



Supporting consumer advocacy in the energy market.

DRAFT 2012/13 BUDGET

for
stakeholder consultation

22 August 2011

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 2012/13 Budget by close of business 19 September 2011.

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 its proposed 2012/13 budget, to ensure that it is sufficient to

- provide adequate support to electricity and gas consumers, and
- enable the Panel to perform its statutory functions.

In light of the tight economic climate, the Panel intends to seek approval from the Ministerial Council of Energy (MCE) to an annual budget for 2012/13 of \$3,082,896, representing a CPI increase of 4% to its 2011/12 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 2012/13 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

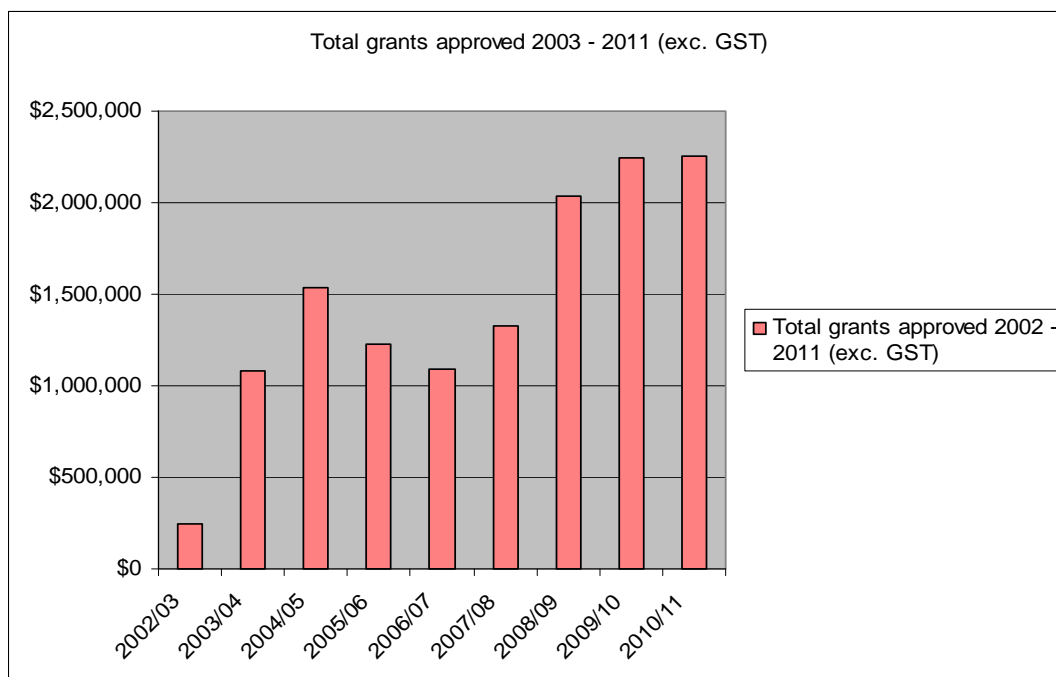
In accordance with the *AEMC Establishment Act Regulations 2005*, the Panel must publish a draft copy of its budget on its website at least 4 weeks before it finalises its budget for submission to the MCE. The timetable for consultation is therefore as follows:

| | |
|--------------------------|---|
| Monday 22 August 2011 | Consultation period commences |
| Monday 19 September 2011 | Consultation period ends |
| Friday 14 October 2010 | Final proposed budget is delivered to the MCE |

Trends in grants funding

Since the Panel's inception, there has been a steady increase in the total value of grants approved. Year to year variations may reflect the potential opportunities for advocacy - i.e. where there may not be as many policy or regulatory decisions taking place, or where those decisions affected a smaller numbers of customers.

Figure 1: Total value of grants approved 2002/03 – 2010/11 (exc GST)

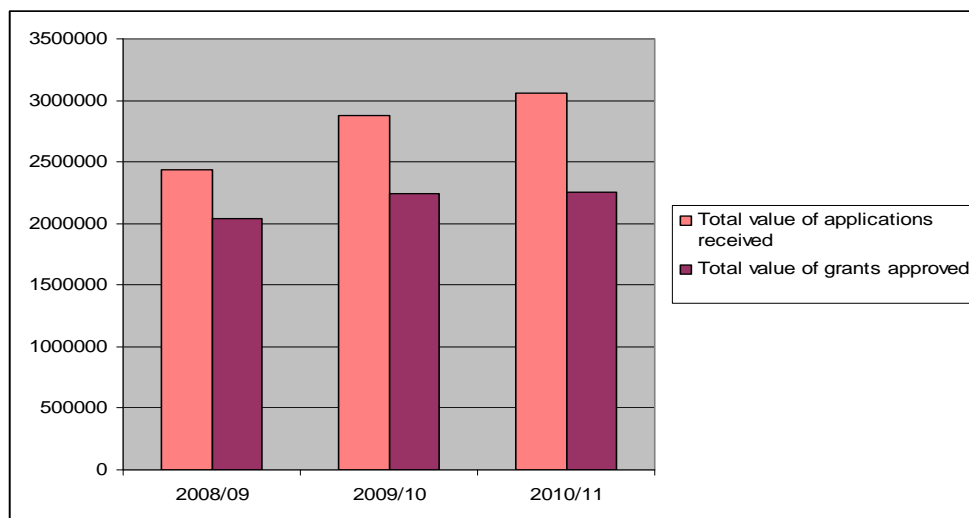


The high-level drivers for growth in advocacy demand over 2002-2011 have been

- The move to a national regulatory regime, a major reform process which generated extensive consultation with consumer groups by the MCE, its working groups and the new national regulatory institutions
 - The majority of grants approved between 2008 – 2011 were to provide a consumer response, through submissions and/or direct engagement, to decisions focused on the design, development and operation of the harmonised regulatory regime
- Rising electricity and gas prices have seen significantly greater public and political attention to the National Electricity Market and National Gas Market, and have broadened the classes of consumers keen to engage in policy and regulatory decisions
 - In 2010/11 applications were received from 32 organisations, compared to just 15 consumer advocacy organisations in 2007/08.
- The impact on energy prices, consumption and market design arising from the Commonwealth and jurisdictional climate change response policies and programs, which has generated interest in advocacy from additional consumer and community organisations.

The last few years has also seen a steady increase in the total value of the applications for grant funding made to the Panel, as demonstrated in Table 2 below.

Figure 2: Total value of applications received and total value of grants approved 2008/09 – 2010/11



Advocacy and research budget 2012/13

Future demand

The Panel does not anticipate any lessening of demand for advocacy funding in 2012/13.

There are major developments in the sector that will continue to generate substantial demand for consumer input and representation in 2012/13:

- introduction of the National Energy Customer Framework on 1 July 2012
- AEMC consideration and implementation of the AER proposed rule changes relating to network price determinations
- the range of policies, programs and possible regulatory changes to improve demand-side participation arising from the Government's response to the Task Group on Energy Efficiency, and the AEMC Review of demand-side participation
- continued focus on National Electricity Market and National Gas Market rules, policies and programs to ensure affordability against a backdrop of continuing price rises.

Proposed 2012/13 Grants Program Budget

The Panel intends to seek approval from the Ministerial Council of Energy (MCE) to an annual budget for 2012/13 of \$3,082,896, representing a CPI increase of 4% to the 2011/12 budget.

The following outlines the proposed 2012/13 Grants Program budget classified by advocacy, research and evaluation.

Table 1: Proposed 2012/13 Grants Program: by project type

| Grant category | Project type | 2011/12 | 2012/13 |
|-----------------------|---------------------------------------|------------------|------------------|
| (CPI increase) | | | 4% |
| Advocacy | Electricity Grants | 1,723,496 | 1,792,436 |
| | Gas Grants | 374,214 | 389,183 |
| | Joint Grants | 118,485 | 123,224 |
| Research | Panel initiated | | |
| | · Electricity research | 59,002 | 61,362 |
| | · Gas research | 61,315 | 63,768 |
| | · Joint Research | 30,658 | 31,884 |
| | Stakeholder initiated | | |
| | · Electricity research | 30,658 | 31,884 |
| | · Gas research | 30,658 | 31,884 |
| | · Joint Research | 29,501 | 30,681 |
| | Grants Program sub-total | 2,457,987 | 2,556,306 |
| Evaluation | | | - |
| | Evaluation of electricity projects | 53,238 | 55,368 |
| | Evaluation of gas projects | 13,545 | 14,087 |
| | Evaluation of joint projects | 21,852 | 22,726 |
| | Evaluation of grants sub-total | 88,635 | 92,180 |
| | TOTAL | 2,546,622 | 2,648,487 |

Table 2 below outlines the proposed grants program budget for the period 2012/13 by fuel type - for electricity, gas and joint projects.

Table 2: Proposed 2012/13 Grants Program: by fuel type

| Grant category (CPI increase) | Project type | 2011/12 | 2012/13 4% |
|----------------------------------|--|------------------|------------------|
| Electricity | | | |
| | Advocacy Grants | 1,723,496 | 1,792,436 |
| | Panel initiated research | 59,002 | 61,362 |
| | Stakeholder initiated research | 30,658 | 31,884 |
| | sub-total | 1,813,156 | 1,885,682 |
| | Evaluation of electricity projects | 53,238 | 55,368 |
| | Total Electricity Funding | 1,866,394 | 1,941,050 |
| Gas | | | |
| | Advocacy Grants | 374,214 | 389,183 |
| | Panel initiated research | 61,315 | 63,768 |
| | Stakeholder initiated research | 30,658 | 31,884 |
| | sub-total | 466,187 | 484,834 |
| | Evaluation of gas projects | 13,545 | 14,087 |
| | Total Gas Funding | 479,732 | 498,921 |
| Joint | | | |
| | Joint Advocacy Projects | 118,485 | 123,225 |
| | Panel Initiated Research - joint | 30,658 | 31,884 |
| | Stakeholder initiated research - joint | 29,501 | 30,681 |
| | sub-total | 178,644 | 185,790 |
| | Evaluation of joint projects | 21,852 | 22,726 |
| | Total Joint Funding | 200,497 | 208,516 |
| | TOTAL PROJECT FUNDING | 2,546,622 | 2,648,487 |

Administrative costs budget 2012/13

The Panel proposes a CPI increases to its Administrative budget.

Administration costs in 2012/13 will consist of staff wages, member sitting fees, and audit and accounting costs.

The main assumptions underlying the main costs in the 2012/13 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 2012/13

| Administrative Budget 2012/13 | 2011/12 | 2012/13 |
|---|----------------|----------------|
| CPI variation | | 4% |
| Panel Expenses | | |
| Staff salaries and superannuation | 178,360 | 185,494 |
| Panel Members sitting fees and superannuation | 104,929 | 109,126 |
| Panel Meeting Expenses | 50,196 | 52,205 |
| Administrative Expenses | | |
| Rent | 14,708 | 15,296 |
| Accounting and Audit | 42,848 | 44,562 |
| Advertising | 4,285 | 4,456 |
| Bank charges | 471 | 490 |
| Professional development | 3,749 | 3,899 |
| Couriers and messengers | 428 | 445 |
| IT | 6,641 | 6,907 |
| Printing and stationary | 2,410 | 2,506 |
| Subscriptions | 1,285 | 1,336 |
| Staff travel | 7,391 | 7,687 |
| Total | 417,701 | 434,409 |

Allocation of administrative costs

The Panel's administrative costs are for the joint benefit of electricity and gas consumers, and so administrative expenses will be split evenly between electricity and gas.

The Panel is seeking comment from stakeholders on the Draft 2012/13 Budget by close of business 16 September 2011.

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

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