



Supporting consumer advocacy in the energy market.

DRAFT 2011/12 BUDGET

for
stakeholder consultation

3 September 2010

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 2011/12 Budget by **close of business 1 October 2010.**

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 2011/12 budget, to ensure that it

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

The Panel intends to seek approval from the Ministerial Council of Energy (MCE) to an annual budget for 2011/12 of \$2,964,324, representing a CPI increase of 4% to the 2010/11 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 2011/12 financial year for the approval of the 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:

Friday 3 September 2010	Consultation period commences
Friday 1 October 2010	Consultation period ends
Friday 15 October 2010	Final budget is delivered to the MCE and AEMC.

The Panel is seeking comment from stakeholders on the draft 2011/12 budget by close of business 1 October 2010.

Advocacy and research budget 2011/12

Trends in grants funding

Since the Panel's inception, the number of grants approved and organisations making applications has steadily increased:

- In 2007/08, the Panel approved 32 advocacy grants to 12 organisations advocating on behalf of electricity consumers;
- In 2008/09, the Panel approved 44 advocacy and research grants to 24 organisations advocating on behalf of electricity and gas consumers; and
- In 2009/10, the Panel approved 58 advocacy and research grants to 31 organisations advocating on behalf of electricity and gas consumers.

Future demand

Consumer energy issues continue to attract significant political and public attention. Rising energy prices have seen increased public interest in, and scrutiny of, policy and regulatory determinations. Energy generation and consumption remains a key focus of state and federal government policies relating to climate change.

That interest in energy consumer advocacy is increasing is also reflected in the growing number of grant applications received by the Panel, as well as the increased diversity of grant recipients.

The Panel assesses that the issues of importance to energy consumers in 2011/12 will include

- Affordability of electricity and gas: rising energy prices across the NEM place pressure on household budgets and business input costs. Increased prices will focus the attention of government and regulators on the effectiveness of the competitive market in driving down prices, and mechanisms to ensure consumers are making well-informed choices. In addition, consumers will be asked to contribute to the development of government policies and programs to ameliorate disadvantage to all classes of consumers;
- Reliability and security of supply: in an uncertain investment environment, emerging capacity constraints in generation and transmission and distribution networks are causing concern, and pose potentially significant costs and risk to consumers. Consumers will seek engagement in State and Commonwealth policy development, as well as the development and design of regulatory incentives to address those constraints;
- Transition to a national retail and distribution regulatory framework: in 2011/12, there are still likely to be consumer issues arising from jurisdictions' transition to the national regulatory regime for retail and distribution; and
- Impact of climate change policy responses: there are a range of State and Commonwealth policies and programs being developed following the postponement of the introduction of an emissions trading scheme. The design and implementation of those policies, and the continuing debate about imposing a price on carbon, will continue to drive interest from a broad range of consumer advocacy organisations.

Given the importance of those decisions to energy consumers, the Panel is currently of the view that demand for grants will continue to grow.

In recognition of the tight budgetary environment, the Panel intends to seek approval from the Ministerial Council of Energy (MCE) to an annual budget for 2011/12 of \$2,964,324, representing a CPI increase of 4% to the 2010/11 budget.

Table 1: Proposed 2011/12 Grants Program: by project type

Grant category	Project type	2010/11	2011/12 4%
CPI increase			
Advocacy	Electricity Advocacy/Capacity-Building Projects	1,657,208	1,723,495
	Gas Advocacy/Capacity-Building Projects	359,820	374,213
Research	Joint Advocacy Projects	113,928	118,485
	Panel initiated	-	-
	· Electricity research	56,732	59,002
	· Gas research	58,957	61,315
	· Joint Research	29,479	30,658
	Stakeholder initiated	-	-
	· Electricity research	29,479	30,658
	· Gas research	29,479	30,658
	· Joint Research	28,366	29,501
	Grants Program sub-total	2,363,448	2,457,984
Evaluation			-
	Evaluation of electricity projects	51,190	53,238
	Evaluation of gas projects	13,024	13,545
	Evaluation of joint projects	21,012	21,852
	Evaluation of grants sub-total	85,226	88,635
	TOTAL	2,448,675	2,546,620

Table 2 below outlines the proposed grants program budget for the period 2010/11 – 2011/12 for electricity, gas and joint projects.

Table 2: Proposed 2011/12 Grants Program: by fuel type

Grant category (CPI increase)	Project type	2010/11	2011/12 4%
Electricity			
	Advocacy / capacity-building	1,657,208	1,723,497
	Panel initiated research	56,732	59,002
	Stakeholder initiated research	29,479	30,658
	sub-total	1,743,419	1,813,156
	Evaluation of electricity projects	51,190	53,238
	Total Electricity Funding	1,794,609	1,866,394
Gas			
	Advocacy / capacity-building	359,820	374,213
	Panel initiated research	58,957	61,315
	Stakeholder initiated research	29,479	30,658
	sub-total	448,256	466,186
	Evaluation of gas projects	13,024	13,545
	Total Gas Funding	461,280	479,732
Joint			
	Joint Advocacy Projects	113,928	118,485
	Panel Initiated Research - joint	29,479	30,658
	Stakeholder initiated research - joint	28,366	29,501
	sub-total	171,773	178,644
	Evaluation of joint projects	21,012	21,852
	Total Joint Funding	192,785	200,497
	TOTAL PROJECT FUNDING	\$2,448,675	2,546,622

Administrative costs budget 2010/11

The Panel has a 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 2011/12 that will be caused by:

- undertaking an internal independent audit of its grants program 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.

The Panel's principal administrative costs in 2011/12 will consist of staff wages, member sitting fees, and audit and accounting costs.

The main assumptions underlying the main costs in the 2011/12 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.

Table 3: Draft Administrative Budget 2010/11

Administrative Budget 2010/11		
Advocacy Panel Administrative Costs	2010/11	2011/12
CPI variation	3%	4%
Panel Expenses		
Staff salaries and superannuation	171,500	178,360
Panel Members sitting fees and superannuation	100,894	104,929
Panel Meeting Expenses	48,266	50,196
Administrative Expenses		
Rent	14,142	14,708
Accounting and Audit	41,200	42,848
Advertising	4,120	4,285
Bank charges	453	471
Professional development	3,605	3,749
Couriers and messengers	412	428
Internet expenses	6,386	6,641
Printing and stationary	2,318	2,410
Subscriptions	1,236	1,285
Staff travel	7,107	7,391
TOTAL	401,638	417,704
Percentage of total Panel budget	12%	12%