

# **Design of the Energy Price Relief Plan**

Department of the Treasury

Department of Climate Change, Energy, the Environment and Water

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Canberra ACT  
11 December 2024

Dear President  
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of the Treasury and the Department of Climate Change, Energy, the Environment and Water. The report is titled *Design of the Energy Price Relief Plan*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Caralee'.

Dr Caralee McLiesh PSM  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

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# Audit snapshot

## Auditor-General Report No.16 2024–25

### *Design of the Energy Price Relief Plan*



#### Why did we do this audit?

- ▶ The Energy Price Relief Plan (the plan) was announced on 9 December 2022 and was designed to 'shield Australian families and businesses from the worst impacts of predicted energy price spikes.'
- ▶ This audit provides assurance to Parliament on the effectiveness of the design of the plan.



#### What did we find?

- ▶ The design process for the plan was largely effective.
- ▶ The development of the plan was informed by sound policy advice.
- ▶ Arrangements established to support the implementation of the plan were largely effective.
- ▶ Arrangements to assess the achievement of outcomes for the plan are largely effective.



#### Key facts

- ▶ The Department of the Treasury (Treasury) and the Department of Climate Change, Energy, the Environment and Water (DCCEEW) were the Australian Government entities leading the design of plan.
- ▶ In October 2022 the Australian Energy Regulator's (AER) estimate for the Default Market Offer (DMO) 2023–24 was that retail electricity prices would increase by between 41 and 51 per cent for residential customers compared to the previous year. In May 2024 the AER's final determination for DMO 2023–24 showed an increase of between 20.5 and 24.9 per cent.



#### What did we recommend?

- ▶ There was one recommendation to Treasury relating to risk management arrangements. There were no recommendations to DCCEEW.
- ▶ Treasury agreed to the recommendation.

\$3–3.5 bn

was the combined budget for the package of measures over five years.

5

measures made up the Energy Price Relief Plan.

38 days

between the government request for policy options and announcement of the plan.

# Summary and recommendations

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## Background

1. In September 2022 the Australian Energy Regulator reported that over the course of 2022, the war in Ukraine resulted in price volatility and price hikes for energy on international markets.<sup>1</sup> Due to the links between domestic and export markets this affected domestic customers and the wider economy. Simultaneously, domestic factors contributed to wholesale energy price increases.

2. The Department of the Treasury (Treasury) and the Department of Climate Change, Energy, the Environment and Water (DCCEEW) were lead entities in the development of policy options to seek to address energy price increases. On 9 December 2022, the Prime Minister, the Treasurer, and the Minister for Climate Change and Energy announced the Energy Price Relief Plan (the plan) — a package of measures designed to ‘shield Australian families and businesses from the worst impacts of predicted energy price spikes.’

## Rationale for undertaking the audit

3. The budget for the package of measures under the Energy Price Relief Plan was estimated between \$3 billion and \$3.5 billion over five years. The government sought urgent advice on options to seek to address energy price increases.

4. The audit provides assurance to Parliament on whether the Energy Price Relief Plan was effectively designed and the effectiveness of planned frameworks for implementation and evaluation.

## Audit objective and criteria

5. The objective of this audit was to assess the effectiveness of the design process for the Energy Price Relief Plan.

6. To form a conclusion against the objective, the following criteria were adopted.

- Was the development of the plan informed by sound policy advice?
- Was implementation effectively planned?
- Are the arrangements to assess the achievement of outcomes of the plan effective?

7. The audit did not assess:

- the design or implementation of the Capacity Investment Scheme which was also included in the 9 December 2022 announcement;
- the design of the Australian Domestic Gas Security Mechanism reforms agreed to by government in September 2022; or
- the implementation of the extension of the energy bill rebates announced in May 2024.

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1 Australian Energy Regulator, *Wholesale Markets Quarterly Q2 2022 April – June*, AER, Canberra 2022, available from <https://www.aer.gov.au/system/files/Wholesale%20Markets%20Quarterly%20Q2%202022.pdf> [accessed 13 September 2024].

## Conclusion

8. The design process for the Energy Price Relief Plan was largely effective. The design process could have been improved with earlier engagement with delivery agencies. The Energy Price Relief Plan would benefit from a plan to assess the achievement of outcomes.

9. The development of the Energy Price Relief Plan was informed by sound policy advice. Roles and responsibilities, relevant guidance and risk management processes were in place to support the development of the Energy Price Relief Plan. Benefits of policy options were assessed and were supported by evidence. During the design process industry stakeholders were consulted on the gas market interventions. Stakeholders within the APS were consulted in the development of policy options, except for: Services Australia; the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA); and the Department of Veterans' Affairs (DVA). Earlier engagement with APS delivery agencies would have improved the consideration of implementation within the policy advice provided to government. Treasury and DCCEEW did not document risks associated with rapid policy development and risk mitigation strategies. Activities that can assist in reducing risks were undertaken, including seeking expert advice, engaging industry stakeholders, and establishing fit-for-purpose governance and coordination arrangements.

10. Arrangements established to support implementation of the Energy Price Relief Plan were largely effective. Policy advice to government identified risks for all measures. Risks related to the Australian Domestic Gas Security Mechanism reforms were considered when the reforms were initially developed in 2022, however risks specific to bringing forward the commencement of the reforms were not incorporated with other risks included in policy advice. Treasury and DCCEEW monitored risks for three of the five measures — targeted electricity bill rebate, mandatory gas code of conduct, and coal price cap. The department responsible for the implementation of the targeted electricity bill rebate was not identified in policy advice provided to government in December 2022 and was not confirmed by government until August 2023. Treasury had not established a risk assessment and an implementation plan for the targeted electricity bill rebate and the gas price cap. Treasury's progress reports to government on the targeted electricity bill relief included elements of implementation planning.

11. Arrangements to assess the achievement of outcomes for the Energy Price Relief Plan were largely effective. While activities to assess the achievement of outcomes for individual measures have been planned or undertaken, plans to assess the collective impacts of the five measures under the Energy Price Relief Plan were not established. Monitoring arrangements have been established for four of five measures and implemented — the Australian Domestic Gas Security Mechanism has not been activated. Treasury and DCCEEW have produced reporting on the collective impacts of select measures. DCCEEW has conducted a review of the coal price cap. Planning has commenced for reviews of the targeted electricity bill rebate, mandatory gas code of conduct and Australian Domestic Gas Security Mechanism.



## Supporting findings

### Development of the plan

12. Roles and responsibilities were defined for the development of policy options. Treasury and DCCEEW have largely relevant guidance on developing policy advice available for staff. The departments did not document risks, and associated mitigation strategies, related to policy development. Activities that may reduce risks were undertaken: Treasury and DCCEEW sought expert advice; the Australian Competition and Consumer Commission (ACCC) engaged with select industry stakeholders; and the Department of the Prime Minister and Cabinet (PM&C) established fit-for-purpose governance and coordination arrangements. (See paragraphs 2.3 to 2.19)

13. During the development of policy advice, APS stakeholders — except for Services Australia, DITRDCA and DVA — were engaged in the design of all measures. Select industry stakeholders were engaged on the gas market interventions prior to policy advice being provided to government. (See paragraphs 2.20 to 2.81)

14. Market modelling and data and advice from relevant government entities was used to support advice to government on policy options. Potential impacts of the proposed policy options included in policy advice were supported by evidence. Treasury and DCCEEW's impact analysis included an assessment of regulatory burden costs and benefits for three measures — gas price cap, mandatory gas code of conduct and bringing forward the commencement of the Australian Domestic Gas Security Mechanism reforms. While DCCEEW had undertaken a preliminary assessment, an impact analysis was not undertaken for the remaining two measures — targeted electricity bill rebate and coal price cap. (See paragraphs 2.82 to 2.94)

### Planning for implementation

15. Advice to government identified risks for four of the five measures. Risks related to the Australian Domestic Gas Security Mechanism reforms were considered as part of an earlier impact assessment process and specific risks related to bringing forward the commencement of the reforms were not highlighted in policy advice. Advice did not document the risk that payments may be made to ineligible recipients under the targeted electricity bill rebate measure. DCCEEW undertook risk assessments for two of the five measures — the mandatory gas code of conduct and the coal price cap. Risks were monitored for three of the four measures led by Treasury and DCCEEW — the targeted electricity bill rebate, mandatory gas code of conduct, and coal price cap. Risk reporting was undertaken by Treasury for the targeted electricity bill rebate and by DCCEEW for the mandatory gas code of conduct. Risks related to the gas price cap and coal price cap measures were not reported. (See paragraphs 3.3 to 3.16)

16. Advice to government included information on implementation of all five measures under the plan. Policy advice on the targeted electricity bill rebate and the coal price cap measures did not identify which department would be responsible for implementation. Implementation plans were established for three measures — mandatory gas code of conduct, coal price cap and bringing forward the commencement of the Australian Domestic Gas Security Mechanism reforms. Implementation planning activities were undertaken for the remaining two measures. For the targeted electricity bill rebate, Treasury had not established an implementation plan. Elements of implementation planning were included within progress reports provided to

government. Implementation planning was discussed in governance meetings co-chaired by Treasury and Services Australia. (See paragraphs 3.17 to 3.38)

## Monitoring and assessing the achievement of outcomes

17. Subsequent to the announcement of the Energy Price Relief Plan in December 2022, oversight and monitoring frameworks have been established and implemented for four of five measures — the Australian Domestic Gas Security Mechanism has not been activated and therefore monitoring arrangements have not been implemented. Monitoring activities are being undertaken in accordance with the frameworks which have been established. (See paragraphs 4.3 to 4.29)

18. Treasury and DCCEEW outlined the objectives and estimated impacts of the Energy Price Relief Plan. Plans to assess the collective impacts of the five measures under the plan were not established. Entities have developed plans to assess the achievement of outcomes for the individual measures, except for the gas price cap. Treasury and DCCEEW have reported collective impacts of the Energy Price Relief Plan and DCCEEW has conducted a review of the New South Wales coal price cap. Statutory reviews of the mandatory gas code of conduct and the Australian Domestic Gas Security Mechanism reforms are due to be undertaken during 2025. (See paragraphs 4.30 to 4.70)

## Recommendations

**Recommendation no. 1** The Department of the Treasury develop risk management guidance for staff where Treasury is the lead agency for a policy, including for managing risks identified in policy advice.  
**Paragraph 3.16**

**Department of the Treasury response:** *Agreed.*

## Summary of entity responses

19. The proposed report was provided to the Department of the Treasury and the Department of Climate Change, Energy, the Environment and Water. Extracts of the proposed report were provided to the ACCC, AER, DVA, Services Australia, DITRDCA, DISR, and PM&C.

20. Treasury, DCCEEW, the AER and DISR provided summary responses and these are below. Full responses from these entities are included at Appendix 1.

### Department of the Treasury

Treasury welcomes the report, in particular the reflection that the policy was based on sound advice and that both policy and implementation development were largely effective to achieve the desired policy outcomes. Treasury also welcomes the report's key messages, especially regarding the need to adapt risk appetite to short timeframes and urgent delivery. This aligns with Treasury's risk management policy, noting our higher appetite for risk in these circumstances while still balancing potential consequences.

Treasury agrees with the recommendation presented in the report. Treasury accepts the ANAO's evidence regarding the risk assessments and implementation planning during the development of the Energy Price Relief Plan. Treasury considers the recommendation recognises the ANAO's

findings and Treasury acknowledges it could develop guidance on how the risk management framework should be applied in situations where timeframes are short and delivery is urgent.

Treasury has engaged an external review of the implementation of the first round of the Energy Bill Relief Fund and will leverage findings from this review in drafting further risk management guidance.

## **Department of Climate Change, Energy, the Environment and Water**

The Department of Climate Change, Energy, the Environment and Water (the department) welcomes the ANAO report and the conclusion that the design process for the Energy Price Relief Plan was largely effective, with no recommendations made for the department.

The Government's Energy Price Relief Plan was a package of measures developed to shield Australian families and businesses from the worst impacts of predicted energy price spikes. This rapid policy development occurred within complex electricity and gas markets and required engagement across multiple agencies and other parties during its development and implementation.

The ANAO's observations including areas of improvement applicable in the unique setting of rapid policy development are valuable insights that will inform and influence the department's continual improvement practices in stakeholder engagement and program governance.

## **Australian Energy Regulator**

The AER was provided with extracts from the proposed report.

The AER notes that there are no findings or recommendations relating to the AER.

The AER notes the contents of the report, including the key messages. The key messages reflect the experience and approach of the AER.

## **Department of Industry, Science and Resources**

The Department of Industry, Science, and Resources (the department) acknowledges the Australian National Audit Office's proposed audit report on the Design of the Energy Price Relief Plan.

The department acknowledges the report's key findings on policy design, governance and risk management. The department strives to achieve meaningful stakeholder engagement to ensure feedback is accounted for in policy design. In the design and implementation of the Australian Domestic Gas Security Mechanism (ADGSM) reforms, two public consultation processes were conducted – on the design of policy and on the draft guidelines – to inform the development of effective policy that contributes to the delivery of positive outcomes for our stakeholders.

The department is committed to establishing and improving robust governance and risk management practices, and notes these principles are particularly important when designing and implementing policy initiatives in constrained timeframes.

## **Key messages from this audit for all Australian Government entities**

21. Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

**Policy design**

- Early and meaningful engagement with stakeholders can help ensure the objectives of a program are practical and achievable. The approach to implementation should be reflected in policy design. Delivery agencies should be engaged early during the policy development process.

**Governance and risk management**

- Short timeframes for development and implementation of policy initiatives may require adopting a risk appetite that differs from one which applies in more normal times. Urgent delivery can reduce the time for consideration of implementation issues and as a result risks to successful implementation may not be identified, mitigated and managed. Taking time to review implementation risks as early as possible in the development of new policy can assist in bringing management of risk into an acceptable tolerance level.

# Audit findings

# 1. Background

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## Introduction

1.1 Energy supply begins with electricity and gas being generated or produced to be sold in wholesale markets. Energy retailers buy electricity and gas in the wholesale markets, and then bundle it with transportation services of transmission and distribution networks to sell to end-use customers. The transport of electricity from generators to consumers is facilitated through a ‘pool’, or spot market, where the output from all generators is aggregated and scheduled at five-minute intervals to meet demand.<sup>2</sup>

1.2 The retail energy markets allow retailers to supply and sell electricity, gas and energy services to residential and business customers. Retail electricity and gas prices are comprised of costs relating to wholesale, network, retail and environmental schemes, as well as the retailer’s margin.

1.3 Gas prices impact the prices of other fuel sources, including coal. Gas is usually the highest priced generation source in the spot market, and is most likely to be used when demand is high.<sup>3</sup>

1.4 Over the course of 2022, events in Ukraine resulted in price volatility and price hikes for energy on international markets.<sup>4</sup> During 2022 wholesale prices for energy increased in Australia due to the links between domestic and export markets, which affected domestic customers and the wider economy.<sup>5</sup>

1.5 The October 2022–23 Federal Budget noted further domestic causes for wholesale energy price increases as ‘temporary domestic electricity market disruptions exacerbated by ageing generation assets and inadequate policy certainty to support investment in new energy infrastructure.’

1.6 The October 2022–23 Federal Budget included the Department of the Treasury’s (Treasury) expectation that:

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2 The spot market is the mechanism that AEMO uses to match the supply of electricity from power stations with real time consumption by households and businesses. All electricity in the spot market is bought and sold at the spot price.

3 Details of market dynamics were set out in the Australian Energy Regulator’s (AER) wholesale markets quarterly reports.

Australian Energy Regulator, *Wholesale Markets Quarterly Q2 2022*, AER, 2022, available at <https://www.aer.gov.au/system/files/Wholesale%20Markets%20Quarterly%20Q2%202022.pdf> [accessed 13 September 2024].

Australian Energy Regulator, *Wholesale Markets Quarterly Q3 2022*, AER, 2022, available at [https://www.aer.gov.au/system/files/Wholesale%20markets%20quarterly%20Q3%202022\\_0.pdf](https://www.aer.gov.au/system/files/Wholesale%20markets%20quarterly%20Q3%202022_0.pdf) [accessed 13 September 2024].

Australian Energy Regulator, *Wholesale Markets Quarterly Q4 2022*, AER, 2022, available at [https://www.aer.gov.au/system/files/Wholesale%20markets%20quarterly%20Q4%202022\\_1.pdf](https://www.aer.gov.au/system/files/Wholesale%20markets%20quarterly%20Q4%202022_1.pdf) [accessed 13 September 2024].

4 World Economic Forum, *Russia-Ukraine war has nearly doubled household energy costs worldwide — new study*, 20 February 2023, available at <https://www.weforum.org/agenda/2023/02/russia-ukraine-war-energy-costs/> [accessed 23 July 2024].

5 Australian Energy Regulator, *Wholesale Markets Quarterly Q2 2022*, AER, 2022, available at <https://www.aer.gov.au/system/files/Wholesale%20Markets%20Quarterly%20Q2%202022.pdf> [accessed 24 July 2024].

- retail electricity prices would ‘increase by average of 20 per cent nationally in late 2022’ and ‘by a further 20 per cent in 2023–24’; and
- retail gas price would increase ‘by up to 20 per cent in both 2022–23 and 2023–24’.

1.7 In October 2022 the Australian Energy Regulator’s (AER) estimate for the setting of the Default Market Offer (DMO)<sup>6</sup> 2023–24 was that retail electricity prices would increase by between 41 and 51 per cent compared to the previous year. In May 2023 the AER’s release of the final determination of the DMO 2023–24 showed an increase of between 20.5 and 24.9 per cent for residential customers compared to the previous year.

## Energy Price Relief Plan

1.8 On 9 December 2022 the Prime Minister, the Treasurer, and the Minister for Climate Change and Energy announced a package of measures designed to ‘shield Australian families and businesses from the worst impacts of predicted energy price spikes.’<sup>7</sup> This package of measures was referred to as the Energy Price Relief Plan (the plan). These measures are outlined in Table 1.1.

**Table 1.1: Measures within the Energy Price Relief Plan**

Measure	Description
Targeted electricity bill rebate	Targeted electricity bill rebates to eligible households and small businesses facilitated through agreements with state and territory governments. The rebate was delivered through electricity retailers and applied to household and small business electricity bills.
Gas price cap	A 12 month emergency cap, an upper limit, on gas prices at \$12 per gigajoule <sup>a</sup> applied to new domestic wholesale gas market contracts by east coast producers. <sup>b</sup>
Mandatory gas code of conduct	Codes of conduct provide a set of rules or minimum standards for an industry, which cover the relationship between industry participants and their customers. To support the limit on gas prices and administer the measure, the Competition and Consumer (Gas Market Code) Regulations 2023 were introduced, to ensure adequate supply of wholesale gas to the domestic market at reasonable prices and terms. <sup>c</sup>
Coal price cap	Introduction of an upper limit on the price of coal used for electricity generation to \$125 per tonne in New South Wales and Queensland. A rebate to generators was implemented to cap the amount an electricity generator spends on coal for its electricity generation.

<sup>6</sup> The Default Market Offer (DMO) is the maximum price that an electricity retailer can charge a customer on a standing offer in New South Wales, South Australia and south-east Queensland each year. The DMO is used as proxy for expected electricity price offers for households and small businesses.

<sup>7</sup> Prime Minister, ‘Energy Price Relief Plan’, media release, Parliament House, Canberra, 9 December 2022, available from <https://www.pm.gov.au/media/energy-price-relief-plan> [accessed 26 September 2024].

Measure	Description
Bringing forward commencement of Australian Domestic Gas Security Mechanism (ADGSM) reforms	<p>Reforms to the ADGSM which included:</p> <ul style="list-style-type: none"> <li>the decision to activate the ADGSM can be made quarterly, ahead of peak seasonal demand periods;</li> <li>new protections are in place for the long-term gas contracts that underpin investments in Australia's gas industry; and</li> <li>liquefied natural gas (LNG) exporters will share equal responsibility for preventing shortfalls.</li> </ul> <p>In the October 2022–23 Federal Budget the government announced the reforms to the ADGSM, which were to commence in mid-2023. Commencement of the reforms was brought forward to be in place by 1 April 2023 as part of the Energy Price Relief Plan.</p>

Note a: A joule is the unit used to measure energy. A gigajoule equals one billion joules.

Note b: The gas price cap applied in all states and territories apart from Western Australia and the Northern Territory.

Note c: The Gas Market Code applies in all states and territories, apart from Western Australia as it is physically separated from the east coast regulated market.

Source: ANAO summary of public documentation.

1.9 The gas price cap, mandatory gas code of conduct, coal price cap, and bringing forward commencement of reforms to the ADGSM were intended to impact prices in wholesale markets. The targeted electricity bill rebate was intended to impact retail electricity bills.

1.10 The May 2023–24 Federal Budget included the following funding details in relation to the Energy Price Relief Plan:

- \$1.5 billion over two years from 2023–24 for targeted electricity bill rebates<sup>8</sup>;
- \$14.7 million over 5 years from 2022–23 (and \$2.7 million per year ongoing) to the Australian Competition and Consumer Commission (ACCC) for administering and enforcing compliance with the gas price cap and the mandatory gas code of conduct<sup>9</sup>;

8 In August 2023 the Prime Minister approved \$1.159 million in 2023–24 to provide the electricity bill rebate in the non-self-governing territories of: Norfolk Island, Indian Ocean Territories of Christmas Island and Cocos (Keeling) Islands; and Jervis Bay Territory. The rebates to the non-self-governing territories were to be fully funded within the existing budget allocation, delivered through the Services to Territories program administered by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA).

In April 2023 Treasury costed \$9.1 million of funding for Services Australia to upgrade the existing Centrelink Confirmation eServices (CCeS) system and build a consent workflow to deliver targeted electricity bill rebates.

9 At the December 2023 Mid-Year Economic and Fiscal Outlook (MYEFO), a further \$41.9 million over four years was provided to DCCEE, DISR, Treasury and the ACCC to support the implementation and administration of the mandatory gas code of conduct.



- \$9.5 million over 3 years from 2022–23 for the AER<sup>10</sup> to monitor coal and gas markets across the National Electricity Market<sup>11</sup>;
- \$0.4 million in 2022–23 to accelerate the reforms to the Australian Domestic Gas Security mechanism<sup>12</sup>, and
- an estimate ‘not for publication (nfp) due to commercial sensitivities’ for the coal price cap.

1.11 In August 2023 the Department of Climate Change, Energy, the Environment, Water (DCCEEW) briefed the Minister for Climate Change and Energy that initial estimates for the costs of rebates were between \$1.5 billion to \$2 billion.

1.12 A timeline of key events in relation to the measures, including commencement and expiry of measures, is available at Figure 1.1. The gas price cap and the coal price cap were required to be implemented soon after the announcement of the Energy Price Relief Plan to have an impact on the DMO.<sup>13</sup> The price caps were complemented by the other three measures — targeted electricity bill rebates, mandatory gas code of conduct and the bringing forward of the Australian Domestic Gas Security Mechanism. Legislative and governance frameworks that support the Energy Price Relief Plan measures are listed at Appendix 3.

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10 The AER is responsible for regulating the national electricity market in Australian jurisdictions that have adopted national legislation. The AER has its own Board comprising two Commonwealth Government members and three state and territory government members.

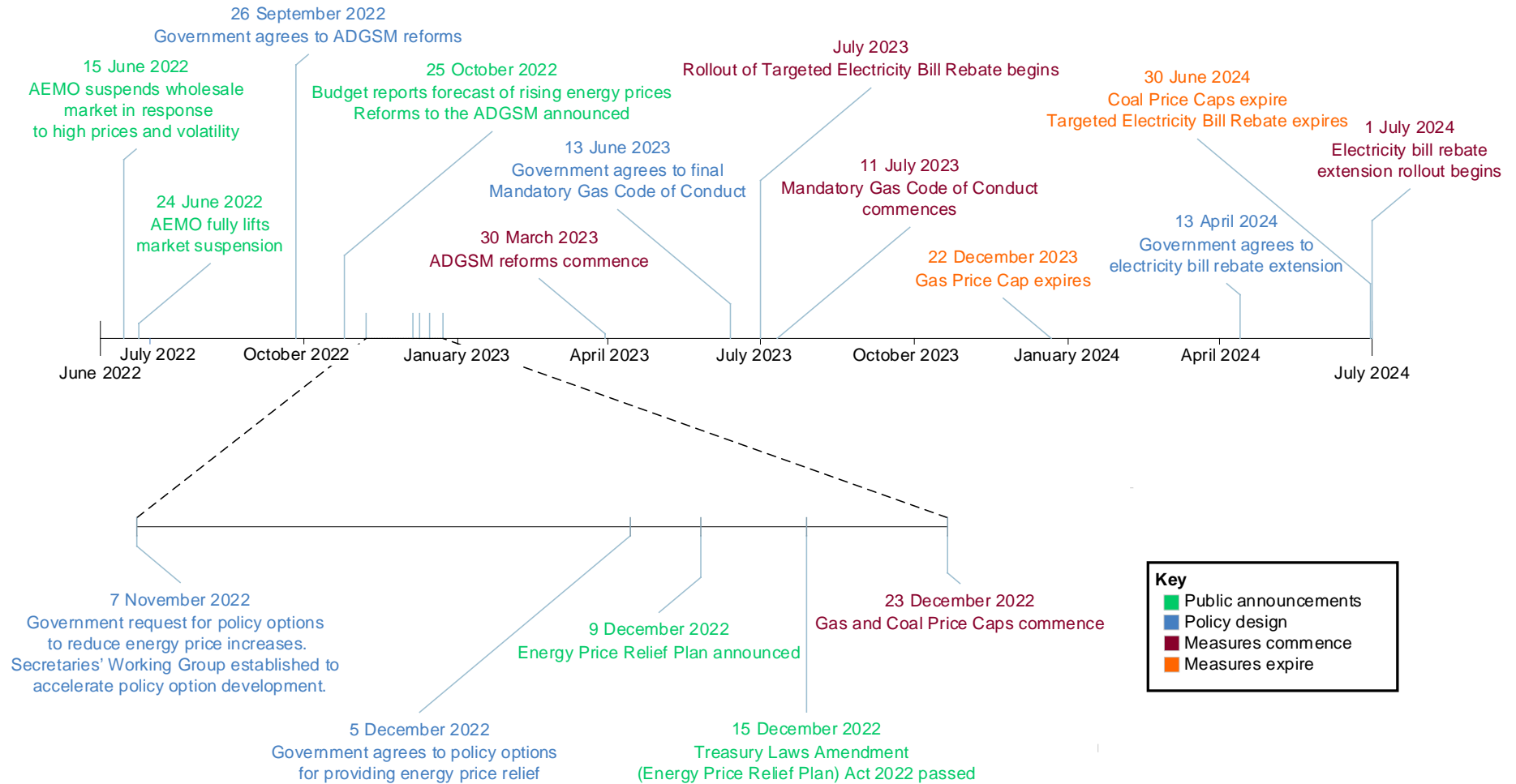
11 The National Electricity Market (NEM) is a wholesale market comprised of five physically connected regions on the east coast of Australia:

- Queensland
- New South Wales (which includes the ACT)
- Victoria
- Tasmania
- South Australia.

12 This measure builds on \$40.9 million in the October 2022–23 Federal Budget measure for ‘Supporting the Supply of Australian Gas’ measure over 8 years from 2022–23 to increase the frequency of domestic gas supply assessments by the ACCC and to implement reforms to the Australian Domestic Gas Security Mechanism.

13 The AER determines the DMO price each year based on the costs that retailers incur to supply customers (see paragraph 1.2). On 15 March 2023 the AER released its draft determination on the DMO price for 2023–24. On 25 May the AER published its final determination on the DMO prices for 2023–24. Australian Energy Regulator, *Default market offer 2023–24*, AER, Canberra, 2023, available from <https://www.aer.gov.au/industry/registers/resources/reviews/default-market-offer-2023-24> [accessed 16 September 2024].

**Figure 1.1: Timeline of events in relation to the Energy Price Relief Plan**



Source: ANAO analysis.

### Targeted electricity bill rebate

1.13 The Commonwealth Government agreed to co-fund the final rebate with state and territory governments, and payments were administered through electricity retailers as a deduction from electricity bills.

1.14 In March 2023, 5.1 million households and small businesses were expected to be eligible to receive the rebate. These recipients and the rebate amount are outlined in Table 1.2.

**Table 1.2: Targeted electricity bill rebate recipients and the rebate amount as at April 2023**

Recipients	Rebate amount contributed by the Commonwealth Government (\$)	Estimated number of eligible recipients at March 2023
Households located in New South Wales, Victoria, Queensland, South Australia and Tasmania	250	4.5 million households
Households located in Western Australia, Northern Territory and the Australian Capital Territory	175	0.6 million households
Eligible small businesses	325	1 million small businesses

Source: ANAO analysis of entity documentation.

1.15 In September 2023 the targeted electricity bill rebate was extended to the non-self-governing territories, which included 2,243 households and 265 businesses, and provided:

- \$500 per household in Norfolk Island and Jervis Bay Territory;
- \$350 per household in the Indian Ocean Territories of Christmas Island and Cocos (Keeling) Islands; and
- \$650 per business in all non-self-governing territories.

### Gas price cap

1.16 On 22 December 2022 the acting Treasurer issued a Gas Market Emergency Price Order under the *Competition and Consumer Act 2010*, capping the price of wholesale gas at \$12 per gigajoule for a period of 12 months. The gas price cap came into effect on 23 December 2022 and expired on 22 December 2023.

### Mandatory gas code of conduct

1.17 To support the implementation of the mandatory gas code of conduct measure, on 11 July 2023 the Competition and Consumer (Gas Market Code) Regulations 2023 (Gas Market Code) commenced. The Gas Market Code is mandatory and builds on the previously existing voluntary code of conduct for the gas industry.<sup>14</sup> The Gas Market Code included:

<sup>14</sup> In December 2021 the gas industry, including gas suppliers and gas users, finalised a voluntary code of conduct intended to improve fair operation of the gas market. In the October 2022–23 Federal Budget, government asked the ACCC to examine the voluntary code of conduct and consider options to improve its effectiveness with a view to making it mandatory.

- a reasonable price for regulated gas, in the form of a price cap set at \$12 per gigajoule, which supersedes the 12-month emergency gas price cap;
- a framework for gas producers to seek exemptions from the price cap in return for specified conditions, including enforceable commitments for additional domestic supply;
- transparency and conduct obligations for gas market negotiations to increase the visibility of the amount of uncontracted gas to be produced;
- conduct provisions to establish process standards for commercial negotiations; and
- a requirement for a review of its operation be undertaken no later than 1 July 2025.

### *Coal price cap*

1.18 In December 2022 the Commonwealth Government reached an agreement with the New South Wales and Queensland state governments to implement a cap of \$125 per tonne on coal produced in each state, with costs to be shared equally with between the Commonwealth Government and state governments.

1.19 On 21 December 2022 legislation to implement this change was passed in New South Wales. On 23 December 2022 the New South Wales Minister for Energy issued directions to coal mines and power stations to impose the price cap. In late December 2022 the Queensland Government used existing powers to direct state-owned coal generators to implement the price cap. The coal price cap expired on 30 June 2024.

### *Bringing forward commencement of Australian Domestic Gas Security Mechanism reforms*

1.20 The Australian Domestic Gas Security Mechanism (ADGSM) commenced on 1 July 2017. The ADGSM is intended to ensure there is sufficient gas supply to meet the needs of Australian energy users and allows the Minister for Resources to limit gas exports if a gas supply shortfall is forecast.

1.21 In the October 2022–23 Federal Budget the government announced funding to implement reforms to the ADGSM, including enabling the decision to activate the ADGSM to be made quarterly rather than annually. In December 2022 government agreed to bring forward the commencement of these reforms as part of the Energy Price Relief Plan. The reforms came into effect on 30 March 2023.

## **Roles and responsibilities across Energy Price Relief Plan measures**

1.22 DCCEEW is responsible for matters relating to energy policy and the national energy market including electricity, gas and liquid fuels.<sup>15</sup>

1.23 Treasury is the Australian Government’s lead economic adviser. Its role is to anticipate and analyse policy issues with a whole-of-government perspective, including providing economic analysis and policy advice on matters such as the economy, budget, taxation, the financial sector,

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15 Department of Climate Change, Energy, the Environment and Water, *Our responsibilities and legislation*, DCCEEW, Canberra, 2023, available from <https://www.dceew.gov.au/about/what-we-do/legislation> [accessed 19 July 2024].

foreign investment, structural policy, superannuation, small business, housing affordability and international economic policy.<sup>16</sup>

1.24 The Department of Industry, Science and Resources (DISR) is responsible for matters relating to the resources sector, including Australia's role as an energy supplier to overseas markets and the role of gas in Australia's transition to net zero.<sup>17</sup>

1.25 The Australian Competition and Consumer Commission (ACCC) is an independent Commonwealth statutory authority responsible for enforcing the *Competition and Consumer Act 2010* and other legislation, promoting competition and fair trading, and regulating national infrastructure.<sup>18</sup>

1.26 The Australian Government entities involved in the design, establishment and ongoing monitoring of each measure are outlined at Table 1.3.

**Table 1.3: Australian Government entities involved in the Energy Price Relief Plan**

Measure	Design of policy options (prior to announcement)	Establishment of the measure	Monitoring and administration
Targeted electricity bill rebate	Treasury and DCCEEW <sup>a</sup>	Treasury <sup>b</sup>	Treasury
Gas price cap	ACCC	Treasury	ACCC
Mandatory gas code of conduct	ACCC	Treasury and DCCEEW	ACCC <sup>c</sup>
Coal price cap	DCCEEW	DCCEEW	DCCEEW <sup>d</sup>
Bringing forward commencement of reforms to the ADGSM	DISR	DISR	DISR

Note a: On 12 August 2024 DCCEEW advised the ANAO that Treasury were involved in the design to include eligibility criteria. On 12 August 2024 Treasury advised the ANAO that DCCEEW had developed the policy option.

Note b: Services Australia, the Department of Veterans' Affairs, and the Department of Infrastructure, Transport, Regional Development, Communications and the Arts contributed work to the implementation of the bill rebate.

Note c: Other entities — DCCEEW, DISR, ACCC and Treasury — have administrative functions under the Gas Market Code, such as supporting the operation of the exemptions framework.

Note d: AER is the appointed regulator for the coal price cap in New South Wales. Treasury processes payments from Commonwealth Government to New South Wales and Queensland governments as part of federation funding agreement schedules.

Source: Advice provided to the ANAO from entities and ANAO analysis of entity documentation.

### Extension of electricity bill rebates in 2024

1.27 In the 2024–25 Federal Budget the government announced that the targeted electricity bill rebate would be extended in time over three years from 2023–24, costed at \$3.5 billion. The May 2024 announcement included that eligibility for the electricity bill rebate would be expanded,

16 The Treasury, *About Treasury*, Canberra, no date, available from <https://treasury.gov.au/the-department/about-treasury> [accessed 19 July 2024].

17 Department of Industry, Science and Resources, *Corporate Plan 2023-24*, Canberra, 2023, available from <https://www.industry.gov.au/publications/corporate-plan-2023-24> [accessed 24 July 2024].

18 Australian Competition and Consumer Commission, *About the ACCC*, Canberra, no date, available from <https://www.accc.gov.au/about-us/accc-role-and-structure/about-the-accc> [accessed 11 September 2024].

providing for all households a \$300 credit and \$325 credit for around one million small businesses, to apply to electricity bills over 2024–25.

## Rationale for undertaking the audit

1.28 The estimated budget for the package of measures under the Energy Price Relief Plan was between \$3 billion and \$3.5 billion over five years. The government sought urgent advice on options to seek to address energy price increases.

1.29 The audit provides assurance to Parliament on whether the Energy Price Relief Plan was effectively designed and the effectiveness of planned frameworks for implementation and evaluation.

## Audit approach

### Audit objective, criteria and scope

1.30 The objective of this audit was to assess the effectiveness of the design process for the Energy Price Relief Plan.

1.31 To form a conclusion against the objective, the following criteria were adopted.

- Was the development of the plan informed by sound policy advice?
- Was implementation effectively planned?
- Are the arrangements to assess the achievement of outcomes of the plan effective?

1.32 The audit did not assess:

- the design or implementation of the Capacity Investment Scheme<sup>19</sup> which was also included in the 9 December 2022 announcement;
- the design of the Australian Domestic Gas Security Mechanism reforms agreed to by government in September 2022; or
- the implementation of the extension of the energy bill rebates announced in May 2024.

### Audit methodology

1.33 The audit methodology included:

- examination of entities' records relating to the design and implementation of measures under the Energy Price Relief Plan;
- meetings with relevant departmental staff from Treasury and DCCEEW; and
- meetings with the ACCC; AER; DISR; Services Australia; the Department of Infrastructure, Transport, Regional Development, Communications and the Arts; the Department of the Prime Minister and Cabinet; and the Department of Veterans' Affairs to discuss the measures that they were involved in designing and administering.

1.34 The audit team received nine public submissions.

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19 For further information on the Capacity Investment Scheme see Department of Climate Change, Energy, the Environment and Water, *Capacity Investment Scheme*, DCCEEW, Canberra, 2022, available from <https://www.dcceew.gov.au/energy/renewable/capacity-investment-scheme> [accessed 26 September 2024].

1.35 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$514,000.

1.36 The team members for this audit were Chayathri Kulatunge, Lorcan Stevens, Marcus Newberry, Jacqueline Hedditch and Corinne Horton.

## 2. Development of the plan

### Areas examined

This chapter examines whether the development of the Energy Price Relief Plan (the plan) was informed by sound policy advice.

### Conclusion

The development of the Energy Price Relief Plan was informed by sound policy advice. Roles and responsibilities, relevant guidance and risk management processes were in place to support the development of the Energy Price Relief Plan. Benefits of policy options were assessed and were supported by evidence. During the design process industry stakeholders were consulted on the gas market interventions. Stakeholders within the APS were consulted in the development of policy options, except for: Services Australia; the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA); and the Department of Veterans' Affairs (DVA). Earlier engagement with APS delivery agencies would have improved the consideration of implementation within the policy advice provided to government. The Department of the Treasury (Treasury) and the Department of Climate Change, Energy, the Environment, Water (DCCEEW) did not document risks associated with rapid policy development and risk mitigation strategies. Activities that can assist in reducing risks were undertaken, including seeking expert advice, engaging industry stakeholders, and establishing fit-for-purpose governance and coordination arrangements.

### Areas for improvement

The ANAO suggested that Treasury and DCCEEW consider developing an approach to consulting delivery agencies during the design process. The ANAO also suggested that Treasury and DCCEEW document risk mitigation strategies for rapid policy development.

2.1 The Australian Government's Delivering Great Policy model<sup>20</sup> sets out when entities provide policy advice, entities:

- clearly define the intent of a proposed policy, the benefits and impacts;
- demonstrate the best option using evidence, including informing policy through quantitative and qualitative evidence and considering the wider context the proposed policy will exist within; and
- involve key stakeholders within and outside the APS to ensure that government initiatives are reflective of diverse views and have broad support.

2.2 The Commonwealth Risk Management Policy<sup>21</sup> requires that risk management is embedded into the decision-making activities of the entity, including policy design.

20 Australian Public Service Academy, *Delivering Great Policy*, Canberra, 2024, available from <https://www.apsacademy.gov.au/aps-craft/strategy-policy-evaluation/delivering-great-policy> [accessed 9 September 2024].

21 Department of Finance, *Commonwealth Risk Management Policy*, Canberra, 2022, available from <https://www.finance.gov.au/government/comcover/risk-services/management/commonwealth-risk-management-policy> [accessed 9 September 2024].



## Were appropriate roles and responsibilities, guidance and risk management processes established to support the development of the plan?

Roles and responsibilities were defined for the development of policy options. Treasury and DCCEEW have largely relevant guidance on developing policy advice available for staff. The departments did not document risks, and associated mitigation strategies, related to policy development. Activities that may reduce risks were undertaken: Treasury and DCCEEW sought expert advice; the Australian Competition and Consumer Commission (ACCC) engaged with select industry stakeholders; and the Department of the Prime Minister and Cabinet (PM&C) established fit-for-purpose governance and coordination arrangements.

### Roles and responsibilities for the development of policy options

2.3 On 7 November 2022 the Prime Minister formally requested the Secretary of PM&C establish a Secretaries' Group on options to address rising gas and electricity prices.<sup>22</sup> The Secretaries' Group was to develop policy options for consideration by government in December 2022, following consultation with relevant ministers in late November 2022. The Prime Minister requested that policy options could commence from as early as 1 January 2023.

2.4 The Secretaries' Group included the Secretaries of the following departments:

- PM&C (Chair);
- Department of the Treasury (Treasury) (Deputy Chair);
- Department of Finance (Finance);
- Department of Industry, Science and Resources (DISR); and
- Department of Climate Change, Energy, the Environment and Water (DCCEEW).

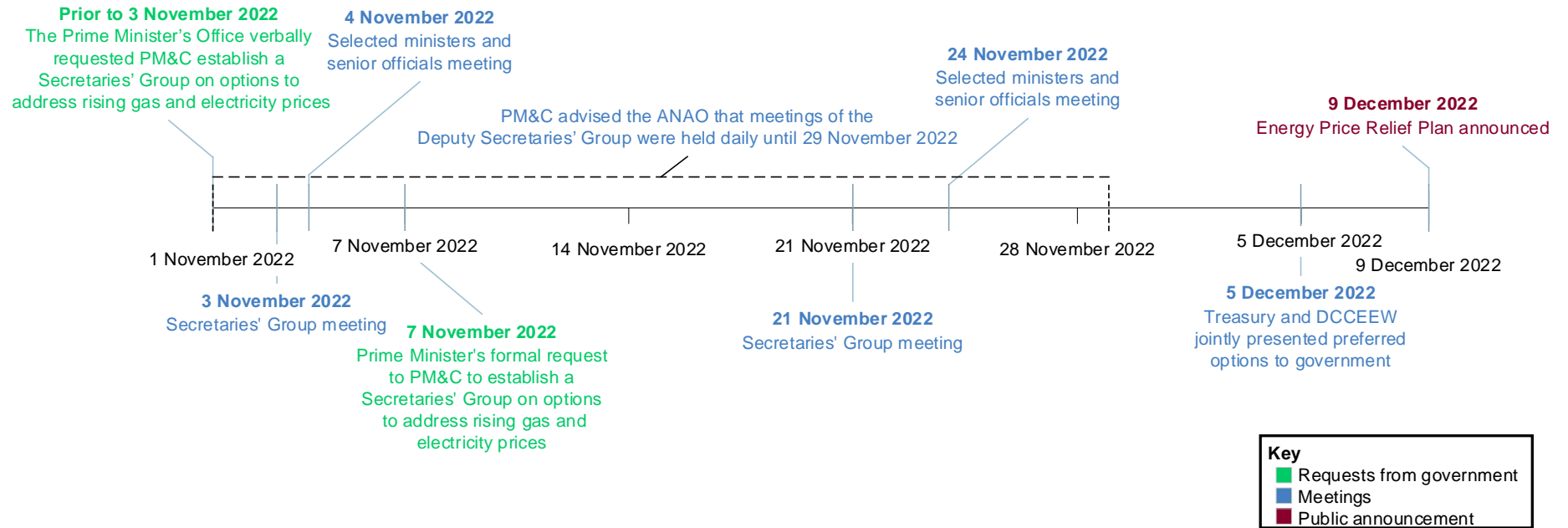
2.5 Secretaries were to be supported by senior officials from the ACCC, Australian Energy Market Operator (AEMO)<sup>23</sup> and the Australian Energy Regulator (AER). The Secretaries' Group met twice, on 3 and 21 November 2022<sup>24</sup> (Figure 2.1). Key outputs from the group were draft policy options and advice.

22 The Secretaries' Group superseded the formation of a Ministerial Working Group. On 26 September 2022 government had agreed to establish the Ministerial Working Group to conduct a two-stage review of the voluntary gas code of conduct and the east coast gas market structures and pricing for commercial and industrial users.

23 The AEMO's function include maintaining secure electricity and gas systems and managing electricity and gas markets. It is 60 per cent owned by Commonwealth Government and state and territory governments, and 40 per cent owned by industry.

24 On 23 August 2024 PM&C advised the ANAO that the request to establish the Secretaries' Group was verbally communicated to PM&C from the Prime Minister's Office prior to the Prime Minister's formal request made on 7 November 2022. The verbal request provided the basis for convening the first meetings of the Secretaries' Group and Deputy Secretaries' Group.

**Figure 2.1: Key meetings during the development of policy options**



Source: ANAO analysis.

2.6 The Terms of Reference for the Secretaries' Group defined Treasury, DCCEEW and DISR as lead entities for developing preliminary policy options to mitigate the impact of high energy prices.<sup>25</sup>

2.7 In November 2022 Treasury and DCCEEW developed 20 preliminary policy options, which included both short-term and longer-term options. On 5 December 2022 Treasury and DCCEEW jointly presented preferred options to government.

2.8 A Deputy Secretaries' Group was also formed as the primary means of coordinating work across agencies and was to meet daily.<sup>26</sup> In June 2024, PM&C advised the ANAO that meetings of the Deputy Secretaries' Group 'were held daily during the busiest period in the policy development process' between 1 and 29 November 2022.

2.9 Two meetings of selected ministers and senior officials were held on 4 and 24 November 2022. The meetings were designed to present ministers with progressively more detailed policy options. Overviews of outcomes from meetings were shared with Treasury, DCCEEW, DISR, the Department of Finance and the Department of Foreign Affairs and Trade.

### Guidance materials for developing policy advice

2.10 As at September 2024 content on Treasury's and DCCEEW's intranet webpages contained links to PM&C's Cabinet Handbook<sup>27</sup>, which includes guidance on providing policy advice to government. Treasury's intranet linked to guidance materials from the Office of Impact Analysis (OIA). DCCEEW's intranet linked to the Department of Finance's Budget Process Operational Rules<sup>28</sup>, which sets out processes for developing policy options. DCCEEW established a checklist, template and internal guidance on the process and content required in drafting policy advice, which were available via the department's intranet and were not marked as mandatory for staff to follow.

2.11 As at September 2024, learning modules on the Delivering Great Policy model and on basic economic principles needed in applications to policy were available to Treasury staff. Training on the Australian Government budget process was available to DCCEEW staff.

2.12 Economic modelling and analysis informed policy advice that was provided to government in December 2022. At the time policy options were being developed in November and December 2022, Treasury and DCCEEW had guidance material on economic modelling and analysis in November 2022 — such guidance was not readily available via the departments' intranet.

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25 Treasury was assigned as the lead entity for developing preliminary options related to tax, direct or indirect financial support for industry and consumers. DCCEEW was assigned the development of options to support businesses and households to become less exposed to higher energy prices. DISR was the lead entity for developing further reforms to the Australia Domestic Gas Security Mechanism. Treasury and DCCEEW were to examine regulatory approaches. Treasury and DISR were to explore principles and frameworks to guide the assessment of requests for energy price relief support from government.

26 Departments included in the Deputy Secretaries' Group meetings were Treasury, DCCEEW, DISR, Department of Finance and the Department of Foreign Affairs and Trade.

27 Department of the Prime Minister and Cabinet, *Cabinet Handbook (15th edition)*, PM&C, available from <https://www.pmc.gov.au/government/administration/cabinet-handbook-15th-edition> [accessed 11 September 2024].

28 Department of Finance, *Budget Process Operational Rules (effective 18 December 2023)*, Department of Finance, available from [https://www.finance.gov.au/sites/default/files/2024-05/budget-process-operational-rules\\_0.pdf](https://www.finance.gov.au/sites/default/files/2024-05/budget-process-operational-rules_0.pdf) [accessed 11 September 2024].

2.13 Treasury and DCCEEW have not established guidance for staff that may be involved in rapid policy development processes.

### **Risk management arrangements for the development of policy options**

2.14 Treasury's July 2022 risk management framework specifies a risk category for policy advice and analysis, which includes risk to the 'ability to provide quality, timely, influential, and accurate policy advice, and analysis.' Treasury's risk tolerance guide states that it has a 'low risk tolerance for not delivering influential advice and analysis and not cooperating with our stakeholders.'

2.15 In August 2022 DCCEEW's Executive Board<sup>29</sup> approved the enterprise risk management frameworks and policies of the former Department of Agriculture, Water and the Environment, and Department of Industry, Science, Energy and Resources for use as interim risk management arrangements 'in parallel'.<sup>30</sup> The Department of Industry, Science, Energy and Resources' Risk Management Framework 2021 outlined a lower tolerance that its 'advice will be considered irrelevant, inaccurate or poorly informed', as well as for 'failing to keep government and our ministers informed and prepared'.

2.16 Activities that were conducted by APS entities that may assist in reducing risks during rapid policy development included the following.

- Treasury and DCCEEW sought expert implementation advice and experience during the policy development and adjusted the policy options as necessary. For instance, the AER and the AEMO provided advice to the departments and to government in relation to the policy options. (See paragraph 2.30).
- The ACCC engaged with select industry stakeholders to inform its advice to Treasury on the gas market interventions. Engaging stakeholders can identify risks and opportunities for policy development. (See paragraph 2.28).
- PM&C established fit-for-purpose governance and coordination arrangements through the Secretaries' Group and Deputy Secretaries' Group, with clearly defined roles and responsibilities. Reporting on the development of policy options was provided to selected

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29 The Executive Board Charter states that the Executive Board is responsible for the overall governance, management, policy leadership and strategic direction of the department.

30 The Department of Climate Change, Energy, the Environment and Water (DCCEEW) was established on 1 July 2022. DCCEEW is responsible for:

- climate change and energy functions previously held by the Department of Industry, Science, Energy and Resources;
- environment and water functions previously held by the Department of Agriculture, Water and the Environment;
- international climate change functions previously held by the Department of Foreign Affairs and Trade; and
- water infrastructure functions and the National Water Grid Authority previously held by the Department of Infrastructure, Transport, Regional Development and Communications.

On February 2023 DCCEEW's Executive Board endorsed an enterprise risk management framework for DCCEEW. As at May 2024 DCCEEW's enterprise risks included the risk that DCCEEW is 'unable to deliver or implement effective regulatory practice, or influential, integrated and innovative policy' as one of its enterprise risks. To mitigate this risk, DCCEEW states that it will 'manage and facilitate the design and delivery of policies and programs that meet statutory timeframes, intended regulatory outcomes and stakeholder expectations.'

ministers and senior officials to assist government decision-making. Senior APS officials were involved in the development of policy options. (See paragraphs 2.3 to 2.9).

- Treasury and DCCEEW mobilised necessary skills and knowledge within each department.

2.17 Within Treasury a project taskforce was established, which was sponsored by the relevant Deputy Secretary. DCCEEW held ‘daily stand-up meetings’ to provide status updates on matters, including with the relevant Deputy Secretary. In April 2024 DCCEEW advised the ANAO that such meetings were attended by officers, senior executive and subject matter experts from across the department. In August 2024, DCCEEW advised the ANAO that subject matter experts from the AEMO and the AER also attended daily meetings to provide input into the design process as relevant.

2.18 Treasury and DCCEEW did not document identification of challenges and risks to rapid policy development, mitigation strategies and did not establish the risk appetite. Rapid policy development may require a different risk appetite and risk mitigation strategies to those adopted in more normal times.<sup>31</sup>

### Opportunity for improvement

2.19 Treasury and DCCEEW document risk mitigation strategies for rapid policy development.

## Was appropriate stakeholder consultation undertaken?

During the development of policy advice, APS stakeholders — except for Services Australia, DITRDCA and DVA — were engaged in the design of all measures. Select industry stakeholders were engaged on the gas market interventions prior to policy advice being provided to government.

2.20 Making ‘practical to implement policy’ entails collaborating with implementers early and evaluating policy options with input from implementers and end users. The Australian Public Service Commission’s guidance on ‘getting stakeholder engagement right’ includes developing a system for recording and incorporating stakeholder feedback into deliverables and providing updates to stakeholders on consultation findings.<sup>32</sup>

2.21 Treasury’s program management framework states ‘Effective stakeholder management and engagement can identify risks, and opportunities for program development and delivery.’ The program management framework contains tools and templates for stakeholder management and engagement, including a communications plan, stakeholder engagement plan, stakeholder analysis matrix, and a stakeholder feedback tracker.

2.22 DCCEEW’s business planning toolkit includes guidance on understanding relationships with key stakeholders. The tool is designed to assist staff in analysing the expectations of key

31 Australian National Audit Office, *Insights: Procurement and Contract Management*, ANAO, Canberra, April 2020, available from <https://www.anao.gov.au/work/insights/rapid-implementation-australian-government-initiatives#2-1-1identifychallengesandriskstorapidimplementation> [accessed 16 September 2024].

32 Australian Public Service Commission, *Getting stakeholder engagement right*, APSC, Canberra, 15 March 2021, available from <https://www.apsc.gov.au/initiatives-and-programs/aps-mobility-framework/taskforce-toolkit/stakeholder-engagement/getting-stakeholder-engagement-right> [accessed 22 July 2024].

stakeholders and the implications for strategy, and to help develop a clear understanding of how key stakeholders present challenges, opportunities and risks to strategy and how to work with stakeholders. DCCEEW’s project management intranet page includes a link to the Australian Public Service Commission’s guidance on stakeholder engagement as ‘other things to consider’.

2.23 Through the terms of reference for the Secretaries’ Working Group (see paragraphs 2.3 to 2.7) Secretaries were required to, among other things, engage in confidence with key stakeholders including to ensure the workability of options under consideration.

### Stakeholder consultation prior to providing policy advice to government in December 2022

2.24 In December 2022 Treasury and DCCEEW developed an impact analysis<sup>33</sup>, which covered three of the five measures — the gas price cap, mandatory gas code of conduct, and bringing forward the commencement of Australian Domestic Gas Security Mechanism reforms (see paragraph 2.89). The policy options were developed through consultation within government and in targeted industry discussions.

2.25 The impact analysis set out that:

The market sensitivities associated with the measures considered in this Impact Analysis, as well as the urgency in which they need to be developed and implemented reduced the viability of extensive, public consultation on specific options for Government action thus far. There will however be future opportunity to consult stakeholders prior to the implementation of some of the options highlighted.

2.26 The impact analysis identified stakeholder groups, their impact on energy price relief options, and the potential impacts of the policy options on each stakeholder group.<sup>34</sup>

2.27 Table 2.1 outlines consultation activities that occurred before policy advice was provided to government in December 2022, within and outside the APS.

**Table 2.1: Consultation before policy options were provided to government in December 2022, by measure**

Energy Price Relief Plan measures	Consultation activities before policy advice was provided to government	
	Outside APS	Within APS <sup>a</sup>
Targeted electricity bill rebate	No	Yes <sup>b</sup>
Gas price cap	Yes	Yes
Mandatory gas code of conduct	Yes	Yes

33 The Australian Government’s Regulatory Impact Analysis Framework 2020 required entities that present policy proposals to government to complete an impact analysis. Department of the Treasury and the Department of Climate Change, Energy, the Environment and Water, *Options to Provide Energy Price Relief*, Treasury and DCCEEW, Canberra, 2022, available from <https://oia.pmc.gov.au/sites/default/files/posts/2022/12/Impact%20Analysis.pdf> [accessed 12 September 2024].

34 Stakeholder groups included domestic gas producers, liquefied natural gas (LNG) exporters, electricity generators, retail energy companies, domestic energy consumers (households, small business and industrial users), and international trading partners and investors.

Energy Price Relief Plan measures	Consultation activities before policy advice was provided to government	
Coal price cap	No	Yes <sup>c</sup>
Bringing forward commencement of Australian Domestic Gas Security Mechanism reforms	No	Yes

Note a: A forum for consultation within the APS was the Secretaries' and Deputy Secretaries' groups (see paragraph 2.3 to 2.8).

Note b: In December 2022 the AER estimated the amount required to compensate customers for some or all of the projected price rises for the targeted electricity bill rebate measure. Key implementation partners — Services Australia, DVA and DITRDCA — were not consulted until after policy advice was provided to government in December 2022.

Note c: DCCEEW's consultation activities included the engagement of two external consultants (see paragraph 2.30).

Source: ANAO analysis of entity documentation.

2.28 For two of the five measures, stakeholder consultation was undertaken outside the APS — the gas price cap and mandatory gas code of conduct. On 22 October 2022 the Treasurer requested the ACCC work with Treasury to develop advice by mid-November 2022 on options to improve the functioning of the east coast gas market, including a mandatory code of conduct and consideration of a reasonable price. Between 31 October and 8 November 2022, the ACCC met with eight industry stakeholders — three of the eight meetings were also attended by DISR. On 11 November 2022 the ACCC Chair provided advice to the Treasurer, following which a summary of the ACCC's advice was published on Treasury's website.<sup>35</sup>

2.29 The impact analysis noted that earlier consultations had been held on the reforms to the Australian Domestic Gas Security Mechanism and that:

stakeholder consultation on the design of the ADGSM reforms before implementation will also be necessary to avoid early design flaws and any unintended consequences with other options to provide energy price relief.

2.30 Within the APS, consultation with most stakeholders was undertaken for the five measures.

- Targeted electricity bill rebate — during November and December 2022 the Australian Energy Regulator (AER) estimated the amount required to compensate customers for some or all of the electricity price rises projected in scenarios based on from inputs and assumptions provided by DCCEEW. APS delivery agencies were not consulted during the design process (see paragraph 2.34).
- Gas price cap and mandatory gas code of conduct — in November 2022 APS entities — including AEMO, AER, DISR, and the Attorney-General's Department — provided comments to Treasury on the policy options for the gas market interventions. On 28 November 2022 AEMO provided DCCEEW with considerations on the gas price cap.
- Coal price cap — in December 2022 the AER provided advice on the potential impact of the coal price cap on the Default Market Offer outcomes (see Appendix 4). To inform advice to government DCCEEW worked with the AER and had engaged two external

35 A summary of the ACCC's advice was published on the Treasury's website: Department of the Treasury, *Options to ensure the domestic wholesale gas market delivers for Australians*, Treasury, 2022, available from <https://treasury.gov.au/consultation/c2022-343998> [accessed 9 September 2024].

consultants, Ernst & Young<sup>36</sup> and ACIL Allen<sup>37</sup>, to provide expert advice on electricity market analysis and economic modelling (see Appendix 4). The external consultants signed deeds of confidentiality.

- Bringing forward the commencement of the Australian Domestic Gas Security Mechanism reforms — DISR provided the policy advice on the measure. In November 2022 DISR received feedback from the Department of Home Affairs<sup>38</sup> on the drafting of amendments to the Customs (Prohibited Exports) Regulations 1958. The December 2022 impact analysis identified key stakeholders (see paragraph 2.26) and stated that the government was consulting with companies subject to the Australian Domestic Gas Security Mechanism regulations, as well as consulting with market advisory bodies on reform implementation.

### *Targeted electricity bill rebate*

2.31 The December 2022 policy advice to government noted that targeted households and small businesses, electricity retailers, as well as state and territory governments would be affected by the policy option. The rebate was to be delivered through electricity retailers. Unlike the state and territory governments, the Commonwealth Government did not have existing administrative arrangements with electricity retailers. Therefore, the targeted electricity bill rebate was designed to be delivered by state and territory governments, with costs to be reimbursed by the Commonwealth Government through federation funding agreement schedules.<sup>39</sup>

2.32 The design of the targeted electricity bill rebate did not identify arrangements for the following as recipients of the rebate:

- hardship customers<sup>40</sup> — policy advice to government in April 2024 on the extended targeted energy bill rebate included the expansion of the bill rebate to 100,000 hardship customers; and

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36 The AusTender contract number for the contract with Ernst & Young is CN3927195 with a total reported value of \$161,029. AusTender, *Contract Notice View — CN3927195*, AusTender, Canberra, 2023, available from <https://www.tenders.gov.au/Cn/Show/40d71894-378c-488e-a33f-7f98189ad114> [accessed 20 September 2024].

37 The AusTender contract number for the contract with ACIL Allen is CN3962325 with a total reported value of \$10,684. AusTender, *Contract Notice View — CN3962325*, AusTender, Canberra, 2023, available from <https://www.tenders.gov.au/Cn/Show/698628e7-9b90-4b32-98e9-c2ca1441476b> [accessed 20 September 2024].

38 The Department of Home Affairs has a role in monitoring the Australian Domestic Gas Security Mechanism once activated.

39 Federation funding agreement schedules were signed under the Intergovernmental Agreement on Federal Financial Relations and the *Federal Financial Relations Act 2009*. *Federal Financial Relations Act 2009* sets the framework for payment to states. The Intergovernmental Agreement on Federal Financial Relations provides the overarching framework for federal financial relations, including finances and collaboration on policy development and service delivery.

40 On 12 August 2024, DCCEEW advised the ANAO that approximately half of hardship customers held eligible concession cards, therefore were eligible to receive the targeted electricity bill rebate. Hardship customers are residential customers of a retailer who are identified as customers experiencing financial payment difficulties due to hardship in accordance with the retailer's customer hardship policy. The Australian Energy Regulator approves retailer customer hardship policies, which are prescribed to identify residential customers experiencing payment difficulties due to hardship to assist those customers to better manage their electricity bills on an ongoing basis.



- non-self-governing territories<sup>41</sup> (see paragraph 2.58).

2.33 On 27 August 2024 DCCEEW advised the ANAO that the hardship customer cohort was identified and considered in the design of the 2023–24 round of the targeted electricity bill rebate, and that the decision was made to use the concessions framework<sup>42</sup>, including for the following reasons:

- ‘the bill rebate was designed around systems already in place and systems that had documentation around concession holders for states and territories’; and
- ‘in the very short timeframe available ... creating new structures based on hardship status could have jeopardised delivery’.

2.34 In the development of policy advice, Treasury and DCCEEW did not consult delivery agencies — Services Australia, DVA and the DITRDCA.<sup>43</sup> After the announcement the three delivery APS agencies contacted Treasury (see paragraphs 2.50, 2.56 and 2.58). The rebate was delivered through electricity retailers and applied to household and small business electricity bills. To deliver the rebate to households, electricity providers needed to know whether customers were eligible for the rebate.

- To deliver the rebates to households considered as part of an ‘expanded cohort’, customers were required to share their consent for their nominated electricity provider to check their concession status for eligibility. Services Australia became the initial point of contact to collect consent from customers and share confirmation of customers’ eligibility with the customers’ nominated electricity provider (see paragraphs 2.50 to 2.54).
- The involvement of DVA identified that 12,000 of the agency’s clients needed to be prompted to contact their energy provider, or state or territory government, to give consent and to have the rebate applied to their electricity bills (see paragraphs 2.56 and 2.57).
- DITRDCA identified that the targeted electricity bill rebate needed to be extended to non-self-governing territories and assisted in the administration of the bill rebate to the non-self-governing territories (see paragraphs 2.58 and 2.59).

2.35 The importance of providing quality advice was highlighted in an independent review of government processes for implementing large public programs and projects.<sup>44</sup> The report observes that:

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41 Non-self-governing territories include Norfolk Island, Christmas Island, Cocos (Keeling) Islands and Jervis Bay Territory.

42 State and territory governments maintain existing schemes which deliver energy bill rebates to recipients of various concessions and have established administrative arrangements with electricity retailers for delivering rebates. The Commonwealth Government does not have existing administrative arrangements in place with electricity retailers.

43 Treasury and DCCEEW also did not consult Snowy Hydro, which is a wholly owned Australian Government energy retailer.

44 Professor Peter Shergold AC, *Learning from Failure: Why large government policy initiatives have gone so badly in the past and how the chances of success in the future can be improved*, Commonwealth of Australia, Canberra, 12 August 2015, available at <https://www.apsc.gov.au/publication/learning-from-failure> [accessed 26 September 2024].

The development of a policy and its delivery are inextricably linked. Implementation should be integral to policy design. A policy cannot be elegant if its execution is poorly communicated, ineptly administered or inadequately evaluated. The proof of the pudding is in the eating.<sup>45</sup>

2.36 During November and December 2022, the AER estimated the amount required to compensate customers for some or all of the electricity price rises projected in scenarios, based on inputs and assumptions provided by DCCEEW.

### Opportunity for improvement

2.37 Treasury and DCCEEW consider developing an approach to consulting with delivery agencies during the policy development process.

## Stakeholder consultation following the announcement of the Energy Price Relief Plan

2.38 Treasury and DCCEEW continued consulting stakeholders within and outside the APS after the announcement of the Energy Price Relief Plan, including on elements of design for all measures.

### *Energy Price Relief Plan stakeholder engagement strategies*

2.39 Advice to government in December 2022 on options to provide energy price relief included a stakeholder engagement strategy and an international engagement strategy. The strategies related to all measures, except for the targeted electricity bill rebate. Stakeholders considered under the strategies included industry entities and international partners, industry energy market participants, industry peak bodies, electricity retailers, energy market bodies (AER and AEMO), and the ACCC.

2.40 In accordance with the stakeholder engagement strategy, on 12 and 19 December 2022 DCCEEW provided the AER and AEMO with briefings on the advice that was provided to government on the Energy Price Relief Plan. Treasury advised the ANAO on 12 August 2024 that it did not provide a separate briefing to the ACCC 'given they were deeply involved in the process'.

2.41 In December 2022 government agreed that the relevant ministers would develop a communications strategy on the approach to addressing energy prices for government approval by 1 March 2023.

2.42 In May 2023 DCCEEW established communications principles and objectives to support communications on the Energy Price Relief Plan, which were developed based on research and findings from an external consultant.<sup>46</sup> The external consultant was commissioned to undertake research on community awareness, understanding and sentiment on changes in energy prices, and to bring together recommendations for the communications on the Energy Price Relief Plan.<sup>47</sup>

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45 *ibid.*, p. 4.

46 Principles and objectives included deliver messages with a consumer focus and use multiple channels and public communications. Key findings included that: awareness of the Energy Price Relief Plan amongst the Australian public was low; and there was confusion about the drivers behind changes in energy prices.

47 The external consultant was Thinkplace. The AusTender contract number for the procurement is CN3980662 with a total reported value of \$84,773. AusTender, *Contract Notice View - CN3980662*, AusTender, Canberra, 2023, available from <https://www.tenders.gov.au/Cn/Show/b4ff8597-a0f9-456b-be6c-189ccef90b3> [accessed 10 September 2024].

Recommended activities, related to the principles and objectives established by DCCEEW, included a strong communications and media strategy, update to website content with background information on relevant measures and consideration of paid advertising to increase social media posts.

2.43 On 25 May 2023 the Minister for Climate Change and Energy noted the communications principles and recommended activities from DCCEEW, and the research findings from the external consultant. DCCEEW updated the energy.gov.au website for information on the Energy Price Relief Plan, which included links to other relevant websites.<sup>48</sup> DCCEEW did not undertake the other recommended activities.

#### *Targeted electricity bill rebate*

2.44 At meetings of the Prime Minister, Premiers and Chief Ministers on 9 December 2022 and 3 February 2023, it was agreed that Commonwealth Government, state and territory Treasurers would develop and finalise the targeted electricity bill rebate measure. Between May and December 2023 federation funding agreement schedules were signed with all states and territories.

2.45 For the first round of the targeted electricity bill rebate in 2023–24, Treasury did not develop a stakeholder consultation plan. Between March and June 2023 Treasury organised retailer information sessions, workshops, and received queries from electricity retailers. Treasury did not document its engagement with state and territory government departments, and electricity retailers using a structured approach. The risk of not recording stakeholder feedback in a structured manner is that lessons learned may not be comprehensively incorporated into future policy and implementation decisions.

2.46 Treasury worked with DCCEEW to update the energy.gov.au website as a central source of information for the targeted electricity bill rebate across all jurisdictions. Treasury had liaised with Services Australia and DVA on providing eligible recipients with targeted letters and messages.

2.47 In advice to government in April 2024 on the extension of the electricity bill rebate measure, Treasury and DCCEEW noted the ‘lower than expected’ take-up of the rebate reduced its effectiveness to deliver relief to households.

2.48 Treasury and DCCEEW’s advice to government on the extension of the targeted electricity bill rebate measure outlined elements of a consultation and communication plan, including engagement activities with stakeholders outside the APS and APS delivery agencies. The plan included the provision of \$7 million contingency reserve for mailouts to improve awareness and uptake of the electricity bill rebates. As at 5 November 2024 Treasury has drafted a stakeholder engagement log and commenced drafting of a program plan, which includes a stakeholder engagement strategy.

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48 The energy.gov.au website provides energy information from Australian Government and state and territory government sources. Department of Climate Change, Energy, Environment and Water, *Energy Price Relief Plan*, Canberra, 2024, available at <https://www.dcceew.gov.au/energy/programs/energy-price-relief-plan> [accessed 9 September 2024].

## Services Australia

2.49 The targeted electricity bill rebate was delivered through electricity retailers and applied to household and small business electricity bills. To deliver the rebate to households, electricity providers needed to know whether household customers were eligible for the rebate.<sup>49</sup>

2.50 On 27 November 2023 Services Australia advised the ANAO that initial contact by the Department of Social Services regarding the implementation of the Energy Price Relief Plan was made on 15 December 2022.

2.51 In April 2023 a total of 5.6 million customers were expected to be eligible for the rebate. Of the total, around 4.6 million (75 per cent) customers already received concessional rates or rebates from their energy retailers, and whose eligibility details could be confirmed by approved energy retailers using existing arrangements via Services Australia's Centrelink Confirmation eServices.<sup>50</sup> These customers were considered part of the 'existing cohort'. Customers in the existing cohort were able to have their eligibility confirmed from July 2023.

2.52 The remaining 960,000 (25 per cent) customers eligible for the rebate did not already receive rebates from their energy retailers and were considered part of an 'expanded cohort'.<sup>51</sup> To deliver the rebates to households in the expanded cohort, customers were required to share their consent for their nominated electricity provider to check their concession status for eligibility. Services Australia became the initial point of contact to collect consent from customers and share confirmation of customers' eligibility with the customers' nominated electricity provider via Services Australia's existing Centrelink Confirmation eServices system.

2.53 Services Australia provided a solution to deliver the rebate, which included:

- expanding the existing Centrelink Confirmation eServices system<sup>52</sup> to include recipients in the 'expanded cohort', to make it easier for state, territory governments, and energy retailers to determine household eligibility and administer the rebate; and
- building a workflow within the existing customer online services platform to collect customer consent for the expanded customer cohort, with a staff assisted solution as customer support. Services Australia contacted customers in the expanded cohort via a mailout with instructions on how to provide consent.

2.54 Customers in the expanded cohort were able to provide consent to Services Australia from September 2023 to have their eligibility confirmed for electricity retailers to apply the rebate.

2.55 In July 2023 to guide its stakeholder consultation approach, Services Australia established a communication snapshot, which:

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49 For small businesses the targeted electricity bill rebate was targeted to small businesses of electricity retailers by using the definition of 'small customer' as applied in each state under legislation.

50 Centrelink Confirmation eServices (CCeS) is a secure online service that approved businesses can use to confirm a customer's eligibility for a concession, rebate or service they provide.

51 The expanded cohort included eligible customers who were the primary or named account holder in their households and holders or recipients of: Health Care Card (including Low Income Health Care Card); Pensioner Concession Card; Commonwealth Seniors Health Card; certain Department of Veterans' Affairs concession cards; and Family Tax Benefit A and B.

52 Centrelink Confirmation eServices (CCeS) is a secure online service that approved businesses can use to confirm a customer's eligibility for a concession, rebate or service they provide.

- outlined roles for Treasury, DCCEEW, Services Australia, and state and territory governments, along with electricity retailers;
- set out a communication approach for different customer segments; and
- identified target audiences and key messages.

#### Department of Veterans' Affairs

2.56 On 16 December 2022 DVA contacted Treasury to ensure that eligible veterans and their families on a low income were included, noting the announcement of the targeted electricity bill rebate measure. As at April 2023, approximately 151,000 DVA clients were eligible for the rebate, most of whom did not have to take any action to receive the rebate. Of the 151,000 DVA eligible clients, there were approximately 12,000 (8 per cent) DVA clients in the 'expanded cohort', who were required to contact their energy provider, or state or territory government to give consent and to have the rebate applied to their electricity bills.

2.57 In August 2023 DVA established a project management plan which detailed its communication approach. To deliver the rebate to DVA clients, DVA had planned to communicate with DVA clients via SMS or hard copy letter, to prompt clients to provide consent.

#### Department of Infrastructure, Transport, Regional Development, Communications and the Arts

2.58 In March 2023 the DITRDCA contacted Treasury requesting a 'way for Norfolk Island, Christmas Island, Cocos (Keeling) Islands and Jervis Bay Territory (non-self-governing territories) to have access to programs and funding other states and territories do for their communities.' In August 2023 Treasury advised the Treasurer that the initial design of the targeted electricity bill rebate measure did not specifically provide for households and businesses in the non-self-governing territories.

2.59 In September 2023 the Commonwealth Government agreed to deliver electricity bill rebates to all households and businesses in the non-self-governing territories of Norfolk Island, Christmas Island, Cocos (Keeling) Islands and Jervis Bay Territory. Between March and June 2023, Treasury and the DITRDCA negotiated arrangements to administer the bill rebate to the non-self-governing territories.

#### Energy bill relief governance meetings

2.60 The energy bill relief governance meeting forum was established in February 2023 and was co-chaired by Treasury and Services Australia. Its purpose included providing visibility of eligibility and policy and identifying delivery solutions. Between February 2023 and November 2023, 34 energy bill relief governance meetings were held. Attendees included DCCEEW, Services Australia, and DVA, and the Australian Energy Council<sup>53</sup> attended once in February 2023.

2.61 Key activities discussed at the energy bill relief governance meetings were implemented, including the release of a consent workflow, publishing of website materials, and the sending out of targeted letters.

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53 The Australian Energy Council is a peak industry body for electricity and (natural) gas businesses operating in the wholesale and retail energy markets. See Australian Energy Council, *About AEC*, Melbourne, 2024, available from <https://www.energycouncil.com.au/about-aec/> [accessed 26 September 2024].

## *Gas price cap and mandatory gas code of conduct*

2.62 On 14 December 2022 Treasury outlined to the Treasurer that the legislation — Treasury Laws Amendment (Energy Price Relief Plan) Bill 2022, which includes the enabling framework for a gas price order, creating the gas market codes and introducing the targeted electricity bill rebate — had been ‘drafted and cleared in extremely compressed timelines.’ The legislation to administer the gas price cap commenced on 23 December 2022.

Public consultation commencing December 2022

2.63 In November and December 2022 Treasury drafted a consultation paper, a draft instrument for the gas price cap and an exposure draft for the framework that provided for the mandatory gas code of conduct, with input from DCCEEW, DISR, ACCC, AER, and the Australian Government Solicitor, as well as the Office of International Law. Treasury provided drafting instructions to the Office of Parliamentary Counsel in the Attorney-General’s Department.

2.64 Treasury published the consultation paper on its website seeking input on the design of the gas elements of the Energy Price Relief Plan, which was accompanied by the draft instrument for the gas price cap and the exposure draft for the framework to underpin the mandatory gas code of conduct.<sup>54</sup> Public consultation on the gas price cap was open from 9 December 2022 to 15 December 2022. For the mandatory gas code of conduct public consultation was open from 9 December 2022 to 7 February 2023.

2.65 On the gas price cap Treasury received submissions from 29 entities and had a structured approach for recording issues raised on the draft legislative instrument. It did not document how the issues raised were addressed. Treasury did not provide updates to stakeholders on consultation findings. On 12 August 2024 Treasury advised the ANAO that it did not publish a separate consultation update following consultation noting that the Competition and Consumer (Gas Market Emergency Price) Order 2022 was registered shortly after consultation was closed.

2.66 On the mandatory gas code of conduct Treasury received submissions from 63 entities. Neither Treasury nor DCCEEW established a system for recording and incorporating stakeholder feedback. On 26 April 2023 an update to stakeholders on consultation findings was provided in the consultation paper developed for the second round of public consultation on the mandatory gas code of conduct (see paragraph 2.70).

Gas Code Ministerial Advisory Committee and gas code working group

2.67 The Gas Code Ministerial Advisory Committee was established to provide guidance on key policy and administrative processes, including supporting ministerial decisions on applications for conditional exemption under the *Competition and Consumer (Gas Market Code) Regulations 2023* (Gas Market Code).<sup>55</sup> Its membership comprised of Senior Executive Service (SES) Band 3

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54 The draft instrument for the gas price cap was the Competition and Consumer (Gas Market Emergency Price) Order 2022 and the exposure draft in relation to the framework for the mandatory gas code of conduct was the Competition and Consumer Amendment (Gas Market) Bill 2022).

55 Suppliers who are not covered by deemed exemptions can apply for a conditional exemption from penalty provisions of the Code. These include:

- an exemption from pricing requirements of the Code, subject to conditions that support the supply of reasonably priced gas to the domestic market
- an exemption from non-price penalty provisions (this application is limited to businesses unintentionally captured by Code, or where the Code does not operate as intended).

representatives from DCCEEW, DISR and Treasury — DCCEEW and DISR co-chaired the committee. The terms of reference stated that the ACCC was a technical adviser to the Gas Code Ministerial Advisory Committee. The Gas Code Ministerial Advisory Committee met for the first time on 27 March 2023.

2.68 A gas code working group was set up to provide support to the Gas Code Ministerial Advisory Committee. Its member entities mirrored that of the Ministerial Advisory Committee and was made up of SES Band 1 representatives.

2.69 The terms of reference for the Gas Code Ministerial Advisory Committee stated that it would meet as required. DCCEEW served as the secretariat for the Gas Code Ministerial Advisory Committee and gas code working group. The Gas Code Ministerial Advisory Committee met 18 times between March 2023 and May 2024; meeting outcomes were recorded for 10 meetings and outcomes from eight meetings were not recorded. During three meetings in March 2023, the committee discussed advice from the ACCC, the design of the mandatory gas code of conduct and drafting of policy advice.

2.70 The gas code working group met 17 times between January and June 2023; minutes were documented for six meetings and were not available for 11 meetings. Minutes that were available for the six meetings show that the AER attended all six meetings and two external consultants<sup>56</sup> joined three meetings. Discussions of the working group covered drafting of the code, as well as overviews of submissions received from the first and second rounds of public consultation on the mandatory gas code of conduct (see paragraph 2.64 and 2.71).

Public consultation in April 2023

2.71 In April 2023 DCCEEW created a stakeholder engagement and consultation plan for the second round of consultation on the development of the mandatory gas code of conduct. Between 26 April 2023 and 12 May 2023<sup>57</sup>, DCCEEW held a second round of public consultations, seeking views on a consultation paper and an exposure draft for the mandatory code of conduct.<sup>58</sup> DCCEEW received 51 submissions from 43 entities.

2.72 DCCEEW conducted 26 consultation meetings with key stakeholders between 3 and 12 May 2023 during which information on the mandatory gas code of conduct was presented by DCCEEW.

2.73 While minutes were not recorded, DCCEEW created documents to summarise feedback raised on the mandatory gas code of conduct. DCCEEW established a spreadsheet to record the actions taken and outcomes in relation to matters raised through feedback — outcomes were recorded for 32 of the 212 (15 per cent) matters raised.

2.74 In June 2023 Treasury and DCCEEW produced an addendum to the December 2022 impact analysis, which highlighted for the public the updates that had been made to the mandatory gas code of conduct as a result of consultation findings. The addendum was published on the OIA's website.

56 The external consultants were Frontier Economics and Axiom Economics.

57 Large gas producers were asked to provide submissions by 8 May 2023 on the supply and price commitments they would be prepared to make considering the proposed exemptions framework embedded in the mandatory gas code of conduct.

58 The exposure draft was of the *Competition and Consumer (Gas Market Code) Regulations 2023*.

2.75 In June 2023 government agreed to the final design of the mandatory gas code of conduct. The advice to government noted feedback received during the second round of consultation on the code of conduct.

### *Coal price cap*

2.76 Advice to the Commonwealth Government on options to provide energy relief in December 2022 stated that coal producers and coal generators in New South Wales and Queensland would be affected, and that households and businesses purchasing electricity from retailers in these states would benefit from lower electricity prices. The Commonwealth Government agreed to negotiations with New South Wales and Queensland governments. On 9 December 2022, coal price caps were noted as actions being undertaken by the Commonwealth Government, New South Wales and Queensland governments at a meeting of the Prime Minister, Premiers and Chief Ministers.

2.77 DCCEEW met with the New South Wales and Queensland Governments and with Queensland power station operators in December 2022, following the announcement of the Energy Price Relief Plan. DCCEEW advised the ANAO on 10 October 2024 that engagement with power station owners and operators was left to state governments due to their closer relationships with these groups.

2.78 The Commonwealth Government and the New South Wales Government negotiated a federation funding agreement schedule<sup>59</sup>, which was signed on 18 May 2023. The federation funding agreement schedule between the Commonwealth Government and the Queensland Government was signed by the Minister for Climate Change and Energy on 21 May 2024 and by the Queensland Premier on 27 July 2024.<sup>60</sup>

### *Bringing forward commencement of Australian Domestic Gas Security Mechanism reforms*

2.79 On 5 December 2022 DISR held meetings with three liquefied natural gas (LNG) exporters to discuss the implementation of the Australian Domestic Gas Security Mechanism reforms. On 9 December 2022 the Minister for Resources wrote to LNG exporters to discuss the announcement of the Energy Price Relief Plan. On 20 December 2022, referencing the government's announcement of the reforms to improve the Australian Domestic Gas Security Mechanism on 25 October 2022, the Minister for Resources wrote to gas producers, ACCC and AEMO, inviting views on areas of improvement for proposed arrangements to implement the reforms.

2.80 DISR incorporated stakeholder engagement processes into its project planning documentation. DISR conducted a round of public consultation seeking feedback on reforms to the Australian Domestic Gas Security Mechanism. Consultation was open between 9 February 2023 and 23 February 2023.

2.81 DISR received feedback via email, letters and meetings from 25 entities within and outside the APS between 18 January 2023 and 10 March 2023, and 29 formal submissions between 17 and 23 February 2023. DISR maintained a consultation log spreadsheet for recording and incorporating

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59 Federation funding agreement schedule were signed under the Intergovernmental Agreement on Federal Financial Relations and the *Federal Financial Relations Act 2009* (FFR Act).

60 On 12 August 2024 DCCEEW advised the ANAO that delays to signing the federation funding agreement were due to settling final terms within the agreement schedule.



stakeholder feedback into deliverables. DISR's responses to the matters raised through email, letters and meetings were recorded in the spreadsheet for 48 of the 68 (73 per cent) matters raised. DISR's responses regarding matters raised through the formal submissions were not recorded in the spreadsheet. DISR provided an update to stakeholders on consultation findings by including on its public consultation website a link to the outcomes — the commencement of the ADGSM reforms.

## Did policy advice assess the costs and benefits of different policy options?

Market modelling and data and advice from relevant government entities was used to support advice to government on policy options. Potential impacts of the proposed policy options included in policy advice were supported by evidence. Treasury and DCCEEW's impact analysis included an assessment of regulatory burden costs and benefits for three measures — gas price cap, mandatory gas code of conduct and bringing forward the commencement of the Australian Domestic Gas Security Mechanism reforms. While DCCEEW had undertaken a preliminary assessment, an impact analysis was not undertaken for the remaining two measures — targeted electricity bill rebate and coal price cap.

2.82 The Australian Government's Regulatory Impact Analysis Framework 2020 required entities that present policy options to government to complete an impact analysis.<sup>61</sup> An impact analysis is intended to answer seven questions: what is the policy problem you are trying to solve; why is government action needed; what policy options are you considering; what is the likely net benefit of each option; who did you consult and how did you incorporate their feedback; what is the best option from those you have considered; how will you implement and evaluate your chosen option? The impact analysis is a key mechanism for communicating the policy problem to be solved, the need for government action, as well as the costs and net benefits of a policy option.

### Development of policy options

2.83 Treasury and DCCEEW used market modelling and data, as well as advice from other government entities, to support its policy advice (see Appendix 4). Modelling and analysis were conducted by Treasury and DCCEEW, with input from the AER. In developing its policy advice to government, Treasury and DCCEEW also relied on advice from the ACCC and DISR for three of the five measures — the gas price cap, mandatory gas code of conduct, and bringing forward commencement of the ADGSM reforms. Key information on potential impacts of the proposed policy options included in the December 2022 policy advice to government was supported by evidence.

2.84 Advice to government was informed by quantitative evidence and Treasury conducted a high-level qualitative analysis to identify international policy responses to high energy prices. The December 2022 advice to government reflected the context within which the proposed policy

61 An impact analysis is required for all substantive regulatory policy changes.

Department of the Prime Minister and Cabinet, *Australian Government Guide to Regulatory Impact Analysis*, PM&C, March 2020, available from <https://obpr.pmc.gov.au/sites/default/files/2021-06/australian-government-guide-to-regulatory-impact-analysis.pdf> [accessed 22 June 2024]. A revised guide was issued by the Office of Impact Analysis in February 2023.

options would exist, including short term and medium-to-long term government programs<sup>62</sup> that intend to address energy affordability.

2.85 To guide consideration of preliminary options, the Secretaries' Group terms of reference (see paragraphs 2.3 to 2.7) provided criteria<sup>63</sup> to present and assess options against.

2.86 On 2 November 2022 DCCEEW documented its assessment of 20 preliminary options against the criteria, which included four of the five final preferred policy options — the measure to bring forward the commencement of the Australian Domestic Gas Security Mechanism reforms was not included.

- The assessment identified that 11 of the 20 options were aligned with the criteria and nine of the 20 options were poorly aligned with the criteria. The four of the five final preferred policy options that were assessed by DCCEEW had been identified as aligning with the criteria.
- A consideration of complexity, Australian Government capacity to implement, timing of implementation, requirements for legislation and which relevant stakeholder would incur costs was included in the assessment.
- Indicative implementation costs were considered in the assessment for 10 of the 20 options, which included two of the final preferred policy options — targeted electricity bill rebate and coal price cap.

2.87 On 24 November 2022 DCCEEW summarised implementation issues for seven policy options, covering all final preferred policy options. The fiscal impacts were considered for two of the five final preferred policy options — targeted electricity bill rebate and coal price cap.

2.88 Under Australian Government policy entities should provide all necessary costing information to the Department of Finance for agreement.<sup>64</sup> For all measures, costs had yet to be finalised at the time policy advice was presented to government in December 2022. Government agreed that costs would be finalised through ministerial correspondence and the 2023–24 federal budget process. These final policy costings for all five measures included information on assumptions, departmental costs, the time span of the measure, and relevant data.

## Impact analysis

2.89 In December 2022 Treasury and DCCEEW produced an impact analysis that covered three of the five measures of the announced Energy Price Relief Plan — gas price cap, mandatory gas code of conduct and bringing forward commencement of the Australian Domestic Gas Security Mechanism reforms. For two of the five announced measures — the targeted electricity bill rebate

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62 Examples of government programs include Rewiring the Nation policy, National Energy Transformation Partnership, Community Batteries for Household Solar grants program, and Community Solar Banks.

63 Criteria included: provides immediate energy price relief to support domestic consumers; maintains reliable domestic energy supply over the short and longer term; aligns with Australia's energy transition and emissions reduction targets; maintains Australia's position as a leading contributor to global energy security and reputation as a stable investment destination; does not risk breaking or undermining existing international energy contracts; enhances transparency and processes that support competitive pricing outcomes; and minimises implementation cost and complexity for government and industry.

64 Department of Finance, *Budget Process Operational Rules*, Department of Finance, Canberra, June 2022, version as at 18 December 2023, available from [https://www.finance.gov.au/sites/default/files/2024-05/budget-process-operational-rules\\_0.pdf](https://www.finance.gov.au/sites/default/files/2024-05/budget-process-operational-rules_0.pdf) [accessed 25 July 2024].

and the coal price cap — an impact analysis was not submitted to the OIA. The OIA’s website noted that the announcement of the Energy Price Relief Plan ‘included decisions of National Cabinet on complementary policies that were outside the scope of the Impact Analysis, including the announcement of New South Wales and Queensland government’s work on a temporary cap on the price of coal’.

2.90 For the three measures covered within the impact analysis, Treasury and DCCEEW set out the regulatory burden costs for businesses and considered the net benefits and reasons for selecting the options that were announced. For the other two announced measures — targeted electricity bill rebate and the coal price cap — options were prioritised during a meeting of select ministers and senior officials on 4 November 2022 (see paragraph 2.9).

2.91 The impact analysis stated the policy problem to be solved, including that ‘Global energy market disruptions are leading to large price increases for households and businesses ... domestic prices are expected to be unacceptably high in the absence of intervention.’ The impact analysis presented clear recommendations and alternative policy options.

#### *Office of Impact Analysis’s assessment*

2.92 The Australian Government’s Regulatory Impact Analysis Framework states that all assessments of costs and benefits should be based on evidence, with data sources and assumptions clearly identified. Any limitations relating to methodology and estimates from analytical techniques or issues of data quality should be disclosed and any potential for these to have an impact on conclusions must be acknowledged.

2.93 The OIA’s assessment was that the quality of analysis in the December 2022 impact analysis was ‘adequate and therefore sufficient to inform a decision’.<sup>65</sup> The OIA commented on the presentation of analysis, adding that to be considered ‘good practice’ that the impact analysis would have benefited from ‘Additional detail on the impact modelling available at time of decision, including method, assumptions and detailed results.’

2.94 For the two measures that were not subject to an impact analysis — targeted electricity bill rebate and the coal price cap — details on methodology<sup>66</sup>, assumptions and results were included in policy advice to government.

- For the coal price cap measure, summary results from DCCEEW’s market modelling on the potential impact of gas and coal price caps, and the comparison against market modelling outputs were included in policy advice.<sup>67</sup> Assumptions used in the modelling undertaken by DCCEEW, Ernst & Young and ACIL Allen were outlined in policy advice.

65 The Australian Government Guide to Regulatory Impact Analysis (March 2020) states that regulatory impact statements (RISs) are assessed according to four assessment tiers: insufficient; adequate; good practice and exemplary practice. The guide describes that ‘Adequate means the RIS is sufficient for a decision, but contains a number of shortcomings in its analysis and/or the policy development process used to underpin the analysis, such as not conducting a reasonable level of consultation.’

For the Impact Analysis and OIA assessment of the Impact Analysis see Office of Impact Analysis, *Options for Energy Price Relief*, OIA, Canberra, 2022, available from <https://oia.pmc.gov.au/published-impact-analyses-and-reports/options-energy-price-relief> [accessed 10 September 2024].

66 Methodology can include explanations of the analysis approach undertaken and notes explaining how an analysis document (such as a spreadsheet) works, as well as outlines of conditions and limitations relating to techniques or data quality issues.

67 Market modelling outputs were provided by Ernst & Young and ACIL Allen.

- For the targeted energy bill rebate measure details on key results from modelling undertaken to estimate impacts were included. High-level details on the method and assumptions were included for establishing the fiscal costs.
- In relation to both measures, AER advice included details on methodology, assumptions and results for the indicative effects of the price caps on the Default Market Offer and estimated the total amount required to compensate customers for some or all of the projected electricity price rises through a consumer rebate were presented to government.

### 3. Planning for implementation

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#### Areas examined

This chapter examines whether planning for implementation of the Energy Price Relief Plan was effective.

#### Conclusion

Arrangements established to support implementation of the Energy Price Relief Plan were largely effective. Policy advice to government identified risks for all measures. Risks related to the Australian Domestic Gas Security Mechanism reforms were considered when the reforms were initially developed in 2022, however risks specific to bringing forward the commencement of the reforms were not incorporated with other risks included in policy advice. The Department of the Treasury (Treasury) and the Department of Climate Change, Energy, the Environment and Water (DCCEEW) monitored risks for three of the five measures — targeted electricity bill rebate, mandatory gas code of conduct, and coal price cap. The department responsible for the implementation of the targeted electricity bill rebate was not identified in policy advice provided to government in December 2022 and was not confirmed by government until August 2023. Treasury had not established a risk assessment and an implementation plan for the targeted electricity bill rebate and the gas price cap. Treasury's progress reports to government on the targeted electricity bill relief included elements of implementation planning.

#### Areas for improvement

The ANAO made one recommendation to Treasury aimed at developing risk management arrangements for risks identified in policy advice.

The ANAO also suggested that Treasury develop an implementation plan for measures when it is the lead agency.

3.1 Formal risk assessments during policy development establish what additional planning is required. The Commonwealth Risk Management Policy (2022) seeks to embed risk management into the decision-making of an entity, particularly into an entity's activities, including program and policy implementation. This includes the requirement for entities to collaborate to manage shared risks.

3.2 The Australian Government's Delivering Great Policy model involves entities providing a practical plan for implementation when providing policy advice. An implementation plan creates a shared understanding among those who execute the proposal and ensure its success.

#### Did the policy advice include an appropriate assessment and management of risks to support implementation?

Advice to government identified risks for four of the five measures. Risks related to the Australian Domestic Gas Security Mechanism reforms were considered as part of an earlier impact assessment process and specific risks related to bringing forward the commencement of the reforms were not highlighted in policy advice. Advice did not document the risk that payments may be made to ineligible recipients under the targeted electricity bill rebate

measure. DCCEEW undertook risk assessments for two of the five measures — the mandatory gas code of conduct and the coal price cap. Risks were monitored for three of the four measures led by Treasury and DCCEEW — the targeted electricity bill rebate, mandatory gas code of conduct, and coal price cap. Risk reporting was undertaken by Treasury for the targeted electricity bill rebate and by DCCEEW for the mandatory gas code of conduct. Risks related to the gas price cap and coal price cap measures were not reported.

3.3 Treasury's July 2022 risk management framework includes formal assessments of risk to assess 'new and emerging risks', such as risk in relation to new programs. Similarly, the risk management frameworks and policies that applied within DCCEEW at the time — the Department of Agriculture, Water and the Environment's enterprise risk management policy August 2020 and Department of Industry, Science, Energy and Resources risk management framework 2021 — required a risk assessment be undertaken for new programs.

3.4 The Treasury and applicable DCCEEW frameworks and policies set out requirements and guidance for factors to consider when implementing risk management, including: assessing the impact and likelihood of a given risk; considering risk tolerance; identifying shared risks; monitoring and reviewing risk; and reporting on risk.

#### *Consideration of risk in the options presented to government*

3.5 Measures under the Energy Price Relief Plan were designed to work together to mitigate risks present in individual measures implemented in isolation. Policy advice to government in December 2022 on options to provide energy price relief clearly identified risks for four of the five measures. Risks related to bringing forward the commencement of Australian Domestic Gas Security Mechanism reforms were not specifically identified in policy advice. On 1 November 2022 the Department of Industry, Science and Resources (DISR) provided a briefing to the department's Secretary in preparation for the Secretaries' Group (see paragraphs 2.3 to 2.7), which outlined risks associated with bringing forward the commencement of Australian Domestic Gas Security Mechanism reforms. On 29 May 2024 DISR advised the ANAO that risks were considered 'low':

Risks related to the acceleration of these reforms were considered 'low' as implementation of the reforms had been previously communicated to stakeholders as part of Budget 2022-23. These changes were considered not to pose any significant additional administrative burden on the industry.

3.6 Policy advice on the targeted electricity bill rebate measure included risks associated with: suppressing benefits of a competitive market; consumer expectation that price relief would continue after the proposed end date; and that the measure could be abused by retailers considering increasing prices on the assumption that customers can afford to pay more as a result of receiving the rebate. The measure relied on state and territory governments and energy retailers providing confirmation to Treasury that recipients were eligible for the rebate (see paragraphs 4.5 and 4.6). Policy advice to government did not identify payment integrity risks (risk that payments are made to ineligible recipients). In April 2024 policy advice to government to extend the electricity bill rebate, Treasury and DCCEEW requested dedicated resources to manage risks to the Australian Government, including fraud risks.

3.7 On 17 June 2024 Treasury engaged an external consultant<sup>68</sup> to develop risk materials to support program delivery for the electricity bill rebate extension 2024–25, including a risk strategy, risk and fraud assessment and monitoring risks. On 11 September 2024 the external consultant facilitated a workshop to obtain Treasury’s input into the design of the risk framework and to identify risks to the delivery of the 2024–25 electricity bill rebate extension. A risk framework and risk assessment are in draft as at 5 November 2024.

3.8 For the four measures where risks were identified in policy advice, risk mitigation strategies were identified for most risks — 12 of the 17 risks identified for the coal price cap measure had a related risk mitigation noted, and the other three measures identified mitigations for all associated risks.

3.9 Policy advice to government on risks was well informed. Legal risks and risk ratings related to the targeted electricity bill rebate, gas price cap, mandatory gas code of conduct and coal price cap measures in advice by the Australia Government Solicitor were included in the policy advice to government. The likelihood and impact of specific risks were recorded in the impact analysis for two measures — gas price cap and the mandatory gas code of conduct.

#### *Risk assessments and management after government consideration of policy options*

3.10 After the December 2022 government decision on policy options, DCCEEW undertook a detailed risk assessment for the mandatory gas code of conduct and the coal price cap measures. Treasury did not undertake a risk assessment for the targeted electricity bill rebate and gas price cap measures.

3.11 Risks for the mandatory gas code of conduct were reviewed in December 2023, May 2024 and June 2024. DCCEEW advised the ANAO that risks were reviewed monthly. In June 2024 risks associated with the coal price cap were reviewed — prior to this DCCEEW had not clearly documented its consideration of risk tolerance levels and whether shared risks were identified. Treasury did not document the identification of shared risks or consideration of risk tolerances in relation to the two measures led by Treasury — targeted electricity bill rebate and the gas price cap.

3.12 Monitoring of risks was conducted in relation to three measures — the targeted electricity bill rebate, coal price cap, and mandatory gas code of conduct. For the targeted electricity bill rebate measure, risks were discussed at six of the 33 meetings conducted between February 2023 and November 2023 (see paragraph 2.60 to 2.61). Treasury did not monitor risks for the gas price cap measure.

3.13 Reporting on risks was available for two measures — the targeted electricity bill rebate and mandatory gas code of conduct. Reports on the implementation of the targeted electricity bill rebate measure, that included risk reporting, were provided to government three times during 2023–24 (August 2023, September 2023 and March 2023). Reports identified two risks<sup>69</sup> and

68 The external consultant was McGrathNicol Advisory. The AusTender contract number for the procurement was CN4067793 with a total reported value of \$291,032. AusTender, *Contract Notice View — CN4067793*, AusTender, Canberra, 2023, available from <https://www.tenders.gov.au/Cn/Show/820b716e-d2ab-43e7-a986-2b86e8615b25> [accessed 10 September 2024].

69 The reports identified reputational risks, including from gaps in availability of rebates to households and small businesses, due to delays or omissions by retailers and state and territory governments. Reputational risks were partially mitigated by clear communication to state and territory governments and retailers. A risk that the uptake of the targeted electricity bill rebates will be lower than expected was also identified.

associated mitigation for one of the risks and noted that there was a ‘medium’ level of risk to delivery. DCCEEW included risks relating to the mandatory gas code of conduct in the relevant division’s risk register from December 2023. On 15 April 2024, DCCEEW prepared a briefing to the Energy Minister on risks associated with the end of coal price caps in New South Wales. Treasury and DCCEEW did not report on risks for the gas price cap.

3.14 For the targeted electricity bill rebate measure, Services Australia produced a project risk report on 22 September 2023, which identified 16 risks, related to activities conducted by Services Australia (see paragraph 2.50 to 2.54). The project risk report identified associated risk ratings and controls. The Department of Veterans’ Affairs (DVA) established a project management plan in August 2023, which outlined a risk management approach, for its contribution to the implementation of the measure (see paragraph 2.56 and 2.57). The approach identified six risks, as well as the associated risk ratings and risk mitigation activities. DVA produced a project closure report in November 2023, which noted the steps that were taken to manage a specified risk and an issue.<sup>70</sup>

3.15 Risks associated with bringing forward the commencement of Australian Domestic Gas Security Mechanism reforms were considered low (see paragraph 3.5) and DISR did not establish a formal risk assessment.

### Recommendation no. 1

3.16 The Department of the Treasury develop risk management guidance for staff where Treasury is the lead agency for a policy, including for managing risks identified in policy advice.

**Department of the Treasury response:** *Agreed.*

## Was the policy advice supported by plans for implementation?

Advice to government included information on implementation of all five measures under the plan. Policy advice on the targeted electricity bill rebate and the coal price cap measures did not identify which department would be responsible for implementation. Implementation plans were established for three measures — mandatory gas code of conduct, coal price cap and bringing forward the commencement of the Australian Domestic Gas Security Mechanism reforms. Implementation planning activities were undertaken for the remaining two measures. For the targeted electricity bill rebate, Treasury had not established an implementation plan. Elements of implementation planning were included within progress reports provided to government. Implementation planning was discussed in governance meetings co-chaired by Treasury and Services Australia.

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70 The project closure report identified that a letter was sent to clients in New South Wales to address a risk of delayed payments, and that a decision on the issue of whether and how to contact clients with restricted addresses had progressed to the assistant secretary.



## Implementation planning

3.17 Advice to government in December 2022 included details regarding implementation of individual measures under the Energy Price Relief Plan, such as key deliverables, delivery mechanisms, and timelines. Advice to government outlined that for the:

- targeted electricity bill rebate — the Prime Minister may agree elements of the mandate to negotiate with state and territory governments, following consultation with other relevant ministers;
- gas price cap — the Treasurer and the Minister for Climate Change and Energy, including that the Treasurer would lead on the near-term implementation;
- gas mandatory code of conduct — the Treasurer and the Minister for Climate Change and Energy, including that the Minister for Climate Change and Energy would lead on the code of conduct;
- coal price cap — the Minister for Climate Change and Energy would negotiate with New South Wales and Queensland governments; and
- bringing forward the commencement of the Australian Domestic Gas Security Mechanism reforms would be the responsibility of the Minister for Resources.

3.18 Policy advice did not specify which entity would be responsible for the implementation of the targeted electricity bill rebate and the coal price cap measures (see Table 1.3).

3.19 In relation to the targeted electricity bill rebate, on 12 August 2024 Treasury advised the ANAO that at the time the advice to government was being developed it had considered that:

DCCEEW would be responsible for implementing the program, given it developed the proposal, is responsible for energy policy under the Administrative Arrangements Orders<sup>71</sup> and has existing relationships with energy retailers and jurisdictions through Energy Ministers.

3.20 Treasury had agreed to negotiate terms for the targeted electricity bill rebate, which was settled through federal funding agreement schedules signed with all states and territories (see paragraph 2.44). Between January 2023 and August 2023 Treasury sought to clarify which department would be responsible for the ongoing implementation of the measure and whether responsibility would be transferred to DCCEEW. On 4 August 2023 the Treasurer confirmed that the responsibility for the targeted electricity bill rebate would not be transferred to DCCEEW and would remain with Treasury.

3.21 The December 2022 advice to government included details that the gas and coal price caps would commence in December 2022, and that the remaining three measures — the targeted electricity bill rebate, mandatory gas code of conduct and bringing forward the commencement of the Australian Domestic Gas Security Mechanism reforms — would commence within the first half of 2023.

## Implementation plans and other planning activities

3.22 In November 2020, a Treasury internal audit on risks related to the rapid design of policy and deployment of programs, recommended that Treasury develop and share a short suite of

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71 The Administrative Arrangements Order is a document made by the Governor-General, which sets out matters and Acts dealt with by each department and its minister(s).

planning templates to assist staff in detailing arrangements they have designed and implemented for managing governance, risk and delivery.<sup>72</sup>

3.23 Treasury has a program management framework available on its intranet and a program plan template to assist staff, which involves identifying approaches for governance, design, delivery approach, information management, and resourcing. Treasury did not use the template for the delivery of the Energy Price Relief Plan measures.

3.24 DCCEEW has internal guidance on project management available to staff, including templates for project plans. These templates were not used for measures under the Energy Price Relief Plan. Table 3.1 outlines a summary of planning documentation.

**Table 3.1: Summary of implementation planning documentation by Treasury, DCCEEW and DISR**

Energy Price Relief Plan Measure	Were implementation plans established?
Targeted electricity bill rebate	No <sup>a</sup>
Gas price cap	No
Mandatory gas code of conduct	Yes
Coal price cap	Yes
Bringing forward commencement of the Australian Domestic Gas Security Mechanism reforms	Yes <sup>b</sup>

Note a: Plans were established by supporting entities (Services Australia and the Department of Veterans' Affairs).

Note b: Existing implementation plans were updated in response to the accelerated time frame.

Source: ANAO analysis of entity documentation.

3.25 For three of the five measures, implementation plans were established or updated by the lead entity.

- DCCEEW established a project plan for the mandatory gas code of conduct in January 2023. Revised timelines were established reflecting the mandatory code of conduct being implemented later than originally planned.
- DCCEEW established an implementation plan for the coal price cap in January 2023, which was updated over time.
- DISR updated existing implementation planning arrangements to reflect the change in the commencement date of the reforms from 1 July 2023 to 1 April 2023.

3.26 For the remaining two of the five measures, other implementation planning activities were undertaken (see paragraphs 3.28 to 3.38).

3.27 There were 17 implementation meetings held between 13 January 2023 and 28 April 2023, which were attended by staff from the Department of the Prime Minister and Cabinet (PM&C), DCCEEW, Treasury, DISR, the Department of Finance and the Department of Foreign Affairs and Trade. These meetings included discussion of the targeted electricity bill rebate, mandatory gas

<sup>72</sup> In November 2020 Treasury agreed to the recommendation. In August 2022 the recommendation was reported as implemented to Treasury's Audit and Risk Committee.

code of conduct, coal price cap, and ADGSM reforms. Meeting minutes were not recorded for the implementation meetings.

*Targeted electricity bill rebate*

3.28 Implementation of the targeted electricity bill rebate involved APS delivery agencies, state and territory governments, and electricity retailers (see paragraphs 2.31 and 2.34). Advice to government in December 2022 stated that the rebates would commence in 2022–23. Treasury was confirmed as the responsible entity on 4 August 2023 (see paragraph 3.20). Roles and responsibilities for APS delivery agencies, state and territory governments, and electricity retailers were not set out.

3.29 Treasury provided activity reporting to government on the progress of implementation of the targeted electricity bill rebate three times in 2023–24 (August 2023, September 2023, and March 2024). Activity reporting contained elements of implementation planning, including key activities, milestones and delivery dates, and progress assessments.

3.30 In April 2024 Treasury and DCCEEW requested from government additional resourcing to develop governance frameworks for the extended electricity bill rebate 2024–25. On 17 June 2024 Treasury engaged an external consultant<sup>73</sup> for the development of governance frameworks and associated documents to support program delivery. The delivery of governance related outputs were due in August 2024. As at 12 August 2024 Treasury has commenced drafting program planning documents for the extension of the electricity bill rebate 2024–25. As at 10 September 2024 Treasury has a draft governance framework.

**Opportunity for improvement**

3.31 Treasury develop an implementation plan when it is the lead agency for a measure.

Implementation planning by supporting entities

3.32 Services Australia and Department of Veterans’ Affairs (DVA) developed plans to support the implementation of their roles in the measure.<sup>74</sup>

3.33 Services Australia agreed to provide a delivery solution by expanding the existing Centrelink Confirmation eServices system to include all eligible recipients for the rebate, and building an online workflow within the existing customer online services platform to collect customer consent (see paragraphs 2.51 to 2.56). In April 2023 a project management plan for the work it performed in relation to the targeted electricity bill rebate measure was approved by a Services Australia national manager.

3.34 DVA was responsible for facilitating communications to DVA clients in the ‘expanded cohort’ who were required to contact their energy provider or state or territory government to access the rebate (see paragraphs 2.56 and 2.57).

73 Refer to footnote 68.

74 In April 2023 the Treasurer agreed to seek \$9.1 million of funding for Services Australia to upgrade the existing Centrelink Confirmation eServices (CCeS) system and build a consent portal workflow to deliver targeted electricity bill rebates. In August 2023 DVA’s Policy and Research Division Board noted that DVA was not allocated funding for its involvement in the targeted electricity bill rebate, instead costs were absorbed within existing DVA resources.

3.35 In August 2023 DVA's Policy and Research Division Board approved a project plan for the implementation of the targeted electricity bill rebate for DVA members.

3.36 Services Australia and Treasury co-chaired 33 energy bill relief governance meetings attended by Treasury, DCCEEW, Services Australia, and later DVA personnel, between 17 February and 17 November 2023 (see paragraph 2.60 to 2.61). The meetings provided updates on the progress of work involved in implementing the measure. The meetings discussed the development and implementation of the customer consent workflow within the existing customer online services platform developed by Services Australia, negotiations with individual states and territories, negotiations with energy retailers, and ongoing updates to timeframes for implementation.

#### *Gas price cap*

3.37 The Australian Competition and Consumer Commission (ACCC) advice to the Treasurer in November 2022 on gas market intervention noted the 'urgent need for policy measures'. In mid-November 2022 the Office of Parliamentary Counsel with instruction from Treasury commenced drafting of the legislation required to implement this measure. On 22 November 2022 Treasury advised the Treasurer that it had instructed the Office of Parliamentary Counsel to develop a Bill to amend the *Competition and Consumer Act 2010*, focused on the gas price cap and the mandatory gas code of conduct. Treasury requested the Treasurer's agreement to progress the amendments to the *Competition and Consumer Act 2010*. The request was noted by the Treasurer through their office in January 2023.

3.38 On 15 December 2022 the enabling legislation *Treasury Laws Amendment (Energy Price Relief Plan) Act 2022* was passed by Parliament. Following consultation from 9 to 15 December 2022, on 22 December 2022 the acting Treasurer made the Competition and Consumer (Gas Market Emergency Price) Order 2022, which commenced on 23 December 2022.

## 4. Assessing the achievement of outcomes

### Areas examined

This chapter examines whether effective arrangements to assess the achievement of outcomes under the Energy Price Relief Plan (the plan) were established.

### Conclusion

Arrangements to assess the achievement of outcomes for the Energy Price Relief Plan were largely effective. While activities to assess the achievement of outcomes for individual measures have been planned or undertaken, plans to assess the collective impacts of the five measures under the Energy Price Relief Plan were not established. Monitoring arrangements have been established for four of five measures and implemented — the Australian Domestic Gas Security Mechanism has not been activated. The Department of the Treasury (Treasury) and the Department of Climate Change, Energy, the Environment and Water (DCCEEW) have produced reporting on the collective impacts of select measures. DCCEEW has conducted a review of the coal price cap. Planning has commenced for reviews of the targeted electricity bill rebate, mandatory gas code of conduct and Australian Domestic Gas Security Mechanism.

4.1 The Department of Finance's Resource Management Guide 130 *Evaluation in the Commonwealth* December 2021, also referred to as Commonwealth Evaluation Toolkit (the Toolkit) states that:

Effective monitoring and evaluation provides assurance that government activities and programs are delivering outcomes as intended and that performance is tracked. It allows for corrections to occur, while informing future policy and program design.<sup>75</sup>

4.2 The Toolkit describes good practice as undertaking activities to:

- plan how government activities and programs will be monitored and evaluated from the start; and
- collect robust performance information that supports continuous improvement, risk management, accountability and decision-making at all policy stages.<sup>76</sup>

### Has an oversight and monitoring framework been designed and established for the implementation of the plan?

Subsequent to the announcement of the Energy Price Relief Plan in December 2022, oversight and monitoring frameworks have been established and implemented for four of five measures — the Australian Domestic Gas Security Mechanism has not been activated and therefore monitoring arrangements have not been implemented. Monitoring activities are being undertaken in accordance with the frameworks which have been established.

4.3 To support an evaluative culture, entities should plan to conduct fit for purpose monitoring and evaluation activities, including identifying timeframes, resources, baseline data and

75 Australian Centre for Evaluation, *Commonwealth Evaluation Toolkit*, available from <https://evaluation.treasury.gov.au/toolkit/commonwealth-evaluation-toolkit> [accessed 15 July 2024].

76 *ibid.*

performance information, including ensuring appropriate monitoring of implementation and the impact on performance and outcomes.<sup>77</sup>

4.4 Table 4.1 outlines whether monitoring frameworks and activities were identified for each measure under the Energy Price Relief Plan.

**Table 4.1: Summary of monitoring arrangements for measures under the Energy Price Relief Plan**

Measure	Monitoring framework established	Monitoring activities undertaken
Targeted electricity bill rebate	Yes	Yes
Gas price cap	Yes	Yes
Mandatory gas code of conduct	Yes	Yes
Coal price cap	Yes	Yes
Bringing forward commencement of Australian Domestic Gas Security Mechanism reforms	N/A <sup>a</sup>	N/A <sup>a</sup>

Note a: The Australian Domestic Gas Security Mechanism (ADGSM) has not been activated as at 30 June 2024. The ANAO did not assess the monitoring arrangements of the ADGSM. The audit focused on arrangements to bring forward the commencement of the ADGSM reforms to commence 1 April 2023 instead of mid-2023.

Source: ANAO analysis of entity documentation.

### Targeted electricity bill rebate

4.5 Federation funding agreement schedules<sup>78</sup> to implement the targeted electricity bill rebate were signed with all states and territories between May and December 2023. The federation funding agreement schedules require states and territories to provide Treasury with statements of assurance on a quarterly or monthly basis. The statements of assurance are required to include:

- the number and value of rebates paid to households and small businesses;
- details of payments made to households or small businesses subsequently found to have been ineligible, and funding recovered; and
- confirmation that retailers, or in the Australian Capital Territory and South Australia, the state or territory government where applicable, have verified that recipients were eligible for the rebate.

4.6 Treasury uses the statement of assurance from states and territories to determine that retailers have checked all recipients for eligibility criteria — the Australian Capital Territory and South Australian governments will also check that recipients of the rebate met the eligibility criteria.

4.7 Between 1 July 2023 and 30 June 2024, a total of 24 payments were made by the Commonwealth Government to states and territories in relation to the targeted electricity bill

<sup>77</sup> *ibid.*

<sup>78</sup> Federation funding agreement schedules can be established under the Intergovernmental Agreement for Federal Financial Relations to provide funding arrangements between the Commonwealth Government and the state and territory governments. For more information on the Intergovernmental Agreement on Federal Financial Relations see <https://federalfinancialrelations.gov.au/intergovernmental-agreement-federal-financial-relations> [accessed 24 June 2024].

rebate. All states and territories had received at least one payment by 30 June 2024. Prior to each payment, the relevant state or territory had provided a signed statement of assurance to Treasury. In each case, a Treasury officer prepared a review of the statement of assurance, and the review was then checked by another Treasury officer. The review included checks whether:

- payments were consistent with agreement terms and legislation; and
- reasonable evidence has been provided to support the calculation.

4.8 On 5 September 2023 the Commonwealth Government agreed to extend the measure to all households and businesses in Australia's non-self-governing territories (see paragraph 2.58 and 2.59). Treasury received advice from the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) on 15 February 2024 on the number of customers who received the bill rebates, and the value of the rebates provided, for Jervis Bay Territory, Indian Ocean Territories and Norfolk Island.

### Gas price cap

4.9 The gas price cap was established under the *Competition and Consumer Act 2010*, which is administered by the Australian Competition and Consumer Commission (ACCC).

4.10 The ACCC reports publicly on gas price trends through its gas inquiry<sup>79</sup> interim reports. The ACCC reported in June 2024 that the price cap was complied with during the period from December 2022 to December 2023.<sup>80</sup>

4.11 Treasury provided briefings to the Treasurer on the ACCC's gas inquiry interim reports between January 2023 and June 2024.

### Mandatory gas code of conduct

4.12 The final design of the code of conduct was approved by government in June 2023, and the Competition and Consumer (Gas Market Code) Regulations 2023 (Gas Market Code) commenced on 11 July 2023, with a two-month transition period.<sup>81</sup>

4.13 On 15 August 2023 the ACCC published compliance and enforcement guidelines on the new Gas Market Code.<sup>82</sup> On 17 August 2023 a compliance and enforcement strategy for the Gas Market Code was endorsed by the ACCC's enforcement committee. The strategy included:

- monitoring and compliance priorities;
- an intended approach to monitoring compliance;
- a proposal for an online portal to facilitate anonymous provision of information; and

79 In April 2017 the Australian Government directed the ACCC to conduct a wide-ranging inquiry into supply and demand for wholesale gas in Australia and publish information on gas supply and pricing. In October 2022 the inquiry was extended to 2030.

80 Australian Competition and Consumer Commission, *Gas Inquiry 2017-2030 Interim update on east coast gas market June 2024*, Canberra, 2024, available at <https://www.accc.gov.au/about-us/publications/serial-publications/gas-inquiry-2017-30-reports/gas-inquiry-june-2024-interim-report> [accessed 9 September 2024].

81 The two-month transition period was to allow companies to adapt to new obligations under the Gas Market Code. It ended on 11 September 2023.

82 Australian Competition and Consumer Commission, *Compliance and enforcement guidelines on the Gas Market Code*, Canberra, 2023, available at <https://www.accc.gov.au/about-us/publications/compliance-and-enforcement-guidelines-on-the-gas-market-code> [accessed 9 September 2024].

- timeframes for planned compliance monitoring work.

4.14 On 29 November 2023 the ACCC implemented an online portal to allow potential breaches of the Gas Market Code to be anonymously reported to the ACCC. In a speech to the Australian Domestic Gas Outlook Conference on 27 March 2024, the ACCC Chair reflected that ‘we’ve observed generally good compliance with the Code to date’.<sup>83</sup>

4.15 Between 31 January and 27 June 2024, DCCEEW prepared briefings for the Minister for Climate Change and Energy on six occasions on ACCC, Australian Energy Regulator (AER) or Australian Energy Market Operator (AEMO) reporting in relation to gas markets. These briefings covered trends and forecasts for gas prices, supply and demand and discussed where reports commented on the impact of the Gas Market Code.

### **Coal price cap**

4.16 The New South Wales and Queensland governments issued directions to relevant coal mines and power stations requiring them to comply with a price cap of \$125 per tonne on the price of coal. A federation funding agreement schedule between the Commonwealth Government and New South Wales was signed on 18 May 2023. The federation funding agreement schedule between the Commonwealth Government and the Queensland Government was signed by the Minister for Climate Change and Energy on 21 May 2024 and by the Deputy Queensland Premier on 27 July 2024.<sup>84</sup> The Commonwealth Government agreed to reimburse the state governments for up to 50 per cent of the cost of rebates paid to coal producers to facilitate the price cap.

4.17 DCCEEW is the responsible Commonwealth Government entity for monitoring arrangements for the coal price cap in New South Wales and Queensland. The AER was appointed under New South Wales legislation as the regulator to monitor compliance with and enforcement of the directions to New South Wales coal suppliers and power stations (see Appendix 3).

4.18 In May 2023 for New South Wales and in May 2024 for Queensland, the Minister for Climate Change and Energy authorised specified DCCEEW staff to:

- assess project-based performance reporting; and
- determine where a project payment should be paid.

### *New South Wales*

4.19 The federation funding agreement schedule between the Commonwealth Government and New South Wales Government outlines quarterly performance milestones. At each milestone the New South Wales Government is required to provide the Commonwealth Government with specified information in order to receive reimbursement for rebates paid to Eligible Participants (operators of coal-fired power stations who have entered into funding agreements with the New

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83 Australian Competition and Consumer Commission, *Australian Domestic Gas Outlook 2024 speech*, ACCC, Sydney, 27 March 2024, available at <https://www.accc.gov.au/about-us/news/speeches/australian-domestic-gas-outlook-2024-speech> [accessed 24 July 2024].

84 A federation funding agreement schedule between the Commonwealth Government and Queensland Government was in draft form as at 15 March 2024. On 27 March 2024 DCCEEW advised the ANAO that DCCEEW considered there to be little risk associated with the Queensland federation funding agreement schedule being in draft as there is no cost to the Commonwealth Government if the agreement is not finalised. DCCEEW continued to review reporting provided by the Queensland Government (see paragraph 4.36).



South Wales Government). The federation funding agreement schedule requires the New South Wales Government to verify rebate claims made by Eligible Participants before making payments, and to provide the Commonwealth Government with a summary report detailing the verifications made.

4.20 The New South Wales Government is required to notify the Commonwealth Government of any proposed changes to its directions to coal producers or other relevant legislation, changes in authorisations allowing coal to be sold above the price cap, and any proposed new funding agreements with Eligible Participants or variations to existing agreements.

AER reporting

4.21 Under the New South Wales federation funding agreement schedule, the AER is required to advise the Commonwealth Government and New South Wales Government on a quarterly basis on 'Eligible Participant bidding behaviour'<sup>85</sup> and New South Wales and the Commonwealth Government are required to review this advice to determine compliance with requirements.

4.22 DCCEEW has received three forms of monthly reporting from the AER, which are shown in Table 4.2.

**Table 4.2: Reporting on New South Wales coal price cap received by DCCEEW**

Report title	Report purpose	Reporting
Monthly wholesale market report	<ul style="list-style-type: none"> <li>Highlight wholesale electricity and gas market information and trends since the commencement of market interventions in December 2022.</li> <li>Assist in understanding factors driving market dynamics while the interventions were in place, and how effective the interventions were in delivering their intended outcomes and avoiding unintended impacts.</li> </ul>	Monthly from April 2023 to June 2024.
NSW Coal Market Price Emergency Directions — reporting summary	<ul style="list-style-type: none"> <li>Detail key information and insights from industry reporting under the NSW Coal Market Price Emergency Directions.</li> </ul>	Monthly from April 2023 to June 2024. <sup>a</sup>
NSW Coal Market Price Emergency Directions — Generator offer summary	<ul style="list-style-type: none"> <li>Present quantitative analysis of the wholesale electricity market bids of relevant power stations relative to requirements in funding agreements executed with the NSW Government.</li> </ul>	Monthly from June 2023 to June 2024.

Note a: November and December 2023 reports were presented as a combined report.

Source: ANAO analysis of entity documentation.

Energy Oversight Committee

4.23 Energy Oversight Committee meetings took place monthly between DCCEEW and its New South Wales Government equivalent from March 2023 to June 2024, apart from January and March

<sup>85</sup> Bidding behaviour refers to trends in the price and volume of electricity offered to the spot market by generators.

2024.<sup>86</sup> Minutes were not retained for these meetings. Draft records show that six meetings recorded action items in relation to the coal price cap.

#### Internal reporting arrangements

4.24 DCCEEW engaged an external consultant<sup>87</sup> to provide expert advice in relation to coal markets. The external consultant reviewed the Monthly Wholesale Market Reports provided by the AER and provided additional analysis of market dynamics for each month from May 2023 to March 2024, apart from October 2023.

4.25 Monthly reports to the relevant DCCEEW Senior Executive Service (SES) Band 1 on ‘Coal Cap Monitoring and Reporting’ were informed by: the AER monthly wholesale market report; the AER New South Wales Coal Market Price Emergency Report — reporting summary; the AER New South Wales Coal Market Price Emergency Report — Generator offer summary; and analysis provided by the external consultant. Reports were provided every month from August 2023 to March 2024, apart from October 2023.

#### Payments made to New South Wales

4.26 As at 30 June 2024 two payments had been made to the New South Wales Government under the federation funding agreement schedule. For each payment a decision minute was approved by the relevant SES Band 1 within DCCEEW.

4.27 Treasury is responsible for administering Commonwealth–state financial relations and the *Federal Financial Relations Act 2009* provides for the Commonwealth Treasurer to determine national partnership payments to the states. DCCEEW is required to provide approval to Treasury to make payments to New South Wales through the Federal Payment Management System.

#### Queensland

4.28 Under the federation funding agreement schedule with Queensland, the Commonwealth Government will provide reimbursement to Queensland Government for payments made to CS Energy, the Queensland Government owned company which trades electricity in the wholesale electricity market on behalf of Gladstone Power Station.<sup>88</sup> The Commonwealth Government is set to make a payment to the Queensland Government ‘as soon as practicable’ following verification of an interim payments report from Queensland received on 31 August 2024, with the final report from Queensland due by 15 March 2025. The Queensland Government is required to provide reporting to the Commonwealth Government on the directions it has made to CS Energy and the value of rebate payments made.

4.29 DCCEEW reviewed documentation it received from the Queensland Government covering the period between July 2023 and June 2024.

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86 The Energy Oversight Committee comprises officials from the Commonwealth Government and New South Wales energy departments and discusses matters relating to energy policy.

87 The external consultant was Mr Allan O’Neil. The AusTender contract number for the procurement was CN3977220 with a total reported value of \$59,400. AusTender, *Contract Notice View — CN3977220*, AusTender, Canberra, 2023, available from <https://www.tenders.gov.au/Cn/Show/bec3cc99-1b11-4083-8485-921fae7a4cbd> [accessed 10 September 2024].

88 Queensland’s other coal power stations are wholly owned by the Queensland Government and do not receive rebates from Queensland.

## Did the policy advice contain plans for assessing the achievement of outcomes?

Treasury and DCCEEW outlined the objectives and estimated impacts of the Energy Price Relief Plan. Plans to assess the collective impacts of the five measures under the plan were not established. Entities have developed plans to assess the achievement of outcomes for the individual measures, except for the gas price cap. Treasury and DCCEEW have reported collective impacts of the Energy Price Relief Plan and DCCEEW has conducted a review of the New South Wales coal price cap. Statutory reviews of the mandatory gas code of conduct and the Australian Domestic Gas Security Mechanism reforms are due to be undertaken during 2025.

### Collective impacts of the Energy Price Relief Plan

#### *Estimated impacts*

4.30 The objective of the Energy Price Relief Plan was to ‘shield Australian families and businesses from the worst impacts or predicted energy price spikes’. Treasury and DCCEEW outlined in the impact analysis objectives of the Energy Price Relief Plan and how they would be measured (see Box 1).

#### **Box 1: Objectives of government action as stated in impact analysis**

The impact analysis sets out the objectives of the EPRP and how they would be measured as follows:

- Put downward pressure on wholesale electricity and gas prices.
  - This can be measured against wholesale electricity prices in the NEM and east coast gas prices. Additionally, the ACCC’s monitoring of market performance in its Gas Inquiry will provide information on gas prices being paid under contract.
- Put downward pressure on consumer energy bills.
  - This could be measured against residential and small business energy retail bills in the NEM and east coast gas markets. Impact would depend on the regulation of retail electricity markets in jurisdictions, as well as their exposure to the current price shock.
  - However, wholesale costs only make up around a third of an average consumers’ retail electricity bill, which may create a challenge in isolating the impact of government action against other factors in the retail cost stack influencing price.
- Enhance transparency and processes that support competitive pricing for electricity and gas consumers.
  - This would result in a positive shift in behaviour by suppliers and producers in their negotiations of electricity and fuel contracts, monitored where possible by the ACCC.
  - This may be measured by ongoing monitoring and reporting by the ACCC, including through the ACCC’s ongoing inquiries into gas and electricity markets.

Source: Department of the Treasury and Department of Climate Change, Energy, the Environment and Water, *Options to Provide Energy Price Relief — Impact Analysis*, December 2022, available from <https://oia.pmc.gov.au/sites/default/files/posts/2022/12/Impact%20Analysis.pdf> [accessed 4 July 2024].

4.31 Estimated impacts of the plan were outlined in the joint media release of the Prime Minister, Treasurer, and Minister for Climate Change and Energy announcing the Energy Price Relief Plan on 9 December 2022<sup>89</sup>, which stated that:

Combined, these gas and coal measures<sup>90</sup> are estimated to:

- Dampen predicted gas price increases by two percentage points in 2022-23 and 16 percentage points in 2023-24.
- Reduce the impact of forecast electricity price increases of 36 per cent in 2023-24 by 13 percentage points, preventing a \$230 increase that the average Australian household would have seen if these actions were not taken.
- Reduce expected inflation in 2023-24 by around an estimated half percentage point.

4.32 Implementing the targeted electricity bill rebate was also estimated to reduce retail electricity price increases by a further 10 per cent on top of the gas and coal related measures.

4.33 Treasury and DCCEEW stated in the impact analysis presented to government in December 2022 that:

Given the suite of options identified, isolating the impacts of specific options for evaluation may be challenging. The success of the suite of options could be collectively evaluated using AER and ACCC data on wholesale and retail energy prices to monitor if there are reductions to consumer energy prices and positive shifts in behaviour of energy market participants following introduction of the policies.

#### *Establishment of plans to assess the achievement of outcomes*

4.34 Treasury's Program Management Framework May 2022 contains templates to establish a benefits management and realisation plan for a program lifecycle to track and ensure delivery of benefits that were established at the start of a program. The program management framework materials were not used in administering measures for the Energy Price Relief Plan.

4.35 DCCEEW's project plan templates contain steps for identifying project benefits, including identifying quantifiable outcomes of the project and the desired state that the project will achieve. DCCEEW has not developed any plans to track the collective benefits of the Energy Price Relief Plan measures. DCCEEW's internal guidance for drafting policy advice states that 'proposals must outline how the proposal's outcomes will be measured and assessed over time'.

4.36 While the impact analysis outlined how objectives of the Energy Price Relief Plan may be measured, key measurable targets or measures of success were not established for the whole-of-package Energy Price Relief Plan. The Office of Impact Analysis' assessment<sup>91</sup> of the impact analysis in December 2022 noted that the impact analysis would have benefited from 'a description of the key metrics that will be used to monitor the performance of the policy against its objectives and help to manage unintended consequences.'

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89 Prime Minister, 'Energy Price Relief Plan', media release, Parliament House, Canberra, 9 December 2022.

90 Measures included the gas price cap, mandatory gas code of conduct and the coal price cap.

91 For the Impact Analysis and OIA assessments of the Impact Analysis see Office of Impact Analysis, *Options for Energy Price Relief*, OIA, Canberra, 2022, available from <https://oia.pmc.gov.au/published-impact-analyses-and-reports/options-energy-price-relief> [accessed 10 September 2024].

4.37 Although estimated impacts of the collective measures were identified, tolerances or margins of success against these estimates were not defined.

### *Reported collective impacts of Energy Price Relief Plan measures*

Reporting in the Federal Budget

4.38 In the impact analysis — which covered the gas price cap, mandatory gas code of conduct and bringing forward the commencement of the ADGSM reforms — Treasury and DCCEEW stated that energy retail prices can also be compared to expected future price increases forecast in the October 2022–23 Federal Budget to assess the relative success of the recommended policies.

4.39 The May 2023–24 Federal Budget<sup>92</sup> reported on the Energy Price Relief Plan, which updated estimated impacts since the December 2022 announcement of the Energy Price Relief Plan, including that as at May 2023:

- retail gas price increases in 2023–24 were expected to be around 16 per cent smaller than expected prior to the Energy Price Relief Plan;
- retail electricity price increases in 2023–24 were expected to be around 25 per cent lower than in December 2022; and
- inflation was expected to reduce by 0.75 of a percentage point in 2023–24, as a direct result of the measures.

Reporting to the Minister for Climate Change and Energy

4.40 On 25 June 2024, DCCEEW provided a brief for the Minister for Climate Change and Energy on the ‘outcomes and impacts of the Energy Price Relief Plan, assessing impact and effectiveness of the intervention’, which incorporated AER data. The briefing noted that because of the Energy Price Relief Plan:

- the 2023–24 Default Market Offer rose by 20 to 25 per cent, which was lower than the AER estimated retail electricity prices would increase by 40 to 50 per cent prior to government intervention; and
- consumer price index (CPI) electricity prices were reduced by 12.9 per cent in between the June 2023 and March 2024 quarters.

4.41 In addition to outlining collective impacts, the DCCEEW briefing to the Minister for Climate Change and Energy reported on the impacts of the coal price cap, mandatory gas code of conduct and targeted electricity bill rebates using ACCC, AER, AEMO and Australian Bureau of Statistics data.

Reporting on changes to the Default Market Offer

4.42 Both Treasury and DCCEEW have referred to the AER Default Market Offer to demonstrate the impact of the Energy Price Relief Plan. In a May 2023 briefing provided to the Minister for Climate Change and Energy, DCCEEW noted that the final Default Market Offer 2023–24 increased by less than forecast before the announcement of the Energy Price Relief Plan. The briefing noted

92 Australian Government, *Budget Paper No.1: Budget Strategy and Outlook 2023-24*, Commonwealth of Australia, Canberra, 2023, available from: [https://archive.budget.gov.au/2023-24/bp1/download/bp1\\_2023-24.pdf](https://archive.budget.gov.au/2023-24/bp1/download/bp1_2023-24.pdf) [accessed 22 July 2024].

that a key driver was wholesale costs, which declined since October 2022 in response to the government intervention.<sup>93</sup>

4.43 Treasury and DCCEEW contributed analysis to a joint media release on 25 May 2023<sup>94</sup> by the Treasurer and the Minister for Climate Change and Energy, which showed the impact of the targeted electricity bill rebate, and the gas and coal price caps. The analysis leveraged the AER Default Market Offer 2023–24 to estimate household electricity bills in 2023–24 for New South Wales, Queensland and South Australia. The media release reported three scenarios for impacts on electricity bills, including that electricity bills:

- would have increased between 40 to 51 per cent across the states, had no government intervention (targeted electricity bill rebate, gas and coal price caps) taken place;
- increased by less, between 21 and 24 per cent across states, when gas and coal prices caps were in place; and
- reduced by between 3 and 8 per cent across states, when the targeted electricity bill rebate was applied along with the gas and coal price caps.

4.44 Reporting on the impact of the Energy Price Relief Plan was provided to the Energy and Climate Change Ministerial Council<sup>95</sup> between 23 February 2023 and 19 July 2024. Reporting indicated that gas and coal price caps had contributed to a decrease in wholesale electricity prices, and that the full impacts of the mandatory gas code of conduct had yet to be observed.<sup>96</sup>

Cumulative impacts from gas market interventions on industry stakeholders

4.45 On 17 April 2023 the Department of the Prime Minister and Cabinet (PM&C) and Treasury provided advice to government on the impacts of gas market policy interventions, which included three of the five measures under the Energy Price Relief Plan: the gas price cap; mandatory gas code of conduct; and reforms to the Australian Domestic Gas Security Mechanism.<sup>97</sup>

### *Post implementation review*

4.46 The Office of Impact Analysis's (OIA) assessment of the impact analysis on options to provide energy price relief noted the difficulties of predicting and measuring the likely impacts of the measures. The OIA advised the Treasury and DCCEEW that a post implementation review is required within five years of the implementation of the Energy Price Relief Plan due to the economic impacts

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93 The briefing further noted that 'Despite a significant decline since October 2022 in response to government intervention, wholesale prices for 2023–24 in all regions remain higher than they were at the start of 2022.'

94 Minister for Climate Change and Energy and Treasurer, 'Default Market Offer confirms Government action working to shield from the worst of global energy price crisis', joint media release, Parliament House, Canberra, 25 May 2023.

95 The Energy and Climate Change Ministerial Council (ECMC) is chaired by the federal Minister for Climate Change and Energy, and is the forum for 'the Commonwealth, Australian states and territories, and New Zealand to work together on priority issues of national significance and key reforms in the energy and climate change sectors.'

96 In early 2023 the ECMC, and its associated Energy Minister Sub-Group, noted falls in wholesale gas and electricity prices, and the expectation that these price falls would translate into lower household and business electricity bills in 2023–24. See Department of Climate Change, Energy, the Environment, and Water, *Energy and Climate Change Ministerial Council meetings and communiques*, DCCEEW, 2024, available from <https://www.energy.gov.au/energy-and-climate-change-ministerial-council/meetings-and-communiques> [accessed 26 September 2024].

97 Other policy interventions considered in advice to government were the safeguard mechanism reforms, petroleum resource rent tax reforms, and gas market regulatory frameworks reforms.

which ‘are likely to be widespread and substantial’. The OIA suggested Treasury and DCCEEW commence the post implementation review approximately 18 months after the policy has been fully implemented.

4.47 Treasury and DCCEEW have not established a whole-of-package plan for a post implementation review. Review activities are planned for individual measures. On 11 April 2024 DCCEEW advised the ANAO that the statutory review of the Gas Market Code scheduled for mid-2025 would satisfy the requirement for a post implementation review for the mandatory gas code of conduct measure.

4.48 Treasury and DCCEEW have not documented when the Energy Price Relief Plan policy will be ‘fully implemented’.

- On 16 April 2024 DCCEEW advised the ANAO that the mandatory gas code of conduct was expected to move into a ‘business-as-usual’ by June 2024, at which point the code could be considered fully implemented.
- On 25 June 2024 DCCEEW advised the ANAO that it considers the Energy Price Relief Plan ‘fully implemented’ when core elements (such as the coal price cap and targeted electricity bill rebate measures) conclude.

### **Targeted electricity bill rebate**

4.49 In December 2022 government received advice from Treasury and DCCEEW on the estimated impacts of the targeted electricity bill rebate. This advice did not include plans or measures to assess the achievement of the desired outcomes of the targeted electricity bill rebate. The federation funding agreement schedule signed with each state and territory did not include this information.

4.50 The finalised details of the targeted electricity bill rebate, as agreed with state and territory governments in 2023, differed from the details which informed the estimates provided in the initial advice. On 12 August 2024 Treasury advised the ANAO that the initial estimated impacts were updated to inform economic forecasts and projections to reflect the final agreed details as part of the May 2023–24 Federal Budget.

4.51 The reported impacts of the targeted electricity bill rebate, based on analysis using the AER’s Default Market Offer, are discussed at paragraph 4.43.

4.52 On 25 June 2024 DCCEEW briefed the Minister for Climate Change and Energy on the impact of the Energy Price Relief Plan, including the impact of the targeted electricity bill rebate. The brief reported on Australian Bureau of Statistics analysis stating that the introduction of the rebates moderated the expected increase in electricity bills.

4.53 On 17 June 2024 Treasury engaged an external consultant<sup>98</sup> to undertake program evaluations to assess the delivery of the 2023–24 targeted electricity bill rebate measure, and its 2024–25 extension. Delivery of an evaluation report for the 2023–24 targeted electricity bill rebate was due in October 2024. In September 2024 the external consultant provided Treasury with a draft

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98 Refer to footnote 68.

evaluation plan and draft lessons learned report<sup>99</sup> for the 2023–24 targeted electricity bill rebate measure.

4.54 The April 2024 advice to government on the extended targeted electricity bill rebate proposes a review of the extension in late 2024–25 and establishes metrics and timelines against which to measure success. It states an evaluation approach would be developed which could combine process evaluation and outcome evaluation.<sup>100</sup> The April 2024 advice to government did not recommend an impact evaluation<sup>101</sup> citing the short-term nature of the measure.

### **Gas price cap**

4.55 Advice to government in December 2022 included potential timeframes for review of the gas price cap in 2023.

4.56 The responsible government department for reviewing the gas price cap was not defined. The December 2022 impact analysis states that ‘the effectiveness of the price cap will be measured by comparing the realised retail energy prices to those forecast by Treasury for the status quo scenario.’

4.57 In April 2023 PM&C and Treasury provided advice to government that included that initial signs were that the price cap was having the desired effect as gas contracts in the wholesale market were made at the \$12 per gigajoule price cap level. The advice provided a summary of the impacts from the gas price cap on stakeholders and policy objectives.

4.58 A review of the gas price cap was not undertaken in 2023. On 20 May 2024 DCCEEW advised the ANAO that the intended scope of the review was undertaken through the consultation and design of the mandatory gas code of conduct (see paragraph 2.67 to 2.74). DCCEEW also advised the ANAO that a discrete review was not undertaken as the actual implementation process did not align with the original timeframe. The final design of the mandatory gas code of conduct was approved approximately three months after the timeframe given in the December 2022 policy advice.

4.59 The design process in 2023 for the mandatory gas code of conduct did not assess the appropriateness of the gas price cap separately to the establishment of the reasonable price mechanism for the mandatory gas code of conduct.

### *ACCC advice*

4.60 On 27 March 2023 the ACCC’s gas market branch prepared internal advice to its Energy Markets Board on feedback on the proposed approach to review the gas price cap. The advice

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99 The report covered themes on stakeholder engagement, governance and planning, program design and implementation, data and information, administrative costs, risk management and decisions, estimates and participation in the take up of the targeted electricity bill rebate.

100 During the delivery of a program or activity process evaluation may involve evaluation approaches to improve the operational processes of an activity. Once a program or activity has matured, outcome evaluation may be used in situations where issues with activity or program objectives, implementation or outcomes have been identified.

101 Impact evaluation is used to understand if government programs work and how well they work. For more information on different types of evaluation see Australian Centre for Evaluation, *Commonwealth Evaluation Toolkit*, ACE, Canberra, no date, available from <https://evaluation.treasury.gov.au/toolkit/commonwealth-evaluation-toolkit> [accessed 16 August 2024].



outlined that ACCC staff understood Treasury would lead a review of the price cap, which may be informed by information published in the ACCC's Gas Inquiry 2017–2030 mid-year interim report.<sup>102</sup>

4.61 To inform the gas price cap review, the ACCC:

- proposed to report on data and analysis on the impact of the price cap on matters including on wholesale gas prices, supply outlook for 2023, investment in new supply, gas prices paid by end users<sup>103</sup>;
- considered potential collaboration with the AER, including data sharing, and providing Treasury with information gathered under the *Competition and Consumer Act 2010*; and
- contemplated for inclusion in the review the implications for the ACCC's role in enforcement.

4.62 In April 2023 advice to government on the mandatory gas code of conduct included ACCC commentary on wholesale gas prices, the supply outlook for 2023 and investment in new supply.

### **Mandatory gas code of conduct**

4.63 The December 2022 impact analysis stated that an evaluation of the code could be informed by usual monitoring and reporting of energy market participant behaviour conducted by the ACCC — for example through the ACCC's gas inquiry reports (see paragraphs 4.10 and 4.11). For the mandatory code of conduct to be considered successful, a positive shift in behaviour would be observed from gas suppliers in negotiating wholesale gas contracts. The impact analysis noted that 'isolating the impacts of specific options for evaluation may be challenging'.

4.64 The ACCC reported in the December 2023 and June 2024 interim reports of its gas inquiry that it remained too early to draw conclusions about the Gas Market Code's impact on prices.<sup>104</sup>

4.65 In December 2022 government agreed to a proposed review of the gas price cap and transition to the reasonable price mechanism in 2023 (see paragraph 4.55). Neither Treasury nor DCCEEW undertook a review of the transition to the mandatory gas code of conduct in late 2023.

4.66 A legislative requirement for the review was established under the finalised Gas Market Code.<sup>105</sup> In September 2024, DCCEEW developed a monitoring and evaluation plan outlining ongoing monitoring activities for the Gas Market Code. As at 10 October 2024, this plan has not been approved by the Gas Code Working Group (see 2.67 to 2.70). This monitoring will inform the

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102 The report was published on 30 June 2023 and can be found at Australian Competition and Consumer Commission, *Gas inquiry June 2023 interim report*, ACCC, Canberra, 2023, available from <https://www.accc.gov.au/about-us/publications/serial-publications/gas-inquiry-2017-30-reports/gas-inquiry-june-2023-interim-report> [accessed 10 September 2024].

103 End users include large and smaller commercial and industrial users, and residential customers.

104 Australian Competition and Consumer Commission, *Gas inquiry December 2023 interim report*, Canberra, 2023, available at <https://www.accc.gov.au/about-us/publications/serial-publications/gas-inquiry-2017-30-reports/gas-inquiry-december-2023-interim-report> [accessed 10 September 2024]. Australian Competition and Consumer Commission, *Gas inquiry June 2024 interim report*, Canberra, 2024, available at <https://www.accc.gov.au/about-us/publications/serial-publications/gas-inquiry-2017-30-reports/gas-inquiry-june-2024-interim-report> [accessed 10 September 2024].

105 Section 76 of the Competition and Consumer (Gas Market Code) Regulations 2023 establishes the power for the energy and resources ministers to cause a review of the operation of the instrument to be undertaken. Subsection 76(7) of the Competition and Consumer (Gas Market Code) Regulations 2023 states that the review is to be undertaken no later than 1 July 2025.

statutory review required to commence by 1 July 2025. The monitoring and evaluation plan includes:

- intended roles and responsibilities in relation to monitoring activities, both internal and external to DCCEEW;
- focus areas for monitoring;
- monitoring and evaluation risks; and
- a program logic for the gas market code.

## Coal price cap

### *Reviews under federation funding agreement schedule*

4.67 The federation funding agreement schedule signed with New South Wales is required to be reviewed on a six-monthly basis to determine whether it is achieving its intended policy goals. The federation funding agreement schedule with Queensland is required to be reviewed at the end of the schedule — 30 June 2025 or the point the funding limit is reached — which will assess whether the measure achieved the intended policy goals.

4.68 In March 2024 under the federation funding agreement schedule with the New South Wales Government, a mid-term review was jointly delivered by DCCEEW and the New South Wales Government (Office of Energy and Climate Change), with input from AER staff.<sup>106</sup>

4.69 The scope of the mid-term review included to:

- estimate the benefits of the coal price cap within the National Electricity Market<sup>107</sup>;
- understand the likely impacts of the price caps ending; and
- consider whether any additional measures were necessary.

4.70 The mid-term review made three recommendations, including to allow the New South Wales Directions<sup>108</sup> to end as planned.<sup>109</sup> On 4 April 2024 the Minister for Climate Change and Energy was briefed by DCCEEW on the mid-term review.

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106 The March 2024 mid-term review report stated that while the original deadline for the review was 15 October 2023, the parties mutually agreed to extend it.

107 The mid-term review included commentary on the Queensland coal price cap, drawing on information available from the AER.

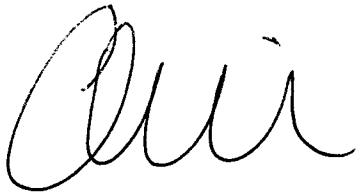
108 On 23 December 2022, the New South Wales Minister for Energy issued Directions to coal mines and power stations under the *Energy and Utilities Administration Act 1987* (NSW), requiring them to comply with a \$125/tonne cap on the price of coal.

109 The other two recommendations for NSW were: to establish a policy and regulatory framework to rapidly deploy in future instances of coal and electricity market volatility; and to consider bidding requirements for NSW coal power stations as part of this regulatory framework.

## Australian Domestic Gas Security Mechanism

4.71 A statutory review is required to be undertaken during 2025.<sup>110</sup> As at 29 May 2024 the Department of Industry, Science and Resources (DISR) had begun planning for the review and had developed a preliminary scoping document in April 2024 for its review of the Australian Domestic Gas Security Mechanism, which listed deliverables for the review, project risks, key dependencies and included a timeline for the review.

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Dr Caralee McLiesh PSM  
Auditor-General

Canberra ACT  
27 November 2024

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110 The requirements, indicative timing, processes, and considerations associated with the operation of the Australian Domestic Gas Security Mechanism are set out under the Customs (Prohibited Exports) (Operation of the Australian Domestic Gas Security Mechanism) Guidelines 2023 (the guidelines). The guidelines are an instrument established under section 13GF (Division 6 — Liquid natural gas) of the Customs (Prohibited Exports) Regulations 1958. Under section 13GG of the Customs (Prohibited Exports) Regulations 1958 the Minister for Resources must cause a review of the Division 6 of the Customs (Prohibited Exports) Regulations 1958 to be undertaken during 2025.

A review under subsection 13GG(2) of the Customs (Prohibited Exports) Regulations 1958 must address a range of factors, including: the impact of Division 6 on the Australian domestic gas market, including the development of new and additional gas resources and market functions; whether improvements can be made to the operation of the Division; and whether the Division should be amended or repealed before 1 January 2030.



# Appendices

## Appendix 1 Entity responses

### Department of the Treasury



Australian Government  
The Treasury

EC24-003015

Secretary  
Dr Steven Kennedy

Dr Caralee McLiesh PSM  
Auditor-General  
Through Ms Rona Mellor PSM  
Deputy Auditor-General  
Australian National Audit Office  
38 Sydney Avenue  
FORREST ACT 2603

Dear Dr McLiesh

#### **Response to the Australian National Audit Office (ANAO) proposed report on Design of the Energy Price Relief Plan**

Thank you for providing the Department of the Treasury (Treasury) with the opportunity to comment on the ANAO's proposed report on the Design of the Energy Price Relief Plan.

Treasury welcomes the conclusions in the report, in particular the reflection that the policy was based on sound advice and that both policy and implementation development were largely effective to achieve the desired policy outcomes. Treasury also welcomes the report's key messages, especially regarding the need to adapt risk appetite to short timeframes and critical functions. This aligns with Treasury's risk management policy, noting our higher appetite for risk in these circumstances while still balancing potential consequences.

Treasury agrees with the recommendation presented in the section 19 report (**Attachment A**) and has provided a summary response at **Attachment B**. Treasury accepts the ANAO's evidence regarding the risk assessments and implementation planning during the development of the Energy Price Relief Plan. Treasury considers the recommendation recognises the ANAO's findings and Treasury acknowledges it could develop guidance on how the risk management framework should be applied in situations where timeframes are short and delivery is urgent. Treasury has engaged an external review of the implementation of the first round of the Energy Bill Relief Fund and will leverage findings from this review in drafting further risk management guidance.

I would like to thank the ANAO for their professional and collaborative approach during this audit.

Yours sincerely

Steven Kennedy

29 November 2024

Langton Crescent, PARKES ACT 2600 • Telephone: 61 2 6263 3738 • Facsimile: 61 2 6263 3360  
Website: [www.treasury.gov.au](http://www.treasury.gov.au) • ABN 92 802 414 793

## Department of Climate Change, Energy, the Environment and Water



**Australian Government**  
**Department of Climate Change, Energy,  
 the Environment and Water**

David Fredericks PSM  
 Secretary  
 Our Ref: EC24-002462

Ms Rona Mellor PSM  
 Acting Auditor-General  
 Australian National Audit Office (ANAO)  
[officeoftheauditorgeneralperformanceaudit@anao.gov.au](mailto:officeoftheauditorgeneralperformanceaudit@anao.gov.au)

Dear Ms Mellor *Rona*

Thank you for your correspondence of 3 October 2024 seeking comment on the proposed report for the performance audit of the Design of the Energy Price Relief Plan.

Pursuant to section 19 of the *Auditor-General Act 1997*, the Department of Climate Change, Energy, the Environment and Water (the department) has prepared a response to the report (**Appendix A**).

The department would like to thank you and the Australian National Audit Office (ANAO) generally for the cooperative way in which the audit was conducted. We were very grateful for the level of engagement and communication provided throughout the audit process.

The Government's Energy Price Relief Plan was a package of measures developed from October to December 2022 to address an energy crisis. This rapid policy development occurred within complex electricity and gas markets and required engagement across multiple agencies and other parties during its development and implementation.

The objective of the package was to shield Australian families and businesses from the worst impacts of predicted energy price spikes. The package was successful in reducing a forecast price rise of 40-50 per cent by 20-25 per cent.

The department works to adopt best practice policy development and implementation as we support the transition to net zero emissions while maintaining secure, reliable and affordable energy. Since the establishment of the department in mid-2022, we have built systems and processes to enable our important role.

The department welcomes the suggested areas of improvement in the report. We also note the key messages for all Australian Government entities. We are committed to responding to these suggestions and implementing improvements, and to learning from the insights and lessons on rapid policy development published by the ANAO.

As highlighted in the response, the department will work to carry out early and meaningful engagement with stakeholders, including delivery partners. We will also focus on building on our existing risk management framework to improve our approach to mitigating risk when carrying out rapid policy development.

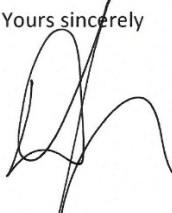
**DCCEEW.gov.au**

John Gorton Building - King Edward Terrace, Parkes ACT 2600 Australia  
 GPO Box 3090 Canberra ACT 2601 ABN: 63 573 932 849

1

Thank you again for the opportunity to respond to the proposed report and for the suggested areas of improvement provided by the ANAO.

Yours sincerely

A handwritten signature in black ink, appearing to be 'David Fredericks', written over the words 'Yours sincerely'.

David Fredericks

Secretary

25 October 2024



## Australian Energy Regulator



Contact Officer: Geoff Purvis-Smith  
Contact Phone: 02 6243 3091

1 November 2024

Ms Rona Mellor PSM  
Acting Auditor-General for Australia  
Australian National Audit Office  
Via email: [OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au](mailto:OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au)

Dear Ms Mellor,

### **Audit Report on Design of the Energy Price Relief Plan**

Thank you for the opportunity to consider and comment on extracts of the proposed report on the Design of the Energy Price Relief Plan.

We note that there are no findings or recommendations that relate to the Australian Energy Regulator (AER).

We have noted the key messages.

In relation to those key messages, we work with stakeholders proactively. While the AER is not a policy agency, we always seek to ensure that we are appropriately engaged in, and make effective contributions to, policy development processes. We also engage with risk and review implementation risks on an early, ongoing, and active basis.

Our summary response is set out in Attachment A.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'CS', is located below the text 'Yours sincerely,'.

Clare Savage  
Chair

# Department of Industry, Science and Resources



Australian Government  
Department of Industry,  
Science and Resources

OFFICE OF THE SECRETARY

Meghan Quinn PSM

Ms Rona Mellor PSM  
Acting Auditor-General  
Australian National Audit Office  
38 Sydney Avenue  
FORREST ACT 2603  
Via email: [OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au](mailto:OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au)

Dear Ms Mellor

Thank you for providing the Department of Industry, Science, and Resources (the department) with the opportunity to comment on the ANAO's proposed audit report on the design of the Energy Price Relief Plan (the report).

As noted in the report, the Department of Treasury and the Department of Climate Change, Energy, the Environment and Water led development of the Energy Price Relief Plan policy options to address energy price increases in 2022. My department led the measure on bringing forward the timing of the Australian Domestic Gas Security Mechanism (ADGSM) reforms that were previously announced by the Government as part of the October 2022-23 Budget.

Under the Energy Price Relief Plan, the ADGSM reforms were brought forward from 1 July 2023 to 1 April 2023 to work alongside other policy interventions as a measure of last resort to protect Australia's domestic energy security.

The department accepts the findings in the report, and acknowledges the importance of adhering to good practices to support:

- early and meaningful stakeholder engagement during policy design; and
- effective governance and risk management processes during the development and implementation of policy.

The department's response is enclosed. Your team may wish to contact Catherine Kesteven, Acting General Manager of Gas Branch ([catherine.kesteven@industry.gov.au](mailto:catherine.kesteven@industry.gov.au)) if they would like to discuss the response.

May I extend my thanks to the Australian National Audit Office for its professionalism and collaborative approach throughout this audit process.

Yours sincerely

A handwritten signature in black ink, appearing to read 'MEQ'.

23 October 2024

## Appendix 2 Improvements observed by the ANAO

1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur: in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.

2. The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's corporate plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.

3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:

- strengthening governance arrangements;
- introducing or revising policies, strategies, guidelines or administrative processes; and
- initiating reviews or investigations.

4. In this context, the below actions were observed by the ANAO during the course of the audit. It is not clear whether these actions and/or the timing of these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these actions or whether they have been appropriately implemented.

- As at August 2024 Treasury has drafted a stakeholder engagement log and commenced drafting of a program plan, which includes a stakeholder engagement strategy (see paragraph 2.48).
- In June 2024 Treasury engaged an external consultant<sup>111</sup> to:
  - develop risk materials to support program delivery for the targeted electricity bill rebate extension 2024–25 (see paragraph 3.7);
  - create governance frameworks and associated documents to support program delivery for the targeted electricity bill rebate extension 2024–25 (see paragraph 3.30), and as at September 2024 Treasury have a draft governance framework; and
  - undertake an evaluation of the 2023–24 targeted electricity bill rebate measure and the 2024–25 extension (see paragraph 4.53), and in September 2024 the external consultant provided Treasury with a draft evaluation plan and draft lessons learned report for the 2023–24 measure.
- In June 2024 DCCEEW briefed the Minister for Climate Change and Energy on the impacts of the Energy Price Relief Plan and each of the measures under the plan (see paragraph 4.41). As part of this briefing an updated risk register was provided (see paragraph 3.11).

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111 Refer to footnote 68.

- Advice to government in April 2024 on the extension of the targeted electricity bill rebate measure included targets and metrics against which to measure success (see paragraph 4.54).
- In early 2024 DCCEEW began drafting a monitoring and evaluation plan for the mandatory gas code of conduct (see paragraph 4.66).

## Appendix 3 Relevant legislation and governance frameworks

Elements of the Energy Price Relief Plan	
Coal price cap	<p>New South Wales coal price cap</p> <ul style="list-style-type: none"> <li>• Section 44AI of the <i>Competition and Consumer Act 2010</i>, a state or territory energy law or energy instrument may confer functions of powers, or impose duties, on the AER for the purposes of that law or instrument.</li> <li>• Part 2, Regulation 7A of the <i>Competition and Consumer Regulations 2010</i> was amended to prescribe NSW legislation as a State Energy Law.</li> <li>• Section 10 of the <i>Energy and Utilities Administration Act 1987</i> (NSW legislation) was amended to appoint the AER as a regulator of the NSW legislation.</li> <li>• The Coal Market Price Emergency (Directions for Coal Mines) Notice 2023 was made by the NSW Minister for Energy under the <i>Energy and Utilities Administration Act 1987</i> (NSW), Schedule 3, clause 6.</li> <li>• A Federation Funding Agreement was signed between the Commonwealth Government and New South Wales Government under the Intergovernmental Agreement on Federal Financial Relations.</li> </ul> <p>Queensland coal price cap</p> <ul style="list-style-type: none"> <li>• <i>Government Owned Corporations Act 1993</i> (Queensland).</li> <li>• Directions to state electricity entities and related group entities established under section 257 of the <i>Electricity Act 1994</i>.</li> <li>• A Federation Funding Agreement was signed between the Commonwealth Government and Queensland Government under the Intergovernmental Agreement on Federal Financial Relations.</li> </ul>
Gas emergency price order	<ul style="list-style-type: none"> <li>• <i>Competition and Consumer Act 2010</i> <ul style="list-style-type: none"> <li>– <i>Treasury Laws Amendment (Energy Price Relief Plan) Act 2022</i></li> <li>– Competition and Consumer (Gas Market Emergency Price) Order 2022</li> </ul> </li> </ul>
Mandatory gas code of conduct	<ul style="list-style-type: none"> <li>• <i>Competition and Consumer Act 2010</i> <ul style="list-style-type: none"> <li>– <i>Treasury Laws Amendment (Energy Price Relief Plan) Act 2022</i></li> <li>– Competition and Consumer (Gas Market Code) Regulations 2023</li> </ul> </li> </ul>
ADGSM reforms	<ul style="list-style-type: none"> <li>• Division 6 of the <i>Customs (Prohibited Exports) Regulations 1958</i>. <ul style="list-style-type: none"> <li>– amended by <i>Customs (Prohibited Exports) Amendment (Liquefied Natural Gas) Regulations 2023</i>, commenced on 30 March 2023.</li> <li>– amended by <i>Customs (Prohibited Exports) Amendment (Liquefied Natural Gas) Regulations 2022</i>, which was to extend the operation of the ADGSM to 1 January 2030.</li> </ul> </li> <li>• <i>Customs (Prohibited Exports) (Operation of the Australian Domestic Gas Security Mechanism) Guidelines 2023</i>.</li> </ul>
Targeted energy bill rebate	<ul style="list-style-type: none"> <li>• <i>Federal Financial Relations Act 2009</i> <ul style="list-style-type: none"> <li>– <i>Treasury Laws Amendment (Energy Price Relief Plan) Act 2022</i></li> </ul> </li> <li>• Federation funding agreement schedules were signed between the Commonwealth Government and state and territory governments under the Intergovernmental Agreement on Federal Financial Relations.</li> </ul>

Source: ANAO summary of public and entity documentation.

## Appendix 4 Summary of analysis conducted

Energy Price Relief Plan measure	Description of modelling, analysis and advice
Targeted electricity bill rebate	<ul style="list-style-type: none"> <li>Treasury and DCCEEW performed analysis to design, estimate the potential impacts and cost the targeted energy bill rebate measure.</li> <li>The Australian Energy Regulator (AER) estimated the total amount required to compensate customers for some or all of the electricity price rises projected in scenarios based on modelled inputs and assumptions from DCCEEW.</li> </ul>
Mandatory gas code of conduct	<ul style="list-style-type: none"> <li>On 11 November 2022 the ACCC Chair recommended to the Treasurer the development of a mandatory gas code of conduct.</li> </ul>
Gas price cap Coal price cap	<ul style="list-style-type: none"> <li>On 11 November 2022 the ACCC Chair provided advice to the Treasurer on determining the \$12/GJ gas price cap. The ACCC was informed by prices that were offered in 2021, prior to international prices increasing in late 2021. The \$12 per gigajoule price cap was considered by the ACCC reasonable costs of production.</li> <li>On 9 May 2024 DCCEEW advised the ANAO that it had undertaken research and consultation to determine the most appropriate assumptions to use in market modelling.</li> <li>DCCEEW conducted energy market modelling to assess the proposed policy impact of price caps in the wholesale electricity market. DCCEEW modelling exercise used four scenarios to demonstrate the proposed policy impact, including: <ul style="list-style-type: none"> <li>a reference case where no policy interventions occur;</li> <li>a case where wholesale gas prices are capped at \$12 per gigajoule;</li> <li>a case where wholesale coal prices are capped at \$125 per tonne; and</li> <li>a combined case where both wholesale gas and coal prices are capped at these levels.</li> </ul> </li> <li>DCCEEW further engaged external consultants, Ernst &amp; Young (EY) and ACIL Allen, to conduct market modelling using the same four scenarios.</li> <li>DCCEEW compared market modelling results from its internal model with that of EY and ACIL Allen. The three modelling exercises found approximately the same result — that combined, the gas and coal price caps, would reduce the average wholesale electricity price by 30 per cent when compared with the reference case where no policy interventions occur.</li> <li>The AER analysed the indicative effects on potential Default Market Offer outcomes, based on results provided by DCCEEW from the modelling exercises on the four scenarios.</li> <li>Treasury conducted analysis to estimate the impact of the price caps on the reduction of increases in retail gas and electricity prices.</li> </ul>
Bringing forward commencement of the ADGSM reforms	<ul style="list-style-type: none"> <li>The Department of Industry, Science and Resources (DISR) provided advice on this policy option.</li> </ul>
Other analysis	<ul style="list-style-type: none"> <li>On 1 April 2024 Treasury advised the ANAO that it updated inflation forecasts to reflect that collectively the gas price cap, coal price cap and the targeted energy bill rebate will reduce inflation.</li> </ul>

Source: ANAO analysis of entity documentation.