

The **Allen Consulting** Group

## **Evaluation of the Consumer Advocacy Panel's global funding model**

**May 2010**

Report to the Consumer Advocacy Panel

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## Executive summary

### Introduction

In 2009-10, the Consumer Advocacy Panel (the Panel) trialled a new funding model (the 'global funding model') with two established consumer advocacy organisations: Major Energy Users Inc (MEU) and the Energy Users Association of Australia (EUAA). The global funding model differs from the Panel's established discrete project funding model, as it provides organisations with funding for agreed advocacy priorities for a financial year, rather than providing funding to individual projects in response to applications for each project.

The Panel is undertaking planning for the allocation of funding in 2010-11. In preparation for this, asked the Allen Consulting Group to undertake an evaluation of the new funding model.

### Main summary points

The evaluation considers how the new funding model has performed against a series of criteria. The overarching criterion is effectiveness. In considering this, the evaluation has sought to determine how effective the funding model has been in supporting consumer advocacy. The other criteria considered are: efficiency, appropriateness, simplicity, accountability, flexibility and sustainability. In evaluating the global funding model against these criteria, the evaluation considered pertinent literature related to alternative grant funding models. The evaluation met with the MEU and EUAA to ascertain their views of the model. The evaluation also obtained views of the advocacy provided by these organisations under the model from stakeholders, including two energy regulators.

The evaluation's key findings in relation to the criteria are summarised below.

- *Effectiveness* — in principle, the global funding model should provide advocacy organisations with greater flexibility and allow them to direct more resources to advocacy. In practice, EUAA considers that the funding model has limited its ability to undertake advocacy due to it receiving less funding under the global funding model compared to the final year of the established model.
- *Efficiency* — there is substantial evidence to indicate that the global funding model is more administratively efficient than the discrete project funding model, for both advocacy organisations and the Panel.
- *Appropriateness* — the new funding model would appear to be consistent with the Panel's objectives. In particular, to the extent that the new funding model reduces administrative costs for both the Panel and advocacy organisations, the new funding model maximises the resources that can be directed towards consumer advocacy.

- *Simplicity* — in general, both MEU and EUAA are satisfied with the level of clarity afforded by knowing the total amount of funding for the upcoming financial year. This removes uncertainty and allows them to plan ahead more effectively.
- *Accountability* — the requirements specified by the Panel provide an appropriate level of accountability, and allow the Panel to assess the effectiveness of its funding.
- *Flexibility* — the global funding model provides flexibility as to which projects advocacy organisations pursue, and the methodologies they apply. Both MEU and EUAA noted that this is a benefit of the global funding model.
- *Sustainability* — the global funding model contributes to the sustainability of advocacy, although the two organisations have different views about the relative significance of sustainability as an advocacy outcome.

### **Conclusions and recommendations**

In principle, the global funding model is considered to offer significant benefits to both the Panel and the two organisations in receipt of funding. EUAA's concern about the level of funding it has received does not alter the finding that the model has merit. Clearly, the decision about the quantum of funding made at the beginning of the year has more significance under this model because it sets a funding budget for the remainder of the year, and advocacy must be undertaken within the parameters of the budget throughout the year.

The evaluation also considered whether other organisations could be funded under a similar approach. On balance, this would seem to have merit. However, this would be subject to those organisations demonstrating that they are established advocacy organisations with appropriate governance arrangements, and have the capacity to conduct advocacy across a range of projects throughout the year.

Funding other organisations in a similar way could assist in developing the sustainability of the energy advocacy sector and in improving the efficiency of advocacy. This could increase advocacy output, and possibly also quality, for the same amount of funding.

## Chapter 1

# Introduction

*This chapter outlines the scope of the project, the evaluation methodology, and the structure of this report.*

### 1.1 Introduction

The Consumer Advocacy Panel (the Panel) provides funding for electricity- and gas-related consumer advocacy and research. In 2008-09, the Panel provided \$2.5 million funding across 44 projects.

In 2009-10, the Panel trialled a new funding approach (the 'global funding model') with two established consumer advocacy organisations: Major Energy Users Inc (MEU) and Energy Users Association of Australia (EUAA). The global funding model differs from the Panel's established discrete project funding model in several respects. In particular, it allows advocacy organisations greater flexibility to identify priorities (and potentially change these as circumstances change), and develop methodologies to pursue these. It also enables advocacy organisations to secure funding from the Panel for multiple advocacy projects through one streamlined process, rather than requiring separate grants for each project.

As the trial approaches its conclusion, the Panel has engaged the Allen Consulting Group to evaluate how the new funding model has supported consumer advocacy. This evaluation seeks to address the following evaluation questions.

Table 1.1

#### EVALUATION QUESTIONS

Dimension	Evaluation question
<b>Effectiveness</b>	How effective has the funding model been in supporting consumer advocacy?
<b>Efficiency</b>	How <i>administratively efficient</i> is the funding model: <ul style="list-style-type: none"> <li>• for advocacy organisations?</li> <li>• for the Panel?</li> </ul> How <i>allocatively efficient</i> is the funding model? <ul style="list-style-type: none"> <li>• Does the funding model support the flow of funding to the highest priorities?</li> </ul>
<b>Appropriateness</b>	Is the funding model appropriate given the Panel's objectives?
<b>Simplicity</b>	How simple is the funding model for the Panel and grant recipients to work with?
<b>Accountability</b>	Does the design and administration of the funding model support accountability?
<b>Flexibility</b>	How flexible is the funding model to changing needs and priorities?
<b>Sustainability</b>	Does the funding model contribute to sustainable advocacy within funded organisations?

Addressing these evaluation questions will inform the Panel's decisions concerning the continuation of the funding model, and identify potential improvements.

## **1.2 Methodology**

This evaluation seeks to address each of the research questions listed in Table 1.1. These questions support the evaluation's primary research question, 'How has the new funding model supported consumer advocacy?'

The project team firstly agreed the scope of the review and the evaluation questions with the Panel. The Panel provided the project team with key documents pertaining to the trial of the new funding model. The project team then met with key stakeholders, including EUAA, MEU and several of those organisations that received the funded advocacy, including the Australian Energy Regulator (AER) and the Australian Energy Market Commission (AEMC).

Drawing on these inputs, the project team evaluated the new funding model against the evaluation questions. The findings of this evaluation are presented in this report.

## **1.3 Report outline**

This report is structured as follows.

- *Chapter 2* describes the objectives and characteristics of the global funding model, the process for trialling it, and good practice in funding model design.
- *Chapter 3* evaluates the funding model according to the evaluation questions.
- *Appendices* detail those projects funded using the new model during the trial, and those stakeholders consulted for this project.

## Chapter 2

# Funding consumer advocacy

*This chapter describes the objectives and characteristics of the global funding model, the process for trialling it, and good practice in funding model design.*

### 2.1 The global funding model

Since its establishment as the National Electricity Consumer Advocacy Panel in 2001, the Panel has disbursed more than \$9.5 million to organisations to advocate in the interests of consumers of electricity and natural gas. The Panel has generally provided funding for two distinct purposes as follows.

- *Advocacy projects*, which involve either discrete advocacy projects or capacity building programs. The Panel funds discrete advocacy projects to advance issues of interest to energy consumers. Capacity building programs provide financial support for organisations to employ staff to enhance and expand the organisation's capacity to advocate.
- *Research projects*, including those initiated by the Panel and other stakeholders. The value of research projects is limited to a maximum of 25 per cent of the advocacy funding pool.

However, in early 2009 the Panel developed a global funding model that it believed may offer some advantages over current arrangements. Key characteristics of the funding model are described in Box 2.1.

Box 2.1

#### KEY CHARACTERISTICS OF THE GLOBAL FUNDING MODEL

Key characteristics of the Panel's global funding model are as follows.

- Selected established consumer organisations will provide the Panel with a list of advocacy priorities for the next financial year. For each priority, organisations will outline an estimated budget (including the organisation's contribution), and the expected outputs and outcomes. Each organisation's total budget will be no more than \$200,000 (excluding GST). Each organisation will determine the methodology it uses to address its nominated priorities, such as through employing staff or hiring technical experts.
- Once the Panel has given its approval, the organisation will be asked to provide relevant information about each priority as they seek release of the funding through a streamlined process (this involves less administration than required by the Panel's established discrete project funding model). For each priority, organisations will identify key personnel, substantiate the organisation's contribution, and describe outputs, outcomes and the actual project budget. The Panel will then release funds to the organisation.
- If unanticipated projects arise during the financial year, organisations may substitute these projects for pre-approved projects that are of lesser priority. The Panel is unlikely to provide funding outside of the pre-approved amount to organisations participating in this funding model.
- Project completion reports are still required within two months of project completion.

Source: Consumer Advocacy Panel 2009.

The Panel expected that the global funding model would offer established consumer organisations greater certainty and reduced administrative effort compared with discrete project funding. MEU also recognised the potential benefits of the global funding model, including the ability to commence urgent projects more quickly and with less risk of not obtaining Panel funding than under discrete project funding arrangements.

### ***Trialling the global funding model***

The Panel trialled the global funding model in 2009-10 with two established consumer advocacy organisations: MEU and EUAA. These organisations were chosen to participate in the trial as they are:

... both widely regarded as established consumer organisations with significant experience and expertise on consumer energy issues (Consumer Advocacy Panel, personal correspondence).

In early 2009, the Panel advised each of these organisations to nominate their priority advocacy projects for 2009-10. The Panel reviewed these and pre-approved funding for these projects. The Panel set a total budget for MEU and EUAA of \$200,000 each. This amount was the maximum support the Panel would provide for those projects identified. For each approved project, advocacy organisations submitted a streamlined funding application to the Panel.

During the course of the trial, both MEU and EUAA revised their advocacy priorities. This involved submitting a streamlined funding application to the Panel for each new project, which also outlined how it would fit within the initial funding allocation.

At the outset of the trial, the Panel intended to engage a consultant to evaluate the global funding model towards the end of the trial period.

## **2.2 Good practice funding design**

There is a limited literature into alternative models of funding consumer advocacy. Box 2.2 sets out some of those funding sources for consumer advocacy.

There are considerable risks associated with advocacy organisations becoming too reliant on single sources of funding.

Reliance on a single source of funding has considerable risks, as it means that an organisation can become dependent on a resource that could be taken away. For example, government funding, in any form, has several inherent risks. Governments change, economic and political circumstances shift, budgetary priorities alter and public policies evolve. All of these things mean that the provision of funding cannot be guaranteed, either in a particular form or over the medium term (The Treasury 2009, p. 12).

This suggests that diversity of funding sources — or the ability for organisations to quickly adapt — is crucial to the sustainability of advocacy organisations over time.

Box 2.2

**FUNDING CONSUMER ADVOCACY**

The Treasury identifies the following four sources of funding for consumer advocacy organisations. These are by no means mutually exclusive — organisations will generally draw on several funding sources.

**Voluntary contributions**

Some advocacy organisations draw upon voluntary contributions from individuals. For example, members of the Queensland Consumers' Association volunteer their time.

**Self-funded activities**

Advocacy organisations can fund activities through trust funds, membership fees, subscriptions and sales of information and services. For example, the Australian Consumer Association (CHOICE) generates revenue from membership fees and the sale of a range of consumer services.

**Philanthropic funding**

Some advocacy organisations receive funding from philanthropic sources, such as from charitable organisations or businesses. Grants may be provided for specific purposes or through contestable funding processes.

**Government funding**

All Australian governments provide funding to sector-specific consumer advocacy organisations. Funding is delivered through a range of means, including contestable grants, recurring grants, specific purpose funding, in-kind support and matched funding.

Source: The Treasury 2009.

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More broadly, there is a reasonable body of literature on funding arrangements of non-government organisations (NGOs), of which consumer advocacy organisations form a subset.

Most funding of NGOs relies on contract funding. This involves:

... the purchase of defined services with specified outputs and closely controlled funding, usually accompanied by increased accountability requirement with little or no flexibility in program delivery or funding (Eakin 2001, p. i).

This model of funding is highly inflexible, and involves mainly short-term contracts. As a result, NGOs expend significant time and resources applying for funding. There is evidence to suggest that some NGOs are spending almost as much in resources to apply for grants as they ultimately receive (Productivity Commission 2010, p. 292). Short-term contracts also contribute to a climate of instability and uncertainty within NGOs and complicate long-term planning (Evans, Richmond & Shields 2005).

These problems highlight the need to define good practice in funding NGOs. Eakin (2004) includes the following (*inter alia*) as best practice approaches to funding NGOs:

- true cost grant funding;
- global funding; and
- undesignated funding to support organisational capacity and service innovation.

### ***True cost grant funding***

In this funding model, the level of funding covers the true cost of a program, including a provision for a share of organisational operating costs and the costs of service delivery. This precludes funding organisations from asking for co-contributions from grant recipients or from other sources. This ensures that programs will not be underfunded and increases the sustainability of NGOs by allowing them to retain quality staff.

This method of funding is particularly suited to organisations that have limited scope to raise funds from other sources; for example, organisations that represent disadvantaged consumers. However, it is reasonable to expect organisations with the ability to raise funds from other sources (such as organisations representing large businesses) to provide a co-contribution on top of the funded amount.

The Panel currently requires grant applicants to contribute 20 per cent of project costs for projects proposed on behalf of business consumers and 10 per cent for projects on behalf of domestic consumers. This reflects the ability of advocacy organisations to raise additional funds from other sources.

### ***Global funding***

Global funding involves assigning a total budget to an organisation and allowing the recipient to spend the money in the way it deems to be most effective (for example, they can choose whether to hire consultants or use internal resources). This reduces the administrative burden on grant recipients and reduces the need for funding organisations to micro-manage the agencies they fund. That is, '[f]unders need to focus on accountability measures such as service outcomes and deliverables not day-to-day management' (Eakin 2004, p. 28).

The Australian Consumer Research Network (ACReN, a network of academics specialising in advocacy) observed some of the limitations of project funding models in its submission to the Australian Government's 2009 study of consumer advocacy.

History has shown that a specific 'project funding' model does not sustain continuity of resourcing of research capability and in particular the administrative support essential for the efficient operation of research centres. This lack of continuity and certainty is also a barrier to long term industry partnerships with research centres as well as the centre's ability to attract and retain committed researchers (ACReN 2009, p. 14).

ACReN's views suggest that some of the key limitations of the project funding model relate to the extent to which it supports sustainable advocacy. To an extent, a global funding approach addresses these concerns by providing certainty and autonomy to funded organisations.

The Panel's new funding model has this global funding characteristic at its core, as it allows grant recipients to spend the money they receive in the manner they see fit, within some broad guidelines.

### ***Undesignated funding***

With undesignated funding, grant recipients can spend the money they receive in priority areas as they see fit. This allows for a more innovative approach by grant recipients, and allows them more freedom to choose their priority areas. This is beneficial because priority areas are likely to change over time.

The Panel's new funding model contains some elements of global funding because grant recipients have some freedom to set their own priorities and change them during the term of the grant. However, any changes made must be approved by the Panel, as well as the budget assigned to each individual project. This model increases accountability and ensures funding is used for the purposes intended by the Panel, while still allowing some flexibility to grant recipients where needed.

## Chapter 3

# Evaluation of the funding model

*This chapter evaluates the global funding model according to the evaluation questions.*

This chapter evaluates the global funding model according to those evaluation questions set out in Table 1.1.

### 3.1 Effectiveness

*How effective has the global funding model been in supporting consumer advocacy?*

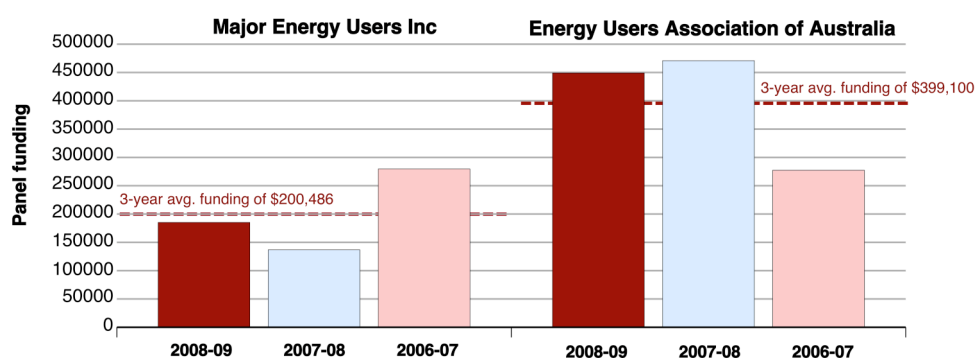
In principle, the global funding model should provide advocacy organisations with greater flexibility and allow them to direct more resources to advocacy. In practice, EUAA considers that the global funding model has limited its ability to undertake advocacy as it received less funding compared to that received under the discrete project funding model. However, MEU considers that the new model has delivered the expected benefits, which has enabled them to undertake more effective advocacy. As the views of EUAA and MEU are quite distinct, they are described separately below.

#### **Energy Users Association of Australia**

EUAA's primary concern is that the quantum of funding it received in 2009-10 is insufficient. EUAA received approximately \$200,000 as a global funding amount in 2009-10. This compares with average annual Panel funding to EUAA of \$399,100 over the past three years, as illustrated in Figure 3.1 below.

Figure 3.1

#### **PANEL FUNDING TO MEU AND EUAA, 2006-07 TO 2008-09**



Source: data provided by the Consumer Advocacy Panel.

EUAA initially applied to the Panel for \$435,600 funding in 2009-10. As a result of the level of Panel funding provided, EUAA revised its selected projects and scaled back some projects. EUAA advised that the level of funding was not enough to allow for the effective addition of new projects as needs arose. This led EUAA to delay some projects because of the difficulty of decreasing the budget for existing projects while maintaining quality. In delaying projects there is a risk that sufficient funding will not be available to undertake the logical next stages of the work in 2010-11.

EUAA's revised priorities involve relatively high activity in the second half of the financial year. While this is partly a function of the timing of external processes (such as AER reviews), it may serve to limit EUAA's responsiveness if new priorities emerge or if there is any underspend of the global budget.

EUAA advised that the reduction in funding was particularly unfortunate given that 2009-10 has been a busy year for consumer advocacy, with several AER reviews and detailed consideration of the CPRS by government. This has contributed to EUAA expecting to have a heavy workload in 2009-10. EUAA suggests that the reduction in funding has led to a reduction in use of external consultants and more intensive use of internal resources.

Overall, while supportive of the funding model in principle, EUAA considers that the application of the model has diminished its capacity to undertake consumer advocacy due to insufficient funds being available. Based on the level of funding that it had received from the Panel in recent years, EUAA had expected that the Panel would provide a significantly larger quantum of funding under the global model.

Both EUAA and MEU understood that the funding to be provided to them through the global funding model would be commensurate with the level of Panel funding that each had received in recent years. As a result, EUAA's response to the level of Panel funding it actually received is not unexpected.<sup>1</sup>

While this suggests that EUAA and the Panel may have had divergent expectations about the appropriate level of funding, it does not address the more fundamental question of what level of funding is appropriate to be provided through this model. Appropriateness should be determined based on demonstrated need — as identified in priorities agreed between the applicant and the Panel — and the capacity of the organisation to deliver against these priorities.

While it may be that the level of funding provided to participating organisations each year is close to the historic average, past funding should not be the primary determinant of funding provided through the global funding model. Such an approach could serve to limit the diversity of projects funded and entrench the funding position of participating organisations. Should the Panel continue with the global funding model, the Panel should convey the basis for determining funding allocations, including the relative significance of previous years' allocations, to those organisations eligible to be funded in this way.

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<sup>1</sup> Conversely, the Panel funding received by MEU through the global funding model is consistent with the level of funding it has historically received. As such, MEU's response concerning the level of funding it received is not unexpected.

### **Major Energy Users**

The funding certainty provided by the global funding model placed MEU in a stronger position to undertake strategic planning at the start of the financial year. MEU's budget is comprised of memberships fees and funding from the Panel. Membership fees are relatively, although Panel funding has tended to vary somewhat over time and has been project specific. The new arrangement removes the uncertainty that this creates and allows the MEU executive to make active decisions about advocacy priorities.

An added benefit is that the global funding model imposes a discipline on MEU to focus its resources on what is most important to its members. Importance is determined by the executive following consideration of member views. MEU considers that the new funding model recognises that advocacy organisations are best placed to identify priorities. Under the discrete project funding model, this decision rests with the Panel based on applications for grant funding. No matter how detailed these applications are, the Panel is always a step removed from the advocacy organisation itself.

MEU can still undertake other advocacy activities not funded by the Panel using member contributions if the Panel's funds have been expended and the advocacy is sufficiently important to warrant it. The Panel has also indicated that the global funding model does not preclude either organisation from applying for supplementary project specific funding if there a clear case for the funding can be made.

The global funding model has significant efficiency benefits, which are discussed further below. The significance in terms of advocacy effectiveness is that the global funding model allows MEU to commence a piece of advocacy work immediately. Under the established discrete project funding model, it would need to lodge an application and decide if work should start before the outcome was known. In some cases, timeframes demanded that work commence immediately, representing a risk to MEU in the event that the application was not successful.

The value of having more responsive advocacy organisations was recognised by the AEMC. The AEMC regularly invites stakeholders to participate in its regulatory processes, with consultation periods usually open for between four to eight weeks. The AEMC was aware that advocacy organisations seeking Panel funding to support advocacy to the AEMC had occasionally experienced delays in securing funding under the discrete project funding model. To the extent that the global funding model reduces the uncertainty and delays associated with funding applications, the AEMC would consider this to be of value to both advocacy organisations and the audiences of this advocacy.

The AEMC also noted that it had not observed any variation in the quality of MEU's advocacy during 2009-10. As a more general comment, the AEMC noted that MEU's submissions are at times protracted, which can dilute key messages.

Overall, MEU prefers the global funding model compared with the previous approach. The main reasons for MEU preferring the new model is that it provides greater funding certainty and flexibility in the event of changed circumstances or priorities.

### 3.2 Efficiency

The global funding model's efficiency can be assessed in terms of two distinct criteria as follows.

- *Administrative efficiency* — how administratively efficient is the funding model for advocacy organisations and the Panel?
- *Allocative efficiency* — does the funding model support the flow of funding to the highest priorities?

Each of these criteria is discussed below.

#### **Administrative efficiency**

There is substantial evidence to indicate that the global funding model is more administratively efficient than the discrete project funding model, for both advocacy organisations and the Panel. Consultations suggest that almost all of the administrative savings have occurred at the 'front end' of the funding process — once the Panel has approved funding, the payment and acquittals processes are very similar.

For advocacy organisations, several aspects of the new funding model have driven these administrative efficiencies.

Firstly, allocating each participating organisation a fixed annual budget for projects has almost certainly reduced the number of grant applications that these organisations have made to the Panel. Under the global funding model, an organisation prioritises advocacy projects internally, putting forward those projects that it considers best serve its members' interests. The Panel is less likely to reject those advocacy projects that are funded from within an organisation's allocated budget, as the Panel has already committed these funds. In contrast, an advocacy grant application funding under the established funding model would need to compete on its merits against current and potential future applications from a range of organisations. As a result, advocacy organisations make fewer unsuccessful funding applications under the global model. This compares with five funding applications rejected (of which there were two each from MEU and EUAA) from a total of 55 applications submitted to the Panel in 2008-09.

Secondly, the administrative effort required to draft and finalise funding applications under the new funding model is less than under the discrete project funding model. Both MEU and EUAA reported administrative efficiencies arising from the streamlined application process, which was found to be less onerous than under the discrete project funding model. While EUAA estimated that these efficiencies were reasonably small, MEU considered that the savings were considerable, potentially saving the organisation 'literally tens of thousands of dollars each year'. MEU considered that the efficiencies resulted from both the streamlined application forms, as well as reduced follow up with the Panel to finalise the grants. MEU estimated that each project in the new funding model required around one day's effort to draft and finalise, compared with up to one week under the discrete project funding model to draft and finalise with the Panel.

For the Panel, administrative efficiencies are expected to have resulted from having fewer funding applications to assess, and from having a more streamlined approach to those applications made under the global funding model.

### ***Allocative efficiency***

A major change from the discrete project funding model was the ability for organisations to change their priorities over time within their allocated budget. From the perspective of MEU and EUAA, the benefits of this feature were considerable, with the new flexibility enabling the best use of resources within each organisation.

There are examples to suggest that this benefit has been realised through the global funding model by allowing funds to flow to each organisation's highest priorities. Both organisations chose to revise their priorities during the course of the year. MEU actively adjusted its resources during the course of the year as new advocacy priorities emerged and existing priorities were delayed. Over 2009-10, MEU added three projects to its project list, with some projects being postponed — such as making a submission to the Energy White Paper — while other project budgets were reduced to accommodate the new priorities. EUAA also added new priorities during the course of 2009-10, although it didn't drop any when new projects were added. Rather, they revised the resource allocations to some projects and delayed projects where necessary.

The AER advised that it had not observed any changes to the selection of issues for which MEU and EUAA provided advocacy in 2009-10 compared with previous years. The AEMC advised that MEU provided similar advocacy in 2009-10 compared with previous years. However, EUAA advised the AEMC that it was only able to make a very limited submission to a review undertaken by the Reliability Panel in 2009-10. This was due to EUAA's application for funds, which it submitted to the Panel in conjunction with a group of other consumer organisations, being rejected by the Panel (this is further discussed in Section 3.6).

This compares with the established funding model, where advocacy organisations couldn't adjust their projects after they had received funding from the Panel, even if the potential benefit wasn't as great as a new priority that had just emerged. In this instance, advocacy organisations would generally submit another funding application for the new priority, and carry on with the initial project. There is limited incentive to discontinue a project that has become less important or relevant under the discrete project funding model.

While there are administrative costs associated with changing priorities — notifying the Panel and submitting a streamlined application form — these costs do not appear to have been sufficiently high to prevent worthwhile changes to advocacy priorities.

### 3.3 Appropriateness

*Is the funding model appropriate given the Panel's objectives?*

The global funding model would appear to be consistent with the Panel's objectives. In particular, to the extent that it reduces administrative costs for both the Panel and advocacy organisations, the global funding model maximises the resources that can be directed towards consumer advocacy.

However, a more complex issue of appropriateness may become apparent should the Panel choose to continue the global funding model in future. The Panel may wish to consider suitable approaches to review the eligibility of those organisations funded under this model, and the level of funding disbursed through this model. Under the Panel's *Criteria and Guidelines for Grant Allocation*, the Panel aims to provide diversity in the allocation of funding, taking into account:

- the number and range of consumers who may benefit from the relevant projects;
- the nature of the interest represented across the projects; and
- the issues to which the projects will relate.

Should the Panel continue with the global funding model, it would need to balance the benefits associated with the model with the objective of diversity in its allocation of funding.

### 3.4 Simplicity

*How simple is the funding model for the Panel and grant recipient to work with?*

In general, both MEU and EUAA are satisfied with the level of clarity afforded by knowing the total amount of funding for the upcoming financial year. This removes uncertainty and allows them to plan ahead more effectively. Using the streamlined application forms is also easier than having to submit a full application for funding.

However, EUAA noted that there were some teething problems. For example, the streamlined application form was not available for the first few months of the global funding model. Also, the rules for obtaining funding were unclear; in particular, EUAA was initially unaware of the possibility to receive some funding up-front.

### **3.5 Accountability**

*Does the design and administration of the funding model support accountability?*

The grant recipient is required to provide the Panel with the final output of its funding project, as well as a report setting out:

- a comprehensive description of the objectives of the project;
- the issues that have been considered for the purposes of the project;
- the outcomes that have been achieved in connection with the project;
- the costs and expenses associated with the project, including a detailed breakdown of these costs and expenses; and
- the recipient's assessment of the effectiveness of the project in accordance with any guidelines specified by the Panel (Funding agreement, clause 3.9).

These requirements ensure that grant recipients are accountable to the Panel, and allow the Panel to assess the effectiveness of its funding.

### **3.6 Flexibility**

*How flexible is the funding model to changing advocacy needs and priorities?*

The global funding model provides flexibility as to which projects advocacy organisations pursue, and the methodologies they apply. Both MEU and EUAA reported positive experiences of this characteristic of the global funding model.

Both organisations noted the time savings that the new funding model permitted, enabling advocacy organisations to commence projects almost immediately, which is a great benefit for urgent projects. There is also less risk that a project will not be funded if the money is coming from the pre-approved global budget.

However, EUAA noted one concern relating to the funding model's flexibility to accommodate joint funding proposals outside of the global funding budget. EUAA submitted a joint proposal for funding with several other organisations in 2009. The Panel rejected the proposal as it didn't fit within EUAA's global budget, which at that time included more than \$100,000 of uncommitted funds. EUAA considered that the funding model may have been applied too rigidly in this case. It considered that the group may have received the funding had one of the other organisations lead the application.

### **3.7 Sustainability**

*Does the funding model contribute to sustainable advocacy within funded advocacy organisations?*

The Panel's global funding model contributes to the sustainability of advocacy. Sustainability refers to the strength of advocacy capacity and the ability of effective advocacy to be maintained on an ongoing basis. The Panel's grants program has the development of sustainable advocacy as one of its objects.

One issue that has emerged during the trial of the global funding model has been the degree of reliance of advocacy organisations on Panel funding. EUAA significantly reduced its planned advocacy priorities as a result of receiving less Panel funding than it had expected. The extent to which lower Panel funding impaired EUAA's ability to advocate on key issues gives an indication of its reliance on Panel funding. To ensure that the Panel supports *sustainable* advocacy, the Panel's approach to funding the development of advocacy capacity and priorities must create a momentum that is not wholly reliant on the Panel's ongoing support. The Panel should encourage funding recipients to develop diverse sources of funding. However, it is recognised that the Panel will continue to be a leading source of funding for those organisations that specialise in energy advocacy.

MEU and EUAA had differing views about the relative significance of sustainability as an advocacy outcome. The respective views are described separately below.

More broadly, the AER commented on the value of consumer participation in the regulatory processes it oversees, and the importance of having a range of consumer interests involved. It described the steps that it has taken to facilitate consumer input, which have included convening consumer panels for some of its projects. This provides an example of the value, and need for, a sustainable consumer advocacy sector.

### ***Energy Users Association of Australia***

EUAA considered that the level and quality of advocacy that flowed from the funding was more important than its sustainability. Having certainty about the allocated amount for the year was valued as it made planning easier. EUAA will continue to undertake advocacy regardless of the amount of funding received, but would need to reduce its number of projects without Panel funding.

### ***Major Energy Users***

For MEU, having certainty about its global budget at the start of the year enabled it to secure their preferred consultants for the required periods. This provides the consultants with certainty of work and ensures that they will be available when needed.

In a broader sense, MEU identified that the global funding model could encourage more stability in advocacy organisations. MEU considers there to be a high turnover among organisations engaged in energy advocacy. As a consequence, the depth of expertise in energy consumer advocacy is not being developed to the desired extent.

## **3.8 Conclusions**

In principle, the global funding model is considered to offer significant benefits to both the Panel and the two organisations receiving funding. EUAA's concern about the level of funding it has received does not alter the conclusion that the model has merit. Clearly, the decision about the quantum of funding made at the beginning of the year has more significance under this model because it sets a funding budget for the remainder of the year, and this budget must be considered as advocacy is undertaken.

The implications of this are twofold. Firstly, those organisations funded under this model need to provide comprehensive submissions detailing their upcoming priorities so as to provide the Panel with the best opportunity to make an appropriate decision about the quantum of funds it will allocate. Secondly, while it is appropriate that the subsequent allocation provides a budget for the year, organisations funded under the model need to retain the opportunity to modify their priorities and, in limited circumstances, request additional funds.

MEU emphasised this point, advising that if funding is exhausted, and an important priority emerges, there is presently no explicit provision in the funding model to access additional funds. However, MEU also acknowledged that if the matter is of sufficient importance, MEU members will provide funding so their position can be put forward in advocacy. Also, the Panel advised that it would not exclude consideration of subsequent requests for additional funds in response to a genuine new priority that was unforeseen at the commencement of the financial year.

The evaluation also considered whether other advocacy organisations could be funded using a similar approach. On balance, this would seem to have merit subject to those organisations demonstrating they are established advocacy organisations with appropriate governance arrangements, and which have the capacity to conduct advocacy across a range of projects throughout the year. Funding other organisations in a similar way could assist in developing the sustainability of the energy advocacy sector and in improving advocacy efficiency, resulting in an increase in advocacy output, and possibly also quality, for the same level of funding.

## *Appendix A*

### Projects funded

*This appendix describes those projects that EUAA and MEU undertook in 2009-10.*

#### A.1 Energy Users Association Australia

Table A.1

#### PROJECTS UNDERTAKEN BY EUAA FUNDED VIA THE PANEL'S GLOBAL FUNDING MODEL

Project	Description	Panel funding 2009-10	Expected completion
<b>Original projects</b>			
AER review of Queensland electricity distribution prices	Investigate and provide responses to the AER on major aspects of its review (capex, opex, rate of return etc). This includes the examination of distributors' proposals, consultants' reports and the AER draft and final decisions.	\$50,000	June 2010
Implementation of CPRS and energy users (stage 1)	This project will help to develop capacity and knowledge to participate in policy and regulatory advocacy to ensure the on-going efficient development and operation of carbon markets in Australia, and ensure that energy users' interests are taken into account.	\$30,000	June 2010
Stocktake of energy reform (stage 1)	This project will undertake a user-focused assessment of the impact and effectiveness of energy reform since its beginnings in the 1990s. This will be used to inform the advocacy of the EUAA on energy reform and inform its future strategic directions in the reform area.	\$27,000	February 2010
Improving gas price transparency (stage 1)	This project will look at the gas market in detail in terms of the factors that determine the level of price transparency and what practically could be done to improve the price transparency to gas users. It will also make recommendations on this that will provide a basis for EUAA advocacy and related actions to improve transparency.	\$28,000	July 2010
<b>Projects added during the year</b>			
AER review of Vic electricity distribution prices	Prepare a submission to the AER on distributor's initial proposals and attendance at AER public forum. Using the media to highlight key concerns.	\$24,000	June 2010
QCLNG Pipeline Coverage Exemption (access holiday) application to NCC	Prepare a submission to the National Competition Council (NCC) arguing against the application by the Queensland Gas Company (QGC) for an exemption for its proposed (QCLNG) pipeline from section 151 of the Natural Gas Law with the NCC. This exemption may be detrimental to gas users.	\$35,000	February 2010

Sources: Material provided by the Panel and EUA, March 2010; EUAA newsletter Edition 8, February 2010.

## A.2 Major Energy Users

Table A.2

### PROJECTS UNDERTAKEN BY MEU FUNDED VIA THE PANEL'S GLOBAL FUNDING MODEL

Project	Description	Panel funding 2009-10	Expected completion
<b>Original projects</b>			
South Australia electricity distribution revenue reset	Advocacy to the AER	\$32,000	January 2010
Victorian electricity distribution revenue reset	Advocacy to the AER	Initially \$32,000; subsequently revised to \$21,600	February 2010
New South Wales gas distribution revenue reset	Advocacy to the AER	\$36,000	March 2010
Energy White Paper	Green paper	\$24,000	Project deferred to 2010-11
Short Term Trading Market	Providing input into development of rules for new gas markets in New South Wales and South Australia in final quarter 2009 and first quarter 2010	\$20,000	April 2010
Western Australian gas distribution revenue reset project	The project had the following three aims: <ul style="list-style-type: none"> <li>• ensuring that the revenue granted is efficient and sufficient to maintain the networks in a secure and stable state at the minimum cost to consumers;</li> <li>• ensuring that consumers pay a just and fair amount (i.e. efficient prices) for use of the services; and</li> <li>• ensuring efficient cost allocation.</li> </ul>	Initially \$32,000, project subsequently substituted	n.a.
AEMC rule changes	Provide input to AEMC rule changes proposed to accommodate CPRS and eRET impact on energy markets	\$24,000	Project deferred to 2010-11
<b>Projects added during the year</b>			
Reliability Panel	Forum and issues paper, provide end user input into Reliability Panel 2010 review of MCP and other settings	\$20,000	March 2010
Generator market power	Develop concepts and supporting arguments for a rule change to limit generator market power	Initially \$48,000, subsequently revised to \$35,000	June 2010
Extreme weather	Consultation paper	\$15,400	April 2010

Sources: material provided by the Panel and MEU, March 2010.

## *Appendix B*

### Stakeholders consulted

The following stakeholders were consulted during March and April 2010:

- Australian Energy Market Commission;
- Australian Energy Regulator;
- Energy Users Association Australia; and
- Major Energy Users Inc.

Further consultations relating to projects undertaken by EUAA were not possible as several projects were in-progress at the time of the evaluation.

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