



CUAC

Consumer Utilities
Advocacy Centre

**REPORT ON CUAC ACTIVITIES
AND FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005**

**CONSUMER UTILITIES ADVOCACY CENTRE LTD
ACN 100 188 752**

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CUAC Mission Statement

CUAC Mission

To ensure the interests of Victorian consumers, especially low-income, disadvantaged, rural and regional and indigenous consumers, are effectively represented in the policy and regulatory debate on electricity, gas and water.

CUAC Values

We believe

- All Victorians have a right to affordable and sustainable electricity, gas and water
- All Victorians have a right to have their interests heard in policy and regulatory decisions on electricity, gas and water
- All Victorians have a right to not be disconnected from electricity, gas and water due solely to an inability to pay.

CUAC Corporate Objectives

CUAC achieves its mission through its corporate objectives, which are

1. To provide a voice for Victorian utility consumers in the regulatory debate
2. To increase the capacity of consumers and consumer advocates to influence the regulatory debate, particularly on issues affecting low-income, disadvantaged and rural consumers.
3. To research and to fund research into consumer utility issues, with a particular focus on low-income, disadvantaged and rural consumers, and to disseminate that knowledge as widely as possible.
4. To monitor consumer utility issues, particularly those affecting low-income, disadvantaged and rural consumers.

Chairman's Report

I am pleased to present the Annual Report for the Consumer Utilities Advocacy Centre Ltd (CUAC) for the financial year 2004/05.

This has been another busy year for the organisation, marked by a range of regulatory and policy decisions at the State and national level that will have a significant impact on Victorian consumers, particularly low-income and disadvantaged consumers.

In water, the Victorian Government continued its reform of the governance arrangements for the sector, including the regulation of the water authorities for the first time being placed within the mandate of the Essential Services Commission. CUAC was strongly involved in the first ever water pricing determination, which set Victorian water prices for the next three years. In line with the White Paper overarching objective of increasing incentives to conserve water by all users, water prices will rise and CUAC was concerned to ensure that the interests of low-income consumers were taken into account in that process.

In energy, we welcomed stronger protections by the Victorian Government for residential consumers, and an extension of the safety-net until December 2007. The finalisation of the Victorian LPG Retail Code means that LPG customers, who reside largely outside Melbourne and regional cities, who rely on that fuel for essential services will for the first time have some basic protections.

CUAC also strongly endorsed the Government's decision to convene a Committee of Inquiry into energy consumers in financial hardship. The Inquiry carries the potential to ensure that the right assistance – from Government, the retailers or community organisations – is available to consumers who are having difficulty meeting their energy bills. The Inquiry also offers the opportunity to lay down some minimum standards on how those consumers are treated, which should be of great assistance as we move to a national energy regulatory regime.

The last twelve months have served to highlight both the volatility of the energy and water sectors in Australia, and the value of an active consumer voice in regulatory and government decision-making. Restructuring of the Victorian water sector continues at a reasonably rapid rate, and it is important that the needs of users are heard in that process. National energy reform has been a less accessible process – public consultation on proposed reforms has been infrequent and often with little time to prepare a response.

For those reasons, capacity-building continues to be a priority for CUAC. Over this year we have improved our communications with consumers and consumer groups. The CUAC website was launched and can be used to access information about energy and water, as well as all the research funded through a CUAC grant. The Rural and Regional Network now numbers just over 110 members across the State, who receive regular newsletters on consumer utility issues, as well as email alerts when decisions are underway.

A major element of our capacity-building is of course the CUAC Grants Program, which continues to fund valuable research into consumer utility issues, and we are pleased that we will be able to continue our current level of support into 2005/06.

Finally I wish to thank the CUAC staff and Board for their contribution over the past 12 months. The staff's hard work has meant that consumers were represented in a range of important decisions, many of which involve technical and complex issues, and they have risen admirably to that challenge. The Board has ensured that CUAC's strategic direction continues to meet the needs of consumers and have provided valuable oversight of CUAC as it entered its third year of operation.

E W Russell
Chairman

Report on CUAC Activities

CUAC's corporate objectives and operational priorities for the reporting period are set out in its 2004/05 Work Program (at Appendix A), which was directly linked to CUAC's corporate (and constitutional) objectives.

In line with CUAC's constitutional objects, CUAC's activities were targeted toward those policy and regulatory decisions which would have the most impact on low-income, disadvantaged and rural consumers. The following briefly outlines the key initiatives and activities undertaken over the reporting period, under each of the relevant corporate objectives.

Market Regulation

CUAC continued to actively advocate on behalf of Victorian utility consumers, particularly low-income, disadvantaged and rural consumers, in the range of policy and regulatory decisions over the reporting period. A number of important regulatory and policy reviews took place in 2004/05.

Following on from the Review of Full Retail Competition that took place in early 2004, CUAC welcomed the Victorian Government's decision to extend the consumer safety-net protections for energy consumers, ban late payment fees for residential and small business consumers, require retailers to publish price and service details of their offers on their websites, and institute a procedure to compensate consumers who had been wrongfully disconnected. CUAC continued to actively represent the interests of consumers in the development by the regulator of the various processes to enact that decision in the first six months of 2005.

The first ever Water Pricing Review occurred, in which the Essential Services Commission (ESC) approved the business plans and pricing structures of the 13 regional urban water authorities and three metropolitan water businesses. With nearly all authorities seeking price rises, CUAC was particularly concerned to ensure that low-income consumers retained access to water at an affordable price. The Water Pricing Determination highlighted the need for greater engagement with consumers, particularly those representing low-income consumers outside Melbourne.

CUAC was one of the few consumer groups participating in the Electricity Distribution Pricing Review (EDPR), which sets in place the distribution businesses price and service plans for the next five years. In that process, CUAC was disappointed at the level of information offered by the distribution businesses, which made it impossible to predict the effect of price variations on classes of consumers. The Review particularly highlighted the difficulties of rural communities in engaging with regulatory decisions and processes, and CUAC will focus on identifying potential solutions to that problem in 2005/06.

As a participant in the Working Group, CUAC welcomed the finalisation of the Victorian LPG Retail Code, which outlines the rights and responsibilities of consumers relying on LPG for provision of essential services. The Code represents a major step forward for consumers of LPG – it provides clear rights on billing, payment arrangements and, importantly, access to the complaints and alternative dispute resolution scheme of the Energy and Water Ombudsman.

CUAC also closely followed the Victorian Government's proposed changes to the cross-ownership rules in the energy sector. Given the technical complexity of this issue, which bisects competition policy and competition law, CUAC commissioned research that elicited the implications for consumers of changes to the law, establishing a Steering Committee of other consumer representatives to oversee the research. CUAC also hosted a seminar for the members of its Reference Group, to share the outcomes of that research and, in order to guard against the concentration of market power, has advocated for a continued, albeit transitional role, for the State Government to maintain an interest in monitoring cross-ownership until a more effective national test is developed.

National energy reform also occupied an increasing amount of attention over the past twelve months, with CUAC actively representing the interests of Victorian consumers in relevant national policy debates. The Ministerial Council on Energy (MCE), the national energy policy and governance body

of the Council of Australian Governments, maintained a rapid pace on regulatory reform, particularly the development of a national retail and distribution regulatory framework.

In that process, CUAC has advocated for greater clarity from governments on the objectives of regulatory restructuring, and recommended more work be undertaken to ensure that affordability and access are secured within a new regulatory framework. CUAC also helped coordinate the agenda of a national consumers' roundtable, to discuss these issues.

In the development of a national energy market, CUAC has supported the establishment of a national consumer advocacy body that would represent small end-users. Such a body should complement - not replace - state-based advocacy, enabling greater input by consumers into national regulatory processes. Well-resourced consumer advocacy remains crucial to the development of national energy market structures and procedures.

Customer Protection

CUAC work over the reporting period can be grouped into two major areas within the Customer Protection Program.

The first was to consolidate the range of mechanisms for communicating with consumers on utilities issues. That involved the continued consolidation of the Rural and Regional Network, which now has over 110 members who receive regular newsletters on a range of consumer utilities issues, as well as email alerts when policy or regulatory reviews are announced. The CUAC website was finalised and launched in November 2004, and has general information for consumers on the industry structure of electricity, gas and water, how to obtain assistance or advice on a range of consumer issues, comprehensive information about the CUAC Grants Program, and the ability to access copies of each of the research reports funded through a CUAC Grant. The website also provides a links page to the range of Australian and international researchers

The CUAC Grants Program is a key feature of the Customer Protection sub-program, supporting consumer and community groups participate more effectively in policy and regulatory decisions on electricity, gas and water. Grants totalling \$191,847 (exc. GST) were approved over the reporting period. There are three sub-programs within the Grants Program.

Two rounds of funding were held for the Public Grants Program, with six grants approved during the reporting period totalling \$136,230 (exc. GST), for a mixture of research and capacity-building projects. Grants were awarded for a diverse range of projects, from the employment of staff to the provision of information for particular classes of consumers, to research on consultative models and loss factor calculations.

Grants of \$19017 (exc. GST) were approved within the EO Grants Program, which enables grants of up to \$8000 (inc. GST) to be approved by the Executive Officer for input to policy and regulatory processes. Fewer than expected applications were made to the EO Grants Program but that reduced uptake reflects a return to normal operating priorities by many community sector agencies following a great deal of activity in 2003/04.

Two grants were approved through the CUAC-initiated research program, for a total of \$36,600 (exc. GST). The first was research to elicit the implications for consumers of the Government's proposed changes to cross-ownership rules in the energy sector. The second is a joint research project with the Shire of Campaspe, for which funding from the National Electricity Market Consumers Advocacy Panel has also been sought, and which will undertake an analysis of the effectiveness of the regulatory and policy mechanisms in place to provide a community with needed energy supply. Expenditure in this sub-program was also less than originally budgeted, as the research project designed for the Electricity Distribution Pricing Review was not able to proceed as the distribution businesses provided inadequate information.

Unspent funds from the 2004/05 CUAC Grants Program have been allocated to the 2005/06 Grants Program, permitting the grants to external organisations to be maintained at the same levels as in the past. All grants approved in 2004/05 are listed on page 9.

Affordability and Access

A key outcome of activities within this program was the publication and launch on 21 November 2004 of the major research report *Access to Energy and Water in Victoria*, documenting the experience of consumers disconnected from energy or restricted from water. The research was undertaken in partnership with the Consumer Law Centre Victoria. The Report contained a detailed analysis of the causes of disconnection, and argued for a range of measures to be introduced to stop Victorian households from getting disconnected when they are in financial hardship, including:

- giving the Essential Services Commission (the regulator of the Victorian energy and water industries) the power to fine suppliers that breach their legal obligations;
- introducing a Basic Energy Account and Basic Water Account that guarantees energy or water services at an affordable price to Victorian households in financial hardship;
- forcing landlords to provide information to potential tenants about the likely costs of heating and cooling their rental property and running the appliances in the property;
- mandating minimum energy and water efficiency standards for private rental properties; and
- imposing an obligation on energy and water suppliers to adopt hardship policies for dealing with customers with payment problems, based on mandated minimum standards.

The launch of the Report was reported in television and print media. A wide range of stakeholders, from the regulator, government agencies and community sector organisations, were also offered individual briefings on the Report findings and recommendations.

CUAC welcomed the Government's announcement of a Committee of Inquiry into Financial Hardship of Energy Consumers, and was pleased that the CUAC-CLCV Report was explicitly referred to in the Terms of Reference of the Committee. CUAC advocated that the Committee recommend to Government that it develop a policy framework directly targeted toward the needs of consumers in financial hardship, clearly articulating the policy objectives and outcomes it expects for those consumers, and ensures government programs are effectively coordinated to achieve those outcomes. CUAC also recommended the introduction of mandatory hardship guidelines to secure consistent treatment by retailers for consumers in hardship, and the development of longer-term cost-effective programs, particularly on energy efficiency, that will ensure energy remains affordable.

In order to ensure that retailers' hardship policies were improved to meet the needs of low-income consumers, CUAC worked closely with the Committee for Melbourne Utility Debt Spiral project, particularly in finalising and editing the three research components of the project in preparation for the launch of the Report at the end of April 2005, and to establish a sound footing for the work going forward to build a permanent dialogue between industry and community agencies on developing better hardship policies and programs for consumers experiencing difficulties meeting their energy costs. In conjunction with other project participants, including the Energy and Water Ombudsman, Victoria, the Chair of the Energy Retailers' Association of Australia, and the Committee for Melbourne, CUAC also made representations to the offices of relevant Ministers and the regulator on the research findings.

In line with the feedback received from participants, CUAC also secured the agreement of the Department of Infrastructure to contribute to a second Rural Energy Consumers Forum to be held in 2005/06.

CUAC also began to develop its major research project aimed at improving energy affordability for low-income households through access to more effective energy efficiency measures, which will hopefully take place over 2005/06.

Governance

The following Directors' Report outlines in detail CUAC's compliance with its obligations under corporations law. CUAC also generated regular reports for the Member on its activities, progress

against work program objectives and key performance indicators, financial statements and an outline of grants approved.

In addition to its formal obligations, CUAC also reviewed the principles and procedures of the Grants Program. CUAC has reviewed its funding priorities and program budgets annually since the establishment of the Grants Program. Those reviews led to the creation of the EO Grants Program - to enable access to funds for projects which fell outside the timelines of the Public Grants Program - and the streamlining of Grants Program procedures.

It was timely to undertake a more fundamental review of the Grants Programs principles, structure and policies for 2005/06 in order firstly, to assess the allocation of funding within the three programs, particularly since the overall quantum available in 2005/06 will expend the last of CUAC's reserve, and secondly, to ensure that the CUAC program is in accordance with best practice, particularly the principles and procedures recommended by the Auditor-General for the expenditure of public monies.

In summary, the Review concluded that there remains an ongoing need to support consumer advocacy, but that more could be done to ensure that research is substantive, finds its target audience more effectively and that the Grants Program meets best practice principles. The Board concluded that the Grants Program going forward will continue to be composed of three programs: Public Grants Program, EO Grants Program and CUAC-Initiated Research. The governance of the Grants Program has also been strengthened, with the Guidelines redrafted to provide more information to applicants on procedures, and the performance reporting requirements amended to identify projects where some further support may be required. Grant recipients will also be asked to provide slightly more information about the outcomes and outputs of their projects.

The CUAC Reference Group is CUAC's key consultative mechanism with other consumer organizations and which advises the CUAC Board on current and emerging consumer utility issues and CUAC's work program. It met three times over the reporting period. The Board decided to institute a review of the Reference Group, as it became increasingly clear that some members, particularly business consumer groups, were not finding great value in the meetings. The focus of the review will be to investigate whether the mechanism can be made of more value to members and CUAC alike. The review is not yet finalised, but should be in the first quarter of 2005/06.

Grants Made from the CUAC Grants Program

The following lists the organisations to whom grants were awarded by CUAC during the reporting period, as well as details of the research project and the amount of the grant.

Grant Recipient	Project Focus	\$ (GST-exclusive)
Public Grants Program: Round ending November 2004		
VCOSS	Funding of Energy Campaign Officer to coordinate community sector campaign on fuel poverty alleviation and prevention, and enhance capacity of VCOSS membership to engage in energy and water issues	27,380
Chronic Illness Alliance	To improve information on customer rights and support services available to health service providers and welfare agencies dealing with consumers suffering from chronic illness, in greater Geelong/Colac area and among CIA membership	20,400
City of Greater Bendigo	Provision of data to ESC on accuracy of loss factor calculations as provided by the retailer, and quantification of business energy management practices	15,000
Public Grants Program: Round ending May 2005		
Centre for Regulatory Studies, Monash University	Research on international best practice models of consumer consultation.	24,310
Springvale Community Aid and Advice Bureau	Training for local utility and local African migrant community work to develop programs and strategies to assist that community. Research to be undertaken in conjunction with EWOV and AGL.	24,140
Financial and Consumer Rights Council (FCRC)	The project will develop targeted information in a variety of languages on energy for low-income households, working with the clients of financial counsellors and the FCRC membership to develop the material.	25,000
EO Grants Program 2004/05		
Alternative Technology Association	Response to ESC Water Pricing Draft Determination	6000
FCRC	Coordination of FCRC input to the Government Inquiry on energy affordability	7272
People First – Total Solutions	Coordinating a response from the emergency relief network to the Government Inquiry on energy affordability	5745
CUAC Initiated Research 2004/05		
JayCee Asia Pacific Consulting	Research to elicit implications for consumers from Government's proposed changes to cross-ownership rules in energy.	21,600
Shire of Campaspe – CUAC	In conjunction with Advocacy Panel funding, this research will identify the energy requirements of a rural community and assess the effectiveness of the regulatory and policy mechanisms to ensure affordable and reliable supply.	15,000
	TOTAL	191,847

Directors' Report

The directors of the Consumer Utilities Advocacy Centre Ltd present this report for the financial year ended 30 June 2005.

Directors

The names of each person who has been a director during the financial year and to the date of this report are:

Professor E.W. Russell, BA (Hons), B Ec PhD, FIPAA(Vic), FAIM	Chairman
Ms Jennifer Dawson, BBus (Accounting)	Director
Mr Chris Field, BA LLB (Hons)	Director
Mr John Mumford, Dip Community Services (Financial Counselling)	Director
Ms Joan Sturton-Gill, B Ed, Grad Dip Career Ed, Masters Administration	Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

No director has any interest in business contracts or proposed financial dealings for personal benefit with the company declared during the financial year ended 30 June 2005.

The company is incorporated as a company limited by guarantee and therefore does not have share capital.

The CUAC Constitution stipulates the skills and expertise that Directors bring to the organisation. The Chairman must hold a demonstrated understanding of regulated industries and consumer advocacy methodologies, two Directors are appointed on the basis of their knowledge and expertise in areas related to the functions of the company, such as economics, regulatory affairs, consumer affairs or communications and the remaining two Directors represent key consumer interests.

Directors' Meeting

During the current financial year ended 30 June 2005, 8 meetings of the company's directors were held, in respect of which, each director of the company attended the following number:

Director	Number of Meetings Conducted whilst a Director	Number of Meetings Attended
Professor E W Russell	8	7
Ms Jennifer Dawson	8	8
Mr Chris Field	8	6
Mr John Mumford	8	8
Ms Joan Sturton-Gill	8	6

Company Secretaries

The name of the person who is a company secretary at the end of the financial year is Kerry Connors, BA, Grad. Dip in Foreign Affairs and Trade, MA (underway).

Operating Result

The deficit of the organisation for the year ended 30 June 2005 amounted to \$23,309 (2004: deficit of \$90,866). The deficit was funded through the funds carried over from the previous financial year.

Review of Operations

A review of the operations of the company for the year ended 30 June 2005 is contained in the Report on CUAC activities.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the company occurred during the year ended 30 June 2005.

Principal Activities

In line with CUAC's corporate objectives (see p. 3), the principal activities of the company in the course of the financial year were: to operate as an independent advocate for Victorian electricity, gas and water consumers, particularly low-income, disadvantaged and rural consumers; to increase the capacity of consumers and consumer advocates to participate in policy and regulatory decisions on electricity, gas and water through its own resources and its management of the CUAC Grants Program; undertake research and commission research into consumer utility issues, with a particular focus on low-income, disadvantaged and rural consumers, and to disseminate that knowledge as widely as possible; and to monitor consumer utility issues, particularly those affecting low-income, disadvantaged and rural consumers. There were no significant changes in these activities during the financial year.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

Future Developments

In the opinion of the directors there are no likely developments in the operations of CUAC which would affect the results of future years.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnities and insurance for directors and officers

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary and all executive officers of the company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001, to the amount of \$10 million. The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the Board of Directors.

E W Russell
Chairman

Melbourne, 25 August 2005

Auditors Independence Declaration

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there have been no contravention of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

K C WOOD
Partner

Dated at Melbourne

2005

**INDEPENDENT AUDIT REPORT
TO THE MEMBER OF CONSUMER UTILITIES ADVOCACY CENTRE LTD**

Scope

We have audited the financial report of Consumer Utilities Advocacy Centre Ltd comprising the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements for the year ended 30 June 2005. The company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with our understanding of the company's financial position and performance as presented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of the Consumer Utilities Advocacy Centre Ltd is in accordance with:

- a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Dated at Melbourne

2005

K C WOOD
Partner

Directors' Declaration

The Directors of the company declare that:

1. The financial statements and notes set out on pages 16 to 26 are in accordance with the *Corporations Act 2001* and,
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

E W Russell
Chair

Dated this 25th day of August 2005.

Statement of Financial Performance

for the Financial year ended 30 June 2005

	Note	2005 \$	2004 \$
Revenue from Ordinary Activities	2	<u>525,642</u>	<u>526,603</u>
		<u>525,642</u>	<u>526,603</u>
Grant Programs		189,715	275,556
Employee Benefits		268,929	241,562
Office Establishment		-	260
Depreciation		12,265	10,869
Rent		17,529	16,818
Audit and Accounting		2,890	7,905
Insurance		16,475	14,859
Office Expenses		12,053	12,653
Grants Program Advertising		6,429	11,770
CUAC Events		990	10,008
Borrowing Costs		646	2,552
Other Expenses from Ordinary Activities		<u>21,030</u>	<u>12,657</u>
		548,951	617,469
Loss from Ordinary Activities before Income Tax Expense	3	<u>(23,309)</u>	<u>(90,866)</u>
Income Tax Expense relating to Ordinary Activities		-	-
Net Loss from Ordinary Activities attributable to members of the Company		<u>(23,309)</u>	<u>(90,866)</u>

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2005

	Note	2005 \$	2004 \$
CURRENT ASSETS			
Cash Assets	4	434,256	521,499
Receivables	5	6,037	9,189
Other Assets	6	1,486	17,905
TOTAL CURRENT ASSETS		<u>441,779</u>	<u>548,593</u>
NON-CURRENT ASSETS			
Plant and Equipment	7	26,550	35,445
TOTAL NON-CURRENT ASSETS		<u>26,550</u>	<u>35,445</u>
TOTAL ASSETS		<u>468,329</u>	<u>584,038</u>
CURRENT LIABILITIES			
Payables	8	79,550	175,258
Employee Benefits	9	9,813	6,505
TOTAL CURRENT LIABILITIES		<u>89,363</u>	<u>181,763</u>
TOTAL LIABILITIES		<u>89,363</u>	<u>181,763</u>
NET ASSETS		<u>378,966</u>	<u>402,275</u>
EQUITY			
Retained Profits	10	378,966	402,275
TOTAL EQUITY		<u>378,966</u>	<u>402,275</u>

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2005

	Note	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Government Funding		500,000	500,000
Interest received		25,642	26,603
Interest paid		(646)	(2,552)
Payments to suppliers and others		<u>(608,869)</u>	<u>(473,457)</u>
Net cash provided by (used in) operating activities	11(b)	<u>(83,873)</u>	<u>50,594</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Property, Plant and Equipment		<u>(3,370)</u>	<u>(2,836)</u>
Net cash used in investing activities		<u>(3,370)</u>	<u>(2,836)</u>
Net increase/(decrease) in cash held		(87,243)	47,758
Cash at the beginning of the financial year		<u>521,499</u>	<u>473,741</u>
Cash at the end of the financial year	4	<u>434,256</u>	<u>521,499</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the Year ended 30 June 2005

1 STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus views and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Company Structure

The company is an incorporated company limited by guarantee. In the event of the CUAC being wound up, the liability of each Member, or each former Member, resigning during the preceding year of CUAC being wound up is limited to an amount not exceeding \$10.00. As CUAC is limited by guarantee, there is no reference in the Statement of Financial Position of share capital or shareholders' equity. As at 30 June 2005 there was 1 member (2004: 1).

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Income Tax

The company is a non-profit company for income tax purposes and is taxable only on non-member income.

b) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within then than two months and net of bank overdrafts.

c) Plant and Equipment

Each class of equipment is carried at cost less any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amount.

The depreciable amount of all fixed assets are depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use.

Notes to the Financial Statements for the Year ended 30 June 2005 (Cont'd)

1 STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

c) Plant and Equipment (Cont'd)

The depreciation rates used for each class of assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and Equipment	5% - 25%

d) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

e) Revenue

Funding provided by the State Government is recognised on a receipts basis.

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

Funding provided by the State Government is not subject to goods and services tax (GST).

f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Funding received from the State Government is not subject to GST.

Notes to the Financial Statements for the Year ended 30 June 2005 (Cont'd)

1 STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

The directors of the company are preparing and managing the transition to Australian equivalents to International Financial Reporting Standards (AIFRS) effective for financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the company's financial statements for the year ended 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The directors have assessed the significance of the expected changes and are preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that there are no key material differences in the company's accounting policies on conversion to AIFRS. Users of the financial statements should, however, note that the amounts disclosed could change if there are any amendments to the current AIFRS by standard-setters, or interpretation of the AIFRS requirements changes due to the continuing transition work of the directors.

Notes to the Financial Statements for the Year ended 30 June 2005 (Cont'd)

	2005	2004
	\$	\$
2 OPERATING REVENUE		
The revenue entering into the determination of operating result is:		
Grant Funding Received	500,000	500,000
Interest Received	<u>25,642</u>	<u>26,603</u>
	<u>525,642</u>	<u>526,603</u>
3 OPERATING LOSS		
Loss from ordinary activities after income tax:		
Remuneration of auditor		
- audit of the Company's Financial Report	2,750	3,200
- other services provided	<u>-</u>	<u>4,805</u>
	<u>2,750</u>	<u>8,005</u>
4 CASH ASSETS		
Cash at Bank	<u>434,256</u>	<u>521,499</u>
5 RECEIVABLES		
GST Receivable	<u>6,037</u>	<u>9,189</u>
6 OTHER ASSETS		
Prepayments	<u>1,486</u>	<u>17,905</u>

Notes to the Financial Statements for the Year ended 30 June 2005 (Cont'd)

	2005	2004
	\$	\$
7 PLANT AND EQUIPMENT		
Plant and Equipment at Cost	59,444	56,074
Less Accumulated Depreciation	<u>(32,894)</u>	<u>(20,629)</u>
	<u>26,550</u>	<u>35,445</u>
a) Movements in Carrying Amounts		
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year		
	Plant and Equipment \$	
Balance at the beginning of the year	35,445	
Additions	3,370	
Depreciation expense	<u>(12,265)</u>	
Carrying amount at the end of the year	<u>26,550</u>	
8 PAYABLES		
Grants payable	71,178	132,200
Creditors and accruals	<u>8,372</u>	<u>43,058</u>
	<u>79,550</u>	<u>175,258</u>
9 EMPLOYEE BENEFITS		
Provision for Annual Leave	<u>9,813</u>	<u>6,505</u>
10 RETAINED PROFITS		
Retained Profits at the beginning of the year	402,275	493,141
Net Loss	<u>(23,309)</u>	<u>(90,866)</u>
Retained Profits at the end of the year	<u>378,966</u>	<u>402,275</u>

Notes to the Financial Statements for the Year ended 30 June 2005 (Cont'd)

	2005	2004
	\$	\$
11 CASH FLOW INFORMATION		
(a) Reconciliation of Cash		
Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the statement of financial position as follows:		
Cash at bank	434,256	521,449
(b) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities		
Loss from ordinary activities after income tax	(23,309)	(90,866)
Non-cash flows in profit from ordinary activities:		
Depreciation	12,265	10,869
Changes in assets and liabilities		
(Increase)/Decrease in other assets	19,571	(10,990)
Increase/(Decrease) in payables	(95,708)	141,543
Increase in provisions	3,308	38
Cash flows from operations	<u>(83,873)</u>	<u>50,594</u>

Notes to the Financial Statements for the Year ended 30 June 2005 (Cont'd)

12 FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing	
	2005 %	2004 %	2005 \$	2004 \$	2005 \$	2004 \$
Financial Assets						
Cash at Bank	5%	4.5%	434,256	521,499	-	-
Receivables	-	-			7,523	27,094
Total Financial Assets			<u>434,256</u>	<u>521,499</u>	<u>7,523</u>	<u>27,094</u>
Financial Liabilities						
Trade and other creditors	-	-	-	-	79,550	175,258
			<u>-</u>	<u>-</u>	<u>79,550</u>	<u>175,258</u>

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(c) Net fair values

The carrying amount of bank deposits, prepayments, accounts payable, accounts receivable and deferred revenue approximate fair value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the Notes to the Financial Statements.

Notes to the Financial Statements for the Year ended 30 June 2005 (Cont'd)

13 RELATED PARTY TRANSACTIONS

There were no related party transactions over the reporting period. The only relevant item to be noted is the research report *Access to Energy and Water in Victoria* that CUAC undertook in partnership with Consumer Law Centre Victoria and which was previously reported in CUAC's Annual Report for the financial year 2003/04.

14 EVENTS SUBSEQUENT TO BALANCE DATE

No events have occurred since balance date which have a significant impact on the operations of the company.

15 EMPLOYEE NUMBERS

The number of employees as at 30 June 2005 was 5 (EFT 3.7) (2004: 3).

16 DIRECTORS' REMUNERATION

Directors' total remuneration from the company over the reporting period was as follows.

	2005	2004
	\$	\$
Revenue received or receivable by all Directors of the company in connection with the management of the company	56,799	55,045
	No.	No.
Band (\$)		
\$1-9,999	4	4
\$10,000 – 19,999	1	1

Directors' remuneration is based on the Government's Guidelines for the Appointment and Remuneration of Part-Time Non-Executive Directors of State Government Boards and Members of Statutory Bodies and Advisory Committees.

17 ECONOMIC DEPENDENCE

The continued operation of the organisation is dependent on ongoing funding from the State Government.

18 COMPANY INFORMATION

The registered office and principal place of business of the Company is:

Consumer Utilities Advocacy Centre Ltd
Level 2, 172 Flinders Street
Melbourne VIC 3000

Appendix A: CUAC Work Program 2004/05

MARKET REGULATION
<p>Advocacy and research for the National Electricity Market</p> <p><u>Objective:</u> To represent the interests of Victorian consumers in the development of a national retail and distribution regulatory regime</p> <p>Electricity Distribution Price Review (EDPR)</p> <p><u>Objectives:</u> To ensure that Victorian consumers are effectively represented in ESC EDPR, assist consumers identify the impact of the EDPR on their interests and to help them to advocate for those interests</p> <p>Water</p> <p><u>Objectives:</u> to ensure interests of Victorian consumers effectively represented in regulatory processes and effective customer protections included in regulatory framework</p> <p>Outcome of FRC Review</p> <p><u>Objectives:</u> To ensure that Victorian consumers are aware of the outcomes and implications of the FRC Review</p>
CUSTOMER PROTECTION
<p>Communication with consumers on utilities issues</p> <p><u>Objective:</u> to ensure that Victorian consumers are able to access relevant information easily and to position CUAC as a source of information on the policy and regulatory debate</p> <p>CUAC Grants Program</p> <p><u>Objective:</u> to provide support to consumer and community groups to participate more effectively in the policy and regulatory debate on electricity, gas and water</p>
AFFORDABILITY AND ACCESS
<p>Impact of disconnections – CUAC/CLCV joint research project</p> <p><u>Objective:</u> to advocate for recommendations arising from joint CUAC-CLCV report on impact of disconnections</p> <p>Energy efficiency issues – CUAC-initiated research</p> <p><u>Objective:</u> to analyse public policy programs in Australia and overseas that facilitate improved energy efficiency among residential consumers and particularly low-income and disadvantaged consumers and to identify best practice framework for adoption by Victorian Government</p> <p>Indigenous utility consumers</p> <p><u>Objective:</u> to advocate changes to regulators, policy-makers and industry to address disadvantages suffered by indigenous utility consumers</p> <p>Hardship Policies</p> <p><u>Objective:</u> to ensure that best practice hardship policies are adopted by energy retailers in Victoria, and advocate for their application within a national retail regulatory regime</p> <p>Pre-payment meters</p> <p><u>Objective:</u> to ensure that the review on the introduction of pre-payment meters adequately addresses their potential to increase the vulnerability of disadvantaged consumers</p> <p>Whole of government dialogue on affordability issues</p> <p><u>Objective:</u> to encourage the Victorian Government to investigate and assess the effectiveness of the range of government programs dealing with energy and water affordability and access</p>

GOVERNANCE

Board

Objective: To ensure that CUAC meets its constitutional objects and obligations in a responsible, transparent and accountable manner

Meeting CUAC obligations at the end of the 2003/04 financial year

Objective: that CUAC meets its obligations under the Corporations Act and in accordance with its agreement with the Member

Review of CUAC administrative systems

Objective: to ensure that CUAC administrative systems are operating effectively and efficiently

Appendix B: Reference Group Members

Mr Rob Lorenzon
Manager - Environment & Energy
Australian Industry Group

Mr Ric Brazzale
Executive Director
Business Council for Sustainable Energy

Mr Denis Nelthorpe
Consumers Federation of Australia

Ms Anna Stewart
A/g Executive Director
Consumer Law Centre, Victoria

Mr John Dick
President
Energy Action Group

Mr Roman Domanski
Executive Director
Energy Users Association of Australia

Mr Daniel Vornoff
Cool Communities Facilitator
Environment Victoria

Ms Livia Carusi
Executive Officer
Financial & Consumer Rights Council Inc.

Mr Ken Stickland
Chairman, Regulatory Reform Committee
Property Council of Australia

Mr Gavin Dufty
Policy Officer
St Vincent de Paul

Ms Angela Savage
Policy and Research
Victorian Council of Social Services

Mr Chris Cudsi
Principal Economist
Victorian Employers' Chamber of Commerce and Industry

Mr Simon Price
Senior Policy Analyst
Victorian Farmers Federation