

July 2024

# Statement of Intent

## of the Australian Energy Regulator for 2024-25

In 2022, the Energy Ministers agreed a Statement of Expectations for the Australian Energy Regulator (AER). Ministers' expectations relate to two key areas – the AER's role and function as an independent, transparent and accountable regulator (including the development of performance indicators against the Strategic Energy Plan) and the AER's engagement and communication with stakeholders.

This *Statement of Intent* summarises how we intend to meet the Energy Ministers' expectations of us in 2024-25. Our Corporate Plan details how we will meet expectations at a more granular level, including performance indicators to measure our progress.

### 1. Our role in energy markets

The AER is a high-performing regulator that:

- is independent, open and accountable
- builds trust in Australia's energy system
- takes considered risks
- ensures the regulatory regime is fit for purpose
- engages actively with stakeholders.

The AER exists so that energy consumers are better off, now and in the future.

We focus on ensuring a secure, reliable and affordable energy future for Australia as it transitions to net zero emissions. We regulate wholesale and retail energy markets, and energy networks, under national energy legislation and rules. Our functions relate mostly to energy markets in eastern and southern Australia.

#### Consumer protection

The AER has a key role in enabling consumers to make informed choices about their energy supplier. Our role includes: setting the Default Market Offer to protect consumers from unjustifiably high prices and encourage participation in the market; approving policies that energy retailers must implement to assist consumers facing financial hardship and looking for help to manage their energy bills; administering a retailer of last resort scheme, which protects consumers and the market if an energy retailer fails; and a regulatory sandbox function to encourage innovation in energy technologies and new business models that benefit consumers.

Our vulnerability strategy, *Toward energy equity*, aims to support vulnerable consumers by moving to a more inclusive energy market. The strategy contains 5 core objectives including improving identification of vulnerability, reducing complexity and enhancing accessibility, strengthening protections, using the consumer voice and lived experience to inform regulatory design and change, and balancing affordability and consumer protection by minimising overall cost to serve.

One of the actions in the strategy is the development of sector-wide game changer reforms to better balance cost and risk across the energy sector to sustainably improve outcomes for consumers experiencing vulnerability. Energy Ministers have committed to progressing our proposed reform package and the Commonwealth will lead other jurisdictions to further consider and consult on the reform ideas and develop a plan for implementation.

Another action in the strategy is the review of protections for customers experiencing payment difficulty in the National Energy Customer Framework (NECF). We are considering the effectiveness of existing protections and whether there are learnings from the Victorian Payment Difficulty Framework on how to strengthen protections for customers experiencing payment difficulty. The review aims to deliver recommendations later this year.

Our advice to Energy Ministers following our review of consumer protections for future energy services will be used to develop the National Consumer Energy Resources Roadmap – Powering Decarbonised Homes and Communities.

We also monitor and enforce compliance with obligations in the Retail Law, Rules and Regulations. Our compliance and enforcement work is data-driven, seeks to address harms and utilises the full spectrum of tools available to us. We report on the performance of the market and energy businesses, including energy affordability and disconnection of customers for non-payment of energy bills.

### **Retail energy market regulation**

The AER regulates retail electricity and gas markets in jurisdictions that have commenced the National Energy Retail Law. The Retail Law commenced in Tasmania (for electricity consumers only) and the Australian Capital Territory on 1 July 2012, South Australia on 1 February 2013, New South Wales on 1 July 2013 and Queensland on 1 July 2015. We also provide a price comparison website ([Energy Made Easy](#)) to help consumers find the best energy offers and services for their needs.

As part of our retail regulation role, we assess authorisation applications from businesses that want to become energy retailers and provide exemptions for other businesses from authorisation requirements (for example, apartment buildings, nursing homes and caravan parks that on-sell energy to tenants).

We are currently reviewing our approach to implementing the framework for embedded networks, with a view to better understand the harms and benefits customers experience in embedded networks. Based on the findings of the review, we will determine whether action is needed under our exemptions guidelines. Actions could include strengthening regulatory oversight of embedded networks via enhanced reporting arrangements and consumer protections, and restricting the growth of future residential embedded networks.

### **Wholesale energy market regulation**

In wholesale electricity and gas markets, we monitor, investigate and enforce compliance with national energy legislation and rules. We monitor and report on participant bidding and rebidding, market dispatch and prices, network constraints and outages, demand forecasts and forecasts of production and capacity.

The South Australian Parliament passed an Amendment Bill to the National Energy Laws on 8 May 2024, which expands our market monitoring powers to include wholesale gas markets as well as electricity and gas contract markets. These new powers significantly improve our ability to evaluate effective competition and efficient performance in wholesale markets. The AER has 6 months to

develop its Guidelines for industry and will then consult on the development of information gathering instruments prior to commencing collecting information from industry participants.

We also report on market activity, including: reports on prices outside normal thresholds; quarterly reports on the performance of the wholesale electricity and gas markets; and a biennial assessment of the effectiveness of wholesale electricity market competition.

### **Energy networks regulation**

We regulate electricity networks and natural gas pipelines by setting the maximum amount of revenue they can earn, and the price they can charge, for regulated services. Network businesses submit revenue proposals. We review these proposals and make decisions after considering factors including: quality of engagement with customers; projected demand for electricity and natural gas; age of infrastructure; operating and financial costs; and network reliability and safety standards. Decisions generally apply for 5 years, and network businesses adjust their prices annually (which we approve each year during the 5-year period).

Amended gas rules commenced in March 2023. The amended rules are intended to improve transparency and the bargaining power of users of gas pipelines. We also obtained powers to conduct reviews of the form of regulation applied to a gas pipeline; that is, whether a pipeline is subject to full regulation (including reference prices) or a lighter form of regulation. In February 2024, we commenced a review, under these powers, into whether to make a scheme pipeline determination for the South-West Queensland Pipeline (i.e., a review into whether the pipeline should be subject to full regulation). This is the first of a series of form of regulation reviews the AER will conduct over several years.

Additionally, we now monitor requirements for gas reserves and resources, storage, large user, and trade reporting, and we monitor information related to price and volume in the shorter-term gas markets.

The NSW Government appointed the AER as a regulator under the NSW Electricity Infrastructure Roadmap. We have been conferred several functions including assessing investment proposals (transmission efficiency test for contestable and non-contestable proposals), making revenue determinations and publishing an annual contribution determination.

### **Policy and advocacy**

The AER draws on its expertise in energy markets and its analysis to inform and influence debate about energy policy. By leveraging our expertise, we advocate for policy changes and improvements to energy laws and rules that protect and promote the interests of energy consumers. Effective policy advocacy on behalf of consumers is particularly important given the nature and size of the energy transition that is underway. We engage in policy development via our Chair's membership of the Energy Advisory Panel, and through submissions on policy reviews and rule changes to the Australian Energy Market Commission.

## **2. Our strategic objectives**

In December 2020, we launched our Strategic Plan 2020-2025, which we refreshed in March 2023 after we undertook a mid-plan review. We adjusted our strategic objectives and priorities to reflect updated government policy, our changed operating environment, and the progress that has already been made toward delivering the plan.

The outcomes we seek are grounded in the former government's *Energy Ministers' Strategic Energy Plan*. To support these outcomes, the AER has articulated four key objectives and lightly refreshed them in March 2023 to read as follows:

1. Protect vulnerable consumers, while enabling all consumers to participate in electricity and gas markets.
2. Effectively regulate competitive electricity and gas markets primarily through monitoring and reporting, and enforcement and compliance.
3. Deliver efficient regulation of monopoly electricity and gas infrastructure while incentivising networks to become platforms for energy services.
4. Evolve our regulatory frameworks and approaches to support the transition to net zero emissions.

Our Strategic Plan underpins our entire work program over its duration, including the delivery of our core statutory/regulatory functions.

### 3. Our regulatory practice

The AER provides outcomes-focussed regulatory services that emphasise a proportional approach to risk, genuine engagement with regulated entities and the broader community, and the importance of maintaining trust and confidence in regulatory settings. On 30 June 2021 the Australian Government identified three principles of regulatory best practice:

- **Continuous improvement and building trust:** Regulators adopt a whole-of-system perspective, continuously improving their performance, capability and culture to build trust and confidence in Australia's regulatory settings.
- **Risk based and data driven:** Regulators manage risks proportionately and maintain essential safeguards while minimising regulatory burden, and leveraging data and digital technology to support those they regulate to comply and grow.
- **Collaboration and engagement:** Regulators are transparent and responsive communicators, implementing regulations in a modern and collaborative way.

The AER applies these principles in how we undertake our work.

### 4. Our performance

Each financial year we release a joint Corporate Plan with the ACCC, which meets the requirements set out in the *Public Governance, Performance and Accountability Act, 2013* (Cth).

The Corporate Plan is our primary business planning document. It is underpinned by our Strategic Plan and articulates what we will deliver in any given financial year to ensure that we achieve our strategic objectives. In Part 16 of our 2023-24 Corporate Plan we specify the key actions that we will take in 2023-24. These are specific and timebound where possible.

In 2020-21 we revised our performance measures to align with our Strategic Plan. These have been maintained in our 2023-24 Corporate Plan. We took care to ensure alignment with the *Energy Ministers' Strategic Energy Plan*. The relationship between the AER's performance measures and the outcomes articulated in the *Strategic Energy Plan* is provided in Appendix A.

The AER adopts accountable and transparent processes regarding our performance, including:

- bi-annual (6 monthly) reporting to Energy Ministers on progress against our Corporate Plan, budget, key priorities and emerging issues
- reporting our performance (including against performance measures and key actions) in the joint ACCC/AER Annual Report
- reporting on how funds have been spent in the joint ACCC/AER Annual Report
- publishing annual AER Compliance and Enforcement Priorities and reporting outcomes against those priorities in our Annual compliance and enforcement report

This is all consistent with the Statement of Expectations set out by Energy Ministers.

## **5. Our engagement and communication**

The AER's work is informed by regular dialogue with a range of stakeholders, including other market bodies, industry bodies, consumer groups and governments.

Our Strategic Plan guides our approach to stakeholder engagement and recognises that we must:

- proactively engage with stakeholders and seek to listen to and understand diverse perspectives
- embrace creative ways of engaging that work for stakeholders, not just us
- clearly communicate decisions and make it easy to engage with us
- work in partnership with other energy market bodies and the Energy Ministers on matters of common interest.

### **Energy Ministers**

We support the Energy Ministers, and their Energy Senior Officials, by providing clear advice on energy issues as required. In particular, we brief on issues and draw on our expertise to engage in policy reviews and rule change processes initiated or approved by the Ministers. Additionally, we help implement reforms arising from these processes.

### **Energy Advisory Panel**

The Energy Security Board previously provided advice to Ministers in accordance with its Terms of Reference, including for whole-of-system oversight for energy security and reliability of the national electricity market; and improving long-term planning for the national electricity market, and in relation to investment in, and operation and use of, natural gas services.

In May 2023, Energy Ministers agreed to establish the Energy Advisory Panel (EAP) as a refocusing of the Energy Security Board, to operate from 1 July 2023. The EAP coordinates market bodies' advice to governments under the National Energy Transformation Partnership, on issues relating to the security, reliability, and affordability of Australia's east coast energy system.

The EAP includes the heads of the three energy market bodies, and the Energy Commissioner of the ACCC as an observer. A Commonwealth Senior Official and a nominated State and Territory Senior Official (on a rotating basis across jurisdictions) also attend EAP meetings as observers.

### **Energy market institutions**

We work particularly closely with the other market bodies, the Australian Energy Market Commission and Australian Energy Market Operator, as well as Energy Consumers Australia. The AER is a member of the Utility Regulators Forum. We have established memorandums of

understanding with state-based energy ombudsman schemes, Energy Safe Victoria, ARENA and other regulators such as the Essential Services Commission in Victoria.

## Consumers

Consumer engagement is a key part of the AER's stakeholder engagement work. In addition to regularly receiving direct feedback via our Contact Centre, in 2022-23 the AER will continue to engage nationally through 2 key consumer engagement groups:

- **Consumer Consultative Group:** The CCG is a key source of consumer insights and intelligence for the AER and helps to ensure consumers' voices are heard and considered in our work and decisions. The CCG's role is to provide advice to the AER on the issues facing residential and small business energy customers, particularly those related to our functions under the National Energy Retail Law (Retail Law) and National Energy Retail Rules.
- **Consumer Challenge Panel:** The CCP plays a key role in assisting the AER in ensuring the AER's regulatory determinations appropriately consider consumer perspectives. Members are individuals with significant local and international expertise, spanning fields including economic regulation, energy networks, behavioural economics, and consumer engagement.

## Other stakeholders

As an industry regulator, we rely on and appreciate the numerous interactions we have with the businesses we regulate. We appreciate their considered responses to our consultative processes. We take our consultation obligations very seriously, and aim to be transparent, give sound reasons for our decisions, and signal well in advance any changes to our approach.

## AER stakeholder surveys

The AER commissions research to measure its reputation, stakeholder needs and expectations and how it is meeting certain key performance indicators. We invite a broad range of organisations to participate, including network businesses, retailers, generators, Ombudsman schemes, state regulators, industry, consumer representatives, government departments, and energy ministers and staff. The research is conducted by independent market research agencies and includes a quantitative survey and in-depth interviews. The results are published on our website.

## 6. Our enablers

How the AER operates is fundamental to us delivering against the Energy Ministers' expectations. This requires investment in our core enablers – our people and systems.

### Our people

Our people are our greatest asset. In March 2022, we co-designed our [Culture Plan](#) with our people. The plan details that we strive to start with yes in response to good ideas, new ways of working and opportunities to be more efficient. We want to be consumer-centric & committed, collaborative & respectful, accountable & honest, proactive & innovative, and expert & capable.

The plan is supported by the AER People Framework and outlines the actions we will take to build upon our culture, abilities and talents, so that we can continue to support outcomes for the Australian community. We remain focused on embedding our Culture Plan in everything we do.

### Our systems

The AER relies on our systems and processes to ensure that we:

- work in ways that are efficient and systematised with well-trained staff

- use key performance indicators and evaluation frameworks to measure and align processes across our organisation
- ensure resources are allocated efficiently, monitored effectively, and reprioritised flexibly
- use technology to create state-of the art analytical and specialist capability
- recognise the value of our data and mature our governance approach
- proactively identify risks and monitor and manage them.

A key area of focus is implementing our digital & data strategy including by: establishing modern, secure and flexible digital infrastructure, ensuring staff have access to and are well trained to utilise the state of the art analytical tools to deliver on AER's strategic objectives. This will position the AER to manage and use data better, and deliver insights that shape evidenced-based policy to steer the rapidly transitioning energy sector and deliver better outcomes for all energy market stakeholders and consumers.

## Appendix A: The AER's performance measures and their relationship to the *Energy Ministers' Strategic Energy Plan*

The AER is one of several market bodies and other players contributing to the delivery of the *Strategic Energy Plan* (SEP). The AER's Strategic Plan and associated performance framework very closely align with the three SEP outcomes most closely linked with the AER's remit (Table 1).

**Table 1:** AER 2024-25 performance measures mapped to 3 SEP outcomes that directly align with the AER's remit.

SEP Outcome	AER performance measure	
Affordable energy and satisfied customers	<b>Strategic Objective 1:</b> Protect vulnerable consumers while enabling all consumers to participate in electricity and gas markets	
	1.1	AER stakeholders' agreement with the following statements: <ul style="list-style-type: none"> <li>The AER supports and protects energy consumers, particularly those in vulnerable circumstances.</li> <li>The AER demonstrates a sound knowledge and understanding of energy consumers.</li> </ul>
	1.2	Customers experiencing payment difficulty are identified early and provided with appropriate supports
	1.3	a) Number of plan searches conducted on the Energy Made Easy website b) Number of people who switched providers after completing a search on Energy Made Easy
	1.4	New and amended retailer hardship policies assessed within 12 weeks of AER receiving all relevant information
Effective development of open and competitive markets	<b>Strategic Objective 2:</b> Effectively regulate competitive electricity and gas markets primarily through monitoring and reporting, and enforcement and compliance	
	2.1	Proportion of all market reports published within agreed/statutory timeframes
	2.2	The AER's market performance reports are useful to stakeholders
	2.3	Work delivered against AER compliance and enforcement priorities
	2.4	Stakeholder awareness of the AER's current compliance and enforcement priorities
	2.5	Retail authorisation and exemptions applications to sell energy assessed within 16 weeks of receiving all relevant information
Efficient and timely investment in networks	<b>Strategic Objective 3:</b> Deliver efficient regulation of monopoly electricity and gas infrastructure while incentivising networks to become platforms for energy services	
	3.1	The AER promotes efficient investment in, operation and use of energy services for the long-term interests of consumers
	3.2	Revenue reset determinations for electricity networks and gas pipelines completed within statutory timeframes
	3.3	Customers with a retailer exposed to cost reflective network tariff
	3.4	The AER undertakes efficient regulation of network businesses by focusing on high impact actions that matter to consumers
	3.5	The AER encourages the evolution of the regulatory framework to provide network customers with the services that they value at efficient prices
Relevant to all SEP outcomes	<b>Strategic Objective 4:</b> Evolve our regulatory frameworks and approaches to support the transition to net zero emissions	
	4.1	The AER's reports inform debate about Australia's energy future and regulatory landscape
	4.2	AER stakeholders' agreement with the following statements:



		<ul style="list-style-type: none"> <li>The AER engages effectively with its stakeholders.</li> <li>The AER shows leadership in pursuing or promoting issues in the energy sector.</li> </ul>
	4.3	Reach of AER communications activities
	4.4	Number of rule change proposals that the AER successfully influenced
	<b>Regulatory practice: Meeting our regulatory best practice principles</b>	
	5.1	The AER is trusted by key stakeholders
	5.2	Key stakeholders agree that the AER has a balanced approach to risk that maintains essential safeguards for consumers while minimising regulatory burden
	5.3	The engages effectively with its stakeholders
	5.4	The AER demonstrates how consultation has informed decisions

Two SEP outcomes (Secure electricity & gas system, and Reliable & low emissions electricity and gas supply) and the associated objectives are more closely aligned with the role and responsibilities of the Australian Energy Market Operator and other energy bodies. Nonetheless, much of AER’s work (measured under other SEP outcomes) including compliance and enforcement, network regulation and market monitoring contributes to the achievement of the SEP security and reliability outcomes.

Finally, the AER’s performance framework also includes measures, which are relevant to achievement across all SEP outcomes (see performance measures 4.1 to 5.4).