

Statement of Expectations for the Australian Energy Regulator

This document communicates the Standing Council on Energy and Resources' (SCER) expectations of the Australian Energy Regulator (AER). It applies from the date of receipt until otherwise amended.

1. The Role and Responsibilities of the AER

The AER Board is an independent entity, with staff and facilities that support the board shared with the Australian Competition and Consumer Commission (ACCC). The AER and ACCC take a coordinated approach to issues of common interest under the *Competition and Consumer Act 2010* (the Act) and the energy laws as referenced in Schedule 1.

The AER enforces the laws for the National Electricity Market (NEM), selected gas markets, and the retail energy market. The AER is also responsible for setting the prices for using energy networks. To further support the development of these markets, the AER provides strategic and operational advice to ministers responsible for energy.

SCER expects the AER to perform its functions as defined in the Act and in accordance with the legislative requirements and agreements listed in Schedule 1.

SCER expects that the AER's work supports the National Electricity Objective¹, the National Gas Objective², and the National Energy Retail Objective³.

2. Relationship with the SCER

2.1 *The AER will support the work of SCER*

SCER seeks to ensure the safe, prudent and competitive development of the nation's energy markets to optimise long-term economic, social and environmental benefits to the community. It has particular policy responsibilities for oversight of Australian energy markets. The AER will support SCER's work by undertaking its responsibilities efficiently and effectively.

In addition, SCER expects that the AER will support the work of SCER by providing SCER with:

- (a) advice on developing issues relevant to SCER priorities
- (b) advice on issues as requested by SCER
- (c) reporting on priorities and work programs and other matters as required
- (d) clear communications on any other relevant matters as required.

¹ Section 7 of the Schedule – National Electricity Law in the *National Electricity Act 1996 (SA)*

² Section 23 of the Schedule – National Gas Law in the *National Gas Act 2008 (SA)*

³ Section 13 of the Schedule – National Energy retail Law of the *National Energy Retail Law Act 2011 (SA)*

2.2 Statement of Intent

SCER expects that the AER will put into place a Statement of Intent for each financial year, to be published before the start of that year.

The Statement of Intent will outline how the AER will meet the expectations set out in this Statement of Expectations. SCER expects that the AER will report against key performance indicators (KPIs) included in the AER Statement of Intent.

Performance for any given year should be reported as a component of, or with, the Annual Report for that year. Half year reporting of performance should also be provided where the necessary data is available through existing internal or external reporting processes.

The Statement of Intent is not required to be tabled in the Australian Parliament.

2.3 Key Performance Indicators in Statement of Intent

SCER expects that KPIs will include, but not be limited to, the AER's performance in these broad categories:

1. Progress on work program.
2. Expenditure against budget.
3. Engagement with stakeholders.
4. Improving capabilities.

SCER notes that the AER's financial accounts are consolidated into those of the ACCC. Audited disaggregated financial statements for the AER are not requested but the AER should provide clear guidance on how funds have been spent.

KPIs may be developed and adjusted by the AER from year to year where necessary balanced against the need for meaningful analysis of performance over time, in light of feedback from SCER.

2.4 Publication of Statement of Expectations and Statement of Intent

SCER expects the AER will publish and maintain the SCER Statement of Expectations and the AER's annual Statement of Intent on the AER website. SCER recognises that transparent processes are crucial to good governance and accountability of government and government institutions.

3. Other Stakeholder Engagement and Communication

3.1 Relationship with market participants

The AER will develop and execute effective engagement with market participants according to good practice and consistent with legislative requirements.

3.2 Relationship with consumers

The AER will develop and execute effective engagement with consumers according to good practice and consistent with the legislative requirements.

3.3 Relationship with other market institutions

The relationships between the AER and other market institutions are set out in relevant legislation and various Memoranda of Understanding (MOU) as set out in Schedule 1 and Schedule 2 of this document.

SCER expects that the AER's interaction with other market institutions will be governed by the relevant legislative framework and any MOU in place.

In particular, SCER expects that the AER will work towards promoting effective communication and coordination between the institutions, subject to confidentiality obligations.

3.4 Relationship with the Commonwealth Treasurer

SCER recognises that the AER is enabled by the Act and that the Commonwealth Treasurer has responsibility for the Act. SCER expects that the AER will carry out its functions as prescribed by the national energy legislation and rules.

4. Other Reporting

4.1 Financial Management

SCER recognises reporting by the ACCC/AER under the following frameworks:

- the Act;
- the *Financial Management and Accountability Act 1997*;
- the *Public Governance, Performance and Accountability Act 2013*;
- the *Portfolio Budget Statement: Treasury Portfolio budget papers*;
- and any other legislative requirements for financial management and reporting.

Schedule 1

SCER expects the AER to perform its functions as defined in the *Competition and Consumer Act 2010* (the Act) and in accordance with all relevant legislative requirements and agreements, including the:

- *Australian Energy Market Agreement*
- *National Electricity Act 1996 (SA)*
- *National Electricity Regulations (SA)*
- National Electricity Rules
- *National Gas Act 2008 (SA)*
- *National Gas Regulations (SA)*
- National Gas Rules
- *National Energy Retail Law Act 2011(SA)*
- *National Energy Retail Regulations 2010 (SA)*
- National Energy Retail Rules

This list is not exhaustive and any relevant legislative requirements and agreements that define the AER's function that are not mentioned in this document will also apply and are considered as part of the AER's function by SCER.

In the event of an inconsistency between this Statement of Expectations and the preceding relevant legislation, the legislative requirements will prevail.

Schedule 2

MoU between the AER and other Market Institutions are as follows:

- The MoU between the AEMC, AER and the ACCC
- The MoU between the AER and the Australian Energy Market Operator (AEMO)
- The MoU between the AER, ACCC and the Clean Energy Regulator
- MoUs with jurisdictional Energy Regulators and ombudsmen.