



AER STRATEGIC PLAN AND WORK PROGRAM 2009–11



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AUSTRALIAN
ENERGY
REGULATOR

Australian Competition and Consumer Commission
23 Marcus Clarke Street, Canberra, Australian Capital Territory, 2601

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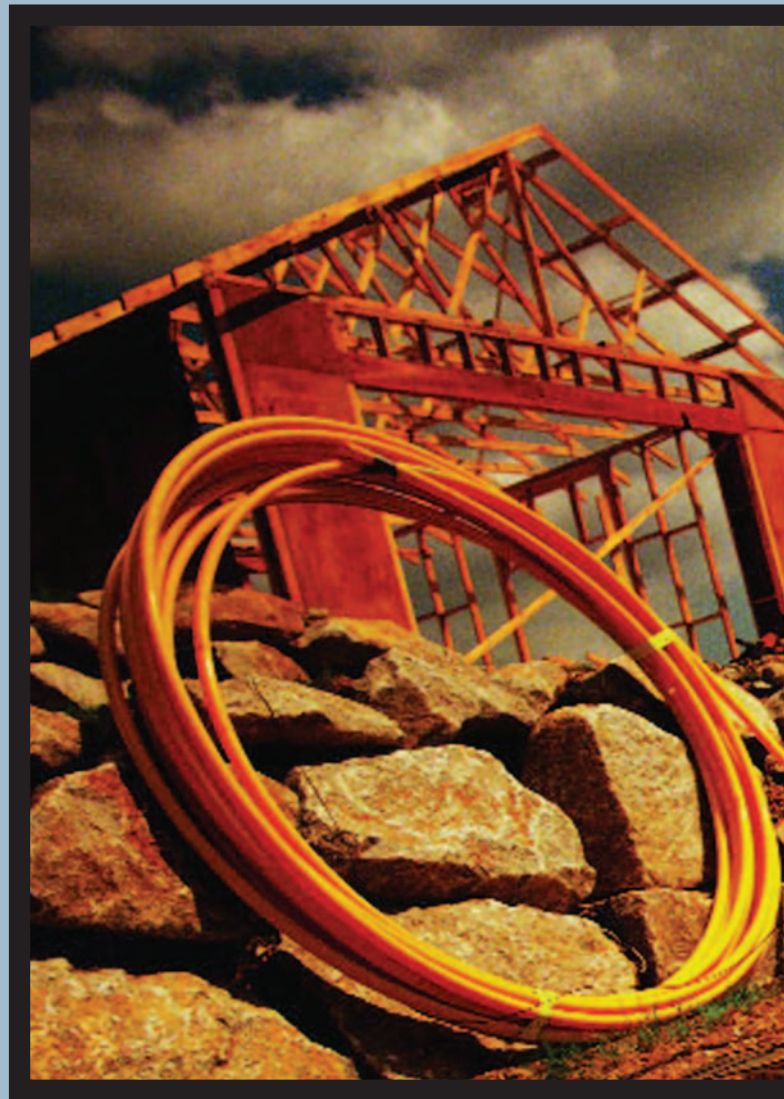
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THE AER

The Australian Energy Regulator (AER) is Australia's independent national energy market regulator. It began operation on 1 July 2005. The AER is an independent statutory authority and administratively part of the Australian Competition and Consumer Commission (ACCC) under Part IIIA of the *Trade Practices Act 1974*.

Our vision is to be recognised as a world's best practice energy regulator. Our overall goal is to promote efficient investment and prices in the Australian energy sector to benefit the long-term interests of energy consumers.

The *2009–11 Strategic plan and work program* sets out our corporate goals and priorities to achieve this vision and our expected work program for the period 1 July 2009 to 30 June 2011.





OVERVIEW OF ACTIVITIES



The AER's key activities are set out below.

ECONOMIC REGULATION

The AER is responsible for:

- determining the revenues of electricity transmission network businesses from prescribed services in the National Electricity Market (NEM)
- determining the revenues of electricity distribution network businesses for services provided by networks that form part of the national grid
- approving access arrangements and tariffs for covered natural gas pipelines in all jurisdictions except Western Australia
- developing and applying service incentive regimes and ring-fencing policies, undertaking annual compliance reviews, and other functions associated with economic regulation
- certain regulatory roles under the Victorian energy distribution regulatory framework, including setting distribution tariffs and enforcing licence conditions (the AER may also be given roles in other states).

MARKET MONITORING, COMPLIANCE AND ENFORCEMENT

The AER:

- monitors the wholesale NEM and gas markets
- monitors compliance with national energy market legislation and legislative instruments—including the National Electricity Law (NEL), the National Electricity Rules (NER), the National Gas Law (NGL) and National Gas Rules (NGR)
- brings enforcement proceedings against market participants for breaches of the law or rules.

PUBLICATION OF INFORMATION

The AER produces:

- the annual *State of the energy market* report
- the annual regulatory report on the electricity transmission sector
- weekly electricity and gas monitoring reports
- documents covering revenue determinations and access arrangements
- guidelines

- compliance reports
- speeches and media releases.

These and other publications are available on the AER website (www.aer.gov.au).

ASSISTING THE ACCC

The AER assists the ACCC with energy-related issues arising under the Trade Practices Act, including assistance with assessing mergers, acquisitions and agreements.

OUR FUTURE ROLE IN RETAIL AND DISTRIBUTION NON-PRICE REGULATION

The AER will assume responsibility for non-price retail and distribution monitoring, and compliance and enforcement functions as part of the national energy customer framework. The scope of the AER's role will be defined in legislation and rules that are being drafted in 2009. The AER is preparing for the handover of these functions.

BACKGROUND ON ENERGY MARKET REFORM

On 8 June 2001, the Council of Australia Governments (COAG) established a Ministerial Council on Energy (MCE) to drive energy reform, including the potential to harmonise regulatory arrangements. Following an independent review of energy market directions, COAG entered into the Australian Energy Market Agreement (AEMA) on 30 June 2004.

The AEMA established two new institutions to oversee Australia's energy market. The AER was established as the national economic regulator and the body responsible for monitoring and enforcing national energy legislation. The AER is an independent legal entity located within the ACCC. The Australian Energy Market Commission (AEMC) was established to undertake rule making and energy market development.

The AEMA provided for a new national legislative framework for electricity and gas. The National Electricity Law (NEL) and new National Electricity

Rules (NER) commenced in 2005. The National Gas Law (NGL) and National Gas Rules (NGR) commenced in 2008. Legislation to transfer non-price retail and distribution functions to the AER is being progressed in 2009.

Reforms in 2009 have also seen the National Energy Market Management Company (NEMMCO) rolled into a new organisation—the Australian Energy Market Operator (AEMO)—which operates gas and electricity markets in southern and eastern Australia. The new body has acquired the functions of the Victorian Energy Networks Corporation (VENCorp), the NSW and ACT Gas Market Company, South Australia's Electricity Supply Industry Planning Council and the South Australian functions of the Retail Energy Market Company (REMCo).

Further information on participants and instruments in the energy market is set out in Appendix B.



OUR STRUCTURE

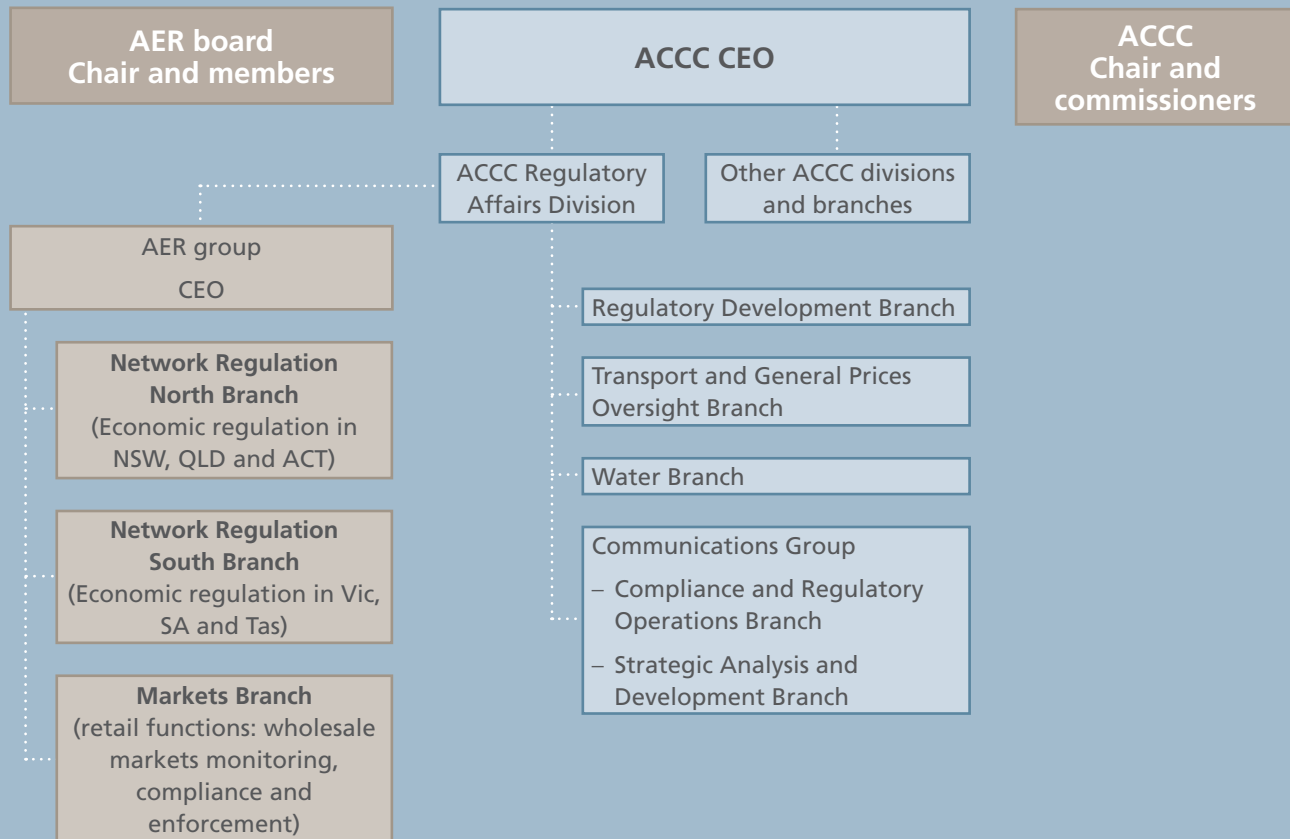
The AER is established under the *Trade Practices Amendment (Australian Energy Market) Act 2004*. The AER comprises three members—collectively referred to as the board—who are statutory appointees. The ACCC is responsible for ensuring the AER has the resources (including staff) that it needs. The AER board advises the ACCC on its requirements.

The AER board is responsible for decisions about statutory functions. Matters considered by the board include regulatory decisions such as revenue and price caps and access arrangement approvals, decisions on enforcement matters, guidance on the approach to compliance, approval of major publications and submissions, and oversight of delegations.

The AER group of the ACCC is responsible for providing timely, quality advice to the AER board to support its decision-making responsibilities. The AER group, in consultation with the board, is responsible to the ACCC for governance and efficient management of resources. Three branches sit within the AER group, with staff located in Melbourne, Canberra, Adelaide, Sydney and Brisbane.

The structure of the AER and the AER/ACCC relationship is detailed in figure 1.

FIGURE 1: AER STRUCTURE AND RELATIONSHIP TO THE ACCC



AER BOARD



STEVE EDWELL

Steve Edwell was appointed by the Ministerial Council on Energy as inaugural chair of the AER, a five-year position he has held since 23 May 2005.

Steve has over 15 years experience in reform of utilities, in particular electricity and water, where he has driven a number of comprehensive reform projects, and has worked in both the public and private sectors.

From 1988 to 1998 Steve worked in Queensland treasury, holding the position of Assistant Under Treasurer Structural Reform. Subsequently, Steve has taken various contracted positions in the utilities sector and has acted as a consultant on a range of electricity and water matters, specialising in large-scale reform implementation.

Immediately before his appointment to the AER board, Steve worked for the Western Australian Government leading the implementation of comprehensive electricity reform. Steve was also the CEO of the Queensland Electricity Reform Unit, which implemented a range of electricity reforms culminating in Queensland joining the National Electricity Market. His other assignments have included implementing the COAG water reforms for the Queensland Government and appointment as head of the Queensland Office of Energy.

Steve has a commerce/economics degree from University of New South Wales and an MBA from University of Queensland.



ED WILLETT

Part IIIAA of the Trade Practices Act provides that one of the members of the AER must be a commissioner of the ACCC.

Ed Willett was reappointed as an ACCC commissioner in June 2008 for a second five-year term. He was also reappointed for a second five-year term as an AER member. Before his original appointment in 2003, Ed was the inaugural executive director of the National Competition Council for seven years. Previously, he worked as an assistant commissioner with the Industry Commission, helped develop the Commonwealth Department of Industry, Science and Technology's role in business law and regulation, spent three years as deputy head of the Commonwealth Office of Regulation Review, and was involved in other Industry Commission inquiry work and research.

Ed also spent three years with the New Zealand Ministry of External Relations and Trade as an advisor on international economics and trade, and eight years as an economist with the Department of Defence. Ed has degrees in law and economics and a postgraduate diploma in international law.



ANDREW REEVES

Andrew Reeves was appointed as the part-time state/territory member of the AER for a five-year term on 17 July 2008. Before his appointment, Andrew had been commissioner of the Tasmanian Government Prices Oversight Commission and regulator of the Tasmanian electricity supply industry, responsible for technical and economic regulation including performance standards and prices for distribution services and retail tariffs.

Additional responsibilities of the commission included regulation of the Tasmanian natural gas industry and investigations of the pricing policies of water authorities, the public transport operator and the provider of motor vehicle accident personal injury insurance. The commission also carried out occasional investigations of energy prices and analysis of proposed energy sector reforms at the request of government.

Until 2005, Andrew was an Associate Commissioner of the ACCC. His previous government appointments included Director Energy Policy and Mineral and Petroleum Development.

His first professional discipline was engineering, and he has postgraduate qualifications in economics.

OUR OPERATING ENVIRONMENT

The AER operates under the Trade Practices Act, and its functions are set out in the national energy market legislation and rules. The AER will also assume new functions in electricity and gas retail markets under the national energy customer framework.

The AER is one of several institutions with a role in the energy market. Other agencies determine energy law (MCE), determine the rules (AEMC), decide what is regulated (ministers, National Competition Council), operate the electricity market (AEMO), apply technical regulation such as safety regulation (jurisdictional regulators) and apply competition law (ACCC).

The AER recognises the importance of maintaining close working relationships with other agencies in

the energy sector. To achieve this, a memorandum of understanding (MOU) has been agreed between the AER, ACCC and AEMC. The MOU is a public document that facilitates consultation, information sharing, cooperation, regular meetings and staff exchange.

The AER is working closely with the new Australian Energy Market Operator (AEMO) and will establish a MOU to outline the relationship and methods of cooperation. The AER also intends to establish MOUs for cooperative working relationships with the National Gas Market bulletin board operator¹ and various dispute resolution bodies.

The AER's decisions are subject to merits review.

¹ This function sits within AEMO, but will be covered by a separate MOU.

OUR VISION

Our vision is to be recognised as a world best practice energy regulator.

OUR VALUES

COMPETENCE

We take pride in our people and the way we perform our role. We will develop expertise and continuously work to improve our performance.

COOPERATION

We work cooperatively with other authorities responsible for energy market development and operation.

RESPECT

We operate with honesty and integrity and treat people with respect.

CONSULTATION

We are consultative and seek to engage effectively with our stakeholders. We aim to ensure our processes are inclusive and transparent.

PERFORMANCE

We focus on achieving quality outcomes in a timely way.

VIGILANCE

We closely monitor energy markets to ensure efficient investment and price outcomes that benefit the long-term interests of consumers.

PUBLIC SERVICE

We adhere to the Australian Public Service values and code of conduct.

OUR GOALS

Our overall goal is to promote efficient investment and prices in the Australian energy sector to benefit the long-term interests of energy consumers. For 2009 to 2011 we have set ourselves the following specific goals.

1 PROVIDE CLEAR, TIMELY AND CONSISTENT REGULATORY DECISIONS

We aim to make timely and consistent decisions in the economic regulation of electricity and gas networks. We aim to ensure we have sound project planning and monitoring processes in place to enable us to regulate 40 energy transmission and distribution businesses effectively, fairly and efficiently. We will implement regulatory incentive regimes that encourage efficient service provision and investment for the benefit of consumers.

2 PROMOTE COMPLIANCE

We aim to engage with stakeholders to promote a culture of compliance with energy laws, rules and other obligations. We will suggest ways to improve compliance and publish compliance reports to highlight potential areas of concern.

3 TRANSPARENT, FAIR AND EFFECTIVE ENFORCEMENT

We will use a variety of tailored mechanisms to ensure a high level of compliance with energy laws, rules and other obligations. We will thoroughly investigate breaches and potential breaches and strive for a proportionate response. Where necessary, we will engage in rigorous enforcement action in a fair and effective manner.

4 ASSIST ENERGY BUSINESSES AND CONSUMERS TO UNDERSTAND THE INDUSTRY AND LEGAL FRAMEWORK AND THE AER'S ROLE

We will continue to develop guidelines that clearly set out how we will perform our duties, functions and powers. These guidelines will be developed in consultation with customer groups, regulated businesses, industry associations and other stakeholders. Decisions will clearly set out the reasons why they were made and identify all material relied on. Decisions will be made public, subject to necessary confidentiality requirements.



5 PROVIDE HIGH QUALITY, RELEVANT INFORMATION ABOUT THE ENERGY SECTOR

We will publish clear, accessible and relevant information on energy market activity and outcomes, to be sourced from our economic regulatory work as well as market monitoring and compliance.

6 DEVELOP EFFECTIVE WORKING RELATIONSHIPS WITH CUSTOMER GROUPS AND INDUSTRY BODIES

We will work closely with the AEMC, AEMO, state and territory regulators, energy customers, small customer dispute resolution schemes/ombudsmen and industry bodies to promote the efficient regulation and operation of energy markets. We will develop and apply MOUs that outline the relationships between our organisations.

7 PREPARE FOR IMPLEMENTATION OF THE NATIONAL ENERGY CUSTOMER FRAMEWORK

We will prepare for the implementation of the national energy customer framework, which will see the AER take on significant non-price regulatory roles in retail and distribution.

8 PROVIDE FOR A MOTIVATING WORKPLACE

We recognise that our staff are crucial to delivering our vision. A high priority for us is the employment, retention and training of staff and the provision of a motivating workplace, free from discrimination and harassment.

WORK PROGRAM FOR 2009–11

NETWORK REGULATION

The AER is responsible for the economic regulation of electricity transmission and distribution services in the NEM. This includes making transmission and distribution determinations, developing guidelines and approving distribution loss factors.

The AER is also responsible for the economic regulation of gas transmission and distribution services in all jurisdictions except Western Australia.² This includes the assessment of access arrangements and associate contracts, the conduct of annual tariff reviews, assisting in access disputes and monitoring compliance with ring-fencing obligations.

ELECTRICITY TRANSMISSION DETERMINATIONS

Transmission network businesses must periodically apply to the AER to determine their maximum allowed revenues. A determination covers a minimum of five years. Thirteen months before the end of its current regulatory control period, a network business must submit to the AER a revenue proposal, a proposed negotiation framework and proposed pricing methods for prescribed transmission services. The AER must publish a draft decision within six months of receiving

a revenue proposal and issue a final decision at least two months before the beginning of the next regulatory period.

A new determination for the Queensland network (Powerlink) will cover the period from 1 July 2012 to 30 June 2017. Preparatory work will begin in the second half of 2010.

In addition to revenue determinations, the AER assesses the proposals of network businesses on prudent discount applications, cost pass-throughs, revenue re-openers and contingent projects. Chapter 6A of the NER sets out the process and timeframes by which the AER makes such assessments.

ELECTRICITY DISTRIBUTION DETERMINATIONS

Distribution network businesses must periodically apply to the AER to determine their total revenue requirements for periods of at least five years.

The AER prepares and publishes a framework and approach paper for each determination. This process begins 24 months before the end of the current regulatory period and takes about five months.

The network business must then submit a compliant regulatory proposal and a proposed negotiation framework for distribution services at least 13 months before the end of the current regulatory control period.

² This regulatory role applies only to pipelines covered under the national gas rules.

We have begun to assess the Queensland (ENERGEX and Ergon Energy) and South Australian (ETSA Utilities) distribution determinations. This process, which will conclude in June 2010, will set allowable revenues for the period from 1 July 2010 to 30 June 2015.

For the Victorian networks (CitiPower, Powercor, Jemena, SP AusNet³ and United Energy) the next determinations are due to take effect on 1 January 2011. We have completed the framework and approach process for these determinations. The formal review process will commence in the fourth quarter of 2009 and will be completed in late 2010.

The next Tasmanian distribution determination (Aurora Energy) applies from 1 July 2012 to 30 June 2017. We will develop the framework and approach paper in the third quarter of 2010 and the main determination process will take place in 2011.

Appendix A sets out the public review timeframes for these determinations.

The AER is responsible for determining the initial budgets and charges associated with the rollout of advanced metering infrastructure in Victoria. This rollout is mandated by the Victorian government and is being undertaken by the distribution businesses. We have released a final framework and approach paper,

and have received the network budget allocations. We will assess budget applications and charges for the first advanced metering regulatory period—1 January 2009 to 31 December 2011.

GAS ACCESS ARRANGEMENTS

The AER became the economic regulator for gas transmission and distribution pipelines on 1 July 2008 in all states and territories except Western Australia.

Operators of covered gas transmission and distribution pipelines are required to submit an initial access arrangement and revise these access arrangements periodically. The revisions generally occur once every five years as scheduled reviews, but can occur more frequently.

Pipeline operators must submit an access arrangement which establishes the reference tariff (price) and non-tariff terms and conditions of access to the pipeline. The AER has six months (excluding stop-the-clock time) to make a decision to approve an access arrangement proposal. This can be extended a further two months, with a maximum time of 13 months.

³ SP AusNet is the trading name for SPI Electricity Pty Ltd.

WORK PROGRAM FOR 2009–11

In the period 2009 to 2011, scheduled reviews of gas access arrangements relate to:

- variations to Victoria's GasNet transmission system (due for completion in the third quarter of 2009)
- Jemena's NSW distribution network (submissions on revisions due 30 June 2009)
- ActewAGL's ACT distribution network (submissions also due 30 June 2009)
- Country Energy's Wagga Wagga distribution network (submissions due 1 July 2009)
- the Central West gas transmission pipeline (submissions due 6 May 2010)
- Allgas' Queensland distribution network (submissions due 30 September 2010)
- Envestra's Queensland and South Australian distribution networks (submissions due 1 October 2010)
- the Amadeus to Darwin transmission pipeline (submissions due 1 January 2011).

AER ROLES UNDER THE VICTORIAN REGULATORY FRAMEWORK

Under Victorian legislation and legislative instruments, the AER undertakes certain regulatory functions of Victoria's Essential Services Commission in electricity and gas distribution. The AER's role includes:

- publication of performance reports and compliance status reports
- approval of electricity distributors' applications for exclusions from the Victorian service incentive scheme
- resolving customer disputes on network access
- publication of other special investigation findings reports, where relevant.



MARKET MONITORING, COMPLIANCE AND ENFORCEMENT

One of the AER's roles is to ensure compliance with the legislation and rules for the wholesale electricity and gas markets. To fulfil this role, the AER monitors those markets, and takes enforcement action for breaches.

MONITORING

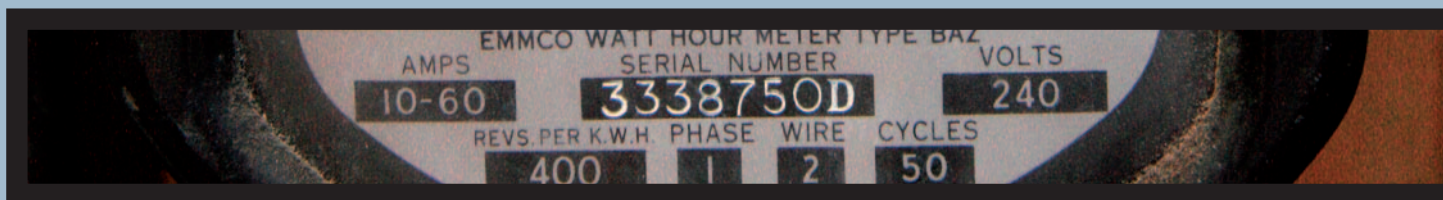
By monitoring market activity, we provide information to stakeholders and the public about the markets, assess levels of compliance and identify breaches of rules and laws. We draw upon our market monitoring to publish weekly reports on market outcomes and more detailed reports when the electricity spot price exceeds \$5000 per megawatt hour. We also monitor activity in the Victorian gas market and in relation to the national gas market bulletin board.

COMPLIANCE

In the third quarter of 2009 we will release a revised compliance and enforcement statement of approach, setting out our compliance activities. For the first time, the statement will cover both gas and electricity.

The activities within our compliance and enforcement strategy include:

- Monitoring of gas and electricity market data to identify compliance issues.
- Targeted compliance reviews in gas and electricity. These reviews target a range of provisions each quarter. The process involves writing to several participants (a differing spread of participants is selected each time) and asking how businesses ensure compliance with their obligations.
- General compliance audits. We will undertake audits of participants' compliance with certain provisions, both randomly and in response to market events that raise compliance concerns.
- Audits of compliance programs for technical performance standards. In 2009, the audits will also focus on the compliance program obligations of network businesses.
- Compliance forums and other meetings with industry participants. We will meet with participants to discuss our approach to compliance. Following a series of meetings with generators in early 2009, we will focus on meeting with network service providers and market customers in 2009 and 2010.
- Publication of quarterly compliance reports and compliance bulletins for gas and electricity. Compliance reports aim to provide an accessible summary of our compliance activities. Compliance bulletins will be prepared when additional guidance on the rules is needed.



INVESTIGATIONS AND ENFORCEMENT ACTION

The purpose of our compliance monitoring regime is to identify any incidents of non-compliance with energy market laws and rules. In some cases, a more detailed investigation may be needed to determine the existence, nature and extent of any breach.

In 2009–11 we will continue to undertake specific investigations as required. We will generally report on the outcomes of those specific investigations, subject to confidentiality constraints.

We consider a number of factors when deciding whether to take enforcement action and which enforcement action to adopt. We aim for a proportionate enforcement response taking into account the impact of the breach, its circumstances, and the participant's compliance programs and compliance culture.

RETAIL AND NON-PRICE DISTRIBUTION REGULATION

We anticipate that the national energy customer framework will commence operation during the period covered by this strategic plan and work program.

We will continue to prepare for this new role in the second half of 2009 and 2010. We will consult with state and territory regulators, particularly in relation to the preparation of new draft guidelines and other documentation. We will also establish a consumer consultative group and seek to consult with retailers, small customer dispute resolution schemes/ombudsmen and other stakeholders.

PUBLICATION OF INFORMATION AND GUIDELINES

The AER is required to publish various guidelines and reports covering our roles, which are available at www.aer.gov.au. We also publish reports, bulletins, strategy documents and guidelines to assist market participants with compliance and monitoring.

GUIDELINES

We expect to amend a number of guidelines on transmission network regulation over the next two years. These include:

- guidelines on the service target performance incentive scheme (to commence in late 2009 or early 2010, and which must be published by 31 March 2011)
- guidelines on the efficiency benefit sharing scheme (to be completed in 2009) and the post tax revenue model for electricity transmission.

We will also be required to develop a new regulatory investment test and associated guidelines, pending proposed rule changes. More generally, we may be required to produce other guidelines as a result of current and pending regulatory obligations.

As part of our new roles in retail and non-price distribution regulation, we will be producing new guidelines under the national energy customer framework.

STATE OF THE ENERGY MARKET REPORT

We will continue to publish a regular report on the state of the national energy market, which is designed as a user-friendly overview of activity in the sector. Each edition consists of a survey of market activity and performance in electricity and gas, supported by focal essays that cover issues in more depth. Some essays will be written in-house, while others may be commissioned. The report draws on information available through our regulatory and monitoring work and other public information.

WHOLESALE MARKET REPORTS

During 2009–11 we will continue to publish weekly reports on the operation of the wholesale gas and electricity markets. Additional reports will be published as required, such as when high price events occur in wholesale markets.

ANNUAL ELECTRICITY NETWORK PERFORMANCE AND SERVICE STANDARD REPORTS

We currently produce performance reports for the electricity transmission sector. The annual report, which is prepared from information provided by network businesses, focuses on financial and operational performance. It presents information on network profitability and investment outcomes, comparing actual data with forecasts in the revenue cap decisions. The report also covers performance against the service target performance incentive scheme.

Through the service target performance incentive schemes, many regulated network businesses are encouraged to meet performance targets. Network businesses are required to report annually on their service performance, which provides the basis for a financial reward or penalty. Network performance is included in the annual performance reports.

In the future, we will release performance reports for distribution as these responsibilities transfer from the states. We are currently developing performance reports for the Victorian networks. In 2009, we intend to issue a regulatory information order (RIO) setting out a nationally consistent framework for annual information reporting by distribution network providers (there is already a transmission guideline). Ultimately, the information collected will be used for a number of

purposes, including producing a single performance reporting framework for all distribution networks.

Distribution businesses are required to report on demand management activity under an AER incentive scheme that forms part of the economic regulation framework. The AER may draw on annual reporting by the network businesses to report on demand management outcomes.

OTHER REPORTS

Following the commencement of the national energy customer framework, we will prepare reports on retailers' performance as required by the new laws and rules.

Providers of gas transmission and distribution pipeline services are required to report by 31 October each year on their compliance with certain provisions and rules under the NGL framework. We intend to publish an overview report each year detailing outcomes of the annual compliance process.

WEBSITE

In 2009 we intend to complete a website redesign to make it more user-friendly. In particular, we will take into consideration proposed retail functions when designing the new website.

APPENDIX A

AER REGULATORY DETERMINATIONS

Project	Framework and approach process ⁴ (begins–ends)	AER regulatory determination process (begins–ends)	Determination applies (begins–ends)
Electricity distribution			
Queensland (ENERGEX and Ergon Energy)	1 Jul 2008–30 Nov 2008	1 Jul 2009–30 Apr 2010	1 Jul 2010–30 Jun 2015
South Australia (ETSA Utilities)	1 Jul 2008–30 Nov 2008	1 Jul 2009–30 Apr 2010	1 Jul 2010–30 Jun 2015
Victoria (CitiPower, Jemena, Powercor, SP AusNet and United Energy)	1 Jan 2009–30 May 2009	1 Dec 2009–31 Oct 2010	1 Jan 2011–31 Dec 2015
Tasmania (Aurora Energy)	1 Jul 2010–30 Nov 2010	1 Jun 2011–30 Apr 2012	1 Jul 2012–30 Jun 2017
Victorian AMI (CitiPower, Jemena, Powercor, SP AusNet and United Energy) initial 2010 and 2011 budget and charges determination	n.a.	27 Feb 2009–31 Oct 2009	1 Jan 2010–31 Dec 2010
Electricity transmission			
Queensland (Powerlink)	n.a.	1 Jun 2011–30 Apr 2012	1 Jul 2012–30 Jun 2017
Murraylink	n.a.	1 Jun 2011–30 Apr 2012	1 Jul 2012–30 Jun 2022

⁴ The framework and approach process applies only in electricity distribution.

Gas transmission and distribution reviews			
GasNet (Victoria) transmission access arrangement variation	n.a.	First quarter 2009–third quarter 2009	End Jul 2009–31 Dec 2012
NSW distribution (Jemena and Country Energy) and ACT distribution (ActewAGL)	n.a.	Third quarter 2009–second quarter 2010	From 1 Jul 2010
Central West (Marsden to Dubbo) transmission pipeline	n.a.	Second quarter 2010–fourth quarter 2010	From 6 Nov 2010
Queensland distribution (Allgas and Envestra)	n.a.	Fourth quarter 2010–second quarter 2011	From 1 Jul 2011
Amadeus to Darwin transmission pipeline	n.a.	First quarter 2011–second quarter 2011	No earlier than 1 Jul 2011
South Australian distribution (Envestra)	n.a.	Fourth quarter 2010–second quarter 2011	From 1 Jul 2011

APPROVAL OF NETWORK TARIFFS

Annual tariff variations—gas			
Victoria: transmission and distribution	n.a.	Fourth quarter each year	1 Jan–31 Dec each year
ACT/NSW, QLD, SA: transmission and distribution	n.a.	Second quarter each year	1 Jul–30 Jun each year
Annual tariff variations—electricity distribution			
Victoria	n.a.	Fourth quarter each year	1 Jan–31 Dec each year
ACT/NSW, QLD, SA	n.a.	Second quarter each year	1 Jul–30 Jun each year

APPENDIX B

ENERGY MARKET ENVIRONMENT

Australian Energy Market Agreement (AEMA)

Legislation governing the operation of the energy markets is a cooperative scheme involving federal, state and territory legislation. This scheme is established by the AEMA. Clause 5 sets out the functions and powers of Australian energy market institutions, presently listed as the AEMC, the AER and NEMMCO. In 2008 the MCE conferred additional functions and powers and imposed additional duties on ministers of participating jurisdictions, the National Competition Council, VENCORP, the AER and the Australian Competition Tribunal. From 1 July 2009, NEMMCO and VENCORP roles will transfer to AEMO.

Council of Australian Governments (COAG)

COAG is the peak intergovernmental forum in Australia. COAG comprises the Prime Minister, state premiers, territory chief ministers and the President of the Australian Local Government Association (ALGA). The role of COAG is to initiate, develop and monitor the implementation of policy reforms that are of national significance and which require cooperative action by Australian governments.

Ministerial Council on Energy (MCE)

The MCE was established by COAG in 2001 to deliver the economic and environmental benefits for

Australia from the implementation of the COAG national energy policy framework.

The MCE is the national policy and governance body for the Australian energy market, including for electricity and gas, as outlined in the AEMA. The MCE comprises ministers with responsibility for energy from the Australian Government and all states and territories.

The MCE may provide statements of policy principle to the AEMC subject to the procedures set out in the NEL or NGL (as appropriate) and the AEMA.

Standing Committee of Officials (SCO)

SCO is a group of senior officials from the federal, state and territory governments with responsibility for assisting the MCE.

South Australian parliament

South Australia has the role of lead legislator in national energy market legislation. The process involves ministers of the participating jurisdictions approving the initial version of legislation and rules. The South Australian parliament enacts the approved legislation which is then applied in other participating jurisdictions through Application Acts passed in those jurisdictions.

National Electricity (South Australia) (New National Electricity Law) Amendment Act 2005 (NEL)

The NEL was passed by the South Australian Parliament on 14 April 2005. The NEL contains provisions setting out the powers and functions of the AEMC and AER as well as provisions for the operation of the NEM. Western Australia and the Northern Territory do not currently apply the NEL framework.

Initial National Electricity Rules (NER)

The initial NER commenced on 1 July 2005. As the AEMC is charged with amending the rules from time to time, the latest version of the rules can be found on the AEMC website.

National Gas (South Australia) Act (National Gas Act)

The National Gas Act was passed by the South Australian parliament and proclaimed on 26 June 2008. The National Gas Act attaches as schedules the National Gas Law and National Gas Regulations.

National Gas Law (NGL) and rules (NGR)

From 1 July 2008 the NGL and NGR was applied by state and territory application legislation in New South Wales, Victoria, Queensland, South Australia, Tasmania, the Northern Territory and ACT.

Western Australia is intending to adopt a modified version of the National Gas Law in 2009. As the AEMC is charged with amending the rules from time to time, the latest version of the rules can be found on the AEMC website.

Regulations

Additional regulations may be put in place to govern specific aspects of the energy markets as authorised by the legislation. For example, the National Electricity (South Australia) Regulations and National Gas (South Australia) Regulations specify which provisions of the NER and NGR are civil penalty provisions.

Trade Practices Act 1974

The Trade Practices Act (as amended by the *Australian Energy Market Act 2004*) establishes the AER.

Australian Competition Tribunal (Tribunal)

The Tribunal conduct merits review of decisions under national energy market legislation and the *Trade Practices Act 1974*.

Australian Energy Market Commission (AEMC)

The AEMC is an independent national body that undertakes rule making and market development functions for national electricity and gas markets.

Australian Energy Market Operator (AEMO)

AEMO was established in 2009 as a not for profit, limited liability company under corporations law. It is the new national energy market operator in all jurisdictions except Western Australia and Northern Territory, and takes on the former electricity and gas roles of NEMMCO and VENCORP. AEMO's roles will include electricity and gas wholesale and retail market operator roles, to manage the national gas market bulletin board and the role of National Transmission Planner. AEMO will be a not for profit, limited liability company under corporations law.

Australian Energy Regulator (AER)

The AER is an independent statutory authority and administratively part of the ACCC under Part IIIA of the *Trade Practices Act 1974*. The AER is responsible for the economic regulation of electricity transmission and distribution networks in the NEM and covered gas transmission and distribution networks in all jurisdictions except Western Australia. The AER monitors and enforces compliance with national energy legislation. This encompasses compliance with the laws

and rules governing network regulation, the wholesale electricity market and the national gas market bulletin board. From 1 July 2009 it will be responsible under the NGL for monitoring and enforcing compliance with the Victorian wholesale gas market rules and jurisdictional gas retail market procedures.

Australian Competition and Consumer Commission (ACCC)

The ACCC is responsible for competition regulation under the Trade Practices Act, energy related authorisations under Part VII, and access regulation under Part IIIA.

National Competition Council (NCC)

The NCC's functions include making recommendations to ministers about the coverage, or revocation of coverage, of pipelines and the granting of 15 year no-coverage determinations or price regulation exemptions. The NCC's functions also include deciding whether or not to make light regulation determinations and light regulation revocation determinations.

National Electricity Market Management Company Limited (NEMMCO)

NEMMCO administered and operated the wholesale NEM and managed the security of the power system from 1996 to 2009. In July 2009 it combined with VENCORP to form the Australian Energy Market Operator.

National gas market bulletin board and the bulletin board operator

The national gas market bulletin board—a website launched in July 2008—is intended to improve market transparency and assist with the management of gas emergencies. Participants are required to publish historic, current and forecast data on facility production and pipeline capacity on this website. VENCORP operated the website until July 2009, when this role transferred to AEMO.

Victorian Energy Network Corporation (VENCORP)

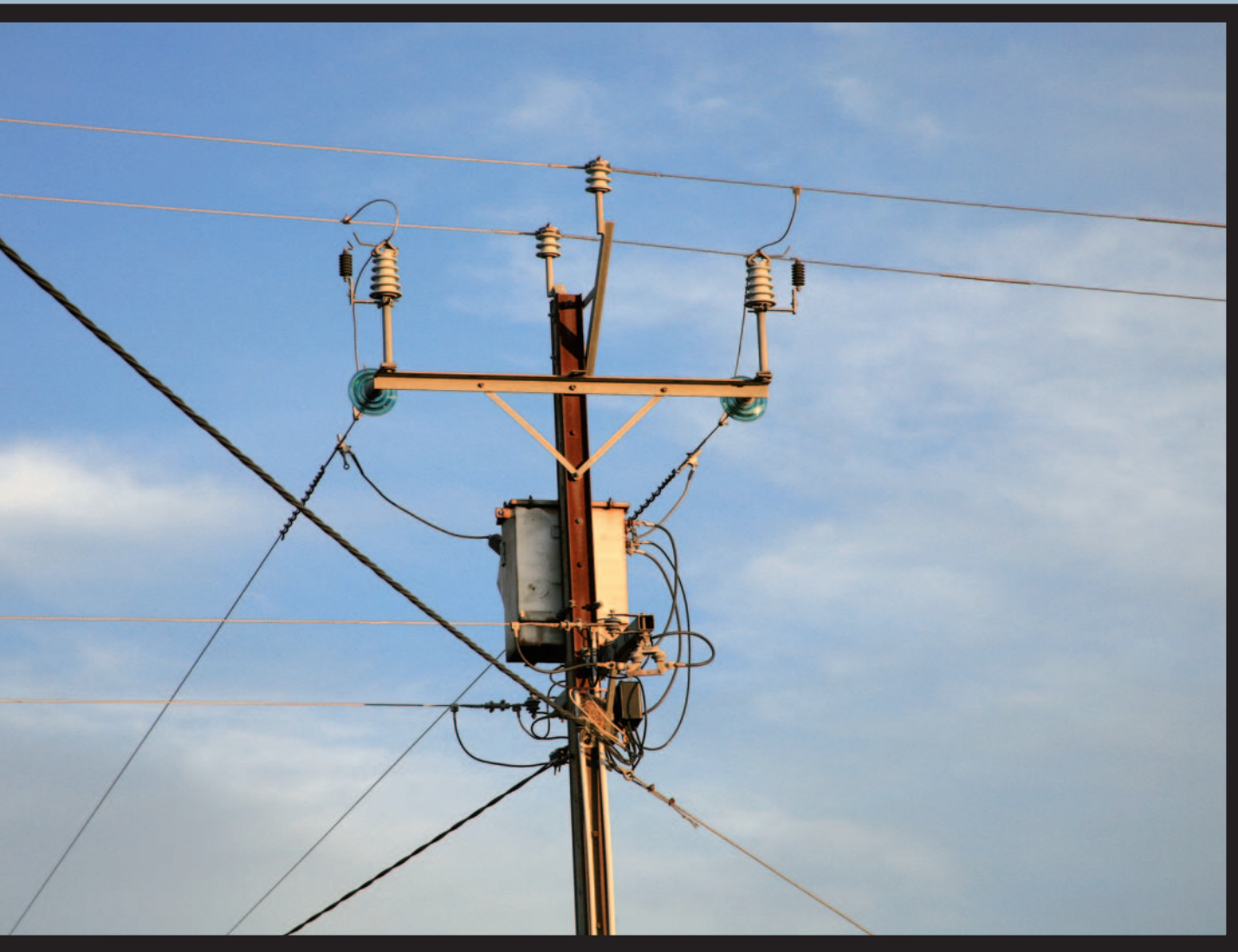
VENCORP undertook Victorian electricity transmission planning, gas transmission planning and wholesale market operation until 2009. It also operated the bulletin board and had gas retail market functions in Victoria, South Australia and Queensland. In July 2009 it combined with NEMMCO to form AEMO.

Reliability panel

The AEMC reliability panel monitors, reviews and reports on the safety, security and reliability of the national electricity system and determines standards, principles and guidelines on power system security and reliability. The membership of the panel must consist of a commissioner of the AEMC appointed to act as chairperson of the panel, the CEO of AEMO or its delegate; and between five and eight AEMC appointees representing key stakeholders.

Consumer advocacy panel

The consumer advocacy panel's functions include determining grant allocations for consumer advocacy projects and research projects for the benefit of energy consumers. The AEMC is responsible for making the grants, directed by the panel.



GLOSSARY

Australian Competition and Consumer Commission	ACCC
Australian Energy Market Agreement	AEMA
Australian Energy Market Commission	AEMC
Australian Energy Market Operator	AEMO
Australian Energy Regulator	AER
Ministerial Council on Energy	MCE
National Electricity Law	NEL
National Electricity Market	NEM
National Electricity Market Management Company	NEMMCO
National Electricity Rules	NER
National Gas Law	NGL
National Gas Rules	NGR



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