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## To the Chairperson Australian Energy Market Commission

### Opinion

I have audited the financial report of the Australian Energy Market Commission for the financial year ended 30 June 2023.

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 2023, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards – Simplified Reporting Requirements.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Chairperson, the Chief Executive and the Interim Head of Finance.

### 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 Australian Energy Market 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 Ethics for Professional Accountants (including Independence Standards)* have been met.

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

### **Responsibilities of the Chief Executive and the Commissioners for the financial report**

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards – Simplified Reporting Requirements, 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.

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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

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

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 Australian Energy Market Commission for the financial year ended 30 June 2023.

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, but not for the purpose of expressing an opinion on the effectiveness of the Australian Energy Market Commission's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- conclude on the appropriateness of the Chief Executive'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 report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- 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 and the Commission about, 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.



Daniel O'Donohue  
**Assistant Auditor-General (Financial Audit)**

26 September 2023

**Australian Energy Market Commission**  
**ABN 49 236 270 144**

**Annual Financial Statements**  
**for the year ended**  
**30 June 2023**

**Simplified Disclosures**

# Australian Energy Market Commission

## 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 for the financial year over its financial reporting and its preparation of financial statements have been effective.



.....

Benn Barr  
Chief Executive



.....

Christopher Brennan  
Interim Head of Finance  
(Appointed 14 August 2023)



.....

Anna Collyer  
Chairperson

Date: 19 September 2023

# Australian Energy Market Commission

## Statement of Comprehensive Income

for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Income</b>			
Contributions from participating jurisdictions	2.1	33,603	31,133
Sales of goods and services	2.2	2,501	2,360
Other income	2.3	395	14
<b>Total income</b>		<b>36,499</b>	<b>33,507</b>
<b>Expenses</b>			
Employee benefits expenses	3.4	22,294	21,778
Supplies and services	4.1	10,403	8,017
Depreciation and amortisation	5.5, 5.6	3,503	3,483
Interest expense	4.2	264	294
Other expenses	4.3	(1)	4
<b>Total expenses</b>		<b>36,463</b>	<b>33,576</b>
<b>Net result</b>		<b>36</b>	<b>(69)</b>
<b>Total comprehensive result</b>		<b>36</b>	<b>(69)</b>

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the participating jurisdictions as owners.

# Australian Energy Market Commission

## Statement of Financial Position

as at 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6.2	19,005	17,453
Receivables	6.3	1,921	1,570
<b>Total current assets</b>		<b>20,926</b>	<b>19,023</b>
<b>Non-current assets</b>			
Property, plant and equipment	5.1	18,858	21,638
Intangible assets	5.6	609	965
<b>Total non-current assets</b>		<b>19,467</b>	<b>22,603</b>
<b>Total assets</b>		<b>40,393</b>	<b>41,626</b>
<b>Current liabilities</b>			
Payables	7.2	2,030	1,319
Lease liabilities	7.3	2,584	2,517
Employee benefits	3.5	1,379	1,455
Other liabilities	7.4	3,584	3,200
<b>Total current liabilities</b>		<b>9,577</b>	<b>8,491</b>
<b>Non-current liabilities</b>			
Payables	7.2	50	41
Employee benefits	3.5	438	386
Lease liabilities	7.3	16,480	18,899
Provisions	7.5	854	851
<b>Total non-current liabilities</b>		<b>17,822</b>	<b>20,177</b>
<b>Total liabilities</b>		<b>27,399</b>	<b>28,668</b>
<b>Net Assets</b>		<b>12,994</b>	<b>12,958</b>
<b>Equity</b>			
Retained earnings		10,977	10,941
Contributed capital		2,017	2,017
<b>Total Equity</b>	8.1	<b>12,994</b>	<b>12,958</b>

The accompanying notes form part of these financial statements. The total equity is attributable to the participating jurisdictions as owners.

# Australian Energy Market Commission

## Statement of Changes in Equity

for the year ended 30 June 2023

	Note	Contributed capital \$'000	Retained earnings \$'000	Total Equity \$'000
<b>Balance at 1 July 2021</b>		<b>2,017</b>	<b>11,010</b>	<b>13,027</b>
Net result for 2021-22		-	(69)	(69)
<b>Total comprehensive result for 2021-22</b>		<b>-</b>	<b>(69)</b>	<b>(69)</b>
<b>Balance at 30 June 2022</b>		<b>2,017</b>	<b>10,941</b>	<b>12,958</b>
Net result for 2022-23		-	36	36
<b>Total comprehensive result for 2022-23</b>		<b>-</b>	<b>36</b>	<b>36</b>
<b>Balance at 30 Jun 2023</b>	8.1	<b>2,017</b>	<b>10,977</b>	<b>12,994</b>

The accompanying notes form part of these financial statements. All changes in equity are attributable to the participating jurisdiction as owners.

# Australian Energy Market Commission

## Statement of Cash Flows

for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
<i>Cash inflows</i>			
Receipts from participating jurisdictions		35,006	31,509
Sales of goods and services		1,668	2,009
Interest received		264	17
GST recovered from the ATO		1,291	1,243
Receipts for paid parental leave scheme		11	28
<b>Cash generated from operations</b>		<b>38,240</b>	<b>34,806</b>
<i>Cash outflows</i>			
Employee benefits payments		(20,143)	(22,340)
Payments for supplies and services		(13,515)	(9,314)
Payments for paid parental leave scheme		(11)	(28)
Interest paid		(288)	(321)
<b>Cash used in operations</b>		<b>(33,957)</b>	<b>(32,003)</b>
<b>Net cash provided by operating activities</b>		<b>4,283</b>	<b>2,803</b>
<b>Cash flows from investing activities</b>			
<i>Cash inflows</i>			
Proceeds from the sale of property, plant and equipment		-	1
<b>Cash generated from investing activities</b>		<b>-</b>	<b>1</b>
<i>Cash outflows</i>			
Purchase of property, plant and equipment		(369)	(211)
Purchase of intangibles		-	(222)
<b>Cash used in investing activities</b>		<b>(369)</b>	<b>(433)</b>
<b>Net cash used in investing activities</b>		<b>(369)</b>	<b>(432)</b>
<b>Cash flows from financing activities</b>			
Repayment of principal portion of lease liabilities		(2,362)	(2,231)
<b>Cash used in financing activities</b>		<b>(2,362)</b>	<b>(2,231)</b>
<b>Net cash used in financing activities</b>		<b>(2,362)</b>	<b>(2,231)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,552</b>	<b>140</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>17,453</b>	<b>17,313</b>
<b>Cash and cash equivalents at the end of the period</b>	6.2	<b>19,005</b>	<b>17,453</b>

The accompanying notes form part of these financial statements.

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# 1. About the Australian Energy Market Commission

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 1.2.

The Commission continues to administer 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 Chair (also Chair of the Australian Energy Market Commission), Chair of the Australian Energy Regulator, and the Chief Executive Officer and Managing Director of the Australian Energy Market Operator.

In May 2023 Energy Ministers approved establishing the Energy Advisory Panel (EAP) as a refocusing of the Energy Security Board (ESB) to coordinate market bodies' advice to governments under the National Energy Transformation Partnership with effect from 1 July 2023. The AEMC will not administer funds on behalf of the EAP. Any projects handled by the ESB that are re-tasked to the AEMC will receive relevant funding which will become controlled funds of the AEMC in the financial year 2024 onwards.

The transition, including any funds to complete projects re-tasked to the AEMC is currently being worked through in collaboration with the Energy Special Account Secretariat, for approval by Senior Energy Officials.

Transactions and balances relating to the administered resources are not recognised as the Commission's income, expenses, cash inflows or cash outflows, assets or liabilities. Administered financial statements relating to administered resources are disclosed in note 10.

## 1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- South Australian Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the provisions of the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards, applying simplified disclosures.

For the purposes of preparing the financial statements, the Commission is a not-for-profit entity. The financial statements are prepared on a 12-month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is identified in the notes to the financial statements.

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.

Cash flows include GST in the Statement of Cash Flows.

Assets and liabilities that are to be sold, consumed or realised as part of the normal 12-month operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

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.

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

## **1.2. Objectives and activities**

### **Objectives**

The Australian Energy Market Commission (the AEMC or 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 Energy Ministers or on the AEMC's own initiative; and
- c) provide advice on request from Energy Ministers.

### **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) develop 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.

## **1.3. 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, the Ministerial Council on Energy approves funding for the Commission for two forward years based on the funding submission put forward by the Commission in August each year. In February 2022 the Ministerial Council on Energy advised the approval of funding of \$36.677m for the Core Budget of the Commission for the financial year 2023-24. Subject to formal approval, funding for projects handled by the ESB that are being re-tasked to the AEMC (which will become controlled funds of the AEMC in the financial year 2024) totals \$2.628m.

## 2. 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.

### 2.1. Contributions from participating jurisdictions

	2023 \$'000	2022 \$'000
Operational funding	33,603	31,133
<b>Total contributions from participating jurisdictions</b>	<b>33,603</b>	<b>31,133</b>

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. All jurisdictions' contributions to the Commission are expenses of the respective State and Territory Governments and are not inter-agency transactions.

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).

### 2.2. Sales of goods and services

All revenue from the sale of goods and services is revenue recognised from contracts with customers.

	2023 \$'000	2022 \$'000
Recovery for staff secondment costs	2,170	2,167
Recovery for corporate services	331	193
<b>Total sales of goods and services</b>	<b>2,501</b>	<b>2,360</b>

Contract receivables primarily relate to the Commission's rights to consideration for work completed in respect of the secondment contracts with the Energy Security Board.

Provision of staff secondment and corporate services for back-office support to customers requires the ongoing provision of services over the term of the agreement, for which recovery revenue is recognised over the time services are provided. This is because the employees' obligations are satisfied over time.

Payments are generally due monthly in arrears for the ongoing provision of staff secondment and corporate services. Revenue is based on recovery for the employment costs incurred and estimated on-costs if applicable in respect of the staff secondment services, or as provided for in the secondment agreement. Revenue for corporate services recovery is based on an agreed monthly amount.

### 2.3. Other income

	2023 \$'000	2022 \$'000
Interest income	395	14
<b>Total other income</b>	<b>395</b>	<b>14</b>

### 3. Commissioners, committees and employees

#### 3.1. Key management personnel

Key management personnel of the authority include the Commissioners, the Chief Executive and five members of the Executive Leadership Team who have responsibility for the strategic direction and management of the Commission.

Total compensation for key management personnel is \$4,485,503 in 2022-23 and \$4,519,000 in 2021-22.

#### ***Transactions with key management personnel and other related parties***

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.

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

#### 3.2. Commissioners

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

Anna Collyer (Chair)

Sally McMahon (term commenced 10 October 2022)

Charles Pople

Michelle Shepherd (resigned on 30 June 2023)

Tim Jordan (term commenced 10 October 2022)

#### ***Remuneration of Commissioners***

The number of Commissioners whose remuneration received or receivable falls within the following bands:	2023	2022
	No	No
\$280,000 – \$299,999	2	1
\$300,000 – \$319,999	-	1
\$380,000 – \$399,999	-	2
\$420,000 – \$439,999	2	-
\$700,000 – \$719,999	-	1
\$800,000 – \$819,999	1	-
<b>Total number of Commissioners</b>	<b>5</b>	<b>5</b>

Commissioners are appointed by the Governor of South Australia on the recommendation of the Minister following nomination by the Ministerial Council on Energy as appropriate in accordance with the *Australian Energy Market Establishment Act 2004*.

The total remuneration received or receivable by Commissioners as of 30 June 2023 was \$2,232,857 (2022: \$2,082,000). 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.

Commissioners respective travel days and times are dictated by the AEMC’s requirement for them to attend AEMC meetings, functions, and event schedules, including meetings and other internal and external stakeholder activity to carry out their roles. Fringe benefit tax is payable for a portion of travel from Commissioners state of residence, which is reflected in the table above, noting travel has increased following the end of COVID-19 restrictions.

### 3.3. Committee members

#### Remuneration of committee members

Committee Members during the 2022-23 financial year were:

#### **Reliability Panel**

Charles Popple (Chair)

#### **Audit and Risk Management Committee (ARMC)**

David Pendleton

Stephen Horne

Michelle Shepherd (resigned 8 May 2023)

Sally McMahon (appointed 8 May 2023)

The number of external ARMC members (excluding the Commissioners) whose remuneration received or receivable falls within the following bands:	<b>2023</b> <b>No</b>	<b>2022</b> <b>No</b>
\$0 – \$19,999	2	2
<b>Total number of members</b>	<b>2</b>	<b>2</b>

The total remuneration received or receivable by external ARMC members (excluding the Commissioners) as of 30 June 2023 was \$21,000 (2022: \$26,000). Remuneration of external ARMC members (excluding the Commissioners) reflects all costs of performing ARMC 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.

### 3.4. Employee benefits expense

	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>
Salaries and wages	17,664	17,531
Long service leave	120	18
Annual leave	1,504	1,457
Employment on-costs – superannuation	1,829	1,693
Payroll and Fringe Benefits Tax	1,171	1,050
Relocation expenses	6	29
<b>Total employee benefit expenses</b>	<b>22,294</b>	<b>21,778</b>

Employees are appointed under common law contracts and are not employees under the South Australian *Public Sector Act 2009*.

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

### **Employment on-costs superannuation**

The superannuation employment on-cost represents the contributions made by the Commission to the superannuation plan in respect of the current services of current Commission staff.

### **Employee remuneration**

The number of employees whose remuneration received or receivable falls within the following bands:	<b>2023</b> <b>No</b>	<b>2022</b> <b>No</b>
\$157,001 – \$160,000*	N/a	1
\$160,001 – \$180,000**	14	13
\$180,001 – \$200,000	8	4
\$200,001 – \$220,000**	6	5
\$220,001 – \$240,000	4	7
\$240,001 – \$260,000**	10	7
\$260,001 – \$280,000	4	3
\$280,001 – \$300,000	-	3
\$300,001 – \$320,000	1	-
\$320,001 – \$340,000	-	1
\$340,001 – \$360,000	3	3
\$360,001 – \$380,000	-	1
\$380,001 – \$400,000	1	-
\$480,001 – \$500,000	-	1
\$500,001 – \$520,000	1	-
\$620,001 – \$640,000	-	1
<b>Total number of employees</b>	<b>52</b>	<b>50</b>

\* This band has been included for the purpose of reporting comparative figures based on the executive base-level remuneration rate for 2021-22.

\*\* This band includes employees who received eligible termination payments.

The total remuneration received by those employees as of 30 June 2023 was \$11,896,000 (2022: \$12,089,000).

The table includes all employees whose normal remuneration was 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 as well as any termination benefits for employees who have left the Commission.

### 3.5. Employee benefits liability

	2023 \$'000	2022 \$'000
<b>Current</b>		
Accrued salaries and wages	2	6
Annual leave	1,195	1,294
Long service leave	182	155
<b>Total current employee benefits</b>	<b>1,379</b>	<b>1,455</b>
<b>Non-current</b>		
Long service leave	438	386
<b>Total non-current employee benefits</b>	<b>438</b>	<b>386</b>
<b>Total employee benefits</b>	<b>1,817</b>	<b>1,841</b>

Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

#### **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 expected timing and amount of long service leave payments is determined through whole-of-government actuarial calculations, which are then applied to the Commission's employee details.

Key assumptions include whether the characteristics of employee remuneration, terms of service in accordance with employment contracts, and expectations as to when employees take long service leave, as established by the actuary, are applicable to employees of the Commission. These assumptions affect both the expected amount to be paid that has been factored into the calculation of the liability.

The discount rate used in measuring the liability is another key assumption. The discount rate is reflective of long-term Commonwealth Government bonds. The yield on long-term Commonwealth Government bonds has increased from 3.5% in 2022 to 4.0% in 2023. The increase in the bond yield results in a decrease in the reported long service leave liability.

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 for NSW and 7 years for Victoria.

## 4. Expenses

Employee benefits expenses are disclosed in note 3.4.

### 4.1. Supplies and services

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Property expenses	92	84
Information technology expenses	2,882	1,941
Accounting, legal and audit expenses	305	308
Project contractor and consultancy expenses #	3,748	3,120
Other contractor and consultancy expenses	549	571
Project support expenses *	286	259
General office administration expenses	221	108
Short-term and low-value leases	27	33
Variable lease payments	526	520
Travel and accommodation expenses	420	115
Recruitment expenses	535	347
Staff training expenses	524	354
Other staff-related expenses	288	257
<b>Total supplies and services</b>	<b>10,403</b>	<b>8,017</b>

# 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.

### Consultants

The AEMC supplements its own resources with consultants. The number of consultancies and dollar amount paid/ payable (included in supplies and services expense) to consultants that fell within the following bands:

	<b>2023</b>		<b>2022</b>	
	<b>No.</b>	<b>\$'000</b>	<b>No.</b>	<b>\$'000</b>
Below \$10,000	4	31	8	16
\$10,000 or above	34	4,297	34	3,418
<b>Total</b>	<b>38</b>	<b>4,328</b>	<b>42</b>	<b>3,434</b>

### 4.2. Interest expense

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest expense on lease liabilities	264	294
<b>Total interest expense</b>	<b>264</b>	<b>294</b>

The Commission does not capitalise interest expense.

### 4.3. Other expenses

	2023 \$'000	2022 \$'000
Net (gain)/ loss from disposal of property, plant and equipment	(1)	4
<b>Total other expenses</b>	<b>(1)</b>	<b>4</b>

Any loss on disposal of property, plant and equipment is recognised at the date control of the asset is passed to the buyer and is determined after deducting the written-down value from the proceeds of the asset sale at the time.

## 5. Non-financial assets

### 5.1. Property, Plant and equipment by asset class

Property, plant and equipment comprises tangible assets owned and right-of-use (leased) assets. The assets presented below do not meet the definition of investment property.

	2023 \$'000	2022 \$'000
<b><u>Right-of-use buildings</u></b>		
Right-of-use buildings at cost	22,638	22,637
Accumulated depreciation at the end of the period	(7,735)	(5,470)
<b>Total right-of-use buildings</b>	<b>14,903</b>	<b>17,167</b>
<b><u>Leasehold improvements</u></b>		
Leasehold improvements at fair value	4,456	4,400
Accumulated depreciation at the end of the period	(1,356)	(917)
<b>Total leasehold improvements</b>	<b>3,100</b>	<b>3,483</b>
<b><u>Plant and equipment</u></b>		
Plant and Equipment, at cost (deemed fair value)	613	603
Accumulated depreciation at the end of the period	(509)	(419)
<b>Total plant and equipment</b>	<b>104</b>	<b>184</b>
<b><u>Right -of-use plant and equipment</u></b>		
Right-of-use plant and equipment at cost	81	82
Accumulated depreciation at the end of the period	(49)	(33)
<b>Total right-of-use plant and equipment</b>	<b>32</b>	<b>49</b>
<b><u>IT Infrastructure</u></b>		
IT Infrastructure, at cost (deemed fair value)	1,808	1,599
Accumulated depreciation at the end of the period	(1,252)	(943)
<b>Total IT infrastructure</b>	<b>556</b>	<b>656</b>
<b><u>Work in progress</u></b>		
Work in progress, at cost	163	99
<b>Total work in progress</b>	<b>163</b>	<b>99</b>
<b>Total property, plant and equipment</b>	<b>18,858</b>	<b>21,638</b>

## 5.2. Useful life and depreciation

Depreciation is calculated on a straight-line basis. Property, plant and equipment depreciation is calculated over the estimated useful life as follows:

<b>Class of Assets</b>	<b>Useful Life (years)</b>
Plant and Equipment	3 – 20
Leasehold improvements	10
IT Infrastructure	2 – 5

The useful lives of the right-of-use assets is the lease term.

### ***Review of accounting estimates***

Assets' residual values, useful lives and depreciation 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.

All non-current assets with a limited useful life are systematically depreciated/ amortised over their useful lives in a manner that reflects the consumption of their service potential.

## 5.3. Property, Plant and equipment owned by the Commission

Property, plant and equipment owned by the Commission with a value equal to or in excess of \$2,000 is capitalised, otherwise it is expensed. Property, plant and equipment owned by the Commission is subsequently measured at fair value.

### ***Plant and equipment***

All items of plant and equipment owned by the Commission that had a fair value at the time of acquisition less than \$1.5 million or had an estimated useful life less than three years have not been revalued. The carrying value of these items is deemed to approximate fair value.

### ***Impairment***

Plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity and are subject to regular revaluation.

## 5.4. Property, plant and equipment leased by the Commission

Right-of-use assets for property, plant and equipment leased by the Commission as lessee are measured at cost.

Short-term leases of 12 months or less and low-value leases, where the underlying asset value is less than \$15,000, are not recognised as right-of-use assets.

The Commission has the following leases:

- a lease of 2,105.2 square metres for the current office premises with Dexus CPA Pty Ltd in Sydney CBD. The lease commenced on 1 February 2020 for a term of 10 years with an option to renew for another 5 years.
- 3 car parking spaces with a 10-year lease term, with Dexus CPA Pty Ltd, commenced on 1 February 2020.
- 8 HP printers with a 5-year lease term, with Data#3, installed in the office premises on 1 July 2020.

## 5.5. Reconciliation of movements in carrying amount of property, plant and equipment

### Reconciliation 2022-23

	Leasehold Improvem- ents \$'000	Plant and Equipm- ent \$'000	IT Infrastr- ucture \$'000	Right-of- use buildings \$'000	Right-of- use Plant and Equip- ment \$'000	Work in Progress \$'000	Total \$'000
<b>Carrying amount at the beginning of the period</b>	<b>3,483</b>	<b>184</b>	<b>656</b>	<b>17,167</b>	<b>49</b>	<b>99</b>	<b>21,638</b>
Acquisitions	56	15	234	-	-	64	369
Disposals/ write-offs	-	-	(2)	-	-	-	(2)
Transfer from/ (out) WIP	-	-	-	-	-	-	-
Depreciation	(439)	(95)	(332)	(2,264)	(17)	-	(3,147)
<b>Closing balance at the end of the period</b>	<b>3,100</b>	<b>104</b>	<b>556</b>	<b>14,903</b>	<b>32</b>	<b>163</b>	<b>18,858</b>

## 5.6 Intangible assets

	2023 \$'000	2022 \$'000
Computer software, at cost (deemed fair value)	3,248	3,248
Accumulated amortisation	(2,639)	(2,283)
<b>Total intangible assets</b>	<b>609</b>	<b>965</b>
Work in progress	-	-
<b>Total intangible assets and work in progress</b>	<b>609</b>	<b>965</b>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of the expenditure is greater than or equal to \$2,000.

The useful lives of intangible assets are between 4 to 5 years. The amortisation is calculated on a straight-line basis.

### Reconciliation 2022-23

	Intangible assets \$'000	Work in progress \$'000	Total \$'000
<b>Carrying amount at the beginning of the period</b>	<b>965</b>	<b>-</b>	<b>965</b>
Acquisitions	-	-	-
Transfer from/(out) WIP	-	-	-
Amortisation	(356)	-	(356)
<b>Carrying amount at the end of the period</b>	<b>609</b>	<b>-</b>	<b>609</b>

## 6. Financial assets

### 6.1. Categorisation of financial assets

	2023 Carrying amount \$'000	2022 Carrying amount \$'000
<b>Financial assets</b>		
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	19,005	17,453
<b>Financial assets at amortised costs</b>		
Receivables	389	271
<b>Total financial assets</b>	<b>19,394</b>	<b>17,724</b>

Receivables as disclosed in this note do not include statutory amounts as these are not financial instruments. Prepayments are excluded as they are not financial assets.

### 6.2. Cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank and on hand	11,389	10,248
Short-term deposits	7,616	7,205
<b>Total cash and cash equivalents</b>	<b>19,005</b>	<b>17,453</b>

Cash and cash equivalents 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.

Cash and cash equivalents do not include cash held on behalf of the ESB of \$4,165,031 (2022: \$9,452,000).

#### Short – term deposits

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

### 6.3. Receivables

	2023 \$'000	2022 \$'000
<b>Contractual receivables</b>		
From other government entities	255	268
<b>Total contractual receivables</b>	<b>255</b>	<b>268</b>
<b>Statutory receivables</b>		
GST input tax recoverable	520	317
<b>Total statutory receivables</b>	<b>520</b>	<b>317</b>
Interest receivable	134	3
Prepayments	1,012	982
<b>Total receivables</b>	<b>1,921</b>	<b>1,570</b>

Contractual receivables arise in the normal course of selling goods and services to other government agencies and to the public. Contractual receivables are normally settled within 30 days after the issue of an invoice or the goods/ services have been provided under a contractual arrangement.

Statutory receivables do not arise from contracts with customers. They are recognised and measured similarly to contractual receivables (except impairment) but are not classified as financial instruments for disclosure purposes.

Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

There are no impairment losses related to contracts with customers external to the Commission.

## 7. Liabilities

Employee benefits liabilities are disclosed in note 3.5.

### 7.1. Categorisation of financial liabilities

	2023 \$'000	2022 \$'000
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised costs</b>		
Payables	1,102	577
Lease liabilities	19,064	21,416
<b>Total financial liabilities</b>	<b>20,166</b>	<b>21,993</b>

Payables as disclosed in this note do not include accrued expenses or statutory amounts as these are not financial instruments.

### 7.2. Payables

	2023 \$'000	2022 \$'000
<b>Current</b>		
Contractual payables	440	73
Accrued expenses	404	524
ESB funding payables	342	-
<b>Statutory payables</b>		
Employment on-costs	795	695
Fringe benefits tax payable	10	9
Audit fee payable	39	38
<b>Total statutory payables</b>	<b>844</b>	<b>742</b>
<b>Total current payables</b>	<b>2,030</b>	<b>1,319</b>
<b>Non-Current</b>		
<b>Statutory payables</b>		
Employment on-costs	50	41
<b>Total non-current payables</b>	<b>50</b>	<b>41</b>
<b>Total payables</b>	<b>1,738</b>	<b>1,360</b>

Payables and accrued expenses are recognised for all amounts owing but unpaid. Contractual payables are normally settled within 30 days from the date the invoice is received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Statutory payables do not arise from contracts.

### **Employment on-costs**

Employment on-costs include payroll tax, workers compensation levies and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged. These on-costs primarily relate to the balance of leave owing to employees. Estimates as to the proportion of long service leave estimated to be taken as leave, rather than paid on termination, affects whether certain on-costs are recognised as a consequence of long service leave liabilities.

The Commission contributes 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.

### **7.3. Lease liabilities**

	<b>Note</b>	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>
Current lease liabilities		2,584	2,517
Non-current lease liabilities		16,480	18,899
<b>Total lease liabilities</b>	<b>5.4</b>	<b>19,064</b>	<b>21,416</b>

The Commission measures lease liabilities at amortised cost.

### **7.4. Other liabilities**

	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>
<b>Current</b>		
Unearned revenue	3,584	3,200
<b>Total other liabilities</b>	<b>3,584</b>	<b>3,200</b>

### **7.5. Provisions**

	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>
<b>Non-current</b>		
Provision for make good	854	851
<b>Total non-current provisions</b>	<b>854</b>	<b>851</b>
<b>Carrying amount at the beginning of the period</b>	<b>851</b>	<b>862</b>
Remeasurement	3	(11)
<b>Carrying amount at end of the period</b>	<b>854</b>	<b>851</b>

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), Allianz West (WA) and ReturntoWorkSA (SA).

### ***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 lease for the current office premises. In accordance with AASB 16 *Leases*, the initial provision for make good on the current office premises has been recognised as part of the right-of-use property.

## **8. Other disclosures**

### **8.1. Equity**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Contributed Capital</b>		
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
<b>Total contributed capital</b>	<b>2,017</b>	<b>2,017</b>
<b>Retained earnings</b>	<b>10,977</b>	<b>10,941</b>
<b>Total Equity</b>	<b>12,994</b>	<b>12,958</b>

The Ministerial Council on Energy Standing Committee of Officials meeting of 7<sup>th</sup> December 2006 approved 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 or until such time as sufficient reserves have been created through annual surpluses.

## **9. Outlook**

### **9.1. Unrecognised commitments**

Commitments arising from contractual sources are disclosed at their 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.

## **Contractual commitments to acquire property, plant and equipment**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	280	12
<b>Total capital commitments</b>	<b>280</b>	<b>12</b>

## **Other contractual commitments**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	3,991	3,968
Later than one year but not longer than five years	682	925
<b>Total expenditure commitments</b>	<b>4,673</b>	<b>4,893</b>

## **9.2. Contingent assets and liabilities**

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.

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

## **9.3. Events after reporting period**

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

In May 2023 Energy Ministers approved establishing the Energy Advisory Panel (EAP) as a refocusing of the Energy Security Board (ESB) to coordinate market bodies' advice to governments under the National Energy Transformation Partnership with effect from 1 July 2023.

The AEMC will not administer funds on behalf of the EAP. Any projects handled by the ESB that are re-tasked to the AEMC will receive relevant funding which will become controlled funds of the AEMC in the financial year 2024 onwards.

The transition, including any funds to complete projects re-tasked to the AEMC is currently being worked through in collaboration with the Energy Special Account Secretariat, for approval by Senior Energy Officials.

The full financial impact of the event cannot be confirmed until the Senior Energy Officials approve the transition plan including the re-tasking of projects.

It is expected that the AEMC's controlled funds will increase from financial year 2024 onwards to reflect the re-tasking of former ESB projects, and the AEMC will disburse funds to other market bodies as per the transition plan once approved by Senior Energy Officials.

## **10. Disclosure of administered items**

Since March 2018, the Commission has administered resources on behalf of the ESB. Contributions from the Commonwealth and States and Territories are held by the Commission, with the Commission entering into contracts with suppliers on behalf of the ESB. Except for employee-related activities, the transactions and balances of the ESB presented below are not recognised in the financial statements of the Commission.

In 2022-23 the Commission received funds for the first time from both the Commonwealth and States and Territories for ESB work.

Staff secondment expenses disclosed below include the cost of the Commission staff assigned to ESB activities, which are also recognised as employee benefit expenses in the Commission's Statement of Comprehensive Income. Refer to note 1 for further details.

As at the time of reporting, there were sufficient funds administered on behalf of the ESB to meet its commitments/ obligations in respect of the administered resources as and when they fall due.

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Administered income</u></b>		
Contributions from the Commonwealth	2,023	13,446
Contributions from the States and Territories	4,921	-
Interest revenue	178	3
<b>Total administered income</b>	<b>7,122</b>	<b>13,449</b>
<b><u>Administered expenses</u></b>		
Staff secondment expenses	4,705	2,126
Supplies and services	8,557	4,376
Depreciation	-	1
<b>Total administered expenses</b>	<b>13,262</b>	<b>6,503</b>
<b>Net result</b>	<b>(6,140)</b>	<b>6,946</b>
<b><u>Administered current assets</u></b>		
Cash and cash equivalents	4,165	9,452
Receivable – due from AEMC	342	-
<b>Total assets</b>	<b>4,507</b>	<b>9,452</b>
<b><u>Administered current liabilities</u></b>		
Payables – due to AEMC	648	226
Creditors	773	-
<b>Total liabilities</b>	<b>1,421</b>	<b>226</b>
<b>Net assets</b>	<b>3,086</b>	<b>9,226</b>
<b><u>Administered equity</u></b>		
Retained earnings	3,086	9,226
<b>Total administered equity</b>	<b>3,086</b>	<b>9,226</b>
<b><u>Cash flows from operating activities</u></b>		
<b>Cash inflows</b>		
Contributions from the Commonwealth	2,023	13,340
Contributions from the States and Territories	4,597	-
Interest received	178	3
<b>Cash generated from operations</b>	<b>6,798</b>	<b>13,343</b>
<b><u>Cash outflows</u></b>		
Employee benefits payments	(4,705)	(1,908)
Payments for supplies and services	(7,380)	(4,463)
<b>Cash used in operations</b>	<b>(12,085)</b>	<b>(6,371)</b>
<b>Net cash provided by/ used in operations</b>	<b>(5,287)</b>	<b>6,972</b>
<b>Net increase in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period	9,452	2,480
<b>Cash and cash equivalents at the end of the period</b>	<b>4,165</b>	<b>9,452</b>