

NATIONAL ELECTRICITY CONSUMERS ADVOCACY PANEL

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A structured approach to the allocation of the Panel's funding budget

The prime objective of funding support from the Advocacy Panel is to increase end-user input into consultation processes towards the longer term goal of increased end-user involvement in the national electricity market and making that market more efficient and effective. The Advocacy Panel is therefore considering whether it should take a more structured approach to the allocation of its funding budget in order to maximise its effectiveness in providing funding for advocacy of the interests of end-users of electricity.

Under its funding criteria and application guidelines¹ the Panel is able to commission its own projects to meet diversity requirements or where it is apparent from submissions to the Panel that new involvement is required in particular fields or matters. However, to date, the Panel's approach has been to not commission projects but instead to consider applications placed before it and either approve them for funding or reject them. The projects approved by the Panel fall into two categories – salary funding for a staff position within the applicant organisation and individual advocacy projects.

As a result of this approach, the Panel has effectively been allowing the agenda in relation to what issues should be advocated on in the interests of end-users to be set in an uncoordinated, unstructured manner. The Panel now queries whether this approach should continue.

The practice of allowing applicants to set the advocacy agenda through their selection of the matters for which they apply to the Panel for funding (the 'reactive' approach) was a reasonable approach in the past when the value of applications for funding was less than the budget available to the Panel for the funding of those applications. However, in recent times the value of applications has exceeded the Panel's budget and has therefore presented challenges to the Panel in relation to how it manages its funding budget in order to get the best result for end-users.

The Panel is therefore seeking views on an alternative approach to determining which projects should be funded. The Panel is proposing that it adopt a forward-looking approach to how it allocates its funding budget by agreeing with applicants an advocacy agenda for the coming year (the 'structured' approach).

The Panel's current budget is as follows:

¹ See <http://advocacypanel.com.au/applications/fundingCriteria.htm>

2006/2007 Funding Budget	\$
Funds available for allocation to projects in 2006/2007	1,330,000
Less funds allocated to date	
Salary funded positions	398,268
Other projects	<u>169,252</u>
Funds unallocated	762,480
Less anticipated applications	
Salary funded positions	210,000
Other projects	<u>0</u>
Funds available for other projects	<u>552,480</u>

To date, the Panel has allocated \$567,520 to projects approved in 2006/2007. The Panel anticipates that further applications for salary funded positions will be received and therefore it has reserved \$210,000 for those projects through to 30 June 2007. The Panel therefore has \$552,480 available for allocation to projects during the remainder of the year. As to how the Panel should allocate this funding in a way that achieves the best result for end-users is a major challenge for it and end-user advocates.

The Panel sees the development of an agreed advocacy agenda as being a process that will ensure that the funds available for other projects are utilised in the most productive manner.

In the Panel's view, the reactive approach has the following disadvantages:

- There is a risk that the Panel could allocate the bulk of its funds early in the year with the result that issues which develop later in the financial year may not be able to be funded to an appropriate degree. The Panel has a fixed budget for the year and therefore is not able to seek additional funding if it runs out of funds;
- Applications for funding are made in an ad hoc manner rather than as part of an agreed, planned approach to dealing with the electricity reform agenda and ensuring that end-users' views are heard on key issues;
- Applicants may waste valuable time applying for funding for a project which, while it has merit, the Panel does not agree to fund as it wishes to conserve its budget for later in the year. This waste of time could be avoided if there was an agreed overall agenda for advocacy issues that need to be addressed through funding by the Panel.

The structured approach would have the following advantages:

- The advocacy agenda would be established at the beginning of the financial year thus enabling the Panel to allocate its funding budget in a manner which ensures that key issues are addressed through appropriate advocacy. The development of the agenda would permit a more strategic, forward looking process that will help the Panel and applicants to prioritise the issues that require advocacy and therefore funding;
- Applicants would know where the Panel intends to spend its funds and therefore would only bring forward projects not on the Panel's list if the benefits to be derived from the project exceeded those of projects on the list. This would save time for applicants as they would not make an application to the Panel unless the project had superior benefits for end-users and it would save time for the Panel as inferior projects would not have to be considered. The agenda would also allow applicants to bring forward applications in a timelier manner.

- Applicants as a group would have input to the development of the agenda and this would open the way for better coordination between applicants on key issues; and
- The presence of an advocacy agenda would allow the Panel to ensure that it is achieving its objective in terms of diversity in the end-users represented in consultations, the nature of the interests represented, and the issues that are put forward for consideration for funding.

The structured approach would operate as follows:

- In April the Panel would issue a report which outlines the work programs of regulatory organisations and policy making bodies for the coming year and suggests the tasks that should be taken up through advocacy. The work programs would be determined by reference to the published reports and/or websites of regulators and policy makers and by discussion with them. The work programs of electricity regulators and policy makers will influence the quantum and timing of many funding requests by applicants and therefore the funding budget allocation needs to take account of them;
- Interested parties would be invited to comment on the work program in terms of whether other projects should be included or listed projects deleted from the agenda. Comment would also be sought on the priority to be assigned to individual tasks in the work program. Through this participation, applicants will be able to focus the Panel's funding on issues they consider to be important to end-users;
- The Panel would respond to the comments from applicants and publish an agreed agenda thus enabling applicants to plan their activities in terms of the tasks they wish to be involved in and the manner in which they wish to be involved – directly or in conjunction with other organisations.
- Applications for funding would then be submitted after applicants have selected the tasks they want to be involved in.

The Panel anticipates that organisations which received funding for staff positions would use their participation in the development of the work program as a way of identifying the tasks on which their Panel-funded staff members would focus.

By way of example, the Panel has prepared the attached schedule which describes the work programs of regulatory bodies and policy makers for the coming year. The Panel has suggested a priority for the tasks that it believes end-user advocates will want to be involved in either through individual projects or through Panel-funded employed advocates. Tasks with an 'A' priority are tasks for which funding must be provided because of their importance to end-users, 'B' tasks are those that should be funded if funds are available, and 'C' tasks are those which are unlikely to be funded because all funds will have been committed to 'A' and 'B' tasks.

The Panel would appreciate comment on the proposed structured approach and the attached work program. In particular, the Panel would appreciate responses on the following questions:

- Would the structured approach contribute to more effective consumer advocacy on NEM issues?
- Would the structured approach assist applicants in planning their participation in electricity market reform?

- In relation to the work program;
 - Are there any tasks that should be added to or deleted from the work program?
 - Do you agree with the level of priority assigned to each task?

The Panel would appreciate your comments on this paper. Please provide your comments in writing to the Panel's Executive Officer, David Bremner, by 15 September 2006.

David J L Bremner
Executive Officer
24 August 2006

Project Budget 2006/2007

	Priority	Funding Approved
Australian Energy Market Commission		
Referrals from the MCE as they arise;		
Rule changes		
Statement of regulatory principles – revenue cap re-opening	A	
Management of negative settlement residues in the Snowy region;	C	
Treatment of contingent projects under current Transgrid revenue determination;	C	
Region boundaries;	C	
Reform of the regulatory test principles;	A	
Last resort planning power;	A	
Review of the Snowy regional boundary;	C	
Metrology harmonisation;	B	
Economic regulation of transmission services;	C	
Technical standards for wind generation	C	
Reallocations;	C	
Management of negative settlement residues by re-orientation;	C	
Transmission network replacement and reconfiguration;	C	
Other Rule changes as they arise throughout the year;	B	
Current reviews underway:		
Electricity transmission revenue and price Rules	A	110,480
Congestion management review	A	
Enforcement and compliance with technical standards	C	
Reliability Panel		
Tasks include comprehensive reliability review, Tasmanian reliability and frequency standards review and VoLL 2006 review.	A	
Australian Energy Regulator		
Powerlink electricity transmission revenue cap determination;	B	
ElectraNet electricity transmission revenue cap determination;	B	

Project Budget 2006/2007	Priority	Funding Approved
Victorian (SP Ausnet, Vencorp) electricity transmission revenue cap determination;	B	
Development of guidelines for transmission and distribution network regulation;	A	
Distribution network regulation guidelines;	A	
Review rebidding guidelines under cl 3.8.22 of the Rules and market monitoring reporting requirements under cl 8.7.2 of the Rules;	C	
Jurisdictional energy regulators Essential Services Commission of South Australia		
Essential Services Commission of Victoria Independent Pricing and Regulatory Tribunal of New South Wales		
Review of regulated tariffs in NSW	B	
Energy Competition Commission of Queensland FRC Issues	A	67,688
Office of the Tasmanian Energy Regulator Retail price determination for retail and distribution	B	
Ministerial Council on Energy 2006 draft legislative package including National Gas Law, National Electricity Law, other acts, regulations and Rules		
transfer of economic regulation of electricity distribution to the AER and AEMC as from 1 January 2007;	A	
a limited merits review model for both gas and electricity;	A	
the MCE's response to the report of its expert panel on revenue and network pricing adopting recommendations on pricing principles and a 'fit-for-purpose' decision making framework;	A	
Amendments to the AEMC Establishment Act to provide a long-term consumer advocacy funding model for both gas and electricity advocacy.	A	

Project Budget 2006/2007	Priority	Funding Approved
2007 draft legislative package including transfer of regulation of distribution (non-economic) and retail (non-price) functions to the AER and AEMC. Stakeholder reference groups will be established to assist in this task.	A	10,000
Progressive roll out of electricity smart meters;	A	
Implementing a comprehensive and enhanced work program to establish effective demand side response mechanisms in the electricity market;	A	
Ensuring the separation of generation and transmission activities under the NEL;	B	
Expansion of the National Framework for Energy Efficiency;	C	
Energy Reform Implementation Group		
To report to COAG by end 2006	A	48,704
Matters arising in 2007	A	
Other projects		14,860
Salary funding of advocates		
Domestic		503,268
Business		105,000
Total		<u>860,000</u>

Priority 'A' - tasks for which funding must be provided because of their importance to end-users.

Priority 'B' - tasks that should be funded if funds are available.

Priority 'C' - tasks which are unlikely to be funded because all funds will have been committed to 'A' and 'B' tasks.