

# **CUAC**



Annual Report

2007/8





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### **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:

To provide a voice for Victorian utility consumers in the regulatory debate;

To increase the capacity of consumers and consumer advocates to influence the regulatory debate, particularly on issues affecting low-income, disadvantaged and rural consumers;

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

To monitor consumer utility issues, particularly those affecting low-income, disadvantaged and rural consumers.

### **Chairman's Report**

It is with pleasure that I present the Annual Report of the Consumer Utilities Advocacy Centre Ltd (CUAC) for the year ending 30 June 2008.

As CUAC this year celebrated its sixth anniversary, the Board considered it timely to reflect on how best to build on the organisation's professionalism, commitment and expertise.

To inform that process, we commissioned an independent evaluation of CUAC, consulting stakeholders from consumer organisations, government, the regulator, the Ombudsman and industry. The evaluation underlined the success of the 'CUAC model' in providing a voice for Victorian consumers, to inform and influence policy and regulatory decisions. CUAC has retained its independence and built a solid reputation across the sector, has helped build a cooperative community of energy and water consumer advocates in Victoria and nationally, procured timely and cost-effective grassroots research, and worked constructively with the demand and supply-sides, as well as forging links with academic institutions to further consumer research on energy and water issues. The Board owes a debt of gratitude to Consumer Affairs Victoria and, particularly, Lois Goodes, for their foresight in developing the model.

Looking forward, the Board is keen to exploit the 'CUAC model' to resource consumer advocacy, including ensuring that CUAC's resources are sufficient to meet new challenges, particularly to provide support to other consumer advocates.

The departure of CUAC's inaugural Executive Officer, Kerry Connors, also signified the end of an era for CUAC. Kerry was instrumental in building CUAC into the organisation it has become. Under her leadership, CUAC has produced real outcomes for Victorian consumers – it has helped consumers in financial hardship through better regulation and improved industry practice; built national networks to ensure Victorian consumers are no worse off in a national regulatory regime; and ensured the voice of rural and regional consumers is better heard. The Board thanks her very much for her dedication and hard work, and wishes her the best in the future.

Finally I would like to thank Directors Peter Hansen, John Mumford and Sandra Slatter for their work over the last 12 months. We farewelled Director Rob Bladier, and on behalf of the Board I thank him for his contribution to CUAC during his time as Director. In his stead, we were pleased to welcome Fanoula Ferro to the Board, whose enthusiasm, experience and expertise has already proved valuable to CUAC.

Joan Sturton-Gill Chair

### **Executive Officer's Report**

This has once again been a year where energy and water issues have topped the reform agenda, placing heavy demands on CUAC resources.

Rising energy and water prices placed particular pressure on Victorian consumers, particularly those on low or fixed incomes, and CUAC has worked hard not only to minimise prices where possible, but also to ensure Victorian consumers receive the right information and assistance from government and industry to ensure they retain access to electricity, gas and water.

Governments' response to the challenges of ameliorating the impact of climate change also ensured that energy and water market design and regulatory frameworks remained a political priority. Emissions trading and other policy responses herald a new and more complex market for energy, which is not only characterised by increased prices, but also one in which we must make information easier for consumers to obtain, to help reduce their bills and manage their energy consumption as efficiently as possible.

On a personal note, I would like to thank the CUAC Directors for their continuing support and guidance, which made my job both easier and more enjoyable. And I would like to thank CUAC staff for their assistance and hard work, not only over the past 12 months, but also the past few years – May Mauseth Johnston (with whom I opened the office), James Henshall, Kerry Munnery and Tosh Szatow. They have worked tirelessly in what remains a high pressure environment, and I will be very sorry to leave such a dedicated, professional, and good humoured team. It has been a pleasure working with you, and one I will miss.

**Kerry Connors Executive Officer** 

# **Market Regulation**

2007/08 was again a year characterised by an intensive degree of reform in energy and water. As well as the already significant national energy market reform agenda overseen by the Ministerial Council on Energy, consumers faced significant increases in energy and water prices, and a groundswell of activity in relation to climate change policy response which has increased since the change of government.

CUAC actively represented Victorian consumers in a range of State and national policy and regulatory decisions during 2007/8, focusing particularly on the interests of low-income, disadvantaged and rural consumers in line with its constitutional mandate.

### **National Energy Market Reform**

CUAC's work on national energy market (NEM) reform issues was focused in three main areas: ensuring the regulatory regime did not disadvantage Victorian consumers; consolidating the network with consumer organisations nationally; and representing consumers in the proposed national roll-out of interval (smart) meters. CUAC actively participated in the following major processes:

**Retail Policy Working Group (RPWG):** formed within the Standing Committee of Officials (SCO), which in turn advises the Ministerial Council on Energy (MCE) on the structure of consumer protection going forward, CUAC is a member of the RPWG's Stakeholder Reference Group. We contributed to RPWG consultations through formal submissions, including in collaboration with other consumer organisations, as well as informally through dialogue with RPWG members over the past 12 months. The recently released National Energy Customer Framework reflects the representations of CUAC and other consumer advocates, proposing a much more robust consumer protection regime than we saw 12 months ago.

**National Consumer Roundtable on Energy:** CUAC and Consumer Action Law Centre convened three National Consumers Roundtables in 2007/08, funded by the National Electricity Consumers Advocacy Panel. By building capacity within the consumer movement, and developing collaborative advocacy strategies to represent the interests of small end-users, particularly low-income and disadvantaged consumers, the Roundtables have proved a valuable vehicle for governments and regulators to consult directly with consumers.

CUAC also provided funding through its Grants Program, to ensure Victorian consumer interests were well understood within NEM reform processes.

**Environmental Audit of the NEM** Through its Public Grants Program, CUAC provided funding to the Monash University Centre for Regulatory Studies to convene a one day forum examining the impact of policy responses to climate change on the National Electricity Market on 9 May 2008.



Panel discussion at the Expert Forum on Electricity Pricing

### **Energy Pricing**

Victorian energy prices came under extreme pressure over this 12 month period, due mainly to capacity constraints caused by the drought. Prices are likely to continue to trend upward with the introduction of emissions reduction measures, and the roll-out of interval meters. In the context of other price increases in essential goods and services, decisions on energy pricing are crucial, as are informed and active consumer representatives. CUAC continues to devote significant resources to these areas.

Australian Energy Market Commission (AEMC) review of the effectiveness of full retail competition: this was an important review for Victorian consumers, with its outcome a recommendation by the AEMC to the Victorian Government to remove retail price regulation. Recognizing the importance of this process, CUAC worked closely with a range of consumer organisations to highlight the needs of Victorian consumers in the marketplace, facilitated meetings between the AEMC and consumer organisations, as well as provided funding through its EO Grants Program to consumer agencies to gather information about marketing misconduct.

**Expert Forum on Electricity Pricing:** CUAC convened the Expert Forum on Electricity Pricing on 16 August 2007, with support from the Department of Primary Industries and the Essential Services Commission. The Forum successfully built capacity among consumer advocates on the issues of electricity pricing, as well as creating debate on some of the more contested issues on the need for retaining price regulation or introducing pricing principles.

Professor Catherine Waddams, an expert on privatization, regulation and competition in energy in Britain and Europe spoke on price deregulation experiences in other countries, particularly the UK. Gavin Dufty from St.Vincent de Paul proposed pricing principles which would allow a fixed price for a minimum level of consumption or 'lifeline' per household, with tariffs increasing in blocks after the minimum. Jim Gallaugher discussed network pricing options from the Network Business perspective. Brad Shone looked at how proposed developments such as interval meters, cost reflective prices and emissions prices would impact on consumers. And Robert Wiles discussed how more complex pricing structures would increase the need for organisations to provide independent advice on a regulatory and individual basis.

The Forum was well received by consumer representatives and the feedback from other participants (including industry) was overwhelmingly positive. The Forum papers were made available through the CUAC website.

# Highlighting the needs of rural and regional communities: network planning and connection arrangements

**Removing barriers to distributed generation:** With funding from the National Electricity Consumers Advocacy Panel, CUAC undertook a major research project to ensure the MCE work on enhancing network connection and planning arrangements, particularly for renewable and distributed generation, addressed real world experiences. Distributed generation promises real benefits for rural and regional communities aiming to improve their energy supply, reduce energy costs, or reduce greenhouse gas emissions.

The research report, *Beyond free market assumptions: addressing barriers to Distributed Generation* was released on 4 April 2008 through CUAC's website, and was also distributed widely to policy makers, regulators and industry participants.

### **Advanced Metering Infrastructure (AMI) roll-out**

CUAC continues to have substantial involvement in AMI processes, and is the sole consumer representative on the AMI Industry Steering Committee, advising the Energy Minister on the implementation of its decision to roll out smart meters to all consumers in the State. This is an important area for consumers, as AMI will influence the types of energy products offered to consumers, as well as place upward pressure on prices.

In May 2008, CUAC convened a seminar for consumer advocates on smart meter developments and related consumer issues in Australia and the UK, taking advantage of UK expert Gill Owen's visit to Melbourne. The seminar provided an overview of Victorian and national smart meter developments and facilitated a discussion on consumer impacts and broader implications of mandated smart meter projects.

MCE Smart Meter Stakeholder Working Group (SMSWG) is convened by the Commonwealth to gather stakeholder views, develop options, and prepare advice for the Council of Australian Governments (COAG) on a national roll-out of smart meters. With other consumer advocates in Victoria and nationally, CUAC has been involved in SMSWG consultations 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 the possible functionalities of the meters. CUAC has ensured Victorian consumer organisations remain aware of SMSWG outcomes and issues.

CUAC also continues to work with other consumer representatives from across the NEM to gather consumer advocates with an interest in smart metering and a willingness to participate in the various working groups. The 'consumer smart metering group' builds capacity and improves information sharing amongst NEM advocates.

### **Water Pricing**

Due to the impact of the drought and the need to augment supply, Victorian consumers are also facing substantial increases in their water bills. Households – especially low-income and fixed income households – need to be protected against price shocks, to ensure they retain access to water. Given the inadequacy of the current concessions framework, price increases must be managed extremely cautiously, with the water companies and government playing a very proactive role to ensure that financial hardship is minimised.

**Rural and regional water price determination:** Each water company was required to develop a water plan outlining prices, major capital expenditures and service levels for July 2008-2013 for approval by the ESC. CUAC welcomed the ESC's final decision, which limited the level of increases sought by water businesses, and kept increases in line with the Government's increased water concessions.

CUAC approved an EO Grant to Gippsland Resource Centre to support their advocacy to the ESC, particularly expressing concern at the degree of price increases by their local water company.

Analysis of rural water plans (CUAC Partnership Grant): At the recommendation of the CUAC Market Issues Group, the CUAC Board approved a grant to RM Consulting Group to analyse the formulation of water plans by rural and regional water businesses and facilitate consumer input to the ESC price review. The research highlighted significant areas of concern in individual water companies and was used by CUAC and other consumer advocates making submissions to the ESC review.

**ESC Review of water tariff structures:** At the same time as the VCEC review (see below), the ESC was directed by the Minister for Water to undertake a review of tariff structures. The review examined various tariff reform proposals, and while the final decision did not endorse any tariff structure over another, its main outcome was an indication by the ESC of how it would treat tariff structures within a price determination, and continuing to emphasise the impacts on customers. CUAC made a submission to the review, coordinating with other advocacy groups.

On 1 November 2007, the School of Business at the Wodonga Campus of La Trobe University staged a one-day workshop on its study into demogrants water tariff structure. CUAC attended, as did academics and representatives from North East Water – the workshop was the final output of the CUAC Public Grant received in 2006/07.

Victorian Competition and Efficiency Commission (VCEC) review of metropolitan retailers: In August 2007, Premier Brumby directed VCEC to review the structure of the retail water industry in Melbourne to identify possible cost savings from a restructuring of those retailers. A draft report was released in December, containing little of contention - VCEC canvassed stakeholder comments on reducing the number of retailers from three to two, while noting that the administrative efficiencies of that approach were limited, or to introducing common back-office arrangements to share costs. The main recommendation of interest to consumers was that the Government develop an access regime for water and wastewater infrastructure services.

### **Customer Protection**

A key part of this program was 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* provides detailed analysis of current consumer utilities issues as well as keeping subscribers informed about important developments in the sector, and showcasing CUAC research and activities. Key articles this financial year covered water infrastructure, price protection, energy pricing and distributed generation, as well as coverage of topical issues such as smart meters and the desalination plant.

The Rural and Regional Newsletter provides our rural and regional network with accessible and relevant information on developments in the utilities sector. Following a review and promotion of the Newsletter, the network has recently expanded by 30% and now comprises over 200 members.

The CUAC website continues to be of value as a clearinghouse for research funded through CUAC Grants, as well as CUAC publications and activities of the reference group.

CUAC took the opportunity over the reporting period to conduct an internal review of its communication strategy, to ensure it continues to service CUAC's stakeholders, and supports our advocacy. The review outcomes were a changed focus on the Quarterly, to emphasise more strongly CUAC research, and an agreement that a more comprehensive review of communications with the Network be undertaken in 2008/09.

### **CUAC Grants Program**

Through its Grants Program, CUAC funded a range of research and capacity building projects, amounting in total to \$65,487 (exc. GST) during the reporting period.

There are three sub-programs: Partnership Grants (the largest), EO Grants and CUAC-Initiated Research. All Grants are subject to CUAC Grants Program policies and procedures.

Partnership Grants arise from the CUAC Reference Group model, where members 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. One Partnership Grant of \$20,000 was allocated in 2007/08, with other projects in the process of completion or development.

Designed primarily to support advocacy or research into regulatory reviews, where timelines can be constrained, EO Grants can only be made to a maximum amount of \$8000 (inc GST). There were five EO Grants approved in 2007/08 to a total of \$24,232 (exc GST), to a broad range of organisations.

Within the reporting period there were six CUAC-Initiated Research Grants provided, of \$21,255 (exc. GST). Five related to the CUAC Expert Pricing Forum, to support the provision of discussion papers that could be used as reference documents going forward. The other was to support a workshop to launch a manual for community sector workers to assist their programs for newly arrived migrants.

The next page contains a full list of CUAC Grants approved in 2007/08.

# **Grants approved 2007/08**

Grant type	Recipient	Project Focus	\$ (exc GST)
EO Grant	Consumer Action Law Centre	To provide co-funding with the Advocacy Panel into collecting case-studies of energy marketing behaviour to input to AEMC Review of the effectiveness of competition	2,000
EO Grant	Eastern Access Community Health	Research into the impact of gas extension on fuel poverty in the Upper Yarra	5,500
EO Grant	Gippsland Resource Centre Ltd	Undertake a critique of the Water Plan of Gippsland Water as part of the ESC Water Price Review 2008-2012.	4,982
EO Grant	Victoria University of Technology	Critique the AEMC's analysis of competition	3,750
EO Grant	La Trobe University (Wodonga Campus)	To improve understanding of people's preferences for different mechanisms that result in compliance with urban water restrictions.	8,000
CUAC Initiated Research	ESRC Centre for Competition Policy University of East Anglia	Written paper and presentation at the CUAC Expert Forum on Electricity Pricing on the issue of overseas experiences with electricity price deregulation.	4,000
CUAC Initiated Research	Gallaugher and Associates Pty Ltd	Written paper and presentation at the CUAC Expert Forum on Electricity Pricing on the issue of network pricing options from a network business perspective.	5,000
CUAC Initiated Research	St Vincent de Paul Society Victoria	Written paper and presentation at the CUAC Expert Forum on Electricity Pricing on the issue of pricing principles.	3,000
CUAC Initiated Research	Robert Wiles	Written paper and presentation at the CUAC Expert Forum on Electricity Pricing on the issue of retail pricing options from an electricity retail business perspective.	5,000
CUAC Initiated Research	Alternative Technology Association	Written paper and presentation at the CUAC Expert Forum on Electricity Pricing on the issue of the role of the demand side in addressing energy market challenges.	2,400
CUAC Initiated Research	Frain Consulting	Workshop on training manual for community sector agencies	1,855
Partnership Grant	RMCG Consulting	Analysis of Regional Water businesses' draft water plans as part of the ESC Water Price Review 2008-009 - 2012-2013.	20,000
		TOTAL	65,487

# Affordability and access

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

### **Energy Efficiency**

CUAC is currently conducting a project on Energy Efficiency funded through a grant from the Victorian Property Fund. This project researches - and will advocate for - energy efficiency programs that benefit low-income and disadvantaged Victorian households. The project has been divided into four stages, comprising three separate research reports and an advocacy phase. Stage 1 comprises an extensive program review, a literature review and case studies. An overview of the Stage 1 report was presented at the National Consumers Roundtable on Energy on 25 June 2008, and will be published shortly.

### Review of energy and water concessions

Recognising the impact on low-income households, the Victorian Government announced in 2007 that it would review water concessions to take into account rising prices. It also took the opportunity to review concessions more broadly, including energy concessions. To ensure energy and water consumers on low incomes retained the right level of assistance, CUAC was one of the first to join the VCOSS-initiated Affordable Living Alliance, a collection of more than 80 community sector agencies campaigning to ease the hardship of low to middle income households by encouraging Government action to reduce the costs of essential items. CUAC welcomed the Government's decision to increase water concessions by 14.8% plus CPI, keeping them in alignment with the Government cap on water price increases for 2008. CUAC also welcomed the increase to the MS concession (to provide some assistance with air-conditioning costs for people with multiple sclerosis and similar heat-sensitive conditions).

### **Energy price information disclosure**

The proposed deregulation of energy prices raises real questions about how easily Victorian consumers can obtain and compare prices. To inform Government decision-making, CUAC revisited its research into retailers' current compliance with information disclosure, finding that obtaining information about energy prices remains a tortuous process, which retailers can exploit to their own advantage. CUAC also prepared a briefing paper for Government outlining a possible model of a price comparison service, recommending that Government mandate an accessible and reliable online energy price information service, delivered by the ESC.

### **Retailer of Last Resort (ROLR)**

The ROLR process aims to ensure customers remain on supply in the event of the failure of a retailer. In July 2007, for the first time ever in the NEM, we experienced one ROLR event and a situation that narrowly avoided a ROLR. CUAC participated in a review of the ROLR arrangements in Victoria, and is monitoring the development of the national framework.

### **Energy and Water Hardship Policies**

CUAC participated in workshops feeding into the ESC's approach to regulation and auditing of energy retailers' hardship policies, sitting on the Reference Group developing the criteria to assess best practice.

### 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 2007/08 financial year.

### **CUAC Board**

There were changes to the CUAC Board in the reporting period, with the retirement of Director Robert Bladier at the 2007 AGM, and the appointment of Fanoula Ferro as Director. Joan Sturton Gill was confirmed as Chair at the same meeting.

### **CUAC Strategic Planning**

Following on from the Strategic Planning Day in May 2007, CUAC engaged a consultant to conduct a Stakeholder Evaluation Review, interviewing government, industry, and community sector stakeholders to assess the performance and effectiveness of the organisation in the six years since its inception. The Review found that CUAC was generally very well-regarded, and was recognised as a credible and knowledgeable advocate for Victorian consumers, that has consistently produced work of value. The Review will be made available through CUAC's website, once finalised.

### **CUAC Reference Group**

The CUAC Reference Group consists of two partnership groups, the Domestic Issues Group (DIG), which focuses on the issues of residential consumers, particularly low-income and disadvantaged consumers, and a Market Issues Group (MIG) which addresses broader market and competition issues, focusing on the needs of rural and regional customers, and water. Membership of both groups was expanded this year, with MIG now comprising nine members and DIG eleven members. A full list of members is at Appendix B.

Each group agrees on priority issues and actions to work cooperatively on through the year, with its workplan published on the CUAC website. In addition, the Reference Group met with the CUAC Board on 24 April 2008 at its Annual Discussion Forum, a workshop designed to elicit the current and emerging issues for Victorian consumers over the next 12 months. The Forum report is available on the website, but the table below captures the priority issues identified on the day, and which will be fed into 2008/09 planning.

### **Annual Discussion Forum Summary**

Theme	Priority Issues			
Affordability and access	Understanding the impact on households of increasing energy and water prices	Addressing price differences between rural and regional consumers	Assessing the effectiveness of retailer hardship policies - are they targeting those in need?	
Deregulation of retail electricity prices	Ensuring consumers receive adequate information	Making sure competition secures fair prices	Ensuring regulators have the capacity to enforce compliance	
Water Infrastructure, Pricing and Policy	Identifying what is an appropriate level of consumption per household	Conservation – using the right policy tools to drive behavioural change	Looking forward - pricing policy and consumer expectations after desalination plant is operational	
Climate Change	Scale and targeting of energy efficiency programs	Balancing social, environmental and economic imperatives	Social inclusion and climate change – ensuring low-income consumers have access to essential services	

### **CUAC** representation

Staff represent CUAC in the following fora:

Advanced Metering Infrastructure Customer Communications Working Group
Advanced Metering Infrastructure Industry Steering Committee
Australian Energy Market Commission demand side participation review reference group
Australian Energy Market Commission Reliability Panel
Consumer Affairs Victoria Working Together Forum
Energy and Water Ombudsman Victoria Case Handling Advisory Committee
Essential Services Commission Customer Consultative Committee
FCRC Utilities Working Group
Ministerial Council on Energy Smart Meter Stakeholder Working Group
National Smart Meter Project Technical and Regulatory Working Group
Origin Energy National Consultative Committee
Retail Policy Working Group Stakeholder Reference Group
SP Ausnet Stakeholder Consultative Committee
Victorian Council of Social Service Essential Services Working Group



Launch of 'Working Together' Project May 2008

# **Directors' report**

The directors of the Consumer Utilities Advocacy Centre Ltd present this report for the financial year ended 30 June 2008.

#### **Directors**

The names of the directors over the reporting period are:

Ms Joan Sturton-Gill, B.Ed, Grad Dip Career Ed, Masters Administration	Chair
Mr John Mumford, Dip Community Services (Financial Counselling)	Director
Mr Robert Bladier, B. Sc (Monash). Dip Ed (Rusden SCV),	Director
MBA (Melb. Business School)	Retired 8 October 2007
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
Ms Fanoula Ferro, LLB (Bond), Grad. Dip International Law (Melbourne)	Director
	Appointed 8 October 2007

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 2008.

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 2008, six 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	6	6
Mr Robert Bladier	2	2
Fr Peter Hansen	6	6
Mr John Mumford	6	6
Ms Sandra Slatter	6	4
Ms Fanoula Ferro	4	4

### Directors' Report (cont'd)

### **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.

### **Operating Result**

The surplus of the organisation for the year ended 30 June 2008 amounted to \$53,592 (2007: deficit of \$40,247).

### **Review of Operations**

A review of the operations of the company for the year ended 30 June 2008 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 2008.

### **Principal Activities**

In line with CUAC's corporate objectives (see inside front 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; 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.

### **Directors' Report (cont'd)**

#### 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, 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**

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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 Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

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

Joan Sturton-Gill

Chair

Melbourne, 4 August 2008

# **RSM**: Bird Cameron Partners

**Chartered Accountants** 

Level 8 Rialto South Tower 525 Collins Street Melbourne VIC 3000 PO Box 248 Collins Street West VIC 8007 T +61 3 9286 1800 F +61 3 9286 1999 www.rsmi.com.au

#### AUDITORS INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial statements of Consumer Utilities Advocacy Centre Limited for the financial year ended 30 June 2008, 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.

Major Offices in:

Perth, Sydney, Melbourne,

Adelaide and Canberra ABN 36 965 185 036

RSM BIRD CAMERON PARTNERS

Chartered Accountants

K C WOOD

Partner

Signed at Melbourne Date: 5 August 2008



# **RSM**: Bird Cameron Partners

Chartered Accountants

Level 8 Rialto South Tower 525 Collins Street Melbourne VIC 3000 PO Box 248 Collins Street West VIC 8007 T +61 3 9286 1800 F +61 3 9286 1999 www.rsmi.com.au

#### 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 2008, 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



### 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 2008 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

AM Firel Camera Nather

**Chartered Accountants** 

Signed at Melbourne
Dated: 5 August 2008

K C WOOD
Partner

### **Directors' Declaration**

The Directors of the company declare that:

- 1. The financial statements and notes set out on pages 17 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 2008 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.

28 Strat. Cine

Joan Sturton-Gill Chair

Dated this 4th day of August 2008

### **Income Statement**

for the financial year ended 30 June 2008

	Note	2008 \$	2007 \$
Revenue from Ordinary Activities	2	582,666	543,343
		582,666	543,343
Grant Programs Employee Benefits Depreciation Rent Audit and Accounting Insurance Office Expenses Grants Program Advertising CUAC Events		78,561 368,301 2,415 24,536 5,195 12,106 17,068 264 150	170,713 335,629 4,808 19,624 5,238 12,154 12,720 2,031 1,715
Other Expenses from Ordinary Activities		20,478	18,958
Surplus/(Deficit) from ordinary activities before income	0	529,074	583,590
tax expense	3	53,592	(40,247)
Income tax expense relating to ordinary activities		-	-
Net surplus/(deficit) from ordinary activities attributable to members of the company		53,592	(40,247)

### **Balance Sheet**

as at 30 June 2008

	Note	2008 \$	2007 \$
CURRENT ASSETS Cash Assets Receivables TOTAL CURRENT ASSETS	4 5	428,960 118,890 547,850	434,806 77,525 512,331
NON-CURRENT ASSETS Plant and Equipment TOTAL NON-CURRENT ASSETS	6	10,323 10,323	12,738 12,738
TOTAL ASSETS		558,173	525,069
CURRENT LIABILITIES Payables Employee Benefits TOTAL CURRENT LIABILITIES	7 8	67,818 30,815 98,633	100,567 18,554 119,121
TOTAL LIABILITIES	_	98,633	119,121
NET ASSETS		459,540	405,948
EQUITY Retained Profits	9	459,540	405,948
TOTAL EQUITY	_	459,540	405,948

# **Statement of Changes in Equity**

for the financial year ended 30 June 2008

	2008 \$	2007 \$
Balance at beginning of financial year	405,948	446,195
Surplus/(deficit) for the financial year	53,592	(40,247)
Balance at end of the financial year	459,540	405,948

### **Cash Flow Statement**

for the financial year ended 30 June 2008

	Note	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Government Funding Receipts for Other Sources Interest received Interest paid Payments to suppliers and others		506,985 12,076 25,605 - (550,512)	479,545 12,527 30,816 - (668,850)
Net cash (used in) operating activities	10(b)	(5,846)	(145,962)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Property, Plant and Equipment			(1,341)
Net cash (used in) investing activities		<u>-</u>	(1,341)
Net (decrease) in cash held Cash at the beginning of the financial year		(5,846) 434,806	(147,303) 582,109
Cash at the end of the financial year	4	428,960	434,806

### Notes to the Financial Statements for the Year ended 30 June 2008

#### 1 STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting 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 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 2008 there was 1 member (2007: 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:

Class of Fixed Asset Depreciation Rate

Plant and Equipment 5% - 25%

### 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.

### g) New Standards and Interpretations Issued but Not Yet effective

At the date of this financial report AASB 8, AASB 101, AASB 123, AASB 2007-3, AASB 2007-6 and AASB 2007-8 which may impact the company in the period of initial application, have been issued but are not yet effective. These new standards and interpretations have not been applied in the preparation of this financial report. Other than changes to disclosure formats, it is not expected that the initial application of these new standards and interpretations in the future will have any material impact.

		2008 \$	2007 \$
2	OPERATING REVENUE		
	The revenue entering into the determination of the operating result is:		
	Grant Funding Received Advocacy Panel grant (DG Research Project) Advocacy Panel grant (Masterclass Consultant Fees) Interest Received	546,906 10,155 - 25,605 582,666	500,000 - 12,527 30,816 543,343
3	OPERATING SURPLUS/(DEFICIT)		
	Profit from ordinary activities after income tax:		
	Remuneration of auditor - audit of the company's financial report	4,600	4,350
4	CASH ASSETS		
	Cash at Bank (St. George Bank)	428,960	434,806
5	RECEIVABLES		
	Grants Receivable GST Receivable Other Receivable	117,613 414 <u>863</u> 118,890	62,169 15,356 

		2008 \$	2007 \$
6	PLANT AND EQUIPMENT		
	Plant and Equipment - at Cost Less Accumulated Depreciation	63,035 (52,712)	63,035 (50,297)
		10,323	12,738
	a) 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: Balance at the beginning of the year Additions	12,738	16,205 1,341
	Depreciation expense  Carrying amount at the end of the year	(2,415) 10,323	(4,808) 12,738
7	PAYABLES		
	Grants payable Creditors and accruals	39,088 28,730	51,554 49,013
		67,818	100,567
8	EMPLOYEE BENEFITS		
	Provision for Annual Leave Provision for Long Service Leave	24,304 6,511	14,997 3,557
		30,815	18,554
9	RETAINED SURPLUS		
	Retained surplus at the beginning of the year Net surplus/(deficit)	405,948 53,592	446,195 (40,247)
	Retained surplus at the end of the year	459,540	405,948

	2008 \$	2007 \$
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	428,960	434,806
(b) Reconciliation of Cash Flow from Operations with Surplus/(Deficit) from Ordinary Activities		
Surplus/(Deficit) from ordinary activities after income tax	53,592	(40,247)
Non-cash flows in profit from ordinary activities: Depreciation	2,415	4,808
Changes in assets and liabilities		
(Increase)/Decrease in other assets	(41,365)	(20,455)
Increase/(Decrease) in payables	(32,749)	(97,049)
Increase in provisions	12,261	6,981
Cash flows from operations	(5,846)	(145,962)

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#### 11 FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Policies

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable. The director's overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include credit risk policies and future cash flow requirements.

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

#### Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate. 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:

#### Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

#### Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows as required.

#### Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, 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 receivable or group of receivables under financial instruments entered into by the company. Credit risk is reviewed regularly by the Board of Directors and arises from exposure to customers. The Board of Directors monitors credit risk by actively assessing the:

- only banks and financial institutions with an 'A' rating are utilised; and
- credit worthiness of potential customers taking into consideration their size, market position and financial standing.

Trade receivables balances at 30 June 2008 and 30 June 2007 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

#### Price risk

The company is not exposed to any material commodity price risk.

### 11 FINANCIAL INSTRUMENTS (cont.)

### (b) Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Ave	Interest	Floating Inte	rest Rate	Non-Inte Beari	
Financial Assets	2008 %	2007 %	2008 \$	2007 \$	2008 \$	2007 \$
Cash at Bank Receivables Total Financial Assets	7% -	6% - 	428,960 428,960	434,806 - 434,806	118,890 118,890	77,525 77,525
Financial Liabilities Trade and other creditors	-	- 	<del>-</del>	- -	67,818 67,818	100,567 100,567

### (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.

#### 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 2008 was 5 (EFT 3.8) (2007: 5).

#### 15 KEY MANAGEMENT PERSONNEL COMPENSATION

Directors' and officers' total remuneration from the company over the reporting was as follows.

	Salary	Superannuation	Non-cash benefits	Total
2008 Total compensation	147,942	13,619	-	161,561
<b>2007</b> Total compensation	149,504	12,910	-	162,414

### 16 ECONOMIC DEPENDENCE

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

### 17 SEGMENT REPORTING

The company operates predominantly in one business and geographic segment, being the advocacy of utility services in Victoria.

### 18 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 2007/8 Objectives**

### **Market Regulation**

- To represent the interests of Victorian consumers in National Electricity 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.
- To ensure consumers are represented in relevant regulatory/policy decisions.
- To investigate regulatory impediments to network augmentation and recommend increased consumer protections.
- To provide support to consumer and community groups to participate more effectively in the
  policy and regulatory debate on electricity, gas and water.

#### **Customer Protection**

- 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**

- **Energy Efficiency**: 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.
- Hardship Policies: 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
- COAG review of Community Service Obligations: to ensure that consumers interests, particularly low-income and rural consumers, are incorporated into policy making.
- Transition to National regulatory framework: to ensure that consumers, particularly low-income and disadvantaged consumers, are not made worse off by the move to national retail and distribution regulation.

### Governance

- 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.
- Through consultation with CUAC's key stakeholders, obtain an independent evaluation of CUAC's outputs and influence on the sector.
- To secure adequate resources for CUAC's operations in 2008/09 and beyond.

### **Appendix B: Reference Group Members**

The Consumer Utilities Advocacy Centre Ltd (CUAC) is aided in its work by the expertise and advice of its Reference Group, which provides advice to the CUAC Board on emerging consumer issues and the development of CUAC's work program.

Members of the Reference Group meet quarterly in one of two partnership groups, the Domestic Issues Group (DIG) or the Market Issues Group (MIG), reflecting Reference Group members' diverse interests and areas of expertise. DIG and MIG can access funding for research and capacity-building projects through CUAC Partnership Grants.

In 2007/08, the membership of the Reference Group was expanded, with eleven organisations participating in the Domestic Issues Group and nine organisations in the Market Issues Group.

### **Domestic Issues Group**

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 Services

### **Market Issues Group**

Alternative Technology Association
Australian Industry Group
Clean Energy Council
City of Greater Bendigo
Country Women's Association
Environment Victoria
Moreland Energy Foundation Ltd
Victoria Farmers Federation
Victorian Local Governance Association