



WORK PROGRAM 2017–18



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Purpose of this report

Our *Statement of Intent* (published on our website) outlines at a high level how our work program for 2017–18 aims to meet specific expectations set for us by the COAG Energy Council and the Australian Government.

This *Work Program* report details our forward work program at a more granular level, and sets performance indicators that will be used to measure our progress in future annual reporting.

Work program 2017–18

The Australian Energy Regulator (AER) regulates energy markets and networks in jurisdictions other than Western Australia. Our specific responsibilities vary across jurisdictions, as detailed in this report.

The energy market is in transition, and our work takes place in the context of significant technological, behavioural and systemic change. Our work places consumers at the heart of this transition, as we play our part in delivering a secure, reliable and affordable energy future for Australia. This means contributing our expertise and insight to policy debates, regulating in a flexible way that fosters innovation, and ensuring consumers are supported as the market evolves. We work in partnership with other energy market bodies and the COAG Energy Council (Energy Council) to provide strong governance and to ensure our work programs aligns with broader energy priorities so reforms can be coordinated and efficiently sequenced.

Reflecting these principles, our work is guided by five strategic objectives, which are outlined in more detail in our published *Strategic Statement*. In particular, we strive to:

1. Drive effective competition where it is feasible
2. Provide effective regulation where competition is not feasible
3. Equip consumers to engage effectively, and protect those who are unable to safeguard their own interests
4. Use our expertise to inform debate about Australia's energy future, the long-term interests of consumers and the regulatory landscape
5. Take a long-term perspective while also considering impacts on consumers today.

These strategic objectives are reflected across our diverse and expanding work program, which covers all elements of the supply chain for both electricity and gas. In summary, we:

- determine how much revenue network businesses can earn from transporting energy to customers via electricity poles and wires and gas pipelines
- build consumer confidence to make informed choices when choosing an energy contract, through our price comparator website (Energy Made Easy), by disseminating useful information and by making vulnerable consumers aware of protections that are available
- monitor wholesale energy markets for market manipulation and report on our findings
- help guide and implement market reforms giving consumers more control over their energy choices

- ensure energy businesses comply with relevant legislation and rules, taking enforcement action where necessary
- help the community understand energy market issues, including through our flagship *State of the energy market* report.

As a member of the Energy Security Board, we also help oversee implementation of reforms arising from the Independent Review into the Future Security of the National Electricity Market (Finkel review). The Board comprises an independent chair and deputy chair, the chairs of the AER and the Australian Energy Market Commission (AEMC), and the CEO of the Australian Energy Market Operator (AEMO).

More generally, we work closely with the AEMC, AEMO, Energy Consumers Australia (ECA) and other energy market bodies on policy matters, rule changes and market issues. We also support the Energy Council, with advice on energy market activity and issues as they arise.

Additionally, we assist the Australian Competition and Consumer Commission (ACCC) on energy-related matters, including inquiries referred to it by the Australian Government (inquiries into wholesale gas and retail electricity markets are occurring in 2017–18). More generally we assist the ACCC on energy issues arising under the *Competition and Consumer Act 2010*, including consumer protection.

Our work program for 2017–18

The AER has a diverse work program informed by the requirements of energy market laws and rules, as well as directions and requests from the Energy Council. Our work comprises ongoing functions set out in legislation, as well as roles in energy policy and market development.

Aside from our corporate responsibilities we undertake work in four key program areas:

1. Energy networks
2. Retail energy markets
3. Wholesale energy markets
4. Compliance and enforcement.

Within each program, our areas of focus over the next 12 months reflect challenges and opportunities posed by our operating environment and projected market conditions.

Program 1: Energy networks

The AER sets the revenue that can be recovered from customers' use of energy networks (electricity poles and wires, and gas pipelines) in jurisdictions other than Western Australia. We regulate energy networks in this way to manage the risk of monopoly pricing. The National Electricity Law and the National Gas Law set the regulatory frameworks.

Our approach is to apply regulation that promotes efficient investment in energy services valued by customers, so that consumers pay no more than necessary for the safe and reliable delivery of energy services. In assessing revenues, we account for the efficient costs of providing network services, but we also offer incentives for network businesses to spend efficiently and share the benefits with consumers.

Our network determination workload rises significantly in 2017–18. Overall, we will finalise reviews of eight network businesses, receive seven regulatory proposals and commence framework and approach processes for a further four networks. Included in this work are our first reviews of the Northern Territory electricity networks under the national framework. We are also remaking our decisions on regulated revenues for the NSW and ACT electricity distribution networks for 2014–19 and the NSW gas distribution network 2015–20, following orders from the Full Federal Court.

Alongside our central role in setting network revenues, we undertake broader regulatory functions. Some of these functions recur regularly (such as approving annual tariffs), while the timing of others is unpredictable (such as assessing cost pass throughs and resolving connection disputes).

We are also implementing reforms that empower customers to make informed choices about their energy use, and that optimise the use of energy networks.

This work includes:

- helping to build competitive markets for metering services, and for solar photovoltaic (PV) and battery installations
- incentivising efficient demand management
- enhancing competition options for customers in embedded networks.

One area of network regulation we intend to strengthen in 2017–18 is performance reporting. While competing priorities resulted in some planned developments in this area being delayed, we will this year develop a performance reporting framework that includes deeper analysis around performance data, such as

informative charts and discussion of contexts, trends and comparisons. This is an important development to help stakeholders analyse regulatory proposals more effectively, and engage constructively in regulatory reviews.

Meaningful engagement with stakeholders has always been a core element in our regulatory reviews. In 2017–18, we are prioritising dialogue with key stakeholders to make regulatory processes fairer and more efficient. We are committed to working closely with our stakeholders by exploring more constructive ways to engage to achieve good outcomes. We want to identify key points of disagreement early and work collaboratively to resolve them. We are similarly moving to create more open dialogue in areas such as guideline development, including wider use of industry and stakeholders workshops where contentious issues can be openly discussed.

As part of this engagement strategy, the AER, Energy Networks Australia and Energy Consumers Australia in 2017 announced a collaborative project to develop an 'alternative path' for network businesses to take in building regulatory proposals. The organisations are exploring ways to improve sector engagement and identify opportunities for regulatory innovation. In the context of rapid changes in the sector driven by technology, this project is also about shifting the cultural mindset of the AER and network businesses to focus more explicitly on consumer views and preferences. The first stage of this joint initiative will involve consulting with stakeholders to collect ideas and develop a proposed new regulatory approach that incentivises meaningful, early engagement between network businesses, consumers and the AER—even before a regulatory proposal is lodged. The goal is to undertake trials of this approach and 'learn by doing'.

Network revenue decisions

Our central role in network regulation is to set the revenue that can be recovered from customers' use of regulated energy networks (electricity poles and wires, and gas pipelines). We undertake this role in Queensland, NSW, Victoria, South Australia, Tasmania, the ACT and the Northern Territory. As of 1 July 2017, we regulate 32 energy networks:

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

All electricity networks in the National Energy Market (NEM) are subject to full economic regulation, whereby we directly determine a network's allowable revenue (subject to incentive scheme penalties and bonuses). We typically undertake a full regulatory review for each network once every five years, although this timeframe may vary.

For gas pipelines, the National Gas Law applies different forms of regulation. At 1 July 2017, full regulation applies to four transmission pipelines and seven distribution networks, whereby we directly set a reference tariff (access prices) for a significant pipeline service. *Light regulation* applied to three transmission pipelines and two distribution networks. Additionally, many pipelines—including most transmission pipelines—are unregulated.

The regulatory objective in both electricity and gas is to promote efficient investment in, and operation of, energy services for the long-term interest of consumers. The underlying laws set out revenue and pricing principles, including that network businesses should have a reasonable opportunity to recover efficient costs.

The regulatory process begins when a network businesses submits a regulatory proposal (for an electricity network) or access arrangements (for a full regulation gas pipeline) to the AER. The proposal sets out forecast expenditure and revenue requirements (typically covering a five-year period); for gas, they also include a reference tariff.

The AER assesses regulatory proposals and access arrangements against legislative criteria, accounting for issues raised in consultation. In particular, we assess a business's forecast revenue requirements to cover its efficient costs. We use a building block model that accounts for operating and maintenance expenditure, capital expenditure, asset depreciation costs and taxation liabilities, and an appropriate return on capital to network owners.

Reforms progressively introduced in our determinations since 2015 include new incentive schemes (with benefit sharing with consumers), a more flexible approach to estimating rates of return, strengthened consultation requirements, and greater emphasis on benchmarking to assess electricity network proposals. By 2020 these reforms will apply to all networks.

For electricity networks, the AER has 15 months to review a proposal before releasing a final decision. For gas pipelines, it has six months (plus stop-the-clock time at certain stages of the process) to decide whether to approve an access arrangement proposal. This time can be extended by two months, with a maximum of 13 months to render a decision.

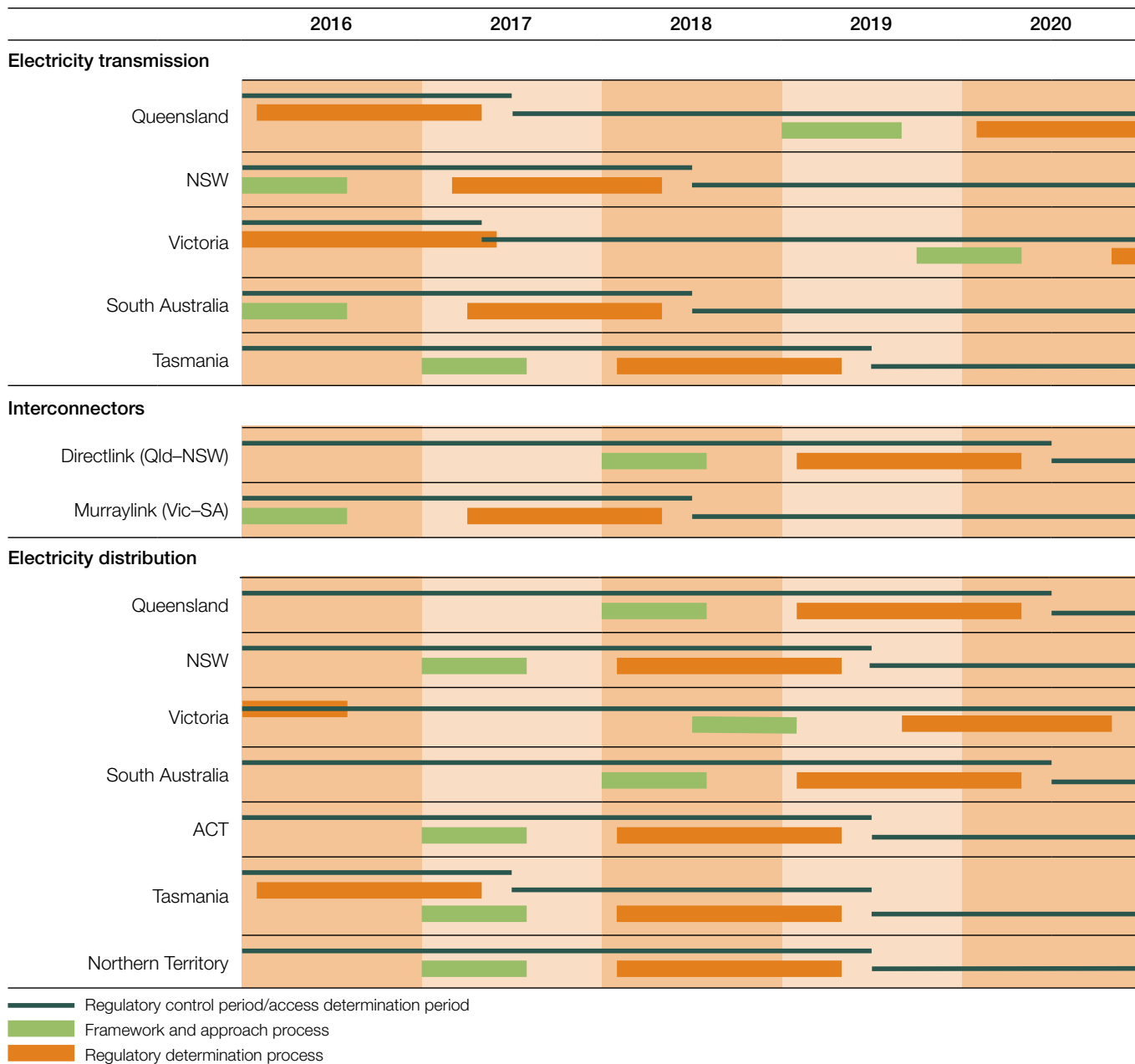
Effective stakeholder engagement is a pivotal element in the regulatory process. Jurisdictional groups of consumer representatives for each review provide coordinated and informed views from a cross-section of consumer groups. The Consumer Challenge Panel advises on issues of importance to consumers and helps ensure consumer perspectives are properly considered throughout technical and complex regulatory processes.

More generally, when we assess a regulatory proposal, we consider how effectively a network business has consulted with the community. We also seek stakeholder input through public forums and by consulting with network businesses, consumer representatives, governments and investment groups.

Figures 1 and 2 set out timelines for our current and upcoming reviews of regulatory proposals on energy networks. In summary, during 2017–18 we will:

- make draft and final determinations on revenue proposals for electricity transmission networks in NSW and South Australia, and the Murraylink transmission interconnector
- make final determinations on access arrangement proposals for Victorian gas transmission and distribution networks, and Queensland's Roma to Brisbane pipeline
- remake our decisions on regulated revenues for the NSW and ACT electricity distribution networks for 2014–19 and the NSW gas distribution network 2015–20, following orders from the Full Federal Court
- assess and consult on revenue proposals for electricity networks in Tasmania, and electricity distribution networks in NSW, the ACT and the Northern Territory
- undertake preliminary work on regulatory reviews for electricity distribution networks in Victoria, Queensland and South Australia, and the Directlink transmission interconnector.

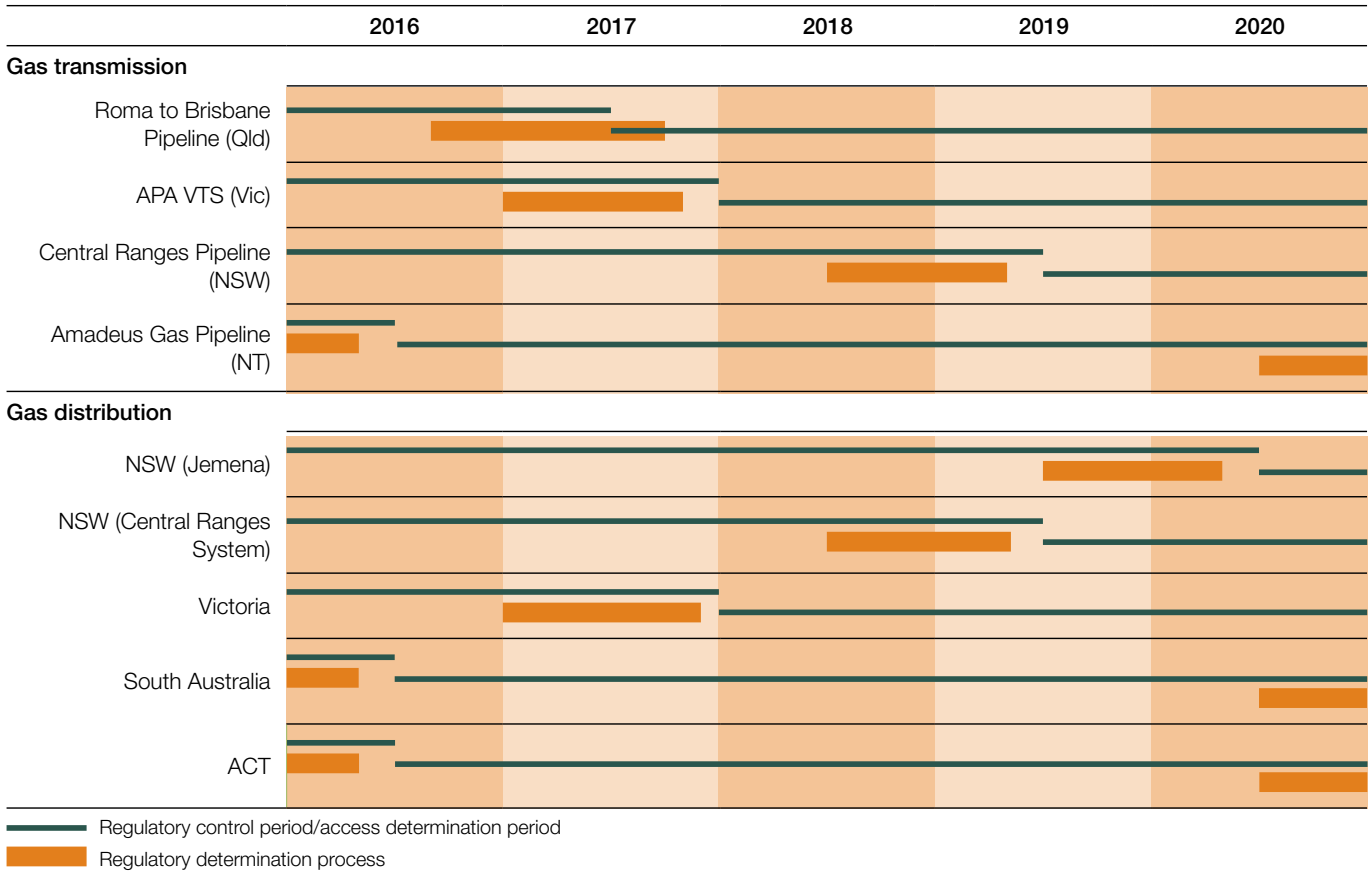
Figure 1: Timelines for AER determinations on electricity networks



Note: These times are subject to variation. For the latest information, please check www.aer.gov.au/networks-pipelines/determinations-access-arrangements.

Source: AER.

Figure 2: Timelines for AER determinations on gas pipelines and networks



VTS, Victorian Transmission System.

Note: These times are subject to variation. For the latest information, please check www.aer.gov.au/networks-pipelines/determinations-access-arrangements.

Source: AER.

Legal reviews of AER decisions

An affected party may apply to the Federal Court for judicial review of an AER decision. An affected party may also apply to the Australian Competition Tribunal for a limited merits review of an AER decision, although the Competition and Consumer Amendment (Abolition of Limited Merits Review) Bill 2017 introduced to Parliament on 10 August 2017 proposes to remove merits reviews for decisions made under the National Electricity and Gas Laws.

Several merits and judicial review processes relating to AER determinations were continuing in 2017–18.

Reviews of AER determinations for NSW and ACT distribution networks

In May 2015 several NSW and the ACT energy network businesses applied to the Tribunal for a limited merits review of our 2015 regulatory decisions on their networks—the NSW and ACT electricity distribution networks for 2014–19 and the NSW gas distribution network for 2015–20.

In February 2016 the Tribunal ordered the AER to remake its decisions on several aspects of the determinations. The AER then applied to the Full Federal Court in March 2016 for judicial review of the Tribunal’s decision.

On 24 May 2017, the Full Federal Court upheld the AER’s appeal in relation to the Tribunal’s decision on income tax costs, but upheld the Tribunal’s findings in relation to the networks’ operating expenses and debt transition costs. On 4 July 2017 it made orders requiring the AER to remake those elements of its determinations. The process requires a re-determination of the return on debt for all five networks; operating expenditure for the four electricity distributors (as well as implications for the Service Target Performance Incentive Scheme for the ACT network); and elements of capital expenditure for the NSW gas network. The process is more complex than for previous remittals because of the scope of issues raised by the Tribunal, the relative discretion the AER has to implement the Tribunal’s directions and the likely significant public interest in the matter.

The AER engaged closely with the AEMC in 2017 on a rule change allowing changes in electricity network revenues arising from the remade determinations to be 'smoothed' and recovered from customers over both the current regulatory period and the next period starting on 1 July 2019. The rule change was finalised in August 2017.

Review of AER determinations for SA Power Networks

SA Power Networks in May 2016 sought merits review of the AER's 2015 revenue decision for the network. The Tribunal conducted the merits review hearing in August 2016. Its decision, handed down in October 2016, affirmed the AER's determination in full.

SA Power Networks appealed the Tribunal's decision to the Full Federal Court, which heard the matter in May 2017. At 1 July 2017 the Court had reserved its judgment on the matter.

Reviews of AER determinations for Victoria electricity and ACT gas distribution networks

Victorian electricity distributors and the ACT gas distributor sought merits review of the AER's May 2016 revenue decisions on those networks. The Tribunal conducted merits review hearings in November 2016. Since 30 June 2017, both United Energy and AusNet Transmission Services discontinued their applications for merits review. The Tribunal expected to make final determinations in respect of the remaining five merits review applications by 27 October 2017.

Judicial reviews of AER decisions

At 1 September 2017, eleven applications for judicial review of AER determinations were with the Federal Court. The matters had been stayed pending resolution of the merits review processes.

Power of Choice implementation

A key focus in 2017–18 is our work to support and implement the AEMC's *Power of choice* reforms that promote efficient use of energy networks and empower customers to make informed choices about their energy use.

A central reform is the introduction of competition in the supply of *metering services* from 1 December 2017. Complementary reforms will allow customers more ready access to their electricity consumption

data, and introduce consistent meter communications standards. These changes aim to facilitate a market led rollout of smart meters, and promote energy management products and services reliant on advanced metering functionality.

We are paying particular attention to ensure participants comply with their metering obligations. Our expectation is that businesses will use their best endeavours to rectify existing breaches before December 2017 and not delay addressing compliance with metering obligations. Areas of focus include the upgrading of meters and the proposed terms and conditions imposed by distributors on retailers for undertaking metering coordination functions.

In December 2016 we introduced new *ring fencing* guidelines to create a level playing field between network businesses and new entrants in the market for contestable services such as metering and solar PV and battery installations. The guidelines require distribution networks to separate their regulated network services (and the costs and revenues of those services) from contestable services. Distribution network providers must comply with the ring fencing guideline no later than 1 January 2018. During the year, we will monitor and report on how network businesses are complying with the new guideline.

The AER will continue to progress reforms to *tariff structures for distribution networks* so that prices better reflect the costs of supplying electricity to consumers. In 2017–18 we are implementing this reform as part the revenue determination process for electricity distribution networks.

Another *Power of choice* initiative involves promoting efficient alternatives to investment in energy networks. The AER in 2017 consulted on a new *demand management* incentive scheme and innovation allowance to encourage projects offering a net benefit. The incentive scheme encourages businesses to undertake efficient non-network solutions to manage demand on the networks, such as by connecting small-scale local generation. The innovation allowance provides businesses with funding for research and development in demand management projects that could reduce long term network costs. Following publication of drafts in August 2017, we will engage further with stakeholders before finalising the schemes in late 2017.

A recent development in energy markets has been the growth of stand-alone *embedded networks*. We published a guideline in December 2016, making it easier for customers in embedded networks to participate in retail energy markets. Many of those customers currently

cannot arrange for energy supply by a provider other than their network operator, or can do so only at significant cost. But the new rules, effective from December 2017, require an embedded network manager to link customers to AEMO's electricity market systems—a necessary first step for customers to access retail market offers. We will make further refinements in 2017–18, including arrangements for customer access to dispute resolution.

Performance reporting on network businesses

Performance reporting enhances transparency and accountability, and provides incentives for businesses to improve their performance over time. Our reporting on network performance is part of the regulatory cycle and provides valuable input to our regulatory reviews. While competing priorities resulted in us not publishing discrete performance reports for energy network businesses in 2016–17, we are now in a position to allocate significant resources to this function.

In 2017–18 we will continue our annual publication of benchmarking reports for electricity networks (focusing on the efficiency of network operating expenditure) and reports on business performance under incentive schemes for service performance, demand management and fire management (Victoria only).

Our longer term strategy is to develop more granular financial and operational performance reporting on network businesses, drawing on information collected from the businesses under regulatory information notices. However, to date resourcing has constrained us to publishing raw data only. In 2017–18 we aim to publish aggregated datasets for the electricity sector and establish a framework for more detailed analysis around the data, including informative charts and discussion of contexts, trends and comparisons. We regard the compilation and publication of aggregated data as a valuable input to help stakeholders analyse regulatory proposals, so they can engage more informatively during regulatory reviews. But we recognise publication of discrete performance reports on each regulated electricity network and gas pipeline business, in both transmission and distribution will be a far more valuable tool for stakeholders, and we will prioritise the development of such a reporting framework in 2017–18.

Review of weighted average cost of capital

The AER will review its approach to assessing the weighted average cost of capital, and publish a new guideline by December 2018. Estimation of the rate of return is complex and contentious, and the rate of return is a significant driver of regulated revenue. The Energy Council agreed in 2017 that the new guideline will be binding on both the AER and the regulated businesses.

The binding nature of the new guideline—and the removal of limited merits review—makes it critical for the review process to be accessible, transparent and collaborative. We published an issues paper in August 2017, setting out our initial thinking, and sought stakeholders' views. We will publish our intended process for conducting the review, having regard to stakeholder feedback, in October 2017, with draft guidelines to follow in May 2018. Options being explored include an expert panel peer-review process, 'hot-tubbing' of consultants to highlight material issues of agreement and disagreement, a new consumer reference group to facilitate community consultation forums and consumer input, and a review by a sub-panel of our Consumer Challenge Panel.

Network planning and expansion

We play a number of roles in promoting efficient investment in energy networks. Part of the revenue determination process involves forecasting a network's total efficient investment requirements. Additionally, network businesses must apply a regulatory investment test to individual projects to test their efficiency. The test requires a network business to evaluate a proposed investment against credible alternatives (including non-network options) on a level playing field.

Separate 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. As part of this, the business must identify the purpose of a proposed investment and show that it publicly consulted on its evaluation of alternatives.

The AER monitors businesses' compliance with the tests and, on request from a business, may determine whether an assessment satisfies the test. It also resolves disputes over how network businesses apply the tests.

The tests previously applied only to augmentation expenditure, which in recent years accounted for the bulk of network investment. But the composition of network investment is evolving, with replacement expenditure

recently overtaking augmentation for distribution networks. Recognising this, the AER in June 2016 proposed a rule change to widen the scope of regulatory investment tests to cover replacement expenditure. The change also imposes new requirements on network businesses to justify asset retirement decisions in annual planning reports, and allow interested parties to propose alternatives to asset replacement.

We worked with the AEMC through submissions and other consultations during 2017 to progress the proposal, including on appropriate transitional arrangements. The AEMC completed its review in July 2017. The AER will update the regulatory investment tests and application guidelines to give effect to the changes later in 2017.

Additionally, the Energy Council in 2017 tasked the AER with reviewing the RIT-T in light of recent security issues in the NEM, to ensure the test adequately reflects net benefits relating to system security and renewable energy and climate goals. The AER launched this workstream in July 2017.

The Energy Council also tasked the AER with:

- improving the quality of information on transmission networks by involving non-network providers in the AER's compliance review of the networks' annual planning reports, starting in 2017
- exploring whether the RIT-T should adopt elements of the RIT-D to ensure competitive options are effectively tested—including requirements to consult with non-network providers and produce non-network options reports. This assessment should be completed by the end of 2017.

Reforms to gas pipeline regulation

Since 1 August 2017, the AER has been undertaking new regulatory functions under the National Gas Law and Rules, making it easier for third parties to negotiate access to unregulated gas pipelines. The new elements include a commercial arbitration framework, supported by information disclosure requirements.

We undertake several roles under the regime, including enforcing and monitoring compliance with the information disclosure framework and as arbitration administrator. During the year, we will publish a binding financial information disclosure and non-binding arbitration guideline.

Also during the year we will participate in the AEMC's *Review into the scope of economic regulation applied to covered pipelines*. This wide ranging review into

gas pipeline regulation covers the access arrangement process, information disclosure, revenue and price calculations, access terms and conditions, and the arbitration framework. A final report is due to the Energy Council by June 2018.

Refining regulatory tools

We recognise the value in ongoing refinement of our systems and processes. In 2017–18 we will:

- review our Service Target Performance Incentive Scheme, which encourages distribution networks to improve performance over time on supply reliability and customer service. It provides financial bonuses and penalties of up to 5 per cent of revenue for network businesses that meet (or fail to meet) performance targets. The 2017 review—the first since 2009—is examining how financial bonuses and penalties are calculated, the use of standardised reliability definitions, and how renewable energy and distributed generation affect the scheme's operation. Consultations were held during the year, with a final report scheduled for late 2017
- continue to refine our benchmarking tools, including our networks database. In particular, we plan to refine elements of our benchmarking methodology and data in consultation with industry and other stakeholders. Our first area for review is the specifications for transmission benchmarking. We published an issues paper in April 2017, followed by an industry workshop in May to discuss responses. We released a position paper on this matter in August 2017.

Oversight of network regulation

In 2017–18 we will continue to undertake broader regulatory oversight roles, including:

- undertaking annual tariff reviews for electricity distribution businesses and gas pipelines (including the application of new tariff structures for electricity networks under which prices better reflect the costs of supplying electricity to consumers)
- assessing network proposals on matters including cost pass throughs, contingent projects and prudent discounts
- monitoring the compliance of network businesses with the energy legislation and rules (program area 4)
- assisting in access and connection disputes
- reporting on business performance under incentive schemes covering service performance and demand management.

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 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. The AER is required to make a determination on a new f-factor scheme no later than 30 September 2018.

Program 2: Wholesale energy markets

The AER monitors wholesale energy markets to detect irregularities and inefficiencies, including evidence of market manipulation. Additionally, we monitor the markets to support our compliance and enforcement program (program 4).

We monitor and report on:

- the National Electricity Market (NEM) in eastern and southern Australia, covering Queensland, NSW, Victoria, South Australia, Tasmania and the ACT
- spot gas markets located in Queensland, NSW, Victoria and South Australia.

We report weekly on these markets, with more detailed reporting on extreme price events.

Our monitoring work and market intelligence is drawn together in the *State of the energy market* report, which explains important market developments and the factors impacting on energy prices. This flagship report uses non-technical language to consolidate material from a range of sources, highlighting trends and key issues across the electricity and gas industries. We will publish the 11th edition in 2018.

In December 2016 the AER acquired a new legislative role to systematically monitor wholesale market performance in the NEM and report our findings at least every two years. In particular, we will monitor whether competition is effective, and report any features that may be detrimental to efficiency or competition.

Separately, the Australian Government requested that we closely monitor and report on the electricity market in light of recent plant closures and market dynamics.

In addition to this work, our wholesale market team in 2017–18 is assisting the ACCC with two major inquiries directed by the Australian Government:

- An inquiry into wholesale gas markets in eastern Australia, initiated in April 2017, will identify impediments to efficient supply, including the exercise of market power, and will propose measures to address any issues found. The inquiry will run over three years, with six monthly reporting.
- An inquiry into the supply of retail electricity and the competitiveness of retail electricity prices, launched in March 2017, will consider wholesale market issues. The inquiry is due to run until 30 June 2018.

More generally, we draw on our monitoring expertise to advise the Energy Council and other market bodies on wholesale electricity and gas market issues, including matters subject to policy review and rule change processes.

Market monitoring and reporting

Our ongoing monitoring of wholesale energy markets provides a foundation to detect market irregularities and manipulation, as well as instances of participant non-compliance with the market rules. In 2017–18, we will continue to closely monitor wholesale energy markets and publish timely reports on activity.

Our publications include separate weekly market reports on activity in the NEM and spot gas markets. We also publish more detailed analysis of:

- electricity prices above \$5000 per megawatt hour
- significant gas price variations in the Victorian market and short term trading markets
- special reports on systemic market issues.

In 2017 we will complete a number of compliance investigations into high price NEM events over 2016–17 and undertake enforcement action if necessary (program 4).

Monitoring NEM wholesale market performance

In December 2016 the AER acquired a new legislative role to systematically monitor wholesale market performance in the NEM and report on our findings at least every two years. In particular, we must monitor whether there is effective competition, and report on any features that may be detrimental to efficiency or competition. The first report is due in December 2018.

During 2017–18 we are developing frameworks to implement the new role. We began consulting with stakeholders in August 2017, and will publish consultation papers and drafts, invite submissions, meet informally with stakeholders, conduct a survey on key issues and hold at least one public forum. The results of these consultation processes will be drawn together in a final statement of approach, scheduled for February 2018. Further targeted consultation may occur to refine a number of technical details.

Separately, the Australian Government in November 2016 requested that we closely monitor the electricity market in Victoria and South Australia in light of Hazelwood power station's closure, and report our finding to the Energy Council. Our report, to be delivered by 30 March 2018, will focus on any changes to market outcomes and participant behaviour, and will draw on analysis we develop as part of new performance monitoring role.

In September 2017, we were also tasked with monitoring the NSW electricity market for features or behaviour that may be detrimental to effective competition. Our advice on the NSW market is due to the Energy Council by November 2017.

Future security of the NEM

The AER is working closely with AEMO and the AEMC to advise the Energy Council on how recommendations in the Finkel Review can be delivered to increase the NEM's security and future reliability. Additionally, we are helping to implement various initiatives.

As part of this work, we are working with AEMO to support its summer readiness plan in preparation for summer 2017–18. The plan focuses on:

- ensuring generation and fuel availability
- completion of generation and transmission maintenance prior to summer
- the facilitation of new generation and storage
- ensuring there is enough fuel to run major generating units, and
- greater utilisation of consumer owned energy resources through demand response initiatives.

The AER is targeting the quality of information supplied by generators and transmission network businesses to AEMO, so that market forecasts are as accurate as possible, and if necessary, contingency plans can be activated with as much notice as possible. In particular, we are focusing on the quality of information around plant capabilities ahead of summer, drawing on the findings of investigations we are finalising into a number of market events that occurred in 2016–17.

We will also support the introduction of energy security requirements for generators and network businesses, and updated standards on generators resilience to make the system better able to withstand disruptions like generator outages or interconnector failures. As part of this work we will audit generators' compliance programs for technical performance standards in light of the NEM's evolving technology mix.

Additionally we will help implement reforms undertaken by the newly established Energy Security Board (of which the AER is a member). The Board will provide whole-of-system oversight for energy security and reliability in the NEM. The Energy Council's priorities for the Board include the development of:

- an annual Health of the NEM report, with the first report to be delivered by the end of 2017.

- a comprehensive data strategy for the NEM, with consultation finalised by the end of 2017 and the data strategy in place by the end of 2018.

Gas market reforms

The Energy Council in August 2016 agreed to a series of reforms relating to gas supply, market operation, gas transportation and market transparency in the eastern Australian gas market. The reform package was informed by the findings and recommendations of major work undertaken by the ACCC and AEMC. The AER is participating in 2017–18 in workstreams to implement the package, including proposed reforms to the Gas Bulletin Board and closer scrutiny of liquidity in markets for wholesale gas and pipeline capacity trading.

Gas Bulletin Board reforms

The AER is participating in the AEMC's review of the Energy Council's proposal to enhance the breadth and accuracy of information provided through the Gas Bulletin Board in 2018. This follows an earlier tranche of reforms introduced in 2016.

We made a submission to the AEMC *Bulletin Board* review in August 2017, supporting reforms to the timeliness and quality of submitted information. We also support the Energy Council's proposals to attach civil penalty provisions to better incentivise participants to comply with their reporting obligations.

We target participants' compliance with their Bulletin Board obligations as part of a broader program aimed at raising awareness of changes to the platform and its ongoing development as a key data resource on east coast gas market activity. The AER will engage with industry in early 2018 to assess their preparations in advance of the commencement of the next suite of Bulletin Board reforms. We will look to ensure participants are aware of the impending rule changes and that they are ready to comply with the reporting provisions.

Liquidity in gas wholesale markets

One of the measures agreed to by the Energy Council in 2016 was for the AEMC to conduct biennial reviews into trading liquidity in the markets for wholesale gas and pipeline capacity trading. The first review is to be completed prior to the mid-2018 Energy Council meeting. The reviews would eventually cover all gas spot markets operating in Australia, including derivatives markets and new markets for pipeline and compression capacity trading that are scheduled to be operational by summer 2018–19.

Under the terms of reference, the AER will contribute to the reviews by regularly publishing quantitative liquidity metrics on its website so that market participants, energy market bodies and policy makers can monitor liquidity in the relevant markets on an ongoing basis.

During 2017–18 we are strengthening systems and frameworks to develop this data, building on the work we currently undertake. Our work in this area will include engaging with ASIC on linkages between spot gas and derivative markets.

Market manipulation in gas markets

The AER has a legislative function to monitor for market manipulation in gas supply hubs at Wallumbilla (Queensland) and Moomba (South Australia). In 2017–18 we will further refine our monitoring systems and strengthen our analytical capabilities for assessing data from the hubs. More generally, as the dynamics of gas flows evolve, we are widening our focus to look for evidence of market manipulation in other gas markets.

Program 3: Retail energy markets

The AER regulates retail energy markets in Queensland, New South Wales, South Australia, Tasmania (electricity) and the ACT. Our goal is to help energy customers (particularly residential and small business customers) participate confidently in retail energy markets, which are undergoing significant transition as new products and services (such as solar PV and battery storage products, load management and subscription pricing) become more popular. We empower customers to make informed decisions on their energy use, and make them aware of protections that are available if problems arise.

As part of this work, we:

- maintain an energy price comparator website, Energy Made Easy (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 (program area 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 policies that retailers offer to customers facing financial hardship and seeking help to manage their bills.

While we do not set retail energy prices, our Energy Made Easy website helps energy customers make sense of the range of offers available, make better choices about those offers, and be aware of their rights and responsibilities when dealing with energy providers.

A key focus for the AER in 2017–18 is to equip consumers with the best possible tools to negotiate recent rises in energy bills. We are working with retailers, consumer representatives and other stakeholders to implement agreements between the Prime Minister and eight energy retailers made in August 2017. We want to ensure customers get the information they need to prompt them to investigate the energy market, help them compare plans and providers and then choose the best deal for them. In pursuing this, we are exploring a range

of measures including improvements to energy price fact sheets, introducing a comparator rate or reference price, technological solutions that make it easier to engage in the market, and more tailored solutions for customers who don't use online tools. Alongside this, we will continue our work to help consumers understand their rights and options, and so encourage them to engage confidently with our Energy Made Easy website to switch to the best available energy offer. We are also intensifying outreach to vulnerable customers, including through campaigns to raise awareness of hardship programs and other protections that are available.

Also in 2017–18, our staff are assisting the ACCC with its inquiry into the supply of retail electricity and the competitiveness of retail electricity prices. The Australian Government issued terms of reference for the inquiry on 27 March 2017. A preliminary report is due to the Treasurer by 27 September 2017 and a final report by 30 June 2018.

Energy Made Easy

The complexity and structure of retail offers can make it difficult for consumers to make comparisons and exercise informed choice when entering an energy contract. Our Energy Made Easy website helps residential and small business energy consumers navigate electricity and gas retail markets to find a suitable energy offer. It includes a price comparator with details of all generally available offers in participating jurisdictions. The website also allows consumers to compare their electricity use with that of similar households, learn about their rights and obligations, contracts and bills, and energy efficiency, and access information on the energy market.

Following ongoing website enhancements to improve ease of use and accessibility, we are expanding promotion of the Energy Made Easy website during 2017–18 to raise awareness of its benefits to consumers. This promotional activity will include roadshows, commercial promotions and campaigns, demonstrations and participation in consumer expos.

During the year, we will further refine our retail pricing guidelines to improve the quality of information given to consumers when entering retail contracts and encourage consumer participation in the market more generally. We will closely work with energy retailers so that they understand the new requirements.

Authorisations and exemptions

The behaviour of energy providers affects consumer confidence in the retail market. We assess applications for entry into the market, and guide potential applicants. This provides confidence that authorised retailers are aware of and can meet their obligations under the Retail Law.

We consult publicly on authorisation and certain exemption applications, and aim to release a decision within 12 weeks of receiving all relevant information.

The energy market is evolving and advances in technology, including energy storage, are creating new ways for businesses to sell energy. We revised our *Exempt selling guideline* in 2016 to communicate our approach to assessing these alternative energy selling models. In 2017–18 we are considering changes that may need to be made to the regulation of exempt sellers/exempt network service providers to ensure their customers have appropriate access to external dispute resolution such as energy ombudsmen schemes.

Hardship policies

Referral to a hardship program may be appropriate if a customer faces chronic or severe payment difficulties. The Retail Law requires energy retailers to develop and maintain a customer hardship policy underpinning how they identify and assist customers who have difficulty paying their energy bills. We assess the hardship policies of new entrant retailers, and monitor and assess compliance with approved hardship policies. We also assess amendments to approved policies.

Our voluntary *Sustainable payment plans framework*, launched in June 2016, aims to improve outcomes for customers experiencing financial difficulties by helping 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, good practice actions, and considerations for each stage of a payment plan.

During 2017–18, we will review how effectively retailers' hardship programs identify customers in financial difficulties and assist them to better manage their energy bills. Our review will consider each retailer's corporate attitude and culture towards the issue; early identification and access; effective systems and processes; and program outcomes.

We began by reviewing currently available information to determine each retailer's performance across these areas. That information included retailer performance

data and compliance reporting; and complaints to energy ombudsman schemes and jurisdictional energy regulators. Where that process identified concerns, we wrote to relevant retailers in August 2017, seeking further information for a fuller assessment of their hardship policies.

Managing retailer failure

The AER manages a Retailer of Last Resort (RoLR) scheme. If a retailer fails, the scheme ensures customers continue to receive their energy supply from another retailer. Such a transition was necessary following the recent failures of GoEnergy in April 2016 and Urth Energy in February 2017. In each instance, the AER oversaw an orderly transition for all customers to new retailers.

Drawing on the experience of administering these events, we will update and make any necessary amendments to our RoLR plan during 2017–18 in preparation for any possible future retailer failures. We will also conduct a Board level exercise with AEMO to verify the adequacy of our processes and streamline joint working arrangements in the case of a RoLR event to ensure optimal customer outcomes. We will also undertake ongoing work in administering registration arrangements for default and additional retailers, including periodic reviews of appointments and offers.

Performance reporting

Performance reporting on energy businesses enhances transparency and accountability, and provides incentives to improve performance. It also helps identify emerging issues that may require a compliance or enforcement response.

In 2017–18 we will continue to communicate retailer performance outcomes to stakeholders through comprehensive, clear and regular reporting. Our next annual performance report, to be released by 30 November 2017, will cover:

- hardship program indicators and the handling of customers experiencing payment difficulties
- customer service and complaints
- disconnections and reconnections
- energy affordability
- distribution businesses' performance against network service standards.

In addition to this annual reporting, we publish quarterly data on retail market performance.

Information and engagement

We liaise with stakeholders interested in the Retail Law, including energy businesses, energy ombudsman schemes, jurisdictional regulators, the ECA and other market bodies. We also engage with residential and small business consumer intermediaries that support disadvantaged and vulnerable energy consumers. These relationships help us to identify gaps in consumers' understanding of energy markets and barriers to consumers' effective engagement.

Our global approach on these issues is set out in our publicly available *Stakeholder engagement framework*. Our 2016 stakeholder survey identified areas that could be improved, and we will consult with stakeholders on proposed refinements to the framework during 2017–18.

Our Consumer Consultative Group provides advice on issues as they arise, including market and compliance matters. Group members also raise issues of importance to their constituencies. The group is expected to have at least three formal meetings in 2017–18.

In May 2017, the AER reconstituted the Consumer Consultative Group for a minimum two year period. The member organisations of the reconstituted group are Alternative Technology Association, Brotherhood of St Laurence, Care FCS, COTA Australia, Country Women's Association of Australia, Ethnic Communities Council of NSW, National Retail Association, Public Interest Advocacy Centre, Queensland Council of Social Service, St Vincent de Paul Society, Tasmanian Council of Social Service and Uniting Care Australia. ECA and the AEMC are observers.

Program 4: Compliance and enforcement

We monitor and enforce the compliance of market participants, energy service providers and AEMO with the national energy legislation and rules governing wholesale energy markets, the supply of energy network services and retail energy markets. We have similar roles under local instruments in some jurisdictions, as agreed by the Energy Council.

Our compliance and enforcement roles span our other program areas— energy networks, wholesale markets and retail markets. Our general approach is to provide guidance on good industry practice, and promote a culture of compliance by businesses with effective internal practices. An aspect of this work is to identify the boundaries of unacceptable conduct and clearly communicate our expectations to energy businesses.

We employ a risk-based approach to monitoring and enforcing compliance with the national energy legislation and rules, focusing on the impact and probability of a breach, and allocate our resources on that basis.

We strive for a proportionate response to breaches. Ideally, energy businesses should resolve compliance issues through agreed outcomes, without the exercise of statutory enforcement powers or financial penalties. But targeted and timely enforcement action is necessary and appropriate in certain circumstances. A statement of approach (available on our website) aims for consistency across the industry.

We apply a range of tools to encourage participants to operate in ways that deliver efficient market outcomes. Our core approaches include:

- market monitoring to identify possible compliance issues
- applying a risk-based approach that avoids unnecessary regulatory burden
- engaging with other regulators and organisations (such as energy ombudsmen) to identify compliance issues
- engaging with energy businesses and other participants through forums and meetings on our approach to compliance and enforcement, and to address industry concerns
- regular targeted compliance reviews of areas of the national laws and rules to assess how industry participants comply with their obligations
- reviews of information that energy businesses publish on their websites and in other media
- exception reporting, whereby regulated entities track and notify us of their own breaches

- strategic projects that focus on longer term harms or risks, with metrics to measure our effectiveness
- targeted compliance reviews of key consumer protections, such as retailers' implementation of customer hardship policies
- general audits of compliance with certain provisions, including audits that we conduct in response to market events or inquiries that raise compliance concerns
- rolling annual audits of compliance programs, including technical performance standards of generators and network businesses
- enforcement action on identified breaches, including infringement notices and court action
- publishing reports and bulletins with guidance on our compliance activity and expectations of market participants.

During 2017–18 we will continue to refine surveillance systems and procedures for monitoring compliance, reviewing outcomes and taking appropriate enforcement action.

We launched a new compliance audit program to review retailers' systems for monitoring their obligations under the Retail Law and Rules, aimed at improving the overall quality of compliance systems. Our revised *Compliance Procedures and Guidelines* (June 2017), together with our *Practice Guide for Compliance Audits*, set out our approach to compliance audits and expectations for the standard and quality of compliance reports.

The provisions selected for auditing will be in areas where concerns have been raised about the adequacy of compliance systems to detect potential breaches, or where failure of those systems would disproportionately impact vulnerable customers.

Compliance reporting

We report regularly on our compliance activity, including enforcement action undertaken. Our reporting framework includes:

- quarterly compliance reports on the electricity and gas wholesale markets and network businesses
- annual compliance reports on the energy retail sector, supplemented by incident reports on completed enforcement matters
- targeted information to industry and the broader community.

Compliance focus areas

While we monitor compliance with all obligations in the energy legislation, we target priority focus areas each year. Table 1 shows our compliance priorities in the wholesale, network and retail sectors for 2017–18. A number of these priorities are discussed elsewhere in this report under the program area they relate to.

Table 1: Compliance focus areas 2017–18

Sector	Compliance focus
Wholesale markets	<ul style="list-style-type: none"> • Ensure gas market participants understand and meet their obligations on submitting information to the Gas Bulletin Board (targeting new provisions) • Ensure NEM market participants provide timely and accurate information to AEMO to support power system security and efficient market operation, in preparation for summer 2017–18 • Complete compliance investigations into high impact NEM events where the market was suspended or customers interrupted during 2016–17 and undertake appropriate action where necessary • Audit electricity generators' compliance programs for technical performance standards in light of the NEM's evolving technology mix • Ensure participants comply with metering obligations to be introduced on 1 December 2017
Networks	<ul style="list-style-type: none"> • Respond to any compliance issues relating to electricity transmission networks meeting their obligations to negotiate with third parties on network connections • Resolve connection disputes between electricity distribution businesses and small customers • Monitor the application of regulatory tests to ensure network businesses meet consultation requirements, apply principles of competitive neutrality and assess capital proposals in a transparent manner • Assess ring fencing compliance reports for covered gas pipelines (and electricity networks, subject to the outcome of a likely rule change proposal) • Audit quality of information in annual planning reports by transmission network businesses • Respond to any breaches of the exempt network provisions and the exempt network guideline in a timely manner, including in relation to embedded network manager requirements that commence on 1 December 2017
Retail markets	<ul style="list-style-type: none"> • Ensure all customers facing barriers to accessing competitive markets in embedded networks are protected • Improve quality, timeliness and accuracy of energy retailers' market performance data • Ensure retailers comply with the retail pricing information guidelines to display offers on Energy Made Easy in a clear and accurate manner • Assess matters reported to us by retailers and distributors to identify emerging compliance issues • Conduct targeted compliance reviews including retailer implementation of customer hardship policies • Work with industry to ensure our approach to compliance in the area of life support obligations and metering contestability is well understood • Conduct targeted compliance audits on retailers and distributors focused on customer protections under the retail law and rules

Performance indicators 2017–18

1. Meeting the COAG Energy Council's expectations

The Energy Council in 2014 laid out its expectations of the AER under an accountability and performance framework, as outlined in our *Statement of Intent 2017–18* (published on our website).

As part of this framework, the AER must report on our progress in meeting key performance indicators in four areas—progress on work program; expenditure against budget; engagement with stakeholders; and improving capabilities.

We have set the following high level performance indicators to measure our progress in these areas. Separately, we set more granular deliverables and performance indicators for each work program area. Our Annual Report for 2017–18 will assess our performance against these measures.

DELIVERABLE	2017–18 TARGET
<i>Progress on work program and expenditure against budget</i>	
Publish a detailed work program as part of our Statement of Intent	Publish 2018–19 Statement by 30 June 2018
Report through the ACCC–AER statutory Annual Report on our expenditure against the program budget allocated to AER	Deliver 2016–17 Report to Treasury by 30 August 2017
Publish an AER Annual Report setting out outcomes against our work program, including compliance with statutory timelines	Publish 2016–17 Report by 6 October 2017
Undertake our work program within budget as determined through the Australian Government budgetary process	Undertake work program within budget
Publish any significant changes to our work program on AER website	Publish changes within 14 days
Report to Energy Council on progress against work program, including outcomes, issues and any variations	Provide updates as requested by the Energy Council
<i>Stakeholder engagement</i>	
AER Board and senior executives communicate with stakeholders via speeches, forums and the media	Qualitative target
Meet periodically with the Consumer Challenge Panel, jurisdictional groups of consumer representatives and the Customer Consultative Group, in conducting our work program	Monthly meetings of CCP subgroups with AER staff, and at least two meetings of jurisdictional groups during each regulatory reset; and three meetings of CCG
Undertake a broad stakeholder survey every two years that includes an assessment of the quality of our stakeholder engagement	Conduct 2018 stakeholder survey, with outcomes to be published in 2017–18 AER Annual Report
Publish the State of the Energy Market report, with accessible information on market activity and dynamics	Publish 11th edition during 2018
Publish a strategic statement communicating the AER's purpose, work and strategic objectives	Publish the statement during 2017

Improving capabilities

Strengthen our external engagement and communications capabilities

Qualitative target

Undertake comprehensive review of corporate governance, structure, culture, strategic priorities and performance delivery to ensure we are the high performing, outcome focused, collaborative agency we want to be

Commission independent review following a tender process to identify suitable candidate to undertake review

Develop capability for continuous network performance monitoring

Qualitative target

Expand our data analytics capabilities for assessing regulatory proposals and wholesale market dynamics

Qualitative target

2. Progress in achieving our work program

The following indicators will be used to measure progress in achieving our work program at a more granular level. Our Annual Report for 2017–18 will assess our performance against these measures.

Work program area 1: Energy networks

DELIVERABLE	2017–18 TARGET
Complete all regulatory decisions on electricity networks and gas pipelines within statutory timeframes	Publish three electricity and five gas determinations, within statutory timeframes
Publish annual benchmarking report and RIN data for electricity networks	Publish benchmarking report by 30 November 2017
Resolve disputes within legislated timeframes, including on network access and connections, and regulatory investment tests	100 per cent
Implement any reforms arising from AEMC rule changes, by developing or amending guidelines and through the regulatory determination process	Qualitative target
Publish aggregated data sets for electricity transmission and distribution businesses	Publish by 30 June 2018

Work program area 2: Wholesale energy markets

DELIVERABLE	2017–18 TARGET
Report to the Energy Council on NEM market outcomes and participant behaviour in Victoria and South Australia in light of Hazelwood power station's closure	Deliver report to the Energy Council by 30~March 2018
Provide advice to the Energy Council on factors impacting on market efficiency in NSW	Provide advice to the Energy Council by the timeframe requested
In consultation with stakeholders, develop and finalise frameworks to implement our new legislated performance monitoring role in the NEM	Publish final statement of approach by 28 February 2018
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
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
Support the AEMC in progressing rule change proposals aimed at improving market efficiency	Engage in all processes where the AER can provide valuable perspectives

Work program area 3: Retail energy markets

DELIVERABLE	2017-18 TARGET
Actively monitor retail markets as new products and services are made available to ensure our guidelines and systems remain efficient and effective	Qualitative target
Ensure 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
Publish an annual performance report and quarterly data on the retail energy market (including energy affordability)	Annual report published by 30 November 2017 Quarterly data published on website within 12 weeks of quarter's end
Assess retailers' hardship policies (and proposed amendments) in a timely manner	Assess all policies and amendments within 12 weeks of receiving required information
Assess retail authorisation/exemption applications in a timely manner	Assess all authorisation/exemption applications within 12 weeks of receiving required information
Apply processes to support the timely transfer of affected customers in the event of a retailer failure	Meet all obligations within statutory timeframes

Work program area 4: Compliance and enforcement

DELIVERABLE	2017-18 TARGET
Enforcement action is targeted and proportionate to regulatory risk	Matters selected for enforcement activity improve market outcomes for customers
Ensure compliance framework keeps pace with market developments to provide appropriate consumer protections	Qualitative target
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
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
Publish quarterly compliance reports on wholesale markets and networks	Publish reports within six weeks of quarter's end
Publish an annual compliance report on retail markets	Publish report by 30 November 2017
Communication with businesses is clear and targeted	Conduct at least two roundtables or other forums with energy businesses on compliance Issue at least two 'compliance checks' to businesses
Provide clear targeted guidance to businesses on Compliance monitoring framework	Provide guidance to businesses on their compliance reports made under the compliance guideline, within eight weeks of the reporting period

3. Meeting the Australian Government's expectations

As outlined in our *Statement of Intent 2017–18*, the Australian Government lays out expectations of the AER to operate as a high performing and consultative agency that administers principles-based regulation in ways that promote the long term interests of consumers, while minimising compliance costs.

The AER strives for best practice regulatory methods in undertaking its functions. We set the following deliverables and performance indicators to measure our progress in meeting the Australian Government's expectations. The indicators are based on those set out in the Australian Government's *Regulator Performance Framework (2014)*, which can be downloaded from our website. Our Annual Report for 2017–18 will assess our performance against these measures.

DELIVERABLE	2017–18 MEASURES
<i>Regulators do not unnecessarily impede the efficient operation of regulated entities</i>	
Apply regulation consistently with guidance developed in consultation with regulated businesses	Independent surveys of stakeholder satisfaction with AER processes
Meet statutory timeframes applicable to our work program to promote regulatory certainty	Document instances of non-compliance and why they occurred
Regularly meet with other agencies, including the AEMC, AEMO, the ECA, ASIC, the Utility Regulators Forum and the Energy Intermarket Surveillance Group, to share knowledge and experience on efficient regulation	Document meetings with each agency and nature of engagement
Assess costs and benefits of additional information requirements prior to widening the scope of RINs	Consult with affected businesses in each instance
<i>Communication with regulated entities is clear, targeted and effective</i>	
Regulatory determinations and other major decisions are accompanied by a decision document explaining the reasoning for the decision	Document instances of non-compliance and why they occurred
Guidance materials and decisions published by the AER comply with government accessibility guidelines	Document instances of non-compliance and how remedied
AER Board and staff engage with regulated businesses throughout the regulatory determination process	Document meetings with businesses
<i>Actions undertaken by regulators are proportionate to the regulatory risk being managed</i>	
Apply a risk based approach to compliance and monitoring activities	Document basis for compliance and monitoring focus in compliance reporting
Recognise the compliance record of regulated entities in making enforcement decisions	Document reasoning for enforcement decisions in compliance reporting
<i>Compliance and monitoring approaches are streamlined and coordinated</i>	
An agency-wide Statement of approach guides compliance and enforcement activity across work program areas	Document agency's consistent application of Statement of approach
Collaborate with the ACCC on energy market enforcement activity falling under the scope of both agencies	Document communication forums and nature of engagement
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

Regulators are open and transparent in their dealings with regulated entities

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
Publish submissions to regulatory processes on the AER website	Document instances where submissions not published and why this occurred
Published decisions clearly set out how we accounted for stakeholder views.	Independent surveys of stakeholder satisfaction with transparency of AER decisions
Consult with industry in the preparation of any guidelines or policies	Document instances where consultation did not occur
Engage with industry through forums	Document number of meetings and nature of engagement
Apply risk-based <i>frameworks, processes, guidelines and decisions</i> that are publicly available	Survey stakeholder confidence in our consistency with published guidance

Regulators actively contribute to the continuous improvement of regulatory frameworks

Engage with agencies that have energy market responsibilities in accordance with legislation and memoranda of understanding	Document meetings with each agency and type of engagement
Engage in policy reviews, rule change processes and reform implementation through information sharing, making submissions and participating in forums	Document engagement and relevant processes in each area
Promptly respond to requests for information from government (including the Energy Council) within specified timeframes	Adhere to agreed timeframes



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