



AER

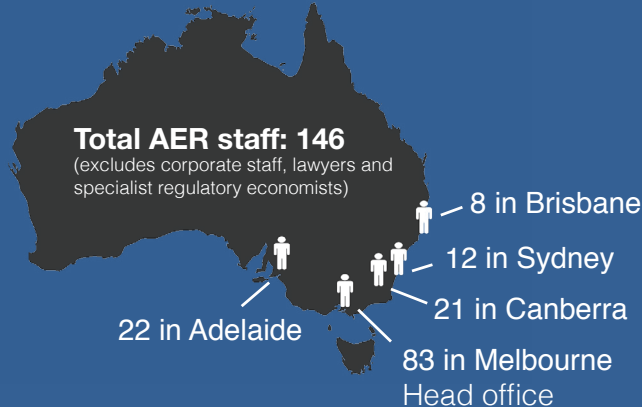
AUSTRALIAN
ENERGY
REGULATOR

ANNUAL
REPORT
2015-16

OUR BUSINESS

The Australian Energy Regulator (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 and Adelaide, and gas supply hubs at Moomba 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.

450 registered participants

\$9b annual turnover

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 66 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 32 networks we regulate exceeds \$100 billion.

32 regulated networks

HIGHLIGHTS OF THE YEAR

NETWORK DECISIONS

We made eight final electricity network determinations and approved three gas access arrangements. Our decisions allowed 17 per cent less revenue than proposed by the businesses.

17%
less revenue

ENERGYMADE
The power to compare
easy

5000

offers for residential and small business customers published

400 000

total website visits

CONSUMERS

We protected the customers of failed energy retailer Go Energy by managing their transition to new retailers.

We developed a voluntary sustainable payment plan framework for customers facing financial hardship.

POWER OF CHOICE

We launched network pricing reforms to give consumers clearer signals about the cost of their energy use and consulted on ring-fencing guidelines that promote competition in metering, solar PV and battery installation.

ENFORCEMENT

We issued 26 infringement notices to retailers for contravening provisions on disconnecting customers on life support or failing to obtain explicit informed consent.

We issued seven infringement notices to generators for failing to follow dispatch instructions or to ensure plant could comply.

We accepted court enforceable undertakings from one retailer and one generator.

WHOLESALE MARKETS

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

We reported on the impacts of Queensland's LNG industry on domestic gas markets.

33 infringement notices issued to retailers and generators.

2 court enforceable undertakings accepted.

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Chair's review

I am pleased to introduce the Australian Energy Regulator's 2015–16 annual report, detailing the agency's work throughout the year and our performance against targets laid out in our Statement of Intent to the Council of Australian Governments' Energy Council.

Energy markets are becoming more dynamic and decentralised as consumers look for new products and services to meet their needs. Technologies such as PV solar installations, smarter appliances, battery storage and electric vehicles are being offered to consumers. The services these technologies provide will enable households and businesses to better manage how much electricity they use and ultimately help manage electricity bills, including decisions on when to buy, store or sell electricity. In this fluid market, we are continuously reviewing our regulatory frameworks to ensure they remain fit for purpose. Regulatory frameworks should remove any barriers to innovation and help consumers benefit from new energy technologies.

An important contribution we make is to implement reforms that empower customers to make informed choices about their energy use, optimise the use of existing energy networks and avoid the need for inefficient new investment. Our work includes network pricing reforms to give consumers clearer signals about the cost of energy they use, and incentives to use their appliances efficiently. We are also helping to build competitive markets for services like metering, solar PV and battery installations by making costs more transparent, and through new ring fencing rules to create a level playing field between network businesses and new entrants. Additionally, we are helping customers in embedded networks to access retail competition. We are also working with agencies such as the AEMC to encourage wider use of demand management where it can provide an efficient alternative to network investment. Our Customer Consultative Group which met four times in 2015–16, helps us understand consumer and small business concerns on these issues.

Our work in retail energy markets aims to equip consumers with information and confidence to engage in this dynamic environment, while offering protections for vulnerable customers from unfair behaviour. During the year we published more than 5000 offers on our Energy Made Easy price comparator website to help consumers choose an energy plan that meets their needs, and handled over 400 000 site visits. Our staff ran forums and workshops to raise consumers' awareness of the website. The agency also protected customers of failed energy retailer Go Energy by managing their successful transition to a new retailer. Additionally, we consulted widely on a new approach to sustainable payment plans for customers with financial difficulties.

A fluid market environment highlights the importance of our compliance work to support a transparent and efficient market, backed up with appropriate consumer protections. During the

year, our enforcement action resulted in 26 infringement notices being paid by energy businesses for contravening provisions on explicit informed consent or for disconnecting customers reliant on life-support equipment. In the electricity wholesale market, we focused on compliance with the market operator's dispatch instructions, and issued five infringement notices to generators for failing to follow them. In gas, we focused on ensuring participants comply with the information requirements of the Gas Bulletin Board, which supports gas trading in eastern Australia.

A competitive gas market is important for energy customers, with Queensland's LNG exporters increasingly topping up their supply needs from the domestic market. Price pressures emerged in the gas market in 2015–16 and gas powered generation costs rose in consequence, impacting on electricity prices. These dynamics drove major AEMC and ACCC reviews of gas market structure and design. We supported the reviews by way of submissions, informal consultations and resource support (for the ACCC inquiry).

Alongside our work to help consumers benefit from new technologies and promote competitive markets, we continued to rigorously test proposals from electricity network businesses and gas pipeline providers on their upcoming revenue needs. In considering the proposals we engaged widely with the network businesses themselves, as well as their customers and other affected stakeholders. Our Consumer Challenge Panel provided important guidance on issues of importance to consumers.

The AER's 11 network revenue and pipeline access decisions in 2015–16 reflected the current low interest-rate environment, which means the cost of debt and the returns required to attract equity are now lower than when the businesses' proposals were submitted to us. And with electricity demand expected to mostly remain flat over the next five years, networks are tending to need less augmentation to deliver a reliable energy supply than in the past. In this environment, our regulatory decisions scaled back revenue proposals by an average 15–20 per cent, saving Australian energy customers in the vicinity of \$6 billion over the next five years. A number of our decisions are subject to legal challenge, making final outcomes for consumers and businesses uncertain.

Open, transparent and inclusive stakeholder engagement is a key focus across our work program, and with this in mind, I welcome the results of our 2016 stakeholder survey of consumers and their representatives, network service providers, and others affected by our regulatory decisions. Part 2 of this report includes a breakdown of results, which show significant overall improvements in perceptions of our agency over the past two years, with 85 per cent of respondents indicating a positive working relationship with us, and 81 per cent being satisfied with our communications. More generally, it is encouraging to note that 77 per cent of stakeholders were satisfied with how effectively we perform our functions as a regulator.

The survey also pointed to areas where we need to keep improving—for example, in setting realistic timeframes for stakeholder input, tailoring our communications to meet the needs of different stakeholders, and communicating how stakeholder input informed our decisions. While many respondents referred to external factors affecting our performance—including a lack of resourcing and restrictions placed on us by the regulatory framework—we will work with stakeholders during 2016–17 to improve how we operate. In particular, we will consult on improving our stakeholder engagement framework, explore more proactive ways of engaging (particularly to facilitate more constructive engagement with regulated businesses), better explain how stakeholder input was considered in our decisions, and more clearly articulate how our decisions affect consumers.

We work in a challenging market and regulatory environment, but our focus on delivering outcomes in the long term interests of consumers remains consistent and clear. In this environment, the board and our dedicated staff will continue to work closely with the COAG Energy Council, other market institutions and all of our stakeholders to help ensure Australia's energy market and regulatory arrangements are sufficiently agile to meet the needs of consumers and industry, while offering stability and predictability to investors.

Paula Conboy
Chair
Australian Energy Regulator

PART 1
GOVERNANCE AND
MANAGEMENT

We strive to incorporate good governance in our decision making and our business practice. Our internal structure is tailored for us to make timely, evidence based, independent decisions, and to enable us to appropriately manage risk, 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, including the National Electricity Law, the National Gas Law and the National Energy Retail Law. The legislation shares a common objective that guides our work—to promote 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

The AER's three member board has extensive energy sector and infrastructure regulation experience. It exercises the agency's decision making responsibilities as set out in the energy legislation and rules, 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.

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 NSW governments, including 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 2015–16 | 47 meetings |
| All members present | 44 meetings |

AER structure

Our CEO is accountable to the board, and is assisted by a dedicated body of staff that is 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, the agency's legislative responsibilities, commitments set out in our Statement of intent to the COAG Energy Council, and workforce requirements.

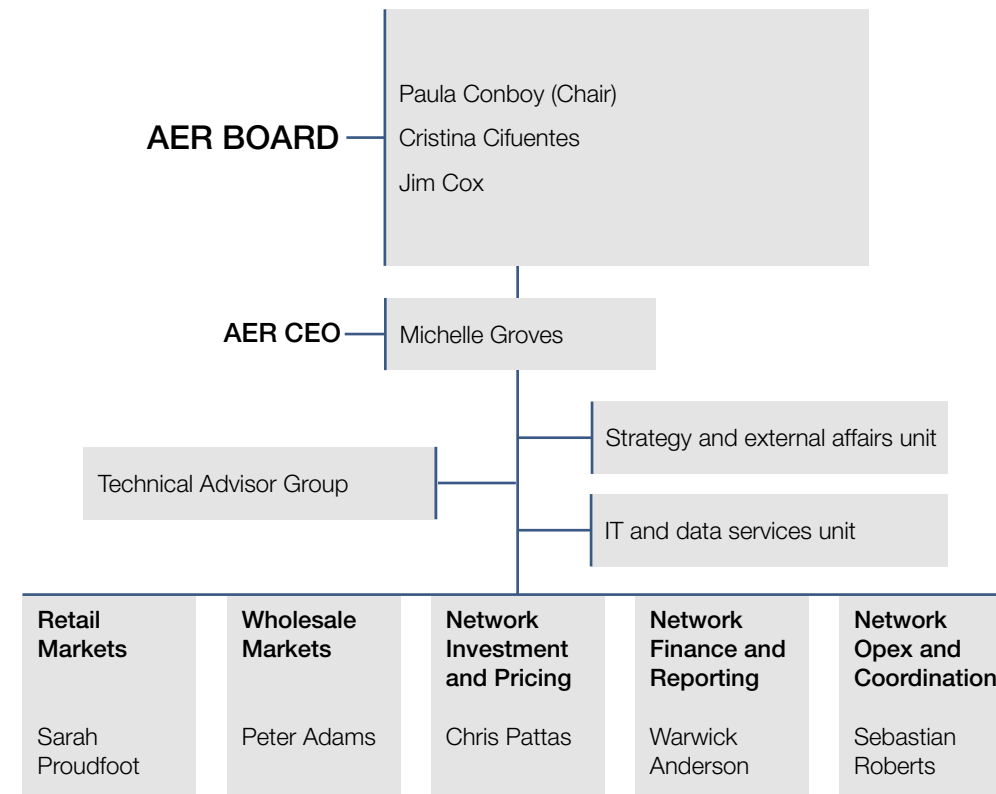
The Board and CEO were supported by staff working across five branches (three in the networks space, and one each for retail and wholesale energy markets). Three stand-alone units (strategy and external affairs, a technical advisor group, and IT and data services) assist the branches (figure 1). In total, 142 staff members supported the Board and CEO. Our average staffing level across the year was 123.9 (excluding the Board and CEO).

The ACCC's legal, economic and infrastructure regulation divisions assist us on some matters. 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 such as marketing by energy retailers, which are covered under both the energy laws and the Competition and Consumer Act.

OUR 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.

Figure 1 AER organisation chart



NETWORK BRANCHES

Our three network branches assess gas and electricity network revenue proposals and undertake broader regulatory oversight roles in relation to energy networks.

- The *network pricing, policy and compliance* branch, headed by Chris Pattas, assesses pricing/tariff proposals, monitors network business compliance with regulatory requirements and incentive schemes, and manages strategy and coordination of network revenue assessments.
- The *network finance and reporting* branch, headed by Warwick Anderson, estimates required rates of return for network businesses, undertakes financial modelling, and manages performance and benchmarking data.
- The *network expenditure* branch, headed by Sebastian Roberts, assesses capital and operational expenditure requirements for network businesses.

This specialised structure facilitates consistency in our approach to regulating network businesses.

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: Queensland, NSW, South Australia, Tasmania and the ACT. The team assesses applicants looking to enter the retail market, monitors performance and compliance by distributors, retailers and exempt sellers and takes enforcement action where required. It also maintains the AER's energy price comparator website Energy Made Easy (www.energymadeeasy.gov.au), as well as providing a range of information to help energy customers participate in the market.

WHOLESALE MARKETS BRANCH

Our wholesale markets branch, headed by Peter Adams, monitors wholesale energy markets to ensure participants comply with the underpinning legislation and rules, taking enforcement action where necessary. We report weekly on market activity to strengthen transparency and confidence. Our market intelligence is drawn together annually in the State of the energy market report, which explains market developments, factors impacting on energy prices, and regulatory and policy developments. In 2016–17 we may acquire a new role in monitoring the effectiveness of competition in the national electricity market.

OTHER BRANCHES AND UNITS

Our five core branches are supported by:

- our Technical Advisor Group, providing technical and industry advice
- our strategy and external affairs unit, which coordinates responses to policy/rule reviews, media and speeches
- our information technology and data services unit, which provides and maintains business systems, processes and technology support services
- 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 also provides training and helps coordinate economic expertise across the ACCC and the AER. Additionally, it provides legal assistance on our enforcement matters and network decisions (including reviews by the Australian Competition Tribunal 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

The 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 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.

STATEMENT OF INTENT TO THE COAG ENERGY COUNCIL

The COAG Energy Council's Statement of expectations sets out accountability and performance frameworks for the AER. Our Statement of intent, published in June each year, sets out how we plan to meet the Energy Council's expectations in the coming year, including through our work program. The statement sets out deliverables and performance indicators to measure our progress in meeting expectations.

ANNUAL REPORTS

This AER annual report sets out our work and performance over the financial year. It reports on outcomes against performance indicators detailed in the Statement of intent, 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. That report includes financial statements covering the ACCC and AER, and covers performance against our program deliverables in the portfolio budget statement and corporate plan.

PORTFOLIO BUDGET STATEMENT AND CORPORATE PLAN

As part of the Commonwealth Budget process, a portfolio budget statement sets out our key program deliverables and performance indicators. From this, we develop an AER/ACCC organisation-wide corporate plan and an internal business plan that includes a risk assessment for our organisation and the energy industry. Individual action and performance plans for staff derive from the business plan.

OUR RELATIONSHIP WITH COMMONWEALTH TREASURY

The AER sits within the Commonwealth Treasury portfolio. Our responsible minister until September 2015 was the Hon. Bruce Billson MP, Minister for Small Business. The Hon. Kelly O'Dwyer MP, Minister for Small Business and Assistant Treasurer became our responsible minister in September. The Hon. Scott Morrison MP, Treasurer of the Commonwealth of Australia, became our responsible minister following parliamentary elections held in July 2016.

OUR STAKEHOLDER SURVEYS

We periodically survey external stakeholders and publish outcomes. The surveys cover consumer representatives, the businesses we regulate, other energy bodies, departments and ministers. They provide feedback on our performance and reputation, and how effectively we consult and communicate with stakeholders.

We conducted a comprehensive stakeholder survey in 2016, and report on outcomes in part 2 of this report.

Our links with other energy bodies

We work productively at Board and staff level with other energy market bodies—the Australian Energy Market Commission (AEMC), Australian Energy Market Operator (AEMO) and Energy Consumers Australia (ECA). We engage with these bodies, including through consultation on policy matters, rule change processes and administrative schemes.

Memoranda of understanding between the AER and other agencies set out expectations for information sharing, consultation and other communication, and coordination of activities. We have memoranda of understanding with the AEMC, AEMO, the Clean Energy Regulator, Energy Safe Victoria, the Commonwealth Department of Human Services, jurisdictional regulators and ombudsmen. We also engage with agencies such as the Australian Securities and Investments Commission 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 and its Standing Committee of Officials (SCO) by providing 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 by the Council.

In 2015–16 we participated in a SCO working group aiming to ensure regulatory frameworks are designed so consumers can benefit from new energy technologies and selling models, while maintaining appropriate protections. This work will continue into 2016–17.

On 1 September 2015 the AER made a submission to the Energy Council's draft report on governance arrangements for Australian energy markets. We submitted that current arrangements deliver outcomes in the long-term interests of energy consumers, and supported the review panel's recommendations to improve strategic policy setting arrangements in the market and streamline rule change processes.

We also made submissions to the Energy Council's review of enforcement regimes for energy markets; a review it initiated on wholesale gas markets and pipeline frameworks; and rule change processes it initiated on competition in metering services, aligning network and retail tariff structures, and demand management incentive schemes for electricity distributors.

STATE ENERGY MINISTERS/DEPARTMENTS

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

More generally we support parliamentary processes where our expertise may add value. During 2015–16, we made a submission to the Queensland Department of Energy & Water Supply's consultation process on improving access to energy rebates and the ombudsman scheme for customers of on-suppliers. 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. In some instances, we propose rule changes.

Appendix 1 provides details of our submissions to AEMC processes in 2015–16.

AUSTRALIAN ENERGY MARKET OPERATOR

AEMO operates the energy markets and has network planning functions. Its board meets with 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.

ENERGY CONSUMERS AUSTRALIA

The ECA advocates on national energy market matters of strategic importance and material consequence for small energy consumers. It also provides grants for consumer advocacy or research. The ECA became a member of our Customer Consultative Group in 2015.

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 schemes, 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 jurisdictional regulators, and work closely with them to ensure a seamless transition where a handover of functions occurs. Recent handover processes include for Queensland's retail energy market and electricity network regulation in the Northern Territory (both 1 July 2015). A handover of energy network regulation functions for Western Australia is expected to occur in 2016–17.

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 Wellington meeting in April 2016, focusing on how the shift towards renewable generation is affecting electricity market monitoring, compliance and market design.

PART 2
STAKEHOLDER SURVEY 2016

Stakeholder surveys are a useful tool to seek feedback on our performance. They assist us in identifying what we do well and areas we can improve. The ratings empirically measure how we met some key performance indicators. Surveying a broad range of stakeholders and publishing the results promotes transparency and good governance.

The 2016 survey

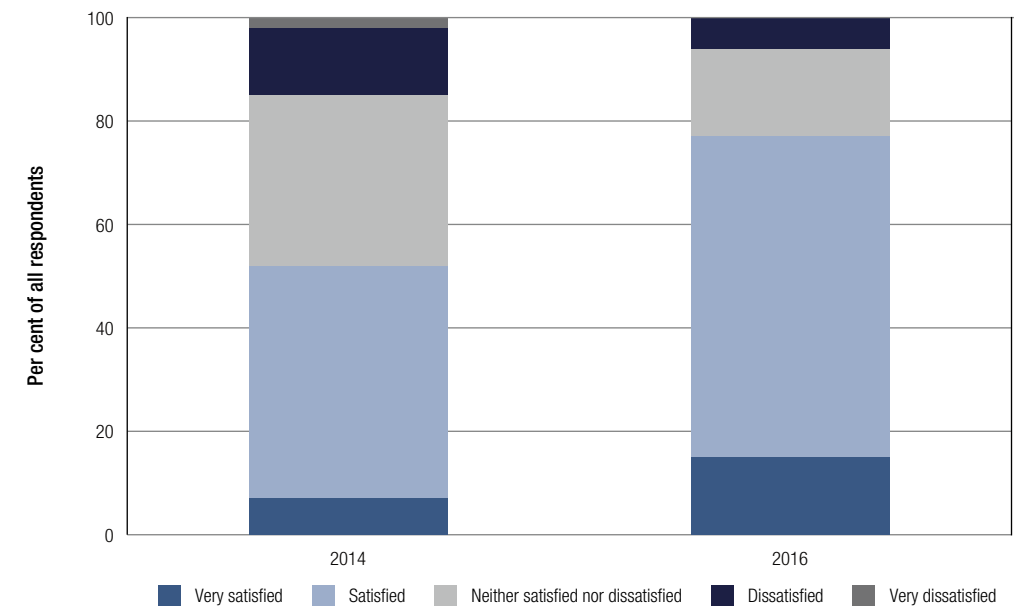
The AER recently completed its fourth stakeholder survey, inviting feedback on our performance from a broad range of stakeholders with high levels of involvement in our work. The survey, conducted by an independent research agency in April and May 2016, is an important tool in assessing stakeholders' perceptions of our performance, assisting us in identifying what we do well and where to focus our efforts to improve the way we operate. In particular, it is an important tool to assess the quality of our engagement. We recognise that good engagement is critical to our work. Our stakeholders need to trust that their input will be valued and, importantly, that the regulatory process can deliver outcomes that reflect their interests and needs.

The 2016 stakeholder survey followed a period of unprecedented workload for the AER, and came at a time of change in our operating environment, with energy market conditions creating new challenges for how we undertake our role. It was also the first opportunity to assess perceptions of our performance since the implementation of our 'better regulation' reforms in 2014. Central to these reforms was a greater focus on meaningful engagement with all stakeholders, including industry, consumers and government.

SURVEY FINDINGS AND OUTCOMES

Overall the 2016 survey results show significant improvement, with 77 per cent of stakeholders satisfied with how effectively we perform our functions as a regulator, compared with 52 per cent in 2014 (figure 2).

Figure 2 Overall satisfaction with AER performance of its functions as a regulator



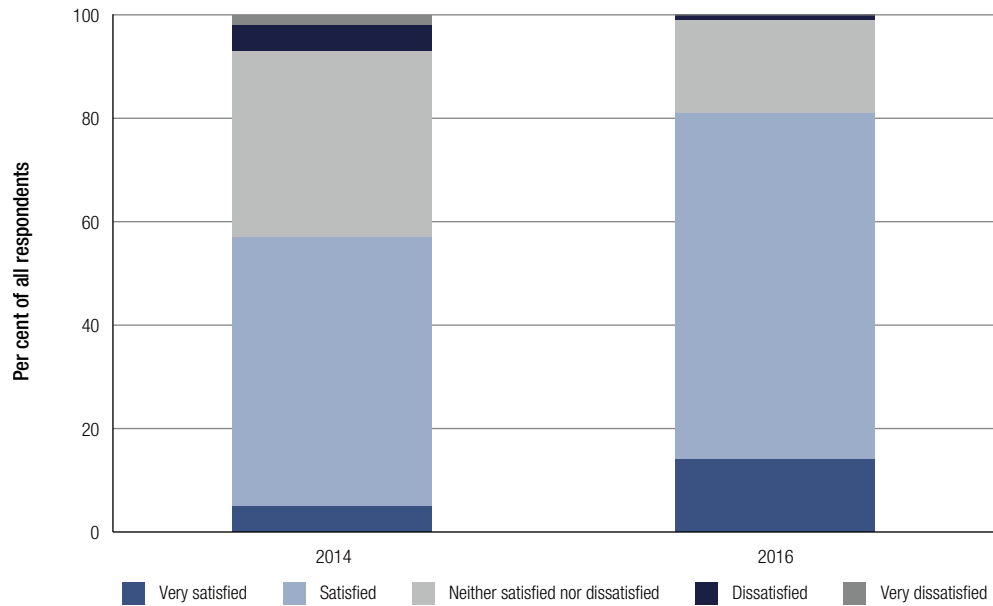
Source: ORIMA Research, 2016.

Many stakeholders acknowledged that factors outside the AER's control impact on its ability to perform its regulatory functions. They mentioned:

- lack of resourcing and funding for the AER, given our workload
- restrictions in relation to the regulatory framework in which the AER operates
- impacts of the AER's relationship with the ACCC.

Stakeholders generally perceived their interactions with the AER favourably, with 85 per cent indicating a positive working relationship between their organisation and the AER. Perceptions of our communication were also generally favourable, with 81 per cent satisfied overall (figure 3).

Figure 3 Overall satisfaction with the AER's communication



Source: ORIMA Research, 2016.

These results reflect ongoing initiatives to make our communications simpler and more user-friendly. We:

- published easy-to-read fact sheets and overviews summarising key points in our draft and final network revenue decision documents to enable stakeholders to obtain key information without having to read the lengthy full decisions
- developed new videos that raise awareness of how consumers can manage and reduce their energy costs, and on assisting customers with payment difficulties
- launched three popular factsheets about the retail market to improve access for customers with reading difficulties and simplified the language in other consumer factsheets. We translated one factsheet into several languages to support consumers with low proficiency in English
- periodically publish short compliance checks for energy businesses that highlight their legal obligations and emphasise the need for effective compliance processes and systems
- upgraded the AER website in September 2015 to improve interactive functionality, the navigation menu and search engine

Perceptions of our consultation and engagement were generally favourable, with 70 per cent satisfied overall in this area and 87 per cent feeling that there had been good opportunity for stakeholder input where appropriate.

Since implementing our 'better regulation' reforms we have worked to continually improve our engagement across the range of our stakeholders. We:

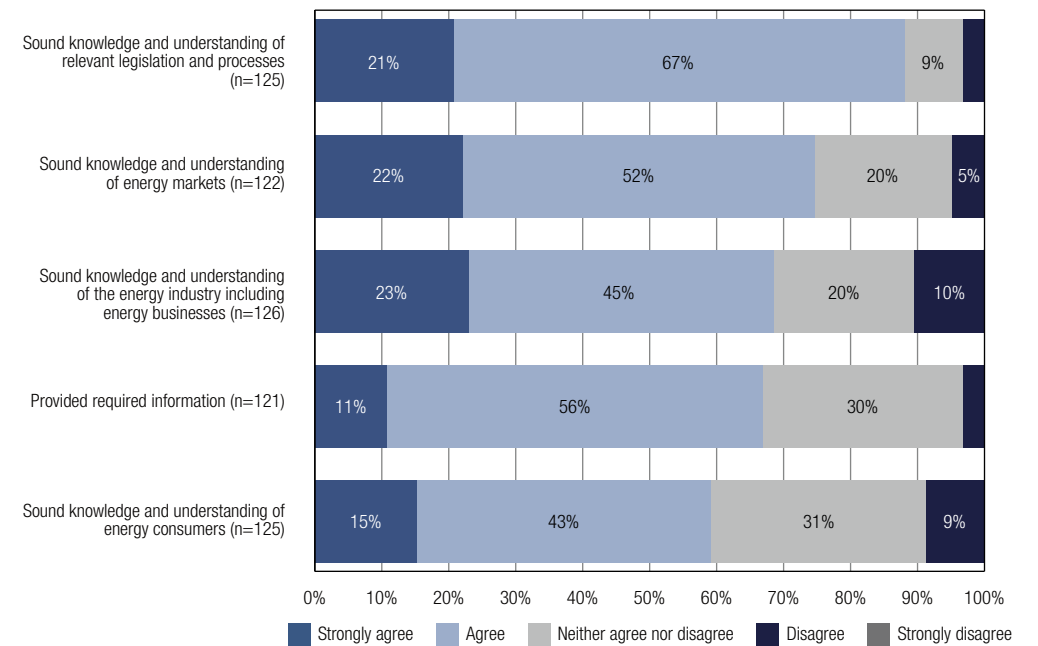
- launched a Stakeholder Engagement Framework and various tools and processes to better embed stakeholder participation across our work
- initiated consultation on our complex regulatory determination processes that go beyond what is specified in the rules, so that all stakeholders have opportunities to provide input. For example, we published a consumer guide on one process and our assessment framework; offered a training session on network regulation to consumer representatives; met with network businesses and

other stakeholders on elements of regulatory proposals; and sought further information from network businesses about their regulatory proposals when questions arose

- relied on our Consumer Challenge Panel to gain consumer insight and perspective into our regulatory determinations to better balance the range of views considered; we also reviewed this approach to make ongoing improvements
- created jurisdictional consumer reference groups for some determinations to make it easier for consumer representatives to contribute. We held meetings with the groups throughout our processes to align with key milestones and explain the key issues and our approach to assessing them. The meetings also provided a forum to raise questions and engage with our Consumer Challenge Panel.

Stakeholder perceptions of the AER, based on their recent interactions, were mostly positive (figure 4). The AER was perceived as demonstrating sound knowledge and understanding of legislation and processes (88 per cent), energy markets (75 per cent) and the energy industry and businesses (68 per cent). But we were less likely to be seen as displaying such understanding in relation to the challenges facing energy consumers (58 per cent either agreed or strongly agreed that we display this understanding, but 10 per cent disagreed). We will explore this result with stakeholders, particularly Energy Consumers Australia, to see how we can better demonstrate our understanding of energy consumers in our work.

Figure 4 Perceptions based on recent interactions with the AER

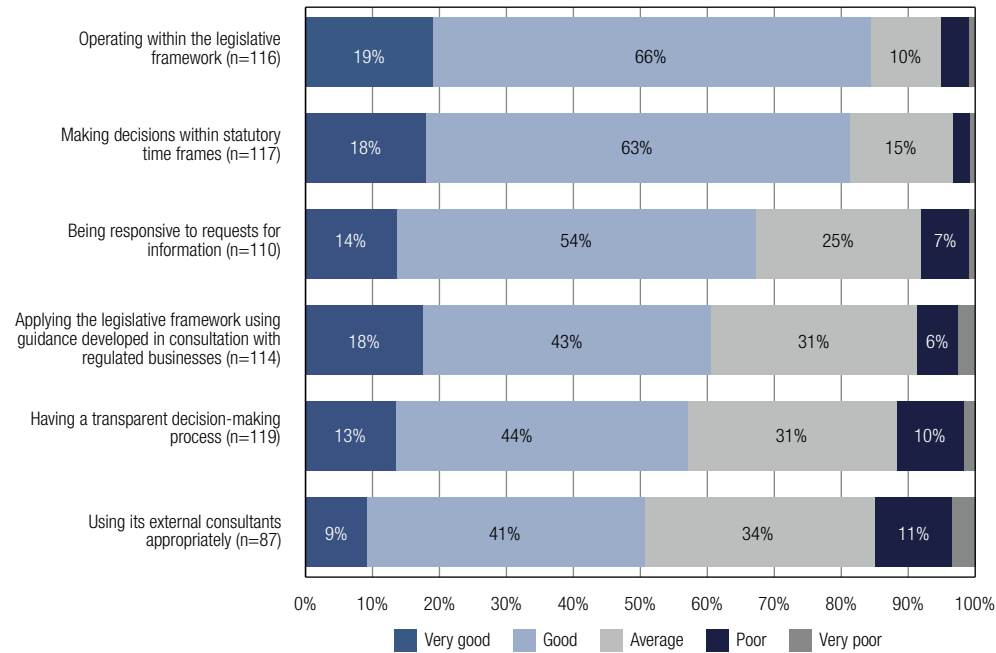


Note: Respondents who had dealings with the AER in the past 12 months, n=number of respondents.

Source: ORIMA Research, 2016.

Perceptions of our decision-making processes were mixed (figure 5). A large majority of stakeholders rated the AER positively in relation to operating within the legislation (84 per cent) and making decisions within statutory timeframes (81 per cent). But stakeholders were less positive in relation to the transparency of decision-making processes (57 per cent). Further, stakeholders were divided on their perceptions of the AER as a 'coherent' organisation, and around 50 per cent considered there is some duplication of process within the AER. We will seek to better understand the drivers behind these views and how we might avoid unnecessary duplication in our processes.

Figure 5 Perceptions of the AER's processes



Note: Respondents who had dealings with the AER in the past 12 months, n=number of respondents.

Source: ORIMA Research, 2016.

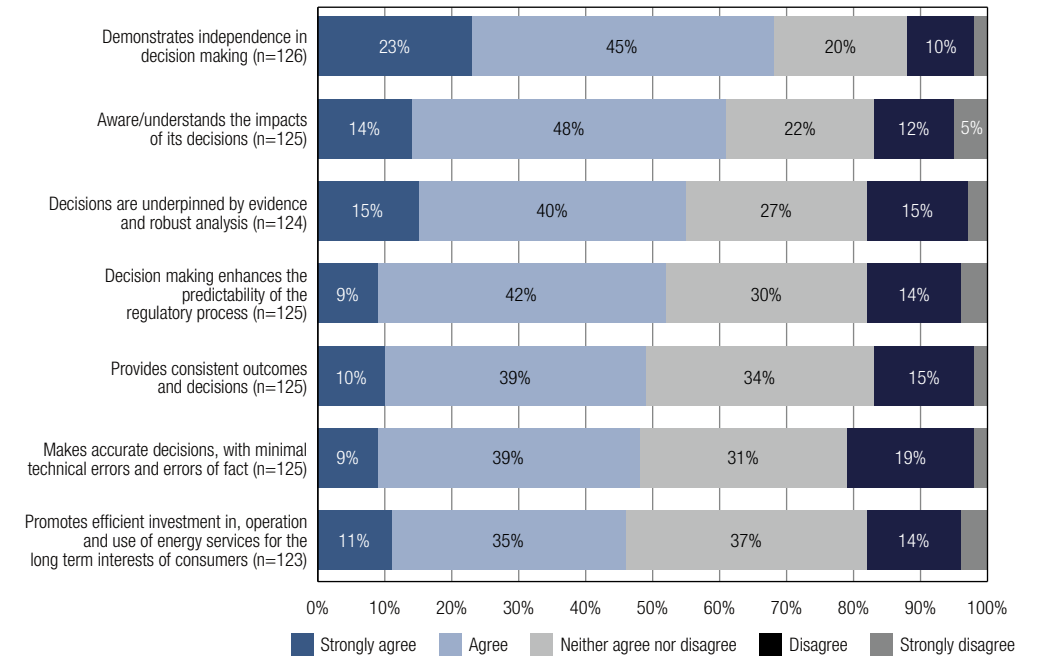
The survey results highlighted opportunities for improvement on setting clear and realistic timeframes for stakeholder input, fostering productive relationships with stakeholders and in particular, communicating how stakeholder input was considered and how it informs our decisions.

In response to this feedback, we will consult with stakeholders when reviewing our Stakeholder Engagement Framework in 2016–17 on how we can improve our engagement processes, including better communicating our consideration of stakeholder input. We will also continue discussions with industry groups and network businesses on other options or modes for effective engagement, such as more proactive and informal engagement earlier in regulatory review processes.

Perceptions of the AER's outcomes and decisions were also mixed (figure 6). A majority accepted the AER as an independent evidence-based decision maker that understands the implications of its decisions. More than half considered the AER's decisions are underpinned by evidence and robust analysis. But confidence in the predictability, consistency, and accuracy of outcomes and decisions was muted (around 50 per cent of stakeholders agreed). This is an area we will actively work to address.

Just over 50 per cent of respondents expressed doubt or uncertainty relating to the AER's impact in supporting the long-term interests of consumers. We will explore how we can build more consensus and shared understanding amongst our stakeholders of how the long term interests of consumers can best be achieved.

Figure 6 Perceptions of the AER's outcomes and decisions



Note: Respondents who had dealings with the AER in the past 12 months, n=number of respondents.

Source: ORIMA Research, 2016.

A majority of stakeholders who had used information communication tools provided by the AER held positive opinions about these overall, with 84 per cent agreeing that the information disseminated was accessible. But only 55 percent of respondents felt that communication was tailored to meet the needs of the target audience (and 12 percent considered it was not tailored to those needs). We will look at how to better tailor our communications in response to this feedback.

A majority of those who visited the AER website since the September 2015 upgrade found it useful, with stakeholders on average finding it more useful than in the past. Further opportunities for website improvement were identified, including changes to information structure and archiving of old or redundant website content to improve search results and allow web pages with more targeted and succinct content, while retaining breadth and detail. We will explore opportunities to improve these and other aspects of our website, to make it easier to find information.

Stakeholder perceptions of us varied depending on their role or sector. Network business stakeholders rated us less favourably across a range of measures than other stakeholders (for example, those in government or from the wholesale or retail market sectors). While there was some improvement since 2014, less than 50 per cent of network businesses held positive views about providing information to the AER or about the AER's outcomes and decisions. Those in policy development or CEO roles rated us more favourably than those in compliance and monitoring roles.

Focus areas for 2016–17

In conclusion, the survey results indicate that we have made significant improvements and are performing well overall, with stakeholder satisfaction rising in most areas. But the results also highlight areas where further improvement is required. The areas requiring particular focus include:

- building consensus and a shared understanding of how the long term interests of consumers can best be achieved
- exploring new options for engagement (for example, engagement which is less formal and more proactive)
- greater tailoring of communications to meet the needs of different stakeholders
- better explaining how stakeholder input was considered in our decision-making
- more clearly setting out the evidence behind our analysis, our understanding of consumers and the impact of our decisions.
- better demonstrating leadership in pursuing and promoting priority issues in the energy sector
- continued website improvements
- addressing concerns about coherence and duplications of processes within AER.

We strive for continuous improvement and will work with our stakeholders to understand, consider and address the survey feedback, including by consulting on our Stakeholder Engagement Framework during 2016–17.

PART 3 WORK PROGRAM 2015–16

Program 1 – Energy networks

2015–16 highlights

- We made 11 final network revenue and pipeline access decisions and began a further six reviews
- We made submissions on AEMC rule change processes relating to demand management incentive schemes, competition in metering services, aligning electricity network and retail tariffs and helping customers in embedded networks to access retail competition
- We approved annual pricing proposals or accepted proposed undertakings for 14 electricity distribution networks, three gas transmission pipelines and six gas distribution networks

OUR ROLE

We undertake network regulation that promotes efficient investment in energy services valued by customers. In particular, we aim to ensure that consumers pay no more than necessary for the safe and reliable delivery of energy services.

Our central role in the networks space is to set the revenue that can be recovered from customers' use of regulated energy networks (electricity poles and wires, and gas pipelines). We typically undertake a full regulatory review of a network every five years, engaging closely with consumers and other stakeholders. If a determination is subject to legal appeals, we also participate in those processes.

Additionally, we undertake broader regulatory roles; some recur regularly (such as annual tariff approvals) while the timing of others is unpredictable (such as assessing cost pass throughs and resolving connection disputes). An ongoing focus is our work to help implement Power of Choice reforms, including new tariff structures for distribution networks.

RESOURCES APPLIED TO NETWORK REGULATION

In 2015–16 we dedicated around 55 per cent of the agency's staff time to network revenue and pipeline access decisions, and legal appeals relating to those decisions (figure 7). This proportion is unchanged from 2014–15 and reflects the large number of network revenue proposals and access arrangements assessed in each year and the resource intensive nature of legal appeals. A further 10 per cent of agency staff time was allocated to wider network matters such as power of choice policy reforms, annual tariff assessments, performance reporting and guideline development.

During the year over 95 per cent of the agency's consultancy and external legal expenditure related to network issues, which reflects the inherently complex engineering, economic and legal issues involved in network regulation (figure 8). Due to the large number of legal appeals on our regulatory decisions being heard during the year, legal and consultancy costs linked to those appeals accounted for 60 per cent of the agency's entire consultancy and legal budget.

Figure 7 Agency staff time by function, 2015–16

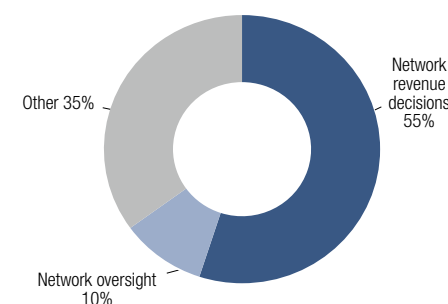
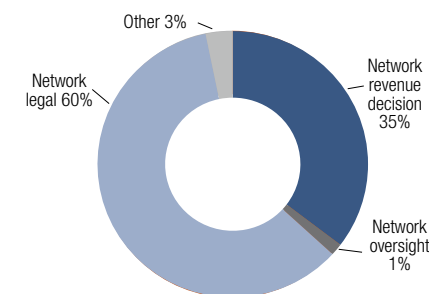


Figure 8 Consultancy and legal expenditure, 2015–16



NETWORK REVENUE DECISIONS

We regulate the costs of electricity network services, and access prices for covered gas pipeline services, in Queensland, NSW, Victoria, South Australia, Tasmania, the ACT and the Northern Territory (from 1 July 2015). Our functions are expected to widen in 2016–17 to include energy networks in Western Australia.

At 30 June 2016, we regulated 32 energy networks, comprising:

- 21 electricity networks (seven transmission and 14 distribution)
- 11 gas pipelines and networks (four transmission and seven distribution).

Network businesses must periodically submit (usually every five years) regulatory proposals (electricity) and access arrangements (gas) for the AER's 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 accounts for the efficient costs of providing network services, allowing an adequate return on capital to network owners. For electricity networks, we have 15 months to review a proposal and release a final decision. In the process for gas pipelines and networks, we have six months (plus stop-the-clock time at certain stages of the process) to decide whether to approve an access arrangement proposal. The time can be extended by two months, with a maximum of 13 months to render a decision.

Incentive regulation is at the heart of our approach. The regulatory framework provides incentives for network businesses to spend efficiently and share the benefits with consumers. This makes consumer engagement a pivotal part of the process. When we assess a regulatory proposal, we consider how effectively a network business has consulted with the community. We also seek stakeholder input in making our regulatory determinations. As part of our consultations, we publish framework and approach documents, issues papers and draft decisions for electricity networks; and a draft decision for gas networks. Once our final decision is made, we publish factsheets explaining how we made our assessment, and how the decision will affect consumers.

More generally, we hold public forums and consult with network businesses and other stakeholders, including consumer representatives, governments and investment groups.

The Consumer Challenge Panel advises us on issues of importance to consumers. It provided wide ranging advice in 2015–16, focussing on matters specific to each regulatory review. We accounted for the panel's advice in making each determination.

Network decision activity in 2015–16

The AER in 2015–16 completed eight revenue determinations for electricity networks and three reviews of access arrangements for gas pipelines and networks (table 1). We began work on a further six regulatory processes.

Table 1: Energy network revenue decisions completed in 2015–16

| Network | Region | Period covered | Revenue proposed by business (\$m) | Revenue allowed by AER (\$m) | Difference between allowed and proposed revenues (%) |
|---------------------------------|--------|--------------------------|------------------------------------|------------------------------|------------------------------------------------------|
| Electricity distribution | | | | | |
| Energex | Qld | 1 July 2015–30 June 2020 | 7874 | 6600 | -16.2 |
| Ergon Energy | Qld | 1 July 2015–30 June 2020 | 7798 | 6295 | -19.3 |
| SA Power Networks | SA | 1 July 2015–30 June 2020 | 4535 | 3838 | -15.4 |
| CitiPower | Vic | 1 Jan 2016–31 Dec 2020 | 1848 | 1500 | -18.8 |
| Jemena | Vic | 1 Jan 2016–31 Dec 2020 | 1538 | 1302 | -15.3 |
| AusNet Services | Vic | 1 Jan 2016–31 Dec 2020 | 3836 | 3130 | -18.4 |
| Powercor | Vic | 1 Jan 2016–31 Dec 2020 | 3818 | 3176 | -16.8 |
| United Energy | Vic | 1 Jan 2016–31 Dec 2020 | 2551 | 2106 | -17.4 |
| Gas transmission | | | | | |
| Amadeus Gas Pipeline | NT | 1 July 2016–30 June 2021 | 135 | 113 | -16.2 |
| Gas distribution | | | | | |
| Australian Gas Networks | SA | 1 July 2016–30 June 2021 | 1228 | 986 | -19.8 |
| ActewAGL | ACT | 1 July 2016–30 June 2020 | 383 | 301 | -21.2 |

The eight final decisions for electricity networks covered:

- the Queensland electricity distribution networks, Energex and Ergon Energy
- the South Australian electricity distribution network, SA Power Networks
- the Victorian electricity distribution networks, AusNet Services, Jemena, CitiPower, Powercor and United Energy.

The Queensland and South Australian electricity networks operated under preliminary decisions in 2015–16, with final decisions taking effect on 1 July 2016. The Victorian networks operated under preliminary decisions in 2016, with final decisions taking effect on 1 January 2017.

The final decisions were the first for these networks to reflect new approaches to determining the efficiency of network expenditure (including the use of benchmarking to compare efficiency across the networks), benefit sharing with consumers, rates of return on network investments, and customer engagement.

In gas, we made final decisions in 2015–16 on access arrangement proposals for a transmission pipeline and two distribution networks:

- the Northern Territory's Amadeus Gas Pipeline
- the South Australian gas distribution network, Australian Gas Networks
- the ACT gas distribution network, ActewAGL.

The release dates for our determinations on the five Victorian electricity distributors and three gas service providers were rescheduled by one month to the end of May 2016. The delay was necessary pending our consideration of merits review decisions made by the Australian Competition Tribunal in February 2016, and our application to the Federal Court for judicial review of those decisions in March 2016 (see below). This work was intensive, and affected our work on the eight regulatory decisions scheduled for April. The extension still allowed our final decisions to form the basis for network charges for the upcoming regulatory years.

Also in 2015–16, the AER:

- commenced revenue determinations in 2015–16 for the Victorian and Queensland transmission networks and the Tasmanian distribution network
- began developing frameworks and approaches to review the NSW and South Australian transmission networks and the Murraylink interconnector between Victoria and South Australia.

Aside from assessing revenue proposals, we undertook workstreams relating to the wider regulatory process, including refining systems and processes. In particular, we:

- finalised a revised roll forward model for electricity transmission determinations. The new model adjusts the approach to recognising capital expenditure and depreciation, and allows for annual updates to the return on debt
- further refined our database for collecting, storing and reporting on the large volumes of information received from network businesses for benchmarking and performance reporting.

The AER had been scheduled to commence a review of the weighted average cost of capital (WACC) in 2015–16, for completion by December 2016. But given elements of the WACC approach are currently being tested through merits review and appeals processes (see below), we proposed a rule change to the AEMC to delay the review by two years. The delay would allow us to properly account for the outcomes of those legal processes.

Our senior Technical Advisor Group continued to provide technical and industry expertise during the year. The group improves our use of external consultants and strengthens our engagement with network businesses. During 2015–16 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.

Box 1: Key considerations in network decisions made in 2015–16

The AER's eleven regulatory decisions made in 2015–16 reflected recent developments and projections in energy and financial markets. The previous round of determinations was made during an uncertain period associated with the global financial crisis, which reduced liquidity in debt markets and raised risk perceptions. But the financial environment has since improved, and *borrowing and equity costs* have eased accordingly. The 2015–16 determinations also incorporated a new approach to determining rates of return. In combination, these factors reduced the average allowed rate of return in the eleven determinations to 6.2 per cent, compared with 9.8 per cent in previous determinations. Energy network businesses are capital intensive, so this significant reduction in returns on assets translates to significantly lower revenue requirements.

Capital expenditure is also forecast to be lower for many networks than in the past. Electricity demand is expected to remain flat over the next five years and, apart from pockets of high growth in some areas, most networks will require less augmentation to deliver a reliable energy supply. Less onerous reliability standards in Queensland and a reduction in Victorian consumers' valuation of supply reliability further eased investment requirements in those jurisdictions.

South Australia is an exception to this trend, with augmentation expenditure forecast to remain fairly stable, but large increases expected for replacement expenditure and new connections. Priority projects include strengthening the network against severe weather events, undergrounding power lines, improving network control and monitoring equipment at rural substations, and a bushfire safety program.

In Victoria, lower augmentation expenditure will be partly offset by increases in replacement expenditure, partly to meet regulatory obligations arising from the 2009 Victorian Bushfire Royal Commission. Population growth is also forecast to increase connections expenditure for some networks.

In gas, capital expenditure is forecast to rise for South Australia's distribution network as a major mains replacement program continues. But less investment was forecast for the ACT network, after the AER found that a prudent operator would not require significant elements of its augmentation proposals. In gas transmission, investment requirements eased in the Northern Territory following the completion of an integrity works program in the previous period. The AER found some investment proposals for the pipeline were inconsistent with a prudent operator acting efficiently.

The outlook for *operating expenditure* differs across jurisdictions. The Victoria and South Australia electricity networks operated relatively efficiently in the past, so base levels of expenditure are expected to remain stable. But new regulatory obligations on the businesses—including a revised regulatory information reporting process, changes to the connections charging framework and Power of choice requirements—may raise operating costs in some areas.

In Queensland, network providers proposed measures to address operating inefficiencies identified in AER benchmarking, so that expenditures would more closely reflect a prudent operator's costs. But feed-in tariff payments made to customers under the Queensland Government's Solar Bonus Scheme increased revenue requirements. Feed-in tariff costs accounted for around 17 per cent of approved revenues for the Queensland networks.

In gas, the AER found the South Australian distribution network had operated efficiently in the past, so base levels of operating expenditure were maintained, with increases to cover higher costs allowed in some areas. Costs for the ACT network were also forecast to rise (mainly associated with compliance issues and business to business harmonisation costs), although the AER rejected some proposed step increases. Operating costs for the Northern Territory's Amadeus Pipeline already reflected efficiencies achieved via a corporate restructure that reduced baseline costs. But some operating costs were forecast to rise over the upcoming period, including labour and pigging costs.

MERITS AND JUDICIAL REVIEWS OF AER DECISIONS

An affected party may seek leave of the Australian Competition Tribunal for merits review of an AER decision. If leave is granted, a successful review must demonstrate that the AER's decision involved an error of fact, an error in the exercise of discretion, or was unreasonable and that addressing the grounds would lead to a 'materially preferable' outcome in the long term interests of consumers. If the Tribunal finds the AER erred, the Tribunal should remit the matter back to the AER to remake the decision, but it can substitute its own decision for more simple corrections or adjustments.

Additionally, an affected party may apply to the Federal Court for judicial review of an AER decision.

The owners of five distribution businesses—the NSW electricity and gas networks, and ACT electricity networks—in May 2015 sought merits review of our regulatory decisions on those networks. The grounds of review focused on rate of return issues and the use of operating expenditure benchmarks. The amount of network revenue in dispute totalled around \$6.3 billion. Additionally, the businesses sought judicial review from the Federal Court.

For the first time a consumer advocate, the Public Interest Advocacy Centre, also sought a Tribunal review of our decisions on the NSW electricity network, contending the revenues we allowed were too high by around \$3 billion.

On 26 February 2016 the Tribunal handed down its decisions, the first it had made under an amended regime that took effect in 2013. While the Tribunal did not accept the revenues proposed by the businesses, it remitted to the AER the decisions on operating expenditure for us to reconsider using a broader range of modelling and benchmarking, and (for the electricity networks) a bottom-up review of operating costs. It also remitted (for all networks) the decision on transitioning to a new method for estimating return on debt. Additionally, the Tribunal required the AER to apply an alternative value of gamma (relating to tax imputation credits) for all networks.

The Tribunal found the AER's decisions were reasonable in relation to return on equity, efficiency benefit sharing and service target performance incentive schemes, and metering issues, although our reconsideration of operating expenditure may require some aspects of those decisions to be also reconsidered.

The judicial review proceedings brought by the five network businesses were stayed, pending outcomes of the appeals to the Full Federal Court.

The AER appealed the Tribunal decisions to the Full Federal Court. The appeals are scheduled for hearing in October 2016. Alongside our participation in those processes, we will develop and consult on our approach to matters remitted to us by the Tribunal.

Network tariffs for 2016–17 under the contested decisions were set via enforceable undertakings with the relevant businesses. The agreed approach aimed to provide price stability while the reviews or appeals were being heard.

Seven other businesses in South Australia, Victoria and the ACT sought merits review and judicial review late in 2015–16:

- South Australian Power Networks was granted leave in May 2016 for merits review of the AER's November 2015 revenue decision on the network, with the Tribunal scheduled to conduct hearings in August 2016. A consumer consultation was held on 1 June 2016.
- Victoria's five electricity distribution networks and the ACT gas distribution network are seeking leave for merits review of the AER's revenue decisions made in May 2016. The Tribunal leave hearing is scheduled for August 2016.

ONGOING MANAGEMENT OF NETWORK REVENUE DECISIONS

The most intensive period of the regulatory cycle for a network is the full revenue determination process that typically occurs once every five years. But the regulatory process is continuous and wide ranging. Revenue decisions require ongoing management through annual tariff reviews, cost pass through assessments, performance and benchmark reporting, the management of incentive schemes, and dealing with disputes and complaints. We also undertake functions for certain jurisdictions under state and territory legislation.

Annual tariff assessments

The AER conducts annual reviews of tariffs for electricity distribution and gas pipeline services to ensure they do not breach revenue or pricing limits and reflect underlying costs. In 2015–16 the AER reviewed and approved tariff applications or accepted proposed undertakings from 14 electricity distribution businesses and nine gas pipeline businesses. The prices apply in 2016–17 (2016 for Victoria).

Some pipelines and networks did not submit annual pricing proposals during the year because the Australian Competition Tribunal had set aside the AER's revenue decisions. Instead these businesses offered an enforceable undertaking that set out proposed tariffs.

Cost pass throughs

We assess applications by network businesses to pass through to customers costs arising from events outside their control that were not anticipated when their regulatory decisions were made. Before approving a pass-through, the AER must consider the efficiency of the expenditure and actions to mitigate costs.

In 2015–16 we approved cost pass-through applications for:

- the cost of restoration works on the NSW transmission network, following storms in April 2015
- costs incurred by the Queensland networks under the Queensland Government Solar Bonus Scheme, which pays owners of solar panels for electricity supplied into the grid
- easement land tax costs for the Victorian electricity transmission network
- increased costs arising from Multinet's gas mains replacement program in Victoria. The AER's revenue decision provided for the pass-through if Multinet delivered a trigger volume of mains replacement
- a reduction in tax costs following a favourable tax ruling for a network participating in the Victorian Government's Powerline Replacement Fund.

Performance reporting on network businesses

The AER uses regulatory information notices (RINs) to collect performance information from regulated network businesses. Due to resourcing pressures, we did not publish discrete performance reports for energy network businesses in 2015–16.

Instead, to support transparency and ensure stakeholders could access information affecting their interests, the AER in 2015–16 published the non-confidential data submitted by each network business in annual reporting RINs on operational and financial performance, reliability and customer service.

In November 2015, the AER released its annual benchmarking reports for electricity network businesses on their relative efficiency over 2006–14. We also published economic benchmarking and category analysis RIN responses for the businesses in 2014–15 (2015 for Victoria).

Incentive schemes

The AER operates incentive schemes for network businesses to improve their performance. We administer the schemes and monitor for compliance.

Service target performance incentive schemes

The AER's service target performance incentive schemes for electricity networks encourages providers to maintain or improve service reliability in ways that customers value. The transmission scheme encourages network development conducive to efficient electricity prices. In 2015, we amended the scheme, adding new financial incentives and penalties and strengthening ex-post assessments. In May 2016, we published a report on how transmission networks have performed against the transmission scheme.

A separate scheme for distribution networks aims to ensure operating efficiencies are not achieved at the expense of service performance. We annually assess and report on businesses' performance against their service targets under the relevant schemes. Outcomes are rewarded or penalised via the annual tariff reviews we conduct for each network.

Demand management schemes

We manage a demand management innovation allowance scheme for electricity distribution networks. In April 2016, we approved expenditure totalling \$16.3 million for the Queensland, NSW, South Australia and ACT businesses for the first period of the scheme's operation. In July 2016, we approved an additional \$11.8 million for the Victorian and Tasmanian businesses.

In 2016 we began developing a new demand management incentive scheme and innovation allowance, following a rule change in 2015 to strengthen incentives for demand management (see below).

Regulatory functions under state and territory legislation

In addition to our work under the national energy legislation, we undertake functions under state and territory legislation. These roles (for certain jurisdictions) include resolving customer disputes on network access and regulating the capital contributions of customers connecting to distribution networks under jurisdictional guidelines.

In Victoria, we determine electricity distribution businesses' revenues and charges for advanced metering infrastructure. We also administer a fire factor (f-factor) scheme imposed by the Victorian Government on the five Victorian electricity distributors. The scheme provides financial incentives and penalties to reduce the risk of fire starts and loss or damage caused by fire starts. In September 2015, we penalised four distributors for exceeding their benchmark number of fire starts in 2014. The penalties ranged from \$15 000 for CitiPower to \$2.2 million for United Energy. AusNet Services achieved a below-benchmark number of fire starts, resulting in a \$1.9 million reward.

POWER OF CHOICE

The AER's work in network regulation extends into broader oversight roles, including engaging in policy matters and the efficient planning and development of energy networks.

A continuing focus in 2015–16 was our work to implement Power of Choice reforms that promote efficient use of energy networks and empower customers to make informed choices about their energy use. Our work in this space included:

- commencing a role in assessing new tariff structures for electricity distributors so that prices can better reflect the costs of supplying electricity. Pricing reforms will provide better signals to consumers on the timing of their consumption and investment in new appliances and technology. The reforms also provide incentives for more efficient network investment. We will complete the first round of assessments in 2017
- promoting competition for services like metering, solar PV and battery installations by making metering costs more transparent through our network revenue determinations, and by developing new ring fencing guidelines that separate the contestable and regulated segments of network businesses and so prevent them from using cross-subsidies to deter new entrants. We released a preliminary ring fencing paper in April 2016 and a draft guideline in August

- engaging with the AEMC on rule changes to strengthen demand management incentives
- developing new guidelines to help customers in embedded networks access retail competition.

We also participate in wider reform issues. A long term project has been working with the AEMC, electricity distribution businesses, jurisdictional regulators and governments to develop common definitions for expressing distribution network reliability targets. The AER's role includes a statutory requirement to publish guidelines on distribution reliability measures by 30 June 2017.

NETWORK PLANNING AND EXPANSION

The AER plays a number of roles in promoting efficient investment in energy networks. Aside from assessing network investment proposals as part of the revenue determination process, we administer a regulatory test framework that aims to avoid inefficient expenditure by ensuring network businesses make an evaluation of a proposed investment against credible alternatives (including non-network options) on a level playing field.

Separate regulatory investment tests apply for transmission (RIT-T) and distribution (RIT-D) networks. In each, a proposed investment must pass a cost–benefit analysis or provide the least cost solution to meet network reliability standards. The tests provide consistency, transparency and predictability in network investment decisions.

The AER monitors businesses' compliance with the tests (see Program area 4) and, on request from a business, may determine whether an assessment satisfies the test. We also resolve disputes over how network businesses apply the tests.

In November 2015, the AER amended the RIT-T and RIT-D by raising a number of cost thresholds associated with the tests. Also during the year, our Technical Advisor Group engaged with electricity distribution businesses to improve the quality of their annual planning reports, which are an important element in the network planning and expansion framework. This work, along with our recent assessments of network revenue proposals, highlighted significant recent growth in replacement expenditure relative to augmentation investment, and the increasing viability of non-network alternatives.

After considering this evidence, the AER in June 2016 proposed a rule change to the AEMC to improve transparency in the planning of network replacement expenditure. The proposal would widen:

- the scope of the regulatory investment tests to cover replacement expenditure (the tests currently only apply to augmentation expenditure)
- obligations on network businesses to report on asset replacement in their annual planning reports.

ACCESS AND CONNECTION DISPUTES

A customer that is dissatisfied with a connection offer from a distribution business may request a review by the AER. We publish guidance on how we resolve connection disputes. In 2015–16, we received:

- eight electricity connection disputes, of which seven were resolved and one remained under investigation at 30 June 2016. The connection charges of two customers were substantially reduced.
- two gas connection disputes, both of which were resolved without change to the distributor's original quotes.

We also investigate customer and stakeholder complaints and advise the complainants of our findings. If we find that a distribution business has breached its regulatory obligations, we may use our enforcement powers to ensure future compliance.

Box 2: New innovations in network planning

An emerging element of the network planning framework, in which the AER is participating, is the development of network opportunity maps of the electricity grid. The Institute for Sustainable Futures at the University of Technology Sydney led development of the interactive maps to consolidate information on current and future capacity constraints in network infrastructure, drawing on data in networks' annual planning reports.

The first fully interactive iteration of the maps became available in 2016. They provide clear visual information about where and when electricity networks are likely to approach their design capabilities, current and future network constraints and planned investment. The maps make it easier for network businesses, their customers, and third party proponents of non-network solutions to identify strategies to best manage constraints, such as via distributed generation, storage, renewable energy and demand management. Without making this information available to third parties, the networks are likely to implement their own solutions to deal with constraints, which may not always be the most cost effective outcome.

The maps also:

- prepare network businesses for collaborative grid management interaction with third party providers
- allow network businesses to communicate with stakeholders about grid development plans
- create scope to streamline annual planning reports through a consistent mapping approach.

The project received assistance under the ARENA Emerging Renewables program, with funding and in-kind support from the NSW Department of Industry, Energy Queensland, UTS, TransGrid, and ElectraNet.

The AER is part of a Strategic Reference Group providing project guidance. We also engaged with network providers to encourage them to supply the data needed to populate the maps. We see the maps as a powerful tool complementing the regulatory investment test regime and demand management incentive schemes for promoting efficient network planning and investment.

NETWORK EXEMPTIONS

Small electrical networks such as in apartment buildings, shopping centres and industrial parks are subject to a simplified regulation regime. The AER administers the network exemption scheme and publishes a Network service provider registration exemption guideline on metering, safety, dispute resolution, network pricing, and access to retail competition for these networks and their customers.

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 around 2200 registrations for exempt networks.

The AER in 2015–16 undertook preparatory work to revise the network exemption guideline, following a rule change made in December 2015 to better enable customers in embedded networks to access retail competition. The change requires an embedded network to have a manager undertaking functions that link customers to NEM systems, such as ensuring metering installation can be accessed by retailers competing in the market. We will finalise the amended guideline by December 2016.

Program 2—Retail energy markets

2015–16 highlights

- We developed a voluntary sustainable payment plans framework to achieve better outcomes for customers experiencing financial difficulties.
- We successfully managed our first gas and electricity Retailer of Last Resort events following the failure of Go Energy Pty Ltd.
- We published more than 5000 offers on our Energy Made Easy website and had over 400 000 unique visits to the site.
- We released revised guidelines on retailer pricing information and exempt selling.

OUR ROLE

The AER regulates retail energy markets so that energy customers, particularly residential and small business customers, can participate confidently. Queensland became the latest jurisdiction to adopt the National Energy Retail Law (on 1 July 2015), joining NSW, South Australia, Tasmania (electricity) and the ACT.

Our functions under the Retail Law empower customers to make informed decisions on their energy use, and protect them when problems arise. We:

- maintain an energy price comparator website (www.energymadeeasy.gov.au) for residential and small business customers
- monitor and enforce compliance (by retailers and distributors) with obligations in the Retail Law, Rules and Regulations (see Program 4)
- oversee retail market entry and exit by assessing applications from businesses looking to become energy retailers, grant exemptions from the requirement to hold a retailer authorisation, and administer a national retailer of last resort scheme to protect consumers and the market if a retailer fails
- report on the performance of the market and energy businesses (including information on energy affordability)
- approve customer hardship policies that energy retailers offer to customers facing financial hardship and seeking help to manage their bills.

We do not set retail energy prices; rather, we provide energy customers with information to help them understand the range of offers in the market, 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 applies. 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.

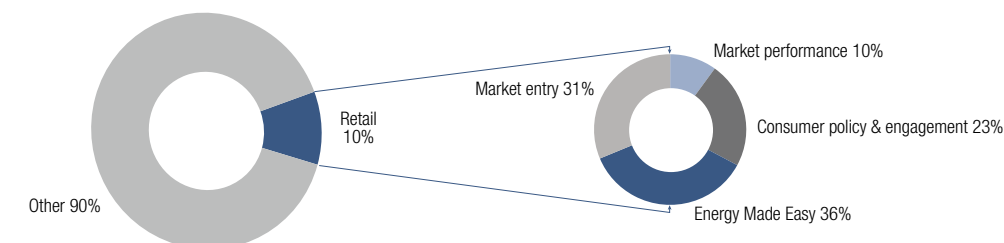
We also produce publications (including new publications for consumers and consumer advocates) and web information, and participate in forums, conferences and meetings to promote wider understanding of the energy framework.

Our Customer Consultative Group is a source of information on important issues for energy consumers. The group consists of residential and small business energy customer advocates, including those representing disadvantaged and vulnerable customers. Energy Consumers Australia joined the group in 2015.

RESOURCES APPLIED TO RETAIL ENERGY MARKETS

In 2015–16 we dedicated around 10 per cent of the agency's staff time to retail energy markets workstreams, slightly down from 11 per cent in 2014–15. Three key areas absorbed much of that staff time—assessing applications by energy sellers to be authorised or exempted from the provisions of the National Energy Retail Law; our Energy Made Easy website; and consumer policy and engagement workstreams such as affordability and hardship (figure 9). Staff time devoted to retail market compliance and enforcement issues is discussed under Program 4.

Figure 9 Staff time on retail market issues, 2015–16



ENERGY MADE EASY

Our energy price comparison website, Energy Made Easy (www.energymadeeasy.gov.au), has been running for four years. It is a key resource for consumers looking to make informed energy choices. Currently, residential and small business customers in Queensland, NSW, 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 up-to-date and complete information on products in the market.

Energy Made Easy contains useful information about energy efficiency, energy contracts and bills and consumer protections. The site also allows residential consumers to compare their electricity usage against similar households in their area. The benchmarks, updated every three years, assist consumers to better understand how they use energy.

In 2015–16, Energy Made Easy had more than 400 000 visits. More than 5000 offers were published over the period, with around 2800 electricity and 280 gas offers available at any one time, (including 345 from Queensland—311 electricity and 34 gas).

In April 2016, we launched refinements to the site, making it easier for consumers to compare energy offers and for retailers to input offers. This followed a major site redevelopment in June 2015.

RETAIL PRICE INFORMATION

The AER publishes a retail pricing information guideline, setting out how retailers should present energy price information. The guideline aims to help consumers to compare energy offers and make informed choices. It also gives direction to energy retailers about providing information to the Energy Made Easy website.

We published a revised guideline in August 2015, reflecting a recent tightening of the rules on the information retailers must provide to consumers before entering a retail contract—particularly on whether prices may vary during the term of the contract. The revised guideline, which also reflects recent enhancements to the Energy Made Easy website, took effect in February 2016.

HARDSHIP POLICIES

Energy retailers must help residential customers with payment difficulties to manage their bills. The AER assesses retailers' hardship policies against the requirements in the Retail Law, and monitors compliance with the policies. In 2015–16 we approved seven new hardship policies and amendments to one existing policy.

Following our 2015 review of customer hardship policies and practices, we worked closely with consumers and industry in 2015–16 to develop a voluntary Sustainable payment plans framework to achieve better outcomes for customers experiencing financial difficulties. The framework aims to help customers and retailers agree on payment plans that are affordable and sustainable. It includes principles to guide retailers' conversations with customers on capacity to pay, and good practice actions and considerations for each stage of a payment plan.

ENGAGING WITH CONSUMERS

Our Customer Consultative Group helps us understand consumer and small business concerns on retail energy issues. The group met four times in 2015–16 (in July and November 2015, and March and June 2016), discussing issues affecting small customers in the changing energy landscape and current compliance and enforcement priorities in the retail space. Specific areas of focus included arrangements to protect customers following the failure of energy retailer Go Energy, and regulatory arrangements for exempt selling (see below).

During the year we participated in forums and workshops to promote consumer understanding of the energy framework and allow stakeholders to raise matters of concern to consumers.

- We participated in a number of events aimed at raising consumers' awareness of our Energy Made Easy website, as well as promoting our new consumer resources—such as translated and Easy English factsheets and animated videos—to key stakeholder groups. For example, we:
 - hosted stalls at Financial Counselling Australia's annual conference (Adelaide, May 2016) and the Energy & Water Ombudsman NSW's anti-poverty forum (Newcastle, October 2015)
 - worked with stakeholder groups to increase community workers' energy literacy, including through workshops in collaboration with NSW's Migrant Resource Centre (Liverpool, September 2015) and the Queensland Council of Social Services (Gold Coast, August 2015). We also presented on energy utility literacy at an expo organised by the University of SA for intellectually disabled tenants
 - hosted a stakeholder event for the Queensland launch of Energy Made Easy (Brisbane, August 2015), which generated significant media coverage.
- We engaged extensively with consumers, their representatives and other retail energy stakeholders in developing and reviewing AER guidelines and contributing to retail market policy issues. This engagement included:
 - conducting stakeholder workshops during the development of the AER's Sustainable payment plans framework, in late 2015 and early 2016
 - consulting on proposed revisions to our exempt selling guideline and on exemption applications involving network conversions, also in late 2015 and early 2016. As part of these consultations, we held a public forum in October 2015
 - providing input to retail market reviews and processes undertaken by regulators, industry and community groups.

RETAIL MARKET ENTRY AND EXIT

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

Authorisations

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

We publish applications on our website and seek submissions from interested parties before deciding whether to grant an authorisation. In 2015–16 we granted electricity authorisations to seven businesses—Savant Energy Power Networks; 1st Energy; Urth Energy; Mojo Power; ElectrAg; Enova Energy and SparQ (Sumo Power). We granted Click Energy a gas retailer authorisation and, at 30 June 2016, were considering three other applications.

EXEMPTIONS

The exempt selling framework includes classes of deemed and registrable exemptions allowing a party to sell energy without an authorisation. It may apply if energy sales are not an 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). By 30 June 2016, we had registered 2080 class exemptions in Queensland, NSW, South Australia and the ACT (Tasmania has not adopted the exempt selling regime).

We can also grant individual exemptions for activities falling outside deemed or registrable categories. These exemptions are tailored to the specific circumstances of the applicant and their customer(s) and are subject to a consultation process similar to that for an authorisation. In 2015–16 we granted 51 individual exemptions. Businesses selling electricity through solar power purchase agreements accounted for 65 per cent of these exemptions, while retrofitting of existing sites to create embedded networks accounted for another 29 per cent.

Our exempt selling guideline outlines the classes of deemed and registrable exemptions that apply, as well as the process for obtaining an individual exemption. The energy market is evolving, and advances in technology—including energy storage—are creating new ways for businesses to sell energy. We revised the guideline in March 2016 to reflect our approach to assessing alternative energy selling models and to guide businesses looking to retrofit premises and create embedded networks. Retrofitting may limit or remove a customer's access to retail competition, and so additional steps must be taken to minimise or eliminate those impacts.

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 do not experience interruptions to their energy supply. Our functions include registering retailers to which consumers could be transferred; appointing RoLRs when an event occurs; and making cost recovery determinations.

In 2015–16 we:

- oversaw electricity and gas RoLR events following the failure of Go Energy Pty Ltd. Affected customers in Queensland, NSW, South Australia and the ACT were transferred to default and additional RoLRs without interruptions to their energy supplies
- appointed default RoLRs for electricity and gas customers in South Australia; electricity customers on Ergon Energy's network in Queensland and NSW; and gas customers on Jemena's gas network in NSW
- appointed default electricity RoLRs in various jurisdictions for customers directly connected to transmission networks.

The AER maintains a RoLR plan, and conducts exercises with plan participants. We published an amended plan on 31 July 2015 incorporating improvements based on a review of outcomes from RoLR exercises, and accounting for new Queensland specific RoLR requirements.

We work closely with AEMO, industry and other stakeholders to ensure all parties understand their role if a retailer fails. As part of this, we conducted a RoLR exercise for gas industry participants on 10 November 2015 and published a report on that exercise. We also published a report on a RoLR exercise for electricity industry participants held in June 2015.

PERFORMANCE REPORTING

We published our third annual retail market performance report (for 2014–15) on 23 November 2015. 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 we publish key market and retail performance data each quarter, including on customer switching, customers experiencing payment difficulties, customer hardship, disconnections and reconnections, and complaints.

Program 3—Wholesale energy markets

2015–16 highlights

- We reported on the causes of high winter energy prices in 2016 through our regular weekly reporting and a special AER communication
- We reported on the impacts of Queensland's LNG industry on domestic wholesale gas markets through our regular weekly reporting
- We participated in AEMC rule change processes to prohibit electricity generators from making false or misleading offers
- We engaged with senior officials of government energy departments on draft legislation for the AER to acquire a new role in monitoring the effectiveness of competition in the National Electricity Market

OUR ROLE

We monitor and enforce compliance in wholesale electricity and gas markets in jurisdictions other than Western Australia and the Northern Territory. The markets are:

- the National Electricity Market in eastern and southern Australia, in which 336 generators compete in real time to deliver electricity to customers. The market turned over \$8.2 billion in 2015–16
- spot markets for gas in Adelaide, Sydney, Brisbane and Victoria, in which 359 petajoules are traded each year; and gas supply hubs at Wallumbilla (Queensland) and Moomba (South Australia).

We monitor the markets to ensure participants comply with the underpinning legislation and rules, taking enforcement action where necessary. We also monitor to detect irregularities and wider market inefficiencies. We report weekly on market activity, as well as special reports on significant price events, and draw on our monitoring work to advise the COAG Energy Council and other stakeholders on market issues.

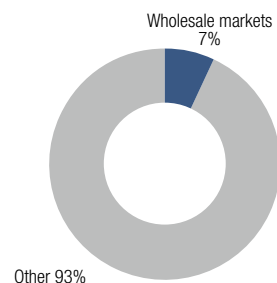
Our market intelligence is drawn together annually in the State of the energy market report, which explains market developments, factors impacting on energy prices, and regulatory and policy developments. We published the report's ninth edition on 18 December 2015. The report is written in accessible 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) is another source of regularly updated energy market data.

In 2016–17 we may acquire a new role in monitoring the effectiveness of competition in the National Electricity Market (NEM). Our work would include identifying factors impacting on market efficiency and publishing a market review at least every two years. In 2015–16 we consulted with senior officials of government energy departments on draft legislation to implement this workstream.

RESOURCES APPLIED TO WHOLESALE ENERGY MARKETS

In 2015–16 we devoted around 7 per cent of our staff time to wholesale market monitoring and reporting (figure 10). Additional staff time was devoted to wholesale market enforcement and compliance issues (Program 4).

Figure 10 Staff time for wholesale market issues, 2015–16



MARKET MONITORING AND REPORTING

Our market monitoring team reports regularly on market activity. In 2015–16 we published:

- 52 weekly reports on activity in the NEM, focusing on spot prices, reasons for variations between forecast and actual prices, and electricity futures prices and volumes
- 52 weekly reports on activity in the Victorian declared gas market, short-term trading market gas hubs in Adelaide, Sydney and Brisbane, and gas supply hubs at Wallumbilla (Queensland and Moomba (South Australia).

The electricity market is evolving and our weekly reports identified how changing structural conditions are affecting the market and price outcomes. The reports noted, for example, the varying impacts in 2015–16 of demand conditions, rising gas fuel prices, plant closures (most recently, South Australia's Northern Power Station), generator bidding behaviour, prolonged outages on the Basslink interconnector between Victoria and Tasmania, and the continued rise of wind and solar PV generation.

In gas, we reported on the continuing evolution of the east coast industry to meet demand for liquefied natural gas exports, and flow-on impacts for electricity generation. We reported in 2015–16 on policy developments in the trade of gas and pipeline capacity. More generally, we strengthened our focus on the gas market's architecture, including the Gas Bulletin Board, to determine whether it is meeting the needs of the evolving market. The launch of a new gas supply hub at Moomba in 2016 directed us to focus resources on adapting our systems to monitor market activity and conduct in that market.

Significant event reporting

We are required to publish a report whenever the spot price for electricity exceeds \$5000 per megawatt (MW) hour, or if an electricity ancillary service price exceeds \$5000 per MW for a sustained period. The reports analyse underlying causes, which may include generator bidding behaviour, network congestion, demand conditions and changes in generator availability.

During 2015–16 we published six price event reports in electricity, covering:

- high spot prices in NSW (on 23 September 2015 and 14 January 2016), Victoria (on 13 January 2016) and South Australia (on 13 January 2016). We noted contributing factors, including network outages (NSW on 23 September and Victoria on 13 January), participant rebidding at a time the network was constrained (South Australia on 13 January), and near record demand coinciding with generation and network constraints (NSW on 14 January 2016).

- high ancillary service prices in South Australia (on 11, 12 and 25 October 2015, 1 November 2015 and 26 March 2016). The prices occurred at times of limited or no network interconnection with Victoria, requiring AEMO to locally source regulation services. Limited sources of these services in South Australia created opportunities for some generators to offer services at high prices. A cumulative price threshold was breached in October and November, causing administered prices to be imposed. The November event, which involved the separation of the South Australian electricity network from the national grid, also caused under frequency load shedding in South Australia.

We also reported on significant gas price variations in the Victorian declared gas market and short term trading market. In 2016, we published a report on significant price variations in the Sydney hub of the short term trading market (on 13 and 23 January 2016). The events related to the high cost of market operator service (balancing gas) used to manage pipelines' gas flow deviations from schedule. Service payments totalled over \$1 million across the two days. Participants had over-forecasted demand on both days, resulting in more gas being scheduled to flow to the Sydney hub than was required. On 13 January, this was compounded by a technical issue on the Eastern Gas Pipeline that saw participants switch gas nominations to the Moomba to Sydney Pipeline. On 23 January, that pipeline could not offer balancing services, requiring the market operator to rely on more expensive services offered by the Eastern Gas Pipeline.

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 stakeholders on wholesale market issues. To the extent resourcing allows, we engage in policy reviews and rule change processes through information sharing and making submissions.

During 2015–16 we continued to engage in workstreams aimed at improving wholesale market efficiency, including in relation to generator bidding practices. We also contributed to reviews of upstream gas markets conducted by the ACCC and the AEMC.

Generator bidding

The AER participated in the AEMC's consideration of an electricity rule change proposal aimed at addressing concerns that the 'good faith' provision did not adequately regulate generator behaviour. We made a submission to the AEMC on this matter in October 2015.

The AEMC subsequently introduced a new rule, taking effect in July 2016, which prohibits false or misleading offers, requires offer variations to be made as soon as practicable and strengthens record keeping requirements for certain type of rebidding. The AER refined its monitoring and compliance systems to implement the new rule.

Following dispatch instructions

The electricity rules require generators to follow dispatch instructions issued by AEMO and to ensure all generating units are able to comply with dispatch offers submitted. 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 maintained a strong compliance focus on this issue during 2015–16 (see Program 4: Compliance and enforcement).

Effectiveness of competition in the NEM

In 2015, the COAG Energy Council advised it expected to confer on the AER a new role in monitoring the effectiveness of competition in the National Electricity Market, focusing on identifying features that impact on the market's efficient functioning. Our work would include publishing a market review at least every two years. The AER in 2015–16 engaged with the COAG Energy Council's consultation process on draft legislation to implement this workstream.

East coast wholesale gas market and pipeline framework review

The AEMC progressed reviews of the east coast gas and Victorian declared gas market during 2015–16. The AER's submission to the reviews in February 2016 supported efforts to develop a 'road map' to guide and inform future gas market development, and provided views on reform proposals for the Victorian and short term trading markets, the Gas Bulletin Board and the efficient use of spare capacity in transmission pipelines.

Program 4—Compliance and enforcement

2015–16 highlights

- Our retail markets enforcement action resulted in 26 infringement notices being paid by energy businesses for contravening provisions in the Retail Law relating to disconnection of customers on life-support or explicit informed consent. We also accepted a court enforceable undertaking from one business.
- Our wholesale markets enforcement action resulted in seven infringement notices being paid by generation businesses for failing to follow dispatch instructions from AEMO or failing to ensure generating units could comply with offers submitted to AEMO. We also accepted a court enforceable undertaking from one generator.
- We completed a technical audit of the compliance programs for EnergyAustralia's Yallourn Power Station and Snowy Hydro's Tumut 3 Power Station, and initiated a review of Origin Energy's Uranquinty Power Station.
- We released an annual retail compliance report, and quarterly reports on compliance by wholesale and network businesses.
- We published 'compliance checks' for provisions of the Retail Law on obtaining explicit informed consent from customers before entering into a market retail contract and on the presentation of energy offers.

OUR ROLE

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

- retail energy markets—at 30 June 2016 we undertook this role in Queensland, NSW, South Australia, the ACT and Tasmania
- wholesale energy markets—the NEM, the short term trading market for gas, the gas supply hub at Wallumbilla and the Victorian declared gas market. We also monitor for compliance with obligations relating to the 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.

The AER's Compliance and enforcement statement of approach sets out our approach to monitoring compliance, how we respond to potential breaches, and 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.

Our monitoring and enforcement toolkit includes market surveillance; investigations and reviews; an exception reporting framework under which businesses notify us of a breach; intelligence from regular liaison with energy ombudsman schemes and consumer representatives; and complaints that we receive directly.

We promote a culture of compliance by energy businesses and promote best practice through our compliance publications and audits, and through regular discussions with industry participants.

The AER takes effective, targeted and timely enforcement action when necessary. We can respond to a breach 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. Payment of an infringement notice penalty is not an admission of guilt, but finalises the matter
- 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.

RESOURCES APPLIED TO COMPLIANCE AND ENFORCEMENT

In 2015-16 we spent 10 per cent of our staff time on compliance and enforcement issues, mostly relating to wholesale and retail energy markets (figure 11).

Figure 11 Staff time for compliance and enforcement, 2015-16



OUTCOMES AND WORK IN 2015-16

Our compliance focus in retail markets during 2015-16 included issues of life support, conduct affecting vulnerable and disadvantaged consumers and conduct undermining consumer confidence in the market. In wholesale markets, we continued to focus on obligations to follow dispatch instructions.

Enforcement Action

Life-support customers

In 2015-16 the AER issued 20 infringement notices to electricity distributors for allegedly failing to meet obligations to customers known to require life-support equipment. Nineteen of these related to failures to provide those customers with the required four days' notice of planned interruptions to energy supply. For these infringements:

- SA Power Networks paid penalties of \$120 000
- Energex paid penalties of \$80 000
- AusGrid paid penalties of \$60 000
- Ergon Energy and TasNetworks each paid penalties of \$40 000
- Essential Energy and Endeavour Energy each paid a penalty of \$20 000.

ActewAGL Distribution paid a penalty of \$20 000 for allegedly failing to provide 473 customers registered as using life-support equipment with the information required to assist those customers to plan for a loss of supply. The businesses reported these incidents to the AER, as required under the Retail Law and Rules.

We held a forum in April 2016 for distributors, focusing on protections for life-support customers under the Retail Rules.

Explicit informed consent

During the year, our enforcement action resulted in six infringement notices being paid by electricity retailers for allegedly failing to obtain explicit informed consent from customers before entering them into (or extending) gas and electricity contracts. The businesses reported the incidents to the AER in accordance with our Compliance procedures and guidelines.

Simply Energy paid penalties of \$80 000 and Red Energy paid penalties of \$40 000. Red Energy also provided the AER with a court-enforceable undertaking that it will not place customers whose retail contracts have expired onto a new market contract without complying with the relevant provisions of the Retail Law, and will review and amend its compliance program.

Dispatch instructions

In the electricity wholesale market, the AER in 2015-16 issued five infringement notices to generation businesses for failing to follow dispatch instructions issued by AEMO:

- CS Energy paid penalties of \$40 000
- ERM Power paid penalties of \$40 000
- Origin Energy paid penalties of \$20 000.

CS Energy was issued with and paid a further two notices (\$40 000) for failing to ensure its generating units were able to comply with dispatch offers submitted to AEMO.

ERM Power and Origin Energy subsequently advised that they had taken action to reduce the risk of similar breaches recurring in future, including additional compliance training and implementing new systems and operating procedures. CS Energy provided court-enforceable undertakings to implement revised compliance processes, systems and procedures relating to its Gladstone and Wivenhoe power stations.

CS Energy must also conduct an independent review of its guidelines and procedures, provide regular compliance training and employ an officer to oversee compliance with its undertakings.

Gas market issues

In gas wholesale markets, we continued our focus on ensuring that participants comply with the information requirements of the Gas Bulletin Board, which aims to make gas production and pipeline flows transparent. In 2015-16 we also engaged with pipeline operators subject to new obligations following the introduction of the Curtis Island Demand Zone.

Targeted compliance reviews and audits

In electricity, we continued our technical audits of generators and transmission network providers. The audits assess whether participants have instituted and maintain robust and effective compliance programs consistent with good industry practice. In 2015-16 we reviewed the performance standards compliance programs for EnergyAustralia's Yallourn Power Station and Snowy Hydro's Tumut 3 Power Station, and initiated a review of Origin Energy's Uranquinty Power Station. EnergyAustralia subsequently implemented minor changes to its processes to rectify issues identified in the review. We were largely satisfied with Snowy Hydro's approach to technical compliance.

We undertook targeted compliance reviews of electricity market participants' performance in providing information to AEMO, including:

- transmission network businesses' provision of outage information
- generators' provision of short-term plant availability data.

We also conducted a review of obligations around the provision of interruptible load to AEMO.

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 2015-16, compliance reports from retailers recorded a rise in the number of breaches of requirements to obtain explicit informed consent from customers before entering into a market retail contract. In response, we published a compliance check in November 2015 to highlight the provisions and outline general principles on obtaining consent.

We issued a further compliance check in April 2016 to remind retailers of their obligations around the presentation of their energy offers. This followed an AER review of retailer compliance with our amended retailer pricing information guidelines that came into effect on 1 February 2016.

Energy networks

In some years our compliance focus for energy networks related to their application of regulatory investment tests and the quality of information in annual planning reports. More recently, we have progressively rolled this workstream into our ongoing work program, assessing annual planning reports against the rule requirements and against improvement plans submitted by the businesses. Our regulatory investment test focus was on policy work to broaden the coverage of those tests (program area 1).

We continued to monitor for compliance with ring fencing obligations in gas. During the year, we received annual compliance reports from nominated service providers for 7 transmission and 10 distribution pipelines for 2014-15. Our assessments of the responses against obligations set out in the Gas Law and Rules found no compliance issues.

In electricity, we assessed ring-fencing waiver applications from distributors Energex and Ergon Energy in respect of new battery technologies. In each case, we granted temporary and conditional waivers from the Queensland ring-fencing requirement requiring such assets be operated by a separate legal entity to the distributor. Our ring-fencing waiver decisions noted that Energex and Ergon Energy will be required to comply with the AER's forthcoming national ring-fencing guideline within 12 months of publication.

Compliance reporting

The AER publishes quarterly reports on our compliance monitoring and enforcement activity in wholesale energy 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.

In 2015-16 we published four compliance reports. Resource constraints resulted in two reports being published outside our target timeframe of six weeks from the end of the relevant quarter.

In November 2015, the AER published its annual retail compliance report, covering activity in 2014-15 and outlining priority areas for the upcoming year. The report noted that, while the number of reported breaches from businesses was lower, the compliance issues were similar to those of previous years. Major issues included:

- life-support customers not receiving the required notice before an interruption to their energy supply
- disconnection of customers in financial hardship
- customers being placed on contracts without providing explicit informed consent.

We held a forum in November 2015 for energy retailers, distributors and ombudsman schemes, on the findings in our 2014-15 annual compliance and performance reports.

In November we briefed stakeholders on the reports and in April 2016 convened a roundtable with distributors to clarify the importance of life support compliance. Participant feedback on the roundtable was positive.

Program 5—Policy and corporate reporting

2015–16 highlights

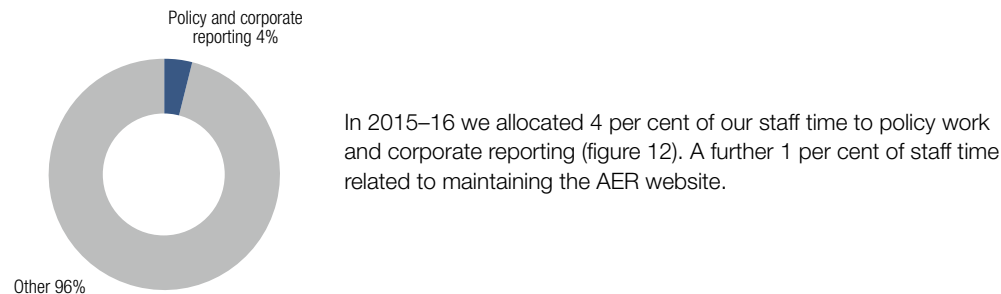
- We published our ninth *State of the energy market* report (December 2015).
- We made 17 submissions to policy reviews and rule change processes where our expertise in network regulation, energy consumer issues and energy markets could bring a valuable perspective.
- AER Board members and senior executives gave 21 speeches or presentations at Australian and international forums.
- We published over 5500 documents on the AER website.
- We published 185 communication notices and 27 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 issues, particularly in areas where we have built strong 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 during the year.

RESOURCES APPLIED TO POLICY AND CORPORATE REPORTING

Figure 12 Staff time on policy and corporate reporting, 2015–16



OUTCOMES AND WORK IN 2015–16

Annual report

We published the 2014–15 AER annual report in September 2015. The report highlighted energy market conditions and factors affecting our operating environment. It also set out our work in setting revenue allowances for energy networks, regulating wholesale energy markets, and protecting customers in the retail energy markets. The report assessed our performance against an extensive list of key performance indicators.

State of the energy market report

On 18 December 2015, we published our ninth *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.

We contribute to policy reviews and rule change proposals where our expertise in network regulation, energy markets and consumer issues can add value. In 2015–16 we made submissions to 17 rule change proposals and policy reviews (appendix 1).

Submissions

Key submissions to review processes included those to 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
- rule changes on generator bidding and obligations to comply with dispatch instructions, competition in metering services, demand management incentive arrangements, network tariff reform and access to retail competition for customers in embedded networks.

Speeches

In 2015–16 the Chair and senior executives participated in forums and gave 21 public presentations to stakeholders. Appendix 2 provides a full list.

Our website, media releases and communications

We continually updated our website throughout 2015–16 with our decision documents, guidelines, other public reports and submissions from third parties. We published over 5500 documents during the year and where possible in multiple formats for accessibility. Website users downloaded over 168 000 documents and viewed 1.6 million pages during the year.

In 2015–16 we released 185 communications (which our website subscribers receive via email) and 27 media releases (see appendix 2).

Our website subscription service offers targeted communication choices for stakeholders. Based on individual subject matter preferences, over 4150 subscribers received up to 450 updates on specific projects during the year, in addition to general AER communications.

PART 4
OUR PERFORMANCE

We assess our performance against indicators covering the breadth of our work. Some indicators are objectively quantifiable, while others are 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 2015–16 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.

In undertaking our functions the AER has regard to good regulatory practice, including avoiding unnecessary or inefficient regulation. The Australian Government’s Regulator performance framework (October 2014) sets out expectations of how regulators should undertake their functions with the minimum impact necessary to achieve regulatory objectives. While the framework does not formally cover the AER, we report here on our performance in 2015–16.

We report separately on performance against the Treasury portfolio budget statements in the combined ACCC – AER 2015–16 annual report, as required under s. 44AAJ of the Competition and Consumer Act.

Agency-wide performance

| Deliverable | 2015–16 Target | Outcome |
|----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Progress on work program and expenditure against budget | | |
| Publish a detailed work program as part of our Statement of Intent. | Publish by 1 July 2015 | Achieved. We published our Statement of Intent including a detailed work program on 30 June 2015. |
| Report through the ACCC–AER statutory Annual report on our expenditure against the program budget allocated to AER. | Report to Treasury by 29 August 2015 | Achieved. We provided the 2014–15 ACCC-AER annual report to Treasury on 29 August 2015. It reported on the agency’s expenditure against the program budget allocated. |
| Publish an AER Annual report setting out progress against our work program, including compliance with statutory timelines. | Publish by 30 September 2015 | Achieved. We published the 2014–15 AER annual report on 30 September 2015. The report contained information on resource use, our work program and agency performance. |
| Undertake our work program within budget as determined through the Australian Government budgetary process. | Undertake work program within budget | Achieved |
| Publish any significant changes to our work program on AER website. | Publish all changes within 14 days | There were no significant changes to the work program. |
| Report to COAG Energy Council on progress against work program, including outcomes, issues and any variations. | Provide written report to each meeting of the COAG Energy Council | Achieved. We provided verbal updates to the COAG Energy Council on our key work and strategic issues, in accord with its requirements. |

Stakeholder engagement

| | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <p>AER board and senior executives communicate with stakeholders via speeches, forums and the media.</p> | <p>Qualitative target</p> | <p>Achieved. The Board and CEO presented at 21 forums, conferences and other public events (list provided at Appendix 2)</p> | |
| <p>Meet periodically with the Consumer Challenge Panel, jurisdictional groups of consumer representatives and the Customer Consultative Group, in conducting our work program.</p> | <p>Monthly meetings of CCP and at least two meetings of jurisdictional groups during each regulatory reset; and three meetings of CCG</p> | <p>Achieved. The CCG met in July and November 2015, and in March and June 2016. Sub-groups of the CCP were formed for each determination process, and each group met regularly during the process. Jurisdictional groups of consumer representatives were formed for each major determination, and each group met at least twice.</p> | |
| <p>Assess the effectiveness of stakeholder engagement on completion of major AER projects.</p> | <p>Assessment conducted on each project's completion</p> | <p>In most instances, regulatory determinations made in 2014–15 and 2015–16 were subject to ongoing appeals processes. Resources were limited to undertake formal targeted reviews for other determinations. Informal dialogue occurred through speeches and other forums. The effectiveness of our stakeholder engagement was assessed more generally through our 2016 stakeholder survey.</p> | |
| <p>Undertake a broad stakeholder survey every two years that includes an assessment of the quality of our stakeholder engagement.</p> | <p>Conduct survey in 2016</p> | <p>Achieved. We undertook a broad stakeholder survey in 2016, and publish key outcomes in this report.</p> | |
| <p>Publish the State of the energy market report, with accessible information on market activity and dynamics.</p> | <p>Publish report by 31 December 2015</p> | <p>Achieved. The 2015 report was published on 18 December 2015.</p> | |

Improving capabilities

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| <p>Establish a dedicated IT team that consolidates our systems capabilities for agency-wide consistency.</p> | <p>Restructured IT team in place by 31 December 2015</p> | <p>Our IT and data services unit was established, although staffing arrangements were finalised in early 2016.</p> | |
| <p>Streamline information requirements on energy businesses and continue to improve our data systems to support effective benchmarking.</p> | <p>Database refinements operational by 30 June 2016</p> | <p>We continued to refine our database for collecting, storing and reporting on information received from network businesses for the purposes of benchmarking and performance reporting. A need for further refinements was identified in 2015–16, delaying full operability. Competing demands required the necessary resources to be redeployed in the short term.</p> <p>We will continue to streamline information requirements on energy businesses in 2016–17.</p> | |
| <p>Further refine our approach to technical metrics on market structure and efficiency in energy wholesale markets.</p> | <p>Refine coverage of market structure metrics in State of the energy market 2015</p> | <p>This work was delayed, pending legislation expected in 2016–17 to confer a new role on the AER in monitoring and reporting on the effectiveness of competition in the electricity market. We allocated staff, engaged consultancies and organised an international staff exchange in preparation for this workstream.</p> | |

Performance against work program

Deliverable 2015–16 Target Outcome



Work program 1: Energy networks

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| Complete all regulatory decisions on electricity networks and gas pipelines within statutory timeframes. | Publish eight electricity and three gas determinations, within statutory timeframes | All determinations were published, but resource constraints led to eight determinations scheduled for 30 April 2016 being released on 26 May 2016. |
| Publish annual benchmarking report and RIN data for electricity networks. | Publish benchmarking report by 30 November 2015 | Achieved. |
| Resolve disputes within legislated timeframes, including on network access and connections, and regulatory investment tests. | 100 per cent | Achieved. We received eight electricity connection disputes, of which seven were resolved and one was still under investigation at 30 June 2016. The connection charges of two customers were substantially reduced. We received two gas connection disputes, each resolved without changes to the distributor's original quotes. |
| Implement any reforms arising from AEMC rule changes, by developing or amending guidelines and through the regulatory determination process. | Qualitative target | Achieved. We continued our assessments of network tariffs that reflect the efficient costs of service provision. We also commenced work on a national electricity ring-fencing guideline. These workstreams will continue in 2016–17, along with work on a revised demand management incentive scheme. |

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| Prepare for the application of the National Electricity Law in the Northern Territory. | Administer NT framework from 1 July 2015 | Achieved. We acquired responsibility for jurisdictional regulatory arrangements in the Northern Territory on 1 July 2015 and in May 2016 approved annual tariffs for 2016–17. |
| Prepare for the application of the National Electricity Law in Western Australia. | Preliminary work on framework in consultation with WA officials | We continued working with Western Australian officials on a likely handover of energy network regulation functions for the state which, subject to the passage of enabling legislation, is expected to occur in 2017. |

Work program 2: Retail energy markets

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|-----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Support Queensland's application of the National Energy Retail Law. | Qualitative target | Achieved. In August 2015 we held events in Queensland, supporting its adoption of the Retail Law, including a workshop to improve community workers' energy literacy and a launch of our Energy Made Easy website for the state. |
| Our price comparator website, Energy Made Easy, provides accurate and timely information for consumers. | All offers published on website within two business days of receipt from retailers | Achieved. |
| Publish an annual performance report and quarterly data on the retail energy market (including energy affordability). | Annual report published by 30 November 2015 Quarterly data published on website within 12 weeks of quarter's end | Achieved. |
| Assess retailers' hardship policies (and proposed amendments) in a timely manner. | Assess all policies and amendments within 12 weeks of receiving required information | 6 of 8 policies submitted were assessed within the targeted timeframe. |

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| Assess retail authorisation/exemptions/applications in a timely manner. | Assess all authorisation/exemption applications within 12 weeks of receiving required information | Around 75 per cent of the 59 applications received were assessed within the targeted timeframe. | |
| Apply processes to support the timely transfer of affected customers in the event of a retailer failure. | Meet all obligations within statutory timeframes | Achieved. Two RoLR events occurred during the year (one each in electricity and gas). Our processes supported the timely transfer of all affected customers to designated retailers of last resort. | |

Work program 3: Wholesale energy markets

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| Monitor energy spot markets to detect impediments to efficient trade, market irregularities and consumer harm. | Report on identified impediments in weekly reports and State of the energy market report, and through briefings with regulatory bodies and the COAG Energy Council | Achieved. We published 104 weekly performance reports on spot energy markets, six reports on extreme electricity prices, and one report on a significant price variation in gas. The State of the energy market 2015 report provided an overview of market activity. | |
| Report on the effectiveness of competition in wholesale electricity and gas markets. | Publish competition metrics and qualitative analysis in State of the energy market report by 31 December 2015 | Achieved. We published an annual review of this data in the State of the energy market 2015 report. | |
| Support the AEMC in progressing rule change proposals aimed at improving market efficiency. | Engage in all processes where the AER can provide valuable perspectives | Achieved. Among our work in this area was a submission on rebidding rules in the NEM, a rule change proposal to expand the coverage of regulatory investment tests. We also made submissions to AEMC's reviews of the east coast gas market and Victorian gas market. | |
| Publish timely reports on wholesale electricity and gas market activity. | Publish at least 75 per cent of weekly reports within 12 business days of week's end | Achieved. We published 94 per cent of weekly reports within the required timeframe. | |

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| Report within statutory timeframes on extreme price events in wholesale electricity markets, and significant price variations in spot gas markets. | Publish all reports within statutory timeframes | Achieved. We published six electricity reports and one significant price variation report within the statutory timeframe. | |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|--|

Work program 4: Compliance and enforcement

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| Enforcement action is targeted and proportionate to regulatory risk. | Matters selected for enforcement activity improve market outcomes for customers | Achieved. Our targeted enforcement action included the issue of 33 infringement notices (26 in retail markets, seven in wholesale) and entering into two court enforceable undertakings (one each in retail and wholesale). We based our compliance and monitoring activity on risk assessments of the impact and likelihood of breaches. We did not update our risk assessment to reflect recent legislative changes, due to resourcing constraints. This work will occur in 2016–17, pending resource availability and competing priorities. | |
| Consistent with regulatory risk, conduct targeted reviews of compliance with the national energy rules, and report on outcomes. | Conduct quarterly reviews of selected obligations, and publish outcomes in quarterly compliance reports | Achieved. We conducted four targeted compliance reviews of national energy rules, and reported on outcomes in quarterly compliance reports. In gas, we focused on ensuring that participants comply with new obligations following the introduction of the Curtis Island Demand Zone. | |
| Audit the compliance systems of selected energy businesses, and report on outcomes. | Audit systems for two energy businesses that are critical to market efficiency and energy security | In electricity, we undertook targeted compliance reviews of participants' performance in providing information to AEMO on transmission outages and short-term generation plant availability. We also conducted a review of obligations around provision of interruptible load to AEMO. In 2015–16 we completed technical audits of EnergyAustralia for its Yallourn Power Station and Snowy Hydro for its Tumut 3 Power Station, to assess the robustness of their compliance programs. We also initiated a review of Origin Energy's Uranquinty Power Station. | |

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| <i>Publish quarterly compliance reports on wholesale markets and networks.</i> | Publish reports within six weeks of quarter's end | All reports were published, but resource constraints meant two reports failed to meet the six week's deadline. | |
| <i>Publish an annual compliance report on retail markets.</i> | Publish report by 30 November 2015 | Achieved. | |
| <i>Review and consult on revisions to AER guidelines, having regard to Office of Best Practice Regulation.</i> | Meet obligations required under the Rules, including consultation timeframes | Two AER guidelines—the Retail Pricing Information Guideline and Exempt Selling Guideline—and the RoLR plan were revised to better serve the market. Due consultation processes were followed. | |
| <i>Communication with businesses is clear and targeted.</i> | Conduct at least two forums with businesses on compliance Issue at least two 'compliance checks' to businesses | We published compliance checks on provisions of the Retail Law requiring retailers to obtain explicit informed consent from customers before entering into a retail contract; and obligations around the presentation of energy offers. We ran a forum in November on our annual compliance and performance reports, and a roundtable with distributors in April on life support compliance. | |
| <i>Provide clear targeted guidance to businesses on compliance monitoring framework.</i> | Provide guidance to businesses on their compliance reports made under the compliance guideline, within eight weeks of the reporting period | Achieved. Distributors and retailers covered by the compliance monitoring framework were provided a written summary of reporting outcomes under the framework within this time frame. | |

Regulator performance framework

The following deliverables and performance indicators for 2015–16 relate to indicators of good regulatory practice identified in the Australian Government's Regulator performance framework.

Deliverable

2015–16 Target

Outcome





Regulators do not unnecessarily impede the efficient operation of regulated entities



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| <i>Meet statutory timeframes applicable to our work program to promote regulatory certainty.</i> | Document instances of non-compliance and why they occurred | Resource constraints led to eight revenue determinations scheduled for 30 April 2016 being released on 26 May 2016. Statutory timeframes were met for all other reports and decisions. | |
| <i>Regularly meet with other agencies, including the AEMC, AEMO, ASIC, the Utility Regulators Forum and the Energy Intermarket Surveillance Group, to share knowledge and experience on efficient regulation.</i> | Number of meetings with each agency and nature of engagement | Regular meetings were held with each agency in accord with agreed schedules. | |
| <i>Assess costs and benefits of additional information requirements prior to widening the scope of RINs.</i> | Consult with affected businesses in each instance | The RINs are periodically streamlined to ease the regulatory burden on regulated businesses. | |

Communication with regulated entities is clear, targeted and effective



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| <i>Regulatory determinations and other major decisions are accompanied by a decision document explaining the reasoning for the decision.</i> | Document instances of non-compliance and why they occurred | Achieved. Regulatory determinations were accompanied by fact sheets in plain English and short form overviews. Consultation on guidelines was accompanied by explanatory documents. | |
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| Guidance materials and decisions published by the AER comply with government accessibility guidelines. | Document instances of non-compliance and how remedied | All AER decisions publications meet government web accessibility requirements. |  |
| AER Board and staff engage with regulated businesses throughout the regulatory determination process. | Number of meetings with businesses | Achieved. We meet with regulated businesses throughout the determination process and designate relationship managers for each business. |  |

Actions undertaken by regulators are proportionate to the regulatory risk being managed






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| Apply a risk based approach to compliance and monitoring activities. | Document basis for compliance and monitoring focus in compliance reporting | Achieved. Our compliance and monitoring activity accounts for risk assessments of the impact and likelihood of breaches. |  |
| Recognise the compliance record of regulated entities in making enforcement decisions. | Document reasoning for enforcement decisions in compliance reporting | Enforcement decisions account for an entity's historical behaviour, as set out in our Compliance Guideline. |  |

Compliance and monitoring approaches are streamlined and coordinated

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|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| An agency-wide Statement of approach guides compliance and enforcement activity across work program areas. | Document agency's consistent application of Statement of approach | The AER's Compliance Guideline guides our compliance and enforcement activity across work program areas. |  |
| Collaborate with the ACCC on energy market enforcement activity falling under the scope of both agencies. | Document communication forums and nature of engagement | Collaboration at staff and Board levels occur in relation to conduct in energy markets where the Australian Consumer Law applies. |  |

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| For reporting purposes, use existing information where possible and limit information sought from external parties to that necessary to undertake a task. | Justify reasons for information gathered beyond that which is otherwise available | Reporting guidelines are developed in consultation with stakeholders. No reporting requirements were imposed in 2015–16 beyond those set out in the guidelines. |  |
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Regulators are open and transparent in their dealings with regulated entities

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| Stakeholders have an opportunity to provide written submissions prior to the AER making major regulatory decisions. | Document instances where submissions not sought and why they occurred | Processes for all major regulatory decisions included opportunities for stakeholders to make written submissions. |  |
| Publish submissions to regulatory processes on the AER website. | Document instances where submissions not published and why this occurred | Subject to meeting confidentiality protocols, all submissions to regulatory processes were published on the AER website. |  |
| Published decisions clearly set out how we accounted for stakeholder views. | Independent surveys of stakeholder satisfaction with transparency of AER decisions | Our 2016 stakeholder survey indicated some dissatisfaction with our performance in this area. We are looking at ways to address this in collaboration with stakeholders. |  |
| Consult with industry in the preparation of any guidelines or policies. | Document instances where consultation did not occur | Guidelines and policies are developed in consultation with stakeholders. |  |
| Engage with industry through forums. | Document number of meetings and nature of engagement | Engagement through forums and speeches are documented elsewhere in this report. |  |

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| <p>Apply risk-based frameworks, processes, guidelines and decisions that are publicly available.</p> | <p>Survey stakeholder confidence in our consistency with published guidance</p> | <p>We aim for consistent practice with our published guidelines in the wholesale, retail and networks space. But our 2016 stakeholder survey indicated some dissatisfaction with our performance in this area, with only 49 per cent agreeing the AER provides consistent outcomes and decisions.</p> | |
| <p>Regulators actively contribute to the continuous improvement of regulatory frameworks</p> | | | |
| <p>Engage with agencies that have energy market responsibilities in accordance with legislation and memoranda of understanding.</p> | <p>Number of meetings with each agency and type of engagement</p> | <p>High level meetings were held with each agency in accord with agreed schedules. Communication at staff level occurred more regularly on a needs basis.</p> | |
| <p>Engage in policy reviews, rule change processes and reform implementation through information sharing, making submissions and participating in forums.</p> | <p>Document engagement and relevant processes in each area</p> | <p>Our engagement through submissions and forums are documented elsewhere in this report. Information sharing occurred in accord with memoranda of understanding.</p> | |
| <p>Promptly respond to requests for information from government (including the COAG Energy Council) within specified timeframes.</p> | <p>Adhere to agreed time frames</p> | <p>Requests were met in accord with specified or agreed timeframes.</p> | |

PART 5 OUR PEOPLE

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

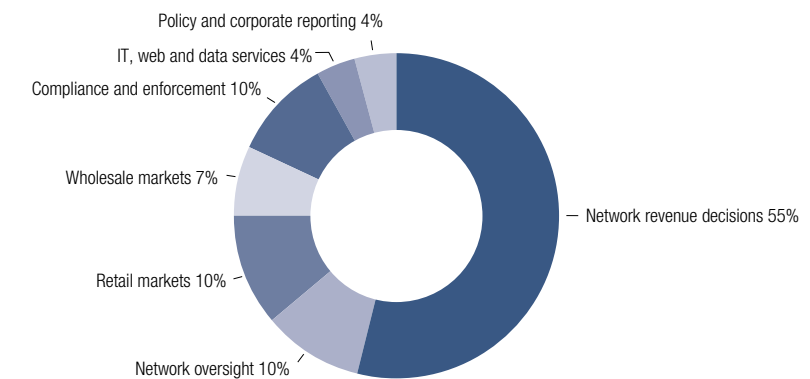
In total, 146 staff members worked in our agency during 2015–16. Our average staffing level across the year, including the Board and CEO, was 127.4, a slight rise on 2014–15 (123.2).

Our staffing is supplemented by:

- staff from the ACCC's legal and economic division. The combined contribution was around 13 FTE over the year (similar to 2014–15). The division's contribution rises in years when we undertake a large number of network decisions, when our network decisions are subject to appeals, 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.

As in previous years, networks regulation absorbed the majority of staffing resources (figure 13).

Figure 13 Allocation of AER staff time across functions, 2015–16



Staff turnover

Our staff turnover for 2015–16 was 3.7 per cent, down from 4.6 per cent in 2014–15 and 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, including from technical roles in system engineering. While we are a relatively young organisation, we have many staff with years of experience in energy sector issues. This broad skill base and experience gives us the flexibility to deal with a wide range of complex energy market issues.

Our internal staff are supplemented by externally sourced technical expertise, particularly for 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 2015–16 we took secondees from ASIC and Commonwealth Treasury.

Looking after our people

TRAINING AND DEVELOPMENT

In 2015–16, we continued to develop staff capabilities, particularly our technical skills base, by offering learning and development opportunities. The Technical Advisor Group provided tailored courses on principles of energy network planning, reliability standards and reporting, network operation and regulation, and emerging network trends and technology. The AER (sometimes in conjunction with the ACCC) also offered courses in resilience training, negotiation and stakeholder engagement, writing skills and leadership.

A number of staff participated in a meeting of the Energy Intermarket Surveillance Group (EISG) in Wellington (April 2016). The group meets twice yearly and coordinates information and skills sharing among members on wholesale energy market surveillance and enforcement. The Wellington meeting focused on how the shift towards renewable generation is affecting electricity market monitoring, compliance and market design. Attendees included market monitoring specialists from North America, Asia, 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 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 2 sets out the nature and amount of AER board members' remuneration in 2015–16.

Table 2 Remuneration of AER board, 30 June 2016

| Position | Base salary | Total remuneration of office |
|----------------------------------------------------------|-------------|------------------------------|
| Chair | \$365 570 | \$522 240 |
| State/territory member | \$285 930 | \$391 680 |
| Commonwealth member (full time with the ACCC and AER) | \$329 020 | \$470 020 |

Most the AER's other staff work under an enterprise agreement that sets out remuneration, leave entitlements, and other conditions and allowances. The most recent agreement expired on 30 June 2014, but its conditions applied in 2015–16, pending negotiation of a new agreement. Consequently, staff did not receive a salary increase in 2014–15 or 2015–16. Our CEO, general managers and some specialist staff are subject to individual determinations covering remuneration, leave and other employment conditions.

Table 3 sets out AER staff remuneration in 2015–16. It does not include superannuation contributions, allowances or performance pay. The data excludes Board members.

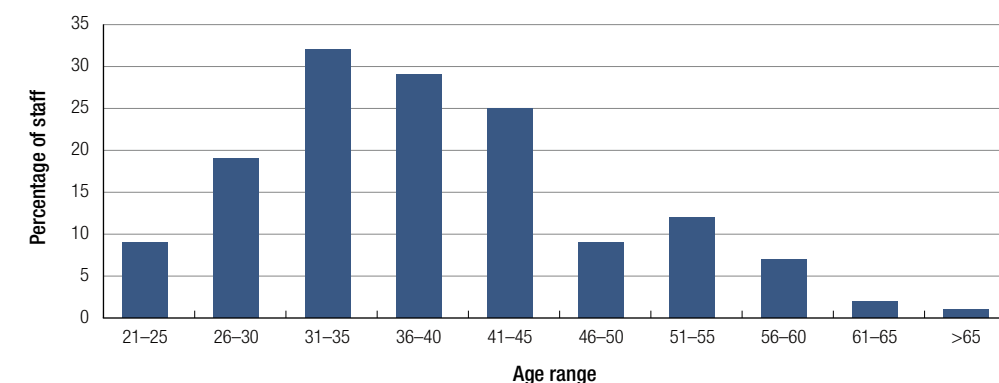
Table 3 Remuneration of AER staff, 2015–16

| Annual Salary | Percentage of staff (%) |
|------------------------|-------------------------|
| \$40 000 to \$60 000 | 5.5 |
| \$60 000 to \$80 000 | 16.6 |
| \$80 000 to \$100 000 | 20.7 |
| \$100 000 to \$120 000 | 29.0 |
| \$120 000 to \$140 000 | 20.0 |
| \$140 000 to \$160 000 | 1.4 |
| \$160 000 to \$180 000 | 4.8 |
| 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 (figure 14).

Figure 14 Age profile of AER staff, 30 June 2016



We are committed to a diverse workforce. Of our six senior managers, two are women, including the CEO. Diversity activities included programs on 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 4 presents data on 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 4 AER workplace diversity profile, 30 June 2016

| | Total number | Female | ATSI | CALD | PWD |
|------------------------------------|--------------|-------------|------------|-------------|------------|
| SES and AER members | 9 | 4 | 0 | 1 | 0 |
| GRAD | 6 | 4 | 0 | 1 | 0 |
| APS1 | 2 | 0 | 0 | 1 | 0 |
| APS2 | 0 | 0 | 0 | 0 | 0 |
| APS3 | 0 | 0 | 0 | 0 | 0 |
| APS4 | 4 | 3 | 0 | 0 | 0 |
| APS5 | 16 | 9 | 0 | 2 | 0 |
| APS6 | 33 | 17 | 1 | 12 | 0 |
| EL1 | 42 | 16 | 0 | 5 | 2 |
| EL2 | 34 | 10 | 0 | 6 | 1 |
| Totals | 146 | 62 | 1 | 26 | 3 |
| Proportion of the total (%) | | 42.0 | 0.7 | 17.9 | 2.1 |

Note: A staff member may be classified under multiple headings.

PART 6 OUR EXPENDITURE

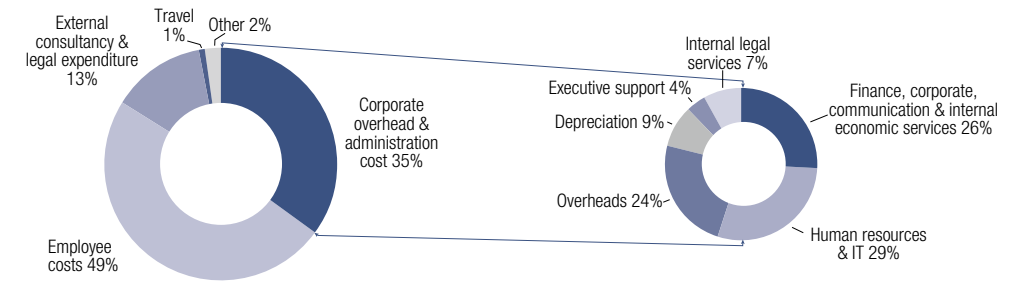
We aim to be transparent about our expenditure. While the ACCC/AER annual report contains detailed financial reports for the combined ACCC and AER, this section provides a snapshot of the AER's expenditure in key areas.

Total expenditure

The AER's total expenditure for 2015–16 was \$37.1 million. Corporate overheads and administration and employee costs accounted for 84 per cent of this total (figure 15). Internal legal costs accounted for 7.4 per cent of corporate overheads and administration costs in 2015–16, compared with 1 per cent in the previous year.

The impact of legal appeals was also reflected in rising costs for external consultants and lawyers, with those costs accounting for 12.5 per cent of all expenditure in 2015–16, compared with 10 per cent in 2014–15.

Figure 15 Total AER expenditure by category, 2015–16

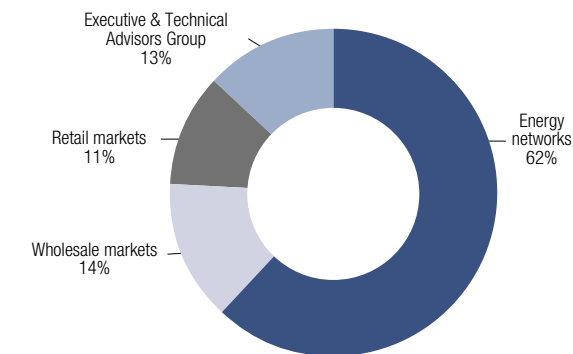


Expenditure by work area

The AER's direct expenditure, excluding our contribution to corporate overheads and administration costs shared with the ACCC, was \$24 million (figure 16). The majority of expenditure was in the network regulation area, which absorbed a majority of staff time and expenditure on external consultants and lawyers. The network regulation area also drew heavily on the Technical Advisor Group. Overall, networks regulation absorbed 62 per cent of our expenditure (up from 59 per cent in 2014–15). Despite an expanding work program, the retail branch achieved significant efficiencies to absorb only 11 per cent of our total expenditure, down from 13 per cent in 2014–15.

The AER funded the Consumer Challenge Panel and the Customer Consultative Group to facilitate consumer input in network revenue decisions and retail energy market matters. Overall, around \$2 million was allocated to support the technical advisors and consumer input.

Figure 16 Direct expenditure, by AER work area, 2015–16



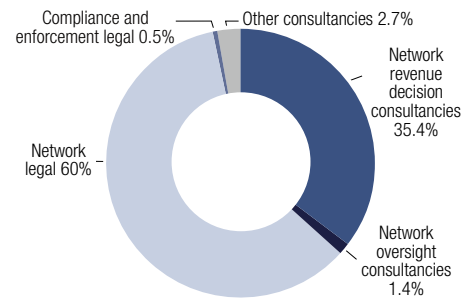
Expenditure on consultants and external lawyers

Our total expenditure on consultants in 2015–16 was \$2.6 million (GST exclusive), including consultancy contracts organised through our core branches (figure 17). This excludes consultancy arrangements with experts working full time on AER matters in our offices. It also excludes IT consultancy contracts, corporate consultancy contracts and consultancy contracts entered by the ACCC infrastructure regulation division for expert advice on regulatory economics issues (many of which relate to matters before the AER board). Most consultancy expenditure typically arises in the networks space, where we draw on experts to assist on complex issues for our guidelines and to assess network businesses' proposals.

While we make significant use of in-house legal expertise, we engage external lawyers for appeals to the Australian Competition Tribunal and the courts, enforcement matters and ad hoc advice. Our total expenditure on external lawyers in 2015–16 was \$2.8 million (GST exclusive). This figure excluded external legal advice sought by the corporate area (on human resource matters, for example).

The composition of consultancy and external legal expenditure in 2015–16 differed sharply from previous years, with network legal issues absorbing 60 per cent of the budget, compared with 2 per cent in 2014–15. The increase reflects the impact of legal appeals against 12 of our regulatory decisions during the year. Consultancy and legal expenditure in most other program areas was relatively lower in 2015–16, notably in compliance and enforcement (down from 9 per cent to zero) and networks oversight (down from 14 per cent to 1 per cent).

Figure 17 Consultancy and external legal expenditure, by AER work area, 2015–16



Expenditure on travel

We spent \$0.3 million on travel in 2015–16. This expenditure was mostly on domestic travel, and included travel by board members, travel allowance, flights, ground travel and accommodation.

Employee costs

Total wage and associated costs (for example, leave entitlements and superannuation) for AER staff were \$17.9 million for 2015–16. 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.

PART 7
APPENDIXES

Appendix 1 – AER submissions

SUBMISSIONS TO COAG ENERGY COUNCIL REVIEWS

Review of Enforcement Regimes (Consultation paper) – 9 June 2016

Governance Arrangements for Australian Energy Markets (draft report) – 1 September 2015

SUBMISSIONS TO RULE CHANGE PROCESSES

AER rule change request proposes to strengthen replacement expenditure planning arrangements – 30 June 2016

Five minute settlement (consultation paper) – 16 June 2016

AER rule change request proposes extending the next rate of return guideline review date – 6 June 2016

Meter read and billing frequency (draft determination) – 12 May 2016

Compliance with dispatch instructions (draft determination) – 11 February 2016

Meter read and billing frequency (consultation paper) – 28 January 2016

Review frequency for the template for generator compliance programs (consultation paper) – 16 November 2015

Bidding in good faith (second draft determination) – 30 October 2015

Embedded networks (draft determination) – 29 October 2015

Compliance with dispatch instructions (consultation paper) – 23 October 2015

Expanding competition in metering & related services (additional consultation) – 30 September 2015

Aligning network and retail tariff structures for small customers (draft determination) – 24 August 2015

Demand management incentive scheme (draft determination) – 9 July 2015

SUBMISSIONS TO AEMC REVIEWS

East Coast Wholesale Gas Market and Pipeline Frameworks Review (draft reports) – 12 February 2016

OTHER SUBMISSIONS

Queensland Department of Energy & Water Supply – consultation Regulatory Impact Statement – 21 January 2016

Appendix 2 – News releases and speeches

NEWS RELEASES FOR 2015–16

| Title | Date |
|-----------------------------------------------------------------------------------------------------------------------------|------------------|
| AER issues final decision for AGN's South Australian gas distribution network | 26 May 2016 |
| AER issues final decisions for Victorian electricity distributors | 26 May 2016 |
| AER issues final decision for ActewAGL's gas distribution network | 26 May 2016 |
| AER finalises network charges in the ACT and NSW from 1 July 2016 | 17 May 2016 |
| ERM Power pays penalty for alleged failure to follow dispatch instructions | 11 May 2016 |
| GO ENERGY gas authorisation revoked | 4 April 2016 |
| Former GO ENERGY electricity customers transferred to new retailers | 2 April 2016 |
| AER appeals against electricity and gas price decisions | 24 March 2016 |
| Red Energy pays \$40 000 penalty for failing to inform customers of options and failing to obtain explicit informed consent | 22 March 2016 |
| Origin Energy pays penalty for alleged failure to follow dispatch instructions | 2 March 2016 |
| AER statement on Australian Competition Tribunal decisions | 26 February 2016 |
| Three electricity distribution networks pay penalties totalling \$160 000 for alleged breaches of life support obligations | 11 February 2016 |
| Federal Court dismisses SA Power Networks' application to review the AER's pricing decision | 23 December 2015 |
| AER publishes State of the energy market 2015 report | 18 December 2015 |
| Lower network charges for Victorian electricity customers in 2016 | 16 December 2015 |
| AER publishes Victorian distribution networks tariff structure statements | 3 December 2015 |
| Essential Energy and TasNetworks to improve processes to protect life support customers | 2 December 2015 |
| AER seeks views on draft decision for AGN's South Australian Gas Network | 26 November 2015 |
| AER seeks views on draft decision for ActewAGL Distribution's gas network | 26 November 2015 |
| AER seeks views on draft decision for the Amadeus Gas Pipeline | 26 November 2015 |
| AER releases 2014-15 annual retailer performance and compliance reports | 23 November 2015 |
| Simply Energy pays \$80 000 in penalties for alleged failure to obtain explicit informed consent | 9 November 2015 |
| AER issues preliminary decisions for Victoria | 29 October 2015 |
| AER issues final decisions for Queensland | 29 October 2015 |
| AER issues final decision for South Australia | 29 October 2015 |
| AER accepts undertaking from Endeavour Energy to improve processes to protect life support customers | 11 August 2015 |
| Queenslanders could save hundreds of dollars by comparing energy prices | 5 August 2015 |

PUBLISHED SPEECHES, 2015–16

Paula Conboy delivered a speech at a Committee for Economic Development of Australia event, 'Tariff Reform: Developing equitable energy pricing', Sydney, 2 Jul 2015

Paula Conboy delivered a speech at the Energy Networks Association Regulation Seminar, 'Energy regulatory framework supports market change', Brisbane, 5 August 2015

OTHER PRESENTATIONS, 2015–16

Paula Conboy delivered a speech at the Inaugural Ceremony of Collaboration between Australia and Bangladesh Energy and Power Sectors, Melbourne, 27 July 2015

Paula Conboy was guest speaker at a Women's Infrastructure Network Luncheon, Melbourne, 11 August 2015

Jim Cox gave a presentation at the SACOSS Consumer Engagement in Energy and Water Regulation Conference, Adelaide, 18 August 2015

Michelle Groves delivered a keynote address at an Electric Energy Society of Australia Industry Event - New and Emerging Technologies, Melbourne, 20 August 2015

Paula Conboy participated in a panel session at the Energy in Western Australia Conference, Perth, 26 August 2015

Jim Cox delivered a presentation at the Energy Users Association of Australia National Energy Conference, Sydney, 6 October 2015

Jim Cox participated in a panel session at the All Energy Conference, Melbourne, 8 October 2015

Paula Conboy was guest speaker at a Morgan Stanley Boardroom Lunch, Sydney, 12 November 2015

Paula Conboy was guest speaker at a Commonwealth Bank of Australia Boardroom Lunch, Melbourne, 17 November 2015

Paula Conboy was guest speaker at an RBC Investor Lunch, Melbourne, 2 February 2016

Paula Conboy was guest speaker at an Institute of Public Affairs Energy Forum, Melbourne, 3 February 2016

Paula Conboy was a discussant for a session at a Frontier Economics Incentives and Innovation seminar, Brisbane, 15 February 2016

Cristina Cifuentes was a discussant for a session at a Frontier Economics Incentives and Innovation seminar, Canberra, 17 February 2016

Jim Cox was a discussant for a session at a Frontier Economics Incentives and Innovation seminar, Sydney, 18 February 2016

Jim Cox was a discussant for a session at a Frontier Economics Incentives and Innovation seminar, Melbourne, 19 February 2016

Paula Conboy delivered a keynote address at the Electricity Storage Future Forum, Sydney, 23 February 2016

Michelle Groves participated in a panel session at the 2016 National Consumer Congress, Sydney, 16 March 2016

Paula Conboy participated in a panel session at the Energy Networks Association Energy Networks Australia Conference 2016, Adelaide, 19 May 2016

Michelle Groves delivered a speech at the Australian Institute of Energy CEO Breakfast Series, Melbourne, 24 May 2016

Appendix 3—Decisions, reports and consultations

ELECTRICITY TRANSMISSION DECISIONS

- Final decision: Cost thresholds review for the regulatory investment test, November 2015
- Decision: Approved a cost pass through for TransGrid related to network support for 2014–15, November 2015
- Decision: Approved a cost pass through for ElectraNet related to network support for 2014–15, November 2015
- Decision: Approved a cost pass through for AusNet Services related to easement land tax for 2016, March 2016

ELECTRICITY DISTRIBUTION DECISIONS

- Decision: Approved the cost allocation method for Energex for 2014, July 2015
- Decision: Victoria F-factor amount determinations for 2014, September 2015
- Decision: Approved AusNet Services' negative cost pass through application related to reduced taxation costs, October 2015
- Final decision: SA Power Networks determination 2015–2020, October 2015
- Final decision: Energex determination for 2015–2020, October 2015
- Final decision: Ergon Energy determination for 2015–2020, October 2015
- Preliminary decision: United Energy distribution determination for 2016–20, October 2015
- Preliminary decision: Powercor distribution determination for 2016–20, October 2015
- Preliminary decision: AusNet distribution determination for 2016–20, October 2015
- Preliminary decision: CitiPower distribution determination for 2016–20, October 2015
- Preliminary decision: Jemena distribution determination for 2016–20, October 2015
- Final decision: Cost thresholds review for the regulatory investment test, November 2015
- Decision: Approved a cost pass through for Ausgrid related to the April 2015 storms, December 2015
- Decision: Approved a cost pass through for Energex related to feed-in tariffs for 2014–15, December 2015
- Decision: Approved a cost pass through for Ergon Energy related to feed-in tariffs for 2014–15, December 2015
- Decision: Approved annual tariffs for 2016 for Victorian businesses, December 2015
- Decision: Ergon Energy - Ring fencing waiver 2015, February 2016
- Decision: Energex - Ring fencing waiver 2015, March 2016
- Decision: Ergon Energy - Determination on whether a scheme is a jurisdictional scheme, April 2016
- Decision: Energex - Determination on whether a scheme is a jurisdictional scheme, April 2016
- Decision: Approved a cost pass through for AusGrid related to an extension of the time limit to submit its 2016 application, April 2016
- Decision: Approved a cost pass through for Essential Energy related to an extension of the time limit to submit its 2016 application, April 2016
- Decision: Approved a cost pass through for Endeavour Energy related to an extension of the time limit to submit its 2016 application, April 2016

- Decision: Approved demand management incentive scheme expenditure for 2014, 2013–14 and 2014–15, April 2016
- Final decision: United Energy distribution determination for 2016–20, May 2016
- Final decision: Powercor distribution determination for 2016–20, May 2016
- Final decision: AusNet distribution determination for 2016–20, May 2016
- Final decision: CitiPower distribution determination for 2016–20, May 2016
- Final decision: Jemena distribution determination for 2016–20, May 2016
- Decision: Approved annual tariffs for 2016–17 for NSW, ACT and Northern Territory businesses, May 2016
- Decision: Approved annual tariffs for 2016–17 for Queensland and Tasmanian businesses, June 2016

GAS TRANSMISSION AND DISTRIBUTION DECISIONS

- Decision: Approved a cost pass through for Multinet related to gas mains replacement, September 2015
- Final decision: Amadeus Gas Pipeline access arrangement for 2016–21, May 2016
- Final decision: ActewAGL (ACT, Queanbeyan and Palerang) access arrangement for 2016–21, May 2016
- Final decision: Australian Gas Networks (SA) access arrangement for 2016–21, May 2016
- Decision: Approved annual tariffs for 2016 for Victorian businesses, December 2015
- Decision: Approved annual tariffs for 2016–17 for NSW and Queensland businesses, May 2016

RETAIL ENERGY MARKET DECISIONS

- Granted Savant Energy Power Networks Pty Limited an electricity retailer authorisation, 3 July 2015
- Granted Cell Energy an individual exemption for the sale of electricity, July 2015
- Granted GPT Funds Management 2 Pty Ltd an individual exemption for the sale of electricity, July 2015
- Granted Standard Solar Pty Ltd an individual exemption for the sale of electricity, July 2015
- Granted Puma Energy (Australia) Pty Ltd (QLD) an individual exemption for the sale of electricity, July 2015
- Appointed a default Retailer of Last Resort for electricity customers in Queensland and NSW on the Ergon Energy network, July 2015
- Granted 1st Energy Pty Ltd an electricity retailer authorisation, 14 August 2015
- Granted Urth Energy Pty Ltd an electricity retailer authorisation, 21 August 2015
- Granted Mojo Power Pty Ltd an electricity retailer authorisation, 25 September 2015
- Granted Global Clean Energy Finance an individual exemption for the sale of electricity, September 2015
- Granted Scenergy an individual exemption for the sale of electricity, September 2015
- Granted GoZERO Asset Management Pty Ltd an individual exemption for the sale of electricity, September 2015
- Granted Solar Cloud an individual exemption for the sale of electricity, September 2015
- Granted Aeronergy Pty Ltd an individual exemption for the sale of electricity, September 2015
- Granted Atonray Pty Ltd an individual exemption for the sale of electricity, September 2015
- Granted Habitat Energy Systems Pty Ltd an individual exemption for the sale of electricity, September 2015

- Granted P.T. Limited (Westfield Chatswood) an individual exemption for the sale of electricity, October 2015
- Granted P.T. Limited (Westfield Tuggerah) an individual exemption for the sale of electricity, October 2015
- Granted Scentre Custodian Pty Limited (Westfield Kotara) an individual exemption for the sale of electricity, October 2015
- Granted Scentre Management Limited (Westfield Bondi) an individual exemption for the sale of electricity, October 2015
- Granted Scentre Management Limited (Westfield Hurstville) an individual exemption for the sale of electricity, October 2015
- Granted Lend Lease Recycled Water (Barangaroo South) Pty Ltd an individual exemption for the sale of electricity, October 2015
- Granted TVS Energy an individual exemption for the sale of electricity, October 2015
- Granted Agri Energy Pty Ltd an individual exemption for the sale of electricity, October 2015
- Granted Global Clean Energy Finance an individual exemption for the sale of electricity, October 2015
- Granted Intelligent Energy Solutions Pty Ltd an individual exemption for the sale of electricity, October 2015
- Granted Quantum Power Pty Ltd an individual exemption for the sale of electricity, October 2015
- Granted ElectrAg Pty Ltd an electricity retailer authorisation, 19 November 2015
- Granted Stockland Property Management Pty Ltd (Bathurst) an individual exemption for the sale of electricity, November 2015
- Appointed default Retailers of Last Resort for South Australia (electricity and gas), December 2015
- Appointed default Retailers of Last Resort for customers directly connected to transmission networks in South Australia, NSW, Queensland and Tasmania, December 2015
- Granted Enova Energy Pty Ltd an electricity retailer authorisation, 14 January 2016
- Granted Power Savings Australia Pty Ltd an individual exemption for the sale of electricity, January 2016
- Granted Energus Pty Ltd an individual exemption for the sale of electricity, January 2016
- Granted Simple Solar Pty Ltd an individual exemption for the sale of electricity, January 2016
- Granted Belmay Pty Ltd an individual exemption for the sale of electricity, January 2016
- Granted Eurosolar an individual exemption for the sale of electricity, January 2016
- Granted Lighting and Energy Conservation Australia an individual exemption for the sale of electricity, January 2016
- Granted Think Energy an individual exemption for the sale of electricity, January 2016
- Granted Nu-tility an individual exemption for the sale of electricity, January 2016
- Granted 5B Energy Services Pty Ltd an individual exemption for the sale of electricity, January 2016
- Granted The Trustee for Citisolar NSW Unit Trust an individual exemption for the sale of electricity, January 2016
- Granted The Trustee for Citisolar Unit Trust an individual exemption for the sale of electricity, January 2016
- Granted The Trustee for Citisolar South Australia Unit Trust an individual exemption for the sale of electricity, January 2016
- Granted The Trustee for Citisolar Townsville Unit Trust an individual exemption for the sale of electricity, January 2016
- Granted Sanctus One Pty Ltd an individual exemption for the sale of electricity, January 2016
- Granted Excel Solar Pty Ltd an individual exemption for the sale of electricity, January 2016

- Granted Thomas Wolf Energy Pty Ltd an individual exemption for the sale of electricity, January 2016
- Granted SparQ Pty Ltd (Sumo Power) an electricity retailer authorisation, 24 February 2016
- Granted Click Energy a gas retailer authorisation, 24 March 2016
- Granted Simply Energy Solutions Pty Ltd an individual exemption for the sale of electricity, March 2016
- Granted Urth Solar Pty Ltd an individual exemption for the sale of electricity, March 2016
- Granted Arc Energy Group Pty Ltd (NSW) an individual exemption for the sale of electricity, April 2016
- Appointed a default Retailer of Last Resort for gas customers in NSW on the Jemena Gas Networks (NSW) network, April 2016
- Appointed an additional Retailer of Last Resort to acquire small customers in NSW following the Go Energy Ltd Retailer of Last Resort event, April 2016
- Granted Scentre Shopping Centre Management Pty Ltd (Westfield Warringah Mall) an individual exemption for the sale of electricity, May 2016
- Granted Scentre Shopping Centre Management Pty Ltd (Westfield Burwood) an individual exemption for the sale of electricity, May 2016
- Granted Scentre Shopping Centre Management Pty Ltd (Westfield Parramatta) an individual exemption for the sale of electricity, May 2016
- Granted Scentre Shopping Centre Management Pty Ltd (Westfield Liverpool) an individual exemption for the sale of electricity, May 2016
- Granted Scentre Shopping Centre Management Pty Ltd (Westfield Penrith) an individual exemption for the sale of electricity, May 2016
- Granted Stockland Property Management Pty Ltd (Shellharbour) an individual exemption for the sale of electricity, May 2016
- Granted Stockland Property Management Pty Ltd (Merrylands) an individual exemption for the sale of electricity, May 2016
- Granted Stockland Trust Management Ltd (Wetherill Park) an individual exemption for the sale of electricity, June 2016
- Granted RTA Weipa Pty Ltd (QLD) an individual exemption for the sale of electricity, June 2016

REPORTS

- Electricity industry RoLR exercise report, July 2015
- AER Annual Report 2014–15, September 2015
- ACCC and AER Annual Report 2014–15, October 2015
- Roll forward model (transmission) amendment, October 2015
- Compliance Check - entering into retail contracts and explicit informed consent, November 2015
- AER annual report on the performance of the retail energy market 2014–15, November 2015
- AER National Energy Retail Law annual compliance report 2014–15, November 2015
- Prices above \$5000/MWh - 23 September 2015 (NSW), November 2015
- Transmission and distribution network service providers 2015 benchmarking report, November 2015
- State of the energy market 2015, December 2015
- Prices above \$5000/MW - 11, 12 and 25 October 2015 (SA), December 2015
- Gas industry RoLR exercise report, July 2015
- FCAS prices above \$5000/MW - 1 November 2015 (SA), February 2016
- Overview of gas network annual compliance reports 2014–15, February 2015

- Prices above \$5000/MWh - 13 January 2016 (SA/Vic), March 2016
- Prices above \$5000/MWh - 14 January 2016 (NSW), March 2016
- Victorian electricity distribution businesses' public fire start reports 2015, April 2016
- Significant price variation report - 13 and 23 January 2016 (Sydney STTM), May 2016
- FCAS prices above \$5000/MWh - 26 March 2016 (SA), May 2016
- Transmission service standards compliance reports 2015, TasNetworks, Powerlink, AusNet Services, Murraylink, May 2016
- AER statement of intent 2016–17, June 2016
- Quarterly compliance report: national electricity and gas laws, August 2015, November 2015, February 2016, May 2016
- Economic Benchmarking RIN information and Category Analysis RIN information, August 2015, November 2015, December 2015, May 2016
- Electricity reports, weekly
- Gas reports, weekly

GUIDELINES AND OTHER CONSULTATION

- Retailer of Last Resort plan (version 4), July 2015
- Retail Pricing Information Guidelines (version 4) and Notice of Final Instrument, August 2015
- Service Target Performance Incentive Scheme (version 5), September 2015
- Retail Exempt Selling Guideline (version 4), March 2016