



Consumer Utilities
Advocacy Centre
ACN 100 188 752

Annual Report 2006-07

Mission statement

CUAC Mission

To ensure the interests of Victorian consumers, especially low-income, disadvantaged, rural and regional and indigenous consumers, are effectively represented in the policy and regulatory debate on electricity, gas and water.

CUAC Values

We believe:

- All Victorians have a right to affordable and sustainable electricity, gas and water;
- All Victorians have a right to have their interests heard in policy and regulatory decisions on electricity, gas and water; and
- All Victorians have a right to not be disconnected from electricity, gas and water due solely to an inability to pay.

CUAC Corporate Objectives

CUAC achieves its mission through its corporate objectives, which are:

1. To provide a voice for Victorian utility consumers in the regulatory debate;
2. To increase the capacity of consumers and consumer advocates to influence the regulatory debate, particularly on issues affecting low-income, disadvantaged and rural consumers;
3. To research and to fund research into consumer utility issues, with a particular focus on low-income, disadvantaged and rural consumers, and to disseminate that knowledge as widely as possible; and
4. To monitor consumer utility issues, particularly those affecting low-income, disadvantaged and rural consumers.

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Chairman's Report

It is with great pleasure that I present the Annual Report of the Consumer Utilities Advocacy Centre Ltd (CUAC) for the financial year 2006/07.

This has been a year characterised by change for CUAC. We farewelled Chris Field as Chair in March this year, when he left Victoria to take up his appointment as Ombudsman in Western Australia. Chris was an inaugural member of the CUAC Board, and we thank him for his contribution to CUAC and to Victorian utilities consumers. We wish him all the best in his new role. We were pleased to welcome Sandra Slatter to the Board of Directors – Sandra's expertise and experience, particularly on behalf of rural and regional small businesses, has added a valuable dimension to CUAC's strategic direction.

I would like to thank Chris, Sandra, and our other Directors - Deputy Chair Rob Bladier, John Mumford, and Peter Hansen - for their contribution to CUAC over the last twelve months. The Board continues to ensure the organisation provides very real value for Victorian consumers.

This has been another busy year for CUAC – State and Commonwealth governments actively pursued reform agendas in energy and water, the new national energy regulators and the State regulator undertook a number of substantial reviews, there was significant and welcome collaboration with industry to improve policies aimed at consumers in hardship, and an increasing focus on energy and water as policy responses to climate change were formulated. All ensured a year of heavy demands on CUAC resources, as an advocate and a grantmaker.

CUAC's staff not only rose admirably to those challenges, ensuring that Victorian consumers were effectively represented in all of those decisions, but also found the time and energy to be proactive in developing the work program. The Board is very appreciative of the continued dedication and commitment of our staff, which means we exercise real influence in important policy and regulatory decisions.

Joan Sturton-Gill
Chair

Executive Officer's Report

The following report outlines in detail our key activities over the past year, but I would like to highlight the emergence of some broader trends that present current and future challenges for CUAC, and provide the context for our work program going forward. They are:

- Ensuring the level of regulation correctly addresses market failures - energy and water are essential services but these markets are too immature to rely on competition alone to provide adequate protection to consumers;
- Managing the impact of future price increases, to ensure continued access to energy and water for all Victorians, particularly low-income, disadvantaged and rural consumers;
- Ensuring consumers are not disadvantaged by policy or market responses to climate change;
- Identifying policies and programs to encourage energy and water efficiency, as these promise one of the most effective ways of securing affordability; and
- Ensuring consumers' interests are appropriately reflected in government, industry and regulators' decisions; and that consumers have access to specialist expertise to help negotiate a complex regulatory and policy framework.

I would like to thank CUAC staff – May Mauseth Johnston, James Henshall, Kerry Munnery and Tosh Szatow – for all their hard work over the past year. This is - and will continue to be - a demanding sector to work in, and the calls on CUAC resources remain many and varied. The staff continue to show a professionalism and commitment to their work and to Victorian utilities consumers which is impressive, and very much appreciated.

Kerry Connors
Executive Officer

Market Regulation

CUAC actively represented Victorian consumers in State and national policy and regulatory decisions during 2006/07, focusing particularly on the interests of low-income, disadvantaged and rural consumers.

The pace of reform continued to be intensive over the past year, particularly in relation to the development of national legislation and rules governing energy retail and distribution. CUAC represented Victorian consumers in a diverse range of State and national policy and regulatory reviews, ranging from emissions trading to the licensing of small scale networks to the development of a regulatory compliance regime.

The following outlines in more detail the major decisions and processes in which CUAC advocated on behalf of Victorians:

National Energy Market Reform

The development of a national energy retail and distribution regulatory framework continued to be a major focus, occupying significant time and resources. The movement of regulation from State to national economic regulators poses significant risks for Victorian consumers, who enjoy the most effective consumer protection framework and, according to some, the most competitive marketplace in the country.

CUAC has been an active participant in the following processes:

- **Retail Policy Working Group (RPWG)** was formed within the Standing Committee of Officials (SCO), which in turn advise the Ministerial Council on Energy (MCE) on the structure of consumer protections going forward. The RPWG has sought input from stakeholders on the range of retail and distribution issues formally through a series of consultation papers and through the deliberations of the Stakeholder Reference Group, of which CUAC is a member.
- **National legislative and regulatory framework for retail and distribution:** CUAC advocated for Victorian consumers in relation to the proposed legislative changes to the gas and electricity access regimes, including on the common framework for revenue and network pricing. A major contribution was commentary on the merits review mechanism for energy, where CUAC research on the outcomes of the Victorian merits review process was used to ensure the mechanism facilitated access by consumers and user groups.
- **National consumer advocacy:** CUAC also provided comments to the Ministerial Council on Energy on the proposed long-term model for supporting consumer advocacy. The new model continues with the existing Panel (i.e. primarily a grantmaker but with some capacity to commission research), but with more clearly defined accountability toward the MCE. In making guidelines on grant applications the funding model will have primary regard for the interests of small to medium consumers, a position CUAC has supported, given it is those consumers who need more assistance. Bizarrely, the threshold for small to medium has been defined as less than 4GWh or 100 TJ per annum –or an annual electricity bill that could be roughly estimated at between \$400,000 - \$500,000, and an even higher gas bill!
- **National Consumer Roundtable on Energy:** CUAC and Consumer Action Law Centre convened a series of National Consumers Roundtables in 2006/07, funded by the National Electricity Consumers Advocacy Panel. The Roundtables build capacity within the consumer movement, and develop collaborative advocacy strategies to ensure the interests of small end-users, particularly low-income and disadvantaged consumers, are incorporated in the development of a national energy market. Participants come from a range of consumer organisations representing residential consumer and environmental interests, and all states are represented. The Roundtable has successfully positioned itself within the national decision-making framework as a key point of contact for organisations representing residential and low-income consumers. The Roundtable finalised a Charter of Principles of Energy Supply (available on CUAC's website).

- **Ministerial Council for Energy's Smart Meter Stakeholder Working group (SMSWG)** The Department of Industry, Tourism and Resources (DITR) is convening a series of workshops on behalf of the MCE to gather stakeholders' input, develop options, and prepare advice for COAG. The SMSWG has been consulted on a range of issues in relation to the Commonwealth's smart metering project, including broad risks and opportunities, the development of a cost-benefit analysis, roll out scenarios and possible the functionalities of the meters. CUAC is the only Victorian consumer organisation represented at the SMSWG.
- **Masterclass on pricing issues:** CUAC received a grant of up to \$12,000 (exc. GST) from the Advocacy Panel to convene a masterclass for members of the National Consumers Roundtable on Energy to build capacity within the sector on the more technical issues relating to the RPWG work. Held in October, the masterclass successfully briefed Roundtable members on issues relating to retail and network pricing.
- **Energy Reform Implementation Group (ERIG):** In June 2006, the Council of Australian Governments (COAG) established a high-level independent panel, the ERIG, which published a final report on the need for further reform in the national energy market. CUAC worked with the members of the National Consumers Roundtable on Energy to develop a joint response. Hampered by the short timelines for the review, ERIG's key recommendation of relevance to Victorian consumers focused on the development of a central transmission planning body.
- **Review of the effectiveness of full retail competition:** recognizing the importance of this process for Victorian consumers – resulting in a decision by the Victorian Government on the future need for retail price regulation – CUAC had input to the MCE processes developing the criteria to assess effectiveness, and has worked with the AEMC to help ensure that its framework and methodology will reflect consumers' experience in the marketplace.

Advanced Metering Infrastructure roll-out (AMI)

Advanced Metering Infrastructure became one of the most resource intensive issues of the year for CUAC. The Government is proceeding towards the implementation of a state-wide rollout of the infrastructure, and with Victoria taking the lead in the roll-out of this technology, its introduction needs to be carefully managed to ensure the best outcome for consumers.

CUAC sits on the AMI Industry Steering Committee along with industry, government and regulatory representatives, and consults with consumer representatives on agenda items that require a recommendation to Government for action. In addition, CUAC actively responded to various formal consultations on the AMI through the reporting period, including through the approval of the following EO Grants to:

- the Institute for Sustainable Futures to identify issues for small consumers in interval meter technology trials and pricing research to inform government development of the proposed trials; and
- Headberry Partners Pty. Ltd., which determined that the additional risks identified by the Distribution Businesses did not warrant an increase in the weighted average cost of capital (WACC) for the provision of metering services under the AMI program.

Gas Access Arrangements

CUAC was actively involved in the ESC Review of Gas Access Arrangements, a process which sets the network tariffs and service standards for the Victorian distribution businesses.

To ensure that the ESC considered the interests of low-income, disadvantaged and rural consumers, CUAC commissioned firstprinciples Pty Ltd, through a CUAC Initiated Research Grant, to research the reasons for the divergence in pricing and tariff structures in the last regulatory period. That research, and the seminar held to disseminate the results to CUAC Reference Group members, informed CUAC's representations to the ESC.

Customer Protection

A key part of this program has been the dissemination of information to CUAC stakeholders, which include Victorian consumers, consumer and community organisations, industry, governments and regulators. The following highlights our information and capacity-building activities.

CUAC Publications

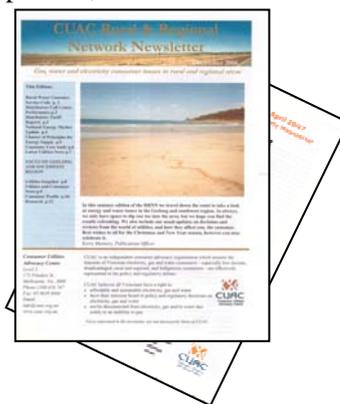
CUAC's journal, the *CUAC Quarterly*, enables CUAC to advocate to a broader audience, outside of the myriad regulatory and policy reviews, and to take part in or prompt discussions on emerging consumer energy and water issues. The evolving policy responses to climate change, which touch on energy and water, occupied a large proportion of the *CUAC Quarterly*, with articles on emissions trading, offsets, and least cost abatement. As the drought worsened and it became clear that more urgent action was needed to increase supply and reduce demand, consumer water issues also became more important, with a number of articles in the *Quarterly*.

The *Rural and Regional Newsletter* had a major overhaul, remodelled to highlight utilities issues in a specific rural area in each edition. Regions covered over the course of the year were the Wimmera, Ovens-Murray, Geelong and Surf Coast, and the Bass Coast area. Each edition also included the usual news and features keeping rural consumers up to date on utilities issues.

Both magazines increased readership by about 10% over the reporting period.

The CUAC website continues to be of value in acting as a clearinghouse for research funded through CUAC Grants, as well as CUAC publications.

The Publications and Research sections were upgraded to make it easier to access documents.



CUAC Grants Program

CUAC funded a wide range of research and capacity building projects, amounting in total to \$164,489 (exc. GST) during the reporting period.

One round of Public Grants was held, with four grants approved to a total of \$82,662 (exc. GST). Public Grant recipients were evenly split between consumer and academic organisations. As had become increasingly apparent in previous years, there was growing interest in consumer water issues. This was the last round of funding from the Public Grants Program, due to resource constraints.

This year also saw the first 'Partnership Grants' approved to a total of \$43,630 (exc. GST). Partnership Grants arise from the new CUAC Reference Group model, where members can recommend research or capacity building projects to the CUAC Board for approval. The projects are initiated from the workplans of the two partnership groups and are developed collaboratively with members. The aim is to produce work which is not only recognised broadly as a priority, but is also 'owned' by all of those organisations, to improve advocacy on the findings. Partnership Grants are subject to Grants Program policies and procedures.

Within the reporting period there was only one CUAC-Initiated Research Grant provided, of \$20,000 (exc. GST) to firstprinciples Pty Ltd, to undertake research relating to the ESC Gas Access Arrangement Review.

Executive Officer Grants to a total of \$18,197 (exc GST) were provided throughout the year, all directed to research to facilitate advocacy on behalf of consumers to regulatory or policy reviews.

The next page contains a full list of CUAC Grants approved in 2006/07.

Grants approved 2006/07

Grant Recipient	Project Focus	\$ (exc. GST)
	Public Grants	
La Trobe University Wodonga Campus	To review the application of demogrants internationally with particular emphasis on the water sector. Undertake a Cost Benefit Analysis of different demogrant models to provide a basis of comparison with IBTs and to inform decision makers. In consultation with industry representatives and government agencies, explore potential models for the deployment of demogrants in Victoria.	17,852
Monash University, Centre for Regulatory Studies	To provide a one day workshop for expert commentary on the environmental impact of electricity supply and use and facilitate discussion on the ramifications of unsustainable consumption for current and future consumers.	24,200
Tenants Union of Victoria	To improve the effectiveness of energy and water provision to low-income households in rented premises by: making submissions to relevant ESC reviews and processes including: small scale licensing review implementation, financial hardship review implementation, licensing framework review, customer education and information, water price review & tariff proposals. Reviewing and reporting on rental housing standards issues affecting energy consumption and liaising with relevant Government authorities.	20,680
Victorian Farmers Federation	To produce information for use in the development of pricing models for the future usage of recycled water in agriculture/horticulture production. To assist rural users to make informed decisions about the usage of recycled water in their farming practices.	19,930
	Partnership Grants	
Alternative Technology Association of Australia	The project will examine various community based energy and water initiatives across Victoria, to produce a series of case studies to demonstrate the value of such initiatives, impediments to their implementation, and their benefits to the community, in order to increase awareness among decision-makers.	14,340
Frain Consulting	To develop a training template for community organisations based on the research done by Springvale Community Aid and Advice Bureau, to enable community organisations to better equip their constituents to manage their energy and water consumption and deal with utility companies.	12,000
People First - Total Solutions	The research will produce a catalogue of consumer protections detailing the link between each protection, its rationale and the demonstrable market and consumer outcomes derived from the protection.	17,290
	CUAC Initiated Research Grants	
first principles Pty Ltd	Research into the structure of reference tariffs for gas in Victoria over the regulatory period 2003-2007. The primary task of the project is to analyse and explain the extent of the divergence in gas reference tariffs.	20,000
	EO Grants	
Consumer Law Centre Victoria	Submission in response to the Early Termination Fees Compliance Review Draft Submission	4,900
Headberry Partners	Response to Department of Primary Industries discussion paper on cost of capital financing for advanced metering infrastructure. The project will assess whether the additional risks identified by distribution businesses are non-diversifiable and should be considered in determining a risk premium for the weighted average cost of capital for the provision of metering services under the advanced metering infrastructure.	7,272
Tenants Union of Victoria	Research into the impact of exempt networks on residential tenants, for input to the ESC Review of licensing of small scale networks	4,025
Footscray Community Legal Centre and Financial Counselling Services	Submission and survey relating to the Australian Energy Market Commission's Review of the effectiveness of retail competition	2,000
	TOTAL	164,489

Affordability and access

Ensuring Victorian consumers have access to affordable energy remained a priority for CUAC throughout the reporting period. The following highlights some of CUAC's key activities in this area over the reporting period.

Energy and Water Hardship Policies

Effective hardship policies are crucial to maintaining access to energy and water for low-income households, and CUAC continues to work hard to ensure these policies are appropriately developed and implemented.

Following the Government's Committee of Inquiry into Financial Hardship of Energy Consumers last year, CUAC participated in the Energy Hardship Policy Working Group to oversee the Government's response. The working group met regularly up to December 2006 to discuss such issues as communicating changes in concessions, and developing the training package for financial counsellors.

CUAC also worked actively with energy companies on hardship policies. We convened a workshop to enable three largest retailers to provide an early briefing on their hardship policies to the CUAC Reference Group and other interested stakeholders. CUAC was involved in the development, and welcomed the launch of the *Guiding Principles for Utility Consumers experiencing financial hardship* developed within the auspices of the Committee for Melbourne's Utility Debt Spiral Project, which provides a series of best practice principles for companies' hardship programs. CUAC staff gave a presentation to members of the TRUenergy call centre staff to discuss issues relating to assisting consumers in financial hardship.

To help ensure the regulatory framework provides as effective assistance as possible, CUAC was actively involved in the ESC review of water hardship policies, and its review of retailers' energy hardship policies, including as a member of the Reference Group developing the criteria to assess best practice. CUAC also worked with the ESC and other stakeholders to help achieve indicators that will inform us about the effectiveness of each retailer's hardship program (such as disconnection rates, or the number of payment plans offered to customers). As the government and the ESC have given the retailers considerable flexibility in developing their hardship programs to stimulate innovation and best practice, it is important that the evaluation consider the specific program each retailer offers to alleviate hardship among their customer base.

Energy Efficiency

CUAC research to assess past and present energy efficiency programs aimed at assisting low-income Victorian consumers in Australia and overseas was a major focus of activity over the reporting period. The project is funded by a grant from the Victorian Property Fund. The research outputs will be released in three stages, with the first report providing an extensive overview of issues relating to the development and implementation of energy efficiency programs. As part of the research project, CUAC worked with Kildonan Child and Family Services to undertake energy audits on five low-income households, all of which had experienced some problems paying energy bills. Details of the case studies will be included in the report, due out shortly.

Energy efficiency has also become an increasing focus of government, and CUAC made a detailed response to the Department of Primary Industries Issues Paper on the Victorian Energy Efficiency Target Scheme, recommending the use of a portfolio approach - where certain priority groups such as low-income, tenants, and rural consumers are allocated specific targets - to ensure an equitable distribution of the benefits from government actions.

Rural Energy Consumers Forum

CUAC, in conjunction with the Department of Infrastructure, convened a Forum for rural and regional consumers of gas and electricity on 13-14 July 2006 in Ballarat. The Forum was undoubtedly a highlight of 2006/07.

The 2006 Rural Energy Consumers Forum brought together energy consumers with key members of the energy industry and its policy makers. It was a rare chance for Victorian consumers to discuss their energy issues directly with decision makers.



The Minister for Energy and Resources, the Hon. Theo Theophanous, gave the keynote address, announcing that Victoria's strong consumer protection laws will continue to protect families regardless of whether a national energy framework is adopted. We were very pleased that the Minister chose a CUAC-organised, regionally-based event to deliver this message.



The Forum provided consumers with the opportunity to meet with people with similar energy issues and to develop partnerships to work together on issues of common concern.

The agenda covered a broad range of issues including, price, quality and reliability of supply, empowering rural and regional customers, energy infrastructure and regional economic competitiveness, issues facing low income consumers, and how the move to a national electricity market will impact on rural and regional Victorians.

Throughout the two-day event some strong themes emerged consistently across a number of sessions and are worth highlighting. The main themes of the Forum were:

- The need to maintain a robust consumer protection regime.
- Great interest in restructuring the Energy Taskforce.
- An acknowledgement that there still is a problem with marketing by retailers.
- Emphasis that engagement with rural consumers is extremely important at a state and even more so at a national level as we move to national regulation.
- That poor energy infrastructure restricts a community's economic and social development.

Sustainability

Over the past year, public concern on the impact of climate change increasingly influenced policy and regulation on a whole range of consumer energy and water issues, including pressure for higher energy and water prices to incorporate the cost of carbon, reflect the scarcity of the resources, and create incentives to reduce demand. But energy and water are essential services, and how consumers, particularly those on low-incomes, retain access presents real challenges, especially when price is presented as a mechanism to drive behavioural change.

CUAC's advocacy in these debates focused on the interests of consumers, particularly low-income, disadvantaged and rural consumers, as we participated in a range of new areas including emissions trading, regulation of carbon offsets, equity issues for climate change, and the role of renewable and distributed generation. The recently announced desalination plant and related major infrastructure projects will significantly increase prices for water consumers in Melbourne, highlighting the need to review the concessions regime to ensure access for low-income households, and raising questions of equity in relation to how costs are allocated to consumers. CUAC also increasingly engaged with environmental advocates, including speaking at the Sustainable Living Festival and Australian Business Council for Sustainable Energy Conference.

Governance

The following Directors' Report outlines in detail CUAC's compliance with its obligations under Corporations Law. There were, however, some developments of note in CUAC's governance in the 2006/07 financial year.

CUAC Board

There were changes to the CUAC Board in the reporting period, with the retirement of Joan Sturton Gill at the 2006 Annual General Meeting, and the appointment of new Director Sandra Slatter.

Chair Chris Field resigned on 23 March 2007 to take up the position of WA Ombudsman. Joan Sturton Gill was re-appointed to the Board as Chair with effect from 11 June 2007.

Board vacancies were advertised, with the selection process still underway as at time of writing.

CUAC Strategic Planning Day

CUAC held a Strategic Planning Day in May 2007 with CUAC Board and staff, to reflect on the organisation's past and present and to set priorities for the future. It was a useful process that has set the organisation a clear path for the year to come. The top priorities identified in discussions were (recognizing there is overlap between them):

- National Energy Market – fair regulatory outcomes that maintain protections;
- Pricing – a consensus model that protects customers and promotes competition;
- Climate change – making sure the interests of vulnerable consumers are protected;
- Rural and regional issues – a specific focus on making sure the needs of this group are not ignored; and
- Hardship – ensuring consumers in financial difficulty are treated fairly.

CUAC Reference Group

CUAC's Reference Group worked very constructively through the reporting period. The restructure of the Reference Group in early 2006 created two partnership groups, the Domestic Issues Group, which focuses on the issues of residential consumers, particularly low-income and disadvantaged consumers, and a Market Issues Group, that addresses broader market and competition issues, focusing on the needs of rural and regional customers, and water. The workplan and minutes of each meeting are posted on CUAC's website. A full list of members is at Appendix B.

Partnership Grants

Each group agreed on priority issues and actions to work cooperatively on through the year. A key feature of the restructure was to enable each Partnership Group to recommend research or capacity-building projects to the CUAC Board, for funding through the CUAC Partnership Grants program.

Partnership Grants approved for the 2006/07 period were:

- A grant of \$14,340 (exc. GST) to Alternative Technology Association to examine various community based energy and water initiatives across Victoria, to demonstrate the value of such initiatives, impediments to their implementation, and their benefit to the community, in order to increase awareness among decision-makers of these initiatives, and how they should be facilitated;
- A grant to Frain Consulting of \$12,000 (exc. GST) to develop a training template, based on the work done by Springvale Community Aid and Advice Bureau, to enable community organisations to better equip their constituents to manage their energy and water consumption and deal with utility companies; and
- A grant of \$17,290 (exc. GST) to People First-Total Solutions to produce a catalogue of consumer protections, detailing the link between each protection, its rationale and the demonstrable market and consumer outcomes derived from the protection.

Annual Discussion Forum

In addition to the quarterly meetings of the DIG and MIG, the Reference Group met as a group with the Board in a Forum on 19 April 2007, in order to fulfill its constitutional obligation to advise the CUAC Board on current and emerging issues. The discussion was guided by an independent facilitator, to set key directions for the coming year and to enable members to talk directly with CUAC's Board. A full report of discussions is available on CUAC's website.

At the Forum, Reference Group members highlighted the following consumer energy and water issues as priorities:

Themes	Priority Issues		
National Energy Market Reform	<ul style="list-style-type: none">retaining protections	<ul style="list-style-type: none">retail price regulation	<ul style="list-style-type: none">influencing new regulators
Access and Equity	<ul style="list-style-type: none">affordability of energy and water prices	<ul style="list-style-type: none">fair consumer contracts	<ul style="list-style-type: none">equity in cost allocation and sharing
Rural Consumer Issues	<ul style="list-style-type: none">inequitable treatment of rural/metro consumers	<ul style="list-style-type: none">stranded assets	<ul style="list-style-type: none">energy reliability
Sustainability	<ul style="list-style-type: none">infrastructure reliability and funding	<ul style="list-style-type: none">security of supply	<ul style="list-style-type: none">impact of policies on consumers
Future Impacts	<ul style="list-style-type: none">climate change policies	<ul style="list-style-type: none">market structure	<ul style="list-style-type: none">election

CUAC representation

Staff represent CUAC in the following fora:

- Essential Services Commission Customer Consultative Committee
- Australian Energy Market Commission Reliability Panel
- Consumer Affairs Victoria Working Together Forum
- Department of Primary Industries Advanced Metering Infrastructure Industry Steering Committee
- Retail Policy Working Group Stakeholder Reference Group
- Energy and Water Ombudsman Victoria Case Handling Advisory Committee
- SP Ausnet Stakeholder Consultative Committee
- Origin Energy National Consultative Committee
- Victorian Council of Social Service Essential Services Working Group
- Ministerial Council on Energy Smart Meter Stakeholder Working Group

Directors' report

The directors of the Consumer Utilities Advocacy Centre Ltd present this report for the financial year ended 30 June 2007.

Directors

The names of the directors at the date of this report are:

Ms Joan Sturton-Gill, B.Ed, Grad Dip Career Ed, Masters Administration	Chair – appointed 11 June 2007 Director – retired 14 August 2006
Mr Chris Field, BA LLB (Hons)	Chair – resigned 23 March 2007
Mr John Mumford, Dip Community Services (Financial Counselling)	Director
Mr Robert Bladier, B Sc (Monash). Dip Ed (Rusden SCV), MBA (Melb. Business School)	Director
Fr Peter Hansen, M.A. (Monash), Llb (Melb.), B Theol (Honours)	Director
Ms Sandra Slatter, CM, MIEF, Grad. Dip (Swinburne) Entrepreneurship & Innovation, Grad Dip (Monash) Arts, Civil Ceremonies	Director – appointed 14 August 2006

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

No director has any interest in business contracts or proposed financial dealings for personal benefit with the company declared during the financial year ended 30 June 2006.

The company is incorporated as a company limited by guarantee and therefore does not have share capital.

The CUAC Constitution stipulates the skills and expertise that Directors bring to the organisation. The Chair must hold a demonstrated understanding of regulated industries and consumer advocacy methodologies, two Directors are appointed on the basis of their knowledge and expertise in areas related to the functions of the company, such as economics, regulatory affairs, consumer affairs or communications and the remaining two Directors represent key consumer interests.

Directors' Meetings

During the current financial year ended 30 June 2007, five meetings of the company's directors were held, in respect of which, each director of the company attended the following number:

Director	Number of Meetings Conducted whilst a Director	Number of Meetings Attended
Ms Joan Sturton-Gill	2	2
Mr Chris Field	4	3
Mr Robert Bladier	5	5
Fr Peter Hansen	5	3
Mr John Mumford	5	5
Ms Sandra Slatter	5	5

Company Secretary

The name of the person who is a company secretary at the end of the financial year is Kerry Connors, BA, Grad. Dip in Foreign Affairs and Trade, MA (underway).

Operating Result

The deficit of the organisation for the year ended 30 June 2007 amounted to \$40,247 (2006: surplus of \$67,229).

Review of Operations

A review of the operations of the company for the year ended 30 June 2007 is contained in the Report on CUAC activities.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the company occurred during the year ended 30 June 2007.

Principal Activities

In line with CUAC's corporate objectives (see inside cover), the principal activities of the company in the course of the financial year were: to operate as an independent advocate for Victorian electricity, gas and water consumers, particularly low-income, disadvantaged and rural consumers; to increase the capacity of consumers and consumer advocates to participate in policy and regulatory decisions on electricity, gas and water through its own resources and its management of the CUAC Grants Program; to undertake research and commission research into consumer utility issues, with a particular focus on low-income, disadvantaged and rural consumers, and to disseminate that knowledge as widely as possible; and to monitor consumer utility issues, particularly those affecting low-income, disadvantaged and rural consumers. There were no significant changes in these activities during the financial year.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

Future Developments

In the opinion of the directors there are no likely developments in the operations of CUAC which would affect the results of future years.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnities and insurance for directors and officers

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary and all executive officers of the company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001, to the amount of \$10 million. The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on Behalf of Company

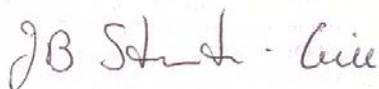
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

Signed in accordance with a resolution of the Board of Directors.



Joan Sturton-Gill
Chair

Melbourne, 27th August 2007

RSM Bird Cameron Partners

Chartered Accountants

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www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial statements of the Consumer Utilities Advocacy Centre Limited for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Chartered Accountants

K C Wood

K C WOOD

Partner

27 August, 2007

Melbourne

Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an
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International, an affiliation of independent
accounting and consulting firms.



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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE CONSUMER UTILITIES ADVOCACY CENTRE LIMITED

We have audited the accompanying financial report of the Consumer Utilities Advocacy Centre Limited ("the company"), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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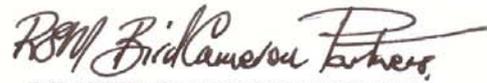
Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion the financial report of the Consumer Utilities Advocacy Centre Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.


RSM BIRD CAMERON PARTNERS
Chartered Accountants


K C WOOD
Partner

Signed at Melbourne

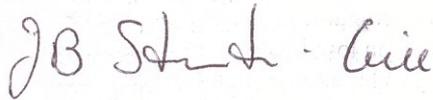
Dated: 27 August 2007

Directors' Declaration

The Directors of the company declare that:

1. The financial statements and notes set out on pages 18 to 28 are in accordance with the Corporations Act 2001 and,
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Joan Sturton-Gill
Chair

Melbourne, 27th August 2007

Income Statement

for the Financial year ended 30 June 2007

	Note	2007 \$	2006 \$
Revenue from Ordinary Activities	2	<u>543,343</u>	<u>660,691</u>
		<u>543,343</u>	<u>660,691</u>
Grant Programs		170,713	214,772
Employee Benefits		335,629	282,451
Depreciation		4,808	12,596
Rent		19,624	18,628
Audit and Accounting		5,238	4,783
Insurance		12,154	15,077
Office Expenses		12,720	13,544
Grants Program Advertising		2,031	3,495
CUAC Events		1,715	3,768
Other Expenses from Ordinary Activities		<u>18,958</u>	<u>24,348</u>
		<u>583,590</u>	<u>593,462</u>
Surplus/(Deficit) from ordinary activities before income tax expense	3	<u>(40,247)</u>	<u>67,229</u>
Income tax expense relating to ordinary activities		-	-
Net surplus/(deficit) from ordinary activities attributable to members of the company		<u>(40,247)</u>	<u>67,229</u>

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2007

	Note	2007 \$	2006 \$
CURRENT ASSETS			
Cash Assets	4	434,806	582,109
Receivables	5	77,525	57,070
TOTAL CURRENT ASSETS		<u>512,331</u>	<u>639,179</u>
NON-CURRENT ASSETS			
Plant and Equipment	6	12,738	16,205
TOTAL NON-CURRENT ASSETS		<u>12,738</u>	<u>16,206</u>
TOTAL ASSETS		<u>525,069</u>	<u>655,384</u>
CURRENT LIABILITIES			
Payables	7	100,567	197,616
Employee Benefits	8	18,554	11,573
TOTAL CURRENT LIABILITIES		<u>119,121</u>	<u>209,189</u>
TOTAL LIABILITIES		<u>119,121</u>	<u>209,189</u>
NET ASSETS		<u>405,948</u>	<u>446,195</u>
EQUITY			
Retained Profits	9	405,948	446,195
TOTAL EQUITY		<u>405,948</u>	<u>446,195</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2007

	Note	2007 \$	2006 \$
Balance at beginning of financial year		446,195	378,966
Surplus/(deficit) for the financial year		(40,247)	67,229
		<hr/>	<hr/>
Balance at end of the financial year		<u>405,948</u>	<u>446,195</u>

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2007

	Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Government Funding		479,545	575,400
Receipts for Consultant Fees		12,527	4,192
Interest received		30,816	30,839
Interest paid		-	-
Payments to suppliers and others		<u>(668,850)</u>	<u>(460,327)</u>
Net cash provided by (used in) operating activities	10(b)	<u>(145,962)</u>	<u>150,104</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Property, Plant and Equipment		<u>(1,341)</u>	<u>(2,251)</u>
Net cash (used in) investing activities		<u>(1,341)</u>	<u>(2,251)</u>
Net increase/(decrease) in cash held		(147,303)	147,853
Cash at the beginning of the financial year		<u>582,109</u>	<u>434,256</u>
Cash at the end of the financial year	4	<u>434,806</u>	<u>582,109</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the Year ended 30 June 2007

1 STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

The financial report covers CUAC as an individual entity. The company is an incorporated company limited by guarantee. In the event of the CUAC being wound up, the liability of each Member, or each former Member, resigning during the preceding year of CUAC being wound up is limited to an amount not exceeding \$10.00. As CUAC is limited by guarantee, there is no reference in the Balance Sheet of share capital or shareholders' equity. As at 30 June 2007 there was 1 member (2006: 1).

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs.

a) Income Tax

The company is a non-profit company for income tax purposes and is taxable only on non-member income.

b) Cash

Cash and cash equivalents include cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

c) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining the recoverable amount.

The depreciable amount of all fixed assets are depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and Equipment	5% - 25%

Notes to the Financial Statements for the Year ended 30 June 2007 (Cont'd)

1 STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

e) Revenue

Funding provided by the State Government is recognised on a receipts basis.

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

Funding provided by the State Government is not subject to goods and services tax (GST).

f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Funding received from the State Government is not subject to GST.

Notes to the Financial Statements for the Year ended 30 June 2007 (Cont'd)

	2007 \$	2006 \$
2 OPERATING REVENUE		
The revenue entering into the determination of the operating result is:		
Grant Funding Received	500,000	625,660
Consultant Fees	12,527	4,192
Interest Received	30,816	30,839
	<u>543,343</u>	<u>660,691</u>
3 OPERATING SURPLUS/(LOSS)		
Loss from ordinary activities after income tax:		
Remuneration of auditor audit of the company's financial report	<u>4,350</u>	<u>4,000</u>
4 CASH ASSETS		
Cash at Bank (St. George Bank)	<u>434,806</u>	<u>582,109</u>
5 RECEIVABLES		
Grants Receivable	62,169	54,871
GST Receivable	15,356	2,199
	<u>77,525</u>	<u>57,070</u>

Notes to the Financial Statements for the Year ended 30 June 2007 (Cont'd)

	2007 \$	2006 \$
6 PLANT AND EQUIPMENT		
Plant and Equipment - at Cost	63,035	61,695
Less Accumulated Depreciation	<u>(50,297)</u>	<u>(45,490)</u>
	<u>12,738</u>	<u>16,205</u>

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Plant and Equipment \$	Plant and Equipment \$
Balance at the beginning of the year	16,205	26,550
Additions	1,341	2,251
Depreciation expense	<u>(4,808)</u>	<u>(12,596)</u>
Carrying amount at the end of the year	<u>12,738</u>	<u>16,205</u>

7 PAYABLES

Grants payable	51,554	150,281
Creditors and accruals	<u>49,013</u>	<u>47,335</u>
	<u>100,567</u>	<u>197,616</u>

8 EMPLOYEE BENEFITS

Provision for Annual Leave	14,997	11,573
Provision for Long Service Leave	<u>3,557</u>	<u>-</u>
	<u>18,554</u>	<u>11,573</u>

9 RETAINED SURPLUS

Retained surplus at the beginning of the year	446,195	378,966
Net surplus/(deficit)	<u>(40,247)</u>	<u>67,229</u>
Retained surplus at the end of the year	<u>405,948</u>	<u>446,195</u>

Notes to the Financial Statements for the Year ended 30 June 2007 (Cont'd)

	2007	2006
	\$	\$

10 CASH FLOW INFORMATION

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash at bank	434,806	582,109
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(b) Reconciliation of Cash Flow from Operations with Surplus/(Deficit) from Ordinary Activities

Surplus/(Deficit) from ordinary activities after income tax	(40,247)	67,229
Non-cash flows in profit from ordinary activities:		
Depreciation	4,808	12,596
Changes in assets and liabilities		
(Increase)/Decrease in other assets	(20,455)	(49,547)
Increase/(Decrease) in payables	(97,049)	118,066
Increase in provisions	6,981	1,760
Cash flows from operations	<u>(145,962)</u>	<u>150,104</u>

Notes to the Financial Statements for the Year ended 30 June 2007 (Cont'd)

11 FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing	
	2007 %	2006 %	2007 \$	2006 \$	2007 \$	2006 \$
Financial Assets						
Cash at Bank	6%	5.5%	434,806	582,109	-	-
Receivables	-	-	-	-	77,525	57,070
Total Financial Assets			434,806	581,109	77,525	57,070
Financial Liabilities						
Trade and other creditors	-	-	-	-	100,567	197,616
			-	-	100,567	197,616

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the Balance Sheet and Notes to the Financial Statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(c) Net fair values

The carrying amount of bank deposits, prepayments, accounts payable, accounts receivable and deferred revenue approximate fair value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Balance Sheet and in the Notes to the Financial Statements.

Notes to the Financial Statements for the Year ended 30 June 2007 (Cont'd)

12 RELATED PARTY TRANSACTIONS

There were no related party transactions during the reporting period.

13 EVENTS SUBSEQUENT TO BALANCE DATE

No events have occurred since balance date, which have a significant impact on the operations of the company.

14 EMPLOYEE NUMBERS

The number of employees as at 30 June 2007 was 5 (EFT 4) (2006: 4).

15 KEY MANAGEMENT PERSONNEL COMPENSATION

	Salary	Superannuation	Non-cash benefits	Total
2007				
Total compensation	149,504	12,910	-	162,414
2006				
Total compensation	139,338	11,844	-	151,182

16 ECONOMIC DEPENDENCE

The continued operation of the organisation is dependent on ongoing funding from the State Government.

17 COMPANY INFORMATION

The registered office and principal place of business of the Company is:

Consumer Utilities Advocacy Centre Ltd
Level 2, 172 Flinders Street
Melbourne VIC 3000

Appendix A: CUAC Work Program 2006/7 Objectives

Market Regulation:

CUAC's objectives are

- To represent the interests of Victorian consumers in National Energy Market reform
- To ensure that Victorian consumers are effectively represented in the ESC Review of the gas access arrangements 2008-2012
- To ensure that Victorian consumer interests are incorporated into the Government's decision-making processes in relation to the mass roll-out of advanced communications interval meters
- To ensure that Victorian consumers' interests with regard to water pricing are effectively represented to the regulator and to government
- To advocate for the appropriate level of consumer protections for retail pricing in the AEMC review of effectiveness of full retail competition
- To ensure consumers are represented in other relevant regulatory/policy decisions

Customer Protection

CUAC's objectives are

- Water: to ensure Victorian consumer organisations/representatives are more effectively represented in regulatory and business decisions
- Communications with consumers: to position CUAC as a source of information on the policy and regulatory debate and ensure that Victorian consumers are able to access relevant information easily
- CUAC Grants Program: to provide support to consumer and community groups to participate more effectively in the policy and regulatory debate on electricity, gas and water

Affordability and Access

CUAC's objectives are

- Energy efficiency: CUAC-initiated research to analyse public policy programs in Australia and overseas that facilitate improved energy efficiency among low-income and disadvantaged consumers, and to identify best practice framework for adoption by Victorian Government
- Government inquiry on energy affordability: To secure a more cohesive government policy response for consumers from the Government inquiry on financial hardship for energy consumers
- Hardship: To ensure that best practice hardship policies are adopted by energy and water retailers in Victoria, and advocate for their application within a national retail regulatory regime

Governance

CUAC's objectives are

- To ensure that CUAC meets its constitutional objects and obligations in a responsible, transparent and accountable manner
- To ensure that CUAC meets its obligations under the Corporations Act and in accordance with its agreement with the Member
- To ensure that the Reference Group's Constitutional responsibilities are met, and to use the Partnership Group model to secure outcomes of greater value for consumers
- To seek feedback from CUAC's key stakeholders to develop a medium term strategic plan

Appendix B: Reference Group Members

- Brotherhood of St Laurence
- Consumers' Federation of Australia
- Consumer Action Law Centre
- Eastern Access Community Health
- Financial and Consumer Rights Council
- Housing for the Aged Action Group
- National Seniors Association
- Springvale Community Aid + Advice Bureau
- St Vincent de Paul Society (Victoria)
- Tenants Union Victoria
- Victorian Council of Social Service

Market Issues Group

- Alternative Technology Association
- Australian Industry Group
- Australian Business Council for Sustainable Energy
- City of Greater Bendigo (Industry and Economic Development Unit)
- Environment Victoria
- Victoria Farmers Federation