



Supporting consumer advocacy in the energy market.

DRAFT 2010/11 BUDGET

for
stakeholder consultation

14 October 2009

How to comment on the Panel's draft budget

In accordance with the *AEMC Establishment Act Regulations 2005*, the Consumer Advocacy Panel must consult with stakeholders on the preparation of its draft budget, including by publishing it on its website, at least 4 weeks before the budget is finalised for submission to the Ministerial Council on Energy (MCE).

The Panel is seeking comment from stakeholders on the Draft 2010/11 Budget by 12 noon on 11 November 2009.

Submissions on the Panel should be sent by email to info@advocacypanel.com.au.

Any questions should be directed to the Panel's Executive Director, Kerry Connors, by email to kerry.connors@advocacypanel.com.au or by phone at 02 8296 7880.

Introduction

The Consumer Advocacy Panel invites comments from stakeholders on the draft 2010/11 budget, to ensure that it

- provides adequate support to energy and gas consumers; and
- enables the Panel to perform its statutory functions.

The Panel anticipates that a heavy reform agenda, continuing significant upward pressure on electricity and gas prices for all users, and the finalisation and implementation of major structural reforms through the Carbon Pollution Reduction Scheme (CPRS) and the National Energy Customer Framework (NECF) will ensure grant applications remain at a similar level in 2010/11.

In recognition of the tight budgetary environment, the Panel therefore intends to seek approval from the Ministerial Council of Energy (MCE) to an annual budget for 2010/11 of \$2,851,129, representing a CPI increase to the 2009/10 budget.

Background – the Panel’s statutory obligations

Under section 41 of the *Australian Energy Market Commission Establishment Act 2004*, the Consumer Advocacy Panel must submit a budget for the 2010/11 financial year for the approval of the Ministerial Council on Energy (MCE).

The Act stipulates the Panel’s budget must:

- Allocate administrative costs relating to the performance of the Panel’s function into three categories:
 - those relating to electricity consumers,
 - those relating to gas consumers, and
 - those relevant to both gas and electricity consumers;
- Allocate grants to the following categories:
 - Consumer advocacy projects for the benefit of electricity consumers;
 - Research projects for the benefit of electricity consumers;
 - Consumer advocacy projects for the benefit of gas consumers;
 - Research projects for the benefit of gas consumers; and
 - Consumer advocacy or research projects for the joint benefit of electricity and gas consumers.

In preparing its budget, the Act also directs the Panel to

- Minimise administrative costs;
- Ensure that money for research projects does not exceed 25% of the total budget;
- Distinguish between research projects initiated by the Panel, and those initiated by others.

Consultation

In accordance with the *AEMC Establishment Act Regulations 2005*, the Panel must publish a draft copy of its budget on its website at least 4 weeks before it finalises its budget for submission to the MCE. The timetable for consultation is therefore as follows:

Wednesday 14 October 2009	Consultation period commences
Wednesday 11 November 2009	Consultation period ends
Friday 13 November 2009	Final budget is delivered to the MCE and AEMC.

The Panel is seeking comment from stakeholders on the draft 2010/11 budget by 12 noon on 11 November 2009.

Advocacy and research budget 2010/11

Previous trends in grants funding

Since the Panel's inception, there has been a steady growth both in the number of applications it receives and in the number of organisations making applications:

- in 2007/08, the Panel funded 26 advocacy grants to consumer advocacy organisations. Of those, 8 grants were provided to organisations stating that they represent small end-users;
- in 2008/09 (the most recent full year), the Panel funded 32 advocacy grants, of which 12 went to groups stating that they represent small end-users.

By its nature, advocacy on national energy consumer issues is closely related to the potential impact on energy consumers of policy reform or regulatory determinations. The increase in applications and the number of applicant organisations between 2007/08-2008/09 reflected the scope and breadth of the reform process in 2008/09, where the implementation of strategies to combat climate change sparked policy reviews that questioned the fundamentals of National Energy Market (NEM) design, and presaged significant change to the ways consumers use and think about energy.

Demand for advocacy funding was also driven by a number of significant regulatory reviews pertaining to network pricing, which had substantial price implications for all classes of consumers, and where consumer advocacy organisations have traditionally sought Panel funding to acquire technical expertise to facilitate their involvement.

Future demand

Pace of reform, affordability issues for all users, and a strong focus on demand management and demand response, forcing consumers to think differently about the way they use energy, will all continue to place heavy demands on consumer advocacy organisations, and so Panel resources.

Given the importance of those decisions to energy consumers, the Panel is currently of the view that the Panel will receive a similar number of grant applications in 2010/11 relative to 2008/09 and 2009/10.

There are some emerging features of the landscape which have informed that assessment:

- For organisations representing small end-users, there remains a need to manage the range of competing demands for consumer engagement, and therefore the Panel envisages that it will receive a significant number of grant applications to support capacity-building;
- The Panel also anticipates that it will receive a significant number of grant applications to support advocacy
 - subject to stakeholder input, the Panel is therefore seeking a CPI increase to the budget going forward for advocacy/capacity-building grants programs as it views the current quantum to be sufficient to produce effective and well-targeted advocacy;
- At this stage, the Panel envisages little need to amend the quantum of funding allocated to research, and so is seeking a CPI increase for research programs (Stakeholder-initiated research, and Panel-initiated research).

Table 1 outlines the 2010/11 proposed budget for grants by project type.

Grant category	Project type	2009/10	2010/11
Advocacy			
	Electricity Capacity-building/ Advocacy Projects	1,608,940	1,657,208
	Gas Capacity-building/ Advocacy Projects	349,340	359,820
	Joint Advocacy Projects	110,610	113,928
Research	Panel initiated		
	· Electricity research	55,080	56,732
	· Gas research	57,240	58,957
	· Joint Research	28,620	29,479
	Stakeholder initiated		
	· Electricity research	28,620	29,479
	· Gas research	28,620	29,479
	· Joint Research	27,540	28,366
	Grants Program sub-total	2,294,610	2,363,448
Evaluation			
	Evaluation of electricity projects	49,699	51,190
	Evaluation of gas projects	12,645	13,024
	Evaluation of joint projects	20,400	21,012
	Evaluation of grants sub-total	82,744	85,226
	TOTAL	2,377,354	2,448,674

Table 1: Proposed 2010/11 Grants Program: by project type

Table 2 below outlines the proposed grants program budget for the period 2009/10 – 2010/11 for electricity, gas and joint projects:

Grants program 2010-2011			
Grant category	Project type	2009/10	2010/11
Electricity	Advocacy / capacity-building	1,608,940	1,657,208
	Panel initiated research	55,080	56,732
	Stakeholder initiated research	28,620	29,479
	sub-total	1,692,640	1,743,419
	Evaluation of electricity projects	49,699	51,190
	Total Electricity Funding	1,742,339	1,794,609
Gas	Advocacy / capacity-building	349,340	359,820
	Panel initiated research	57,240	58,957
	Stakeholder initiated research	28,620	29,479
	sub-total	435,200	448,256
	Evaluation of gas projects	12,645	13,024
	Total Gas Funding	447,845	461,280
Joint	Advocacy Projects	110,610	113,928
	Panel Initiated Research	28,620	29,479
	Stakeholder initiated research	27,540	28,366
	sub-total	166,770	171,773
	Evaluation of joint projects	20,400	21,012
	Total Joint Funding	187,170	192,785
	Total Project Funding	2,377,354	2,448,674

Table 2: Grants Program by fuel type

Administrative costs budget 2010/11

The Panel takes seriously its legislative obligation to keep administrative costs to the minimum. It has therefore only proposed CPI increases to its budget, taking advantage of operational efficiencies to enable it to absorb increased costs in 2010/11 that will be caused by:

- undertaking an internal independent audit of its policies and procedures, to ensure that they are effective, appropriately targeted and best practice; and

- enhancing its capacity to reach unrepresented classes of consumers, to which the Panel will continue to accord a high priority, by increasing the part-time administrative assistant from 0.4 to 0.6EFT.

The Panel's principal administrative costs in 2010/11 will consist of staff wages, member sitting fees, and audit and accounting costs.

The main assumptions underlying the main costs in the 2010/11 administrative budget are:

- that the Panel will continue to meet monthly. Eight face-to-face meetings will be held, rotating between capital cities to facilitate regular contact with stakeholders, and four meetings by teleconference;
 - and that Panel members will be engaged on Panel business for an average of two additional days per month; and
- That the Panel's operations will not change significantly.

Advocacy Panel Administrative Costs	2009/10	2010/11
Panel Expenses		
Staff salaries and superannuation	166,505	189,337
Panel Members sitting fees and superannuation	97,956	100,895
Panel Meeting Expenses	46,860	40,026
Administrative Expenses		
Rent	13,730	14,478 ¹
Accounting and Audit	40,000	38,000
Advertising	4,000	4,120
Bank charges	440	453
Conference costs	3,500	-
Couriers and messengers	400	412
Internet/website expenses	6,200	5,000
Printing and stationary	2,250	2,318
Subscriptions	1,200	1,236
Staff travel	6,000	5,000
Total	389,041	402,454
Variation from year to year		3%
%age of total Panel budget	12%	12%

Table 3: Draft Administrative Budget 2010/11

¹ The increase to rent is in accord with the lease agreement and is estimated to be 5.45%.