

# Proposed Funding Criteria and Guidelines

## 1 Funding Criteria

### 1.1 Preamble

The National Consumers Electricity Advocacy Panel (the Panel), was developed by the National Electricity Code Administrator in 2001. NECA stated that “(e)nd use customers have the same rights to be involved in national electricity market decision making as participants in the market”<sup>1</sup>.

Clause 8.10 of the National Electricity Rules (the Rules) establishes the Panel and its membership, defines its functions and specifies review arrangements. The Panel is responsible for determining the total resources to be available for assistance for advocacy, establishing criteria and guidelines for funding and allocating funds in accordance with these criteria and guidelines.

The following Criteria and Guidelines are published pursuant to clause 8.9 of the Rules. They draw on Clause 8.10.3(d) and (e) of the Rules.

### 1.2 Objectives of funding support

The National Electricity Law provides a national electricity market objective - to promote efficient investment in, and efficient use of, electricity services for the long term interests of consumers of electricity with respect to price, quality, reliability and security of supply of electricity and the reliability, safety and security of the national electricity system.

The prime objective of funding support is to increase end-user input into consultation processes towards the longer term goal of increased end-user involvement in the national electricity market and making that market more efficient and effective.

In accordance with clause 8.10.3 of the Rules, an objective of funding is to achieve diversity in:

- the end-users represented in consultations;
- the nature of the interests represented; and
- the issues that are put forward for consideration for funding.

Diversity in end-users represented is taken as diversity in the number of classes and sectors, and geographical areas, of end-users.

Diversity in the nature of interests represented is taken as diversity in categories of customers (e.g. business and domestic).

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<sup>1</sup> NECA, *End-user advocacy in the national electricity market*, Final report, December 2000, p2

Diversity in the issues that are put forward is taken as including diversity in the different sectors of the energy industry, and diversity as between issues under the National Electricity Rules and the national electricity market.

The Panel aims to increase the overall resources committed by end-users to advocacy and not substitute resources that end-users would otherwise commit. It also seeks to achieve effectiveness, balance and diversity in advocacy that is responsive to issues arising in policy formulation, market reform and regulation and rule change and the conduct and operation of the electricity market.

### **1.3 Eligible applicants**

The funds of the Panel are available for advocacy by or in the interests of domestic, commercial or industrial consumers of electricity (end-users) supplied through the national electricity market.

To be eligible to receive funding an applicant must be in a position to represent the common interests of a reasonable number of end-users. For this purpose end-users are:

- the direct members of an applicant, where the applicant body is a recognised organisation representing end-users;
- members of organisations supporting an application, where those organisations are recognised as representing end-users;
- end-users whose interests are likely to be affected in common with the direct members;
- in the case of a non-representative body that is an applicant, such as a consultant or a single end-user, end-users in whose interest the applicant proposes to carry out a project.

The Panel's preference is to fund end-user organisations but applications by non-representative bodies will be considered.

The reasonableness of the number of end-users whose interests are represented will be considered in the context of a particular application, having regard to:

- the relationship of that number to the overall number of end-users, e.g. some applications will be in the interests of all end-users or a very large portion of domestic and or business end-users;
- the implications for the efficiency and effectiveness of the national electricity market of the interests in question of those end-users;
- the special needs or circumstances of those end-users, e.g. low income end-users.

The applicant may be:

- a representative organisation acting on behalf of a reasonable number of end-user members;
- an organisation or person acting in the interests of a reasonable number of end-users.

- an organisation or person applying to carry out a project or commission for or on behalf of the Panel.

## 1.4 Eligible projects

Eligible projects are those that address issues that relate to the efficiency and effectiveness of the national electricity market or of the retail electricity market where that market or an aspect of that market affects the efficiency and effectiveness of the national electricity market. Eligible projects must:

- relate to the development, design or policy behind the national electricity market, its regulations, rules and codes that may apply from time to time;
- relate directly to:
  - the responsibilities of the Australian Energy Market Commission (AEMC) or the National Electricity Market Management Company (NEMMCO) under the National Electricity Law and the Rules; or
  - the monitoring, investigation or enforcement responsibilities of the Australian Energy Regulator (AER) or functions of the AER relating to the exemption from registration of network service providers under the National Electricity Law and the Rules; or
- have implications for the national electricity market as a whole.

As a matter of practice the Panel will consider eligible projects in four streams:

### Stream 1 projects

These address longer term issues and will be considered by the Panel following application by eligible applicants for funding in the context of periodic funding rounds. Examples of stream 1 projects include long term funding of a salaried officer or of a retained consultant for a defined project or capacity building within an end-user organisation. An applicant in this stream should consider whether it desires to be involved in consultation or inquiry processes associated with energy market reform or other market reviews including regulation and rule change and make allowance for this in any application. If the appointment is for capacity building, the application should show how the capacity of the organisation will be increased in the long term.

When assessing stream 1 projects, the Panel will take into account:

- the expected benefits to accrue compared with the cost;
- the extent to which the project will contribute to the efficiency and effectiveness of the electricity market;
- the extent to which the project contributes to diversity in allocation of funds with respect to
  - the number of end-users represented;
  - the nature of the interests represented;

the issues that are subject of the application of funding.

### **Stream 2 Projects**

Stream 2 comprises projects that may be commissioned by the Panel from time to time.

The Panel may, for example, commission projects to meet diversity as interpreted in criterion 1.2 or where it is apparent from submissions to the Panel that new involvement is required in particular fields or matters. If necessary, the Panel may commission work to assist in the development of projects to address identified deficiencies.

When considering a stream 2 project, the Panel will avoid unnecessarily duplicating the work of end-user advocates and may consult with the advocates on the necessity for and objectives of the stream 2 project.

At the present time the Panel notes that regional interests in agribusiness and local government and small business generally are not well represented in current applications.

### **Stream 3 Projects**

Stream 3 projects address special cases that may arise from time to time in relation to consultation or inquiry processes associated with energy market reform, regulation and rule change or other market issues. An eligible applicant funded in stream 1 will not be eligible for this stream unless the need for the stream 3 project could not have reasonably been foreseen when stream 1 funding was applied for.

For example, stream 3 projects will be considered by the Panel as they arise during energy market reform processes or Rules change and related consultation processes including by energy regulators.

The Panel notes that implementation of energy market reform will require end-user input into consultation processes.

The Panel notes the priority given by the Ministerial Council on Energy<sup>2</sup> to:

- the implications for consumers resulting from the introduction of full retail contestability and the policies to protect some consumers from the exercise of market power by retailers; and
- the desire to encourage a demand side response pool in the national electricity market.

The work program of the User Participation Working Group of the Standing Committee of Officials also identifies issues for public consultation.

In these cases the Panel will only consider projects that are timely and related to the inquiry underway.

The Panel is prepared to consider funding for a reasonable period to cover preparation of submissions and for representation during Energy Market Reform consultation processes.

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<sup>2</sup> Discussion Paper – Improving User Participation in the Australian Energy Market. User Participation Working Group, MCE SCO March 2004

### **Stream 4 Projects**

Stream 4 projects are projects that require streamlined approval because they are genuinely urgent or exceptional and which are subject to appropriate dollar limits.

Stream 4 projects will be for budgets of less than \$15,000 and will be determined by the Chairman and a nominated delegate of the Panel, subject to prior notice to all Panel members and the right of a member to participate in a determination. Urgent or exceptional projects with a budget of \$15,000 or higher will be dealt with as stream 3 projects.

The Chairman will report on funding of stream 4 projects to the full Panel on a periodic basis, not later than the following meeting.

## **1.5 Funding**

Funding support will be limited to 80% of the budgeted cost of a project for business end-users and 90% of the budgeted cost of a project for domestic end-users (less than 40 mega watt hours).

The Panel may, at its discretion, reduce or waive the applicant's proportion of budgeted costs and for this purpose will have regard to, for example:

- whether in the case of an applicant it has access to any other funds;
- in the case of applicants generally:
  - whether the outcome of the project is considered to be of benefit to the majority of end-users;
  - whether additional expenditure can be justified by the expected benefits of the project;
  - whether the ultimate benefits are long term.

Non-financial contributions in lieu of direct pecuniary contributions are permissible on the basis that the resources are fully allocated to the project for a specified period and the cost of resources allocated is consistent with the level of service provided.

## **2 Guidelines for Applications**

### **2.1 Requirements of an application**

#### **2.1.1 Name and representation**

An application must state the name of the applicant and how it is eligible under criterion 1.3 and separately indicate any bodies that have expressed support for the proposed project. Any expression of support for the proposed project from an organisation, and on which the applicant relies to meet relevant criteria, should be confirmed in writing from the organisation and included with the electronic and paper form of the application.

### **2.1.2 Description of the project**

The objectives and scope of the project for which funds are sought must be described to show it is eligible under criteria 1.2 and 1.4.

The project should describe

- the title and description of the project;
- the study or other work to be produced including how and when it will be published;
- the plan for communication or advocacy to the appropriate authority or decision maker;
- benefits to end-users.

Applications related to consultations on Energy Market Reform should address priorities identified from time to time by the Ministerial Council on Energy or the Standing Committee of Officials.

### **2.1.3 Work program and budget**

The work program and budget for the project should be outlined including:

- a) The budget and any related income;
- b) The timetable for the project by key elements including the expected date of completion of the project;
- c) The time and cost of each consultant or staff to be engaged in the project;
- d) The actual or required qualifications and capability of consultants and/or professional staff who will carry out the specified work;
- e) The cost of disbursements such as travel, conference rooms, printing and telecommunications;
- f) The cost of in kind support including project management and supervision by the applicant and how the inclusion of in kind support meets criterion 1.5;
- g) The proportion of budgeted funds sought, the timetable and milestones for which progress payments are to be made;
- h) The arguments in support of any application for waiver in terms of criterion 1.5;

The application should explain how value for money is ensured. As a general rule, if consultants are to be engaged, it is expected that applicants would seek competitive quotes from at least two potential providers of consulting services for projects over \$40,000 in value and provide a detailed written analysis of at least three tenders for projects of over \$100,000 in value.

If consultants are to be appointed after approval of an application, the application should state the procedures that will be adopted to appoint consultants and the basis of the cost estimate for consultants included in the budget.

### **2.1.4 Preparing and submitting applications**

The responsibility of submitting applications is with the applicant. Applicants or prospective applicants may seek assistance from the Panel's Executive Officer in ensuring compliance with these criteria, the choice of stream, and as to past or anticipated projects. An applicant may seek advice from a Panel member on these matters but may not seek to involve the member as agent, broker or consultant to the project, whether paid or unpaid. An applicant may submit a draft application to the Panel for the above assistance.

Applications must be submitted on the form available from [www.advocacypanel.com.au](http://www.advocacypanel.com.au) or the Executive Officer.

Where possible, an application must be submitted in electronic form. The application should include discussion of each matter under headings corresponding to matters a to h in 2.1.3 above. The application should address any other relevant criteria. Applications, apart from qualifications (item 2.1.3 d above), should comprise no more than eight pages where practical.

The Panel may seek additional details of an application.

Applications should be addressed to:  
The Executive Officer  
National Consumers Electricity Advocacy Panel  
PO Box 43  
Surrey Hills Vic 3127

Tel: 03 9899 5111    Email: [advocacypanel@axtonjones.com.au](mailto:advocacypanel@axtonjones.com.au)

## **2.2 Conditions**

An application may be approved on conditions in order to make express an aspect of the project approved, such as the scope, timetable or other aspect of implementation, or to make a project come within these criteria.

## **2.3 Agreement**

The Executive Officer will prepare an agreement between the applicant and the Panel to give effect to its granting an application. A pro forma agreement is available on [www.advocacypanel.com.au](http://www.advocacypanel.com.au).

## **2.4 Execution**

A project should be completed in accordance with the time and other terms agreed between the applicant and the Panel. The applicant must keep appropriate records and provide progress reports as set out in the agreement.

A successful applicant must within 2 months of the completion of the project or as soon as reasonably practicable after receipt of a written request for a report from the Panel publish a report setting out:

- a) The purpose of the project; and
- b) The issues considered and outcomes of the project.

An electronic copy of the report or study comprising the advocacy in the project must be given to the Panel on completion.

For advocacy comprising oral submissions, the speaking notes or a transcript of the submissions should be provided to the Panel within one month of submission.

The Panel will publish reports, studies and submissions funded by it. In due course the results of advocacy should be advised to the Panel.

The Panel may, at its discretion, seek an independent evaluation of a work funded by it and may raise with the applicant any relevant issues arising from the evaluation.

### **3 Determination of Applications**

The Panel will determine an application having regard to these criteria, including the timetable for the advocacy, and the principle that there should be diversity in the allocation of funds with respect to the number of end-users represented, the nature of the interests represented and the issues which are the subject of the application for funding.

An application may be granted in whole or as to part only and on conditions, including that the project be modified.

Where considered necessary in order to expedite consideration of an application, the Panel may consider the project at a telephone conference.

The Panel will provide reasons where an application is rejected or deferred.