Australian Government
Clean Energy Regulator

Clean Energy Regulator

BUILDING EVALUATION INTO THE FABRIC OF AN ORGANISATION

THE CLEAN ENERGY REGULATOR

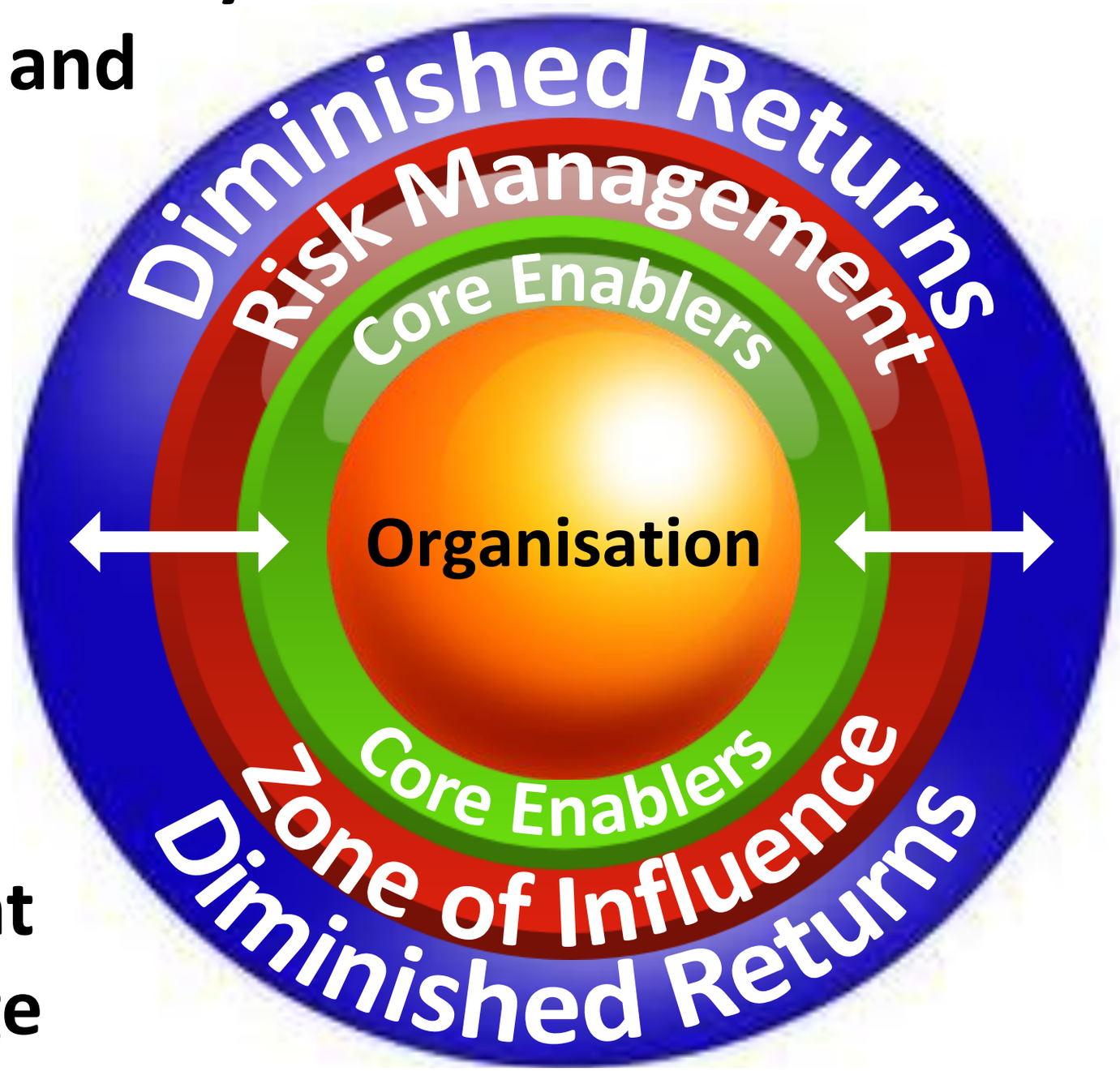
Click Here To Start

January 2013

Author: P. Skorich

OPERATING IN A RISK ENVIRONMENT

- **An organisation is a social entity that has a collective goal and influences an external environment.**
- **The influence on the external environment is the factor that achieves the collective goal.**
- **The external environment is characterised by change and uncertainty.**

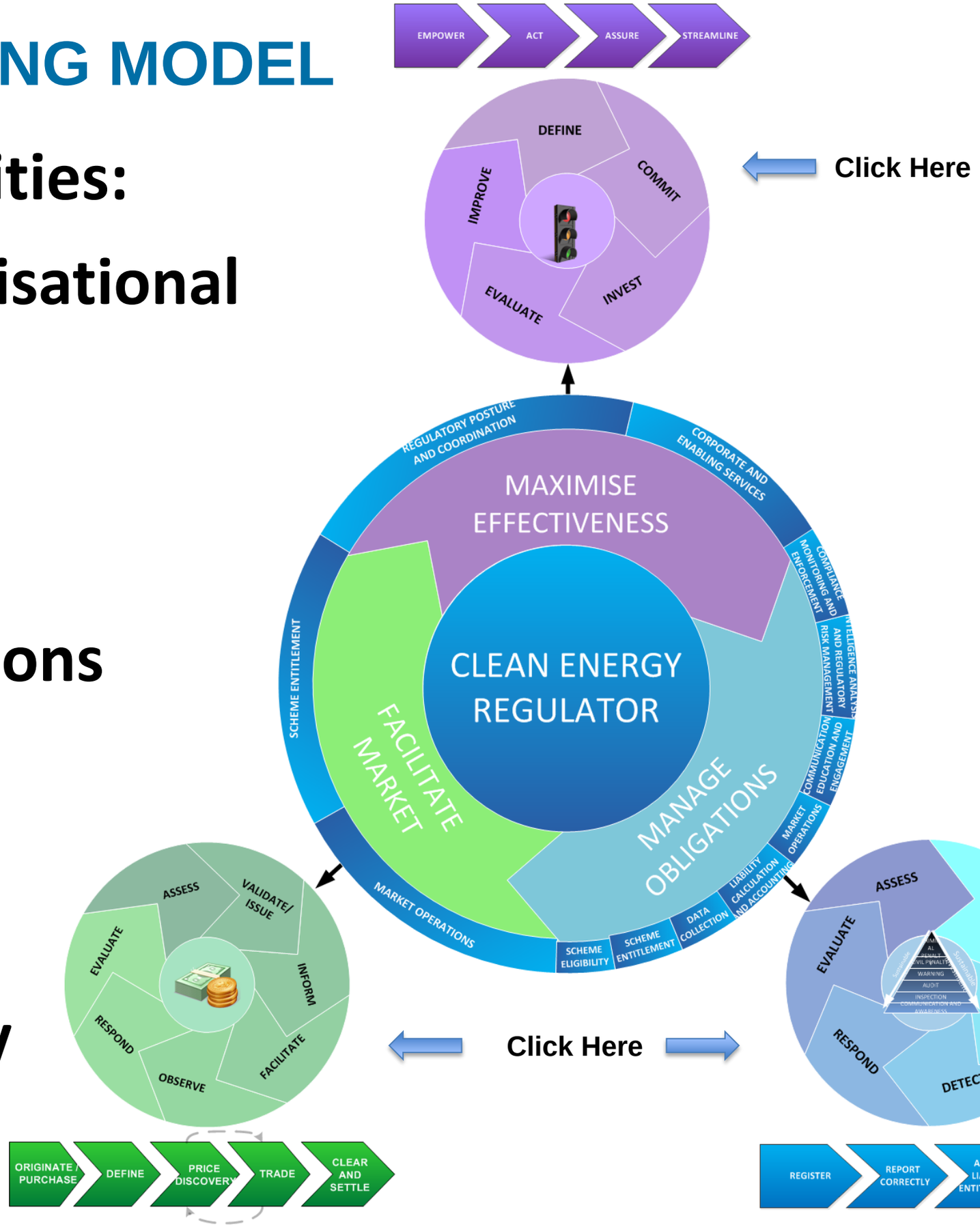


Continue

BUSINESS OPERATING MODEL

Three strategic activities:

- **Maximising organisational effectiveness**
- **Managing clients' legislative obligations**
- **Facilitating the Carbon and Renewable Energy Markets**

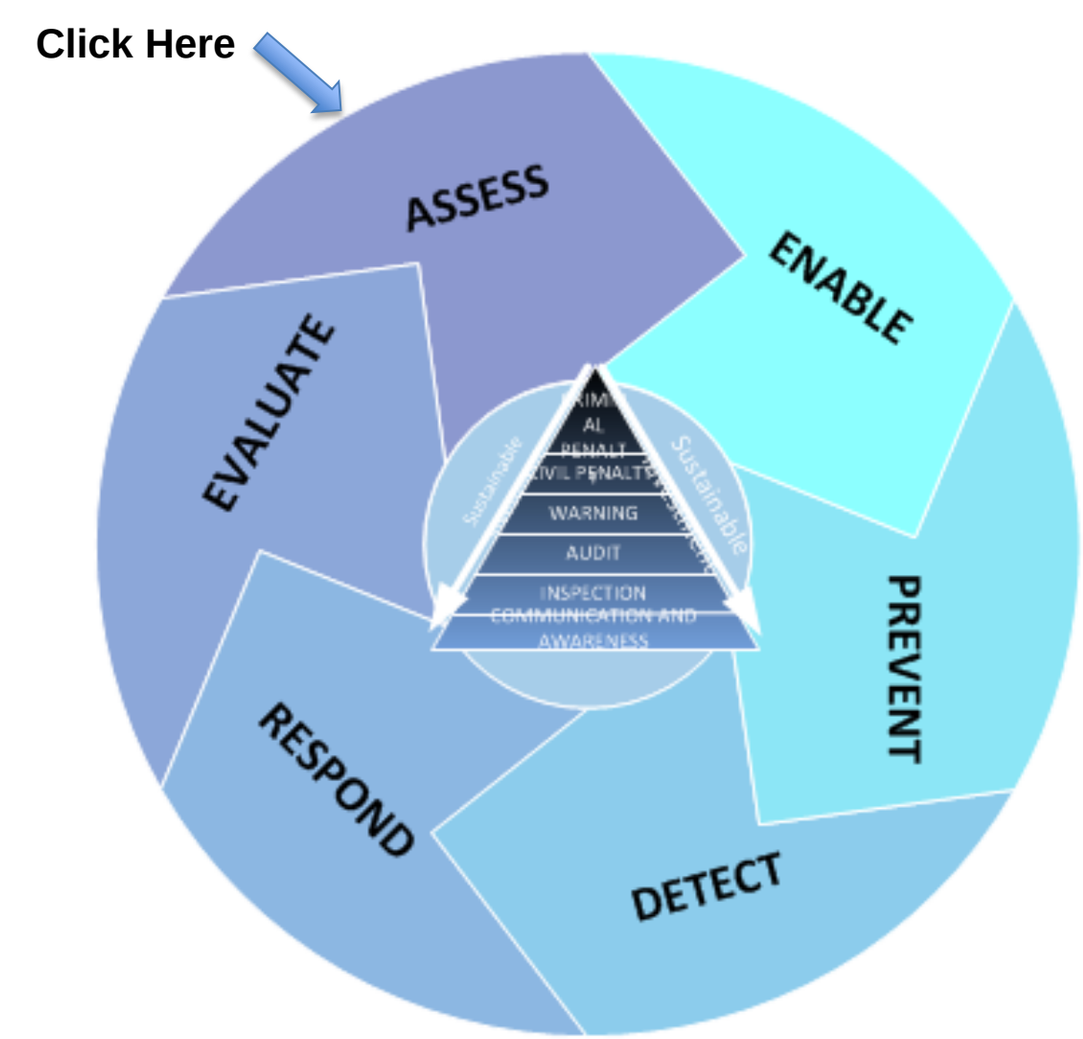


Additionally a full map of CER capabilities can be accessed by clicking here

COMPLIANCE MODEL

While each piece of legislation is designed to meet different legislative outcomes, they all place a common set of obligations on the CER's clients:

- **Register**
- **Report Correctly**
- **Accept a Liability/Entitlement**
- **Transact**



The CER creates an environment of adherence to these obligations. This is its "influence on an external environment"

THE COMPLIANCE CYCLE - ASSESS

The assessment of a client's risk of non-compliance is essential to mobilising and coordinating the CER's resources in the most efficient and effective way to achieve a compliance outcome.

The assessment consists of three components:

- **Compliance State Determination**
- **Cause Analysis**
- **Response Assessment**

This ensures that all CER officers have a collective view and can therefore be mobilised to deal with a client cohort consistently.

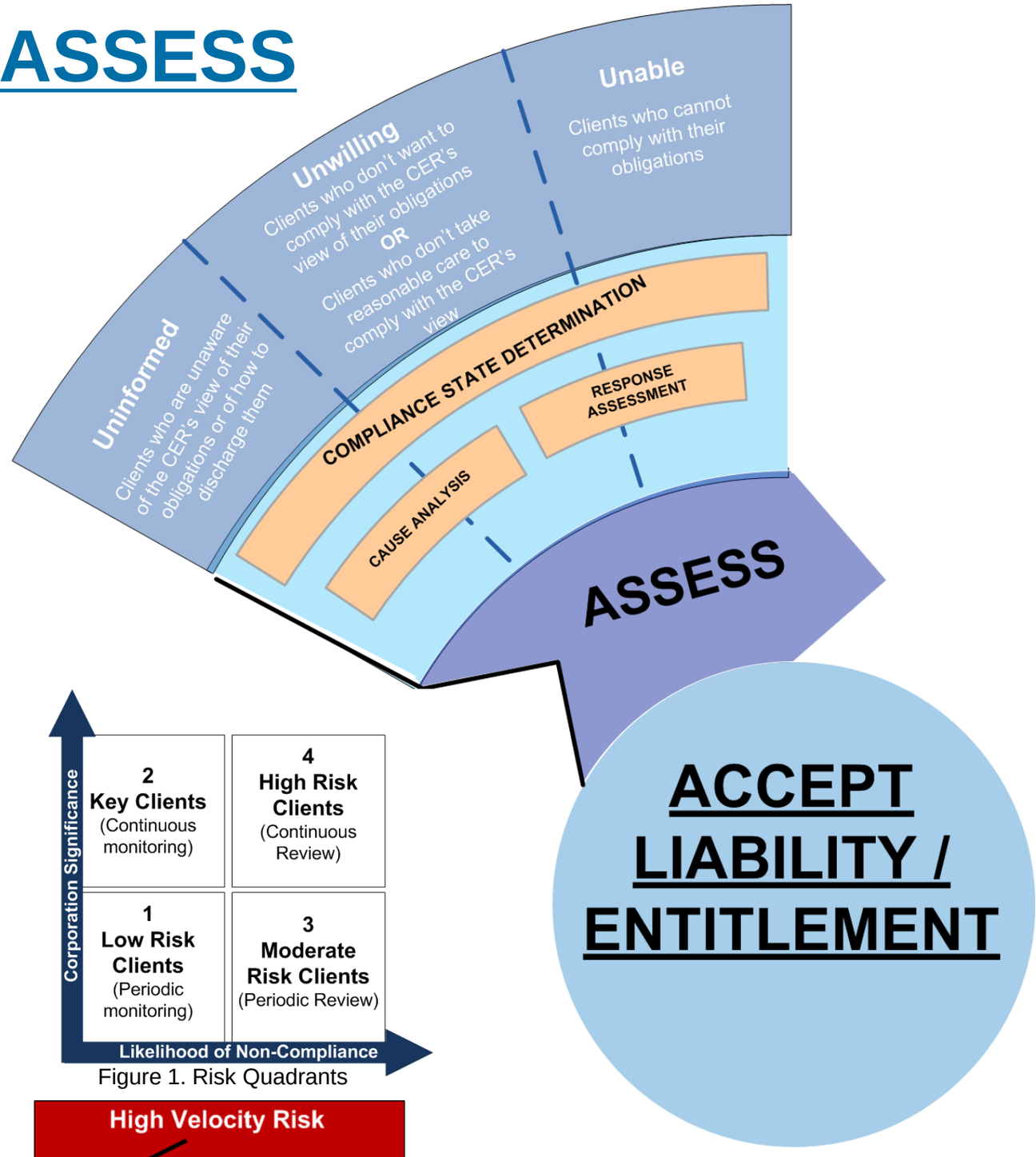


Figure 1. Risk Quadrants

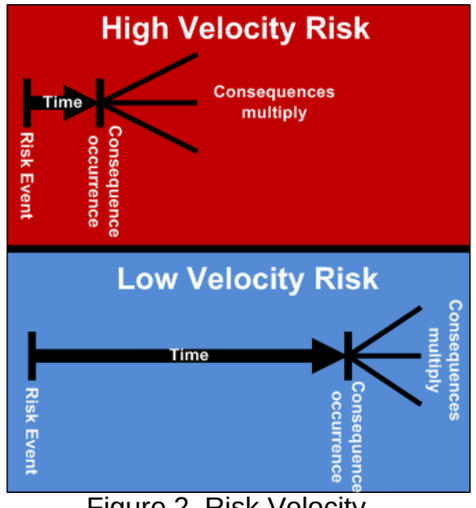


Figure 2. Risk Velocity

Continue to Enable

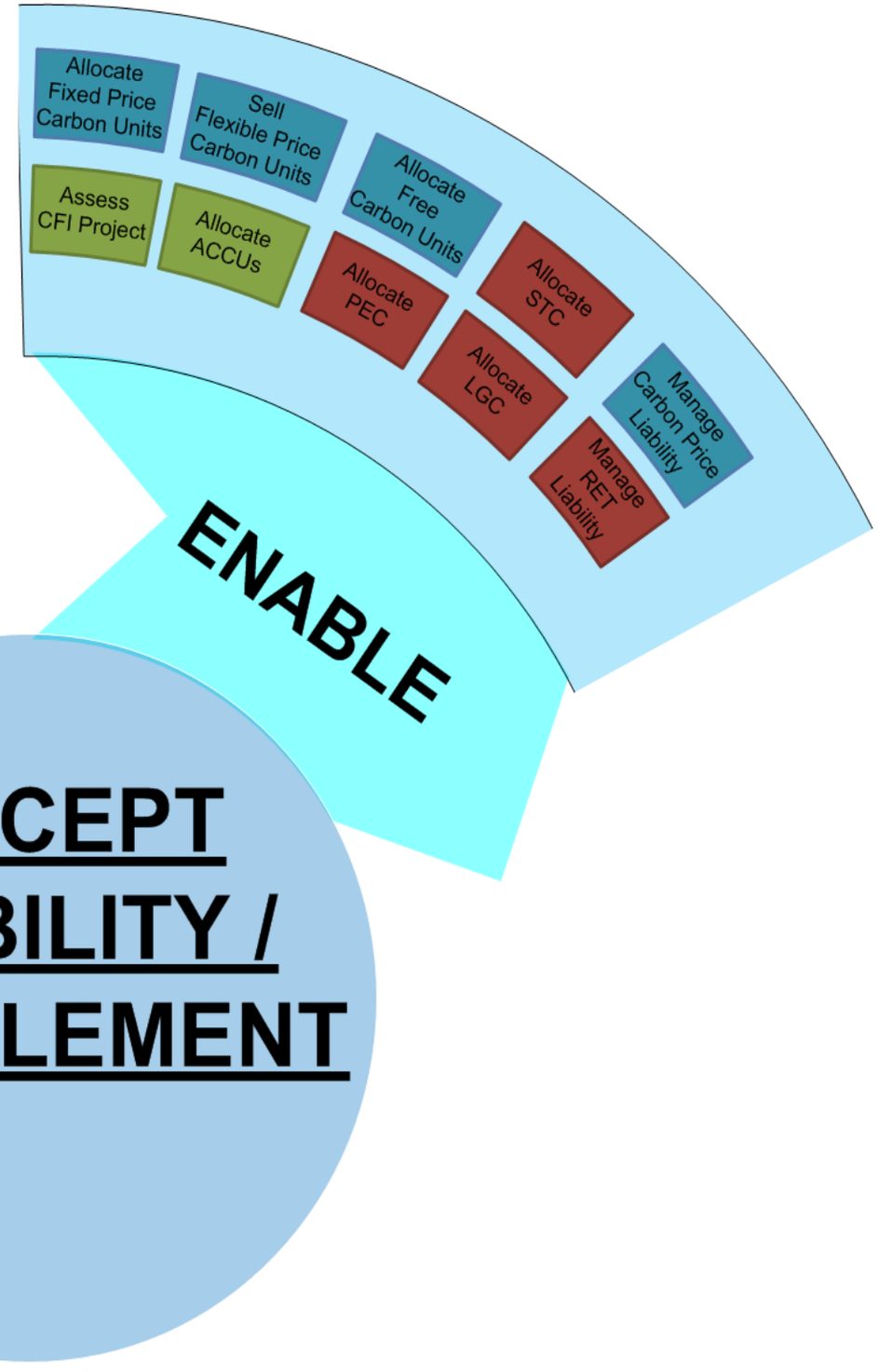
Back to Compliance Model

THE COMPLIANCE CYCLE - ENABLE

Legislation places obligations upon CER clients; however, the CER is responsible for the processes and systems which allow the client to meet their obligations

These are the core enablers.

Tends to be the first area of thought and development because it is explicit in the legislation.



Continue to Prevent

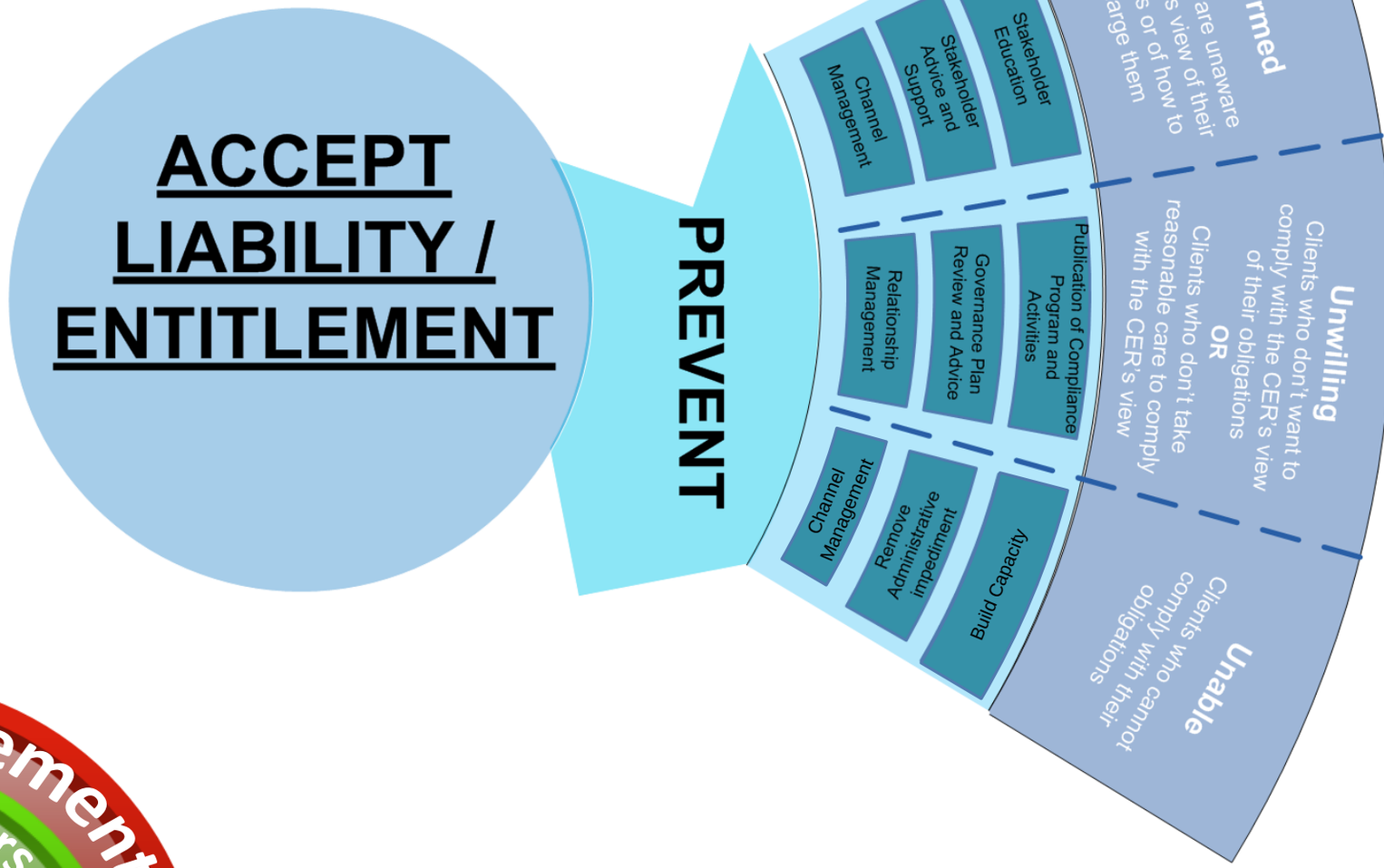
Back to Compliance Model

THE COMPLIANCE CYCLE – PREVENT

Prevention is cheaper and more sustainable than cure. It works on populations rather than individuals.

Uniformed, Unwilling and Unable Clients are treated through different controls

This ensures the CER uses the best available tool to treat the risk.



Continue to Detect

Back to Compliance Model

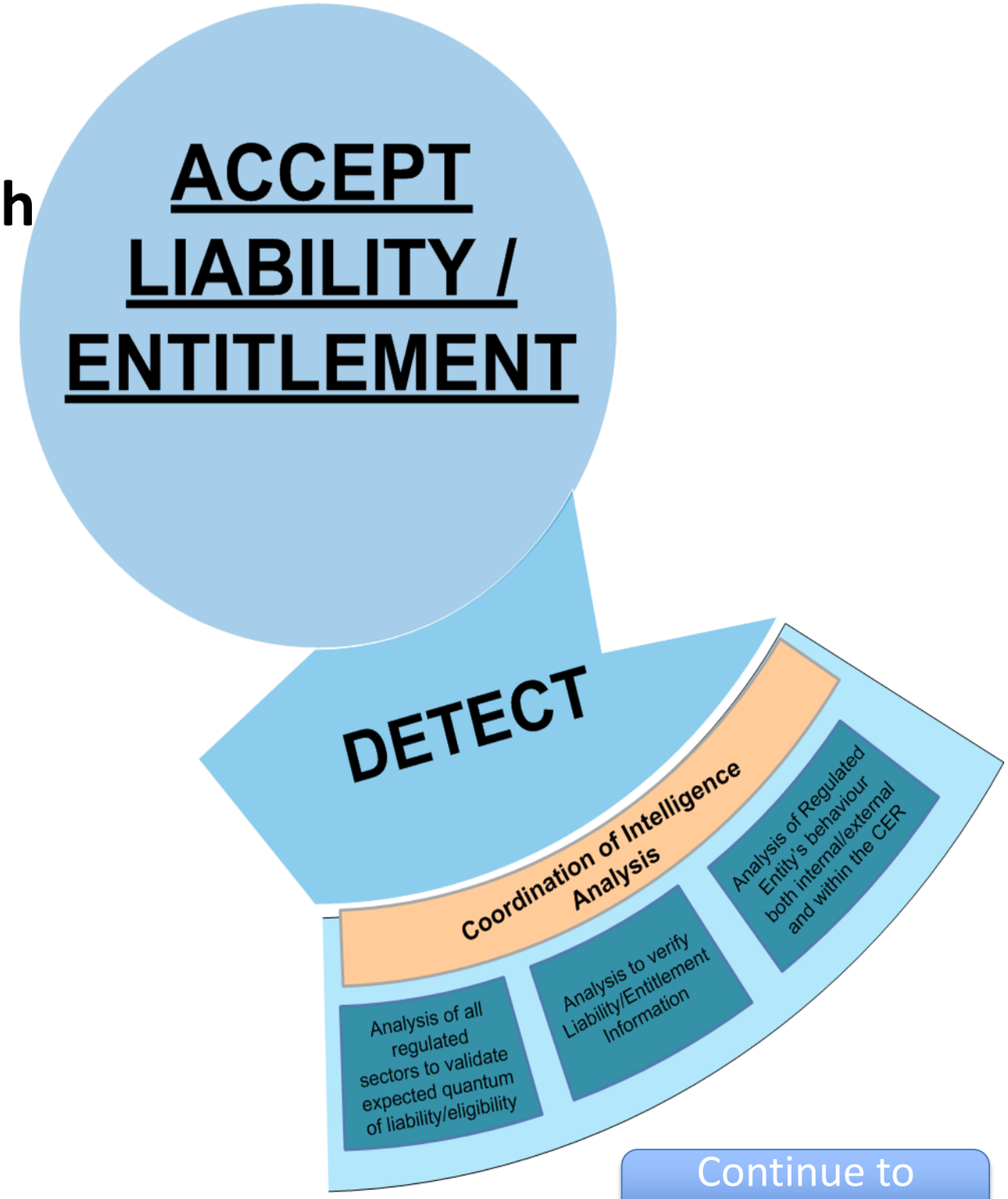
THE COMPLIANCE CYCLE - DETECT

The CER has a range of mechanisms through which it can detect and establish whether its clients or prospective clients are complying with the legislation.

It is vital that information collected throughout the CER be collected consistently.

The assessment of risk determines a cost-effective focus of detective controls.

Additionally, the velocity of the risk will determine how rapidly detection activities need to occur.



Continue to Respond

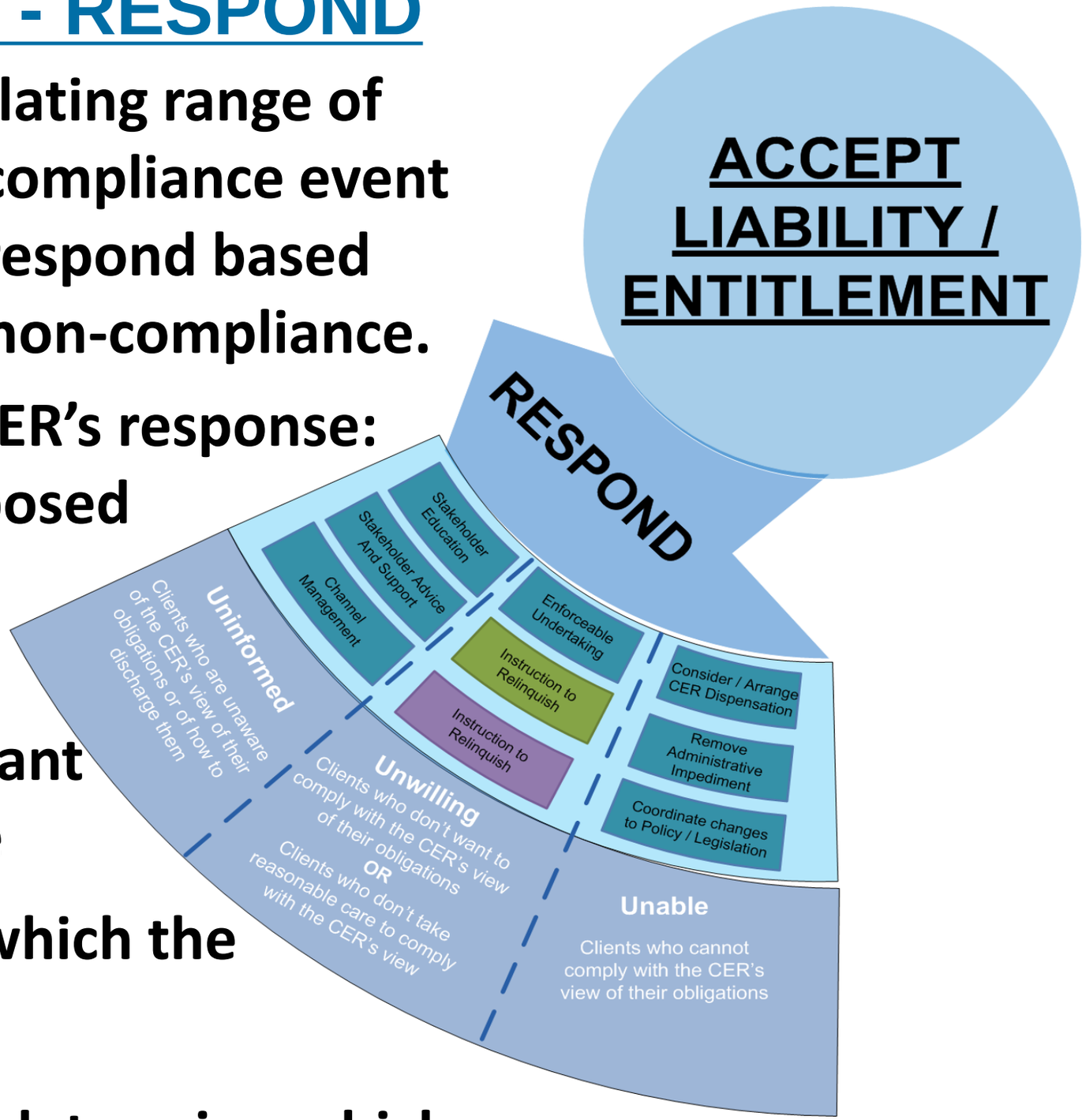
Back to Compliance Model

THE COMPLIANCE CYCLE - RESPOND

The CER is provided with an escalating range of responsive powers. Once a non-compliance event has been detected, the CER will respond based upon the client's motivation for non-compliance.

This flexibility ensures that the CER's response:

- **Is proportionate to the risks posed by the breach**
- **Recognises the capacity and motivation of the non-compliant client to return to compliance**
- **Signals the seriousness with which the CER views the breach**



The upfront risk assessment will determine which responses are routine and which should be escalated for resolution.

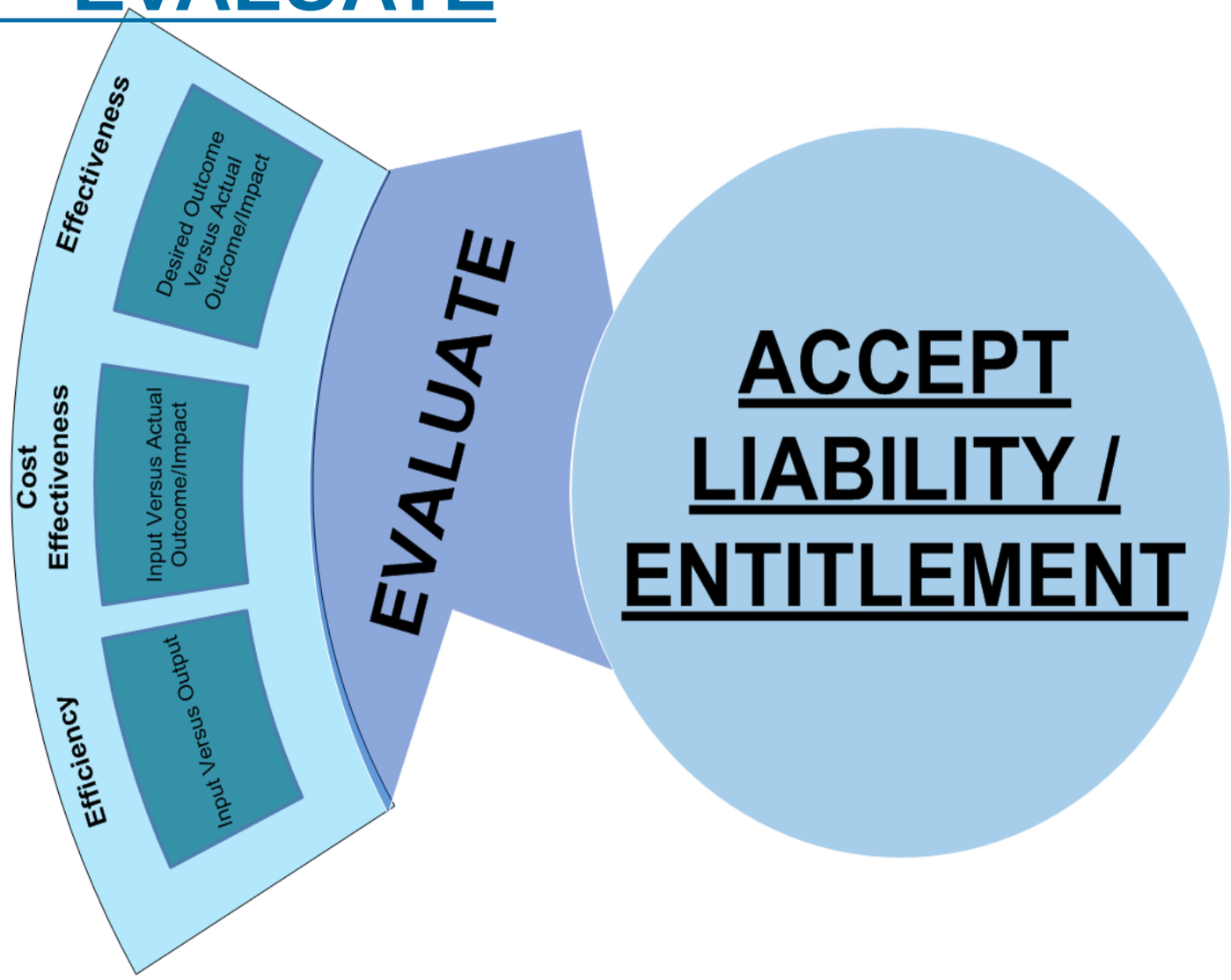
Continue to Evaluate

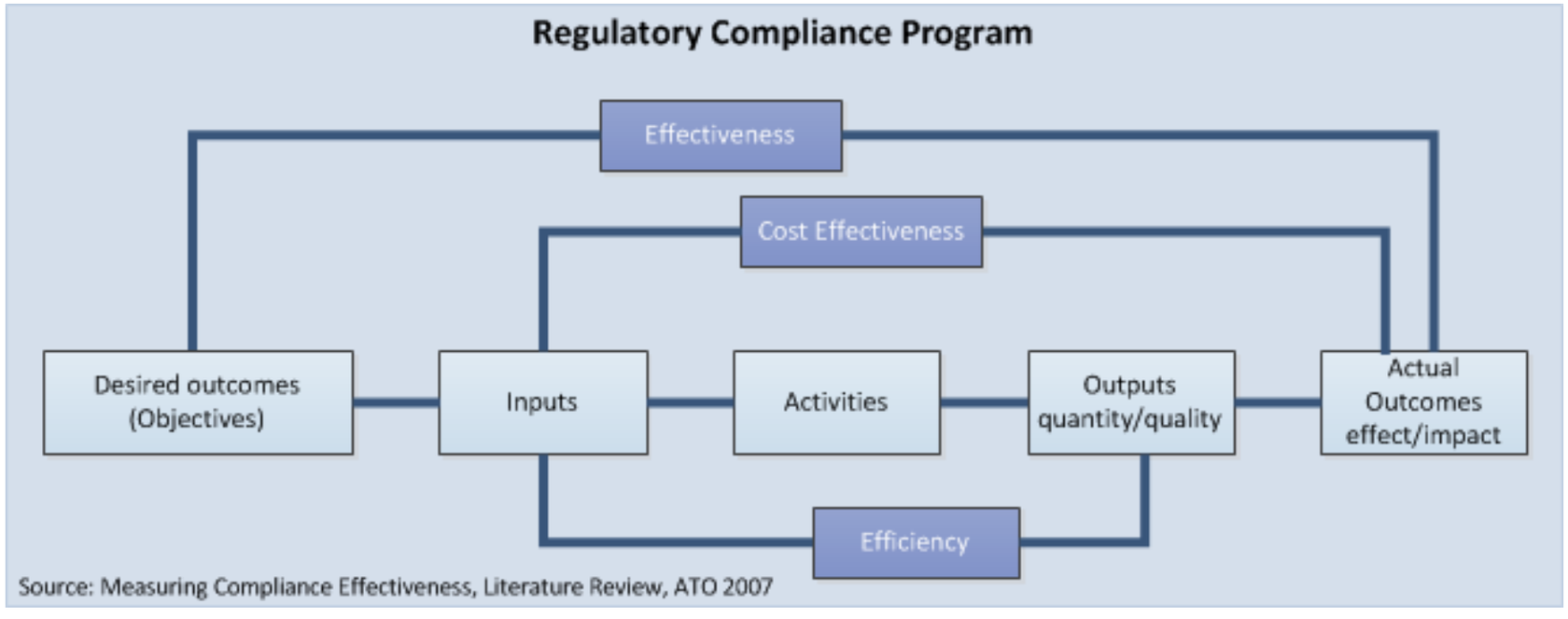
Back to Compliance Model

THE COMPLIANCE CYCLE - EVALUATE

The CER aims to progressively optimise voluntary compliance with all legislative obligations at the lowest effective cost to Government.

What we are measuring is the extent to which our actions have treated the risk to the desired behaviours.





Continue

UNDERSTANDING COST

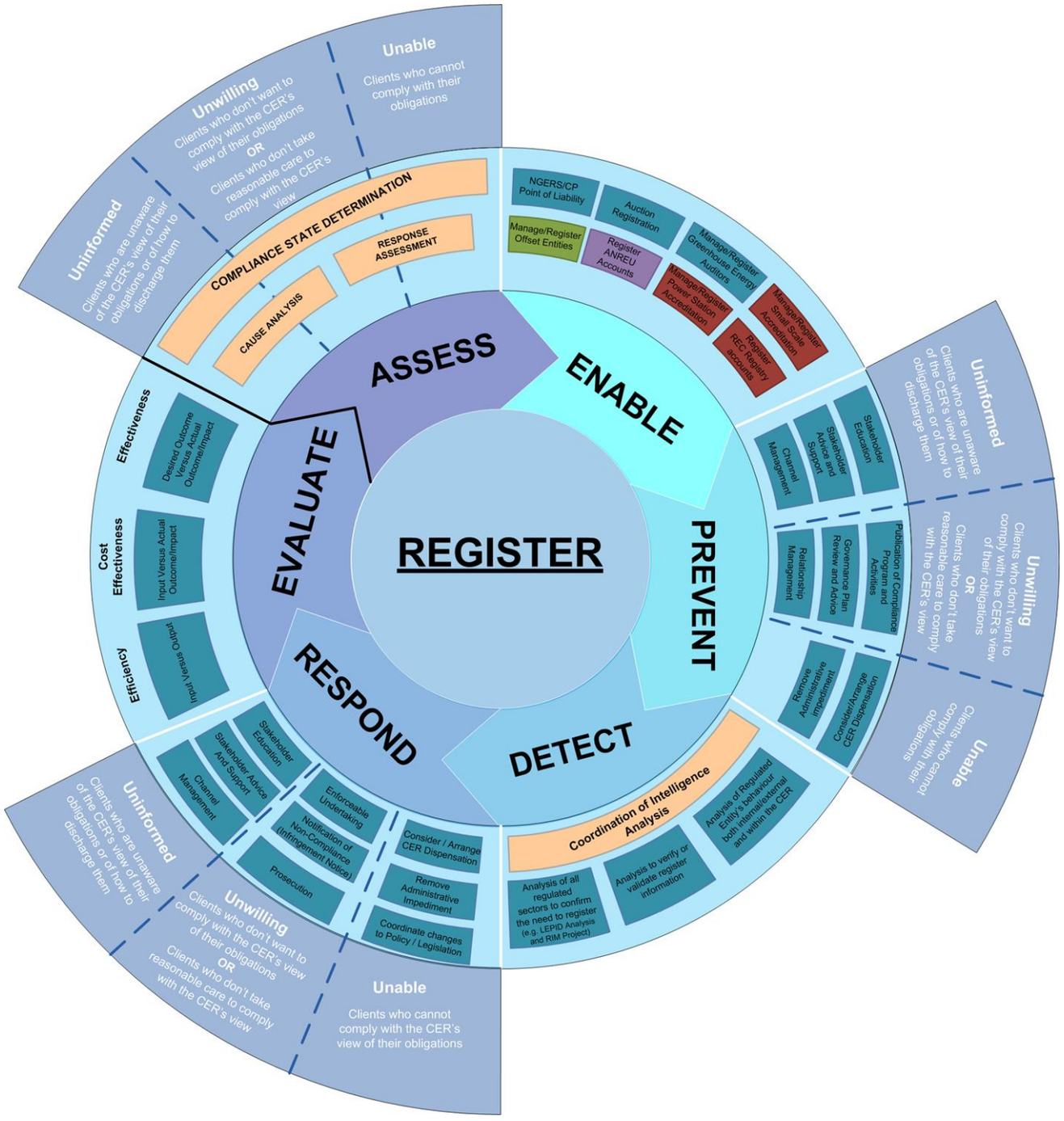
PEOPLE

ORGANISATION

PROCESS

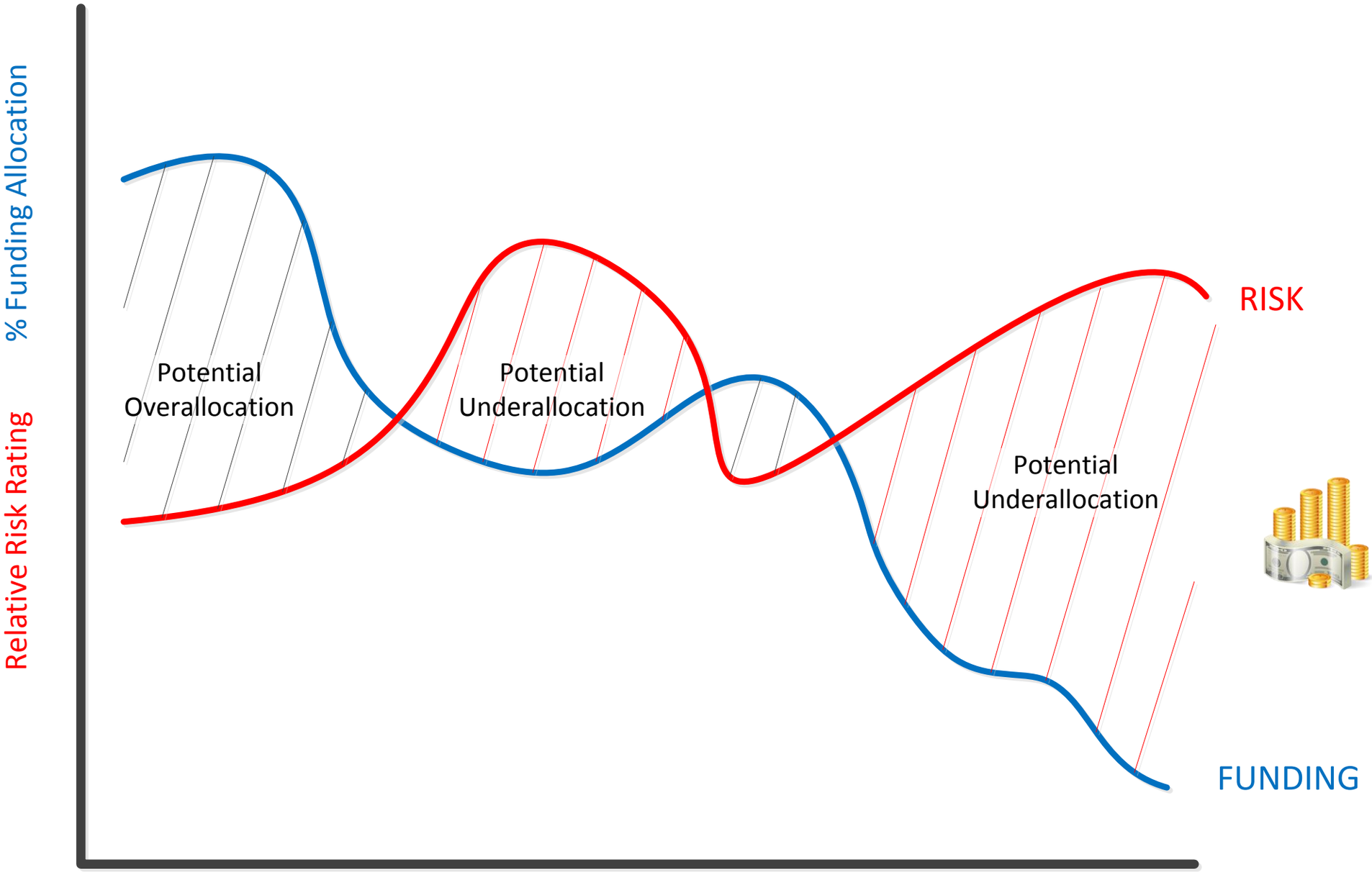
INFORMATION

TECHNOLOGY



Continue

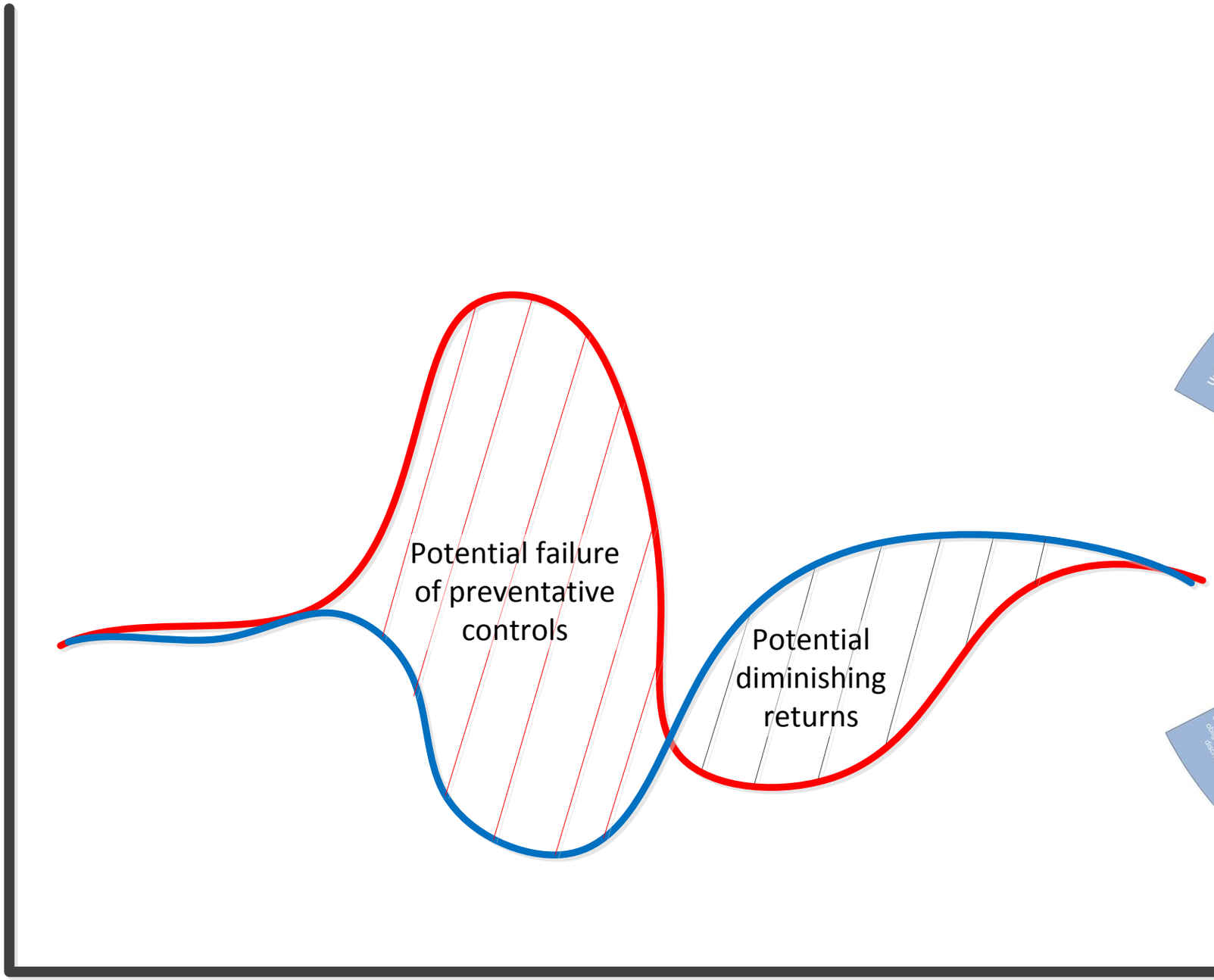
COST VS RISK ANALYSIS

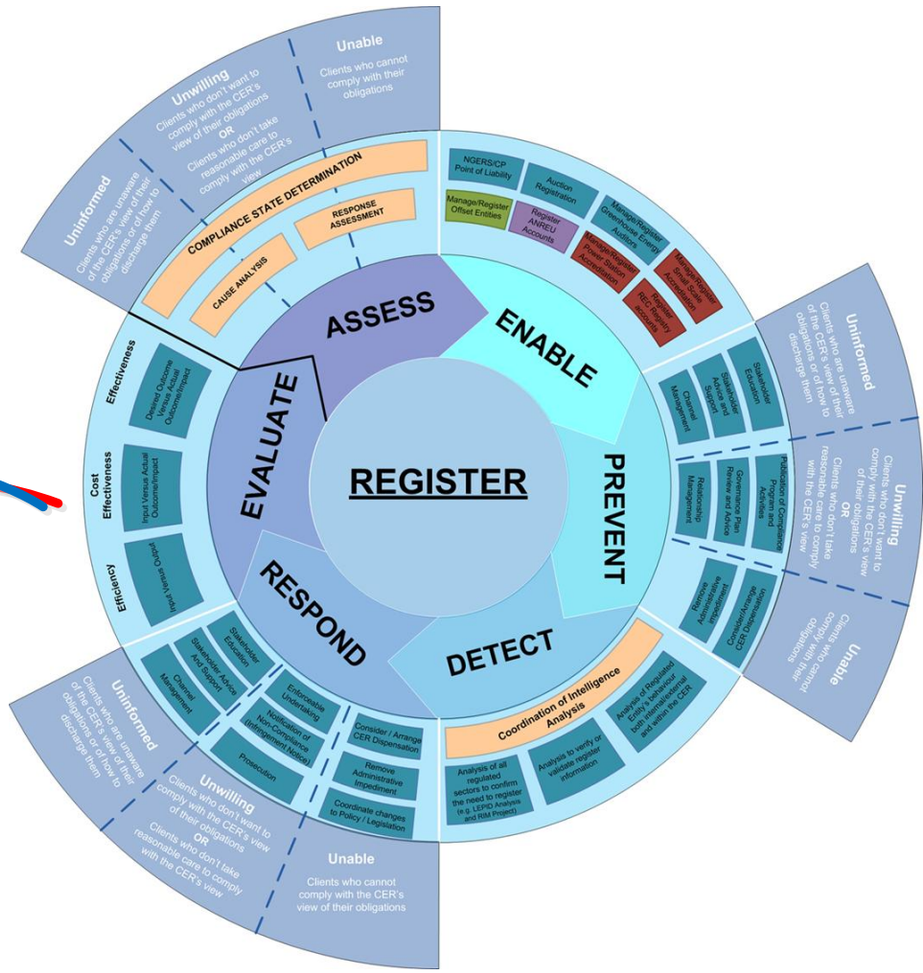


REGISTER → REPORT CORRECTLY → ACCEPT LIABILITY/ ENTITLEMENT → TRANSACT

Continue

COST VS RISK (CONT.)





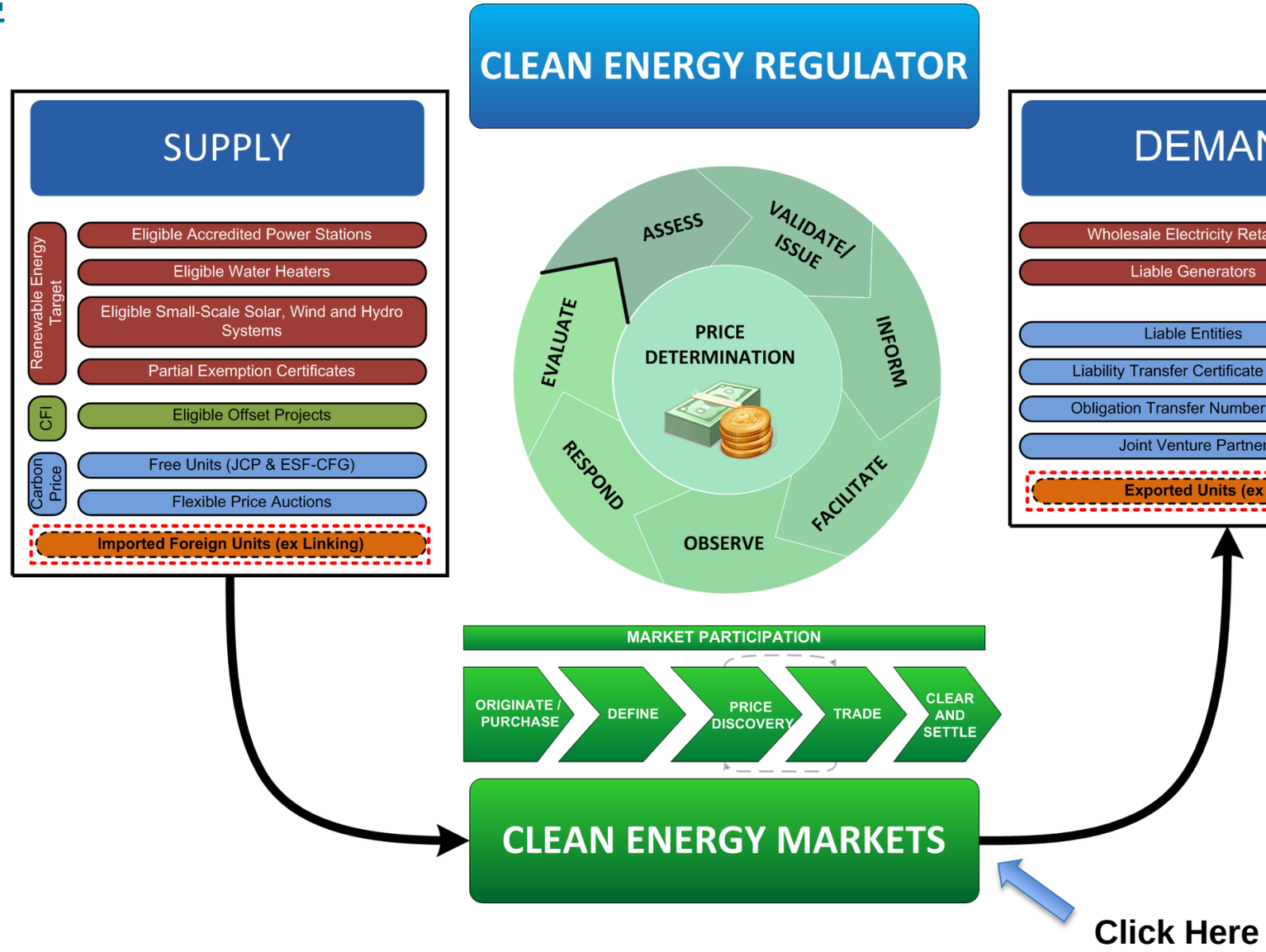
REGISTER → REPORT CORRECTLY → ACCEPT LIABILITY/ ENTITLEMENT → TRANSACT

Back to Main Page

MARKET MODEL

The regulatory schemes administered by the CER are market-based

- **they create financial incentives**
- **to change business behaviour**
- **by leveraging either the Government or industry's buying power.**



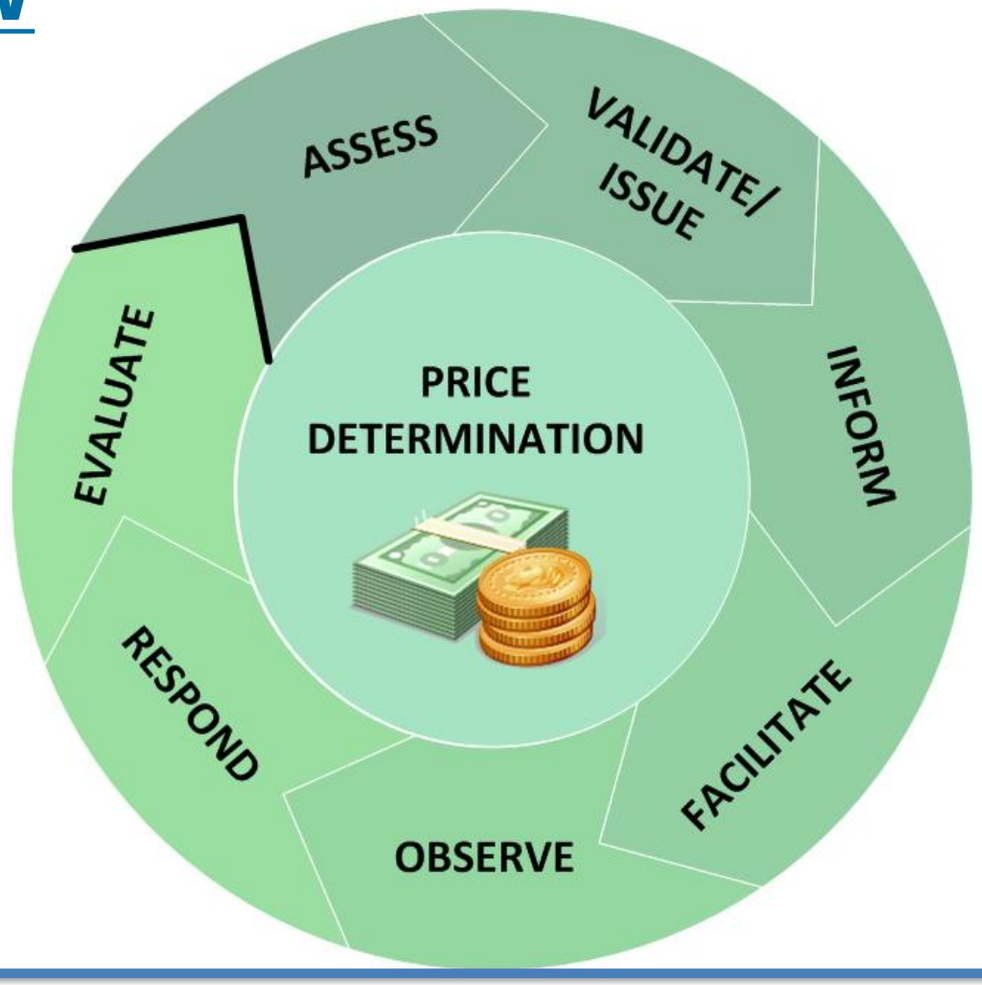
These markets function in the same way as any other and are characterised by a relationship between supply and demand.

The CER does not regulate the market but is responsible for facilitating it and promoting depth and liquidity.

Back to Main Page

MARKET MODEL – CLIENT VIEW

The success of the markets relies upon transparent, liquid and predictable markets which generate a stable price and which generates the desired investments in Clean Energy.



From a market participant's perspective the process of participation in the market consists of five steps:

- **Originate / Purchase**
- **Define**
- **Price Discovery**
- **Trade**
- **Clear and Settle**

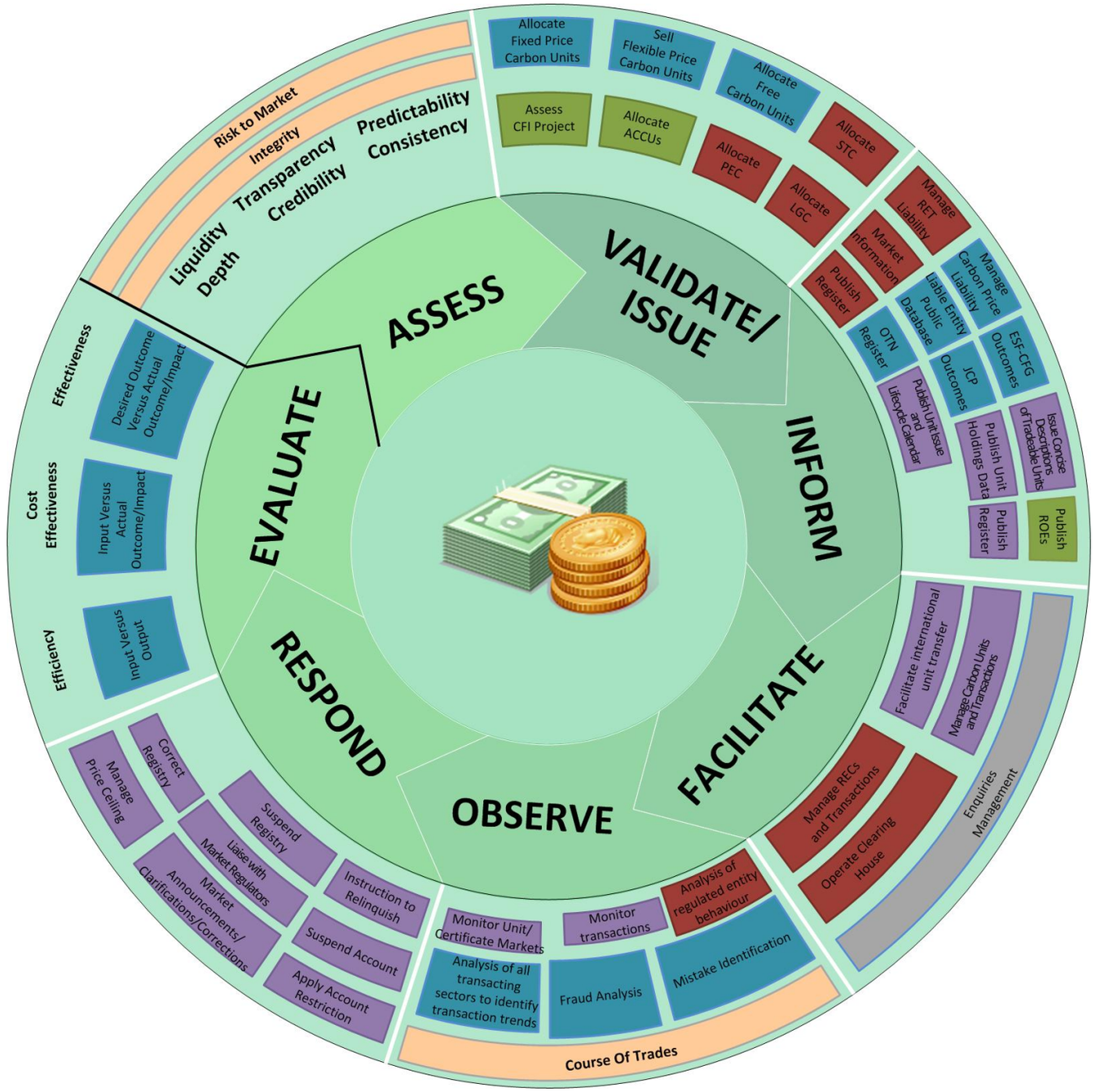
The CER creates an external environment where these desired behaviours occur transparently

Continue

MARKET MODEL – CER ACTIONS

The core process for facilitating the market consists of seven steps undertaken by the CER:

- **Assess**
- **Validate/Issue**
- **Inform**
- **Facilitate**
- **Observe**
- **Respond**
- **Evaluate**



These ensure that the market is open, transparent and supports a level of confidence by participants.

Back to Main Page

EFFECTIVENESS MODEL

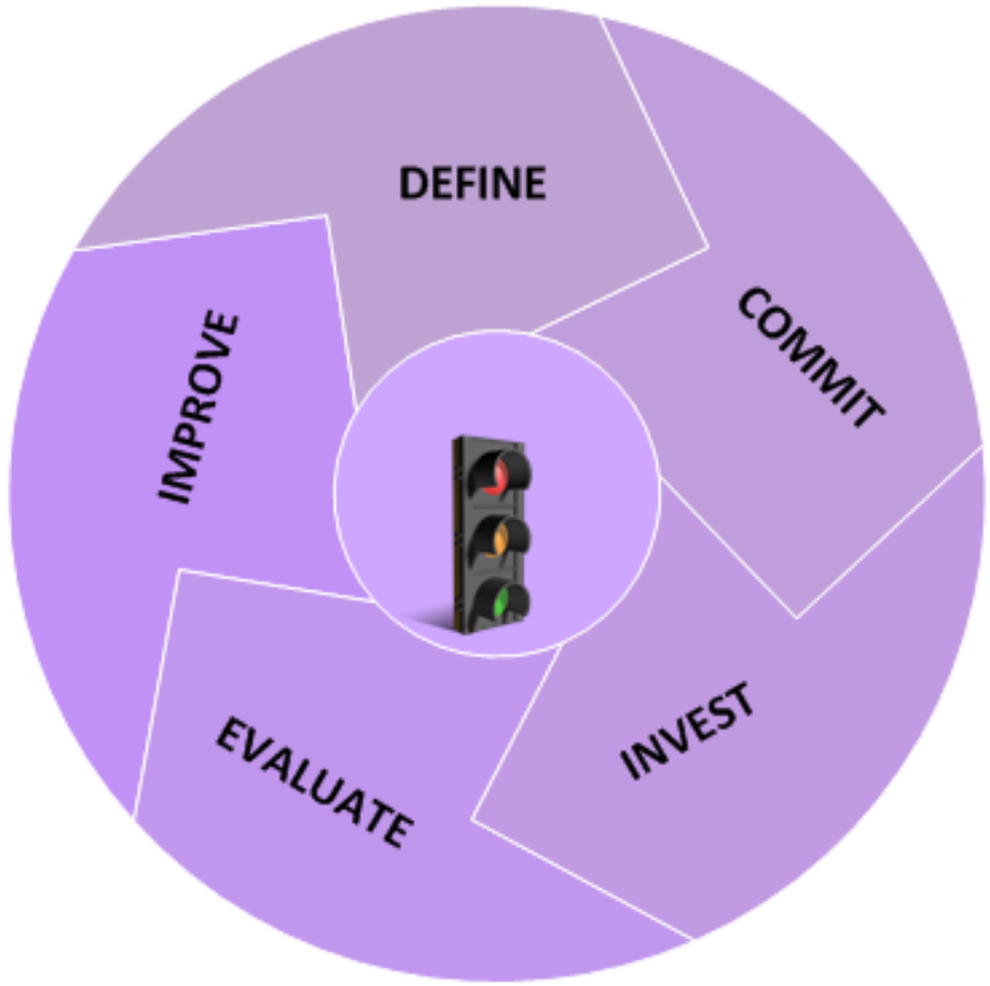
The CER strives to

- **make efficient use of its resources, and account for its actions,**
- **adapts, evolves and continuously improves and;**
- **meets the broader government obligations of financial competence and public accountability.**

The desired behaviours of its strategic stakeholders can be summarised into four broad categories:

1. **Empower**
2. **Act**
3. **Assure**
4. **Streamline**

Through its planning, delivery and improvement processes the CER focuses on optimising its internal and external relationships and driving the behaviours which serve to maximise its overall regulatory effectiveness and efficiency.



Continue

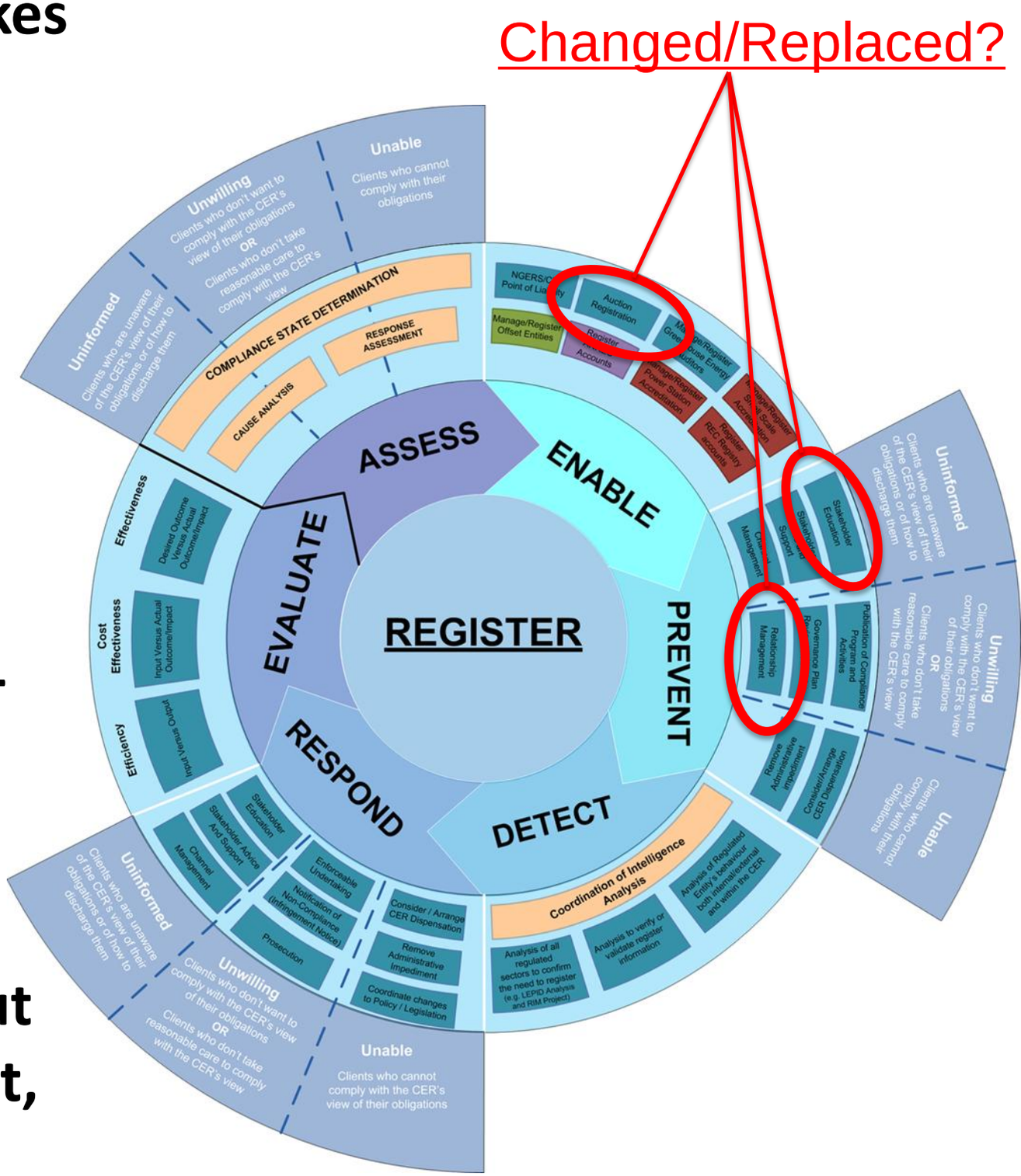
WHAT ABOUT POLICY CHANGES?

If the policy changes, the Model makes change more explicit.

The CER will:

- **Consider whether the core obligations have changed**
- **Re-assess the risk against any changed obligations**
- **Remove and replace legacy capabilities including all POPIT**
- **Recalibrate performance expectations and indicators**

With an explicit source of truth about what the CER does and how it does it, change can be accommodated more efficiently.



Back to Main Page

CER BOM Capabilities (Target Operating Model)

Capabilities and Functions

CER Regulatory posture and coordination

Strategic Management
- 9.17 Business Strategy & Planning
- 9.23 Performance & Development
- 9.18 Corporate Governance
- 9.5 Business Services
- Corporate Communications
- Internal Audit
- 9.10 Business Improvement
- Design Consultation
- Program/Project Management
- Quality Management
- 9.3 Enerprise Risk Management
- 9.12 Operational Reporting
- Performance Reporting
- Statutory Obligational Reporting
- 8.9 Regulatory Performance Management
- Regulatory activity reporting
- Regulatory Quality Assurance

Financial Management
- 9.2 Finance
- Debt recovery
- Administered Accounts
- 8.1 Regulatory Scheme revenue
- Receive payment
- Manage revenue
- Issue Payments
- Recognise Revenue
- Accounting Framework

8.2 CER Policy Coordination
- Policy and Legislative interpretation
- Feedback on Policy and Legislation
- Coordinate Changes to Policy/ Legislation
- Legislative Loophole Analysis

8.3 Decisions Appeals and Reviews
- Manage reviews of decisions
- Manage AAT appeal processes
- Regulatory delegations and decisions
- Manage Consistent Advice

8.7 Civil/ Criminal Enforcement
- Referral to DPP
- Penalties

8.5 CER Client Management
- Cross scheme information sharing
- Cross scheme entity interactions
- Identify Management
- Change of client information

8.6 CER Regulatory Partners Management
- Cross scheme information sharing
- Cross scheme entity interactions
- Identify Management

8.4 CER Regulatory Posture and Coordination
- CER regulatory policies and approach
- CER regulatory risk assesment
- Culture & Relationship Management

Corporate Enabling & Support Sevices

- Procurement
- Personnel
- Occupational Health & Safety
- Legal Services
  - 9.7 Legal
- Personnel
  - 9.4 Human Resources
- Property Management
  - 9.1 Shared Services Management
- Information Management
  - 9.16 Information Management
- Technology & Telecommunications
  - 9.8 Infrastructure Services
    - Infrastructure Management & Support
    - Infrastructure Rationalisation & Consolidation
    - ITSM
    - Infrastructure Procurement & Transitioning
  - 9.15 ICT Operational Support & Enabling Services
    - Operational Strategy
    - Enterprise Architecture Services
    - ICT Testing Services
    - ICT Developer Tools and Support
    - SDLC Framework
- Compensation
- Equipment & Stores
- Fleet Management
- Government Relations
  - 9.9 Parliamentary Support
- Industrial Relations
- Community Relations
  - 9.20 Enquiries Management
  - 9.19 Complaints Management
- Publications
- Establishment
  - 9.21 Workforce Planning

Key
- Cross Scheme Capbility
- Renewable Energy Target Capability
- ANREU capability
- CFI Capability
- NGER/ Carbon Price Capability
- CER corporate capability

Changes since previous version
- Shadow indicates new item
- Red indicates text changes
- Yellow outline indicates new function
- Faded colour indicates pending removal or inclusion

Communication, Education and Engagement

8.4.5 Coordination of Stakeholder Engagement

- 5.1 NGERS/CP Communications Education and Engagement
  - Strategic Communications
    - Stakeholder Analysis & Market Research
  - Stakeholder Relationship Management
    - Stakeholder Identification
    - Stakeholder Education
    - Stakeholder Advice & Support
  - Channel Management
- 5.2 CFI Communications & Engagement
  - Strategic Communications
    - Stakeholder Analysis & Market Research
  - Stakeholder Relationship Management
    - Stakeholder Identification
    - Stakeholder Education
    - Stakeholder Advice & Support
  - Channel Management
- 5.3 ANREU Communications & Engagement
  - Strategic Communications
    - Stakeholder Analysis & Market Research
  - Stakeholder Relationship Management
    - Stakeholder Identification
    - Stakeholder Education
    - Stakeholder Advice & Support
  - Channel Management
- 5.4 RET Communications & Engagement
  - Strategic Communications
    - Stakeholder Analysis & Market Research
  - Stakeholder Relationship Management
    - Stakeholder Identification
    - Stakeholder Education
    - Stakeholder Advice & Support
  - Channel Management

Intelligence, Analysis and Regulatory Risk Management

8.4.3 Coordination of Intelligence and analysis

- 6.1 NGERS/CP Intelligence Analysis & Risk Management
  - Intelligence Support
  - Analysis
  - Determine Compliance Monitoring activities
  - Intelligence Strategy
  - Manage CP/ NGER regulatory risks
- 6.2 CFI Intelligence Analysis & Risk Management
  - Analysis of regulated entity behaviour
  - Determine Compliance Monitoring activities
  - Intelligence Strategy
  - Manage CFI regulatory risks
- 6.3 ANREU Intelligence Analysis & Risk Management
  - Monitor Carbon Unit Markets
  - Monitor transactions
  - Liaise with market regulators
- 6.4 RET Intelligence Analysis & Risk Management
  - Monitor REC Markets
  - Analysis of regulated entity behaviour
  - Determine Compliance Monitoring activities

Compliance monitoring and Enforcement

8.4.4 Coordination of Compliance and Enforcement Activities

- 7.1 NGERS/CP Compliance & Enforcement
  - Compliance Monitoring
    - Instruct entity to conduct audit
    - Conduct Audits
    - Request Information
    - Conduct monitoring Authorised Officer visits
    - Conduct warrent Authorised Officer visits
  - Enforcement
    - EN Assessments
    - Enforceable Undertakings
    - Infringement Notice
- 7.2 CFI Compliance & Enforcement
  - Instruction to relinquish
  - Instruct entity to conduct audit
  - Conduct Audits
  - Enforceable Undertakings
  - Infringement Notice
- 7.3 ANREU Compliance & Enforcement
  - Suspend Registry
  - Penalties
  - Instruction to relinquish
  - Correct Registry
  - Apply Restriction on ANREU Account
- 7.4 RET Compliance & Enforcement
  - Compliance Monitoring
    - Conduct Audits
    - Request Information
    - Authorised Officer audit
    - Conduct warrant Authorised Officer visits
  - Enforcement
    - Enforceable Undertaking

Scheme Eligibility

8.5.6 Point of Entry

- 1.1 NGERS/CP Point of Liability and Statuatory Processes
  - Receive Declartion
  - Assess Declaration
  - Receive Liability Application
  - Assess Liability Application
  - Receive Registration Application
  - Assess Registration Application
  - Update Details
- 1.3 Manage Greenhouse Energy Auditors
  - Auditor Applications, Registration and Guidance
  - Manage Auditor Registration Status
  - Conduct Inspections of Auditors
  - Update Details
- 1.6 Auction Registration
  - Receive Applications
  - Assess Application
  - Update Details
- 1.2 Recognise Offset Entities
  - Receive Applications
  - Assess Applications
  - Update Details
- 1.4 Manage ANREU Accounts
  - Recieve Applications
  - Assess Applications
  - Create Accounts
  - Suspend Accounts
  - Close Accounts
  - Update Details
- 1.5 Manage REC Registry accounts
  - Receive Applications
  - Create Accounts
  - Suspend Accounts
  - Cancel Accounts
  - Update Details
- 1.7 Small Scale Accreditation
- 1.8 Power Station Accreditation

Scheme Entitlement

- 2.2 Allocate Free Carbon Units
  - Receive JCP Application
  - Receive ESF-CFG Applications
  - Assess JCP
  - Assess ESF-CFG
  - Manage Application Lifecycle (ESF-CFG)
  - Manage Application Lifecycle (JCP)
  - Calcualte ESF-CFG Annual Amount
  - Update Details
- 2.3 Assess and Manage CFI Projects
  - Manage Technical Knowledge of Approved Methodologies
  - Receive applications
  - Assess applications
  - Formalise and Manage Agreements
- 2.4 Allocation of ACCUs
  - Receive reports
  - Assess Reports
- 2.5 Allocate STC
  - Receive STC Creation
  - Assess/ Validate STC
- 2.6 Allocate LGC
  - Receive LGC Creation
  - Assess/ Validate LGC
- 2.8 Allocation of PEC
  - Receive PEC Applications
  - Assess PEC Application
  - Issue PEC
  - Update Details

Liability calculation and accounting

- 3.1 Manage RET Liability
  - Reconcile Surrendered RECS
  - Determine Liability STC
  - Determine Liability LGC
  - Determine shortfall
  - Set STP and RPP
- 3.2 Manage Carbon Price Liability
  - Interim Liability Reconciliation
  - Final Liability Reconciliation
  - Unit Shortfall Charges (or Refund)
  - Estimation Error Charge

Data reporting

- 10.1 RET Reporting
  - Annual Renewable Energy Shortfall Statement
  - Annual Energy Acquisition Statement
  - Electricity Generation Return
  - Annual Return for Over 250 Certificates
- 10.2 NGERS/ CP Data Reporting
  - Annual NGER Report
  - Interim Emissions Report
  - Report Validation
  - Report Resubmission
- 10.3 NGERS/ CP Disclosure
  - Data Disclosure
  - Data User Support and Management
  - Data Reporting S Streamlining

Market Operations

- 4.6 CP/NGER Publication
  - Information Publishing
  - Liable Entity Public Database
  - OTN Register
  - JCP Outcomes
  - ESF-CFG Outcomes
- 4.7 CFI Publication
  - Publish Register of Offset Projects
- 4.9 RET Publications
  - Publish Register
  - Market Information
- 4.8 ANREU Publications
  - Publish Register
  - Publish Unit Holdings Data
- 4.1 Emission Units and Transactions
  - Issue Units (CU, ACCU)
  - Cancel Units
  - Unit transactions
    - Surrender Units
    - Relinquish Units
    - Unit Banking
    - Transfer Units
    - Transfer of substitute units
  - Manage Buy-back of Free Carbon Units
- 4.2 International Emissions Units Obligations
  - Facilitate international unit transfer
  - International unit obligations
- 4.3 Manage Price Ceiling
  - Manage Price Ceiling
- 4.4 Manage RECs and Transactions
  - Transfer RECs
  - Surrender RECs
  - Update REC status
- 4.5 REC Clearing House
  - Operate Clearing House
  - Regulator Issued RECs
- 4.10 Sell Fixed Carbon Units
  - Manage Fixed Price Unit allocation
- 4.11 Sell Flexible Carbon Units
  - Confirm and Advise Arrangements for Auction
  - Schedule auctions
  - Call auction
  - Conduct auction
  - Process settlement payments
  - Auction results transfer
  - Receive and Manage Cap

DATE	DRAWN BY	VERSION
13/12/2012	Business Design Team	Version 8.9

BASED ON: Business Operating Model Capability Descriptions v2.0

FULL FILENAME: G:\GEROD\Business Design\BOM\Expanded business model version 8.7vsd – Worksheet "Target Capability Model by core cap"

PUBLISHED: 17/12/2012

Back to Main Page