



AER STRATEGIC PRIORITIES AND WORK PROGRAM 2013–14





AER STRATEGIC PRIORITIES AND WORK PROGRAM 2013–14



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

© Commonwealth of Australia 2013

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced without prior written permission from the Commonwealth available through the Australian Competition and Consumer Commission. Requests and inquiries concerning reproduction and rights should be addressed to the Director Publishing, Australian Competition and Consumer Commission, GPO Box 3131, Canberra ACT 2601 or by email to publishing.unit@acc.gov.au.

ISBN 978 1 921973 66 6

ACCC 07/13_710

www.aer.gov.au

Page 2 and 3 images: Hydro Tasmania

Contents

2	Australian Energy Regulator
2	Our goals and values
3	Our operating environment
5	Part A: Strategic priorities
6	Priority 1: Implementing our Better Regulation program
8	Priority 2: Strengthening stakeholder engagement
10	Priority 3: Building consumer confidence in markets
12	Priority 4: Improving our capabilities
15	Part B: Our work program
16	Program area 1: Energy networks
21	Program area 2: Retail energy markets
23	Program area 3: Wholesale energy markets
25	Program area 4: Compliance and enforcement
28	Program area 5: Publications and submissions
29	AER head office contact details



Australian Energy Regulator

The Australian Energy Regulator (AER) regulates energy markets and networks. Our independent board has one Commonwealth member and two state and territory members. We share staff, resources and facilities with the Australian Competition and Consumer Commission (ACCC). This report sets out our strategic priorities and expected work program for 1 July 2013 to 30 June 2014.

Our responsibilities apply mostly in southern and eastern Australia. They include:

- setting the prices charged for using energy networks (electricity poles and wires, and gas pipelines) that transport energy to consumers
- undertaking functions in retail energy markets in those jurisdictions that adopted the National Energy Retail Law (Retail Law). These functions include operating a price comparison website, enforcing compliance with the retail legislation, authorising parties to sell energy (and managing the framework for exempt selling), approving retailers' policies for dealing with customers in hardship, administering a national retailer of last resort scheme, and reporting on retailer performance and market activity
- monitoring wholesale electricity and gas markets to ensure participants comply with the legislation and rules, and taking enforcement action when necessary
- publishing information on energy markets, including the annual *State of the energy market* report.

We have no role in Western Australia. Our role in the Northern Territory is confined to gas pipeline regulation.

Our goals and values

We aim to make energy markets work better for consumers. Our decision making is guided by the objectives of the National Electricity Law, the National Gas Law and the Retail Law. These laws aim 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.

To achieve these objectives, we pursue the following goals:

- promote efficient investment and operation of energy networks
- build consumer confidence in energy markets
- promote competitive and efficient energy markets
- strengthen stakeholder engagement in energy markets and regulatory processes.

In pursuing these goals, we maintain our core values of being:

- **Independent:** We pursue the objectives in the national energy legislation objectively and transparently.
- **Expert:** We make timely decisions based on evidence and rigorous analysis.
- **Strategic:** We make best use of our resources and act in a considered and targeted manner.
- **Trustworthy:** We communicate honestly and directly, and act respectfully.

Our operating environment

We developed our strategic priorities for 2013–14 following a period of community concern about whether energy markets are functioning efficiently and delivering services at reasonable prices. These concerns led to reviews across the full spectrum of regulation, of which some are ongoing. We participated in the reviews, and their outcomes will continue to drive change in the year ahead.

The most significant reform was a major overhaul in November 2012 of the energy rules setting out how network prices are determined. Initiated by our proposals to the Australian Energy Market Commission (AEMC), the rule changes strengthened our capacity to set network prices so consumers do not pay more than necessary for a reliable energy supply. In December 2012 we launched our Better Regulation program to implement the reforms, which are wide ranging in nature and will continue as a strategic priority during 2013–14 (priority 1).

The complexity of the energy market and the regulatory processes that make up much of our work have made it difficult for consumers and their representatives to participate meaningfully. This has affected consumer confidence in the energy market, its regulation and its outcomes. Recent policy reforms focus on strengthening customer engagement with the regulator and energy businesses, both in the design of the regulatory framework and its application. For the first time, network

businesses must consult with their customers in developing a regulatory proposal. Additionally, our Better Regulation reforms create new avenues of consultation on guideline development and revenue proposals. This customer engagement is one of our strategic priorities for 2013–14 (priority 2).

Alongside these developments, we are acquiring significant new retail market functions, continuing a shift from jurisdictional to national regulation of the energy sector. The reforms introduce new consumer protections and underpin our Energy Made Easy website (www.energymadeeasy.gov.au). A strategic priority for 2013–14 is to use our new functions to build consumer confidence. This work will include strengthening consumers' understanding of the market and their rights, and fostering a culture of regulatory compliance among energy businesses (priority 3).

The challenges of our current operating environment and our expanding role in retail markets require us to examine our resourcing and capacity to undertake regulatory functions. As a developing organisation that aims for continuous improvement, we have made internal improvements one of our strategic priorities for 2013–14. This work includes enhancing our technical capacity and information systems, and launching a new annual report (priority 4).



Part A: Strategic priorities

Our wider ongoing functions (outlined in our work program in Part B) are critically important and continue to account for a significant portion of our operating activity. But our strategic priorities identify our points of focus over the next 12 months. Reflecting the challenges posed by our operating environment and projected market conditions, we have four strategic priorities for 2013–14:

1. Implementing our Better Regulation program in consultation with stakeholders
2. Strengthening stakeholder engagement
3. Building consumer confidence in markets
4. Improving our capabilities.

Priority 1: Implementing our Better Regulation program

In 2011 we proposed changes to the energy rules to ensure customers pay no more than necessary for an economically efficient and reliable supply of energy. Following detailed public consultation, the AEMC in November 2012 announced significant reforms to the rules under which we set energy network prices. The reforms aim to better meet the long term interests of consumers, while providing investment certainty in a dynamic market environment. They do so by:

- *creating a common approach to setting the cost of capital across electricity and gas network businesses*, whereby we set out in advance how we will estimate the rate of return for a benchmark efficient service provider. The new approach enables us to account for a wider range of information, enhancing flexibility and promoting decisions that better reflect conditions in capital markets. At least every three years, we must undertake a full public review of our approach to setting the cost of capital. We will complete the first review by November 2013
- *clarifying our power to assess and amend network revenue proposals*, including our use of benchmarking
- *providing new tools to (a) incentivise electricity network businesses to invest efficiently, (b) safeguard consumers from paying for inefficient expenditure, and (c) ensure efficiency benefits are shared between consumers and service providers*. We will review actual capital expenditure (and may exclude inefficient capital overspend from the regulated asset base) and introduce a capital expenditure sharing scheme
- *strengthening stakeholder involvement in the regulatory review of electricity networks*, including involvement through a Consumer Challenge Panel (priority 2). The review process is now four months longer and requires both us and service providers to make more information available at an early stage to stakeholders.

In December 2012 we launched our Better Regulation program to apply the reforms, which will continue to be a major focus for us during 2013–14. We are developing six guidelines (to be completed by November 2013) on how we will implement the reforms:

- *expenditure forecast assessment guideline*—our approach to determining efficient expenditure forecasts, including the use of benchmarking
- *rate of return guideline*—the sources of information and methods that we will use to set the rate of return for a network business
- *expenditure incentive guideline*—our approach to incentive schemes that encourage network businesses to invest and operate efficiently (including capital and operating expenditure sharing schemes, and ex-post reviews of capital expenditure)
- *shared assets guideline*—how to share the benefit of assets that customers paid for, but that also earn revenues from other sources (for example, electricity poles used by a telecommunications company)
- *confidentiality guideline*—types of information that a network business may claim to be confidential, and disclosure protocols in regulatory determinations
- *service provider customer engagement guideline*—the effective consultation that we look for network businesses to undertake with customers when preparing their regulatory proposals.

Issues papers on all the guidelines were released during the first half of 2013, along with a draft of the service provider customer engagement guideline. The guideline development process will continue to involve engagement with stakeholders, including the use of working groups and other targeted forums for stakeholders to provide direct feedback (see also priority 2). An AER board member or senior executive usually chairs our working groups, which are an inclusive, open process for discussing relevant matters.

The new guidelines and schemes will first apply to regulatory determinations taking effect in 2015 for electricity transmission networks in New South Wales and Tasmania, and for electricity distribution networks in New South Wales, Queensland, South Australia and the ACT. We will undertake preliminary work on these determinations during 2013–14, including consultation on the framework and approach for each.

We are also developing our approach to implementing reforms set out in the AEMC's Power of Choice review, covering incentives for demand management and efficient pricing. The review, completed in November 2012, recommended the introduction of time varying energy network tariffs, the rollout of interval metering, and stronger incentives for distribution businesses to undertake demand management. Most recommendations require rule changes. We will participate in any relevant

rule change processes, and then develop or amend guidelines or schemes to give effect to the reforms—for example:

- possible amendments to the demand management and embedded generation connection incentives scheme
- the development of new guidelines on network pricing, including requirements for network businesses to consult with customers in developing their tariff proposals.

Target deliverables and performance indicators

- Publish six Better Regulation guidelines by 30 November 2013 that clearly indicate our regulatory approach.
- In developing Better Regulation guidelines, prepare consultation documents that clearly set out how we considered stakeholder views (see also priority 2).
- Commence work on developing incentive schemes under the Better Regulation guidelines, to be in place for application in the first round of regulatory reviews under the new rules.
- Embody Better Regulation principles in framework and approach papers published in 2013–14 (for electricity transmission networks in New South Wales and Tasmania, and electricity distribution networks in New South Wales, Queensland, South Australia and the ACT).
- Engage with regulated businesses to support their timely compliance with Better Regulation guidelines and incentive schemes.
- Constructively engage in policy reviews and rule changes arising from the AEMC's Power of Choice review, and then develop or amend our guidelines as necessary.
- Establish procedures to collect consistent information from network businesses to support network performance and benchmarking reports.
- Internally review our effectiveness in delivering the Better Regulation program, and report the outcomes to the Standing Council on Energy and Resources.

Priority 2: Strengthening stakeholder engagement

To regulate energy markets to promote the long term interests of consumers, we need to understand the issues that concern the community. Recent energy policy reforms and recommendations identified opportunities for more productive engagement with energy customers, energy businesses (priorities 1 and 4), policy bodies and other agencies such as energy ombudsmen.

A lack of consumer engagement in regulatory reviews of energy networks has been a particular concern, making it difficult for us to assess whether a network's proposal reflects the services that its consumers want. More generally, an imbalance in the range of views reflected in regulatory decisions can reduce consumers' confidence in the energy market, its regulation and its outcomes.

Consumer engagement in network decisions has been limited due to the complexity of the regulatory framework and network businesses' proposals. Consumer representative organisations—on which we typically rely for input—have highlighted concerns about the resources and specialist skills required to make a meaningful contribution to regulatory reviews.

Recent reforms to the energy rules, along with reviews by the Merits Review Expert Panel, Senate Select Committee and the Productivity Commission, identified value in stronger consumer engagement in determining how energy businesses are regulated, and in undertaking regulatory processes. The reforms target more constructive approaches for both us and energy businesses to engage with consumers.

Consumer Challenge Panel

On 1 July 2013 we will introduce a Consumer Challenge Panel (CCP) under the Better Regulation program (priority 1) to incorporate consumers' interests in our decisions on the prices charged by energy network businesses. Comprising individuals with regulatory or energy experience and expertise, the panel will advise us on whether:

- regulatory proposals by network businesses are in the long term interests of consumers, including in relation to service delivery
- network businesses are engaging effectively with customers and have reflected consumers' views in their regulatory proposals.

The panel will challenge us on how we approach issues, and identify gaps in our consideration and analysis of businesses' proposals. Panel members may also provide consumer perspectives to other bodies such as the AEMC and the Standing Council on Energy and Resources (SCER).

We expect panel members will meet with other consumer representatives and stakeholder groups—including our Customer Consultative Group (CCG) and any national energy consumer advocacy body established—to understand jurisdictional issues and to provide an effective consumer focus.

Alongside the CCP, we will establish consultative groups (by jurisdiction) to strengthen our engagement with consumers during regulatory reviews of network proposals.

Customer engagement by network businesses

The Better Regulation reforms oblige network businesses to engage with consumers in developing their regulatory proposals. We will publish a guideline to help network businesses develop effective consumer engagement strategies. And we will consider the nature and extent of a business's engagement with consumers when we assess its regulatory proposal.

The AEMC's Power of Choice review recommended reforms to introduce time varying and cost reflective distribution network tariffs. Under rule changes likely to flow from the review, we will develop a network pricing guideline, including information on how network businesses should consult with their customers during the tariff setting process.

Consumer reference group

In implementing the Better Regulation program, we are using working groups and other targeted forums to ensure our own engagement strategies are inclusive and effective. To enhance this process, we established a consumer reference group in December 2012 so customer representatives can more easily and meaningfully participate in the guideline development process. The group will inform us of issues that affect customers, without having to write formal submissions.

Group members can consult on key issues with their constituents and report back to us. This process is an efficient way of managing customer consultation, given the complexity and volume of material on which we seek input. The group first met in early 2013 and will continue to meet monthly throughout the guideline development process until November 2013.

Customer Consultative Group

Our stakeholder engagement work in 2013 builds on consultation arrangements already established in the retail space. We introduced the CCG in 2009 to help us understand consumer perspectives on retail issues when we developed new guidelines in this area. The group members filter issues identified by their constituencies and help us develop customer outreach strategies. More

generally, we consult with the group on new matters as they arise—including market and compliance issues—to ensure our work program accounts for consumer perspectives. The group is expected to meet for three formal meetings, and on other occasions as required, during 2013–14.

Other engagement initiatives

In 2013 we will publish a consumer engagement strategy (developed in consultation with stakeholders) to ensure a transparent approach in this area. We will also publish a service charter, setting out our approach to responding to stakeholder inquiries and concerns. Beyond these strategies, we will work to educate consumers effectively on how to they can constructively engage in energy markets (priority 3).

Target deliverables and performance indicators

- Establish the CCP and appoint members with a breadth of experience, by 1 July 2013.
- Promote and explain the CCP's role and operation to stakeholders.
- Hold monthly consumer reference group meetings until we complete our guidelines development under the Better Regulation program.
- Publish issues papers and notices of draft and final Better Regulation guidelines to account for substantive matters that the consumer reference group raises.
- Hold three CCG meetings during 2013–14.
- Consult with the CCG before we release any retail market guidance or develop outreach and educational resources for energy consumers.
- Consider substantive issues raised by the CCG, and report to the group on outcomes.
- Publish our final customer engagement guideline for network service providers by 1 August 2013.
- Publish regulatory decisions that clearly set out how we considered stakeholder views.
- Engage with regulated businesses to encourage their development and effective implementation of consumer engagement plans.
- Publish a consumer engagement strategy by October 2013.
- Publish an AER service charter.
- Publish monthly Better Regulation newsletters during the guidelines development in 2013.
- Achieve high levels of stakeholder satisfaction with the quality of our engagement during regulatory reviews.
- Employ various media to help consumers engage on issues relevant to them, including forums, panels, groups, workshops, meetings, consultation and issues papers encouraging written submissions, websites, newsletters, speeches, and educational and outreach material.
- Write all our public documents in a clear and succinct manner, and include plain English explanations.
- Respond to all Ministerial requests for information (including those from the SCER) within 10 business days.
- Ensure stakeholders perceive us as a transparent and consultative decision making body.

Priority 3: Building consumer confidence in markets

The characteristics of energy markets pose challenges for consumers. The complexity and structure of retail offers can make it difficult for consumers to make comparisons and exercise informed choice when entering contracts. Significant information asymmetry, combined with high search costs, may also reinforce consumers' lack of engagement in the retail energy market. These conditions mean many customers may not yet have benefited fully from retail energy competition. In particular, disadvantaged and vulnerable customer groups are likely to be disproportionately affected.

As the national retail energy market regulator, we are focusing in 2013–14 on improving consumer confidence and information to strengthen consumers' engagement (and choice) in the retail energy market. The Retail Law provides the framework that underpins this focus. It commenced in Tasmania and the ACT in 2012, in South Australia on 1 February 2013, and in New South Wales on 1 July 2013.

The Retail Law aims to promote retail competition and empower customers to negotiate energy contracts that suit their needs. And it strengthens the position of customers in areas such as hardship, retailer failure, access to digestible market information, and disconnections. The Retail Law complements the consumer protections provided by the Australian Consumer Law (for example, in relation to door-to-door selling).

On 1 July 2012 we launched the Energy Made Easy price comparison website (www.energymadeeasy.gov.au) to help small customers compare energy offers available to them. The website also provides information on the energy market, energy use, and consumer rights and obligations. The price comparison function is available to customers in all jurisdictions that apply the Retail Law.

Our activity in building consumer confidence in retail energy markets in 2013–14 will focus on the continuing rollout of national regulation and on enhanced industry compliance and consumer awareness in all participating jurisdictions. In particular, we will focus on strengthening consumer literacy and fostering a culture of regulatory compliance by energy businesses. More generally, we will engage with consumer intermediaries to identify, develop and implement strategies to address wider barriers to consumers' effective engagement in energy markets.

Strengthening consumer understanding

We look to strengthen consumer awareness and understanding by publishing educational materials (online and in print) on matters such as retail energy offers, consumer protections and retailer obligations (such as door-to-door selling, cooling off provisions, customer hardship, and retailer failure), and retail energy price drivers. We intend to continue building strategic relationships with groups—including financial counsellors and community legal centres—that are often at the 'front line' of engagement with disadvantaged and vulnerable energy consumers. These relationships help us disseminate educational information and identify gaps in consumers' understanding of energy markets. We will consult with these groups on strategies to target culturally and linguistically diverse audiences, and develop materials in accessible formats so our consumer education initiatives reach a broad cross-section of the community.

Our Energy Made Easy website will be a key source of trusted information on the energy market, consumer protections and available retail energy offers. We will continually improve the website to maximise ease of use and consumer accessibility, building on our experience. The AER website (www.aer.gov.au) also provides accessible information for stakeholders, including energy customers. It allows market participants and the wider community to access long term statistics on energy market activity. A self-managed subscription service enables our targeted and effective communication with stakeholders.

More generally, we will continue to refine our online strategy to better raise awareness and encourage consumers to access the information that we provide.

Fostering regulatory compliance

Industry compliance, particularly by energy retailers, is important to building consumer confidence in energy markets. We will undertake compliance activity across the energy supply chain, covering the obligations of wholesale energy producers, network service providers and energy retailers (work program area 3). We will continue to communicate the outcomes of this monitoring and compliance work through comprehensive, clear and regular reporting to inform consumers and other stakeholders.

Target deliverables and performance indicators

- Develop educational programs and materials that provide residential and small business customers with clear and useful information on their energy rights, and improve communitywide understanding of energy issues.
- Develop education and outreach programs that help small businesses understand their rights and obligations.
- Implement training for consumer intermediaries so they can help their clients make better choices about energy contracts and services. Receive satisfactory assessments from consumer intermediaries on this training.
- Continue to develop the Energy Made Easy website to promote better understanding of energy market issues by residential and small business customers.
- Obtain high satisfaction reports from residential and small business customers on using the Energy Made Easy website and finding it a trusted source of information.
- Ensure at least 95 per cent of generally available retail energy offers appear on the Energy Made Easy website within two business days of their submission by retailers.
- Internally review our program to enhance the Energy Made Easy website, and report the outcomes to the SCER.
- Foster productive partnerships with community, consumer and government organisations, and establish processes to effectively share information.
- Consult with consumer representatives to identify barriers to effective engagement in energy markets, and implement strategies in response.



Priority 4: Improving our capabilities

Alongside the significant reforms to the regulatory framework set out in the energy rules (priority 1), we look to strengthen our internal capacities and processes to efficiently undertake our regulatory functions. We aim to enhance our technical capacity and information systems, and improve our approach to stakeholder engagement and transparency (priority 2).

The Council of Australian Governments (CoAG) and the SCER provided high level direction to strengthen our performance and accountability frameworks. This direction included introducing budget transparency (by 1 July 2013), establishing a budget and performance reporting regime (with a framework to be in place by December 2013) and undertaking an independent review of the AER (July 2014). Our response to these initiatives during 2013–14 will include launching a new annual report that assesses our performance against indicators (program area 5). We will also commission and publish a third stakeholder survey of our effectiveness as an energy regulator. The survey will assess stakeholder satisfaction with our timeliness; our engagement with energy customers, businesses and governments; and the quality of reasoning and explanation in our regulatory decisions, compliance activity and other communications. The survey outcomes will help measure our progress in improving performance and identify areas for further improvement.

The Australian Government committed in December 2012 to increase our funding to deliver a stronger regulator. This funding will allow us to convert the state nominated AER board position from part time to full time, and to secure additional technical expertise. It will also enhance the functionality of the Energy Made Easy website (priority 3), improve our benchmarking capability (priority 1) and establish the CCP (priority 2).

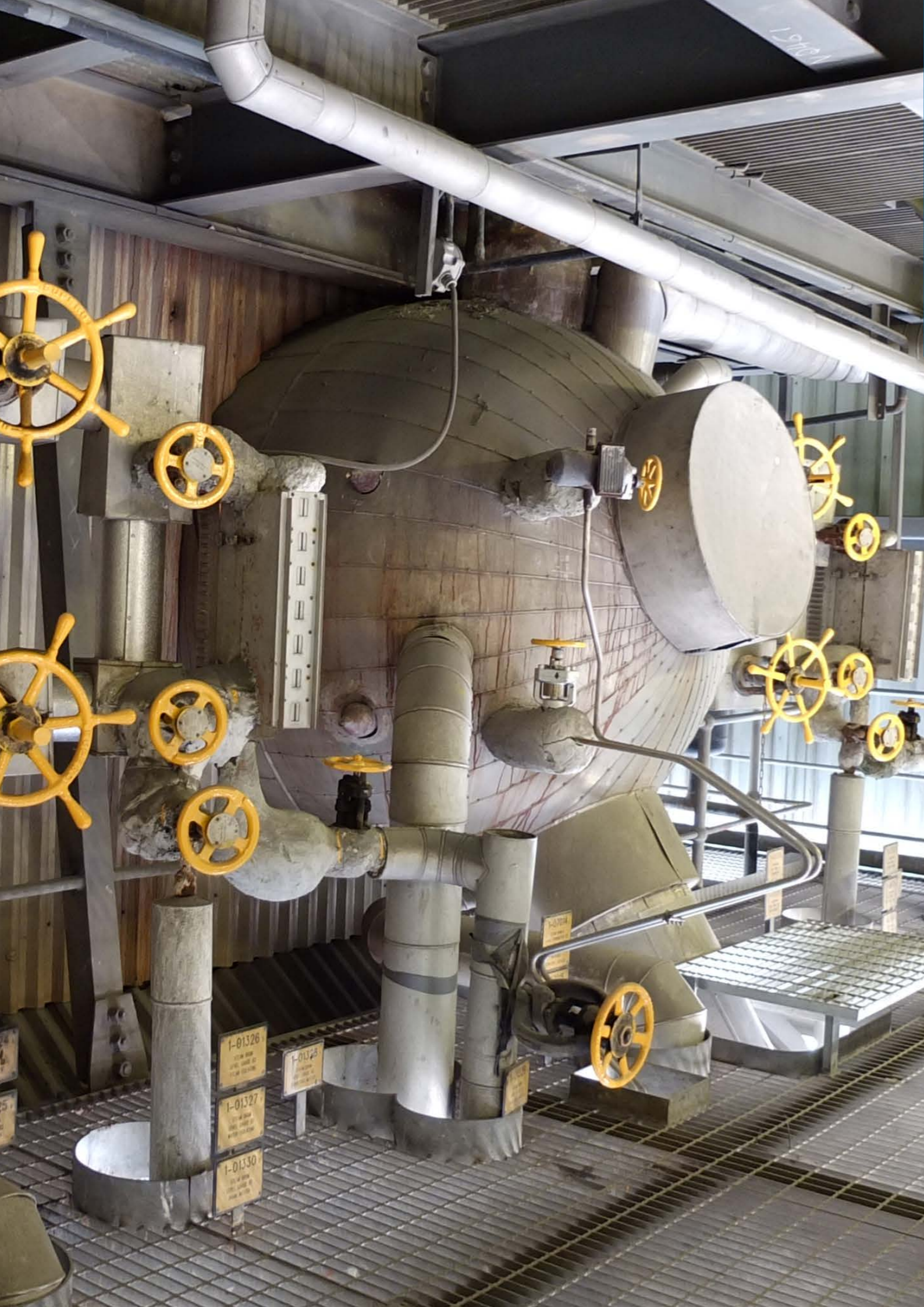
These enhancements will build on existing initiatives. Recently, we:

- launched a review of our processes to identify and prioritise actions to support our overall objectives and help implement the Better Regulation reforms
- increased our in-house technical capability (including engineering capability) to improve our use of external consultants, and to help develop and implement new regulatory approaches under the Better Regulation reforms
- made our decision documents more accessible to encourage more constructive engagement in the regulatory process and to strengthen transparency
- improved our data systems, information requirements, analysis techniques and metrics to better inform our regulatory decisions and compliance activity
- initiated the development of new and revised network performance and benchmarking reports to enhance comparisons between businesses.

Target deliverables and performance indicators

- Publish the inaugural AER annual report for 2012–13 by 31 August 2013, accounting for the allocation of resources and the performance of our major work programs.
- Report on the performance of our major work programs against program budgets and time parameters.
- Publish our strategic priorities and work program for 2013–14, including target deliverables and performance indicators, by 31 July 2013.
- Report at least once every six months to the SCER on our work program, the outcomes of our major projects, and market activity.
- Use increased in-house technical expertise (including engineering capabilities) to strengthen engagement with regulated businesses.
- Develop and implement improved data systems, and finalise the revised information requirements of energy businesses, before we commence the next round of regulatory reviews.
- In regulatory decisions and compliance activity, draw on improved data systems, information requirements, analysis techniques and metrics.
- Commission and publish a stakeholder survey of our performance.
- Achieve survey results demonstrating that stakeholders perceive us as an effective regulator. These results will include rising satisfaction with our timeliness, engagement and quality of reasoning and explanation in regulatory decisions and compliance activity.
- Have the AER board and senior executives participate in strategic opportunities to communicate with stakeholders via speeches, forums and the media.
- Promptly respond to requests for information from the community, government and industry.





Part B: Our work program

Our strategic priorities (Part A) identify our points of focus over the next 12 months. But our wider ongoing functions remain critically important and continue to account for a significant portion of our strategic thinking and operating activity. We have five key ongoing work program areas in 2013–14:

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

Program area 1: Energy networks

We regulate energy networks to promote investment and prices that meet the long term interests of consumers. We set the prices charged by over 30 Australian energy network businesses for using electricity poles and wires, and gas pipelines to transport energy to customers. The businesses own assets valued at over \$90 billion.

We set the prices for using electricity networks in the National Electricity Market (NEM, covering eastern and southern Australia) and the prices for gas pipelines in jurisdictions other than Western Australia and Tasmania. We typically undertake a full regulatory review of a network once every five years.

In 2013–14 we are reviewing, or commencing reviews, of the prices charged by 18 energy networks. Under significant reforms to the energy rules in November 2012, a new regulatory framework will apply for determinations taking effect from 1 July 2015. We are consulting with stakeholders on Better Regulation guidelines to determine how the new rules will apply (strategic priority 1). Transitional arrangements will apply for new determinations that take effect before 1 July 2015.

1.1 Electricity networks

We set a ceiling on the revenues or prices that an electricity network can earn or charge during a regulatory period. We regulate the five networks forming the transmission grid in the NEM, as well as two cross-border interconnectors. We also regulate the NEM's 13 major distribution networks.

The regulatory review process contains two stages. In the first stage, we work with the network business to establish the framework and approach for the review. In the second stage, the network business submits a proposal. We have 15 months to review the proposal and release a final decision.

Work program for 2013–14

Figure 1 sets out the regulatory timelines for AER determinations on the revenues or prices of electricity networks. In 2013–14 we will undertake early work on a number of reviews under the revised electricity rules introduced in November 2012. We will also complete reviews under both the old rules and transitional arrangements. In summary, we will:

- complete (under the *old rules*) a review of a regulatory proposal for the Victorian transmission network (SP AusNet) for the three year period from 1 April 2014
- conduct *transitional* regulatory reviews covering 1 July 2014 to 30 June 2015, and begin reviews under the *new rules* for the four year period from 1 July 2015, for:
 - transmission networks in New South Wales (TransGrid) and Tasmania (Transend)
 - distribution networks in New South Wales (AusGrid, Endeavour Energy and Essential Energy) and the ACT (ActewAGL)
- commence a review a regulatory proposal for the Directlink interconnector (Queensland–New South Wales) for the 10 years from 1 July 2015
- review the framework and approach for Queensland (Energex and Ergon Energy) and South Australian (SA Power Networks) distribution networks
- commence a review of the framework and approach for the Victorian electricity distribution businesses (CitiPower, Powercor, Jemena, SP AusNet and United Energy).

1.2 Gas pipelines and networks

We review access arrangements for 15 gas pipelines— five transmission pipelines and 10 distribution 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 two months, but we have a maximum of 13 months to make a decision.

Work program for 2013–14

Figure 2 sets out the regulatory timelines for AER determinations on access arrangement proposals for gas pipelines. In 2013–14 we will undertake preliminary work on reviews of access arrangement proposals for gas distribution networks in New South Wales (Jemena Gas Networks and Envestra). The reviews will occur under new rules (introduced in November 2012) that revise how we determine the allowed rate of return.

Figure 1: Timelines for AER determinations on regulatory proposals for electricity networks

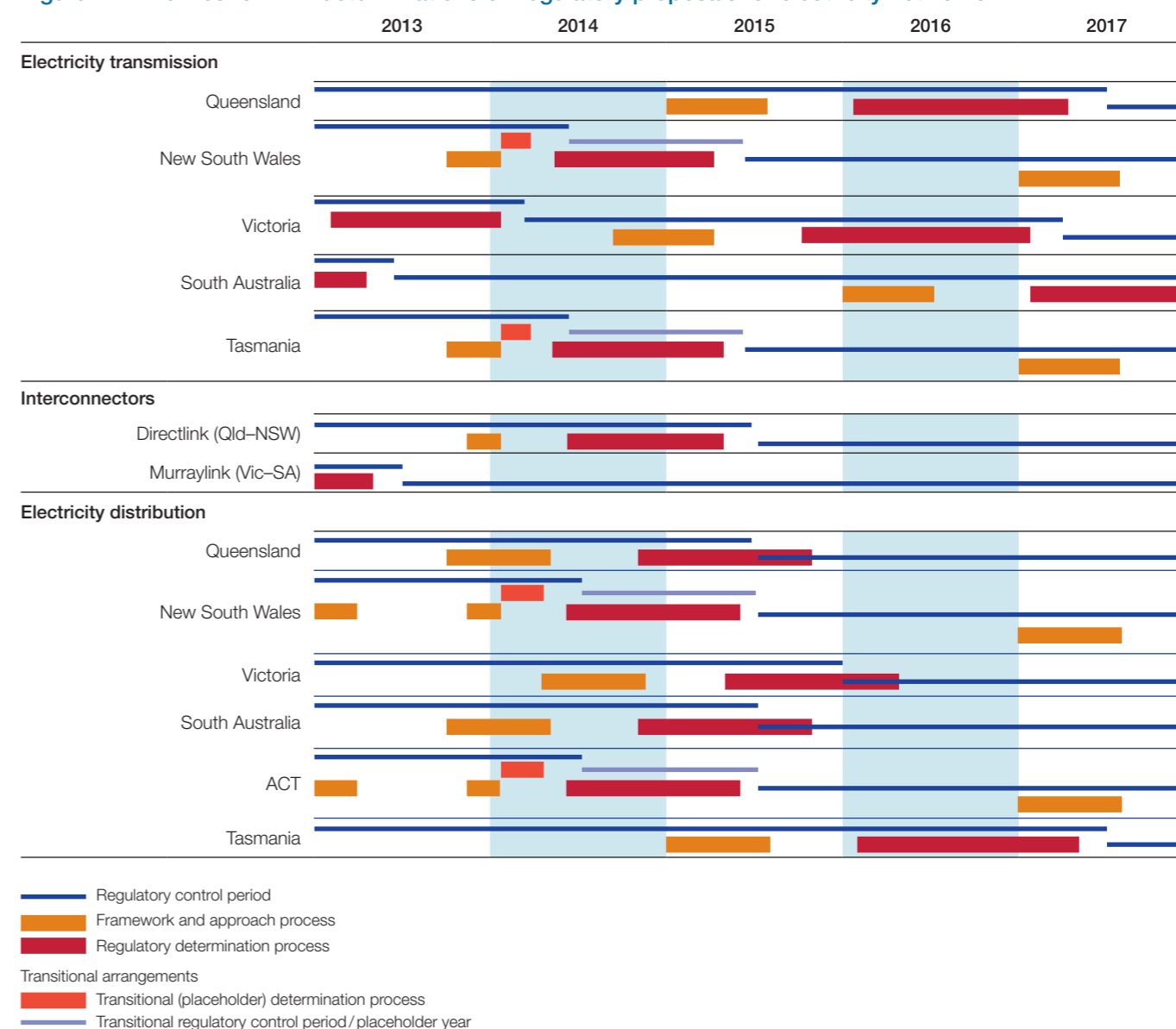
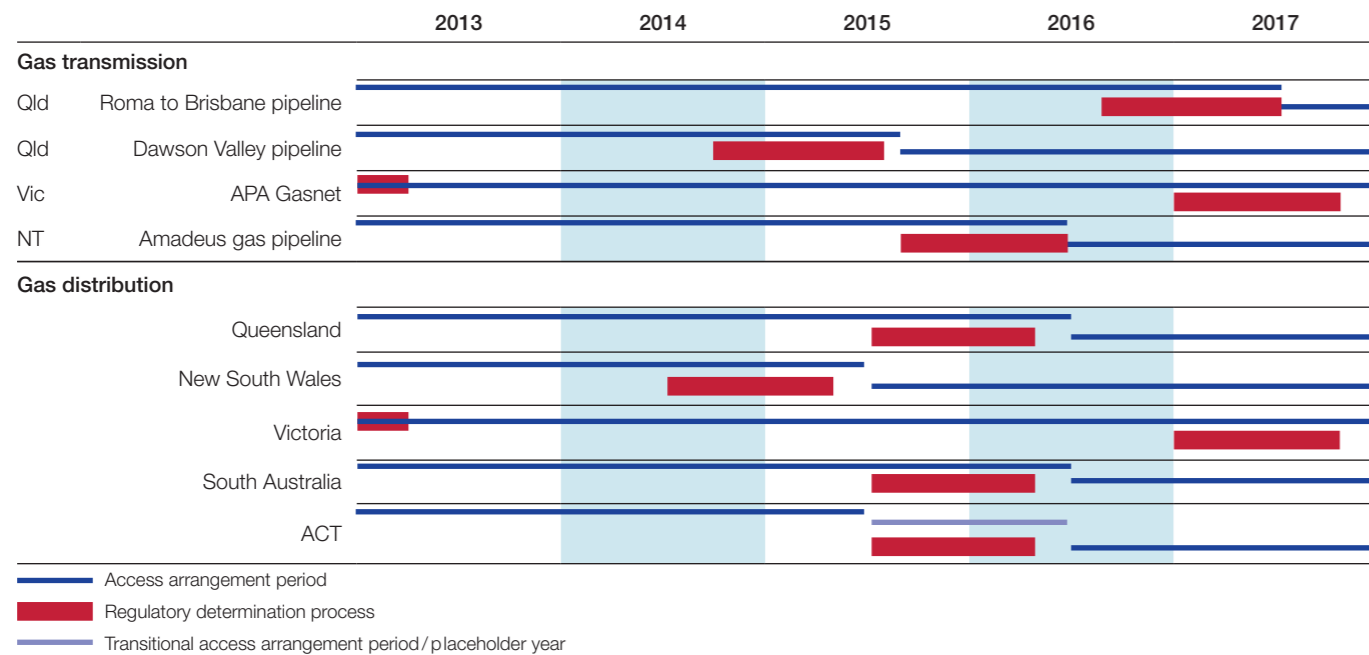


Figure 2: Timelines for AER determinations on access arrangement proposals for gas pipelines



1.3 Merits review of regulatory decisions

Our decisions are subject to a limited merits review by the Australian Competition Tribunal. Reviews are scheduled in 2013–14 for our decisions on access arrangements for two gas networks in Victoria—GasNet (the Victorian transmission system) and the Multinet distribution network. Other reviews may arise. We assist the Tribunal in undertaking its reviews.

In 2013 the SCER agreed to improve the limited merits review regime. The reforms establish that a successful review of a regulatory decision must demonstrate the outcome would be materially preferable in the long term interests of consumers. We will participate in the implementation process, as appropriate.

1.4 Performance reporting on network businesses

Performance reporting enhances transparency and accountability, and provides incentives for businesses to improve performance over time. Our reporting on the performance of network businesses is part of the regulatory cycle and is an input to our regulatory reviews. We prepare the reports from information provided by network businesses on financial and operational performance, and compare outcomes with forecasts in regulatory decisions. Additional reporting covers business performance under incentives schemes for service performance, operating expenditure and demand management.

In 2013–14 we will publish performance reports on all electricity transmission and distribution networks in the NEM, and on Victorian gas distribution networks. We will also undertake preliminary work to launch annual benchmarking reports, to commence by November 2014.

1.5 Regulatory investment tests

The regulatory framework requires network businesses to determine whether their large investment projects are the most efficient way of meeting an identified need. A business must assess whether a proposed augmentation passes a cost–benefit analysis or provides a least cost solution to meet network reliability standards. Under the regulatory investment test for transmission (RIT-T), a network business must identify the purpose of an investment as well as all credible options for achieving that purpose. It must publicly consult on its proposal, and affected parties can lodge a formal dispute.

We will publish a new regulatory investment test for distribution (RIT-D) and related guidelines by 31 August 2013, replacing the previous regulatory test. The RIT-D will apply to investment projects worth over \$5 million. It includes a dispute resolution process, and requires distribution businesses to release annual planning reports and maintain a demand side engagement strategy.

In 2013–14 we will:

- help resolve disputes over how the regulatory investment tests are applied by network businesses
- monitor and enforce businesses' compliance with the tests
- on request from a network business, determine whether its assessment satisfies the test.

1.6 Other regulatory work

In addition to revenue determinations, we undertake wider functions in economic regulation, including:

- monitoring the compliance of network businesses with the energy legislation and rules (program area 4)
- publishing and updating guidelines on our approach to network regulation. In 2013–14 we will develop new guidelines under the Better Regulation program (priority 1), and begin reviewing guidelines on network pricing, demand management, and revisions to the service target performance incentive scheme in electricity distribution.
- undertaking annual tariff reviews for electricity distribution businesses and gas pipelines
- assessing network proposals on matters including cost pass throughs, contingent projects and prudent discounts

- applying a revised service target performance incentive scheme to the New South Wales and Tasmanian transmission networks. The scheme will progressively apply to all transmission networks in the NEM.
- developing a new ring fencing guideline
- assisting in access and connection disputes.

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

We are also responsible for determining revenues and charges for the rollout of advanced metering infrastructure to all households and small businesses in Victoria. Scheduled to be completed in 2013, this rollout is mandated by the Victorian Government and is being undertaken by electricity distribution businesses. In addition, we administer a fire factor (f-factor) scheme imposed by the Victorian Government on the five Victorian electricity distributors. The scheme provides financial incentives and penalties to reduce the risk of fire starts and loss or damage caused by fire starts.

Target deliverables and performance indicators

- Complete a regulatory review under the old rules for the Victorian electricity transmission network (SP AusNet) by 31 January 2014.
- Complete regulatory reviews under transitional arrangements for the New South Wales and Tasmanian electricity transmission networks by 31 March 2014, and for distribution networks in New South Wales and the ACT by 30 April 2014.
- Meet timeframes to complete framework and approach processes under the new rules for the New South Wales and Tasmanian electricity transmission networks, the Directlink interconnector, and the distribution networks in Queensland, New South Wales, South Australia and the ACT.
- Apply the revised service target performance incentive scheme in regulatory reviews for the New South Wales and Tasmanian electricity transmission networks.
- Commence framework and approach processes under the new rules for the Victorian distribution networks.
- Commence access arrangement reviews under the new rules for gas distribution networks in New South Wales.
- Internally review our processes and outcomes for each regulatory review of energy networks, and report the outcomes to the SCER.
- Introduce a new investment test for electricity distribution (RIT-D) and associated guidelines by 31 August 2013.
- Resolve RIT-T and RIT-D disputes within legislated timeframes.
- Avoid technical and factual errors in regulatory determinations (as found by the Tribunal).
- Complete annual tariff reviews for electricity distribution networks in the NEM and covered gas pipelines in jurisdictions other than Western Australia.
- Assess 2012–15 charges for Victorian advanced metering infrastructure and any budget revisions.
- Publish annual performance reports on all electricity transmission networks (for 2011–12) and distribution networks in the NEM (for 2010–11 and 2011–12), and on Victorian gas distribution networks (for 2012).
- Assess pass through, contingent project and prudent discount applications within legislated timeframes.
- Resolve access and connection disputes within legislated timeframes.

Responsibilities for regulating retail energy markets are progressively shifting from state and territory agencies to the AER. The transfer occurred for Tasmania (for electricity customers) and the ACT on 1 July 2012, for South Australia on 1 February 2013, and for New South Wales on 1 July 2013. The reforms aim to streamline how energy retail markets are regulated through the Retail Law, which set out customers' key protections and the obligations of the businesses from which customers buy their energy.

We are responsible for:

- developing and operating an energy price comparator website (www.energymadeeasy.gov.au) for small customers
- authorising energy retailers to sell energy, and granting and registering exemptions from the requirement (for example, to retirement villages and caravan parks that on sell energy)
- approving retailers' policies for dealing with customers experiencing hardship
- administering a 'retailer of last resort' scheme, to protect customers and the market if a retail business fails
- monitoring and enforcing compliance with the Retail Law and its supporting rules and regulations (program area 4)
- reporting on retailer performance and market activity, including energy affordability, disconnections and competition indicators.

We do not have a role in setting retail energy prices. State and territory governments other than Victoria and South Australia apply some form of retail price regulation for electricity services. In gas, only New South Wales regulates prices for small customers. Our Energy Made Easy website provides information on retail prices to help customers find the best energy offers for their needs.

In addition to our retail functions under the Retail Law, we provide expert assistance to the ACCC on matters related to retail energy markets, including compliance issues under the Australian Consumer Law (for example, door-to-door selling of energy contracts).

2.1 Energy Made Easy website

The Energy Made Easy website 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 jurisdictions that apply the Retail Law. 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 2013–14 we will improve the website to maximise ease of use and consumer accessibility.

2.2 Authorisations and exemptions

We assess applications by businesses seeking authorisation as an energy retailer, and some applications to retail energy under an exemption from these requirements. We consult publicly on authorisation and certain exemption applications, and typically release a decision within 12 weeks of receiving all relevant information. We intend to consult with stakeholders on revisions to the authorisation guideline in 2013–14.

2.3 Hardship policies

Authorised retailers must operate a customer hardship policy to help residential customers experiencing payment difficulties to better manage their energy bills. In 2013–14 we will assess the hardship policies of any new entrant retailers, and monitor and assess the compliance of all approved hardship policies (program area 4). We will also assess amendments to approved policies (for example, amendments resulting from changes to the Retail Law or supporting rules).

2.4 Retailer of last resort scheme

If a retailer fails, the retailer of last resort (RoLR) scheme ensures customers continue to receive electricity and/or gas supply. Our website has a register of retailers available to take on the customers of a failed retailer. In the event of a retailer failure we will appoint a retailer from the register.

In 2013–14 we will:

- seek expressions of interest periodically from additional retailers willing to take on RoLR functions
- test our RoLR procedures in simulation exercises, including an exercise with the Australian Energy Market Operator (AEMO) and market participants.

2.5 Performance reporting

Performance reporting on energy businesses enhances transparency and accountability, and provides incentives for businesses to improve performance over time. We publish quarterly and annual performance reports on the energy retail sector:

- The quarterly reports cover customer service and complaints, the handling of customers experiencing payment difficulties, and disconnections and reconnections. They include an overview of the retail market and hardship program indicators.
- The annual report includes a wider range of indicators, including on call centre performance. A report on energy affordability supplements this report.

The introduction in 2013–14 of new consumer protections relating to smart meters may require us to revise our *Performance reporting procedures and guidelines*. This document sets out the information that retailers must provide for the above reports.

Target deliverables and performance indicators

- Support successful implementation of the Retail Law in those jurisdictions that apply it.
- Consult with stakeholders on revisions to the authorisation guideline and publish a revised guideline.
- Assess 90 per cent of retail authorisation and individual exemption applications within 12 weeks of receiving all relevant information.
- Include applications for registrable exemptions (which we do not assess) on the exemptions register within 10 business days of receiving all relevant information.
- Assess the hardship policies of new entrant retailers, and any proposed amendments to approved policies, within 12 weeks of receiving all relevant information.
- Publish an annual performance report on the retail energy market, including a report on energy affordability, by 30 November 2013.
- Publish quarterly performance reports on the retail market within three months of the relevant reporting period.
- Seek expressions of interest periodically from additional retailers willing to take on RoLR functions.
- Conduct an exercise simulating a RoLR event and report on the outcome.
- If required, respond to a retailer failure following the procedures set out in our RoLR plan and guidelines.

We have responsibilities in wholesale electricity and gas markets in jurisdictions other than Western Australia and the Northern Territory, encompassing:

- the NEM—a spot market in eastern and southern Australia, in which generators compete to dispatch electricity
- spot markets for gas—the short term trading market operating in Sydney, Brisbane and Adelaide, and the Victorian wholesale gas market.

We monitor these markets to:

- ensure market participants comply with the underpinning legislation and rules. Our compliance and enforcement work in wholesale markets occupies significant resources (program area 4).
- detect irregularities and wider harm issues such as market manipulation.

We report on these issues to strengthen market transparency and confidence. We draw on this monitoring work to advise the SCER, the AEMC and other bodies on wholesale market issues, and to provide the ACCC with assistance—for example, advice on mergers and the planned privatisation of generation assets in New South Wales.

3.1 Market monitoring and reporting

In 2013–14 we will continue to closely monitor the markets and publish timely reports on activity. Our publications include weekly market reports on:

- wholesale electricity activity in the NEM, including analysis of prices above \$250 per megawatt hour and prices below $-\$100$ per megawatt hour
- activity in the Victorian gas market and the gas short term trading market operating at Adelaide, Brisbane and Sydney hubs.

We also publish more detailed analysis of electricity prices above \$5000 per megawatt hour, significant gas price variations in the Victorian market and the short term trading markets, and special reports on systemic market issues. Our *State of the energy market* report provides an annual overview of energy market activity (program area 5).

3.2 Identifying and responding to market irregularities

In addition to our ongoing market monitoring, we focus on impediments to the efficient operation of wholesale energy markets. In 2013–14 we will focus on three potential impediments: *disorderly bidding* and *market structure* in the NEM, and *strategic bidding* in gas markets.

Disorderly bidding

Energy spot markets can be susceptible to manipulation, because prices are set in real time, making it difficult for participants to respond to a sudden change in market conditions (for example, a last minute rebid by a generator to alter its dispatch offers into the market). We reported in December 2012 that transmission network congestion in the NEM is creating conditions for disorderly bidding (bids and rebids without reference to underlying generation costs). This behaviour has led to significant market volatility, including trade flows contrary to price signals, and is damaging interregional trade in electricity.

Network congestion is a matter of policy discussion and review. In March 2013 the AEMC's *Transmission frameworks review* report recommended initiatives to more effectively manage the issue. In 2013–14 we will:

- continue to work in policy forums, seeking ways to better manage the causes and impacts of network congestion
- submit a rule change proposal on an interim solution to network congestion—that is, to require generator ramp rates to reflect the plant's technical capacity (thus narrowing the scope to rebid)
- apply a revised service target performance incentive scheme, aimed at reducing network congestion (program area 1).

More generally, we will continue to assess the effectiveness of the 'good faith' provisions in the energy rules, and whether those provisions promote efficient outcomes. This work will draw on historical rebidding data and practices, focusing on the market impact of rebids close to dispatch.

Market structure

While the issue of disorderly bidding will be a focus in 2013–14, we will continue to monitor the wider issue of market structure in the generation sector. Market concentration in generation has been a matter for recent policy review. The AEMC in April 2013 found some circumstances in which substantial market power could be exercised in the NEM. Recognising this risk, it recommended the SCER confer on the AER a specific monitoring function to identify early any evidence of significant barriers to entry or other features of industry structure that may impede the market's efficient operation. We would report periodically on the outcomes of our monitoring and determine whether the wholesale market is workably competitive. We will help implement the AEMC's recommendation, as required.

In 2013 we are examining metrics to help identify emerging market structure and concentration issues in the NEM. We aim to commence reporting against these metrics in 2013–14.

Strategic bidding in gas markets

Spot markets in gas reflected significant price volatility during winter 2012, before settling at above historical prices in 2012–13. While these developments partly reflect evolving market conditions, strategic bidding to influence prices was evident. We will continue to focus on the drivers of bidding and rebidding behaviour in spot gas markets to detect irregularities. More generally, we will engage in policy reform processes in the gas market, including a proposed gas trading hub in Wallumbilla, Queensland.

Target deliverables and performance indicators

- Publish 75 per cent of our weekly reports on activity in the NEM and spot gas markets within 12 business days of the relevant trading week.
- Publish within statutory timeframes our reports on extreme price events in the NEM (prices above \$5000 per megawatt hour and below –\$100 per megawatt hour) and significant price variations in spot gas markets.
- Develop and publish metrics on market concentration and competitive conditions in the NEM.
- Submit a Rule change proposal to the AEMC, requiring generator ramp rates to reflect the plant's technical capacity.
- Report on data irregularities in gas spot markets in Victoria, Sydney, Brisbane and Adelaide.
- Expand and maintain our website publication of long term data on wholesale market trends.

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

- wholesale energy markets—the NEM, the short term trading market for gas and the Victorian gas market. We also undertake compliance work on the national gas market bulletin board.
- the supply of energy network services—electricity network services in the NEM and gas pipeline services in jurisdictions other than Western Australia
- retail energy markets. At 1 July 2013 we undertook this role in New South Wales, South Australia, Tasmania and the ACT.

We have similar roles in relation to local instruments in particular jurisdictions, as agreed by the SCER.

Our general approach is to provide guidance on good industry practice, and to work cooperatively with businesses to promote a culture of compliance with effective internal practices. An aspect of this work is to identify the boundaries of unacceptable conduct and clearly communicate our expectations to energy businesses.

Targeted and timely enforcement action may be necessary and appropriate in certain circumstances. We strive for a proportionate response to breaches, accounting for the impact of the breach, its circumstances, and the participant's compliance programs and compliance culture. Ideally, energy businesses should voluntarily raise compliance issues and resolve them through agreed outcomes, without us needing to exercise statutory enforcement powers or seek financial penalties. Our approach to enforcement is set out in our statements of approach (available on our website).

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

- market monitoring to identify possible compliance issues
- engagement with other regulators and agencies (such as ombudsmen) to identify possible compliance issues
- forums and other meetings with industry participants to consult on concerns and our approach to compliance and enforcement

- regular targeted compliance reviews of areas of the national laws and rules to assess how industry participants comply with their obligations
- reviews of information that energy businesses publish on their websites and in other media
- exception reporting, whereby regulated entities track and notify us of their own breaches
- strategic projects that focus on longer term harms or risks, with metrics to measure our effectiveness
- general audits of compliance with certain provisions, including audits that we conduct in response to market events or inquiries that raise compliance concerns
- rolling annual audits of compliance programs for technical performance standards of generators and network businesses
- a range of enforcement responses to identified breaches, including cooperative solutions, infringement notices of \$20 000 and court action
- publication of compliance reports (accessible summaries of our compliance activities) and compliance bulletins (when additional guidance on the rules is warranted)

We explore new and innovative approaches to addressing compliance and harm issues in the market—for example, we developed a 'three strikes' enforcement strategy in 2011 in relation to rebidding in the NEM. Under the strategy, we issue two warnings to generators that submit offer and/or rebid information that does not satisfy the rules. A third occurrence within six months may lead us to issue an infringement notice. This approach significantly reduced the number of noncompliant rebids.

In 2013 the SCER is reviewing enforcement regimes across the national energy legislation—the National Electricity Law, the National Gas Law and the Retail Law—to ensure the regimes are capable of meeting the demands of national retail market regulation and effective enforcement in wholesale markets and network operations. We will assist the review by making submissions, as appropriate.

4.1 Compliance reporting

In 2013–14 we will report on the compliance of energy businesses with their obligations under the energy legislation and rules. We will also report on our actions to address deficiencies and breaches. Our reporting framework includes:

- quarterly compliance reports on the electricity and gas wholesale markets and network businesses
- biannual compliance reports on the energy retail sector, supplemented by a summary of compliance issues (to assist case workers such as financial counsellors and community legal centre staff).

4.2 Compliance activities

we plan to undertake the following compliance activities in particular areas of the national energy laws and rules.

Wholesale markets

In 2013–14 we will:

- develop new metrics to monitor compliance with metering and settlement obligations, and report on the outcomes. The new metrics will build on metrics developed by AEMO.
- audit generation and transmission business compliance programs for technical performance standards
- monitor generator outages to help ensure medium and long term forecasts of generator availability are timely and accurate. The introduction of carbon pricing led some coal fired generators to change their availability, including being offline more frequently.
- monitor generators' compliance with dispatch instructions from AEMO, and report on performance
- investigate how energy businesses respond to power system incidents, and identify systemic compliance or security issues
- investigate whether providers of frequency control services in the NEM are delivering services that they are paid to provide
- complete an audit of pipeline operators' systems for submitting timely and accurate data to the short term trading market
- assess the accuracy of participants' demand forecasts in the short term trading market. We will widen this ongoing project to consider the impacts on balancing gas (market operator services).

Retail markets

In 2013–14 we will:

- extend the compliance monitoring framework to New South Wales from 1 July 2013
- assess matters reported to us in periodic exception reports from retailers and distributors; and review reporting arrangements under our *Compliance procedures and guidelines*
- monitor retailers' compliance with their obligations to provide information on market offers to the Energy Made Easy website
- review retailers' and distributors' websites to ensure required information—including energy prices fact sheets, retail contracts, connection offers, hardship policies and information on complaints and dispute resolution—is published in the appropriate form. We will focus on retailers operating in New South Wales and new entrant retailers.
- review retailers' and distributors' compliance systems, processes and procedures, focusing on systemic issues (including small customer billing arrangements and management of protracted billing delays)
- assess whether retailers are complying with the provisions set out in their approved customer hardship policies.

Energy networks

In addition to ensuring energy network providers meet their obligations under the compliance framework for wholesale and retail markets, in 2013–14 we will:

- assess whether transmission networks are meeting their obligations to negotiate with third parties on network connections. We will report on a survey of market participants, and respond to compliance issues if necessary.
- monitor the application of the RIT-T to ensure network businesses meet consultation requirements, apply principles of competitive neutrality and assess capital proposals in a transparent manner
- monitor the application of the new RIT-D to ensure distribution network businesses meet the requirements of new rules to be introduced during 2013–14
- assess annual ring fencing compliance reports from service providers of covered transmission and distribution pipelines.

Target deliverables and performance indicators

Industry wide

- Apply a risk based approach to compliance and monitoring activities.
- Finalise 50 per cent of compliance/enforcement matters within 60 business days and 90 per cent within 120 business days.
- Investigate and close major compliance matters in a timely manner, and take appropriate enforcement action, consistent with our public statements of approach to compliance.
- Avoid successful challenges and appeals of enforcement matters.

Wholesale markets and energy networks

- Produce, within six weeks of quarter end, quarterly compliance reports that educate stakeholders and promote a compliance culture in the industry.
- Complete technical audits of compliance systems for at least two generators and one transmission business, and report on the outcomes.
- Conduct targeted compliance reviews each quarter of selected areas of the national energy rules, and include the outcomes in quarterly compliance reports.
- Continue and complete strategic compliance projects: developing metrics on compliance with metering and settlement obligations; assessing generators' compliance with dispatch instructions; surveying connection applicants on arrangements for connection to transmission networks; assessing generators' compliance with outage data in medium term and long term forecasts; developing metrics to track businesses' performance in providing frequency control services; and assessing how businesses respond to power system incidents.
- Review RIT-T and RIT-D processes undertaken by network businesses for compliance with the tests.
- Review participants' demand forecasts in the gas short term trading market for accuracy, and assess the impacts on balancing gas (market operator services).

Retail markets

- Publish biannual compliance reports (in November 2013 and March 2014)—with accompanying notes for caseworkers and other consumer intermediaries—that educate stakeholders and promote a compliance culture in the industry
- Assess and respond to exception reports submitted by retailers and distributors, providing an initial response within two business days to exceptions raised in immediate reports (on matters including unlawful de-energisation of customers and protections for life support customers).
- Consult with stakeholders on amendments to our *Compliance procedures and guidelines*, including exception reporting requirements.
- Review by 30 September 2013 the information on New South Wales retailers' and distributors' websites, to ensure it is published in the appropriate form.
- Conduct targeted compliance reviews of businesses' small customer billing arrangements and implementation of retailer hardship policies, and report the outcomes.

In addition to publications related to our specific work program areas, we publish reports to inform stakeholder about broader market issues and developments, and to make our activity transparent.

5.1 Annual report

In 2013 we will publish our first separate annual report, outlining our activity in relation to our priorities and work program for 2012–13. The report will assess our conduct against deliverables and performance indicators, and will include information on our operations, staff and expenditure. This report, *Strategic priorities and work program 2013–14*, sets out an accountability framework to assess our performance in the 2013–14 annual report.

5.2 State of the energy market

We annually publish the *State of the energy market* report as a user friendly overview of Australia's energy industry. The 2013 edition (to be published in December 2013) will consist of a market overview, supported by detailed analysis of activity and performance in

each segment of the electricity and gas supply chain. The report consolidates information from a range of sources, including our internal monitoring and intelligence, regulatory reviews of energy networks, and external resources. It is published on our website (www.aer.gov.au); hard copies are also available.

5.3 Submissions and policy advice

We make submissions on and help with energy policy matters relating to our functions. Part of our role is to assist with policy matters, particularly when we have developed specialist expertise and knowledge around our functions. In 2013–14 we will likely make submissions on and assist with energy policy reviews and rule change processes, including the AEMC's Power of Choice reform proposals, the effectiveness of retail competition in New South Wales, best practice retail price regulation, a national framework for reliability standards, and the management of negative interregional settlement residues. We will also provide market intelligence and analysis to policy and market bodies on energy market issues, as requested.

Target deliverables and performance indicators

- Publish our annual report for 2012–13 by 31 August 2013.
- Publish our strategic priorities and work program for 2013–14, by 31 July 2013.
- Publish the *State of the energy market* report in December 2013, with useful background material and analysis to assist policy reviews affecting energy markets.
- Publish reports that are accessible, informative and well received in the market.
- Make submissions to the AEMC, the SCER and other policy bodies, which reflect our objectives and are based on our experience in regulating and monitoring markets.

Street address

Level 35
360 Elizabeth Street
Melbourne VIC 3000

Postal address

GPO Box 520
Melbourne VIC 3001

Phone and fax numbers

Tel: (03) 9290 1444
Fax: (03) 9663 3699

Email

AERInquiry@er.gov.au

Website

www.aer.gov.au



www.aer.gov.au