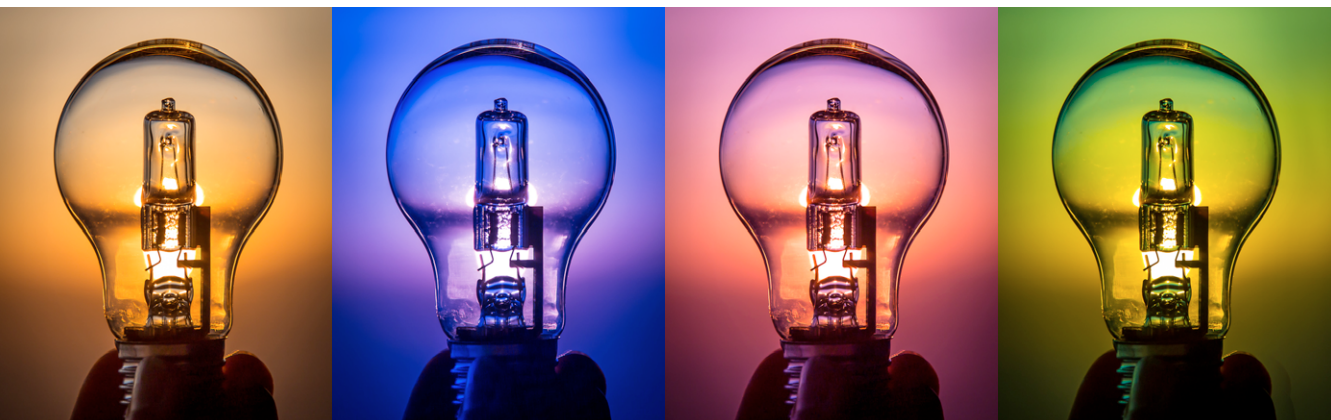




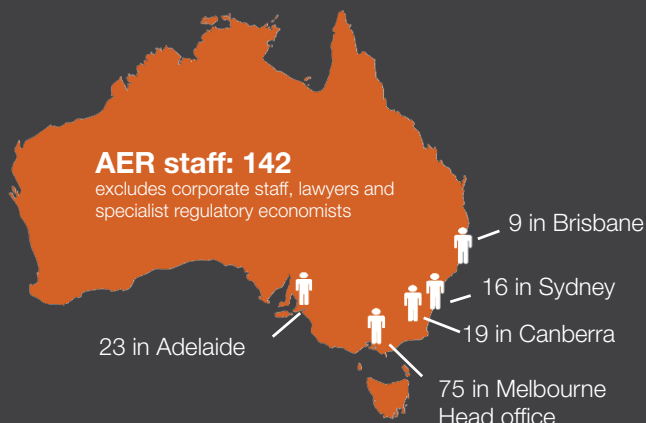
# ANNUAL REPORT 2014–15



# OUR BUSINESS

The AER regulates energy markets and networks. We have an independent board of three members.

We regulate electricity networks and covered gas pipelines in jurisdictions other than Western Australia. Our wholesale market functions cover the National Electricity Market and spot gas markets in southern and eastern Australia. Our retail energy market functions cover New South Wales, South Australia, Tasmania, the ACT and Queensland.



## WHOLESALE MARKETS

We enforce the laws for the National Electricity Market and wholesale gas markets located in Victoria, Sydney, Brisbane, Adelaide and Wallumbilla. These markets have a combined annual turnover in excess of \$9 billion. We monitor and report on the conduct of over 450 registered wholesale market participants.



## CONSUMERS

We protect the interests of over

# 6.5 million

household and small business energy consumers by enforcing the Retail Law.

We monitor the conduct of 58 authorised retailers, approve customer hardship policies and operate a scheme to protect consumers if a retailer fails. Our Energy Made Easy website helps consumers choose the best retail contract.

## NETWORKS



We set the amount of revenue that network businesses can recover from customers for using networks (electricity poles and wires and gas pipelines) that transport energy. The combined value of the 31 regulated networks exceeds \$115 billion.

# 31

regulated networks

# HIGHLIGHTS OF THE YEAR

## NETWORK DECISIONS

We made seven final and three preliminary electricity network determinations, and approved one gas access arrangement. Our decisions allowed 27 per cent less revenue than proposed by the businesses. We began a further six reviews.



**ENERGYMADE**  
The power to compare **easy**

**2500**

offers for residential and  
small business customers

**700 000**

website visits

**2.6 million**

unique website page visits

## CONSUMERS

We redeveloped the Energy Made Easy website to improve performance and functionality, making it easier for consumers to compare energy offers, and allowing retailers to better manage their offers on the site.

## BENCHMARKING

We introduced benchmarking in our assessments of electricity network revenue proposals; and released our first benchmarking report on electricity network performance.

## WHOLESALE MARKETS

We helped progress rule changes to improve electricity wholesale market outcomes, and assisted reviews of wholesale gas markets and pipeline arrangements.

## ENFORCEMENT

Our enforcement actions under the National Electricity Law and National Energy Retail Law resulted in court ordered penalties of \$900 000. We also issued 10 infringement notices for contraventions of the Retail Law.

**\$900 000**

**OF COURT ORDERED PENALTIES**

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## Chair's review

I am pleased to introduce the Australian Energy Regulator's third annual report, and my first as Chair. The report details the agency's work throughout 2014–15 and tracks our performance against targets set out in our Statement of Intent to the Council of Australian Governments' Energy Council.

The network revenue determinations and gas access arrangements we approved this year bring together various strands of our Better Regulation program for network regulation. This program has been a major focus of the reform process over the past three years and is aimed at enhancing network regulation by taking a more holistic and robust approach to testing past performance and assessing efficient expenditure forecasts. The Better Regulation program has equipped us with a range of tools, including benchmarking, to assess performance and inform regulatory decisions.

All of our regulatory processes recognise the importance of providing stakeholders with input into our work. Our processes need to be open and transparent and show how we take into account the views of those affected by our decisions, including network businesses and consumers. Our approach to consultation this past year included new engagement forums such as the Consumer Challenge Panel, established to provide input on issues of importance to consumers, as well as jurisdictional groups of stakeholders covering business and residential consumers. Our Customer Consultative Group also provided valuable advice on retail issues affecting consumers. I would like to thank them for their continued efforts in helping us improve the quality of our consumer engagement.

Engagement will remain a key element of our work as energy markets evolve and new products and services are offered. It improves regulatory outcomes and is essential for maintaining public confidence in the regime. This engagement includes effective consultation with market participants, consumers, businesses and representative associations as well as government and policy makers.

While our network regulation helps ensure that consumers pay no more than necessary for safe and reliable energy services, building consumer confidence in energy retail markets is also a crucial part of our work. Energy retail markets are rapidly evolving from a model in which consumers were seen as passive recipients of gas and electricity, to one in which emerging technologies give consumers choice over how and when they consume energy and manage their bills. In a time of change,

adequate customer information, explicit informed consent and customer protection remain essential for consumers to confidently engage with energy markets and get the outcomes that best suit their needs. The AER has important roles in providing information, such as through our Energy Made Easy website. We launched a more user-friendly Energy Made Easy website in June 2015, with improved performance and functionality to make it easier for consumers to compare energy offers, and allowing retailers to better manage their offers on the site. The consumer protection framework provides redress where consumers are misled or deceived. As a recent example, the AER (and ACCC) took action on inappropriate telemarketing of energy offers by various retailers.

Changes in the wholesale electricity and gas markets have also had an impact on our work. Our role in supporting the efficient operation of energy markets is increasingly important as renewables makes up an increasing proportion of the generation mix and liquefied natural gas exports fundamentally alter the domestic gas market. Our market reports contribute to strengthening market transparency and confidence.

We work with wholesale and retail market participants to foster a culture of compliance with the law and rules and to encourage them to operate in ways that deliver efficient outcomes to consumers. We work to educate market participants about their compliance obligations and seek new ways to help participants understand their obligations and put frameworks in place that help align their interests with those of consumers.

In the retail space, this includes promoting best practice through a range of compliance publications and audits. In the past year we undertook more targeted compliance with respect to retailers' hardship programs. We will build on that work this year by developing a guide to good practice for retailers undertaking capacity to pay assessments for hardship customers.

We continued our program of technical audits of generators and electricity network businesses, and we reviewed the quality of information published by network businesses in their annual planning reports. In gas, our focus this past year was on ensuring participants comply with the information requirements of the National Gas Bulletin Board, which promotes efficient trading of gas and gas pipeline services.

We have demonstrated that, where necessary, we take action over breaches of the energy laws to protect the interests of consumers and the integrity of the market. During the year we took a number of such actions including instituting two proceedings in the Federal Court and issuing 10 infringement notices for contraventions to legislation.

We work in an increasingly dynamic and challenging market environment; change is transforming the energy market and consumers have moved centre stage. In 2015–16 we will continue to work closely with the COAG Energy Council, other market institution and all stakeholders to help ensure Australia has energy market and regulatory arrangements that are both sufficiently responsive and flexible to the needs of consumers and industry, while still offering stability and predictability for investors.

I arrived at a time of unprecedented workload for the AER. What I found was a high quality and hard working staff dedicated to serving the public, striving for continuous improvement and enjoying what they do. I'd like to take this opportunity to thank the AER staff and board for a successful year. As our role and responsibilities expand in the upcoming year we remain focused on delivering outcomes that are in the long term interest of consumers, with our eye on the future while remaining anchored in our values of ethical attitude, respect, commitment and accountability.

**Paula Conboy**

Chair

Australian Energy Regulator

# AN EXPANDING AGENDA

## 2005 | 2015

### WHAT WE REGULATE

Electricity wholesale  
Electricity transmission

Electricity wholesale  
Electricity transmission  
Electricity distribution  
Gas wholesale  
Gas pipelines  
Energy retail

### WHOLESALE MARKETS

National Electricity Market

National Electricity Market  
Gas Short Term Trading Market  
(Sydney, Brisbane and Adelaide)  
Victorian Declared Wholesale Gas Market  
Wallumbilla Gas Supply Hub

### ENERGY LAW AND RULE OBLIGATIONS

907 clauses  
National Electricity Law  
National Electricity Rules (version 1)

3245 clauses  
National Electricity Law  
National Electricity Rules (version 72)  
National Gas Law  
National Gas Rules (version 27)  
National Energy Retail Law  
National Energy Retail Rules (version 2)

### NUMBER OF REGISTERED MARKET PARTICIPANTS

105 electricity

211 electricity  
240 gas

### NUMBER OF ENERGY SELLERS

0

58 authorised retailers  
1400 registered exempt sellers

### NUMBER AND VALUE OF ENERGY NETWORKS

7 electricity networks

\$11 billion

20 electricity networks

11 gas pipelines

\$115 billion

### TOTAL AER STAFF

73 (69.8 FTEs)  
30 June 2006

142 (132 FTEs)  
30 June 2015



# The Board reflects

## STEVE EDWELL

*Inaugural Chair, May 2005 to May 2010*

It was my great privilege to be the AER's Inaugural Chair. I see the AER at this time of its 10th birthday as a very credible and best practice regulatory agency. Well-functioning energy markets require vigorous competition; and where regulation applies, the regulatory agency must be independent, transparent and professionally competent. For mine, the AER delivers on these fronts as part of a broad institutional architecture that makes the National Electricity Market one of the world's most efficient energy markets.



In its formative years the AER largely focused on managing the transfer of regulatory responsibilities for energy distribution networks from state and territory agencies—a process with considerable upfront reputational risk. We also had to rapidly develop competency in monitoring the electricity wholesale market.

In 2005, network businesses had some expectation that regulation under the new national model would be different—perhaps a simpler, quicker process that would be somewhat removed from local politics. Wishful thinking. I also recall the daunting timetable showing an approaching tsunami of regulatory resets; and with the regulatory framework yet to be finalised and still undergoing vigorous debate. The rules were not settled but we had to get on with it.

The businesses ultimately applied for very substantial expenditure increases and higher rates of return—arguments accompanied by volumes of supporting material and consultancy reports. The government-owned businesses had the most aggressive submissions. Our decisions were invariably appealed and so the Australian Competition Tribunal had final say on rule interpretation and what is in the best long term interests of consumers.

Ten years on, we have completed at least two regulatory cycles, overhauled the regulatory rules and revamped the Tribunal remit. The AER has developed a comprehensive benchmarking framework and guidelines to strengthen efficiency and regulatory certainty. All for the better. The evidence, however, is that business submissions are increasingly voluminous, there has been no reduction in the reset timeline and consumers find it difficult to engage in a reset process that is ever more technically complex. Such is the world of best practice energy regulation.

The AER's Rate of return guideline is a case in point. The intention was to provide regulatory certainty by establishing a broad model and truncate costly and time consuming debates on the weighted average cost of capital during individual reviews. But if

## 2005

### May

Tasmania joins the NEM.

### July

AER launched, with regulatory responsibilities in the National Electricity Market and electricity transmission.

## 2006

### April

Basslink electricity interconnector launched, connecting Tasmanian market with the mainland.

## 2007

Drought constrained generation by hydro and coal-fired electricity generators.

### July

First AER electricity determination takes effect.

### December

First AER *State of the energy market report* published.

## 2008

### January

AER acquires responsibility for electricity distribution regulation.

### July

AER acquires responsibility for gas pipeline regulation.

Snowy region of the NEM abolished and absorbed into NSW and Victoria.

Gas Market Bulletin Board launched.

### September

First merits review of an AER decision completed.

the expectation was that once the guidelines were finalised the sector would be all 'wacc'd out', this did not prove to be the case. One regulatory cycle on, and rate of return arguably remains the dominant reset issue.

Looking forward I suspect the AER may have to deal with another regulatory tsunami. Perhaps not as stark as the wave of workload pressure that captured attention in the AER's early years, but far more challenging. This new tsunami is being driven by consumers and technology. Electricity users are responding to higher energy prices by reducing their energy use and aggressively adopting rooftop solar panels. Across the nation we have seen a sustained reduction in demand. Falling renewable energy costs, innovation in battery storage technology, embedded generation and greater consumer empowerment through smart meters presents a new paradigm for the traditional electricity and gas network model. Is the network regulation framework sufficiently flexible to respond to this challenge? Or will we need another round of regulatory change? If so, can this be driven by the AER and the sector under current governance arrangements or will government policy intervention be required? In this age of greater consumer power, perhaps the best response will involve widening contestability along the supply chain and less rather than more regulation of network assets. The long term interests of consumers may best be met by letting the market rip, so to speak.

History is littered with public action winning over regulation. In the UK town of York, you can still see many buildings with bricked in windows. Puzzling in a part of England that is rather light on sunshine. It turns out the authorities had introduced a building tax based on the number of windows. Daylight robbery.

Happy birthday AER and best of luck.

## GEOFF SWIER

*Board member, June 2005 to June 2008*

Two pictures in a World Bank publication on economic regulation nicely sum up the motivations and challenges for the AER. One is of a State legislature building in India. Inscribed on the building in large letters are the words 'Government Work is God's Work'. This is a humorous reminder that the AER is motivated by a high calling—public service. Specifically, the AER is directed to make decisions that promote the long-term interests of consumers of gas and electricity services.

The second is a picture of a historical marker in the United States inscribed with the words 'Regulators hanged'. This is a tongue-in-cheek reminder of the challenges faced by the AER. Stakeholders, as they are entitled to, actively contest and criticise the AER's decisions. In the past 10 years, the AER has been subject to strong accountability through parties challenging its decisions before the Australian Competition Tribunal. Fortunately these days, an adverse Tribunal decision is less drastic than a hanging.



The AER Board's main priorities in its early years were largely organisational: establishing a true 'one stop shop' for national energy regulation, and planning how to comply with new rules being made by a new rule maker, the AEMC. Since then, change has been much faster and more uncertain than was expected when the AER was established. In 2005, steady electricity demand growth was taken for granted, coal seam gas was a little known energy source, national clean energy policies were bipartisan, photovoltaic solar and battery storage were fringe technologies, and consumers were passive takers of decisions made for them by not particularly innovative energy companies.

The AER's next phase of development will be shaped in part by government decisions following the current review of governance arrangements for Australian energy markets. This has raised strategic questions about how best to align the AER's organisational independence, financing, management, culture and skills, with changes in energy markets.

The AER can be proud of many of its achievements over the past 10 years. It has learned much from its more challenging experiences. Further, Australia's energy regulatory institutional arrangements are well regarded worldwide. I look forward to seeing how the AER grasps opportunities from any governance changes and how it evolves and adapts to the likely continued rapid pace of change over the next 10 years.



## 2009

### January

AER acquires responsibility for regulating gas spot markets.

AEMO launched as national operator of wholesale gas and electricity markets.

Victoria becomes the first jurisdiction to deregulate retail electricity prices for small customers.

### May

QSN link completes gas interconnection of Queensland with southern states.

### November

Australian Competition Tribunal merits review decisions increase network revenues by \$2 billion.

### 2009 calendar year

Electricity demand from the grid falls for the first time since the NEM commenced.

#### Photo captions:

*First:* State legislature building in India showing 'Government Work is God's Work' inscribed.

*Second:* Historical marker in the United States inscribed with the words 'Regulators hanged'.

## 2010

### August

Regulatory investment test for transmission (RIT-T) introduced.

### September

Gas short term trading market launched in Sydney and Adelaide.

## 2011

### September

AER proposes major overhaul of National Electricity and Gas Rules.

### December

Gas short term trading market launched in Brisbane.

## ED WILLETT

*Board member, July 2005 to May 2013*

The AER was created as a compromised structure that few supported at the time. Many key stakeholders wanted a body entirely separate from the ACCC, while others argued we already had a national energy regulator: the ACCC. The outcome was statutory gymnastics: a separate organisation that was a constituent part of the ACCC.



And thus it has been for 10 years. Over time, this unusual organisational structure revealed important advantages. Staff could draw on support and opportunities as part of a larger organisation, while the Board could comprise energy experts that would not have been available within the ACCC. I have no doubt these factors helped the AER develop as successfully as it has.

The structure of the AER remains contentious—so much so that it clouds the agency's real and substantial achievements. We shouldn't forget, particularly in the context of our problematic Federal system, how much institutional and governance mess has been avoided to get to where we are today.

By the early years of this century, National Competition Policy energy reforms had run out of puff. Federal, state and territory energy policy processes were moribund. The ACCC tried to do what it could with limited tools in undertakings, while gas markets had no overarching reform sponsor. The reform of institutional arrangements to create the AER, AEMC, AEMO and COAG Energy Council, and associated policy processes, enabled energy markets to continue to develop. There have been hiccups along the way, but the big picture has been smooth implementation of fundamental changes in a difficult political environment—changes that will serve Australia well into the future.

There is still critically important work to do.

I believe the National Electricity Market remains, by a clear margin, the best electricity market in the world. But there are clear vulnerabilities. Network prices remain too high, wholesale contract markets are too thin, the spot market's continued viability as an effective market (rather than a mere dispatch engine) is at risk and demand side participation remains formative.

Gas markets are a work-in-progress. Conduct remains focused on long-term supply and transport agreements. The prospect of effective and interrelated short term gas and storage markets seems distant. These markets are vital to ensuring that domestic markets can extract as much value as possible from gas resources in the context of massive LNG exports.

I have every confidence the AER is soundly placed to play a key role in the further development of energy markets in Australia. I wish you all well in those endeavours.

## ANDREW REEVES

*Chair, July 2010 to September 2014  
Board member, July 2008 to July 2010*



The AER has been a key player in the development of national energy markets, progressively taking on responsibility for the regulation of the wholesale electricity market, energy network regulation, a national energy consumer framework, and development of local gas markets.

Some changes, particular in the regulation of electricity distribution networks, took place against expectations of strong demand growth, concerns for the reliability of ageing assets and historically high interest rates. The 2008–10 electricity distribution revenue decisions were the first carried out in these demanding circumstances and under revised National Electricity Rules. The AER was at the centre of this storm, which delivered substantial increases in electricity prices at a time when Australia was also focused on emission reductions and living costs. The price increases were the catalyst for regulatory change, with the AER in 2011 promoting reforms to the National Electricity Rules, and governments making changes to the National Electricity Law.

While each revenue review is a significant event for both the regulator and the regulated, the economic regulation of monopoly services and energy markets is a long term process of engagement and accrual of knowledge. The AER has developed and continues to develop systems to analyse market conduct and benchmark costs and services to better inform regulatory decisions.

The most significant change over the past decade has been a shift in focus to the consumer. Sidelined by the regulatory process for much of the history of economic regulation in Australia, consumers are now central to decisions. Consumer reference groups are an integral part of the AER's policy development and revenue decisions. There is an explicit focus on the long term interests of consumers in regulatory decisions by the AER and the Australian Competition Tribunal.

The next decade will see even greater consumer participation. Consumers' decisions on self-generation, storage, sharing and use will force suppliers, including monopoly services, to be responsive to demand. This will be a challenge for policy makers and the AER. Changes in the structure of tariffs will shift the burden of charges for use of the networks. It is important for consumers and investors that, against this backdrop of change, there be consistency in the principles and objectives of energy regulation.

The AER has consistently promoted the national electricity objective of efficient investment and the long term interests of consumers. This conviction has motivated the important reforms to the rules and process that the AER has promoted and instituted.

## 2012

### July

AER acquires responsibility for energy retail markets.

AER launches Energy Made Easy website.

Labor Government introduces carbon pricing.

Retail Law commences in Tasmania and the ACT.

### November

AEMC launches *Power of Choice* reforms.

AEMC announces major reforms to energy rules in response to AER proposals.

## 2013

### February

Retail Law commences in South Australia.

### March

Rooftop solar PV installations in Australia reach one million.

### July

Retail Law commences in NSW.

### October

In South Australia, wind produced more electricity than any other fuel source.

### November

Better regulation reforms finalised and amendments to merits review process introduced.

A further enduring characteristic of the AER has been its staff. They have consistently displayed a professional approach and dedication to public service, with continuous improvement of systems and processes while under the constant scrutiny of regulated businesses, governments and consumers. Accountability is high. Few institutions experience comparable levels of scrutiny and challenge to the detail of decisions, requiring extraordinary attention to voluminous and complex material under a massive workload.

The AER has coped well with its growth in responsibility. For much of the decade resources were adequate for the task. That is no longer the case. The AER has shared in cuts to resources for government services and cannot sustainably meet current demands, let alone respond to new demands in an increasingly complex industry. It is however well equipped with experience, systems and rigour in decision making to continue to contribute to the long term interests of energy consumers.

## CRISTINA CIFUENTES

*Board member since October 2010*

A key focus for the AER since its creation in 2005 has been to foster confidence in the energy regulatory frameworks so as to maximise effective participation in, and operation of energy markets. We consider this is best achieved through an agency structure encompassing culture, people and practices that embeds principles of good governance in everyday operations. We must be independent, have clarity of purpose, act within authority, have the expertise to make robust decisions, engage effectively, and be transparent and accountable.

The AER's independence, purpose and objectives are reflected in legislation. Our challenge has been to give effect to this in our everyday work. We have made it a priority to ensure our decisions are not only evidence based and supported by robust analysis, but are clearly reasoned and communicated.

Over the past decade, we have invested considerable resources in staff recruitment and in training to build up a body of knowledge, experience, expertise and diversity of skills that span economic, legal, engineering and financial fields. Our analysis must be informed by comprehensive and effective consultation. The Customer Consultative Group and Consumer Challenge Panel, which represent diverse users and consumer groups, have improved the quality of our decisions by providing consumer perspectives. The groups form part of a broad based consultation framework that encompasses public forums, discussion papers and stakeholder submissions, as well as more targeted approaches such as meetings, information inquiries and discussions with stakeholders to better understand their proposals and concerns.





The AER believes in principles of open government. We have improved our processes to ensure they are more open and transparent. Public versions of regulatory proposals from businesses, stakeholder submissions, and our draft and final decisions are published on the AER website. We publish service charters and stakeholder engagement guidelines to inform stakeholders on what they can expect from us.

We endeavour to make our reports as fit for purpose as possible, with different layers and avenues of reporting, from easy to read fact sheets through to more comprehensive and, by necessity, detailed decision and determination documents.

Finally, our decisions are subject to merits and judicial review and can only be overturned in those forums. Those avenues ensure accountability and we consider, in providing independent scrutiny of our decisions and processes, they foster confidence in the regulatory framework.

Whilst we have come a long way in the past 10 years, there is still work to be done, particularly in light of changing community and consumer expectations and levels of participation.

## JIM COX

*Board member since September 2013*

I was very pleased to have had the opportunity to join the board of the Australian Energy Regulator in September 2013.

The AER has achieved much over the past 10 years. Perhaps the most notable achievement has been the development of a national system of regulation for energy networks that were previously subject to varying state-based systems. Our network regulation has recently expanded to include the Northern Territory and will likely further extend to Western Australia. Once this occurs, investment in, and the operation of, energy networks in Australia will be governed by nationally consistent regulation.

The National Electricity Retail Law, which came into operation in 2012, now applies in New South Wales, South Australia, the Australian Capital Territory, Tasmania and Queensland. The legislation provides consistent consumer protection that enables customers to make decisions with confidence in deregulated, competitive energy markets. The AER has worked to achieve a high level of compliance by energy retailers with these new requirements.

In addition, the AER has developed techniques to ensure that generators compete with each other, and comply with their obligations under the National Electricity Law.

The success of the AER has been confirmed by the willingness of governments to entrust additional responsibilities to us. We are grateful for their confidence in us and will work hard to show that it is justified.



## 2014

### January

Full retail contestability extends to all NEM jurisdictions, with Tasmania deregulating its electricity retail market.

### March

Wallumbilla gas supply hub launched.

### July

Coalition Government repeals carbon pricing.

### September

Australia's first commercial solar plant commissioned.

## 2015

### January

First LNG exports from Queensland.

### February

First successful AER court action for breach of the National Electricity Law.

### March

First successful AER court action for breach of the Retail Law.

### April

AER makes first determinations under new energy rules.

### July

Retail Law commences in Queensland.

Northern Territory commences National Electricity Law.

The AER's work has been undertaken by a relatively small team of energy specialists. An important part of the AER's success is that we have been able to develop and maintain a team with the wide range of skills required to do this work.

There is no doubt the AER works in a challenging environment. The challenges will further intensify due to the evolving technologies affecting the energy market. However, I am confident that the skills and experience that the AER has developed over the 10 years of its existence places it in a good position to further refine its regulatory practice in response to these developments.



**PART 1**  
**GOVERNANCE AND**  
**MANAGEMENT**

---

Good governance is fundamental to us helping deliver an energy market that serves consumers' long term interests. We strive to incorporate good governance in our decision making and our business practice. It means we are structured to make timely, evidence based, independent decisions. It also means we can manage risks appropriately, act with integrity and engage effectively with our stakeholders.

## OUR LEGISLATIVE FRAMEWORK

The Australian Energy Regulator (AER) is an independent entity under the *Competition and Consumer Act 2010*, consisting of three members. The Act sets out the process for appointing AER board members and making decisions.

Our functions are set out in the national energy legislation and rules, which include the National Electricity Law, the National Gas Law and the National Energy Retail Law. The Australian Energy Market Agreement 2004 sets out the cooperative legislative framework of the states/territories and the Commonwealth. South Australia is the lead legislator, and the other jurisdictions then apply the national energy legislation.

The objectives in the national energy legislation guide our work. They are similar in each law, referring to promoting efficient investment in, and efficient operation and use of, energy services for the long term interests of energy consumers with respect to price, quality, safety, reliability and security of supply.

## AER BOARD

Our three member board has extensive energy sector and infrastructure regulation experience. It makes statutory decisions, sets strategic direction, approves major policy submissions and guides staff.

### Chair—Paula Conboy



Paula Conboy was appointed as full time member and Chair of the Australian Energy Regulator in October 2014.

Paula has over 20 years' experience in public utility regulation in Australia and Canada. She has held roles at the Industry Commission, Sydney Water Corporation and Ontario electricity distribution utility PowerStream Inc.

In 2010 Paula was appointed to the Ontario Energy Board where she oversaw policy development and adjudicated applications for cost of service, performance based regulation, mergers and acquisitions, and leave to construct electricity and gas networks. She was an active member of CAMPUT (Canada's Energy and Utility Regulators) and chaired its 2013 annual conference. She is also a mentor with International Confederation of Energy Regulators' (ICER) Women in Energy initiative.

Paula holds a Bachelor and Master of Science in Agricultural Economics from Guelph University and conducted her thesis work at La Trobe University in Melbourne, Australia.

## Outgoing Chair— Andrew Reeves



Andrew Reeves was appointed as the Chair in July 2010, following his appointment as a board member in July 2008. His time as chair ended on 30 September 2014. Andrew also served as Chair of the Utilities Commission of Northern Territory in 2009 and 2010.

Before his AER appointment, Andrew was commissioner of the Tasmanian Government Prices Oversight Commission and regulator of the Tasmanian electricity supply industry, responsible for the sector's technical and economic regulation. Other Tasmanian responsibilities included regulating the natural gas industry and investigating the pricing policies of water authorities, the public transport operator and the motor vehicle accident personal injury insurance provider. His previous government appointments included being director of energy policy and mineral and petroleum policy (Tasmania). His first professional discipline was engineering, with postgraduate qualifications in economics from the University of Queensland and Macquarie University.

## Cristina Cifuentes



Cristina Cifuentes was appointed as a state/territory board member for five years in October 2010. On 29 May 2013 she was appointed as an ACCC commissioner and now fills the Commonwealth member position on the AER board. As an ACCC commissioner, she oversees areas such as telecommunications, wheat ports, rail, and water.

Cristina has a breadth of experience in both the public and private sectors across public policy, finance and utility regulation, including positions at the Reserve Bank of Australia, the NSW Treasury and the Australian Securities Commission. Cristina was a member of the NSW Independent Pricing and Regulatory Tribunal between 1997 and 2006. She has held a number of directorships including with the Hunter Water Corporation and First State Super Trustee Corporation.

Cristina holds a first class honours degree in Law and a degree in Economics.

## Jim Cox



Jim Cox was appointed as a state/territory board member for three years from 26 June 2014. He had been an acting member since September 2013. Jim was previously a full time member of IPART's Tribunal between 1996 and 2013 and Chief Executive Officer of IPART between 2004 and 2013. He was awarded the Public Service Medal in the Australia Day honours list in 2011 for outstanding public service to IPART.

Jim has also held various positions in the Commonwealth and New South Wales governments, including positions with the Reserve Bank of Australia, the Department of Prime Minister and Cabinet and the Social Welfare Policy Secretariat of the Department of Social Security.

## Board meetings

Board meetings in 2014–15	47 meetings
All members present	39 meetings

## AER STRUCTURE

The AER board exercises the AER's decision making responsibilities as set out in the national energy legislation and rules. The CEO is accountable to the board, and is assisted by a dedicated body of staff.

The AER's staff and facilities are funded through the ACCC's agency appropriation. The AER has its own financial budget (see part 6). The CEO and the board are responsible for managing the AER's financial budget and other resources. The board approves the internal budget allocation according to its strategic priorities, anticipated work program and workforce requirements.

The CEO is responsible for managing the workforce plan. We had 142 staff members (132 FTEs) at 30 June 2015. Our staff is supplemented by staff in the ACCC's legal and economic division, working either partly or fully on AER matters. Other ACCC staff (particularly in the infrastructure regulation division) occasionally assist with matters before the AER board. Similarly, AER staff sometimes help with matters before the ACCC.

While the AER operates independently of the ACCC, under its own legislative framework, the agencies coordinate responses to matters covered under both the Competition and Consumer Act and energy laws, such as marketing by energy retailers. Sharing resources across two independent decision makers supports a common regulatory approach across industry sectors. It also enables the agencies to share expertise and overhead costs.

### AER CEO

Michelle Groves, our inaugural CEO, has 20 years' experience in implementing national competition policy, energy market reform and utility regulation. Before joining the AER, Michelle worked at the National Competition Council, principally in the areas of energy reform and third party access to essential facilities. She worked for the Western Australian Government from 1988 to 1993.

### Network branches

Our network branches consider gas and electricity network revenue proposals, with a central coordinator for each process. This structure encourages consistency across regulatory processes and energy businesses by allowing specialisation by topic.

The *network investment and pricing* branch, headed by Chris Pattas, undertakes capital expenditure assessments, assesses pricing/tariff proposals and monitors network business compliance with regulatory requirements and incentive schemes.

The *network finance and reporting* branch, headed by Warwick Anderson, assesses the rate of return, undertakes financial modelling and manages performance and benchmarking data.

The *network operational expenditure and coordination* branch, headed by Sebastian Roberts, assesses operational expenditure and covers reset strategy and coordination.

### Retail markets branch

Our retail markets branch, headed by Sarah Proudfoot, regulates retail energy markets in the states and territories that apply the National Energy Retail Law: New South Wales, South Australia, Tasmania, the ACT and Queensland (from 1 July 2015).

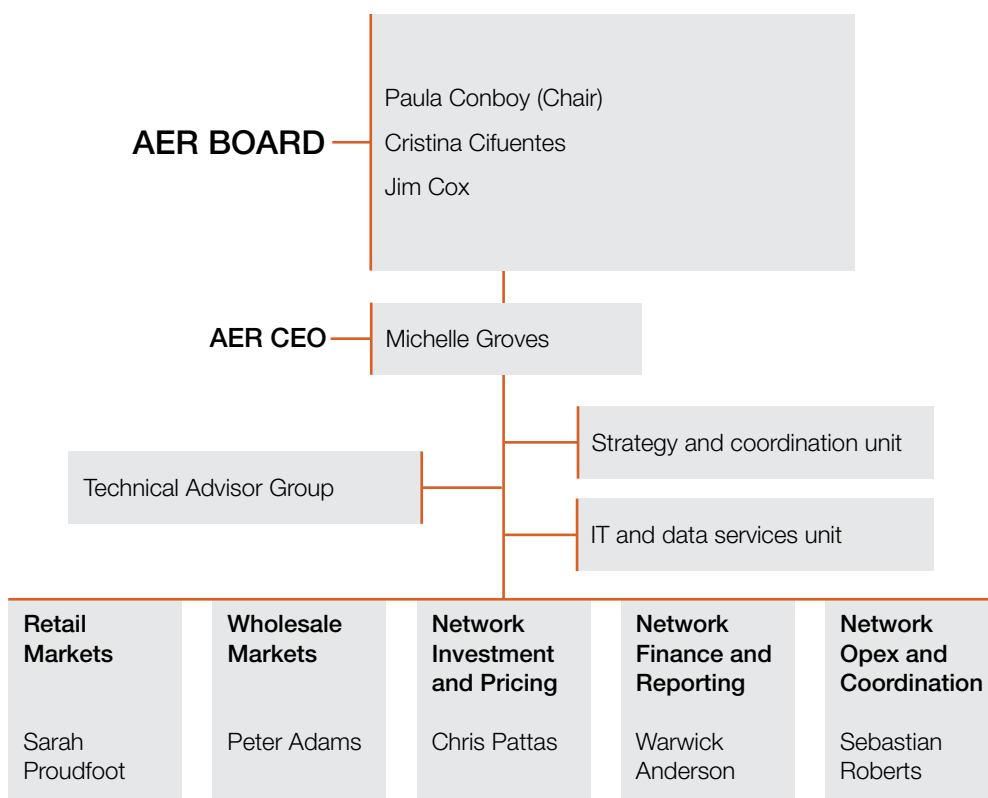
### Wholesale markets branch

Our wholesale markets branch, headed by Peter Adams, monitors wholesale energy markets for compliance with the gas and electricity legislation, and to detect competition issues and other irregularities. The branch operates a comprehensive compliance program and takes enforcement action when necessary.

## Other branches and units

The work of our five core branches is supported by:

- our Technical Advisor Group, which provides technical and industry advice to the AER board and staff
- our strategy and coordination unit, which coordinates responses to policy/rule reviews, media and speeches
- the ACCC's legal and economic division, including expert regulatory economists who contribute to our decisions on the cost of capital, benchmarking and incentive schemes. The division has a significant training role and helps coordinate economic expertise across the ACCC and the AER. The division also provides legal assistance on our enforcement matters and network decisions (including Australian Competition Tribunal reviews of those decisions)
- the ACCC's people and corporate services division, which provides the AER with human resources, finance and governance, information technology and strategic communication services.



## OUR PLANNING AND REPORTING FRAMEWORK

### Statement of intent to the COAG Energy Council

The Council of Australian Governments (COAG) Energy Council is responsible for major energy reform and the national energy legislation. The council consists of the Commonwealth, state, territory and New Zealand energy and resources ministers.

We report biannually to the ministers on our work activities, key market outcomes and, if requested, our views on reform proposals. The AER Chair and CEO usually attend part of each COAG Energy Council meeting to discuss energy market and network regulation issues.

The COAG Energy Council in March 2014 outlined what it expects from the AER under accountability and performance frameworks. In response, the AER in June each year publishes a Statement of intent, setting out how we will meet those expectations in the coming year, including through our work program. The statement also sets out deliverables and performance indicators to measure our progress in meeting expectations.

### Annual reporting

This AER annual report explains our work and performance over the previous year. It includes performance indicators (part 4), as well as information on our staff and expenditure.

We also publish a combined annual report with the ACCC to meet our formal reporting requirements under the *Public Governance, Performance and Accountability Act 2013* and s. 44AAJ of the Competition and Consumer Act. This includes financial statements for the combined ACCC/AER and a formal report against our program deliverables in the portfolio budget statement.

### Portfolio budget statements and corporate plans

Each year, as part of the Commonwealth Budget, the Portfolio Budget Statement: Treasury Portfolio budget papers sets out program deliverables and performance indicators for the AER. From the portfolio budget statement, we develop an AER/ACCC organisation-wide corporate plan. We then develop an internal business plan (finalised in late June) that reflects the corporate plan and the portfolio budget statement. It contains a risk matrix to help us minimise risks to our organisation and the energy industry. AER staff base their annual individual action and performance plans on the business plan.

### Our relationship with Commonwealth Treasury

The AER sits within the Commonwealth Treasury portfolio. The Hon. Kelly O'Dwyer MP, Minister for Small Business, is the responsible minister.

### Our stakeholder surveys

We periodically survey external stakeholders and publish the results on our website. These surveys of consumer representatives, the businesses that we regulate, other energy bodies, departments and ministers focus on our performance, consultation, reputation and communication. Their results provide useful input on how we work and our approach to stakeholder engagement. We conducted an extensive stakeholder survey during 2014. The next survey will take place in 2016.

## OUR LINKS WITH OTHER ENERGY BODIES

We work productively at Board and staff level with other energy market bodies. Memoranda of understanding with other energy agencies set out expectations for information sharing, consultation and other communication, and coordination of activities. We have memoranda of understanding with the Australian Energy Market Commission (AEMC), Australian Energy Market Operator (AEMO), the Clean Energy Regulator, Energy Safe Victoria and jurisdictional regulators and ombudsmen. We also engage with agencies such as the Australian Securities and Investments Commission (ASIC) on energy market issues, participate in working groups and facilitate staff secondments as opportunities arise.

More generally, we make submissions on and help with energy policy matters relating to our functions, particularly where we have specialist expertise and knowledge.

### COAG Energy Council

We support the COAG Energy Council by providing it with clear advice on energy issues as required. In particular, we brief Council meetings on key issues, and draw on our expertise to engage in rule change processes and policy reviews initiated or approved by the Council. In 2014–15 we made submissions to the Energy Council's reviews of governance arrangements for Australian Energy Markets; enforcement regimes under the National Energy Laws; and trading arrangements for idle capacity in gas pipelines. Appendix 1 provides details.

### State energy ministers/departments

The AER Chair and CEO regularly meet with state, territory and Commonwealth energy ministers. AER staff communicate frequently with energy departments, particularly on jurisdiction-specific and broader policy issues.

More generally we support parliamentary processes where our expertise may add value. During 2014–15, we contributed (via submissions and in some cases appearing at hearings) to the Competition Policy (Harper) Review; the Senate Standing Committee Inquiry into the Performance and Management of Electricity Network Companies; and the Australian Government's Energy White Paper—Green Paper. Appendix 1 provides details.

### Australian Energy Market Commission

The AEMC assesses rule changes and conducts policy reviews. The Commission and the AER board meet regularly, as do senior executives. We also communicate regularly with the AEMC on policy reviews and rule change proposals and in some instances, propose rule changes.

Appendix 1 provides details of all AER submissions to AEMC processes in 2014–15.

### Australian Energy Market Operator

AEMO operates the energy markets and has network planning functions. Its board meets the AER board on occasion, and senior executives meet every second month. We have operational meetings with AEMO on wholesale energy market and retailer of last resort issues, network reviews and planning decisions.

### Ombudsman schemes

We work closely with state and territory energy ombudsman schemes and draw on their data to help establish our enforcement priorities. We refer some matters to the ombudsman and vice versa.

### State/territory energy regulators

Alongside the shift to national energy market regulation, state and territory energy regulators retain some functions. We maintain strong relationships with state regulators and particularly focus on ensuring an efficient handover of functions when jurisdictions adopt the Retail Law (most recently, in Queensland).



We jointly convene the Utility Regulators Forum—a twice yearly meeting of decision makers and senior staff from Australian and New Zealand infrastructure regulators—with the ACCC.

## Other government organisations

We work closely with other government organisations and departments, including energy safety departments and agencies, energy efficiency departments and agencies, environment and climate change departments, and treasury departments.

## Overseas energy agencies

We have close working relationships with overseas regulators and energy market monitoring organisations. These relationships are bolstered by staff exchanges. In addition, we attend the World Forum on Energy Regulation and participate in its working groups. We are a long standing member of, and key participant in, the Energy Intermarket Surveillance Group—the peak group that coordinates communication between wholesale energy market surveillance and enforcement bodies. The group meets twice yearly and coordinates information and skills sharing among members. We provide administrative support and maintain a non-public website for the group. We participated in the group's meetings in October 2014 and May 2015, which focused on electricity market monitoring, compliance and market design issues.



**PART 2**

**REPORT ON PERFORMANCE:  
STRATEGIC PRIORITIES**

The AER's strategic priorities for 2014–15 reflected challenges posed by our operating environment and projected market conditions. In particular, a peak workload in the timing of regulatory reviews of energy networks obliged us to focus on our core legislative role in setting energy network revenues. The reviews were the first to embody new Better Regulation guidelines (priority 1).

The transition to national retail regulation continued, with Queensland implementing the Retail Law in July 2015. During the year we prioritised building consumer confidence through our compliance and enforcement programs, engaging with customer groups and refining the Energy Made Easy website (priority 2).

Recent behaviour in wholesale energy markets directed us to closely monitor those markets and engage in policy developments aimed at improving their efficiency. The launch of a new gas supply hub directed focus to our new compliance and enforcement roles in that market (priority 3).

## Priority 1 Delivering better network regulation

Reforms to energy network regulation in the past few years encourage network businesses to seek out more efficient ways of providing services. The measures support continuing investment in essential services without requiring consumers to fund excessive returns to network businesses. Further, the reforms provide constructive mechanisms for us and network businesses to engage with consumers.

Incentive regulation is at the heart of our approach. The framework strengthens incentives for network businesses to spend efficiently and share the benefits with consumers. The framework also sets new approaches to how we calculate the rate of return and how we assess expenditure forecasts (including through economic benchmarking). Finally, it established consumer engagement as a central part of the process. We published guidelines in 2013 explaining how we would apply the new rules.

We first applied the guidelines to regulatory determinations taking effect in 2015 for electricity transmission networks in New South Wales and Tasmania, and for electricity distribution networks in New South Wales, Queensland, South Australia and the ACT.

Moving some network reviews to accommodate the development of our Better Regulation guidelines meant a significant program of work in 2014–15. During the year we completed assessments of regulatory proposals for 11 network businesses and commenced a further six reviews.

### Benchmarking

In delivering better network regulation, a focus in 2014–15 was to benchmark network businesses against their peers, and develop information on ‘best practice’. The rules allow us to use benchmarking techniques and metrics to make decisions on service providers’ proposed expenditures. The techniques, which include economic benchmarking and more granular category analysis, make it possible to compare the cost of undertaking similar activities across service providers, allowing us to form a view of a service provider’s efficiency relative to its peers. We can then direct our focus to areas where expenditure appears not to be efficient. We also use benchmarking to measure how a business’s efficiency changes over time.

Benchmarking requires us to gather information from network businesses, so we introduced a new reporting framework based on regulatory information notices (RINs). Economic benchmarking RINs provide information on overall efficiency. Category analysis RINs provide information on expenditure by asset category. We drew on information collected in the RINs to form a view on the efficiency of proposed operating and capital expenditure forecasts from network businesses.

We have strengthened our capability to collect, store and report on this data. A new database was tested and implemented over the second half of 2014.

We first applied benchmarking in our network determinations completed in 2014–15. It played an important part in our decisions to reduce operating expenditure allowances for the NSW and ACT distribution businesses, which will reduce network charges for consumers.

In November 2014 the AER released benchmarking reports for electricity network businesses on their relative efficiency over 2006–13. In December 2014, we published economic benchmarking and category analysis regulatory information notice responses from the businesses for 2013–14.

### Technical Advisor Group

We brought new technical and industry expertise into the AER in 2013 by establishing a senior Technical Advisor Group. The group improves our use of external consultants and strengthens our engagement with network businesses. During 2014–15 the group provided support and advice on regulatory determinations for electricity networks and on incentive schemes, technical reviews, consultancies, benchmarking, compliance assessments and rule changes.

## Consumer engagement

When assessing revenue proposals or access arrangements for network businesses, we use a range of strategies to seek consumer input on the issues that concern the community, and incorporate it in our decision making.

The Better Regulation reforms increase consumer involvement throughout the regulatory process. Prior to submitting its proposal, a network business must undertake extensive and genuine community consultation. When we assess a proposal, we consider the quality of this consultation. Our consumer engagement guideline helps businesses develop strategies and approaches, and assists them in preparing spending proposals that reflect consumers' long term interests. The reforms also extended the regulatory determination process to allow stakeholders more time to provide their views. To assist, we publish an issues paper at the start of each process. In revenue determinations and access arrangement decisions completed in 2015 we received an unprecedented 505 submissions on the proposals. We also hold public forums where consumer representatives present their views.

To make our decisions more accessible, we publish factsheets that explain how we made our assessment, and how each decision will affect consumers.

Our Consumer Challenge Panel advises us on issues of importance to consumers and looks to ensure consumer perspectives, particularly of residential and small business consumers, are properly considered. Sub-groups are formed for each determination process.

The panel challenges us on how we approach issues and identifies gaps when we analyse businesses' proposals. Members meet with businesses and attend consumer group meetings to hear consumers' key concerns. In particular, the panel may challenge whether proposed network services are acceptable to, valued by, and in the long term interests of consumers; and how the business' engagement with consumers informs, and is reflected in, the proposal.

Our revenue determinations completed in 2015 are the first in which panel members provided input. The panel provided written advice on our approach to the regulated rate of return and how network businesses can engage more effectively with consumers. This advice was communicated to the businesses and published on our website. We accounted for this advice in making our draft and final determinations.

Additionally, we establish jurisdictional consumer reference groups for some determinations to make it easier for consumer representatives to contribute. We hold meetings throughout our processes to align with key milestones. We explain the key issues and our approach to assessing them. The meetings provide a forum for consumer groups to raise questions and engage with the AER's Consumer Challenge Panel.

The increased quality of consumer input is helping shape our decisions to better reflect the long term interests of consumers. We are seeing a higher level of understanding of regulatory issues from those participating in the reference group meetings, which is reflected in higher quality submissions.

## Priority 2 Building consumer confidence in energy retail markets

It is important that energy consumers, particularly residential and small business consumers, participate confidently in retail energy markets. Our functions under the National Energy Retail Law—operating at 1 July 2015 in NSW, Queensland, South Australia, Tasmania (electricity) and the ACT—protect customers when problems arise, whether in the form of disputed bills, payment difficulties or disconnection of supply.

Empowering consumers is our ultimate goal. We pursue it by working with energy businesses to ensure they have proper systems and procedures in place. This year, for example, we authorised four new retailers to enter the market, and approved the hardship policies of those looking to sell to residential customers. We monitored compliance with consumer protections and took enforcement action where required, issuing 10 infringement notices and taking court action in one instance. This compliance and enforcement work helps build customer confidence that retailers will meet their needs.

Additionally, we equip consumers to make informed choices about retail energy contracts. Our web comparator, Energy Made Easy, is a free, independent and trustworthy site that allows consumers to compare offers. It also provides information on energy issues such as energy efficiency, energy contracts and bills, consumer rights and obligations, and financial hardship, and allows consumers to understand and compare their electricity usage against similar households.

On 25 June 2015, we launched a major redevelopment of the site with improved functionality to make it easier for consumers to search and compare energy offers. It includes a more stable platform to accommodate emerging models of selling energy, and allows for efficient upload and management of offers.

The website attracted over 550 000 unique visits in 2014–15, with around 2.6 million unique page views. The site hosted over 2500 retail offers at 30 June 2015, with approximately 2000 in New South Wales, 450 in South Australia, 20 in Tasmania and 150 in the ACT. Queensland offers were published in July 2015 following the Retail Law's commencement in that jurisdiction.

Our work in building consumer confidence remains a priority given the continuing evolution of retail energy markets. Queensland became the latest jurisdiction to adopt the Retail Law, on 1 July 2015. More broadly, technological change is resulting in new services being offered to customers that were not contemplated when the Retail Law was drafted. We are refining our approach to regulating the sellers of these products under our authorisations and exemptions framework.

### Education and engagement

During 2014–15, we engaged in forums, conferences and meetings to promote wider understanding of the energy framework. This work included presenting a training package for small businesses and consumer caseworkers in Hobart, Canberra and Sydney to help their clients better understand and navigate the market. Material was provided for stakeholders to distribute through their networks with a view to reaching vulnerable and disadvantaged customers and those who may have already established a trusting relationship with agencies such as financial counsellors.

We also participated in forums with retailers and distributors, consumer groups, ombudsman schemes, governments and regulators on topics including regulation of alternate energy sellers, consumers in financial hardship, retail pricing information, and compliance issues.

The AER Customer Consultative Group (CCG) helps us understand consumer perspectives on retail energy issues. The group consists of residential and small business energy customer advocates, including those representing disadvantaged and vulnerable customers. We held three CCG meetings in 2014–15; the group also shares information out of session. Meetings cover a wide range of topics relevant to energy consumers, and this year included our enforcement action against Snowy Hydro Ltd, our review of retailers' hardship programs, and current retail market compliance and enforcement priorities.

In 2014–15 we began developing frameworks for constructive engagement with Energy Consumers Australia, the recently established national energy consumer advocacy body. We invited Energy Consumers Australia to join the CCG in 2015.

## Strengthening consumer understanding

During 2014–15, we looked to strengthen consumer awareness and understanding by developing two videos—*Could you be doing more to pay less on your energy bills?* and *Are you having difficulty paying your energy bills?* The videos raise awareness of how consumers can manage and reduce their energy costs, and of assistance for customers experiencing payment difficulties.

We designed three popular factsheets to improve access for consumers with reading difficulties, and simplified the language in other consumer factsheets (to be published later in 2015). We translated one factsheet into several languages to support consumers with low proficiency in English.

## Fostering regulatory compliance

One of our key roles is to build consumer confidence by monitoring energy businesses' compliance with the Retail Law and taking timely enforcement action where necessary. We maintain close relationships with energy ombudsman schemes in all jurisdictions, allowing us to identify market issues and focus our resources.

On 21 November 2014, the AER instituted proceedings in the Federal Court against EnergyAustralia for failing to obtain the explicit informed consent of customers before transferring them to new energy plans. This was the first court action taken by the AER under the Retail Law and followed an investigation with the ACCC into telemarketing practices.

On 27 March 2015 the Federal Court ordered by consent that EnergyAustralia pay penalties of \$500 000. In separate concurrent proceedings brought by the ACCC, the Federal Court imposed penalties of \$1 million on EnergyAustralia and \$100 000 on its telemarketing contractor Bright Choice, after finding that they had made false or misleading representations to consumers.

In 2014–15, the AER issued eight infringement notices to electricity distributors in relation to incidents in which customers known to require life support equipment unexpectedly lost electricity supply. In May 2015, AGL South Australia and AGL Sales each paid penalties of \$20 000 for disconnecting electricity supplies to nine customers on hardship programs or a payment plan.

## Contract price variations

On 23 October 2014 the AEMC tightened the rules on information retailers must provide to consumers before entering a retail contract, particularly on whether prices can vary. The AER worked closely with the AEMC throughout the rule change process and met with representatives of the CALC, CUAC and the Energy Retailers Association Australia to discuss the role each can play in improving consumer understanding of the energy market and increasing customer confidence to participate in it.

The AER is updating its Retail pricing information guideline in response to the rule change. The consultation draft in April 2015 sought to clarify retailer obligations on how they may present energy price information, introduced language requirements and standardised the information retailers must publish in energy price factsheets.

## Market evolution

Technological change is resulting in services being offered to customers that were not explicitly contemplated when the Retail Law was drafted. We are refining our approach to regulating businesses offering these services under our authorisations and exemptions framework.

On 2 July 2014 we published a statement of approach on regulating businesses selling energy through solar power purchase agreements. Building on this work, we released an issues paper on 18 November 2014 on options for regulating innovative energy selling business models, including battery storage.



## Priority 3 Supporting the efficient operation of energy markets

We monitor wholesale and retail energy markets to ensure participants comply with the underpinning legislation and rules and to detect harm such as market manipulation. We report on these matters to promote transparency and confidence, taking enforcement action where necessary. We also draw on this work to advise policy bodies on market inefficiencies.

### Compliance monitoring and enforcement

We promote a culture of compliance by energy businesses, including through our compliance monitoring and reporting activities, investigations and reviews. We take effective, targeted and timely enforcement action when necessary, and promote best practice through our compliance publications and audits.

On 3 July 2014 the AER instituted proceedings in the Federal Court of Australia, alleging Snowy Hydro failed to follow dispatch instructions issued by the wholesale market operator AEMO on nine occasions in 2012 and 2013. On each occasion, Snowy Hydro generated more power than the dispatch instruction required.

The Federal Court ordered by consent that Snowy Hydro pay total penalties of \$400 000. These were the first court ordered penalties for breaches of the National Electricity Rules. The Court also ordered by consent that Snowy Hydro appoint an independent expert to review the accuracy of its internal documents relating to compliance with dispatch instructions. In conjunction with the Court's orders, Snowy Hydro provided an enforceable undertaking to the AER on the operation of generators under certain conditions. This is the first enforceable undertaking accepted by the AER under the National Electricity Law.

Also in electricity, we continued our program of technical audits of generators and network businesses, and we reviewed the quality of information published by network businesses in their annual planning reports.

In gas, we focused on ensuring participants comply with the information requirements of the National Gas Bulletin Board, which promotes efficient trading of gas and gas pipeline services.

In the retail space, we instituted proceedings in the Federal Court against one retailer for contraventions of the Retail Law, following an investigation with the ACCC into telemarketing practices. We also issued eight infringement notices to electricity distributors for incidents in which customers known to require life support equipment unexpectedly lost electricity supply; and two infringement notices to retailers for disconnecting customers on a hardship program or payment plan (see Priority 2).

### Monitoring and reporting on market developments

While our market monitoring is primarily directed at ensuring participants comply with the legislation and rules, we also use it to detect irregularities and wider harm issues such as market manipulation. We draw on this work to advise policy bodies on market inefficiencies where reform may be necessary.

During 2014–15, our monitoring work led to us engage in workstreams aimed at improving wholesale market efficiency, including in relation to generator bidding practices. Rebids not made in good faith can adversely affect the accuracy of information on which market participants rely, impeding efficiency. The AER assisted the AEMC's consideration of a rule change proposal on the matter, and supported draft reforms announced in April 2015.

We also participated in the AEMC's consideration of our proposed rule change on generators' ramp rate limits (the rate at which they can alter output) to address an impediment to the market's ability to respond efficiently to a change in market conditions.

The east coast gas industry continues to evolve to meet demand for liquefied natural gas exports, with flow-on impacts in electricity generation. We reported in 2014–15 on developments in the trade of gas and pipeline capacity, including at the new gas supply hub at Wallumbilla. More generally, we strengthened our focus on market architecture, including the bulletin board, to determine whether it is meeting the needs of the evolving gas market.

In March 2015 we made a submission to the AEMC's East coast wholesale gas market and pipeline framework review, highlighting our work in this area.

**PART 3**  
**REPORT ON PERFORMANCE:**  
**WORK PROGRAM**

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Our strategic priorities identified our points of focus during 2014–15. But our wider ongoing functions remained critically important and accounted for a significant portion of our operations.

## 3.1 ENERGY NETWORKS

### 2014–15 highlights

- We made seven final and three preliminary revenue determinations for electricity networks.
- We made one access arrangement decision for a gas network.
- We released our first benchmarking report on the performance of electricity network service providers.
- We considered and approved annual pricing proposals for 13 electricity distribution businesses and 11 gas transmission and distribution businesses.
- We lodged submissions to six AEMC reviews or rule change processes, including on demand management incentives, expanding competition in metering, electricity distribution pricing and aligning electricity network and retail tariffs.
- We commissioned the first stage of a database to collect, store and report data from network businesses.
- We approved 13 cost pass-through applications from electricity and gas network businesses.
- We published a performance report for electricity distribution networks for 2011–13, on financial and operational outcomes.

### Our role

Our role in network regulation falls into two broad categories. First, we determine the amount of revenue that network businesses can recover based on proposals they submit. Second, we undertake broader regulatory oversight roles; some roles are regular (such as annual tariff approvals) while the timing of others is unpredictable (such as assisting Tribunal reviews).

### Network revenue decisions

We regulate electricity networks in the National Electricity Market (NEM) and from 1 July 2015, in the Northern Territory. We regulate covered gas pipelines in jurisdictions other than Western Australia.

Network businesses must periodically submit (usually every five years) regulatory proposals (electricity) and access arrangements (gas) to us for approval. We assess the proposals with regard to legislative criteria, taking account of issues raised in consultation. Network businesses can appeal our decisions to the Australian Competition Tribunal.

In determining allowable revenues, the AER must account for the efficient costs of providing network services, allowing an adequate return on capital to network owners. We undertake extensive consultation in making network revenue determinations. Following the development of a framework and approach for a review, we publish an issues paper, draft decision and final decision. Additionally, we hold public forums and consult with network businesses and other stakeholders, including consumer representatives, governments and investment groups. The Consumer Challenge Panel plays a significant role in the AER revenue review process, advising on issues important to consumers.

### Oversight roles

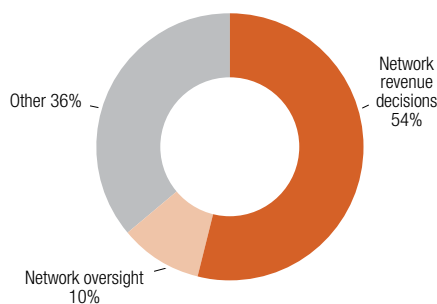
Network regulation extends beyond making revenue determinations and approving access arrangements. Our wider oversight roles include:

- Tribunal reviews—an affected party may seek a merits review by the Australian Competition Tribunal of an AER decision. If this occurs, we become a party to the review. The Tribunal may remit a regulatory decision (or aspects of it) to us for further consideration. Further, the courts can review our decisions on administrative grounds
- tariff assessment—we annually review tariffs for electricity distribution services and gas pipelines

- cost pass throughs— we consider applications by network businesses to pass through to customers those costs arising from events outside their control that were not anticipated when their network decisions were made
- network access (connection) disputes— We resolve customers' disputes with distribution businesses on the terms and conditions of connection offers
- customer and stakeholder complaints— we investigate complaints and advise the complainants of our findings. If we find that a distribution business has breached its regulatory obligations, we use our enforcement powers to ensure future compliance
- regulatory investment test for electricity— we monitor and enforce the compliance of network businesses in applying regulatory investment tests for new investment
- performance incentives— we develop incentive schemes for network businesses to improve performance, administer those schemes and monitor for compliance
- policy input and guideline development— we engage in policy reviews and rule changes relating to network regulation, and develop guidelines to implement policy reforms
- performance reporting— we publish information from network businesses about their revenues, prices, expenditures, operations and service delivery.

## Resources applied to network regulation

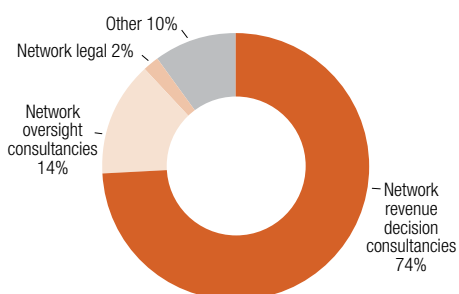
### Staff time for networks, 2014–15



In 2014–15 we dedicated around 64 per cent of our staff time and spent 90 per cent of our consultancy and external legal expenditure on energy network issues. This reflects the inherently complex issues involved in network regulation.

Around 54 per cent of agency staff time was devoted to network revenue decisions and legal appeals (up from 18 per cent in 2013–14). This increase reflected the large number of network revenue proposals and access arrangements assessed during the year. Similarly, this intensive period for regulatory work was reflected in high levels of consultancy and external legal expenditure. A large proportion of these additional resources were redeployed from Better Regulation implementation work which absorbed around 25 per cent of agency staff time in 2013–14, and was completed in that year.

### Consultancy and legal expenditure for networks, 2014–15



A further 10 per cent of agency staff time (down from 18 per cent in 2013–14) was allocated to network oversight roles such as annual tariff assessment, performance reporting and guideline development. The reduction reflects that some reporting and development work was deferred to release resources for network revenue assessments.

## Activity in 2014–15

In 2014–15, the AER completed 10 electricity network revenue determinations and one gas network access arrangement review, and commenced a further six processes. The decisions were the first to apply guidelines developed through our Better Regulation program, encouraging network businesses to seek more efficient ways of providing services (part 2, priority 1).

### Electricity networks

In 2014–15, we made final decisions for seven electricity networks:

- the New South Wales electricity transmission networks, TransGrid
- the Tasmanian electricity transmission networks, TasNetworks
- the New South Wales electricity distribution networks, AusGrid, Endeavour Energy and Essential Energy
- the ACT electricity distribution network, ActewAGL.
- the Directlink transmission interconnector between New South Wales and Queensland

The decisions reflect developments in the energy sector since the previous round of determinations. Electricity demand is forecast to remain flat over the regulatory period, easing strain on the networks and requiring less investment than in the past to provide a reliable supply of energy.

The investment environment has also improved. The previous round of determinations was made at the height of uncertainty surrounding the global financial crisis. But in the current healthier environment, financing costs to attract efficient investment are less onerous. Additionally, we applied a revised approach to determining rates of return. In combination, these factors resulted in significantly lower rates than in the previous round of determinations. We considered that businesses had sought rates of return above what was necessary in the current investment environment.

We also found that distribution businesses in New South Wales and the ACT operate less efficiently than other networks. Benchmarking and detailed reviews of the businesses' historical expenditure show that costs for these networks are above what a prudent and efficient operator would incur in delivering services. Our decision allows sufficient operating expenditure for an efficient network business to provide a safe and reliable service to customers.

These outcomes are reflected in our decisions that will see network prices continue to moderate (table 3.1).

We also made preliminary decisions in April 2015 for the Queensland and South Australia electricity distribution businesses (Energex, Ergon Energy and SA Power Networks). The preliminary decisions apply for 2015–16, to be replaced by our final decisions (due October 2015) for the remainder of the regulatory period to 30 June 2020.

The preliminary decisions significantly reduced the revenues proposed by the network owners (table 3.2).

The AER commenced a further five revenue determinations in 2014–15, for the Victorian electricity distribution networks (AusNet Services, Jemena, CitiPower, Powercor and United Energy) for the five year regulatory period beginning 1 January 2016.

Table 3.1: Final electricity network revenue decisions

Electricity Network	Determination period	Revenue proposed by network business (\$m)	Revenue allowed by AER (\$m)	Difference (%)	Impact of AER decision on bills (2015–16)
TransGrid (NSW transmission)	1 July 2015–30 June 2018	2906	2189	–24.7	–\$25 (1%)
Directlink (Qld/NSW interconnector)	1 July 2015–30 June 2020	79	69	–12.5	
TasNetworks (Tasmanian transmission)	1 July 2015–30 June 2019	694	694	0	–\$24 (1%)
AusGrid (NSW distribution)	1 July 2015–30 June 2019	9754	6576	–33	–\$165 (8%)
Endeavour (NSW distribution)	1 July 2015–30 June 2019	4441	3183	–28	–\$106 (5.3%)
Essential (NSW distribution)	1 July 2015–30 June 2019	5546	3826	–31	–\$313 (11.9%)
ActewAGL (ACT distribution)	1 July 2015–30 June 2019	863	591	–31.5	–\$112 (5.8%)

Table 3.2: Preliminary electricity network revenue decisions

Electricity Network	Determination period	Revenue proposed by network business (\$m)	Revenue allowed by AER (\$m)	Difference (%)	Impact of AER decision on bills (2015–16)
Energex (Qld distribution)	1 July 2015–30 June 2020	8432	6528	–23	–\$34 (1.8%)
Ergon Energy (Qld distribution)	1 July 2015–30 June 2020	8242	6022	–27	Same as Energex due to uniform retail tariff policy
SA Power Networks (SA distribution)	1 July 2015–30 June 2020	4745	3211	–32	–\$19 (9.8%)



The AER in 2014–15 also prepared for upcoming network revenue determinations. We:

- published framework and approaches for the Victorian (AusNet Services) and Queensland (Powerlink) transmission networks and began this work for Tasmanian distribution (TasNetworks) for regulatory periods commencing in 2017
- approved revised cost allocation methods for Ergon Energy (Queensland) and the five Victorian electricity distributors (CitiPower, Powercor, AusNet Services, Jemena and United Energy). The method governs how a distributor may allocate costs to avoid cross-subsidisation between distribution and other services
- published new versions of the post-tax revenue models applicable to future electricity determinations. The new models allow the rate of return on debt to vary each year within a regulatory period
- finished work on a networks database to collect, store and report on the information we received from network businesses. The database supports our new analytical techniques.

## Gas pipelines

On 3 June 2015, the AER issued its final decision for Jemena Gas Networks (NSW)'s 2015–20 access arrangement. Our decision allows Jemena to recover \$2229 million over the access arrangement period, 14.4 per cent less than proposed by Jemena.

The decision is expected to reduce gas bills by around \$96 (9.2 per cent) for residential customers in 2015–16, with bills continuing to fall over the following three years, before a small increase in 2019–20. Forecast volatility in wholesale gas prices makes price predictions difficult. As for the electricity decisions, a reduced rate of return is the primary driver of lower revenues.

We also began a review of ActewAGL's (ACT gas distribution) proposed access arrangement for the five year regulatory period beginning 1 July 2016. Australian Gas Networks submitted an access arrangement for its South Australian distribution network for review in July 2015.

APT Allgas's (Queensland gas distribution) application to the National Competition Council for light regulation was granted in April 2015. Accordingly, the AER is not required to make a revenue determination for the 2016–21 regulatory period.

## Tribunal and judicial reviews of AER decisions

Network businesses, consumer groups and others making submissions to our decision making processes can apply to the Australian Competition Tribunal for a limited merits review of our regulatory decisions. The Tribunal has the power to dismiss an application, substitute its own determination or send the matter back to the AER to remake the decision. The AER participates in Tribunal reviews and assesses subsequent network proposals in light of Tribunal decisions.

Additionally, a network business, consumer or party that lodged a submission to the AER's decision making process may apply to the Federal Court for judicial review of the AER decision or Australian Competition Tribunal decision.

No Tribunal reviews of AER network revenue determinations occurred in 2014–15.

The Tribunal in August 2013 dismissed AusNet Services' legal challenge against an AER decision on Victorian advanced metering infrastructure charges. Following the Tribunal's ruling, AusNet Services appealed to the Full Federal Court. In September 2014 the Court dismissed AusNet Services' judicial review application on this matter.

The New South Wales (electricity and gas) and ACT (electricity) distribution networks in May 2015 applied to the Australian Competition Tribunal for a limited review of our final decisions for those networks published in April 2015. The businesses contended the allowed revenues were too low. The grounds for appeal focused on rate of return issues and the use of operating expenditure benchmarks.

Consumer groups and others making submissions to our decision making process may also challenge the decision. The Public Interest Advocacy Centre in May 2015 applied for a Tribunal review of our decisions on the New South Wales electricity distribution networks, contending the revenues we allowed are too high. Its grounds for appeal also focused on rate of return issues and the use of operating expenditure benchmarks.

Leave to appeal was granted on 17 July 2015 for all applicants, with the Tribunal hearings to begin on 21 September 2015.

The New South Wales and ACT businesses also filed applications with the Federal Court for judicial review of the decisions. Additionally, Ergon Energy applied for judicial review of our preliminary decision on its Queensland network.

First directions hearings for the judicial reviews were listed for 21 September 2015. The Tribunal intends to have the matters stood over until it makes its decision on the merits review applications.

## Annual tariff assessment

The AER annually reviews network tariffs to ensure they do not breach revenue or pricing limits. We also verify that tariffs reflect underlying costs and are consistent with applicable pricing principles.

In 2014–15, the AER approved applications from energy businesses in New South Wales, Victoria, Queensland, South Australia, Tasmania and the ACT for tariffs applying in 2015–16 (2015 for Victoria). The applications concerned proposals from 13 electricity distribution businesses and 11 gas transmission and distribution businesses.

The AER rejected the initial proposal by SA Power Networks (electricity distribution) as its solar and social tariffs did not comply with the pricing principles in the electricity rules or our preliminary determination. Specifically, the electricity rules require retail customers with a comparable load and usage profile to be treated on an equal basis. The AER approved a revised proposal in June 2015, which removed the non-compliant tariffs. SA Power Networks applied for a judicial review of our decision on their annual network tariffs for 2015–16.

## Advanced metering infrastructure charges

In 2014–15, the AER approved revised charges for small consumers by Victorian electricity distributors for advanced metering infrastructure (smart meters). The AER originally set the relevant budgets in October 2011, but the businesses must annually revise the charges based on actual expenditure and any forecast updates.

In approving the revisions, the AER conducted a prudence review of expenditure excess for three networks. The revised charges allow distributors to recover only those costs the AER deems to be prudent and efficient.

We also approved charges for manual meter fees for small customers to apply from April–December 2015. The fees apply to customers that refused installation of advanced metering infrastructure.

## Cost pass throughs

A network business can apply to pass through to customers those costs arising from events outside its control and not anticipated when its revenue decision was made. Before approving a pass through, we consider its efficiency and steps taken by the business to mitigate costs.

In 2014–15, we approved 13 cost pass-through applications, including for:

- easement land tax costs for the Victorian electricity transmission network
- costs incurred by two Victorian networks to meet Energy Safe Victoria's direction to underground powerlines in high bushfire risk areas. The pass-through was for costs not met through grants from the Victorian Government Powerline Replacement Fund.
- increased costs arising from a gas mains replacement program for Victoria's distribution network. Our original access arrangement decision provided for the pass through if Australian Gas Networks achieved a trigger volume of mains replacements.

The AER did not make a determination within 60 days of receiving an application from ActewAGL (ACT electricity distribution) to pass through vegetation management costs incurred in 2012–13. The application was deemed to be approved.

## Performance reporting on network businesses

Performance reporting helps consumers and other stakeholders make informed contributions to our decision-making and ensures business accountability. Our performance reports incorporate benchmarking.

The AER uses regulatory information notices (RINs) to collect performance information from regulated network businesses:

- annual reporting RINs provide information on operational and financial performance, reliability and customer service
- economic benchmarking RINs provide information on overall efficiency
- category analysis RINs provide information that benchmarks expenditure at a disaggregated asset category level.

To support transparency and ensure stakeholders can access information affecting their interests, the AER publishes the non-confidential information it receives. In 2014–15, we published data on the operational and financial performance of electricity distribution networks in New South Wales, Queensland, South Australia, Tasmania and the ACT for 2013–14, and Victoria for 2013. The AER also issued a performance report for these businesses for 2011–13, comparing financial and operational outcomes with forecasts in regulatory decisions.

In November 2014, the AER released benchmarking reports for electricity network businesses on their relative efficiency over 2006–13. In December 2014, we published economic benchmarking and category analysis RIN responses from the businesses for 2013–14.

The AER streamlined reporting requirements for transmission business by removing certain obligations covered in the Better Regulation regulatory information notices. Other reporting requirements that were redundant or not aligned with the regulatory framework were also removed. We set out the streamlined requirements in a revised information guideline.

## Policy input and guideline development

The AER made submissions to AEMC reviews and rule change processes in 2014–15, including on:

- distribution reliability measures
- connecting generators to electricity distribution networks
- the demand management incentive scheme
- expanding competition in metering and related services
- electricity distribution network pricing arrangements
- aligning electricity distribution and retail tariffs.

Inter-regional transmission charging arrangements commence on 1 July 2015. The reforms promote more efficient cost allocation for transmission services across inter-state networks. On 17 July 2014 the AER amended its pricing methodology guidelines in anticipation of these new arrangements.

## Incentive schemes

### Electricity distribution

Distribution businesses report annually on expenditure made under the AER's demand management innovation allowance. We assess the expenditure for compliance with the associated incentive scheme.

In April 2015, we made decisions on the compliance of 10 energy networks with the scheme. The businesses had sought approval of \$4.3 million of expenditures on 51 projects. We approved all expenditure.

Our Service Target Performance Incentive Scheme for electricity distribution networks encourages businesses to maintain or improve performance for the benefit of end users. It aims to ensure efficiencies are not achieved at the expense of service performance. We review businesses' performance against the scheme annually.

### Victorian fire reduction incentives

The AER administers the Victorian Government's incentive scheme for distribution networks to reduce the risk of fire starts from electricity infrastructure, and to reduce the risk of loss or damage from fire starts. Businesses can receive a reward for sustained and continuous improvement. Distribution networks are rewarded (penalised) \$25 000 per fire below (above) their respective targets.

On 21 August 2014, the AER released its determination for 2013 outcomes. Victorian networks other than AusNet Services received penalties because fire starts exceeded benchmark targets. The penalties ranged from \$65 000 (CitiPower) to \$2 405 000 (Powercor). AusNet Services received a \$2 020 000 reward as its fire start number was below its benchmark target. This decision resulted in a small increase in AusNet Services's network tariff for 2015 (about \$3.11 per customer) and a reduction in other network tariffs of \$0.11–\$3.27, depending on a customer's distribution area.

### Electricity transmission

The AER's service target performance incentive scheme for electricity transmission networks encourages the businesses to maintain or improve service reliability in a way that customers value. The scheme encourages network development that supports an efficient wholesale electricity market. We report annually on whether network businesses improve their reliability or fail to achieve their service targets,

In April 2015, we published reviews on Powerlink, TasNetworks, ElectraNet, AusNet Services, Directlink, Murraylink and TransGrid's performance against their incentive schemes for the 2014 calendar year.

On 17 September 2014 the AER amended the scheme (creating version 4.1), addressing its application to Directlink in light of that network's exceptional outages in 2012. Directlink is subject to the service and market impact components of the scheme from 1 July 2015. The scheme's network capability component currently applies only to TasNetworks, TransGrid and AusNet Services. On 19 May 2015 the AER approved ElectraNet's proposal for early application of the component (from 1 July 2015).

Following a review of the incentive scheme, the AER will in August 2015 publish an amended scheme (version 5) with improvements focusing on the market impact and network capability components. Version 5 will apply to AusNet Services' and Powerlink's revenue determinations for 2017–22. The AER held a stakeholder forum to discuss the changes on 18 May 2015.

### Regulatory investment tests

The regulatory investment tests for transmission (RIT-T) and distribution (RIT-D) networks aim to identify investment options that maximise economic benefits and, when applicable, meet relevant reliability standards. The tests should be applied transparently and should promote competitive neutrality between network and non-network solutions. We have a role in resolving disputes over how the tests are applied. Further, if a network business requests, we can determine whether its assessment satisfies the test. We also monitor compliance with the tests (see Compliance and enforcement).

The AER is developing a rule change proposal to extend the RIT to include replacement assets. With flat network demand in the NEM, the majority of planned capital expenditure is for replacement assets. Improvements in network technology and demand management and greater consumer participation, have increased focus on alternatives to replacement investment in network planning. Application of the RIT to these decisions will help identify efficient investment options.

## Access and connection disputes

A customer that is dissatisfied with a connection offer from a distribution network business may request a review by the AER. We publish guidance on how we resolve connection disputes. In 2014–15, the AER received:

- nine electricity connection disputes, of which eight were resolved and one is still under investigation. The connection charges of five customers were substantially reduced
- one gas connection dispute. The connection charge of this customer was substantially reduced.

## Network exemptions

Small electrical networks such as in apartment buildings, shopping centres and industrial parks are subject to a simplified regulation regime administered by the AER.

Anyone who owns, operates or controls a small electrical network can register with the AER as an exempt network service provider. The AER maintains a register on our website of the holders of network exemptions. Since commencing the register in 2012, the AER has processed more than 1400 registrations for exempt networks.

## 3.2 RETAIL ENERGY MARKETS

### 2014–15 highlights

- We redeveloped the Energy Made Easy website to improve performance and ease of use for consumers and retailers.
- We released an annual retail performance report, which included our annual energy affordability report.
- We published our review of energy retailers' hardship policies and practices.
- We granted three authorisations and 50 individual exemptions to sell electricity and gas in retail markets.
- We completed an industry-wide Retailer of Last Resort exercise.
- We released a revised Retailer authorisation guideline.
- We consulted on our issues paper on regulation of innovative energy selling models.

### Our role

The AER regulates retail energy markets in New South Wales, South Australia, Tasmania (electricity), the ACT and Queensland (from 1 July 2015). We:

- oversee retail market entry and exit by assessing applications from businesses looking to become energy retailers, granting exemptions from the requirement to hold a retailer authorisation, and administering a national retailer of last resort scheme to protect consumers and the market if a retailer fails
- monitor and enforce compliance (by retailers and distributors) with obligations in the Retail Law, Rules and Regulations (set out in 'Compliance and enforcement')
- report on the performance of the market and energy businesses (including information on energy affordability)
- approve customer hardship policies that energy retailers must implement for customers facing financial hardship and looking for help to manage their bills
- maintain an energy price comparator website ([www.energymadeeasy.gov.au](http://www.energymadeeasy.gov.au)).

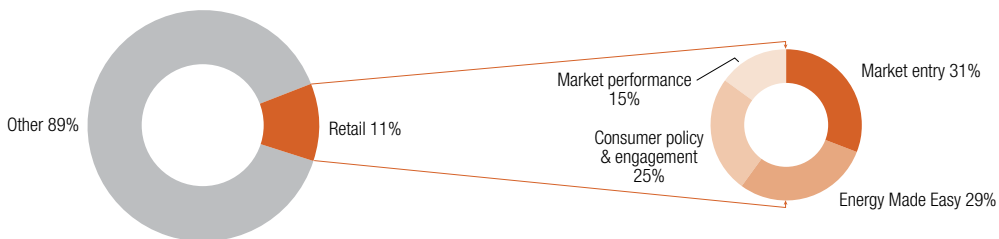
We do not set retail energy prices; rather, we guide and inform energy consumers so they can understand the range of energy offers available, make better choices about those offers, and be aware of their rights and responsibilities when dealing with energy providers. Our Energy Made Easy website is a key vehicle for providing this information in jurisdictions where the Retail Law operates. It includes a price comparator that shows all generally available offers to consumers, an electricity use benchmarking tool that allows households to compare their electricity use with that of similar sized households in their area, and consumer information.

We also produce publications (including new publications for consumers and consumer advocates) and web information on areas of the Retail Law. Our Customer Consultative Group is a source of information on important issues for energy consumers.

### Resources applied to retail energy markets

In 2014–15 we spent around 11 per cent of our staff time on retail energy markets work, down from 14 per cent in 2013–14. The majority of this staff time was focused on three main work areas: assessing applications by energy sellers for authorisation or exemption; a major redevelopment of the Energy Made Easy website; and consumer policy and engagement work, including on affordability and hardship.

## Staff time for retail markets, 2014–15



## Outcomes and work completed in 2014–15

One of the AER's strategic priorities in 2014–15 was to strengthen consumers' confidence to actively participate in retail energy markets. Our work also encompassed wider issues in the retail space.

### Energy Made Easy

Our energy price comparison website, Energy Made Easy ([www.energymadeeasy.gov.au](http://www.energymadeeasy.gov.au)), has been running for three years. It is a major resource for consumers looking to make informed energy choices. Currently, residential and small business customers in New South Wales, Queensland, South Australia, Tasmania and the ACT can visit Energy Made Easy, enter their postcode and immediately compare electricity and gas offers available to them.

Retailers must enter all generally available offers onto Energy Made Easy within two business days of making an offer available to consumers. This timeframe ensures the website gives consumers up-to-date and complete information on the products available.

Energy Made Easy also contains useful information about energy efficiency, energy contracts and bills and consumer protections.

Visits to the website again grew significantly in 2014–15. Throughout the year, Energy Made Easy had more than 700 000 visits and more than 2.6 million unique page views. Around 130 000 customers used the website to compare offers during in 2014–15 with 114 000 in New South Wales, 27 000 in South Australia, 900 in Tasmania and 3000 in the ACT. More than 5000 offers were published over the period, with approximately 2200 electricity and 250 gas offers available at any one time.

On 25 June 2015, we launched a major redevelopment of the site with improved functionality to make it easier for consumers to compare energy offers. Key improvements include:

- a more stable platform that accommodates a larger volume of offers, as well as more complex offers, to reflect new and emerging models of selling energy
- a new retailer portal allowing more efficient upload and management of offers
- a redesigned homepage, search form and results page, with improved filtering functionality for search results
- simplified consumer information pages with enhanced readability, and new information for small businesses
- a video to help consumers use the site, available in 6 languages, and videos to help consumers better manage their energy costs.

Engagement with retailers was vital to the project's success. We ran four retailer forums during development to seek feedback on proposals to improve the site. In April 2015, we staged a site 'walkthrough' for retailers. We also developed training resources, including instructional videos, to help retailers use the site.

The site includes information to help residential consumers to understand and compare their electricity usage against similar households in their area. The benchmarks, updated every three years, assist consumers to make informed choices about how they use energy.

We published new electricity consumption benchmarks on 17 December 2014, which retailers were required to include in energy bills from 1 July 2015. The updated benchmarks show a reduction in average usage in all regions.

## Consultation on retail pricing information

The AER has a retail pricing information guideline for energy retailers. The guideline sets out how retailers can present energy price information, assisting customers to readily compare retailers' offers. It also provides direction to energy retailers about providing information for the AER's price comparator website, Energy Made Easy.

We released draft revisions to the guideline for consultation in April 2015. The changes clarify retailer obligations under the guideline, introduce language requirements and further standardise the information on energy price factsheets.

The proposed revisions follow the AEMC's rule change in October 2014 on requiring retailers to improve the information given to consumers when entering market retail contracts, particularly with respect to whether prices can vary.

## New consumer education resources

The AER launched two educational videos in 2014–15—*Could you be doing more to pay less on your energy bills?* and *Are you having difficulty paying your energy bill?*—to raise awareness of how consumers can manage and reduce their energy costs, and of assistance measures for customers experiencing payment difficulties.

We designed three of our most popular factsheets to improve access for consumers who have reading difficulties and began simplifying the language in other factsheets. We translated one factsheet into other languages to better support consumers with low proficiency in English.

Sample factsheets were distributed to relevant community councils, charities, welfare and cultural centres, youth and women's associations, ethnic associations, and religious groups. The factsheets are also available on the Energy Made Easy and AER websites.

## Hardship policies

Energy retailers must have a policy to help residential customers with payment difficulties to manage their bills. The AER assesses the hardship policies of new retailers against the requirements in the Retail Law, and monitors retailers' compliance with their policies. We also assess proposed amendments to the policies. In 2014–15 we approved four hardship policies, and amendments to three existing policies.

In January 2015 the AER reported on a targeted review of hardship policies and practices. We undertook the review to better understand how retailers identify and assist customers with payment difficulties due to financial hardship, and to share examples of good industry practice.

Our findings suggest that concerns about the availability of hardship assistance and payment plan affordability are not symptomatic of widespread non-compliance by retailers. Rather, they reflect broader issues of energy affordability and energy literacy (consumers' ability to make informed decisions around selecting an energy offer and understanding their options and rights in relation to their energy supply).

We have seen encouraging progress in response to the review. A number of retailers acknowledged it prompted them to review their hardship policies and process documentation and consider improvements to the information they provide to consumers facing payment difficulties.

We continue to monitor compliance with the hardship provisions and in April 2015 issued two infringement notices for the wrongful disconnection of customers on hardship plans (section 3.4).



## Making the retail energy market work for consumers

During 2014–15 the AER participated in forums and workshops to promote better consumer understanding of the energy framework and allow stakeholders to raise issues of concern to consumers:

- We conducted workshops in Hobart, Canberra and Sydney with consumer caseworkers to improve their clients' understanding and awareness of customer rights and protections under the Retail Law and of the AER's role. We provided targeted material they could distribute through their networks to reach vulnerable and disadvantaged customers and those who might have already established a trusting relationship with agencies such as financial counsellors.
- We participated in a national energy affordability forum run by the Energy Retailers Association of Australia in Sydney on 12 August 2014. The forum brought together over 70 representatives from energy retailers, consumer groups, ombudsman schemes, governments and regulators to discuss energy affordability issues and develop action plans for priority issues. The association is helping to develop working groups for priority initiatives.
- We hosted a stall at the Energy and Water Ombudsman of NSW anti-poverty forum on 16 October 2014. The event focused on issues affecting consumers in financial hardship. Topics included how the ombudsman can help consumers, changes to debt collection and credit reporting laws, access to hardship programs and removal of electricity price regulation. The AER distributed factsheets and other resources for consumers and caseworkers.
- We presented to Jemena's customer council in December 2014, outlining the national exemptions framework and what it means for gas sellers and customers in NSW.
- We presented at the South Australian Council of Social Services Hardship and Affordability Conference in April 2015. The conference brought together representatives from the telecommunications, water and energy sectors to share ideas and initiatives to address customer hardship and affordability.
- We met regularly with staff from energy ombudsman schemes to discuss complaints received, systemic issues and emerging trends in the energy sector.
- We participated in the Queensland Government's Consumer and Industry Reference Group, a forum for stakeholders to comment on government policy and decisions relating to the Retail Law's commencement in Queensland.
- We attended conferences focusing on consumer issues, including the Financial Counselling Australia conference and the National Consumer Congress. The congress discussed consumer protection topics, including price comparator websites and changes to the energy sector.

## Authorisations and exemptions

The Retail Law requires a party selling energy 'to a person for premises' to hold a national retailer authorisation, or to be exempt from that requirement. We are responsible for granting those authorisations and for the Retail Law's exempt selling regime. A national retailer authorisation allows a party to sell electricity or gas to any consumers in jurisdictions where the Retail Law operates.

### Authorisations

A business must apply to the AER for an authorisation to sell energy. It must demonstrate appropriate capacity and suitability to perform as a retailer. The AER produces guidance for, and works closely with, potential new energy sellers during the application process to make sure they are aware of their obligations.

When we receive an application, we publish it on our website and seek submissions from interested parties, before deciding whether to grant an authorisation. We granted retailer authorisations in 2014–15 to:

- OC Energy Pty Ltd, 15 August 2014
- Next Business Energy Pty Ltd, 12 September 2014
- Locality Planning Energy Pty Ltd, 13 November 2014

At 30 June 2015, we were considering four authorisation applications.

### Consultation on Retailer authorisation guideline

The AER's Retailer authorisation guideline explains the authorisation requirements and processes for transfer, surrender and revocation. We published a revised guideline on 18 December 2014, with improved readability and transparency about our assessment process.

### Exemptions

The Retail Law's exempt selling framework includes classes of deemed and registrable exemptions allowing a party to sell energy without an authorisation. It generally applies when energy sales are not the entity's main business activity, but are a subsidiary service or aspect of its business (for example, a caravan park operator charging for the cost of energy at individual sites). At 30 June 2015, we had registered 1285 exemptions in NSW, South Australia and the ACT (Tasmania did not adopt the exempt selling regime).

We can also grant individual exemptions for specific activities falling outside the deemed or registrable classes. The exemptions are tailored to the specific situation of the applicant and their customer(s) and are subject to a consultation process similar to that for an authorisation. In 2014–15 we granted 50 individual exemptions. All but four were from businesses selling electricity through solar power purchase agreements.

Our exempt selling guideline outlines the classes of deemed and registrable exemptions that apply, as well as the process for obtaining an individual exemption. In April 2015, we revised the guideline, leaving open a number of classes of registrable exemption that were to close on 1 January 2015. Our decision to maintain these classes, rather than require applicants to apply for an individual exemption, reflected a lack of consumer detriment being evidenced under the current process.

### Regulating 'alternative energy sellers'

Technological change has led to products and services being offered to energy customers that were not explicitly contemplated when the Retail Law was drafted. We are refining our approach to regulating the 'alternative energy sellers' offering these products and services under the authorisations and exemptions framework.

On 2 July 2014 the AER published its statement of approach on regulating businesses selling energy through solar power purchase agreements. The statement provides guidance to applicants on whether they need to hold a retail authorisation to sell energy. It also outlined a new condition of exemptions granted to these businesses, limiting providers to energy sales through only these agreements. Following public consultation, the AER amended the exemption conditions for five businesses.

Building on this work, the AER released an issues paper on 18 November 2014 on options for regulating innovative energy selling business models, including energy storage. We held public forums, on 29 January and 5 February 2015, chaired by AER board member Jim Cox. Work in this area will be progressed within a forthcoming review of our Exempt selling guideline.

### Retailer of last resort

We manage the Retailer of Last Resort (RoLR) scheme that provides, in the event of a retailer failing, for affected customers to be transferred to another retailer so they continue to receive electricity and/or gas supply. Our RoLR functions include:

- registering default and additional RoLRs (retailers to which consumers could be transferred)
- maintaining and publishing a register of RoLRs
- appointing designated RoLRs in a RoLR event
- publishing a RoLR guideline and plan
- conducting exercises simulating RoLR events
- making RoLR cost recovery scheme determinations.

In 2014–15, we:

- reappointed ActewAGL as the default gas RoLR for the ACT
- appointed Origin as an additional RoLR for electricity and gas across a number of distribution networks (Origin submitted several non-firm offers to acquire customers in a RoLR event)
- appointed AGL and Origin Energy as default gas RoLRs in Queensland, in preparation for Queensland's adoption of the Retail Law on 1 July 2015
- determined a RoLR cost recovery application by AGL for \$29 287. The amount to be paid to AGL was split between three distribution businesses in New South Wales and South Australia.

The AER maintains a RoLR plan, and conducts regular exercises with plan participants. We began consulting on amendments to the plan on 10 June 2015. The amendments improve the plan based on a review of outcomes from RoLR exercises, and account for new Queensland specific requirements.

We work closely with AEMO, industry and other stakeholders to ensure all parties understand their potential role if a retailer fails. As part of this, we conducted an exercise simulating an electricity retailer failure on 17 June 2015, with participation by energy retailers and distributors, energy ombudsman schemes, jurisdictional regulators, jurisdictional energy departments and energy market bodies including AEMO.

## Performance reporting

We released our second annual retail market performance report (for 2013–14) on 25 November 2014. The report consolidated quarterly data on customer service and complaints, energy bill debt, payment plans, hardship programs, energy concessions and disconnections. It also reported on energy affordability.

In addition to a performance report, each quarter we publish key market and retail performance data on a range of indicators, including data on customer switching levels, customers experiencing payment difficulties, customer hardship, disconnections and reconnections, and complaints.

## 3.3 WHOLESALE ENERGY MARKETS

### 2014–15 highlights

- We published four electricity and two gas reports on high price events in wholesale markets, and 104 weekly performance reports.
- We engaged with the AEMC on rule changes affecting generator bidding practices and ramp rate limits (proposed by the AER), and reviews of east coast gas markets and trade in gas pipeline capacity.
- We increased our focus on the quality of information in gas markets, including at the Wallumbilla gas supply hub and on the National Gas Bulletin Board.

### Our role

We have responsibilities in wholesale electricity and gas markets in jurisdictions other than Western Australia and the Northern Territory. The markets are:

- the NEM—a \$8 billion per year spot market in eastern and southern Australia, with more than 200 large generators competing to deliver electricity
- spot markets for gas—market hubs in Adelaide, Sydney, Brisbane, Victoria and Wallumbilla, trading over 350 petajoules each year.

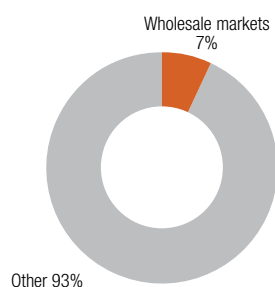
We monitor these markets to:

- ensure market participants comply with the underpinning legislation and rules
- detect irregularities and wider harm issues.

We report on these issues to strengthen market transparency and confidence. We draw on our monitoring work to support our compliance and enforcement role, to advise the COAG Energy Council, the AEMC and other bodies on wholesale market issues, and to assist the ACCC—for example, advising on mergers.

### Resources applied to wholesale energy markets

#### Staff time for wholesale markets, 2014–15



In 2014–15 we spent 7 per cent of our staff time on wholesale market monitoring and reporting, down from 8 per cent in 2013–14.

### Outcomes and work in 2014–15

#### Market monitoring and reporting

In 2014–15 we monitored wholesale markets and reported on:

- weekly activity in the NEM, focusing on spot prices, reasons for variations between forecast and actual prices, and electricity futures prices and volumes
- weekly activity in the Victorian gas market, gas short-term trading market (STTM) hubs in Adelaide, Sydney and Brisbane, and the gas supply hub at Wallumbilla
- high price events in gas and electricity
- significant market outcomes in the NEM.

Our market intelligence is drawn together in the annual *State of the energy market* report, which explains market developments, factors impacting on energy prices, and regulatory and policy responses. We published the report's eighth edition on 19 December 2014. The report is written in accessible language to reach a wide-ranging audience. Our stakeholder surveys and other engagement provide consistently positive feedback on the report.

The AER website ([www.aer.gov.au](http://www.aer.gov.au)) provides stakeholders, including industry and market participants, energy customers and the wider community, with timely access to accessible information on energy market activity.

## Reports on price events

We publish a report whenever the spot electricity price exceeds \$5000 per megawatt hour, or an ancillary services price exceeds that price for an extended period. The reports identify causes of the high price, including generator rebidding, network issues and/or changes to demand and generator availability.

We also publish reports on significant price variations in the Victorian wholesale gas market and the Sydney, Brisbane, and Adelaide gas STTM hubs.

During 2014–15, we published four electricity and two gas reports, including on:

- high spot electricity prices on 17 December 2014 in Queensland (published 2 March 2015)
- high spot electricity prices on 15 January 2015 in Queensland (published 17 March 2015)
- high spot electricity prices on 18 January 2015 in Queensland (published 16 March 2015)
- high spot electricity prices on 5 March 2015 in Queensland (published 7 May 2015)
- a significant gas price variation on 17 October 2014 in the gas short-term trading hub in Brisbane (published 8 December 2014)
- a significant gas price variation on 7 July 2014 in the gas short-term trading hub in Brisbane (published 24 September 2014).

While high summer demand (including record demand on 5 March 2015) contributed to the high electricity prices in Queensland, the key driver was supply conditions brought about by participant rebidding. In total, the price exceeded \$5000 per MWh in 16 trading intervals over the four days. Most of the high prices were not forecast four hours ahead of dispatch, and actual demand and availability was at or below forecast in many cases. The extremes prices caused Queensland's average spot price in 2014–15 to slightly exceed its 2013–14 level, while spot prices in other regions fell significantly.

The significant price variations in gas resulted from capacity constraints limiting the quantity of gas available to the Brisbane hub. On 7 July 2014, the constraints were forecast three days ahead and pointed to prices exceeding \$9 per GJ. Rebidding closer to scheduling saw one day ahead forecast prices falling to \$2 per GJ. On 17 October 2014, the one day ahead forecast price was \$29.90. Lower than forecast demand resulted in an ex post price of \$0.50.

The electricity report for 17 December 2014 was issued one day after the required timeframe. All other reports were issued in line with the AER's obligations.

## Identifying market issues and advocating solutions

The AER draws on its regulatory and monitoring work to advise the COAG Energy Council, the AEMC and other bodies on wholesale market issues, and advocates solutions. To the extent resourcing allows, we engage in policy reviews and rule change processes through information sharing, making submissions and participating in forums.

During 2014–15 we engaged in workstreams aimed at improving wholesale market efficiency, including in relation to generator bidding practices.

## Generator rebidding

In November 2013, the South Australian Government proposed a rule change to address concerns that the good faith provision does not adequately regulate participant behaviour. The AEMC's draft rule, released April 2015, sought to recast generators' offers as a continuing representation of their willingness to provide supply at the prices specified. The draft rule would introduce new reporting requirements for rebids made close to dispatch.

The AER made a submission on the draft rule, supporting the proposal, on 11 June 2015.

## Ramp rate rule change

On 9 October 2014 and 5 February 2015 we provided submissions to the AEMC's rule change process on generator ramp rates (the rate at which they can alter output) and dispatch inflexibility in bidding. The submissions followed our August 2013 rule change proposal that generators may only submit ramp rates that reflect the plant's technical capability at the time. The proposal sought to address an impediment to the market's ability to respond efficiently to a change in market conditions.

The AEMC's rule change (released March 2015) retained the existing ramp-rate limit, but extended it to individual physical units that make up aggregated generation facilities.

## Following dispatch instructions

The rules require generators to follow dispatch instructions issued by AEMO. A failure to do so may enable a generator to increase its revenue at the expense of efficient prices and power system security. The AER instituted legal proceedings against a generator in 2014, alleging it failed to follow dispatch instructions. The matter was successfully resolved (see section 3.4).

## Quality of information in gas markets

The east coast gas industry continues to evolve to meet demand for liquefied natural gas exports, with flow-on impacts in electricity generation. We reported in 2014–15 on developments in the trade of gas and pipeline capacity, including at the new gas supply hub at Wallumbilla. More generally, we strengthened our focus on ensuring participant obligations are being met.

## Market structure

In April 2013 the AEMC found potential for substantial market power to exist or be exercised in future in the NEM. In 2015, the COAG Energy Council advised that a market monitoring function would be conferred on the AER under legislation to be drafted by August 2015. The AER would monitor the market to identify any evidence of significant barriers to entry or other characteristics that may impede efficient market operation, and quantify the costs of those inefficiencies.

Since 2013 we have published structural and behavioural indicators of competition for each NEM region in our *State of the energy market* report.

## East coast wholesale gas market and pipeline framework review

In March 2015 the AER made a submission to the AEMC's East coast wholesale gas market and pipeline framework review, highlighting our work to improve and continue to improve the efficiency of gas markets including information transparency. It also noted pipeline access framework provisions to allow approval of expenditure outside five year reset processes.

## Enhanced pipeline capacity information

In July 2014, the AER made a submission to the COAG Energy Council on improving mechanisms for trade in gas transmission pipeline capacity. We supported enhanced information transparency, but did not support proposals for a cost recovery mechanism for industry where more information on pipeline capacity is required.

## 3.4 COMPLIANCE AND ENFORCEMENT

### 2014–15 highlights

- We took court action against Snowy Hydro Ltd for failing to comply with AEMO's dispatch instructions. The Federal Court ordered by consent that Snowy Hydro pay penalties of \$400 000 and appoint an independent compliance expert to review internal procedures.
- We took court action against EnergyAustralia for failing to obtain the explicit informed consent of consumers before transferring them to new energy plans. The Federal Court ordered by consent that EnergyAustralia pay penalties of \$500 000.
- We issued eight infringement notices to distributors for disconnecting customers on life-support equipment, and two notices to retailers for disconnecting customers on hardship programs or payment plans.
- We completed a technical audit of the compliance program for Hydro Tasmania's Gordon power station, and began an audit for EnergyAustralia's Yallourn power station.
- We released an annual retail compliance report, and quarterly reports on compliance by wholesale and network businesses.
- We revised our compliance procedures and guideline to streamline the reporting framework.
- We published three 'compliance checks' for provisions of the Retail Law on retailer de-energisation processes and customer billing.

### Our role

We monitor and enforce market participants' and energy service providers' compliance with the national energy legislation and rules in:

- wholesale energy markets—the NEM, the STTM for gas, the gas supply hub at Wallumbilla and the Victorian gas market. We also undertake compliance work on the National Gas Bulletin Board
- the supply of energy network services—electricity network services in the NEM and gas pipeline services in jurisdictions other than Western Australia
- retail energy markets—at 30 June 2015 we undertook this role in New South Wales, South Australia, the ACT and Tasmania. We gained responsibility for Queensland from 1 July 2015.

The AER's Compliance and enforcement statement of approach sets out our approach to monitoring compliance, how we respond to potential breaches, and the factors we may have regard to when deciding whether to take enforcement action.

We follow a risk based approach to target and prioritise our monitoring and compliance activity. The risk assessment involves an analysis and ranking of each obligation to determine its compliance risk, taking into account both the impact and probability of a breach.

The focus of our compliance activities for wholesale energy markets in 2014–15 was on failure to follow dispatch instructions, testing requirements for metering equipment and obligations associated with the National Gas Bulletin Board.

For retail energy markets, our focus was on compliance in the areas of life support, conduct affecting vulnerable and disadvantaged consumers and conduct undermining consumer confidence in the market.

## CASE STUDY

### Not following dispatch instructions

The electricity market operator, AEMO, issues dispatch instructions to generators that ensure supply and demand safely balance every minute of the day. Compliance with dispatch instructions ensures the power system remains secure.

On 3 July 2014 the AER instituted proceedings in the Federal Court of Australia against Snowy Hydro Limited for failing to comply with dispatch instructions on nine occasions in 2012 and 2013. On each occasion, Snowy Hydro generated more power than the dispatch instruction required. The AER sought declarations, injunctions, penalties and costs.

The Federal Court of Australia ordered by consent that Snowy Hydro pay total penalties of \$400 000. These were the first court ordered penalties for a breach of the National Electricity Rules. Snowy Hydro was also ordered by consent to contribute to the AER's costs.

The contraventions, which occurred on 29 November 2012, 18 February 2013 and 21 June 2013, involved Snowy Hydro's operation of its Murray hydro-electric generating units and Valley Power gas generating units, located in Victoria. In each instance, Snowy Hydro significantly exceeded the target output specified in AEMO's dispatch instructions, by levels ranging from 61 to 267 MW.

The Court declared that seven of the nine contraventions resulted from a failure by Snowy Hydro to afford sufficient importance to compliance with AEMO's dispatch instructions. In particular, Snowy Hydro deliberately operated its Murray Units (one contravention) and Valley Power Units (six contraventions) in such a way that they would fail to meet AEMO's dispatch instructions. Of the remaining contraventions, one resulted from insufficient attention and importance being given to the dispatch instructions. The other resulted from one unit being adversely affected by an undiagnosed control system fault at another generating unit.

In addition to the penalties, the Court ordered by consent that Snowy Hydro appoint an independent compliance expert to review the accuracy of its internal documents relating to compliance with dispatch instructions. Snowy Hydro provided a copy of the report to the AER in May 2015.

In conjunction with the Court orders, Snowy Hydro provided an enforceable undertaking to the AER on the operation of its generators under certain conditions. This is the first enforceable undertaking accepted by the AER under the National Electricity Law.

The AER will continue to monitor compliance with dispatch instructions and take action where appropriate.



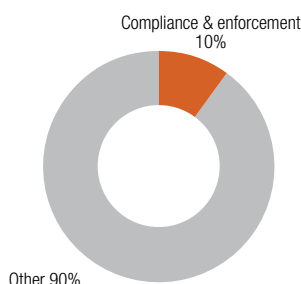
## Resources applied to compliance and enforcement

In 2014–15 we spent 10 per cent of our staff time on compliance and enforcement issues (down from 12 per cent in 2013–14). Most of our work in this area related to compliance issues in wholesale and retail energy markets.

### Staff time for compliance and enforcement, 2014–15



### Consultancy and legal expenditure for compliance and enforcement, 2014–15



The program accounted for 10 per cent of consultancy and legal expenditure. This reflects the need for external legal expertise during in-depth investigations or for clarifying points of law.

## Outcomes and work in 2014–15

### Wholesale market compliance

#### Enforcement Action

The AER can take statutory enforcement action in response to compliance breaches. Our powers include issuing infringement notices, seeking court enforceable undertakings and initiating court proceedings.

In July 2014 we instituted proceedings in the Federal Court of Australia, alleging Snowy Hydro failed to follow dispatch instructions issued by AEMO on nine occasions in 2012 and 2013 (see case study, [page 39](#)).

#### Compliance reviews

In 2013–14 we launched a project reviewing the quality of information published by electricity network businesses in their annual planning reports. The reports promote transparent and efficient investment by indicating to third parties the current and likely future state of the network, including opportunities for non-network investment. We worked collaboratively with the network businesses, holding workshops and follow up meetings. We completed the review of transmission businesses in 2014, resulting in them committing to improve the quality of their reports. Our review of distribution businesses was ongoing at 30 June 2015.

During the year the AER renewed its focus on ensuring that participants comply with the information requirements of the National Gas Bulletin Board. The bulletin board aims to make gas production and pipeline flows more transparent. In 2014–15 we engaged with AEMO, production facility operators, producers and pipeline operators, on obligations to register new facilities and pipelines and to adopt a consistent, complete and accurate approach to meeting bulletin board obligations.

During 2014–15 we refined our compliance monitoring framework for the Wallumbilla Gas Supply Hub, launched in March 2014. We began publishing hub information in the industry statistics section on our website and expanded our monitoring framework to account for this market.

## Audits

We continued our program of technical audits of electricity generators and transmission network service providers. The audits assess whether participants institute and maintain robust and effective compliance programs, consistent with good electricity practice.

In 2014–15 we completed a review of Hydro Tasmania's generator performance standards compliance program for the Gordon Power Station. This is the first technical audit of an energy business in Tasmania. Hydro Tasmania is in the final stages of implementing a revamped technical compliance approach and supporting business systems; overall we were satisfied that Hydro Tasmania had sufficient processes in place. We also launched a review of EnergyAustralia's Yallourn power station in Victoria.

## Retail market compliance

We employ various tools to monitor and enforce compliance with the Retail Law. They include an exception reporting framework under which businesses must notify us within a given timeframe if they breach provisions; a proactive monitoring program; intelligence from our regular liaison with energy ombudsman schemes and consumer representatives; and complaints that we receive directly.

### Retail enforcement action

The AER monitors compliance with the Retail Law and Rules through market surveillance, targeted compliance reviews, and information from other regulators, ombudsman schemes and consumer groups. Our *Compliance and enforcement statement of approach* sets out our approach.

The AER can respond to breaches by:

- accepting an administrative resolution
- seeking a court enforceable undertaking
- issuing an infringement notice of up to \$4000 for an individual or \$20 000 for a body corporate
- taking court action with a civil penalty of up to \$20 000 for an individual, or \$100 000 for a body corporate for each breach.

### Court action

On 21 November 2014, the AER instituted proceedings in the Federal Court against EnergyAustralia for contraventions of the Retail Law. This was the first court action taken by the AER under the Retail Law and Rules and followed an investigation with the ACCC into telemarketing practices. The AER alleged that EnergyAustralia had failed to obtain the explicit informed consent of customers before transferring them to new energy plans.

EnergyAustralia had contracted Bright Choice to provide its telemarketing services during 2012 and 2013 and Bright Choice contacted prospective customers on EnergyAustralia's behalf. The AER alleged that, in a number of instances, Bright Choice sales agents signed up customers in South Australia and the ACT without the customer's knowledge or consent. A number of those customers were subsequently transferred to EnergyAustralia.

On 27 March 2015 the Federal Court ordered by consent that EnergyAustralia pay penalties of \$500 000. In separate concurrent proceedings brought by the ACCC, the Federal Court imposed penalties of \$1 million on EnergyAustralia and \$100 000 on Bright Choice, after finding that they had made false or misleading representations to consumers.

The maximum penalty available under the Competition and Consumer Act is \$1.1 million per contravention. The equivalent penalty under the Retail Law is \$100 000.

## *Infringement notices*

The AER can issue an infringement notice where it has reason to believe a business has contravened a civil penalty provision of the Retail Law or Rules. Payment of an infringement notice penalty is not an admission of guilt, but finalises the matter. An infringement notice carries a penalty of \$20 000 each.

In 2014–15, the AER issued eight infringement notices to electricity distributors in relation to incidents in which customers known to require life support equipment unexpectedly lost electricity supply:

- in February 2015, Ausgrid (one notice), Endeavour Energy (two notices) and Essential Energy (two notices) paid penalties totalling \$100 000
- in March 2015, Essential Energy, Ausgrid, and TasNetworks (one notice each) paid penalties totalling \$60 000.

The businesses reported these incidents to the AER in accordance with our Compliance procedures and guidelines.

Also, on 11 May 2015, AGL South Australia and AGL Sales each paid penalties of \$20 000 following the AER issuing infringement notices relating to incidents in which hardship customers or customers on payment plans were disconnected from their electricity supply. A retailer cannot disconnect hardship customers or retail customers on a payment plan, and must follow prescribed steps before disconnecting a service in other circumstances.

## **Retail Compliance checks**

The AER periodically releases compliance checks for industry to highlight obligations and to emphasise the importance of effective compliance processes and systems. We may be made aware of issues that require guidance from retailer reports on their compliance with the Retail Law and Rules, or from discussions with ombudsman schemes.

In 2014–15, compliance reports from retailers recorded a rise in wrongful disconnections and breaches of the billing provisions, particularly in relation to billing delays and requirements to inform customers if they have been overcharged. In response, we published three Compliance Checks in March 2015 to highlight the provisions and emphasise the importance of effective compliance systems. We encouraged retailers to distribute the checks to employees and conduct internal reviews of compliance.

## **Consultation on Retail compliance guidelines**

In September 2014 the AER released version 3 of its compliance procedures and guidelines. The revisions streamlined the reporting framework and reduced the number of reportable obligations. Businesses must report within two days any breach of life support obligations or wrongful disconnection of hardship customers in jurisdictions where the Retail Law applies.

## **Energy networks**

Our compliance work with energy network businesses in 2014–15 included the following activity:

- Network connections—We assessed distributors' compliance with a new process for connecting generators to a distribution network. The new process aims to provide a clearer, more transparent connection process with defined timeframes. We made further inquiries with some network businesses on their compliance, and will undertake a more detailed assessment of certain technical aspects as part of our engagement with distributors on their annual planning reports.
- Regulatory investment test—We monitored network businesses' application of the cost-benefit assessment to investment projects, including for eight proposals that were ongoing at 30 June 2015. Due to subdued electricity demand in recent years, fewer investment projects are being considered than in the past.

- Ring fencing compliance—We assessed compliance reports submitted by 23 nominated gas service providers for eight transmission and 11 distribution pipelines for 2013–14 (some pipelines have more than one nominated service provider). We assessed each report against the relevant obligations. None of the reports raised compliance issues, although ActewAGL's report was submitted late.

## Compliance reporting

The AER publishes quarterly reports on our compliance monitoring and enforcement activity in wholesale gas and electricity markets. The reports summarise the results of investigations (including special reports into significant market or power system events), compliance audits, targeted compliance reviews and rebidding inquiries undertaken during the quarter. The reports are an important tool to encourage participants to act according to good industry practice.

The AER published compliance reports on:

- 1 August 2014, for the April to June 2014 quarter
- 11 November 2014, for the July to September 2014 quarter
- 27 February 2015, for the October to December 2014 quarter
- 14 May 2015, for the January to March 2015 quarter.

In November 2014, the AER published its second annual retail compliance report, covering activity in 2013–14. It also referred to priority areas for the upcoming year.

## 3.5 POLICY AND CORPORATE PUBLICATIONS

### 2014–15 highlights

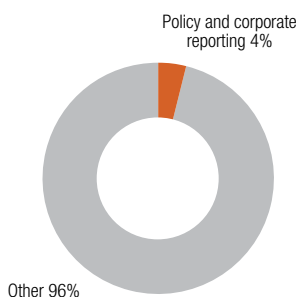
- We published our eighth *State of the energy market report* (December 2014).
- We made 28 submissions to policy reviews and rule change processes where our expertise in network regulation, energy consumer issues and energy markets could bring a valuable perspective.
- AER Board members and senior executives gave 19 speeches or presentations at Australian and international forums.
- We published just under 4500 documents on the AER website.
- We published 214 communication notices and 35 media releases.

### Our role

We publish a range of information about the Australian energy sector, including our flagship *State of the energy market report*. We also contribute to energy policy matters, particularly where we have built expertise. We make submissions to energy policy reviews and provide information to the bodies conducting those reviews, including the COAG Energy Council and the AEMC. Our annual report provides an overview of our activity over the year.

### Resources applied to policy and corporate publications

#### Staff time for policy and corporate reporting, 2014–15



In 2014–15 we allocated 4 per cent of our staff time to policy work and corporate reporting. A further 1 per cent of staff time related to maintaining the AER website.

### Outcomes and work completed in 2014–15

#### Annual report

In September 2014 we published the AER annual report for 2013–14. The report set out our activity in regulating wholesale energy markets, setting revenue allowances for energy networks and protecting customers in the retail energy markets.

#### State of the energy market report

On 19 December 2014, we published our eighth *State of the energy market report*. The report targets a wide audience, including market participants, policy makers and the wider community. It draws on information from a range of sources, including our internal monitoring and intelligence, regulatory reviews of energy networks, and external resources. It uses non-technical language to consolidate this material, highlighting trends and key issues across the electricity and gas industries.

#### Submissions

We contribute to policy reviews and rule change proposals where our expertise in network regulation, energy markets and consumer issues can add value. In 2014–15 we made 28 submissions to rule change proposals and policy reviews (appendix 1).

Key submissions to review processes included those to the Competition Policy (Harper) review, the Department of Industry's Energy White Paper, the COAG Energy Council's reviews of governance arrangements in Australia's energy markets and enforcement regimes under the national energy laws.

We also contributed to AEMC processes, including:

- reviews on east coast gas markets, financial resilience in the NEM, distribution reliability measures and generator technical performance standards
- rule changes on generator rebidding practices and ramp rate limits, competition in metering services, demand management incentive arrangements, network tariff reform, access to retail competition for customers in embedded networks and retailer price variations in market contracts.

## Speeches

In 2014–15 the Chair and senior executives participated in forums and gave 19 public presentations to stakeholders. Appendix 2 provides a full list.

## Our website

We continually updated our website ([www.aer.gov.au](http://www.aer.gov.au)) throughout 2014–15 with our decision documents, guidelines, other public reports and submissions from third parties. We published just under 4500 documents during the year and maintained long term data sets on the performance of the wholesale and retail energy sectors. Where possible, we publish documents in multiple formats for accessibility. Website users downloaded 325 000 documents and viewed 1.9 million pages during the year.

A more user-friendly AER website, with improved accessibility, is scheduled for launch in September 2015.

## Media releases and communications

In 2014–15 we released 214 communications (which our website subscribers receive via email) and 35 media releases (see appendix 2).

**PART 4**  
**OUR PERFORMANCE**

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We assess our performance against indicators covering the breadth of our work. Some indicators are objectively quantifiable, while others are quite subjective. Also, some indicators measure delivery only (for example, whether we publish a report), while others measure perceptions of quality (for example, as measured through surveys).

The following tables list our performance against target deliverables and performance indicators for 2014–15 as set out in our Statement of intent to the COAG Energy Council. For each indicator, we include a ‘traffic light assessment’ — a green light indicates we fully achieved the performance target, orange indicates partial achievement and red indicates non-achievement. Where we did not meet a performance target, we explain why. And, in some instances, we outline measures to improve our performance.

We report separately on performance against the Treasury portfolio budget statements in the combined ACCC/AER 2014–15 annual report, as required under s. 44AAJ of the Competition and Consumer Act.



## PERFORMANCE AGAINST COAG STATEMENT OF EXPECTATIONS

### Progress against work program



*Publish a detailed work program as part of our Statement of Intent, by 1 July 2014 and publish any significant changes on the AER website, within three business days*

Achieved. We published our Statement of Intent including a detailed work program on 30 June 2014. There were no significant changes to the work program.



*Report to COAG Energy Council on progress against our work program, including outcomes, issues and any variations, at least once every six months*

Achieved. We updated the COAG Energy Council on our key work and strategic issues before its biannual meetings in December 2014 and July 2015.



*Meet all statutory timeframes applicable to our work program*

Mostly achieved. A report on a high electricity price event on 17 December 2014 was published one day after the required date.



*Publish an annual report setting out progress against our work program, including compliance with statutory timelines, by 30 September 2014*

Achieved. We published the AER annual report for 2013–14 on 29 September 2014. The report contained information on resource use, our work program and agency performance.



### Expenditure against budget



*Undertake our work program within budget as determined through the Commonwealth budgetary process*

Achieved.



*Report through the ACCC–AER statutory annual report on our expenditure against the program budget allocated to AER*

Achieved.



*Provide clear guidance through our annual reporting on how our funds have been spent*

Achieved. We reported on our expenditure in the AER annual report and the ACCC/AER annual report. The AER annual report breaks down expenditure by functional work area and major expense categories.



## Engagement with stakeholders



*Meet with the Consumer Challenge Panel, jurisdictional groups of consumer representatives and the Customer Consultative Group, in conducting our work program*

Achieved.

The CCG met on 26 August 2014, 25 November 2014, and 3 March 2015.

Sub-groups of the CCP were formed for each determination process, and each group met monthly during the process.

Jurisdictional groups of consumer representatives were formed for each determination process, and each group met at least twice during the process.



*AER board and senior executives participate in strategic opportunities to communicate with stakeholders via speeches, forums and the media*

Achieved. The Chair and senior executives participated in forums and gave 20 presentations.



*Publish decisions that clearly set out how we accounted for stakeholder views*

Partly achieved. Our published decisions, both draft and final, aim to set out stakeholder views and how we took them into account. The Consumer Challenge Panel and some other stakeholders indicated they were not fully satisfied with our achievement in this area. We will work with them to address their concerns in upcoming determination processes.



*Constructively engage with agencies that have energy market responsibilities in accordance with legislation and memoranda of understanding*

Achieved. We regularly met with other energy market agencies, in line with schedules set out in MoUs.



*Constructively engage in policy reviews, rule change processes and reform implementation through information sharing, making submissions and participating in forums*

Achieved. We made 28 submissions to policy processes, as set out in appendix 1.



*Engage with stakeholders on ex-post reviews of major projects to assess whether stakeholders perceive us as effective, transparent and taking sufficient account of their views*








Reviews of network decisions made in 2015 will occur in 2015–16, pending outcomes of legal appeals in train and availability of resources.

N/A

*Undertake a broad stakeholder survey every two years and achieve an average rating of (at least 3.5 out of 5) on the quality of our stakeholder engagement*

N/A. We undertook a broad stakeholder survey in 2014. Our next survey is planned for 2016.



<i>Publish the State of the energy market report, with accessible information on market activity and dynamics</i>	Achieved. The 2014 report was published on 19 December 2014.	
<i>Promptly respond to requests for information from government (including the COAG Energy Council), meeting any specified timeframes</i>	We appeared before Senate Estimates, the Senate Environment and Communications References Committee inquiry into the performance and management of electricity network companies, and the NSW Parliament inquiry into the leasing of electricity infrastructure.	
<b>Improving capabilities</b>		
<i>Continue to strengthen and draw on in-house technical expertise including engineering capabilities, analysis techniques and metrics</i>	Achieved. Our Technical Advisor Group provided advice on AER regulatory determinations for electricity networks and on redesigning the electricity distribution service target performance incentive scheme.	
<i>Apply revised information requirements on energy businesses and draw on improved data systems to support effective benchmarking</i>	Achieved. We commissioned the first stage of a database to collect, store and report data from network businesses.  We published RIN responses from electricity network businesses, and used the data as an input to our benchmarking of network businesses in our regulatory determinations.	
<i>Further refine our approach to technical metrics on market structure and efficiency in energy wholesale markets</i>	Not achieved. Project deferred due to reprioritisation of resources to core functions.	
<i>Address any significant issues of concern to stakeholders identified through our 2014 stakeholder survey</i>	Partly achieved. Stakeholders assessed the AER as marginally satisfactory in areas of stakeholder consultation and technical capability.  Measures taken to improve performance included engaging earlier with stakeholders on issues as they arise, and increasing participation in industry forums. Other measures already introduced to address these issues include formation of the Technical Advisor Group and new consultation forums such as the CCP.	

## WORK PROGRAM PERFORMANCE

### Energy networks



*Complete all regulatory decisions on electricity networks and gas pipelines within statutory timeframes, in accordance with our work program*

Achieved. During the year, we rectified a failure to meet the statutory timeframe for a decision on a 2013–14 cost pass-through application by ActewAGL for vegetation management.



*Constructively engage in policy reviews and rule changes arising from the AEMC's Power of Choice review*

Achieved. We participated in several rule change consultations, including on pricing and metering reforms.



*Implement any reforms arising from AEMC rule changes, by developing or amending guidelines and through the regulatory determination process*

Achieved. We undertook preparatory work for our role in applying new rules requiring network businesses to set tariffs that reflect the efficient costs of service provision. This work will continue in 2015–16.



We amended our pricing methodology guidelines to support the introduction of inter-regional transmission charging.

*Publish benchmarking reports for electricity networks by 30 September 2014*

Achieved but failed to meet the required date. Drafts were circulated for comment on 5 August, but the final reports were delayed to 27 November to enable us to incorporate further submissions from stakeholders.



*Publish a performance reports for electricity distribution networks by 30 June 2015*

Achieved. The report was published on 30 June 2015.



*Resolve any disputes within legislated timeframes, including on network access and connections, and regulatory investment tests*

Achieved. We received nine electricity and one gas connection dispute. Nine disputes were resolved within the legislated timeframe. One disputes remained under investigation at 30 June 2015, with a timely resolution expected.



### Retail energy markets









*Provide guidance to potential new energy sellers on the authorisation/exemptions application process to ensure they are aware of their obligations*

Achieved. We published a revised retailer authorisation guideline in December 2014.



We responded to all inquiries from potential applicants about the authorisation and exemption processes and associated obligations.

We also engaged with applicants to address any outstanding issues or missing information in their applications.

<i>Assess retail authorisation/ exemptions applications within 12 weeks of receiving all relevant information</i>	<p>Partially achieved. We approved three retailer authorisations and 50 individual exemptions. We assessed and approved two of three authorisation applications within the 12 week timeframe. We assessed and approved 43 of the 50 applications for individual exemption within relevant timeframes; 96 per cent were assessed and approved within 13 weeks.</p>	
<i>Undertake preparatory work to extend the application of the Retail Law to Queensland in 2015</i>	<p>Achieved. The Retail Law commenced in Queensland on 1 July 2015.</p> <p>We successfully loaded compliant Queensland retail offers on the Energy Made Easy website within 72 hours of receiving each offer.</p> <p>Default RoLR appointments for Queensland were finalised in June 2015.</p>	
<i>Assess retailers' hardship policies (and proposed amendments), within 12 weeks of receiving all relevant information</i>	<p>Partially achieved. We approved four hardship policies for new entrants, and approved variations to three existing policies.</p> <p>Six were approved within the 12 week timeframe. The seventh approval was delayed due to the applicant being required to make extensive amendments to the policy.</p>	
<i>Publish an annual performance report on the retail energy market, (including energy affordability) by 30 November 2014, supplemented by publication of quarterly data within 90 days of the end of the relevant reporting period</i>	<p>Mostly achieved. We published the annual performance report on 26 November 2014.</p> <p>Three quarterly reports were published within 90 days of the reporting period. The first quarter report was delayed to January 2015 to address data quality issues.</p>	
<i>Launch the enhanced Energy Made Easy website by 31 October 2014</i>	<p>We launched the redeveloped website on 25 June 2015.</p> <p>The original launch date was pushed out because we experienced unforeseen technical issues with the project that caused significant delays. We commissioned a new web developer to rebuild the website.</p>	
<i>Publish new electricity bill benchmarks for inclusion on energy retailers' bills and for use as a benchmarking tool on the Energy Made Easy website, by 31 October 2014</i>	<p>Achieved, but failed to meet the required date. Publication was delayed to December 2014, due to unforeseen issues in collecting data for Western Australia.</p>	

## Wholesale energy markets



*Monitor energy spot markets to detect impediments to efficient trade, market irregularities and consumer harm.*

Achieved. We monitor structural and behavioural indicators of competition in the NEM and published summary data in the State of the energy market 2014 report.



We report on data irregularities in gas spot markets in Victoria, Sydney, Brisbane, Adelaide and Wallumbilla in our gas weekly reports.

We published 104 weekly performance reports on spot energy markets, and six reports on high price events.

*Publish 75 per cent of our weekly reports on activity in the NEM and spot gas markets within 12 business days of the relevant trading week*

Achieved. We published 96 per cent of weekly reports within the required timeframe.



*Publish within statutory timeframes our reports on extreme price events in the NEM (prices above \$5000 per megawatt hour) and significant price variations in spot gas markets*

Mostly achieved. We published four electricity reports and two significant price variation reports. The electricity report for 17 December 2014 was published one day late. The delay was caused by complex high price outcomes in Queensland.



*Provide support to the AEMC in progressing rule change proposals aimed at improving market efficiency*

Achieved. We engaged with the AEMC on rule changes affecting generator bidding practices and ramp rate limits (proposed by the AER), and reviews of east coast gas markets and trade in gas pipeline capacity.



## Compliance and enforcement



*Take effective, targeted and timely enforcement action when necessary to improve market outcomes for consumers, consistent with our public statement of approach*






Achieved. We took targeted enforcement action as appropriate, including court action (with successful outcomes) and issuing infringement notices.



*Apply a risk based approach to compliance and monitoring activities including in determining matters for targeted reviews*

Partly achieved. We based our compliance and monitoring activity on risk assessments of the impact and likelihood of breaches. We did not fully update our risk assessment for legislative changes in 2014–15, due to resourcing constraints. This work will progress in 2015–16, pending resource availability and competing priorities.



<i>Complete technical audits of compliance systems for at least two energy businesses that are critical to market efficiency and energy security, and report on outcomes</i>	Partially achieved. We audited Hydro Tasmania's Gordon power station, and commenced an audit of EnergyAustralia's Yallourn power station. We published our findings in our quarterly reports.	
<i>Conduct targeted compliance reviews each quarter of areas of the national energy rules, and discuss outcomes in quarterly compliance reports</i>	Achieved. We conducted four targeted compliance reviews of National Gas Rules provisions and two of National Electricity Rules, and reported on outcomes in quarterly compliance reports.	
<i>Publish quarterly compliance reports on wholesale markets and networks within six weeks of the quarter's end</i>	Partially achieved. Two reports were published within six weeks of the quarter's end. The July–September report was published two days late and the October–December report was published 16 days late.	
<i>Publish an annual compliance report on retail markets by 30 November 2014</i>	Achieved. The report was published on 25 November 2014.	
<i>Review and amend our retail compliance procedures and guidelines, including exception reporting requirements by 31 October 2014</i>	Achieved. We published version 3 of the guidelines on 17 September 2014.	





**PART 5**  
**OUR PEOPLE**

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Our staff are committed to making Australia's energy markets work for consumers, now and in the future. By working professionally and expertly, we can make a real difference.

## STAFF NUMBERS

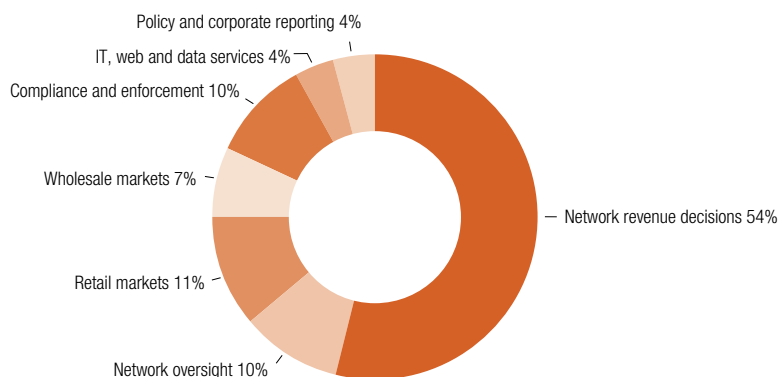
Staffing in our branches averaged 123.2 full time equivalent (FTE) staff in 2014–15. While our work program was intensive, we recorded a reduction of 5.6 FTE staff compared to 2013–14. The numbers include our CEO and board members.

Our staffing is supplemented by:

- staff from the ACCC's legal and economic division. The combined contribution was around 13 FTE over the year. This total varies from year to year; the division's contribution rises in years when we undertake a large number of network decisions, when the Australian Competition Tribunal or Federal Court reviews our network decisions, or when major enforcement matters are underway.
- staff from the ACCC's people and corporate services division
- staff from other ACCC branches that help us on an ad hoc basis.

The network regulation work areas absorbed most staffing resources. But the allocation of staffing within the networks space was substantially different. In 2013–14, implementing the Better Regulation program accounted for a significant proportion of staff time. With the framework finalised in November 2013, staff were largely redeployed to network revenue decisions.

Allocation of AER staff time across functions, 2014–15



## STAFF TURNOVER

Our staff turnover for 2014–15 was 4.6 per cent. This was a decrease from 12.9 per cent in 2013–14, when the ACCC/AER offered a Voluntary Redundancy Program to sustainably align our expenditure with our budgets.

## OUR CAPABILITIES

We are a broad based team of energy specialists—experts in energy network regulation, in wholesale and retail energy market operations, and in energy market compliance and enforcement. Reflecting the various demands of our work program, our team includes economists, engineers, lawyers and accounting/finance specialists.

Our staff has a diverse range of experience. Some joined us from other regulatory agencies, both Australian jurisdictional utility regulators and international agencies such as Great Britain's Office of the Gas and Electricity Markets (Ofgem). Others came from consulting firms and the energy sector. While we are a relatively young organisation, we have many staff with years of experience in energy sector issues. Over one quarter of our staff have more than 10 years' experience in energy market issues. This broad skill base and experience gives us the flexibility to deal with a wide range of complex energy market issues.

In 2013–14 we recruited to build our capability, particularly our in-house technical capacity (in electrical and gas system engineering, for example), to engage more directly and effectively with network businesses and other stakeholders. This expertise built on a strong pre-existing base and supplements externally sourced technical expertise in network issues. In addition, we have mechanisms in place to ensure we keep up to date with regulatory best practice.

We have made staff secondments and exchanges with AEMO, the AEMC, government agencies/ departments, and international regulators including Ofgem, Singapore’s Energy Market Authority and the Alberta Market Surveillance Administrator. In 2014–15, AER staff had secondments to AEMO and the Commonwealth Treasury. We also exchanged staff with the Reserve Bank of Australia and took a secondee from ASIC.

## LOOKING AFTER OUR PEOPLE

### Training and development

In 2014–15 we continued to develop staff capabilities, particularly our technical skill base, by offering learning and development opportunities. The Technical Advisor Group provided tailored courses on the principles of energy network planning, reliability standards and reporting, network operation and regulation, and emerging network trends and technology. Courses were also offered in negotiation and stakeholder engagement, writing skills and leadership.

Additionally, a number of staff participated in meetings of the Energy Intermarket Surveillance Group (EISG). The group meets twice yearly and coordinates information and skills sharing among members on wholesale energy market surveillance and enforcement. Our staff participated in the group’s meetings in October 2014 and May 2015, which focused on electricity market monitoring, compliance and market design issues. Attendees included market monitors from North America, Asia, Europe, Australia and New Zealand.

As part of our performance development framework, each staff member has an individual action plan to develop their capabilities. Regular reviews and one-on-one feedback sessions are key to the framework.

### Wellbeing

Our staff’s health and wellbeing is essential, so we stress the importance of an appropriate work–life balance. We have a workplace health and wellbeing program, focusing on both physical and mental health. During the year our staff participated in activities about mental health, the benefits of exercise and healthy eating and seeking help during times of need. We offered a healthy lifestyle reimbursement program, health check-ups and a winter vaccination program.

### Remuneration

The Remuneration Tribunal determines AER board members’ remuneration, in accordance with the *Remuneration Tribunal Act 1973*, Determination 2010/10 Remuneration and Allowances for Holders of Full Time Public Office. Table 5.1 sets out the nature and amount of AER board members’ remuneration in 2014–15.

Table 5.1: Remuneration of AER board, 30 June 2015

Position	Base salary	Total remuneration of office
Chair	\$358 400	\$512 000
State/territory member	\$280 320	\$384 000
Commonwealth member (full time with the ACCC and AER)	\$322 560	\$460 800

Most staff are employed under an enterprise agreement that sets out remuneration, leave entitlements, and other working conditions and allowances. The current agreement nominally expired on 30 June 2014, but continued to apply in 2014–15 pending negotiation of a new agreement. Consequently, staff did not receive a salary increase in 2014–15. Our CEO, general managers and some specialist staff are subject to individual determinations covering remuneration, leave and other employment conditions.

Table 5.2 sets out AER staff (not board members) remuneration in 2014–15. It does not include superannuation contributions, allowances or performance pay.

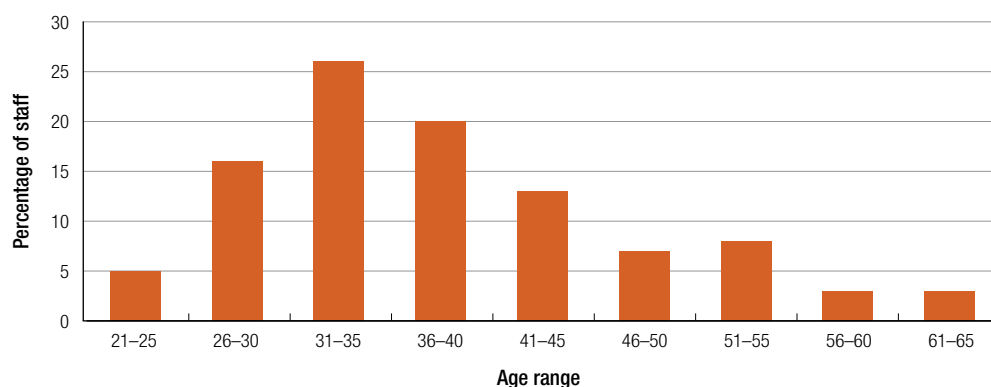
Table 5.2: Remuneration of AER staff, 2014–15

Annual Salary	Percentage of staff (%)
\$40 000 to \$60 000	5.0
\$60 000 to \$80 000	19.1
\$80 000 to \$100 000	17.7
\$100 000 to \$120 000	30.5
\$120 000 to \$140 000	19.9
\$140 000 to \$160 000	2.1
\$160 000 to \$180 000	3.5
Above \$180 000	2.1

## WORKFORCE PLANNING—AGE, GENDER AND DIVERSITY PROFILE

We are committed to developing a sustainable AER. The age profile of our staff demonstrates a core of experienced staff, yet also reflects our commitment to employing and developing more junior staff.

Age profile of AER staff, 30 June 2015



We are also committed to a diverse workforce. Of our six senior managers, two are women, including the CEO. Diversity activities included the significance of reconciliation with Indigenous Australians, how numerous cultures make up Australia, how all employees should be embraced for who they are regardless of their sexual orientation, and strategies to improve our accessibility to employees with a disability.

Table 5.3 presents AER staff from Aboriginal or Torres Strait Islander backgrounds (ATSI); self-identified staff from culturally or linguistically diverse backgrounds (CALD) and people with disabilities (PWD).

Table 5.3: AER workplace diversity profile, 30 June 2015

	Total number	Female	ATSI	CALD	PWD
SES and AER members	9	4		1	
GRAD	3	1		1	
APS1	3			1	
APS3	1	1			
APS4	1	1			
APS5	25	14		2	
APS6	25	10	1	11	
EL1	42	17		4	2
EL2	33	10		6	1
<b>Totals</b>	<b>142</b>	<b>58</b>	<b>1</b>	<b>26</b>	<b>3</b>
<b>Proportion of the total (%)</b>		<b>40.85</b>	<b>0.70</b>	<b>18.31</b>	<b>2.11</b>

A staff member may be classified under multiple headings.

# **PART 6**

## **OUR EXPENDITURE**

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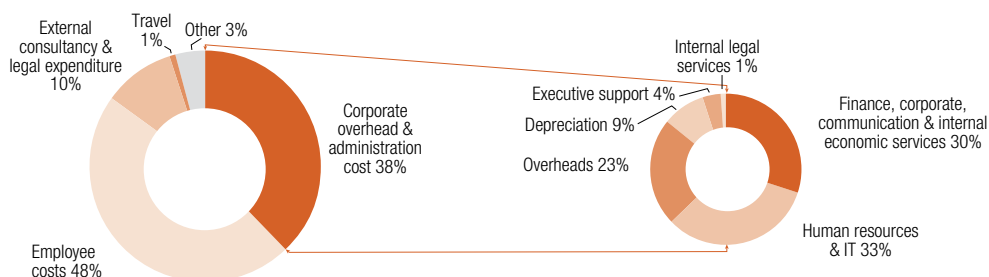
We aim to be transparent about our expenditure. Although the ACCC/AER annual report contains detailed financial reports for the combined ACCC and AER, this chapter provides a snapshot of the AER's expenditure in key areas.



## TOTAL EXPENDITURE

The AER's total expenditure for 2014–15 was \$36.3 million. We had five main categories: employee costs, external consultants and lawyers, travel, corporate overheads and administration, and other costs.

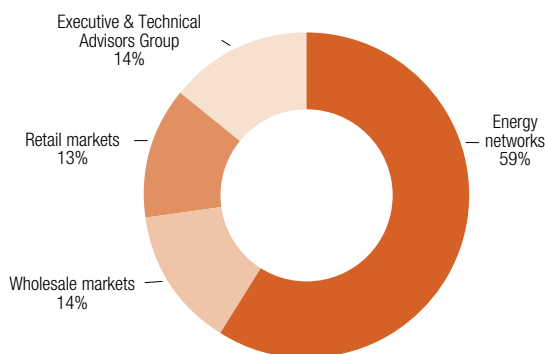
Total AER expenditure by category, 2014–15



## EXPENDITURE BY WORK AREA

The AER's direct expenditure, excluding our contribution to corporate overheads and administration costs shared with the ACCC, was \$22.5 million. The majority of expenditure was in the network regulation area, which constituted the majority of staff time and expenditure on external consultants and lawyers. The network regulation area also drew heavily on the Technical Advisor Group. The AER also funded the Consumer Challenge Panel and the Customer Consultative Group to facilitate consumer input in network revenue decisions and retail energy market matters. Around \$2 million was allocated to support the technical advisors and consumer input.

Direct expenditure, by AER work area, 2014–15



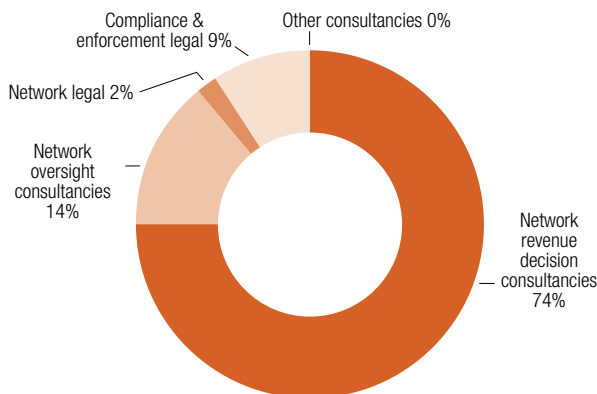
## EXPENDITURE ON CONSULTANTS AND EXTERNAL LAWYERS

Our total expenditure on consultants in 2014–15 was \$3.1 million (GST exclusive), including consultancy contracts organised through our core branches. It excluded consultancy arrangements with experts who work on AER matters full time and work in our offices. It also excluded IT consultancy contracts, corporate consultancy contracts and consultancy contracts entered by the infrastructure regulation division for expert advice on regulatory economics issues (many of which will relate to matters before the AER board).

Most consultancy expenditure arose in the network area (over \$3 million during 2014–15), when we required experts to assist on complex issues for our guidelines or to assess network businesses' proposals. Our expenditure on consultancies for network revenue decisions is likely to remain significant in the short term, given the large number of decisions to be made.

We use significant in-house legal expertise. But we also use external lawyers, particularly for appeals to the Australian Competition Tribunal or the courts, enforcement matters and ad hoc advice. Our total expenditure on external lawyers in 2014–15 was just under \$0.4 million (GST exclusive). This figure excluded external legal advice sought by the corporate area (on human resource matters, for example).

Consultancy and external legal expenditure, by AER work area, 2014–15



## EXPENDITURE ON TRAVEL

We spent just over \$0.3 million on travel in 2014–15. This expenditure was mostly on domestic travel, and included travel by board members, travel allowance, flights, ground travel and accommodation. Five staff members travelled internationally; two participated in meetings of the EISG and three attended the 6th World Forum on Energy Regulation.

## EMPLOYEE COSTS

Total wage and associated costs (for example, leave entitlements and superannuation) for AER staff were \$17.4 million for 2014–15. This figure included costs for AER board members and the Technical Advisor Group.

## CORPORATE OVERHEADS AND OTHER COSTS

Our corporate overheads are combined with those of the ACCC. They include the costs of people and corporate services division staff (finance and corporate services, information management and technology services, human resources, and strategic communications), legal and economic division staff, facilities/accommodation, IT contracts/capital and all other costs associated with our offices. Other significant cost allocations to the AER included for redeveloping our Energy Made Easy website (\$0.5 million) and for the Consumer Challenge Panel (\$0.5 million).

# PART 7

## APPENDIXES



# Appendix 1

## AER SUBMISSIONS

### Submissions to Parliamentary Inquiries

#### Performance and management of electricity network companies

On 18 February 2015 the AER appeared before the Senate Environment and Communications References Committee inquiry into the performance and management of electricity network companies. We also made a submission on 18 December 2014, emphasising that network proposals are subject to significant scrutiny to ensure that customers pay no more than necessary for a safe and reliable electricity supply. We noted that recent reforms have strengthened the AER's ability to promote efficient outcomes for electricity consumers.

### Submissions to COAG Energy Council reviews

#### Governance arrangements for Australian energy markets

On 15 May 2015 we submitted to the COAG Energy Council's review of governance arrangements in Australia's energy markets that current arrangements are efficient and have progressed necessary reforms. It also noted areas for improvement around rule change processes and COAG Energy Council priority setting.

The submission also addressed specific questions about the AER. It outlined the AER's internal governance arrangements, reporting and accountability frameworks, and relationships with the other institutions.

#### Enforcement regimes under the national energy laws

On 24 October 2014 we made a submission on recommendations arising from the COAG Energy Council's review of enforcement regimes under the national energy laws.

#### Enhanced pipeline capacity information

On 18 July 2014 we provided a submission to the COAG Energy Council's consultation paper on enhanced pipeline capacity information. The submission focused on two aspects—cost recovery proposals associated with National Gas Bulletin Board data requirements and the scope of the proposed pipeline capacity information.

We did not support a cost recovery process for data requirements. We considered that current industry practice and existing cost recovery processes demonstrate that cost recovery for the data requirements is unnecessary and imposes an administrative burden on the AER and industry. We considered that provisions relating to existing data requirements and market operator services should be removed. But we supported measures to improve access to and provide additional information to the market on capacity information and other gas flow data.

#### Review of retail reporting in the energy market

In May 2015 we made a submission to the COAG Energy Council's review of retail reporting in the energy market. Drawing on our experience with the reporting framework, the submission argued that the framework works effectively, but noted opportunities to reduce duplication and streamline reporting categories.

## Submissions to rule change processes

### Regulatory arrangements for embedded networks

On 21 May 2015, the AEMC began consultation on a rule change request from AEMO on regulatory arrangements for embedded networks. The request sought to clarify the arrangements and provide embedded network customers with access to retail competition. The proposed rule requires an embedded network owner or operator to appoint a manager for the network, responsible for maintaining the data and processes for customer transfers between retailers.

Our submission of 26 June 2015 supported the rule as a mechanism to facilitate retail competition for embedded network customers.

### AEMO access to demand forecasting information

On 15 June 2015, we made a submission to an AEMC rule change consultation on allowing AEMO to collect information for the purpose of developing connection point demand forecasts. AEMO currently relies on the voluntary cooperation of network businesses to collect connection point data.

Our submission supported the proposed rule change as it will improve to the robustness of the data which AEMO uses to prepare high quality, independent demand forecasts. The new rule would also give the AER access to demand forecasts that are independent of the revenue determination process, for use as an input to that process.

### Expanding competition in metering and related services

On 18 May 2015 we provided a submission to the AEMC's draft decision on metering competition. We supported:

- removing exclusivity in who can be a 'metering coordinator' and be responsible for providing meters and services to consumers. Also, we supported the development of a distribution ring-fencing guideline to separate monopoly and competitive service provision
- consumer protections on disconnections and reconnections; allowing customers to opt-out of retailer led meter rollouts; and safeguards on who can access additional services and data that will be unlocked via smart meters
- a national minimum specification for meters
- minimising regulation at this early stage of reform, with the intent to revisit issues in a later review of competition in metering. We supported limiting customer appointments of metering coordinators to large customers, and leaving meter service access to commercial negotiation rather than access or price regulation.

### Aligning network and retail tariff structures for small customers

On 8 May 2015 we made a submission to the AEMC on a COAG Energy Council rule change proposal to align network and retail tariff structures for small customers. We shared the AEMC's concerns on making departures from nationally consistent pricing rules. We agreed that:

- the circumstances identified by the rule proponents as necessitating tariff structure impositions might more efficiently be dealt with via the new national distribution pricing arrangements
- imposing tariff structures on businesses would be at odds with the intent of these new arrangements and could result in greater unpredictability in electricity pricing.

### East coast wholesale gas market and pipeline frameworks review

On 30 March 2015 we provided a submission to the AEMC's East coast wholesale gas market and pipeline frameworks review. The submission focused on the work we have undertaken (or are undertaking) to improve the efficiency of market arrangements, including improving the accuracy and timeliness of STTM data. We consider our ongoing monitoring work is lowering transaction costs in gas markets.

## **Demand management incentive scheme for distribution**

On 19 March 2015 we provided a submission to the AEMC highlighting how cost reflective tariffs can change consumer behaviour such that network builds may be deferred or made redundant. The importance of the regulatory investment test–distribution role in ranking replacement investments against demand management or non-network solutions was also discussed. We noted the National Electricity Rules should not be prescriptive as to the type or nature of demand management schemes.

## **Bidding in good faith**

On 12 February 2015 we provided a submission to the AEMC's option paper on bidding in good faith. The AER supported the SA Minister's rule change proposal, arguing it was the most effective way to address shortcomings in the current rule. We also supported the AEMC undertaking further analysis on the impact of introducing a behavioural statement of conduct and/or a gate closure mechanism on the current market design.

We made a further submission on the draft rule, supporting the proposal, on 11 June 2015.

## **Generator ramp rates and dispatch inflexibility in bidding**

On 9 October 2014 and 5 February 2015 we provided submissions to the AEMC's rule change process on generator ramp rates (the rate at which they can alter output) and dispatch inflexibility in bidding. The submissions followed our August 2013 rule change proposal that generators may only alter their output (ramp rate) to reflect the plant's technical capability at the time. The proposal sought to address an impediment to the market's ability to respond efficiently to a change in market conditions.

The AEMC's rule change (released March 2015) retained the existing ramp-rate limit, but extended it to individual physical units that make up aggregated generation facilities. This change increases the minimum ramp rate available from the aggregated hydro generators in New South Wales while at least maintaining levels in other regions.

## **Early application of STPIS components to transmission businesses**

On 16 September 2014 we made a submission to the AEMC, supporting a rule change to allow ElectraNet to apply for inclusion in the network capability component of version 4 of the STPIS despite its regulatory determination having been finalised. We considered there was sufficient time remaining in ElectraNet's current regulatory control period to realise the benefits identified.

On 18 December 2014 we provided a further submission, reiterating our support for early access to this component of the STPIS under certain circumstances.

## **Distribution network pricing arrangements**

On 16 October 2014 we made a submission to the AEMC's draft decision on distribution network pricing arrangements. We supported the AEMC's draft rule, arguing the reforms would strengthen requirements for network tariffs to better reflect the drivers of network costs; and for distributors to consider the impacts of their network tariff strategies and address issues of tariff appropriateness, transition and volatility.

## **Customer access to information about their energy consumption**

On 3 October 2014 we provided a submission to the AEMC, supporting amendments that give customers better access to their consumption data and information about their electricity use and enabling them to share that data with approved service providers.

## **Retailer price variations in market retail contracts**

On 2 September 2014 we made a submission to the AEMC's draft rule determination on retailer price variations in market retail contracts, aimed at improving disclosure to customers at the point of entry to a market retail contract. Our submission supported the draft determination as a first step to promote transparency and assist customer engagement in retail markets. We proposed further

measures to improve consumer understanding of the options available to them, such as amendments to our Retail pricing information guideline to improve energy price factsheets, and improvements to Energy Made Easy.

## Connecting embedded generators under Chapter 5A

On 21 July 2014 we provided a submission to the AEMC's rule change consultation, arguing that the greater clarity on the requirements of each party in the connection of embedded generators would reduce disputes and improve the negotiation process. In particular the rules should specify the minimum technical information a distributor must provide to a proponent for the latter to meet quality of supply standards within a clearly defined timeframe. We also considered the current dispute resolution and compliance framework is adequate.

## Submissions to AEMC reviews

### Distribution reliability measures

On 18 July 2014 we made a submission to the AEMC's draft report on distribution reliability measures. We participated in the development of the draft report and as such many of our issues were addressed. But we noted potential ambiguity remains around the proposed approach to determining exclusions from incentives schemes for weather related events.

### Template for generator compliance programs review

On 9 January 2015 we provided a submission to the AEMC's three yearly review of the template for generator compliance program. We considered that template is a key instrument in ensuring that the generation sector of the NEM meets a standard that is good industry practice, and that the compliance principles remain appropriate. We are not aware of any particular technology change that should be reflected in the template at this stage.

On 7 May 2015 we provided a further submission, suggesting a change in the description of our role on the draft template to reflect that we monitor compliance with the rules and not the compliance program itself.

### Financial resilience review

On 25 September 2014 we made a submission to the AEMC's national energy market financial resilience review. The AEMC's second interim report recommended changes to make the Retailer of Last Resort scheme more effective, including 'stability arrangements' in the event of a large participant failure. Our submission supported the introduction of separate arrangements for a large participant failure. We also supported changes to encourage more companies to become retailers of last resort.

## Other submissions

### Competition Policy Review (Harper Review)

On 1 August and 24 November 2014 we provided submissions to the Competition Policy Review issues paper. Our submissions addressed the issue of the AER's institutional arrangements and independence, and outlined the distinct roles of the AER and ACCC. Further, they highlighted recent reforms that improve the AER's transparency and accountability and, separately, reforms that address community concerns about high energy prices. We supported finalising the energy reform agenda, including proposed retail market and reliability standards reforms.

### Department of Industry—Energy White Paper–Green Paper

On 7 November 2014 we made a submission to the Energy White Paper–Green Paper. In our Green Paper submission we noted that electricity networks are entering a period of change. We considered that the current regulatory framework—including the rule change process, classification of services



and ring fencing requirements—can accommodate changes in technology and market developments, while enabling competition. The framework has been strengthened by recent reforms and our Better Regulation guidelines.

Fundamentally, we supported the introduction of contestability into services where competition is feasible.

# Appendix 2

## NEWS RELEASES AND SPEECHES

### News releases for 2014–15

Title	Date
AER begins consultation on Victorian electricity distribution revenue proposals	10 June 2015
AER expects final decision to lower gas bills for NSW customers	3 June 2015
AER maintains decisions will lead to lower electricity bills for ACT and NSW customers	20 May 2015
AER comments on determinations	18 May 2015
AGL pays \$40 000 in penalties regarding disconnection of customers in hardship or on payment plans	11 May 2015
AER expects final decision to lower electricity bills for Tasmanian customers	30 April 2015
AER expects final decisions to lower electricity bills for ACT and NSW customers	30 April 2015
AER expects decision to lower electricity bills for South Australian customers	30 April 2015
AER expects decisions to lower electricity bills for Queensland customers	30 April 2015
EnergyAustralia ordered to pay penalties of \$500 000 for failing to obtain explicit informed consent	27 March 2015
NSW and Tasmanian electricity distributors pay \$60 000 in penalties regarding their life support obligations	23 March 2015
Snowy Hydro ordered to pay \$400 000 in penalties for failure to comply with AEMO dispatch instructions	12 February 2015
NSW electricity distributors pay \$100 000 in penalties regarding their life support obligations	2 February 2015
AER releases review of energy retailers' hardship policies and practices	28 January 2015
Approval of Victorian network tariffs for 2015	19 December 2014
AER publishes <i>State of the energy market report 2014</i>	19 December 2014
AER begins consultation on proposed network electricity charges in SA	9 December 2014
AER begins consultation on proposed network electricity charges in Qld	8 December 2014
AER releases electricity distribution and transmission benchmarking reports	27 November 2014
AER issues network revenues draft decision for Tasmanian energy customers	27 November 2014
AER issues network revenues draft decisions for ACT and NSW energy customers	27 November 2014
AER Retail Market Performance and Affordability Report—South Australia highlights	25 November 2014
AER Retail Market Performance and Affordability Report—NSW highlights	25 November 2014
AER Retail Market Performance and Affordability Report—ACT highlights	25 November 2014
AER issues 2014 annual performance and compliance reports	25 November 2014
AER Retail Market Performance and Affordability Report—Tasmania Highlights	25 November 2014
AER takes action against EnergyAustralia	21 November 2014

AER welcomes new Chair	1 October 2014
AER issues annual report	29 September 2014
AER releases new compliance guidelines to protect vulnerable consumers	17 September 2014
AER calls for consumer input on proposed higher network electricity charges in the ACT	28 July 2014
AER welcomes AER Board appointments	21 July 2014
AER calls for consumer input on proposed higher network electricity charges in NSW	9 July 2014
AER calls for consumer input on proposed network electricity charges in Tasmania	3 July 2014
AER takes action against Snowy Hydro Limited for alleged failure to comply with AEMO dispatch instructions	3 Jul 2014

## Speeches for 2014–15

Conference/Event	Speaker	Date
Infrastructure Partnerships Australia Leaders' Boardroom Luncheon—Melbourne	Paula Conboy	15 June 2015
Energy Networks Association Gas Seminar—Melbourne	Michelle Groves	12 June 2015
Grattan Institute Seminar—Sydney	Paula Conboy	11 June 2015
National Consumer Roundtable on Energy—Melbourne	Michelle Groves	11 June 2015
Grattan Institute Seminar—Melbourne	Michelle Groves	28 May 2015
6th World Forum on Energy Regulation—Istanbul, Turkey	Cristina Cifuentes	28 May 2015
6th World Forum on Energy Regulation—Istanbul, Turkey	Sarah Proudfoot	27 May 2015
EISG meeting—Toronto, Canada	Peter Adams	11 & 13 May 2015
National Public Sector Managers & Leaders Conference 2015—Melbourne	Michelle Groves	17 April 2015
Deakin University Seminar—Melbourne	Paula Conboy	19 March 2015
CSIRO FutureGrid Industry Research Symposium—Sydney	Michelle Groves	18 March 2015
National Consumer Roundtable on Energy—Hobart	Michelle Groves	26 February 2015
Energy Retailer's Association of Australia Board Dinner—Sydney	Paula Conboy	18 February 2015
The Committee for Economic Development of Australia: Energy networks— enabling the future grid—Melbourne	Paula Conboy	17 February 2015
Westpac Energy Industry Lunch—Melbourne	Michelle Groves	3 February 2015
2014 Annual Energy Users Association of Australia Conference—Melbourne	Michelle Groves	14 October 2014
AEMC Public Forum on distribution network pricing arrangements draft determination—Sydney	Andrew Reeves	22 September 2014
National Energy Conference—Perth	Jim Cox	27–28 August 2014
Energy Networks Association's 2014 Regulation Seminar—Brisbane	Andrew Reeves	6 August 2014

## Appendix 3

### DECISIONS, REPORTS AND CONSULTATIONS

#### Electricity transmission decisions

- Final decision: Replace the Framework and Approach, which is to apply for the 2017–2022 regulatory control period for Powerlink, June 2015
- Draft decision: Service target performance incentive scheme—version 5, June 2014
- Decision: Approved ElectraNet's proposal seeking early application of the network capability component of the service target performance incentive scheme (STPIS) in its current 2013–18 regulatory control period, May 2015
- Final decision: Electricity transmission determination—Directlink (Qld/NSW)—Regulatory control period 1 July 2015 to 30 June 2020, April 2015
- Final decision: Electricity transmission determination—TasNetworks (Tasmania)—Regulatory control period 1 July 2015 to 30 June 2019, April 2015
- Final decision: Electricity transmission determination—TransGrid (NSW)—Regulatory control period 1 July 2015 to 30 June 2018, April 2015
- Decision: Approved application from AusNet Services to pass through easement land tax Transmission Network Users in 2015–16, March 2015
- Final decision: Amendments to the electricity transmission and distribution post-tax revenue models, January 2015
- Draft decision: Electricity transmission determination—Directlink (Qld/NSW)—Regulatory control period 1 July 2015 to 30 June 2020, November 2014
- Draft decision: Electricity transmission determination—TasNetworks (Tasmania)—Regulatory control period 1 July 2015 to 30 June 2019, November 2014
- Draft decision: Electricity transmission determination—TransGrid (NSW)—Regulatory control period 1 July 2015 to 30 June 2018, November 2014
- Final decision: Service target performance incentive scheme—version 4.1, September 2014
- Final decision: Application of version 4 of the electricity transmission service target performance incentive scheme (STPIS) to a transmission business in their current regulatory control period. September 2014

#### Electricity distribution decisions

- Decision: Approved SA Power Networks resubmitted 2015–16 pricing proposal, June 2015
- Decision: Approved Essential Energy's and Ausgrid's network pricing proposals, June 2015
- Decision: Approved 2015–16 electricity tariffs for NSW, ACT, Qld and Tasmania electricity businesses: Ergon Energy, Energex, ActewAGL, Endeavour Energy, TasNetworks, June 2015
- Final decision: Electricity distribution determination—ActewAGL (ACT)—Regulatory control period 1 July 2015 to 30 June 2019, April 2015
- Final decision: Electricity distribution determination—Ausgrid (NSW)—Regulatory control period 1 July 2015 to 30 June 2019, April 2015
- Final decision: Electricity distribution determination—Endeavour Energy (NSW)—Regulatory control period 1 July 2015 to 30 June 2019, April 2015
- Final decision: Electricity distribution determination—Essential Energy (NSW)—Regulatory control period 1 July 2015 to 30 June 2019, April 2015
- Preliminary decision: Electricity distribution determination—Energex (Qld)—Regulatory control period 1 July 2015 to 30 June 2020, April 2015
- Preliminary decision: Electricity distribution determination—Ergon Energy (Qld)—Regulatory control period 1 July 2015 to 30 June 2020, April 2015

- Preliminary decision: Electricity distribution determination—SA Power Networks (SA)—Regulatory control period 1 July 2015 to 30 June 2020, April 2015
- Decision: Approved 2012–13 and 2013 demand management incentive allowance expenditure for Distribution Network Services Providers, April 2015
- Final decision: Approve cost allocation method for CitiPower, February 2015
- Final decision: Approve cost allocation method for Powercor, February 2015
- Final decision: Approve cost allocation method for AusNet Services, February 2015
- Final decision: Approve cost allocation method for Jemena, February 2015
- Final decision: Approve cost allocation method for United Energy, February 2015
- Decision: Authorised a limited form of disclosure and issued further disclosure notices in relation to NSW public lighting—Ausgrid, Endeavour Energy and their public lighting suppliers, January 2015
- Decision: Approved electricity network tariffs for the Victorian distributors CitiPower, Powercor, Jemena Electricity Networks, AusNet Services, and United Energy, for the period 1 January 2015 to 31 December 2015, December 2014
- Decision: Victorian distribution network service providers' 2015 advanced metering infrastructure charges, effective from 1 January to 31 December 2015, December 2014
- Draft decision: Electricity distribution determination—ActewAGL (ACT)—Regulatory control period 1 July 2015 to 30 June 2019, November 2014
- Draft decision: Electricity distribution determination—Ausgrid (NSW)—Regulatory control period 1 July 2015 to 30 June 2019, November 2014
- Draft decision: Electricity distribution determination—Endeavour Energy (NSW)—Regulatory control period 1 July 2015 to 30 June 2019, November 2014
- Draft decision: Electricity distribution determination—Essential Energy (NSW)—Regulatory control period 1 July 2015 to 30 June 2019, November 2014
- Final decision: Replace the Framework and Approach, which is to apply for the 2016–2020 regulatory control period for Ausnet Services, October 2014
- Final decision: Replace the Framework and Approach, which is to apply for the 2016–2020 regulatory control period for Jemena, October 2014
- Final decision: Replace the Framework and Approach, which is to apply for the 2016–2020 regulatory control period for Powercor, October 2014
- Final decision: Replace the Framework and Approach, which is to apply for the 2016–2020 regulatory control period for United Energy, October 2014
- Final decision: Replace the Framework and Approach, which is to apply for the 2016–2020 regulatory control period for CitiPower, October 2014
- Final decision: Approve applications by Powercor and AusNet Services for Powerline Bushfire Safety Program increased costs, September 2014
- Final decision: F-factor amount determinations for 2013 fire start outcomes in Victoria, August 2014
- Final decision: Approve cost allocation method for Ergon Energy, August 2014
- Final decision: Rejected application to pass through costs arising from a material increase in vegetation management—ActewAGL Distribution (ACT), July 2014<sup>1</sup>

<sup>1</sup> The Australian Competition Tribunal ruled that the AER did not publish a decision within 60 days as required under the Transitional Chapter 6 of the NER. Therefore the AER is deemed to have accepted the pass through application and the decision made by the AER in July 2014 is void and of no effect.

## Gas transmission and distribution decisions

- Decision: Approved Roma to Brisbane Pipeline negative cost pass-through to remove carbon price revenues from their 2015–16 and 2016–17 reference tariffs, June 2015
- Decision: Approved Allgas Energy's negative cost pass-through to remove carbon price revenues from Allgas Energy's 2015–16 reference tariffs, June 2015
- Decision: Approved 2015–16 tariff variations for NSW, ACT, SA and NT gas businesses: Amadeus Gas Pipeline, Roma Brisbane Pipeline, Central Ranges Pipeline Gas Network (distribution), Allgas (Qld), Australian Gas Networks (SA), Central Ranges Pipeline Gas Network (transmission), June 2015
- Final decision: Gas distribution determination—Jemena Gas Networks (NSW)—Regulatory control period 1 July 2015 to 30 June 2020, June 2015
- Decision: Approved the Victorian gas transmission and distribution tariffs for the period 1 January to 31 December 2015 for APA GasNet, Australian Gas Networks (Victoria and Albury) (formerly Envestra), Multinet Gas and AusNet Services, December 2014
- Draft decision: Gas distribution determination—Jemena Gas Networks (NSW)—Regulatory control period 1 July 2015 to 30 June 2020, November 2014
- Decision: Approved a cost pass through tariff application by Australian Gas Networks (AGN) (Victoria), formerly Envestra, for increased costs arising from its 2013–17 mains replacement program, November 2014

## Retail energy market decisions

- Decision: Appointed default RoLRs for the ACT (gas) and Queensland (gas), 3 June 2015.
- Decision: Registered additional RoLRs with non-firm offers for Queensland, ACT, NSW and South Australia, 3 June 2015.
- Decision: Granted Concise Energy an individual exemption for the sale of electricity, May 2015
- Decision: Granted GDY Solar an individual exemption for the sale of electricity, May 2015
- Decision: Granted Global SPV 12 an individual exemption for the sale of electricity, May 2015
- Decision: Granted ASC Energy an individual exemption for the sale of electricity, May 2015
- Decision: Granted Global SPV4 an individual exemption for the sale of electricity, May 2015
- Decision: Granted OTI Power an individual exemption for the sale of electricity, May 2015
- Decision: Granted Solar Assets an individual exemption for the sale of electricity, May 2015
- Decision: Granted Efficient Homes Australia an individual exemption for the sale of electricity, May 2015
- Decision: Granted First Solar (Australia) an individual exemption for the sale of electricity, May 2015
- Decision: Issued infringement notice to AGL for disconnection of customers in hardship or on payment plans, May 2015
- Decision: Granted COzero Solarlink an individual exemption for the sale of electricity, April 2015
- Decision: Granted Energy Today an individual exemption for the sale of electricity, April 2015
- Decision: Granted Embedded Networks Solutions Australia an individual exemption for the sale of electricity, March 2015
- Decision: Granted Blue Star Energy Pty Ltd an individual exemption for the sale of electricity, March 2015
- Decision: Issued infringement notice—relating to incidents in which customers known to require life support equipment unexpectedly lost electricity supply—Essential Energy, Ausgrid, and TasNetworks, February 2015
- Decision: Granted Global Clean Energy Finance an individual exemption for the sale of electricity, February 2015
- Decision: Granted Sunlease and Sunlease Management an individual exemption for the sale of electricity, February 2015

- Decision: Granted AGL Energy Services an individual exemption for the sale of electricity, February 2015
- Decision: Granted Aquion Energy an individual exemption for the sale of electricity, February 2015
- Decision: Amended individual exemptions for the sale of electricity for Demand Manager Pty Ltd, SEL Absolute Return Fund SA Pty Ltd (Solar Wholesalers), Tindo Asset Management Pty Ltd and Express Solar Pty Ltd, February 2015
- Decision: Granted Origin Energy Retail No 2 an individual exemption for the sale of electricity, January 2015
- Decision: Granted Solar Panels Pty Ltd an individual exemption for the sale of electricity, January 2015
- Decision: Amended an individual exemption for the sale of electricity for Kudos Energy Pty Ltd, January 2015
- Decision: Granted Sunburnt Country Power an individual exemption for the sale of electricity, December 2014
- Decision: Granted Permintex Energy Resources an individual exemption for the sale of electricity, December 2014
- Decision: Granted Humenergy Group an individual exemption for the sale of electricity, December 2014
- Decision: Granted Energy Lease an individual exemption for the sale of electricity, December 2014
- Decision: Granted Brookfield District Energy (CP) Pty Ltd an individual exemption for the sale of electricity, October 2014
- Decision: Granted Countrywide Energy Pty Ltd an individual exemption for the sale of electricity, October 2014
- Decision: Granted Trading Green Pty Ltd an individual exemption for the sale of electricity, October 2014
- Decision: Granted Horan & Bird an individual exemption for the sale of electricity, October 2014
- Decision: Granted Kenjarhy Solar Pty Ltd an individual exemption for the sale of electricity, October 2014
- Decision: Granted Solarmine Pty Ltd an individual exemption for the sale of electricity, October 2014
- Decision: Granted Demand Manager Solar Funding an individual exemption for the sale of electricity, October 2014
- Decision: Granted Locality Planning Energy Pty Ltd an electricity retailer authorisation, November 2014
- Decision: Granted Pietermaritzburg an individual exemption for the sale of electricity, September 2014
- Decision: Granted SE Solar 3 an individual exemption for the sale of electricity, September 2014
- Decision: Granted PPA Direct, PPA Energy, PPA Farm, PPA Electrical, PPA Now, PPA Solar, PPA Green and Green Urban Group an individual exemption for the sale of electricity, September 2014
- Decision: AGL default retailer of last resort cost recovery application, August 2014
- Decision: Granted OC Energy Pty Ltd an electricity retailer authorisation, August 2014
- Decision: Granted Next Business Energy Pty Ltd an electricity retailer authorisation, August 2014
- Decision: Granted Applied Environmental Solutions an individual exemption for the sale of electricity, July 2014
- Decision: Granted REpower Shoalhaven an individual exemption for the sale of electricity, July 2014
- Decision: Granted Solar Professionals an individual exemption for the sale of electricity, July 2014
- Decision: Granted Suntrix an individual exemption for the sale of electricity, July 2014

- Decision: Granted Geitz ANZ an individual exemption for the sale of electricity, July 2014
- Decision: Granted Infinity Solar an individual exemption for the sale of electricity, July 2014
- Decision: Granted Solar Financial Solutions an individual exemption for the sale of electricity, July 2014
- Decision: Granted Sungevity an individual exemption for the sale of electricity, July 2014
- Decision: Granted Voltaic Energy an individual exemption for the sale of electricity, July 2014
- Decision: Granted Zero Cost Solar an individual exemption for the sale of electricity, July 2014
- Decision: Granted ePho Asset Management an individual exemption for the sale of electricity, July 2014
- Decision: Granted ET Solar Australia an individual exemption for the sale of electricity, July 2014
- Decision: Granted Nue Pty Ltd an individual exemption for the sale of electricity, July 2014
- Decision: Granted SE Solar 1 and SE Solar 2 an individual exemption for the sale of electricity, July 2014
- Decision: Granted Skycell an individual exemption for the sale of electricity, July 2014
- Decision: Granted Soly an individual exemption for the sale of electricity, July 2014
- Decision: Granted RF Industries an individual exemption for the sale of electricity, July 2014

## Court action

- Instituted proceedings in the Federal Court of Australia against EnergyAustralia Pty Ltd for allegedly contravening the Retail Law by failing to obtain the explicit informed consent of customers before transferring them to new energy plans, November 2014
- Federal Court ordered by consent that EnergyAustralia pay penalties of \$500 000
- Instituted proceedings in the Federal Court of Australia against Snowy Hydro Limited for alleged contraventions of the Electricity Rules, July 2014
- Federal Court ordered by consent that Snowy Hydro pay penalties of \$400 000 and that it appoint an independent compliance expert to review the accuracy of Snowy Hydro's internal documents relating to the compliance with dispatch instructions. Snowy Hydro was also ordered by consent to make a contribution to the AER's costs
- Enforceable undertaking provided by Snowy Hydro to the AER regarding the operation of automatic generation control system, February 2015

## Reports

- AER statement of intent 2015–16, June 2015
- Electricity distributors 2011–13 performance report, June 2015
- Victorian electricity distribution businesses' public fire start reports—2014, June 2015
- Prices above \$5000/MWh—5 March 2015 (Qld), May 2015
- Transmission service standards compliance reports 2014: Powerlink, TasNetworks, ElectraNet, Directlink, Murraylink and TransGrid, April 2015
- Transmission service standards compliance report 2014: AusNet Services, March 2015
- Prices above \$5000/MWh—15 January 2015 (Qld), March 2015
- Prices above \$5000/MWh—18 January 2015 (Qld), March 2015
- Prices above \$5000/MWh—17 December 2014 (Qld), March 2015
- Targeted review of energy retailers' hardship policies and practices, January 2015
- New versions of the post-tax revenue models (PTRMs), January 2015
- *State of the energy market report*, December 2014
- 2013–14 Economic Benchmarking RIN responses, December 2014
- 2013–14 Category Analysis RIN responses, December 2014
- Updated electricity consumption benchmarks for residential customers, December 2014



- Significant price report—17 October 2014 (Brisbane STTM), December 2014
- National Energy Retail Law Annual compliance report, November 2014
- Distribution and Transmission Annual Benchmarking Report 2014, November 2014
- Annual report on the performance of the retail energy market for 2013–14, November 2014
- Electricity bill benchmarks for residential customers, Report by ACIL Allen, October 2014
- AER annual report, September 2014
- Significant price report—7 July 2014 (Brisbane STTM), September 2014
- Retail energy quarterly market performance updates, January 2015, March 2015, March 2014, June 2015
- Quarterly compliance report: National electricity and gas laws, August 2014, November 2014, February 2015, May 2015
- Electricity reports, weekly
- Gas reports, weekly

### Guidelines and guideline consultation

- Retailer of Last Resort plan (consultation on amendments), June 2015
- Draft Retail Pricing Information Guidelines, Version 4.0, April 2015 (for consultation)
- (AER) Retail Exemptions Selling Guide, Version 3, April 2015
- Electricity Transmission Network Service Providers Information Guideline, Version 2, April 2015
- Draft Determination, Retail Exempt Selling Guideline, Version 3, December 2014
- Retailer Authorisation Guideline, Version 2, December 2014
- Draft information guideline for electricity transmission network service providers, December 2014
- Issues Paper, Regulating innovative energy selling businesses under the National Energy Retail Law, November 2014
- Compliance Procedures and Guidelines, Version 3, September 2014
- Revised guideline: Transmission Pricing Methodology Guidelines, July 2014
- Final Statement of Approach for the regulation of alternative energy sellers, July 2014

