Australian Energy Market Commission

Financial report
for the year ended
30 June 2019

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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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 2019.

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 2019, 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 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chairperson, Acting 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 Ethics 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 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 the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and 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 that 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, but not for the purpose of expressing an opinion on the effectiveness of the 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

- 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.

Andrew Richardson
Auditor-General
25 September 2019

Australian Energy Market Commission
Financial Statements for the year ended 30 June 2019

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(Audit Opinion to be inserted by Auditor-General)

A Richardson

AUDITOR-GENERAL

September 2019

Certification of the Financial Statements

We certify that the financial statements of the Australian Energy Market Commission ("the Commission"):

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Commission; and
- present a true and fair view of the financial position of the Commission as at 30 June 2019 and the result of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Commission for the financial year over its financial reporting and its preparation of the financial statements have been effective throughout the reporting period.

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Suzanne Falvi

Acting Chief Executive

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Tricia Khoo

Financial Controller

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John Pierce

Chairperson

Date: 23 September 2019

Australian Energy Market Commission

Statement of Comprehensive Income

for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Expenses			
Employee benefits expenses	6	18,036	15,898
Supplies and services	9	8,419	9,244
Depreciation and amortisation expense	10	414	330
Net loss on disposal of non-current assets	11	14	1
Total expenses		26,883	25,473
Income			
Interest	12	216	185
Other income	13	904	1,572
Total income		1,120	1,757
Net cost of providing services		(25,763)	(23,716)
Revenues from Government			
Contributions from participating jurisdictions	14	28,889	24,409
Net result		3,126	693
Total comprehensive result		3,126	693

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

Statement of Financial Position

as at 30 June 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	15	17,127	13,623
Receivables	16	1,136	591
Total current assets		18,263	14,214
Non-current assets			
Plant and equipment	17	851	991
Intangible assets	18	1,302	1,040
Total non-current assets		2,153	2,031
Total assets		20,416	16,245
Current liabilities			
Payables	19	1,084	1,130
Employee benefits	20	1,166	1,215
Other liabilities	21	3,256	2,374
Total current liabilities		5,506	4,719
Non-current liabilities			
Payables	19	104	81
Employee benefits	20	999	765
Provisions	22	339	338
Total non-current liabilities		1,442	1,184
Total liabilities		6,948	5,903
Net Assets		13,468	10,342
Equity			
Retained earnings		11,451	8,325
Contributed capital		2,017	2,017
Total Equity	23	13,468	10,342

Unrecognised contractual commitments	24
Contingent assets and liabilities	25

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

Statement of Changes in Equity

for the year ended 30 June 2019

	Note	Contributed capital $'000	Retained earnings $'000	Total Equity $'000
Balance at 1 July 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		2,017	8,325	10,342
Net result for 2018-19		-	3,126	3,126
Total comprehensive result for 2018-19		-	3,126	3,126
Balance at 30 June 2019	23	2,017	11,451	13,468

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

Statement of Cash Flows

for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(17,608)	(15,377)
Payments for supplies and services		(9,814)	(10,196)
Payments for paid parental leave scheme		-	(31)
Cash used in operations		(27,422)	(25,604)
Cash inflows			
Receipts from participating jurisdictions		29,812	24,652
Other receipts		1,099	1,981
Interest received		190	187
GST recovered from the ATO		411	692
Receipts for paid parental leave scheme		-	31
Cash generated from operations		31,512	27,543
Net cash provided by operating activities		4,090	1,939
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(124)	(703)
Purchase of intangibles		(462)	(836)
Cash used in investing activities		(586)	(1,539)
Net cash used in investing activities		(586)	(1,539)
Net increase in cash and cash equivalents		3,504	400
Cash and cash equivalents at the beginning of the period		13,623	13,223
Cash and cash equivalents at the end of the period		17,127	13,623

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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, since March 2018, 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 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.

For the 2018-19 financial statements the Commission adopted *AASB 9 – Financial Instruments* and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in Note 4.

1.3 Basis of preparation

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 specifically disclosed in the note associated with the item measured.

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) 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 2019 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2019 and which may have a ~~material impact on the results of subsequent years. Refer to Note 27.~~

c) 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.

d) 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.

e) 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.

f) 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 or the goods and services have been provided under a contractual arrangement. 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. Collectability of receivables is reviewed on an on-going basis.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to Note 26 for further information on risk management.

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 2019 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.

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

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.

g) 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. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

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.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience, known applications for leave and notification from employees of their intention to take leave.

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.

h) 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

4.1 Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework

- Financial Asset and Liability Framework
- Income Framework
- Definitions

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report a statement of equity for administered items.
- increasing the bands from $10,000 to $20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in Note 4.3 and Note 4.4.

4.2 AASB 9 Financial instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

As part of the adoption of AASB 9, the Commission adopted consequential amendments to other accounting standards and the Treasurer's Instructions (Accounting Policy Statements) arising from the issue of AASB 9 as follows:

- *AASB 7 Financial Instruments*: *Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements), AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

On 1 July 2018, the Commission has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset.

Reclassification of financial instruments on adoption of AASB 9

On the date of initial application, The Commission's financial instruments were as follows, with any reclassifications noted. There were no changes to the carrying amount at 1 July 2018.

	Measurement Category	
	AASB 139	**AASB 9**
Current financial assets		
Receivables	Loans and receivables	Amortised cost
Current financial liabilities		
Payables	Amortised cost	Amortised cost

Impairment of financial asset

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The Commission's financial assets for trade receivables from provision of services are subject to AASB 9's new expected credit loss model.

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The Commission has adopted the simplified approach under AASB 9 Financial Instruments and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision. The Commission has determined that there is a nil lifetime expected credit loss on the trade receivables of the Commission.

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost as they meet the appropriate criteria under AASB 9.

4.3 AASB 15 - *Revenue from Contracts with Customers* and AASB 1058 - *Income of Not for Profit Entities*

AASB 15 establishes the principles that the Commission shall apply to report useful information to users of financial information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of AASB 1004 – *Contributions.*

AASB 15 and AASB 1058 apply to annual reporting periods beginning on or after 1 January 2019. Accordingly, the application date for the Commission is 1 July 2019.

The Commission has assessed the impact of the application of AASB 15 and AASB 1058, and they are not expected to have a material impact on the timing and recognition of revenue of the Commission.

4.4 AASB 16 - *Leases*

AASB 16 sets out a comprehensive model for lease accounting that address recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

AASB 16 applies to annual reporting periods beginning on or after 1 January 2019. Accordingly, the application date for the Commission is 1 July 2019.

The Commission has assessed the impact of the application of AASB 16 to the existing lease (noting that the Commission has a right for early termination, refer to Note 24.3), and it is not expected to have a material impact on the Commission. However, the new office accommodation lease arrangements which will take effect from 2019/2020 will have a material impact on the Commission. At present, no lease has been signed and therefore the financial impact of this cannot be quantified.

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 January 2019 the Council of Australian Governments' Energy Council advised the approval of funding of $30.862m for 2019-20.

6. Employee benefits

6.1 Employee benefits expenses

	2019 $'000	2018 $'000
Salaries and wages	14,282	12,510
Long service leave	291	219
Annual leave	1,200	1,130
Employment on-costs - superannuation	1,324	1,250
Payroll and Fringe Benefits Tax	932	789
Relocation expenses	7	-
Total employee benefit expenses	18,036	15,898

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

The number of employees whose remuneration received or receivable falls within the following bands:	2019 No	2018 No
$149,000 – $151,000*	-	1
$151,001 – $171,000	7	7
$171,001 – $191,000	3	10
$191,001 – $211,000	9	7
$211,001 – $231,000	13	5
$231,001 – $251,000	1	-
$271,001 – $291,000	2	1
$291,001 – $311,000	1	2
$311,001 – $331,000	1	3
$331,001 – $351,000	1	-
$351,001 – $371,000	1	-
$431,001 – $451,000	-	1
$471,001 - $491,000	1	-
Total number of employees	40	37

*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 $8,969,000 (2018: $7,916,000).

7. Remuneration of Commissioners

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

John Pierce (Chair)

Brian Spalding (retired 18 April 2019)

Charles Popple

Allison Warburton

Michelle Shepherd

The number of Commissioners whose remuneration received or receivable falls within the following bands:	2019 No	2018 No
$0 - $19,999	-	1
$80,000- $99,999	-	2
$160,000 - $179,999	-	1
$200,000 - $219,999	-	1
$260,000 - $279,000	2	-
$300,000 - $319,999	1	-
$320,000 - $339,999	1	-
$580,000 - $599,999	-	1
$600,000 - $619,999	1	-
Total number of Commissioners	5	6

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 $1,806,000 (2018: $1,178,000).

Remuneration of committee members

Committee Members during the 2018-19 financial year were:

Audit and Risk Management Committee

Jim Mitchell (Chair) *(re-appointed 28 May 2019)*

Jane Byrne *(re-appointed 28 May 2019)*

Allison Warburton

Reliability Panel

Brian Spalding (*Chair) (retired 18 April 2019)*
Charles Popple (*appointed 19 April 2019, as Chair*)

The number of committee members whose remuneration received or receivable falls within the following bands:	2019 No	2018 No
$0 – $19,999	2	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 $21,000 (2018: $15,000).

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 $4,281,000 (2018: $3,613,000).

Transactions with key management personnel and other related parties

Apart from the transactions below, there were no other transactions with key management personnel or other related parties in the financial year:

- During the financial year, a 3 week internship in the People and Culture team was offered to Ms Merryn Popple, which was completed on 8th February 2019. Ms Popple is a related party of Mr Charles Popple (Commissioner). The total remuneration paid to Ms Popple, during the financial year, with respect to the internship, was $3,000.
- During the financial year, a 10 week internship in the Strategy and Economic Analysis team was offered to Mr Charles Goodlad, which was completed on 8th February 2019. Mr Goodlad is a related party of Mr John Pierce (Chairman). The total remuneration paid to Mr Goodlad, during the financial year, with respect to the internship, was $4,000.

9. Supplies and services

	2019 $'000	2018 $'000
Property expenses ^	1,685	1,708
Information technology expenses	1,345	993
Accounting, legal and audit expenses	307	409
Project contractor and consultancy expenses #	2,157	2,882
Other contractor and consultancy expenses	317	840
Project support expenses *	705	672
General office administration expenses	217	204
Travel and accommodation expenses	845	650
Recruitment expenses	282	233
Staff training expenses	390	552
Other staff related expenses	169	101
Total supplies and services	8,419	9,244

^ 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 $1,188,000 (2018: $1,186,000).

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.

	2019		2018	
The number and dollar amount paid/payable in total to each consultant that fell within the following bands:	**No.**	**$'000**	**No.**	**$'000**
Below $10,000	3	3	4	11
Above $10,000	19	2,084	24	*3,137
Total paid/payable to the consultants engaged	22	2,087	28	3,148

* In the prior year, these amounts included fees for various modelling and advice relating to the ESB, which totalled $405,000. 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 in the prior year, which totalled to $2,743,000.

10. Depreciation and amortisation expense

	2019 $'000	2018 $'000
Plant and equipment	121	18
IT Infrastructure	131	150
Intangible assets	162	162
Total depreciation and amortisation	414	330

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

	2019 $'000	2018 $'000
Plant and equipment		
Proceeds from disposal	-	-
Less net book value of assets disposed	5	1
Net loss from write-off of plant and equipment	5	1
IT infrastructure		
Proceeds from disposal	-	-
Less net book value of assets disposed	9	-
Net loss from write-off of IT infrastructure assets	9	-
Total assets		
Total proceeds from disposal	-	-
Less total value of assets disposed	14	1
Total net loss from disposal of assets	14	1

12. Interest revenues

	2019 $'000	2018 $'000
Cash and cash equivalents	216	185
Total interest revenue	216	185

13. Other revenues

	2019 $'000	2018 $'000
Recovery of project and staff secondment costs	904	1,572
Total other revenues	904	1,572

14. Contributions from participating jurisdictions

	2019 $'000	2018 $'000
Operational funding	28,889	24,409
Total contributions from participating jurisdictions	28,889	24,409

15. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and on hand	10,296	7,304
Short-term deposits	6,831	6,319
Total cash and cash equivalents	17,127	13,623

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

	2019 $'000	2018 $'000
Current		
Interest receivable	67	40
Prepayments	641	368
GST input tax recoverable	378	-
Other receivables	50	183
Total receivables	1,136	591

17. Plant and equipment

	2019 $'000	2018 $'000
Plant and Equipment, at cost (deemed fair value)	759	205
Accumulated depreciation at the end of the period	(215)	(101)
Total plant and equipment	544	104
Work in progress	-	533
Total plant and equipment and work in progress	544	637
IT Infrastructure, at cost (deemed fair value)	916	1,017
Accumulated depreciation at the end of the period	(643)	(710)
Total IT infrastructure	273	307
Work in progress	34	47
Total IT infrastructure and work in progress	307	354
Total plant and equipment	851	991

All 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 plant and equipment at 30 June 2019.

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2019.

	2019 $'000	2018 $'000
Plant and Equipment		
Carrying amount at beginning of the period	104	124
Acquisitions	566	-
Disposals/write-offs	(12)	(3)
Depreciation adjustment for write-offs	7	2
Depreciation and amortisation	(121)	(19)
Carrying amount at the end of the period	544	104
Work in Progress	-	533
Total Plant and Equipment	544	637
IT Infrastructure		
Carrying amount at beginning of the period	307	331
Acquisitions	106	126
Disposals/write-offs	(207)	(22)
Depreciation adjustment for write-offs	198	22
Depreciation and amortisation	(131)	(150)
Carrying amount at the end of the period	273	307
Work in Progress	34	47
Total IT infrastructure	307	354
Total plant and equipment	851	991

18. Intangible assets

	2019 $'000	2018 $'000
Computer software, at cost (deemed fair value)	4,056	3,070
Accumulated amortisation	(2,754)	(2,721)
Total computer software	1,302	349
Work in progress	-	691
Total intangible assets	1,302	1,040

	2019 $'000	2018 $'000
Reconciliation of computer software		
Carrying amount at beginning of the period	349	328
Acquisitions	1,115	182
Disposals/write-offs	(129)	(65)
Amortisation adjustment for write-offs	129	65
Amortisation	(162)	(161)
Carrying amount at the end of the period	1,302	349
Work in Progress	-	691
Total intangible assets	1,302	1,040

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 2019.

19. Payables

	2019 $'000	2018 $'000
Current		
Creditors	119	26
Accrued expenses	794	861
GST input tax payable	-	79
Employment on-costs	171	164
Total current payables	1,084	1,130
Non-Current		
Employment on-costs	104	81
Total non-current payables	104	81
Total payables	1,188	1,211

20. Employee benefits liability

	2019 $'000	2018 $'000
Current		
Accrued salaries and wages	313	341
Annual leave	831	855
Long service leave	22	19
Total current employee benefits	1,166	1,215
Non-current		
Long service leave	999	765
Total non-current employee benefits	999	765
Total employee benefits	2,165	1,980

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

	2019 $'000	2018 $'000
Current		
Unearned revenue	3,033	2,110
Deferred lease incentive	223	264
Total other liabilities	3,256	2,374

22. Provisions

	2019 $'000	2018 $'000
Non-current		
Provision for make good	339	338
Total non-current provisions	339	338
Reconciliation of provision for make good		
Carrying amount at the beginning of the period	338	329
Provision to make good leasehold premises	1	9
Carrying amount at end of the period	339	338

23. Equity

	2019 $'000	2018 $'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	2,017	2,017
Retained earnings	11,451	8,325
Total Equity	13,468	10,342

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

	2019 $'000	2018 $'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	64	29
Total capital commitments	64	29

24.2 Expenditure commitments – other

	2019 $'000	2018 $'000
Within one year	2,080	1,225
Later than one year but not longer than five years	229	131
Total commitments - other	2,309	1,356

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

24.3 Operating lease commitments

	2019 $'000	2018 $'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	1,239	1,188
More than one year but not later than five years	322	2,420
Later than five years	-	-
Total operating lease commitments	1,561	3,608
Representing		
Non-cancellable operating leases	1,561	3,608
Total operating lease commitments	1,561	3,608

The Commission's operating leases are for office accommodation. Office accommodation is leased from Perron Investments Pty Ltd and Perpetual Trustee Company Limited ("Landlords"). 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.

A Deed of Variation of Lease ("Variation Deed") was executed in July 2019, between the Landlords and the Commission to allow for an early termination (due to the Landlords' intention of converting the office building into residential apartments). The deed provides the Commission with various alternative dates for early termination. If the Commission does not advise the Landlords of an early termination date, the lease will terminate on 30 September 2020 in accordance with the Variation Deed. The above operating lease commitments have been calculated up to this date as it is the date on which the existing lease will terminate.

25. Contingent assets and liabilities

The Commission is not aware of any contingent assets and liabilities other than as described below.

- On 16 April 2019, the Commission approved a delegation of authority to the Chief Executive to execute a Variation Deed for the Commission's current lease and a heads of agreement setting out key commercial terms for leasing the Commission's proposed new premises.
- Subsequently, the Variation Deed was signed giving rise to an early termination incentive payment (ie a contingent asset) of between $570,000 plus GST to $1,020,000 plus GST, depending on when an early termination notice is given (so long as it is given prior to 30 June 2020).
- If no early termination notice is provided, the lease will terminate on 30 September 2020, with an incentive payment of $570,000 plus GST.
- The Commission is currently in negotiations for a new accommodation and the move appears to be imminent, therefore some form of economic benefits appear virtually certain to flow to the Commission.

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 3 Summary of significant accounting policies.

Classification applicable until 30 June 2018 under *AASB 139 Financial Instruments: Recognition and Measurement*

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Loan and receivables
- Financial liabilities measured at cost.

Classification applicable from 1 July 2018 under *AASB 9 Financial Instruments*

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

The Commission measures all financial instruments at amortised cost.

Categorisation analysis of financial assets and liabilities

Category of financial asset and financial liability	Notes	2019 Carrying amount/ Fair value ($'000)	2018 Carrying amount/ Fair value ($'000)
Financial assets			
Cash and cash equivalents	15	17,127	13,623
Financial assets at amortised cost			
Receivables (1), (2)	16	117	223
Total financial assets		17,244	13,846
Financial liabilities			
Financial liabilities at amortised cost			
Payables (1)	19	626	656
Total financial liabilities		626	656

(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

Since March 2018, the Commission continues to administer 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.

	2019 $'000	2018 $'000
Administered income		
Contributions from the Commonwealth	4,608	4,156
Interest revenue	34	3
Total administered income	**4,642**	**4,159**
Administered expenses		
Secondment fees	1,199	230
Supplies and services	2,529	432
Total administered expenses	**3,728**	**662**
Net result	**914**	**3,497**
Administered current assets		
Cash	4,441	3,669
Property, plant and equipment	3	-
Total administered assets	**4,444**	**3,669**
Administered current liabilities		
Accrued expenses – due to the AEMC	33	172
Total administered liabilities	**33**	**172**
Net administered assets	**4,411**	**3,497**
Administered equity		
Retained earnings	914	3,497
Total administered equity	**914**	**3,497**
Changes in equity		
Balance at 1 July	3,497	-
Net result	914	3,497
Balance at 30 June	**4,411**	**3,497**

	2019 $'000	2018 $'000
Cash flows from operating activities		
Cash inflows		
Contributions from the Commonwealth	4,608	4,156
Interest received	34	3
Total administered income	**4,642**	**4,159**
Cash outflows		
Secondment fees	(1,101)	(132)
Payments for supplies and services	(2,769)	(358)
Total administered expenses	**(3,870)**	**(490)**
Net cash inflows/(outflows) from operating activities	**772**	**3,669**
Net increase/(decrease) in cash	**772**	**3,669**
Cash at 1 July	3,669	-
Cash at 30 June	4,441	**3,669**