

THE
ADVOCACY**P**ANEL

ANNUAL REPORT
2001-02

September 2002

THE ADVOCACY PANEL

The Advocacy Panel was established following recommendations in NECA's report into end-user advocacy in the national electricity market. That report, which was published in December 2000, concluded that domestic customers, small and medium-sized businesses, and commercial customers do not generally have access to sufficient human and financial resources to ensure a proper voice in the national electricity market decision-making processes. NECA therefore recommended that market-based funding should be provided through a levy on generators and retailers.

The Advocacy Panel will be composed of equal numbers of representatives of customers and market participants, and chaired by an independent person appointed by NECA. The Panel is responsible for determining the total resources to be available, and establishing criteria and guidelines for funding, for customer advocacy. It is responsible for allocating funding to individual projects, in accordance with those criteria and guidelines, on the basis of applications made to it. The Panel is also itself able to commission research work to be made available to all interested customers. The Panel is responsible for ensuring appropriate audit and other arrangements.

The ACCC approved NECA's proposals in September 2001.

Following consultation with the National Generators' Forum and the National Retailers' Forum, which will fund the arrangements, and with representatives of end-use customers I was appointed chairman of the Panel last September. I published draft criteria for appointment of the other members of the Panel in November 2001 and final criteria in January 2002. Under those criteria, members of the Panel must have:

- ◆ an understanding of the way in which markets work and the conditions which are necessary to ensure that customers obtain long term benefits and the incentives remains for suppliers to maintain investment in efficient technology and infrastructure;
- ◆ the intellectual rigour to analyse the issues which will enable markets to operate efficiently and effectively and in so doing provide customers with a level of service and prices which will provide the incentives for the markets to work;
- ◆ an understanding of the Australian federal and State regulatory environments, and the impact they have on the operation of the energy market, and in particular the national electricity market;
- ◆ the capacity to analyse and prioritise proposals for credible research to be commissioned and the results published which will assist the operation of an effective energy market with the emphasis on electricity, to the benefit of Australian customers;

- ◆ the ability to allocate limited research funds to optimise the use of those funds;
- ◆ an understanding of the interests of the stakeholders in the electricity industry and the Australian energy market generally;
- ◆ an understanding of the accountability requirements associated with the commissioning and reporting of research;
- ◆ a willingness to meet with the stakeholders; and
- ◆ the ability to work as a member of a small team in achieving the objectives of the Panel.

Advertisements inviting applications or nominations for end-user customer representatives were published in January 2002. I also wrote to the chairman of the National Generators' Forum and the National Retailers' Forum inviting their nominees to the Panel.

A handwritten signature in black ink, appearing to read 'K P Baxter', with a long horizontal flourish extending to the right.

(K P Baxter)
Chairman

6 September 2002

Annual Report – 30 June 2002

I present my report on The Advocacy Panel for the year ended 30 June 2002.

Principal activities

The Panel is responsible for determining the total resources to be available, and establishing criteria and guidelines for funding, for customer advocacy. It is responsible for allocating funding to individual projects, in accordance with those criteria and guidelines, on the basis of applications made to it. The Panel is also itself able to commission research work to be made available to all interested customers.

Review of operations

The Panel successfully discharged all its statutory obligations as defined under the Code.

Likely developments and expected results of operations

The Panel relies on participant fees to fund its operations.

Environmental regulation

The Panel is not subject to any environmental regulation in respect of its operations.

The Panel chairman

I was appointed inaugural chairman of the Panel on 20 September 2001 and remained chairman throughout the financial year. I was, from 1992, successively secretary of the Department of Premier and Cabinet in Victoria and director-general of Premier's Department in New South Wales. I was also, during that period, chairman of the COAG electricity supply industry reform committee that conceived and gave birth to the national market. I am a management consultant, public company director and adjunct professor of public policy and administration at the Australian Graduate School of Management.



(K P Baxter)
Chairman

Sydney
6 September 2002

The Advocacy Panel
Income and expenditure statement
For the year ended 30 June 2002

	Notes	2002 \$	2001 \$
Revenue from ordinary activities	3	720,793	-
Employee benefits expense		(27,600)	-
Administration expenses		<u>(6,306)</u>	-
Surplus from ordinary activities before income tax expense		686,887	-
Income tax expense		<u>-</u>	-
Surplus from ordinary activities after income tax expense		<u>686,887</u>	-

The above statement of financial performance should be read in conjunction with the accompanying notes

The Advocacy Panel
Statements of cash flows
As at 30 June 2002

	Notes	2002 \$	2001 \$
Current assets			
Cash	4,6	645,356	-
Receivables	5,6	<u>111,690</u>	<u>-</u>
Total current assets		<u>757,046</u>	<u>-</u>
Total assets		<u>757,046</u>	<u>-</u>
Current liabilities			
Payables		2,000	-
GST payable		<u>68,159</u>	<u>-</u>
Net assets		<u>686,887</u>	<u>-</u>
Panel's funds			
Accumulated surplus		<u>686,887</u>	<u>-</u>
Total Panel funds		<u>686,887</u>	<u>-</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

The Advocacy Panel
Statements of cash flows
As at 30 June 2002

	2002	2001
	\$	\$
Cash flows from operating activities		
Receipts from market participants (inclusive of goods and services tax)	669,322	-
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(31,906)</u>	-
	637,416	-
Interest received	<u>7,940</u>	-
Net cash inflow (outflow) from operating activities	<u><u>645,356</u></u>	-
Net increase in cash held	645,356	-
Cash at the beginning of the financial year	<u>-</u>	-
Cash at the end of the financial year	4 <u><u>645,356</u></u>	-

The above statements of cash flows should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

It is prepared in accordance with the historical cost convention except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

As a result of applying the revised Accounting Standard AASB 1018 *Statement of Financial Performance*, revised AASB 1034 *Financial Report Presentation and Disclosures* and AASB 1040 *Statement of Financial Position* for the first time, a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period.

(a) Income tax

The entity is exempt from the payment of Federal income tax.

(b) Receivables

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(c) Payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(d) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(e) Going concern

The ability of the Panel to continue as a going concern is dependent upon the continuation of the guarantee of members and the continuation of the national electricity market.

Note 2. Segment information

The Panel is an administrative body operating predominantly in the electricity market within Australia.

Note 3. Revenue

	2002	2001
	\$	\$
Revenue from operating activities		
Participant fees	712,853	-
Interest	7,940	-
	<u>720,793</u>	<u>-</u>
Revenue from ordinary activities	<u>720,793</u>	<u>-</u>

Note 4. Current assets - cash assets

	2002	2001
	\$	\$
Cash at bank and on hand	<u>645,356</u>	<u>-</u>
	<u><u>645,356</u></u>	<u><u>-</u></u>

Note 5. Current assets - receivables

	2002	2001
	\$	\$
Trade debtors	<u>111,690</u>	<u>-</u>
	<u><u>111,690</u></u>	<u><u>-</u></u>

Note 6. Financial instruments

(a) Credit risk exposures

The credit risk on financial assets which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk exposures

The Panel's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Fixed interest maturing in:					
		Weighted average interest rate	Floating interest rate	Non interest bearing	Total
2002	Notes	\$	\$	\$	\$
Financial assets					
Cash and deposits	4	4.15	645,356	-	645,360
Receivables	5		<u>-</u>	<u>111,690</u>	<u>111,690</u>
			<u>645,356</u>	<u>111,690</u>	<u>757,050</u>
Financial liabilities					
Trade and other creditors			<u>-</u>	<u>68,159</u>	<u>68,159</u>
			<u>-</u>	<u>68,159</u>	<u>68,159</u>
Net financial assets (liabilities)			<u><u>645,356</u></u>	<u><u>43,531</u></u>	<u><u>688,891</u></u>

(c) Net fair value of financial assets and liabilities

(i) On-balance sheet

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Note 7. Remuneration of chairman

	2002	2001
	\$	\$
Income paid or payable, or otherwise made available, to the chairman of the Panel by the Panel and related parties in connection with the management of affairs of the Panel.	<u>27,600</u>	<u>-</u>

Note 8. Remuneration of auditors

	2002	2001
	\$	\$
Remuneration for audit or review of the financial reports of the Panel: Auditor of the company - PricewaterhouseCoopers Australian firm	<u>2,000</u>	<u>-</u>

Note 9. Reconciliation of surplus from ordinary activities after income tax to net cash inflow from operating activities

	2002	2001
	\$	\$
Surplus from ordinary activities after income tax	686,887	-
Change in operating assets and liabilities.		
Decrease (increase) in trade debtors	(111,690)	-
Increase (decrease) in trade creditors	2,000	-
Increase (decrease) in GST payable	<u>68,159</u>	<u>-</u>
Net cash inflow from operating activities	<u>645,356</u>	<u>-</u>

Note 10. Related Parties

Panel

The chairman of The Panel from its establishment and during the rest of the financial year was Ken Baxter.

Note 11. Entity Structure

The Panel was established under the National Electricity Code. Its chairman is appointed by NECA. The four members of the Panel are required to be appointed by the chairman in accordance with procedures set out in the Code.

**The Advocacy Panel
Statement by the chairman**

30 June 2002

The financial statements and notes set out on pages 4 to 10 have been approved and adopted.

A handwritten signature in black ink, appearing to read 'K P Baxter', written over a light grey rectangular background.

(K P Baxter)
Chairman

Sydney
6 September 2002

Independent audit report to The Advocacy Panel

Audit opinion

In our opinion, the financial report, set out on pages 4 to 11:

- presents fairly the financial position of The Advocacy Panel as at 30 June 2002 and of its performance for the Year ended on that date
- is presented in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report - responsibility and content

The preparation of the financial report for the Year ended 30 June 2002 is the responsibility of The Panel. It includes the financial statements for The Panel.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to The Panel. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the committee or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with Accounting Standards and other mandatory reporting requirements in Australia, which is consistent with our understanding of The Panel's financial position, and its performance as represented by the results of its operations and cash flows.

The procedures included:

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the committee in their preparation of the financial report
- obtaining written confirmation regarding material representations made to us in connection with the audit
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of The Panel and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia and the Auditing and Assurance Standards Board.

PricewaterhouseCoopers
Chartered Accountants

Andrew Forman
Partner

Adelaide
6 September 2002