

Australian Energy Market Commission

Financial report
for the year ended
30 June 2018



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To the Chairperson Australian Energy Market Commission

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 26(2) of the *Australian Energy Market Commission Establishment Act 2004*, I have audited the financial report of the Australian Energy Market Commission (the Commission) for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Australian Energy Market Commission as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairperson, Chief Executive and the Financial Controller.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report. I am independent of the Commission. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Conduct for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Commissioners for the financial report

The Commissioners are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The Commissioners are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 Australian 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 this financial report.

As part of an audit in accordance with Australian 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 report, 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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive 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 the audit.



Andrew Richardson

Auditor-General

20 September 2018

AUSTRALIAN ENERGY MARKET COMMISSION
ABN 49 236 270 144

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2018

Australian Energy Market Commission

Financial Statements for the year ended 30 June 2018

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**Australian Energy Market Commission
Financial Statements for the year ended 30 June 2018**

Report of the Auditor-General

Independent Auditor's Report

To the Chief Executive

(Audit Opinion to be inserted by Auditor-General)

A Richardson

AUDITOR-GENERAL

September 2018

**Australian Energy Market Commission
Financial Statements for the year ended 30 June 2018**

Certification of the Financial Statements

We certify that the:

- financial statements of the Australian Energy Market Commission (“the Commission”):
 - are in accordance with the accounts and records of the Commission; and
 - comply with relevant Treasurer’s instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Commission at the end of the financial year and the result of its operations and cash flows for the financial year.

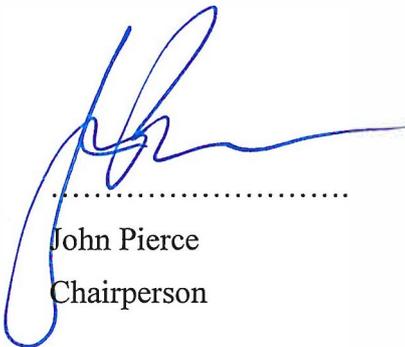
- Internal controls employed by the Commission over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



.....
Anne Pearson
Chief Executive



.....
Tricia Khoo
Financial Controller



.....
John Pierce
Chairperson

Date: 18 September 2018

**Australian Energy Market Commission
Financial Statements for the year ended 30 June 2018**

**Statement of Comprehensive Income
For the year ended 30 June 2018**

	Note	2018 \$'000	2017 \$'000
Expenses			
Employee benefits expenses	6	15,898	13,752
Supplies and services	9	9,244	9,019
Depreciation and amortisation expense	10	330	314
Net loss on disposal of non-current assets	11	1	6
Total expenses		25,473	23,091
Income			
Interest revenues	12	185	209
Other revenues	13	1,572	262
Total income		1,757	471
Net cost of providing services		(23,716)	(22,620)
Revenues from Government			
Contributions from participating jurisdictions	14	24,409	22,164
Net result		693	(456)
Total comprehensive result		693	(456)

The net result and total comprehensive result are attributable to the participating jurisdictions as owners.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Australian Energy Market Commission
Financial Statements for the year ended 30 June 2018

Statement of Financial Position
As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	15	13,623	13,223
Receivables	16	591	629
Total current assets		<u>14,214</u>	<u>13,852</u>
Non-current assets			
Property, plant and equipment	17	991	455
Intangible assets	18	1,040	328
Total non-current assets		<u>2,031</u>	<u>783</u>
Total assets		<u>16,245</u>	<u>14,635</u>
Current liabilities			
Payables	19	1,130	864
Employee benefits	20	1,215	992
Other liabilities	21	2,374	2,123
Total current liabilities		<u>4,719</u>	<u>3,979</u>
Non-current liabilities			
Payables	19	81	63
Employee benefits	20	765	615
Provisions	22	338	329
Total non-current liabilities		<u>1,184</u>	<u>1,007</u>
Total liabilities		<u>5,903</u>	<u>4,986</u>
Net Assets		<u>10,342</u>	<u>9,649</u>
Equity			
Retained earnings		8,325	7,632
Contributed capital		2,017	2,017
Total Equity	23	<u>10,342</u>	<u>9,649</u>

The total equity is attributable to the participating jurisdictions as owners.

Unrecognised contractual commitments

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Contingent assets and liabilities

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The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Australian Energy Market Commission
Financial Statements for the year ended 30 June 2018

Statement of Changes in Equity
For the year ended 30 June 2018

	Note	Contributed capital \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2016		2,017	8,088	10,105
Net result for 2016-17		-	(456)	(456)
Total comprehensive result for 2016-17		-	(456)	(456)
Balance at 30 June 2017		2,017	7,632	9,649
Net result for 2017-18		-	693	693
Total comprehensive result for 2017-18		-	693	693
Balance at 30 June 2018	23	2,017	8,325	10,342

All changes in equity are attributable to the participating jurisdictions as owners.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Australian Energy Market Commission
Financial Statements for the year ended 30 June 2018**

**Statement of Cash Flows
For the year ended 30 June 2018**

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(15,377)	(13,300)
Payments for supplies and services		(10,196)	(10,205)
Payments for paid parental leave scheme		(31)	(12)
Cash used in operations		<u>(25,604)</u>	<u>(23,517)</u>
Cash inflows			
Receipts from participating jurisdictions		24,652	23,436
Other receipts		1,981	372
Interest received		187	222
GST recovered from the ATO		692	824
Receipts for paid parental leave scheme		31	12
Cash generated from operations		<u>27,543</u>	<u>24,866</u>
Net cash provided by operating activities		<u>1,939</u>	<u>1,349</u>
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(703)	(127)
Purchase of intangibles		(836)	(163)
Cash used in investing activities		<u>(1,539)</u>	<u>(290)</u>
Net cash used in investing activities		<u>(1,539)</u>	<u>(290)</u>
Net increase in cash and cash equivalents		400	1,059
Cash and cash equivalents at the beginning of the period		<u>13,223</u>	<u>12,164</u>
Cash and cash equivalents at the end of the period		<u>13,623</u>	<u>13,223</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to & forming part of the Financial Statements For the year ended 30 June 2018

1. Basis of Financial Statements

1.1 Reporting entity

The Commission is a body corporate established under South Australian law.

The Commission does not control any other entity and has no interests in unconsolidated structured entities. The Commission has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity.

The objectives and activities of the Commission are detailed in Note 2.

Additionally, from March 2018, the Commission administers resources on behalf of the Energy Security Board (“ESB”). The ESB was established by the COAG Energy Council to coordinate the implementation of the reform blueprint produced by Australia’s Chief Scientist, Dr Alan Finkel AO. The ESB will also provide whole-of-system oversight for energy security and reliability to drive better outcomes for consumers. The ESB Board comprises the independent Chair and Deputy Chair, together with the Chairs of the Commission, the Australian Energy Regulator, and the Chief Executive Officer of the Australian Energy Market Operator.

Transactions and balances relating to these administered resources are not recognised as the Commission’s income, expenses, cash inflows or cash outflows, assets or liabilities. They are recognised as administered income, expenses, cash inflows, cash outflows, assets or liabilities under Note 28.

1.2 Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with South Australian Treasurer’s Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Commission has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity. The Commission applies Tier 2 Australian Accounting Standards reporting requirements.

1.3 Basis of preparation

The financial statements have been prepared on a 12 month period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$’000).

1.4 Taxation

The Commission is not subject to income tax. The Commission is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

2. Objectives and Activities

2.1 Objectives

The Australian Energy Market Commission (“the Commission”) was established on 22 July 2004 pursuant to the *Australian Energy Market Commission Establishment Act 2004 (South Australia)*. The Commission operates in Australia from a single office in Sydney, NSW.

The Commission’s key functions under the AEMC Establishment Act, the National Electricity Law, National Gas Law, and the National Energy Retail Law, are to:

- a) consider rule change requests and make rule determinations;
- b) conduct market reviews on request of the Ministerial Council on Energy (MCE), or on the AEMC’s own initiative; and
- c) provide advice on request from the MCE.

2.2 Activities

The Commission undertakes the following activities:

- a) make and revise the energy rules;
- b) undertake reviews and provides advice to governments and others on improvements to regulatory and energy market arrangements;
- c) responsible for developing electricity guidelines and standards together with the Reliability Panel; and
- d) undertake major projects which may involve a combination of reviews and rule changes conducted over an extended period of time.

3. Summary of Significant Accounting Policies

a) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

b) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$’000).

c) Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June 2018 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2018 and which may have a material impact on the results of subsequent years. Refer to Note 27.

d) Income

Income is recognised to the extent it is probable that the flow of economic benefits to the Commission will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Contributions received from participating jurisdictions

The Commission's funding is provided through contributions by the participating jurisdictions within the meaning of the National Electricity Law and the National Gas Law and the National Energy Retail Law. South Australia's contribution to the Commission is an expense of the SA Government and not an inter-agency transaction.

Contributions are recognised as an asset and income when the Commission obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable).

Generally, the Commission has obtained control or the right to receive for:

- Contributions with unconditional stipulations - this will be when the agreement becomes enforceable i.e. the earlier of when the receiving entity has formally been advised that the contribution has been approved; agreement/contract is executed; and/or the contribution is received.
- Contributions with conditional stipulations – this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

All contributions received by the Commission have been contributions with unconditional stipulations attached and have been recognised as an asset and income in the period in which they are earned.

e) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commission will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by another accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Commission to the superannuation plan in respect of current services of current Commission staff.

Depreciation and amortisation

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to tangible assets such as property, plant and equipment.

Asset residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate. These have not changed.

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets:

Class of Assets	Useful Life (years)
Plant and Equipment	3-20
Intangibles	4-5
IT Infrastructure	3-5

Net gain / loss on disposal of non-current assets

Any gain/ (loss) on disposal of assets are recognised at the date control of the asset is passed to the buyer and are determined after deducting the written down value from the proceeds of the asset sale at the time.

f) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities.

g) Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and for the purposes of the Statement of Cash Flows, include cash at bank and cash on hand and in other short-term, highly liquid investments with maturities of six months or less that are readily converted to cash and which are subject to insignificant risk in changes in value.

Cash is measured at nominal value.

Receivables

Receivables include funding receivable, net GST input tax credits recoverable, interest receivable, prepayments and other accruals.

Receivables are generally settled within 30 days after issue of an invoice. Collectability of receivables is reviewed on an on-going basis. An allowance for doubtful debts is raised when there is objective evidence that the Commission will not be able to collect the debt. Bad debts are written off when identified.

Non-current assets

Acquisition and recognition

Non-current assets are initially recorded at cost plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. All non-current tangible assets with a value equal to or in excess of \$2,000 are capitalised.

Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. No revaluation was performed for the year ended 30 June 2018 as the Commission did not have non-current assets which met the revaluation criteria.

Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Commission only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis.

The acquisition of, or internal development of software is capitalised when the expenditure meets the definition criteria (identifiably, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of the expenditure is greater than or equal to \$2,000.

h) Liabilities

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Payables

Payables include creditors, accrued expenses, net GST payable, employment on-costs and Paid Parental Leave Scheme payable.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Commission.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

The Paid Parental Leave Scheme payable represents amounts which the Commission has received from the Commonwealth Government to forward onto eligible employees via the Commission's standard payroll processes. That is, the Commission is acting as a conduit through which the payment to eligible employees is made on behalf of the Department of Human Services.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employee benefit on-costs include payroll tax, workers compensation levies and superannuation contributions in respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The Commission makes contributions to several externally managed superannuation schemes on behalf of employees. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Commission has entered into operating leases.

Operating leases

The Commission has an operating lease for its office accommodation. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased asset.

Lease incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability. The aggregate benefits of lease incentives received by the Commission in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Employee benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries, wages, annual leave and personal/carer's leave

The liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for personal/carer's leave as all personal/carer's leave is non-vesting and the average personal/carer's leave taken in future years by employees is estimated to be less than the annual entitlement for personal/carer's leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels,

experience of employee departures and periods of service. These assumptions are based on employee data across South Australian Government entities.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The unconditional portion of the long service leave provision is classified as current as the Commission does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service. However, the liability is classified as non-current if it is not expected to be settled wholly before 12 months after the reporting date.

Provisions

Provisions are recognised when the Commission has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability. The Commission has no requirement to recognise a workers compensation provision as workplace injuries are insured through iCare insurance (NSW), Zurich (ACT), WorkCover (QLD), EML (VIC) and Allianz West (WA).

Provision for make good

The Commission has recognised a provision for make good as a result of its obligation to return refurbished leasehold improvements to their original condition at the end of its operating lease for office accommodation.

i) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office. If GST is not payable to, or recoverable from, the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

4. New and revised accounting standards and policies

The Commission did not voluntarily change any of its accounting policies.

5. Economic dependency

The continued existence of the Commission in its present form is dependent on Government policy in each of the jurisdictions who fund the Commission, and the Commonwealth Government. The Commission is unable to borrow funds and retains capital and cash reserves sufficient to meet the majority of its liabilities and unrecognised contractual commitments.

To assist with revenue certainty, in December 2017 the Council of Australian Governments' Energy Council advised the approval of funding of \$28.889m for 2018-19.

6. EMPLOYEE BENEFITS

6.1 Employee benefits expenses

	2018	2017
	\$'000	\$'000
Salaries and wages	12,510	10,807
Long service leave	219	160
Annual leave	1,130	951
Employment on-costs - superannuation	1,250	1,007
Payroll and Fringe Benefits Tax	789	764
Relocation expenses	-	63
Total employee benefit expenses	15,898	13,752

Employees are appointed under common law contracts and are not employees under the South Australian *Public Sector Act 2009*. Commissioners are appointed by the Governor of South Australia on the recommendation of the Minister following nomination by the Ministerial Council on Energy or the Commonwealth as appropriate in accordance with the *Australian Energy Market Establishment Act 2004*.

6.2 Remuneration of employees

	2018	2017
	No.	No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$147,001 – \$149,000*	-	1
\$149,001 - \$159,000	3	2
\$159,001 – \$169,000	4	1
\$169,001 – \$179,000	2	6
\$179,001 – \$189,000	5	-
\$189,001 – \$199,000	5	2
\$199,001 – \$209,000	6	6
\$209,001 – \$219,000	4	1
\$219,001 – \$229,000	-	1
\$229,001 – \$239,000	1	2
\$259,001 – \$269,000	-	2
\$269,001 – \$279,000	1	-
\$279,001 – \$289,000	-	1
\$289,001 - \$299,000	2	1
\$309,001 - \$319,000	1	-
\$319,001 - \$329,000	2	-
\$369,001 – \$379,000	-	1
\$429,001 - \$439,000	1	-
Total number of employees	37	27

*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2017-18.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year, as established by the South Australia Department of Treasury and Finance.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any net fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$7,916,000 (2017: \$5,660,000).

7. Remuneration of Commissioners

The following persons held the position of Commissioner during the financial year:

John Pierce (Chair) (appointed 2 June 2010 and re-appointed 2 June 2015)

Neville Henderson (appointed 19 October 2009 and re-appointed 19 October 2014, and retired 16 February 2018)

Brian Spalding (appointed 19 April 2010, re-appointed 19 April 2013, and 19 April 2016)

Charles Pople (appointed 17 February 2018)

Allison Warburton (appointed 12 March 2018)

Michelle Shepherd (appointed 11 June 2018)

The number of Commissioners whose remuneration received or receivable falls within the following bands:	2018 No.	2017 No.
\$10,000 - \$19,999	1	-
\$90,000 - \$99,999	2	-
\$170,000 - \$179,999	1	-
\$210,000 - \$219,999	1	2
\$570,000 - \$579,999	-	1
\$580,000 - \$589,999	1	-
Total number of Commissioners	6	3

Remuneration of Commissioners reflects all costs of performing Commission member duties including sitting fees, salaries and wages, superannuation contributions, salary sacrifice benefits and fringe benefits and any net fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by Commissioners for the year was \$1,178,000 (2017: \$1,002,000).

Remuneration of committee members

Committee Members during the 2017-18 financial year were:

Audit and Risk Management Committee

Brian Spalding (*appointed 19 April 2010 and re-appointed 19 April 2013, and 19 April 2016, resigned 23 April 2018*)

Jim Mitchell (Chair) (*appointed 1 July 2015 and re-appointed 1 July 2017*)

Jane Byrne (*appointed 1 July 2015 and re-appointed 1 July 2017*)

Allison Warburton (*appointed 23 April 2018*)

Reliability Panel

Neville Henderson (*appointed 3 November 2009, and re-appointed 19 October 2014, and retired 16 February 2018*)

Brian Spalding (*appointed 17 February 2018, as Chair*)

The number of committee members whose remuneration received or receivable falls within the following bands:	2018 No.	2017 No.
\$0 – \$9,999	2	-
\$10,000 – \$19,999	-	2
Total number of members	2	2

Remuneration of committee members reflects all costs of performing committee member duties including sitting fees, salaries and wages, superannuation contributions, salary sacrifice

benefits and fringe benefits and any net fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by committee members for the year was \$15,000 (2017: \$24,000).

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

8. Related party transactions

The Commission is a statutory authority established pursuant to the *Australian Energy Market Commission Establishment Act 2004*.

The Commission is not owned or controlled by the South Australian Government. Related parties of the Commission include all key management personnel, their close family members and any entities controlled by those persons.

Key management personnel

Key management personnel of the authority include the Commissioners, the Chief Executive and six members of the senior management team who have responsibility for the strategic direction and management of the Commission.

Total compensation for the Commission's key management personnel is \$3,613,000 (2017: \$3,111,000).

Transactions with Key management personnel and other related parties

There were no transactions with key management personnel or other related parties in the financial year.

9. Supplies and services

	2018	2017
	\$'000	\$'000
Property expenses ^	1,708	1,661
Information technology expenses	993	966
Accounting, legal and audit expenses	409	304
Project contractor and consultancy expenses #	2,882	3,180
Other contractor and consultancy expenses	840	572
Project support expenses *	672	424
General office administration expenses	204	154
Travel and accommodation expenses	650	676
Recruitment expenses	233	310
Staff training expenses	552	681
Other staff related expenses	101	91
Total supplies and services	9,244	9,019

^ Includes operating lease payments, which are recognised as an expense on a straight-line basis over the lease term, as it is representative of the pattern of benefits derived from the leased assets. These payments totalled \$1,186,000 (2017: \$1,184,000).

Includes professional services such as economic advice, modelling, and legal advice directly related to project work on rule changes, market reviews and expert panels.

* Includes stakeholder communication, venue hire, research data and statutory advertising directly related to project work on rule changes, market reviews and expert panels.

The total supplies and services amount disclosed includes GST amount not recoverable from the ATO due to the Commission not holding a tax invoice or payments related to third party payments.

The number and dollar amount paid/payable in total to each consultant that fell within the following bands:	2018		2017	
	No.	\$'000	No.	\$'000
Below \$10,000	4	11	-	-
Above \$10,000	24	*3,137	28	3,088
Total paid/payable to the consultants engaged	28	3,148	28	3,088

* These amounts included fees for various modelling and advice relating to the ESB, which totalled \$405,000 (2017: \$NIL). These fees were recovered from the Department of the Environment and Energy and disclosed under 'Other Revenues'. Accordingly, excluding these recovered amounts, 23 consultants were engaged for the year, which totalled to \$2,743,000.

10. Depreciation and amortisation expense

	2018	2017
	\$'000	\$'000
Plant and equipment	18	24
IT Infrastructure	150	131
Intangible assets	162	159
Total depreciation and amortisation	330	314

11. Net loss on disposal/write-off of non-current and other assets

	2018	2017
	\$'000	\$'000
Plant and equipment		
Proceeds from disposal	-	-
Less net book value of assets disposed	1	6
Net loss from write-off of plant and equipment	(1)	(6)
IT infrastructure		
Proceeds from disposal	-	-
Less net book value of assets disposed	-	-
Net loss from write-off of IT infrastructure assets	-	-
Total assets		
Total proceeds from disposal	-	-
Less total value of assets disposed	1	6
Total net loss from disposal of assets	(1)	(6)

12. Interest revenues

	2018	2017
	\$'000	\$'000
Interest earned on bank accounts	185	209
Total interest revenues	185	209

13. Other revenues

	2018	2017
	\$'000	\$'000
Recovery of project and staff secondment costs	1,572	262
Total other revenues	<u>1,572</u>	<u>262</u>

14. Contributions from participating jurisdictions

	2018	2017
	\$'000	\$'000
Operational funding	24,409	22,164
Total contributions from participating jurisdictions	<u>24,409</u>	<u>22,164</u>

15. Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Cash at bank and on hand	7,304	7,007
Short-term deposits	6,319	6,216
Total cash and cash equivalents	<u>13,623</u>	<u>13,223</u>

Short – term deposits

Short-term deposits are made for varying periods of three months and six months. The deposits are lodged with the ANZ bank and earn interest at the respective short-term deposit rates

16. Receivables

	2018	2017
	\$'000	\$'000
Current		
Interest receivable	40	42
Prepayments	368	347
GST input tax recoverable	-	218
Other receivables	183	22
Total receivables	<u>591</u>	<u>629</u>

Allowance for doubtful debts

As at 30 June 2018, there was no objective evidence that a receivable was impaired. Therefore the Commission has not recognised any allowance for doubtful debts.

17. Property, plant and equipment

	2018	2017
	\$'000	\$'000
Plant and Equipment, at cost (deemed fair value)	205	209
Accumulated depreciation at the end of the period	(101)	(85)
Total plant and equipment	<u>104</u>	<u>124</u>
Work in progress	533	-
Total plant and equipment and work in progress	<u>637</u>	<u>124</u>
IT Infrastructure, at cost (deemed fair value)	1,017	898
Accumulated depreciation at the end of the period	(710)	(583)
Total IT infrastructure	<u>307</u>	<u>315</u>
Work in progress	47	16
Total IT infrastructure and work in progress	<u>354</u>	<u>331</u>
Total Property, plant and equipment	<u>991</u>	<u>455</u>

All property, plant and equipment assets are classified as a level 2 asset for the purposes of the fair value hierarchy.

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2018.

Reconciliation of non-current assets

The following table shows the movement of non-current assets during 2018.

	2018	2017
	\$'000	\$'000
Plant and Equipment		
Carrying amount at beginning of the period	124	120
Acquisitions	-	28
Disposals/write-offs	(3)	(2)
Depreciation adjustment for write-offs	2	2
Depreciation and amortisation	(19)	(24)
Carrying amount at the end of the period	<u>104</u>	<u>124</u>
Work in Progress	533	-
Total Plant and Equipment	<u>637</u>	<u>124</u>
IT Infrastructure		
Carrying amount at beginning of the period	331	195
Acquisitions	126	258
Disposals/write-offs	(22)	(206)
Depreciation adjustment for write-offs	22	199
Depreciation and amortisation	(150)	(131)
Carrying amount at the end of the period	<u>307</u>	<u>315</u>
Work in Progress	47	16
Total IT infrastructure	<u>354</u>	<u>331</u>
Total property, plant and equipment	<u>991</u>	<u>455</u>

18. Intangible assets

	2018	2017
	\$'000	\$'000
Computer software, at cost (deemed fair value)	3,070	2,943
Accumulated amortisation	(2,721)	(2,624)
Total computer software	349	319
Work in progress	691	9
Total intangible assets	1,040	328
Reconciliation of computer software		
Carrying amount at beginning of the period	328	324
Acquisitions	182	154
Disposals/write-offs	(65)	-
Amortisation adjustment for write-offs	65	-
Amortisation	(161)	(159)
Carrying amount at the end of the period	349	319
Work in Progress	691	9
Total intangible assets	1,040	328

All intangible assets are classified as a level 2 asset for the purposes of the fair value hierarchy.

Impairment

There were no indications of impairment on intangible assets at 30 June 2018.

19. Payables

	2018	2017
	\$'000	\$'000
Current		
Creditors	26	99
Accrued expenses	861	625
GST input tax payable	79	-
Employment on-costs	164	140
Total current payables	1,130	864
Non-Current		
Employment on-costs	81	63
Total non-current payables	81	63
Total payables	1,211	927

20. Employee benefits

	2018	2017
	\$'000	\$'000
Current		
Accrued salaries and wages	341	236
Annual leave	855	711
Long service leave	19	45
Total current employee benefits	<u>1,215</u>	<u>992</u>
Non-current		
Long service leave	765	615
Total non-current employee benefits	<u>765</u>	<u>615</u>
Total employee benefits	<u>1,980</u>	<u>1,607</u>

Australian Accounting Standard - AASB 119 - Employee Benefits, contains the calculation methodology for long service leave liability. The actuarial assessment is performed by the SA Department of Treasury who provide the basis for the measurement of long service leave.

21. Other liabilities

	2018	2017
	\$'000	\$'000
Current		
Unearned revenue	2,110	1,867
Deferred lease incentive*	264	256
Total other liabilities	<u>2,374</u>	<u>2,123</u>

* Deferred lease incentive is the net difference between total rent paid year to date for the office accommodation lease, and the year to date costs calculated on a straight line basis.

22. Provisions

	2018	2017
	\$'000	\$'000
Non-current		
Provision for make good	338	329
Total non-current provisions	<u>338</u>	<u>329</u>
<i>Reconciliation of provision for make good</i>		
Carrying amount at the beginning of the period	329	331
Provision to make good leasehold premises	9	(2)
Carrying amount at end of the period	<u>338</u>	<u>329</u>

23. Equity

	2018	2017
	\$'000	\$'000
Contributed Capital		
New South Wales	750	750
Victoria	556	556
Queensland	432	432
South Australia	173	173
Tasmania	54	54
Australian Capital Territory	36	36
Western Australia	14	14
Northern Territory	2	2
Total contributed capital	<u>2,017</u>	<u>2,017</u>
Retained earnings	8,325	7,632
Total Equity	<u><u>10,342</u></u>	<u><u>9,649</u></u>

The Funding Agreement with the Jurisdictions provides for the maintenance of a Capital reserve to meet any adverse funding situation or unexpected cash flows. Each State and Territory provided their portion of the funds for the Capital reserve which is intended to be retained by the Commission for its lifetime.

24. Unrecognised contractual commitments

24.1 Capital commitments

	2018	2017
	\$'000	\$'000
Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:		
Within one year	29	-
Total capital commitments	<u>29</u>	<u>-</u>

	2018	2017
	\$'000	\$'000
24.2 Expenditure commitments - other		
Within one year	1,225	902
Later than one year but not longer than five years	131	169
Total commitments - other	<u>1,356</u>	<u>1,071</u>

The Commission's other commitments are for agreements for provision of services.

24.3 Operating lease commitments

	2018 \$'000	2017 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases, contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1,188	1,138
More than one year but not later than five years	2,420	3,608
Later than five years	-	-
Total operating lease commitments	<u>3,608</u>	<u>4,746</u>
Representing		
Non-cancellable operating leases	3,608	4,746
Total operating lease commitments	<u>3,608</u>	<u>4,746</u>

The Commission's operating leases are for office accommodation. Office accommodation is leased from Perron Investments Pty Ltd and Perpetual Trustee Company Limited. A lease commenced 1 June 2013 and is non-cancellable with a term of eight years (expiring on 31 May 2021) with an option to renew for a further five years. Rent is payable monthly in advance. The lease rental increments are fixed at 4.0% per annum for the lease term.

25. Contingent assets and liabilities

The Commission is not aware of any contingent assets and liabilities.

26. Financial risk management/ Financial instruments

26.1 Financial risk management

Risk management is managed by the Commission's corporate services and legal sections and risk management policies are in accordance with ISO 31000 - International Standard for Risk Management – Principles and guidelines.

26.2 Liquidity risk

The Commission is funded principally from contributions by the Jurisdictions. On an annual basis, the Commission submits its annual budget together with a 3 year forward estimate to the COAG Energy Council for approval.

26.3 Categorisation of financial instruments

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability are disclosed in Note 2 Summary of significant accounting policies.

The Commission does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer Notes 3, 16 and 19).

Categorisation analysis of financial assets and liabilities

Category of financial asset and financial liability	Notes	2018 Carrying amount/ Fair value (\$'000)	2017 Carrying amount/ Fair value (\$'000)
Financial assets			
Cash and cash equivalents	15	13,623	13,223
Receivables (1), (2)	16	223	65
Total financial assets		13,846	13,288
Financial liabilities			
Financial liabilities at cost			
Payables (1)	19	656	564
Total financial liabilities		656	564

- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax etc. they would be excluded from the disclosure. The standard defines 'contract' as enforceable by law. All amounts recorded are carried at cost.
- (2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 16 as trade and other receivables in accordance with paragraph 78(b) of AASB 101 – Presentation of financial statements. However, prepayments are not financial assets as defined in AASB 132 – Financial instruments presentation, as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

27. Events after reporting period

There are no events occurring after 30 June that have a material financial implication on the financial statements.

28. Disclosure of administered items

From March 2018, the Commission administers resources on behalf of the ESB. Refer to Note 1.1 for further details.

Transactions and balances relating to these administered resources are not recognised as the Commission's income, expenses, cash inflows or cash outflows, assets or liabilities. They are recognised under Note 28 as administered income, expenses, cash inflows, cash outflows, assets or liabilities.

	2018 \$'000	2017 \$'000
Administered income:		
Contributions from the Commonwealth	4,156	-
Interest revenue	3	-
Total administered income	<u>4,159</u>	<u>-</u>
Administered expenses:		
Secondment fees	230	-
Supplies and services	432	-
Total administered expenses	<u>662</u>	<u>-</u>
Net result	<u>3,497</u>	<u>-</u>
Administered current assets:		
Cash	3,669	-
Total administered assets	<u>3,669</u>	<u>-</u>
Administered current liabilities:		
Accrued expenses – due to the AEMC	172	-
Total administered liabilities	<u>172</u>	<u>-</u>
Net administered assets	<u>3,497</u>	<u>-</u>
Administered equity		
Retained earnings	3,497	-
Total administered equity	<u>3,497</u>	<u>-</u>
Changes in equity		
Balance at 1 July	-	-
Net result	3,497	-
Balance at 30 June	<u>3,497</u>	<u>-</u>

	2018	2017
	\$'000	\$'000
Cash flows from operating activities:		
Cash inflows:	4,156	-
Contributions from the Commonwealth		
Interest received	3	-
Total administered income	<u>4,159</u>	<u>-</u>
Cash outflows:		
Secondment fees	(132)	-
Payments for supplies and services	(358)	-
Total administered expenses	<u>(490)</u>	<u>-</u>
Net cash inflows/(outflows) from operating activities	<u>3,669</u>	<u>-</u>
Net increase/(decrease) in cash	3,669	-
Cash at 1 July	<u>-</u>	<u>-</u>
Cash at 30 June	<u>3,669</u>	<u>-</u>