



CUAC

Consumer Utilities
Advocacy Centre

**REPORT ON CUAC ACTIVITIES
AND FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

**CONSUMER UTILITIES ADVOCACY CENTRE LTD
ACN 100 188 752**

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

Chairman's Report

I am pleased to present the Annual Report for the Consumer Utilities Advocacy Centre Ltd (CUAC) for the financial year 2003/04.

CUAC began the year knowing that there was a strong likelihood of significant changes to the regulatory framework for energy and for water. The level and adequacy of the consumer safety-net for energy consumers was questioned in two major regulatory reviews, and the structure of consumer protection, particularly for rural consumers, was a key focus for CUAC in the substantial changes made by Government to the management and use of water.

A key focus of CUAC's research and grants program was addressing the need for further research into the actual experience of consumers in the marketplace and particularly exploring the difficulties experienced by low-income and disadvantaged consumers, the value of which was underlined by the questions raised by policy-makers and regulators on the need and structure of consumer protections in energy and water. CUAC undertook a substantial partnership research project on the experience of disconnected utility consumers, and commissioned research on the experience of indigenous utility consumers.

Recognising the need for active consumer representation in the range of important policy and regulatory decisions, CUAC's activities this year were directed at representing the interests of Victorian utility consumers in the debate, especially low-income, disadvantaged and rural consumers, and in encouraging and supporting the participation of consumer groups. CUAC actively advocated for Victorian utility consumers in a number of regulatory reviews, emphasising the need for government to ensure that consumers have access to affordable energy and water.

Building capacity remained a key priority for CUAC and support for other consumer groups was provided not only through the CUAC Grants Program, but also in actively providing fora for consumers to raise their issues. Our work in establishing the Rural and Regional Network came to fruition with the convening of the Rural Energy Consumers Forum in Bendigo on 17-18 June 2004, which provided rural and regional consumers with the opportunity to discuss their concerns directly with policy-makers and energy industry representatives. Its success and the enthusiasm of participants for convening similar events underline the need for improved mechanisms to consult utility consumers.

CUAC also commissioned groundbreaking research to help assess the ongoing need for robust consumer protections by looking at what has happened in comparable sectors in Australia and similar jurisdictions overseas. Its findings supported the experience of many community sector and welfare agencies, that small users (households and small businesses) rarely have sufficient power to secure benefits from a competitive marketplace and that there will continue to be a need for robust, sector-specific consumer protections. It must be remembered that these are essential services – energy and water underpin every form of economic and social activity in the country. It is critical infrastructure.

CUAC's operating environment remains dynamic – the forthcoming changes to the national policy framework promise further substantial change to what is already a complex debate. And while CUAC has made a significant contribution to the debate, it remains the case that the funding for end-user advocacy does not come anywhere near the sums spent by industry. There are some strong advocates on these issues, but there needs to be more of them and there needs to be the ability to train people. Over the last year, CUAC was pleased to receive more grant applications from academe, but sees greater scrutiny of this sector by independent researchers as a continuing priority. There also needs to be a broader understanding within Australian governments of the linkages between energy and water policy and broader economic, social and environmental objectives.

Finally, I would like to thank the CUAC Board of Directors and the staff of CUAC for their hard work – it has been a demanding year, and they met those challenges admirably.

Professor E W Russell
Chairman

Executive Officer's Report on CUAC Activities

CUAC's corporate objectives and operational priorities for the reporting period were set out in its 2003/04 Work Program (at Appendix A), which was directly linked to CUAC's corporate (and constitutional) objectives. The Work Program was developed in consultation with key stakeholders, including the members of the CUAC Reference Group, in order to ensure it reflected the issues of most importance to Victorian utility consumers, particularly low-income, disadvantaged and rural consumers.

The following briefly outlines the key initiatives and activities undertaken over the reporting period, under each of the relevant corporate objectives.

Advocacy

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

In line with CUAC's constitutional objects, CUAC's advocacy was targeted largely toward the policy and regulatory decisions which affect low-income, disadvantaged and rural consumers.

The 2003/04 financial year proved to an extremely busy year, with a number of significant reviews called by the regulator, the Essential Services Commission (ESC), and by the Victorian Government.

CUAC advocated strongly for the retention and strengthening of well-targeted customer protections, particularly for low-income and disadvantaged consumers, in its submissions to the ESC on the Energy Retail Code and the development of Hardship Performance Indicators, and to Government on the development of the draft LPG Code. CUAC also argued for the need for greater transparency and information to be made available to customers in the ESC consultation on Price Information Disclosure.

CUAC made a number of submissions relating to the ESC Review of the effectiveness of full retail competition (FRC) which looked at the ongoing need and structure of the consumer safety-net. CUAC argued that the market was too immature to provide sufficient protection for consumers, and particularly residential consumers, and so there remained a need for robust protections to ensure consumers were able to access affordable energy. That argument was strongly supported by the research CUAC commissioned from the Centre for the Study of Privatisation and Public Accountability, which outlined the level of ongoing customer protections in similar jurisdictions overseas and similar sectors in Australia, finding that small consumers (i.e. residential consumers) were generally vulnerable in the marketplace.

CUAC was an active participant in the (ongoing) ESC's Electricity Distribution Pricing Review, arguing for greater transparency for customers and encouraging better consultation with rural and regional consumers, who have for the most part borne the brunt of network tariff increases.

The inclusion of rural and regional water authorities within the ESC's regulatory mandate also formed a large part of CUAC's advocacy activities from January 2004. CUAC was active in the working groups that developed the Customer Service Code (the instrument outlining the rights and responsibilities of customers and water authorities) and ensured that affordability and access would be carefully monitored in the first regulatory period.

To highlight the issues facing rural and regional consumers, in late 2003 CUAC, in conjunction with Denis Nelthorpe, the initiator of the Rural and Regional Network project, conveyed to the regulator and relevant government agencies the range of issues raised during our visits to country Victoria to establish the Rural and Regional Network. Those briefings helped set the groundwork for the agenda of the Rural Energy Consumers Forum (see below).

Recognising the potential impact on Victorian consumers of the move to a national retail regulatory regime and so the need to ensure their interests are represented, CUAC also sat on the Steering Committee for three projects: research into the harmonisation of the national retail regulatory regime; national capacity-building project for effective participation in NEM; and preparation of a submission to the Ministerial Council on Energy on the need for a national advocacy mechanism to be incorporated formally into the national framework.

CUAC staff also advocate for Victorian utility consumers in their participation in key consultative mechanisms, including the ESC Customer Consultative Committee and the Energy and Water Ombudsman Victoria's Case Handling Advisory Committee.

Enabling participation

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

Grants Program

An integral element in CUAC's strategy to increase the capacity of consumers to participate in the regulatory debate was the CUAC Public Grants Program and EO Grants Program (see separate report detailing grants approved in 2003/04 on pp 9-11).

The Board decided that there remained a need for flexibility within the criteria of the Public Grants Program, to fund a broad range of research and capacity-building projects on consumer utility issues and to allow applications from a range of organisations. That was felt to be particularly important given the entrance of a number of new organisations to the debate following the inclusion of water in the ESC's regulatory mandate. An assessment of the policies underpinning the Public Grants Program was carried out after each of the two funding rounds in 2003/04, which incorporated stakeholder comments. No substantive change to the program was made in 2003/04 from the previous year, although the second round of funding did highlight the need for projects related to providing a consumer input to decisions on the water sector and the ESC Electricity Distribution Pricing Review.

Applications were received from a more diverse range of consumer groups, and the increased number of applications from academics was particularly welcome. Greater involvement in the debate by academic institutions has two main benefits – the first is to increase the amount of independent research done from a consumer perspective and so add to the intellectual rigour of the debate, and the second as a form of capacity-building, to encourage the acquisition of expertise on these issues in sectors outside industry.

Rural and Regional Network

A key initiative undertaken over the reporting period was the consolidation of the Rural and Regional Network, which was formally launched by the Hon John Lenders, MP, CUAC Member and Minister for Consumer Affairs, on 14 August 2003. The Network consists of some 80 participants from across the state, representing a diverse group of consumers including community sector workers, farmers, local government councillors and staff, business and academics. The aim of the Network is to enable rural and regional consumers to represent their interests more easily in policy and regulatory decisions, through providing information to them about forthcoming reviews, allowing them to identify opportunities for collaboration among groups with similar issues, and ensuring they are aware of the activities of other organisations working in the debate.

Network participants receive a regular newsletter which canvasses a range of consumer utility issues and development in the debate, and email alerts which notify them of opportunities to put forward submissions to government consultative processes.

The last establishment visit was made in April 2004 with visits to Portland and Hamilton, which finalised the grant given to Denis Nelthorpe to establish the Network with CUAC. CUAC will now take over the ongoing administration of the Network, and has appointed a staff member to manage the Network and ensure participants remain in touch with key regulatory developments.

Rural Energy Consumers Forum, Bendigo 17-18 June 2004

CUAC, in partnership with the Victorian Department of Infrastructure (DOI), hosted the Rural Energy Consumers' Forum in Bendigo on 17-18 June 2004. There were approximately 75 participants, of which half were rural and regional consumers, and half government and energy industry representatives.

The event was a great success - feedback received from participants during the Forum and in the formal evaluation afterward was extremely positive. Many participants strongly supported convening a similar event in 2005.

The Forum was a natural extension of the Rural and Regional Network and provided rural and regional consumers (farming, business, local government, academics and community sector representatives) with the opportunity to identify and discuss issues specific to them; to speak directly with representatives from government, industry and the ESC; and to develop their own networks and partnerships. Participants appreciated the chance to connect and meet on 'neutral ground'.

The Forum also underlined the value of the Network to its members and strengthened CUAC's reputation as an active and effective consumer advocate. We also identified a range of opportunities to further CUAC's work in rural and regional areas which will be pursued in 2004/05.

Reference Group

The Reference Group is a formal consultative mechanism, and a crucial element in alerting CUAC to current and emerging issues and advising on CUAC's Work Program. Its membership consists of a range of organisations representing consumer interest on utility issues and, as dictated by the CUAC Constitution, was initially drawn from members of the ESC Customer Consultative Committee. In 2003/04, membership was expanded to include Council of the Aging (Victoria) and Tenants Union of Victoria, who represent classes of consumers with specific interests on energy and water issues. The Reference Group met four times in 2003/04.

Reference Group meetings also provide a forum to discuss emerging issues and their implications for consumers. CUAC organised briefings for Reference Group members on the Government's White Paper *Our Water Our Future*, an Energy Action Group research project relating to the Electricity Distribution Price Review and on the move to a national retail and distribution regime, which is overseen by the Ministerial Council on Energy.

Research

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.

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

CUAC commissioned or partnered with other agencies a range of research projects targeted at current and emerging issues. These are outlined in detail below.

CUAC undertook a research project in partnership with Consumer Law Centre Victoria to investigate the impact of disconnections on households. The research has produced a detailed analysis of

customers' experience of disconnection, and recommendations of measures to prevent disconnections (final report will be published in the first quarter of 2004/05).

CUAC commissioned the Monash University Centre for the Study of Privatisation and Public Accountability to investigate the local and global experience in electricity and comparable sectors to explore issues associated with safety net arrangements, universal obligation, and the role of competition in respect of vulnerable consumers, market failure and retail consumers. The project was designed to assist consumer input to the ESC Review of the Effectiveness of Full Retail Competition, which made recommendations to the government on the ongoing structure of the consumer safety-net. An important finding of the CSPPA study was that retail electricity markets worldwide lack maturity and that strong safety net frameworks continue to be necessary to protect vulnerable consumers. The risks of hasty deregulation are high, and the benefits to consumers and, particularly, small consumers, difficult to identify. The outcomes of the research were shared in a seminar on 1 March 2004 for the CUAC Reference Group, and in the newsletter of the Rural and Regional Network. The research paper, *Protecting Utility Consumers from Market Failure*, was also attached to the CUAC submission to the ESC and made available through the ESC website.

CUAC commissioned research into the experience of indigenous consumers, following a number of concerns raised through the establishment of the Rural and Regional Network by indigenous housing and welfare agencies on the experiences of their clientele. The research findings clearly showed that indigenous utility consumers suffer significant levels of disadvantage compared to the average consumer. Disconnection rates are higher and people disconnected for longer, and access to assistance programs more difficult. The research findings were conveyed to key government stakeholders and indigenous welfare organisations, with the strategy to identify solutions to these issues continuing into 2004/05.

CUAC also entered into a partnership project with the Committee for Melbourne in its "Utility Debt Spiral Project"; which gathered civil society, government and industry to investigate the viability of using utilities debt as a means to prevent entry into chronic hardship. The project consisted of two main stages – the first produced a series of research studies which gathered together information about those likely to be at risk of entering into utilities debt; mapped the regulatory environment; and identified best practice principles of hardship policies (which will be published in the second quarter of 2004/05). The second, to be completed in 2004/05, has identified areas where participants can work to better coordinate government and industry assistance programs to customers in hardship.

Kerry Connors
Executive Officer

CUAC Grants Program

CUAC receives annual funding of \$500,000 per annum, of which at least \$180,000 is committed to the CUAC Grants Program. In the period until 30 June 2004, CUAC approved grants totalling \$291,092 (exc. GST) for research and capacity-building projects related to consumer utility issues. A list of all grants approved in 2003/04 follows.

CUAC's constitutional objects underpin the principles and procedures of the Grants Program, and in making its decisions the Board pays close attention to those objectives and the features of the operating environment. Part of the surplus carried by CUAC from receipt of its 2002/03 funding allocation was incorporated into the 2003/04 Grants Program budget.

The Grants Program over the reporting period was divided into the following programs:

Public Grants Program

The Public Grants Program constitutes the largest element of the CUAC Grants budget. Two funding rounds were held over the reporting period - the first was completed in December 2003 and the second in May 2004 - with grants approved totalling \$190,126 (excluding GST). Applications received in both rounds totalled over \$910,000. The procedures for application were reviewed after each funding round, to ensure that the objectives were being met, including the need for transparent and accountable management of the program, as well as to ensure that applicants were satisfied with the process.

Calls for applications were made through print media advertisements across the state, with Reference Group and Rural and Regional Network members and key peak bodies also informed. At the request of Reference Group members, applications to the Public Grants Program are kept confidential by CUAC. Feedback about their application was provided to any recipient at their request. The degree of interest from rural and regional consumer and community groups and academic institutions continues to increase as the Public Grants Program has become more widely known, and CUAC actively promoted the Program to academic institutions. It has informed key stakeholders in the water sector, including water authorities, and there was a significant increase in applications relating to consumer water issues.

EO Grants Program

Because regulatory reviews often take place with short timelines for consultation, the CUAC Board allocated funds to a program to facilitate quick support to community and consumer groups, with a maximum amount of \$8,000 (inc. GST) to be approved by the Executive Officer. The selection criteria are the same as for the Public Grants Program. Seven grants totalling \$44,191 (exc. GST) were distributed in 2003/04.

CUAC Initiated Research

CUAC also has the capacity to undertake inhouse research, and commissions research projects. There were four projects undertaken and/or for which funding was approved over the reporting period, totalling \$56,775 (exc. GST).

Information dissemination

Recognising that disadvantaged consumers, particularly in rural and regional Victoria, often have trouble accessing information on the internet, CUAC reserved funds to be able to publish hard copies of research of particular relevance to particular customer groups. No grants were made from this program during the reporting period, and the excess funds will be transferred to the 2004/05 Grants Program budget.

Grants approved from the CUAC Grants Program 2003/04

The following outlines the grants approved by CUAC during the reporting period. Please note that some projects had not received the full component of their funding as at 30 June 2004.

Grant Recipient	Project Focus	\$ (GST exclusive)
Public Grants Program (finalised Dec 2003)		
Alternative Technologies Association	Build consumer capacity on network connection and pricing barriers to small scale renewable embedded generators	21,040
EUAA and EAG	Consumer Impact of VENCORP Gas System Pricing and Balance Review	10,000
Consumer Law Centre Victoria and Environment Victoria	Analysis of civil society interests regarding access to water, incorporating consumer and human rights perspective	25,000
Child and Family Services Ballarat	Analysis of needs, issues and levels of disadvantage in relation to provision of utilities in Ararat, including price, fuel choice, levels of debt, extent of competition. Focus on specific disadvantaged groups, with aim of developing consumer and advocacy groups	25,000
Public Grants Program (finalised May 2004)		
VCOSS	Funding of Energy Campaign Officer to coordinate community sector campaign on fuel poverty alleviation and prevention, and enhance capacity of VCOSS membership to engage in energy and water issues	25,000
Moreland Energy Foundation (MEFL)	Funding for advocacy strategy and public workshop, relating to a NEM Advocacy Panel-funded project to research demand-side responsiveness and recommend changes to the NEC	22,500
Consumer Law Centre Victoria	Provide funding for Water Policy officer to provide expert research, policy development, advocacy, education and participation in consultative processes. Advocacy will focus on low-income and disadvantaged consumers	24,314
Swinburne University of Technology	To research, quantify and assess the price benefits (or dis-benefits) obtained by customers who have switched retailers since FRC	20,454
La Trobe University Wodonga Campus	Detail values that rural communities in NE Victoria assign to water and wastewater services, measure and quantify values and attributes of services, and use information to improve community capacity to influence water policy choices	16,818

Grant Recipient	Project Focus	\$ (GST exclusive)
EO Grants Program 2003/04		
Jindara Community Services	Submission to the ESC review of electricity and gas retail codes, focusing on problems in relation to high energy bills	6,955
Victorian Council of Social Services	Response to the Green Paper on water, considering the implications of the State's water strategy for low-income consumers	7,272
Energy Action Group/Energy Users Association Australia	Research on Consumer Impact of VENCORP Gas Pricing and Balance Review	7,272
Tenants Union of Victoria	Research and submission to the Review of the Effectiveness of Full Retail Competition to represent interests of tenants	7,000
Victorian Council of Social Services	Response to the ESC Review of the Effectiveness of Full Retail Competition to represent interests of low-income consumers	7,272
St Vincent de Paul	Research and submission to ESC Review of the Effectiveness of Full Retail Competition –analysis of the demand elasticity of residential electricity consumption and analysis of pricing principles protecting the interests of disadvantaged households	6,920
Consumer Law Centre Victoria	Further submission to the ESC Review of the Electricity and Gas Retail Codes	1,500
CUAC Initiated Research		
Denis Nelthorpe	Secretariat role for Rural Energy Consumers Forum	7,000
SED Consulting	Research into Indigenous utility consumer issues. Documenting the extent of disconnections, use of refundable advances and access to customer assistance schemes in Indigenous communities	15,000
Committee for Melbourne, in partnership with CUAC and others	Collaborative project involving government, industry and the community to identify ways to help prevent low-income consumers in hardship, focusing on the viability of utilities bills as a possible early warning system	20,000
Monash University Centre for the Study of Privatisation and Public Accountability	Research into possible scenarios for Victorian utility consumers of the removal and/or modification of the existing safety net provisions, in order for consumers to make well-informed contributions to the ESC's Review of the Effectiveness of Full Retail Competition	14,775
	TOTAL	291,092

Directors' Report for the year ended 30 June 2004

The directors of the Consumer Utilities Advocacy Centre Ltd present this report for the financial year to 30 June 2004.

Directors

The names of each person who has been a director during the period in review and to the date of this report are:

Professor E.W. Russell, BA (Hons), B Ec PhD, FIPAA(Vic), FAIM	Chairman
Ms Jennifer Dawson, BBus (Accounting)	Director
Mr Chris Field, BA LLB (Hons)	Director
Mr John Mumford, Dip Community Services (Financial Counselling)	Director
Ms Joan Sturton-Gill, B Ed, Grad Dip Career Ed, Masters Administration	Director

No director has any interest in business contracts or proposed financial dealings for personal benefit with the company declared during the twelve months ended 30 June 2004.

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 Chairman 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' Meeting

During the current financial year ended 30 June 2004, 7 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
Professor E W Russell	7	6
Ms Jennifer Dawson	7	7
Mr Chris Field	7	7
Mr John Mumford	7	7
Ms Joan Sturton-Gill	7	6

Operating Result

The deficit of the organisation for the year ended 30 June 2004 amounted to \$90,866 (15 months ended 30 June 2003 surplus \$493,141). The surplus from the previous financial year was rolled over into the CUAC 2003/04 budget, to retain similar funding levels in the CUAC Public Program.

Review of Operations

A review of the operations of the company for the year ended 30 June 2004 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 2004.

Principal Activities

In line with CUAC's corporate objectives (see p. 3), the principal activities of the company in the course of the financial year were: to act 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.

Indemnities and insurance for directors and officers

During the financial year, the company paid a premium of \$5950 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.

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.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors

E W Russell
Chairman

Melbourne, 11 October 2004

RSM Bird Cameron Partners

Chartered Accountants

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

INDEPENDENT AUDIT REPORT TO THE MEMBER OF CONSUMER UTILITIES ADVOCACY CENTRE LTD

Scope

We have audited the financial report of Consumer Utilities Advocacy Centre Ltd comprising the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements for the year ended 30 June 2004. The company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with our understanding of the company's financial position and performance as presented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of the Consumer Utilities Advocacy Centre Ltd is in accordance with:

- a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements.


RSM BIRD CAMERON PARTNERS
Chartered Accountants

Dated at Melbourne

14 October, 2004


K C WOOD
Partner

'Liability is limited by the Accountants'
Scheme pursuant to the NSW
Professional Standards Act 1994'

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

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



Directors' Declaration

The Directors of the company declare that:

1. The financial statements and notes set out on pages 16 to 25
 - (a) Comply with Accounting Standards and the Corporations Act 2001; and
 - (b) Give a true and fair view of the financial position as at 30 June 2004 and performance for the year ended on that date of the company.
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 with a resolution of the Board of Directors.

Dated this 11th day of October 2004.

Signed in accordance with a resolution of the Directors.

DIRECTOR

Statement of Financial Performance for the financial year ended 30 June 2004

	Note	2004 \$	15 Months 2003 \$
Revenue from Ordinary Activities	2	<u>526,603</u>	<u>996,733</u>
		<u>526,603</u>	<u>996,733</u>
Grant Programs		275,556	253,936
Employee Benefits		241,562	157,862
Office Establishment		260	14,090
Depreciation		10,869	9,760
Rent		16,818	18,662
Audit and Accounting		7,905	4,000
Reference Group Costs		-	4,700
Insurance		14,859	9,354
Office Expenses		12,653	7,678
Grants Program Advertising		11,770	7,937
CUAC Events		10,008	-
Interest costs		2,552	-
Other Expenses from Ordinary Activities		<u>12,657</u>	<u>15,613</u>
		<u>617,469</u>	<u>503,592</u>
(Loss) / Profit from Ordinary Activities before Income Tax Expense	3	<u>(90,866)</u>	<u>493,141</u>
Income Tax Expense relating to Ordinary Activities		-	-
Net (Loss) / Profit from Ordinary Activities attributable to members of the Company		<u>(90,866)</u>	<u>493,141</u>

The accompanying notes form part of these accounts.

Statement of Financial Position as at 30 June 2004

	Note	2004 \$	2003 \$
CURRENT ASSETS			
Cash Assets	4	521,499	473,741
Receivables	5	<u>27,094</u>	<u>16,104</u>
TOTAL CURRENT ASSETS		<u>548,593</u>	<u>489,845</u>
NON-CURRENT ASSETS			
Equipment	6	<u>35,445</u>	<u>43,478</u>
TOTAL NON-CURRENT ASSETS		<u>35,445</u>	<u>43,478</u>
TOTAL ASSETS		<u>584,038</u>	<u>533,323</u>
CURRENT LIABILITIES			
Payables	7	175,258	33,715
Employee Benefits	8	<u>6,505</u>	<u>6,467</u>
TOTAL CURRENT LIABILITIES		<u>181,763</u>	<u>40,182</u>
TOTAL LIABILITIES		<u>181,763</u>	<u>40,182</u>
NET ASSETS		<u>402,275</u>	<u>493,141</u>
EQUITY			
Retained Profits	9	<u>402,275</u>	<u>493,141</u>
TOTAL EQUITY		<u>402,275</u>	<u>493,141</u>

The accompanying notes form part of these accounts.

Statement of Cash Flows for the year ended 30 June 2004

	Note	2004 \$	15 Months 2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Government Funding		500,000	970,274
Interest received		26,603	26,459
Interest paid		(2,552)	-
Payments to suppliers and others		<u>(473,457)</u>	<u>(469,754)</u>
Net cash from operating activities	10(b)	<u>50,594</u>	<u>526,979</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Property, Plant and Equipment		<u>(2,836)</u>	<u>(53,238)</u>
Net increase in cash held		47,758	473,741
Cash at the beginning of the financial year		<u>473,741</u>	<u>-</u>
Cash at the end of the financial year	4	<u>521,499</u>	<u>473,741</u>

The accompanying notes form part of these accounts.

Notes To the Financial Statements for the Year ended 30 June 2004

1 STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

This general purpose financial report has been drawn up in accordance with Australian Accounting Standards, Urgent Issues Group Consensus views and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Company Structure

The company is an incorporated company limited by guarantee. In the event of the CUAC being wound up, the liability of the 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 Statement of Financial Position of share capital or shareholders' equity. As at 30 June 2004 there was one Member, the Hon. John Lenders, MP, the Minister of the Crown in right of the State of Victoria for the time being administering the *Fair Trading Act 1999* (Victoria).

The following specific accounting policies have been adopted in the preparation of this report.

a) Income Tax

The company is a non-profit company for income tax purposes and is taxable only on non-member income. The company did not receive any non-member income during the year.

b) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within then than two months and net of bank overdrafts.

c) Plant and Equipment

Each class of equipment is carried at cost less any accumulated depreciation. The depreciable amount of all fixed assets is depreciated on a straight line basis over their estimated useful lives to the economic entity 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 together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made 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 statement of financial position are shown inclusive of GST.

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

g) Comparative Information

Comparative information is for a 15 month period from April 2002, the date of CUAC's inception, to 30 June 2003. The 2004 results are for a 12 month period.

h) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The company's management are assessing the significance of these changes and are preparing for their implementation.

The directors are of the opinion that there will be no significant differences in the company's accounting policy arising from the adoption of IFRS.

	2004	2003
	\$	\$
2 OPERATING REVENUE		
The revenue entering into the determination of operating result is:		
Grant Funding Received	500,000	970,274
Interest Received	<u>26,603</u>	<u>26,459</u>
	<u><u>526,603</u></u>	<u><u>996,733</u></u>
3 OPERATING (LOSS) / PROFIT		
(Loss) / Profit from ordinary activities after income tax includes the following:		
Depreciation of non-current assets	10,869	9,760
Remuneration of auditor		
- audit of the Company's Financial Report	3,200	3,000
- other services provided	<u>4,805</u>	<u>1,000</u>
	<u><u>8,005</u></u>	<u><u>4,000</u></u>
4 CASH ASSETS		
Cash at Bank	<u><u>521,499</u></u>	<u><u>473,741</u></u>
5 RECEIVABLES		
GST Receivable	9,189	16,104
Prepayments	<u>17,905</u>	<u>-</u>
	<u><u>27,094</u></u>	<u><u>16,104</u></u>

	2004	2003
	\$	\$
6		
PROPERTY, PLANT AND EQUIPMENT		
Plant and Equipment at Cost	56,074	53,238
Less Accumulated Depreciation	<u>(20,629)</u>	<u>(9,760)</u>
	<u>35,445</u>	<u>43,478</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 \$
Balance at the beginning of the year	43,478
Additions	2,836
Depreciation expense	<u>(10,869)</u>
Carrying amount at the end of the year	<u>35,445</u>

7		
PAYABLES		
Grants payable	132,200	17,964
Creditors and accruals	<u>43,058</u>	<u>15,751</u>
	<u>175,258</u>	<u>33,715</u>

8		
EMPLOYEE BENEFITS		
Provision for Annual Leave	<u>6,505</u>	<u>6,467</u>

9		
RETAINED PROFITS		
Retained Profit at the beginning of the year	493,141	-
Net (Loss) / Profit	<u>(90,866)</u>	<u>493,141</u>
Retained Profits at the end of the year	<u>402,275</u>	<u>493,141</u>

	2004	2003
	\$	\$
10 RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING (LOSS)/PROFIT		
(a) Reconciliation of Cash		
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash at bank	521,449	473,741
(b) Reconciliation of Cash Flow from Operations with (Loss) / Profit from Ordinary Activities		
(Loss) / Profit from ordinary activities after income tax	(90,866)	493,141
Non-cash flows in profit from ordinary activities:		
Depreciation	10,869	9,760
Changes in assets and liabilities		
Increase in other assets	(10,990)	(16,104)
Increase in payables	141,543	33,715
Increase in provisions	38	6,467
Cash flows from operations	<u>50,594</u>	<u>526,979</u>

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	
	2004 %	2003 %	2004 \$	2003 \$	2004 \$	2003 \$
Financial Assets						
Cash at Bank	4.5%	4.15%	521,499	473,741	-	-
Receivables	-	-	-	-	27,094	16,104
Total Financial Assets			<u>521,499</u>	<u>473,742</u>	<u>27,094</u>	<u>16,104</u>
Financial Liabilities						
Trade and other creditors	-	-	-	-	175,258	33,715
			<u>-</u>	<u>-</u>	<u>175,258</u>	<u>33,715</u>

(b) Credit Risk

The maximum exposure to credit risk, including 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 financial position 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 economic entity.

(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 Statement of Financial Position and in the Notes to the Financial Statements.

12 RELATED PARTY TRANSACTIONS

During the reporting period, two grants were provided to the Consumer Law Centre Victoria, of which Mr Field is the Executive Director and Mr Mumford a member of the Board. In line with CUAC processes, a conflict of interest was declared and neither Mr Field nor Mr Mumford participated in the Board's assessment of those two projects.

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 2004 was 4 (equivalent to 2.8EFT) (2003: 2).

15 DIRECTORS' REMUNERATION

Directors' total remuneration over the reporting period was \$55,045 (compared to \$63,115 in the 15 months to 30 June 2003) as follows:

Band (\$)	No.
\$1-9,999	4
\$10,000 – 19,999	1

Remuneration was based on the Government's *Guidelines for the Appointment and Remuneration of Part-Time Non-Executive Directors of State Government Boards and Members of Statutory Bodies and Advisory Committees*.

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: Reference Group Members

Mr Rob Lorenzon
Manager - Environment & Energy
Australian Industry Group

Mr Ric Brazzale
Executive Director
Business Council for Sustainable Energy

Ms Anna Stewart
Principal Solicitor
Consumer Law Centre, Victoria

Mr Denis Nelthorpe
Consumers Federation of Australia

Ms Jean Wilkinson
Director
Council of the Ageing Victoria

Mr John Dick
President
Energy Action Group

Mr Roman Domanski
Executive Director
Energy Users Association of Australia

Mr Daniel Vornoff
Cool Communities Facilitator
Environment Victoria

Ms Livia Carusi
Executive Director
Financial & Consumer Rights Council

Mr Ken Stickland
Chairman, Regulatory Reform Committee
Property Council of Australia

Mr Gavin Dufty
Policy Officer
St Vincent de Paul

Mr Mark O'Brien
CEO
Tenants Union of Victoria

Ms Angela Savage
Policy and Research
Victorian Council of Social Services

Mr Chris Cudsi
Principal Economist
Victorian Employers' Chamber of
Commerce and Industry

Mr Simon Price
Senior Policy Analyst
Victorian Farmers Federation

Appendix B: CUAC Workplan 2003/04

Objectives	Actions	Operational Priorities
<p>ADVOCACY</p> <p>To represent effectively the interests of Victorian consumers</p> <p>To position CUAC as an independent and influential advocate</p>	<p>Active and effective representation on key consultative groups</p> <p>CUAC input to relevant policy and regulatory reviews</p> <p>Acquisition of expertise for major reviews in 2003/04</p> <p>Build and sustain productive relationships with key stakeholders (government, consumer/community groups, and regulatory bodies)</p>	<p>Develop expertise for input into major reviews</p> <ul style="list-style-type: none"> ➤ water ➤ effectiveness of FRC ➤ pricing <p>Develop expertise on social policies for disadvantaged consumers (eg energy efficiency, concessions schemes etc) which represent next stage of debate</p> <p>Develop effective networks for information gathering/ dissemination and action on key issues</p> <p>Convene stakeholder meetings to progress issues and coordinate actions</p>
<p>RESEARCH</p> <p>To research issues of concern to Victorian utility consumers</p> <p>To monitor emerging consumer utility issues</p>	<p>Conduct inhouse research into current and emerging issues</p> <p>Commission research where issues require specialist knowledge or expertise</p> <p>Maintain a watching brief on issues of relevance to Victorian utility consumers</p> <p>Effective use of CUAC networks to identify and initiate research into current and emerging issues</p>	<p>Conduct research into issues of concern to Vic consumers</p> <ul style="list-style-type: none"> ➤ project on disconnections impact with CLCV ➤ identification of Q1/Q2 2004 project <p>Commission research on emerging issues</p> <ul style="list-style-type: none"> ➤ project on indigenous consumer access and assistance issues ➤ Others as appropriate <p>Watching brief on</p> <ul style="list-style-type: none"> ➤ national energy and water issues ➤ infrastructure development issues ➤ environmental aspects of debate <p>Reference Group fulfils its advisory role to CUAC on current and emerging issues</p>

Objectives	Actions	Operational Priorities
<p>ENABLING PARTICIPATION</p> <p>To support customer input into the policy and regulatory debate</p> <p>To build capacity among low-income, disadvantaged or rural consumers to contribute to debate</p> <p>To increase the number of consumers and customer representatives participating in the debate</p> <p>To encourage greater scrutiny of policy and regulatory decisions</p>	<p>Management of CUAC Public Grants Program and EO Grants Program to produce projects of substantive value to debate</p> <p>Establishment of central resource centre and related documents to facilitate quick participation in debate</p> <p>Management of Rural and Regional Network (RRN) to facilitate greater and more effective participation by rural consumer groups</p> <p>Development of communications strategy to increase media awareness and understanding of utilities issues</p>	<p>Management of Grants Program</p> <ul style="list-style-type: none"> ➤ two rounds of Public Grants Program, governed by principles of impartiality, innovation and early intervention ➤ ongoing EO Grants Program for regulatory submissions or urgent projects, governed by principles of innovation, focus on low-income, disadvantaged and rural consumers, and that make a substantive contribution Grants program <p>Identification of other methods of supporting participation by consumer/community groups</p> <p>Developing achievable and effective strategy to build CUAC website as a resource centre</p> <p>Development and expansion of Rural and Regional Network as effective information mechanism for rural consumers, as well as developing mechanisms to handle enquiries from Network participations</p> <p>CUAC role in developing mechanisms to enhance capacity of low-income, disadvantaged and rural consumers to represent their interests to government: e.g. CUAC to develop water network for capacity-building among customer groups</p> <p>Develop strategy to increase media involvement in debate with key stakeholders</p>
<p>GOVERNANCE</p> <p>To manage CUAC in a transparent, responsible and accountable manner</p> <p>To ensure CUAC is sufficiently well-resourced in future</p>	<p>CUAC financial and staffing systems are sound and in accordance with its legal and reporting obligations</p> <p>Review of CUAC objectives and activities to ensure CUAC sufficiently well-resourced for 2004/05</p>	<p>Completion of 2002/03 reporting: Report to Member; 2002/03 Annual Report</p> <p>Finalisation of CUAC Policies and Procedures Manual</p> <p>EO review of CUAC administrative systems to ensure Board appropriately informed on financial, management and staffing issues</p> <p>CUAC staff satisfied with their role and responsibilities</p>