of large end-users to review of Renewable Energy Target	A	31,000.00

No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
547	Electricity advocacy	Mt Alexander Sustainability Group	Community Energy Action Plan and Advocacy Strategy		R	
548	Electricity advocacy	St Vincent de Paul Society Victoria	The relative value of energy concessions 2009-2012	<ul style="list-style-type: none"> – Input to Senate Enquiry on impact of current state and federal concessions – Research report analysing estimated electricity and gas bills from 2009 to 2012 and the relative impact of state and federal concessions. – Briefings to consumers groups, energy advocates and media regarding the report findings and recommendation. 	A	29,603.00
549	Joint capability-building	QCOSS	National Consumer Roundtable on Energy – coordination and meeting support – Nov 2012, Mar 2013, July 2013	<ul style="list-style-type: none"> – Roundtable Meetings – Collation and distribution of meeting presentations and outcomes 	A	119,669.00
550	Electricity advocacy	Mount Alexander Sustainability Group	Community Energy Action Plan and Advocacy Strategy	Community Energy Action Plan and Advocacy Strategy	A	20,000.00
551	Electricity advocacy	Exigency Management Pty Ltd	Assisting cogeneration through NEM rule change to access MSATS data		R	
552	Electricity advocacy	Energy Users Association of Australia	Electranet Revenue reset	Submission to the AER on its Draft Decision	A	25,000.00
553	Stakeholder-initiated research – gas	Jose Alberto Hernandez Ibarzabal	Financial investment in natural gas infrastructure: a comparative case study of Australia and Sweden		R	
554	Electricity advocacy	Energy Users Association of Australia	Impact of emission prices on electricity users	Report and advocacy to its findings	A	30,000.00
555	Electricity advocacy	NSW Farmers Association	Farmers as Energy consumers	Report and advocacy to its findings	A	19,931.00
556	Joint advocacy	Public Interest Advocacy Centre	Better Regulation for Consumers	<ul style="list-style-type: none"> – Workshops/briefings with small end-user groups – Submissions to the Rate of Return and Expenditure Incentives Issues Papers 	A	25,000.00
557	Joint advocacy	Major Energy Users Inc.	Guidelines for AER network regulation	Submissions to the Rate of Return and Expenditure Incentives Issues Papers	A	11,000.00
558	Joint advocacy	Energy Users Association of Australia	Advocacy of consumers interest in the development of regulatory guidelines	Submissions to the Rate of Return and Expenditure Incentives Issues Papers	A	16,000.00
559	Electricity advocacy	Total Environment Centre (with ATA)	Demand management targets in the NEM		R	
560	Stakeholder-initiated research – electricity	Engineroom Infrastructure Consulting	Updating AP 450 Mapping Retail Electricity Standing offers in Australia	Spreadsheets of regulated prices across Australia	A	3,500.00
561	Joint advocacy	CUAC	Where do the dollars go? An analysis of bill composition and retailer margins in Victoria		R	
562	Electricity advocacy	Tasmanian Small Business Council	Submission to Tas Govt on the implementation of its electricity reform package	Submission	A	24,000.00

No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
563	Joint advocacy	Central Victorian Greenhouse Alliance Inc.	Social impacts of TOU tariffs and DM on rural and regional Victorians		R	
564	Electricity advocacy	Ethnic Communities Council of New South Wales	CALD communities "Power of Choice" in the NEM		R	
565	Stakeholder-initiated research – joint	St Kitts Associates	Linking energy affordability to housing affordability in the NEM	Report and advocacy to its findings	A	12,900.00
566	Stakeholder-initiated research – electricity	Alviss Consulting	The adequacy of consumer information for households with solar panels exercising choice in the electricity retail market	Report and advocacy to its findings	A	14,800.00
567	Stakeholder-initiated research – joint	Business Extra	Sustainably affordable energy – beyond stop-gap interventions	Report and advocacy to its findings	A	9,750.00
568	Stakeholder-initiated research – electricity	Centre for Policy Development	The role of distributed solar generation in reducing peak demand	Report and advocacy to its findings	A	36,000.00
569	Stakeholder-initiated research – gas	Energy Users Association of Australia	NSW Gas Study		R	
570	Stakeholder-initiated research – electricity	Anglicare Tasmania	Experience of electricity rationing and energy hardship for low-income Tasmanians		R	
571	Stakeholder-initiated research – electricity	Energy for the People	What happens when people unplug?	Report and advocacy to its findings	A	25,000.00
572	Stakeholder-initiated research – gas	Domanski & Associates Pty Ltd	Gas Markets and SMEs – status, impacts and issues		R	
573	Stakeholder-initiated research – electricity	Queensland Council of Social Service	Issues for remote prepayment meter customers in Queensland	Report and advocacy to its findings	A	51,575.00
574	Stakeholder-initiated research – electricity	Moreland Energy Foundation	Go5: Giving residential energy savings targets a go		R	
575	Joint advocacy	Kildonan UnitingCare	Joint debt for better or worse: energy debt between joint account holders		R	
576	Electricity advocacy	Australian Chamber of Commerce & Industry	Advocacy on Climate Change Authority Caps and Targets Review	Submission responding to the Issues Paper	A	19,400.00
577	Joint advocacy	Environment Victoria	One Million Homes Roundtable	Report on Roundtable discussions	A	7,476.00
578	Electricity advocacy	Energy Users Association of Australia	SP AusNet Transmission Determination	Submissions on revenue proposal, and AER draft decision	A	45,000.00

No.	Project type	Applicant	Project	Primary outputs (where grant approved)	Approved (A) / Rejected (R)	Amount funded (exc GST)
579	Joint advocacy	Energy Users Association of Australia	Advocacy of energy consumers interests in the development of regulatory guidelines Mar-Nov 2013	Written submissions to the AER on its various guideline consultation documents	A	65,000.00
580	Electricity advocacy	Total Environment Centre	AER Better Regulation program : Development of demand management and embedded generation incentive scheme (DMEGCIS) Guideline	Draft research report and final research and advocacy report (following consumer and AER feedback)	A	30,700.00
581	Joint advocacy	Public Interest Advocacy Centre	Better Regulation for Consumers Mar – Dec 2013	<ul style="list-style-type: none"> – Video/teleconference workshop on the Consultation Papers and Draft Guidelines with small end-user groups – Submissions and advocacy on Issues Papers and Draft Guidelines 	A	66,700.00
582	Joint advocacy	Major Energy Users	Guidelines for AER network regulation March – December 2013	Submissions and advocacy on Issues Papers and Draft Guidelines	A	33,000.00
583	Joint advocacy	Engineroom Infrastructure Consulting	Facilitation of consumer engagement in the AER Better Regulation Program	Assistance to advocacy groups participating in the Better Regulation program	A	50,000.00
584	Joint advocacy	Business Extra	AER Better Regulation program – maximising the effectiveness of consumer advocacy		R	
597	Electricity advocacy	Financial Counselling Australia	Attendance at EWON National Affordability Roundtable	Engagement with EWON process	A	500.00
598	Electricity advocacy	Council of Small Business Organisations in Australia (COSBOA)	COSBOA Input to AER Better Regulation Project	<ul style="list-style-type: none"> – Submissions and advocacy on Draft Guidelines – Briefing of COSBOA members 	A	56,500.00
599	Joint advocacy	St Vincent de Paul Society Victoria Inc.	Expanding the Tariff-Tracking tool to Tasmania and the ACT and updating the tools for Queensland, South Australia and NSW	<ul style="list-style-type: none"> – Report and spreadsheets on tariffs in the ACT and Tasmania – Updating workbooks for QLD, SA and NSW 	A	57,040
600	Joint advocacy	Consumer Action Law Centre and Consumer Utilities Advocacy Centre	Improving consumer protections and the effectiveness of competition—removing the right of energy retailers to unilaterally vary the price of a fixed term energy contract	Rule change to AEMC	A	49,880.98
TOTAL						2,433,090.98

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



Catherine Cooper

Acting Chair

30 September 2013

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Enquiries

Paul Smith
Chief Executive
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

W **www.aemc.gov.au**

E aemc@aemc.gov.au

T 61 2 8296 7800

F 61 2 8296 7899

ABN 49 236 270 144

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