

**NATIONAL ELECTRICITY CONSUMERS
ADVOCACY PANEL**

635 Canterbury Road Surrey Hills Victoria 3127
P O Box 43 Surrey Hills Victoria 3127
Phone (03) 9899 5111 Facsimile (03) 9899 1666
Email djb@axtonjones.com.au
ABN 42 203 580 500

**FINAL REPORT ON RESPONSES BY INTERESTED PARTIES TO
THE ELECTRICITY ADVOCACY FUNDING REQUIREMENT FOR 2008/2009 DRAFT
REPORT ISSUED ON 23 JANUARY 2008 AND FINAL DETERMINATION**

18 February 2008

Consultation Process

Call for Submissions

Under clause 8.10.5 of the National Electricity Rules (the Rules), the Panel must determine the proposed electricity advocacy funding requirement for each financial year. The proposed funding requirement must be submitted to the Australian Energy Market Commission (AEMC) by 12 February each year for its approval. Once approved, the AEMC must provide to the Panel in respect of the financial year the amount that is the approved funding requirement and is reimbursed by the National Electricity Market Management Company (NEMMCO).

The Panel must determine the proposed funding requirement in accordance with the Rules consultation procedures and therefore a consultation paper was issued on 13 November 2007 in order that interested parties may comment on the electricity advocacy funding requirement proposed by the Panel for the 2008/2009 financial year. Following responses to the consultation paper, a draft report was issued on 23 January 2008 setting out the Panel's responses to submissions on the consultation paper and its draft determination of the funding requirement for 2008/2009.

A notice advising of the draft report and inviting responses to it was provided to NEMMCO for distribution to registered participants and intending participants. The notice was also displayed on the Panel's website and forwarded to each organisation on the Panel's distribution list of former applicants. The notice was also provided to the AEMC for its information.

The notice called for submissions to be made by no later than 5.00 pm on 11 February 2008 i.e. at least 10 working days was provided for responses.

The draft report proposed the funding requirement for electricity advocacy in accordance with the Panel's current responsibilities under the Rules. In view of impending changes to the Panel's responsibilities to flow from the *Australian Energy Market Commission Establishment (Consumer Advocacy Panel) Amendment Act 2007* (the Act) recently passed by the South Australian Parliament, the Panel also sought stakeholders' comments on funding for natural gas (gas) advocacy and energy research in order that the Ministerial Council on Energy (MCE), AEMC, and NEMMCO could be made aware of stakeholders' views. The Act is expected to commence on 1 July 2008.

The Panel now publishes this final report setting out:

- Its conclusions and determinations in relation to the proposed budget and funding requirement for 2008/2009;
- Its reasons for those conclusions;
- The procedure it followed in considering the matter;
- Summaries of each issue, that the Panel reasonably considers to be material, contained in the responses to the draft report and the Panel's response to each such issue.

As a result of consultation on its draft report, the Panel has determined that:

- The funding requirement for electricity advocacy in 2008/2009, as required under the current Rules, is \$1,978,321 which the Panel recommends to the AEMC for its approval.

Determination

As a result of consultation with stakeholders on a budget for electricity and gas advocacy and research in 2008/2009:

- The Panel proposes to the AEMC and the MCE a budget of \$3,091,715 for electricity and gas advocacy of which NEMMCO would contribute \$1,942,410 and the AEMC \$1,149,305 (both inclusive of GST);
- In order to allow for the amendment of clause 8.10 of the Rules when the Act commences¹, the funding requirement of NEMMCO is \$1,942,410 plus the 'June billings' adjustment.

¹ See page 11

Submissions on the draft report

By the deadline for responses to the draft report, responses were received from the Public Interest Advocacy Centre (PIAC) and the Consumer Action Law Centre (CALC).

PIAC proposed an increase in the electricity advocacy budget to provide it with funding to undertake advocacy and capacity building on behalf of low income and other consumers of electricity in New South Wales. PIAC foreshadowed making an application to the Panel for such funding. The Panel notes PIAC's suggestion and looks forward to receiving the application which, if successful, would be funded from the existing budget.

CALC commented that it supports the majority of the Panel's findings and decisions in relation to the allocation of funding for 2008/2009.

No respondent requested a meeting with the Panel to discuss the funding requirement.

As a result of the responses to the draft report, the Panel has not changed the budget set out in the report.

The respondents made no comment on the methodology proposed by the Panel for allocating joint project costs and joint administrative costs.

The table below contains a summary of the issues raised in responses to the draft report that the Panel considered to be material and the Panel's response to each issue:

Main comments	Response
Public Interest Advocacy Centre	
The Panel should expand its funding requirement to enable funding of an advocacy/capacity building project managed by PIAC in the interests of low income and other consumers	Noted. The budget has not been amended. If the PIAC application is made and is successful, the funding would come from the proposed budget.
Consumer Action Law Centre	
CALC supports the majority of the Panel's findings and decisions in relation to the allocation of the funding for 2008/2009	Noted.

Electricity and gas advocacy and research budget for 2008/2009

When the Act commences, the Panel will be required to prepare an annual budget for electricity and gas advocacy that deals with the following matters:

- A budget for advocacy and research projects;
- A budget for the cost of the Panel's administrative functions;
- A methodology for allocating between electricity and gas funding the following joint costs:
 - The cost of projects in research or consumer advocacy for the joint benefit of consumers of electricity and consumers of gas;
 - Administrative costs relating to the performance of the Panel's functions relevant to both consumers of electricity and consumers of gas;
- The funding required of NEMMCO and the AEMC for the budgeted project and administrative costs.

These matters for the 2008/2009 financial year are dealt with below.

Advocacy and research project budget

Since being established in 2001, the Panel has received 304 applications for funding of electricity advocacy projects of which it resolved to provide funding for 176 projects (58% of applications). In order to be granted funding, the applicant and the project must be eligible under the funding criteria determined by the Panel following consultation with stakeholders. The criteria can be found on the Panel's website².

An analysis of the number of projects approved each year and the value of funds allocated to projects is shown in the table below:

National Electricity Market Project Funding			
	No of Projects	Average Cost \$	Total Funding \$
2002/2003			
Advocacy/capacity building projects	1	130,000	130,000
Advocacy projects	4	28,230	112,919
Total	5		242,919
2003/2004			
Advocacy/capacity building projects	4	53,921	215,684
Advocacy projects	36	24,035	865,257
Total	40		1,080,941
2004/2005			
Advocacy/capacity building projects	6	72,185	433,109
Advocacy projects	35	31,397	1,098,896
Total	41		1,532,005
2005/2006			
Advocacy/capacity building projects	6	57,541	345,248
Advocacy projects	29	30,520	885,072
Total	35		1,230,320
2006/2007			
Advocacy/capacity building projects	8	66,949	535,590
Advocacy projects	25	22,141	553,528
Total	33		1,089,118
2007/2008 to date			
Advocacy/capacity building projects	8	89,391	715,124
Advocacy projects	14	26,838	375,733
Total	22		1,090,857
Total 2003 to date			
Advocacy/capacity building projects	33	71,962	2,374,755
Advocacy projects	143	27,213	3,891,405
Total	176		6,266,160

The Panel categorises projects as being either advocacy/capacity building projects or advocacy projects. Both types of project involve advocacy of the interests of consumers of electricity but advocacy/capacity building projects have the following additional features:

- They generally involve the recruitment of an in-house advocate by the applicant organisation;
- They generally cover a longer timeframe than advocacy projects and involve a wider range of issues;

² <http://advocacypanel.com.au/applications/fundingCriteria.htm>

- They include activities designed to develop knowledge, experience, and skill within the organisation in order to build its capacity to advocate in the future.

The funding of a staff position enables an applicant to engage in advocacy on behalf of the consumers it represents and to retain within the organisation the knowledge that is derived from the experience. This enables the organisation to participate in advocacy for a longer period of time and over a wider range of issues.

An analysis of past grants of funds by the issue that was the subject of the advocacy is set out below:

SUMMARY OF FUNDING BY NEM ISSUE TO DATE														
Issue	2002/3		2003/4		2004/5		2005/6		2006/7		2007/8 to date		Total	
	No of Projects	Funding \$	No of Projects	Funding \$	No of Projects	Funding \$	No of Projects	Funding \$	No of Projects	Funding \$	No of Projects	Funding \$	No of Projects	Funding \$
Attendance at Forums			11	42,661	4	31,250	2	7,092	2	14,860			19	95,863
Capacity Building	1	130,000	4	215,684	6	433,109	6	345,248	8	535,590	8	715,124	33	2,374,755
Connection					1	67,692	1	27,000					2	94,692
Demand Management			5	232,148	3	66,714	2	92,640			2	63,773	12	455,275
Distribution			9	287,664	5	150,880	2	59,500	2	41,920	3	54,248	21	594,212
Generation									1	25,968	2	48,152	3	74,120
Retail			1	48,352			1	10,709	3	66,485	2	26,100	7	151,646
Transmission	2	43,319	5	143,000	2	76,280	13	438,065	5	137,384	3	98,400	30	936,448
Wholesale Market Design	2	69,600	5	111,432	20	706,080	8	250,066	12	266,911	4	107,812	51	1,511,901
Total	5	242,919	40	1,080,941	41	1,532,005	35	1,230,320	33	1,089,118	24	1,113,609	178	6,288,912

PERCENTAGE OF APPROVALS AND FUNDING BY ISSUE														
Issue	2002/3		2003/4		2004/5		2005/6		2006/7		2007/8		Total	
	Projects	Funding	Projects	Funding	Projects	Funding	Projects	Funding	Projects	Funding	Projects	Funding	Projects	Funding
Attendance at Forums			27.50%	3.95%	9.76%	2.04%	5.71%	0.58%	6.06%	1.36%	0.00%	0.00%	10.67%	1.52%
Capacity Building	20.00%	53.52%	10.00%	19.95%	14.63%	28.27%	17.14%	28.06%	24.24%	49.18%	33.33%	64.22%	18.54%	37.76%
Connection					2.44%	4.42%	2.86%	2.19%	0.00%	0.00%	0.00%	0.00%	1.12%	1.51%
Demand Management			12.50%	21.48%	7.32%	4.35%	5.71%	7.53%	0.00%	0.00%	8.33%	5.73%	6.74%	7.24%
Distribution			22.50%	26.61%	12.20%	9.85%	5.71%	4.84%	6.06%	3.85%	12.50%	4.87%	11.80%	9.45%
Generation									3.03%	2.38%	8.33%	4.32%	1.69%	1.18%
Retail			2.50%	4.47%			2.86%	0.87%	9.09%	6.10%	8.33%	2.34%	3.93%	2.41%
Transmission	40.00%	17.83%	12.50%	13.23%	4.88%	4.98%	37.14%	35.61%	15.15%	12.61%	12.50%	8.84%	16.85%	14.89%
Wholesale Market Design	40.00%	28.65%	12.50%	10.31%	48.78%	46.09%	22.86%	20.33%	36.36%	24.51%	16.67%	9.68%	28.65%	24.04%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

The funding provided to advocacy/capacity building projects was used to fund advocacy mainly on issues related to consumer protection, demand management, renewable energy, and market design/policy.

In proposing the budget for energy advocacy and research, the Panel has considered its past experience with electricity advocacy, the work programs of the MCE, AEMC, and AER, and likely future developments in the energy reform agenda.

In arriving at the number of projects to propose for inclusion in the 2008/2009 budget the Panel has taken into account:

- The MCE reform agenda which includes the continuation of the movement towards greater national regulation of the electricity market through the development of national arrangements for electricity distribution (non-economic) and retailing (non-price) regulation, the establishment of the Australian Energy Market Operator, the review of national transmission planning, a consistent national framework for Community Service Obligations, the encouragement of demand side management and renewable and distributed generation, and the introduction of smart meters;
- The broadening of the responsibilities of the Australian Energy Regulator (AER) to include the economic regulation of electricity distribution networks;
- The commencement of the National Gas Law and Rules and their impact on the harmonisation of energy laws and rules and on the activities of bodies such as the AER and AEMC;
- The development of the Bulletin Board and short term trading market for gas;
- The activities of jurisdictional regulators that have an impact on the national electricity market;
- The possibility that priorities and reform issues may change to reflect the new Federal Government's agenda; and

- The need to ensure that funding is available to consumer classes that are currently under-represented on energy issues, including groups such as rural consumers and local government.

In setting the electricity advocacy budget the Panel is also mindful of the impact of the electricity advocacy funding requirement on electricity consumers who currently bear its cost through the fees they pay to retailers.

As a result of consultation on the original budget, the Panel proposes the following budget for advocacy and research projects:

	No of Projects	Average Cost \$	Total Funding \$
Budget for 2008/2009 (Electricity and Gas)			
Electricity - specific projects			
Advocacy/capacity building projects	8	95,000	760,000
Advocacy projects	29	27,000	783,000
Research projects			
Panel initiated	1	27,000	27,000
Stakeholder initiated	3	27,000	81,000
Total	41		1,651,000
Gas - specific projects			
Advocacy/capacity building projects	3	95,000	285,000
Advocacy projects	13	27,000	351,000
Research projects			
Panel initiated	1	27,000	27,000
Stakeholder initiated	3	27,000	81,000
Total	20		744,000
Electricity and gas - joint projects			
Advocacy/capacity building projects			
Advocacy projects	8	27,000	216,000
Research projects			
Panel initiated	1	27,000	27,000
Stakeholder initiated	2	27,000	54,000
Total	11		297,000
Total - Electricity and Gas			
Advocacy/capacity building projects	11	95,000	1,045,000
Advocacy projects	50	27,000	1,350,000
Research projects			
Panel initiated	3	27,000	81,000
Stakeholder initiated	8	27,000	216,000
Total	72		2,692,000
Evaluation of project effectiveness			
Electricity projects	10	5,000	50,000
Gas projects	4	5,000	20,000
Joint projects	2	5,000	10,000
Total	16		80,000

The budget assumes average costs of \$95,000 for advocacy/capacity building projects and \$27,000 for advocacy projects. The average costs in the last full financial year were \$66,949 and \$22,141 respectively and for the current financial year are \$89,391 and \$26,838. The current year's averages are considered to be the most appropriate and relevant basis for the budgeted cost although a slightly higher budget has been allowed for advocacy/capacity building projects as costs in this area have risen in recent years.

The Panel anticipates that it will fund eleven advocacy/capacity building projects in 2008/2009 – eight will concentrate on electricity advocacy and three on gas advocacy.

The budget provides for fifty advocacy projects – twenty nine for electricity advocacy, thirteen for gas, and eight joint electricity/gas projects.

The gas advocacy projects would:

- Relate to the development or operation of gas pipelines, or policies associated with obtaining access to gas pipelines, or relate to other issues covered by the National Gas Law or the National Gas Rules; or
- Directly relate to an aspect of the responsibilities of the AER or the AEMC under the National Gas Law or the National Gas Rules, or the responsibilities of the Economic Regulation Authority under that law or those rules in Western Australia; or
- Have some other relevance to the national gas market or the retailing of gas, when viewed as a whole.

The budget includes provision for eleven research projects. The Panel anticipates that research projects will involve issues and topics that are not being adequately dealt with either through consumer advocacy projects or through the energy reform agenda. The Panel also anticipates that research projects will be selected through a consultative process whereby consumer advocates will be involved in the nomination and selection of projects and, possibly, the undertaking of approved projects.

There is no experience that the Panel can draw on in the setting of the number of research projects but the Panel feels that eleven would be a manageable number in the first year - four in electricity market issues, four in gas market issues, and three in issues that relate to both consumers of electricity and consumers of gas. The Act limits research expenditure to no more than 25% of the project funding budget; the proposed budget of eleven projects would be equivalent to 11% of project funding.

As was the experience with electricity advocacy, it is expected that the number of gas projects will grow in future years as the experience and skills of consumer advocates develop in gas market issues and the national regulation of the gas market matures.

The Panel has recently consulted stakeholders on the design of a process for evaluating the effectiveness of the projects it funds and has issued a statement of the process it will follow in conducting such evaluations. The evaluations will be carried out by suitably experienced and skilled external consultants in conjunction with input from the applicants whose projects are reviewed, other advocacy bodies involved in the projects and decision-makers to whom the advocacy or research projects were directed. The purpose of the evaluation process is twofold – to assist advocates to undertake projects in the most effective manner and to provide guidance to the Panel on the allocation of funding to projects.

The Panel anticipates that sixteen evaluations will be conducted during 2008/2009 at an average cost of \$5,000 each.

Administrative costs budget

The Panel's principal administrative costs consist of staff wages, member sitting fees, advice from consultants, and meeting expenses. The administrative costs budget is set out below:

Advocacy Panel Administrative Costs	2006/2007	2007/2008	2008/2009 Budget			
	Actual	Est Actual	Total	Specific Costs		Joint Costs
	\$	\$	\$	Electricity	Gas	
				\$	\$	\$
Panel Expenses						
Staff salaries and superannuation	116,406	108,000	140,858			140,858
Panel member sitting fees and superannuation	42,707	77,600	90,000			90,000
Meeting expenses	18,420	33,500	39,400			39,400
Administration expenses						0
Accounting & audit	10,132	14,000	10,000			10,000
Advertising		6,000	4,000			4,000
Consultant's advice		50,000	30,000	10,000	20,000	0
Insurance - WorkCover	759	1,000	1,000			1,000
Internet and computer expenses	672	5,000	7,000		5,000	2,000
Postage, printing & couriers	810	3,400	3,200			3,200
Rent	10,200	10,200	13,152			13,152
Other expenses	904	3,200	5,040		700	4,340
Total administrative expenses	201,010	311,900	343,650	10,000	25,700	307,950
Advocacy project funding received/required	1,744,876	1,778,168	2,810,650			
Interest received	80,383	52,000	55,000			
Total income	1,825,259	1,830,168	2,865,650			
Total administrative expenses as % of total income	11%	17%	12%			

The assumptions that underlie the administrative costs budget for 2008/2009 are as follows:

- The Panel's responsibilities for gas advocacy and energy research will commence on 1 July 2008, the anticipated date for the commencement of the Act and the National Gas Law;
- As a result of its new responsibilities, in addition to the existing executive officer, the Panel will require additional administrative support and therefore provision has been made for a part-time employee (0.5 EFT);
- Apart from monthly meetings, the chairperson and members of the Panel will be engaged on the business of the Panel for an average of two days per month;
- Meeting expenses will be higher due to the holding of eight face-to-face meetings of the Panel during the year compared with an average of six per annum over the past eighteen months;
- Provision has been made for the engaging of external consultants to provide advice on energy market and funding issues;
- The Panel's internet site will require modification to include a section on gas advocacy and energy research;
- Rent and computer expenses will increase as a result of the transfer of the Panel's office from Melbourne to the AEMC office in Sydney when the Act commences.

The bulk of the Panel's administrative costs are joint costs because they will relate to the performance of functions relevant to both consumers of electricity and consumers of gas. Only a relatively small amount, \$35,700, will relate to costs incurred solely in relation to one particular energy source (and therefore funding source).

The Panel will continue its policy of not incurring additional expenditure until justified by an increased workload.

Allocation of joint costs

Under the Act, the funding for the Panel's activities will come from two sources - NEMMCO for advocacy, research, and administrative costs relating to electricity advocacy and the AEMC for equivalent costs relating to gas advocacy. In its budget the Panel is required to allocate costs between the two funding sources.

The Panel will allocate costs as follows:

Advocacy and research project costs

- In relation to consumer advocacy and research projects, the allocation of cost by funding source will be based on the facts of the funded project as assessed by the Panel;
- If an advocacy or research project relates fundamentally to a particular energy type, the cost will be allocated to that type for funding purposes. In the event that a project relates fundamentally to one energy type although it has an inconsequential relationship to the other energy type, the Panel will allocate the project cost to the 'fundamental' energy type;
- If an advocacy or research project is for the joint benefit of consumers of electricity and consumers of gas, the cost will be allocated equally to each energy type.

Administrative costs

- Administrative costs that relate to the performance of the Panel's functions relevant to consumers of a particular energy type (specific costs) will be allocated to the relevant energy type;

This will be a question of the reason why the cost was incurred. If in the Panel's opinion the cost was incurred specifically to benefit one particular energy type, it will be allocated to that energy type for funding purposes. As an example, the cost of

upgrading the Panel's website to include a section on gas advocacy will be allocated to the gas funding budget.

In the event that a project arises that relates fundamentally to one energy type although it has an inconsequential relationship to the other energy type, the Panel will allocate that project to the 'fundamental' energy type;

- All other administrative costs (joint costs) will be allocated between electricity and gas based on the budgeted value of advocacy and research projects for the year.

The bulk of the Panel's administrative costs will be joint costs (e.g. staff salaries, Panel member sitting fees, rent, meeting expenses, etc) because they result from Panel functions that are relevant to both consumers of electricity and consumers of gas.

The rationale behind the processes for allocating the joint project and administrative costs is as follows:

- Advocacy or research projects that are for the joint benefit of consumers of electricity and consumers of gas will provide an equal benefit to each energy type;

The Panel understands that the electricity industry is much larger than the gas industry in terms of its asset base, number of customers and value of energy produced. At first glance, it would therefore seem reasonable that electricity should bear more than 50% of the cost of a joint project. However, this approach would not take account of the key issue – the effort (i.e. the cost) required of an advocate or researcher in dealing with the electricity and gas aspects of a joint project.

As a test of the reasonableness of the 50/50 split of joint project costs, the Panel will during the first two years of its new arrangements survey the advocates and researchers who undertook joint projects to obtain their estimation of how much of their effort in the projects was devoted to each energy type. This experience can then be drawn on in subsequent budgets;

- By allocating joint administrative costs on the basis of the cost of advocacy and research projects, the Panel is, in effect, allocating joint costs relative to the amount of administrative effort expended on each energy type. This assumes that the effort involved by the Panel in considering projects is the same irrespective of whether the project relates to electricity, gas or to both;

The cost allocation processes described above are easily understood and calculated. A more complex formula that is difficult to quantify may introduced unnecessary controversy and effort.

Funding requirement of NEMMCO and the AEMC

Based on the project and administrative cost budgets discussed above, the methodology proposed for allocating joints costs, and after taking into account the surplus funds from previous financial years and interest on funds on hand, the funding required of NEMMCO and the AEMC is calculated in the following table:

Electricity advocacy funding requirement for 2008/2009

As mentioned above, the current Rules require the Panel to propose a funding requirement for electricity advocacy in 2008/2009.

The requirement proposed by the Panel is based on the project and administrative budgets discussed above less the cost of advocacy projects that relate specifically to gas, energy research projects, and the additional administrative costs resulting from functions relating to gas advocacy and energy research. The requirement includes provision for what would be joint consumer advocacy projects under the Act as they would be undertaken under the Rules as electricity projects.

The funding requirement is calculated as follows:

Electricity funding requirement 2008/2009	Combined Budget	Less Gas	Electricity Requirement
Project funding costs budget			
Consumer advocacy projects			
Electricity	1,543,000		1,543,000
Gas	636,000	636,000	0
Joint - electricity and gas	216,000		216,000
Research costs (S41(6)(b))			
Panel initiated research			
Specific projects	54,000	54,000	0
Joint projects	27,000	27,000	0
Externally initiated research			
Specific projects	162,000	162,000	0
Joint projects	54,000	54,000	0
Evaluation of project effectiveness	80,000	30,000	50,000
Total project cost	2,772,000	963,000	1,809,000
Administrative costs budget			
Specific costs	35,700	25,700	10,000
Joint costs	307,950	23,476	284,474
Total	343,650	49,176	294,474
Funding required			NEMMCO
Projects			1,809,000
Administration			294,474
Sub total			2,103,474
Less			
Accumulated funds			250,000
Interest on funds on deposit			55,000
Total funds required			1,798,474
Plus GST			179,847
Funding required			1,978,321

The funding requirements in past financial years (inclusive of GST) were as follows:

2002/2003	\$1,100,000
2003/2004	\$1,100,000
2004/2005	\$1,210,000
2005/2006	\$1,540,000
2006/2007	\$1,925,000
2007/2008	\$1,955,985

If the consumer price increase for the twelve months to September 2007³ of 1.9% was applied to the funding requirement for last year, the requirement for 2008/2009 would be \$1,993,148. The requirement calculated above is \$1,978,321.

³ Australian Bureau of Statistics, weighted average of eight capital cities, all groups

Transitional adjustment for June billings

When the Act commences, the Rules will be amended to remove the redundant clauses that relate to the former Panel. In addition, it is currently proposed that the following new clause will be inserted in the Rules:

An amount budgeted or raised by NEMMCO before the commencement of this clause to meet costs associated with the former Advocacy Panel that had not been expended at the commencement of this clause, will be taken to be an amount budgeted or raised for meeting the cost of NEMMCO's consumer advocacy funding obligation under this clause.

NEMMCO bills fees to its market customers on a weekly basis and pays the consumer advocacy share of the fees to the Panel approximately four weeks later, after the customers have paid their fees. Given that it is anticipated that the new Rule will apply on 1 July 2008, the amount referred is, in effect, the fees billed to market customers in June 2008 but not paid to the Panel until July (the June billings).

The clause provides that the amount not expended, i.e. the June billings, will be taken to be an amount budgeted or raised for meeting the cost of NEMMCO's consumer advocacy funding obligation i.e. NEMMCO's obligation under the Act to reimburse the AEMC for electricity advocacy costs set out in the Panel's budget for 2008/2009.

In order to allow for the operation of the clause, the Panel will need to offset its effect by adding into the budget for electricity advocacy in 2008/2009 an amount that represents the June billings. By adding the June billings to the budget, the effect of the clause will be to reduce the budget to the actual budget for consumer advocacy that the Panel requires and that NEMMCO will bill to its market customers in 2008/2009 and subsequently pay to the AEMC.