



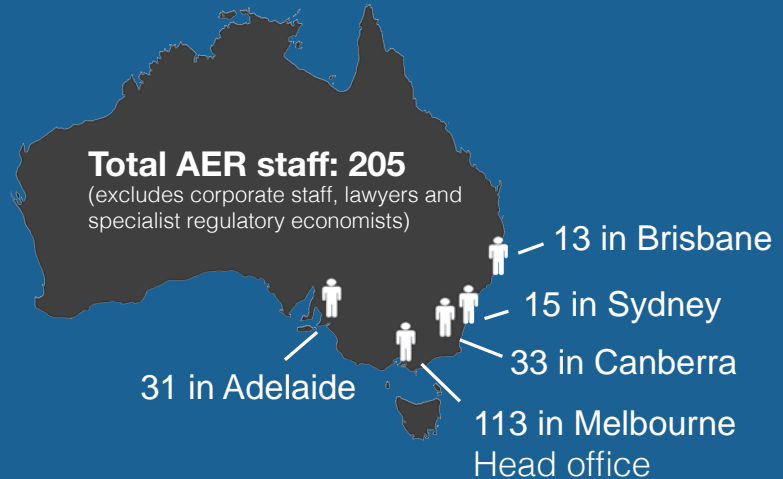
AER
AUSTRALIAN
ENERGY
REGULATOR

ANNUAL
REPORT
2017-18

OUR BUSINESS

The Australian Energy Regulator (AER) regulates energy markets and networks. We have an independent board of three members.

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



WHOLESALE MARKETS

We enforce the laws for the National Electricity Market and wholesale gas markets located in Victoria, Sydney, Brisbane and Adelaide, and gas supply hubs at Moomba and Wallumbilla. These markets have a combined annual turnover in excess of \$17 billion. We monitor and report on the conduct of over 360 registered wholesale market participants.



CONSUMERS

We protect the interests of over

6.5 million

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

We monitor the conduct of 102 authorised retailers, approve customer hardship policies and operate a scheme to protect consumers if a retailer fails. Our Energy Made Easy website helps consumers choose the best retail contract.

NETWORKS



We set the amount of revenue that network businesses can recover from customers for using networks (electricity poles and wires and gas pipelines) that transport energy. The combined value of the 31 networks we regulate exceeds \$103 billion.



HIGHLIGHTS OF THE YEAR

NETWORK DECISIONS

We made three final electricity network determinations and approved five gas access arrangements. Our decisions allowed 7.94 per cent less revenue than proposed by the businesses.

7.94%
less revenue

ENERGYMADE
The power to compare **easy**

13 245

offers for residential and small
business customers published

1.2 million

total website visits

CONSUMERS

We worked with ombudsmen schemes to improve protections and dispute resolution for customers of exempt sellers. We created new price fact sheets to give customers clearer and better information when comparing energy offers.

WHOLESALE MARKETS

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

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

ENFORCEMENT

17 infringement notices were paid by businesses for alleged breaches of the Retail Law or Retail Rules amounting to total payments of \$340 000.

COMPLIANCE

9

retailer compliance audits

16

hardship policies reviewed

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CHAIR'S REVIEW

The affordability and security of energy supply has been a key concern for many Australians over the past year. The energy sector continues to change with technological advances providing new ways to generate, store and manage energy. These advances throw up new challenges, and opportunities, for the distribution and transmission networks, consumers, policy makers and of course, the regulator.

The Australian Energy Regulator (AER) has focused its efforts on applying the regulatory framework in a robust, consistent and accountable manner. Working closely with stakeholders, we support effective competition where it is possible and regulate where it isn't.

Energy affordability continued to be a major focus for the AER's work. Retail electricity and gas prices remained at high levels during 2017–18. An increased number of customers were in debt to energy companies and more customers were disconnected for non-payment of energy bills than in the previous year.

Energy affordability is a complex issue. Many factors contribute to the challenges that some consumers face in being able to afford the energy services they need, and many agencies are involved in resolving these challenges.

We address energy affordability issues through our work in monitoring wholesale market costs, regulating energy networks costs, ensuring vulnerable customers are protected under the retail law and providing tools to help customers find better deals.

This year fewer customers accessed the hardship programs that retailers are legally required to offer and fewer customers completed them successfully. To help address hardship more broadly the AER submitted a rule change request to the Australian Energy Market Commission (AEMC) to develop a binding Customer Hardship Policy Guideline.

The Guideline will act as a single point of reference for industry on how hardship obligations should be offered, and provide customers with a clear understanding of their rights and entitlements. The AEMC's final rule was recently delivered on 15 November 2018. We expect to see a material improvement in retailers' engagement with consumers in hardship in the coming year.

We worked with others who have key roles in addressing energy affordability – for example through providing market data to consumer groups and energy policy makers to support effective policy reform, and by working with other agencies such as the AEMC and the Australian Competition and Consumer Commission (ACCC) to identify and implement actions that will improve affordability.

We work across all parts of the energy supply chain. We monitor wholesale market prices and generator behaviour, test the costs and benefits of network investments, set revenue limits for network businesses, protect vulnerable people and help households and small businesses shop around for the best energy deal.

We have a critical role in ensuring that energy companies are complying with the rules and laws they are to subject to. In the past year we have taken enforcement action against a number of energy companies, including for alleged breaches of explicit informed consent and life support obligations. We are continuing to actively investigate other alleged breaches of the rules and laws, including those around disconnections. We are committed to taking appropriate enforcement actions to help protect energy consumers (including vulnerable consumers) and ensure that energy companies are meeting their obligations. We are looking forward to working with the strengthened powers and increased penalties that the Council of Australian Governments (COAG) Energy Council are in the process of implementing. These will enable us to further enhance our work on enforcement.

The significant transition in the Australian wholesale energy market continued in 2017–18. The changing generation mix and the closure of Victoria's Hazelwood brown coal power station led to concerns that generator behaviour was leading to higher prices.

Wholesale electricity markets are a major contributor to the costs that households and businesses pay. We have been given expanded powers to monitor and report on the extent of competition and identify elements that may be detrimental to the effective and efficient functioning of the market.

Our first report to the COAG Energy Council using these powers focused on high prices in the NSW electricity market. The report found that short-term fuel issues and longer-term market challenges combined to cause sustained high prices for wholesale electricity in NSW.

We also reported in March 2018 on the effect on the closure of the Hazelwood power station on wholesale electricity markets. This report found that the exit of Hazelwood removed a significant generator with low fuel costs from the market. The output of this generator was largely replaced by higher cost black coal and gas generation – at a time when the input costs of black coal and gas plant were increasing. These factors, in turn, drove significant increases in wholesale electricity prices in Victoria and South Australia, with other states in the National Electricity Market also affected.

We have worked to help achieve the COAG Energy Council's Australian Gas Market Vision. This vision recognises the significant transformation occurring in our markets and the need for governments to guide gas market development. We worked with the AEMC on metrics that will help bring about an improved liquid wholesale gas market in which an efficient reference price provides signals for investment and new gas supply.

Network regulation is a primary area of focus and our work helps ensure Australian households and businesses pay no more than they should for safe and reliable energy supplies.

We focused significant resources in 2017–18 on resolving matters relating to the appeals of the our 2015-19 revenue determinations under the Limited Merits Review (LMR) process. We developed a collaborative 'roundtable' process in order to resolve the outcome of that appeals process – bringing stakeholders together to ensure the outcomes delivered were in the long term interest of consumers.

Since 2014, there has been an overall flattening of network prices, illustrated by our 2015 decisions for NSW and ACT distribution businesses which brought about a significant decrease in costs.

The Australian Government removed the LMR process as an avenue for network businesses to overturn our decisions through the Australian Competition Tribunal. However, there were a number of residual LMR matters that were still under consideration by the courts.

In late October 2017, the Tribunal confirmed our May 2016 revenue decisions for the five Victorian electricity distribution networks and ACT gas distribution pipelines. The Full Federal Court confirmed in early January 2018 that our revenue decision for SA Power Networks over the 2015-20 regulatory period would stand.

From 2017–18, network revenue determinations – which directly affect how much consumers pay for their electricity – will be influenced by some key pieces of work undertaken this year, including our annual benchmarking reports for electricity distribution and transmission networks and the review of the approach to estimating tax for regulated energy networks. The initial report from the review was published in June 2018, with the final report due later in the year.

The rate of return is another key determinant of the network charges that customers pay. We undertook a review of the Rate of return guideline, including comprehensive consultation with stakeholders. The draft decision was released in July 2018, with a final decision expected by the end of the year.

Working more closely with stakeholders affected by our decisions is an ongoing priority of ours. In April 2018 the NewReg process was launched to further this aim. The NewReg approach aims to improve the efficiency and effectiveness of network regulation, increase consumer trust and confidence in the process, and deliver the outcomes that consumers most value when determining how much they pay for network services.

This focus on delivering better outcomes for consumers was shown in other aspects of our work over the year. There were more than 1 200 000 visits to our popular EnergyMadeEasy price comparison website. The website has been revamped and launched as the first step in a broader redevelopment project following additional government support.

In mid-2017, the Prime Minister called a summit of major energy retailers to secure their commitment to improving customer outcomes in the energy market, particularly in relation to comparing energy offers and finding cheaper deals. Following that meeting, we worked with retailers, consumer representatives and behavioural insight experts to redesign the fact sheets customers use to compare offers, making them simpler and more useful. We also developed new guidelines in response to a rule change proposed by the Australian Government requiring retailers to notify customers when the benefit period of their energy offer is ending and explain any resulting additional costs. Retailers at the summit also agreed to provide the AER with data on the number of their customers who had lost a benefit and were worse off as a result. We amended our performance reporting requirements to mandate that information, which provides useful insights into customer outcomes in the market.

The continuing transition in the energy sector means that the AER is also changing. Our year began with an increase in funding from the Australian Government as

recommended by the Finkel review. These funds have been used to expand the staffing and capabilities of the AER to reshape our organisation so we can deliver the best possible services and value to all our stakeholders. This growth is ongoing and will help us deliver on further initiatives in the coming year: from developing a mechanism for a default market offer, putting a value on reliability and the ongoing reform in the regulation of gas networks.

Our 2018 Stakeholder Survey demonstrated that we have made a real impact in our core duties. Highlights from the survey show that 79 per cent of respondents are satisfied with how effectively we perform our functions as a regulator, while only five per cent were dissatisfied.

Pleasingly, 81 per cent of respondents say we have a clear direction and purpose, 87 per cent say that we are trustworthy, and 84 per cent said their organisation was fairly treated by us. While this is positive, we strive to continue to improve these results.

On behalf of the AER's board and staff, I am pleased to provide you with this annual report, detailing our work and performance against targets laid out in our *Statement of Intent* to the COAG Energy Council and the Australian Government.

Paula Conboy

Chair

Australian Energy Regulator

Part 1

GOVERNANCE & MANAGEMENT

Our work in energy

The Australian Energy Regulator (AER) works to make all Australian energy consumers better off, now and in the future. We regulate energy markets and networks in jurisdictions other than Western Australia.

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

- drive effective competition where it is feasible
- provide effective regulation where competition is not feasible
- equip consumers to participate effectively, and protect those who are unable to safeguard their own interests
- use our expertise to inform debate about Australia's energy future, the long-term interests of consumers and the regulatory landscape
- take a long-term perspective while also considering impacts on consumers today.

These strategic objectives are reflected across our diverse and expanding work program. In summary, our key work is to:

- determine how much revenue network businesses can earn from transporting energy to customers via electricity poles and wires and gas pipelines. Currently, we undertake this role in jurisdictions other than Western Australia.
- build consumer confidence to make informed choices when choosing an energy contract, both through our price comparator website (Energy Made Easy) and by making consumers aware of protections that are available to them. Currently, we perform this role in Queensland, New South Wales (NSW), South Australia, Tasmania and the Australian Capital Territory (ACT).
- monitor wholesale energy markets to detect market irregularities and manipulation, as well as instances of participant non-compliance with the market rules. Currently, we perform this role for the National Electricity Market (NEM) and wholesale gas markets in southern and eastern Australia.
- ensure energy businesses comply with the energy legislation and rules, and take enforcement action where necessary
- help the community understand energy market issues, including through our *State of the energy market* report.

We support the Council of Australian Governments (COAG) Energy Council, with briefings on energy market activity and by providing advice on issues as they arise.

As a member of the Energy Security Board (ESB), we also help oversee implementation of reforms arising from the Finkel review. The ESB comprises an Independent Chair and Deputy Chair, the Chairs of the AER and Australian Energy Market Commission (AEMC), and the Chief Executive Officer (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.

Additionally, we assist the Australian Competition and Consumer Commission (ACCC) on energy related matters, including inquiries referred to it by the Australian Government. We also assist the ACCC on energy issues arising under the *Competition and Consumer Act 2010*, including consumer protection, mergers and authorisations.

Governance and management

We strive to incorporate good governance in our decision making and our business practice. Our internal structure supports our processes for making timely, evidence based, independent decisions, and enables us to appropriately manage risk, act with integrity and engage effectively with our stakeholders.

OUR LEGISLATIVE FRAMEWORK

The AER is an independent entity under the *Competition and Consumer Act 2010*, consisting of three board members. Our functions are set out in the national energy legislation and rules, including the National Electricity Law (NEL), the National Gas Law (NGL) and the National Energy Retail Law (NERL). The legislation shares a common objective that guides our work—to promote efficient investment in, and efficient operation and use of, energy services for the long-term interests of energy consumers with respect to price, quality, safety, reliability and security of supply.

AER BOARD

The three member AER Board has extensive energy sector and infrastructure regulation experience. It exercises the agency's decision making responsibilities as set out in the energy legislation and rules, sets strategic direction, approves major policy submissions and guides staff.

Chair—Paula Conboy



Paula Conboy was appointed as the full time state/territory member and AER Chair in October 2014.

Paula has extensive experience in developing and implementing energy market reform and utility regulation. Before being appointed to the AER, she served as a full time board member of the Ontario Energy Board. Before that, Paula was the Vice President of Regulatory and Government Affairs at PowerStream.

Paula holds a MSc (Agr) from Guelph University in Canada. She is a graduate of the Australian Institute of Company Directors.

Cristina Cifuentes



Cristina Cifuentes was initially appointed to the AER Board in October 2010. She became the Commonwealth member of the Board in 2013 for a five year period. She was reappointed in May 2018 for a further five year term. In addition, she is a Commissioner of the ACCC and a member of the Organisation for Economic Cooperation and Development's (OECD) Network of Economic Regulators.

Cristina has a breadth of experience in both the public and private sectors across public policy, finance and utility regulation, including positions at the Reserve Bank of Australia (RBA), the NSW Treasury and the Australian Securities Commission. She was a member of the NSW Independent Pricing and Regulatory Tribunal (IPART) between 1997 and 2006.

Before joining the AER, Cristina held a number of directorships including with the NSW Treasury Corporation, the Hunter Water Corporation and First State Super Trustee Corporation.

Cristina holds degrees in law and economics.

Jim Cox



Jim Cox was appointed as a state/territory member of the AER Board in June 2014. In May 2017 Jim was reappointed a member of the AER Board for a further three year term.

Jim has held positions with the RBA, the Department of the Prime Minister and Cabinet and the Social Welfare Policy Secretariat of the Department of Social Security. He was a principal economist at the Office of the Economic Planning and Advisory Council (EPAC) and a consultant to the NSW Cabinet Office. Jim was Principal Adviser to the Government Pricing Tribunal of NSW from 1992 and was a member of IPART from January 1996 to September 2013. He was Acting Chairman of IPART during 2004, 2009–10 and 2011 and a visiting fellow at Monash University during 1985.

Jim assisted the New Zealand Government with social policy changes in 1991 and has written extensively on economic and social policy issues. He was awarded the Public Service Medal in the Australia Day honours list in 2011 for outstanding public service to IPART.

AER board meetings 1 July 2017 – 30 June 2018

Description	Number of meetings
Meetings	45
Out of session meetings	13
Total meetings	58
Meetings with all AER board members	41

AER structure

The AER underwent a significant change in its organisational structure in July 2018. This report reflects the structure in place for the 2017–18 reporting period.

For more information on the AER's current structure, please visit <https://www.aer.gov.au/>

Our Chief Executive Officer (CEO) is accountable to the AER Board, and is assisted by a senior management team covering technical and operating functions. The AER's budget is provided through the ACCC's agency appropriation (see Part 6) and is allocated in line with the AER Boards requirements and the AER's legislative responsibilities, commitments set out in our *Statement of intent*, our anticipated work program and workforce requirements. Responsibility for the detailed management of the budget, workforce plan and other resources lies with the CEO.

The AER Board and CEO are supported by staff working across six branches (three in the networks space, one each for retail and wholesale energy markets and a new branch responsible for strategic communications and external affairs). Two stand-alone units (a Technical advisor group, and information technology [IT] and data services) assist the branches (figure 1).

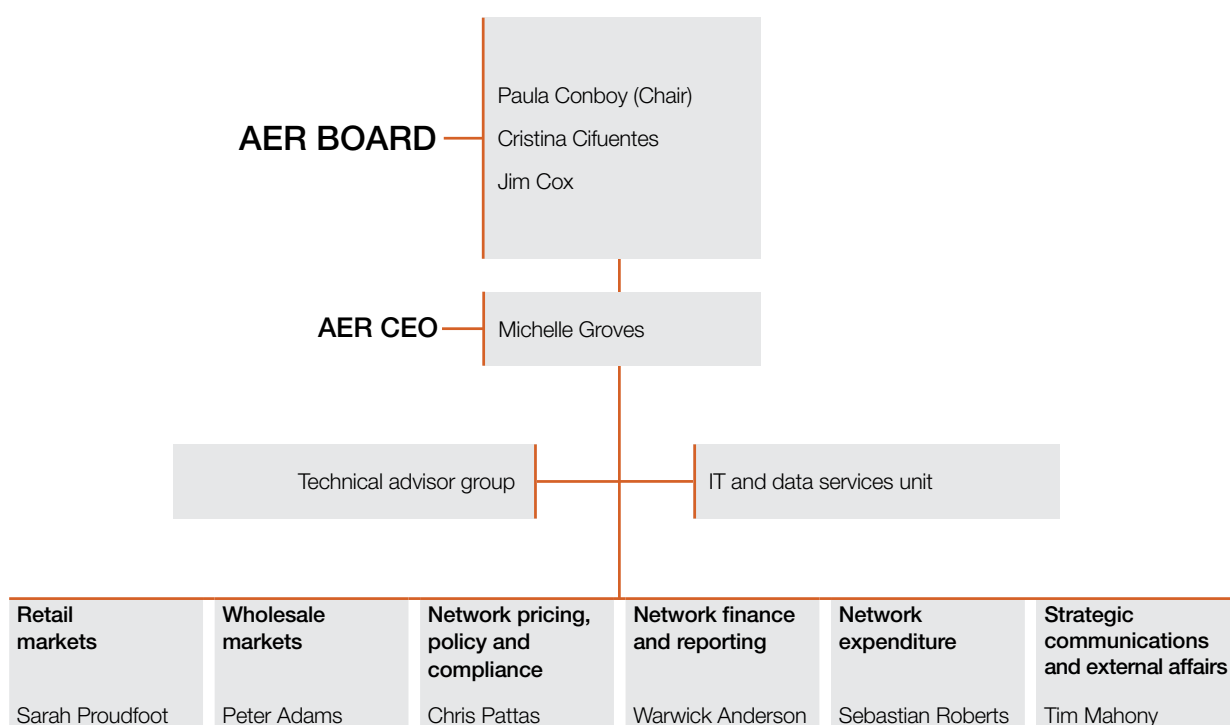
During 2017–18, 205 staff members supported the AER Board and CEO, up from 149 in 2016–17. Our average staffing level across the year was just over 157 (excluding the AER Board and CEO), up from 125.2 in 2016–17. We also engaged 28 contractors and seconded three staff from other agencies to assist in delivering our work program, bringing the total number of people supporting the AER Board and CEO during the year to 253. This number represents a 31 per cent increase in staffing or 60 new people. Our reliance on contracted staff reduced by 36 percent relative to 2016–17.

The AER shares legal and economic advice resources with the ACCC. In addition, AER staff work closely with the ACCC on energy related matters under both the energy laws and the *Competition and Consumer Act 2010*. While there are areas of common concern relating to consumer protection, the AER operates independently in pursuing compliance and enforcement matters under the energy laws.

OUR CEO

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

Figure 1: AER organisation chart



NETWORK BRANCHES

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

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

This specialised structure facilitates consistency in our approach to regulating network businesses and promotes the development of deep expertise and experience.

RETAIL MARKETS BRANCH

Our *Retail markets* branch, headed by Sarah Proudfoot, regulates retail energy markets in the states and territories that apply the NERL—Queensland, NSW, South Australia, Tasmania and the ACT. The team aims to help customers participate confidently in retail energy markets, including through maintaining our energy price comparator website, Energy Made Easy (www.energymadeeasy.gov.au), and make them aware of protections that are available if problems arise. The branch also monitors and enforces compliance by energy businesses with their legal obligations, including on hardship policies, disconnections, and how they market offers to customers. Additionally, we protect consumers and the market if a retailer fails.

WHOLESALE MARKETS BRANCH

Our *Wholesale markets* branch, headed by Peter Adams, monitors wholesale energy markets to detect irregularities and inefficiencies, including evidence of market manipulation, and investigates high impact

market events. In 2016 we acquired a new role in monitoring the effectiveness of competition in the wholesale electricity market. The *Wholesale markets* branch also monitors the electricity and gas markets to support our compliance and enforcement program.

We report weekly on market activity to strengthen transparency and confidence, with more intensive reporting on high impact market events. We also publish quarterly reports on our compliance monitoring and enforcement activities in wholesale gas and electricity markets. Our market intelligence is drawn together in the *State of the energy market* report, which explains important market developments and factors impacting on energy prices.

STRATEGIC COMMUNICATIONS AND EXTERNAL AFFAIRS BRANCH

Our *Strategic communications and external affairs* branch, headed by Tim Mahony, came into effect on December 2017. It manages the AER's communications and the organisation's relationships, including via media releases, external messaging and social media. The branch also manages the AER's relationship with government at all levels, as well as with industry and consumer stakeholders.

OTHER BRANCHES AND UNITS

Our five core branches are supported by:

- our Technical advisor group, which provides technical and industry advice
- our Information technology and data services unit, which provides and maintains business systems, processes and technology support services
- a legal and economic division shared with the ACCC, including expert regulatory economists who contribute to our decisions on the cost of capital, benchmarking and incentive schemes. The division also provides training and helps coordinate economic expertise across the AER and ACCC. Additionally, it provides legal assistance on our enforcement matters and network decisions
- a people and corporate services division shared with the ACCC, which provides our human resources, finance and governance, information technology and strategic communication services.

Our planning and reporting framework

The AER sits within the Commonwealth Treasury portfolio. The Hon. Scott Morrison MP, Treasurer of the Commonwealth of Australia, was Minister responsible for the AER during the 2017–18 reporting period. The Hon. Josh Frydenberg MP, became Treasurer in August 2018 following a change of ministerial arrangements.

PORTFOLIO BUDGET STATEMENT AND CORPORATE PLAN

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

OUR RELATIONSHIP WITH THE COAG ENERGY COUNCIL

The COAG Energy Council is a Ministerial forum for the Commonwealth, states and territories and New Zealand to work together in the pursuit of national energy reforms.

We support the COAG Energy Council and its Standing Committee of Officials (SCO) by providing clear advice on energy issues as required. In particular, we brief the council on key issues, and draw on our expertise to engage in rule change processes and policy reviews initiated by the council. The AER Chair and CEO typically attend part of each council meeting to discuss energy market and network regulation issues.

Additionally, the AER Chair and CEO regularly meet with Commonwealth, state, and territory energy ministers. AER staff also communicate with energy departments, particularly on jurisdiction-specific and broader policy issues. More generally we support parliamentary processes when our expertise may add value. Appendix 1 provides details of submissions we made to such processes during 2017–18.

STATEMENT OF INTENT

The AER is subject to two statements of expectations—one set by the COAG Energy Council, and another set by the Australian Government. In response, the AER publishes an annual *Statement of intent*, setting out how we propose to meet these expectations in the coming year, and specifying performance indicators to measure our progress. We published our *Statement of intent 2017–18* on 28 September 2017. Its publication was delayed to allow proper consideration of new funding arrangements for the AER announced by the Australian Government in June 2017.

ANNUAL REPORTS

This AER Annual report sets out progress against our work program and in meeting expectations of us set by the COAG Energy Council and the Australian Government. It reports on outcomes against performance indicators detailed in our *Statement of intent*, as well as information on our staff and expenditure.

We also publish a combined annual report with the ACCC to meet our formal reporting requirements under the *Public Governance, Performance and Accountability Act 2013* and section 44AAJ of the *Competition and Consumer Act 2010*. That report includes financial statements covering the ACCC and AER, and covers performance against our program deliverables in the portfolio budget statement and corporate plan. The ACCC submitted the combined *ACCC–AER Annual report 2017–18* to Treasury and it was tabled on 18 October 2018.

OUR STAKEHOLDER SURVEYS

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

The results of our 2018 survey are discussed in part 2 of this report.

STATE OF THE ENERGY MARKET

We published our 10th *State of the energy market report* on 30 May 2017, which covered developments in all jurisdictions in which the AER has regulatory responsibilities. The 11th edition is expected to be published in December 2018.

This flagship report provides independent and reliable information to policy makers, industry and the Australian community about what is happening in wholesale electricity and gas markets, the transmission and distribution networks and the rapidly evolving retail sector. It draws on a range of sources, including our internal monitoring and intelligence, regulatory reviews of energy networks, and external resources. It uses non-technical language to consolidate this material, highlighting trends and key issues across the electricity and gas industries. Our stakeholder surveys and other engagement provide consistently positive feedback on the report.

Our links with other energy bodies

We work productively at AER Board and staff level with other energy market bodies – ESB, the AEMC, AEMO and the ECA. We share our expertise with these bodies, including through consultation on policy matters, rule change processes and administrative schemes.

Memoranda of understanding between the AER and other agencies set out expectations for information sharing, consultation and other communication, and coordination of activities. We have memoranda of understanding with the AEMC, AEMO, the Clean Energy Regulator, Energy Safe Victoria, the Australian Government Department of Human Services, jurisdictional regulators and ombudsmen offices.

We also engage with agencies such as the Australian Securities and Investments Commission (ASIC) on energy market issues, participate in working groups and facilitate staff secondments as opportunities arise.

Our staff assist the ACCC on energy related issues arising under the *Competition and Consumer Act 2010*, including consumer protection, mergers and authorisations. During 2017–18, our staff also continued to assist the ACCC in the conduct of two major inquiries directed by the Australian Government.

- An inquiry into the supply of retail electricity and the competitiveness of retail electricity prices, launched in March 2017 and final report published on 11 July 2018.
- An inquiry into wholesale gas markets in eastern Australia, initiated in April 2017, expected to run over three years, with six monthly reporting.

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

ENERGY SECURITY BOARD

As a member of the Energy Security Board, we help oversee implementation of reforms arising from the *Finkel review*. The board, established in 2017, comprises an Independent Chair and Deputy Chair, the Chairs of the AER and AEMC, and the CEO of AEMO.

AUSTRALIAN ENERGY MARKET COMMISSION

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

AUSTRALIAN ENERGY MARKET OPERATOR

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

ENERGY CONSUMERS AUSTRALIA

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

OMBUDSMAN SCHEMES

We work closely with state and territory energy ombudsman schemes and draw on their data to help establish our enforcement priorities. We refer some matters to the schemes, which in turn refer matters to the AER.

STATE/TERRITORY ENERGY REGULATORS

Alongside the shift to national energy market regulation, state and territory energy regulators retain some functions. We maintain strong relationships with jurisdictional regulators, and work closely with them to ensure a seamless transition when a handover of functions occurs.

We participate in the Utility Regulators Forum—a twice yearly meeting of decision makers and senior staff from Australian and New Zealand infrastructure regulators.

OTHER GOVERNMENT ORGANISATIONS

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

OVERSEAS ENERGY AGENCIES

We have close working relationships with overseas regulators and energy market monitoring organisations. These relationships are bolstered by staff exchanges. In addition, we attend the World Forum on Energy Regulation and participate in its working groups.

The AER is a founding member of the Energy Intermarket Surveillance Group (EISG), the peak and only international group coordinating and sharing skills between energy market surveillance and enforcement bodies. It is a not-for-profit organisation, with 22 member agencies representing 17 electricity markets in North America, Latin America, south east Asia, Australia and New Zealand.

In 2017–18 we participated in two meetings of the group, at which energy market monitoring agency representatives discussed electricity market monitoring, compliance and design issues.

Part 2

STAKEHOLDER SURVEY 2018

Survey 2018

In early 2018 we commissioned ORIMA Research to conduct a survey of its stakeholders, including, but not limited to, businesses in the energy sector, consumer groups, and government agencies with which we work. This is the fifth such survey since 2008. This chapter summarises the findings, which are available in more detail in a separate survey report.

The research took the form of a survey of 230 stakeholders identified as having a higher level of involvement with the regulator. All 230 were invited to take part in an online survey. Of these stakeholders, 96 responded (a 42 per cent response rate). The online research was supplemented by in-depth telephone interviews of 16 key stakeholders (as identified by the AER).

OVERALL SATISFACTION

The 2018 Stakeholder Survey findings indicate that a high proportion of respondents (79 per cent) were satisfied overall with how we perform our functions as a regulator, showing a marginal increase on 77 per cent in 2016. Only a small minority (5 per cent) expressed dissatisfaction overall (similar to 6 per cent in 2016, see figure 2).

The average level of stakeholder satisfaction has increased since 2016 (from 3.8 to 3.9 on a 1-5 scale, or effectively a 3 per cent increase). This increase builds on the positive result from 2014 to 2016 (from 3.4 to 3.8, or effectively a 12 per cent increase).

OTHER OVERALL PERCEPTIONS OF THE AER

Immediately prior to being asked to provide a rating on overall satisfaction with the AER, respondents were asked a series of questions relating to four key areas:

- relationships
- strategic direction

- regulation and innovation, and
- regulatory stance.

This section provides a summary of the findings for these key areas.

RELATIONSHIPS

Stakeholders tended to be positive in relation to the working relationships that they have with the AER:

- the AER is trustworthy (87 per cent agreed, up from 79 per cent in 2016)
- my organisation is treated fairly by the AER (84 per cent, not asked in 2016), and
- the AER has an effective working relationship with my organisation (82 per cent, similar to 85 per cent in 2016).

Perceptions of our consultation procedures were generally favourable among those who were involved in consultation or engagement with the AER in the past 12 months, and there was improvement on results from 2016.

- 88 per cent felt that there had been good opportunity for stakeholder input where appropriate (87 per cent in 2016).
- 78 per cent were satisfied overall with the AER's stakeholder consultation and engagement (70 per cent in 2016).
- 74 per cent felt that the AER fostered productive relationships with stakeholders (58 per cent in 2016).

STRATEGIC DIRECTION

While 81 per cent agreed that the AER has a clear direction and purpose (similar to 78 per cent in 2016), smaller majorities were favourable about the nature of that strategic direction. Sixty eight per cent agreed that we focus on the important issues, while 58 per cent agreed we show leadership in pursuing/promoting priority issues in the energy sector (however, this represents a strong improvement from 47 per cent in 2016).

Figure 2: Overall satisfaction with how the AER performs its functions as a regulator

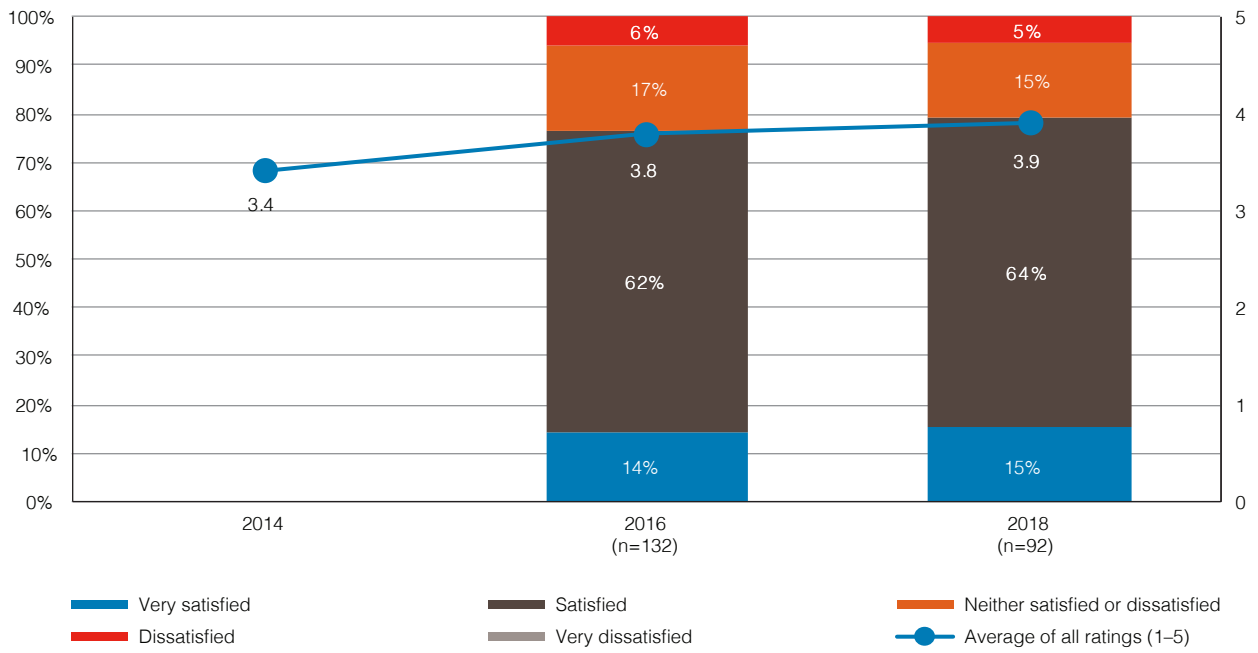


Figure 3: Overall perceptions of the AER (in relation to stakeholder relationships)
Base: All respondents

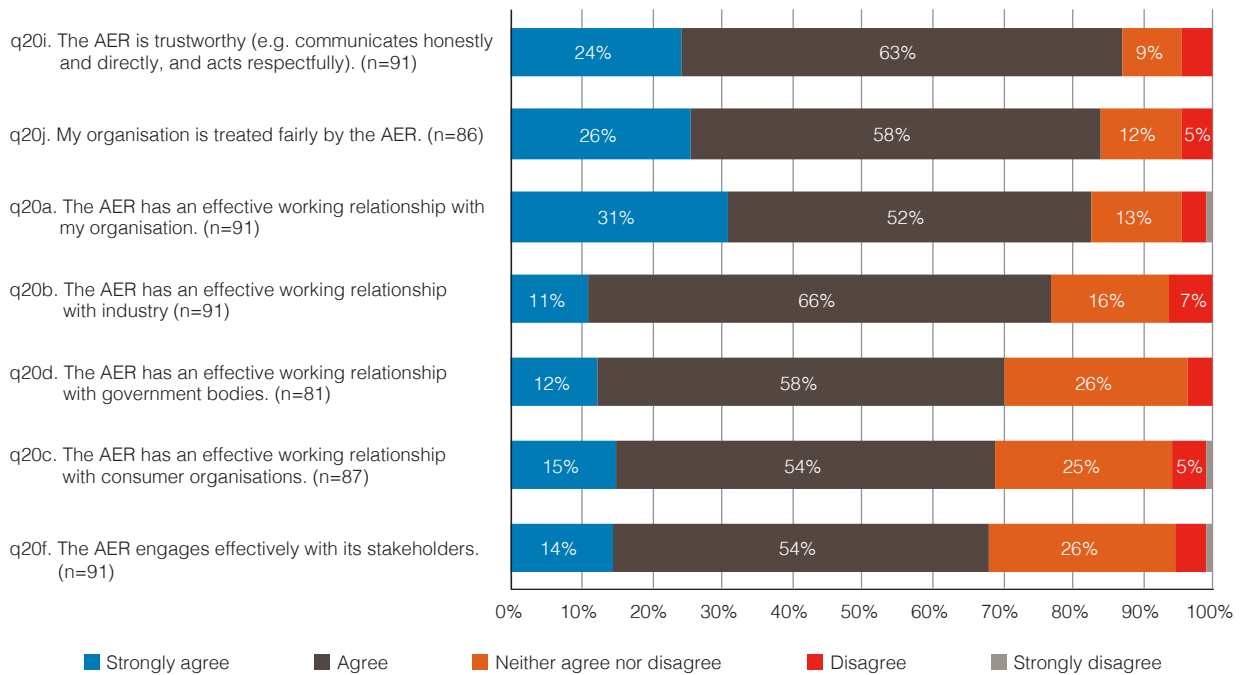
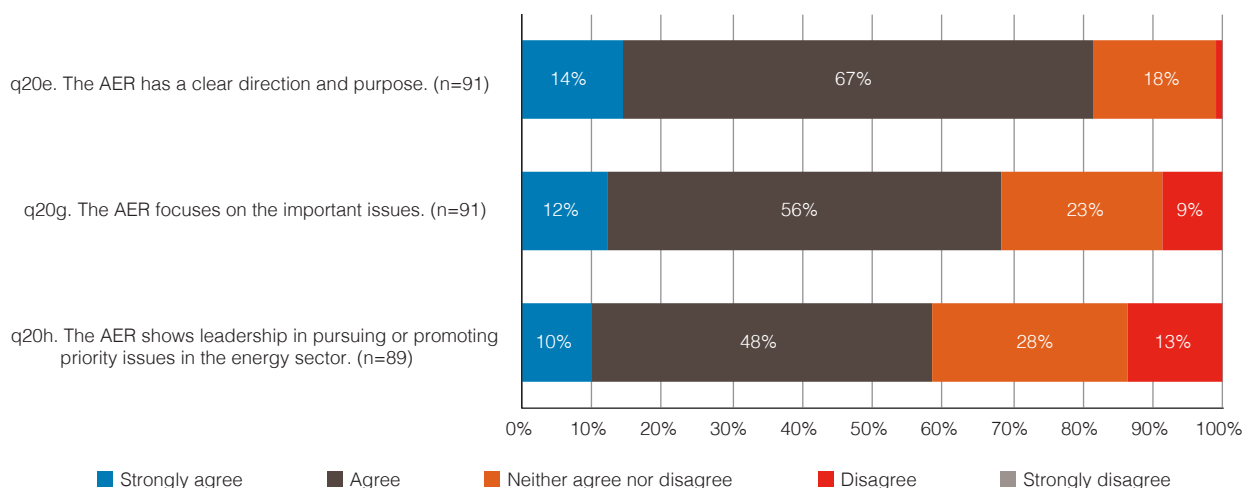


Figure 4: Overall perceptions of the AER (in relation to strategic direction)
 Base: All respondents



The AER Strategic Statement, published last year, sets out our desire to use our expertise and insight to inform debates about energy policy and the regulatory landscape in Australia. We have established new Strategic Communication and Policy branches to drive this, led by Tim Mahony and Mark Feather respectively.

REGULATION AND INNOVATION

In terms of satisfaction with the AER’s regulation and innovation, eight in ten stakeholders regard the AER as an authoritative and trusted source of information about Australian energy markets (83 per cent) with just over half of all stakeholders believing the AER promotes effective competition in the energy market (52 per cent). The lowest results for overall perception were received when stakeholders were asked if the AER encourages and enables innovation by network businesses (18 per cent disagreeing), and if the AER provides innovative regulatory solutions (22 per cent disagreeing).

We expect that our increased resources, new structure and strategic objectives, along with an enhanced approach to stakeholder engagement, will together have a positive impact on our ability to innovate. This is a continuing area of focus for our Strategic Transformation Program.

REGULATORY STANCE

Most stakeholders (93 per cent) agreed that the AER operates within the legislative framework (see figure 6). However, the level of positive sentiment was lower – albeit still with a net positive response - in relation to our regulatory stance being appropriate for the energy sector (64 per cent, with 12 per cent disagreeing) and our actions and responses being proportionate to the problem at hand (63 per cent, with 14 per cent disagreeing).

It is perhaps unsurprising, given the role of a regulator, that perceptions of our decisions are mixed. We have high scores for the transparency of our decision-making processes and our understanding of the impact of our decisions, but lower scores (albeit still clear majorities) for the impact on the long-term consumer interest and our support for/protection of consumers, especially those in vulnerable situations. We have recently created a new Consumers & Markets branch, led by Sarah Proudfoot, which will have a positive effect in this regard. But views will inevitably still sometimes differ between stakeholder groups, and between those groups and the AER, on what constitutes the long-term consumer interest in relation to particular issues.

Figure 5: Overall perceptions of the AER (in relation to regulation and innovation)
Base: All respondents

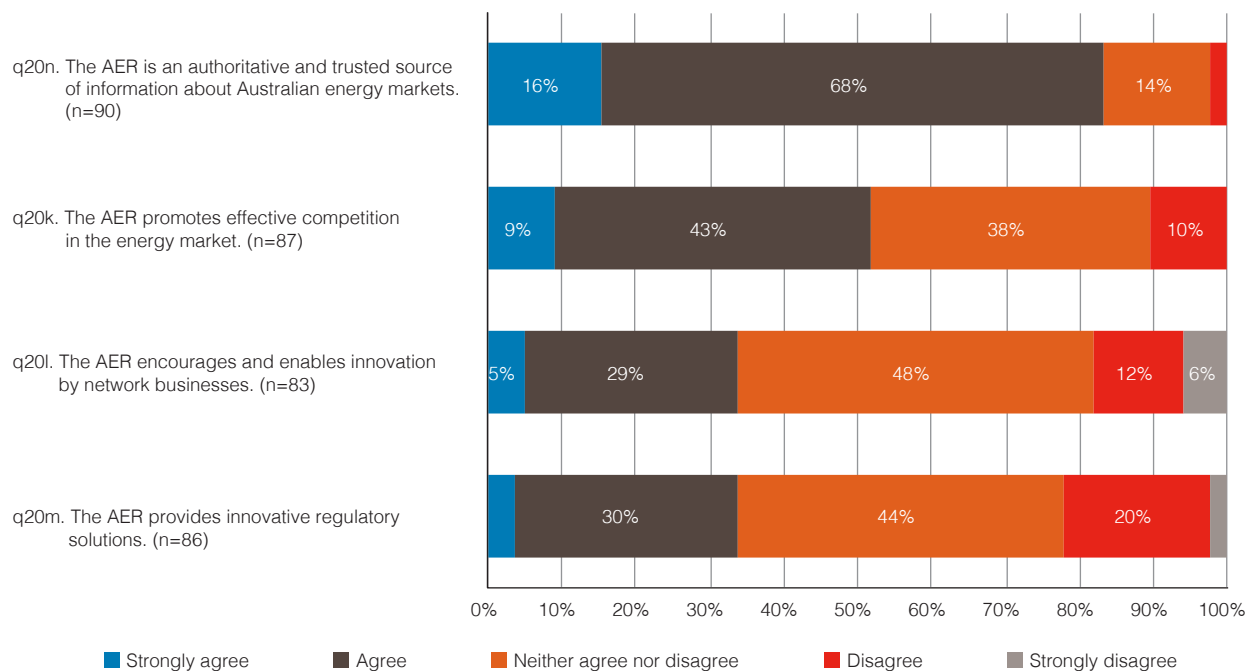
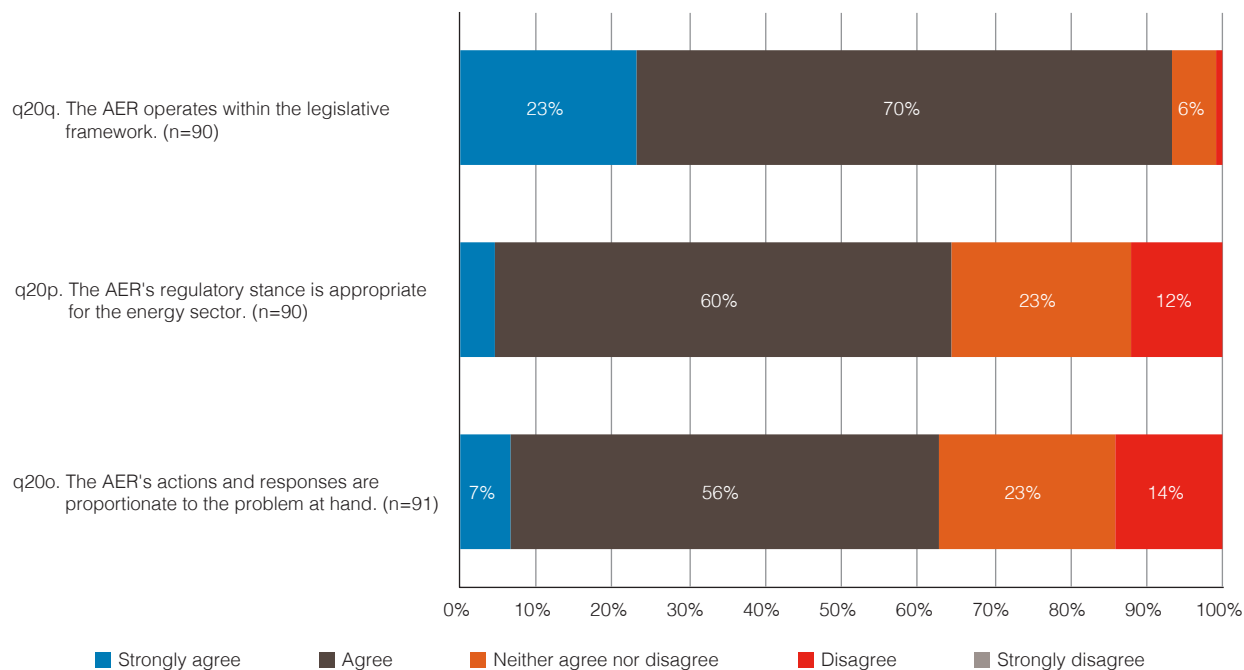


Figure 6: Overall perceptions of the AER (in relation to regulatory stance)
Base: All respondents



Part 3

PROGRAM 1 ENERGY NETWORKS



2017–18 highlights

- We made eight final electricity network revenue decisions and progressed another 16 regulatory reviews of electricity networks and gas pipelines, including preparations for our first determination for the Northern Territory.
- We commenced a review of our Rate of return guideline, which sets out our approach for estimating the return on debt and the return on equity as well as the value of imputation credits.
- We launched a review of our regulatory tax approach, to investigate the difference between tax allowances and tax payments to the Australian Tax Office (ATO) by regulated businesses.
- We continued trialling the NewReg process—an enhanced, more open approach to electricity network regulation—with Victorian distribution network AusNet Services.
- We commenced a new role of enforcing and monitoring compliance with the non-scheme pipeline Information Disclosure and Arbitration Framework (Part 23 of the National Gas Rules [NGR]).
- We published a new demand management incentive scheme and innovation allowance mechanism. The scheme aims to incentivise electricity distribution businesses to undertake efficient expenditure on non-network options for demand management. The innovation allowance aims to encourage research and development in demand management projects that may potentially reduce network costs in the longer term.
- We worked with the AEMC to expand the cost–benefit test applied by network businesses to assess whether proposed new investments are efficient.

OUR ROLE

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 to manage the risk of unfair pricing, applying regulatory frameworks in the NEL and the NGL.

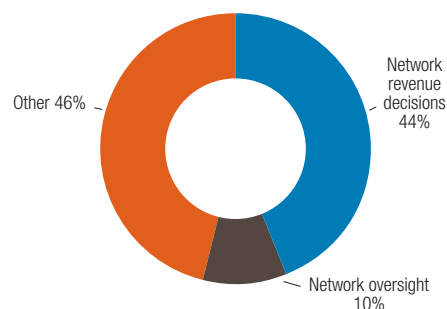
Additionally, we undertake broader regulatory roles; some recur regularly (such as annual tariff approvals) while the timing of others is unpredictable (such as dispute resolution and assessing cost pass throughs). An ongoing focus is our work to implement *Power of choice* reforms promoting the efficient use of energy networks and empowering customers to make informed choices about their energy use.

Resources applied to network regulation

In 2017–18 we dedicated 44 per cent of the agency’s staff time to network revenue and pipeline access decisions, including legal appeals relating to those decisions (figure 7). The proportion is lower than the 55 per cent of time applied in 2016–17, and coincides with a reduction in the number of final decisions made in 2017–18 and an increase in staff effort on non-network or other matters in wholesale and retail energy markets.

A further 10 per cent of agency staff time (down from 11 per cent in 2016–17) was allocated to wider network matters such the implementation of *Power of choice* policy reforms, undertaking annual tariff assessments, performance reporting and developing guidelines.

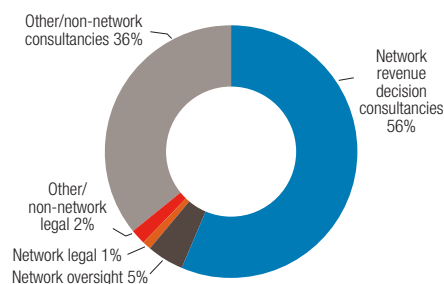
Figure 7: Agency staff time—on network matters, 2017–18



*Please refer to Figure 13 on Page 68 for the full staff allocation

During 2017–18 62 per cent of the agency’s consultancy and external legal expenditure related to network issues, which reflects the inherently complex engineering, economic and legal issues involved in network regulation (figure 8). This is down from 89 per cent in 2016–17 due primarily to the large number of legal appeals on our regulatory decisions heard that year. Legal costs relating to network matters reduced from 47 per cent of our total consultancy and legal expenditure in 2016–17 to less than 1 per cent in 2017–18. Other consultancy expenditure included the cost of external expert advice on retail and wholesale market matters and governance. We applied a larger proportion of our consultancy and legal budget to work on other non-network matters in 2017–18, 36 per cent (increasing from 11 per cent in 2016–17).

Figure 8: Network consultancy and legal expenditure, 2017–18



Network revenue decisions

We regulate the costs of electricity network services, and access prices for covered gas pipeline services, in all jurisdictions, other than Western Australia. In total, we regulate 32 energy networks, comprising:

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

Network businesses must periodically submit - usually every five years - regulatory proposals (for electricity networks) and access arrangements (for gas pipelines) for review. We assess the proposals with regard to legislative criteria while taking account of issues raised in consultation. Network businesses may apply to the Federal Court for judicial review of our decisions.

In determining allowable revenues, we account for the efficient costs of providing network services, including an adequate return on capital to network owners. Incentives are offered for efficient operation and investment decisions, with benefits shared between the business and consumers.

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

In assessing a regulatory proposal, we consider how effectively a network business has consulted with the community. We also seek stakeholder input in making our regulatory determinations. As part of our consultations for electricity networks, we publish framework and approach documents, issues papers and draft decisions. Gas decisions involve a draft decision. We also hold public forums and consult directly with network businesses, consumer representatives, and other key stakeholders. Once our final decisions are made, we publish factsheets explaining how we made our assessment, and how the decision will affect consumers.

The Consumer Challenge Panel (CCP) advises the AER on whether network businesses' proposals are in the long-term interests of consumers. In particular, the Panel advises on how effectively a business is engaging with its customers, and how this is reflected in regulatory proposals. In September 2016, we appointed a new CCP of experienced and highly qualified individuals with consumer, regulatory or energy expertise to help bring a consumer perspective to our decision-making processes.

Our senior Technical advisor group provides technical and industry expertise on regulatory matters during the year. The group improves our use of external consultants and strengthens our engagement with network businesses. During 2017–18 the group provided support and advice on regulatory determinations for electricity networks and on incentive schemes, technical reviews, consultancies, benchmarking, compliance assessments and rule changes.

Network decision activity in 2017–18

We completed three electricity network revenue determinations and five gas pipeline revenue determinations in 2017–18. We progressed another 16 regulatory reviews of electricity networks, including our first determination for the Northern Territory (table 1 and box 1). The complexity of issues raised by some regulatory proposals (and revisions to those proposals) extended the timeframes for two determinations:

- Our final determination for TransGrid (NSW electricity transmission) was rescheduled to May 2018.
- Our final determination on an access arrangement proposal for the Roma to Brisbane Pipeline was rescheduled to November 2017.

Our eight final network decisions in 2017–18 covered:

- TransGrid (May 2018)
- South Australian electricity transmission network, ElectraNet (April 2018)
- Victoria–South Australia electricity transmission network interconnector, Murraylink (April 2018)
- Roma to Brisbane gas transmission pipeline (November 2017)
- Victorian (gas) transmission system APA (November 2017)
- Victorian gas distribution pipelines, Australian Gas Networks, Multinet and AusNet (November 2017).

At a time when energy affordability is a key concern for Australian households, it is more important than ever that consumers are confident we examine carefully all aspects of distribution and network costs. We worked with regulated networks and a wide range of stakeholders to make determinations that focus on the efficient use of consumers' money, and put pressure on network businesses to seek and reflect the views of their customers in their regulatory proposals.

Table 1: Energy network revenue decisions completed in 2017–18

Network	Region	Period covered	Revenue proposed by business (\$m)	Revenue allowed by AER (\$m)	Difference between allowed and proposed revenues (%)	Allowed revenue by AER in previous determination (\$nominal)
Electricity transmission						
ElectraNet	SA	1 July 2018 – 30 June 2023	\$1738.2	\$1603.2	-7.8%	\$1577.5 million for 1 July 2013 – 30 June 2018
TransGrid	NSW	1 July 2018 – 30 June 2023	\$4269.8	\$4015.1	-6.0%	\$3008.1 million for 1 July 2014 – 30 June 2018
Murraylink	SA/Vic	1 July 2018 – 30 June 2023	\$96.3	\$81.4	-15.5%	\$67.6 million for 1 July 2013 – 30 June 2018
Gas transmission networks						
Roma to Brisbane pipeline	Qld	1 July 2017 – 30 June 2022	\$293.9	\$235.6	-19.8%	\$262.7 million 1 September 2012 – 30 June 2017
APA VTS	Vic	1 January 2018 – 31 December 2022	\$732.3	\$561.5	-23.3%	\$446.9 million for 1 July 2013 to 31 December 2017
Gas distribution networks						
AGN	Vic	1 January 2018 – 31 December 2022	\$1162.2	\$1193.5	2.7%	\$956.7 million for 1 January 2013 to 31 December 2017
Multinet	Vic	1 January 2018 – 31 December 2022	\$1171.1	\$1035.5	-11.6%	\$905.3 million for 1 January 2013 to 31 December 2017
AusNet Services	Vic	1 January 2018 – 31 December 2022	\$1144.5	\$1040.1	-9.1%	\$952.4 million for 1 January 2013 to 31 December 2017

Box 1: Victorian gas network decisions prioritise safety and security of supply

Our November 2017 decisions for Victorian gas networks reflect the shared priority that gas networks and their customers give to a safe and reliable gas supply. Approved revenues supported continued investment to meet demand for new gas connections and to invest in maintaining the safety, reliability and security of the networks.

Gas distributors AGN, AusNet and Multinet will all continue substantial mains replacement programs over the next five years. A new capital expenditure incentive scheme will work with the existing operating expenditure scheme to strengthen incentives aimed at finding efficient ways to maintain these networks.

Our decision for APA's Victorian transmission system included capital expenditure to improve capacity and security across the network, in order to address gas pipeline constraints raised by AEMO (which operates the Victorian gas market) and users.

These decisions continued the trend in recent years for rates of return to ease. Stable financial market conditions, coupled with the annual updating of capital costs, resulted in the average allowed rate of return easing to 5.77 per cent in our 2017–18 decisions, compared with 7.17 per cent in our last decisions for these businesses. Energy network businesses are capital intensive, so lower returns on assets translate into significantly lower revenue requirements over time.

We estimate the combined impact of these decisions – which covered both distribution and transmission charges for Victorian customers – will reduce annual gas bills by up to \$28 in 2018 for residential customers (\$46 for small business customers). Overall, stable price paths will follow throughout the 2018–22 access arrangement periods.

Regulatory reviews in progress

In addition to the eight final determinations, we progressed revenue determinations for another 16 electricity networks in 2017–18 (table 2):

- the Tasmanian electricity transmission network
- the NSW, Tasmanian, ACT, Northern Territory, Queensland, South Australian and Victorian electricity distribution networks
- the Queensland–New South Wales Directlink interconnector.

Table 2: Energy network revenue determinations progressed in 2017–18

Network	Region	Period covered	Status (30 June 2018)	Status (now)
Electricity transmission networks				
TasNetworks	Tas	1 July 2019 – 30 June 2024	Proposal received 31 January 2018	Draft decision released 27 September 2018
Directlink	Qld/NSW	1 July 2020 – 30 June 2025	Preliminary framework and approach released 22 March 2018	Final framework and approach released 30 July 2018
Electricity distribution networks				
Essential Energy	NSW	1 July 2019 – 30 June 2024	Proposals received 30 April 2018	Draft decisions released 1 November 2018
Ausgrid	NSW	1 July 2019 – 30 June 2024	Proposals received 30 April 2018	Draft decisions released 1 November 2018
Endeavour Energy	NSW	1 July 2019 – 30 June 2024	Proposals received 30 April 2018	Draft decisions released 1 November 2018
Evoenergy	ACT	1 July 2019 – 30 June 2024	Proposal received 31 January 2018	Draft decision released 27 September 2018
Power and Water Corporation	NT	1 July 2019 – 30 June 2024	Proposal received 31 January 2018	Draft decision released 27 September 2018
TasNetworks	Tas	1 July 2019 – 30 June 2024	Proposal received 31 January 2018	Draft decision released 27 September 2018
Energex	Qld	1 July 2020 – 30 June 2025	Preliminary framework and approach released 22 March 2018	Final framework and approach released 30 July 2018
Ergon	Qld	1 July 2020 – 30 June 2025	Preliminary framework and approach released 22 March 2018	Final framework and approach released 30 July 2018
Energex	Qld	1 July 2020 – 30 June 2025	Preliminary framework and approach released 22 March 2018	Final framework and approach released 30 July 2018
Citipower	Vic	1 January 2021 – 31 December 2025	Preliminary framework and approach released 14 September 2018	Preliminary framework and approach released 14 September 2018
Powercor	Vic	1 January 2021 – 31 December 2025	Preliminary framework and approach released 14 September 2018	Preliminary framework and approach released 14 September 2018
United Energy	Vic	1 January 2021 – 31 December 2025	Preliminary framework and approach released 14 September 2018	Preliminary framework and approach released 14 September 2018

Network	Region	Period covered	Status (30 June 2018)	Status (now)
AusNet	Vic	1 January 2021 – 31 December 2025	Preliminary framework and approach released 14 September 2018	Preliminary framework and approach released 14 September 2018
Jemena Electricity Networks	Vic	1 January 2021 – 31 December 2025	Preliminary framework and approach released 14 September 2018	Preliminary framework and approach released 14 September 2018

MERITS AND JUDICIAL REVIEWS OF AER DECISIONS

An affected party may apply to the Federal Court for judicial review of an AER decision. Before 21 June 2017, an affected party could also apply to the Tribunal for a Limited Merits Review (LMR) of our decisions. However, on 16 October 2017, merits reviews were abolished for reviewable regulatory decisions made under the NEL & NGL with the passage of the *Competition and Consumer Amendment (Abolition of Limited Merits Review) Bill 2017*. This amendment to the *Competition and Consumer Act 2010* applies to all AER decisions made on or after 21 June 2017.

Several merits and judicial review processes relating to our determinations were active during 2017–18 (table 3).

Remaking the 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 merits review of our 2015 regulatory decisions on their networks – the NSW and ACT electricity distribution networks for the 2014–2019 regulation period and the NSW gas distribution network for the 2015–2020 period.

In February 2016 the Tribunal ordered us to remake decisions on several aspects of the determinations. We 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 our appeal relating to the Tribunal's decision on income tax costs, but upheld the Tribunal's findings relating to the networks' operating expenses and debt transition costs. On 4 July 2017, it made orders requiring us to remake those elements of our determinations. The process required 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 [STPIS] for the ACT network); and elements of capital expenditure for the NSW gas network. The process was more complex than for previous remittals because of the scope of issues raised by the Tribunal, the

relative discretion we have to implement the Tribunal's directions and the likely significant public interest in the matter.

We 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 (2014–2019) and the next period starting on 1 July 2019. The rule change was finalised in August 2017.

We worked collaboratively with each of the NSW and ACT network businesses and consumer groups since late 2017, to facilitate the development of 2014–19 revenue proposals. These proposals settled the remittals that each network business could put to us for consideration and further stakeholder consultation. At the end of September 2018, we had remade the final decisions for Essential Energy and Endeavour Energy, had remade the draft decision for Evoenergy (formerly ActewAGL Distribution), were considering a remittal proposal received from Ausgrid, and were engaging with Jemena Gas Networks on the key financial parameters to be included in a possible future remittal proposal.

In May 2018, we released our final decision for Essential Energy. We accepted Essential Energy's proposal to recover total revenues of \$100 million above our set aside 2015 determination, which was around \$1.7 billion lower than Essential Energy's original proposal.

In September 2018, we released our final decision for Endeavour Energy. We accepted Endeavour Energy's proposal to recover total revenues of \$110 million above our set aside 2015 determination, which was around \$1.3 billion lower than Endeavour Energy's original proposal.

In September 2018, we released our draft decision for Evoenergy. We accepted Evoenergy's proposal to recover total revenues of \$26 million above our set aside 2015 determination, after adjusting for data updates over time, including the impact of actual demand being greater than what it was forecast under its price control.

We expect to finalise the outstanding remittal decisions for Ausgrid and Jemena Gas Networks before the start of the 2019–24 and 2020–25 regulatory control periods, respectively.

Review of AER determinations for SA Power Networks

In May 2016 SA Power Networks sought merits review of the AER’s 2015 revenue decision for the network. The Tribunal conducted the merits review hearing in August 2016, and handed down its decision in October 2016, affirming our determination in full.

SA Power Networks appealed the Tribunal’s decision to the Full Federal Court, which heard the matter in May 2017. The Full Federal Court upheld the

Tribunal’s decision and dismissed SA Power Networks’ application on 18 January 2018.

Victoria electricity and ACT gas distribution networks

The five 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 and on 17 October 2017. The Tribunal affirmed our determination on all issues.

Victorian electricity transmission

On 18 May 2017, AusNet Transmission Services applied for merits and judicial review of our April 2017 determination. AusNet Transmission Services discontinued its applications in July 2017.

Table 3: Merits and judicial reviews of AER decisions active in 2017–18

Network name	Type of network	Australian Competition Tribunal merits review*	Full Federal Court judicial review of Tribunal’s decisions
Ausgrid			Concluded 24 May 2017
Endeavour Energy	NSW electricity distribution		The Full Federal Court upheld the AER’s appeal relating to the Tribunal’s decision on the value of imputation credits (gamma) but not the Tribunal’s decision on opex (for electricity distributors only) and cost of debt, and in the case of Jemena Gas Networks, market expansion capex.
Essential Energy			
ActewAGL Distribution	ACT electricity distribution	Concluded 26 February 2016	On 4 July 2017 the Court made orders varying the Tribunal’s directions that require the AER to remake its determinations.
Jemena Gas Networks (NSW)	NSW gas distribution	The AER was directed to remake its decision on several aspects of its determinations.	
SA Power Networks	SA electricity distribution	Concluded 28 October 2016 The Tribunal affirmed the AER’s determination 2015–16 to 2019–20.	Concluded 18 January 2018 The Full Federal Court upheld the Tribunal’s decision and dismissed SA Power Network’s application.
CitiPower			
Powercor		Concluded 17 October 2017	
Jemena	Vic electricity distribution	The Tribunal affirmed the AER’s determinations 2016 to 2020.	N/A
AusNet Services			
United Energy			
ActewAGL Distribution	ACT gas distribution	Concluded 17 October 2017 The Tribunal affirmed the AER’s determination 2016 to	N/A
AusNet Transmission Services	Vic electricity transmission	Discontinued	N/A

* At the time of applying for review of the AER’s decision by the Tribunal, each network business also filed an application in the Federal Court for judicial review of the AER’s decision. All of these judicial review applications were stayed in the Federal Court pending the outcome of the Tribunal’s decision relating to the merits review applications. These judicial review applications were all subsequently discontinued.

ONGOING MANAGEMENT OF NETWORK REVENUE DECISIONS

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

Annual tariff assessments and tariff structure statements

We conduct annual reviews of tariffs for electricity distribution and gas pipeline services to ensure they do not breach revenue or pricing limits and reflect underlying costs.

In 2017–18, we approved network tariff applications from 14 electricity distribution businesses and seven gas transmission and distribution businesses. These tariffs will apply from 1 July 2018 to 30 June 2019, except in Victoria, where tariffs cover the 2018 calendar year.

We accepted enforceable undertakings for NSW and ACT electricity distributors and one for Jemena Gas Networks in NSW. These undertakings set revenues and implemented tariff structure statements, after the Tribunal set aside our revenue decisions in 2016.

Cost pass throughs

Network businesses can apply to pass through costs to customers, or hand back funds, arising from events that were not anticipated when their regulatory decisions were made and are outside of their direct control. Before approving any applications, we consider the efficiency of the businesses' expenditure and actions to mitigate these events and associated costs.

In 2017–18, we approved cost pass through applications for:

- AusNet Services to pay an annual easement land tax to the Victorian Government
- ElectraNet to return network support payments to customers.

Incentive schemes

We operate incentive schemes for network businesses to improve their performance. We also administer the schemes and monitor compliance.

Electricity transmission incentives

Our STPIS for electricity transmission networks encourages network businesses to maintain or improve

service performance that will benefit the wholesale market operations, as well as improve supply reliability. The scheme also promotes network development that supports efficient wholesale electricity prices.

In March 2018, we completed our annual review of the NEM's seven transmission networks' performance against the scheme. Businesses earned \$37 million in incentive rewards.

Electricity distribution incentives

Our STPIS for electricity distribution networks encourages network businesses to maintain or improve performance to benefit end users. It aims to ensure efficiencies are not achieved at the expense of service performance. We review businesses' performance against the scheme annually. Under the scheme, we can offer financial bonuses (or impose penalties) of up to 5 per cent of revenue for network businesses that meet (or fail to meet) performance targets.

In March 2018, we completed our annual review of the NEM's 13 distribution networks' performance against the scheme. Businesses earned \$116 million in incentive rewards. This result does not include ACT/NSW distributors, for which the STPIS revenue adjustment will be considered in the current remittal determinations.

As part of establishing a new Distribution reliability measures guideline to standardise how supply reliability is measured across all jurisdictions, we initiated a review of STPIS in 2017. We expect to complete this review by late 2018.

We also assess expenditure by distribution businesses under the Demand Management Innovation Allowance (DMIA). The DMIA provides incentives for distributors to research and investigate innovative techniques for managing demand. It also aims to enhance industry knowledge about practical demand management projects and programs, by publishing annual project summary and expenditure reports.

In the latest reporting year – 2017 calendar year for Victoria, and 2016–17 for other networks – businesses claimed around \$6.5 million in demand management allowances.

NEWREG

Working more closely with stakeholders affected by our decisions is an ongoing priority. In April 2018 the NewReg process was launched to further this aim. This approach improves the efficiency and effectiveness of network regulation, increases consumer trust and confidence in the process, and delivers the outcomes that consumers most value when determining how much they pay for network services.

POWER OF CHOICE

Our network regulation activities extend to supporting policy reform implementation, such as the *Power of choice* reforms, which promote the efficient use of energy networks and empower customers to make informed choices about their energy use. Implementing these reforms involved:

- ensuring businesses complied with the new Ring-fencing guidelines and providing waivers where appropriate
- publishing a new Demand Management Incentive Scheme (DMIS) and DMIA mechanism, to encourage electricity distributors to invest in non-network options that accommodate electricity demand, and to stimulate research and development in demand management projects. These demand and supply side options can reduce network costs for all consumers in the longer term, by deferring network augmentations.
- refining and embedding the Networks guideline in February 2018, to harmonise dispute resolution and ombudsman access provisions with those proposed for the Retail exempt selling guideline.

NETWORK PLANNING AND EXPANSION

We promote efficient investment in energy networks in several ways. Part of the revenue determination process involves forecasting a network's total efficient investment requirements. Additionally, network businesses must apply a Regulatory Investment Test (RIT) to individual projects to test their efficiency. Specifically, network businesses must 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. The business must identify the purpose of a proposed investment and show that it publicly consulted when evaluating alternatives.

We monitor businesses' compliance with the tests and, on request from a business, may determine whether an assessment satisfies the test. We also resolve disputes about 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 overtaking augmentation for distribution networks. Recognising this, we proposed a rule change in June 2016 that widened the scope of RITs to cover

replacement expenditure. The change also imposed 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 during 2017 to progress the proposal, and to determine appropriate transitional arrangements. The AEMC completed its review in July 2017, confirming the new requirements.

In February 2018, we published an issues paper as part of our review of the application guidelines for the RITs, accounting for the recent policy and regulatory changes, such as the inaugural Integrated System Plan. We released a draft guideline in July 2018, following a public forum and submissions from stakeholders.

NON-SCHEME PIPELINES REFORMS

Outline of reform and our role

New rules for regulating non-scheme pipelines began operating on 1 August 2017, making us responsible for enforcing and monitoring compliance with the information disclosure requirements, and administering the arbitration framework. The reforms are intended to incentivise parties to disclose information and negotiate, rather than relying on arbitration.

The rules reflect the recommendations of Dr Michael Vertigan's examination of the current test for the regulation of gas pipelines, which were agreed by the COAG Energy Council. The examination highlighted the unequal levels of bargaining power and access to information that shippers face when seeking access to pipeline services.

Information disclosure

The rules require pipeline operators to publish the information that shippers need to make an informed decision about whether to seek access to a pipeline service and to assess the reasonableness of an offer the pipeline operator makes. Publishing and exchanging this information is intended to facilitate timely and effective commercial negotiations relating to access to non-scheme pipelines.

We worked with the Gas Market Reform Group (GMRG) to consult and publish three guidelines to assist non-scheme pipelines comply with the financial information and weighted average price information requirements:

- Non-scheme pipeline financial reporting guideline—December 2017
- Non-scheme pipeline financial reporting guideline—Templates
- Non-scheme pipeline financial reporting guideline—Explanatory statement.

Non-financial information requirements came into effect in January 2018, and all non-scheme pipelines will commence reporting financial and weighted average prices from the end of October 2018. Full disclosure is required by January 2019.

Exemptions

A non-scheme pipeline owner/operator may apply to us for an exemption from the Information Disclosure and Arbitration Framework, if the pipeline satisfies the relevant exemption criteria set out in the rules.

Our process for granting an exemption is time-limited, and we publish and maintain a public register for non-scheme pipeline exemptions on our website. We approved 62 non-scheme pipeline exemptions from 1 August 2017 to 30 June 2018.

Arbitration guidelines

The arbitration process for resolving access disputes provides a credible threat of intervention to constrain businesses exercising market power during negotiations. If a dispute is referred to arbitration, we aim to establish a final resolution in a cost-effective and efficient manner. We are the scheme administrator under the arbitration mechanism (except for Western Australia).

In 2018 we helped the GMRG to prepare a non-binding arbitration guide, which guides pool arbitrators, prospective users and service providers for non-scheme pipelines on the process for requesting access and for determining access disputes. When the rules came into effect, we also established a pool of experienced arbitrators to determine access disputes.

PERFORMANCE REPORTING ON NETWORK BUSINESSES

We use Regulatory Information Notices (RINs) to collect performance information from regulated network businesses. To support transparency and ensure stakeholders can access information affecting their interests, we publish non-confidential information.

In 2017–18 we published data on the operational and financial performance of electricity transmission and distribution networks in NSW, Queensland, South Australia, Tasmania, Victoria, the Northern Territory and the ACT for 2016–17. We also published a consolidated report on transmission performance data over 2006–2017, including data on revenues, asset bases, capital and operational expenditure, energy delivered, service outcomes and other network descriptors.

We released our annual benchmarking reports for electricity network businesses in November 2017, reporting on their relative efficiency over 2006–16.

We published our annual benchmarking reports on 30 November 2018.

REFINING REGULATORY TOOLS

We initiated a review of our Rate of return guidelines in July 2017, lagging with a consultation paper on the review process. We published the draft Rate of return guideline on 10 July 2018, accompanied by an explanatory statement. The draft guideline followed significant engagement and consultation with consumers, network businesses and investors. We will release the final guideline in December 2018.

In November 2017 we commenced a review into profitability measures for electricity and gas network businesses. This review will identify profitability measures, allowing us to report and compare the returns of regulated electricity and gas network businesses. We published a draft position paper in April 2018.

In December 2017 we released a final position paper on a review of the regulatory treatment of inflation in our revenue determinations for electricity and gas network service providers. We reviewed the best method to estimate expected inflation and considered whether the regulatory framework delivers appropriate compensation for inflation. Our final position maintains our current approach to derive the best estimate of expected inflation. We also found that our treatment of inflation in the regulatory framework remains appropriate.

In May 2018 we commenced a review of our approach to estimating the cost of corporate income tax for regulated electricity and gas networks. The review investigates an apparent material discrepancy between the tax allowances set by the AER and the actual tax payments regulated networks make to the ATO.

Preliminary advice from the ATO identifies a number of drivers causing this apparent material discrepancy.

We are examining the drivers identified by the ATO and considering how they might be addressed. Options may include amendments to how we regulate the tax aspects of our revenue determinations and/or proposed changes to the NER and NGR.

The final report and recommendations are scheduled to be released in December 2018.

DISPUTE RESOLUTION

Access and connection disputes

A customer who is dissatisfied with a connection offer from a distribution network business may request a review by the AER. In 2017–18 we received requests relating to five electricity connection disputes. With the

exception of one case, all other distributors' offers were found to be reasonable.

New non-scheme gas pipeline provisions

During 2017–18, we acted as scheme administrator for the Tasmanian Gas Pipeline arbitration. As required, we published information about the arbitration on our website, once the arbitration ended.

Public lighting dispute

Throughout the year, we conducted a binding resolution of the dispute between public lighting customers and South Australia Power Networks (SAPN). South Australian municipal councils and the South Australian Department of Planning, Transport and Infrastructure—acting as public lighting customers—requested we resolve a dispute with SAPN about alleged overcharging for public lighting services between 2010 and 2015.

In May 2018 the board held an oral hearing on the matter with the parties to the dispute. The board's draft decision is pending.

NETWORK EXEMPTIONS

We can exempt small electrical networks such as those in apartment buildings, shopping centres and industrial parks from registering with AEMO. These networks, often referred to as 'embedded networks', are subject to a simplified regulation regime we administer covering safety, metering, dispute resolution, network charging and access to retail competition.

We maintain a register on our website of the holders of network exemptions.

- Since 2012, we have registered approximately 4 200 network exemptions (at 30 June 2018).
- Following reports of potential non-compliance with exemption conditions, we issued warning letters to four registered exempt site operators.
- We detected four instances of operators with multiple sites operating without obtaining an exemption. We took action to require these operators to lodge the missing registrations. This matter was ongoing at 30 June 2018.

Regulatory functions under state and territory legislation

Our roles under state/territory legislation include resolving customer disputes on network access and regulating the capital contributions of customers connecting to distribution networks under jurisdictional guidelines.

We administer a Victorian Government fire factor scheme to give incentives for Victorian distribution networks to reduce the risk of fire starts from electricity infrastructure and to reduce the risk of loss or damage caused by fire starts. The government refined the scheme in December 2016, to target incentives towards fire ignitions that pose the greatest risk of harm via a new measure of Ignition Risk Units (IRUs). Under the new scheme, each fire started by electricity infrastructure is weighted by a 'location factor' and a 'fire risk (timing) factor'.

In June 2018, we assessed Victoria F-factor scheme results, after fire start reports from distributors for the 2016–17 reporting period were validated by Energy Safe Victoria. All distributors achieved better than their respective benchmark performance targets for this reporting period. As a result, the businesses received incentive rewards totalling \$6.5 million.

PROGRAM 2 RETAIL ENERGY MARKETS



2017–18 highlights

- We published more than 13 000 offers (13 245) on our Energy Made Easy website and hosted over 1.2 million visits to the site (by more than 895 000 unique visitors).
- We reviewed retailers' hardship policies and lodged a rule change proposal under the National Energy Retail Rules (NERR), seeking changes to improve the clarity and consistency of policies so that customers experiencing financial hardship are better able to access the assistance they need.
- We worked with behavioural insights experts to develop new requirements for energy price fact sheets so it's easier for customers to see the key details of energy offers, and compare them, when shopping around for a better deal.
- We published a Benefit change notice guideline to support a new rule under the NERR. As per this guideline retailers must notify a small customer via a benefit change notice when a benefit they receive through their market retail contract expires or changes.
- We revised our Exempt selling guideline so that customers of exempt sellers have better access to effective dispute resolution.

OUR ROLE

We regulate retail energy markets in Queensland, NSW, 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. We empower customers to make informed decisions on their energy use, and make them aware of protections that are available if problems arise. A key focus of our work this year has been improving the quality and accessibility of information customers receive about energy offers, to make it easier to identify the key details of offers and compare them. This work built on outcomes agreed at roundtable meetings convened by Prime Minister Turnbull, the Treasurer and Energy Minister in August 2017, with the CEOs of eight energy retailers.

As part of this work, we:

- maintain an energy price comparator website (Energy Made Easy) for residential and small business customers
- monitor and enforce compliance (by retailers and distributors) with obligations in the Retail Law, Rules and Regulations (Program 4)
- oversee retail market entry and exit by assessing applications from businesses looking to become energy retailers; granting exemptions from the requirement to hold a retailer authorisation; and administering a national retailer of last resort scheme to protect consumers and the market if a retailer fails
- 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 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.

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

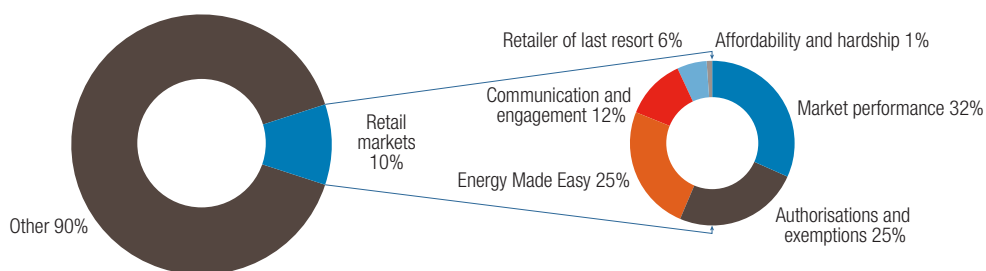
Our staff assisted the ACCC with its inquiry into the supply of retail electricity and the competitiveness of retail electricity prices, which was released in July 2018.

RESOURCES APPLIED TO RETAIL ENERGY MARKETS

In 2017–18 we dedicated 10 per cent of the agency's staff time to retail energy markets workstreams. This is similar to staff time devoted to retail market matters in 2016–17. Market entry issues—assessing applications by energy sellers to be authorised or exempted from the provisions of the NERL, and managing the risks and impacts of a retailer failure -absorbed 25 per cent of that time (down from 37 per cent in the previous year).

Assessing and reporting on market performance absorbed 32 per cent of our staff time (up from 25 per cent in 2016–17), reflecting increased resourcing of that area. Our Energy Made Easy website absorbed 25 per cent of staff time (consistent with staff effort in 2016–17). Consumer policy and engagement workstreams such as affordability and hardship absorbed 13 per cent of staff time (up slightly from 2016–17). We devoted 6 per cent of retail staff time on the management of the retailer of last resort scheme. Staff time devoted to retail market compliance and enforcement issues is recorded separately under Program 4.

Figure 9: Staff time on retail market issues, 2017–18



*Please refer Figure 13 on Page 68 for the full staff allocation

ENERGY MADE EASY

The Energy Made Easy website (www.energymadeeasy.gov.au) aims to help 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 allows consumers to compare their electricity use with that of similar households, and to learn about their rights and obligations, contracts and bills, and energy efficiency. It also provides general information on the energy market.

In 2017–18 visits to Energy Made Easy more than doubled from the previous year (to over 1.2 million, up from just over 600 000 in 2016–17). More than 13 000 offers were published, similar to the previous year. On 30 June 2018, there were 4905 offers available on Energy Made Easy—3854 electricity, 496 gas and 555 dual fuel.

From April to June 2018, we ran an online campaign across a range of websites to raise awareness of Energy Made Easy among household decision makers, renters and Culturally and Linguistically Diverse (CALD) communities. The campaign used both online and social media channels, including real estate websites, LinkedIn, Facebook, Chinese language social media platform Weibo, Google AdWords and Bing search. It featured an animated video—‘Can you be doing more to pay less’—which has been captioned for 16 languages to more widely support customers from different cultural backgrounds, as well as three key messages: ‘Avoid bill shock,’ ‘Don’t be dazzled by discounts’ and ‘Switch to something better’.

Retail price information

We publish a Retail Pricing Information Guideline (RPIG), which mandates how retail energy prices are presented. The guideline helps customers compare energy prices and make informed choices. It also directs energy retailers about providing information for the Energy Made Easy website.

We undertook a significant revision of the RPIG in 2017–18, informed by extensive behavioural insights research and consumer testing to determine what information consumers need to make decisions about energy offers and how it should be presented. This resulted in us replacing Energy price fact sheets with Basic Plan Information Documents (BPIDs) and Detailed Plan Information Documents (DPIDs). The design and content of the new documents includes use of symbols to highlight key points about each offer, as well as a comparison pricing table that provides estimates of the offer’s annual cost and makes it easier for customers to compare. A new information requirement was imposed on retailers through a rule change initiated by the Australian Government. Specifically, it requires retailers to provide customers with notice ahead of a contract benefit changing or expiring. In June 2018, we released the benefit change notice guidelines, again informed by consultation with stakeholders and consumer research conducted by Behavioural Insights Team NSW. We consider a benefit change notice an important tool to encourage customer engagement with the energy market.

The Guidelines outline how retailers must notify a customer when a benefit provided through their market retail contract, such as a price discount, is expiring or changing. In particular, the notice provided by a retailer must include the ‘do nothing’ cost (that is, what a customer might pay in future as a result of the loss or change of the benefit) and advice that the customer can visit the Energy Made Easy price comparator website to see what other offers are available. The notice must also contain the information the customer requires to use Energy Made Easy and get a price estimate based on their usage.

ENGAGING WITH RETAIL MARKET STAKEHOLDERS

We liaise with stakeholders interested in the Retail Law, including consumers and customer groups, energy businesses, ombudsman schemes, jurisdictional regulators and the ECA. Our engagement

with consumers helps us to identify gaps in their understanding of energy markets and barriers to their effective engagement. An important focus is our engagement with intermediaries that support disadvantaged and vulnerable energy consumers.

This year we also focused on improving the quality and accessibility of information customers receive about energy offers, to make it easier to identify the key details of offers and compare them. We formed a Customer Information and Engagement reference group comprising consumer and industry representatives to inform our work in this area.

Consumer Consultative Group

Our CCG advises on issues as they arise, including market and compliance matters. Group members also raise issues of importance to their constituencies.

We held three CCG meetings in 2017–18 (July, November, and March), discussing topics such as:

- findings of consumer research on Energy Made Easy and presentation of energy price information
- our Binding rate of return guideline
- the ACCC's Retail Electricity Pricing Inquiry
- metering contestability
- our AER compliance and enforcement activity.

Other customer engagement

As well as the engagement activities outlined above, we attended home shows and expos to speak with energy customers and demonstrate Energy Made Easy. These events included:

- Brisbane EKKA (together with the Queensland Government Department of Energy and Water Supply)
- Adelaide home show
- Canberra home show
- Energy and Water Ombudsman NSW (EWON) Anti-poverty week (Penrith, Wagga Wagga)
- Sydney Royal Easter Show (in conjunction with EWON).

We also attended stakeholder organisation conferences to hear directly about the issues facing energy customers:

- South Australian Council of Social Services' Disability & Essential Services Conference 2018
- Financial Counselling Australia's annual conference 2018
- Council on the Ageing's National Policy Forum 2018
- ECA's 2018 Foresighting forum.

Engaging with retailers

We held two retailer forums throughout the year:

- the first on 22 November 2017 to launch our Annual report on compliance and performance of the retail energy market.
- the second on 6 June 2018 to update retailers about the new AER (Retail Law) performance reporting procedures and guidelines which will commence on 1 January 2019.

HARDSHIP AND DISCONNECTION PROVISIONS

The Retail Law requires energy retailers to develop and maintain a customer hardship policy for identifying and assisting customers experiencing difficulties paying their energy bills. Referral to a hardship program may be appropriate if a customer faces chronic or severe payment difficulties. We assess the hardship policies of new entrant retailers, and monitor and assess compliance with approved policies. We also assess amendments to policies. In 2017–18 we approved four new hardship policies and one hardship policy variation.

In December 2017 we completed a review of retailer hardship policies, identifying deficiencies in the current hardship provisions. We proposed a rule change to strengthen the current retailer obligations in the NERR and adequately protect customers in financial hardship. Specifically, we would develop a binding Customer hardship policy guideline that would:

- be a single point of reference to industry on how to apply the hardship obligations
- provide customers with a clear understanding of their rights and entitlements
- require retailers to report against metrics that cover customer entry into hardship programs, participation in hardship programs and assistance provided to customers under the programs
- include other guidance, such as 'Standard statements', to be included all hardship policies, which promote consistency across retailers.

RETAIL MARKET ENTRY AND EXIT

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

Authorisations

A business must apply to us for an authorisation to sell energy, demonstrating it has appropriate capacity and suitability to perform as a retailer. We produce guidance for, and work closely with, potential new energy sellers during the application process to make sure they are aware of their obligations.

We publish all applications on our website and seek submissions from interested parties before deciding whether to grant an authorisation.

Retailer authorisations

We granted electricity retailer authorisations to:

- Evergy Pty Ltd, 5 June 2018
- ReNu Energy Retail Pty Ltd, 5 June 2018
- GloBird Energy Pty Ltd, 22 March 2018
- Apex Energy Holdings Pty Ltd, 13 March 2018
- Real Utilities Pty Ltd, 9 March 2018
- Discover Energy Pty Ltd, 23 January 2018
- Starcorp Energy Pty Ltd, 19 December 2017
- Sunset Power International Pty Ltd, 8 December 2017
- SIMEC ZEN Energy Retail Pty Ltd, 28 November 2017
- Power Club Ltd, 27 November 2017
- Flow Systems Pty Ltd, 28 September 2017
- PowerHub Pty Ltd, 18 August 2017
- Sustainable Savings Pty Ltd, 10 July 2017.

We granted a gas retailer authorisation to GloBird Energy Pty Ltd, 22 March 2018.

Exemptions

Some energy sellers may be exempt from the requirement to obtain authorisation to sell electricity and gas. There are three types of exemptions:

- Deemed exemptions—for small-scale selling arrangements where the costs of registration would outweigh the benefits of increased regulation. A person covered by a deemed exemption need not apply to or register with us.
- Registrable exemptions—for defined classes of energy selling activities that need regulatory oversight, usually because of scale and market impact. These exemptions apply to a particular person or company for a specific site. They must be registered with us. At 30 June 2018 there were approximately 3000 published registrable class exemptions.
- Individual exemptions—for specific situations where the activity is not covered by a deemed or registrable exemption. In 2017–18 we granted 14 individual exemptions.

We develop and publish an exempt selling guideline, which explains: who requires exemptions; the processes for registering or applying for exemptions; the various exemption types and classes, their eligibility criteria and exemption conditions; our considerations on the Retail Law's exemption policy principles; and exempt seller-related factors and customer-related factors and how these influence our decisions.

We published a revised guideline in March 2018, with an improved dispute resolution arrangements for exempt customers. New and amended core exemption conditions now require exempt sellers to have appropriate complaints and dispute-handling processes, and exempt sellers with residential customers must be members of, or subject to, energy ombudsman schemes where the scheme allows.

We also strengthened protections for exempt customers and better aligned protections for exempt customers with those for customers of authorised retailers. We worked closely with members of the Australian and New Zealand Energy Water Ombudsman Network in developing the guideline amendments, given their important role in resolving disputes between energy customers and their providers.

RETAILER FAILURE

We manage the Retailer of Last Resort (RoLR) scheme. If an energy retailer fails, its customers are transferred to another retailer so that they continue to receive electricity and/or gas supply. Our functions include registering retailers to which consumers could be transferred; appointing RoLRs when an event occurs; and making cost recovery determinations.

RETAIL 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.

Our fifth annual retail market performance report (released on 22 November 2017) covers states and territories where the Retail Law applies. It consolidated quarterly data for 2016–17 on customer service and complaints, energy bill debt, payment plans, hardship programs, energy concessions and disconnections. It also reported on energy affordability.

We also publish key market and retail performance data each quarter, on a range of indicators including customer switching levels, customers experiencing payment difficulties, customer hardship, disconnections and reconnections, and complaints. However, we removed published quarterly data reported to us by retailers in June 2018, due to data inaccuracies.

PROGRAM 3 WHOLESALE ENERGY MARKETS



2017–18 highlights

- We published 99 weekly electricity and gas monitoring reports, 14 reports on high price electricity events (the second largest number in a reporting year since the market began), and one report on a significant price variation in the wholesale gas market.
- We progressed work on systematically monitoring wholesale market performance in the NEM and consulted on our statement of approach for this role. We also published two special reports: the first on the NSW wholesale market for features or generator behaviours that may be detrimental to effective competition following sustained high wholesale prices in NSW during 2017, and the second on outcomes following the closure of Hazelwood Power Station.
- We monitored compliance with expanded data reporting obligations on the Gas Bulletin Board (GBB), and reformed the Bulletin Board's architecture.
- We assisted the ACCC in its inquiries into retail electricity prices.

OUR ROLE

We monitor wholesale gas and electricity markets in jurisdictions other than Western Australia and the Northern Territory:

- the NEM in eastern and southern Australia, in which over 300 generators compete to dispatch electricity. The market covers Queensland, NSW, Victoria, South Australia, Tasmania and the ACT.
- spot markets for gas—the Short Term Trading Market (STTM) operating in Adelaide, Sydney and Brisbane, the Victorian declared gas wholesale market, and gas supply hubs at Wallumbilla (Queensland) and Moomba (South Australia).

We monitor these markets to detect irregularities and inefficiencies (including for evidence of market manipulation), and to support our compliance and enforcement program (Program 4).

We report on:

- wholesale market activity in the NEM each week, with more detailed analysis and reporting of extreme prices in energy and frequency control ancillary services markets
- the effectiveness of competition and the efficient operation of the NEM
- activity in the Victorian gas market and the short term trading market each week, with more detailed analysis and reporting of significant price events.

Each year, we present our monitoring work and market intelligence in our annual *State of the energy market* report, which explains important market developments and the factors impacting on energy prices. We will publish the report's 11th edition in December 2018.

Additionally, our wholesale market team assisted the ACCC on two major inquiries, following directions from the Australian Government:

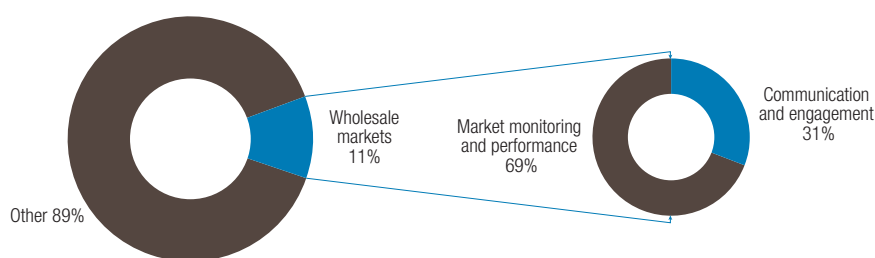
- an inquiry into wholesale gas markets in eastern Australia, initiated in April 2017, focusing on impediments to efficient supply, including the exercise of market power. The inquiry will run over three years, with six monthly reporting.
- an inquiry into the supply of retail electricity and the competitiveness of retail electricity prices, launched in March 2017. The inquiry, which considered wholesale market issues, published its final report on 11 July 2018.

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

RESOURCES APPLIED TO WHOLESAL ENERGY MARKETS

In 2017–18 we devoted 11 per cent of our staff time to wholesale market monitoring and reporting, up from 8 per cent in 2016–17 (figure 10). Of those staff working on wholesale market matters, 69 percent were engaged in market monitoring and performance matters while 31 per cent worked on communication and engagements with market participants and stakeholders. This area is likely to expand further in future years as we take on new legislative responsibilities. Additional staff time was devoted to wholesale market enforcement and compliance issues (Program 4).

Figure 10: Staff time for wholesale market issues, 2017–18



*Please refer to Figure 13 on Page 68 for the full staff allocation

MARKET MONITORING AND REPORTING

We publish weekly market reports on activity in the NEM and gas spot markets, as well as more comprehensive reports on significant market events.

Weekly monitoring

Our market monitoring team reports weekly on market activity in the NEM and gas spot markets. This work 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 published 99 weekly reports (49 for electricity and 50 for gas), focusing on demand and supply conditions, spot prices, reasons for variations between forecast and actual prices, and activity in energy derivatives markets. We aim to publish the reports within 12 business days of the end of the relevant week. In 2017–18 we met that timeframe for 80 per cent of weekly reports. This outcome reflected the complexity of market conditions during the year and an unusually high incidence of extreme price events.

Market highlights

Our weekly reports and special reports on the NSW electricity market and the Hazelwood closure identified how demand conditions, plant closures, generator bidding behaviour, a changing generation technology mix, and high gas fuel prices affected the electricity market during the year. Average market prices remained elevated throughout 2017–18. The market recorded over 1000 instances of 30-minute settlement prices exceeding \$200 per megawatt hour during 2017–18.

We reported on changes in gas production levels and flows across the east coast, as production around Roma in Queensland continues to rise and remain high alongside Liquefied Natural Gas (LNG) exports from Gladstone. This production remained well above the level of exports throughout 2018, and coincides with additional gas flowing into the southern regions via the Queensland to South Australia/NSW (QSN) link, with sustained flows south commencing earlier and at higher levels than in previous years.

Conversely, Longford output declined in 2018 after record production levels throughout 2017, making Victoria more reliant on supply from the Iona Underground Gas Storage (UGS) facility. This increased reliance was especially evident during periods of high gas generation requirements, which became more frequent after the Hazelwood coal fired generator closed in March 2017. The UGS facility can now replenish storage levels more rapidly following expansion works on the South West Pipeline that became operational in early 2017, and AEMO revoking a long-term forecast threat to system security upon the project's completion.

Even though gas flows south increased during the past year, we reported several periods of price division between southern and northern markets.

Significant event reporting

We publish a report whenever the spot price for electricity exceeds \$5000 per megawatt hour, or if an ancillary service price exceeds \$5000 per megawatt for a sustained period. We also report on significant price variations for gas. During 2017–18 we published 14 reports on high price electricity events, the third largest number in a reporting year since our inception. We prepared 20 such reports in 2016–17.

Of these 14 reports, three covered high electricity prices in South Australia and Victoria during January and February 2018, and 11 reports related to extreme prices for frequency control ancillary services in South Australia throughout the year.

During 2017–18 we published one report on significant price variations in gas markets, relating to the Victorian declared gas market.

Gas market liquidity work (the first effort focusing mainly on the Wallumbilla and Moomba Gas Supply Hubs (GSH) shows a continued increase in participation at the voluntary Wallumbilla hub. While liquidity is generally low in the region, compared with the amount of gas traded outside the market, liquidity is growing. Since the transition to a single product market from 28 March

2017, the majority of trading now occurs at the south east Queensland (Roma to Brisbane Pipeline in-pipe location) trading point. Many of these trades are also linked to the new spread product introduced in the market transition, which can account for around one to two thirds of the products traded in the hub.

We will keep working with the AEMC and AEMO to further develop liquidity metrics for the STTM and Victorian markets, and in preparation for the capacity trading platform/day-ahead auction issues which begin in March 2019.

Effective competition monitoring

We monitor and review whether effective competition is present in the wholesale electricity market and whether there are features that may harm the market's efficiency. Under the amended NEL, we now have the power to undertake regular, comprehensive, longer term assessments of the structure and performance of wholesale electricity markets.

In 2017–18 we consulted widely on how we should approach our wholesale market monitoring role, via a discussion paper, a public forum, submissions, face-to-face meetings and a consultation update. Our approach (released in March 2018) is guiding our first report about wholesale markets, and helping to inform advice to the COAG Energy Council on the effectiveness of competition and the efficient operation of the NEM. We also identified our focus for the 2018 performance report, which we will deliver in December 2018.

We published market advice on the high prices in the NSW wholesale electricity market in November 2017, examining features or conduct that may have been detrimental to effective competition. Several factors contributed to higher prices, including higher fuel costs and supply problems. And while we found no evidence of the sorts of opportunistic bidding we would traditionally associate with the exercise of market power in electricity markets (such as rebidding capacity into extreme high prices), the major participants in NSW appeared to have fewer competitive constraints.

In March 2018 we published advice on how closing the Hazelwood coal fired power station affected wholesale markets in Victoria and South Australia. Hazelwood's exit removed a significant low fuel cost generator,

which was largely replaced by higher cost black coal and gas plant—at a time when the input costs of black coal and gas plant were increasing. These factors, in turn, drove significant increases in wholesale electricity prices. We found no evidence that prices were being driven by rebidding close to dispatch, or by physical or economic withholding.

We released our first working paper on 15 June 2018: *Staff working paper on 2018 approach to LCOE analysis*. The paper contained technical discussion around the expected use of the Levelised Cost Of Entry (LCOE) and its limitations.

WHOLESAL ENERGY MARKET REFORM

Electricity market reform

During 2017–18 we continued workstreams aimed at improving wholesale market efficiency.

Inquiry into modernising Australia's electricity grid

In October 2017 we appeared at a public hearing for the House of Representatives Standing Committee on the Environment and Energy Inquiry into modernising Australia's electricity grid. This followed an earlier submission highlighting our work to ensure the regulatory framework meets the opportunities and challenges presented by technological change. We also provided views on the role that additional interconnection could play in meeting a range of goals, including impacts on wholesale energy prices.

Gas market reform

In August 2016 the COAG Energy Council agreed to a series of reforms relating to gas supply, market operation, gas transportation and market transparency in the eastern Australian gas market. We are working to implement the package, including proposed reforms to the GBB and closer scrutiny of liquidity in markets for wholesale gas and pipeline capacity trading.

In April 2017 the Australian Government directed the ACCC to monitor wholesale gas markets in eastern Australia. Our staff are assisting with the inquiry, which will run over three years, with six monthly reporting.

PROGRAM 4 COMPLIANCE & ENFORCEMENT



2017–18 highlights

- Our enforcement action resulted in retailers and distributors paying 17 infringement notices for allegedly failing to meet their obligations under the Retail Law and Rules. Of those, nine alleged breaches related to supply disruptions to customers on life support equipment.
- We continued compliance investigations into several high impact events in the NEM, including South Australia's 28 September 2016 blackout. We finalised our investigation into the South Australian electrical isolation 1 December 2016 event, and took enforcement action in July 2018.
- We initiated compliance measures to address implementation issues regarding metering contestability. Metering contestability was introduced in the NEM in late 2017.
- We monitored gas participants' compliance with obligations relating to the GBB, demand forecasting, metering and gas pipeline provisions.
- We published a revised version of our Retail markets compliance procedures and guidelines to reflect new rules; refine the reporting framework; and provide guidance on compliance audits.

OUR ROLE

We monitor and enforce the compliance of businesses and market participants with the national energy legislation and rules governing:

- wholesale energy markets—the NEM
- the STTM for gas
- the Gas Bulletin Board
- gas supply hubs at Wallumbilla and Moomba
- the Victorian declared gas market
- retail energy markets in Queensland, NSW, South Australia, the ACT and Tasmania.

We have similar roles under local instruments in some jurisdictions, as agreed by the COAG Energy Council.

RESOURCES APPLIED TO COMPLIANCE AND ENFORCEMENT

In 2018–18 we spent 17 per cent of our staff time on compliance and enforcement issues, up from 11 per cent in 2016–17 (figure 11). 50 per cent of this activity targeted wholesale markets and 40 per cent involved retail market participants. Although 10 per cent of compliance activity was identified as network issues, some compliance matters addressed in the

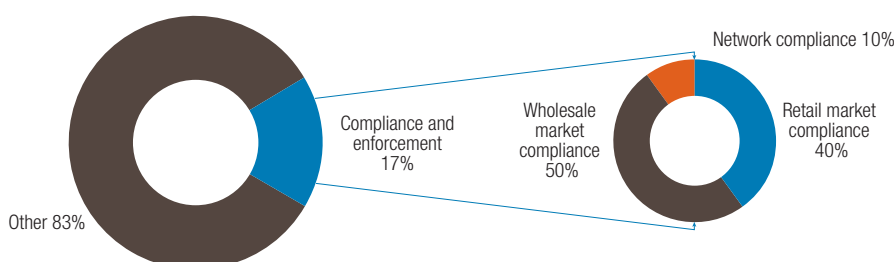
wholesale and retail sector overlap into network issues (for example, metering issues).

STATEMENT OF APPROACH

Our *Compliance and enforcement statement of approach* (available on our website) sets out how we monitor compliance, how we respond to potential breaches, and factors we may consider when deciding whether to take enforcement action. The statement aims to promote transparency and consistency of approach across the industry.

Our compliance and enforcement covers energy networks, wholesale and retail markets. We take a risk-based approach that considers both the impact and the probability of a breach to target and prioritise our monitoring and compliance activity. Specifically, we provide guidance on good industry practice, and encourage compliance with the law and rules by educating and informing consumers and businesses about their rights and responsibilities. However, targeted and timely enforcement action is necessary and appropriate in certain circumstances.

Figure 11 Staff time for compliance and enforcement, 2017–18



*Please refer Figure 13 on Page 68 for the full staff allocation

COMPLIANCE APPROACH

We apply a range of tools to encourage businesses to operate in ways that deliver the best outcomes for consumers and ensure energy markets operate efficiently. Our core approaches include:

- monitoring markets 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
- conducting regular targeted compliance reviews of areas of the national laws and rules to assess how industry participants comply with their obligations
- reviewing information that energy businesses publish on their websites and in other media
- managing the self-reporting framework whereby regulated entities notify us about possible breaches under the NERL and NERR
- undertaking strategic projects that focus on longer-term harms or risks with metrics to measure our effectiveness conducting targeted compliance reviews of key consumer protections, such as retailers' implementation of customer hardship policies
- conducting general audits of compliance with certain provisions, including audits in response to market events or inquiries that raise compliance concerns
- conducting annual compliance checks of technical performance standards of generators and network businesses
- publishing reports and bulletins about our compliance activity and expectations of market participants.

ENFORCEMENT APPROACH

We take effective, targeted and timely enforcement action when necessary. We can respond to a breach by:

- accepting an administrative resolution
- seeking a court enforceable undertaking, or
- issuing an infringement notice of up to \$4000 for an individual or \$20 000 for a body corporate.

We can issue an infringement notice if we have reason to believe a business has contravened a civil penalty provision. Paying an infringement notice penalty is not an admission of guilt, but finalises the matter. We can also start court action with a civil penalty of up

to \$20 000 for an individual, or \$100 000 for a body corporate for each breach.

COMPLIANCE REPORTING

National Energy Retail Law and Rules

In November 2017 we published our *Annual retail compliance report* on our compliance monitoring and enforcement activity in 2016–17 and compliance priorities for 2017–18.

National Electricity and Gas legislation

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

In 2017–18 we published four quarterly reports. All were released outside our target timeframe of six weeks from the end of the relevant quarter.

Outcomes and work in 2017–18

During 2017–18 our retail markets compliance work focused on protecting life support and hardship customers, and on implementation issues after contestable metering services were introduced. Our wholesale electricity markets compliance work focused on significant market events and metering reforms. Our gas compliance work focused on reform areas, including GBB requirements.

Matters under the Retail Law and Rules

Enforcement Action

In 2017–18 12 retailers and electricity distribution businesses paid penalties in response to infringement notices issued for allegedly failing to meet their obligations under the NERL and NERR.

We issued nine infringement notices, each with a penalty of \$20 000, to electricity distribution businesses for allegedly failing to provide customers who rely on life support equipment with the required four days' notice of a distributor planned interruption to their energy supply.

Following the issue of these infringement notices:

- Ausgrid paid a penalty of \$20 000
- Energex paid penalties totalling \$60 000
- Evoenergy (formerly ActewAGL) paid penalties of \$40 000
- TasNetworks paid penalties totalling \$60 000.

We also accepted administrative undertakings offered separately by Energex and TasNetworks, with each distributor committing to improving its systems and processes for managing its life support customers.

In other matters:

- AGL South Australia, AGL Sales and AGL Retail Energy were each issued with an infringement notice and paid a penalty of \$20 000 each, for allegedly failing to notify more than 1000 customers across NSW, South Australia and Queensland that their fixed term retail contracts were due to end.
- Taplin Management, Taplin Properties and Taplin Realty were each issued with an infringement notice and paid a penalty of \$20 000 each, for alleged unlawful selling of energy at three Adelaide shopping centres without having met their obligations.
- Origin Energy paid a penalty of \$40 000 for two infringement notices, for allegedly wrongfully disconnecting the premises of a vulnerable customer and failing to offer hardship assistance.

Compliance checks

We periodically issue compliance checks to industry, highlighting obligations under the NERL/NERR, and highlighting the importance of compliance processes and systems. Matters warranting guidance may become apparent through retailers' compliance reporting under the law and rules, and through our engagement with ombudsman schemes.

We issued two compliance checks in 2017–18. We issued the first to retailers, to remind them of their obligations following the transfer of a customer in error. We issued the second to retailers operating in embedded networks, to highlight their obligations to obtain a customer's explicit informed consent before transferring that customer.

Amendments to compliance procedures and guidelines

Our Compliance procedures and guidelines provide transparency on our approach to compliance with the NERL/NERR and regulations. They establish a self-reporting framework for businesses to report potential non-compliance, and a process to manage compliance audits. In effect, the procedures and guidelines enable us to:

- monitor the extent to which retailers and distributors comply with key obligations
- identify emerging or systemic compliance issues that may warrant further action
- set out our approach to using the compliance audit powers.

Revised guidelines (released in December 2017) incorporate changes to the compliance reporting template, to reduce the time and effort required to

report, and to improve the overall quality of reporting. They also permit better analysis of reporting trends and emerging issues of concern.

We also released a Practice guide for compliance audits, to further supplement the information in the guidelines.

Life support rule change

On 19 December 2017 the AEMC published a final rule determination that strengthens protections for customers who have a person requiring life support equipment residing at their premises. The new rule (based on our proposed rule change submitted to the AEMC in early 2017) provides for instances when customers can be deregistered from a life support register, and creates obligations on businesses and customers about life support registration.

We are developing guidance for industry on implementing the new rules which come into effect on 1 February 2019.

Hardship rule change

Our major compliance review of retailer hardship policies showed a wide variation in retailers' policies and in the practical assistance retailers offered to hardship customers. In response to these findings, we submitted a rule change request to the AEMC in March 2018. Specifically, we proposed developing a binding Customer hardship policy guideline as a single point of reference for industry on how to apply the hardship obligations. We consider this requirement will help customers understand their rights and entitlements about hardship.

Metering rule change

Implementation issues with new metering contestability rules (which commenced on 1 December 2017) have led to poor customer outcomes. We are reviewing the conduct of participants in affected jurisdictions, to understand the factors that have contributed to these poor outcomes. We are also facilitating discussions with stakeholders including meeting with industry participants, energy ombudsmen and other regulators.

The AEMC is considering two rule change requests to improve the metering installation process for customers. The AEMC has made a draft determination, with the final determination expected by 6 December 2018.

Audits

The first audit program for 2017–18 focused on disconnection obligations under the NERR and reporting obligations under the AER Compliance guideline. We audited AGL, Simply Energy, Lumo Energy, Alinta and Ergon Energy. The results showed varying levels of compliance with the scope of the

audits. Where issues were detected we required retailers to implement the auditors' recommendations to improve their processes and systems. All retailers have remediated deficiencies identified in their compliance systems.

The second audit program for 2017–18 focused on hardship and reporting obligations under the NERL and NERR. The audits for the second program have concluded and the results are being compiled.

Matters under the Electricity Law and Rules

Our quarterly compliance reports discussed our activities relating to the compliance of electricity generators, network businesses and other participants with their obligations under the NERL/ NERR.

2016 South Australian Black System Event

The investigation into this black system event is broad ranging, covering the period from 27 September 2016 until the end of the market suspension period on 11 October 2016. We have made approximately 40 voluntary requests for information to AEMO, ElectraNet and a number of South Australian generators.

We have completed three of our four investigation streams, covering:

- the pre-event, which focused on certain participants' actions in the lead up to the storm event, and how they managed power system security under the NER
- system restoration, which examined the actions of certain participants relating to the provision and use of system restart ancillary services to restore the network following the black system conditions of the 28 September 2016 event
- the market suspension, which assessed how participants operated during the 13 day period ending 11 October 2016, when the spot market in South Australia was suspended.

We are currently finalising our public report into these three aspects of the investigation. The fourth investigation stream, regarding the period immediately before the black system event, is continuing.

Summer readiness

Our investigations into a number of high price events during the 2016–17 summer informed our summer readiness compliance messaging for the 2017–18 summer and our view of industry best practice. Our summer readiness messaging fed into the much broader work AEMO undertook in preparing for the 2017–18 summer.

We focused primarily on the quality of information provided to AEMO, so it could better assess system security and reliability. We outlined key obligations on

participants that ensure the NEM provides secure and reliable electricity to consumers throughout summer.

We provided guidance to electricity market participants, to clearly outline our expectations about compliance with critical obligations under the NER. This messaging was important, given market events that occurred the previous summer, and because forecasts for the 2017–18 summer suggested the potential for a lack of reserve to meet the reliability standard.

Metering contestability

Under *Power of choice* rule changes, metering contestability commenced in the ACT, NSW, Queensland, Tasmania and South Australia on 1 December 2017. During the last half of 2017, we focused on participant readiness for these changes, including holding two industry forums on the new requirements. Since the first half of 2018, we have been monitoring implementation of the new rules.

Several implementation issues have led to poor customer outcomes, including unacceptably long wait times for new meters, and missed appointments. Measures to address these issues include:

- reviewing the conduct of participants in affected jurisdictions to understand the factors that have contributed to poor consumer outcomes. These factors generally relate to the need for improved processes and communications between distributors, retailers, metering coordinators and registered electrical contractors.
- meeting with industry participants, ombudsmen and other regulators, and facilitating discussions to develop and implement solutions to metering issues
- providing a submission to the AEMC in support of proposed rules changes that will require retailers to provide customers with new electricity meters within defined timeframes and enable customers to arrange alternative planned interruption date within the minimum notification period. The AEMC will publish its final determination by 6 December 2018.
- determining if there are compliance issues associated with businesses meeting their metering obligations under the NERL or NERR.

Targeted compliance reviews

During 2017–18 we completed a targeted compliance review of electricity retailers' practices for upgrading meters when customer consumption levels change and a new meter is required.

Overall, retailers indicated they improved their systems and processes to initiate and facilitate metering upgrades, as required under the NER and related procedures. Retailers indicated they either rarely or never received an offer from the local network service provider to upgrade the meter and suggested

delays in completing upgrades are largely due to difficulties obtaining customer agreement. We signalled that retailers should improve their processes for coordinating with customers on meter upgrades and should prioritise customers with higher consumption in their smart meter roll outs. If retailer performance does not improve sufficiently, we may seek the introduction of timing requirements for meter upgrades.

We continued our review of distributors' compliance with instrument transfer testing obligations, focusing on distributors who elected to test 10 per cent of their population each year. Most distributors made significant progress with testing, however some failed to complete all tests from previous financial years, and were required to undertake a significant number of tests before December 2017. We also signalled the need for industry to improve its record keeping processes.

We also started a targeted compliance review of electricity distributors' compliance with AEMO's Market Settlement and Transfer Solution, focusing on the Consumer Administration and Transfer Solution (CATS) Procedures. All underperforming local network service providers supplied rectification plans.

Generator performance standards

During 2017–18 we participated in AEMO's rule change request to the AEMC about generator performance standards in the NER. This rule change aimed to enhance technical performance standards for generators seeking to connect to the national electricity grid, and the process for negotiating those standards. We will review our approach by updating our generator performance standards information booklet.

We also monitored potential or actual breaches of these standards as reported by AEMO, based on the generator self-reporting regime under the NER.

Amendments to compliance bulletins

We aim to work cooperatively with NEM participants, to help them understand their obligations under the national energy framework and to help them achieve compliance with those obligations. In December 2017 we withdrew Compliance Bulletin no. 8—Confidentiality requirements for energy, metering and National Metering Identifier (NMI) standing data, which related to access to confidential information by participants in the NEM. This bulletin is no longer required, because the NER were changed to allow access.

We also clarified the status of Compliance Bulletin No. 6—Instrument transformer testing, in relation to instrument transformer testing following the changes to the National Electricity Rules that came into effect on 1 December 2017.

Matters under the Gas Law and Rules

Our quarterly compliance reports discuss our activity relating to the compliance of gas producers, pipeline businesses and other participants with their obligations under the National Gas Law and Rules.

National Gas Services Bulletin Board

In gas, our focus remains on ensuring participants comply with the information requirements of the National Gas Bulletin Board, which aims to make gas production and pipeline flows transparent. The AEMC introduced new Gas Rules for reporting to the GBB (commenced on 30 September 2018). The new rules enhance the breadth and accuracy of information presented on the GBB. Ahead of the changes, we engaged with industry to ensure eligible participants were prepared.

Demand forecasting errors in gas spot markets

In December 2017 we concluded our targeted review of gas market scheduling at the Longford injection point on the Victoria transmission system. This review was in response to an increased incidence of constraints, impacting market participants.

During 2017 we concluded a targeted compliance review of demand forecasting in the Sydney hub. We met with Sydney hub participants to better understand their forecasting methodologies and the causes of demand forecasting errors. Sydney hub participants communicated their efforts to improve the accuracy of their forecasting by employing new models and improving their understanding of the usage patterns of their customers.

In March 2018 we reported a diminishing over-forecasting bias in Sydney, including a significant turnaround in the performance of AGL Energy, which had exhibited the highest incidence of demand forecasting errors among Sydney hub retailers.

Technical audit

We finalised our audit of Santos in May 2018, after it submitted inaccurate data on the GBB and it restated gas volumes at the Moomba Lower Daralingie Beds gas storage facility in September 2017. On that occasion, Santos revised down the amount of gas held by 10 petajoules. We issued a confidential report to both Santos and AEMO, and we informed the broader gas market about our audit and its progress through our quarterly compliance reviews.

The audit identified measures to improve Santos's compliance with GBB obligations. Santos advised it has improved its accountability frameworks, including its Commercial Operations team taking responsibility for GBB compliance.

PROGRAM 5 POLICY & CORPORATE REPORTING



2017–18 highlights

- We made 27 submissions to policy reviews and rule change processes where our expertise could bring a valuable perspective
- Our Board members and senior executives gave 29 speeches and presentations at Australian and international forums
- We published 241 communication notices, 48 media releases, and over 3333 documents on the AER website

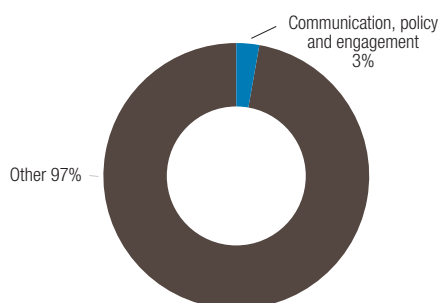
OUR ROLE

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

RESOURCES APPLIED TO COMMUNICATION, POLICY AND ENGAGEMENT

In 2017–18 we allocated three per cent of our staff time to communication, policy and engagement (figure 12).

Figure 12 Staff time on Communication, policy and engagement 2017–18



*Please refer Figure 13 on Page 68 for the full staff allocation

OUTCOMES AND WORK IN 2017–18

Annual report

We published the AER Annual report 2016–17 on 7 December 2017. The report highlighted energy market conditions and factors affecting our operating environment. It also set out our work in setting revenue

allowances for energy networks, regulating wholesale energy markets, and protecting customers in the retail energy markets. The report assessed our performance against an extensive list of key performance indicators. It also included the findings and outcomes of our fifth stakeholder survey.

State of the energy market report

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

The next edition of *State of the energy market* report is due to be published in December 2018.

Submissions

We contribute to policy reviews and rule change proposals where our expertise in network regulation, energy markets and consumer issues can add value. In 2017–18 we made 28 submissions to rule change proposals and policy reviews (appendix 1).

We made 21 of these submissions to AEMC and COAG Energy Council policy reviews and rule change processes, including on:

- creating a binding rate of return instrument
- examining regulatory arrangements in embedded networks' five-minute settlement
- strengthening protections for customers requiring life support equipment
- establishing values of customer reliability
- determining the scope of economic regulation applied to covered pipelines.

We also made submissions to the Senate Standing Committee on Environment and Communications, the Victorian and NSW governments and AEMO.

Speeches

In 2017–18 our Chair and senior executives participated in forums and gave 29 public presentations and speeches to stakeholders (appendix 2).

Our website, media releases and communications

We continually updated our website throughout 2017–18 with our decision documents, guidelines, other public reports and submissions from third parties. We published over 3333 documents during the year and where possible in multiple formats for accessibility.

Website users downloaded over 506 060 documents and viewed 2.7 million pages during the year.

In 2017–18 we released 241 communications (which our website subscribers receive via email) and 48 media releases (see appendix 2).

Our website subscription service offers targeted communication choices for stakeholders. Based on individual subject matter preferences, over 4597 subscribers received up to 750 updates on specific projects during the year, in addition to general AER communications.

Part 4

OUR PERFORMANCE

The following tables assess our performance against target deliverables and performance indicators laid out in our Work Program 2017–18 to the COAG Energy Council and the Australian Government.

The indicators cover the breadth of our work. Some are objectively quantifiable, while others are subjective. Some indicators measure delivery only (for example, whether we publish a report), while others measure perceptions of quality (for example, as measured through surveys).




For each indicator, we include a ‘traffic light assessment’ — a green light indicates we fully achieved the performance target, orange indicates partial achievement and red indicates non-achievement. Where we did not meet a performance target, we explain why. In some instances, we outline measures to improve our performance. We delivered on most of the performance targets, however resourcing constraints and competing priorities meant we completed some tasks outside the target deadlines.








We report separately on performance against the Treasury portfolio budget statements in the combined ACCC–AER Annual report 2016–17, as required under section 44AAJ of the *Competition and Consumer Act 2010*.

1. MEETING THE COAG ENERGY COUNCIL'S EXPECTATIONS

The AER's *Work Program 2017–18* established the following indicators to assess our progress in meeting the COAG Energy Council's expectations of us.

Deliverable	2017–18 Target	Outcome	
Progress on work program and expenditure against budget			
<i>Publish a detailed work program as part of our Statement of intent</i>	Publish 2018–19 Statement by 30 June 2018	As part of the Australian Government and COAG Energy Council work to implement the recommendations of the Finkel Review, we will be issued a combined and revised Statement of expectations. On 27 July 2018 the Commonwealth Treasurer approved that the 2017–18 Statement of intent will remain in operation until the new Statement of expectations is issued. We will publish a Statement of intent once the new Statement of expectations is issued.	
<i>Report through the ACCC–AER statutory Annual report on our expenditure against the program budget allocated to AER</i>	Deliver 2016–17 Report to Treasury by 30 August 2017	We provided the 2016–17 ACCC AER Annual report to Treasury on 29 August 2017. It reported on the agency's expenditure against the program budget allocated.	
<i>Publish an AER Annual report setting out progress against our work program, including compliance with statutory timelines</i>	Publish 2016–17 Report by 6 October 2017	We published our 2016–17 AER Annual report on 7 December 2017. The report contained information on resource use, our work program and agency performance. Resourcing issues and competing priorities led to a slight delay in publication.	
<i>Undertake our work program within budget as determined through the Australian Government budgetary process</i>	Undertake work program within budget.	Achieved	

<i>Publish any significant changes to our work program on AER website</i>	Publish all changes within 14 days	There were no significant changes to the work program.	
<i>Report to COAG Energy Council on progress against work program, including outcomes, issues and any variations</i>	Provide updates as requested by the COAG Energy Council	We provided updates to the COAG Energy Council on our key work and strategic issues, in response to the Council's requirements.	
Stakeholder engagement			
<i>Ensure AER Board and senior executives communicate with stakeholders via speeches, forums and the media</i>	Qualitative target	The AER Board, CEO and senior management team presented at 29 forums, conferences and other public events (see appendix 2). Liaison with media included interviews, briefings, responses to questions, and 48 media releases.	
<i>Meet periodically with the Consumer Challenge Panel, jurisdictional groups of consumer representatives and the Customer Consultative Group, in conducting our work program</i>	Monthly meetings of CCP and at least two meetings of jurisdictional groups during each regulatory reset; and three meetings of CCG.	<p>Our approach to CCP engagement has evolved, with the panel now assembled at least twice yearly to meet in person and undertake training, supported by more regular meetings of sub-panels.</p> <p>We appointed a new CCP in September 2016 and held a whole of CCP induction and training on 25–26 October. A follow up meeting was held on 19 June 2017. The CCP also discusses issues by regular teleconference.</p> <p>CCP sub-groups are formed for each regulatory determination process, with meeting schedules tailored to the status and progress of each review. The sub-panel Chairs also exchange views at scheduled meetings.</p> <p>Expressions of interest were sought for jurisdictional groups of consumer representatives, with groups being constituted where stakeholder demand was evident.</p> <p>We reconstituted the CCG in February 2017. Two meetings were held in 2017–18, but three meetings will occur in calendar year 2017.</p>	

<i>Undertake a broad stakeholder survey every two years that includes assessing the quality of our stakeholder engagement</i>	Conduct 2018 stakeholder survey and publish outcomes in 2017–18 AER Annual report	2018 stakeholder survey undertaken by independent agency ORIMA Research, with findings published alongside 2017–18 Annual report.	
<i>Publish the State of the energy market report, with accessible information on market activity and dynamics</i>	Publish 11th edition during 2018	At the time of writing, the State of the energy market report was in progress and is due to be published in December 2018.	
<i>Publish a strategic statement communicating the AER's purpose, work and strategic objectives</i>	Qualitative target.	Our strategic statement was published on 22 August 2017.	
Improving capabilities			
<i>Strengthen our external engagement and communications capabilities</i>	Qualitative target	We established a Strategic communications and external affairs team, and continue to develop our capability and capacity.	
<i>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</i>	Commission independent review following a tender process to identify suitable candidate to undertake review	Nous Group conducted an independent review and submitted the report at the end of January 2018. This review provided the foundations for further internal work on structure, culture and ways of working, which is ongoing. A new structure was agreed in June 2018 and has subsequently been implemented.	
<i>Develop capability for continuous network performance monitoring</i>	Qualitative target	During 2017–18, we have further improved our data collection, storage and reporting capability to allow us to monitor and report on the performance of the network businesses. This enabled the publication of a transmission data report in April 2018. In addition, as part of the current organisation restructure, a team is to be established in early 2019 which will have as its focus the development of a more comprehensive network performance monitoring and reporting framework.	
<i>Expand our data analytics capabilities for assessing regulatory proposals and wholesale market dynamics</i>	Qualitative target	We are actively exploring ways to enhance our data collection, storage and analytical capability to keep pace with increased monitoring and reporting requirements consistent with the Government's Digital Transformation Strategy.	

2. ACHIEVING OUR WORK PROGRAM

The AER's Work Program 2017–18 established the following indicators to assess progress in achieving our work program.

Deliverable	2017–18 Target	Outcome	
Work program 1: Energy networks			
<i>Complete all regulatory decisions on electricity networks and gas pipelines within statutory timeframes</i>	Publish three electricity and five gas determinations, within statutory timeframes	All electricity determinations were published within statutory timeframes.	
<i>Publish annual benchmarking report and regulatory information notices data for electricity networks</i>	Publish benchmarking report by 30 November 2017	Our annual benchmarking report for electricity transmission and distribution networks was published on 30 November 2017.	
<i>Resolve disputes within legislated timeframes, including on network access and connections, and regulatory investment tests</i>	100 per cent	<p>One regulatory test dispute was referred to the AER in 2017–18. The AER published its determination on 17 May 2017.</p> <p>We received requests relating to 10 electricity connection disputes, of which nine were resolved and one remained under investigation at 30 June 2017. The connection charges for four customers were substantially reduced.</p> <p>We did not receive any gas connection disputes during this financial year.</p> <p>We received a request to resolve a dispute over public lighting costs in South Australia and proposed to the parties a process to deal with the matter.</p>	
<i>Implement any reforms arising from AEMC rule changes, by developing or amending guidelines and through the regulatory determination process</i>	Qualitative target	No AER guidelines and regulatory processes were impacted by AEMC reforms in 2017–18 reporting period.	
<i>Publish aggregated data sets for electricity transmission and distribution businesses</i>	Publish by 30 June 2018	We published performance data for electricity transmission businesses in April 2018. The data reflects the key components of our regulatory determinations as well as other performance metrics. The data is presented for each Transmission Network Service Provider (TNSP) and aggregated for the NEM. The report covers the 2006 to 2017 period and the data will be updated annually.	

Work program 2: Wholesale energy markets



<i>Report to the COAG Energy Council on NEM market outcomes and participant behaviour in Victoria and South Australia in light of Hazelwood Power Station's closure</i>	Deliver report to the COAG Energy Council by 30 March 2018	We published the report on 29 March 2018.	
<i>Provide advice to the COAG Energy Council on factors impacting on market efficiency in NSW</i>	Provide advice to the COAG Energy Council by the timeframe requested	We published the report on 6 December 2017.	
<i>In consultation with stakeholders, develop and finalise frameworks to implement our new legislated performance monitoring role in the NEM</i>	Publish final statement of approach by 28 February 2018	We published the Statement of approach on 29 March 2018.	
<i>Publish timely reports on wholesale electricity and gas market activity</i>	Publish at least 75 per cent of weekly reports within 12 business days of week's end	We published 80% of gas and electricity weekly reports within the 12 business day threshold.	
<i>Report within statutory timeframes on extreme price events in wholesale electricity markets, and significant price variations in spot gas markets</i>	Publish all reports within statutory timeframes	We published all reports under statutory timeframes.	
<i>Support the AEMC in progressing rule change proposals aimed at improving market efficiency</i>	Engage in all processes where the AER can provide valuable perspectives	We made submissions to six AEMC rule change processes.	

Work program 3: Retail energy markets

<i>Actively monitor retail markets as new products and services are made available to ensure our guidelines and systems remain efficient and effective</i>	Qualitative target	<p>We updated our Compliance procedures and guidelines in June 2017 to incorporate changes to the energy rules and refine the reporting framework. To supplement coverage of compliance audits, we also issued a Practice guide to that area.</p> <p>We revised our Retail exempt selling guideline and Network service provider registration exemption guideline to provide for greater access to effective dispute resolution schemes for customers of exempt sellers.</p>	
<i>Ensure our price comparator website, Energy Made Easy, provides accurate and timely information for consumers</i>	All offers published on website within two business days of receipt from retailers	We published 100 per cent of offers within two business days of receipt.	

<i>Publish an annual performance report and quarterly data on the retail energy market (including energy affordability)</i>	Annual report published by 30 November 2017	We made submissions to 10 AEMC rule change processes (see appendix 1).	
<i>Assess retailers' hardship policies (and proposed amendments) in a timely manner</i>	Assess all policies and amendments within 12 weeks of receiving required information	We assessed two of three submitted policies within the targeted timeframe.	
<i>Assess retail authorisation/exemptions/applications in a timely manner</i>	Assess all authorisation/exemption applications within 12 weeks of receiving required information	We assessed 64 per cent of authorisation applications and 93 per cent of exemption applications within the targeted timeframe.	
<i>Apply processes to support the timely transfer of affected customers in the event of a retailer failure</i>	Meet all obligations within statutory timeframes	There was no retailer failure event this year.	
Work program 4: Compliance and enforcement			
<i>Ensure enforcement action is targeted and proportionate to regulatory risk</i>	Matters selected for enforcement activity improve market outcomes for customers	<p>Our targeted enforcement action included issuing 17 infringement notices (all in retail markets) and entering into two administrative undertakings (both in retail).</p> <p>In 2017–18 we continued major compliance investigations into three market events In the wholesale electricity market:</p> <ul style="list-style-type: none"> • Black System Event on 28 September 2016 in South Australia • South Australian electrical isolation on 1 December 2016 • a South Australian event on 8 February 2017, when a combination of events contributed to an unsecure operating state, resulting in load shedding under the direction of AEMO. <p>We finalised our investigation into the 1 December 2016 market event, and consequential enforcement outcome against ENGIE in Australia companies in July 2018.</p>	

<i>Ensure compliance framework keeps pace with market developments to provide appropriate consumer protections</i>	Qualitative target	<p>Building on the findings of our 2017 Hardship Policy Review, we submitted a rule change request to the AEMC in March 2018. We proposed developing a binding Customer hardship policy guideline as a single point of reference for industry on how to apply the hardship obligations and to help customers understand their rights and entitlements concerning hardship.</p> <p>Following a rule change request from us, the AEMC published a final rule determination in December 2017 that strengthens protections for customers who have a person requiring life support equipment residing at their premises. We are developing guidance for industry on implementing the new rules, which come into effect on 1 February 2019.</p>	
<i>Consistent with regulatory risk, conduct targeted reviews of compliance with the national energy rules, and report on outcomes</i>	Conduct quarterly reviews of selected obligations, and publish outcomes in quarterly compliance reports	We conducted targeted compliance reviews of gas market scheduling at the Longford injection point, demand forecasting in the Sydney gas hub, metering obligations in electricity, and compliance with AEMO's electricity Market Settlement and Transfer Solution. We provided progress reports in our quarterly compliance reports.	
<i>Audit the compliance systems of selected energy businesses, and report on outcomes</i>	Audit systems for two energy businesses that are critical to market efficiency and energy security	<p>In 2017–18 we completed one technical audit of Santos's compliance with its Gas Bulletin Board reporting obligations.</p> <p>We did not complete our annual target of two audits due to resourcing issues and competing priorities.</p>	
<i>Publish quarterly compliance reports on wholesale markets and networks</i>	Publish reports within six weeks of quarter's end	We published four reports but not in the targeted six week timeframe.	
<i>Publish an annual compliance report on retail markets</i>	Publish report by 30 November 2017	We published the report in November 2017.	

<i>Provide clear and targeted communication with businesses</i>	Conduct at least two roundtables or other forums with energy businesses on compliance	We held industry forums in September 2017, about the new metering contestability rules and in June 2018, to discuss the new life support rules that will commence on 1 February 2019.	
	Issue at least two 'compliance checks' to businesses	We published two compliance checks for industry in 2017–18, relating to certain obligations on retailers regarding customer transfers.	
<i>Provide clear targeted guidance to businesses on our compliance monitoring framework</i>	Provide guidance to businesses on their compliance reports made under the Compliance guideline, within eight weeks of the reporting period	We released revised Compliance guidelines to improve the overall quality of compliance reporting and permit better analysis of reporting trends. We also released a practice guide for compliance audits.	
		Distributors and retailers covered by the compliance monitoring framework received a written summary of reporting outcomes.	
		We did not meet targeted timeframes.	

3. MEETING THE AUSTRALIAN GOVERNMENT'S EXPECTATIONS

The AER's Work Program 2017–18 established the following indicators to assess our progress in meeting the Australian Government's expectations of us as a high performing regulator, based on measures set out in the Australian Government's *Regulator performance framework*.

Regulators actively contribute to the continuous improvement of regulatory frameworks	2017–18 Target	Outcome	
<i>Regulators do not unnecessarily impede the efficient operation of regulated entities</i>			
<i>Apply regulation consistently with guidance developed in consultation with regulated businesses</i>	Independent surveys of stakeholder satisfaction with AER processes	Our new Stakeholder Engagement Framework, published in September 2017, sets out our approach to getting input from regulated businesses, consumer advocates and others on how we work. According to our 2018 stakeholder survey, 88 per cent of respondents think there is good opportunity for stakeholder input where appropriate and 74 per cent are satisfied with the AER's performance in fostering productive relationships with stakeholders (58 per cent in 2016). 69 per cent say the AER provides guidance that makes it easier for them to fit in with the AER's processes.	
<i>Meet statutory timeframes applicable to our work program to promote regulatory certainty</i>	Document instances of non-compliance and why they occurred	Resourcing issues and processes resulted in timeframes for one revenue determinations being extended beyond statutory timeframes.	
<i>Regularly meet with other agencies, including the AEMC, AEMO, the ECA, ASIC, the Utility Regulators Forum and the EISG, to share knowledge and experience on efficient regulation</i>	Number of meetings with each agency and nature of engagement	Meetings were held with each agency, forum and group in accordance with agreed schedules.	
<i>Assess costs and benefits of additional information requirements prior to widening the scope of regulatory information notices.</i>	Consult with affected businesses in each instance	We streamline RINs periodically to ease the regulatory burden on regulated businesses.	

Communication with regulated entities is clear, targeted and effective

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

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

<i>Apply a risk-based approach to compliance and monitoring activities</i>	Document basis for compliance and monitoring focus in compliance reporting	Our compliance and monitoring activity accounts for risk assessments of the impact and likelihood of breaches.	
<i>Recognise the compliance record of regulated entities in making enforcement decisions</i>	Document reasoning for enforcement decisions in compliance reporting	Enforcement decisions accounted for all relevant factors as set out in Compliance and Enforcement statement of approach.	




Compliance and monitoring approaches are streamlined and coordinated

<i>Ensure an agency-wide Statement of approach guides compliance and enforcement activity across work program areas</i>	Document agency's consistent application of Statement of approach	Our compliance and enforcement Statement of approach (available on our website) aims to promote transparency and consistency of approach across the industry.	
<i>Collaborate with the ACCC on energy market enforcement activity falling under the scope of both agencies</i>	Document communication forums and nature of engagement	Our Board members and staff collaborate with the ACCC on matters relating to conduct in energy markets where the Australian Consumer Law applies.	
<i>For reporting purposes, use existing information where possible and limit information sought from external parties to that necessary to undertake a task</i>	Justify reasons for information gathered beyond that which is otherwise available	We developed reporting guidelines in consultation with stakeholders. We limited reporting requests to those required for the task.	

Regulators are open and transparent in their dealings with regulated entities

<i>Ensure stakeholders have an opportunity to provide written submissions before the AER makes major regulatory decisions</i>	Document instances where submissions not sought and why they occurred	Processes for all major regulatory decisions included opportunities for stakeholders to make written submissions.	
<i>Publish submissions to regulatory processes on the AER website</i>	Document instances where submissions not published and why this occurred	Subject to meeting confidentiality protocols, we published all submissions to regulatory processes on the AER website.	
<i>Published decisions clearly set out how we accounted for stakeholder views</i>	Independent surveys of stakeholder satisfaction with transparency of AER decisions	According to our 2018 stakeholder survey, 78 per cent of respondents were happy with our approach to consultation and engagement, up from 70 per cent in 2016. Seven in ten respondents agreed our decision are underpinned by evidence and robust analysis (up from 55 per cent in 2016).	
<i>Consult with industry when preparing any guidelines or policies</i>	Document instances where consultation did not occur	We develop guidelines and policies in consultation with stakeholders according to our stakeholder engagement framework.	
<i>Engage with industry through forums</i>	Document number of meetings and nature of engagement	Our extensive engagement with industry through forums, speeches and other presentations is documented as Appendix 2 in this report.	
<i>Apply risk-based frameworks, processes, guidelines and decisions that are publicly available</i>	Survey stakeholder confidence in our consistency with published guidance	According to our 2018 stakeholder survey, 69 per cent of respondents said we provide guidance that makes it easier for them to fit in with our processes. Three-quarters said we have a transparent decision making process (74%). Around two-thirds believed we provide consistent outcomes and decisions (68 per cent, up from 50 per cent in 2016), and that they have a clear understanding of our decisions (67 per cent). 64 per cent of stakeholders felt that our decision making and processes enhance the predictability of the regulatory process (up from 51 per cent in 2016).	

Regulators actively contribute to the continuous improvement of regulatory frameworks

<i>Engage with agencies that have energy market responsibilities in accordance with legislation and memoranda of understanding</i>	Number of meetings with each agency and type of engagement	High level meetings were held with each agency in accord with agreed schedules. Communication at staff level occurred more regularly on a needs basis.	
<i>Engage in policy reviews, rule change processes and reform implementation through information sharing, making submissions and participating in forums</i>	Document engagement and relevant processes in each area	Our engagement through submissions and forums are documented elsewhere in this report. Information sharing occurred in accordance with memoranda of understanding.	
<i>Promptly respond to requests for information from government (including the COAG Energy Council) within specified timeframes</i>	Adhere to agreed time frames	We met requests in accordance with specified or agreed timeframes.	

Part 5

OUR PEOPLE

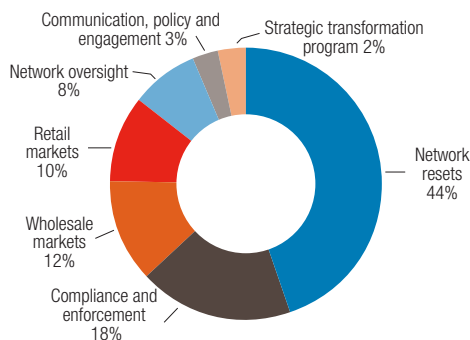
Our staff are committed to making Australia's energy markets work for consumers, now and in the future. In total, 205 staff members worked in our agency during 2017–18. Our average staffing level across the year, including the AER Board and CEO, was 160.5, a substantial increase on the year before (128.7). We also engaged 28 external contractors and three staff seconded from other agencies to work with our staff and assist in delivering our work program.

Our staffing is supplemented by:

- legal and economic staff shared with the ACCC. The legal and economic division's contribution is higher in years when we undertake a large number of network decisions, when our network decisions are subject to appeals, or when major enforcement matters are underway.
- staff from the People and Corporate Services branch shared with the ACCC.

As in previous years, networks regulation absorbed a majority of our staffing resources (figure 13). Staff allocation to network revenue decisions (44 per cent) was down from 51 per cent in 2016–17, reflecting a reduction in the number of final decisions made in 2017–18. The resources released were absorbed across other program areas such as Compliance and Enforcement (up from 11 per cent in 2016-17) and Wholesale Markets (up from 8 per cent in 2016-17). We also devoted resources to our Strategic Transformation Program to plan the implementation of recommendations of the Nous review of our governance, structure and culture.

Figure 13 Allocation of AER staff time across functions, 2017–18



STAFF TURNOVER

Our staff turnover for 2017–18 was 6.9 per cent, down from 2016-17 (8.7 per cent) but up relative to 2015–16 (3.7 per cent) and 2014–15 (4.6 per cent) levels.

OUR CAPABILITIES

We are a broad based team of energy specialists—experts in energy network regulation, wholesale and retail energy market operations, and compliance and

enforcement. Reflecting the diverse nature of our work program, our team includes economists, engineers, lawyers and accounting/finance specialists.

Our staff has a diverse range of experience. Some joined us from other regulatory agencies, both Australian jurisdictional utility regulators and international agencies such as Great Britain's Office of the Gas and Electricity Markets (Ofgem). Others came from consulting firms and the energy sector, including from technical roles in system engineering.

While we are a relatively young organisation, we have many staff with years of experience in energy sector issues. This broad skill base and experience gives us the flexibility to deal with a wide range of complex energy market issues.

Our internal staff are supplemented by externally sourced technical expertise, particularly for network issues. In addition, we have mechanisms in place to ensure we keep up to date with regulatory best practice.

We have conducted staff secondments and exchanges with AEMO, the AEMC, government agencies/ departments such as the IPART, New South Wales, and international regulators including Ofgem and the New Zealand Commerce Commission

LOOKING AFTER OUR PEOPLE

Training and development

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

In 2017–18 we strengthened staff capabilities, particularly our technical skills base, by offering learning and development opportunities. The Technical advisor group provided tailored courses on principles of energy network planning, reliability standards and reporting, network operation and regulation, and emerging network trends and technology. We (sometimes in conjunction with the ACCC) also offered courses in resilience training, negotiation and stakeholder engagement, handling confidential information, writing skills and leadership.

Our staff participated in meetings of the Energy Intermarket Surveillance Group in Calgary (September 2017) and Saratoga Springs (April 2018). The group meets twice yearly and coordinates information and skills sharing among members on wholesale energy market surveillance and enforcement. In Calgary, we presented on the Regulatory Investment Test, the impact of gas market developments for the NEM, and issues arising from the high level of wind penetration in South Australia. In Saratoga Springs, we presented

on the 28 September 2016 blackout in South Australia and our new role in monitoring and reporting on the effectiveness of competition in the NEM.

Wellbeing

Our staff's health and wellbeing is essential, so we stress the importance of an appropriate work-life balance. We reflected our commitment to these issues in a variety of programs during 2017-18:

- New measures improve the capacity of managers and employees to deal with mental health issues. The measures included an enhanced Workplace Contact Officer network and training for managers in mental health first aid principles.
- An Influenza Vaccination offered all employees access to fully funded vaccinations at the workplace or offsite as arranged by the employee.
- An Employee Assistance Program offers employees and their immediate families access to a free professional counselling service for personal or employee related matters.
- Our Healthy Lifestyle Reimbursement scheme supports healthy lifestyle choices by eligible employees.
- Our Ally Network made up of employees at all levels shows support for the LGBTIQ community and reflects our commitment to an inclusive workplace free from discrimination or bullying.

Workplace flexibility

In October 2017 we moved into our new Melbourne office location. As well as meeting whole-of-government requirements, the new premises provides

a more collaborative and flexible work space tailored specifically for the ACCC and AER. It will be adaptable over the lease period and supported by mobile technology such as laptops, better collaboration tools and document management capability, to support a more mobile workforce both in the office and away from it. The work done in designing our new Melbourne office forms a template as our office leases elsewhere come up for renewal.

Remuneration

The Remuneration Tribunal determines our Board members' remuneration, in accordance with the *Remuneration Tribunal Act 1973*, Determination 2010/10 Remuneration and Allowances for Holders of Full Time Public Office. Table 4 sets out the nature and amount of our board members' remuneration in 2017-18.

Most of our staff work under an enterprise agreement that sets out remuneration, leave entitlements, and other conditions and allowances. A new agreement came into effect on 21 December 2016, offering a three per cent salary increase on commencement, a two per cent salary increase 12 months after commencement, and a one per cent salary increase 24 months after commencement. Our CEO, general managers and some specialist staff are subject to individual determinations covering remuneration, leave and other employment conditions.

Table 5 sets out our staff remuneration in 2017-18. It does not include superannuation contributions, allowances or performance pay. The data excludes our Board members.

Table 4: Remuneration of AER board, 30 June 2018

Position	Base salary	Total remuneration of office
Chair	\$507 690	\$532 690
AER Board Members	\$379 471	\$399 250

Table 5: Remuneration of AER staff, 2017-18

Annual Salary	Percentage of staff (%)
\$40 000 to \$60 000	2.1
\$60 000 to \$80 000	17.4
\$80 000 to \$100 000	21.5
\$100 000 to \$120 000	27.8
\$120 000 to \$140 000	21.5
\$140 000 to \$160 000	2.1
\$160 000 to \$180 000	2.1
Above \$180 000	5.6

Workforce planning—age, tenure, gender and diversity profile

We are committed to developing a sustainable AER. The age profile of our staff demonstrates a core of experienced staff, yet also reflects our commitment to employing and developing more junior staff (figure 14).

The long-term tenure of a large proportion of our staff also evidences our collective experience in energy regulation. Over 50 per cent of our staff have worked with us for more than five years and 27 percent have over 10 years' experience. We engaged 60 new people (as staff and contractors) and approximately 28 per cent of staff commenced with us within the past 12 months, following recruitment processes. New starters also include staff with longer tenures who transferred from the ACCC, and people previously

engaged as contractors who secured positions as APS employees through public recruitment processes. Staff participating as summer interns and graduates are also included in recent starter numbers. Figure 15 includes further information on the tenure of our staff.¹

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

Table 4 presents data on our staff from Aboriginal or Torres Strait Islander backgrounds (ATSI); self-identified staff from CALD backgrounds and People With Disabilities (PWD).

Figure 14: Age profile of AER staff, 30 June 2017

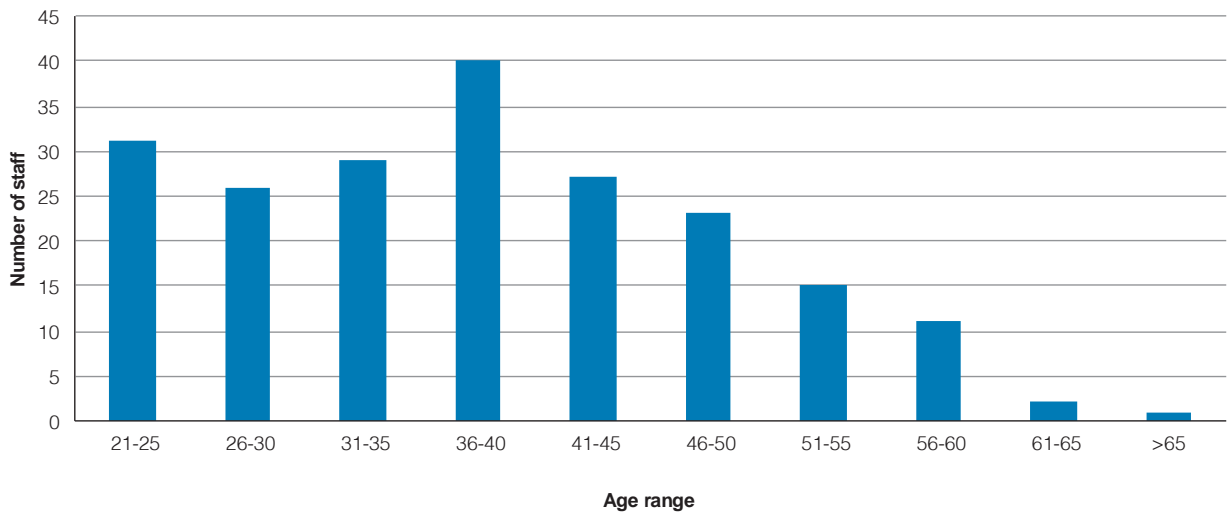
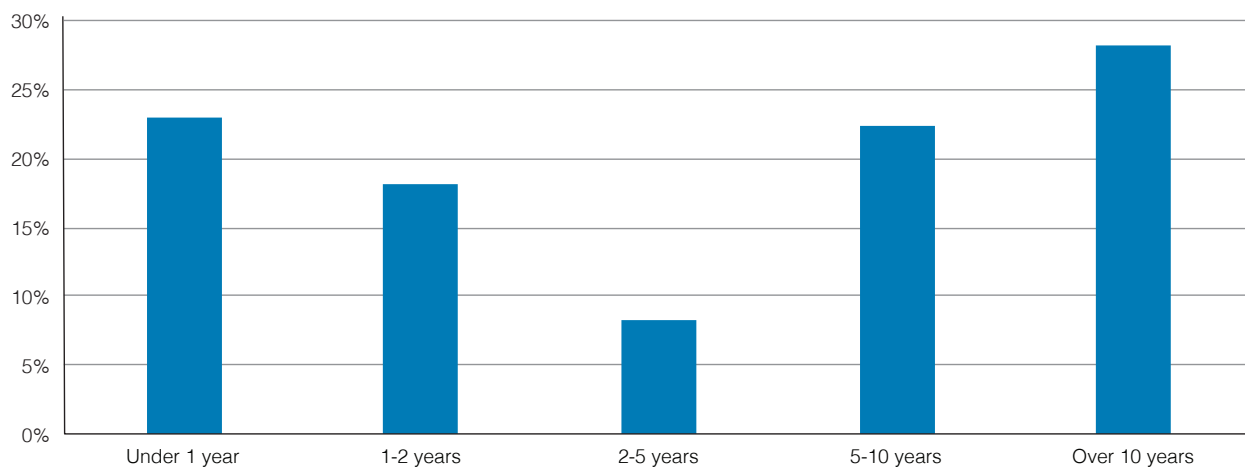


Figure 15 Tenure of AER staff, 30 June 2018



¹ This figures includes only AER employees and excludes people engaged under contracts through recruitment agencies, at 30 June 2018.

Table 6: AER workplace diversity profile, 30 June 2018

	Total number	Female	ATSI	CALD	PWD
SES and AER members	7	2		1	
GRAD	8	4		0	3
APS1	12	4		2	2
APS2					
APS3					
APS4	9	7		2	1
APS5	31	17	1	5	1
APS6	48	20		17	2
EL1	58	26	1	9	2
EL2	32	12		7	1
Totals	205	92	2	43	10
Proportion of the total (%)		44.9%	1.0%	21.0%	4.9%

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

Part 6

OUR EXPENDITURE

EXPENDITURE BY CATEGORY

Our total expenditure for 2017–18 was \$48.15 million. In general the relative proportion of operating costs remained constant relative to 2016–17. Employee costs continue to be our primary operating expense and accounted for 46 per cent of this total (an increase from 44 per cent in the previous year). Corporate overheads and administration absorbed another 22 per cent (down from 24 per cent).

We continued to supplement our workforce in 2017–18 with external contractors to work alongside employees. Contracted staffing accounted for seven per cent of our spending (down from eight per cent in 2016–17). The combined costs of employees and on site contractors accounted for 63 percent of our total expenditure.

Expenditure on external consultants and lawyers costs accounted for 11 per cent of our total operating costs in 2017–18. This is down from 16 per cent 2016–17 due to a significant reduction in costs associated with defending appeals of our regulatory decisions. Internal legal costs were accounted for separately and comprised just under one per cent of corporate overheads (up from 0.06 per cent in 2016–17).

EXPENDITURE BY WORK PROGRAM

Our direct expenditure in 2017–18 (excluding our contribution to corporate overheads and administration costs shared with the ACCC), was \$37.75 million—a \$6.05 million increase on the previous year. Network regulation absorbed a majority of this expenditure, at 49 per cent of direct costs, down 10 percent from 2016–17 figures. This evidences our increased focus on other priorities. The network regulation area also drew heavily on the Executive and Technical advisor group (which absorbed 14 per cent of direct costs).

Wholesale markets once again absorbed 19 per cent of direct expenditure (the same proportion as 2016–17) reflecting the sustained resourcing impact of investigating a record number of high impact events in the electricity market. Despite an expanding work program, the retail branch continued to achieve significant efficiencies and absorbed only 13 per cent of our total expenditure, a slight increase on 2016–17 figures.

We funded the CCP, Consumer Reference Group and the CCG to facilitate consumer input in network revenue decisions, development of the rate of return guideline and retail energy market matters. Overall, around \$2.3million of our annual expenditure was allocated to support the technical advisors and consumer input.

Figure 16: AER expenditure by category 2017–18

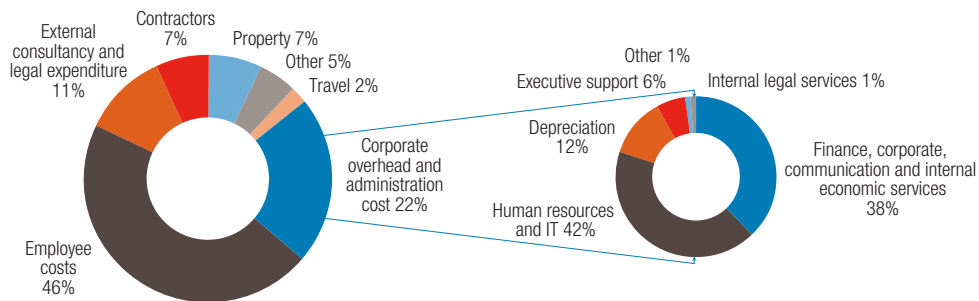
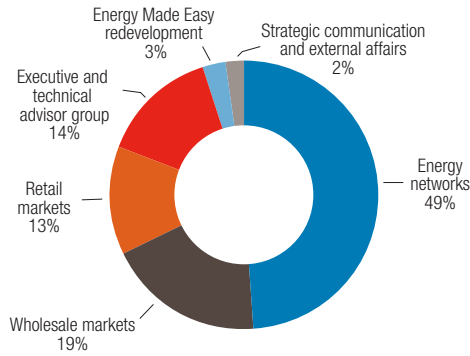


Figure 17: Direct expenditure, by AER work area, 2017–18



EXPENDITURE ON CONSULTANTS AND EXTERNAL LAWYERS

Our total expenditure on advice from external consultants and lawyers was just over \$7.1 million in 2017–18, including \$6.9 million (GST exclusive), on consultancy contracts (figure 18).

While we make significant use of in-house legal expertise, we engage external lawyers for legal appeals, enforcement matters and ad hoc advice. Our total expenditure on external lawyers in 2016–17 was \$215,194 (GST exclusive). This is a significant drop from the \$3 million incurred in 2016–17 to defend appeals of our network revenue determinations. This relates to the removal of the LMR regime.

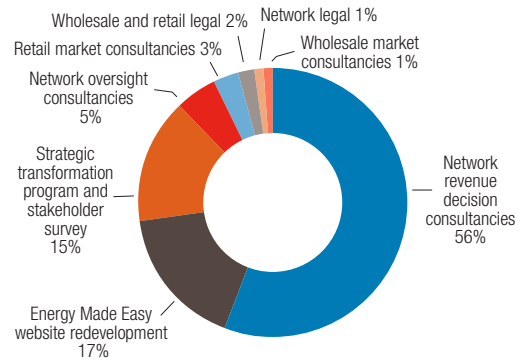
Most consultancy expenditure arises in the networks space, where we draw on experts to assist on complex issues for our guidelines and to assess network businesses' proposals. A majority of this expenditure (62 per cent) related to network consultancy and legal costs in 2017–18. Consultancy and legal costs associated with network oversight remained constant relative to 2016–17 at 5 per cent.

Consultancy and legal expenditure relating to wholesale and retail markets represented 6 per cent of total legal and consultancy spend and included costs for external dispute resolution, and advice on retail bill benchmarks. We spent 17 percent on consultancies to scope enhancements to functionality and user testing of our energy made easy website to inform redevelopment work.

Legal and consultancy expenditure on compliance and enforcement activities was negligible in 2017–18. We engaged Nous Group to undertake a review of our governance, structure, culture and ways of working to inform a range of reforms to our operations to make the most efficient use of increased resources

and adequately respond to dynamic changes to our operating environment. We also commissioned our fifth stakeholder survey. These and other consultancies to inform our governance and ways of working constituted 15 per cent of our total expenditure on consultants and lawyers in 2017–18.

Figure 18: Consultancy and external legal expenditure, by AER work area, 2017–18



EXPENDITURE ON TRAVEL

We spent \$930 577 on travel in 2017–18. This expenditure related primarily to domestic travel, and included travel by AER board members, travel allowance, flights, ground travel and accommodation.

EMPLOYEE COSTS

Total wage and associated costs (including leave entitlements and superannuation, but excluding overheads) for our staff was \$22 million for 2017–18. This figure includes costs for AER board members and the Technical advisor group but excludes the costs associated with engaging external contractors to undertake work in our offices as staff (\$3.5 million). Total expenditure for employees and in-house contractors was \$25.5 million for 2017–18.

CORPORATE OVERHEADS AND OTHER COSTS

Our corporate overheads (\$10.4 million in 2017–18) are combined with those of the ACCC. They include the costs of people and corporate services division staff (finance and corporate services, information management and technology services, human resources, and strategic communications), legal and economic division staff, facilities/accommodation, IT contracts/capital and other costs associated with our offices.

Part 7

APPENDICES

Appendix 1 – AER submissions

SUBMISSIONS TO COAG ENERGY COUNCIL REVIEWS

Consumer participation in revenue determinations and associated regulatory processes (consultation paper), 3 November 2017

Creating a binding rate of return instrument (draft legislation), 13 April 2018

AER powers and civil penalties regime (consultation paper), 29 June 2018

SUBMISSIONS TO AEMC RULE CHANGE PROCESSES

Alternatives to grid-supplied network services (consultation paper), 17 July 2017

Improvements to Natural Gas Bulletin Board (draft determination), 22 August 2017

Five-minute settlement (draft determination), 27 October 2017

Contestability of energy services (draft determination), 27 October 2017

Strengthening protections for customers requiring life support equipment (draft determination), 8 November 2017

Generator technical performance standards (consultation paper), 20 November 2017

System restart plan release provisions (consultation paper), 8 February 2018

Testing of system restart ancillary services capability (consultation paper), 7 March 2018

Register of distributed energy resources (consultation paper), 17 April 2018

Jemena Gas Networks revenue smoothing (consultation paper), 19 April 2018

Establishing values of customer reliability (consultation paper), 28 May 2018

SUBMISSIONS TO AEMC REVIEWS

Distribution market model (draft paper), 3 July 2017

Review into the scope of economic regulation applied to covered pipelines (issues paper), 22 August 2017

Reliability frameworks review (issues paper), 29 September 2017

Regulatory arrangements for embedded networks (draft report), 17 October 2017

Biennial review into liquidity in wholesale gas and pipeline trading markets (scoping paper), 5 March 2018

Review into the scope of economic regulation applied to covered pipelines (draft report), 16 March 2018

Coordination of generation and transmission investment (discussions paper), 30 May 2018

OTHER SUBMISSIONS

Competition and Consumer Amendments (Abolition of Limited Merits Review) Bill 2017, 19 September 2017

Review of Victoria's electricity and gas networks safety framework (interim report), 24 November 2017

Consumer protection in a changing energy world (discussion paper), 15 December 2017

Integrated system plan (consultation paper), 5 March 2018

Review of Victoria's Electricity Distribution Code (scoping paper), 6 April 2018

Review of Victoria's Electricity Distribution Code (draft decision), 7 June 2018

WA Legislative Assembly Economics and Industry Standing Committee—Inquiry into microgrids and associated technologies in WA, 8 March 2018

Appendix 2 – News releases and speeches

NEWS RELEASES

AER draft decisions to propose stable gas network charges for Victoria and Albury, 6 July 2017

AER draft decision to provide stable network charges for Roma to Brisbane pipeline, 6 July 2017

Save money in ACT with Energy Made Easy, 18 July 2017

Save money in SE Queensland with Energy Made Easy, 18 July 2017

Save money in South Australia with Energy Made Easy, 18 July 2017

Save money in NSW with Energy Made Easy, 18 July 2017

Working together to restore confidence in energy regulation, 26 July 2017

AER releases draft incentive scheme to improve demand management in electricity networks, 28 August 2017

AER launches new approach to monitoring wholesale electricity markets, 31 August 2017

Ausgrid and ActewAGL Distribution pay penalties for alleged breaches of life support rules, 8 September 2017

Improving energy market information for consumers, 26 September 2017

AER draft decision on TransGrid revenue proposal puts consumers first, 28 September 2017

AER draft decision on Murraylink revenue proposal provides for significant infrastructure upgrade, 28 September 2017

Administrative undertakings and \$100 000 in penalties paid by Energex and TasNetworks for alleged breaches of its life support obligations, 3 October 2017

AER re-examination of NSW and ACT electricity distributors shows customers benefiting from efficiency gains, 19 October 2017

AER draft decision to provide stability in transmission charges for South Australian customers, 26 October 2017

Tribunal confirms AER approach to setting Victorian electricity and ACT gas network prices, 31 October 2017

AER approves 2018 network tariffs for Victorian electricity customers, 10 November 2017

Origin Energy pays \$40 000 in penalties for alleged wrongful disconnection and failure to provide hardship assistance, 17 November 2017

Energy affordability problems lead to hardship and disconnections: AER retail report, 22 November 2017

AER decision on Roma to Brisbane gas networks prioritises stability and security of supply, 30 November 2017

AER decision for Victorian gas networks prioritises stability and security of supply, 30 November 2017

Consumers benefit from increasing productivity: AER benchmarking report, 1 December 2017

AER releases report into high prices in NSW wholesale electricity market, 6 December 2017

Putting consumers first: Australian Energy Regulator Annual report, 7 December 2017

ZEN Energy Pty Ltd granted electricity retailer authorisation, 7 December 2017

AER incentive scheme to drive potential \$1bn in demand management action, 14 December 2017

AER welcomes website funding to help customers compare plans, 18 December 2017

New information disclosure rules to help inform negotiations for gas pipeline access, 19 December 2017

Consumers win as Full Federal Court confirms AER revenue decision for SA Power Networks, 18 January 2018

UK energy consumer expert Sharon Darcy to deliver AER's Dr Gill Owen Memorial Lecture, 5 February 2018

AGL pays \$60 000 penalty for failing to inform customers of contract end, 7 February 2018

Taplin Group penalised \$60 000 for alleged unauthorised sale of energy, 7 March 2018

Revised AER determination agrees price stability for Essential customers, 14 March 2018

Energex pays \$60,000 penalty for alleged breaches of life support obligations, 16 March 2018

Consultation launched on new approach to network regulation, 23 March 2018

Strengthening protections for customers in financial hardship, 27 March 2018

Wholesale electricity prices higher since Hazelwood exit, 29 March 2018

AER revenue decision provides upgrade for Murraylink interconnector, 30 April 2018

Stability for South Australian customers in ElectraNet decision: AER, 30 April 2018

Lower network tariffs in Queensland a win for consumers, 18 May 2018

NSW network tariffs to remain stable: AER, 18 May 2018

AER releases South Australian network tariffs, 18 May 2018

AER issues decision on TransGrid revenues, 18 May 2018

AER final decision confirms the power of consumer engagement, 31 May 2018

Life support: Evoenergy pays penalty after alleged failures, 13 June 2018

Consultation commences to sharpen retail compliance monitoring tools, 18 June 2018

AER to seek views on replacement framework and approach papers for Victorian network businesses, 28 June 2018

SPEECHES AND PRESENTATIONS

Jim Cox was a panel member for the Victorian Chamber of Commerce and Industry Energy Forum, Melbourne, 4 July 2017

Michelle Groves delivered a speech at Australian Clean Energy Summit, Sydney, 18 July 2017

Paula Conboy delivered a speech at ENA seminar series 2017, Brisbane, 26 July 2017

Chris Pattas spoke at Electric Energy Society of Australia, Brisbane, 27 July 2017

Jim Cox spoke at the CEDA – Energy & Resources series, Brisbane, 8 August 2017

Jim Cox spoke at the third Annual Disruption and Energy Industry Conference, Sydney, 7 September 2017

Jim Cox spoke at the National Small Business Commissioners meeting, Brisbane, 15 September 2017

Paula Conboy spoke at the Melbourne Economic Forum, Melbourne, 18 September 2017

Paula Conboy spoke at the AFR National Energy Summit, Sydney, 9 October 2017

Jim Cox spoke at All Energy Australia 2017 Melbourne, 11 October 2017

Michelle Groves spoke at the 8th Public Sector Women in Leadership Conference, Melbourne, 19 October 2017

Sarah Proudfoot spoke at the National Consumer Roundtable on Energy, Brisbane, 24 November 2017

Peter Adams spoke at AEMO Summer Readiness briefing, Melbourne, 1 December 2017

Paula Conboy spoke at the CAFE – Melbourne University, Melbourne, 13 December 2017

Paula Conboy spoke at the Senior Leadership Meeting for Ausgrid, Sydney, 31 January 2018

Paula Conboy spoke at the Ausgrid Board lunch, Sydney, 6 February 2018

Michelle Groves spoke at the Women in Resources and Energy – The changing role of women in resource based industries, Adelaide, 9 February 2018

Paula Conboy spoke at the ECA Foresighting forum, Sydney, 1 March 2018

Michelle Groves spoke at the National Consumer Congress, Sydney, 15 March 2018

Warwick Anderson spoke at AusNet Services Investor Day, Melbourne, 20 March

Paula Conboy spoke at the World Forum on Energy Regulation, Cancun (Mexico), 21 March 2018

Cristina CiFuentes spoke at the Spark Infrastructure Investors Lunch, Sydney, 17 April 2018

Jim Cox spoke at EUAA National Conference, Melbourne, 2 May 2018

Jim Cox spoke at Energy Forum, Melbourne, 3 May 2018

Jim Cox spoke at Australian Energy Week 2018 Plenary Day panel, Melbourne, 9 May 2018

Michelle Groves spoke to the 2017 Mining and Energy Law students, Melbourne, 5 June 2018

Michelle Groves spoke at the LED Conference, Melbourne, 6 June 2018

Paula Conboy spoke at the ENA Conference, Sydney, 7 June 2018

Sarah Proudfoot spoke at the Behavioural Exchange 2018, Sydney, 26 June 2018

Appendix 3 – Decisions, reports and consultations

ELECTRICITY TRANSMISSION DECISIONS

Final decision: TransGrid transmission determination 2018–23, May 2018

Decision: Approved a cost pass through for AusNet Services for easement of land tax 2018–19, April 2018

Final decision: Murraylink transmission determination 2018–23, April 2018

Final decision: ElectraNet transmission determination 2018–23, April 2018

Decision: Approved a negative cost pass through for AusNet Services for easements of land tax, March 2018

Decision: Approved a cost pass through for ElectraNet on the 2016–17 network support pass through application

Draft decision: ElectraNet transmission determination 2018–23, October 2017

Draft decision: TransGrid transmission determination 2018–23, September 2017

Draft decision: Murraylink transmission determination 2018–23, September 2017

ELECTRICITY DISTRIBUTION DECISIONS

Final decision: Essential Energy distribution determination 2014–19—remittal, May 2018

Draft decision: Essential Energy distribution determination 2014–19—remittal, March 2018

Final decision: Endeavour Energy cost allocation method 2018, March 2018

Final decision: SA Power Networks cost allocation method 2018, February 2018

Final decision: Power and Water Corporation cost allocation method 2018, January 2018

Final decision: Powercor—Contingent project—installation of Rapid Earth Fault Current Limiters—tranche 1, August 2017

Final decision: AusNet Services—Contingent project—installation of Rapid Earth Fault Current Limiters—tranche 1, August 2017

GAS TRANSMISSION AND DISTRIBUTION DECISIONS

Final decision: Australian Gas Networks (Victoria and Albury) access arrangement 2018–22, November 2017

Final decision: Roma (Wallumbilla) to Brisbane pipeline access arrangement 2017–22, November 2017

Final decision: Multinet Gas access arrangement 2018–22, November 2017

Final decision: AusNet Services access arrangement 2018–22, November 2017

Final decision: APA Victorian Transmission System access arrangement 2018–22, November 2017

Draft decision: Australian Gas Networks (Victoria and Albury) access arrangement 2018–22, July 2017

Draft decision: Roma (Wallumbilla) to Brisbane pipeline access arrangement 2017–22, July 2017

Draft decision: Multinet Gas access arrangement 2018–22, July 2017

Draft decision: AusNet Services access arrangement 2018–22, July 2017

Draft decision: APA Victorian Transmission System access arrangement 2018–22, July 2017

RETAIL ENERGY MARKET DECISIONS

Electricity retailer authorisations

Granted electricity retailer authorisations to:

- Evergy Pty Ltd, 5 June 2018
- ReNu Energy Retail Pty Ltd, 5 June 2018
- GloBird Energy Pty Ltd, 22 March 2018
- Apex Energy Holdings Pty Ltd, 13 March 2018
- Real Utilities Pty Ltd, 9 March 2018
- Discover Energy Pty Ltd, 23 January 2018
- Starcorp Energy Pty Ltd, 19 December 2017
- Sunset Power International Pty Ltd, 8 December 2017
- SIMEC ZEN Energy Retail Pty Ltd, 28 November 2017
- Power Club Ltd, 27 November 2017
- Flow Systems Pty Ltd, 28 September 2017
- PowerHub Pty Ltd, 18 August 2017
- Sustainable Savings Pty Ltd, 10 July 2017

Gas retailer authorisations

Granted GloBird Energy Pty Ltd a gas retailer authorisation, 22 March 2018

Individual exemptions

Granted Charter Hall Holdings Pty Ltd an individual exemption for the sale of electricity, April 2018

Granted Hamilton Island Services Pty Ltd an individual exemption for the sale of electricity, January 2018

Granted Building Utilities and Property Services Pty Ltd an individual exemption for the sale of electricity, December 2017

Granted EN Project Company One Pty Ltd an individual exemption for the sale of electricity, November 2017

Granted AMP Capital Investors an individual exemption for the sale of electricity, September 2017

Granted Riviere on Golden Beach CTS 25001 an individual exemption for the sale of electricity, July 2017

Granted Riyala CTS 32485 an individual exemption for the sale of electricity, July 2017

Granted The Body Corporate for Space The Residence CTS 34806 an individual exemption for the sale of electricity, July 2017

Granted The Body Corporate for The Pinnacles Caloundra CTS 33776 an individual exemption for the sale of electricity, July 2017

Granted Seabrae CTS 16658 an individual exemption for the sale of electricity, July 2017

Granted Atrio Apartments CTS 46116 an individual exemption for the sale of electricity, July 2017

Granted Northwind CTS 10720 an individual exemption for the sale of electricity, July 2017

Granted Pumicestone Blue CTS 33280 an individual exemption for the sale of electricity, July 2017

Retailer of Last Resort

Appointed a default Retailer of Last Resort (RoLR) for gas customers in the ACT connected to the Evoenergy gas network

Appointed a default Retailer of Last Resort (RoLR) for gas customers in Queensland connected to the Allgas gas network

Appointed a default Retailer of Last Resort (RoLR) for gas customers in Queensland connected to the Australian Gas Networks (AGN) gas network

Hardship policies

Approved a hardship policy variation for OC Energy Pty Ltd, 24 October 2017.

Approved a hardship policy for Sustainable Savings Pty Ltd, 17 April 2018

Approved a hardship policy for Starcorp Energy Pty Ltd, 17 April 2018

Approved a hardship policy for Flow Systems Pty Ltd, 21 May 2018

Approved a hardship policy for PowerHub Pty Ltd, 7 June 2018.

REPORTS

Compliance Check—authorised retailers—explicit informed consent in an embedded network, June 2018

Quarterly compliance reports: national electricity and gas laws, August 2017, December 2017, March 2018, May 2018

Compliance Check—resolving customer transfers without consent, April 2018

Prices above \$5000/MWh—7 February 2018 (Vic and SA), April 2018

Prices above \$5000/MWh—19 January 2018 (Vic and SA), March 2018

Prices above \$5000/MWh—18 January 2018 (Vic and SA), March 2018

FCAS prices above \$5000/MW—13 and 14 October (SA), January 2018

FCAS prices above \$5000/MW—24 October 2017 (SA), January 2018

AER Annual report 2016–17, December 2017

Electricity and gas bill benchmarks for residential customers 2017, December 2017

Annual benchmarking report—electricity distribution network service providers, November 2017

Annual benchmarking report—electricity transmission network service providers, November 2017

Annual report on compliance and performance of the retail energy market 2016–17, November 2017

FCAS prices above \$5000/MW—14 September 2017 (SA), November 2017

FCAS prices above \$5000/MW—28 August 2017 (SA), November 2017

ACCC–AER Annual report 2016–17, October 2017

Market operator service allocation costs 2017, October 2017

Service standards compliance report 2016 for electricity transmission businesses, October 2017

FCAS prices above \$5000/MW—22 May 2017 (SA), September 2017

FCAS prices above \$5000/MW—18 April 2017 (SA), September 2017

FCAS prices above \$5000/MW—30 March 2017 (SA), September 2017

FCAS prices above \$5000/MW—21 March 2017 (SA), September 2017

FCAS prices above \$5000/MW—23 January 2017 (SA), September 2017

FCAS prices above \$5000/MW—25 November 2016 (SA), September 2017

FCAS prices above \$5000/MW—9 November 2016 (SA), September 2017

AER Work program 2017–18, September 2017

AER Statement of intent 2017–18, September 2017

ACCC–AER Corporate Plan 2017–18, August 2017

AER Strategic statement, August 2017

Demand management incentive scheme assessment 2014–15, 2015–16 and 2016, July 2017

Electricity reports, weekly

Gas reports, weekly

GUIDELINES AND OTHER CONSULTATION

AER (retail law) performance reporting procedures and guidelines, version 3, April 2018

Benefit change notice guidelines, June 2018

Retail pricing information guidelines, April 2018

Retail exempt selling guideline, March 2018

Statement of approach and 2018 focus—Wholesale electricity market performance monitoring, March 2018

Network service provider registration exemption guideline, February 2018

Review of expected inflation 2017, December 2017

Compliance procedures and guidelines, December 2017

Non-scheme pipeline—financial report guidelines, December 2017

Demand management incentive scheme, December 2017

Demand management innovation allowance mechanism, December 2017

Review of economic benchmarking of transmission network service providers 2017, December 2017

Access to dispute resolution services for exempt customers, November 2017

Electricity ring-fencing guideline, October 2017

Final decision and final revised Stakeholder Engagement Framework, September 2017

RIT-T and RIT-D application guidelines (minor amendments) 2017, September 2017

Confidentiality guidelines, August 2017