



Australian Government

Office of the Renewable Energy Regulator

Financial Annual Report 2010-2011





Financial Annual Report 2010-2011



ABOUT THIS REPORT

The Office of the Renewable Energy Regulator's (ORER's) Financial Annual Report 2010-11 has been prepared in accordance with the *Requirements for Annual Reports for departments, executive agencies and FMA Act bodies* and the *Financial Management and Accountability Act 1997*.

It is available in print from 36 libraries around Australia, the ORER office and online at www.orer.gov.au

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CONTENTS

Chapter 1 – Regulator’s Review	5
Significant issues and developments	6
Overview of ORER’s performance and financial results	6
Implementing the legislation	6
Certificate creation, validation and registration	6
Annual reporting, assessment and surrender processes	7
Financial performance	7
Outlook for the following year	8
Chapter 2 – Office Overview	9
Role and functions	9
Organisational structure	9
Portfolio structure	12
Outcome and program structure	12
Chapter 3 – Report on performance	13
Certificate Management – agency program 1.1	13
Maintaining registers	13
Registered Persons	13
Accreditation of power stations	14
Registered Agents for small-scale systems	14
Support for small-scale systems	14
Certificate creation and registration	14
REC Registry	14
STC Clearing House	15
Regulation amendments	15
Managing compliance with legislation – agency program 1.2	15
Annual compliance	15
Large-scale Generation Shortfall Charges (LGSC) (administered item)	16
Small-scale Technology Shortfall Charges (STSC) (administered item)	16
Large-scale generation certificate carried forward surplus	16
Redeem Large-scale Generation Shortfall Charges (administered item)	16
Auditing participants	16
Inspections of small-scale solar panels, wind and hydro systems	17
Financial performance	18



Chapter 4 – Management and Accountability **21**

Corporate governance **21**

- Prescribed agency status 21
- Senior executive remuneration 21
- Fraud reporting 21

External scrutiny **21**

Management of human resources **21**

- Overview 21
- Workforce planning, staff retention and turnover 22
- Enterprise Agreement 22
- Non-salary benefits 22
- Performance pay 23
- Training and development 23
- Occupational health and safety 23
- Productivity gains 23

Assets management **23**

Purchasing **23**

Consultants and competitive tendering and contracting **23**

- Consultants 23
- Competitive tendering and contracting 24
- Contracts with greater than \$100,000 value 24
- Exempt contracts 24

Chapter 5 – Financial Statements **25**

Chapter 6 – Other Mandatory Information **67**

Occupational health and safety **67**

- Reports under section 68 of the Act 67
- Investigations 67
- Agreements with employees 67

Freedom of information **67**

- Applications received 67
- Information about the office 67
- Information about categories of documents 67
- Arrangements for outside participation 67
- Procedures for gaining access to information 67



Advertising and market research	68
Media advertising agencies	68
Market research	68
Polling organisations	68
Direct mail organisations	68
Ecologically sustainable development and environmental performance (ESD)	68
Activities of ORER and ESD linkages	68
How the administration of legislation by the organisation accorded with the principles of ESD	69
How the outcomes specified for the organisation in an Appropriations Act contribute to ESD	69
The effect of the organisation's activities on the environment	69
The measures (if any) taken by the organisation to minimise this impact	70
The mechanisms (if any) for reviewing and increasing the effectiveness of those measures	70
Discretionary grants	70
Disability reporting mechanisms	70
Corrections to previous annual reports	70
Glossary	71
List of requirements	74
Subject index	75



Australian Government

Office of the Renewable Energy Regulator

The Hon Greg Combet, AM, MP
Minister for Climate Change and Energy Efficiency
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to present to you the Financial Annual Report of Office of the Renewable Energy Regulator for the year ended 30 June 2011.

This report has been prepared in accordance with the *2010-11 Requirements for Annual Reports for departments, executive agencies and FMA Act bodies* and Section 70 of the *Public Service Act 1999*. Subsection 70(1) of the *Public Service Act 1999* requires that the Agency Head is to provide a copy of the report to their Agency Minister, for presentation to the Parliament.

This financial report is supplementary to the annual administrative report produced in compliance with section 105 of the *Renewable Energy (Electricity) Act 2000 (the Act)*, which reports on the operation of the Act over a calendar (or compliance) year. This financial annual report outlines the activities of the Office of the Renewable Energy Regulator as they relate to the financial year funding cycle.

While the Office of the Renewable Energy Regulator has been established since 1 April 2001, this report is the eighth financial annual report, as prescribed agency status was granted from 1 July 2003. Prior to 2003-04, reports on the financial performance of the office were included in the Department of Sustainability, Environment, Water, Population and Communities annual reports.

Yours sincerely

A handwritten signature in black ink that reads 'Andrew Livingston'.

Andrew Livingston
Renewable Energy Regulator
September 2011



CHAPTER 1

REGULATOR'S REVIEW

The Office of the Renewable Energy Regulator (ORER) is a statutory agency in the Department of Climate Change and Energy Efficiency (DCCEE) portfolio. ORER was established in 2001 to administer the Australian Government's Mandatory Renewable Energy Target (MRET).

In August 2009, the legislation was amended, expanding the MRET into the Renewable Energy Target (RET). The RET was split into two parts in June 2010: the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES).

The LRET and SRES encourage additional generation of electricity from renewable energy sources to meet the Government's commitment to achieving a 20 per cent share of renewables in Australia's electricity supply by 2020.

In the 2010-11 year, ORER focused on improving existing administrative processes as well as implementing new systems and processes to address the significant amendments to the *Renewable Energy (Electricity) Act 2000* (the Act) passed in June 2010.

In conjunction with the split of the RET, renewable energy certificates (RECs) were divided into two certificate types and reclassified as:

- large-scale generation certificates (LGCs); and
- small-scale technology certificates (STCs).

LGCs are created by eligible renewable energy power stations. One LGC is equivalent to 1 MWh (megawatt hour) of eligible renewable electricity generated above the power station's baseline.

STCs are created for eligible installations of solar water heaters, heat pumps, and small-scale solar panels, wind and hydro systems. One STC is equivalent to 1 MWh of:

- renewable electricity generated by a small-scale solar panel, wind or hydro system (unless the Solar Credits multiplier applies); or
- electricity displaced by a solar water heater or heat pump.

All RECs created from 2001 to end 2010 were reclassified as LGCs from 1 January 2011 and must be traded in the LGC market.

All RECs, LGCs, and STCs (collectively referred to as 'certificates' in this report) are created and transferred in the REC Registry, which is the online registry system managed by ORER. The REC Registry:

- facilitates the creation, registration, transfer and surrender of certificates;
- tracks the ownership and status of LGCs and STCs;
- provides access to the STC Clearing House; and
- maintains various public Registers as set in the Act, such as the Register of Large-scale Generation Certificates.

The 2010 amendments to the Act introduced the STC Clearing House, which when used, facilitates the exchange of STCs between buyers and sellers at a fixed price of \$40 (excl. GST). The STC Clearing House has been accessible via the REC Registry from early January 2011. LGCs are not included in the STC Clearing House.

Preparation for implementation of the split of the RET into the LRET and SRES also included a series of workshops for stakeholders who were most affected by the changes.

The amendments to the Act called for an adjustment to the LRET targets if the number of registered certificates exceeded 34.5 million at the end of the 2010 calendar year.


At the end of 2010, the REC Registry showed that the number of registered certificates was 42,576,189 which exceeded the 34.5 million certificates by 8.076 million.

The 2011 LRET target has remained unchanged at 10,400 GWh.

The new future LRET targets are:

- 2012 – 16,338 GWh
- 2013 – 18,238 GWh
- 2016 – 20,581 GWh
- 2017 – 25,181 GWh
- 2018 – 29,781 GWh
- 2019 – 34,381 GWh.

In December 2010, the 2011 Renewable Power Percentage (RPP) was set at 5.62 per cent (10.4 million LGCs) for the 2011 compliance year.



In the same month the Small-scale Technology Percentage (STP) was set at 14.8 per cent (28 million STCs) for the 2011 compliance year.

The changes to the Act were also significant in terms of tightening compliance measures. These included new enforcement remedies available to the Regulator, including civil penalty orders, enforceable undertakings and injunctions.

Regulations passed in December 2010 required ORER to establish an inspections program of small-scale solar panels, wind and hydro systems that have had certificates created against them. Each year, ORER must inspect a statistically significant selection of the systems that were installed during that year. The inspection program commenced in mid-May 2011 and inspected systems installed from 30 June 2010 onwards. The inspections examine if the selected installations:

- are consistent with manufacturer specifications;
- meet applicable Australian Standards;
- reflect industry best practice; and
- generate the energy for the certificates claimed.

Significant issues and developments

In the 2010-11 year, investment in renewable energy power stations continued to grow. ORER estimates the total investment from 2001 to 30 June 2011 is \$9.8 billion.

ORER accredited 19 renewable energy power stations in the 2010-11 financial year, bringing the total number of accredited renewable energy power stations to 328. The generating capability of the large-scale system is over 13,400 gigawatt hours (GWh) of eligible renewable energy per typical year. This is estimated to be equivalent to the residential electricity needs of over 2 million households.

In 2010-11, ORER implemented necessary changes to the REC Registry. These changes included the split of the RET and the addition of the STC Clearing House. These changes were made up of five technical releases and have been successfully delivered. In addition, ORER also implemented several policy changes to the REC Registry including adjusting the Solar Credits multiplier and collecting out-of-pocket expenses information.

Overview of ORER's performance and financial results

Implementing the legislation

The *Renewable Energy Electricity Act 2000* is administered by ORER and has operated on a calendar year basis since its introduction in 2001. The Act continues to operate on a calendar basis and the SRES incorporates quarterly liability compliance obligations.

Liabilities under the Act are calculated on a full calendar year's acquisitions of electricity. These liabilities are acquitted for LRET and SRES with the lodgement of the Annual Energy Acquisition Statement (AEAS) on or before 14 February of the following year. The AEAS includes information on LGCs surrendered to acquit relevant acquisitions of electricity and STCs surrendered quarterly to acquit relevant acquisitions of electricity. Where certificates are not surrendered the applicable Shortfall Charge is imposed accordingly.

This leads to the following natural workload peaks for ORER, within the same financial year.

Certificate creation, validation and registration

For LGCs to be registered and used to acquit a given assessment year liability:

- renewable energy power stations that generate above the renewable energy power stations baseline must create LGCs prior to 31 December of the following calendar year. For example, for electricity generated in 2010, LGCs must be created on or before 31 December 2011; and
- Agents or Registered Persons for eligible small-scale systems (solar water heaters and heat pumps, small-scale solar panels, wind and hydro systems) must create LGCs in accordance with the requirements of the Act and Regulations. Most small-scale systems are required to create STCs within 12 months of the system being installed.
- LGCs cannot be created for small-scale systems installed after 31 December 2010. Small-scale systems installed from 1 April 2001 to 5 October 2007 may create LGCs if eligibility requirements are met. STCs can be converted to LGCs if a contract was entered into on or before 25 February 2010 and the contract meets all eligibility criteria.

These requirements, in combination with other entry rules, result in a large number of renewable energy power stations creating LGCs for eligible electricity for the LRET towards the end of the calendar year. As a result, November and December typically sees a significantly higher LGC creation rate than other months. This also increases the amount of LGC



validation that ORER undertakes. LGC validation is an audit process that ORER undertakes to ensure the integrity of the data being used to create LGCs before they are registered or failed by ORER.

For STCs to be registered and used to acquit a given assessment quarter liability Agents or Registered Persons for eligible small-scale systems must create STCs in accordance with the eligibility requirements of the Act and Regulations. Small-scale systems are required to create STCs within 12 months of the system being installed.

These requirements, in combination with other entry rules, result in a large number of small-scale systems creating STCs for eligible electricity for the SRES throughout the calendar year. STC validation is an audit process that ORER undertakes to ensure the integrity of the data being used to create STCs before they are registered or failed by ORER.

Annual reporting, assessment and surrender processes

Eligible entities must submit returns by 14 February following the generation year. ORER finalises and assesses the returns, once received, throughout the calendar year. This process is subject to receiving, where required, third party or other data to verify the lodged returns. Returns verify a Registered Person's eligibility to create certificates for renewable energy generation from renewable energy power stations or small-scale systems.

Liabe entities must submit statements by 14 February for the previous year. ORER finalises and assesses the statements, once received, throughout the calendar year. This process is subject to receiving, where required, third party or other data to verify the lodged statements. Statements provide information to assess a liable entity's surrender obligations under the Act and includes:

- the assessment amount of electricity, in MWh, that is liable under the Act. These transactions are called relevant acquisitions of electricity;
- the amount of electricity, in MWh, that is exempt under the Act for companies that conduct emission intensive trade exposed (EITE) activities. These exemptions are called Partial Exemption Certificates (PECs) and allow a company conducting an EITE activity to apply to ORER for PECs. The PECs can then be transferred to the applicable liable entity, which allows the liable entity to reduce their total amount of relevant acquisitions. PECs apply to the 2010 and future assessment years;

- the net amount of electricity, in megawatt hours, that is liable under the Act. This calculation refers to a liable entity's reduced relevant acquisitions. In addition reduced relevant acquisitions are used in conjunction with section 38AE of the Act to calculate the STC required surrender amounts for quarters 1 to 3 for SRES;
- the assessment year's LGC liability; and
- details of LGCs surrendered via the REC Registry to meet the applicable LGC liabilities.

Statements may also include:

- revisions to previous assessment year(s) relevant acquisitions of electricity and LGC liability; and
- details of the LGSC payment and refund.

Liabe entities surrender LGCs on a yearly basis.

Liabe entities surrender STCs on a quarterly basis where quarter 4 closes for surrender on 14 February of the following year. Quarterly surrender closes in the current year as follows:

- Quarter 1 – 28 April;
- Quarter 2 – 28 July; and
- Quarter 3 – 28 October.

Financial performance


At the end of the 2010-11 financial year, ORER's departmental results show a surplus of \$1.690 million. The total departmental expenditure incurred during the financial year was \$8.981 million.

Administered revenue collections during the financial year totalled \$5.642 million and were forwarded to the Official Public Account. This revenue comprised of:

- registration and accreditation fees;
- certificate registration and surrender fees; and
- Large-scale Generation Shortfall Charges (LGSC's).

ORER is obliged to refund the LGSC over a 3 year redemption period if liable entities are able to offset their shortfall by surrendering certificates within this timeframe.

As a result of the Government announced changes on 26 February 2010 to the Renewable Energy Target scheme the existing REC Registry system was split into two parts, the LRET and SRES, in addition to establishing an optional Clearing House for the exchange of STCs commencing operation from 1 January 2011 at a cost of \$4.106 million and included work in progress on further releases of \$1.190 million. Further releases and on-going maintenance of the REC Registry system are scheduled in the 2011-12 financial year to cater



for the timeframes of the amended legislation. As at 30 June 2011 the net carrying value of the REC Registry is \$3.440 million.

Outlook for the following year

Administration of the LRET and SRES through the 2011-12 financial year presents further challenges for ORER.

The 2011 LRET target of 10,400 GWh, is enforced during the 2011-12 financial year. ORER will be setting the binding 2012 SRES target before 31 March 2012 which will include an estimate of STCs created in 2012 plus account for any excess of STCs above the 2011 estimate of 28 million STCs.

ORER's departmental appropriation allocation in 2011-12 has increased significantly due to the split of the RET with an administered appropriation allocation for the legislative inclusion of inspections of small-scale solar panel, wind and hydro systems. The increase in installations of solar panels has resulted in an increase of resources and the introduction of online tools to validate STCs and ensure compliance with the Act. ORER will also be adding additional functionality to the REC Registry to further automate validation checks and to provide additional analysis capability.

ORER will continue to work with stakeholders to enhance their understanding and participation in the schemes.



CHAPTER 2

OFFICE OVERVIEW

Role and functions

ORER administrates the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES). The framework for the LRET and SRES is established by the:

- *Renewable Energy (Electricity) Act 2000*;
- *The Renewable Energy (Electricity) (Large-scale Generation Shortfall) Charge Act 2000*;
- *The Renewable Energy (Electricity) (Small-scale Technology Shortfall) Charge Act 2010*;
- *Renewable Energy (Electricity) Regulations 2001*;
- *Renewable Energy (Electricity) Regulations 2001 - STC Calculation Methodology for Solar Water Heaters and Air Source Heat Pump Water Heaters*;
- *Renewable Energy (Electricity) Amendment (Transitional Provision) Regulations 2010*; and
- *Renewable Energy (Electricity) Amendment (Transitional Provisions) Regulations 2009*.

The main functions of ORER, in implementing the requirements of this legislative framework are:

- maintaining several registers, which includes:
 - Register of Renewable Energy Certificates (inactive as of 1 January 2011);
 - Register of Small-scale Technology Certificates (made available from 1 January 2011);
 - Register of Large-scale Generation Certificates (made available from 1 January 2011);
 - Register of Accredited Power Stations;
 - Register of Applications for Accredited Power Stations;
 - Register of Registered Persons; and
 - STC Clearing House Transfer List (made available from 1 January 2011).
- registering STCs for solar water heaters and heat pumps and small-scale solar panels, wind and hydro systems;
- managing and maintaining the online REC Registry and the STC Clearing House;
- accrediting eligible renewable energy power stations;
- registering LGCs for accredited renewable energy power stations;
- updating and maintaining the Register of Solar Water Heaters;

- managing the partial exemption process for emissions-intensive trade-exposed (EITE) industries monitoring compliance with the Act
- managing inspections of small-scale solar panels, wind and hydro installations for which certificates have been created; and
- communicating the Act and Regulations to participants.

Organisational structure

ORER is a statutory agency in the Department of Climate Change and Energy Efficiency (DCCEE) portfolio.

ORER is a small organisation. As at 30 June 2011, ORER employed 39 full-time and 3 part-time staff, in addition to the Regulator.

The Regulator has statutory responsibility to ensure the provisions of the Act are enforced. The Regulator is assisted in this role by two Deputy Regulators and the staff of ORER, who are grouped in teams. The structural chart for the organisation appears on page 11.

The Liability team is responsible for:

- assessing Annual Energy Acquisitions Statements (AEAS) and Renewable Energy Shortfall Statements (RESS). Liable entities are required to report their relevant acquisitions of electricity for the given compliance year(s);
- assessing and analysing the number of certificates in the market;
- setting the RPP and STP, which involves changes to the Regulations;
- field audit activities relating to liability under the Act; and
- voluntary surrender.

The Inspections and Compliance section is responsible for administering the legislated requirements for inspections of small-scale solar panel, wind and hydro systems for which certificates are created and for developing and implementing ORER's strategic approach to compliance and enforcement. The section has two teams:

The Inspections team is responsible for:

- managing inspections of small-scale solar panel, wind and hydro installations for which certificates have been created; and
- dissemination of relevant information in relation to small-scale solar panel, wind and hydro systems as required by the Act and Regulations



The Compliance team is responsible for:

- monitoring compliance behaviour, identifying risk and providing advice on appropriate action to mitigate those risks; and
- undertaking investigations and enforcement actions as required.

The Power Stations team is responsible for case managing renewable energy power stations eligibility for LGCs, including:

- managing the accreditation process. This is seen as a verification process that ensures the renewable energy power station meets eligibility criteria as specified in the Act and Regulations;
- assessing the validity of created LGCs for registration; and
- assessing Electricity Generation Returns (EGRs). Nominated persons for renewable energy power stations are required to submit EGRs annually for compliance purposes to report their renewable electricity generated above the baseline and LGC creation.

The Small-scale Renewables Validation and Registration section is responsible for supporting the participation of small-scale systems under the scheme as well as responding to general phone and email enquiries. The section has three teams:

- Registration Team, which is responsible for:
 - assessing applications from manufacturers for solar water heater and heat pumps for inclusion on the Register of solar water heaters;
 - providing advice to manufacturers regarding eligibility and compliance with the legislative instrument for determining the number of certificates a solar water heater or heat pump is eligible for; and
 - maintaining the Register of solar water heaters and ensuring at least two submission periods are provided to manufacturers per year.
- Validation Team, which is responsible for:
 - processing all Registered Person and Registered Agent applications, the application process also requires assessing a Proof of Identity (PoI) for each application;
 - assessment of certificate creation to ensure Registered Persons are creating certificates in compliance with the Act;
 - various additional risk based assessments to ensure compliance with the Act, including aerial photography and site visits to ensure systems are operational;

- site visits to Registered Persons to check on their processes and systems to ensure and encourage compliance with the Act;
- providing advice to stakeholders and public in relation to the Act, mostly in relation to the creation of certificates for small-scale systems; and
- assessment of Solar Water Heater and Small Generation Unit Returns (SWH/SGUR) to ensure Registered Persons have proper processes in place and are creating certificates in compliance with the Act.

- Call Centre team, which is responsible for:
 - responding to general phone and email enquiries.

The Partial Exemption team is responsible for managing the provisions for partial exemption from liability for Emissions-Intensive Trade-Exposed (EITE) activities, including:

- assessing applications for Partial Exemption Certificates (PECs) and issuing PECs within legislated timeframes, on an annual basis, including applications for revisions.

The Markets and STC Clearing House team is responsible for:

- monitoring the use of the STC Clearing House and ensuring the operational and financial integrity of the STC Clearing House facility; and
- monitoring the broader STC and LGC markets and liaising with stakeholders to ensure the market is informed and functioning effectively.

The Business Information and Technology Systems (BITS) section is responsible for managing all ICT related operations for ORER. The section has two teams:

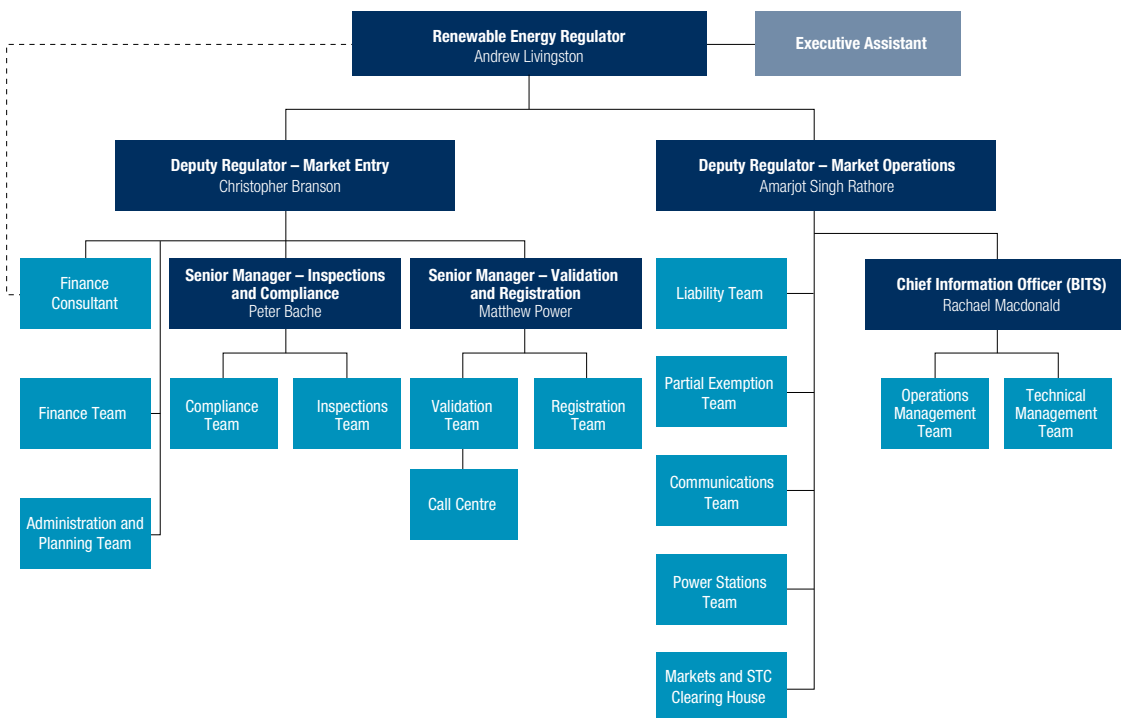
- Operations Management team, which is responsible for:
 - application management;
 - business management;
 - contract management;
 - IT security; and
 - helpdesk.
- Technical management team, which is responsible for:
 - infrastructure;
 - IT Asset management;
 - voice services;
 - infrastructure IT security;
 - application disaster recovery; and
 - data warehouse.



The Finance and Administration & Planning teams manage the corporate functions of ORER.

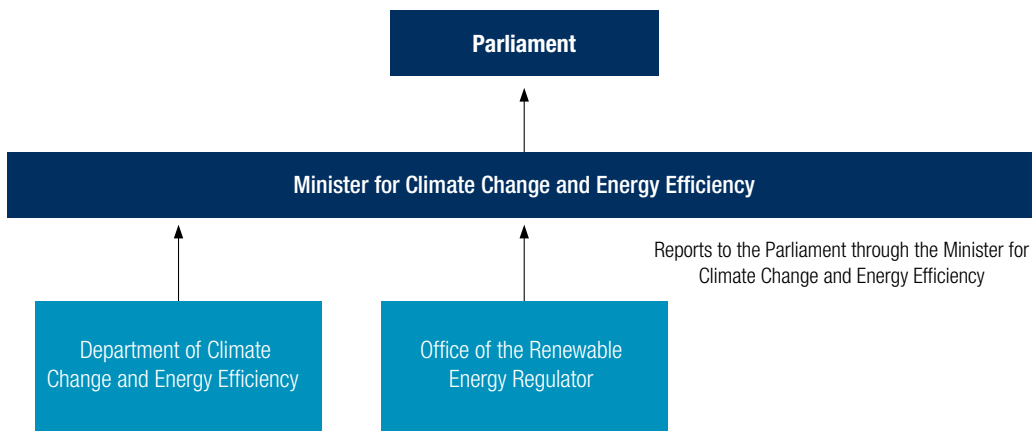
The Communications team is responsible for internal and external communications. This includes:

- development and implementation of ORER's communications strategy including the ORER website, publications, events, advertising, research, enquiries and branding.



Portfolio structure

ORER is a statutory agency in the Department of Climate Change and Energy Efficiency (DCCEE) portfolio. The portfolio structure is outlined below.



Outcome and program structure

ORER's outcome statement for the 2010-11 financial year is:

Administer and regulate the national Renewable Energy Target scheme to encourage increased renewable electricity generation.

The outcome statement directs the activities of the office and falls under Outcome 1 of ORER's portfolio department, DCCEE:

Reduction of Australia's greenhouse gas emissions including by promoting energy efficiency, adaptation to the impacts of climate change, and negotiation of an effective global solution, through the development and implementation of a national response to climate change; and bilateral, regional and multilateral engagement internationally

ORER supports the achievement of the outcome through two main streams of activity or programs:

- certificate management; and
- managing compliance with legislation.



CHAPTER 3

REPORT ON PERFORMANCE

The *Renewable Energy (Electricity) Act 2000* and the accompanying *Renewable Energy (Electricity) Regulations 2001* define the requirements of the Large-scale Renewable Energy Target (LRET) and Small-scale Renewable Energy Scheme (SRES).

Certificates are created by Registered Persons in the REC Registry. Nominated persons for accredited renewable energy power stations may create large-scale generation certificates (LGCs) for eligible renewable generation above the power station's baseline.

Agents and individual owners of eligible solar water heaters, heat pumps and small-scale solar panel, wind and hydro systems are eligible to create small-scale technology certificates (STCs). The amount of STCs a system is eligible for is based on the electricity in MWh:

- generated by the small-scale solar panel, wind or hydro system (unless the Solar Credits multiplier applies); or
- displaced by the solar water heater or heat pump.

After certificates are validated and registered, an 8 cent per certificate registration fee must be paid.

LGCs can be traded and transferred in the LGC market for a price negotiated by the sellers and buyers.

STCs can be traded and transferred in the STC market for a negotiated price or placed in the STC Clearing House where they wait in a queue until a buyer is available. STCs that are sold through the STC Clearing House have a fixed price of \$40 (excl. GST).

The Act imposes a requirement on liable entities to surrender certificates to ORER each year or pay a Shortfall Charge. This incentive creates the certificate market interface between the eligible and liable entities. Where certificates are accepted for surrender, an 8 cent per certificate surrender fee is required to be paid.

Certificates are typically sold by eligible entities to liable entities. In this way, the certificates represent an additional revenue stream for renewable energy power stations and small-scale systems, making renewable electricity generation more economically viable in an energy market where low cost non renewable sources dominate.

ORER's role is to facilitate the 'entry' and 'exit' from the scheme. The 'entry' requirements include registering participants and assessing claims for certificates. The 'exit' requirements relate to enforcing liabilities under the Act, particularly assessing the surrender of certificates that are used to discharge liabilities or assess the Shortfall Charge paid to discharge liabilities.

Certificate management – agency program 1.1

Maintaining registers

In 2010-11, ORER continued to maintain, in accordance with the Act, the following registers:

- Register of Renewable Energy Certificates (inactive as of 1 January 2011);
- Register of Small-scale Technology Certificates (made available from 1 January 2011);
- Register of Large-scale Generation Certificates (made available from 1 January 2011);
- Register of Accredited Power Stations;
- Register of Applications for Accredited Power Stations;
- Register of Registered Persons; and
- STC Clearing House Transfer List (made available from 1 January 2011).

All of these registers are publicly available on the REC Registry at www.rec-registry.gov.au

Registered Persons

In 2010-11, ORER registered 1,978 individuals or companies as Registered Persons under the Act, bringing the total number of Registered Persons to 3,332 at 30 June 2011.



Accreditation of power stations

In 2010-11, ORER accredited 19 renewable energy power stations, bringing the total number of accredited renewable energy power stations to 328 as at 30 June 2011. ORER aims to finalise all applications for accreditation within 6 weeks of the date, when the application was assessed as 'properly made' under Section 13 of the Act. However, the total assessment time may take longer than 6 weeks where additional information to complete the assessment is required from the applicant. All renewable energy power stations accredited in this period were assessed within 6 weeks of receipt of all necessary information.

Registered Agents for small-scale systems

In 2010-11, ORER registered 426 Agents, bringing the total number of Registered Agents to 795 at 30 June 2011.

Support for small-scale systems

ORER dedicates a significant amount of time to support the inclusion of solar water heaters, heat pumps, and small-scale solar panels, wind and hydro systems under the scheme.

Certificates from solar water heaters and heat pumps currently contribute to around 19% of the total certificates registered since the beginning of the Act in 2001. Over 653,000 individual solar water heaters and heat pumps have now been installed and have had certificates registered against them.

Small-scale solar panels, wind and hydro systems are eligible for certificates without metering electricity generated by the unit. Certificates from these systems currently contribute to around 43% of the total certificates registered since the beginning of the Act in 2001. Approximately 450,000 individual small-scale solar panels, wind and hydro systems have now been installed and have had certificates registered against them.

Certificate creation and registration

In 2010-11, a total of 64,052,434 certificates were created. Of the created certificates:

- 54,509,138 certificates became registered; and
- 2,867,923 certificates were invalidated.

Certificates are invalidated by ORER if the created certificates do not meet the required eligibility criteria under the legislation. Certificates are also invalidated due to data entry errors created by certificate creators. In most circumstances when certificates are invalidated, certificate creators can rectify the creation problem, recreate the certificates and go through the audit process again.

Registration of certificates involves a two step process. First the certificates must pass through an audit which assesses the eligibility. Assuming that the certificates pass audit, the eligible party who created the certificates must pay a certificate registration fee of 8 cents per certificate validly created. Once the 8 cent fee, per certificate, is paid the certificates become 'registered' and can be traded in the market or lodged in the STC Clearing House.

REC Registry

During the 2010-11 financial year, excluding scheduled maintenance, the REC Registry was available to the public 99.99% of the time.

Total unscheduled downtime for the financial year was 11 minutes on 28 July 2010.

The current contractor, AusRegistry International Pty Ltd, has been contracted to provide and support the REC Registry until July 2013.

STC Clearing House

The amendments to the Act in June 2010 introduced the establishment of the optional STC Clearing House to facilitate the exchange of STCs between buyers and sellers at a fixed price of \$40 (excl. GST). The STC Clearing House has been accessible via the REC Registry from early January 2011. LGCs are not included in the STC Clearing House.

Buy orders

There were a total of nine separate significant transactions in the STC Clearing House, including a double payment that was subsequently returned, while another eight transactions were processed that were user instigated 'test transactions' of only one STC each. The total value of orders was \$5,169,868 (incl. GST), for a total of 117,505 STCs.

The largest transaction was 40,500 STCs to the value of \$1,782,000 (incl. GST). The average buy order was 13,055 STCs with a value of \$574,420 (incl. GST).

Sell orders

In total \$4,700,200 (excl. GST) of sell orders were transacted through the STC Clearing House, processing the 117,505 STCs that were traded. Of the 117,505 STCs traded, 6,271 were for 22 small sellers not registered for GST, mostly homeowners. The average transaction of non GST registered sales was 285 STCs at a value of \$11,400. The largest transaction was 2,189 STCs at a value of \$87,560 (excl. GST).



The STC Clearing House also processed 64 transactions for GST registered sellers. A total of 111,234 STCs were bought from these sellers totalling \$4,894,296 (incl. GST). The largest transaction in this category was for 17,052 STCs at a value of \$750,288 (incl. GST) and the average transaction was 1,738 STCs at a value of \$76,472 (incl. GST).

Regulation amendments

ORER is also responsible for regular administrative amendments to the Regulations. The need for regular amendments stems from a requirement for the Renewable Power Percentage (RPP) and the Small-scale Technology Percentage (STP), which sets the rate of liability under LRET and SRES respectively for liable entities, for the given compliance year, to be set in the Regulations.

In 2010-11, ORER completed one amendment round to set the 2011 RPP at 5.62% and the 2011 STP at 14.80%.

Managing compliance with legislation – agency program 1.2

Annual compliance

The Act places obligations on both eligible and liable entities to report their activities during the calendar year. In addition, liable entities also surrender certificates or pay a Shortfall Charge to meet their liabilities.

The Act requires returns and statements to be submitted by the annual reporting date of the year immediately following the generation or assessment year. Assessment processing focuses on the previous calendar year, and not the financial year covered by this report. As issues identified in assessment processing occur in this financial year, they are discussed in this report.

For the 2010 generation or assessment year ORER received:

- 79¹ annual statements, which include Annual Energy Acquisition Statements (AEAS) or Renewable Energy Shortfall Statements (RESS);
- 288² Electricity Generation Returns (EGR); and
- 207³ Solar Water Heater and Small Generation Unit Returns (SWH/SGUR).

Assessment processing for compliance purposes can take 6 to 10 months to complete due to a variety of reasons, such as:

- ORER may need to contact eligible or liable entities to lodge their returns or statements if they have not lodged their returns or statements by the annual reporting date;
- ORER may need to contact the eligible or liable entity to request data to support their returns or statements. This may include:
 - clarifying LGC calculation methodology for accredited renewable energy power stations;
 - interrogating the REC Registry and several information sources to ensure entities report correctly;
- ORER may have difficulty in contacting an eligible or liable entity representative to obtain information. As a result, ORER will need to seek and contact a different representative;
- ORER will need to confirm that data supplied in the returns or statements is consistent with third party or other data where available;
- the eligible or liable entity assessment is of a complex nature.

Liability assessment processing identified that 216,201,317 MWh of relevant acquisitions of electricity and 8,844,684 MWh of PECs had been reported by liable entities, out of 9,188,704⁴ MWh PECs that were issued to companies conducting EITE activities. The end result, was 207,356,633 MWh of reduced relevant acquisitions had been reported in liable acquisitions through the 2010 assessment year. This resulted in a liability of 12,399,928 LGCs⁵.

The following classes of liability were also assessed with the 2010 assessment year:

- carried forward LGC shortfalls and surpluses from previous assessment years. Liable entities may have a carried forward LGC shortfall from previous assessment years if their liability was not fully discharged by LGCs and a LGSC payment was not required; and
- LGC shortfalls for the previous assessment year(s). Liable entities that have a LGC shortfall greater than 10% of their LGC liability are required to pay the LGSC.


¹ ORER received all annual statements by 7 March 2011. Two default assessments were completed in addition to the received statements.

² ORER has yet to receive 28 2010 EGRs at the time of this report.

³ ORER has yet to receive 14 SWH/SGURs at the time of this report.

⁴ This figure incorporates applications for PECs as assessed to 30 June 2011, including one PEC amendment. Applicants may choose to request an amendment to the amounts provided in their applications.

⁵ The sum of individual liabilities may produce a total liability greater or lesser than the liability calculated by multiplying total liable acquisitions by the 2010 RPP. This is due to the rounding of individual liabilities to whole LGCs.



This is where liable entities fully/partially discharge the current assessment year with LGSC/LGCs and LGSC. Liable entities then have three years to redeem the LGSC by surrendering sufficient LGCs in the current assessment year for the assessment and previous assessment year(s). The refund deducts an administration fee and the interest charge (daily interest), if applied to unpaid LGSC amounts, from the full LGSC payment.

Individual LGC liabilities are calculated using the Renewable Power Percentage (RPP). The RPP is required to be published prior to the completion of the first quarter of the given liability year. This allows liable entities time to comply with their obligation under the Act. To date the RPP has been published prior to 31 March of the given liability year.

As the RPP is normally published in advance of the year, it is based on estimates of the total liable acquisitions for the following year. Therefore, the application of the RPP may not result in total liabilities that are identical to the legislated target for the year. Any under or over achievement of the target is adjusted for in later years, to maintain the integrity of the target.

In 2010, the RPP of 5.98% resulted in a total liability of 12,399,928 LGCs, which was under 100% of the interim annual target of 12,500 GWh or 12,500,000 LGCs.

The complex rolling calculation of liabilities (where over or under achievement of the target in one year is adjusted for in later years) may result in individual liability year targets being different from the specified interim target stated in section 40 of the Act. The liability for 2010 was affected in this way, with less than 12,500,000 LGCs required to meet the cumulative targets covering 2001–2010.

The RPP for 2011 was set at 5.62% of all liable electricity.

Large-scale Generation Shortfall Charges (LGSC) (administered item)

A liable entity with a LGC shortfall outside a 10% margin must pay the LGSC of \$40 per MWh that it is short for the 2001 – 2009 assessment years and \$65 for 2010 assessment year, for the full shortfall. As at 30 June 2011, there were eight parties that had a LGC shortfall for the 2010 assessment period, which assesses liabilities reported for the 2006 – 2010 assessment years. Two liable entities were required to pay the LGSC. Six liable entities were not required to pay the LGSC as liable entities with shortfalls of less than 10% of their total liability may carry forward the liability to the following assessment year without paying the LGSC. The total shortfall for the 2010 assessment year was 12,780 LGCs.

ORER is yet to receive LGSC payments, including interest charge for the two liable entities that are required to pay LGSC for the 2010-11 financial year.

Small-scale Technology Shortfall Charges (STSC) (administered item)

A liable entity with a STC shortfall must pay the STSC of \$65 per STC not surrendered to meet their STC required surrender amounts for the 2011 and future assessment years. Should a liable entity be required to pay the STSC they cannot redeem the amount paid to the Commonwealth.

Liable entities will report details relevant to SRES for the first assessment year, being the 2011 assessment year, on or before 14 February 2012. Because of this liable entities are not required to pay any STSC until this time.

Large-scale generation certificate carried forward surplus

Under the Act, liable entities can surrender excess LGCs greater than their LGC liability for an assessment year. Any surplus that is provided by the liable entities is carried forward to meet and acquire LGC liabilities in future assessment years. As at 30 June 2010, the carried forward surplus for the 2010 assessment year was 53,448 LGCs.

Redeem Large-scale Generation Shortfall Charges (administered item)

LGSC payments may be redeemed in subsequent years where the liable entity surrenders additional LGCs to address the previous shortfall assessment. In 2010-11, no liable entities redeemed shortfalls as no shortfalls were incurred in previous assessment years for the redemption period. The redemption of LGSC payments constitutes an administered item.

Auditing participants

Any information relating to the accreditation of renewable energy power stations, small-scale systems, eligible generation and acquisitions of electricity provided to the Regulator under the Act may be audited by ORER to substantiate the information and to determine compliance with the Act.

In 2010-11 ORER:

- audited all LGCs created by accredited renewable energy power stations and small-scale systems;
- audited all STCs created by small-scale systems;
- completed the assessment of all the 2009 EGRs, SWH/SGURs, AEAs and RESSs received from participants for the 2009 compliance year;



- completed the assessment of a majority of the 2010 EGRs, SWH/SGURs, AEASs and RESSs received from participants by ORER on 14 February 2011 (the remaining 2010 EGRs, SWH/SGURs, AEASs and RESSs were still being assessed at the close of 2010-11); and
- completed four field audits. These field audits related to the 2009 liability assessment year.

Inspections of small-scale solar panels, wind and hydro systems

The amendments to the Act in June 2010 required ORER to establish an inspection scheme for new installations of small-scale solar panels, wind and hydro systems. These systems are inspected for their compliance with the eligibility criteria to claim certificates. Small-scale solar panels are the most common installations on the rooftops of residential dwellings.

The Regulations establishing the inspection scheme were introduced in December 2010.

ORER has established interim arrangements by contracting three service providers to inspect systems in New South Wales, the Australian Capital Territory, Victoria, Queensland,

Western Australia, South Australia, the Northern Territory and Tasmania. These agents are: Global Sustainable Energy Solutions, ECA Safety Connect and the Australian Solar Energy Society.

Tender documents are being prepared by ORER in anticipation of a Request-For-Tender (RFT) in the first quarter of the 2011-12 financial year for the provision of ongoing future inspection services.

The systems for inspection reflect the number of systems across Australia for which certificates have been created.

The first round of inspections commenced in mid-May 2011 and constituted systems installed between 30 June 2010 and 31 December 2010.

The inspections exclude small-scale solar panel installations for which Solar Homes and Communities Plan rebates were claimed as inspections of these installations were undertaken by the Department of Climate Change and Energy Efficiency.

As at 30 June 2011, the Renewable Energy Regulator has approved spending for up to 1,625 inspections to be conducted by 30 September 2011.

Table 1: Summary of actual results achieved against specific performance standards

Program	Performance Standard	2010-11	2009-10
1.1	Number of certificates validly created in the year:	61,175,802	20,698,108
	1. Number of LGCs validly created in the year	31,589,930	N/A
	2. Number of STCs validly created in the year ¹	29,585,872	N/A
1.1	Total LGC liability expressed as a percentage of the large-scale renewable energy target	99.19	96.69 ²
1.1	Total number of LGCs surrendered in the year as a percentage of the target	99.21	96.74 ²
1.2	The percentage of accreditation applications assessed within six weeks of receipt of completed applications and other necessary information	100	100
1.2	The percentage of certificates annually created that are validated:	99.95	96.88
	1. The percentage of LGCs annually created that are validated	98.93	N/A
	2. The percentage of STCs annually created that are validated ¹	94.04	N/A
1.2	The number of liable entities having LGC shortfalls for the assessment year	Carried forward LGC shortfall	6 ³
		LGSC (administered item)	2 ³
		Total LGC shortfall	8³
1.2	The sum of all shortfalls expressed in LGCs for the assessment year	Carried forward LGC shortfall	11,060 ³
		LGSC (administered item)	1,720 ³
		Total LGC shortfall	12,780³
1.2	The sum of all carried forward LGC surpluses for the assessment year	(53,448) ³	(31,373) ²
1.2	Number of inspection reports received for inspections conducted up to 30 June 2011	176	N/A

¹ As per the Act, Registered Persons were able to create STCs for eligible small-scale systems commencing 1 January 2011

² These figures have been adjusted as compared to the 2009-10 report to better reflect ORER's compliance processes.

³ ORER is yet to finalise the 2010 assessment year assessment. As a result, these figures maybe revised in the 2011-2012 financial report. Additionally the carried forward LGC shortfall, LGSC (administered item) and carried forward LGC surplus values are accumulated from previous assessment years. Details of individual shortfalls can be found on the ORER website.



Financial performance

For the 2010-11 financial year ORER's net cost of departmental services was \$8.938 million, offset by \$10.628 million appropriation revenue received from the Australian Government resulting in a surplus of \$1.690 million.

Administered revenue totalled \$5.642 million and was forwarded to the Official Public Account immediately upon receipt as is not available for use by the office. Administered revenue is earned from:

- certificate registration and certificate surrender fees;
- registration fees for the registration of persons under the Act;
- registration fees for the registration of agents under the Act;
- accreditation fees for the accreditation of renewable energy power stations;
- RESC and any applicable penalty interest; and
- bank interest.

The new inspection regime expenses totalled \$0.376 million and a provision for the refund of RESC available to be redeemed within the future 3 years was provided for.

Resources committed for each outcome group are detailed in Table 2 and 3:

Table 2: Office of the Renewable Energy Regulator Resource Statement 2010-11

		Actual available appropriation for 2010-11 \$'000 (a)	Payments made 2010-11 \$'000 (b)	Balance remaining 2010-11 \$'000 (a) – (b)
Ordinary annual services				
Departmental appropriation ¹		15,429	5,660	9,769
Total		15,429	5,660	9,769
Administered expenses				
Outcome 1		2,537	-	
Total		2,537	-	
Total ordinary annual services	A	17,966	5,660	
Other services				
Departmental non-operating				
Equity injections ²		5,575	5,086	489
Total		5,575	5,086	489
Total other services	B	5,575	5,086	
Total available annual appropriations and payments				
		23,542	10,746	
Special appropriations				
Special appropriations unlimited by criteria/entitlement <i>Renewable Energy (Electricity) Act 2000</i>			2	
<i>Financial Management and Accountability Act 1997</i>			4	
Total special appropriations	C		6	
Special accounts				
Opening balance		-		
Non-appropriation receipts to special accounts		5,179		
Payments made			5,179	
Total special account	D			-
Total resourcing				
A+B+C+D		23,542	10,753	
Total net resourcing for ORER		23,542	10,753	

¹ Appropriation Bill (No.1) 2010-11 and includes Prior Year departmental appropriations.

² Appropriation Bill (No.2) 2010-11 and includes Prior Year departmental appropriations.

Table 3: Expenses and Resources for Outcome 1

Outcome 1: Administer and regulate the national Renewable Energy Target scheme to encourage increased renewable electricity generation	Budget* 2010-11 \$'000 (a)	Actual Expenses 2010-11 \$'000 (b)	Variation 2010-11 \$'000 (a) – (b)
Program 1.1: Renewable Energy Certificate management			
Departmental expenses			
Ordinary annual services (Appropriation Bill No. 1 & 3)	7,807	6,494	1,313
Expenses not requiring appropriation in the Budget year	33	42	(9)
Total for Program 1.1	7,840	6,536	1,304
Program 1.2: Managing compliance with legislation			
Administered expenses			
Ordinary annual services (Appropriation Bill No.1 & 3)	2,537	481	2,056
Special appropriations	1,576	6	1,570
Special Accounts	-	-	-
Departmental expenses			
Ordinary annual services (Appropriation Bill No.1 & 3)	2,821	2,487	334
Total for Program 1.2	6,934	2,974	3,960
Total expenses for Outcome 1	14,774	9,510	5,264
	2009-10	2010-11	
Average Staffing Level (number)	22	43	

* Full year budget, including any subsequent adjustment made to the 2010-11 Budget.



CHAPTER 4

MANAGEMENT AND ACCOUNTABILITY

Corporate governance

ORER places a high priority on identifying and meeting its corporate and legislated responsibilities. The responsibility for running ORER and administering the Act rests with the Renewable Energy Regulator, as the senior executive for the office. The Regulator is assisted in this role by two Deputy Regulators.

Given the small size of ORER, the agency enters into arrangements such as contracts with external service providers, or participates on a number of the corporate committees, to support the achievement of sound corporate governance. ORER has a Memorandum of Understanding (MoU) with DCCEE. Under the MoU, DCCEE provides a range of corporate services to ORER. ORER also has a contract with AusRegistry International Pty Ltd under which REC Registry services are provided.

The strategic direction for ORER flows from the Corporate Plan (2007-2011), the requirements of the Act and annual business plans. ORER reports on a calendar year basis on the operational aspects of the Act in its administrative annual report and on a financial year basis on the financial performance of the agency in its financial annual report.

Additionally, ORER has a regular program of internal audits for assurance purposes. ORER's independent audit committee also provides direction regarding a strategic audit plan for up to a three year period.

Prescribed agency status

The agency became a prescribed agency on 1 July 2003 placing further obligations upon ORER with respect to financial reporting and accountability. ORER has in place a range of processes to support the financial reporting required of a prescribed agency.

Senior executive remuneration

ORER has only one senior executive equivalent officer.

The then Minister for Climate Change and Energy Efficiency appointed Mr Andrew Livingston as the Renewable Energy Regulator on 1 June 2009. Mr Andrew Livingston was

engaged as a Principal Executive Officer with terms and conditions of employment set by the Remuneration Tribunal. Mr Andrew Livingston held the position of Renewable Energy Regulator for the duration of the 2010-11 financial year.

Fraud reporting

ORER has prepared a fraud risk assessment and fraud control plan, and has in place appropriate fraud prevention, detection, investigation and data collection procedures and processes that meet the specific needs of the agency and comply with the Commonwealth Fraud Control Guidelines. Fraud control and identification activity for the 2010-2011 financial year will be reported to the Australian Institute of Criminology in September 2011.

External scrutiny

A number of the decisions of ORER are subject to external review through judicial decisions.

No requests were received by ORER during the 2010-11 financial year.

An application for internal review of accreditation decision under section 66 of the Act was received on 12 March 2009. The Regulator appointed a Review Officer to conduct the internal review. The Review Officer confirmed the original decision. The company lodged an appeal for review of the power station accreditation decision before the Administrative Appeals Tribunal (AAT). ORER is awaiting the AAT decision.

Management of human resources

Overview

ORER is a small office, employing 43 staff as at 30 June 2011. As can be seen from the organisation chart, on page 11, the office is headed by the Renewable Energy Regulator and supported by two Deputy Regulators and other staff.

The Regulator was appointed by the then Minister for Climate Change and Energy Efficiency.

Staffing statistics as at 30 June 2011 appear at Table 4 on page 22.

Table 4: ORER staffing statistics as at 30 June 2011

	Employment status				Gender		Employment conditions			Location
	Full-time	Part-time	Ongoing	Non-ongoing	Male	Female	Employment conditions	Salary range	Access to performance pay	
Principal Executive Officer	1		1		1		Remuneration Tribunal	\$113,300 – \$209,860	No	Canberra
ORER Executive Level 2	5		5		4	1	EA	\$104,288 – \$137,595	No	Canberra
ORER Executive Level 1	11		11		6	5	EA	\$87,362 – \$111,299	No	Canberra
ORER 2 (APS 4-6 equivalent)	19	3	17	5	5	17	EA	\$59,515 – \$80,810	No	Canberra
ORER 1 (APS 1-3 equivalent)	4			4	2	2	EA	\$39,956 - \$57,331	No	Canberra

Workforce planning, staff retention and turnover

Two ORER staff members ceased employment in the 2010-11 financial year. On occasions, ORER employs non-ongoing employees to meet peak workloads which can increase the apparent turnover rate. ORER supports the retention of key staff within the office and encourages staff members to move between teams rather than leaving ORER.

Enterprise Agreement

During 2010-11 ORER staff below the level of the Renewable Energy Regulator were employed under ORER's Enterprise Agreement (EA) 2009-11. ORER's EA was lodged with

Fair Work Australia on 3 December 2009. The EA was supported by a 100% yes vote of all employees voting on the Agreement. The EA reflects movements in terms and conditions of employment of other related agencies and is designed to keep ORER competitive as an employer. ORER commenced negotiating a new Agreement with staff in April 2011 and anticipates moving to a vote in 2011.

Non-salary benefits

ORER staff have access to non-salary benefits. These benefits vary depending on the employment arrangements under which they are engaged. These appear at Table 5, below:

Table 5: Non-salary benefits available to ORER staff

Level	Benefit
Principal Executive Officer	<ul style="list-style-type: none"> • Business related equipment • No deeming of leave • Car parking • Car • Flexible remuneration packaging • Purchased leave
Non-Senior Executive Service under Enterprise Agreement	<ul style="list-style-type: none"> • No deeming of leave • Flextime • Flexible remuneration packaging • Purchased leave



Performance pay

No performance pay was paid to ORER staff during the 2010-11 financial year.

Training and development

ORER supports and encourages individual development. Throughout the 2010-11 financial year ORER provided study assistance to two staff members for their tertiary studies. This included structuring working hours and arrangements to support full-time and part-time study.

Other staff members have access to external training courses and seminars as appropriate.

In addition, particular attention is given to in-house training and coaching of new staff members, in order to develop an understanding of the framework of the LRET and SRES and the REC Registry tools necessary to support achievement of the schemes.

All staff engaged under the EA are required to develop, and be assessed against, personal development plans, which can include both internal (on-the-job) and external training courses. Progress towards achieving the objectives outlined in the plans is assessed twice a year and responsibility for identifying strategies to achieve those plans is delegated to the individual officers.

Information on training expenditure and staff development is available upon request from ORER.

Occupational health and safety

ORER is committed to the occupational health and safety (OH&S) of its employees and those on ORER premises. While the majority of ORER's work is conducted in Canberra, there are occasions where staff members visit industrial sites. ORER staff must comply with the OH&S requirements of these facilities while on site.

ORER, as a small agency, has entered into a service level agreement with DCCEE to provide OH&S services and as such, is covered by the initiatives proposed by DCCEE. These include access to an Employee Assistance Programme (EAP), access to trained first aid officers, and a comprehensive risk profiling for all staff in discharging their duties.

Further detail on the OH&S performance of ORER is available on page 67.

Productivity gains

Productivity gains for ORER were achieved through three main processes:

- updated work practices and role definition supported by the continuing development of the REC Registry;
- establishment of dedicated communications and helpdesk capabilities to meet the growing demand from stakeholders; and
- aligning ORER's terms and conditions of employment with those of the portfolio department, DCCEE.

Assets management

During the financial year and as a result of the Government announced changes the existing REC Registry system was redeveloped to split the system into two parts for SRES and LRET in addition to the development of the STC Clearing House at a cost of \$4.106 million including work in progress on further releases of \$1.190 million. As at 30 June 2011 the total cost of the REC Registry system is \$5.364 million with accumulated amortisation of \$1.924 million resulting in a net book value of \$3.440 million.

An additional \$0.335 million was spent on associated computer hardware and OTE platforms to support the REC Registry split system. As at 30 June 2011 the total fair value of computer hardware was \$0.746 million with accumulated depreciation of \$0.356 million resulting in a net book value of \$0.390 million.

Other property, plant and equipment purchases of \$0.107 million included additional PCs and telephone systems. As at 30 June 2011 the fair value of other property, plant and equipment is \$0.202 million with accumulated depreciation of \$0.059 million resulting in a net book value is \$0.143 million.

Purchasing

Procurement activities undertaken by ORER comply with the Commonwealth Procurement Guidelines and support the objectives of value for money, efficient, effective and ethical use of resources and accountability and transparency.

Consultants and competitive tendering and contracting

Consultants

During 2010-11, ORER entered into two new consultancy contracts. ORER had no other ongoing consultancy contracts during this period. Information on expenditure on contracts and consultancies is also available on the Austender website www.tenders.gov.au



Competitive tendering and contracting

ORER enters directly into a range of service provision contracts. In addition, because of its small size, the office receives some services (e.g. information technology) via an MoU between DCCEE and external service providers.

ORER directly contracts the provision of services relating to the operation of the REC Registry. A contractor, AusRegistry International Pty Ltd, won an open tender during 2004-05. This resulted in the contractor being appointed as the REC Registry service provider until 2012. Given the highly specialised nature of the project, particularly related to database design and programming, ORER, as a small organisation, did not have resources available to complete this project internally.

ORER's contract with AusRegistry International Pty Ltd has utilised the Commonwealth Governments Information Technology and Communications (GITC4) framework and included express access provisions for the Auditor-General.

Contracts with greater than \$100,000 value

In response to a Senate Order, ORER includes the following contract information on its website:

- each contract entered into by ORER which has not been fully performed or which has been entered into during the previous 12 months and which provides for a consideration to the value of \$100,000 or more;
- the contractor, the amount of the consideration, the subject matter of each such contract, the commencement date of the contract, the duration of the contract and the 12 month period relating to the contract listings;

- whether each such contract contains provisions requiring the parties to maintain confidentiality of any of its provisions, or whether there are any other requirements of confidentiality and a statement of the reasons for the confidentiality; and
- an estimate of the cost of complying with this order and a statement of the method used to make the estimate.

As at 30 June 2011, ORER was a party to 10 contracts with a value greater than \$100,000. Details of the contract are available on both the ORER website www.orer.gov.au and the Austender website www.tenders.gov.au



Exempt contracts

No contracts were exempt from gazettal rules in this period.



CHAPTER 5

FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

To the Minister for Climate Change and Energy Efficiency

I have audited the accompanying financial statements of the Office of the Renewable Energy Regulator for the year ended 30 June 2011, which comprise: a Statement by the Renewable Energy Regulator and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Schedule of Asset Additions; Schedule of Administered Items; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

The Renewable Energy Regulator's Responsibility for the Financial Statements

The Renewable Energy Regulator is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as the Renewable Energy Regulator determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office of the Renewable Energy Regulator's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office of the Renewable Energy Regulator's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Renewable Energy Regulator, as well as evaluating the overall presentation of the financial statements.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT 2600
Phone (02) 6203 7300 Fax (02) 6203 7777



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

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Office of the Renewable Energy Regulator:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Office of the Renewable Energy Regulator's financial position as at 30 June 2011 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

As described in notes 20C and 21 to the financial statements, the Office of the Renewable Energy Regulator has recently become aware there is an increased risk of a breach of section 83 of the Constitution where payments are made from special appropriations and special accounts in circumstances where the payments do not accord with conditions included in the relevant legislation, and has advised that these circumstances will be investigated.

Australian National Audit Office



Peter Kerr

Executive Director

Delegate of the Auditor-General

Canberra

9 September 2011



Office of the Renewable Energy Regulator

STATEMENT BY THE RENEWABLE ENERGY REGULATOR AND CHIEF FINANCIAL OFFICER

In my opinion, the attached financial statements for the year ended 30 June 2011 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Andrew Livingston

Andrew Livingston
Renewable Energy Regulator and Chief Financial Officer

9 September 2011

STATEMENT OF COMPREHENSIVE INCOME for the period ended 30 June 2011

	Notes	2011 \$	2010 \$
EXPENSES			
Employee benefits	3A	3,632,407	2,327,955
Supplier expenses	3B	3,950,794	2,548,064
Depreciation and amortisation	3C	1,397,627	458,132
Total expenses		8,980,828	5,334,151
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	30	-
Total own-source revenue		30	-
Gains			
Resources received free of charge	4B	42,300	187,838
Total gains		42,300	187,838
Total own-source income		42,330	187,838
Net cost of services		8,938,498	5,146,313
Revenue from Government	4C	10,628,000	5,553,000
Total comprehensive income attributable to the Australian Government		1,689,502	406,687

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

**BALANCE SHEET** as at 30 June 2011

	Notes	2011 \$	2010 \$
ASSETS			
Financial assets			
Cash and cash equivalents	5A	137,966	83,042
Trade and other receivables	5B	10,316,247	5,479,400
Total financial assets		10,454,213	5,562,442
Non-financial assets			
Property, plant and equipment	6A,B	532,708	380,045
Intangibles	6C,D	3,440,191	442,434
Other	6E	27,691	15,988
Total non-financial assets		4,000,590	838,467
Total Assets		14,454,803	6,400,909
LIABILITIES			
Payables			
Suppliers	7A	1,875,208	693,669
Other	7B	119,162	52,465
Total payables		1,994,370	746,134
Provisions			
Employee provisions	8A	900,246	559,090
Total provisions		900,246	559,090
Total Liabilities		2,894,616	1,305,224
Net Assets		11,560,187	5,095,685
EQUITY			
Contributed equity		6,492,000	1,717,000
Retained surplus		5,068,187	3,378,685
Total Equity		11,560,187	5,095,685

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

STATEMENT OF CHANGES IN EQUITY as at 30 June 2011

	Retained Earnings		Contributed Equity/Capital		Total Equity	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Opening balance						
Balance carried forward from previous period	3,378,685	2,971,998	1,717,000	1,100,000	5,095,685	4,071,998
Adjustment for errors	-	-	-	-	-	-
Adjusted opening balance	3,378,685	2,971,998	1,717,000	1,100,000	5,095,685	4,071,998
Comprehensive income						
Surplus for the period	1,689,502	406,687	-	-	1,689,502	406,687
Total comprehensive income	1,689,502	406,687	-	-	1,689,502	406,687
of which:						
Attributable to the Australian Government	1,689,502	406,687	-	-	1,689,502	406,687
Transactions with owners						
Distributions to owners						
Returns of capital:						
Appropriations for prior years depreciation funding	-	-	-	(483,000)	-	(483,000)
Contributions by owners						
Appropriation (equity injection)	-	-	4,775,000	1,100,000	4,775,000	1,100,000
Sub-total transactions with owners	-	-	4,775,000	617,000	4,775,000	617,000
Closing balance attributable to the Australian Government	5,068,187	3,378,685	6,492,000	1,717,000	11,560,187	5,095,685

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

CASH FLOW STATEMENT for the period ended 30 June 2011

	Notes	2011 \$	2010 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		5,670,833	4,150,144
Goods & services		30	-
Net GST received		749,137	277,449
Total cash received		6,420,000	4,427,593
Cash used			
Employees		3,218,476	2,299,719
Suppliers		3,587,592	2,157,380
Section 31 receipts transferred to the OPA		121,852	-
Total cash used		6,927,920	4,457,099
Net cash from (used by) operating activities	9	(507,920)	(29,506)
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment		442,025	505,698
Purchase of intangibles		4,081,023	458,737
Total cash used		4,523,048	964,435
Net cash (used by) investing activities		(4,523,048)	(964,435)
FINANCING ACTIVITIES			
Cash received			
Contributed equity – capital injection		5,085,892	869,435
Total cash received		5,085,892	869,435
Cash Used			
Cash to the OPA		-	2,620,305
Total cash used		-	2,620,305
Net cash from (used by) financing activities		5,085,892	(1,750,870)
Net increase (decrease) in cash held		54,924	(2,744,811)
Cash and cash equivalents at the beginning of the reporting period		83,042	2,827,853
Cash and cash equivalents at the end of the reporting period	5A	137,966	83,042

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

SCHEDULE OF COMMITMENTS as at 30 June 2011

	2011 \$	2010 \$
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments	(113,411)	(195,912)
Total commitments receivable	(113,411)	(195,912)
Commitments payable		
Capital commitments		
Intangibles ¹	91,697	-
Total capital commitments	91,697	-
Other commitments		
Professional services / consultants ¹	1,155,819	2,155,034
Total other commitments	1,155,819	2,155,034
Net commitments by type	1,134,105	1,959,122
BY MATURITY		
Commitments receivable		
One year or less	(108,390)	(142,942)
From one to five years	(5,021)	(52,970)
Over five years	-	-
Total commitments receivable	(113,411)	(195,912)
Commitments payable		
Capital commitments		
One year or less	91,697	-
From one to five years	-	-
Over five years	-	-
Total capital commitments	91,697	-
Other commitments		
One year or less	1,100,593	1,572,369
From one to five years	55,226	582,665
Over five years	-	-
Total other commitments	1,155,819	2,155,034
Net commitments by maturity	1,134,105	1,959,122

NB: Commitments are GST inclusive where relevant.

¹ Commitments for intangibles and professional services/consultants relate to contracts where the contracted party has yet to provide the goods and services required under the contract.

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



SCHEDULE OF CONTINGENCIES as at 30 June 2011

The Office of Renewable Energy Regulator (ORER) has no contingent assets or liabilities for 2010-11 (2009-10: nil).

Similarly, the ORER is unaware of any quantifiable, unquantifiable or significant remote contingencies for 2010-11 (2009-10: nil).

SCHEDULE OF ASSET ADDITIONS as at 30 June 2011

The following non-financial non-current assets were added in 2010-11:

	Property, plant and equipment	Intangibles	Total
	\$	\$	\$
Additions funded in the current year			
By purchase – appropriation ordinary annual services			
Ordinary operating costs	-	-	-
By purchase – appropriation other services			
Equity injections	442,025	4,106,022	4,548,047
Total asset additions	442,025	4,106,022	4,548,047

The following non-financial non-current assets were added in 2009-10:

	Property, plant and equipment	Intangibles	Total
	\$	\$	\$
Additions funded in the current year			
By purchase – appropriation ordinary annual services			
Ordinary operating costs	95,000	-	95,000
By purchase – appropriation other services			
Equity injections	410,698	458,737	869,435
Total asset additions	505,698	458,737	964,435

SCHEDULE OF ADMINISTERED ITEMS

	Notes	2011 \$	2010 \$
Income administered on behalf of Government			
<i>for the period ended 30 June 2011</i>			
Revenue			
Non-taxation revenue			
Fees and fines	13A	5,641,737	3,074,450
Total non-taxation revenue		5,641,737	3,074,450
Total revenues administered on behalf of Government		5,641,737	3,074,450
Gains			
Other			
Total gains administered on behalf of Government	13B	-	38,893
Total gains administered on behalf of Government		-	38,893
Total income administered on behalf of Government		5,641,737	3,113,343
Expenses administered on behalf of Government			
<i>for the period ended 30 June 2011</i>			
Refunds	14A	111,231	707
Supplier expenses	14B	375,755	-
Other expenses	14C	-	625,920
Total expenses administered on behalf of Government		486,986	626,627
Assets administered on behalf of Government			
<i>as at 30 June 2011</i>			
Financial assets			
Trade and Other Receivables	15A	2,626,691	948,838
Total financial assets		2,626,691	948,838
Total assets administered on behalf of Government		2,626,691	948,838
Liabilities administered on behalf of Government			
<i>as at 30 June 2011</i>			
Payables			
Other	16A	424,053	3,540
Total payables		424,053	3,540
Provisions			
Provision for refund of penalties	16B	111,231	-
Total provisions		111,231	-
Total liabilities administered on behalf of Government		535,284	3,540
This schedule should be read in conjunction with the accompanying notes.			

SCHEDULE OF ADMINISTERED ITEMS

	2011 \$	2010 \$
Administered Cash Flows		
<i>for the period ended 30 June 2011</i>		
OPERATING ACTIVITIES		
Cash received		
Registration fees	20,100	9,701
Accreditation fees	4,750	7,058
Deemed agents fees	81,650	32,200
Registration of certificate fees	3,263,807	1,400,467
Surrender of certificate fees	621,164	553,142
Interest	11,320	1,260
Overpayments	5,851	2,457
Total cash received	4,008,642	2,006,285
Cash used		
Refund of penalties	-	1,414,770
Total cash used	-	1,414,770
Net cash flows from operating activities	4,008,642	591,515
Net increase in cash held	4,008,642	591,515
Cash and cash equivalents at the beginning of the reporting period	-	-
Cash from Official Public Account for:		
- Special appropriations (unlimited)	2,376	1,414,810
- Special appropriations (refund provisions)	4,155	69
	6,531	1,414,879
Cash to Official Public Account for:		
- Fees & fines	4,015,173	2,006,394
	4,015,173	2,006,394
Cash and cash equivalents at the end of the reporting period	-	-

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

SCHEDULE OF ADMINISTERED ITEMS

	2011 \$	2010 \$
Administered Commitments		
<i>as at 30 June 2011</i>		
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments	(162,876)	-
Total commitments receivable	(162,876)	-
Commitments payable		
Other commitments		
Professional services / consultants ¹	1,791,631	-
Total other commitments	1,791,631	-
Net commitments by type	1,628,755	-
BY MATURITY		
Commitments receivable		
One year or less	(162,876)	-
From one to five years	-	-
Over five years	-	-
Total commitments receivable	(162,876)	-
Commitments payable		
Other commitments		
One year or less	1,791,631	-
From one to five years	-	-
Over five years	-	-
Total other commitments	1,791,631	-
Net commitments by maturity	1,628,755	-

NB: Commitments are GST inclusive where relevant.

¹ Commitments for professional services/consultants relate to contracts where the contracted party has yet to provide the goods and services required under the contract.

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

Administered Contingencies

as at 30 June 2011

The ORER has no administered contingent assets or liabilities for 2010-11 (2009-10: Nil).

Administered contingent assets that are significant remote contingencies are disclosed in Note 18.



Index to the Notes of the Financial Statements

- Note 1: Summary of Significant Accounting Policies
- Note 2: Events after the Reporting Period
- Note 3: Expenses
- Note 4: Income
- Note 5: Financial Assets
- Note 6: Non-Financial Assets
- Note 7: Payables
- Note 8: Provisions
- Note 9: Cash Flow Reconciliation
- Note 10: Senior Executive Remuneration
- Note 11: Remuneration of Auditors
- Note 12: Financial Instruments
- Note 13: Income Administered on behalf of Government
- Note 14: Expenses Administered on behalf of Government
- Note 15: Assets Administered on behalf of Government
- Note 16: Liabilities Administered on behalf of Government
- Note 17: Administered Reconciliation Table
- Note 18: Administered Contingent Assets & Liabilities
- Note 19: Administered Financial Instruments
- Note 20: Appropriations
- Note 21: Special Accounts
- Note 22: Compensation and Debt Relief
- Note 23: Reporting of Outcomes

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of the Office of the Renewable Energy Regulator

The Office of the Renewable Energy Regulator (ORER) is an Australian Government controlled entity. The objective of ORER is to assist the Regulator in performing the functions required by the Renewable Energy (Electricity) Act 2000.

The ORER is structured to meet the following outcome:

Outcome 1:

Administer and regulate the national renewable energy target scheme to encourage increased renewable electricity generation.

The continued existence of the ORER in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for the ORER's administration and programs.

The ORER's activities contributing toward this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the ORER in its own right. Administered activities involve the management or oversight by the ORER, on behalf of the Government, of items controlled or incurred by the Government.

The ORER conducts the following departmental activity:

- Program 1.1: Renewable Energy Certificate management

and the following administered activity:

- Program 1.2: Managing compliance with legislation

1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 49 of the *Financial Management and Accountability Act 1997*.

The Financial Statements have been prepared in accordance with:

- Finance Minister's Orders (or FMO's) for reporting periods ending on or after 1 July 2010; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value.

Except where stated, no allowance is made for the effect of changing prices on the operating results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMO's, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.17.

1.3 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the ORER has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The ORER is under obligation to refund the renewable energy shortfall charges if within three years the liable parties are able to surrender sufficient Renewable Energy Certificates. This refund is provided for in the Schedule of Administered Items based on historical data.

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



1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. Of the new standards, amendments to standards and interpretations issued by the Australian Accounting Standards Board that are applicable to the current period, none have had a material impact.

Future Australian Accounting Standard Requirements

Of the new standards, amendments to the standards and interpretations issued by the Australian Accounting Standards Board that are applicable to future periods, none are expected to have a material financial impact on the ORER.

1.5 Revenue

Revenue from the rendering of services is recognised when the probable economic benefits associated with the transaction will flow to the entity.

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the ORER gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

1.6 Gains

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (Refer to Note 1.7).

1.7 Transactions with the Government as Owner

Equity Injections

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

Other Distributions to owners

The FMO's require that distributions to owners be debited to contributed equity unless in the nature of a dividend. In 2010-11, no amounts were returned to the Department of Finance and Deregulation.

1.8 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave


The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the ORER is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the ORER's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined using the shorthand method as prescribed in the Finance Minister's Orders for Financial Reporting issued by the Department of Finance and Deregulation.

Superannuation

Staff of the ORER are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector



Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other industry superannuation schemes.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

The ORER makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The ORER accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final pay fortnight of the year.

Parental Leave Payments Scheme

The ORER offset amounts received under Parental Leave Payments Scheme (for payment to employees) by amounts paid to employees under that scheme, because these transactions are only incidental to the main revenue-generating activities of the entity. Amount received by the entity not yet paid to employees would be presented gross as cash and a liability (payable).

1.9 Cash

Cash is recognised as its nominal amount. Cash and cash equivalents include cash on hand, cash held with outsiders, demand deposits with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value, and cash in Special accounts.

1.10 Financial Assets

The ORER classifies its financial assets as loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognised and derecognised upon 'trade date'.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

- *Financial assets held at amortised cost* – if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the statement of comprehensive income.

1.11 Financial Liabilities

Financial liabilities are classified as 'other financial liabilities'.

Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

- *Other financial liabilities*, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.



Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.12 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.13 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.14 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the ORER using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to property, plant and equipment are based on the useful lives of 3 to 6 years (2009-10: 3 to 6 years).

Impairment

All assets were assessed for impairment at 30 June 2011. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the ORER were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.15 Intangibles

The ORER's intangibles comprise internally developed software for internal use for the Renewable Energy Certificate (REC) Registry. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of the REC Registry is assessed as being equivalent to the life of the current contract with the developer/service provider which is 37 months (2009-10: 32 months).

All software assets were assessed for indications of impairment as at 30 June 2011.

1.16 Taxation

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

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

1.17 Reporting of Administered Activities

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

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

Administered Cash Transfers to and from the Official Public Account

Revenue collected by the ORER for use by the Government rather than the ORER is administered revenue. Collections are transferred to the Official Public Account maintained by the Department of Finance and Deregulation. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the agency on behalf of the Government and reported as such in the statement of cash flows in the schedule of administered items and in the administered reconciliation table in Note 17.

Collections are transferred to the Official Public Account maintained by the Department of Finance and Deregulation.

Revenue

All administered revenues are revenues relating to the course of ordinary activities performed by the ORER on behalf of the Australian Government.

Administered revenue received in relation to the Renewable Energy (Electricity) Act 2000 includes:

- certificate fees;
- registration fees;
- shortfall fees; and
- interest on shortfall fees (due to late payment).

The ORER receives shortfall penalty fees when a participant (liable party) fails to surrender sufficient certificates to fully discharge their liability and is outside the 10% flexibility mechanism. Shortfall payment is due by 14 February or any later date allowed by the Regulator. Where the Annual Energy Acquisition Statement from a liable party is not accompanied by payment of shortfall fees, penalty interest applies. Shortfall penalty receipts are recognised when received or accrued upon completion of assessment.

Loans and Receivables

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised through profit and loss.

Note 2: Events After the Reporting Period

There are no events occurring after balance date that could impact on the financial statements for the year ended 30 June 2011.

Note 3: Expenses

	2011 \$	2010 \$
Note 3A: Employee benefits		
Wages and salaries	2,778,037	1,944,521
Superannuation:		
Defined contribution plans	182,583	168,979
Defined benefit plans	281,064	118,919
Leave and other entitlements	374,087	57,432
Other	16,636	38,104
Total employee benefits	3,632,407	2,327,955
Note 3B: Suppliers		
Goods and services		
Professional services	1,851,907	842,069
Administrative expenses	1,034,067	801,093
Legal fees	333,062	278,886
Consultants & contractors	309,195	273,261
Travel expenses	262,233	155,864
Publications	78,994	116,364
Audit fees	42,300	42,300
Other goods and services	16,903	22,823
Total goods and services	3,928,661	2,532,660
Goods and services are made up of:		
Provision of goods – related entities	16,143	672,387
Provision of goods – external parties	24,145	370,912
Rendering of services – related entities	1,028,254	390,330
Rendering of services – external parties	2,860,119	1,099,031
Total goods and services	3,928,661	2,532,660
Other supplier expenses		
Workers compensation premiums	22,133	15,404
Total other supplier expenses	22,133	15,404
Total supplier expenses	3,950,794	2,548,064
Note 3C: Depreciation and amortisation		
Depreciation:		
Property, plant and equipment:		
Plant and equipment	30,544	28,867
Computer equipment	258,818	96,786
Total depreciation	289,362	125,653
Amortisation:		
Intangibles:		
Computer software	1,108,265	332,479
Total amortisation	1,108,265	332,479
Total depreciation and amortisation	1,397,627	458,132



Note 4: Income

	2011	2010
	\$	\$
REVENUE		
Note 4A: Sale of goods and rendering of services		
Rendering of services – external entities	30	-
Total Sale of Goods	30	-
Note 4B: Other gains		
Resources received free of charge	42,300	187,838
Total other gains	42,300	187,838
REVENUE FROM GOVERNMENT		
Note 4C: Revenue from Government		
Appropriations:		
Departmental appropriation	10,628,000	5,553,000
Total revenue from Government	10,628,000	5,553,000

Note 5: Financial Assets

	2011 \$	2010 \$
Note 5A: Cash and cash equivalents		
Cash on hand or on deposit	137,966	83,042
Total cash and cash equivalents	137,966	83,042
Note 5B: Trade and other receivables		
Appropriations receivable:		
for existing programs – operating	9,576,083	4,497,064
for existing programs – capital	489,278	800,170
Total appropriations receivable	10,065,361	5,297,234
Other receivables:		
GST receivable from the Australian Taxation Office	211,900	137,102
Receivables – related entities	38,986	45,064
Total other receivables	250,886	182,166
Total trade and other receivables (gross)	10,316,247	5,479,400
Receivables are expected to be recovered in:		
No more than 12 months	10,316,247	5,479,400
Total trade and other receivables (gross)	10,316,247	5,479,400
Receivables are aged as follows:		
Not overdue	10,311,679	5,479,400
Overdue by:		
0 to 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	4,568	-
Total receivables (gross)	10,316,247	5,479,400

No indicators of impairment were found for trade and other receivables.

Note 6: Non-Financial Assets

	2011 \$	2010 \$
Note 6A: Property, plant and equipment		
Property, plant and equipment at fair value	947,723	505,698
Accumulated depreciation	(415,015)	(125,653)
Total Property, plant and equipment	532,708	380,045

No indicators of impairment were found for property, plant and equipment.

No property, plant and equipment are expected to be sold or disposed of within the next 12 months.

Note 6B: Reconciliation of the opening and closing balances of property, plant and equipment (2010-11)

	Property, Plant & Equipment	Total
	\$	\$
As at 1 July 2010		
Gross book value	505,698	505,698
Accumulated depreciation	(125,653)	(125,653)
Net book value 1 July 2010	380,045	380,045
Additions*	442,025	442,025
Depreciation expense	(289,362)	(289,362)
Net book value 30 June 2011	532,708	532,708
Net book value as of 30 June 2011 represented by:		
Gross book value	947,723	947,723
Accumulated depreciation	(415,015)	(415,015)
	<u>532,708</u>	<u>532,708</u>

* Disaggregated additions information are disclosed in the Schedule of Asset Additions.

Note 6B (cont'd): Reconciliation of the opening and closing balances of property, plant and equipment (2009-10)

	Property, Plant & Equipment	Total
	\$	\$
As at 1 July 2009		
Gross book value	-	-
Accumulated depreciation	-	-
Net book value 1 July 2009	-	-
Additions*	505,698	505,698
Depreciation expense	(125,653)	(125,653)
Net book value 30 June 2010	380,045	380,045
Net book value as of 30 June 2010 represented by:		
Gross book value	505,698	505,698
Accumulated depreciation	(125,653)	(125,653)
	<u>380,045</u>	<u>380,045</u>

* Disaggregated additions information are disclosed in the Schedule of Asset Additions.

Note 6C: Intangibles

	2011 \$	2010 \$
Computer software:		
Internally developed – in progress	<u>1,190,235</u>	217,378
Internally developed – in use	<u>4,173,702</u>	1,040,537
Total computer software (gross)	<u>5,363,937</u>	1,257,915
Accumulated amortisation	<u>(1,923,746)</u>	(815,481)
Total computer software (net)	<u>3,440,191</u>	442,434

No indicators of impairment were found for intangible assets.

No intangibles are expected to be sold or disposed of within the next 12 months.

Note 6D: Reconciliation of the opening and closing balances of intangibles (2010-11)

	Computer Software - Purchased \$	Total \$
As at 1 July 2010		
Gross book value	1,257,915	1,257,915
Accumulated amortisation	(815,481)	(815,481)
Net book value 1 July 2010	<u>442,434</u>	442,434
Additions*	4,106,022	4,106,022
Amortisation	(1,108,265)	(1,108,265)
Net book value 30 June 2011	<u>3,440,191</u>	3,440,191
Net book value as of 30 June 2011 represented by:		
Gross book value	5,363,937	5,363,937
Accumulated amortisation	(1,923,746)	(1,923,746)
	<u>3,440,191</u>	3,440,191

* Disaggregated additions information are disclosed in the Schedule of Asset Additions.

Note 6D (cont'd): Reconciliation of the opening and closing balances of intangibles (2009-10)

	Computer Software – Purchased	Total
	\$	\$
As at 1 July 2009		
Gross book value	799,178	799,178
Accumulated amortisation	(483,002)	(483,002)
Net book value 1 July 2009	316,176	316,176
Additions*	458,737	458,737
Amortisation	(332,479)	(332,479)
Net book value 30 June 2010	442,434	442,434
Net book value as of 30 June 2010 represented by:		
Gross book value	1,257,915	1,257,915
Accumulated amortisation	(815,481)	(815,481)
	<u>442,434</u>	<u>442,434</u>

* Disaggregated additions information are disclosed in the Schedule of Asset Additions.

	2011	2010
	\$	\$

Note 6E: Other non-financial assets

Prepayments	27,691	15,988
Total other non-financial assets	27,691	15,988

No indicators of impairment were found for other non-financial assets.

Other non-financial assets are expected to be recovered in:

No more than 12 months	27,691	15,988
Total other non-financial assets	27,691	15,988

Note 7: Payables

	2011	2010
	\$	\$

Note 7A: Suppliers

Trade creditors and accruals	<u>1,875,208</u>	<u>693,669</u>
Total supplier payables	<u>1,875,208</u>	<u>693,669</u>

Supplier payables expected to be settled within 12 months:

Related entities	<u>428,198</u>	<u>314,584</u>
External parties	<u>1,447,010</u>	<u>379,085</u>
Total supplier payables	<u>1,875,208</u>	<u>693,669</u>

Settlement is usually made within 30 days.

Note 7B: Other payables

Salaries and wages	<u>100,695</u>	<u>43,189</u>
Superannuation	<u>17,725</u>	<u>6,809</u>
Fringe Benefits Tax	<u>742</u>	<u>2,467</u>
Total other payables	<u>119,162</u>	<u>52,465</u>

Total other payables are expected to be settled in:

No more than 12 months	<u>119,162</u>	<u>52,465</u>
Total other payables	<u>119,162</u>	<u>52,465</u>

Note 8: Provisions

	2011	2010
	\$	\$

Note 8A: Employee provisions

Leave	<u>900,246</u>	<u>559,090</u>
Total employee provisions	<u>900,246</u>	<u>559,090</u>

Employee provisions are expected to be settled in:

No more than 12 months	<u>442,196</u>	<u>222,909</u>
More than 12 months	<u>458,050</u>	<u>336,181</u>
Total employee provisions	<u>900,246</u>	<u>559,090</u>

Note 9: Cash Flow Reconciliation

	2011 \$	2010 \$
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	137,966	83,042
Balance sheet	137,966	83,042
Difference	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(8,938,498)	(5,146,313)
Add revenue from Government	10,628,000	5,553,000
Adjustments for non-cash items		
Depreciation/Amortisation	1,397,627	458,132
Prior year write backs	(25,000)	-
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(5,147,740)	(1,477,516)
(Increase) / decrease in prepayments	(11,703)	57,780
Increase / (decrease) in employee provisions	341,156	49,445
Increase / (decrease) in supplier payables	1,181,539	452,111
Increase / (decrease) in other payables	66,699	23,855
Net cash from (used by) operating activities	<u>(507,920)</u>	<u>(29,506)</u>

Note 10: Senior Executive Remuneration

	2011 \$	2010 \$
Note 10A: Senior executive remuneration expense for the reporting period		
Short-term employee benefits:		
Salary	198,301	140,720
Annual leave accrued	13,028	6,678
Performance bonus	-	-
Other	10,401	25,928
Total Short-term employee benefits	<u>221,730</u>	<u>173,326</u>
Post-employment benefits:		
Superannuation	25,563	20,638
Total post-employment benefits	<u>25,563</u>	<u>20,638</u>
Other long-term benefits:		
Long service leave	3,996	3,545
Total other long-term benefits	<u>3,996</u>	<u>3,545</u>
Termination benefits	-	-
Total	<u>251,289</u>	<u>197,509</u>

Notes:

1. Excludes acting arrangements and part year service where remuneration expensed was less than \$150,000.
2. Other includes motor vehicle allowances, fringe benefits and other allowances.
3. Benefits are on an accrual basis.

Note 10B: Average annual remuneration packages and bonus paid for substantive senior executives as at the end of the reporting period

Fixed Elements and Bonus Paid ¹	as at 30 June 2011				as at 30 June 2010			
	Senior Executives		Fixed elements		Senior Executives		Fixed elements	
	No.	Salary Allowances \$	Total \$	Bonus paid ² \$	No.	Salary Allowances \$	Total \$	Bonus paid ² \$
Total remuneration (including part-time arrangements):								
less than \$150,000	-	-	-	-	-	-	-	-
\$150,000 to \$179,999	-	-	-	-	1	141,833	167,833	-
\$180,000 to \$209,999	-	-	-	-	-	-	-	-
\$210,000 to \$239,999	1	202,848	27,923	230,771	-	-	-	-
Total	1				1			

Notes:

- This table reports on a substantive senior executive who is employed by the ORER as at the end of the reporting period. Fixed elements are based on the employment agreement.
- No actual bonuses were paid during the reporting period.

Variable Elements:

Variable elements are not included in the 'Fixed Elements and Bonus Paid' table above. The following variable elements are available as part of the senior executive's remuneration package:

- The senior executive is entitled to the following leave entitlements:
 - Annual Leave (AL): entitled to 20 days (2010: 20 days) each full year worked
 - Personal Leave (PL): entitled to 20 days (2010: 20 days)
 - Long Service Leave (LSL): in accordance with *Long Service Leave (Commonwealth Employees) Act 1976*
- The senior executive is a member of the following superannuation fund: Australian Government Employees Superannuation Trust (AGEST) – this fund is for senior executives who are employed for a defined period. The employer contribution is set at 15.4 per cent (2010: 15.4 per cent). More information on AGEST can be found at www.agest.com.au
- Various salary sacrifice arrangements are available to the senior executive including superannuation, motor vehicle and expense payment fringe benefits.

Note 10C: Other highly paid staff

During the reporting period, there were no employees whose salary plus performance bonus were \$150,000 or more.



Note 11: Remuneration of Auditors

	2011	2010
	\$	\$

Financial statement audit services are provided free of charge to the ORER.

The fair value of the services provided by the Auditor-General was:	42,300	42,300
Total Remuneration of Auditors	42,300	42,300

No other services were provided by the Auditor-General

Note 12: Financial Instruments

	2011	2010
	\$	\$

Note 12A: Categories of financial instruments

Financial assets

Loans and receivables:

Cash and cash equivalents	137,966	83,042
Trade and other receivables	38,986	45,064
Total	176,952	128,106
Carrying amount of financial assets	176,952	128,106

Financial liabilities

At amortised cost:

Payables – suppliers	1,875,208	693,669
Total	1,875,208	693,669
Carrying amount of financial liabilities	1,875,208	693,669

Note 12B: Net income and expense from financial assets

There have been no net gains (losses) recorded for financial assets in 2010-11 financial year (2009-10: nil)

Note 12C: Net income and expense from financial liabilities

There have been no net gains (losses) recorded for financial liabilities in 2010-11 financial year (2009-10: nil)

Note 12D: Fair value of financial instruments

There are no financial instruments held at 30 June 2011 where the carrying amount is not a reasonable approximation of fair value (2009-10: nil)

Note 12: Financial Instruments

Note 12E: Credit risk

At 30 June 2011 the ORER was exposed to minimal credit risk as loans and receivables are trade and other receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables \$38,986 (2009-10: \$45,064). The ORER assessed the risk of the default on payment and allocated nil (2009-10: nil) to an impairment allowance account.

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired 2011 \$	Not past due nor impaired 2010 \$	Past due or impaired 2011 \$	Past due or impaired 2010 \$
--	--	--	---------------------------------------	---------------------------------------

Loans and receivables:

Trade and other receivables	34,418	45,064	4,568	-
Total	34,418	45,064	4,568	-

Ageing of financial assets that were past due but not impaired for 2011

	0 to 30 days \$	31 to 60 days \$	61 to 90 days \$	90 + days \$	Total \$
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Loans and receivables:

Trade and other receivables	-	-	-	4,568	4,568
Total	-	-	-	4,568	4,568

Ageing of financial assets that were past due but not impaired for 2010

	0 to 30 days \$	31 to 60 days \$	61 to 90 days \$	90 + days \$	Total \$
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Loans and receivables:

Trade and other receivables	-	-	-	-	-
Total	-	-	-	-	-



Note 12F: Liquidity risk

At 30 June 2011 the ORER's financial liabilities were supplier payables. The exposure to liquidity risk was based on the notion that the ORER would encounter difficulty in meeting its obligations associated with financial liabilities. This was highly unlikely due to appropriation funding and mechanisms available to the ORER (e.g. Advances from the Finances Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet financial obligations as they fall due.

Maturities for non-derivative financial liabilities 2011

	On demand \$'000	within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Payables – suppliers	-	1,875,208	-	-	-	1,875,208
Total	-	1,875,208	-	-	-	1,875,208

Maturities for non-derivative financial liabilities 2010

	On demand \$'000	within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Payables – suppliers	-	693,669	-	-	-	693,669
Total	-	693,669	-	-	-	693,669

Note 12G: Market risk

The ORER holds basic financial instruments that do not expose them to market risks. The ORER is not exposed to currency risk, other price risk or interest rate risk.

Notes to the Schedule of Administered Items

	2011 \$	2010 \$
Note 13: Income Administered on Behalf of Government		
REVENUE		
Non-Taxation Revenue		
Note 13A: Fees and fines		
Penalties	116,891	625,920
Registration fees	39,420	11,841
Accreditation fees	5,600	5,208
Deemed agent fees	97,980	41,400
Registration of certificate fees	4,378,021	1,662,824
Surrender of certificate fees	987,302	726,104
Other fees	2,460	-
Interest	14,063	1,153
Total fees and fines	5,641,737	3,074,450
Gains		
Note 13B: Other gains		
Write back of penalty provision	-	38,893
Total Other gains	-	38,893
Note 14: Expenses Administered on Behalf of Government		
EXPENSES		
Note 14A: Refunds		
Refund of penalties	111,231	-
Overpayments	-	707
Total refunds	111,231	707
Note 14B: Suppliers		
Goods and services		
Inspection expenses	375,755	-
Total goods and services	375,755	-
Goods and services are made up of:		
Rendering of services – external parties	375,755	-
Total goods and services	375,755	-
Total supplier expenses	375,755	-
Note 14C: Other Expenses		
Bad and doubtful debt Expense	-	625,920
Total write down of receivables	-	625,920

Notes to the Schedule of Administered Items

	2011 \$	2010 \$
Note 15: Assets Administered on Behalf of Government		
FINANCIAL ASSETS		
Note 15A: Trade and other receivables		
Receivables – external	2,626,691	948,838
Total receivables (net)	2,626,691	948,838
Receivables are expected to be recovered in:		
No more than 12 months	2,626,691	948,838
Total trade and other receivables (gross)	2,626,691	948,838
Receivables were aged as follows:		
Not overdue:	2,514,891	948,838
Overdue by:	-	-
0 to 30 days	-	-
31 to 60 days	-	-
61 to 90 days	111,800	-
More than 90 days	-	-
Total receivables (gross)	2,626,691	948,838
No indicators of impairment were found for receivables.		
Note 16: Liabilities Administered on Behalf of Government		
PAYABLES		
Note 16A: Other payables		
Suppliers	413,331	-
Overpayment refunds	10,722	3,540
Total other payables	424,053	3,540
Total other payables are expected to be settled within 12 months:		
External parties	424,053	3,540
Total other payables	424,053	3,540
Settlement is usually made within 30 days.		
PROVISIONS		
Note 16B: Other provisions		
Provision for refund of penalties	111,231	-
Total other provisions	111,231	-
Other provisions are expected to be settled in:		
More than 12 months	111,231	-
Total other provisions	111,231	-

Notes to the Schedule of Administered Items

	2011 \$	2010 \$
Note 17: Administered Reconciliation Table		
Opening administered assets less administered liabilities as at 1 July	945,298	(949,903)
Plus: Administered income	5,641,737	3,113,343
Less: Administered expenses (non CAC)	(486,986)	(626,627)
Administered transfers to/from Australian Government:		
Appropriation transfers from OPA:		
Special appropriations (unlimited) (non CAC)	2,376	1,414,810
Special appropriations (refund provisions)	4,155	69
Transfers to OPA	(4,015,173)	(2,006,394)
Closing administered assets less administered liabilities as at 30 June	2,091,407	945,298

Note 18: Administered Contingent Assets and Liabilities

The ORER has no contingencies to report in the schedule of contingent assets and liabilities.

Quantifiable contingencies

There are no quantifiable contingent assets or liabilities.

Unquantifiable contingencies

There are no unquantifiable contingent assets or liabilities.

Significant remote contingencies

The ORER has no (2009-10:1; \$6,602,760) contingent asset where the likelihood of receipt is remote.

The contingent asset in 2009-10 related to deferral of the renewable energy shortfall charge as per s69 of the *Renewable Energy (Electricity) Act 2000* and renewable energy certificates have been used to offset the charge. This is not identified in the schedule of administered contingencies.

Note 19: Administered Financial Instruments

The ORER does not have any administered financial instruments. All of its administered items are statutory in nature therefore they do not meet the definition of financial instruments as per AASB 132. ORER did not receive any income or incur any expense relating to administered financial instruments. There is no liquidity risk, credit risk or market risk as the ORER does not have any administered financial instruments.

Note 20: Appropriations

Table A: Annual appropriations ('recoverable GST exclusive')

	2011 Appropriations							Appropriation applied in 2011 (current and prior years) \$	Variance \$
	Appropriation Act		FMA Act			Total appropriation \$			
	Annual appropriation \$	Appropriations reduced ^(a) \$	AFM ^(b) \$	Section 30 \$	Section 31 \$		Section 32 \$		
DEPARTMENTAL									
Ordinary annual services	10,628,000	-	-	-	121,852	-	10,749,852	5,659,852	5,090,000
Other services									
Equity	4,775,000	-	-	-		-	4,775,000	5,085,892	(310,892)
Loans	-	-	-	-		-	-	-	-
Total departmental	15,403,000	-	-	-	121,852	-	15,524,852	10,745,744	4,779,108
ADMINISTERED									
Ordinary annual services									
Administered items	2,537,000	(2,123,670)	-	-		-	413,330	-	413,330
Total administered	2,537,000	(2,123,670)	-	-	-	-	413,330	-	413,330

Notes:

(a) Appropriations reduced under Appropriation Acts (No.1,3,5) 2010-11: sections 10, 11, 12 and 15 and under Appropriation Acts (No.2,4,6) 2010-11: sections 12,13, 14 and 17. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.

(b) Advance to the Finance Minister (AFM) – Appropriation Acts (No.1,3,5) 2010-11: section 13 and Appropriation Acts (No.2,4,6) 2010-11: section 15.

Note 20 (cont'd): Appropriations

Table A: Annual appropriations ('recoverable GST exclusive')

	2010 Appropriations										Appropriation applied in 2010 (current and prior years) \$	Variance \$
	Appropriation Act					FMA Act						
	Annual appropriation \$	Appropriations reduced ^(a) \$	AFM ^(b) \$	Section 14 (Act No. 1) \$	Section 14 \$	Section 30 \$	Section 31 \$	Section 32 \$	Section 32 \$	Total appropriation \$		
DEPARTMENTAL												
Ordinary annual services	5,805,000	(735,000)	-	-	-	-	-	-	-	5,070,000	4,245,055	824,945
Other services												
Equity	1,100,000	-	-	-	-	-	-	-	-	1,100,000	869,435	230,565
Loans	-	-	-	-	-	-	-	-	-	-	-	-
Previous years' outputs	-	-	-	-	-	-	-	-	-	-	-	-
Total departmental	6,905,000	(735,000)	-	-	-	-	-	-	-	6,170,000	5,114,490	1,055,510
ADMINISTERED												
Ordinary annual services												
Administered items	-	-	-	-	-	-	-	-	-	-	-	-
Total administered	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

(a) Appropriations reduced under Appropriation Acts (No. 1, 3) 2009-10; sections 10, 11 and 12 and under Appropriation Acts (No. 2, 4) 2009-10; sections 12, 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. On January 2010, the Finance Minister issued a determination to reduce departmental appropriations following a request by the Minister for Finance under Operation Sunlight to provide for Departmental Capital Budgets in future years.

The amount of the reduction under Appropriation Act 1 2009-09 was: \$483,000 and Appropriation Act 1 2009-10 was: \$252,000.

(b) Advance to the Finance Minister (AFM) – Appropriation Acts (No. 1, 3) 2009-10; section 13 and Appropriation Acts (No. 2, 4) 2009-10; section 15.

Note 20 (cont'd): Appropriations

Table B: Unspent departmental annual appropriations ('recoverable GST exclusive')

Authority	2011 \$	2010 \$
2009-10 Appropriation Act No. 2	-	172,592
2008-09 Appropriation Act No. 2	-	627,578
2008-09 Appropriation Act No. 1	-	3,094,208
2009-10 Appropriation Act No. 1	3,859,076	1,402,856
2010-11 Appropriation Act No. 2	214,278	-
2010-11 Appropriation Act No. 4	275,000	-
2010-11 Appropriation Act No. 1	2,902,007	-
2010-11 Appropriation Act No. 3	2,815,000	-
Appropriation Act No. 1 (Cash at Bank)	137,966	83,042
Total	10,203,327	5,380,276

Table C: Special appropriations ('recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2011 \$	2010 \$
<i>Renewable Energy (Electricity) Act 2000</i> – section 157, Administered	Unlimited Amount	To enable payments under the Act in respect of: (a) refunds of overpaid amounts (s50); (b) refund of charge where certificates are surrenders (s98); and (c) compensation from damage to electronic equipment (s121).	2,376	1,414,810
<i>Financial Management and Accountability Act 1997</i> – section 28, Administered	Refund	For refunds of applicable fees received under the <i>Renewable Energy (Electricity) Act 2000</i> and monies forwarded to the Official Public Account.	4,155	69
<i>Renewable Energy (Electricity) Act 2000</i> – section 144, Departmental	Unlimited Amount	Payment of remuneration and allowances to the Regulator	-	-
<i>Renewable Energy (Electricity) Act 2000</i> – section 148, Departmental	Unlimited Amount	Payment of remuneration and allowances to a person acting as the Regulator	-	-
Total			6,531	1,414,879

The ORER has recently become aware that there is an increased risk of non-compliance with Section 83 of the Constitution where payments are made from special appropriations in circumstances where the payments do not accord with conditions included in the relevant legislation.

The ORER will investigate these circumstances and any impact on its special appropriations shown above, seeking legal advice as appropriate.

Note 20 (cont'd): Appropriations

Table D: Reduction in administered items ('recoverable GST exclusive')

2010-11 Ordinary Annual Services	Amount required ³ – by Appropriation Act			Amount required ³ – as represented by:		Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
	Act (No.1) \$	Act (No.3) \$	Act (No.5) \$	Spent \$	Retention \$			
Outcome 1	0.00	413,330.50	0.00	0.00	413,330.50	413,330.50	2,537,000.00	2,123,669.50

Notes:

- Numbers in this section of the table are disclosed to the cent.
- Administered items for 2010-11 were reduced to these amounts when these financial statements were tabled in Parliament as part of the agency's 2010-11 annual report. This reduction was effective in 2011-12, but the amounts were reflected in Table A in the 2010-11 financial statements in the column 'Appropriations reduced' as they were adjustments to 2010-11 appropriations.
- Amount required as per Appropriation Act (Act 1 s. 11; Act 2 s. 12).
- Total amount appropriated in 2010-11.
- Total reduction effective in 2011-12.

No administered appropriations for ordinary annual services were received in 2009-10.

Note 21: Special Accounts

Renewable Energy Special Account (Clearing House) – Administered	2011 \$	2010 \$
---	------------	------------

Appropriation: *Financial Management and Accountability Act 1997* section 21.

Establishing Instrument: *Renewable Energy (Electricity) Act 2000* – section 30R.

Purpose: To receive amounts for the purchase of certificates and to make payments for the transfer of certificates, refunds and GST through the Clearing House.

Balance brought forward from previous period

Receipts from buyers	5,178,580	-
Total increase	5,178,580	-
Available for payments	5,178,580	-
Payments to sellers	(5,145,136)	-
Refunds to buyers	(33,444)	-
Total decrease	(5,178,580)	-
Total balance carried to the next period	-	-

The Renewable Energy Special Account was opened and commenced operation on 1 January 2011.

The ORER has recently become aware that there is an increased risk of non-compliance with Section 83 of the Constitution where payments are made from special accounts in circumstances where the payments do not accord with conditions included in the relevant legislation.

The ORER will investigate these circumstances and any impact on its special account shown above, seeking legal advice as appropriate.



Note 22: Compensation and Debt Relief

	2011 \$	2010 \$
Departmental		
No 'Act of Grace' expenses were incurred during the reporting period. (2010: No expenses)	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> (2010: No waivers)	-	-
No payment was provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2010: 1 payment)	-	46,961
No ex-gratia payments were provided for during the reporting period (2010: No payments)	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> (PS Act) during the reporting period (2010: No payments)	-	-

	2011 \$	2010 \$
Administered		
No 'Act of Grace' expenses were incurred during the reporting period. (2010: No expenses)	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> (2010: No waivers)	-	-
No payment was provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2010: No payments)	-	-
No ex-gratia payments were provided for during the reporting period (2010: No payments)	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> (PS Act) during the reporting period (2010: No payments)	-	-

Note 23: Reporting of Outcomes

Note 23A: Net cost of outcome delivery

	Outcome 1	
	2011	2010
	\$	\$
Expenses		
Administered	486,986	626,627
Departmental	8,980,828	5,334,151
Total	9,467,814	5,960,778
Income from non-government sector		
Administered	5,641,737	3,074,450
Departmental		
Activities subject to cost recovery	-	-
Total departmental	-	-
Total	5,641,737	3,074,450
Other own-source income		
Administered	-	38,893
Departmental	42,330	187,838
Total	42,330	226,731
Net cost of outcome delivery	3,783,747	2,659,597

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that were eliminated in calculating the actual Budget outcome.

Note 23B: Major classes of departmental expense, income, assets and liabilities by outcomes

	Outcome 1	
	2011	2010
	\$	\$
Departmental expenses		
Employee benefits	3,632,407	2,327,955
Supplier expenses	3,950,794	2,548,064
Depreciation/amortisation	1,397,627	458,132
Total	8,980,828	5,334,151
Departmental income		
Income from Government	10,628,000	5,553,000
Other	42,330	187,838
Total	10,670,330	5,740,838
Departmental assets		
Cash and cash equivalents	137,966	83,042
Trade and other receivables	10,316,247	5,479,400
Infrastructure, plant and equipment	532,708	380,045
Intangibles	3,440,191	442,434
Other non-financial assets	27,691	15,988
Total	14,454,803	6,400,909
Departmental liabilities		
Suppliers	1,875,208	693,669
Other payables	119,162	52,465
Employee provisions	900,246	559,090
Total	2,894,616	1,305,224

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that were eliminated in calculating the actual Budget outcome.



Note 23 (cont'd): Reporting of Outcomes

Note 23C: Major classes of administered expense, income, assets and liabilities by outcomes

	Outcome 1	
	2011	2010
	\$	\$
Administered expenses		
Refunds	111,231	707
Suppliers	375,755	-
Other expenses	-	625,920
Total	486,986	626,627
Administered income		
Fees and fines	5,641,737	3,074,450
Other gains	-	38,893
Total	5,641,737	3,113,343
Administered assets		
Trade and other receivables	2,626,691	948,838
Total	2,626,691	948,838
Administered liabilities		
Other payables	424,053	3,540
Other provisions	111,231	-
Total	535,284	3,540

Outcome 1 is described in Note 1.1.



CHAPTER 6

OTHER MANDATORY INFORMATION

Occupational health and safety

ORER's occupational health and safety (OH&S) policy aims to provide and maintain a safe and healthy workplace in line with the requirements of the *Occupational Health and Safety Act 1991*. The office works to achieve high standards of OH&S by providing a safe system of work to prevent work-related injuries and illnesses. ORER participates in the health and safety network which operates throughout DCCEE.

Reports under section 68 of the Act

Section 68 of the *Occupational Health and Safety Act 1991* relates to the requirement for employers to report to Comcare accidents or incidents that cause death or serious personal injury or incapacity, or that are otherwise dangerous. During the 2010-11 financial year, one accident was reported.

Investigations

No investigations under sections 29, 46 or 47 of the *Occupational Health and Safety Act 1991* were conducted within or on behalf of ORER during 2010-11.

Agreements with employees

ORER has developed a health and safety management arrangement in compliance with the legislative requirements of the amended *Occupational Health and Safety Act 1991*.

Freedom of information

This section is presented in accordance with the requirements of section 8 of the *Freedom of Information Act 1982* (FOI Act). The FOI Act gives the Australian community the right to access information held by the Australian Government. The only limits are exemptions needed to protect essential public interests and privacy.

Applications received

ORER received two applications in 2010-11.

Information about the office

Under section 8 of the FOI Act, the office has to make available information about its functions, organisation, operations and powers that affect members of the public. Relevant information is contained throughout this annual report and on ORER's website.

Information about categories of documents

Under section 8 of the FOI Act, ORER has to report the details of certain categories of documents it maintains. The office holds a large range of documents in the following categories:

General policy—administrative files, consultants' reports, memoranda of understanding, agreements, permits, licences, submissions, guidelines for programmes, grant documents, manuals, financial records, staffing records, instructions of the chief executive, legal documents, and tender evaluations.

Parliamentary—briefing documents, Cabinet documents, ministerial submissions, policy advice, ministerial correspondence, explanatory memoranda to Acts, Ordinances and Regulations.

Some documents may have been transferred into archival custody or destroyed in accordance with the *Archives Act 1983*.

Arrangements for outside participation

Under section 8 of the FOI Act, ORER has to report details of arrangements whereby members of the public can participate in certain kinds of decision-making.

ORER consults members of the public and bodies outside the Australian Government's administration when administering legislation. In addition to general public consultation, ORER may receive advice from scientific and expert committees and other bodies.

Generally, people can participate by making oral or written representations to the Renewable Energy Regulator.


Procedures for gaining access to information

Freedom of information matters within ORER are handled by the Administration and Planning team. Contact details for the freedom of information officer are:

Phone: 02 6159 7700

Fax: 02 6159 7780

Email: orer@orer.gov.au



Written requests for access to documents should be addressed to:

The Freedom of Information Officer
Office of the Renewable Energy Regulator
GPO Box 621
Canberra ACT 2601

Advertising and market research

In accordance with section 311A of the *Commonwealth Electoral Act 1918*, a report of amounts paid by or on behalf of ORER to advertising agencies, market research organisations, polling organisations, direct mail organisations and master media advertising agencies is provided below (inclusive of GST).

Media advertising agencies

Adcorp Marketing Communications \$3,844.41

This advertising expenditure was non-campaign related.

A breakdown of non-campaign advertisements is available upon request from ORER.

Market research

No market research was conducted.

Polling organisations

No payments were made to polling organisations.

Direct mail organisations

No payments were made to direct mail organisations.

Ecologically sustainable development and environmental performance (ESD)

The *Environment Protection and Biodiversity Conservation Act 1999* requires Commonwealth organisations to report against the environmental performance of the agency and its contribution to ecologically sustainable development (ESD).

Agencies are required to report on:

- how the activities of the organisation accorded with the principles of ESD;
- how the administration of legislation by the organisation accorded with the principles of ESD;
- how the outcomes specified for the organisation in an Appropriations Act contribute to ESD;

- the effect of the organisation's activities on the environment;
- the measures (if any) taken by the organisation to minimise this impact; and

the mechanisms (if any) for reviewing and increasing the effectiveness of those measures.

Activities of ORER and ESD linkages

One of ORER's central objectives is to ensure that renewable energy sources are ecologically sustainable. The roles and tasks of the various units within the office are structured around achieving this, and other objectives.

ORER:

- administers the Act through encouraging the development of ecologically sustainable energy (electricity) supplies;
- assesses applications to participate in the measure by reference to external (non-ORER) processes to review the environmental impacts of proposed renewable energy power stations; and
- considers the eligibility of various renewable energy supplies by referencing the environmental impact of the use of particular sub-categories of renewable energy sources.

The activities of ORER also contribute to ESD by generally recognising and promoting the concept through:

- providing information to the public on the objectives of the Act; and
- promoting improvements in efficiency of eligible renewable energy technologies (such as solar water heaters, heat pumps, and small-scale solar panels, wind and hydro systems) to allow environmental benefits to be maximised. Specifically, the following activities of ORER meet the individual objectives of ESD.



Table 6: Ecologically sustainable development and environmental performance (ESD) principles and legislation

Principle	Activity
Integrating environmental, social, economic and equitable considerations	Supporting the market penetration of new renewable energy technologies in order to reduce the impact on the environment of electricity supply and use
Employing or promoting the use of the precautionary principle	Encouraging the use of environmentally friendly fuel sources to reduce pollutants (CO ₂ in particular) to the atmosphere to address climate change
Promoting the conservation of the environment for the benefit of future generations	Fuel switching to non-depletable and replaceable fuel sources, in particular to address climate change
Biodiversity and ecological integrity and fundamental to decision making	Ensuring that state/territory/Australian Government requirements relating to environmental protection are complied with prior to receiving benefits under the LRET and SRES
Improving valuation, pricing and incentive mechanisms	Providing a mechanism to value the externalities associated with electricity generation and climate change

How the administration of legislation by the organisation accorded with the principles of ESD

ORER must consider the ecological sustainability of renewable energy power stations and the renewable energy sources that they use in determining eligibility under the Act. ORER has in place a process to determine any power stations adherence with the principles of ESD prior to determining if it is eligible for accreditation or the electricity it generates is eligible for LGCs.

Applicants for accreditation must identify the processes completed for approval for the construction and operation of the renewable energy power station, including demonstrating the successful completion of any approvals process that requires an ecological sustainability assessment. This includes an assessment of issues such as building approvals, operating licence currency and conditions and other state/territory/local Government requirements.

In addition, ORER can assess the sustainability of renewable energy sources. For example, ORER requires proponents to:

- demonstrate the renewable proportion of the fuel stream through sampling and chemical analysis (where applicable);
- develop site specific calculations/methodologies to determine, as accurately as possible, the amount of electricity generated by a renewable energy power station which is directly attributable to the renewable energy source, including such factors as boiler efficiency and auxiliary apportionment; and
- provide a clear audit trail to demonstrate the eligibility of any renewable energy source claimed for electricity generation resulting in LGC and STC eligibility, such as fuel delivery records and fuel sourcing records.

In addition, ORER is responsible for enforcing compliance with the legislation which supports the overall objective of increasing the amount of electricity generated in Australia from environmentally friendly renewable energy sources.

How the outcomes specified for the organisation in an Appropriations Act contribute to ESD

ORER has one outcome: *Administer and regulate the national renewable energy target scheme to encourage increased renewable electricity generation.*

The outcome is directed towards achieving a broad objective of increasing the contribution that renewable energy sources make to meeting Australia’s electricity demands and, as a result, reduce greenhouse gas emissions (below a business as usual case) from Australia’s electricity supplies by ensuring that renewable energy sources are ecologically sustainable.

The effect of the organisation’s activities on the environment

ORER has an indirect effect on the environment. ORER’s administration of Government policy supports a structural change in Australia’s electricity supplies, with a faster movement towards renewable energy sources than would have occurred in the absence of the policy.

ORER encourages staff to participate in activities that directly reduce the office’s impact on the environment, such as double sided printing and photocopying on recycled paper, recycling and composting of rubbish and implementation of energy efficiency practices.

The measures (if any) taken by the organisation to minimise this impact

See above.

The mechanisms (if any) for reviewing and increasing the effectiveness of those measures

The Act currently requires a comprehensive independent biennial review of the Act as soon as practicable after 30 June 2012. The review must include details about the:

- operation of the Act and the schemes constituted by the Act;
- operation of the Regulations;
- operation of the *Renewable Energy (Electricity) (Large-scale Generation Shortfall Charge) Act 2000*;
- operation of the *Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Act 2010*; and
- diversity of renewable energy access to the scheme constituted by the Act, to be considered with reference to a cost benefit analysis of the environmental and economic impact of that access.

When the review is completed, a report detailing the outcomes of the review must be provided to the Minister by 31 December in that year (for example 31 December 2012). After receiving the report the Minister then has 15 parliamentary sitting days to table the report in parliament.

The Act required that a comprehensive review of the operation of the principle Act be completed by January 2004. This review has been completed within the required parameters. Further detail on the findings of the review panel may be found on the website of the MRET Review at www.mretreview.gov.au.

Apart from the legislated reviews the Act has been amended for policy reasons by DCCEE. Two significant changes, listed below, have occurred, as a result, of these changes.

1. During 2010, the Government announced the energy target would be increased to further support the contribution of renewable energy sources to meet Australia's electricity demands by creating an additional scheme. From 1 January 2011, the Renewable Energy Target split into two schemes - the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES). The LRET maintains updated renewable energy targets, renewable energy sources, power stations and liable entities requirements. The SRES maintains liable

entities requirements and eligibility requirements for small-scale systems, however, it introduces quarterly surrender requirements for liable entities, an STC Clearing House and an increase to the renewable energy targets by having an uncapped target percentage per year as dictated by the number of STCs that are created from eligible small generation unit installations.

2. The 2009 amendment to the Act incorporated an expanded target of an additional 45,000 gigawatt hours (GWh) of renewable electricity, per year, by 2020. This amendment was designed to ensure delivery on the Government's commitment to ensure that 20 per cent of Australia's electricity supply would come from renewable sources by 2020.

Further detail on legislative changes that have occurred to the Act can be found on the Legislation page of ORER website.

Discretionary grants

ORER has no discretionary grant programs.

Disability reporting mechanisms

Changes to disability reporting in annual reports

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007-08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au. From 2010-11, departments and agencies are no longer required to report on these functions. The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy which sets out a ten year national policy framework for improving life for Australians with disability, their families and carers. A high level report to track progress for people with disability at a national level will be produced by the Standing Council on Community, Housing and Disability Services to the Council of Australian Governments and will be available at www.fahcsia.gov.au.

Corrections to previous annual reports

This report is the eighth financial year annual report issued by ORER. ORER has no corrections to previous annual reports to disclose.



GLOSSARY

AAT

Administrative Appeals Tribunal

Accreditation

A process of determining if a power station is eligible to participate in the LRET and contribute to the achievement of annual targets

AEAS

Annual Energy Acquisition Statement

Agents

Agents are Registered Persons that are able to create certificates on behalf of owners of eligible small-scale installations who have assigned their right to create certificates to the Agent

Annual reporting date

Eligible and liable entities must report their electricity generation and certificate creation (for eligible entities) and surrender of certificates (for liable entities) generally by 14 February of the year following the compliance year

Baseline

Baselines are determined by the Regulator for accredited power stations. Only renewable electricity generated above the annual baseline is eligible for certificates. A baseline for a power station that first generated electricity on or after 1 January 1997 is zero

Certificate

Certificate refers to both large-scale generation certificates (LGCs) and small-scale technology certificates (STCs)

Assessment year

The period, over which each annual target must be achieved, which, except for 2001, is a full calendar year and relates to the surrender of certificates by liable entities

DCCEE

Department of Climate Change and Energy Efficiency

EGR

Electricity Generation Return

Eligibility

The eligibility to create certificates

Eligible entities

Parties that are eligible to create certificates for renewable electricity generated by accredited power stations or small-scale systems

Generation year

The period is a full calendar year and relates to the creation of certificates from eligible renewable energy power stations or small-scale system installations

kW

Kilowatt – one thousand watts

kWh

Kilowatt-hour - a measure of electricity generation or use. One thousand watt hours.

LGC

Large-scale generation certificate (LGC) is an electronic certificate that may be created in the REC Registry by eligible entities for each megawatt hour of eligible renewable electricity generated from renewable energy power stations. LGCs may be traded separately from the physical electricity in the LGC market

LGSC

Large-scale Generation Shortfall Charge

Liability

The liability to surrender certificates or pay a Renewable Energy Shortfall Charge

Liable entities

Entities that make wholesale acquisitions of electricity

LRET

Large-scale Renewable Energy Target

Minister

Minister for Climate Change and Energy Efficiency

MoU

Memorandum of Understanding

MRET

Mandatory Renewable Energy Target

MWh

Megawatt-hour – a measure of electricity generation or use.
One thousand kilowatt-hours

OPA

Official Public Account

ORER

Office of the Renewable Energy Regulator

PEC

Partial Exemption Certificate

Prescribed persons

Emissions-intensive trade-exposed entity eligible to apply for Partial Exemption Certificates

Nominated person

A nominated person is able to apply for accreditation of a power station under the Act. The nominated person can be the owner, operator or major stakeholder of the power station

REC

Renewable Energy Certificate. Due to amendments to the Act, RECs were divided into two certificate types and reclassified as large-scale generation certificates (LGCs) and small-scale technology certificates (STCs) effective from 1 January 2011.

REC Registry

Internet-based registry system, which is referred to as the REC Registry www.rec-registry.gov.au

Registered Person

A person registered under section 11 of the Act and listed in the Register of Registered Persons. Only a Registered Person is able to create certificates

Registration of certificates

The change in status required for a certificate to be traded and/or surrendered against a liability, which results from providing sufficient information to support the creation of certificates for validation and payment of a specified fee

Regulator

The Renewable Energy Regulator appointed under section 143 of the Act

RESC

Renewable Energy Shortfall Charge. Due to amendments to the Act, the RESC was divided into two: the Large-scale Generation Shortfall Charge and the Small-scale Technology Shortfall Charge.

RESS

Renewable Energy Shortfall Statement

RET

Renewable Energy Target

RPP

Renewable Power Percentage

Shortfall Charge

Is the amount of charge payable under the appropriate Act for a LGC or STC shortfall were certificates were not surrendered by the annual reporting date or quarterly surrender period. A LGC shortfall, if calculated payable, relates to the Large-scale Generation Shortfall Charge under the *Renewable Energy (Electricity) (Large-scale Generation Shortfall Charge) Act 2000*. An STC shortfall relates to the Small-scale Technology Shortfall Charge under the *Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Act 2010*

Small-scale systems

Small-scale systems are solar hot water, heat pumps and small-scale solar panels, wind and hydro systems that are eligible for certificate creation. The number of certificates able to be created by a small-scale system is set out in the Regulations

SRES

Small-scale Renewable Energy Scheme

STC

Small-scale technology certificate (STC) is an electronic certificate that may be created in the REC Registry by eligible entities for each megawatt hour of eligible renewable electricity deemed to be generated or displaced by small-scale systems. STCs may be traded in the STC market or STC Clearing House

**STC Clearing House**

The STC Clearing House facilitates the exchange of small-scale technology certificates (STCs) between buyers and sellers at the fixed price of \$40 (excl. GST.)

STSC

Small-scale Technology Shortfall Charge

SWH

A solar water heater is a system that heats water from solar energy

SWH/SGUR

Solar Water Heater and Small Generation Unit Return

The Act

The Renewable Energy (Electricity) Act 2000

The Amendment Acts

The Renewable Energy (Electricity) Amendment Act 2009 or the Renewable Energy (Electricity) Amendment Act 2010

The Charge Acts

The Renewable Energy (Electricity) (Large-scale Generation Shortfall Charge) Act 2000 or the Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Act 2010

The Regulations

The Renewable Energy (Electricity) Regulations 2001

Voluntary surrender

Section 28A allows a registered owner to offer certificates for surrender for any reason other than to comply with mandatory liabilities under section 44 or 95. A certificate that is accepted for surrender under section 28A is permanently removed from the certificate market

LIST OF REQUIREMENTS

Letter of transmittal	4	FINANCIAL MANAGEMENT	25
		Financial statements	
AIDS TO ACCESS		OTHER MANDATORY INFORMATION	67
Table of contents	1	Occupational health and safety	67
Index	75	Freedom of information	67
Glossary	71	Advertising and market research	68
Contact officer	ii	Ecologically sustainability development and environmental performance	68
Internet addresses	ii	Discretionary grants	70
REGULATOR'S REVIEW	5	Disability reporting mechanisms	70
Significant issues and developments	6	Corrections to previous annual reports	70
Performance and financial results	6		
Outlook for the following year	8		
OFFICE OVERVIEW	9		
Roles and functions	9		
Organisational structure	9		
Portfolio structure	12		
Outcome and program structure	12		
REPORT ON PERFORMANCE	13		
Agency program 1.1	13		
Agency program 1.2	15		
Shortfall Charge	16		
Financial performance	18		
Summary resources table	19		
MANAGEMENT AND ACCOUNTABILITY	21		
Corporate governance	21		
Commonwealth Fraud Control Guidelines	21		
External scrutiny	21		
Human resources	21		
Assets management	23		
Purchasing	23		
Consultants and competitive tendering and contracting	23		



SUBJECT INDEX

A

Accountability and management, see Management and accountability
Accreditation 7, 10, 14, 16-18, 21, 35, 56, 69
Addresses and contact numbers ii
Administered items 16-17, 34-36, 38, 40, 42, 56-60, 62
Administrative Appeals Tribunal 21
Advertising and market research 68
Asset management 23

C

Certificates 5-10, 13-17, 38, 42, 58, 61-62, 69, 70
Clearing House, see STC Clearing House
Collective agreement, see Enterprise Agreement
Commonwealth Disability Strategy, see Disability reporting mechanisms
Commonwealth Fraud Control Policy 21
Competitive tendering and contracting 23, 24
Compliance 5-6, 8-10, 12, 15-17, 20
Consultancies 23
Contracts 21, 23-24, 32, 36, 38
Corporate governance 21
Corporate plan 21

D

Department of Climate Change and Energy Efficiency 5, 9, 12, 17
Disability reporting mechanisms 70
Discretionary grant programs 70
Documents maintained 67

E

Ecologically sustainable development 68-70
Eligible entities 7, 13
Emissions 9-10, 12, 69
Employment 21-23, 51-52, 63
Enterprise Agreement 22

F

Financial performance 7, 18, 21
Financial statements 25-66
Fraud control 21
Freedom of information 67
Functions and role 9-11

G

Governance, see Corporate governance
Grants, see Discretionary grant programs
Guidelines 21, 23, 67

H

Human resources management 21
Heat pump 5-6, 9-10, 13-14, 68
Hydro 5-6, 8-9, 13-14, 17, 68

J

Judicial decisions 21

L

Large-scale Renewable Energy Target 5-9, 13, 15, 17, 23, 69-70
Large-scale generation certificates, see Certificates
Large-scale Generation Shortfall Charge, see Shortfall Charge
Legislation 5-6, 8, 12, 14-15, 20, 38, 61-62, 67-70
Liable entities 7, 9, 13, 15-17, 70
Liability 6-7, 9, 15-17, 39-42

M

Mandatory Renewable Energy Target 5, 70
Management and accountability 19, 21, 38, 61-63
Media advertising 68
Minister 4, 12, 21, 38-39, 55, 59-60, 70

O

Occupational health and safety 23, 67
Organisation and structure 9, 21, 24, 67
Outcomes and programs 12



P

Performance pay 22-23
Performance report 13-20
Portfolio structure 12
Prescribed agency 4, 21
Productivity gains 23
Purchasing 23

R

REC Registry 5-9, 13-15, 21, 23-24, 41
Regulations 6-7, 9-10, 13, 15, 17, 67, 70
Renewable energy certificates, see certificates
Renewable Energy Shortfall Charge, see Shortfall Charge
Renewable Energy Target 5, 7, 9, 12-13, 17, 20, 38, 69-70
Renewable Power Percentage 5, 15-16
Resources table 19
Role and functions, see Functions and role

S

Salary ranges by classification 22
Senior executives 21-22, 51-52
Shortfall Charge 6, 7, 9, 13, 15-16, 38, 58, 70
Small-scale Renewable Energy Scheme 5, 6-9, 13, 15-16, 23, 69, 70
Small-scale systems 6-7, 10, 13-14, 16-17
Small-scale technology certificates, see Certificates
Small-scale Technology Shortfall Charge, see Shortfall Charge
Solar panel 5-6, 8-9, 13-14, 17, 68
Solar water heater 5-6, 9-10, 13-15, 68
Structure, ORER, see Organisation and structure
Structure, portfolio, see Portfolio structure
Surrender of certificates 5-7, 9, 13, 15-18, 35, 38, 42, 56, 61, 70
Staffing 20-22, 67
STC Clearing House 5-7, 9-11, 13-15, 23, 62, 70
Sustainability, see Ecologically sustainable development

T

Tambling, see Legislative Review
Tendering, see Competitive tendering and contracting
Training and development 23

W

Wind 5-6, 8-9, 13-14, 17, 68



