



Australian Government  
Clean Energy Regulator

CLEAN  
ENERGY  
REGULATOR

# 2018–2019 ANNUAL REPORT

Accelerating  
carbon abatement  
for Australia







Australian Government  
Clean Energy Regulator

CLEAN  
ENERGY  
REGULATOR



Photo: Boco Rock Wind Farm, NSW

# ABOUT THIS REPORT

## Report focus

This report describes our performance from 1 July 2018 to 30 June 2019.

As required, we report on results achieved against our intended purpose, outcome, deliverables and performance criteria in our *Corporate Plan 2018–22* and *Portfolio Budget Statement 2018–19* (PBS). We also describe our management and accountability structures, our workforce and financial performance, including audited financial statements.

As an aid to readers, our report includes a list of reporting requirements with page references, a glossary, abbreviations and an alphabetical index.

## Measuring our performance

We are committed to being transparent and accountable for the regulatory functions we undertake on behalf of government.

We are reporting against our *Corporate Plan 2018–22*. Our corporate plan describes our purpose and how we build capabilities and assess our performance against our objectives, which collectively demonstrate how effectively we meet our purpose.

Our corporate plan aligns with our required outcome to government according to our PBS. Our PBS outlines the proposed allocation of resources to our outcome, annual appropriations and net cost of services. The PBS also details performance criteria associated with our outcome and summarises how we deliver our program.

Together, our corporate plan and PBS set our performance framework.

More details are on page 17.

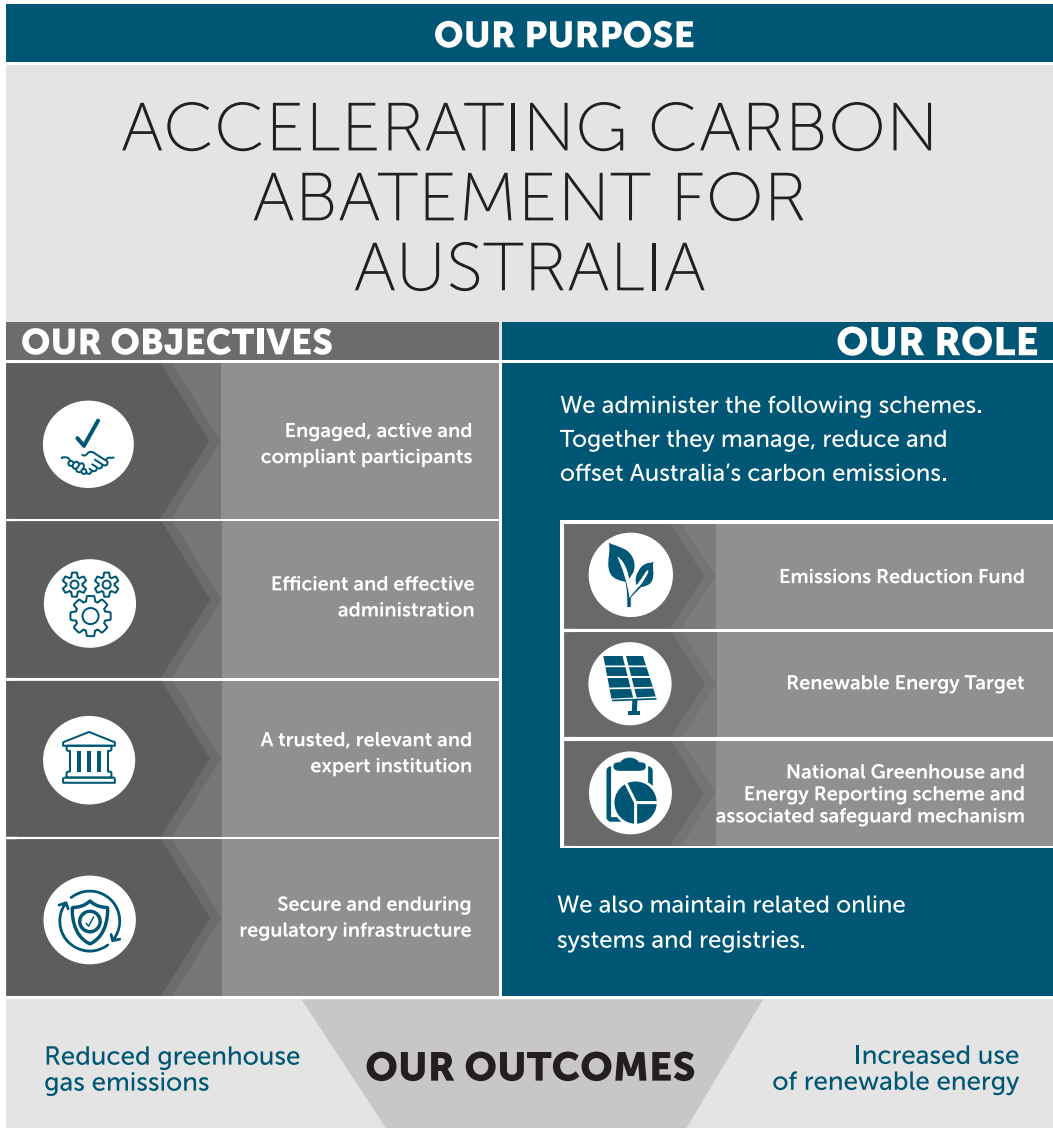
## Electronic version of this report

Our annual reports are available on our website: [www.cleanenergyregulator.gov.au](http://www.cleanenergyregulator.gov.au).

## Other public information

We release other information on our activities through updates, publications, media releases, speeches and reports. This information is also available on our website, along with more details about our agency and the schemes we administer.

# AT A GLANCE



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# LETTER OF TRANSMITTAL

The Hon Angus Taylor MP  
Minister for Energy and Emissions Reduction  
Parliament House  
Canberra ACT 2600

Dear Minister

I am pleased to submit the *Clean Energy Regulator 2018–19 Annual Report* in accordance with subsection 40(1) of the *Clean Energy Regulator Act 2011* for presentation to the Parliament.

The report covers the operations of the Clean Energy Regulator for the financial year ended 30 June 2019. It was prepared for the purposes of section 46 of the *Public Governance, Performance and Accountability Act 2013* in accordance with the Public Governance, Performance and Accountability Rule 2014.

The report includes the Clean Energy Regulator's audited financial statements as required by section 43 of the *Public Governance, Performance and Accountability Act 2013*.

As the accountable authority of the Clean Energy Regulator, I can also advise that no significant issues have been identified or reported to the Minister under paragraph 19(1)(e) of the *Public Governance, Performance and Accountability Act 2013* in relation to non-compliance with the finance law in relation to the entity.

In addition, as required by section 10 of the Public Governance, Performance and Accountability Rule 2014, I certify that the Clean Energy Regulator has prepared fraud risk assessments and fraud control plans, has in place appropriate fraud prevention, detection, investigation and reporting mechanisms that meet the agency's specific needs, and has taken all reasonable measures to appropriately deal with fraud.

Yours sincerely



**David Parker**

Chair, Clean Energy Regulator

30 September 2019



*Photo: Capital Wind Farm, Tarago, NSW*



# PART 1

## ABOUT US AND YEAR IN REVIEW

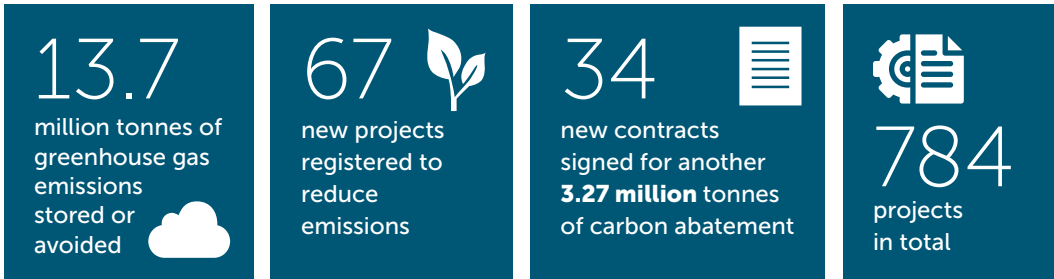
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**Australia's transition  
to clean energy  
continues to  
pick up pace.**

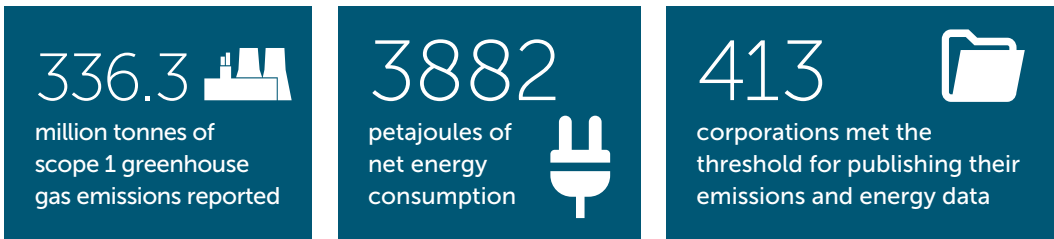
# 2018–19 HIGHLIGHTS

## Emissions Reduction Fund



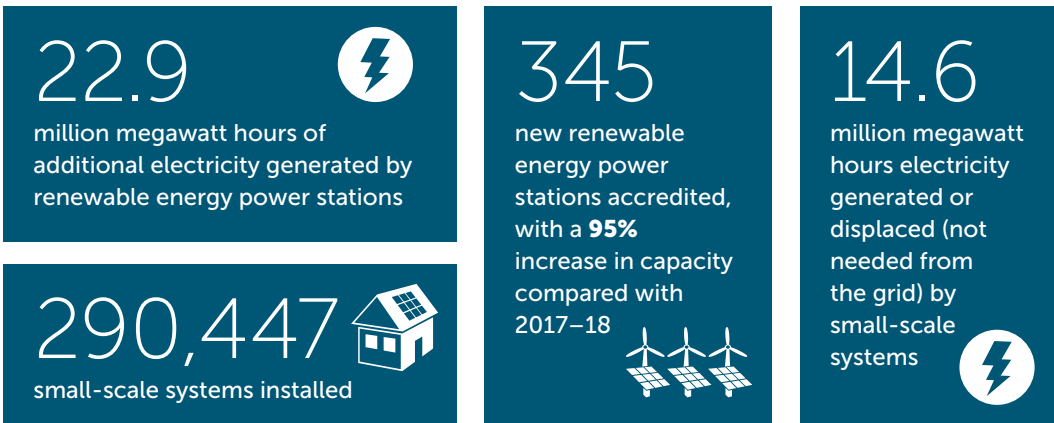
See *Emissions Reduction Fund* from page 36.

## National Greenhouse and Energy Reporting scheme



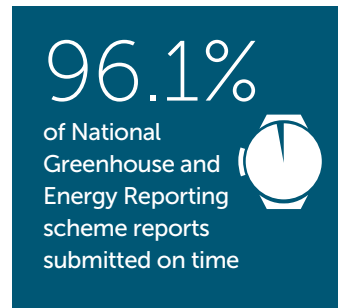
See *National Greenhouse and Energy Reporting scheme* from page 45.

## Renewable Energy Target



See *Renewable Energy Target* from page 52.

## Scheme compliance



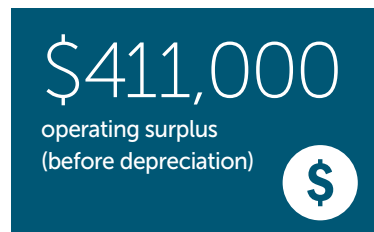
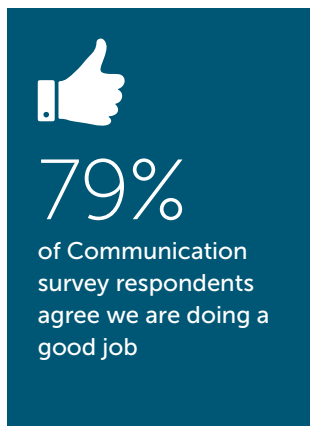
See *Scheme compliance* from page 62.

## Online registries and systems



See *Online registries and systems* from page 70.

## Our agency



See *Our agency and focus* from page 76.

# ABOUT US

The Clean Energy Regulator is an independent statutory authority responsible for administering schemes legislated by the Australian Government to reduce greenhouse gas emissions and increase the use of renewable energy.

## Our purpose

Our purpose describes our reason for being: **Accelerating carbon abatement for Australia.**

## Our role

We achieve our purpose by administering the following schemes for measuring, managing, reducing or offsetting Australia's carbon emissions.

- **Emissions Reduction Fund.** This voluntary scheme provides incentives for organisations and individuals to use new practices and technologies to reduce emissions or store carbon. The aim is to help Australia meet its emission reduction targets. For details, see page 36.
- **National Greenhouse and Energy Reporting scheme.** This scheme provides a national framework for reporting and disseminating company information about greenhouse gas emissions, energy production and energy consumption. It provides a central point for energy and emissions data for governments, to inform policy formulation and the Australian public, meet Australia's international reporting obligations, assist development of Commonwealth, state and territory programs and activities, and avoid the duplication of similar reporting requirements in the states and territories. The scheme also provides a framework for facilities covered by the Safeguard Mechanism to report and manage their emissions. The Safeguard Mechanism is designed to ensure emissions reductions are not offset by significant emissions increases above business-as-usual levels in other sectors of the economy. For details, see page 45.
- **Renewable Energy Target.** This scheme encourages additional electricity generation from renewable sources to reduce greenhouse gas emissions from the electricity sector. It provides an incentive for investment in renewable energy power stations and smaller systems, such as household solar. For details, see page 52.

We also maintain online registries and systems that enable participation in our schemes. This includes the Australian National Registry of Emissions Units (ANREU), Emissions and Energy Reporting System (EERS), and Renewable Energy Certificate Registry (REC Registry). In addition, our Client Portal provides online forms and resources for scheme participants, and we publish comprehensive information and guidance on our website. For details, see page 70.

## Our responsibilities

We are responsible for:

- providing education, information and guidance on the schemes we administer
- assessing and crediting scheme participants
- monitoring, facilitating and enforcing compliance to ensure scheme integrity
- collecting, analysing, assessing, providing and publishing scheme data
- accrediting auditors for schemes we administer, and
- working with other law enforcement agencies, regulatory bodies and partners.

## Our values

We uphold the Australian Public Service values of impartiality, commitment to service, accountability, respect and ethical behaviour.

In addition, we are committed to:

- **delivering outcomes**—our people care about delivering agency objectives because our purpose matters
- **trust and accountability**—our people trust each other because we are all accountable for our actions
- **role clarity**—our people know who does what because role clarity is vital for productive collaboration, and
- **active development**—our people actively develop themselves and others because lifting capability makes a difference.

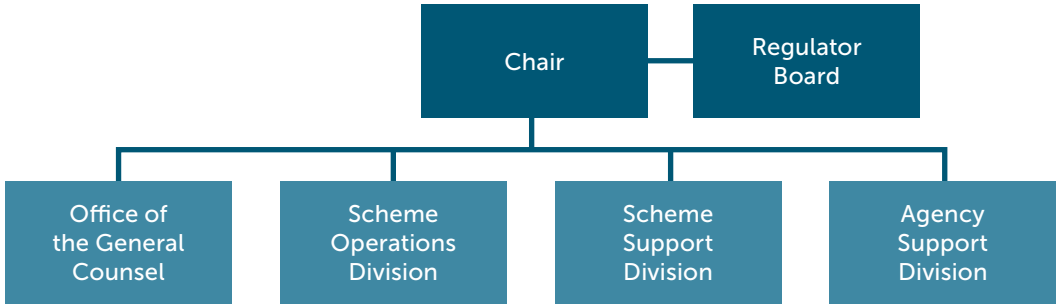
## Our structure

The Clean Energy Regulator was established by the *Clean Energy Regulator Act 2011*, and is a non-corporate Commonwealth entity for the purposes of the *Public Governance, Performance and Accountability Act 2013*.

The term Clean Energy Regulator means:

- The Regulator Board—this is the government appointed Regulator, comprising the Chair and Members, which sets the strategic direction for our agency and is accountable for our regulatory decisions.
- The agency—our agency supports the Regulator Board to perform its responsibilities, and is led by the Chair in his capacity as agency head.
- See more details about the Members of the Regulator Board, our executive staff and agency in *Part 4: Management and accountability* from page 75.

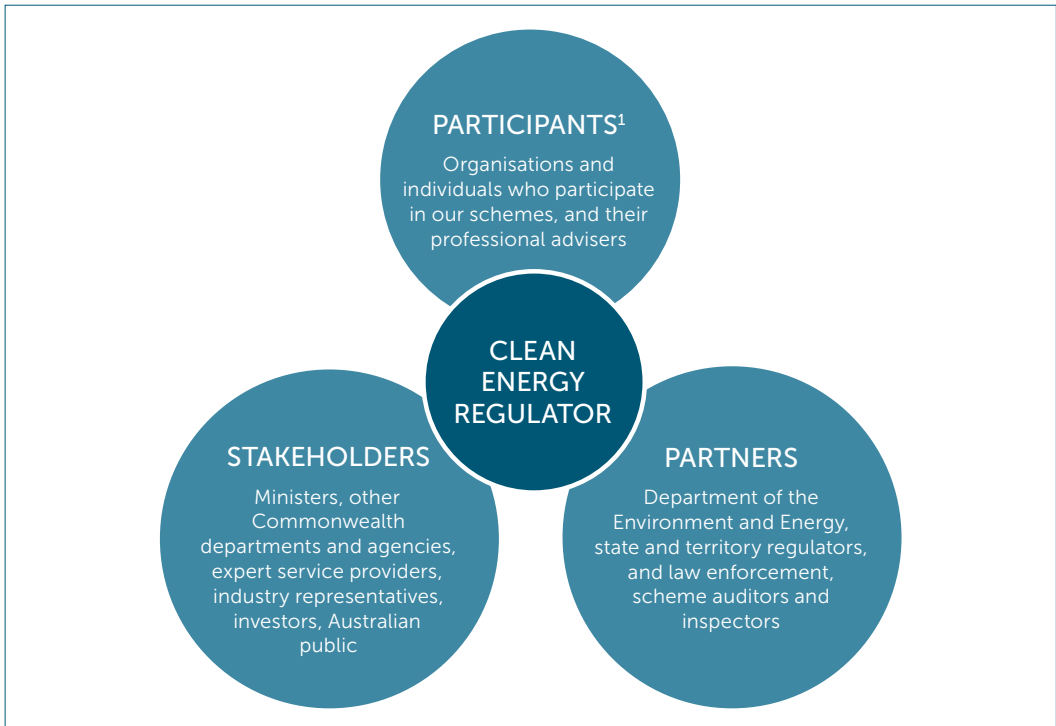
Figure 1: Our high level structure as at 30 June 2019



## Our scheme participants, partners and stakeholders

To achieve our purpose, we work closely with our participants to support their actions to reduce greenhouse gas emissions, increase economically sustainable generation of renewable energy, and comply with our schemes. We also maintain strong relationships with our partners and stakeholders, to work collaboratively towards our purpose.

Figure 2: Participants, partners and stakeholders



1 In this report, clients are referred to as ‘participants’ except on page 8 and in *Part 2: Annual Performance Statement*, where we continue to use the term ‘client’ for consistency with our *Corporate Plan 2018–22*.

## Participants

Our participants are the organisations and individuals who participate in our schemes, and their professional advisers, including:

- businesses, landowners, state and local governments, community organisations and individuals participating in the Emissions Reduction Fund
- corporations that meet emissions thresholds for reporting on greenhouse gas emissions, energy production and consumption under the National Greenhouse and Energy Reporting scheme and Safeguard Mechanism, and
- liable entities (mainly electricity retailers) with obligations under the Renewable Energy Target, along with accredited renewable energy power stations, businesses and households with small-scale systems and others involved in the market for renewable energy certificates.

We invest in knowing our participants and developing strong relationships of trust, including through participant education and guidance materials to help them understand how to participate in and comply with our schemes.

We take fraud and non-compliance seriously, and take necessary action to ensure scheme integrity.

## Partners

Our partners include the Department of the Environment and Energy, Commonwealth, state and territory regulatory bodies, and law enforcement agencies. We work with our regulatory partners to share information to ensure the integrity of the schemes we administer. We also provide information to assist other Commonwealth, state and territory government organisations to discharge their responsibilities under relevant legislation.

A range of formal agreements, lawful disclosure arrangements and staff secondments underpin our partnerships with other agencies to cooperate and exchange information to assist each agency to fulfil its regulatory responsibilities. This includes sharing relevant information, gathering intelligence and referring matters to the appropriate body, including Commonwealth, state and territory agencies for law enforcement purposes (see examples of building relationships with our partners on page 10).

We also work closely with scheme auditors (see page 61) and inspectors (see page 62).

## Stakeholders

Our stakeholders include the Minister for Energy and Emissions Reduction, the Minister for the Environment, other Commonwealth departments and agencies, independent experts, service providers, industry associations and other bodies, investors in renewable energy, and the Australian public.

We regularly engage and consult with our stakeholders on policies, procedures and practices in support of our objectives and purpose.

## Our objectives

Our *Corporate Plan 2018–22* articulates four objectives we need to realise to achieve our purpose of accelerating carbon abatement for Australia.

As shown in Figure 3, our objectives describe the type of regulator we aspire to be, the relationships we need to build, and our approaches to allocating resources, investment and operations.

**Figure 3:** Our objectives and strategies for achieving them as at 30 June 2019

Objective	Rationale and strategies for achieving our objective
<b>Engaged, active and compliant clients</b>	<p>We want our clients to be informed, capable and willing to comply. To be effective, we need to attract and retain clients that meet the requirements of our voluntary schemes and can benefit from our schemes’ incentives. We also need to encourage compliance by assisting clients that have mandatory obligations under the schemes.</p> <p>→ Our strategies to achieve this objective include investing in knowing our clients and communicating with them in ways that meet their needs, helping them understand how to participate and comply through client education and guidance, assisting clients to self-select if they determine they have the ability to meet requirements and achieve anticipated results, and using targeted enforcement to deter non-compliance.</p>
<b>Efficient and effective administration</b>	<p>As an agency operating for the public good, we have an obligation to be efficient and effective. In response to the government’s regulatory reform agenda, we continuously look for ways to do things more efficiently for us and our clients.</p> <p>→ Our strategies to achieve this objective include using risk-based and continuous improvement approaches to make best use of our resources, maintaining and enhancing the skills and expertise of our people and encouraging innovation.</p>
<b>A trusted, relevant and expert institution</b>	<p>To effectively carry out our role in relation to the challenge of reducing carbon emissions, we need to operate as a capable, trusted agency relied upon to make sound decisions based on excellent knowledge and reliable data. We need to be agile and responsive to changes to our environment and work with industry, expert groups and associations to drive compliance in the sector.</p> <p>→ Our strategies to achieve this objective include building and sustaining our agency’s reputation and impact through sound relationships and partnerships, promoting the value of our assets, the quality of our results and the strength of our capabilities, using the data we hold to generate insights and make decisions, and sharing the data we hold for the public good.</p>
<b>Secure and enduring regulatory infrastructure</b>	<p>Our changing policy environment and client base, and the need to operate efficiently, mean that we need resilient and adaptable long-term processes and systems, as well as reliable data.</p> <p>→ Our strategies to achieve this objective include ensuring our regulatory infrastructure is reliable, resilient and flexible enough to be reused in response to policy or operational change, and protecting the integrity and utility of the core elements of our schemes.</p>



# OUR OPERATING ENVIRONMENT

## Dynamic environment

We operate in a dynamic environment and must be able to proactively respond to the associated challenges and opportunities. We remain attuned to developments in our operating environment by engaging across the Australian Government and with the states and territories, consulting with industry, experts, stakeholders and participants, and analysing data and market intelligence. This includes assessing broader climate change, energy, political and economic developments.

Key drivers of change that can affect the administration of our schemes include policy and energy market reforms, the increasing investment in renewable energy, market forces, scheme and policy reviews, the impact of changing technology and business models, and international developments.

During 2018–19, the Climate Change Authority completed its review of the National Greenhouse and Energy Reporting scheme, and the Australian National Audit Office undertook a Performance Audit of the Renewable Energy Target. We contributed information to these reviews based on our data and expertise in regulatory systems, and will carefully consider all recommendations.

Over the next few years, we expect the energy market to continue to evolve. Consumers and businesses are showing a strong preference for renewable energy, however, this transition must be managed to preserve reliability.

To provide participants and investors with certainty throughout these periods of change, we will maintain a considered, consistent and transparent approach in our dealings with them, as highlighted in our compliance priorities (see page 12). We also provide transparency by publishing regular market updates and data sets to ensure the market is fully informed to function well.

## Importance of data integrity

To ensure the integrity and useability of our data into the future, we will become increasingly sophisticated in the way we use and share data to inform our participants and markets, the public and policy makers.

For data governance, sharing and management, we are guided by the principles of whole-of-government initiatives such as the Digital Transformation Agenda and the Public Data Policy Statement, as well as lessons learned in the private sector.

We will continue to pursue opportunities for improvement—ranging from using automation to enhance efficiency and decision-making, to harnessing data analytics to improve understanding of the markets our schemes operate in—so we can more effectively adjust our processes to changing circumstances and identify non-compliance early.

## **Strong relationships with partners**

We are committed to building on our relationships with our partners to enhance and leverage greater value from our collective data holdings.

One of our priorities for managing compliance is to increase the use of data to compare, analyse and assess participant activity through data matching. We continue to grow our partnerships with a range of government and industry bodies. For example, we partner with the Australian Energy Market Operator sharing data to support the validation of renewable energy certificates and give confidence in the data reported by liable entities under the Renewable Energy Target. We also partner with the Clean Energy Council, the Smart Energy Council and industry to validate data on solar panel serial numbers to reduce potential fraud in the Small-scale Renewable Energy Scheme, and cooperate with the Australian Criminal Intelligence Commission to analyse potential criminal threats to our schemes.

We have established relationships across government to make better use of our data holdings. We have addressed inconsistencies and anomalies in the National Greenhouse and Energy Reporting scheme data set. This means longitudinal data about energy use and emissions at a facility level is now available to inform analysis for the Australian Energy Statistics, National Greenhouse Gas Inventory, Australia's Emissions Projections, and the Safeguard Mechanism. The linked data will enable future research comparing energy and emissions data with other micro-level business characteristic data, such as data available through the Australian Taxation Office.

We will continue to seek out new partners to further develop our capabilities and ensure positive outcomes for the community.

## **Portfolio and minister**

As at 30 June 2019, the Clean Energy Regulator operated within the Environment and Energy Portfolio, reporting to the Hon Angus Taylor MP as Minister for Energy and Emissions Reduction.

## Legislation

The Clean Energy Regulator was established on 2 April 2012 as an independent statutory authority under the *Clean Energy Regulator Act 2011*.

Climate change laws we administer include:

- *Carbon Credits (Carbon Farming Initiative) Act 2011* (Emissions Reduction Fund and former Carbon Farming Initiative)
- *National Greenhouse and Energy Reporting Act 2007* (National Greenhouse and Energy Reporting scheme)
- *Renewable Energy (Electricity) Act 2000* (Renewable Energy Target)
- *Australian National Registry of Emissions Units Act 2011*, and
- *Clean Energy Act 2011* (insofar as it is kept in force by *Clean Energy Legislation (Carbon Tax Repeal) Act 2014*).

# OUR COMPLIANCE APPROACH

Our *Compliance policy for education, monitoring and enforcement activities* aims to optimise voluntary compliance with the schemes we administer. We updated this policy in January 2019. At the same time we published a new *Compliance policy for enforceable undertakings*, which details our approach to enforceable undertakings used to improve, and where necessary enforce, compliance with the legislation we administer.

Our approach to regulation starts from the premise that responsibility for complying with scheme obligations clearly rests with the individual or organisation that the relevant legislation, policy or contract applies to. We take a harm prevention approach in the first instance to encourage compliance and also pursue non-compliance. We are clear about our objectives and what we want to achieve. To help determine the appropriate response to non-compliance, we use an intelligence-led, risk-based approach that considers the behaviour and motivation of scheme participants.

We recognise that engagement, education and support are critical to ensuring scheme participants meet their obligations and avoid inadvertent non-compliance. We publish various guidance materials and resources to advise our participants of their obligations.

Our well-established monitoring, audit and assessment processes protect against fraud and non-compliance across all our schemes. This includes assessing submitted reports, analysing data to identify trends, anomalies and behaviours, and conducting audits, site visits and inspections. We also analyse large datasets and use smart algorithms to detect out-of-pattern behaviours.

Where necessary, we initiate investigations, pursue civil action and refer relevant cases for criminal prosecution in more serious cases of deliberate non-compliance.

We publish details of enforcement action when participants do not comply with their obligations, demonstrating that we will take enforcement action in appropriate circumstances and providing added incentive for our participants to voluntarily comply.

## Compliance priorities

We publish compliance priorities each year to increase transparency and accountability of our activities. Sometimes we supplement or refocus these priorities in response to behaviours we observe during the year. Our 2018–19 compliance priorities identified focus areas for compliance and our approach to regulation across our schemes, as summarised in Figure 4. The full 2018–19 compliance priorities are on our website.

Figure 4: Summary of our compliance priorities for 2018–19

Scheme	Focus areas
<b>Emissions Reduction Fund</b>	<p>Ensure that regeneration projects receive Australian carbon credit units for genuine and additional abatement.</p> <p>Confirm that proponents have the legal right to conduct projects and be issued Australian carbon credit units.</p> <p>Ensure that contract deliveries are made on time by pursuing buyer's market damages where new delivery schedules cannot be agreed.</p>
<b>National Greenhouse and Energy Reporting scheme</b>	<p>Support consistency and accuracy of emissions and energy data through guidance and desktop assessments and audits.</p> <p>Tighten our resubmission policy and consider use of compliance tools for reporters with a history of submitting inaccurate data.</p> <p>Improve the integrity of data reported under various schemes where a greenhouse and energy auditor is used.</p>
<b>Safeguard Mechanism</b>	<p>Engage early with responsible emitters identified as having potential excess emissions situations.</p> <p>Support compliance by encouraging responsible emitters to be proactive in planning their response to any excess emissions.</p>
<b>Renewable Energy Target</b>	<p>Ensure that only eligible systems receive the right number of small-scale technology certificates by:</p> <ul style="list-style-type: none"> <li>• streamlining and automating validations of small-scale technology certificates</li> <li>• introducing compulsory knowledge checks and self-assessment requirements for registered agents and suspending agents who make false claims.</li> </ul> <p>Ensure only eligible renewable generation receives the right number of large-scale generation certificates by:</p> <ul style="list-style-type: none"> <li>• running sophisticated analytics across claims</li> <li>• requiring participants to take greater accountability for the quality of data provided, and</li> <li>• refusing over-claims and investigating where false and misleading information is provided.</li> </ul> <p>Ensure that embedded generators on mine sites are properly identifying and reporting as liable entities.</p>

As our participants and schemes evolve, we are shifting our focus to a stronger emphasis on proactively and effectively detecting and addressing non-compliance. We are prepared to anticipate, identify, analyse and respond to potential non-compliance and use the range of engagement, education, compliance and enforcement tools and powers at our disposal.

Compliance activities and outcomes for 2018–19 are reported in *Part 3: Scheme performance* from page 35.



## CHAIR'S REVIEW

David Parker | Chair, Clean Energy Regulator

Australia's transition to renewable energy is proceeding at a rapid pace and the overall emissions intensity of the electricity sector is now falling quickly.

In another strong year of investment in renewables, we saw a record 5600 megawatts of capacity installed under the Renewable Energy Target. This confirms Australia will have more than enough renewable energy capacity to meet the 2020 Renewable Energy Target.

The Renewable Energy Target is an important part of the transition to a clean energy future, helping to bring down emissions in the electricity sector. We believe investment in renewables will remain at a high level into the foreseeable future, as commercial factors and state-based incentives and processes are becoming stronger drivers for investors.

The emerging challenge is how to manage the stability and reliability of the electricity grid and potential price volatility as we experience higher penetration of renewable energy combined with decreasing coal fired generation. We will continue to provide key information and insights gathered through our schemes to help manage this transition. We will also maintain our focus on emissions reduction.

This year Emissions Reduction Fund projects created a record level of 13.7 million tonnes of carbon abatement. In February 2019, the Government also announced an additional \$2 billion in the Climate Solutions Fund to continue momentum towards reaching Australia's 2030 emissions reduction target.

The Climate Solutions Fund will target new sources of projects and investment, and is expected to continue to purchase more carbon abatement at the lowest cost. We will continue to work with industry to step up supply through outreach activities, market development information and support for market innovation to encourage greater participation in carbon farming.

While encouraging carbon abatement projects, it is equally important to ensure Australia's largest emitters keep their emissions below set baselines. This is achieved through the Safeguard Mechanism. During the reporting year, we prepared for changes to the Safeguard Mechanism, which are intended to make it fairer and simpler, and ensure baselines reflect current circumstances. We are working to reset baselines, update tools and resources for stakeholders, and provide information about the amendments to support facilities as they transition to new arrangements.

We also made changes within our agency. We identified the cultural anchors that will guide how we develop our capability, the way we work together, how we can be more commercially oriented in implementing our tasks to ensure we are as effective as possible, and how we can ensure clarity about our role. We developed a comprehensive People Capability Framework and restructured our organisation during the year, to support our ongoing maturing as an agency.

Finally, we are continuing to adjust our compliance focus, becoming more proactive in our activities, working with industry to support innovations like the Solar Panel Validation initiative, harnessing data analytics and data sharing to validate information provided to us, and being more prepared to examine and test details provided to ensure compliance with all our schemes.

The year ahead promises to be another busy 12 months, as we encourage continued activity in the carbon market and support creativity and innovation within the industry to accelerate carbon abatement for Australia.



**David Parker AM**

Chair, Clean Energy Regulator

# OUTCOME AND PROGRAM STRUCTURE

Outcomes are the intended results, impacts or consequences of Government actions, and programs are how agencies achieve these intended results.

Our outcome and our program structure is detailed in the *Environment and Energy Portfolio Budget Statements 2018–19*.<sup>2</sup> Key information is summarised below.

**Figure 5:** Summary of our outcome and program structure for 2018–19

<b>OUTCOME 1</b>	
Contribute to a reduction in Australia’s net greenhouse gas emissions, including through the administration of market based mechanisms that incentivise reduction in emissions and the promotion of additional renewable electricity generation.	
<b>PROGRAM 1.1</b>	
Effective and efficient regulation of greenhouse and energy reporting and market based schemes that contribute to a reduction in Australia’s net greenhouse gas emissions and promote investment in renewable energy.	
<b>Delivery</b>	
We deliver Program 1.1 by:	
<ul style="list-style-type: none"> <li>• collecting, analysing, assessing and publishing emissions and energy data, to inform government policy and the Australian public, to meet international reporting obligations and to support Australia’s emissions and energy data needs</li> <li>• operating the Australian National Registry of Emissions Units and the Renewable Energy Certificate Registry for market participants</li> <li>• monitoring, facilitating and enforcing compliance by our participants for the schemes we administer</li> <li>• issuing Australian carbon credit units to organisations and individuals for approved projects that reduce greenhouse gas emissions</li> <li>• conducting auctions and managing contracts</li> <li>• accrediting greenhouse and energy auditors to undertake audit activities under our schemes</li> <li>• working with other Commonwealth, state and territory law enforcement and regulatory bodies, and</li> <li>• providing education and information to current and potential scheme participants on the schemes we administer and how they work.</li> </ul>	
<b>Performance criteria</b>	<b>Targets</b>
Proportion of contracted abatement delivered	≥ 80% of contracted abatement is delivered on time
Compliance levels by regulated and liable entities	≥ 95% of regulated entities are materially compliant with their statutory obligations

2 <http://www.environment.gov.au/about-us/publications/budget/portfolio-budget-statements-2018-19>



## Corporate plan

Our *Corporate Plan 2018–22* incorporates our Portfolio Budget Statement performance criteria into more detailed key performance indicators for our four agency objectives. It outlines our purpose, objectives, strategic priorities and performance measures. It discusses our operating environment and capabilities and details our regulatory posture, which embeds our risk appetite into our approach to compliance, education and enforcement.

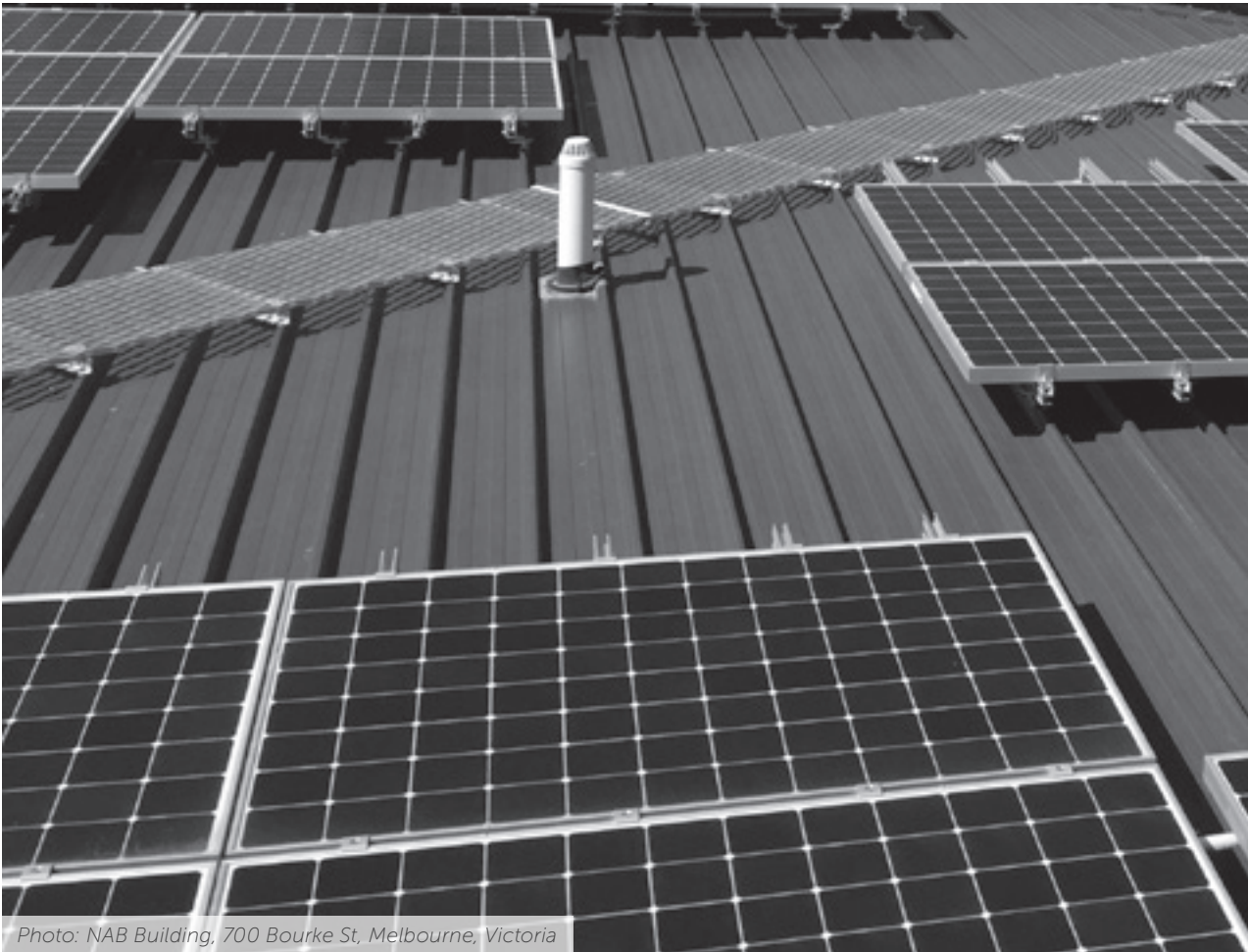
Our plan includes a key performance indicator framework that provides the basis for measuring our agency's performance against our objectives and purpose. The framework reflects our core functions as a regulator, and we use it to assess our effectiveness and the efficiency and quality of these functions.

## Annual performance statement

The annual performance statement reports on our performance criteria and key performance indicators in our *Portfolio Budget Statement 2018–19* and *Corporate Plan 2018–22*, as required under section 39 of the *Public Governance, Performance and Accountability Act 2013*.

For results achieved against our purpose, objectives and key performance indicators, see *Part 2: Annual performance statement* from page 19, with further details in *Part 3: Scheme performance* from page 35.

For more about our planning and reporting, see *Part 4: Management and accountability* from page 75.



*Photo: NAB Building, 700 Bourke St, Melbourne, Victoria*

## PART 2

# ANNUAL PERFORMANCE STATEMENT

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**During 2018–19,  
we continued to deliver  
our purpose to accelerate  
carbon abatement  
for Australia.**

# INTRODUCTORY STATEMENT

I, David Parker as the accountable authority of the Clean Energy Regulator, present the agency's 2018–19 annual performance statement, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, this performance statement is based on properly maintained records, which accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.



David Parker AM  
Chair, Clean Energy Regulator  
27 September 2019

## OUR PURPOSE

### Accelerating carbon abatement for Australia

Our purpose statement reflects the objectives of the legislation that underpins all our activities that involve measuring, reducing or offsetting Australia's carbon emissions.

As outlined in our *Corporate Plan 2018–22*, we define four objectives that describe our regulatory posture, the relationships we need to build, and our approach to allocating resources, investment and operations that underpin the achievement of our purpose.

The Key Performance Indicator (KPI) Framework has been designed to reflect our agency's core functions as a regulator and is used to assess our effectiveness, and our efficiency and quality against these functions. Individually, the key performance indicators demonstrate how discrete functions of our agency have performed. Collectively, the key performance indicators for each of our four objectives measure our performance against our purpose.

For 2018–19, our agency's KPI Framework was further refined to report against a number of new performance indicators. In addition, we discontinued reporting against two performance indicators. The following performance results for 2018–19 are detailed against each of our objective.

# PERFORMANCE RESULTS

## Objective: Engaged, active and compliant clients

We want our clients to be informed, capable and willing to comply. To be effective, we need to attract and retain clients that meet the requirements of our voluntary schemes and can benefit from our schemes' incentives.

We also need to encourage compliance by assisting clients that have mandatory obligations under the schemes and to deter those not willing to comply.

To measure our performance against this objective, we consider our performance against engagement, guidance and communications activities as well as our performance in relation to the collection of information for registrations and accreditation using the following performance indicators.

Level of client satisfaction with engagement and guidance provided. Source: Corporate Plan 2018–22	Results	
	2018–19	2017–18
	70%	64%

To assess our clients' level of satisfaction with our engagement, guidance and communication activities, we seek their feedback on an annual basis. This feedback is used to assess our performance and improve our approach to client engagement.

The results from the 2018–19 Communications survey indicated that 70 per cent of respondents agreed or strongly agreed that our agency effectively engages with our clients. We value the feedback provided by our clients and will continue to work with them to address their feedback and areas of concern.

For more information about our Communications survey, see page 90.

Proportion of client contacts resolved at first interaction. Source: Corporate Plan 2018–22	Results	
	2018–19	2017–18
	74%	79%

This performance indicator assesses our efficiency in resolving client enquiries through our dedicated in-house Contact Centre. We aim to resolve all client enquiries at first interaction. However, given the technical nature of our schemes, we expect that some enquiries will require escalation to specialised business areas within our agency for resolution.

In 2018–19, our Contact Centre resolved 74 per cent of telephone enquiries. This is slightly lower than the previous year's result, and potentially reflects the impact of an increase in staff movements and increase in the complexity of client enquiries as our schemes mature.

We continue to build the capacity of our Contact Centre through investment in people, processes and systems to ensure staff have the necessary skills, capabilities and knowledge to effectively support our clients.

<b>Volume of Australian carbon credit units issued.</b> Source: Corporate Plan 2018–22	Results	
	2018–19	2017–18
	<b>13,663,409</b>	12,207,903

Each Australian carbon credit unit (ACCU) issued represents a tonne of carbon abatement stored or avoided by a project under the Emissions Reduction Fund. The number of ACCUs issued is an indication of the rate of participation under the Emissions Reduction Fund.

There were 13,663,409 ACCUs issued in 2018–19, which is an increase of more than 1.4 million ACCUs issued in the previous year. This increase is in line with our agency's forecasts of ACCU issuance. Carbon abatement occurs progressively over the life of a project, with some methods seeing an increase in levels of abatement towards the end of the crediting period.

For more information on the projects registered under the Emissions Reduction Fund and the volume of ACCUs issued, see page 36.

<b>Volume of renewable energy certificates validated.</b> Source: Corporate Plan 2018–22	Results	
	2018–19	2017–18
	<b>LGCs: 26,250,722</b> <b>STCs: 33,265,332</b>	LGCs: 20,023,012 STCs: 25,567,897

The volume of renewable energy certificates validated indicates the level of client participation in the Renewable Energy Target scheme and the volume of electricity generated from large-scale renewable power stations.

A total of 26,250,722 large-scale generation certificates (LGCs) were validated in 2018–19, which is an increase of 31 per cent compared with the previous year. The increase in validated LGCs reflects the growth in accredited capacity from renewable energy power stations. This increase contributes to the 2020 Renewable Energy Target being achieved.

The number of small-scale technology certificates (STCs) validated increased by 30 per cent compared with the previous year. As the cost of systems continues to fall as technology becomes more efficient and cheaper, the amount of solar capacity and preference for larger systems continues to increase.

For more information about the Large-scale Renewable Energy Target and LGCs, see page 52.  
 For more information on the Small-scale Renewable Energy Scheme and STCs, see page 52.

Proportion of applications processed within statutory or agreed timeframes. Source: Corporate Plan 2018–22	Results	
	2018–19	2017–18
	99.0%	98.4%

This performance indicator assesses our efficiency in processing applications within the statutory or administrative timeframes of our schemes. Where statutory timeframes do not exist, we apply internal administrative timeframes for application processing. Meeting timeframes provides clients with commercial certainty that their applications are complete.

In 2018–19, we processed 99 per cent of all scheme applications within statutory or administrative timeframes. We were able to achieve consistent results to the previous year through administrative efficiencies, which were implemented to meet the increase in the total number of applications processed, up by 38 per cent compared with the previous year.

We absorbed a substantial increase in applications for the Large-scale Renewable Energy Target, up 45 per cent on the previous year. This increase reflects the greater take-up of large-scale power stations by commercial and industrial businesses.

## Performance against our objective

In measuring our performance against the objective of engaged, active and compliant clients, we have maintained strong results for our provision of accurate, timely and relevant guidance material to educate our clients to understand their obligations and to successfully participate in our schemes. In relation to registration, accreditation and approvals, we validated a higher number of renewable energy certificates this year, which is an indicator of confidence in the Renewable Energy Target by industry participants. Similarly, despite an increase in the number of applications we processed this year in response to the growing number of clients taking up incentives under our schemes, we maintained our performance level due to the administrative efficiencies that were implemented.

## Objective: Efficient and effective administration

As an agency operating for the public good we have an obligation to be efficient and effective. In response to the government’s deregulation agenda, we continuously look for ways of doing things more efficiently for us and our clients.

To measure our performance against this objective we consider our business operations, people services, investigations and enforcement activities and report our performance against the following performance indicators.

<b>Proportion of successful litigation commenced by the Clean Energy Regulator.</b> Source: Corporate Plan 2018–22	Results
	2018–19
	Nil

This performance indicator was developed for 2018–19 to assess the effectiveness of our agency’s compliance, investigation and enforcement actions.

Litigation commenced by our agency includes civil penalty proceedings, applications to enforce undertakings and injunctions. Criminal cases are, in general, commenced by Commonwealth and state prosecutors and not reported against this performance indicator. No litigation was commenced by our agency in 2018–19.

<b>Proportion of non-compliance cases brought back into compliance.</b> Source: Corporate Plan 2018–22
This performance indicator was developed for 2018–19 to report against the proportion of non-compliance cases brought back into compliance.
Our approach and tools to address non-compliance are set out in our <i>Compliance policy for education, monitoring and enforcement activities</i> . We use these tools, including voluntary actions, suspension of accreditation, enforceable undertakings and court cases to address non-compliance and encourage compliance. However, it has proven difficult to measure whether a person has ‘become compliant’ as a result of these actions. This performance indicator has been discontinued in light of this difficulty.
In relation to enforceable undertakings, we developed and published our <i>Compliance policy for enforceable undertakings</i> . The status of enforceable undertakings, including whether they have been completed is set out on our website. While there are enforceable undertakings currently in force, only one was completed during 2018–19.



Positive assessments of the agency's performance under the Regulator Performance Framework. Source: Corporate Plan 2018–22	Results	
	2018–19	2017–18
	Positive	Positive
<p>We report against the Commonwealth's Regulator Performance Framework. This includes preparing an externally validated, self-assessment report on our performance against six mandatory key performance indicators. We use this process to continually improve our regulatory performance and set targets for improved performance in future years. The assessment draws on formal and informal feedback from various sources, including the 2018–19 Communications survey.</p> <p>At the time of writing, we have self-assessed as 'positive' against each key performance indicator. These results are expected to be confirmed by our external validators (who are from peak bodies representing a cross section of scheme participants).</p> <p>Further details about our performance under the Regulator Performance Framework can be found on our website.</p>		

No significant breaches of government administrative, legal and policy requirements. Source: Corporate Plan 2018–22	Results	
	2018–19	2017–18
	1	4
<p>This performance indicator reports on our agency's compliance with governance and control frameworks, ensuring that we operate within the Australian Government administrative, legal and policy boundaries.</p> <p>In 2017–18, we voluntarily reported non-compliance with INFOSEC-4 requirement of the Protective Security Policy Framework. In 2018–19, we completed remedial actions so that we now comply with all seven INFOSEC requirements noted in the Protective Security Policy Framework.</p> <p>For more information about our compliance approach, see Part 4: Management and Accountability on page 75.</p>		

Level of client satisfaction with staff interactions. Source: Corporate Plan 2018–22	Results	
	2018–19	2017–18
	80%	71%
<p>We seek feedback from our clients as an indicator of their satisfaction with staff interactions and to assess the effectiveness of agency staff in supporting them. This helps us to evaluate service delivery and identify areas for future staff development.</p> <p>The results from the 2018–19 Communications survey indicated 80 per cent of respondents were satisfied with their interactions with our staff. Respondents reported high ratings for staff demonstrating knowledge and understanding of legislation and processes. They also recorded high satisfaction ratings for staff being approachable.</p> <p>For more information about our Communications survey, see page 90.</p>		

## **Performance against our objective**

In measuring our performance against the objective of efficient and effective administration, we have continued to better identify and deal with non-compliance within our schemes. We have achieved positive results for our operational performance indicators, which demonstrates the effectiveness of our agency's processes and practices. Our ongoing commitment to service delivery is evidenced by continued positive results of our agency's staff in administering our schemes.

## Objective: A trusted, relevant and expert institution

To effectively carry out our role in relation to the challenge of reducing carbon emissions, the Clean Energy Regulator needs to operate as a capable, trusted agency relied upon to make sound decisions based on excellent knowledge and reliable data. We need to be agile and responsive to changes to our environment and work with industry, expert groups and associations to drive compliance in the sector.

To measure our performance against this objective we consider activities related to monitoring and encouraging compliance and providing market services functions, and report our performance against the following performance indicators.

Proportion of contracted abatement delivered.	Results
	2018–19
	87%

Source: Corporate Plan 2018–22 and Portfolio Budget Statement 2018–19

The proportion of carbon abatement delivered against the delivery schedule is an indicator of the effectiveness of our administration of the Emission Reduction Fund's contract management function.

For 2018–19, the performance indicator has been refined to take into account revised ACCU delivery schedules for contracts currently in force. This is because the design of the carbon abatement contracts allows participants to bring forward deliveries and negotiate in good faith to potentially defer deliveries against contract milestones, provided that the total contracted volume is delivered by the end of the contract.

For 2018–19 contractual milestones, 11.2 million ACCUs have been delivered compared to the 12.9 million required (as at 26 August 2019). This has resulted in 87 per cent of contracted abatement being delivered for 2018–19. This result is above the target published in the Portfolio Budget Statement 2018–19 of greater than or equal to 80 per cent. Our agency monitors the performance of contracts and is taking case-by-case action so that outstanding contractual obligations will be met. A total of 42.99 million ACCUs have been delivered to 30 June 2019.

For more information about the Emissions Reduction Fund, see page 36.

<b>Proportion of scheme-based statutory decisions upheld upon internal or external reviews.</b> Source: Corporate Plan 2018–22	Results	
	2018–19	2017–18
	<b>Internal review decisions: 100% (4/4)</b>  <b>External review decisions: 100% (1/1)</b>	Internal review decisions: 60% (3/5)  External review decisions: 100% (1/1)
<p>This performance indicator reports on the outcome of internal reviews requested by parties who have been affected by formal decisions of our agency. In general, an internal review will be sought by a scheme participant who believes that their interests have been adversely affected by a decision made by our agency. Reviews are conducted internally by another regulatory officer who was not involved in the original decision-making process. If the participant remains dissatisfied with the internal review result, they may then request an external review by an independent tribunal or court.</p> <p>In 2018–19, four internal review decisions were made in relation to the Small-scale Renewable Energy Scheme. All four review decisions confirmed our agency’s original decisions. No external reviews were initiated in 2018–19.</p> <p>A matter that was taken on external review in an earlier year was finalised in 2018–19. Our agency’s decision was upheld by the Federal Court. This led to two related Administrative Appeals Tribunal matters being withdrawn by the affected party.</p> <p>For more information about external scrutiny, see page 92.</p>		

<b>Proportion of safeguard facilities without an excess emissions situation after the previous reporting year.</b> Source: Corporate Plan 2018–22	Results	
	2018–19	2017–18
	<b>100%</b>	100%
<p>The proportion of safeguard facilities without an excess emissions situation verifies compliance with the National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015. The legislation required that safeguard facilities (referred to as responsible emitters) keep their net emissions at or below their emissions baseline.</p> <p>As with the previous year, for the 2018–19 compliance period, 100 per cent of responsible emitters met their safeguard obligations by the 28 February 2019 deadline.</p> <p>For more information about the safeguard mechanism, see page 50.</p>		

Proportion of entities that complied with statutory registration deadlines (applicable to new entities).	Results	
	2018–19	
	56%	

Source: Corporate Plan 2018–22

This is a new performance indicator for 2018–19.

Under the *National Greenhouse and Energy Reporting Act 2007*, corporations that meet the emissions, energy production or energy consumption threshold are required to be registered by 31 August following the year in which they first trigger the emissions, energy production or energy consumption threshold.

In 2018–19, 56 per cent of new entities that entered into the scheme complied with their statutory registration deadlines. We identified that many entities that have undergone a corporate restructure earlier in the year did not realise they needed to register until it came time to prepare their National Greenhouse and Energy report (mainly from September 2018 onwards). Work is undertaken throughout the rest of the year to identify and rectify registrations that are late.

For more information about the National Greenhouse and Energy Reporting scheme, see page 45.

Compliance levels by regulated and liable entities.	Results	
	2018–19	2017–18
	98.0%	99.7%

Source: Corporate Plan 2018–22 and Portfolio Budget Statement 2018–19

This performance indicator assesses the proportion of entities that are in compliance with specific reporting obligations under the Emissions Reduction Fund, the National Greenhouse and Energy Reporting scheme and the Renewable Energy Target. This is an indicator that our agency's guidance activities support our clients to comply with their reporting obligations.

For 2018–19, 98 per cent of entities were in compliance with their reporting obligations. This result is above the target published in the Portfolio Budget Statement 2018–19 of 95 per cent. We have maintained consistently high rates of compliance across all schemes, however, this is marginally lower than the previous year's result. This is due to a slight decrease for on-time National Greenhouse and Energy report submissions.

For more information about scheme compliance, see page 62.

Level of client satisfaction with the National Greenhouse and Energy Reporting scheme data available on the Information Portal.
Source: Corporate Plan 2018–22
<p>We use feedback from our reporters and end users of data to enhance the collection and provision of National Greenhouse and Energy data. The National Greenhouse and Energy Reporting scheme data set contains key information about greenhouse gas emissions, energy production and energy consumption across important sectors of the economy.</p> <p>In previous years, we have sought feedback from users through a survey tool, which has been discontinued in favour of direct engagement. In response to user feedback, we have developed a new online Reporting Hub, which increases the reliability of the platform, provides data users with easier access to the data through a range of streamlined pre-prepared reports.</p> <p>For more information about the National Greenhouse and Energy Reporting scheme data, see page 45.</p>

<b>Level of market confidence with the Clean Energy Regulator as a market regulator.</b> Source: Corporate Plan 2018–22	Results	
	2018–19	
	89%	
<p>This is a new performance indicator for 2018–19.</p> <p>Our agency provides the registries for the operation of markets for Australian carbon credit units, small-scale technology certificates and large-scale generation certificates. For the effective functioning of these markets, it is important the market has confidence that our agency has a good understanding of how the market is functioning.</p> <p>To gauge the level of confidence in our understanding of the markets, we sought feedback from our clients through the 2018–19 Communications survey. The results are based on three scheme questions, measured as a ratio of favourable to unfavourable. When excluding those clients who did not express a view from the total responses, 89 per cent of responses were favourable and only 11 per cent were unfavourable.</p> <p>For more information about how we inform the market, see page 42.</p>		

<b>Level of client satisfaction with registries and reporting systems.</b> Source: Corporate Plan 2018–22	Results	
	2018–19	2017–18
	80%	75%
<p>This performance indicator assesses our agency’s ability to meet client expectations by providing secure and user-friendly online registries and reporting systems.</p> <p>The results from the 2018–19 Communications survey indicated 80 per cent of respondents were satisfied or very satisfied with our agency’s registries and reporting systems.</p> <p>For more information about the operation of our online registries and systems, see page 70.</p>		

### Performance against our objective

We continue to strive to meet our objective of a trusted, relevant and expert institution. With respect to monitoring and encouraging compliance, this year’s results demonstrate our continued high rates of compliance. We ensured 100 per cent of responsible emitters met their obligations into the second year of the safeguard mechanism. All of our internal review decisions were upheld, which demonstrates the rigour and defensibility of our decisions in ensuring that we are seen as trusted, relevant and expert by Government, clients and the community. Furthermore, our agency’s efforts in providing information to inform market participants ensures that we are seen as trusted in supporting market integrity and effective market operations.

## Objective: Secure and enduring regulatory infrastructure

Our changing policy environment and client base, and the need to operate efficiently, mean that we need resilient and adaptable long-term processes and systems as well as reliable data.

To measure our performance against this objective we consider activities related to the provision of information and communications technology services and report our performance against the following performance indicators.

Availability of online systems. Source: Corporate Plan 2018–22	Results	
	2018–19	2017–18
	99.4%	99.5%

The success of the schemes we administer is dependent on reliable and secure technological foundations. This performance indicator assesses our agency's ability to create and foster client confidence in the market through the reliable operations of our online systems (our online systems also include registries). This performance indicator represents the availability of our online systems for clients as a percentage of time over 365 days.

We administer five online systems for use by our clients and stakeholders, including our website, Emissions and Energy Reporting System (EERS), Client Portal, Australian National Registry of Emission Units (ANREU) and the Renewable Energy Certificate Registry (REC Registry).

In 2018–19, our online systems were available for 99.4 per cent of time, excluding scheduled maintenance, which is consistent with the previous year's result. This means that our online systems were unavailable for approximately 52 hours and 34 minutes during 2018–19.

Because online systems require maintenance from time-to-time, 100 per cent availability is not expected. However, the high availability result achieved reflects the reliability and resilience of our online systems.

For more information about our agency's online registries and systems, see page 70.

No infiltrations of the Clean Energy Regulator's online systems. Source: Corporate Plan 2018–22	Results
	2018–19
	0

This performance indicator was developed for 2018–19 to assess our agency's ability to create and foster client confidence through the reliable operations of our online systems.

Our schemes are supported by a number of online systems, which are used to hold information or process transactions. As such they hold important personal, private, commercial and financial information about our clients and entities that participate in our schemes. Our reputation and the success of our schemes is reliant on trust placed in our services and trust that our online systems are secure.

In 2018–19, we did not detect any breach to our services or data. A zero result is what we strive to achieve. However, a positive number may also be acceptable if the response to the breach is effective and results in no service or data being lost or affected.

For more information about our agency's online registries and systems, see page 70.

## **Performance against our objective**

Our achievement against our objective of secure and enduring regulatory infrastructure demonstrates our commitment to delivering reliable and resilient business systems and processes. We appreciate the value of our data holdings and are enthusiastic about sharing our data in line with government initiatives. As the custodian of key emissions, energy and abatement data, we are relied upon to provide secure and robust online systems and registries. Our performance ensures that we deliver resilient and reliable infrastructure that meet the current and future needs of our users and our agency.



# ANALYSIS OF OUR PERFORMANCE AGAINST OUR PURPOSE

During 2018–19, we continued to deliver our purpose to accelerate carbon abatement for Australia through the administration of our schemes. We achieved our purpose by contracting 3.27 million tonnes of carbon abatement in 2018–19. In addition, 37.5 million megawatt hours of electricity was generated or displaced by renewable energy power stations and small-scale renewable energy systems.

We also continued to achieve sound results against our key performance indicators. Collectively, these results demonstrate we are achieving our objectives in support of delivering our purpose. These results highlight our achievements as well as areas for focus as we consider our performance across reporting periods.

Further detail on the performance of our schemes is provided in the following section of the report, demonstrating the contribution of each scheme towards achieving our purpose of accelerating carbon abatement for Australia.



*Photo: Tarraleah Power Station, part of the upper Derwent Hydro Scheme, Tasmania*

# PART 3

## SCHEME PERFORMANCE

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**Our schemes provide incentives for measuring, managing, reducing or offsetting Australia's carbon emissions.**

# EMISSIONS REDUCTION FUND

The Emissions Reduction Fund makes a significant contribution to Australia's international emissions reduction commitments.

## Incentives for projects that reduce emissions or store carbon

The Emissions Reduction Fund provides an incentive for industry, businesses, land owners, state, territory and local governments and other organisations to reduce emissions or store carbon (referred to as carbon abatement).

There are three elements:

- **Crediting**—We assess and register eligible carbon abatement projects using approved methods. We issue one Australian carbon credit unit (ACCU) for each tonne of carbon abatement achieved. Scheme participants can sell these ACCUs to generate income, either back to the government through a carbon abatement contract, or on the secondary market.
- **Purchasing**—We enter into contracts with participants on behalf of the Commonwealth to purchase ACCUs earned through eligible carbon abatement activities. To date this has been through reverse auctions, where we purchase lowest cost abatement.
- **Safeguard Mechanism**—This is designed to ensure emissions reductions from the Emissions Reduction Fund are not offset by significant emissions increases above business-as-usual levels in other sectors of the economy. The National Greenhouse and Energy Reporting scheme provides an emissions reporting framework for facilities covered by the Safeguard Mechanism. For details, see page 50.

The Emissions Reduction Fund is now in its fifth year of operation. By the end of 2018–19, the Emissions Reduction Fund had contracted a total of 192 million tonnes of abatement through 452 contracts, registered 784 carbon abatement projects, and issued more than 60 million ACCUs. The Emissions Reduction Fund has so far delivered 43 million tonnes of the contracted abatement.

We have held two auctions a year with the aim of maintaining and improving the portfolio of contracted abatement. In recent times, scheme participants have bid for us to purchase only part of the abatement from projects. Much of the remaining abatement has been available for the growing secondary market, which serves state and territory offset schemes, demand from the Safeguard Mechanism and businesses pursuing carbon neutrality. To help inform this growing secondary market, we have invested time in providing information about current and new opportunities to generate ACCUs and about initiatives to inform and build capability in the ACCU market.

We are joint stewards of the Emissions Reduction Fund with the Department of the Environment and Energy and the Emissions Reduction Assurance Committee (ERAC). The Department's role is to set policy direction and develop methods for project activities, as well as manage other legislative matters. The ERAC is an independent expert committee, which assesses whether methods used for carbon abatement meet the requirements of the Emissions Reduction Fund, and provides advice to the Minister. Our role is to administer the scheme, including registering projects, purchasing carbon abatement through auctions, issuing ACCUs, processing reports and audits, managing contracts and ensuring compliance.

## HIGHLIGHTS IN 2018–19



## An extra \$2 billion for the Climate Solutions Fund

On 25 February 2019, the Australian Government announced the Climate Solutions Fund, providing additional funds to extend government purchasing of ACCUs under current Emissions Reduction Fund mechanisms (see *Looking forward*, page 44).

## Another 67 Emissions Reduction Fund projects registered

We approved 67 applications to register new projects in 2018–19 compared with 135 in the previous year. This decrease reflects some industry uncertainty as new rules were developed for key vegetation regeneration methods.

Most new projects use land sector methods, involving vegetation regeneration for native forests (see Table 1).

As at 30 June 2019, there were 784 Emissions Reduction Fund projects.

**Table 1:** Projects registered under the Emissions Reduction Fund, 2018–19

Method	New projects registered in 2018–19	Cumulative projects registered to 30 June 2019	Percentage of total projects registered
Agriculture <sup>3</sup>	8	69	7.5%
Energy efficiency	6	65	7.0%
Industrial fugitives	1	17	1.8%
Savanna burning	1	88	9.5%
Transport	1	9	1.0%
Vegetation	45	532	57.5%
Waste	4	143	15.5%
Facilities	1	2	0.2%
<b>Total</b>	<b>67</b>	<b>925<sup>4</sup></b>	<b>100%</b>

## Projects create 13.7 million tonnes of carbon abatement

Projects report on the amount of carbon abatement they achieve through their activities to store carbon or reduce emissions. Based on these reports, they can apply for one ACCU to be issued for each tonne of carbon abatement achieved. These are known as crediting applications.

We received 610 crediting applications and issued a total of 13,663,409 ACCUs in 2018–19.

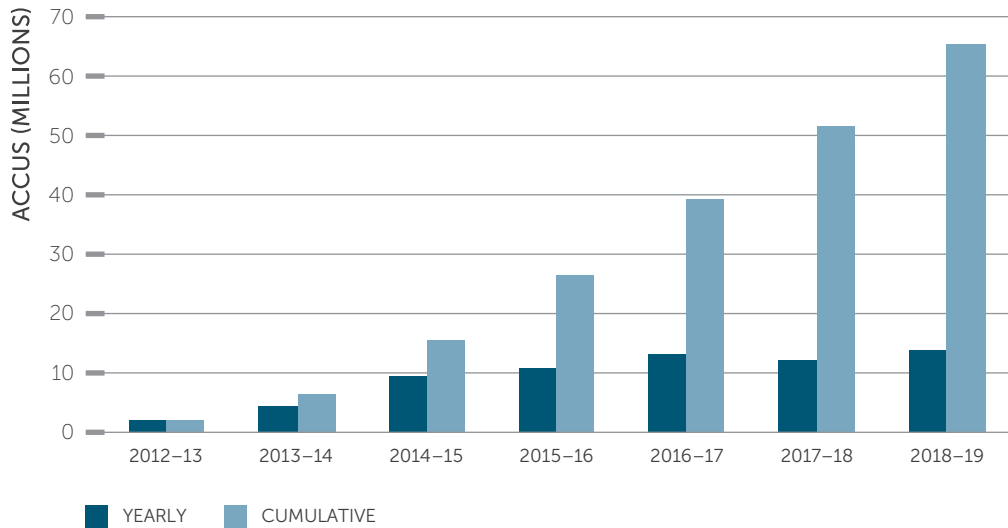
This is an 11.9 per cent increase on the 12,207,903 ACCUs issued in 2017–18 and, as shown in Figure 6, is the highest ever amount of ACCUs issued in a financial year. This increase in ACCUs issued in 2018–19 continues the trend of abatement increasing year-on-year.

There were 67 crediting applications on hand at the end of 2018–19. Of these applications, 38 were completed in July 2019 and the remainder will be processed and ACCUs issued during 2019–20. As new projects begin to achieve carbon abatement, they will also add to the number of ACCUs issued in 2019–20.

In total, more than 65.2 million tonnes of carbon dioxide equivalent (CO<sub>2</sub>-e) has been achieved under the previous Carbon Farming Initiative and the current Emissions Reduction Fund.

<sup>3</sup> Includes livestock and soil carbon.

<sup>4</sup> Includes 141 revoked projects.

**Figure 6:** Total ACCUs issued annually, compared with cumulative total, as at 30 June 2019**Table 2:** Number of project applications and crediting applications, 2018-19

Type	On hand at 30 June 2018	Received	Approved	Withdrawn, incomplete or refused	Processed within 90 days <sup>5</sup>	On hand at 30 June 2019
Project applications	7	98	67	18	99%	20
Crediting applications (also called abatement statements)	64	610	581	26	97%	67

**Table 3:** Number of ACCUs issued, 2012-13 to 2018-19

	2012-13 <sup>6</sup>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
ACCUs issued	1,750,179	4,380,473	9,318,106	10,719,735	13,151,991	12,207,903	13,663,409	65,191,796

<sup>5</sup> Under the *Carbon Credits (Carbon Farming Initiative) Act 2011* we have 90 days to process project registrations, variations and crediting applications.

<sup>6</sup> The Carbon Farming initiative began in late 2011 but it was 2012-13 before projects began maturing to the point of delivering carbon abatement. The Emissions Reduction Fund began in late 2014.

## Vegetation projects account for most carbon abatement

In 2018–19 more than 53 per cent of all ACCUs were issued to projects using vegetation methods. This was followed by alternative treatment of waste and savanna burning.

We continue to investigate and strengthen our posture and guidance to protect the integrity of ACCUs issued. As the largest contributor, vegetation projects have been an area of focus including issues related to permanence requirements and particular methods.

On 8 May 2019, we released guidelines on activities allowed under the human-induced regeneration method and native forest from managed regrowth method. We developed these guidelines in consultation with industry and technical experts to support participation and clarify requirements for projects under these methods.

**Table 4:** Number of ACCUs issued by method category, 2018–19

Method category	Projects issued with ACCUs	Number of ACCUs issued	Percentage of ACCUs issued in 2018–19
Vegetation	230	7,290,275	53.4%
Waste	95	4,074,789	29.8%
Savanna burning	30	1,102,682	8.1%
Industrial fugitives	4	756,310	5.5%
Energy efficiency	10	275,664	2.0%
Agriculture	9	147,738	1.1%
Transport	1	12,468	0.1%
Facilities	0	0	0%
<b>Total</b>	<b>379</b>	<b>13,659,926</b>	<b>100%</b>

## Auctions secure another 3.27 million tonnes of carbon abatement

We use reverse auctions to offer participants the opportunity to enter into a contract to sell carbon abatement to the government. We began running auctions in 2015, each in a single-round, pay-as-bid, sealed-bid format.

We purchase abatement based on bid price, consistent with our statutory requirement to purchase lowest cost abatement. We advise participants their bids should reflect their most competitive price.



We held our eighth auction on 10–11 December 2018, and committed to purchase a total of 3.27 million tonnes of carbon abatement across 34 contracts for \$45 million. We purchased the majority of carbon abatement offered at below the benchmark price, indicating that participants continue to offer competitive prices for abatement at auction.

Across all eight auctions, total contracted abatement is 192 million tonnes.<sup>7</sup>

Overall, we have awarded 479 contracts for 529 projects, with most contracts having a duration of seven to 10 years. Contracted abatement amounts range from 5000 tonnes to 15 million tonnes. The average price per tonne of abatement was \$13.97 at the eighth auction, bringing the average across all auctions to \$12.00.

We publish summary statistics for each auction on our website and details in a contract register.

## Expected volume of contracted abatement delivered

Each carbon abatement contract includes a delivery schedule for when the seller will deliver ACCUs to us. We provide payment on delivery for the price agreed in the contract. In some circumstances, delivery schedules can be varied by negotiation if required as project implementation evolves.

In 2018–19 projects delivered 10.2 million tonnes of contracted ACCUs. Since the start of the scheme in late 2014, projects have delivered 43 million tonnes of the 192 million tonnes of carbon abatement currently contracted.

The flexibility built into carbon abatement contracts allows some participants to deliver early or request to vary delivery milestones. As at 30 June 2019, contracted deliveries were 94.4 per cent of scheduled deliveries over the life of the fund.<sup>8</sup>

The flexibility within contracts also allows participants to meet their delivery obligations by delivering the agreed quantity of ACCUs either from the contracted project or from other projects in their portfolio, or by purchasing ACCUs on the secondary market.

We will continue to monitor compliance with the volume of abatement originally agreed when contracts are established, as well as carefully consider requests for revisions to delivery schedules.

A total of 21 of the 479 Emissions Reduction Fund contracts have now completed all delivery obligations.

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<sup>7</sup> On our website, we initially published a total amount of 193 million tonnes, however, this decreased to 192 million tonnes due to a contract termination.

<sup>8</sup> Once the July 2019 deliveries are included, the contracted delivery rate rises to more than 100%.

## Funds from lapsed and terminated contracts reallocated to other projects

The Emissions Reduction Fund was designed to encourage participation through the use of conditions precedent in contracts. Conditions precedent allows a project to be awarded a government contract in advance of all land holder consents or finance being obtained.

Delivery obligations begin once a contract has satisfied all conditions precedent (if applicable). If a contract fails to meet or waive any conditions precedent, the contract lapses and the delivery and payment obligations of the contract cease. Funds allocated for the contract are then available for future purchasing. Contracts can also be terminated as a result of certain events, or by mutual agreement between both parties.

In 2018–19 there were 11 terminated and lapsed contracts. The amount of contracted abatement involved was 3.3 million tonnes, or approximately 1.6 per cent of total contracted abatement. Since the start of the scheme, a total of 27 contracts (14.8 million tonnes, or just over 7 per cent of the total volume awarded at contract) have lapsed or been terminated—returning approximately \$165 million to the Emissions Reduction Fund for future purchasing.

## Informing the market

We published our first statement of opportunities on the ACCU market in March 2019, in response to a recommendation in the Climate Change Authority's 2017 review of the Emissions Reduction Fund.

The statement outlines the opportunities presented by new and emerging sources of demand for ACCUs by private and state/territory participants. It also highlights current and new opportunities to generate ACCUs, as well as initiatives to inform and build capability in the ACCU market.

This statement builds on our December 2018 market update, which was the first in a series of regular updates on trends in the ACCU market.

The market updates will provide our view on supply and demand of ACCUs under current policies and explore key factors that may influence the market in the near future. This is intended to increase market transparency and drive genuine low cost carbon abatement opportunities.

During the year we also hosted a workshop and webinar on sourcing ACCUs to increase capability within the carbon market and assist safeguard entities to source and surrender ACCUs.



## FEATURE

*Photo: Soil carbon project on the Olsen's farm, Gippsland, Victoria*

### Soil carbon project a first for Australia

The first Australian soil carbon credits were issued during the year, in a landmark event for the Emissions Reduction Fund and a first for Australia.

The Emissions Reduction Fund soil carbon methods provide the incentive for land owners and managers to change land management practices and improve soil health.

In March 2019, we credited Corporate Carbon with 406 ACCUs for its Grounds Keeping Carbon project near Drouin in Victoria. This the first time in Australia a project has generated ACCUs by increasing levels of soil carbon.

'We are proud to receive the first soil carbon credits. Not only will these credits be the first to count towards Australia's national targets under The Paris Agreement but they are the first soil credits worldwide to be eligible under Paris,' said Corporate Carbon Managing Director, Matthew Warnken.

The project uses the innovative Soilkee Pasture Renovator that combines cultivation, mulching, aeration and mixed species seeding to improve grazing systems and build soil carbon effectively. This leads to improved water holding capacity storage, improved nutrient uptake of plants, and improved farm operations. The higher the soil carbon levels, the more productive and healthy the farm.

Soilkee developer, Gippsland farmer Niels Olsen said, 'The opportunity for expanding regenerative farming and building soil carbon at scale is phenomenal and we are now ramping up our production to deliver on this potential'.

Corporate Carbon has now also established an agricultural start up designed to focus solely on scaling soil carbon farming. 'If we mainstream this as an approach to agriculture, we are talking millions, even hundreds of millions, of tonnes of greenhouse gas reductions in Australia alone. It's tremendously exciting both from the agriculture and emissions reduction perspective,' said Mr Warnken.

Soil carbon sequestration is an innovative emissions reduction measure. There is a triple win to address climate resilience, while improving soil health and food productivity, and the bottom line for farmers. This example of innovation in the agriculture sector demonstrates the co-benefits that can be achieved under the Emissions Reduction Fund.

## Looking forward

The Government's Climate Solutions Fund (CSF) sends a strong signal to the market that there is ongoing demand for abatement. It aims to deliver a step change to the carbon market in Australia.

In addition to carbon abatement, the projects will help provide new, diverse revenue streams for landowners, boost agricultural productivity, support jobs for Indigenous communities and improve biodiversity and water quality.

We will work closely with scheme participants and industry to develop new and innovative ways to reduce emissions and secure abatement for the CSF.

Our focus will be on increasing the supply of abatement. We will use a range of strategies and new initiatives covering extension and outreach to participants, market development, and market innovation.

We will also develop new approaches to streamline reporting, compliance and audit including using new ICT tools.

We will continue our focus on providing more information to the carbon market via market updates and simple guides to explain carbon abatement methods. In addition, we will explore ways to encourage a broader range of participants including new financing and other business models. We will develop new initiatives to recognise co-benefits and make it easier for smaller players to participate in carbon abatement projects.

# NATIONAL GREENHOUSE AND ENERGY REPORTING SCHEME

National Greenhouse and Energy Reporting scheme data is a national asset providing comprehensive coverage of Australia's energy production, energy consumption and greenhouse gas emissions.

## A national record of emissions and energy data

The National Greenhouse and Energy Reporting scheme is a national framework for reporting and sharing information about greenhouse gas emissions, and energy production and consumption.

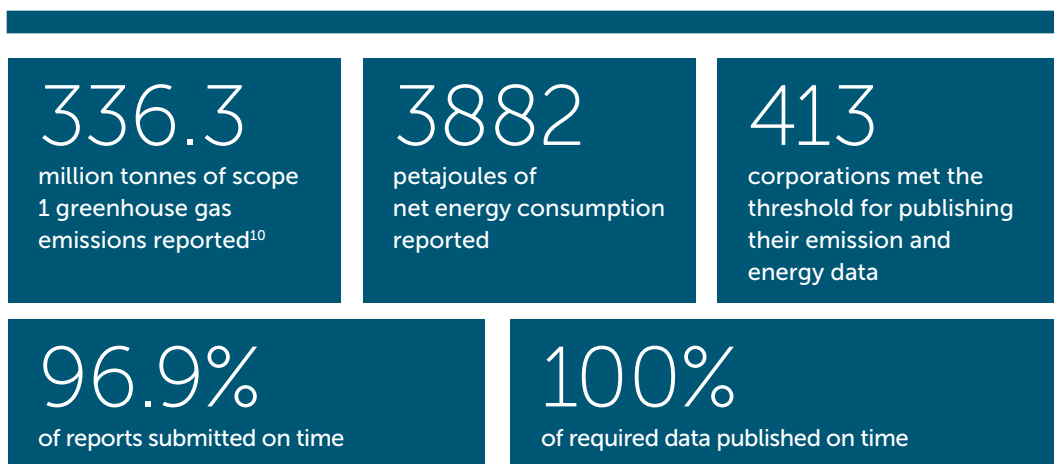
Corporations that meet legislated thresholds must register and report annually.

Reported data informs government policy, programs and activities, avoids duplication of similar reporting requirements in the states and territories, and helps meet Australia's international reporting obligations.

Data from the scheme is also used to determine baselines for the Safeguard Mechanism and measure emissions against those baselines (see page 50).

As well as the emissions and energy data we are required to publish, we are progressively releasing additional related data as part of our continued effort to improve the availability and accessibility of national greenhouse and energy reporting information.

## HIGHLIGHTS IN 2018–19<sup>9</sup>



<sup>9</sup> Corporations report on the previous 12 months so these figures are for 2017–18.

<sup>10</sup> Scope 1 greenhouse gas emissions are the emissions released to the atmosphere as a direct result of an activity, or series of activities at a facility level. Scope 1 emissions are sometimes referred to as direct emissions.

## Emissions and energy data largely consistent with the past year

Corporations report on data from the previous 12 months. The reports we receive by 31 October 2018 provided emissions and energy information for 2017–18. During that year, there were 865 organisations listed on the National Greenhouse and Energy Register.

A total of 413 corporations met the threshold for publishing their emissions and energy data for 2017–18, compared with 406 the previous year.<sup>11</sup>

On 28 February 2019, we published a range of information about 2017–18, including a point-in-time extract of reported scope 1 and scope 2 greenhouse gas emissions, in addition to net energy consumption, for each corporation that exceeded the publication threshold.

### Key findings

- **National reported emissions were largely consistent with the previous year**—A total of 336.3 million tonnes of greenhouse gas emissions (scope 1) was reported for 2017–18, a slight increase on the 335.5 million tonnes (adjusted) reported for 2016–17. This increase was largely due to increases in the liquefied natural gas and oil and gas production sectors (4.1 million tonnes) and coal mining (1.3 million tonnes). There was a decrease in emissions in the electricity generation sector of 6.8 million tonnes. A total of 86.4 million tonnes of greenhouse gas emissions (scope 2) was reported for 2017–18, an increase on the 85.8 million tonnes reported for 2016–17.
- **Electricity supply remained the main source of emissions overall**—Consistent with the previous year, electricity generation accounted for 50.3 per cent of reported scope 1 emissions, followed by mining (includes oil and gas extraction) at 26.5 per cent, manufacturing at 15.1 per cent and transport at 4.9 per cent (see Figure 7 on page 47).
- **Queensland and New South Wales/Australian Capital Territory again recorded the highest percentage of emissions**—As with the previous year, Queensland and New South Wales/Australian Capital Territory accounted for the largest percentage of emissions, at 28.5 per cent and 26.6 per cent respectively, followed by Western Australia at 20.8 per cent and Victoria at 17.9 per cent. In comparison, South Australia accounted for 3.6 per cent, the Northern Territory for 1.7 per cent and Tasmania for 0.9 per cent.
- **Highest emitting industries by state/territory were consistent with the previous year, except for changes in South Australia and the Northern Territory**—Electricity supply remained the highest emitting industry in Queensland, Victoria, South Australia and New South Wales/Australian Capital Territory, and manufacturing remained the highest emitting industry in Tasmania. Oil and gas extraction remained the highest emitting industry in Western Australia. However, oil and gas extraction overtook manufacturing in the Northern Territory, and electricity supply overtook oil and gas extraction in South Australia.

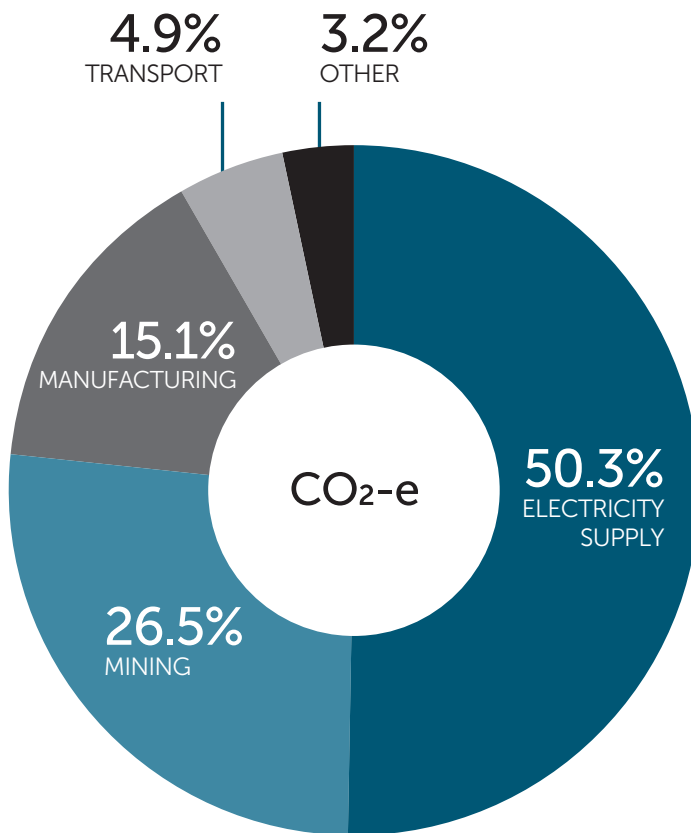
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<sup>11</sup> The publication threshold is 50,000 tonnes CO<sub>2</sub>-e of greenhouse gases from scope 1 and scope 2 emissions.

- **Coal produced the most energy**—Coal accounted for 44.1 per cent of energy production, followed by gaseous fossil fuels at 34.8 per cent, uranium at 11.7 per cent, petroleum-based products at 5.9 per cent and electricity at 3.0 per cent (with 0.5 per cent classified as 'other').
- **Electricity supply industry again consumed the most energy**—In terms of net energy consumption, the electricity industry<sup>12</sup> consumed the most energy at 38.2 per cent. Other high net energy consuming industries were mining at 26.7 per cent, manufacturing at 25.3 per cent and transport<sup>13</sup> at 6.9 per cent. Other industries collectively represent less than 3 per cent of net energy consumption.

All data quoted above and published for 2017–18 is current as of 28 February 2019. Highlights and data sets for 2017–18 are on our website.

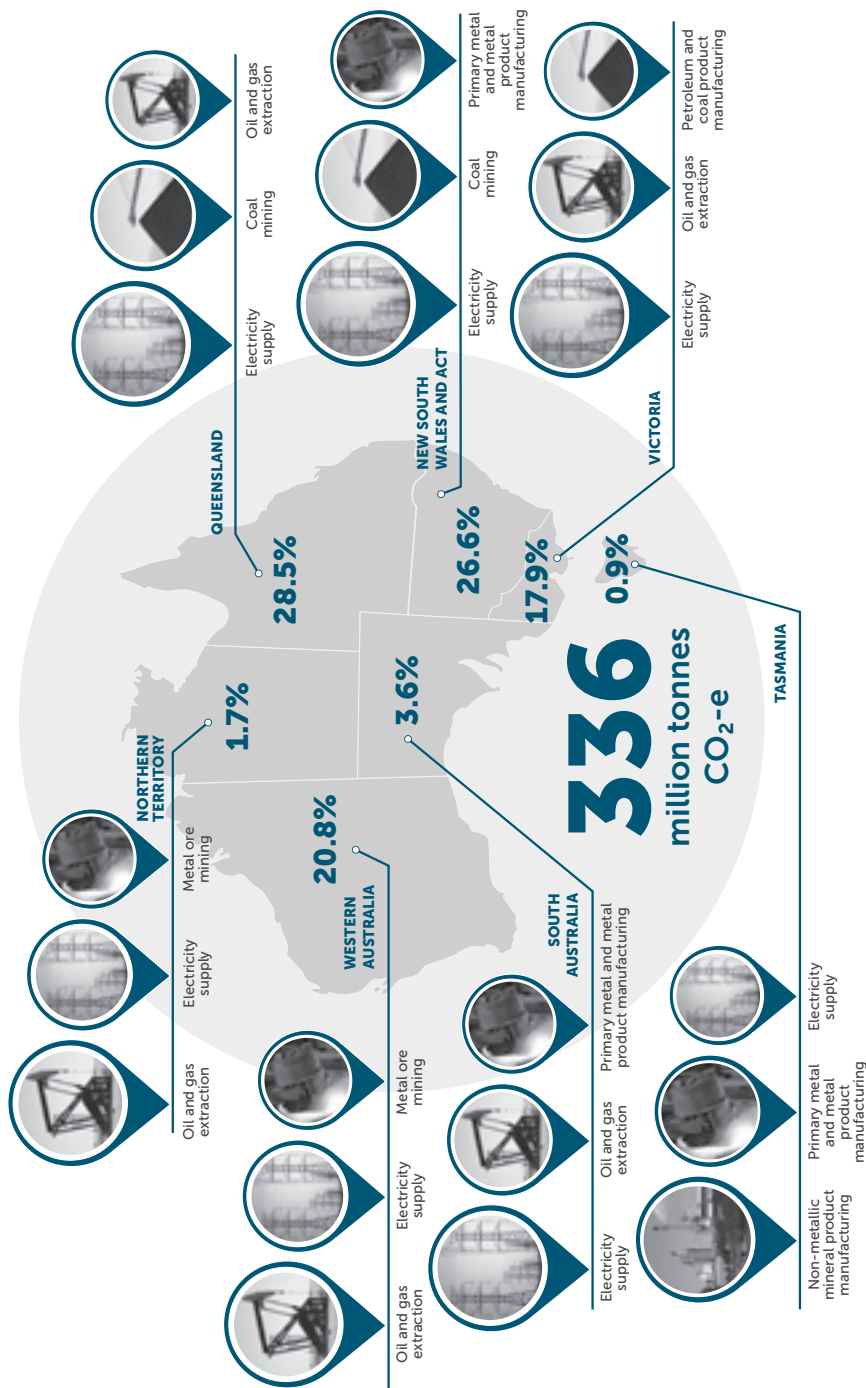
**Figure 7:** Sources of reported 2017–18 scope 1 emissions by industry sector



<sup>12</sup> Electricity, gas, water and waste services division as classified by Australian and New Zealand Standard Industrial Classification (ANZSIC).

<sup>13</sup> Transport, postal and warehousing division as classified by ANZSIC.

Figure 8: Highest sources of reported 2017–18 scope 1 emissions by state and territory





## Use of National Greenhouse and Energy Reporting scheme data

National Greenhouse and Energy Reporting scheme data helps meet Australia's international reporting obligations, informs and assists with Commonwealth, state and territory policy and program development, and reduces duplication in reporting.

In particular, the scheme data provides an important input for international reporting on emissions and energy by the Department of the Environment and Energy. For example, scheme data contributes approximately 60 per cent of the emissions data for the National Greenhouse Gas Inventory Report, which is part of the National Greenhouse Accounts produced by the Department. These accounts are required to meet Australia's reporting commitments under the United Nations Framework Convention on Climate Change.

National Greenhouse and Energy Reporting scheme data also contributes around 80 per cent of the energy data for the Australian Energy Statistics. The Australian Energy Statistics is the authoritative and official source of energy data for Australia, and forms the basis of Australia's reporting obligations to the International Energy Agency.

### Information sharing networks

We provide the secretariat for the Commonwealth Information Sharing Network and the State and Territory Information Sharing Network, which are forums for representatives from the states, territories and the Commonwealth to discuss National Greenhouse and Energy Reporting scheme data.

These networks, and our ongoing interactions with state/territory government agencies through the training and support services we provide, will continue to assist in identifying opportunities for further use and enhancement of National Greenhouse and Energy Reporting scheme data.

In addition, the new Reporting Hub allows users of National Greenhouse and Energy Reporting scheme data to easily access the information they need for their individual use.

### Aggregated scheme data

Publishing aggregated scheme data enables us to provide valuable emissions and energy information to the public and other data users while retaining confidentiality of individual reporter-level data. For example, our website includes 'A closer look at energy and emissions data', we provide aggregated scheme data through CSIRO's proposed energy use data model, and we publish scheme and other data we collect through the Australian Renewable Energy Mapping Infrastructure Project's National Map.

## Safeguard Mechanism requires facilities to manage and report emissions

The Safeguard Mechanism requires Australia’s largest emitters to keep their emissions below a set baseline. The baselines are intended to reflect normal business operations and accommodate business growth.

The National Greenhouse and Energy Reporting scheme supports the Safeguard Mechanism by providing the data to help determine baseline emissions and check compliance with baselines.

Facilities that exceed their baselines in a financial year are required to manage and report on their emissions by 1 March in the following year. This was the third year of operation for the Safeguard Mechanism, with the second compliance period concluding on 1 March 2019. A total of 211 facilities were covered under the Safeguard Mechanism during 2017–18.<sup>14</sup> These facilities are from a broad range of industry sectors including electricity generation, mining, oil and gas, manufacturing, transport, construction and waste. Collectively, these facilities gave rise to 138.4 million tonnes of covered emissions, accounting for a significant amount of Australia’s greenhouse gas emissions.

To comply with the Safeguard Mechanism, facilities can manage excess emissions in a number of ways, including by purchasing and surrendering ACCUs to offset their emissions (see page 36 for details).

There was 100 per cent compliance for facilities covered during 2017–18.

### Setting and managing baselines

The Safeguard Mechanism came into effect on 1 July 2016. Baselines that have been set since then have been made using either historical data reported under the National Greenhouse and Energy Reporting scheme, or have been calculated based on an independently audited forecast of production and emissions intensity values specific to the facility.

During 2018–19, after receiving applications from affected facilities, we issued:

- nine calculated baseline determinations to facilities without sufficient historical emissions data, or where historical data is not an indicator of future emissions
- two baseline variations to facilities that exceeded their baselines, due to improved emissions intensity, as the emissions the facilities generated per unit of production would be lower than in previous years, and
- 11 multi-year monitoring periods to facilities that exceeded their baselines, allowing them to average out their net emissions below their baseline over a two or three-year period.

In total, these determinations covered 21 facilities, as one facility was granted both a calculated baseline determination and a multi-year monitoring period.

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<sup>14</sup> The Safeguard Mechanism applies to facilities with scope 1 greenhouse gas emissions of more than 100,000 tonnes of carbon dioxide equivalent per year.

While most facilities are covered by individual baselines, electricity generators connected to the grid are covered by a sector-based approach. This is because the electricity sector behaves more like a single entity, where the output produced is centrally coordinated to meet real-time demand. If the sectoral baseline is exceeded in the future, individual baselines will apply to each generator.

## Looking forward

Changes to the Safeguard Rule came into effect in March 2019. The amendments apply to baselines starting from 1 July 2018 and are intended to make the Safeguard Mechanism fairer and simpler, and ensure baselines reflect current circumstances.

The safeguard amendments mean there will be an increase in calculated baseline applications for baselines starting in 2019–20, as facilities transition to the new arrangements.

Throughout the year, we have been preparing for these changes, including updating tools and resources available on our website, and ensuring stakeholders are aware and informed of the amendments and their impact. We have also run workshops in major capital cities, engaged with industry groups and made targeted calls to participants as part of our approach to ensure responsible emitters are supported to continue to meet their obligations.

# RENEWABLE ENERGY TARGET

The Renewable Energy Target has significantly increased the number of small-scale renewable energy systems and stimulated investment in large-scale renewable energy power stations—helping reduce Australia’s emissions and support our international climate change commitments.

## Encouraging investment in renewable energy to reduce emissions

The Renewable Energy Target aims to encourage additional renewable energy and reduce greenhouse gas emissions in the electricity sector. It operates on a calendar year basis.

The scheme has two parts:

- **Large-scale Renewable Energy Target**—This requires Australia to generate an additional 33,000 gigawatt hours of electricity from sustainable, renewable sources by 2020. It encourages companies to invest in new large-scale renewable energy power stations, including solar and wind farms, and hydro and biomass power stations.
- **Small-scale Renewable Energy Scheme**—This creates incentives for households and businesses to install small-scale systems including solar panels, solar water heaters, small-scale wind or hydro systems and air source heat pumps.

The scheme works by creating a market for renewable energy certificates, which drives investment in the renewable energy sector. On the supply side of the market, participants create certificates for each megawatt hour of renewable energy generated or displaced (no longer required from the grid). On the demand side, liable entities (mainly electricity retailers) source certificates in proportion to the total electricity they acquire in an assessment year.

## HIGHLIGHTS IN 2018–19

95%

increase in accredited capacity of new renewable energy power stations compared with last year

22.9

million megawatt hours of additional electricity generated by renewable energy power stations

43%

increase in installed small-scale solar capacity compared with last year

14.6

million megawatt hours electricity generated or displaced by small-scale systems

## Detailed review of Renewable Energy Target progress

We publish details about the operation of the *Renewable Energy (Electricity) Act 2000* in annual administrative reports, as required by the legislation. These reports present information about scheme operation and achievements from the previous calendar year as well as an annual statement on progress towards meeting the target.

We tabled *The 2018 Renewable Energy Target Annual Statement—Progress towards the 2020 target* in April 2019, ahead of the full annual administrative report. This informed Parliament of the certainty that the Large-scale Renewable Energy Target of 33,000 gigawatt hours will be met in 2020. The full 2018 report, *The acceleration in renewables investment in 2018*, was tabled on 24 July 2019 and is available on our website.

## Significant increase in large-scale renewable energy power stations

The number of power stations accredited under the Large-scale Renewable Energy Target has increased since 2001.

In 2018–19 we accredited 345 new power stations, 31 per cent more than 2017–18. This brings the overall total to 1233. We processed all applications for accreditation within the required six weeks.

The capacity of power stations we accredited has also increased significantly. The total capacity of renewable energy power stations accredited during 2018–19 was 3850 megawatts, nearly double that of 2017–18. The renewable energy projects committed in 2017–18 are now complete and accredited.

During 2018–19 accredited renewable energy power stations generated 22.9 million megawatt hours of additional electricity.<sup>15</sup> This is enough to power more than 4.4 million average Australian households each year.<sup>16</sup>

### More power stations at both ends of the spectrum

This year saw a 96 per cent increase in the number of accredited utility-scale renewable energy power stations with a capacity of more than 5 megawatts. More than 72 per cent of the increase in capacity came from 19 power stations with capacities in excess of 100 megawatts.

At the smaller end of the spectrum, the rise in mid-scale solar power stations continued this year, with the number of accreditations increasing by 31 per cent and capacity increasing by 61 per cent. These are systems of less than 5 megawatts capacity, and are often used by businesses to reduce their electricity bills.

<sup>15</sup> Certificates can be created up to 12 months after renewable energy generation, which means generation figures will continue to rise.

<sup>16</sup> 2016 Residential Electricity Price Trends, Australian Energy Market Commission.

**Table 5:** Number of power stations accredited and capacity, 2016–17 to 2018–19

	2016–17	2017–18	2018–19	Cumulative total since 2001
Number of power stations accredited	90	263	345	<b>1233</b>
Capacity (megawatts)	642.9 <sup>17</sup>	1976.5 <sup>18</sup>	3850.4	<b>20,407<sup>19</sup></b>

### Solar and wind the main energy sources for power stations

There are 19 eligible renewable energy sources under the Renewable Energy Target. The most common are solar, wind, hydro, biomass, and waste coal mine gas.

Solar was the dominant renewable energy source for accredited renewable energy power stations and capacity in 2018–19, accounting for more than double the amount of wind capacity accredited.

This was the first year in the scheme’s history that more large-scale solar capacity was accredited than wind capacity, reflecting the shifting dynamics in the industry.

**Table 6:** Accredited power stations by energy source and capacity, 2018–19

Energy source	Number	Capacity (megawatts)
Solar	326	2597.1
Wind	10	1244.2
Biomass	7	8.9
Hydro	2	0.2
<b>Total</b>	<b>345</b>	<b>3850</b>

### Increase in electricity from renewable energy power stations leads to more large-scale generation certificates

Large-scale generation certificates are created based on the amount of electricity generated by accredited power stations using renewable energy sources. Each certificate represents 1 megawatt hour of renewable energy generation.

<sup>17</sup> Note, 2016–17 data has been adjusted to reflect expansions to existing power stations that were processed in 2018–19.

<sup>18</sup> Note, 2017–18 data has been adjusted to reflect expansions to existing power stations that were processed in 2018–19.

<sup>19</sup> This figure does not include capacity for eight co-fired power stations but does include capacity that does not contribute additional generation (for example, power stations that have a baseline).

In 2018–19 we validated 26,250,722 large-scale generation certificates compared with 20,023,012 validated in 2017–18.<sup>20</sup>

More than 65 per cent of the certificates validated in 2018–19 were from power stations using wind as the energy source, 14 per cent were from biomass and solar, and the remaining were from hydro and waste coal mine gas energy sources.

## Ongoing increase in small-scale systems

Momentum in the Small-scale Renewable Energy Scheme also continued in 2018–19, with Australian businesses and households installing 290,447 small-scale systems, an 11 per cent increase compared with 2017–18. The majority were solar photovoltaic (PV) systems, with a total installed capacity of more than 1700 megawatts.

In total, small generation units now have a cumulative capacity of more than 8970 megawatts.

During 2018–19 small-scale systems generated or displaced 14.6 million megawatt hours of electricity.

**Table 7:** Validated small-scale systems as at 30 June<sup>21</sup>

	Solar PV system	Solar water heater	Air source heat pump	Wind system	Hydro system	Annual total
2018–19	235,383	36,318	18,746	0	0	<b>290,447</b>
2017–18	196,240	45,706	19,789	4	0	<b>261,739</b>
2016–17	149,564	45,059	18,314	9	0	<b>212,946</b>
2015–16	130,349	47,704	12,626	16	0	<b>190,695</b>
2014–15	165,844	49,564	9018	10	0	<b>224,436</b>
<b>Cumulative total (since 2001)</b>	<b>2,151,444</b>	<b>923,578</b>	<b>259,518</b>	<b>423</b>	<b>18</b>	<b>3,334,981</b>

## Increased capacity of small-scale systems leads to more small-scale technology certificates

Renewable energy certificates created under the Small-scale Renewable Energy Scheme are called small-scale technology certificates. Under the scheme, participants can create small-scale technology certificates following the installation of an eligible system. The number of certificates is based on the amount of electricity the system is estimated to produce or displace over its lifetime, depending on the technology.

<sup>20</sup> Note, large-scale generation certificates can be validated for generation that has occurred in previous years.

<sup>21</sup> Certificates can be created up to 12 months after small-scale systems are installed and certificate validation times may also vary, which means installation figures will continue to increase.

Small-scale technology certificates can be created up to 12 months after the system is installed. This means that during 2018–19, we validated small-scale technology certificates created for systems installed in both 2017–18 and 2018–19.

We validated 33,265,332 small-scale technology certificates during 2018–19, a significant increase from the 25,567,897 certificates validated in 2017–18. This was due to a higher number of solar PV systems installed and an increase in the average capacity of these systems. This increase is despite a reduction in the deeming period for solar PV systems, which is reducing the number of certificates that can be created for an eligible system by one year, every year until 2030.

## Setting demand in the market

Under the Renewable Energy Target, liable entities (mainly electricity retailers) need to surrender a certain number of large-scale generation certificates and small-scale technology certificates to us each year. The number of certificates they need to surrender relates to the amount of electricity they purchase and sell during the year. This is worked out using the annual renewable power percentage and small-scale technology percentage. The Minister sets the percentages, which are published on our website.

Due, in part, to the higher number of solar PV installations and average capacity, the small-scale technology percentage for 2019 was set at 21.73 per cent, an increase from the 2018 small-scale technology percentage of 17.07 per cent.

The Renewable Energy Target operates on a calendar year basis, with liable entities required to acquit their liability for the previous year by 14 February. They surrender large-scale generation certificates annually and small-scale technology certificates quarterly. This requirement to obtain and surrender certificates creates demand in the market.

## Certificates surrendered to meet Renewable Energy Target obligations

By 14 February 2019, liable entities had surrendered a total of 24.3 million large-scale generation certificates and 29.8 million small-scale technology certificates against their 2018 liability.

Liable entities' combined surrender rate for large-scale generation and small-scale technology certificates for 2018 was 93.3 per cent. This is a decrease on the 95.5 per cent surrender rate for 2017, due to a decrease in the large-scale generation certificate surrender rate for the year.



**Table 8:** Renewable Energy Target liability discharged<sup>22</sup>

Description	2015	2016	2017	2018
Number of liable entities	120	119	114	117
% of large-scale generation certificate liability discharged	99.4	89.3	93.3	86.1
% of small-scale technology certificate liability discharged	99.9	99.9	99.9	99.9
% combined certificate liability discharged	99.7	93.8	95.5	93.3

## Certificate shortfall

Liable entities that surrender less than their required amount of certificates for a particular year or quarter are in shortfall.

For large-scale generation certificates, liable entities may carry forward less than 10 per cent of their liability for a particular year without incurring a shortfall charge. In all other circumstances where a liable entity does not surrender sufficient certificates, a non-tax deductible renewable energy shortfall charge of \$65 per certificate not surrendered is applied. We also publish the details of all entities in shortfall.

Of the 117 liable entities for 2018, seven had a large-scale generation shortfall within the 10 per cent margin. These shortfalls will be carried forward to the 2019 large-scale generation certificate liability for those entities.

A total of 17 liable entities had a large-scale generation shortfall above the 10 per cent margin and incurred the large-scale generation shortfall charge.

Under certain circumstances, entities can subsequently surrender additional certificates and obtain a refund of the large-scale generation shortfall charges previously paid. During 2018–19, entities used these refund provisions more than in previous years.

Three liable entities had a small-scale technology shortfall and incurred the small-scale technology shortfall charge.

Shortfall charges must be paid on time. Unpaid shortfall charges attract interest and are managed in accordance with our debt recovery policies and procedures. During 2018–19 we actively pursued debts from the liable entities that did not pay their shortfall charges for 2018 on time, and continued to pursue debts in relation to previous shortfalls.

<sup>22</sup> As the Renewable Energy Target operates on a calendar year basis, liabilities discharged are presented in calendar years. Note, figures are correct as at 14 February 2019, and percentages are subject to change throughout the year as compliance and assessment activities are undertaken.

## Providing industry assistance through Renewable Energy Target exemptions

Under the *Renewable Energy (Electricity) Act 2000*, companies that carry out specified emissions-intensive trade-exposed activities are eligible for Renewable Energy Target exemptions.

We issue exemption certificates to successful applicants. They agree to a commercial arrangement with the electricity retailer (liable entity) that supplied the electricity used for their emissions-intensive trade-exposed activity, and the liable entity then uses the exemption certificates to reduce their obligation under the Renewable Energy Target.

In 2018, participants started transitioning to a new method to calculate exemption. The new electricity use method is based on measured electricity consumed by emissions-intensive trade-exposed activities, rather than the previous method of estimating electricity consumed, based on estimated production.

From the 2020 compliance year, all participants must apply using the electricity use method. The following tables detail applications and exemptions to date over the transition years.

**Table 9:** Number of exemption applications received by 1 April application deadline

Description	2018	2019
Production calculation method	148	127
Electricity use method	15	34
<b>Total</b>	<b>163</b>	<b>161</b>

**Table 10:** Amount of exemption in megawatt hours issued

Description	2018	2019
Production calculation method	21,621,868	11,684,179
Electricity use method	17,504,371	Not available until the end of the year
<b>Total</b>	<b>39,126,239</b>	Not available until the end of the year

An exemption certificate may be amended if it is incorrect or changes. Amendments may include the nominated liable entity or the amount of exemption. Amendments usually occur within the relevant compliance year.

## Certificate prices

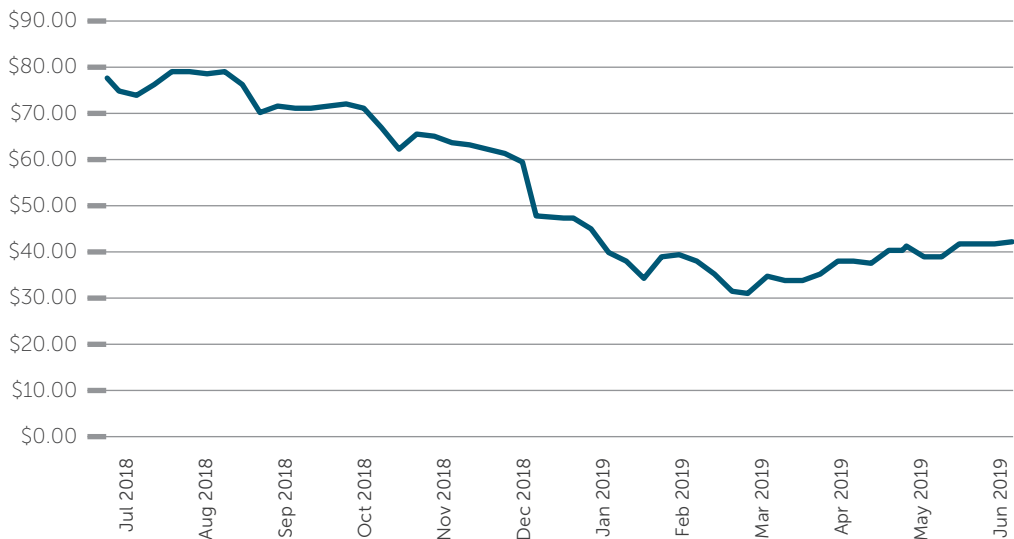
### Large-scale generation certificate spot price on a downward trend

The large-scale generation certificate spot price started the financial year at \$77.80 and dropped to a low of \$31.00 in March 2019.<sup>23</sup> This fall is likely due to the market recognising that the 2020 target will be exceeded, and our updated stance on deferral of certificate liability published in October 2018.

The large-scale generation certificate spot price increased again towards the end of the financial year, finishing at \$42.50. This increase is likely due to the release of updated marginal loss factors that impacted a number of projects.

Large-scale generation certificate forward contract trading volumes increased during 2018–19. Contracts for delivery in 2020 traded at \$23.75 at the end of June 2019. Contracts for delivery in 2021 traded at \$14.60 at the end of June 2019, down from \$27.00 at the start of the financial year.

**Figure 9:** Large-scale generation certificate spot price 1 July 2018 – 30 June 2019



### Small-scale technology certificate spot price relatively stable despite large growing surplus

Despite the increased number of small-scale technology certificates in 2018–19, the spot price remained relatively stable, starting the financial year at \$37.95 and ending the financial year at \$36.90. This is below the capped price of \$40 available for certificates bought and sold through the small-scale technology certificate clearing house.

<sup>23</sup> We source wholesale prices from TFS Green.

The small-scale technology certificate clearing house was in surplus throughout 2018–19. We operate the clearing house to provide a mechanism when liquidity is low, enabling trade of small-scale technology certificates at the capped price of \$40. The certificate spot price in the market typically trades below \$40 during periods of oversupply, resulting in a low rate of purchase through the clearing house.

The increase in small-scale technology certificates created in 2017–18 continued throughout 2018–19. If this trend continues, we expect a material surplus of small-scale technology certificates to grow and remain into 2019–20.

Large-scale generation certificate and small-scale technology certificate prices change based on supply and demand, and no future trends should be assumed from prices published in this report.

## Looking forward

Australia will have enough renewable energy capacity to exceed the 2020 Large-scale Renewable Energy Target.

We accredited a record 3850 megawatts of large-scale renewable energy capacity in 2018–19, bringing the capacity already built or under construction to more than 11,400 megawatts. This is considerably more than the 6400 megawatts we said would be required to meet the 2020 target.

We expect similar levels of large-scale renewable energy capacity will be accredited in 2019–20 and 2020–21.

We also expect Australian households and businesses to continue investing in small-scale renewables, with the commercial attractiveness of small-scale solar PV likely to continue in 2019–20, as electricity prices remain high and technology costs reduce.

As we approach 2020, the drivers for the continued investment in renewables are shifting from the Renewable Energy Target to commercial factors and state-based incentives and processes.

The accelerated and continued deployment of renewables, both rooftop and utility-scale, highlights the importance of planning for the integration of a much higher penetration of renewables into the electricity grid as the next phase of Australia's transition to a clean energy future (see Feature on page 61).

We will continue to administer the schemes until 2030, accrediting large-scale power stations, assessing small-scale renewable energy system eligibility, ensuring liable entities meet their obligations, and ensuring the required amount of large-scale renewable energy generation is maintained throughout that decade.



# FEATURE

*Photo: Cattle Hill Wind Farm, Lake Echo, Tasmania*

## Rapid transformation of Australia's electricity sector

Australia is installing solar and wind renewables much faster per capita than other countries.<sup>24</sup>

This year there was a 31 per cent increase in the number of new large-scale renewable energy power stations and an 11 per cent increase in the number of new small-scale systems, mainly rooftop solar.

This represents another record-breaking year, increasing the total renewable capacity installed under the Renewable Energy Target from 3300 megawatts in 2017–18 to 5600 megawatts in 2018–19.

The current pipeline of large-scale projects suggests similar levels of capacity will be commissioned over the next two years.

This strong level of investment means there is now enough capacity built or under construction to exceed the 2020 Large-scale Renewable Energy Target.

This indicates commercial factors are becoming a stronger driver for investing in renewables. In turn, the renewables rollout across the nation is contributing to economic growth. For example, in 2018 a record \$26 billion was invested in large-scale renewables projects, creating some 13,000 jobs, many in regional Australia.<sup>25</sup>

In other signs the market is maturing, the strong growth in renewables is attracting international investors, while innovation and new technologies are also contributing to sustainability and growth.

Households and businesses are also likely to continue investing in small-scale renewables as the technology costs keep coming down. At the same time, the level of coal fired generation capacity is reducing.

While these changes are reducing emissions from the electricity sector to the lowest on record in 2018,<sup>26</sup> they also pose challenges to the stability of electricity grids.

Managing this transition is a key challenge for Australia's electricity market. With the scale of transition unprecedented and the pace of change accelerating, planning for the integration of a much higher penetration of renewables into the national electricity grid is the next key phase in Australia's transition to a clean energy future.

24 Blakers, A, Stocks, M, Lu, B, The Conversation, 'Australia: the renewable energy superstar', 8 February 2019, p. 1, available at: <http://re100.eng.anu.edu.au/publications/assets/100renewables.pdf>.

25 Clean Energy Council, 'Clean energy project investment doubles in 2018 to top record \$20 billion', 11 December 2018, available at: <https://www.cleanenergycouncil.org.au/news/clean-energy-project-investment-doubles-in-2018-to-top-record-20-billion>.

26 Australian Energy Market Operator, Quarterly Energy Dynamics—Q4 2018, February 2019, p. 14 available at: <https://www.aemo.com.au/Media-Centre/AEMO-publishes-Quarterly-Energy-Dynamics---Q4-2018>.

# SCHEME COMPLIANCE

We assist scheme participants to comply with their obligations and use the full suite of compliance and enforcement powers to protect the integrity, stop harm, and improve outcomes.

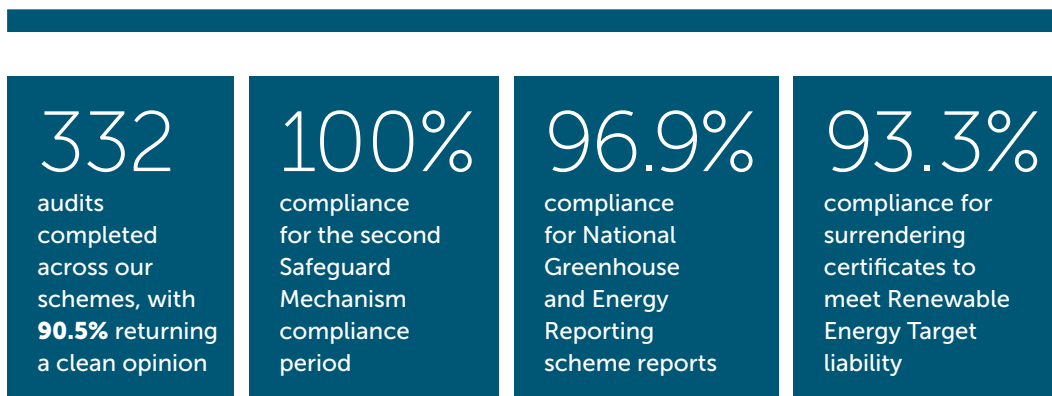
## Compliance approach

We monitor compliance with climate change laws to determine compliance levels, identify possible non-compliance and assess whether changes to our education approach, or enforcement action are required. We take a risk-based approach to compliance monitoring, using a broad range of data and information sources, conducting audits and undertaking inspections.

Where non-compliance does occur, we may impose enforcement action ranging from administrative penalties and infringement notices to substantial civil penalties and criminal sanctions for dishonest or fraudulent behaviour.

To increase transparency and accountability of our activities, we publish annual compliance priorities on our website. These priorities are set at a point in time. We respond to observed behaviours throughout the year, and our priority is preventing harm or stopping it as soon as it is identified. As a result, we sometimes supplement our priorities with additional activities or refocus our priorities through the year. Our published priorities for 2018–19 are summarised in Figure 4 on page 13.

## HIGHLIGHTS FOR 2018–19



## Ensuring integrity of data through the Audit Framework

The National Greenhouse and Energy Reporting Audit Framework helps ensure the integrity of data reported to us under all the schemes we administer.

Audits provide confidence in National Greenhouse and Energy Reporting scheme data, and identify factors that help us prioritise report assessment, compliance, intelligence, and participant education activities. Audits also provide assurance for us to issue ACCUs under the Emissions Reduction Fund (see page 36) and issue exemption certificates under the Renewable Energy Target for emissions-intensive trade-exposed facilities (see page 58).

During 2018–19 a total of 332 audits were completed under this framework. This included 46 audits that we initiated at our cost and selected using a risk-based approach. Participants in our schemes submitted the remaining audits, including audits of 143 Emissions Reduction Fund projects, 69 exemption certificate applications (Renewable Energy Target), 12 calculated baseline applications (Safeguard Mechanism) and 62 voluntary audits from National Greenhouse and Energy Reporting reporters.

A total of 90.5 per cent of these audits returned a clean opinion. This indicates the participant is compliant with scheme requirements (although they may have a small number of non-material findings). Just 3 per cent returned a qualified opinion. This indicates the participant is largely compliant except for a small number of material matters that are not pervasive. The remaining 6.5 per cent either returned an adverse finding, where there was at least one material issue of significant non-compliance, or the auditor was unable to form an opinion.

### Checking registration and compliance of auditors

We register greenhouse and energy auditors and monitor their performance. As at 30 June 2019, there were 89 registered auditors, down from 105 registered at 30 June 2018. This reduction was mainly due to a reduction in the market for audit services combined with our more rigorous requirements to ensure auditors remain active and skilled. Most auditors who deregistered self-nominated, as they were not active and therefore not meeting ongoing registration requirements.

We assessed 13 auditors as part of our routine registration review program during 2018–19. The number of registered auditors remains sufficient to support and provide audits for our schemes and participants.

Compliance by registered auditors is an area of focus for us, given its importance to the integrity of the schemes we administer. In 2018–19 we conducted six inspections of registered Category 2 auditors, selected based on their activity across our schemes. These inspections provide us with in-depth insights into auditor performance. The inspection program also helps enhance our own procedures and improve guidance.

Where we identify non-compliance through inspections, we initiate compliance action. This ranges from specific improvements that auditors need to undertake, through to possible suspension or deregistration. The six inspected auditors in 2018–19 met our requirements to remain registered, with only minor improvements recommended.

During the year we also held auditor workshops in Melbourne, Sydney and Perth to provide continuing education to help auditors understand and comply with the Audit Framework and to provide context on our compliance focus areas.

### **Enhancing the Audit Framework**

In response to inspection findings and regulatory decisions, we continued to enhance the Audit Framework. This program of enhancements is now nearing completion, and we expect to finalise this work during 2019–20.

## **Emissions Reduction Fund compliance activities**

### **Monitoring compliance with scheme obligations**

During the reporting year our compliance focus for the Emissions Reduction Fund was on identifying participants who had not met their reporting obligations. This resulted in 15 participants voluntarily revoking 21 projects. This was mainly due to non-viable projects, or inability to obtain eligible interest-holder consent.

### **Verifying capacity of projects**

We use spatial analysis tools to assess applications for ACCUs for vegetation projects. This includes use of high-resolution geospatial imagery to check the capacity of projects to deliver carbon abatement.

### **Agreeing to enforceable undertakings where necessary**

Enforceable undertakings are written statements from a person or organisation that they will do or stop doing certain things in order to resolve breaches or improve compliance with the legislation.

During the year we continued to manage one enforceable undertaking agreed at the end of 2017–18, but no new enforceable undertakings were created for the Emissions Reduction Fund in 2018–19.

### **Achieving full compliance with Safeguard Mechanism**

The Safeguard Mechanism requires all facilities that exceed their baselines in a financial year to take steps to manage their emissions by 1 March in the following year.

Most facilities that exceeded their baselines in 2017–18 took steps this year using one of the options described under *Setting and managing baselines* (see page 50).



However, 13 safeguard entities were required to surrender a total of 259,528 ACCUs to manage their emissions below their baselines, including 108,221 ACCUs that were a deemed surrender. All ACCUs were surrendered before 1 March 2019 and the Safeguard Mechanism therefore achieved 100 per cent compliance for the second compliance period.

## National Greenhouse and Energy Reporting scheme compliance activities

This year our compliance focus was on enhancing data integrity, aided by analytics to inform our processes.

### Encouraging scheme compliance

We engage with reporting corporations—through general communication, in targeted campaigns and on an individual basis—to provide ongoing education and address quantitative and qualitative data issues.

Analysing the reported data helps us develop a picture of highest risk areas that need the most focus. We have tightened our resubmission policy, and strengthened our regulatory responses to instances of late reporting and where a reporter has a history of submitting inaccurate data.

Our aim is to bring corporations back into voluntary compliance with the scheme, while taking stronger action to discourage non-compliance.

## Large-scale Renewable Energy Target compliance activities

### Identifying issues with certificate claims

Our audit program for 2018–19 included a focus on nominated persons responsible for multiple power stations in the commercial and industrial solar sector. The audits sought to provide confidence over the business practices and record keeping of nominated persons, ensuring they continue to meet their administrative requirements under the Act. The audit program identified a number of areas for improvement, but did not find any instances of material non-compliance.

In 2018–19, we initiated checks on data supplied directly from Meter Data Providers to accredited power stations, in support of their claims on large-scale generation certificates. Our assessment of the data identified no discrepancies with reported generation.

We analysed electricity generation returns and identified a small number of power stations with ineligible large-scale generation certificates validated for 2018 generation. The errors were typically due to rounding in carry over generation from month-to-month. In all cases, nominated persons for these power stations agreed to make a large-scale generation certificate adjustment in 2019 to rebalance their entitlement. With no net impact on large-scale generation certificate creations, no further action was required.

## Managing power station accreditations

We suspended the accreditation of 11 inactive power stations during the reporting period. Power stations were suspended under provisions set out in the Act, including not producing electricity from an eligible energy source (nine power stations), and failure to submit an electricity generation return (two power stations).

## Small-scale Renewable Energy Scheme compliance activities

### Monitoring certificate claims

This year our compliance focus for the Small-scale Renewable Energy Scheme was on installation of unapproved panels, misuse of installer details, and claims for certificates for systems that were not installed.

To check installations, we used automated solar panel validation and data matching with electricity metering data from the Australian Energy Market Operator. This year we also introduced a self-assessment check for registered agents who create certificates, to lower the risk of accidental non-compliance.

Two agents were the subject of enforcement action this year for improperly creating certificates. One was suspended and the other entered into an enforceable undertaking. See details in the feature, *Focus on compliance*, on page 69.

### Inspecting installed units

Each year, we inspect a statistically significant sample of solar panel systems to check conformance with the relevant Australian standards, including relevant state and territory electrical safety standards, and requirements under the Small-scale Renewable Energy Scheme.

To be eligible to create small-scale technology certificates, the small generation unit's solar panels and inverter must be on the Clean Energy Council list of approved components, and the system must be installed by a Clean Energy Council accredited electrician.

In 2018–19, a total of 3670 systems were inspected. Of these:

- 2893 (78.8 per cent) were assessed as compliant
- 702 (19.1 per cent) were assessed as substandard. This rating **does not** mean the whole system is substandard. Typically, such a rating is because one or two defects are found in the installation that do not affect performance, and
- 75 systems (2 per cent) were assessed as unsafe. The most common issue is associated with water ingress into DC isolators (a switch), particularly the isolator on the roof.
  - This assessment means these systems were **potentially** unsafe. For example, some moisture in a switch in an exposed location can be normal. However, excessive moisture, possibly due to poor installation, could result in a potential risk. Where anything is assessed as potentially unsafe, our inspectors take immediate action to render the system safe and notify relevant parties.

There has been an overall downward trend in the level of potentially unsafe systems installed since the inspection program started. This is likely a result of the Clean Energy Council strengthening guidelines, including the requirement for a shroud over the top of DC isolators, as well as ongoing associated actions to improve installer training.

State and territory electrical safety regulators are responsible for electrical safety. As part of our role, we provide reports to state and territory electrical safety regulators and the Clean Energy Council, and we publish inspection results on our website. We also share the results of the inspection program with peak industry bodies, electrical safety regulators, inspection service providers and industry more generally through our education and outreach activities. We have no direct powers to deal with electrical safety matters. To date, the evidence and trends from inspection program data have contributed to improvements in Clean Energy Council installer training and guidelines, changes to the Australian standards and improved consistency of inspections.

## Investigations

We actively investigate breaches and potential breaches of the legislation we administer.

Our investigations work leverages off our compliance, detection and intelligence activities. We undertake a preliminary assessment of anomalies. Where there appears to be a substantive non-compliance, our investigators, officers and lawyers work together to collect evidence and determine the most appropriate course of action. These actions can range from administrative responses (including warning letters, suspension of registration, and Fit and Proper Person processes), to use of information gathering powers (including notices to produce and warrants), and enforcement responses (including commencing civil penalty proceedings, referring matters to other agencies for prosecution or providing briefs to the Commonwealth Director of Public Prosecutions). Investigations form an integral part of our efforts to protect the integrity of the schemes we administer, as well as the relevant industries and consumers.

Investigations are undertaken in accordance with our *Compliance policy for education, monitoring and enforcement activities* and the Australian Government Investigations Standards.

In 2018–19, our compliance and investigation sections received 37 referrals, leading to 32 new investigations being opened. All these cases related to potential fraud in the Small-scale Renewable energy scheme. Allegations included recording false information in the REC Registry, claiming certificates for solar PV systems that were never installed or over-claiming certificates based on system size, submitting false information or documents, and non-compliance with an enforceable undertaking. We use sophisticated detection methods to determine whether systems have been installed and we pursue actions against those in the supply chain involved in any unlawful activity.

Also during 2018–19, we closed 43 investigations. These include matters that have been resolved by non-court action, including accepting enforceable undertakings or suspending registration (therefore removing non-compliant parties from participation in our schemes).

As at 30 June 2019, a total of 26 investigations remained open.

During the year we also referred one brief of evidence to the Commonwealth Director of Public Prosecution to consider criminal action. This case related to alleged fraudulent conduct by an accredited installer. We issued a further five warning or advisory letters and made two formal referrals to state regulators in 2018–19.

During the year we also continued to liaise with the external agencies such as the state offices of fair trading, Australian Taxation Office, Australian Federal Police and Australian Criminal Intelligence Commission—strengthening cross-agency connections, and leveraging capabilities and experience to detect, disrupt and respond to non-compliance and fraud.

### Agreeing to enforceable undertakings where necessary

In 2018–19, we accepted one enforceable undertaking with a Small-scale Renewable Energy Scheme participant who improperly created 3115 small-scale technology certificates. After consulting with the participant, we agreed they would surrender the certificates and establish and maintain a Compliance Program for two years. Details are in Table 11 below and also published on our website.

**Table 11:** Enforceable undertakings in 2018–19

Entity	Date accepted	Allegation summary
RETA (WA) Pty Ltd	12 March 2019	Improperly created 3115 small-scale technology certificates in contravention of section 24A of the <i>Renewable Energy (Electricity) Act 2000</i> .



## FEATURE

*Photo: Small-scale solar roof top panels*

### Focus on compliance

A focus of our compliance and enforcement action during 2018–19 was the Small-scale Renewable Energy Scheme, in particular making sure only eligible small-scale systems received the right number of small-scale technology certificates.

Following a successful pilot, the automated Solar Panel Validation initiative is in full industry roll-out. At the end of 2018–19, 70 per cent of solar panels installed and reported under the Small-scale Renewable Energy Scheme were able to be verified this way. Industry participants using this initiative are saving money and time compared with their old business systems. We are processing small-scale technology certificates submitted with Solar Panel Validation within 24 hours. This initiative is also allowing us to focus our compliance efforts more sharply on parts of the industry where there may be quality problems.

In addition to using automated Solar Panel Validation and data checking to validate claims, this year we also introduced compulsory knowledge checks and self-assessment for registered agents who create certificates. This online initiative, SRES Smart, ensures agents demonstrate they understand their expected capability, standards of practice and responsibilities in maintaining the integrity of the scheme, including lowering their own risk of accidental non-compliance and fraud by third parties.

During the reporting year, two agents were the subject of enforcement action. Both had improperly created certificates for rooftop solar PV installations claimed by third parties that had not actually occurred. However, because the conduct and compliance history of the two agents differed markedly, we took different enforcement action.

One agent was permanently suspended. Our investigation found the agent's own compliance processes were inadequate to the point of negligence, and they were therefore not a fit and proper person to operate within our schemes.

The other agent entered into an enforceable undertaking. This agent self-reported to us after detecting that the installations had not occurred. This was significant factor in determining the appropriate enforcement action.

This year we also strengthened our compliance capability with changes to our operating model that enabled greater and more effective internal collaboration on compliance for all the schemes. This is in part reflected in the exercise of statutory powers, such as site visits by authorised officers, as well as statutory requests for information from scheme participants to inform assessment of compliance.

Our various activities during the year reinforced our approach to compliance. That is, we support those who want to do the right thing and apply regulatory responses proportionate to the risk posed by any non-compliance. We also consider the conduct of scheme participants, including their compliance history, and we are now more prepared than ever to examine and test the information provided, rather than simply accepting it on face value.

# ONLINE REGISTRIES AND SYSTEMS

As part of providing secure and enduring infrastructure, we maintain a range of online systems that support the administration of our schemes.

## Range of online support

Our online registries and systems include:

- Australian National Registry of Emissions Units (ANREU)
- Emissions and Energy Reporting System
- REC Registry
- Client Portal, and
- our website.

## HIGHLIGHTS FOR 2018–19

99.4%

average availability for our online systems collectively, compared with **99.5%** last year

## Australian National Registry of Emissions Units

The Australian National Registry of Emissions Units (ANREU) is the online system for tracking and trading Australian carbon credit units. It enables the carbon market to operate.

The ANREU was originally designed to meet one of Australia's commitments under the Kyoto Protocol. The Kyoto Protocol requires each country with an emission reduction target to establish a national registry to ensure the accurate accounting of the issuance, holding, transfer, acquisition, cancellation, retirement and carry-over of eligible Kyoto units.

We are continuing to raise the ANREU's maturity to technical and security standards required of all national registries under the Kyoto Protocol, complying with the international emissions unit trading framework.

Certain information about the ANREU is publicly available on our website, including account holder details, type of account and current holdings of eligible Kyoto Protocol emission units for each authorised account. Personal information of ANREU account holders is confidential and not published.

At 30 June 2019, the ANREU had 1102 accounts set up for organisations and individuals and 1401 users associated with those accounts. The number of accounts has significantly reduced since last year due to the closure of inactive accounts used under the previous carbon pricing mechanism.

During 2018–19 the ANREU was available for public access 99.5 per cent of the time (excluding scheduled maintenance), compared with 99.6 per cent in 2017–18.

## Emissions and Energy Reporting System

Participants in the National Greenhouse and Energy Reporting scheme prepare and submit their reports using the Emissions and Energy Reporting System. We have designed this system to minimise the administrative burden for reporting, while maintaining the integrity of the data. We release a new version each year to align with new legislative requirements and improve its usability based on participant feedback.

In 2018–19 this reporting system was available for participant use 99.20 per cent of the time (excluding scheduled maintenance) compared with 99.6 per cent in 2017–18.

## The REC Registry

We provide the REC Registry as the secure online system for all Renewable Energy Target transactions. The REC Registry enables the market to operate—supporting both supply and demand by providing secure, convenient, user-friendly and efficient processes to create, register, sell, trade and surrender certificates.

We are continuing to enhance the REC Registry to make it easier for participants to operate, including a new self-service capability for creating large-scale generation certificates. We are moving to consolidate log-ins and data, and automate existing manual processes to enhance further the usability of our systems. During the year we also updated the REC Registry to manage applications for processing large-scale generation shortfall charge refunds (see page 57).

In 2018–19, the REC Registry was available to participants 99.5 per cent of the time (excluding scheduled maintenance) compared with 99.6 per cent in 2017–18.

## Client Portal

The Client Portal is a secure entry point where our scheme participants can access online forms, systems and other information.

We are continuing to improve automation and reduce the need for paper forms that will make it easier for participants to submit information to our agency. In 2018–19 we planned longer-term capabilities of the Client Portal including user research to gain insights into improvements that we can introduce in the coming year (see page 105).

In 2018–19 the Client Portal was available to participants 99.5 per cent of the time (excluding scheduled maintenance) compared with 99.6 per cent in 2017–18.

## Our website

Our website is the front door to information for our participants and others interested in the schemes we administer. As well as information on all our schemes, our website has details about our systems, registers of scheme data, corporate information, and reporting and compliance requirements. There is also a media centre and news and update feeds for each high-level area of our website.

Our website has more than 1710 pages, containing more than 1500 documents. During 2018–19 we made thousands of page and document updates, and hundreds of data register updates.

Users accessed our website 498,842 times and viewed pages a total of 1.45 million times during the year. The Renewable Energy Target accounted for 40 per cent of the information sought, followed by the Emissions Reductions Fund (13 per cent), National Greenhouse Emissions Reporting scheme (12 per cent) and corporate information (11 per cent).

In 2018–19, our website was available to participants 99.4 per cent of the time (excluding scheduled maintenance) compared with 99.6 per cent in 2017–18.

## Looking forward

We aspire to design and implement system improvements in line with the Digital Transformation Agency's Digital Service Standard. Using contemporary techniques such as user research and service design, we will continue to engage with participants on system enhancements and actively seek their feedback on satisfaction with our registries. We will continue to ensure enhancements are valued by our participants and are in line with their expectations, as part of our ongoing support for them to participate in our schemes.

We will also begin planning the consolidation of our systems to improve our own effectiveness and efficiency. This will lead to further improvements for all participants that interact with our schemes and data, as well as improving our administration of the schemes.





*Photo: Boco Rock Wind Farm, NSW*



*Photo: Myuna Colliery, Wangi Wangi, NSW*

# PART 4

## MANAGEMENT AND ACCOUNTABILITY

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**Our strength lies in administering our schemes, harnessing our data and engaging with our participants.**

# OUR AGENCY AND FOCUS

We are responsible for administering legislation that will reduce carbon emissions and increase the use of clean energy.

## Establishment and focus

The Clean Energy Regulator was established by the *Clean Energy Regulator Act 2011*. Our agency began operations on 2 April 2012.

As a regulator our focus is on our participants and ensuring they comply with their obligations and are able to access the incentives afforded to them under our schemes. Our strength lies in administering our schemes, harnessing our data and in engaging with our participants, all of which is underpinned by our ability to work closely with our wide range of participants, partners and stakeholders.

## HIGHLIGHTS FOR 2018–19

326

employees—147 female, 1 gender X,  
106 non-English speaking background,  
10 Indigenous, 8 people with a disability

‘Advanced’

maturity level for risk  
management capability  
maintained

5

Members of the  
Regulator Board  
including the Chair

79%

of survey respondents  
agree we are doing  
a good job

84%

of survey respondents believe  
they have an effective  
working relationship with us

# CORPORATE GOVERNANCE

Our governance structure includes the Regulator Board, our senior executive and the committees that provide strategic direction, leadership and oversight of our operations and support our agency to deliver our purpose of accelerating carbon abatement for Australia.

## Members of the Regulator Board

Members of the Regulator Board are appointed by the responsible minister under the *Clean Energy Regulator Act 2011*, and are required to have substantial experience or knowledge and significant standing in relevant fields. The Chair holds office on a full-time basis. All other Members hold office on a part-time basis.

The Regulator Board determines our strategic direction and policies, and is accountable for our regulatory decisions according to the legislation we administer. In addition to their collective responsibilities, Members of the Regulator Board each apply their expertise to a specific area of focus. This adds depth to the Regulator Board's appreciation of the operating environment and enables agency officers to draw directly on Members' knowledge and experience. Members provide an update on their area of focus at each Regulator Board meeting.

The Regulator Board Members for 2018–19 were:

- Mr David Parker AM (Chair)
- Ms Virginia Malley
- Ms Anne T Brown
- Mr Michael D'Ascenzo AO, and
- Dr Peter Davis.

### Mr David Parker | Chair

The Minister appointed Mr Parker as Chair of the Clean Energy Regulator on 3 July 2017.

Mr Parker has extensive experience in economics and public administration with a long professional involvement in policy and regulatory matters in a range of areas.

Prior to joining the agency, Mr Parker was Deputy Secretary at the Department of Agriculture and Water Resources. Mr Parker was responsible for the Australian Bureau of Agricultural and Resource Economics and Sciences, as well as the Department's Water, Export, Trade and Market Access divisions.



Mr Parker has been Deputy Secretary at the Department of the Environment and Energy, with responsibility for water, Antarctica and national parks, and elements of climate change policy.

Previously, Mr Parker spent 25 years at Treasury, where he worked on financial sector liberalisation, tax reform, macroeconomic forecasting and policy, competition policy, energy policy and international economic issues. He was appointed Deputy Secretary in 2004.

From 1997 to 2002 Mr Parker worked at the Organisation for Economic Cooperation and Development in Paris. Mr Parker has qualifications in economics and law and was made a Member of the Order of Australia in 2012.

### **Ms Anne T Brown | Member**

*Area of focus: Audit committee and risk framework*

Ms Brown has substantial knowledge and practical experience of Australian and international exchange traded financial markets, risk management, related infrastructure and regulatory environments.

Ms Brown is the Chair of the Life Code Compliance Committee, which monitors and oversees compliance with the Australian life insurance industry's Code of Practice, a member of the Finance, Audit and Risk Committee of Monte Sant' Angelo Mercy College Ltd and a member of the Australian Securities and Investments Commission's Markets Disciplinary Panel.

Ms Brown was previously Chief Risk Officer with ASX Limited from 2006 to 2010, following its merger with SFE Corporation Limited (SFE). Her role included group executive responsibilities for enterprise-wide risk management, compliance and audit. She chaired a number of broader group executive committees and developed integration strategy, risk management and policy development and execution for ASX's two central counterparty clearing houses.

Ms Brown represented ASX from 2008 to 2010 as the Chair and executive committee member of CCP12, an influential global industry association involving all major international clearing houses. Prior to the ASX-SFE, Ms Brown was a general manager with SFE, and previously worked with KPMG in both Edinburgh and Sydney.

Ms Brown holds a double major degree in accountancy and computer science from Heriot-Watt University, Edinburgh. She is a member of the Institute of Chartered Accountants of Scotland and a graduate member of the Australian Institute of Company Directors.



### **Mr Michael D'Ascenzo AO | Member**

*Area of focus: Cross-agency compliance and membership of the Joint Agency Executive Steering Committee*

Mr D'Ascenzo is recognised internationally for his leadership and expertise in administration, strategy and governance, and for his technical and design skills in tax law and superannuation.



Mr D’Ascenzo is an adjunct professor of the University of New South Wales. He also consults internationally on the modernisation of organisations, especially those working on tax policy or administration.

Mr D’Ascenzo’s previous roles include Commissioner of Taxation for seven years (2006–2012), and more recently as a member of the Foreign Investment Review Board (2013–2017), and as a non-executive director of Australia Post (2013–2016).

Mr D’Ascenzo holds degrees in economics and law from the Australian National University. He is also a graduate of the Harvard Business School Program for Management Development, the Australian Institute of Company Directors, and the University of Cambridge Programme for Sustainability Leadership. He is a member of the Institute of Chartered Accountants Australia, Fellow of the Australian Institute of Company Directors, Fellow of the Australian Risk Policy Institute, Honorary Life Fellow of CPA Australia and Honorary Fellow of the Association of Taxation and Management Accountants.

In 2010, Mr D’Ascenzo was appointed an Officer of the Order of Australia for service to public administration, particularly through reform and innovative engagement with the taxation profession and government agencies. In 2012, he was named the Institute of Chartered Accountants’ Federal Government Leader of the Year.

### Ms Virginia Malley | Member

*Area of focus: Market development and participant education*

Ms Malley has more than 30 years’ experience in the investment and banking sectors, including 17 years’ experience as a company director. Her areas of expertise are regulatory compliance, financial and environmental markets, risk management, corporate governance, custody and trusteeship.



Ms Malley is the Deputy Chair of the Biodiversity Conservation Trust of New South Wales, and a non-executive director of Perpetual Superannuation Limited, Perpetual Equity Investment Company Ltd and Morphic Ethical Equities Fund Ltd.

Ms Malley was previously the Chief Risk Officer at Macquarie Funds Management Group and was a member of a number of committees at Macquarie with focuses on clean technology, the Asia Pacific, private equity and global advisory investment. She also served on the boards of Macquarie Investment Management Limited and Bond Street Custodians Limited and was a member-elected trustee of the Macquarie Bank Staff Superannuation Fund. She oversaw the risk management of portfolios, worth more than \$85 billion, investing in clean technologies, publicly traded debt securities, listed equities, derivatives, currencies and private equity. She also managed industry regulator and ratings agency relationships.

Ms Malley is a graduate of the Australian Institute of Company Directors. She holds a Bachelor of Arts and a Master of Applied Finance from Macquarie University, a Graduate Diploma in Environmental Law and a Master of Laws from the University of Sydney, and a Juris Doctor from the University of Technology, Sydney.

## Dr Peter Davis | Member

*Area of focus: Renewable energy*

Dr Davis has extensive experience in the Australian energy sector, including 19 years at Chief Executive and General Manager level. He has extensive experience in regulatory and structural reform of critical infrastructure services in both regulated and competitive markets, with particular expertise in renewable energy, energy efficiency and demand side management.



Dr Davis is an independent non-executive Director of the Australian Energy Market Operator (AEMO), and is Chair of AEMO's Technical and Regulatory Committee and a Member of the Zema Scholarship Trust Fund. He is a Member of the University of Tasmania's Built Environment and Infrastructure Committee. From 2004 to 2014 he was Chief Executive Officer and Managing Director of Aurora Energy Pty Ltd, an energy utility with interests in electricity distribution, generation, retail and gas supply. He was a Director of the Energy Supply Association of Australia from 2008 to 2014, and chaired the Energy Supply Association of Australia's Greenhouse Policy Committee.

Dr Davis holds a Doctor of Philosophy from the Solar Energy Research Centre at the University of Queensland, a Master of Business Administration from Deakin University, an honours degree in science from Monash University and degrees in science and education from the University of Tasmania. He is a Fellow of the Australian Institute of Company Directors and Engineers Australia.

## Regulator Board meetings

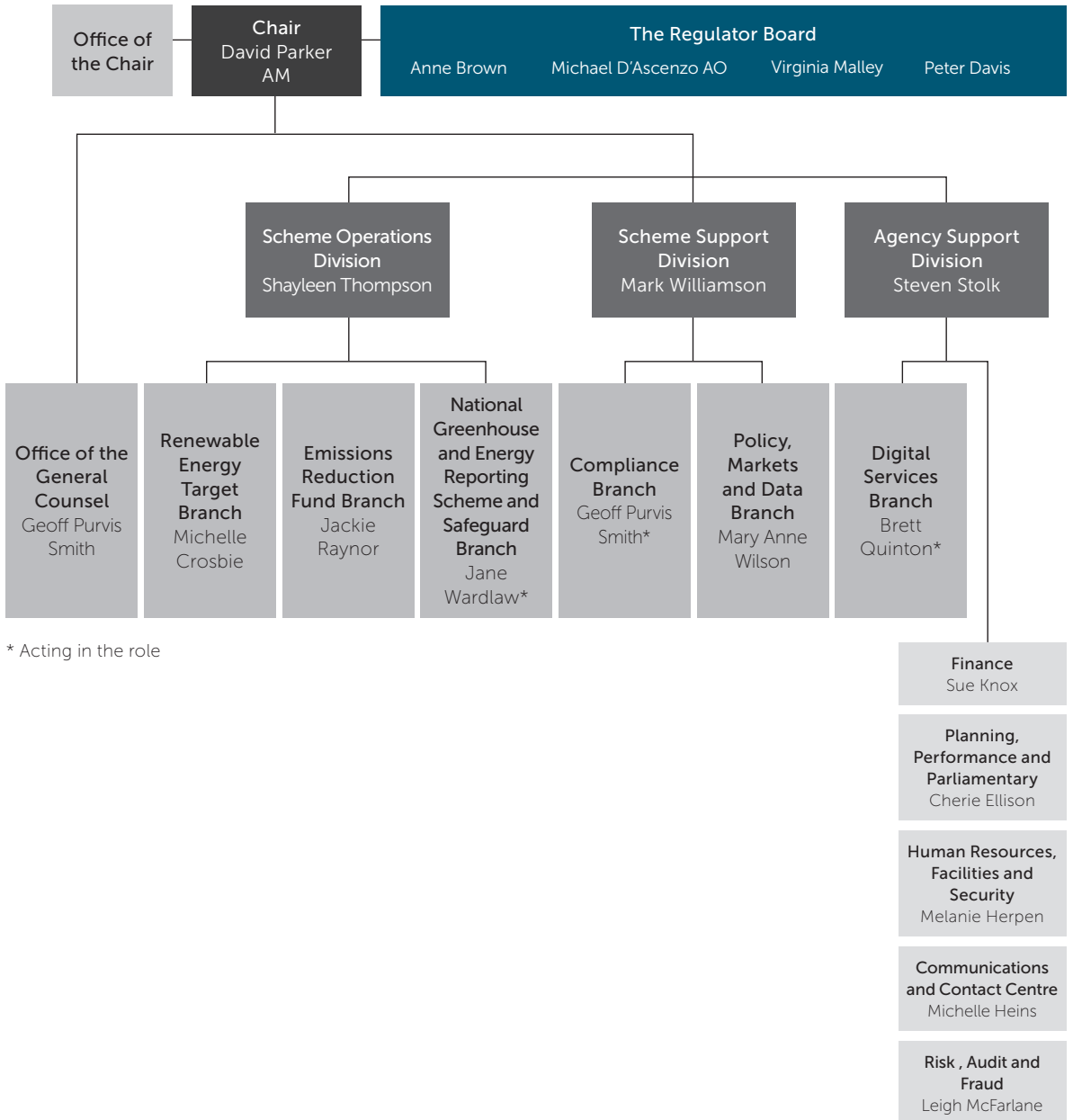
Under the *Clean Energy Regulator Act 2011*, the Chair of the Regulator may convene a meeting at any time. Between 1 July 2018 and 30 June 2019, the Regulator Board met 10 times. See Appendix B for details of meeting dates and apologies.

## Agency senior executive staff

As at 30 June 2019 our agency senior executive comprised our Chair, three Executive General Managers and General Counsel.



Figure 10: Our agency structure as at 30 June 2019



### **Mr David Parker | Chair**

Mr Parker was appointed by the Minister as the Chair from 3 July 2017 (see page 77). Our agency executive staff report to the Chair, who is the head of our agency and the 'accountable authority' as defined by the *Public Governance, Performance and Accountability Act 2013*.

### **Mr Geoff Purvis-Smith | General Counsel**

Mr Purvis-Smith joined the agency as General Counsel in June 2012.

Mr Purvis-Smith has extensive experience as a regulatory lawyer, having worked in a number of Commonwealth agencies including the Australian Customs and Border Protection Service, the Australian Competition and Consumer Commission and the Australian Communications and Media Authority. Before joining the Australian Public Service, Mr Purvis-Smith was a private sector lawyer specialising in litigation, regulation and government.

Mr Purvis-Smith holds degrees in arts and law and a master's degree in international law.

### **Ms Shayleen Thompson | Executive General Manager Scheme Operations Division**

Ms Thompson joined the agency on 16 July 2018. She has extensive experience in international and domestic climate change policy with both the Commonwealth and state governments.

Prior to joining the agency, Ms Thompson led policy development work on the Carbon Farming Initiative and the Emissions Reduction Fund before taking on the role of Acting CEO of the Climate Change Authority. In that role, Ms Thompson led work on the Authority's review of the Emissions Reduction Fund and Australia's policies and goals to meet its emissions reduction commitments under the Paris Agreement.

Previously, Ms Thompson served as a lead negotiator on land issues for the Kyoto Protocol and has worked on the National Greenhouse Gas Inventory, the National Greenhouse and Energy Reporting scheme and the Renewable Energy Target.

### **Mr Mark Williamson | Executive General Manager Scheme Support Division**

Mr Williamson joined the agency in August 2012, following an extensive career including senior executive roles in the private sector and state and local government.

He previously held a national commercial and technical senior executive role in an ASX 200 company and was Executive Director at the Queensland Environmental Protection Agency, leading its regulatory operations across a diverse range of environmental legislation.

Mr Williamson has qualifications in applied science and post-graduate management qualifications.

## Mr Steven Stolk | A/g Executive General Manager Agency Support Division

Mr Stolk joined the agency in January 2018, following a decade of executive level positions in various government agencies, including the Civil Aviation Safety Authority and Sport Australia. He has strong experience as a change agent focusing on organisational and capability development.

Before joining the Commonwealth in 2008, Mr Stolk gained more than 18 years of experience in the private sector, including leadership roles in information management, IT strategy, agile methodology, business solutions, professional services, and project portfolio management.

Mr Stolk holds a bachelor degree in computing.

## Governance framework and processes

Our corporate governance framework assists staff to plan and manage activities and deliver on the expectations of government and the community. The framework articulates the lines of authority, accountability, direction and control within our agency. It is designed to ensure our staff understand their accountabilities and our agency delivers outcomes in a controlled, transparent and accountable manner, in line with relevant legislation and government policy.

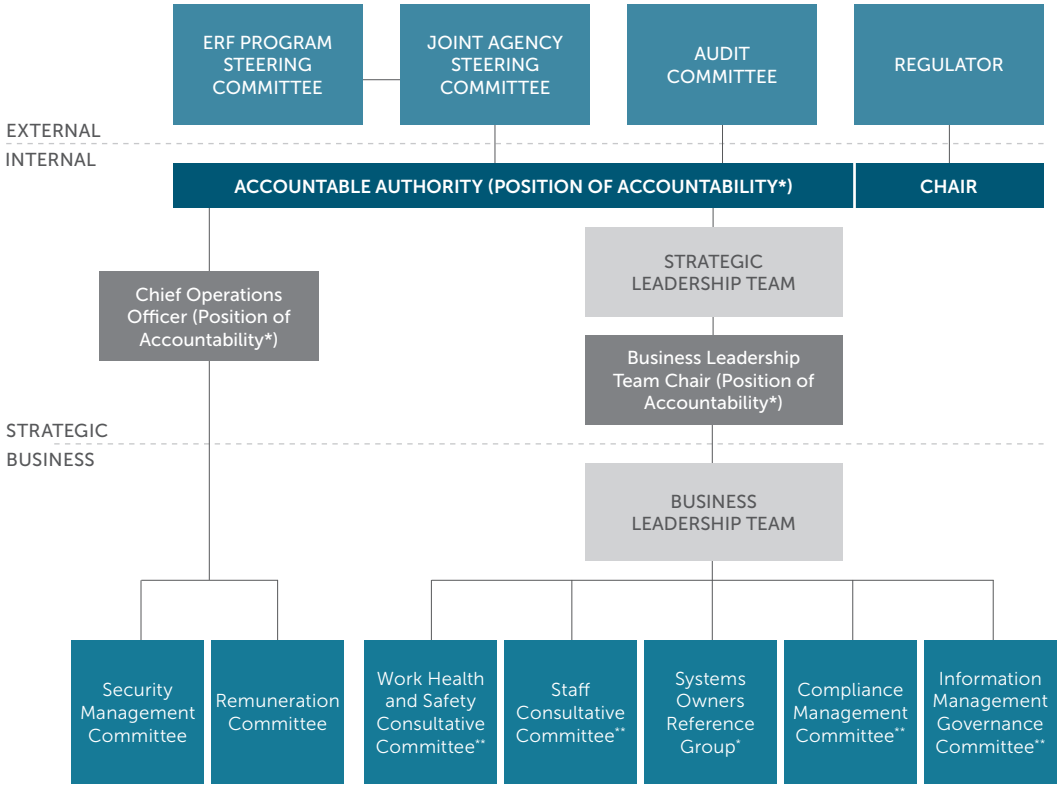
- Our governance processes and policies include risk management, protective security management, business planning, financial management, performance and conformance monitoring and reporting, staff performance agreements, internal auditing, fraud prevention, and Chief Executive Directions and Instructions.
- Our governance framework supports our agency culture—which promotes and upholds the Australian Public Service Values and Code of Conduct—and enables us to monitor and improve our performance.

## Committee structure

Our governance committee structure:

- ensures the Regulator Board and Chair meet their obligations, lead the agency and monitor the performance and conformance of the agency as a whole, and
- facilitates our relationship with the Department of the Environment and Energy as a statutory authority within the Environment and Energy portfolio.

Figure 11: Our committee structure as at 30 June 2019



\* Sub-committees that provide INPUT to Business Leadership Team and are directly accountable to the Accountable Authority.

\*\* Sub-committees that deliver OUTPUTS on behalf of Business Leadership Team.

## Strategic Leadership Team

The Strategic Leadership Team is responsible for our agency’s executive functions including strategic leadership and management (in relation to the role of the Accountable Authority under the *Public Governance, Performance and Accountability Act 2013* and Head of Agency under the *Public Service Act 1999*). Specifically, this team leads the culture of our agency, sets performance expectations and is responsible for our agency conforming to our obligations. Membership consists of the Chair, the Executive General Managers and the General Counsel. The Strategic Leadership Team is chaired by the Chair of the Regulator Board and generally meets weekly.

## **Business Leadership Team**

The Business Leadership Team is responsible for decisions about implementing our agreed annual and business plans, manages matters that require collaboration across divisions, and monitors resolution of identified issues and implementation of our strategic priorities. This team comprises all General Managers, the General Counsel and Managers who report directly to an Executive General Manager, and generally meets fortnightly.

## **Audit Committee**

The Audit Committee provides independent advice and assurance to the Chair of the Regulator Board on the appropriateness of our financial reporting, performance reporting, system of risk oversight and management. The Audit Committee comprises three members, including an independent committee Chair and at least one other external member, with a Member of the Regulator attending as an observer. It meets at least quarterly, and may hold special meetings to review annual financial statements and performance statements or to meet other specific committee responsibilities.

## **Joint Agency Executive Steering Committee**

The Joint Agency Executive Steering Committee provides an inter-agency forum for high level strategic oversight of the schemes we administer, considers the implications of significant developments on policy and regulatory functions, and considers options for managing emerging trends, issues and risks within the policy and regulatory environment. This committee comprises the Chair of the Regulator Board, a Regulator Board Member, and Senior Executive Service employees from both the Department of the Environment and Energy and our agency. It meets three times a year or as otherwise agreed.

## **Emissions Reduction Fund Program Steering Committee**

The Emissions Reduction Fund Program Steering Committee provides an inter-agency forum for problem-solving in regards to Emissions Reduction Fund policy, legislation, methods, and stakeholder management. This steering committee provides governance for management of scheme risks and benefits and is accountable to the Joint Agency Executive Steering Committee. It comprises Senior Executive Service employees from both the Department of the Environment and Energy and our agency, and generally meets quarterly or as otherwise agreed.

## **System Owners Reference Group**

The System Owners Reference Group is a decision-making committee focusing on prioritising improvements to the business systems and data services that support and enable the capabilities in our agency operating model. This group is accountable to the Strategic Leadership Team, comprises the Chief Operations Officer (committee Chair), the Chief Data Officer, the Chief Information Officer, the Chief Financial Officer and relevant capability owners. It generally meets monthly.

## **Compliance Management Committee**

The Compliance Management Committee is a forum to foster and drive a 'firm but fair' scheme compliance culture, champion approaches and settings to non-compliance that are consistent, coherent, predictable and measurable, and drive our agency's transition to a better practice regulator. This committee comprises the General Manager Compliance Branch (committee Chair) and the General Managers responsible for administering our agency's schemes. It generally meets monthly.

For part of the reporting year, our agency also had a Litigation and Enforcement Committee to discuss individual cases of non-compliance by scheme participants. The Litigation and Enforcement Committee operated as a sub-committee of the Business Leadership Team.

## **Security Management Committee**

The Security Management Committee oversees and coordinates the strategic direction of our protective security and information security policies and practices and ensures we comply with relevant government requirements. It comprises the Agency Security Executive (committee Chair), the Chief Information Security Officer, the Chief Information Officer, the General Manager Human Resources, Security and Facilities. This committee generally meets quarterly.

## **Staff Consultative Committee**

The Staff Consultative Committee provides a forum for consultation on general employment and workplace relations matters. It comprises the General Manager Human Resources, Security and Facilities (committee Chair) and employee representatives from each branch, two management representatives, a graduate representative, a union delegate (agency employee) and an external representative from the Community and Public Sector Union. This committee generally meets quarterly or as otherwise agreed.

## **Work Health and Safety Consultative Committee**

The Work Health and Safety Consultative Committee encourages and facilitates staff participation in instigating, developing and carrying out measures designed to ensure our workers' health and safety at work. It also considers workers' health and safety matters raised by managers, health and safety representatives or other staff. It comprises the General Manager Human Resources, Security and Facilities (committee Chair), agency health and safety representatives, manager representatives, worker representatives and an external representative from the Community and Public Sector Union. This committee is required to meet at least quarterly.

## **Remuneration Committee**

The Remuneration Committee makes recommendations to the agency head, or their delegate, regarding applications from employees for individual flexibility arrangements to vary remuneration-related conditions of the Clean Energy Regulator Enterprise Agreement.

This committee comprises the Chief Operations Officer (committee Chair), the General Manager Human Resources, Security and Facilities, the Chief Financial Officer, the General Counsel and two General Managers. It meets as required.

## Planning and reporting

Our business planning considers the allocation of human resources, investment, risk management and performance measurement and incorporates our agency's performance reporting framework.

The *Corporate Plan 2018–22* was our agency's primary strategic planning document for the reporting year. It set out our purpose, objectives and strategic approach. This informed our broader planning framework, including all operational business plans, which articulate the objectives for the year ahead, how we will achieve these objectives, resources we will allocate to particular deliverables, associated risks we need to manage, and the contribution of individuals to meet the objectives.

Updated and published annually, our corporate plan explains the strategies we use to achieve our objectives and provides a framework for us to measure our performance, in accordance with paragraph 35(1)(a) of the *Public Governance, Performance and Accountability Act 2013*.

During 2018–19, we further developed our strategic planning by implementing our environmental scanning framework to better capture and address emerging threats and opportunities.

Our key performance indicators are designed to measure achievements against our purpose. They are part of our agency's key performance indicator framework. This framework meets our external and internal reporting requirements, while ensuring the flexibility to incorporate changes in government policy.

We report our performance against the key performance indicators outlined in our corporate plan and the performance criteria in our Portfolio Budget Statement in *Part 2: Annual performance statement* from page 19, as required under section 39 of the *Public Governance, Performance and Accountability Act 2013*.

## Risk management

Our approach to risk takes into account the legislative framework, Australian Government policy, our available resources and our operating environment. Our risk appetite and strategic risks reflect the nature of the schemes we administer.

In administering legislation on behalf of the Australian Government, we understand what might undermine our ability to achieve our objectives and meet our statutory obligations. Identifying and managing risks to these objectives at the strategic and operational level enables us to:

- streamline regulatory processes across and within the schemes we administer
- target resources towards areas of highest risk

- achieve organisational efficiencies, and
- deliver the specific objectives of relevant legislation effectively and efficiently.

Our Risk Management Policy and Framework outlines our agency's risk management approach and is consistent with the Commonwealth Risk Management Policy. We continue to embed and enhance our risk management framework into day-to-day operations, adopting a strong risk management culture where all staff understand how their daily work fits into our agency's capability to mitigate risk across our full range of functions.

In 2019, we participated in the annual Comcover Risk Management Benchmarking Survey, which measured our agency's risk management capability against a maturity model. We maintained an overall maturity level of 'Advanced', demonstrating our ongoing commitment to embedding and improving strong risk management practices.

## Fraud prevention and control

Our agency's Fraud Control Plan provides assurance that we are managing our agency's identified fraud risks appropriately. The plan meets our agency's responsibility for compliance with section 10 of the Public Governance and Accountability Rule 2014 and the Commonwealth Fraud Control Framework.

Under the Fraud Control Plan, we take a comprehensive approach to fraud risk and ensure all reasonable measures are in place to prevent, detect and deal with fraud.

Our agency uses a range of strategies to prevent, detect and respond to fraud, including:

- fraud control planning, monitoring and reporting
- internal and external reporting mechanisms
- collecting and analysing information and data to detect fraud
- receiving and analysing allegations from internal and external sources
- testing and analysing the effectiveness of fraud controls and, if necessary, making recommendations to strengthen controls to prevent and detect fraudulent activity
- investigating fraud, misconduct and unethical conduct and applying the appropriate criminal, civil, administrative or disciplinary action, and
- conducting investigations in accordance with the Australian Government Investigation Standards.

We support fraud prevention by ensuring agency staff undertake mandatory fraud prevention training and by promoting messages about:

- how the agency identifies and reports suspected fraud
- staff responsibilities, and
- current and emerging risks.



## Conflict of interest

We inform our staff about their obligations under the *Public Service Act 1999*, which requires staff to avoid actual, perceived or potential conflicts of interests. Staff and Regulator Board Members are required to complete an annual declaration of interest form. Compliance with this requirement is reported to the Audit Committee.

## Business continuity management

Our business continuity management framework is designed to prepare for, and respond to, a business interruption or outage. Through our training and annual testing program, we assess our preparedness for a business disruption event. The lessons learnt from these exercises allow us to incorporate necessary improvements to continually build our resilience to a business disruption.

We have three operational frameworks—emergency management, incident management and business continuity—which we can deploy to deal with different aspects of an incident. We test the frameworks and linkages annually.

## Internal audit

The Internal Auditor is responsible for the efficient and effective operation of our internal audit function, reporting to the Chair through the Chief Operations Officer and the Audit Committee.

During 2018–19, the Audit Committee held quarterly regular meetings and a special meeting to discuss our agency’s financial statements. It also reviewed our agency’s financial and performance reporting, risk oversight systems and management, and internal controls.

Our agency’s internal audit service provider is KPMG. In 2018–19 internal audits were completed into:

- performance reporting
- effectiveness of Safeguard Mechanism compliance controls
- data strategy and governance
- ICT Program Model (Phase 2a)
- management of ICT contracts, and
- information management/compliance with Protective Security Policy Framework and the *Privacy Act 1988*.

## Regulatory reform

The Australian Government’s regulatory reform agenda aims to reduce unnecessary or inefficient regulation imposed on individuals, business and community organisations.

As part of the everyday administration of our schemes, we assess the potential burden on participants and implement practical, flexible regulatory approaches that appropriately balance both regulatory and participant needs.

We are required to report annually against the Commonwealth’s Regulator Performance Framework key performance indicators. In 2018–19 we prepared our third self-assessment report, looking at our activities and outputs for 2017–18.

The yearly reports, available on our website, demonstrate achievements against each of our specific measures under the Regulator Performance Framework. They reflect our commitment to good regulatory practice and maturity as a regulator.

We continually look to refine our practices and procedures, ensuring an appropriate balance between compliance and regulatory burden, and engage with participants to enhance outcomes under the schemes we administer. This has been confirmed each year by positive feedback received from our stakeholders and strong participation in our schemes.

## Partnerships

We work closely with our regulatory partners to share information to ensure the integrity of the schemes we administer. We also provide information to assist other Commonwealth, state and territory government organisations to discharge their responsibilities under their respective legislation.

A range of formal agreements, lawful disclosure arrangements and staff secondments underpin our partnerships with other agencies. These mechanisms facilitate cooperation and information exchange to assist each agency to fulfil its regulatory responsibilities. This includes sharing relevant information, gathering intelligence and referring matters to the appropriate body, such as Commonwealth, state and territory agencies, including law enforcement if necessary.

## Communications survey

We survey stakeholders and scheme participants to better understand their perception of our agency’s overall performance, our staff performance, regulatory burden and their preferred communication channels.

Table 12: Key survey findings

	2014–15 % agree or strongly agree	2015–16 % agree or strongly agree	2016–17 % agree or strongly agree	2017–18 % agree or strongly agree <sup>27</sup>	2018–19 % agree or strongly agree
The agency is doing a good job	80	84	81	72	79
Respondent organisation has an effective working relationship with the agency staff	84	84	79	74	84
The agency performs functions effectively	82	82	80	70	76
The agency effectively engages with respondents	76	76	76	64	70
The agency has a clear direction and purpose	72	75	76	72	73
The agency has a sound focus on important issues	68	70	70	60	64

Overall, satisfaction increased in 2018–19. Findings highlighted:

- **Strong overall performance.** Most respondents (79 per cent) surveyed agree that we are doing a good job, and 84 per cent believe they have an effective working relationship with us.
- **Areas to sustain.** We want to maintain strong results for having clear direction and purpose, and agency performance.
- **Areas to improve.** We will continue to work on improving effective relationships with participants, and performing our functions as effectively as possible.

<sup>27</sup> In 2017–18 a pulse survey was performed on a slightly different basis to the full surveys in other years. The pulse survey covered similar questions, so we can compare results.

# EXTERNAL SCRUTINY

In 2018–19, the Clean Energy Regulator was accountable to the then Minister for the Environment and Energy, the Hon Josh Frydenberg MP, until 28 August 2018. On this date the Hon Angus Taylor MP was appointed Minister for Energy and the Hon Melissa Price MP was appointed Minister for the Environment.

Upon the swearing in of the new ministry on 29 May 2019, our agency continued to operate within the Environment and Energy Portfolio, reporting to the Hon Angus Taylor MP as Minister for Energy and Emissions Reduction.

Other external scrutiny included examination by parliamentary committees, the Commonwealth Ombudsman and Australian National Audit Office.

## External decision and reports

In November 2018, the Federal Court handed down its decision in *Country Carbon v Clean Energy Regulator VID 1108*. The decision confirmed an earlier Clean Energy Regulator decision related to section 28A of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (CFI Act).

Following the Federal Court’s decision in the *Country Carbon* case, two review applications previously lodged with the Administrative Appeals Tribunal in 2017–18 (which relied on the outcome of the Federal Court case) were withdrawn by the applicant on 20 March 2019. A third review application lodged with the Tribunal in 2017–18 (which also relied on the outcome of the *Country Carbon* case) was also withdrawn just after the reporting period, in July 2019.

Two other applications to the Administrative Appeals Tribunal were also withdrawn during the year. One application was withdrawn on 10 April 2019, prior to hearing, at the applicant’s request. The other application was withdrawn on 8 February 2019—this application had sought review of the Clean Energy Regulator’s decision to suspend, for 12 months, the applicant’s registration under the *Renewable Energy (Electricity) Act 2000*.

During 2018–19 our operations were not the subject of any reports by parliamentary committees or the Commonwealth Ombudsman.

## Parliamentary committees

In 2018–19, our agency appeared before the Senate Environment and Communications Legislation Committee on three occasions. We responded to 15 questions on notice about the schemes we administer and whole-of-portfolio corporate matters.

## Auditor-General reports

The Australian National Audit Office released one performance audit specific to our agency in 2018–19, *Report No. 18 2018-2019: Administration of the Renewable Energy Target*.

# OUR PEOPLE

We regard the skills and commitment of our people as an important part of our 'secure and enduring infrastructure', one of our agency objectives.

To this end, our approach to managing our people reflects the importance of attracting, retaining and developing a skilled and diverse workforce.

We foster an environment where resources and expertise are shared to maximise business outcomes and manage increased volume and complexity. We achieve this by providing our staff with opportunities for growth and development and by deploying the current workforce in a way that makes best use of their skills.

## Talent identification and management

We have two formal recognition programs to celebrate the outstanding efforts and contributions of employees, while promoting our culture, values and purpose. These are based on set criteria and occur each year.

### Australia Day awards

Each year, Commonwealth departments and agencies are invited by the National Australia Day Council to celebrate Australia Day by awarding an Australia Day Achievement Medallion to acknowledge staff who have displayed an outstanding contribution in the public sector.

For the 2019 Australia Day Achievement Awards, Ellie Carmichael and Tas Sakellaris were recognised for their willingness to work through complex policy and implementation challenges, which contribute to our agency and the wider Australian Public Service.

### Awards of Excellence

We also hold an annual Awards of Excellence, which recognises the work and achievements of our employees. The awards align with our agency's cultural anchors and focus on personal accountability, collaboration and innovation.

## Learning and development

Developing our employees is important to us. Our learning and development programs target the development of capabilities for agency roles and individual career pathways.

To assist with targeted development, in September 2018 we implemented the first phase of a People Capability Framework, which articulates capabilities relevant to each job role in the agency. We are currently working on the next phase that includes developing proficiency levels within each capability, mapping those proficiencies to job roles, and introducing a process to allow individuals to baseline their proficiency level against each capability (see Feature on page 95).

To create a common language and habits that support a culture of continuous learning, we delivered an IMPROVE training program to 278 employees. This training provided employees with the tools to drive their own development by asking for feedback in real time at all levels across the agency.

During the year, we also continued to develop regulatory capability through the delivery of Regulatory Practitioner and Manager training programs. In 2018–19, a total of 111 employees completed this training.

In 2018–19, we provided financial support and study leave to 17 employees completing tertiary qualification study relevant to their employment in our agency and the wider Australian Public Service.

We continued to develop broad capabilities with training programs targeting writing skills, business process mapping, understanding legislation, recruitment and performance management.

In addition, we supported employees to attend numerous external workshops, seminars and conferences to further their understanding of specific industries, our participants or areas of professional interest. We also provided a range of technical and business training across our agency to support the rollout of new business processes and systems.



## FEATURE

*Photo: Clean Energy Regulator staff*

### Bringing capability to life

At the Clean Energy Regulator, we need to be able to adjust our workforce and ensure our people are capable and can adapt to meet the challenges we face as an agency.

As a result, we developed our agency-wide People Capability Framework. We co-designed the framework with employees across the agency from all classification levels, considering how we work, how we want to work, how we need to work, best practice, emerging trends, and how we can embed our agency's cultural anchors. Our cultural anchors are active development, delivering outcomes, trust and accountability, and role clarity.

Using our agency's operating model as a central reference point, we articulated the required capabilities and developed four proficiency levels for each. We mapped capabilities and proficiency levels to every job role within the agency.

Underpinned by growth mindset principles, framework development focused on the future of work. Core capabilities (those mapped to all job roles) include business acumen capabilities, data and digital literacy capabilities, emotional intelligence, and an individual development approach called 'deliberately developmental'.

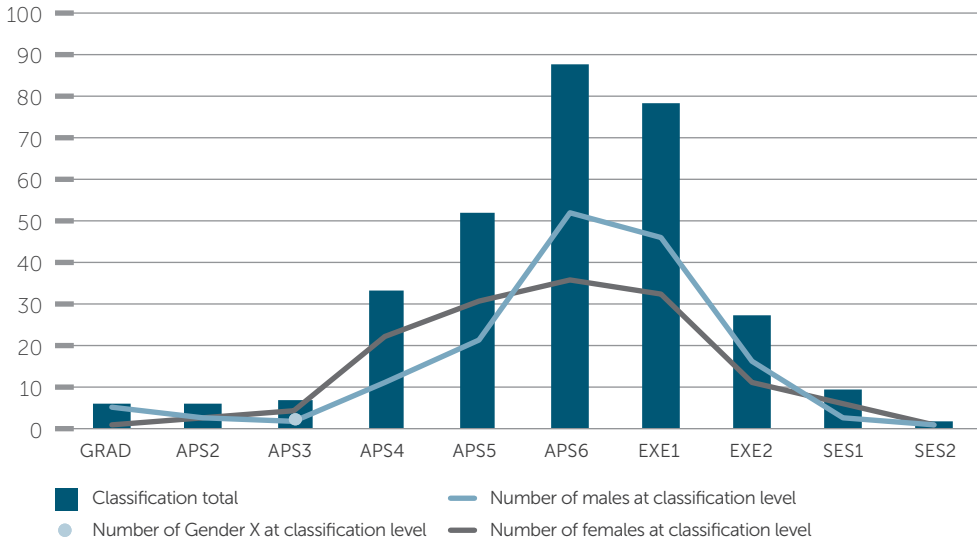
To bring the framework to life for all employees, we redesigned our learning management system, Learnhub, so it showcases the framework and links the capabilities to individual, tailored development plans and career pathways. Learnhub presents employees with a capability plan relevant to their job role and an opportunity to access training or identify targeted learning strategies. People can also develop a career pathway by identifying other job roles within the agency and applying those capabilities to their development plan. This is enabling us to move our agency's cultural mindset from fixed (performance management) to growth (active development).

We are now developing a proficiency assessment process so people can baseline their current capability. Once fully developed, the framework will provide greater clarity and sharper tools so that we can respond to the changing demands of our workforce and better support mobility and career development while ensuring we achieve our objectives as an agency.

## Workforce profile

As at 30 June 2019, our agency had 326 employees, comprising 308 ongoing and 18 non-ongoing employees.

**Figure 12:** Workforce profile by level and gender as at 30 June 2019 (by head count)



Appendix C provides full details of our workforce profile by level, gender, full-time and part-time, ongoing and non-ongoing and diversity.

## Improved human resources (HR) management

Division, branch and section managers receive monthly reports on employee data including personal and annual leave takings and balances, flex balances, commencements and cessations. These reports help managers plan their workforce and workloads, anticipate recruitment needs and ensure job roles are covered.



## Improved recruitment processes

Our recruitment processes aim to appoint candidates with the experience and required capabilities, based on merit and aligned with our agency's priorities, objectives, values and behaviours.

Our recruitment principles support this by observing:

- employment principles in section 10A of the *Public Service Act 1999* to make fair employment decisions based on merit, and
- Australian Public Service Commissioner's Directions 2016 Part 3 Division 1, which directs an Australian Public Service agency's minimum procedural aspects of upholding the statutory merit principle.

To improve efficiency in our recruitment, we create merit pools or lists where possible that we can use within a 12-month period. This enables us to review vacancies requiring similar capabilities and draw from the pool or lists, saving time and money. We also share our pools or lists and use other agencies' merit pools or lists where appropriate.

Other initiatives include:

- a temporary register—those interested can enter their details and experience, and our managers can draw from this register to fill non-ongoing positions
- a mobility register—this provides the opportunity for capability development, knowledge and skill sharing across the agency, and also allows sections to ramp up during peak periods
- stream recruitment—this enables us to conduct bulk recruitment activities based on the specific capabilities required across our agency, allowing us to fill multiple positions and create merit pools to use throughout the next 12 months, and
- selection panel training—at least one member of any selection panel must complete panellist training, ensuring our panels know their responsibilities and use effective selection processes.

## Graduate development program

Our graduate development program provides a range of professional and personal development opportunities to attract graduates with qualifications and experience highly relevant to our work.

At the 2018 Australian Public Service Commission's graduation ceremony, our graduates received the top prize for the Major Project Outstanding Achievement Award. Their project, *Seeking Signals and Signs of Change—Best Practice Environmental Scanning*, was well researched, comprehensive and illustrated the benefits of bringing a contemporary perspective on environmental scanning to our agency.

In 2019 we employed six graduates. We continue to partner with the Australian Public Service Commission to deliver our graduate training programs. This, coupled with on-the-job experience, provides our graduates with the skills, knowledge and experience for future leadership roles in the Australian Public Service.

## Access and equity

### Workplace diversity

We are committed to supporting diversity in our workplace, and providing an environment free from discrimination, patronage and favouritism. We support this by:

- successfully recruiting graduates in 2019 under
  - Affirmative measures—Indigenous employment, and
  - the Recruitability scheme
- implementing our Indigenous Graduate program
- holding specific events to celebrate and engage with workplace diversity and linking into the Department of the Environment and Energy’s activities for NAIDOC and National Reconciliation week events
- becoming a member of the Australian Network on Disability (AND) to ensure we are disability compliant in our processes, procedures and systems
- supporting our:
  - women in Clean Energy Regulator network
  - p@cer (Pride at the Clean Energy Regulator), which is our LGBTQIA network
  - non-anglo background staff reference group
  - Indigenous network (IN), and
  - DAWN (Disability ability wellbeing network)
- participating in events such as the International Women’s Day luncheon
- encouraging flexible working arrangements, including reduced hours and job-sharing
- providing reasonable adjustment to support people with disability
- providing appropriate facilities, including a prayer room and parent’s room
- providing training for managers and employees in the areas of:
  - disability confidence
  - mental health in the workplace
  - family and domestic violence in the workplace, and
  - mandatory training in respectful workplaces, which includes prevention of inappropriate behaviour, such as bullying and harassment
- maintaining our networks of:
  - workplace harassment contact officers, and
  - mental health first aid officers.

Appendix C details the representation of equal opportunity employment target groups in our workforce profile.

## Access to information

We make our online services and information accessible to as many people as possible regardless of ability. We aspire to provide services as per the Digital Service Standard, defined by the Digital Transformation Agency, we focus on ensuring our systems and content are accessible.

In the coming year we will upgrade or replace all internal and external web-based systems to conform to the Web Content Accessibility Guidelines (WCAG) 2.0 Level AA standard. We have divided our approach into four categories. Within each category we will focus on the four principles of WCAG 2.0 (text alternatives, keyboard access, readability and input assistance). The four categories are:

- **System/platform**—our business and technical owners of current web-based applications are required to assess accessibility compliance, and define ways to support people whose specific accessibility needs are not met. They are also required to consider accessibility in future development work.
- **Content**—all new or revised content published in existing agency systems will be accessible, where possible and within the limitations of the given web-based system/platform.
- **Documents**—all new or revised documents will be provided in multiple formats where possible, with enhanced accessibility.
- **Media**—we make transcripts available for new or revised multimedia presentations where possible. This includes videos, sound recordings or other multimedia presentations.

As part of this approach in 2018–19, we completed a user research project that gathered valuable insight from users of our information. The research will inform our next steps in updating or replacing our online systems and website.

## Employment conditions

Terms and conditions for agency employees are governed by our Enterprise Agreement (including individual flexibility arrangements made in accordance with the *Fair Work Act 2009* that vary conditions of the agreement), individual section 24(1) determinations in accordance with the *Public Service Act 1999*, and decisions of the Remuneration Tribunal.

### Enterprise Agreement

Our employees are covered by the *Clean Energy Regulator Enterprise Agreement 2019–2022*, which commenced on 25 June 2019, with a nominal expiry date of 25 June 2022.

This agreement covers all employees except those on individual flexibility arrangements, our Senior Executive Service (SES) and Chair.

## Individual flexibility arrangements

At 30 June 2019, 14 non-SES employees were covered under individual flexibility arrangements.

## Individual determinations under the Public Service Act

At 30 June 2019, terms and conditions for our nine Senior Executive Service officers were outlined in individual determinations under section 24(1) of the *Public Service Act 1999*, made by the Chair.

## Appointment of Chair

The position of Chair is a statutory appointment with conditions of employment determined by the Remuneration Tribunal.

## Remuneration and benefits

The details of our remuneration and process for salary advancement are in our Enterprise Agreement.

Appendix C provides details of the available salary ranges by classification level. Progression through the available salary points is determined by the results of annual performance assessments.

Non-salary benefits available to our employees include:

- individual flexibility agreements
- health and wellbeing programs including Employee Assistance Program services
- coaching and mentoring
- learning and development opportunities
- studies assistance (study leave and financial assistance)
- options for flexible hours and time off in lieu, and
- flexible working conditions such as part-time employment, job sharing, and working from home.

## Performance pay

In 2018–19 no performance pay in the form of one-off bonuses was awarded to the Clean Energy Regulator's Senior Executive Service officers.

Non-Senior Executive Service officers who achieve a performance outcome of 'Meets' or 'Exceeds' expectation are recognised by incremental advancement consistent with conditions outlined in the Enterprise Agreement.

## Performance management

In 2018–19, we maintained our *Continuing Conversations* approach to performance management. This approach emphasises the importance of individuals and their managers having ongoing conversations about performance throughout the year.

We continued to implement our performance management policy, introduced in 2016, that complements the *Clean Energy Regulator Enterprise Agreement 2019–2022*. This aligns the performance management cycle with the financial year and eligible employees receive salary advancement on 1 July each year.

## Work health and safety

We recognise the importance of our legislative obligations under the *Work Health and Safety Act 2011* to prevent work-related injury and illness. Workplace health and safety hazards can be physical or psychological, and they can derive from both office-based and off-site work environments. We articulate our commitment to workplace health and safety through related policy and supporting documents.

### Initiatives

As part of our commitment to the promotion of employee wellness and providing a safe working environment, we delivered the following initiatives in 2018–19:

- maintained networks of trained mental health first aid officers, first aid officers and workplace harassment contact officers
- provided mental health awareness training for employees and managers
- coordinated a Health Expo, hosting a variety of health and wellbeing providers
- conducted skin checks for peace of mind or early detection of suspicious skin spots
- conducted a 'quit smoking' seminar and subsequent 'quit smoking' coaching
- provided a trained rehabilitation case manager to assist staff and mental health first aid officers, and
- maintained early intervention initiatives.

### Outcomes

These initiatives led to the following outcomes in 2018–19:

- no directions or notices were given to our agency
- no work health and safety investigations were conducted
- one notifiable incident occurred, and
- two workers compensation claims were accepted by Comcare.

## Security

We maintained compliance with the mandatory requirements of the Protective Security Policy Framework (PSPF) and will be reporting high compliance levels for 2018–19. In October 2018 the Attorney-General directed the introduction of widespread reforms to the PSPF policy. Our agency successfully implemented these changes in the period, well ahead of the Attorney-General's implementation deadline of 1 October 2020. We have also fully implemented the PSPF requirement of introducing timely pre-employment screening for all new agency personnel, addressing conflict of interest declaration, and ensuring initial and ongoing personnel suitability to handle security classified information.

## Facilities and accommodation

In 2018–19, we maintained the appropriate level of facilities for our staff to provide a safe and productive working environment and we maintained our 6-star energy rating under the National Australian Built Environment Rating System.

## Assets management

Our assets management framework encompasses several elements to ensure we strategically invest in and maintain assets necessary for effective delivery of our purpose. The framework includes:

- internal governance through the internal budget process and Strategic Leadership Team, to ensure investment decisions regarding assets are subject to sound investment principles and can deliver benefits to our agency
- asset management policies that articulate sound asset management principles and responsibilities, and
- annual reviews of the asset register including stocktakes and impairment testing.

We manage current and non-current assets in accordance with the Accountable Authority Instructions and relevant accounting standards. During 2018–19 we undertook the following asset-related activities:

- a full stocktake of our asset base, and we engaged an independent expert to conduct a valuation of our agency's assets (excluding intangibles) in accordance with the requirements of Australian Accounting Standards Board (AASB) 13 Fair Value Measurement, and
- asset impairment testing and review of useful life ('re-life' assessment) of our assets, including ICT and non-ICT property, plant and equipment, intangibles and software Assets Under Construction, as required by the following Australian Accounting Standards:
  - AASB 116 Property, Plant and Equipment
  - AASB 136 Impairment of Assets, and
  - AASB 138 Intangible Assets.

The results are reported in the financial statements in *Part 5: Finances* from page 107.

# PURCHASING AND PROCUREMENT

## Procurement

As a non-corporate Commonwealth entity, our purchasing and procurement policies and practices are consistent with:

- all relevant Commonwealth legislation
- the Australian Government financial framework, including the Commonwealth Procurement Rules
- the Chief Executive Instructions and relevant Clean Energy Regulator policies, and
- all connected policies including the Indigenous Procurement Policy.

All open tender opportunities of \$80,000 and above (inclusive of GST) are advertised on the AusTender website. Reviews of all procurements of \$10,000 and above (inclusive of GST) are conducted to ensure they are completed in accordance with the procurement framework. Our procurement methods aim not to discriminate against small and medium-sized enterprises.

We update our Annual Procurement Plan as required. This plan, available on the AusTender website, outlines the planned procurement for the forthcoming year. This gives prospective suppliers the opportunity to prepare for potential work with our agency.

## Consultants

We procure consultancy services in accordance with our procurement framework.

During 2018–19, a total of 10 new consultancy contracts were entered into, involving total actual expenditure of \$1,093,591.25 (inclusive of GST). In addition, 10 ongoing consultancy contracts were active during the period, involving total actual expenditure of \$6,706,792.00 (inclusive of GST).

All consultancy contracts valued at \$10,000 (inclusive of GST) or more awarded in 2018–19 are published on the AusTender website.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of individual contracts for consultancies is available on the AusTender website, [www.tenders.gov.au](http://www.tenders.gov.au).

## Engagement of consultants

We engage consultants through fair and equitable processes, selecting multiple providers through panel or Open Tender processes and conducting a value for money assessment. We conduct all procurement activities in accordance with policies, regulations and legislative requirements.

## Australian National Audit Office access clauses

Any contracts of \$100,000 (inclusive of GST) or more awarded during 2018–19 included a provision for the Auditor-General to have access to the contractor's premises.

## Exempt contracts

In 2018–19 the Chair did not exempt any standing offer or contract in excess of \$10,000 (inclusive of GST) from being published on the AusTender website.<sup>28</sup>

## Procurement initiatives to support small business

We support small business participation in the Commonwealth Government procurement market. Small and medium enterprises and small enterprise participation statistics are available on the Department of Finance website.

Consistent with paragraph 5.4 of the Commonwealth Procurement Rules, we use the following initiatives and practices to support small and medium enterprises:

- the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000 (inclusive of GST)
- Australian Industry Participation Plans in whole-of-government procurement where applicable
- the Small Business Engagement Principles (outlined in the Government's Industry Innovation and Competitiveness Agenda), such as communicating in clear, simple language and presenting information in an accessible format, and
- electronic systems or other processes used to facilitate on-time payment performance, including the use of payment cards.

We comply with the requirements set out in the Indigenous Procurement Policy. In 2018–19 we entered into six contracts and one sub-contracting arrangement for the supply of goods and services from Indigenous suppliers.

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<sup>28</sup> Emissions Reduction Fund carbon abatement contracts are exempt.



## Information and communications technology

The reporting year was a period of preparation and planning for the growth and change in the energy sector, while we also continued to focus on continuous improvement of our systems and services. We are proud of the reliability of our registries, which in 2018–19 were available 99.5 per cent of time.

Our agency is one year into a three-year improvement program to:

- improve our participant, stakeholder, and citizen experience
- reduce red tape and regulatory burden by streamlining and automating our processes, and
- enhance our efficiency by standardising and consolidating our regulatory systems.

We have completed a large user research project that sought feedback and insight from a cross-section of scheme participants. This project provided valuable insight into how people interact with our online systems, which will inform the next phase of designing more user-focused interactions.

In addition, we are very conscious of the increased risk of cyber-attacks facing government and other organisations. We have developed a Cyber-Resilience Framework for improving our system's defences and our capabilities of detection and response if we are breached.

These ambitious activities will deliver systems that are user-centred, fit-for-purpose, efficient and robust, while also providing greater access to trusted information and data. This all builds on previous achievements, as we leverage technology to enhance our effectiveness as a regulator, and reduce regulatory burden for our participants.



*Photo: Capital Wind Farm, Tarago, NSW*

# PART 5

# FINANCES

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Summary of financial performance	108
Financial statements	113



# FINANCIAL OVERVIEW

Our agency continued the successful delivery of our schemes including undertaking the eighth auction under the Emissions Reduction Fund and the collection of \$240.317 million in the administration of the Renewable Energy Target.

To ensure scheme delivery and to maximise performance we continued our strong focus on budget management and resource allocation. We manage our finances and resources to remain financially sustainable into the forward estimates and continue to implement operational efficiencies.

## SUMMARY OF FINANCIAL PERFORMANCE

### Departmental finances

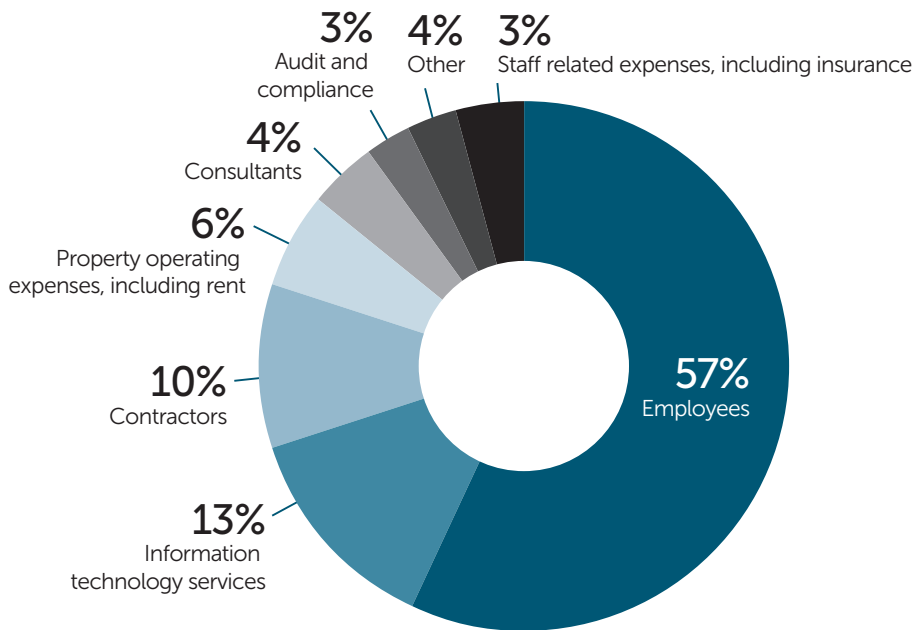
#### Operating result

Our agency achieved an operating surplus of \$0.411 million (before depreciation and amortisation) in 2018–19 (2017–18: \$2.388 million) against a budgeted break even position.

#### Expenses

Operating expenditure for 2018–19 was \$70.454 million excluding depreciation and amortisation.

Figure 13: Operating expenditure 2018–19



Refer to Note 1.1 of the financial statements.

Our agency incurred total employee expenses of \$40.205 million in 2018–19, \$1.117 million higher than the budget estimate reported in the *Portfolio Budget Statements 2018–19* (PBS), and \$1.441 million higher than the previous year (\$38.764 million). The increase in employee expenses between years is mainly due to the bond rate adjustment to employee expenses and provision balances by \$1.247 million at 30 June 2019, as average staffing levels remained largely consistent (315 in 2018–19, and 313 in 2017–18).

Supplier expenses in 2018–19 of \$30.230 million remained on par with the previous year (\$29.586 million) and did not exceed the PBS budget estimate of \$31.176 million.

## Revenue

The work of our agency is mainly funded by Government appropriation. Government revenue from departmental appropriations reduced slightly to \$69.879 million from \$69.969 million.

Own source revenue in 2018–19 was \$0.986 million, an increase from 2017–18 due to the receipt of \$0.190 million from another government agency under the Data Integration Partnership Initiative.

Refer to Note 1.2 of the financial statements.

## Financial position and future financial viability

Our agency remains in a sound financial position, operating within our appropriation and with sufficient cash reserves to fund our debts as and when they fall due.

As at 30 June 2019, the agency had net equity of \$13.812 million, represented by \$31.220 million assets offset by \$17.408 million of liabilities.

The majority of assets relate to appropriation and other receivables (\$19.592 million) and intangibles (\$5.821 million). The majority of liabilities relate to employee provisions (\$11.099 million) and suppliers (\$3.928 million).

### Capital investment

Our capital expenditure budget for 2018–19 was \$1.161 million.

We continue to invest in the development of our client systems to further improve the client experience, reducing client burden and improving efficiency for the agency.

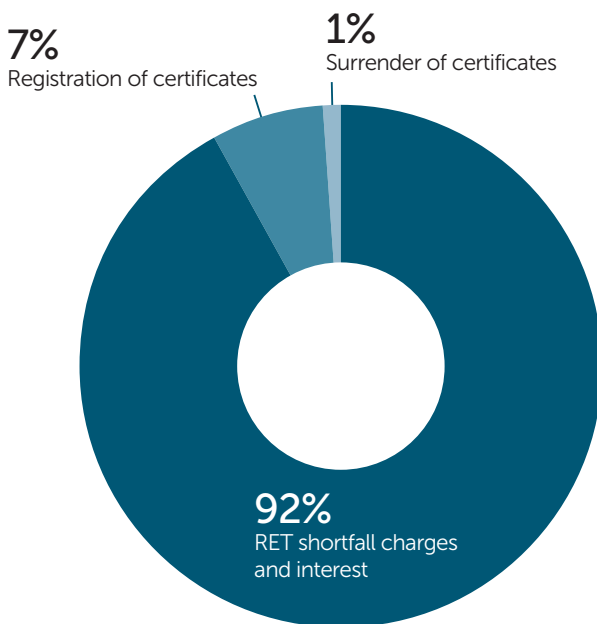
### Administered finances

Our agency administered the Emissions Reduction Fund, Renewable Energy Target and residual items relating to the carbon pricing mechanism on behalf of the Government in 2018–19.

### Administered Income

Administered income was \$240.317 million and came entirely from the administration of the Renewable Energy Target.

Figure 14: Administered income 2018–19

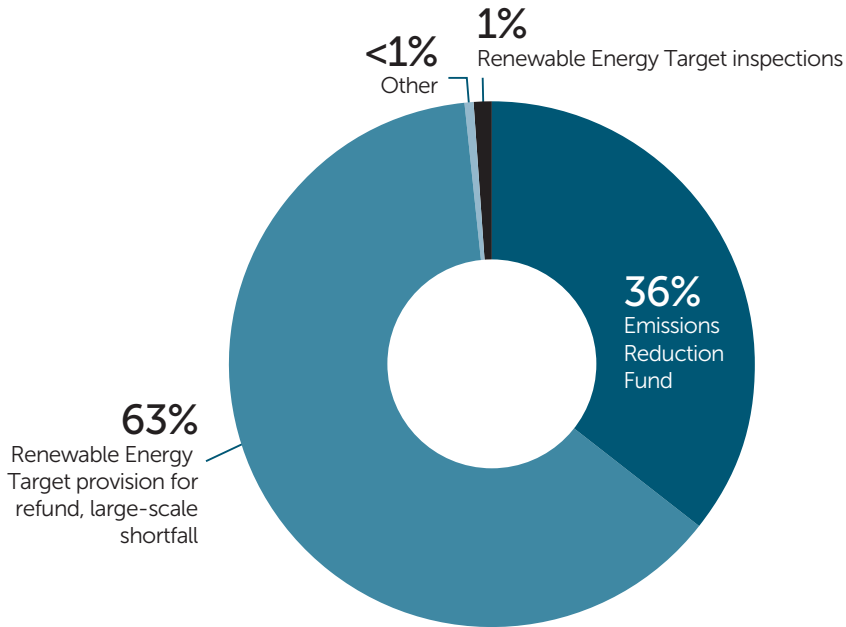


Refer to the Administered Schedule of Comprehensive Income and Note 2.2 of the financial statements.

## Administered expenses

Administered expenses were \$436.113 million predominantly due to the recognition of a provision for refund (large-scale shortfall) and the payment for contracts under the Emissions Reduction Fund.

**Figure 15:** Administered expenses 2018–19



Refer to the Administered Schedule of Comprehensive Income and Note 2.1 of the financial statements.

## Agency resource statement

The agency resource statement provides additional information about the various funding sources that the agency may draw upon during the year. Appendix E on page 177 details the resources available to the agency during 2018–19 and sets out the agency's summary of total expenses for Outcome 1.



*Photo: Cattle Hill Wind Farm, Lake Echo, Tasmania*



# FINANCIAL STATEMENTS

The Clean Energy Regulator received an unqualified audit report from the Australian National Audit Office for our 2018–19 financial statements.

The Clean Energy Regulator's 2018–19 financial statements start on page 117 following the independent auditor's report and statement by the Accountable Authority and Chief Financial Officer.



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Energy and Emissions Reduction

#### Opinion

In my opinion, the financial statements of the Clean Energy Regulator ('the Entity') for the year ended 30 June 2019:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

#### Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Chair is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Chair is also responsible for such internal control as the Chair determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chair is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair is also responsible for disclosing, as applicable, matters related to

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going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

#### **Auditor's responsibilities for the audit of the financial statements**

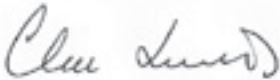
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Clea Lewis

Executive Director

Delegate of the Auditor-General

Canberra

27 September 2019

**CLEAN ENERGY REGULATOR  
STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER**

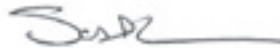
In our opinion, the attached financial statements for the year ended 30 June 2019 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Clean Energy Regulator will be able to pay its debts as and when they fall due.



David Parker  
Accountable Authority

27 September 2019



Sue Knox  
Chief Financial Officer

27 September 2019

**CLEAN ENERGY REGULATOR**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2019*

	Notes	2019 \$'000	2018 \$'000	Original Budget \$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee Benefits	1.1A	40,205	38,764	39,088
Suppliers	1.1B	30,230	29,586	31,176
Depreciation and amortisation	3.2A	5,806	9,128	6,704
Impairment Loss Allowance on Financial Instruments	3.1C	19	-	-
Write-Down and Impairment of Other Assets		-	14	-
<b>Total expenses</b>		<b>76,260</b>	<b>77,492</b>	<b>76,968</b>
<b>Own-Source Income</b>				
<b>Own-source revenue</b>				
Rendering of Services		19	35	-
Other Revenue	1.2A	967	519	-
<b>Total own-source revenue</b>		<b>986</b>	<b>554</b>	<b>-</b>
<b>Gains</b>				
Other Gains		-	229	385
<b>Total gains</b>		<b>-</b>	<b>229</b>	<b>385</b>
<b>Total own-source income</b>		<b>986</b>	<b>783</b>	<b>385</b>
<b>Net cost of services</b>		<b>(75,274)</b>	<b>(76,709)</b>	<b>(76,583)</b>
Revenue from Government	1.2B	69,879	69,969	69,879
<b>Deficit on continuing operations and total comprehensive loss</b>		<b>(5,395)</b>	<b>(6,740)</b>	<b>(6,704)</b>

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

**CLEAN ENERGY REGULATOR  
STATEMENT OF FINANCIAL POSITION**

*as at 30 June 2019*

	Notes	2019 \$'000	2018 \$'000	Original Budget \$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and Cash Equivalents	3.1A	558	117	345
Trade and Other Receivables	3.1B	19,592	20,732	23,061
Accrued Revenue		-	129	10
<b>Total financial assets</b>		<b>20,150</b>	<b>20,978</b>	<b>23,416</b>
<b>Non-financial assets</b>				
Leasehold improvement	3.2A	3,272	4,393	3,272
Plant and equipment	3.2A	634	822	279
Intangibles	3.2A	5,821	8,241	3,822
Prepayments		1,343	1,189	850
<b>Total non-financial assets</b>		<b>11,070</b>	<b>14,645</b>	<b>8,223</b>
<b>Total assets</b>		<b>31,220</b>	<b>35,623</b>	<b>31,639</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	3.3A	3,928	4,687	3,947
Other Payables	3.3B	2,381	2,927	653
<b>Total payables</b>		<b>6,309</b>	<b>7,614</b>	<b>4,600</b>
<b>Provisions</b>				
Employee Provisions	6.1A	11,099	9,963	11,809
<b>Total provisions</b>		<b>11,099</b>	<b>9,963</b>	<b>11,809</b>
<b>Total liabilities</b>		<b>17,408</b>	<b>17,577</b>	<b>16,409</b>
<b>Net assets</b>		<b>13,812</b>	<b>18,046</b>	<b>15,230</b>
<b>EQUITY</b>				
Contributed equity		82,288	81,127	87,386
Reserves		9,623	9,623	9,622
Retained accumulated deficit		(78,099)	(72,704)	(81,778)
<b>Total equity</b>		<b>13,812</b>	<b>18,046</b>	<b>15,230</b>

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

**CLEAN ENERGY REGULATOR  
STATEMENT OF CHANGES IN EQUITY**

*for the period ended 30 June 2019*

	Retained Deficit		Asset Revaluation Surplus		Contributed Equity			Total Equity		
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	(72,704)	(65,964)	9,623	9,623	81,127	85,058	86,225	86,225	18,046	28,717
Equity adjustment <sup>1</sup>	-	-	-	-	-	(5,098)	-	-	-	(5,098)
<b>Adjusted opening balance</b>	<b>(72,704)</b>	<b>(65,964)</b>	<b>9,623</b>	<b>9,623</b>	<b>81,127</b>	<b>79,960</b>	<b>86,225</b>	<b>86,225</b>	<b>18,046</b>	<b>23,619</b>
<b>Comprehensive income</b>										
Deficit for the period	(5,395)	(6,740)	-	-	-	-	-	-	(5,395)	(6,740)
<b>Total comprehensive income</b>	<b>(5,395)</b>	<b>(6,740)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,395)</b>	<b>(6,740)</b>
<b>Transactions with owners</b>										
Contributions by owners	-	-	-	-	1,161	1,167	1,161	1,161	1,161	1,167
Departmental capital budget	-	-	-	-	1,161	1,167	1,161	1,161	1,161	1,167
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,322</b>	<b>2,334</b>	<b>2,322</b>	<b>2,322</b>	<b>2,322</b>	<b>2,334</b>
<b>Closing balance as at 30 June</b>	<b>(78,099)</b>	<b>(72,704)</b>	<b>9,623</b>	<b>9,623</b>	<b>82,288</b>	<b>81,127</b>	<b>87,386</b>	<b>87,386</b>	<b>13,812</b>	<b>18,046</b>

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

<sup>1</sup>Appropriation Act (No. 2) 2012-13 appropriation of \$5,098m was repealed in Schedule 3 of Appropriation Bill (No.4) 2017-2018. This appropriation was part of the opening balance of 2017-18. The CER has no legal control of this appropriation and removed it from the available appropriations in 2017-18.

**Accounting Policy**

*Equity Injections*

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets are recognised directly in contributed equity in that year.

**CLEAN ENERGY REGULATOR  
CASH FLOW STATEMENT**

*for the period ended 30 June 2019*

	2019	2018	Original Budget
	\$'000	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	72,431	66,490	69,224
Rendering of services	19	181	-
Other revenue	738	-	-
Net GST received	3,004	3,220	-
<b>Total cash received</b>	<b>76,192</b>	<b>69,891</b>	<b>69,224</b>
<b>Cash used</b>			
Employees	38,976	39,972	38,487
Suppliers	34,276	28,909	30,737
GST paid	225	154	-
Section 74 receipts transferred to OPA	1,189	738	-
<b>Total cash used</b>	<b>74,666</b>	<b>69,773</b>	<b>69,224</b>
<b>Net cash from operating activities</b>	<b>1,526</b>	<b>118</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment	-	24	-
<b>Total cash received</b>	<b>-</b>	<b>24</b>	<b>-</b>
<b>Cash used</b>			
Purchase of property, plant and equipment and intangibles	2,246	1,537	1,161
<b>Total cash used</b>	<b>2,246</b>	<b>1,537</b>	<b>1,161</b>
<b>Net cash used by investing activities</b>	<b>(2,246)</b>	<b>(1,513)</b>	<b>(1,161)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity	1,161	1,167	1,161
<b>Total cash received</b>	<b>1,161</b>	<b>1,167</b>	<b>1,161</b>
<b>Net cash from financing activities</b>	<b>1,161</b>	<b>1,167</b>	<b>1,161</b>
<b>Net increase/(decrease) in cash held</b>	<b>441</b>	<b>(228)</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	117	345	345
<b>Cash and cash equivalents at the end of the reporting period<sup>1</sup></b>	<b>558</b>	<b>117</b>	<b>345</b>

<sup>1</sup>As shown in the Statement of Financial Position.

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



**CLEAN ENERGY REGULATOR***for the period ended 30 June 2019***BUDGET VARIANCES COMMENTARY**

The Clean Energy Regulator (CER) has disclosed major departmental variances against budget where the variance is greater than 10 per cent and \$0.250 million of an individual line item.

**Statement of Comprehensive Income***Expenses: Depreciation and amortisation expense*

Depreciation and amortisation expense is lower than budget due to a number of intangible assets currently under development but yet to be moved to production for use and not yet incurring an amortisation expense.

*Revenue: Own-Source Income*

The CER receives resources free of charge from the Australian National Audit Office. This item was budgeted against other gains however the actual amount is disclosed in the financial statements as own-source revenue – other revenue. The CER also received revenue under an agreement with the Department of the Environment and Energy to provide inspection services under the solar power validation program as well as funding from the Department of the Prime Minister and Cabinet under the Data Integration Partnership initiative. This revenue was not included in the budgeted amount as it was not known at the time of preparation.

**Statement of Financial Position***Assets: Trade and other receivables*

Trade and other receivables are under budget by \$3.469 million mainly due to differences between the actual and budgeted opening balances for appropriation receivable.

*Assets: Plant and equipment*

The closing position for plant and equipment was more than the budgeted amount due to the purchase of IT hardware including switches, servers and laptops that had been initially planned for purchase in a later year.

*Assets: Intangibles*

The value of CER's intangibles in 2018-19 was more than the budgeted amount due to the recognition of additional amounts of assets under construction in relation to the ongoing enhancements of the REC Registry and Australian National Registry of Emissions Units (ANREU) systems. In addition a number of intangibles had adjustments made to asset useful lives that were not able to be reflected in the 2018-19 budget due to timing.

*Assets: Prepayments*

Prepayments are more than budget due to a difference between estimated and actual timing of the prepayments at 30 June 2019.

*Liabilities: Suppliers payable & other payables*

The CER recognises payables and accrued expenditure at the end of the year for work performed but not yet paid (including salaries). The value of these liabilities change from time to time in the normal course of business.

**CLEAN ENERGY REGULATOR**  
*for the period ended 30 June 2019*

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**BUDGET VARIANCES COMMENTARY (continued)**

**Cash Flow Statement**

*Operating activities: cash received - Rendering of services and other revenue; cash used – Section 74 receipts transferred to Official Public Account*

The budget was prepared net of section 74 receipts as these are highly unpredictable and relate to leave liability transfers and other minor revenues.

*Operating activities: cash received - Net GST received*

The budget was prepared net of GST whereas the financial statement numbers are GST inclusive.

*Operating activities: cash used – Suppliers*

The budget was prepared net of GST where the financial statement numbers are GST inclusive.

*Investing activities: cash used - purchase of property, plant and equipment and intangibles*

The CER budgeted for an increase in intangibles consistent with its known Departmental Capital Budget. However, during the year the CER recognised additional amounts of plant and equipment and assets under construction in relation to the development of key business systems. Please refer to commentary above on *Assets: Intangibles and Assets: Plant and equipment*.

<b>CLEAN ENERGY REGULATOR</b>				
<b>ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME</b>				
<i>for the period ended 30 June 2019</i>				
	<b>Notes</b>	<b>2019</b>	<b>2018</b>	<b>Original Budget</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Suppliers		<b>3,719</b>	3,773	4,147
Purchase of Australian Carbon Credit Units	2.1A	<b>158,498</b>	144,854	201,608
RET Refunds	2.1B	<b>273,434</b>	47,867	-
Remission of Prior Year Carbon Pricing Mechanism Surplus Surrender		<b>29</b>	61	-
Impairment Loss Allowance on Financial Instrument		<b>433</b>	-	-
<b>Total expenses</b>		<b>436,113</b>	196,555	205,755
<b>Income</b>				
<b>Revenue</b>				
<b>Taxation revenue</b>				
Other taxes (RET Shortfall Charges and Interest)	2.2A	<b>219,927</b>	88,792	660
<b>Total taxation revenue</b>		<b>219,927</b>	88,792	660
<b>Non-taxation revenue</b>				
Fees and Fines	2.2B	<b>20,390</b>	16,039	14,341
<b>Total non-taxation revenue</b>		<b>20,390</b>	16,039	14,341
<b>Total revenue</b>		<b>240,317</b>	104,831	15,001
<b>Total income</b>		<b>240,317</b>	104,831	15,001
<b>Net cost of services and comprehensive loss</b>		<b>(195,796)</b>	(91,724)	(190,754)

The above schedule should be read in conjunction with the accompanying notes.

<b>CLEAN ENERGY REGULATOR ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES</b>				
<i>as at 30 June 2019</i>				
	Notes	2019 \$'000	2018 \$'000	Original Budget \$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and Cash Equivalents	4.1A	144	1,129	757
Taxation Receivables	4.1B	152	6,108	3,197
Trade and Other Receivables	4.1C	34	874	8,052
<b>Total financial assets</b>		<b>330</b>	<b>8,111</b>	<b>12,006</b>
<b>Total assets administered on behalf of Government</b>		<b>330</b>	<b>8,111</b>	<b>12,006</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	4.2A	201	831	417
Other Payables	4.2B	78,153	46,365	22,851
<b>Total payables</b>		<b>78,354</b>	<b>47,196</b>	<b>23,268</b>
<b>Provisions</b>				
Other Provisions	4.3A	421,884	183,722	-
<b>Total provisions</b>		<b>421,884</b>	<b>183,722</b>	<b>-</b>
<b>Total liabilities administered on behalf of Government</b>		<b>500,238</b>	<b>230,918</b>	<b>23,268</b>
<b>Net liabilities</b>		<b>(499,908)</b>	<b>(222,807)</b>	<b>(11,262)</b>
The above schedule should be read in conjunction with the accompanying notes.				

**CLEAN ENERGY REGULATOR  
ADMINISTERED RECONCILIATION SCHEDULE**

	Notes	2019 \$'000	2018 \$'000
<b>Opening assets less liabilities as at 1 July</b>		<b>(222,807)</b>	(160,652)
<b>Net cost of services</b>			
Income		240,317	104,831
Expenses			
Payments to entities other than corporate Commonwealth entities		<b>(436,113)</b>	(196,555)
<b>Transfers (to)/from the Australian Government</b>			
<b>Appropriation transfers from Official Public Account</b>			
Annual appropriations			
Payments to entities other than corporate Commonwealth entities		131,393	139,321
Special appropriations (unlimited)			
Renewable Energy (Electricity) Act 2000, section 157 refunds		35,272	-
Refund of administered receipts - section 77 PGPA Act		186	1,473
Appropriation transfers to OPA			
Transfers to OPA		<b>(248,156)</b>	(111,225)
<b>Closing assets less liabilities as at 30 June</b>		<b>(499,908)</b>	(222,807)

The above schedule should be read in conjunction with the accompanying notes.

Adjustments have been made to appropriation transfers from Official Public Account comparatives to reflect refunds made under section 77 of the *PGPA Act*.

**Accounting Policy**

*Administered cash transfers to and from the Official Public Account*

Revenue collected by the CER for use by the Government rather than the CER is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the CER on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

**CLEAN ENERGY REGULATOR  
ADMINISTERED CASH FLOW STATEMENT**

for the period ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Taxes (RET shortfall Charges)		225,449	86,571
Fees and Fines		21,245	17,591
Net GST received		396	5,263
<b>Total cash received</b>		<b>247,090</b>	<b>109,425</b>
<b>Cash used</b>			
Suppliers		4,776	3,057
Purchase of Australian Carbon Credit Units		126,722	135,466
RET Refunds		35,272	-
Other		-	99
<b>Total cash used</b>		<b>166,770</b>	<b>138,622</b>
<b>Net cash from/(used by) operating activities</b>		<b>80,320</b>	<b>(29,197)</b>
Cash and cash equivalents at the beginning of the reporting period		1,129	757
<b>Cash from Official Public Account</b>			
Appropriations		166,851	140,794
<b>Total cash from official public account</b>		<b>166,851</b>	<b>140,794</b>
<b>Cash to Official Public Account</b>			
Appropriations		(248,156)	(111,225)
<b>Total cash to official public account</b>		<b>(248,156)</b>	<b>(111,225)</b>
<b>Cash and cash equivalents at the end of the reporting period<sup>1</sup></b>	4.1A	<b>144</b>	<b>1,129</b>

<sup>1</sup> As shown in the Administered Schedule of Assets and Liabilities.

This schedule should be read in conjunction with the accompanying notes.

**CLEAN ENERGY REGULATOR***for the period ended 30 June 2019***BUDGET VARIANCES COMMENTARY - ADMINISTERED**

The CER has disclosed major administered variances against budget where the variance is greater than 10 per cent and \$0.500 million of an individual line item.

**Emissions Reduction Fund**

The CER continued the delivery of the Emissions Reduction Fund (ERF) in 2018-19, including the completion of the eighth auction. The budget profile was updated during 2018-19 to better reflect the outcome of the auction results, with the purchase of Australian Carbon Credit Units (ACCUs) largely consistent with revised budget estimates.

**Renewable Energy Target (RET)**

During 2018-19 a number of entities paid a large-scale generation shortfall charge to meet their large-scale renewable energy target obligations rather than to surrender Renewable Energy Certificates. Entities can receive a refund of their shortfall payments if they meet certain requirements under the legislation within the 'allowable refund period'. The CER has raised a provision for entities that may become entitled to a repayment of their shortfall payments, subject to satisfying legislative requirements.

**Administered Schedule of Comprehensive Income**Expenses: Purchase of Australian Carbon Credit Units

The budget allocation reflects the best estimate for ACCU purchases at the time of preparation. This estimate is then subject to auction results and movement between years of existing contract deliverables (as allowed for in ERF contracts). The estimate has since been updated in line with the known pattern of commitments.

Expenses: RET Refunds

The CER has raised a provision and corresponding expense for entities that may become entitled to a repayment of their shortfall payments, subject to satisfying legislative requirements. The 2018-19 budget did not reflect this provision and corresponding expense.

Revenue: Other taxes (RET Shortfall Charges and Interest)

The budget assumes a low level of non-compliance with obligations to surrender Renewable Energy Certificates. In 2018-19 a large number of entities elected to pay a shortfall charge rather than surrender Renewable Energy Certificates.

Revenue: Fees and Fines

Renewable energy revenue is generated through the creation and surrender of renewable energy certificates when the underlying transaction occurs. The number of certificates created and surrendered exceeded the amount used in determining the budget.

**Administered Schedule of Assets and Liabilities**Assets: Cash and cash equivalents

The CER operates the small-scale technology certificate clearing house to facilitate the purchase and sale of certificates between liable entities and individuals or agents installing small-scale solar, wind and hydro systems. The budget variance is predominantly due to the difference between the actual and budgeted opening balances for cash and cash equivalents.

Assets: Taxation receivables

The budget variance is due to timing differences between the actual and budgeted collection of outstanding debts.

Assets: Trade and other receivables

The budget variance is predominantly due to the difference between the actual and budgeted opening balances for trade and other receivables.

Liabilities: Other payables

The CER recognises ACCUs issued but not yet delivered and also those delivered but not yet settled as a liability at year end. In contrast, the budget estimate assumed settlement of all deliveries at year end.

Provisions: Other provisions

Refer *Expenses: RET Refunds* for explanation.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Overview**

**The Basis of Preparation**

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- b) Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

**New Accounting Standards**

All new, revised, amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the CER's financial statements.

**Taxation**

The CER is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

**Significant Accounting Judgements and Estimates**

The CER has made assumptions or estimates in the following areas that have the most significant impact on the amounts recorded in the financial statements:

- Employee leave provisions involve assumptions based on the expected tenure of existing staff, pattern of leave claims and payouts, future salary movements and future discount rates; and
- The fair value of plant and equipment is assessed at market value or depreciated replacement cost as determined by an independent valuer and is subject to management assessment in between formal valuations.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period.

**Reporting of Administered activities**

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

**Administered significant accounting judgements and estimates**

The CER has made assumptions or estimates in the following areas that have the most significant impact on the amounts recorded in the financial statements:

*Emissions Reduction Fund (ERF)*

The CER implemented the ERF in 2014-15 and has an accounting policy for ERF transactions with the following key elements:

- the CER will recognise a liability under the ERF where it has a present obligation arising from a past event; and
- the obligating event is on all Australian Carbon Credit Unit (ACCU) issuance. A liability and expense is recognised on the issuance of all ACCUs less the ACCUs surrendered under the safeguard and voluntary surrenders.

Following the introduction of the safeguard mechanism on 1 July 2016 the CER has continued to account for the ERF in line with this policy.



**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Overview (continued)**

*Provision for Renewable Energy Target Shortfall refunds*

Under the *Renewable Energy (Electricity) Act 2000* (REE Act) liable entities that pay a large-scale generation shortfall charge (LGC) may claim a refund for the shortfall charge less an administration fee. To qualify for a refund, liable entities must not have a large-scale generation shortfall in the year immediately before the year in which the refund is claimed, and surrender additional LGCs to cover all or part of the amount of certificate shortfall for which they initially paid the shortfall charge. The refund claim must be made during the allowable refund period (which ends three years after paying the shortfall charge). The CER has no alternative but to refund the shortfall charge, less an administration fee, if the conditions to pay a refund are met by the liability entity.

The CER records a provision for the refund of shortfall charges where it is satisfied that:

- a present obligation exists for a refund to be made where a liable entity meets the requirements of the three-year rule as detailed in sections 95-97 of the REE Act;
- it is more likely than less likely that sufficient certificates will be available in future years to allow entities to meet their current year obligations and seek refund of shortfall charges; and
- the price of certificates is anticipated to be less than the tax effective cost of the shortfall charge.

**2017-18 Comparative Amendments**

Adjustments have been made to comparatives to ensure consistency with 2018-19 disclosures.

**Events After the Reporting Period**

**Departmental**

There was no subsequent event between balance and signing of the financial statements that had the potential to significantly affect the ongoing structure and financial activities of the CER.

**Administered**

There was no subsequent event between balance and signing of the financial statements that had the potential to significantly affect the ongoing structure and financial activities of the CER.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Financial Performance**

This section analyses the financial performance of the CER for the year ended 2019.

**1.1 Expenses**

	2019 \$'000	2018 \$'000
<b>1.1A: Employee Benefits</b>		
Wages and salaries	29,256	29,387
Superannuation		
Defined contribution plans	3,297	3,176
Defined benefit plans	2,133	2,237
Leave and other entitlements	5,071	3,425
Separation and redundancies	371	205
Other	77	334
<b>Total employee benefits</b>	<b>40,205</b>	<b>38,764</b>

**Accounting Policy**

Accounting policies for employee related expenses are contained in the People and Relationships section.

**1.1B: Suppliers**

**Goods and services supplied or rendered**

Information technology services	9,342	9,058
Contractors	6,794	5,554
Consultants	3,148	3,401
Audit and compliance	2,385	2,793
Staff related expenses	1,866	1,590
Property operating expenses	1,235	1,128
Travel and accommodation	578	695
Industry contributions	512	1,301
Remuneration of auditors	405	385
Legal expenses	336	296
Other goods and services	618	319
<b>Total goods and services supplied or rendered</b>	<b>27,219</b>	<b>26,520</b>
Goods supplied	236	380
Services rendered	26,983	26,140
<b>Total goods and services supplied or rendered</b>	<b>27,219</b>	<b>26,520</b>

**Other suppliers**

Operating lease rentals		
Operating lease rentals in connection with		
Minimum lease payments	2,837	2,837
Ongoing lease expenses	52	140
Workers compensation expenses	122	89
<b>Total other suppliers</b>	<b>3,011</b>	<b>3,066</b>
<b>Total suppliers</b>	<b>30,230</b>	<b>29,586</b>

Supplier expenditure categories were renamed and reclassified in 2018-19 to better reflect the CER's business activities.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**1.1 Expenses (continued)**

**Leasing commitments**

The CER in its capacity as lessee has one operating lease for office accommodation. Lease payments are subject to an annual increase at a fixed rate. There are no options for renewal.

**Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows (GST inclusive):**

Within 1 year	3,772	3,645
Between 1 to 5 years	7,598	11,370
<b>Total operating lease commitments</b>	<b>11,370</b>	<b>15,015</b>

**Accounting Policy**

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

**1.2 Own-Source Revenue and gains**

	2019 \$'000	2018 \$'000
<b>Own-Source Revenue</b>		
<b><u>1.2A: Other Revenue</u></b>		
Resources received free of charge		
Remuneration of auditors	405	385
Solar program inspection services	372	134
Data integration partnership for Australia	190	-
<b>Total other revenue</b>	<b>967</b>	<b>519</b>

**Accounting Policy**

*Revenue from the rendering of services*

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to the CER.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance amount. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

*Resources Received Free of Charge*

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

**1.2B: Revenue from Government**

**Accounting Policy**

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the CER gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Income and Expenses Administered on Behalf of the Government**

This section analyses the activities that the CER does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

**2.1 Administered - Expenses**

**2.1A: Purchase of Australian Carbon Credit Units**

**Accounting Policy**

The CER implemented the Emissions Reduction Fund (ERF) in 2014-15 which is a voluntary scheme that aims to provide incentives for a range of organisations and individuals to reduce their emissions. The scheme is currently implemented through a carbon abatement auction process where the CER contracts with successful participants to purchase ACCUs.

ACCUs are earned by participants through eligible projects for each tonne of carbon dioxide equivalent (tCO<sub>2</sub>-e) stored or avoided.

The CER's accounting policy for ERF transactions is:

- the CER will recognise a liability under the ERF where it has a present obligation arising from a past event; and
- the obligating event is on all ACCU issuance. A liability and expense is recognised on the issuance of all ACCUs less the ACCUs surrendered under the safeguard and voluntary surrenders.

**2.1B: RET Refunds**

**Accounting Policy**

The Large-scale Renewable Energy Target creates a financial incentive for the establishment and growth of renewable energy power stations through the creation of large-scale generation certificates.

Refunds are made to external providers on the basis of:

- surrender of large-scale generation certificates during the 'allowable refund period'; and/or
- a downward reassessment of a liable entity's certificate liability resulting in an overpayment.

The CER records a provision for the refund of shortfall charges where it is satisfied that:

- a present obligation exists for a refund to be made where a liable entity meets the requirements of the three-year rule as detailed in sections 95-97 of the REE Act;
- it is more likely than less likely that sufficient certificates will be available in future years to allow entities to meet their current year obligations and seek refund of shortfall charges; and
- the price of certificates is anticipated to be less than the tax effective cost of the shortfall charge.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**2.1 Administered - Income**

**2.2A: Revenue**

**Accounting Policy**

All administered revenues are revenues relating to ordinary activities performed by the CER on behalf of the Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed.

*Taxation Revenue*

Carbon price revenue is recognised when liable entities' emissions occur, under the economic transaction method, where it is possible that future economic benefits will occur and can be reliably measured. Unit shortfall charges and other penalties are recognised at the time they are imposed.

<b>Non-taxation revenue</b>	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>2.2B: Fees and fines</b>		
Renewable energy fees	<b>20,311</b>	15,965
Other	<b>79</b>	74
<b>Total fees and fines</b>	<b>20,390</b>	16,039

**Accounting Policy**

Renewable energy revenue is generated through the creation and surrender of Renewable Energy Certificates when the underlying transaction occurs. Shortfall charges and interest penalties are recognised at the time they are imposed.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Financial Position**

This section analyses the CER's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

**3.1 Financial Assets**

	2019	2018
	\$'000	\$'000

**3.1A: Cash and cash equivalents**

**Accounting Policy**

Cash is recognised at its nominal amount. Cash and cash equivalents include:

- a) cash on hand;
- b) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value; and
- c) cash in special accounts (administered only).

**3.1B: Trade and Other Receivables**

**Services receivables**

Services	506	255
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<b>Total services receivables</b>	<b>506</b>	<b>255</b>
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**Appropriations receivables**

Appropriation receivable	18,737	20,100
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<b>Total appropriations receivables</b>	<b>18,737</b>	<b>20,100</b>
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**Other receivables**

Statutory receivables	368	377
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<b>Total other receivables</b>	<b>368</b>	<b>377</b>
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<b>Total trade and other receivables (gross)</b>	<b>19,611</b>	<b>20,732</b>
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<b>Less impairment loss allowance</b>	<b>(19)</b>	<b>-</b>
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<b>Total trade and other receivables (net)</b>	<b>19,592</b>	<b>20,732</b>
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Credit terms for goods and services were within 30 days (2018: 30 days).

**3.1C: Reconciliation of the Impairment Allowance**

**Movements in relation to 2019**

	<b>Services Receivables \$'000</b>	
<b>As at 1 July 2018</b>	-	
Increase recognised in net cost of services	19	
<b>Total as at 30 June 2019</b>	<b>19</b>	

**Accounting Policy**

Financial assets

Trade and other receivables that are held for the purpose of collecting the contractual cash flows where the cash flows are solely payments of principal and interest, that are not provided at below-market interest rates, are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**3.2 Non-Financial Assets**

**3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles**

	Leasehold improvements \$'000	Plant and equipment \$'000	Intangibles (Internally developed software) \$'000	Total \$'000
<b>As at 1 July 2018</b>				
Gross book value	5,514	1,359	59,002	65,875
Accumulated depreciation, amortisation and impairment	(1,121)	(537)	(50,761)	(52,419)
<b>Total as at 1 July 2018</b>	<b>4,393</b>	<b>822</b>	<b>8,241</b>	<b>13,456</b>
Additions				
Purchase	-	347	-	347
Internally developed	-	-	1,730	1,730
Depreciation and amortisation	(1,121)	(535)	(4,150)	(5,806)
<b>Total as at 30 June 2019</b>	<b>3,272</b>	<b>634</b>	<b>5,821</b>	<b>9,727</b>
<b>Total as at 30 June 2019 represented by</b>				
Gross book value	5,514	1,706	49,819	57,039
Accumulated depreciation, amortisation and impairment	(2,242)	(1,072)	(43,998)	(47,312)
<b>Total as at 30 June 2019</b>	<b>3,272</b>	<b>634</b>	<b>5,821</b>	<b>9,727</b>

**Revaluations of non-financial assets**

There were no revaluations conducted in 2018-19. On 30 June 2019, the independent valuer (Preston Rowe Paterson) undertook a desktop assessment and confirmed that net fair value of the CER assets approximated their carrying value and required no adjustment.

**Accounting Policy - Property, plant and equipment**

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition.

Asset recognition threshold

Purchases of plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total). The asset capitalisation threshold for Leasehold Improvements is \$50,000.

Revaluations

Following initial recognition at cost, plant and equipment are carried at fair value. Carrying amounts are reviewed every year to determine if an independent valuation is required.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles (continued)**

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the CER using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2019	2018
Leasehold improvements	lease term	lease term
Plant and equipment	2 to 9 years	2 to 9 years

Impairment

All assets were assessed for impairment at 30 June 2019. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the CER were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Fair Value

All leasehold improvements, plant and equipment are measured at fair value in the Statement of Financial Position. When estimating fair value, market prices (with adjustment) were used where available. Where market prices were not available, depreciated replacement cost was used (ie level 3).

Level 3 measurements use inputs to estimate fair value where there are no observable market prices for the assets being valued.

The future economic benefits of the CER's plant and equipment and leasehold improvements are not primarily dependent on their ability to generate cash flows. The CER has not disclosed quantitative information about the significant unobservable inputs for the level 3 measurements in these classes.

Revaluations are done with sufficient frequency to ensure that the carrying amounts of assets do not materially differ from the asset's fair values as at reporting date. The CER engaged a qualified consultant, Preston Rowe Paterson, who provided written assurance that the valuation method is in compliance with *AASB13 Fair Value Measurement*.

**Accounting policy - Intangibles**

The CER's intangibles comprise internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

The asset capitalisation threshold for internally developed software is \$50,000.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the CER's software are 2 to 5 years (2018: 2 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2019.



**CLEAN ENERGY REGULATOR  
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2019	2018
\$'000	\$'000

**3.3 Payables**

**3.3A: Suppliers**

Settlement of supplier payables is usually made within 30 days.

**3.3B: Other Payables**

Salaries and wages	279	348
Superannuation	41	42
Lease liability	<u>2,061</u>	<u>2,537</u>
<b>Total other payables</b>	<u><b>2,381</b></u>	<u><b>2,927</b></u>

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Assets and Liabilities Administered on Behalf of the Government**

This section analyses assets and liabilities that the CER does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

**4.1 Administered - Financial Assets**

	2019 \$'000	2018 \$'000
<b>4.1A: Cash and Cash Equivalents</b>		
Cash in special accounts	74	1,123
Cash on hand or on deposit	70	6
<b>Total cash and cash equivalents</b>	<b>144</b>	<b>1,129</b>
<b>4.1B: Taxation Receivables</b>		
<b>Other taxes</b>		
Carbon price revenue - shortfall charges and penalties	3,261	81,098
Renewable energy - shortfall charges and interest	3,998	6,798
<b>Total taxation receivables (gross)</b>	<b>7,259</b>	<b>87,896</b>
<b>Less impairment loss allowance</b>	<b>(7,107)</b>	<b>(81,788)</b>
<b>Total taxation receivables (net)</b>	<b>152</b>	<b>6,108</b>
<b>4.1C: Trade and Other Receivables</b>		
<b>Other receivables</b>		
Fines and Fees	1	854
Statutory receivables	33	20
<b>Total other receivables</b>	<b>34</b>	<b>874</b>
<b>Less impairment loss allowance</b>	<b>-</b>	<b>-</b>
<b>Total trade and other receivables (net)</b>	<b>34</b>	<b>874</b>

Trade and other receivables (net) are expected to be recovered in no more than 12 months. Credit terms for goods and services were within 30 days (2018: 30 days).

**4.1D: Reconciliation of the Impairment Allowance**

**Movements in relation to 2019**

	Taxation Receivables \$'000
<b>As at 1 July 2018</b>	<b>81,788</b>
Amounts recovered and reversed	(75,114)
Increase recognised in net cost of services	433
<b>Total as at 30 June 2019</b>	<b>7,107</b>

**Movements in relation to 2018**

	Taxation Receivables \$'000
<b>As at 1 July 2017</b>	<b>72,778</b>
Increase recognised in net cost of services	9,010
<b>Total as at 30 June 2018</b>	<b>81,788</b>

**Accounting Policy**

Receivables are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised through profit or loss.

**CLEAN ENERGY REGULATOR  
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<b>4.2 Administered - Payables</b>		
	2019	2018
	\$'000	\$'000
<b>4.2A: Suppliers</b>		
Trade creditors and accruals	201	831
<b>Total Suppliers</b>	<b>201</b>	<b>831</b>
Settlement of supplier payables is usually made within 30 days.		
<b>4.2B: Other Payables</b>		
Purchase of Australian Carbon Credit Units	78,138	46,361
Other	15	4
<b>Total Other Payables</b>	<b>78,153</b>	<b>46,365</b>
<b>4.3 Administered - Other Provisions</b>		
<b>4.3A: Other Provisions</b>		
	Provision for renewable energy target shortfalls	
	\$'000	
<b>As at 1 July 2018</b>	<b>183,722</b>	
Additional provisions made	273,198	
Amounts used	(35,036)	
<b>Total as at 30 June 2019</b>	<b>421,884</b>	
	2019	2018
	\$'000	\$'000
<b>Other provisions expected to be settled</b>		
No more than 12 months	127,235	14,390
More than 12 months	294,649	169,332
<b>Total other provisions</b>	<b>421,884</b>	<b>183,722</b>

CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**Funding**

This section identifies the CER's funding structure.

**5.1 Appropriations**

**5.1A: Annual Appropriations (Recoverable GST exclusive)**

Annual Appropriations for 2019

	Annual Appropriation \$'000	Adjustments to appropriation \$'000	Total appropriation \$'000	Appropriation applied in 2019 (current and prior years) \$'000	Variance \$'000
<b>Departmental</b>					
Ordinary annual services <sup>1</sup>	69,879	1,189	71,068	71,998	(930)
Capital Budget <sup>2</sup>	1,161	-	1,161	1,161	-
<b>Total departmental</b>	<b>71,040</b>	<b>1,189</b>	<b>72,229</b>	<b>73,159</b>	<b>(930)</b>
<b>Administered</b>					
Ordinary annual services Administered items <sup>3</sup>	205,425	-	205,425	131,165	74,260
<b>Total administered</b>	<b>205,425</b>	<b>-</b>	<b>205,425</b>	<b>131,165</b>	<b>74,260</b>

1. The variance of (\$0.930m) reflects prior year appropriations applied.

2. Departmental Capital Budgets are appropriated through *Appropriation Acts (No.1,3,5)*. They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

3. The variance of \$74.260m reflects changes in the profile of contracted payments under the Emissions Reduction Fund.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**5.1 Appropriations (continued)**

**5.1A: Annual Appropriations (Recoverable GST exclusive) (continued)**

Annual Appropriations for 2018

	Annual Appropriation \$'000	Adjustments to appropriation \$'000	Total appropriation \$'000	Appropriation applied in 2018 \$'000	Variance \$'000
<b>Departmental</b>					
Ordinary annual services <sup>1</sup>	69,969	738	70,707	66,718	3,989
Capital Budget <sup>2</sup>	1,167	-	1,167	1,167	-
Total departmental	71,136	738	71,874	67,885	3,989
<b>Administered</b>					
Ordinary annual services Administered Items <sup>3</sup>	218,662	-	218,662	140,443	78,219
Total administered	218,662	-	218,662	140,443	78,219

1. The variance of \$3,989m reflects an underspend in both supplier and employee expenditure for the year. Of the total appropriation applied of \$66.7m, \$0.37m was used to fund the purchase of capital assets.

2. Departmental Capital Budget are appropriated through *Appropriation Acts (No.1,3,5)*. They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

3. The variance of \$78,219m reflects changes in the profile of contracted payments under the Emissions Reduction Fund.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**5.1B: Unspent Annual Appropriations (Recoverable GST exclusive)**

	2019 \$'000	2018 \$'000
<b>Departmental</b>	<b>27</b>	<b>27</b>
Appropriation Act (No. 2) 2016-17	-	20,190
Appropriation Act (No. 1) 2017-18	-	-
Appropriation Act (No. 1) 2018-19	19,268	-
<b>Total departmental</b>	<b>19,295</b>	<b>20,217</b>
<b>Administered</b>	<b>10,811</b>	<b>73,467</b>
Appropriation Act (No. 1) 2017-18	137,096	-
Appropriation Act (No. 1) 2018-19	147,907	73,467
<b>Total administered</b>	<b>147,907</b>	<b>73,467</b>

**5.1C: Special Appropriations (Recoverable GST exclusive)**

	2019 \$'000	2018 \$'000
<b>Authority</b>	<b>35,272</b>	<b>-</b>
<i>Renewable Energy (Electricity) Act 2000</i> , section 157, Administered, Unlimited amount		
To enable payments in respect of:		
a) section 50 refunds of overpaid amounts		
b) section 98 refund of charge where certificates are surrendered		
c) section 121 compensation from damage to electronic equipment.		
<i>Public Governance, Performance and Accountability Act 2013</i> , section 77, Administered, Refund		
To provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and the Finance Minister is satisfied that, apart from this section, there is no specific appropriation for the repayment.	186	1,473
<i>Clean Energy Act 2011</i> , section 116, Administered, Unlimited amount		
To provide an appropriation for the buy-back of certain free carbon units specified by section 116 of the <i>Clean Energy Act 2011</i> .	-	-
<i>Clean Energy Act 2011</i> , section 132, Administered, Unlimited amount		
To provide an appropriation for the refund of surplus surrender specified by section 132 of the <i>Clean Energy Act 2011</i> .	-	-
<b>Total special appropriations applied</b>	<b>35,458</b>	<b>1,473</b>

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**5.2 Special Accounts**

	Renewable Energy Special Account (Administered) <sup>1</sup>	
	2019	2018
(Recoverable GST exclusive)	\$'000	\$'000
<b>Balance brought forward from previous period</b>	32	31
<b>Opening balance adjustment<sup>2</sup></b>	38	-
<b>Adjusted balance brought forward from previous period</b>	70	31
<b>Increases - receipts from buyers</b>	954	7,528
<b>Available for payments</b>	1,024	7,559
<b>Decreases - payments to sellers</b>	(955)	(7,527)
<b>Total balance carried to the next period<sup>3</sup></b>	69	32
<b>Balance represented by:</b>		
Cash held in the CER bank accounts	69	32
Cash held in the Official Public Account	-	-
<b>Total balance carried to the next period</b>	69	32

<sup>1</sup> Appropriation: *Public Governance, Performance and Accountability Act 2013* section 80. Establishing Instrument: *Renewable Energy (Electricity) Act 2000*, section 30R.

The purposes of the Renewable Energy Special Account are as follows:

- (a) paying amounts under paragraph 30N(3)(b) in relation to the transfer of certificates;
- (b) paying amounts under subparagraph 30P(4)(b)(ii) in relation to the transfer of certificates;
- (c) refunding amounts under regulations made for the purpose of paragraph 30U(2)(i); and
- (d) paying amounts of GST for which the Regulator is liable because of the creation of certificates for purchasers under section 30P.

Transactions related to the small-scale technology certificates (STC) Clearing House are reported in the Administered Schedule of Assets and Liabilities as Cash and cash equivalents and Supplier payables. This is because the CER is facilitating transactions between buyers and sellers through the STC Clearing House and any net cash resulting is not revenue for Government.

<sup>2</sup> The opening balance adjustment relates to the restatement of the 30 June 2018 balance to reflect the correct reclassification of cash available to purchase STCs from householders and registered agents through the STC Clearing House.

<sup>3</sup> This balance is reflected in the \$0.074m cash in special accounts under Note 4.1A and is comprised of the following amounts:

- \$0.069m payable to sellers; and
- \$0.005m payable to the Official Public Account.

**5.3 Regulatory Charging Summary**

	2019	2018
	\$'000	\$'000
<b>External Revenue</b>		
Administered	20,390	16,039
<b>Total external revenue</b>	20,390	16,039
<b>Regulatory charging activities:</b>		
Registration, application, accreditation and renewable energy certificate fees.		

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**5.4 Net Cash Appropriation Arrangements**

	2019 \$'000	2018 \$'000
<b>Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations</b>	<b>411</b>	2,388
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>(5,806)</u>	<u>(9,128)</u>
<b>Total comprehensive loss - as per the Statement of Comprehensive Income</b>	<b><u>(5,395)</u></b>	<b><u>(6,740)</u></b>

From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.



**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**People and relationships**

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

**6.1 Employee Provisions**

	2019 \$'000	2018 \$'000
<b>6.1A: Employee Provisions</b>		
Leave	10,960	9,963
Separations and redundancies	139	-
<b>Total employee provisions</b>	<b>11,099</b>	<b>9,963</b>

**Accounting policy**

Liabilities for 'short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amount. The nominal amount is calculated on the rates expected to be paid on settlement of the liability.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the CER's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined using the shorthand method as prescribed in the *Financial Reporting Rule 2015*. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The CER recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

The CER's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The CER makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The CER accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**6.2 Key Management Personnel Remuneration**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the CER, directly or indirectly, including any director (whether executive or otherwise) of the CER. The CER has determined the key management personnel to be the Chair, members of the Regulator, and members of the strategic leadership team. Key management personnel remuneration is reported in the table below:

	<b>2019 \$'000</b>	2018 \$'000
Short-term employee benefits	<b>1,838</b>	2,006
Post-employment benefits	<b>281</b>	307
Other long-term employee benefits	<b>177</b>	69
Termination benefits	-	-
<b>Total key management personnel remuneration expenses</b>	<b>2,296</b>	2,382

The total number of key management personnel that are included in the above table are 11 (2018: 14).

Total remuneration is calculated on a pro-rata basis equal to time spent in the role for those staff who acted during the reporting period in the role of a key management personnel.

The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio and Cabinet Ministers. The Ministerial remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the CER.

**6.3 Related Parties**

**Related party relationships**

The CER is an Australian Government controlled entity. Related parties to the CER are:

- Key Management Personnel of the CER, their close family members, and entities controlled or jointly controlled by either;
- Portfolio and Cabinet Ministers - key management personnel for the consolidated Whole of Government accounts; and
- all other Australian Government entities.

**Transactions with related parties**

Significant transactions with related parties can include:

- purchase of goods and services;
- asset purchases, sales, transfers or leases;
- selling renewable energy certificates under the renewable energy scheme following the installation of rooftop solar panels; and
- debts forgiven.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the CER, it has been determined that there are no related party transactions to be disclosed other than key management personnel remuneration disclosed in Note 6.2.

**CLEAN ENERGY REGULATOR  
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**Managing uncertainties**

This section analyses how the CER manages financial risks within its operating environment.

**7.1A: Contingent Assets and Liabilities**

	Claims for damages or costs	
	2019 \$'000	2018 \$'000
<b>Contingent liabilities</b>		
Balance from previous period	(485)	(485)
Obligations expired	485	-
<b>Total contingent liabilities</b>	-	(485)

**Quantifiable Contingencies**

In 2018 the contingent liability was in respect of one request for an act of grace payment requested from the Department of Finance relating to the carbon pricing mechanism. The act of grace application was withdrawn in 2018-19.

**Unquantifiable Contingencies**

There were no unquantifiable contingent assets or liabilities as at 30 June 2019 (2018: Nil).

**Accounting Policy**

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

<b>7.1B Administered - Contingent Assets and Liabilities</b>		
	<b>Claims for damages or costs</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Contingent assets</b>		
Balance from previous period	1,771	-
New contingent assets recognised	-	1,771
Re-measurement	(1,771)	-
<b>Total contingent assets</b>	-	1,771
<b>Contingent liabilities</b>		
Balance from previous period	(51,641)	(12,763)
New contingent liabilities recognised	-	(38,878)
Liabilities realised	51,641	-
<b>Total contingent liabilities</b>	-	(51,641)
<b>Net contingent liabilities</b>	-	(49,870)

**Quantifiable Administered Contingencies**

The above table contains \$ nil (2018: \$1,771,000) of contingent assets. The contingent asset relates to a debt owed to the CER by an entity under the *Renewable Energy (Electricity) Act 2000*. In 2018-19 the contingent asset was re-measured to a nil value as the CER assessed the probability of recovering the debt as remote.

The above table contains \$nil (2018: \$51,641,000) of contingent liabilities in respect of large-scale generation shortfall charges incurred under *the Renewable Energy (Electricity) Act 2000* which may be refunded to entities if they meet certain conditions under the three year rule. The estimates are based on the amount of the shortfall charges paid less an administration fee. In 2018-19 a change in market conditions has led to the opening contingent liability being either refunded or recognised as a provision in 2019.

Of the \$51,641,000 transferred to the provision for renewable energy target shortfalls (note 4.3A), net refunds of \$19,505,000 were made during 2018-19. The remaining \$32,136,000 comprises part of the closing provision balance at 30 June 2019.

**Unquantifiable Administered Contingencies**

There were no unquantifiable contingent assets or liabilities as at 30 June 2019 (2018: Nil).

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**7.2 Financial Instruments**

	2019 \$'000	2018 \$'000
<b>7.2A: Categories of Financial Instruments</b>		
<b>Financial Assets under AASB 139</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents		117
Trade receivables		255
<b>Total loans and receivables</b>		<u>372</u>
<b>Financial Assets under AASB 9</b>		
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents	558	
Trade receivables (gross)	<u>506</u>	
<b>Total financial assets at amortised cost</b>	<u>1,064</u>	
<b>Total financial assets</b>	<u>1,064</u>	372
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors and accruals	3,928	4,687
<b>Total financial liabilities measured at amortised cost</b>	<u>3,928</u>	4,687
<b>Total financial liabilities</b>	<u>3,928</u>	4,687

**Classification of financial assets on the date of initial application of AASB 9**

Financial assets class	Note	AASB 139 original classification	AASB 9 new classification	AASB 139 carrying amount at 1 July 2018 \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
Cash and cash equivalents	3.1A	Loans and receivables	Amortised Cost	117	117
Trade receivables (gross)	3.1B	Loans and receivables	Amortised Cost	255	255
<b>Total financial assets</b>				<u>372</u>	372

**Accounting Policy**

*Financial assets*

With the implementation of AASB 9 *Financial Instruments* for the first time in 2019, the CER classifies its financial assets as measured at amortised cost.

The classification depends on both the CER's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition.

Financial assets are recognised when the CER becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Comparatives have not been restated on initial application.

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**7.2A: Categories of Financial Instruments (continued)**

*Financial Assets at Amortised Cost*

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

*Effective Interest Method*

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

*Impairment of Financial Assets*

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a de-recognition event where the write-off directly reduces the gross carrying amount of the financial asset.

***Financial liabilities***

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

*Financial Liabilities at Amortised Cost*

Financial liabilities are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

	2019	2018
	\$'000	\$'000

**7.2B: Net Gains or Losses on Financial Assets**

**Financial assets at amortised cost**

Impairment	(19)	-
<b>Net gains/(losses) on financial assets at amortised cost</b>	<b>(19)</b>	<b>-</b>

<b>7.3 Administered - Financial Instruments</b>				<b>2019</b>	<b>2018</b>
				<b>\$'000</b>	<b>\$'000</b>
<b>7.3A: Categories of Financial Instruments</b>					
<b>Financial Assets under AASB 139</b>					
<b>Loans and receivables</b>					
					1,129
					1,129
<b>Financial Assets under AASB 9</b>					
<b>Financial assets at amortised cost</b>					
				144	
				144	
				144	1,129
<b>Financial Liabilities</b>					
<b>Financial liabilities measured at amortised cost</b>					
				201	831
				78,138	46,361
				15	4
				78,354	47,196
				78,354	47,196
<b>Classification of financial assets on the date of initial application of AASB 9.</b>					
<b>Financial assets class</b>	<b>Note</b>	<b>AASB 139 original classification</b>	<b>AASB 9 new classification</b>	<b>AASB 139 carrying amount at 1 July 2018 \$'000</b>	<b>AASB 9 carrying amount at 1 July 2018 \$'000</b>
Cash and Cash Equivalents	4.1A	Loans and receivables	Amortised Cost	1,129	1,129
<b>Total financial assets</b>				<b>1,129</b>	<b>1,129</b>

**CLEAN ENERGY REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Managing uncertainties**

This section analyses how the CER manages financial risks within its operating environment.

**8.1 Aggregate Assets and Liabilities**

	2019 \$'000	2018 \$'000
<b>8.1A: Aggregate Assets and Liabilities</b>		
<b>Assets expected to be recovered in:</b>		
No more than 12 months	22,065	22,291
More than 12 months	9,155	13,332
<b>Total assets</b>	<b>31,220</b>	<b>35,623</b>
<b>Liabilities expected to be settled in:</b>		
No more than 12 months	9,657	10,264
More than 12 months	7,751	7,313
<b>Total liabilities</b>	<b>17,408</b>	<b>17,577</b>

**8.1B: Administered - Aggregate Assets and Liabilities**

<b>Assets expected to be recovered in:</b>		
No more than 12 months	330	8,111
More than 12 months	-	-
<b>Total assets</b>	<b>330</b>	<b>8,111</b>
<b>Liabilities expected to be settled in:</b>		
No more than 12 months	205,589	61,586
More than 12 months	294,649	169,332
<b>Total liabilities</b>	<b>500,238</b>	<b>230,918</b>





*Photo: Macarthur Wind Farm, Macarthur, Victoria*



*Photo: Gannawarra Energy Storage System, near Kerang, Victoria*

# PART 6

## APPENDICES

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# APPENDIX A

## List of requirements

PGPA Rule reference	Part of report	Description	Requirement	Page no.
<b>17AD(g)</b>	<b>Letter of transmittal</b>			v
17AI	Preliminary	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	v
<b>17AD(h)</b>	<b>Aids to access</b>			
17AJ(a)	Preliminary	Table of contents.	Mandatory	iv
17AJ(b)	Part 6	Alphabetical index.	Mandatory	184
17AJ(c)	Part 6	Glossary of abbreviations and acronyms.	Mandatory	180
17AJ(d)	Part 6	List of requirements.	Mandatory	156
17AJ(e)	Inside back cover	Details of contact officer.	Mandatory	190
17AJ(f)	Inside back cover	Entity's website address.	Mandatory	190
17AJ(g)	Inside back cover	Electronic address of report.	Mandatory	190
<b>17AD(a)</b>	<b>Review by accountable authority</b>			
17AD(a)	Part 1	A review by the accountable authority of the entity.	Mandatory	14
<b>17AD(b)</b>	<b>Overview of the entity</b>			
17AE(1)(a)(i)	Part 1	A description of the role and functions of the entity.	Mandatory	4
17AE(1)(a)(ii)	Part 1 and Part 4	A description of the organisational structure of the entity.	Mandatory	5, 77–80
17AE(1)(a)(iii)	Part 1	A description of the outcomes and programs administered by the entity.	Mandatory	16

PGPA Rule reference	Part of report	Description	Requirement	Page no.
17AE(1)(a)(iv)	Part 1 and Part 2	A description of the purposes of the entity as included in corporate plan.	Mandatory	4, 20
17AE(1)(aa)(i)	Part 1 and Part 4	Name of the accountable authority or each member of the accountable authority.	Mandatory	20, 77
17AE(1)(aa)(ii)	Part 1 and Part 4	Position title of the accountable authority or each member of the accountable authority.	Mandatory	20, 77–80
17AE(1)(aa)(iii)	Part 4	Period as the accountable authority or member of the accountable authority within the reporting period.	Mandatory	77–80
17AE(1)(b)	N/A	An outline of the structure of the portfolio of the entity.	Portfolio departments—mandatory	N/A
17AE(2)	N/A	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory	16–17
<b>17AD(c)</b>	<b>Report on the Performance of the entity</b>			19–33
	<i>Annual performance statements</i>			19–33
17AD(c)(i); 16F	Part 2	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	20
<b>17AD(c)(ii)</b>	<b><i>Report on financial performance</i></b>			108–111
17AF(1)(a)	Part 5	A discussion and analysis of the entity's financial performance.	Mandatory	108–111
17AF(1)(b)	Part 6	A table summarising the total resources and total payments of the entity.	Mandatory	177

PGPA Rule reference	Part of report	Description	Requirement	Page no.
17AF(2)	N/A	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.	N/A
<b>17AD(d)</b>	<b>Management and Accountability</b>			75
	<i>Corporate Governance</i>			77–91
17AG(2)(a)	Part 4	Information on compliance with section 10 (fraud systems)	Mandatory	12–13
17AG(2)(b)(i)	Letter of transmittal	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	v
17AG(2)(b)(ii)	Letter of transmittal	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory	v
17AG(2)(b)(iii)	Letter of transmittal	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	v
17AG(2)(c)	Part 4	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	77–91

PGPA Rule reference	Part of report	Description	Requirement	Page no.
17AG(2)(d) – (e)	N/A	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory	N/A
	<b><i>External Scrutiny</i></b>			92
17AG(3)	Part 4	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	92
17AG(3)(a)	Part 4	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory	92
17AG(3)(b)	Part 4	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory	92
17AG(3)(c)	Part 4	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	N/A
	<b><i>Management of Human Resources</i></b>			93–102
17AG(4)(a)	Part 4	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	93–102
17AG(4)(aa)	Part 4 and Part 6	Statistics on the entity's employees on an ongoing and non ongoing basis, including the following: <ul style="list-style-type: none"> <li>– statistics on full time employees</li> <li>– statistics on part time employees</li> <li>– statistics on gender</li> <li>– statistics on staff location</li> <li>– statistics on employees who identify as Indigenous.</li> </ul>	Mandatory	96, 166–173

PGPA Rule reference	Part of report	Description	Requirement	Page no.
17AG(4)(c)	Part 4	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	99–100
17AG(4)(c)(i)	Part 4	Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory	99–100
17AG(4)(c)(ii)	Part 6	The salary ranges available for APS employees by classification level.	Mandatory	166
17AG(4)(c)(iii)	Part 4	A description of non-salary benefits provided to employees.	Mandatory	99–100
17AG(4)(d)(i)	Part 4	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	100
17AG(4)(d)(ii)	N/A	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	N/A
17AG(4)(d)(iii)	N/A	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	N/A
17AG(4)(d)(iv)	N/A	Information on aggregate amount of performance payments.	If applicable, Mandatory	N/A
		<b><i>Assets Management</i></b>		102
17AG(5)	Part 4	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory	102
		<b><i>Purchasing</i></b>		103
17AG(6)	Part 4	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory	103–105



PGPA Rule reference	Part of report	Description	Requirement	Page no.
	<b>Consultants</b>			103–104
17AG(7)(a)	Part 4	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	103
17AG(7)(b)	Part 4	A statement that <i>'During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]'</i> .	Mandatory	103
17AG(7)(c)	Part 4	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	103
17AG(7)(d)	Part 4	A statement that <i>'Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website'</i> .	Mandatory	103

PGPA Rule reference	Part of report	Description	Requirement	Page no.
	<b>Australian National Audit Office Access Clauses</b>			104
17AG(8)	Part 4	If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor’s premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	104
	<b>Exempt contracts</b>			104
17AG(9)	Part 4	If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	104
	<b>Small business</b>			104
17AG(10)(a)	Part 4	A statement that ‘[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website’.	Mandatory	104
17AG(10)(b)	Part 4	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	104

PGPA Rule reference	Part of report	Description	Requirement	Page no.
17AG(10)(c)	Part 4	If the entity is considered by the Department and administered by the Finance Minister as material in nature—a statement that ' <i>[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website.</i>	If applicable, Mandatory	N/A
	<b>Financial Statements</b>			108–152
17AD(e)	Part 5	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	108–152
	<b>Executive Remuneration</b>			171–173
17AD(da)	Part 6	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 23 of the Rule.	Mandatory	171–173
<b>17AD(f)</b>	<b>Other Mandatory Information</b>			174
17AH(1)(a)(i)	N/A	If the entity conducted advertising campaigns, a statement that ' <i>During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.</i>	If applicable, Mandatory	N/A
17AH(1)(a)(ii)	Part 6	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	174
17AH(1)(b)	Part 6	A statement that ' <i>Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website].</i>	If applicable, Mandatory	N/A

PGPA Rule reference	Part of report	Description	Requirement	Page no.
17AH(1)(c)	Part 6	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	175
17AH(1)(d)	Part 6	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	175
17AH(1)(e)	N/A	Correction of material errors in previous annual report.	If applicable, mandatory	N/A
17AH(2)	Part 6	Information required by other legislation.	Mandatory	176

# APPENDIX B

## Regulator Board meeting dates

Meeting date	Attendance
3 July 2018	All Members attended
7 August 2018	Mr Michael D'Ascenzo apology
11 September 2018	All Members attended
16 October 2018	All Members attended
13 November 2018	All Members attended
11 December 2018	All Members attended
19 February 2019	All Members attended
26 March 2019	All Members attended
30 April 2019	Ms Virginia Malley apology
28 May 2019	All Members attended

# APPENDIX C

## Workforce profile

The following tables detail our workforce profile including salary ranges, level and gender, full-time and part-time status, and representation of diversity groups.

**Table 13:** Salary ranges as at 30 June 2019

	2017–18		2018–19	
	Minimum \$	Maximum \$	Minimum \$	Maximum \$
APS1	46,302	52,517	47,228	53,567
APS2	55,146	58,844	56,249	60,021
APS3	61,374	66,437	62,601	67,766
APS4	68,968	72,764	70,347	74,219
APS5	75,295	79,092	76,801	80,674
APS6	82,256	93,644	83,901	95,517
Legal Officer	63,590 (APS 3.2)	93,644 (APS 6.3)	64,862 (APS 3.2)	95,517 (APS 6.3)
Senior Legal Officer EL1	101,236	115,157	103,261	117,460
Senior Legal Officer EL2	120,852	131,607	123,269	134,239
Principal Legal Officer EL2	N/A	142,364	145,211	151,077
EL1	101,236	115,157	103,261	117,460
EL2	120,852	142,364	123,269	145,211

**Table 14:** Senior Executive Service (SES) salary ranges as at 30 June 2019

	2017–18		*2018–19	
	Minimum \$	Maximum \$	Minimum \$	Maximum \$
SES Band 1	203,498	238,613	*207,567	*243,385
SES Band 2	249,970	293,659	*254,969	*299,531

\* Note, a 2 per cent pay-rise was applied to SES salaries from 8 February 2019, consistent with Australian Government policy.

**Table 15:** Ongoing officers by level and gender (by headcount), as at 30 June<sup>29</sup>

	2017–18			2018–19			
	Female	Male	Total	Female	Male	X	Total
Graduate	3	2	5	1	5	0	6
APS1	2	2	4	0	0	0	0
APS2	1	1	2	3	3	0	6
APS3	4	1	5	4	2	1	7
APS4	30	12	42	22	11	0	33
APS5	38	27	65	31	21	0	52
APS6	33	49	82	36	52	0	88
EL1	35	47	82	32	46	0	78
EL2	14	17	31	11	16	0	27
SES Band 1	3	4	7	6	3	0	9
SES Band 2	0	2	2	1	1	0	2
<b>Total</b>	<b>163</b>	<b>164</b>	<b>327</b>	<b>147</b>	<b>160</b>	<b>1</b>	<b>308</b>

<sup>29</sup> All levels under the relevant enterprise agreement are categorised under their standard APS equivalency. This table includes officers on leave and inoperative officers and officers on secondment.

**Table 16:** Non-ongoing officers by level and gender (by headcount), as at 30 June<sup>30</sup>

	2017–18			2018–19		
	Female	Male	Total	Female	Male	Total
Graduate	0	0	0	0	0	0
APS1	0	0	0	0	0	0
APS2	0	0	0	0	0	0
APS3	1	0	1	0	0	0
APS4	6	1	7	7	1	8
APS5	2	2	4	0	3	3
APS6	1	0	1	3	0	3
EL1	0	1	1	2	1	3
EL2	1	0	1	1	0	1
SES Band 1	0	0	0	0	0	0
SES Band 2	0	0	0	0	0	0
<b>Total</b>	<b>11</b>	<b>4</b>	<b>15</b>	<b>13</b>	<b>5</b>	<b>18</b>

<sup>30</sup> The four Members of the Regulator Board are not included in the above table. The Chair has not been included in the 2017–18 and 2018–19 figures, as staffing numbers are based on substantive classifications. All levels under the relevant enterprise agreement are categorised under their standard Australian Public Service equivalency. This table includes officers on leave and inoperative officers and officers on secondment.



**Table 17:** Employment type by level (by headcount), as at 30 June<sup>31</sup>

	2017–18			2018–19		
	Full-time	Part-time	Total	Full-time	Part-time	Total
Graduate	5	0	5	6	0	6
APS1	4	0	4	0	0	0
APS2	2	0	2	6	0	6
APS3	6	0	6	7	0	7
APS4	46	3	49	39	2	41
APS5	60	9	69	52	3	55
APS6	74	9	83	86	5	91
EL1	71	12	83	73	8	81
EL2	31	1	32	28	0	28
SES Band 1	7	0	7	9	0	9
SES Band 2	2	0	2	2	0	2
<b>Total</b>	<b>308</b>	<b>34</b>	<b>342</b>	<b>308</b>	<b>18</b>	<b>326</b>

**Table 18:** Employment type by gender (by headcount), as at 30 June<sup>32</sup>

	2017–18			2018–19		
	Full-time	Part-time	Total	Full-time	Part-time	Total
Female	145	29	174	147	13	160
Male	163	5	168	160	5	165
X	0	0	0	1	0	1
<b>Total</b>	<b>308</b>	<b>34</b>	<b>342</b>	<b>308</b>	<b>18</b>	<b>326</b>

<sup>31</sup> All levels under the relevant enterprise agreement are categorised under their standard APS equivalency. This table includes officers on leave and inoperative officers and officers on secondment.

<sup>32</sup> This table includes officers on leave and inoperative officers and officers on secondment.

**Table 19:** Representation of diversity groups (by headcount), as at 30 June

	2017–18	2018–19
Female	174	160
Gender X	0	1
Non-English speaking background <sup>33</sup>	69	106
Indigenous	9	10
People with a disability	7	8

**Table 20:** Ongoing/non-ongoing by full-time and part-time (by headcount), as at 30 June<sup>34</sup>

	2017–18			2018–19		
	Full-time	Part-time	Total	Full-time	Part-time	Total
Ongoing	295	32	327	290	18	308
Non-ongoing	13	2	15	18	0	18

<sup>33</sup> Non-English speaking background includes two categories:

- people born overseas whose first language was not English, and
- people whose parent’s first language was a language other than English.

<sup>34</sup> This table includes officers on leave and inoperative officers and officers on secondment.

## Key management personnel

During the reporting period ended 30 June 2019, the Clean Energy Regulator had 11 executives who met the definition of key management personnel. Their names and length of term as key management personnel are summarised below:

**Table 21:** Key management personnel, 2018–19

Name	Position title	Period in position
David Parker	Chair/Chief Executive Officer	1 July 2018 – 30 June 2019
Shayleen Thompson	Executive General Manager	1 July 2018 – 30 June 2019
Mary-Anne Wilson	Ag Executive General Manager	1 July 2018 – 15 July 2018
Mark Williamson	Executive General Manager	1 July 2018 – 30 June 2019
Geoffrey Purvis-Smith	General Counsel	1 July 2018 – 30 June 2019
Christopher Ramsden	Chief Operating Officer	1 July 2018 – 15 February 2019
Steven Stolk	Ag Chief Operating Officer	2 July 2018 – 28 July 2018 14 December 2018 – 6 January 2019 18 February 2019 – 30 June 2019
Virginia Malley	Regulator member	1 July 2018 – 30 June 2019
Michael D'Ascenzo	Regulator member	1 July 2018 – 30 June 2019
Anne Brown	Regulator member	1 July 2018 – 30 June 2019
Peter Davis	Regulator member	1 July 2018 – 30 June 2019

In the notes to the financial statements for the period ended 30 June 2019, we have disclosed the following key management personnel expenses on an accruals basis.

**Table 22:** Key management personnel expenses, 2018–19

	2018 \$'000	2019 \$'000
Short-term employee benefits	2,006	1,838
Post-employment benefits	307	281
Other long-term employee benefits	69	177
Termination benefits	-	-
<b>Total key management personnel remuneration expenses</b>	<b>2,382</b>	<b>2,296</b>

Total remuneration is calculated on a pro-rata basis equal to time spent in the role for those staff who acted during the reporting period in the role of a key management personnel.

This information has been further disaggregated as follows.

**Table 23:** Total Remuneration by key management personnel, 2018–19

Name	Position title	Short-term benefits			Post-employment benefits	Other long-term benefits	Termination benefits	Total remuneration <sup>3</sup>
		Base salary \$	Bonuses \$	Other benefits and allowances including FBT \$				
David Parker	Chair/Chief Executive Officer	466,113	-	4,652	69,314	88,260	-	628,339
Shayleen Thompson	Executive General Manager	295,683	-	4,460	51,426	68,964	-	420,533
Mary-Anne Wilson	Ag Executive General Manager	8,838	-	166	1,406	937	-	11,347
Mark Williamson	Executive General Manager	286,237	-	4,652	38,756	23,632	-	353,277
Geoffrey Purvis-Smith	General Counsel	244,690	-	4,652	39,476	25,170	-	313,988
Christopher Ramsden <sup>1</sup>	Chief Operating Officer	170,522	-	3,186	32,280	(33,655)	-	172,333
Steven Stolk	Ag Chief Operating Officer	125,232	-	2,345	18,037	3,504	-	149,118
Virginia Malley	Regulator member	54,166	-	-	8,342	-	-	62,508
Michael D'Ascenzo	Regulator member	54,166	-	-	8,342	-	-	62,508
Anne Brown	Regulator member	54,166	-	-	8,342	-	-	62,508
Peter Davis	Regulator member	54,166	-	-	5,146	-	-	59,312
<b>Total</b>		<b>1,813,979</b>	<b>-</b>	<b>24,113</b>	<b>280,867</b>	<b>176,812</b>	<b>-</b>	<b>2,295,771</b>

Notes:

1. On termination Christopher Ramsden was paid out unused leave balances. The negative long service leave expense represents the difference between the cash payment and the accrual balance resulting from the employee benefit on-costs and discounting of long service leave provisions.
2. Regulator members are not entitled to long service leave benefits under the relevant Remuneration Tribunal Determination.
3. The figures are impacted by the duration of service as a key management personnel. Table 21 provides details of the length of service for officers that were classified as key management personnel.

Table 24: Remuneration paid to Senior Executives, 2018–19

Remuneration band \$	Number of Senior Executives	Short-term benefits		Post-employment benefits		Other long-term benefits	Average Termination Benefits \$	Average Total Remuneration \$
		Average Base salary \$	Average Bonuses \$	Average Other benefits and allowances \$	Average Superannuation Contributions \$			
0–220,000	14	36,015	-	414	5,846	127	8,958	51,358
295,001–320,000	3	228,064	-	6,984	39,704	27,994	-	302,746
320,001–345,000	1	271,315	-	-	43,409	25,883	-	340,607
<b>Total</b>	<b>18</b>							

Notes:

1. This table is prepared on an accrual basis. The table reports the average total remuneration of Senior Executives who received remuneration during the reporting period.
2. In 2018–19 our agency went through a restructure that resulted in a number of acting arrangements. This has resulted in the reporting of a lower than usual average total remuneration in the \$0–\$220,000 remuneration band.
3. Remuneration for Senior Executives while in a key management personnel position is excluded from the totals reported in this table and has been reported in Table 23 above.

Table 25: Remuneration paid to other highly paid staff, 2018–19

Remuneration Band \$	Number of other highly paid staff	Short-term benefits		Post-employment benefits		Other long-term benefits	Average termination benefits \$	Average total remuneration \$
		Average Base salary \$	Average bonuses \$	Average other benefits and allowances \$	Average superannuation contributions \$			
220,000–245,000	1	85,220	-	-	26,733	(7,226)	139,180	243,907
<b>Total</b>	<b>1</b>							

Notes:

1. On termination, the employee was paid out unused leave balances. The negative long service leave expense represents the difference between the cash payment and the accrual balance resulting from employee benefit on-costs and discounting of long service leave provisions.

# APPENDIX D

## Other mandatory reporting

### Advertising and market research

In 2018–19 we did not undertake polling, direct mail, market research or advertising campaigns.

Our agency’s expenditure on advertising was under the reportable threshold of \$13,000.

### Legal expenditure

Paragraph 11.1(ba) of the Legal Services Directions 2005 requires all non-corporate Commonwealth entities regulated by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) to publicly report their legal services expenditure. The table below provides a breakdown of our agency’s expenditure for 2018–19.

**Table 26:** Legal services expenditure summary 2018–19

DESCRIPTION	
Total (external + internal) expenditure	\$2,120,217.08
Total internal legal services expenditure	\$1,772,801.00
Total external legal services expenditure	\$347,416.08
<b>SUMMARY EXTERNAL LEGAL SERVICES</b>	
Total value of brief to Counsel (junior) (A)	\$17,967.54
Total value of disbursements (excluding counsel) (B)	\$8,703.39
Total value of professional fees paid (C)	\$320,745.15
Total external legal services expenditure (A + B + C)	\$347,416.08
<b>SENIOR COUNSEL</b>	
Number of direct briefs to male senior counsel	0
Number of direct briefs to female senior counsel	0
<b>Total number of direct briefs to senior counsel</b>	<b>0</b>
Number of indirect briefs to male senior counsel	0
Number of indirect briefs to female senior counsel	0

DESCRIPTION	
Total number of indirect briefs to senior counsel	0
<b>JUNIOR COUNSEL</b>	
Number of direct briefs to male junior counsel	1
Number of direct briefs to female junior counsel	0
<b>Total number of direct briefs to junior counsel</b>	<b>1</b>
Number of indirect briefs to male junior counsel	0
Number of indirect briefs to female junior counsel	0
<b>Total number of indirect briefs to junior counsel</b>	<b>0</b>
<b>Total value of briefs to junior counsel (A)</b>	<b>\$17,967.54</b>
<b>DISBURSEMENTS</b>	
<b>Total value of disbursements (excluding counsel) (B)</b>	<b>\$8,703.39</b>
<b>PROFESSIONAL FEES</b>	
<b>Total value of professional fees</b>	<b>\$320,745.15</b>

Note: All figures are GST exclusive

## Grants programs

We do not administer grants programs.

## Disability reporting

Disability reporting occurs through the National Disability Strategy 2010–2020 and through the Australian Public Service Commission's *State of the Service Report* and *APS Statistical Bulletin*. This information is available at [www.apsc.gov.au](http://www.apsc.gov.au). High level two-yearly reports track progress against the strategy's six outcome areas. These reports are available at [www.dss.gov.au](http://www.dss.gov.au).

## Information Publication Scheme

Agencies subject to the *Freedom of Information Act 1982* are required to make certain information available to the public as part of the Information Publication Scheme established by Part II of that Act.

In accordance with the Information Publication Scheme, we publish information on our website.

This includes details of our functions, information about statutory appointments, and operational information such as policies and guidelines we use to make decisions or recommendations that affect members of the public.

## **Ecologically sustainable development and environmental performance**

We manage the environmental impact of our operations in accordance with the Australian National Audit Office better practice guide *Public Sector Environmental Management*.

In 2018–19 our building at 5 Farrell Place, Canberra maintained its 6-star energy rating under the National Australian Built Environment Rating System—the highest possible rating under the system. Other workplace initiatives include:

- contracting services to recycle organic waste, paper and cardboard
- reducing electricity use through staff actions such as turning off lights in unused rooms and turning off computer monitors at night, and
- purchasing electricity from 100 per cent renewable sources.



# APPENDIX E

## Entity resource statement and expenses by outcome

### Entity resource statement

Table 27: Clean Energy Regulator resource statement 2018–19

	Actual available appropriation for 2018–19 \$'000	Payments made 2018–19 \$'000	Balance remaining 2018–19 \$'000
<b>Ordinary annual services<sup>35</sup></b>			
Departmental appropriation <sup>36</sup>	92,427	73,159	19,268
<b>Total</b>	<b>92,427</b>	<b>73,159</b>	<b>19,268</b>
<b>Administered expenses</b>			
Outcome 1	205,425	130,979	
<b>Total</b>	<b>205,425</b>	<b>130,979</b>	
<b>Total ordinary annual services</b>	<b>297,852</b>	<b>204,138</b>	
<b>Other services</b>			
<b>Departmental non-operating</b>			
Equity injections <sup>37</sup>	27	-	27
<b>Total</b>	<b>27</b>	<b>-</b>	<b>27</b>
<b>Total available annual appropriations and payments</b>	<b>297,879</b>	<b>204,138</b>	
<b>Special appropriations</b>			
<b>Special appropriations limited by criteria/ entitlement</b>			
<i>Public Governance, Performance and Accountability Act 2013 – s77</i>		186	
<i>Renewable Energy (Electricity) Act 2000 – s157</i>		35,272	
<b>Total special appropriations</b>		<b>35,458</b>	
<b>Total resourcing and payments</b>	<b>297,879</b>	<b>239,596</b>	

<sup>35</sup> *Appropriation Act (No. 1) 2018-19*. This may also include prior-year departmental appropriation and section 74 retained revenue receipts.

<sup>36</sup> Includes an amount of \$1.161 million in 2018–19 for the departmental capital budget. For accounting purposes, this amount has been designated as 'contributions by owners'.

<sup>37</sup> *Appropriation Act (No. 2) 2016–17*.

## Expenses by outcome

**Table 28:** Clean Energy Regulator’s summary of total expenses by Outcome 1, 2018–19

	Budget <sup>38</sup> 2018–19 \$’000	Actual expenses 2018–19 \$’000	Variation 2018–19 \$’000
<b>Outcome 1: To contribute to a reduction Australia’s net greenhouse gas emissions, including through the administration of market based mechanisms that incentivise reduction in emissions and the promotion of additional renewable electricity generation.</b>			
<b>Program 1.1: Clean Energy Regulator</b>			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)	205,425	400,655	(195,230)
Special appropriations	330	35,458	(35,128)
Departmental expenses			
Departmental appropriation <sup>39</sup>	69,879	70,049	(170)
Expenses not requiring appropriation in the budget year	7,089	6,211	878
<b>Total for Program 1.1</b>	<b>282,723</b>	<b>512,373</b>	<b>(229,650)</b>
<b>Total expenses for Outcome 1</b>	<b>282,723</b>	<b>512,373</b>	<b>(229,650)</b>
	<b>2018–19</b>	<b>2017–18</b>	
<b>Average staffing level (number)</b>	315	313	

<sup>38</sup> Full-year budget, including any subsequent adjustment made to the 2018–19 budget at Additional Estimates.

<sup>39</sup> Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1, 3 and 5) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

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# GLOSSARY, ABBREVIATIONS AND ACRONYMS

ACCU	Australian carbon credit unit.
Air source heat pumps	Air source heat pump water heaters transfer heat from air outside the unit to water stored inside the unit. The air heats a special type of refrigerant (not a CFC) and the energy is used to heat the water.
ANREU	Australian National Registry of Emissions Units.
APS	Australian Public Service.
Baseline	The baseline is the amount of eligible electricity that an accredited power station must generate during a year before large-scale generation certificates can be created for that electricity. We determine baselines for power stations that operated before 1997 as prescribed by the Renewable Energy (Electricity) Regulations 2001.
Benchmark price	The maximum amount we would pay for emissions reductions at an auction.
Biomass	Biomass includes the following fuel sources: agricultural waste, bagasse, biomass-based components of municipal solid waste, black liquor, energy crops, food processing waste, food waste, landfill gas, sewage gas and biomass-based components of sewage, waste from processing of agricultural products and wood waste.
Buyer’s market damages	Buyer’s market damages allows the Commonwealth to recover the difference between the contracted price and the current market price for the ACCUs that have not been delivered. It represents the additional cost to the Commonwealth of purchasing abatement from alternative projects and makes up for the shortfall in delivery due to the seller failing to meet the requirements of the contract.
Carbon abatement contracts	A contract to sell ACCUs to the Australian Government. Carbon abatement contracts are standard commercial, payment-on-delivery contracts.
Carbon dioxide equivalent (CO <sub>2</sub> -e)	A measure of greenhouse gas emissions. Carbon dioxide equivalence is estimated by multiplying the amount of gas by the global warming potential of the gas.
Compliance year	The Renewable Energy Target operates on a calendar year basis, meaning liable entities must surrender large-scale generation certificates for their energy acquisition in the previous calendar year.

Controlling corporation	An entity that must register and report under the <i>National Greenhouse and Energy Reporting Act 2007</i> , as defined in section 7 of the Act.
Crediting	Participants receive one ACCU for each tonne of CO <sub>2</sub> -e stored or avoided through registered Emissions Reduction Fund projects.
Delivery under the Emissions Reduction Fund	This transaction refers to ACCUs transferred in the ANREU to make a delivery under a carbon abatement contract.
Displaced/displacement	The estimated reduction in demand for electricity from the grid that results from the installation of a solar water heater or air source heat pump.
Enforceable undertaking	Enforceable undertakings are written statements from a person or organisation that they will do or stop doing certain things in order to resolve breaches or improve compliance with the legislation.
Generation from accredited renewable energy power stations	<p>Accredited power stations can report their renewable energy generation and create large-scale generation certificates no later than 12 months after the calendar year in which the generation occurred.</p> <p>The above baseline generation number published in this report refers to generation for the financial year that has had large-scale generation certificates validated against it. This number will continue to rise due to the 12 month creation rule.</p>
Greenhouse gas emissions	<p>Greenhouse gas emissions refers to gases produced from human activity, such as carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). These emissions alter the natural greenhouse effect and encourage atmospheric warming.</p> <p>The greenhouse effect is created by naturally occurring gases such as water vapour (H<sub>2</sub>O) that insulate the earth, preventing the sun's heat from escaping and keep the earth at liveable temperatures.</p>
Issuance	The act of issuing units including ACCUs under the <i>Carbon Credits (Carbon Farming Initiative) Act 2011</i> and international units in accordance with United Nations Framework Convention on Climate Change directions.
Kilowatt	A kilowatt is a measurement of power. Power is the rate at which the energy is generated or used. One kilowatt is equal to 1000 watts.
Kilowatt hour	A kilowatt hour is a measure of electrical energy equivalent to a power consumption of 1000 watts for one hour.
Liable entity	A person who, during a year, makes a relevant acquisition of electricity is called a liable entity. Liable entities are mainly electricity retailers.

Megawatt	A megawatt is a measurement of power. Power is the rate at which the energy is generated or used. One megawatt is equal to 1000 kilowatts.
Megawatt hour	A megawatt hour is a measure of electrical energy equivalent to a power consumption of 1000 kilowatts for one hour.
Petajoules	A petajoule is a standard unit of energy. For electricity, one petajoule equals 277.78 million kilowatt hours.
Photovoltaic (PV) system	A photovoltaic system, also known as a solar PV power system or PV system, is a power system designed to convert sunlight into usable electrical power by means of photovoltaic cells.
Power purchase agreement	A power purchase agreement is typically a contract between an electricity retailer and the developer of a large-scale renewable energy power station, to source electricity or large-scale generation certificates created by the power station. Parties can sign a power purchase agreement before a power station is built, as a way to underpin and secure financial backing for the project, or at a later stage.
REC Registry	Renewable Energy Certificate Registry
Relinquish	In certain situations where excess units have been issued, a participant can be required to relinquish units; that is, return them to the Commonwealth. They include situations relating to reforestation, such as the voluntary withdrawal of reforestation projects from the relevant scheme and the issue of units as a result of fraudulent conduct by the recipient.
Renewable energy certificate	Renewable energy certificate refers to both large-scale generation certificates and small-scale technology certificates.
Renewable power percentage	The basis, set out in the Renewable Energy (Electricity) Regulations 2001, for calculating the number of large-scale generation certificates that a liable entity must purchase in a given year.
Reporting transfer certificate holders	A person who holds a reporting transfer certificate (RTC) must complete a final emissions report under s22G of the <i>National Greenhouse and Energy Reporting Act 2007</i> . This report contains information about the RTC facility's scope 1 and scope 2 emissions and energy production and consumption.
Safeguard Mechanism	The Safeguard Mechanism ensures that emissions reductions purchased through the Emissions Reduction Fund are not offset by significant increases in emissions above business-as-usual levels elsewhere in the economy.

Scope 1 emissions	The release of greenhouse gas into the atmosphere as a direct result of an activity or series of activities (including ancillary activities) that constitute the facility. For example, the emissions produced when coal is burned at a power station are scope 1 emissions.
Scope 2 emissions	The release of greenhouse gas into the atmosphere as a direct result of one or more activities that generate electricity, heating, cooling or steam that is consumed by the facility but that do not form part of the facility.
Secondary market	The market for units or certificates issued by the Clean Energy Regulator that occurs between two entities, not including the Clean Energy Regulator.
SES	Senior Executive Service.
Small generation units	Small-scale systems that generate electricity. These include small-scale solar panel, wind and hydro systems.
Solar panels	A panel designed to absorb the sun's rays as a source of energy for generating electricity or heating.
Sub-standard	A sub-standard small-scale system does not meet key clauses in the Clean Energy Council standards and requirements for installation, or relevant Australian Standards, and may lead to premature equipment failure or other issues. The installation work and or equipment should be improved. The system owner should contact the installation company or a qualified installer to rectify the items listed for improvement.
Surrender	This transaction allowed eligible units to be surrendered from an ANREU account.
Unsafe	An unsafe small-scale system has a safety hazard which poses an imminent risk to a person or property. The inspector shuts down the system and renders it safe. The inspector also advises the relevant state or territory regulatory authority of the nature and extent of the safety risk. The system owner should contact the installation company or a qualified installer to rectify the items listed for improvement.

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